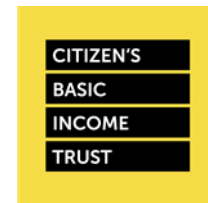


# The role of research in the Basic Income debate in the UK

London School of Economics symposium  
29<sup>th</sup> January 2020

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# Basic Income

A Basic Income is an unconditional income for every individual

(A Basic Income is sometimes called a Citizen's Basic Income (CBI), a Citizen's Income (CI), or a Universal Basic Income (UBI))

The amount paid to the individual is not affected by

- Income
- Wealth
- Household structure
- Employment status
- Etc.

# Different amounts for different ages?

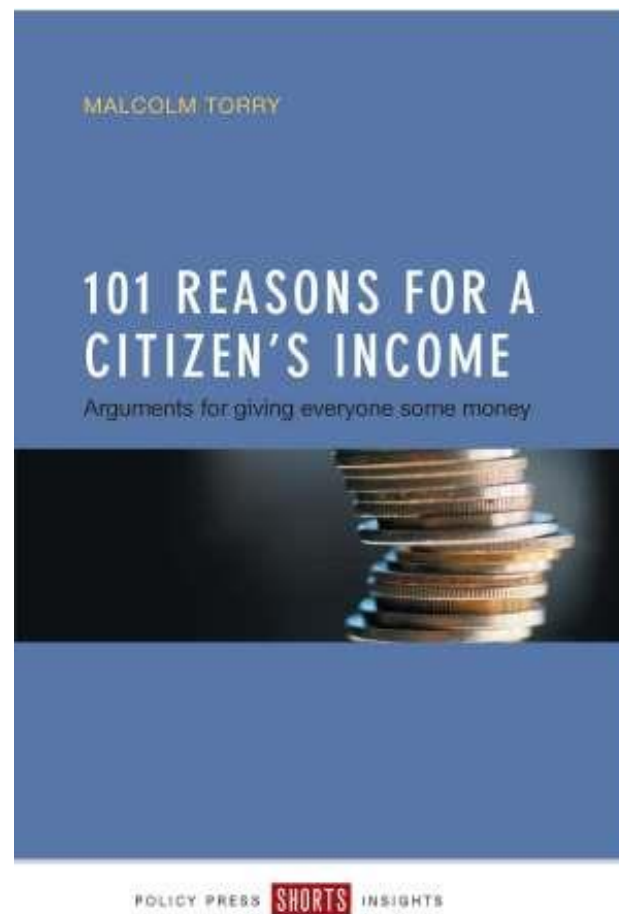
- Perfectly OK.
- We can't affect our age, and no enquiry is required.
- Automatic administration is preserved.

So different amounts for different age groups does not compromise the unconditionality that matters.

# A Basic Income ...

... would provide more freedom of choice over citizens' life courses; it would promote a better work-life balance, enhance gender equality and expand choices between paid and unpaid work. It might enable more people to contribute to the 'core economy' ... [it would] reduce division and stigma and enhance social solidarity. ... [it would contribute to] a realistic transition strategy from the present to a post-growth society.

(Ian Gough, *Heat, Greed and Human Need*, Edward Elgar, 2017: 184, 185, 186)



# Basic Income and Basic Income schemes

A **Basic Income** is an unconditional income paid to every individual.

A **Basic Income scheme** is a Basic Income, with specified levels for each age group, with the funding mechanism specified, with any changes to the existing tax and benefits systems fully specified, and with such other details as frequency of payment also described.

# Costings of illustrative Basic Income schemes at the beginning of the modern debate

- 1943, Lady Rhys Williams, *Something to look forward to: a non-means-tested but work-tested income*. A response to Beveridge, based on his research.
- 1982, Brandon Rhys Williams: submission to a parliamentary committee. Costings by Hermione ('Mimi') Parker.
- 1984: The Basic Income Research Group (now the Citizen's Basic Income Trust)
- Books contained detailed costings: Hermione Parker in 1988 (with Andrew Dilnot and Holly Sutherland), 1989, 1994 and 1995; Samuel Brittan and Steven Webb in 1990.

