



## 1. Introduction

The aim of the Social Justice and Fairness Commission is to deliver a route map to the real prize of independence. That prize is a fairer Scotland that values and cares for everyone who lives here, from baby box to grave, and in which everyone can fully participate and have the opportunities they need to flourish.

Independence will empower the people of Scotland, but in order to build a better society, with wellbeing at its heart, we need our Scottish Parliament to use those powers differently.

Independence would provide an opportunity to think afresh about the kinds of policies we could pursue, and how we make decisions at every level in Scotland.

Our ambition is constrained only by what we collectively consider is desirable, and the response to the current pandemic has been a shining example of what we can collectively achieve when we put our minds to it. Change is possible, and very few people want to return to the way things were. As we chart our recovery and rebuild, we must build something better.

No one should be reliant on a food bank to eat. No one should be without the basic human right of a home. No one should be sat shivering in the depths of our Scottish winters because they can't afford to heat their homes. As we move forward, and look towards a better future, we must accept that no one should be left behind in our new Scotland. We all have a duty to look after one another.

With independence we can reset our society; one where the economy serves us, the people, and not the other way round.

The world is changing, and we must keep pace with that change – all the while harnessing the benefits of progress and protecting that most vital of resources, the planet on which we live.

How we work and balance our responsibilities for our families and to our community needs to be at the heart of our discussions for the future. The way our economy and labour market currently functions suits practically no one. If we are to create a society with wellbeing at its heart, we also need to consider the concept of work in a wider sense than simply contribution to the labour market, and challenge the core assumption that working full time five days a week is the only way to guarantee a secure income.

## 2. A Secure Living Income

The Social Justice & Fairness Commission has been considering how to eradicate poverty and ensure that everyone in Scotland has access to a secure living income. State provision of income or income supplements for those who need them are only part of the picture, albeit a vital one. It is also important that we consider how to ensure that paid work delivers a secure living income too. We want to live in a Scotland where everyone can flourish, not simply get by.

With independence, we have the potential to make work really work for us all. Fair pay, good working conditions, enhanced rights, greater flexibility and the work/life balance that is vital to our wellbeing – and great for productivity too. It's a win win for employees and employers.

We also need to challenge the current perceived dichotomy between those 'who take out' and those 'who pay in' to the system. In reality, we are all taxpayers – even children pay VAT on their pocket money purchases. And there are vital ways in which we can contribute to the economy and society beyond labour market participation, such as care for children and other relatives and volunteering in our community.

A commitment to deliver a secure living income for all will be at the heart of the Commission's proposals, as we consider it to be a key pillar of a renewed social contract between government and our citizens. However, it must also be viewed in relation to other services provided by the state as part of that contract. Income is only part of the equation, and the provision of essential services like childcare, education, housing, health and social care and public transport are equally important. For example, the benefits of a secure minimum income could be wiped out by high housing costs, which must also be part of a secure income package. Income must be considered alongside the cost of living, and the responsibilities of the state to ensure essential services are free at point of use.

Providing a secure income is the focus of this discussion paper. We are developing a number of proposals in this area, but we want to specifically focus our current consultation on how to raise the minimum income provided by the state, as part of a wider debate about the role of government and the kind of society we want to build.

## 3. What kind of society do we want to live in?

The vibrant debate around reform of the current, and very broken, UK Welfare State has predominantly centred around the *mechanisms* for reducing or eradicating poverty – one of the most prominent of those proposals being variants of Universal Basic Income (UBI). This is one mechanism we have been considering as a Commission. UBI would require a fundamental change in the tax and benefits system, and a national conversation to build consensus for reform that would represent a radical shift in approach to social security. It's not something that could be delivered quickly; but rather something we would need to build over a period of time, based on the principles of the Scottish Government's approach to social security of dignity, fairness and respect.

Therefore, before we consider the mechanism for delivery, we must consider the wider question of what outcome we are seeking to achieve.

We want to create a society that has the wellbeing of all who live here at its heart. It is self-evident that living in poverty is not conducive to a happy and healthy life, and its eradication is central to our individual and collective wellbeing.

So eradicating poverty is one outcome we want to achieve. But beyond that, delivering secure income for all – one we collectively agree is adequate for a certain standard of living – has the potential to achieve additional transformative outcomes.

Eradicating poverty would have an enormous impact on health inequalities, mental health, attainment, productivity and overall wellbeing.

Providing a secure living income also has the potential to reduce gender inequality, largely by recognising and rewarding work that is currently unpaid and mainly undertaken by women – such as caring responsibilities and volunteering.

At a more fundamental level, by providing a secure living income to everyone in Scotland, our government would be entering into a social contract that defines the relationship between our citizens and the state as one that can fundamentally help reset our society and democracy. By providing a secure living income, the state is saying that every single person matters and affirming the true purpose of government – to make life better for all of us.

**As part of our consultation process on delivering a secure income for all, the Commission is interested in views on the desirability of the state guaranteeing a basic level of income. We want to establish if there is support in principle for this approach to eradicating poverty and building a fairer society.**

**Then we would like your views on the technical aspects of different mechanisms for the state to deliver a secure income for all. We have put a particular focus on different models of Universal Basic Income (UBI), as this particular mechanism would require long-term work and investment to bring it to fruition, and presents a number of challenges that we need to consider from the outset.**

In section 4 of our discussion paper below, we have included a briefing that covers consideration of the principle of UBI and some more detailed information on the operation of different UBI models to inform debate on this complex issue.

#### **4. Universal Basic Income**

Universal Basic Income (UBI) is currently being hotly debated in political and policy circles, both as a short term recovery measure as we come through the pandemic and also as a long term option.

Its appeal is not surprising. On the surface, it is a simple way of delivering a safety net income. It is also instinctively attractive to many of us who believe in social justice, as a means of

creating a more equal society. As outlined above, it has the potential to eradicate poverty and a host of inequalities, as well as tackle a number of social problems.

However, in considering such a substantial policy reform, we must interrogate the various challenges and potential consequences of introducing UBI in an independent Scotland. A number of variables, such as the level of UBI, would also determine how effective it was at achieving the desired outcomes.

The Social Justice and Fairness Commission is therefore looking at whether a basic income is desirable and achievable for Scotland. We have looked in detail at a number of different illustrative models and indeed considered the benefits and potential issues that a basic income scheme might bring for people living in Scotland. Further, we have found the Scottish Government's latest commissioned reports on the economic feasibility of a basic income for Scotland very useful in our deliberations.

### **(i) Definition of a Basic Income**

The idea behind basic income is that the current benefits system of means-testing, conditionality and sanctioning is argued to be physically and mentally damaging and unwieldy, and the tax system and wealth distribution are both unfairly balanced in favour of the best off and highest paid in our society. We call for a rethink and a fairer system that distributes income more evenly, and as a Commission we are presently considering the latest proposals that focus on addressing these problems, which includes basic income schemes and minimum income guarantee schemes. In relation to basic income proposals, the main idea is that everyone receives a set monthly income from the state, which is not connected to their employment status. It has different names but we refer to it throughout this briefing as 'basic income'. The Citizen's Basic Income Trust has provided a very helpful introduction to this area, available at <http://citizensincome.org/wp-content/uploads/2017/01/Booklet-2018.pdf>.

A detailed definition of a basic income used frequently is the one set out by the Basic Income Earth Network (BIEN), and is as follows:

'A basic income is a periodic cash payment unconditionally delivered to all on an individual basis, without means-test or work requirement. That is, basic