# Research on the financial aspects of illustrative Basic Income schemes since 1982

1. The 'national accounts' method (Hermione Parker; earlier Basic Income Research Group/Citizen's Income Trust research; Anne Miller; Royal Society of Arts)
2. Microsimulation (Current Citizen's Basic Income Trust research at the Institute for Social and Economic Research; Landman Economics for Compass; Institute for Policy Research)
3. The 'typical household' method (Hermione Parker; earlier Basic Income Research Group research; current Citizen's Basic Income Trust research)

# First method: National accounts and census data

- Census data can tell us the total cost of Basic Incomes;
- National accounts can tell us how much money would be available from making changes to Income Tax allowances and rates;
- National accounts can tell us how much money would be available from abolishing means-tested benefits.
- Research in 2014 showed that without substantial additional revenue, abolishing means-tested benefits at the point of implementation of a Basic Income would make a lot of poor households even poorer.
- So a method was required that would enable us to evaluate Basic Income schemes that retain and recalculate means-tested benefits rather than abolish them.



# Second method: Microsimulation

- The programme – for instance, EUROMOD/UKMOD – models tax and benefits systems.
- Financial data from a large sample of the population is fed into the programme, which delivers information on individual and household disposable incomes, numbers of households on different benefits, poverty and inequality indices, etc..
- New benefits can be added to the programme, and existing taxes and benefits can be changed.
- The programme is then run again to deliver a second set of information on individual and household disposable incomes, etc.
- The two sets of information can then be compared.

# Two approaches to microsimulating illustrative Basic Income schemes

1. A variety of different schemes ( - different amounts of Basic Income, different changes to existing taxes and benefits, etc. ) are microsimulated to discover their effects: net cost, changes to poverty and inequality indices, net losses at the point of implementation, etc..
2. A set of criteria can be set, and a large number of different schemes can be tested to see if any of them fit the criteria.

# Criteria for an illustrative Basic Income scheme

- Revenue neutral (zero net cost)
- Income Tax rates to rise by no more than 3%
- All poverty indices must be reduced
- The Gini coefficient must be reduced
- No significant losses at the point of implementation for low income households
- Only manageable losses for any households
- Fewer people on means-tested benefits

(Not a requirement that means-tested benefits should be abolished; and the levels of Basic Income are not prechosen)

# Carbon taxes?

Two challenges:

1. Carbon taxes increase the costs of fuel and transport, and so impact the disposable incomes of households, and particularly of poor households. Basic Incomes would need to be high enough to prevent significant disposable income losses for low income households;
2. The policy process: two new policies at the same time might be problematic.
3. Neither EUROMOD/UKMOD nor the Landman Economics microsimulation programme currently simulate the effects of carbon taxes.

# Warnings 1: A Westminster Hall debate

*Ronnie Cowan MP:* In the words of Malcolm Torry, the director of the Citizen's Income Trust: 'Technology lying idle, human creativity frustrated, wealth flowing from poor to rich, and finite resources uncontrollably exploited ...we are still waiting for the next new key concept. A Citizen's Income might be just what is required.'

*Julian Knight MP:* I congratulate the hon. Gentleman on securing this debate. He mentions the EUROMOD report by Mr Torry, and I wonder whether he saw the part of the report in which it is stated that, in order to support a universal basic income, the basic rate of income tax would have to rise to 48 pence in the pound. Can he say how on earth that is supportable in a modern economy?

# Westminster Hall debate (continued)

*Damian Hind MP, the Minister for Employment:* UBI would create too many losers among the poorest families and dramatically increase the number of children living in poverty – a point confirmed through modelling even by the Citizen's Income Trust.

The problem: Members of Parliament quoting published Basic Income schemes that had been shown and stated not to be feasible, and not quoting schemes shown to be feasible.

The lesson learned: Not to publish infeasible Basic Income schemes. This is unfortunate. Good scientific practice requires negative results to be published: but should we do that if the research is going to be abused?

# Warnings 2: A Work and Pensions Committee oral hearing 2017

*Declan Gaffney:* One of the main selling points of basic income is that you get away from means testing, but it comes back in once we start trying to address housing costs. There would be a separate disability benefit. This is only right and proper but that does imply some testing of disability status, so you are back to having the welfare state making judgments about people's ability to work. As you move closer towards the real world, it begins to look like a tweak to existing social security arrangements rather than the kind of root and branch change that its advocates tend to sell it as. We get overselling of what are often relatively modest changes to the existing system being presented as revolutionary changes or, alternatively, we get utterly utopian schemes, which have zero chance of practical implementation, being sold as solutions to problems that we don't know yet if they exist or not, such as the problem of robots taking all the jobs. I am extremely sceptical about the entire basic income programme and I am extremely aware that what is being sold under that brand is often very far away from what it seems to be.

# Work and Pensions Committee hearing (continued)

The problem: As none of the three UK experts on microsimulation of Basic Income schemes had been invited, even though they had applied for invitations, there was nobody present who could show how many people a feasible Basic Income scheme would take off means-tested benefits.

Lesson learned: Keep on publishing high quality research, even if it's ignored at the time. Declan Gaffney later wrote an article with Karen Buck MP advocating a small Basic Income.



# Pilot projects:

Only in Namibia and India have anything like genuine Citizen's Income pilot projects been held. Here are some of the Namibian results:

- Administrative costs are just 3% to 4% of the total outlay
- the villages of their own volition elected an advisory committee of 18 residents, and among its achievements are the opening of a post office, the establishment of savings accounts, and the closure of shebeens on the day of the monthly distribution of the grants
- new shops have opened
- the number of people experiencing daily food shortages fell from 30% to 12% of the population in just six months
- the number of people who rarely experience food shortages rose from 20% to 60% of the population
- the number of children malnourished fell from 42% to 17% of the population

# Namibian pilot projects results, continued ...

- children's weight for age improved to such an extent that from a low base it came to nearly match the world average
- the vast majority of children in families receiving the Citizen's income were in school by July 2008 because their families are rational in their children's interests and therefore regard school fees as essential expenditure, suggesting that cash transfers conditional on school attendance are simply a waste of administrative resources
- use of the clinic (which charges fees) increased six-fold
- economic activity rose, suggesting that people are not intrinsically lazy
- economic activity rose fastest amongst women

# Namibian pilot projects results, continued ...

- own account work saw the largest increase, and particularly the tending of vegetable plots and the building of latrines, both of which increase the community's health
- average income rose in every quintile, and proportionately more for lower quintiles
- average income rose a staggering 200% in the lowest quintile *excluding* the N\$100 (US\$12) Citizen's Income, because people could now purchase the means for making an income, and they did
- poverty-related crime fell, giving people confidence to invest in assets
- low wage employment was in many cases replaced by better paid self-employment
- women could now say 'no' to requests to sell sex

# Other pilot projects

- The larger Indian pilot project exhibited similar results, and in particular new empowerment for people with disabilities
- Canadian and United States Negative Income Tax pilot projects (similar to Citizen's Income in economic terms, but administratively very different) showed that a secure income floor does not generally reduce employment effort, but that it does have some small and potentially useful effects: Individuals who lose their job take longer over finding a new one (suggesting that they're looking for the right job, not just any job); mothers of young children reduce their employment hours but do not generally leave the employment market; and young adults are more likely to go to college to gain qualifications than to go straight into employment.
- Finland: Unemployment benefits made unconditional for two years for two thousand randomly selected individuals.

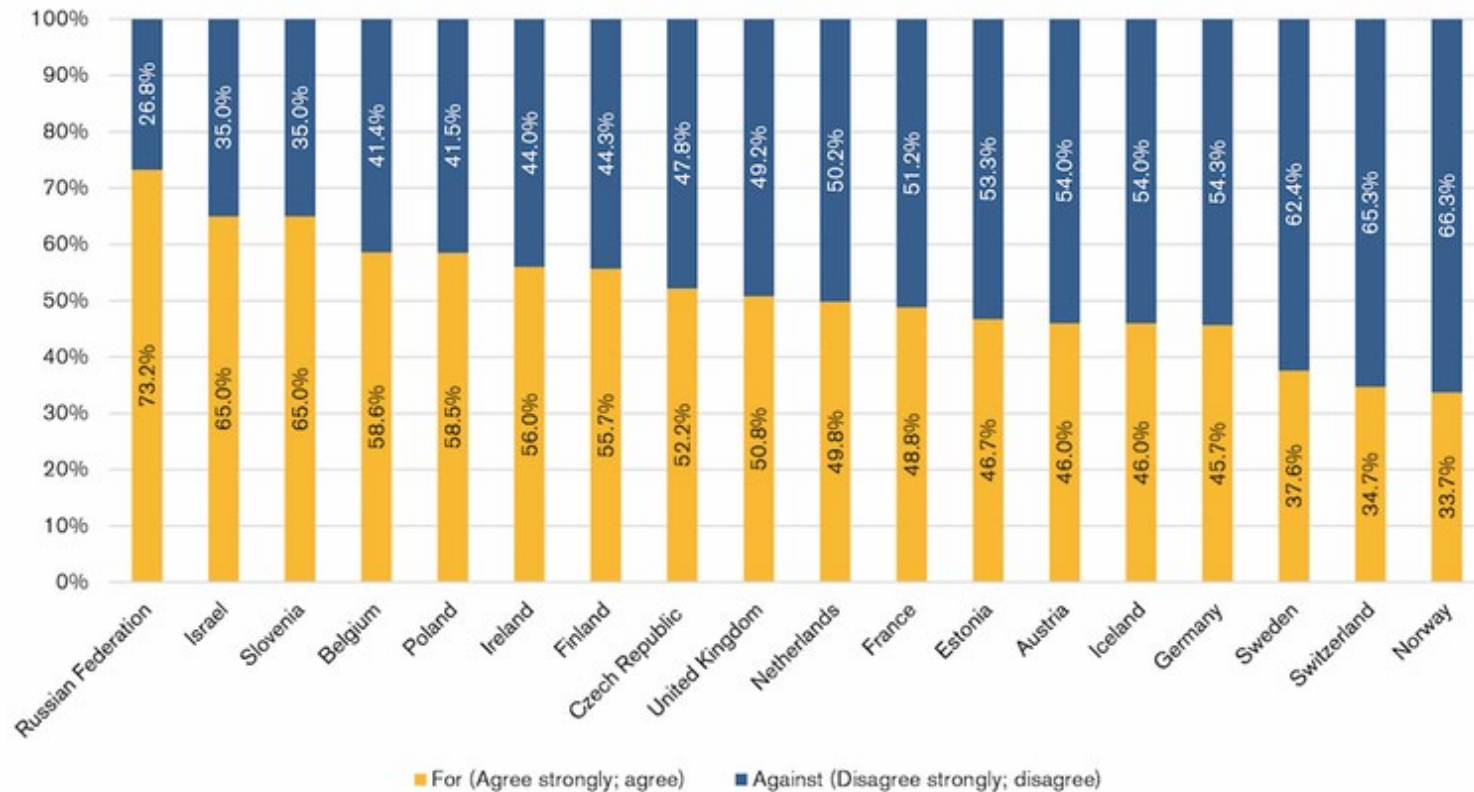
# Pilot projects in developed countries: The dilemma

- It would be possible to pay a Basic Income to every individual in a community for a period of time without changing existing tax and benefits systems: but that could not be afforded for an entire country. So the experiment would not be a pilot project for a feasible Basic Income scheme.
- A feasible Basic Income scheme would have to change the country's existing tax and benefits systems. However, it is almost impossible to change complex existing tax and benefits systems for a single community. Therefore a genuine Basic Income pilot project cannot be carried out.
- Microsimulation is a pilot project.

# Public opinion surveys



Level of support for the introduction of a universal basic income  
(ESS Round 8, 2016)



# Opinion surveys (continued)

Challenges:

- Understanding of the concept of Basic Income
- Understanding of funding mechanism and its effects

# Distinguishing between Basic Income and everything else

The following have similarities to Basic Income, but they are not Basic Incomes:

- Negative Income Tax
- Tax Credits
- Minimum Income Guarantee
- Participation Income



# Basic Income and Minimum Income Guarantee

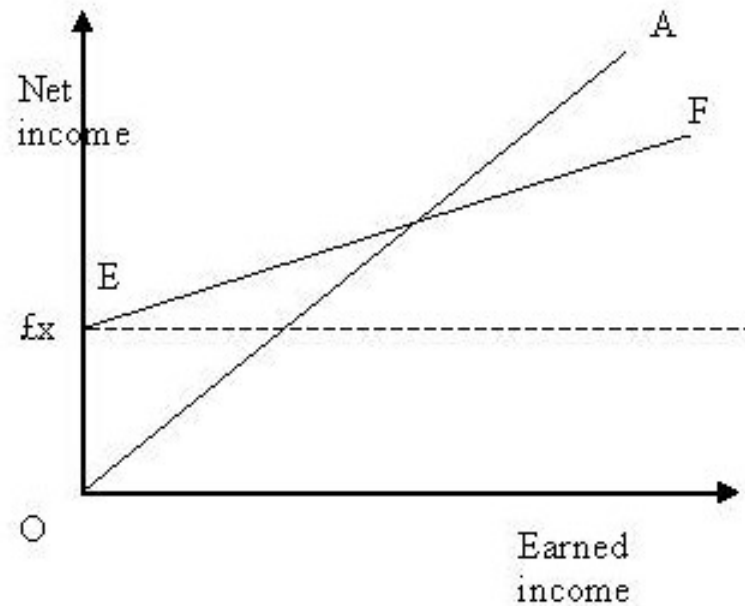
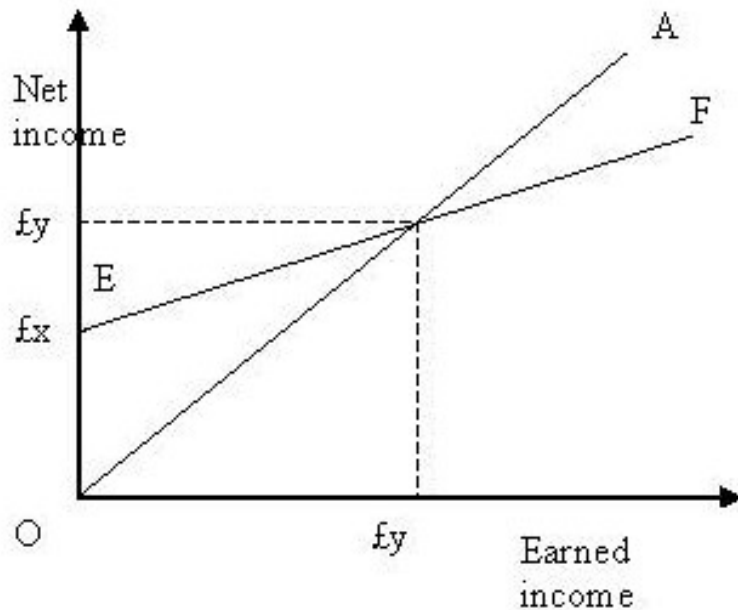
A Basic Income is an unconditional income for each individual.

A Minimum Income Guarantee is a level of disposable income below which a household is not allowed to fall.

- The amount of money that a government will need to pay to the household will therefore depend on the household's income from other sources (earnings, pensions, interest on savings, other benefits, and so on) and on the composition of the household.

Basic Income and Minimum Income Guarantee could not be more different.

# Negative Income Tax and Basic Income



# Negative Income Tax and Basic Income

The same:

The relationship between earned income and net income is the same in both cases

Differences:

- NIT payments vary with income, BI payments do not
- NIT administration is complicated, BI administration is simple

# Rational debate

If the Basic Income debate is to be rational, we need

- Agreement about definitions, and consistent use of them
- Clarity about the differences between Basic Income, Negative Income Tax, and Minimum Income Guarantee
- Understanding of the difference between the idea, Basic Income, and Basic Income schemes
- Careful logic
- High quality research

# Careful argument, clarity of definition

Rational debate requires clarity of definition.

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- Income
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- Household structure
- Employment status
- Etc.

# Basic Income and Basic Income schemes

## *The idea*

A **Basic Income** is an unconditional income paid to every individual.

## *The details*

A **Basic Income scheme** is a Basic Income, with specified levels for each age group, and with the funding mechanism specified, and with such other details as frequency of payment also described.

# Basic Income and Basic Income schemes

Basic Income always has the same definition.

There is an infinity of different Basic Income *schemes*.

Arguments for or against a particular Basic Income scheme are not necessarily arguments for or against Basic Income, nor are they necessarily arguments for or against different Basic Income schemes.

# Basic Income: Always the same effects

- Secure layer of income
- Social cohesion
- Absence of stigma
- Simple to administer
- Does not contribute to marginal withdrawal rates
- Does not interfere with employment market decisions
- Does not interfere with relationship decisions



# Different Basic Income *schemes* can have very different effects

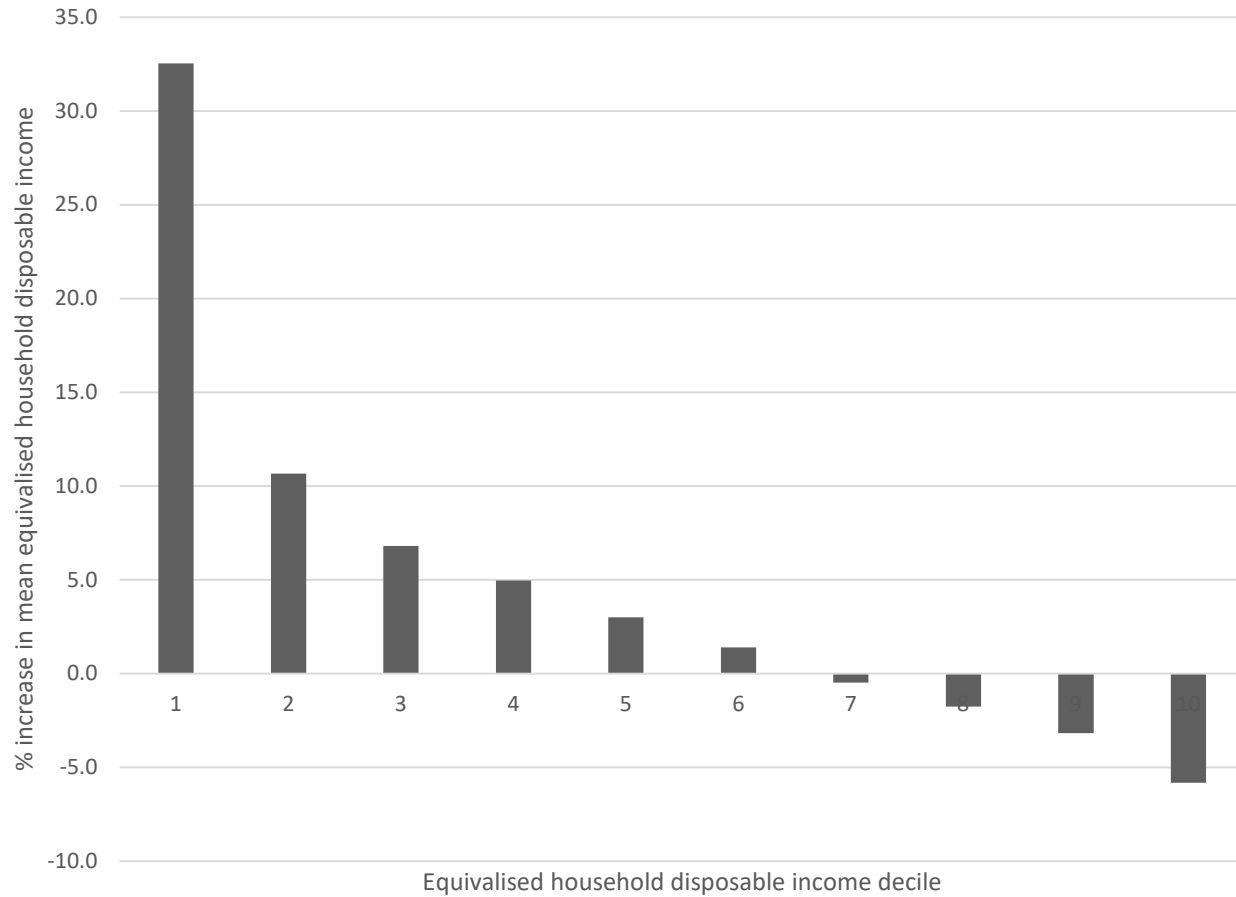
- One scheme might increase inequality, whereas another might reduce it
- One scheme might increase poverty, whereas another might reduce it
- One scheme might impose losses on low income households at the point of implementation, whereas another might not
- One scheme might require very high income tax rates, whereas another might not
- One scheme might require additional funding from elsewhere, whereas another might not
- One scheme might increase employment, whereas another might not
- One scheme might be politically feasible, whereas another might not

<b>Basic Income levels, tax rates, numbers of losses over various limits for all households and lower quintile, and total net cost of scheme</b>	
Citizen's Pension per week (existing state pensions remain in payment)	£40
Working age adult Basic Income per week	£65
Young adult Basic Income per week	£50
Education age Basic Income per week	£40
(Child Benefit is increased by £20 per week)	[£20]
Income Tax rate increase required for strict revenue neutrality	3%
Income Tax, basic rate (on £0 – 46,350)	23%
Income Tax, higher rate (on £46,350 – 150,000)	43%
Income Tax, top rate (on £150,000 – )	48%
Proportion of households in the lowest original income quintile experiencing losses of over 15% at the point of implementation	1.23%
Proportion of households in the lowest original income quintile experiencing losses of over 10% at the point of implementation	1.77%
Proportion of households in the lowest original income quintile experiencing losses of over 5% at the point of implementation	3.71%
Proportion of all households experiencing losses of over 15% at the point of implementation	0.41%
Proportion of all households experiencing losses of over 10% at the point of implementation	1.74%
Proportion of all households experiencing losses of over 5% at the point of implementation (losses over 6%: 7.11%)	12.54%
Net cost of scheme	£1.41bn p.a.

<b>Reductions in numbers claiming means-tested benefits or within striking distance of coming off them</b>	<b>The existing scheme in 2018</b>	<b>The Basic Income scheme</b>	<b>% reduction</b>
Percentage of households claiming any means-tested benefits	32.86%	30.45%	7.35%
Percentage of households claiming more than £100 per month in means-tested benefits	28.98%	24.31%	16.11%
Percentage of households claiming more than £200 per month in means-tested benefits	26.23%	20.67%	21.20%
<b>Reductions in total costs and average values of claims for means-tested benefits</b>	<b>Reduction in total cost</b>	<b>Reduction in average value of claim</b>	
All means-tested benefits	30.60%	22.00%	

<b>Inequality and poverty indices</b>	<b>The current tax and benefits scheme in 2018</b>	<b>The Basic Income scheme</b>	<b>Percentage change in the indices</b>
Inequality			
Disposable income Gini coefficient	0.3087	0.2756	10.73%
Poverty headcount rates			
Total population in poverty	0.16	0.11	29.57%
Children in poverty	0.18	0.11	42.08%
Working age adults in poverty	0.15	0.11	28.17%
Economically active working age adults in poverty	0.06	0.04	37.48%
Elderly people in poverty	0.14	0.12	14.80%

### % increase in mean equivalised household disposable income by equivalised household disposable income decile



# 'Typical households' research

Microsimulation can calculate the effects of a change to the benefits and tax system for an entire population.

It is also possible to calculate the effects of a change for a particular kind of household.

The following example shows the effects of the 2018 version of the Basic Income tested above for a couple with one earner (earning £20,000 p.a.), two children, and rent of £120 p.w..

- The first table shows the current position. (There are two columns, because the household might be on the old Tax Credits, or on the new Universal Credit).
- The second table shows their position once the Basic Income has been introduced and their means-tested benefits have been recalculated.

Typical households research is useful for educational purposes

<b>Today's system, 2017/18 weekly figures</b>	<b>Tax Credits</b>	<b>Universal Credit</b>
Gross Earnings / Net Profit	384.62	384.62
Net Earnings – after Income Tax and N.I.	324.61	324.61
Child Tax Credit (No Working Tax Credit)	102.25	
Housing Benefit	21.78	
Council Tax Reduction		3.30
Child Benefit	34.40	34.40
Universal Credit		175.31
Weekly Income	£483.04	£537.61

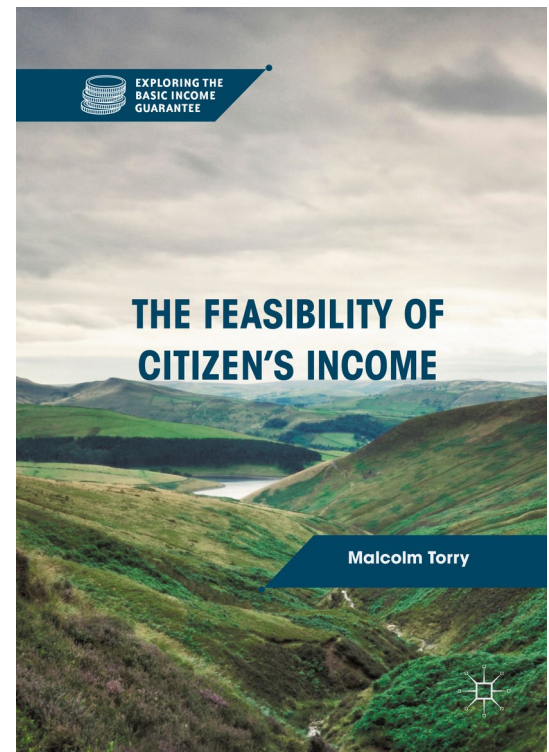
<b>Basic Income, 2017/18 weekly figures</b>	<b>Tax Credits</b>	<b>Universal Credit</b>
Gross Earnings / Net Profit	384.62	384.62
Net Earnings – after Income Tax and N.I.	268.84	268.84
Basic Income	126.00	126.00
Child Tax Credit (No Working Tax Credit)	34.19	
(No Housing Benefit or Council Tax Reduction)		
Child Benefit	74.40	74.40
Universal Credit		77.95
Weekly Income	£503.43	£547.19

# Research required

The feasibility tests that a Basic Income scheme would have to pass determine the research that needs to be done. The tests are as follows:

- Financial (net cost; household losses)
- Administrative
- Psychological
- Behavioural
- Political
- Policy process

Pilot projects provide useful research results and are educationally useful.





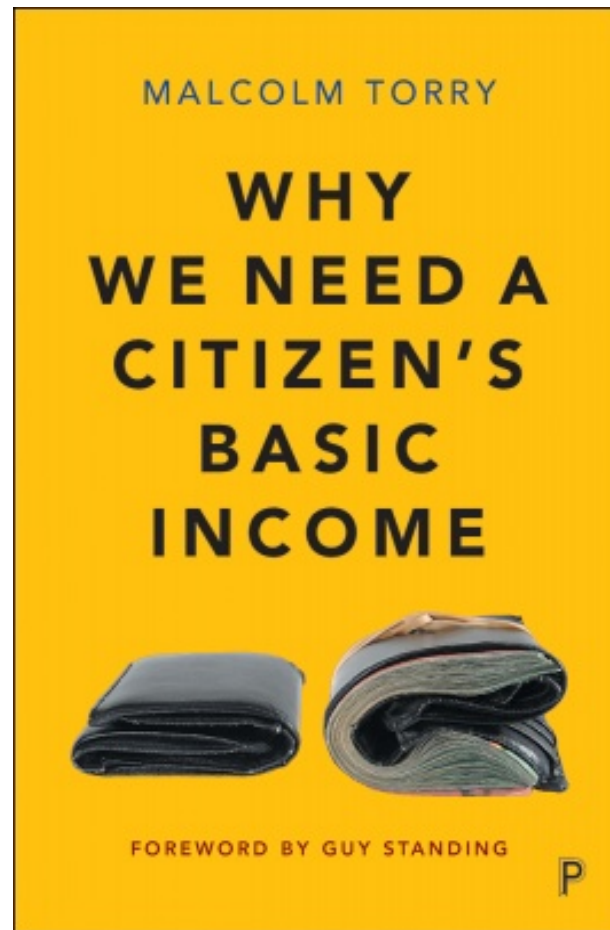
# Research required (continued)

Several different kinds of research are required in every country:

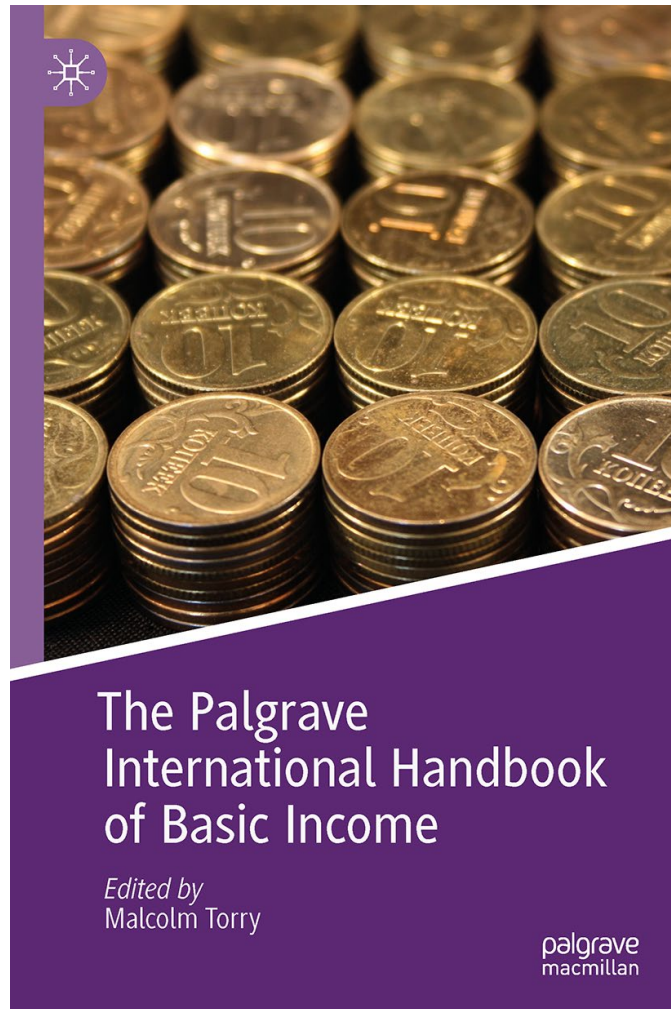
- Microsimulation research to discover feasible Basic Income schemes;
- Typical household research for educational purposes.
- Pilot projects (for employment effects)
- Opinion surveys

# Why we need a Citizen's Basic

**Income** (Policy Press, 2018): a second edition of *Money for Everyone: Why we need a Citizen's Income* (Policy Press, 2013)



# The Palgrave International Handbook of Basic Income (Palgrave Macmillan, October)



# Recent microsimulation research

## EUROMOD WORKING PAPER SERIES

**EM 13/19**

**Static microsimulation research on Citizen's Basic Income for the UK:  
a personal summary and further reflections**

<https://www.euromod.ac.uk/publications/static-microsimulation-research-citizen's-basic-income-uk-personal-summary-and-further>

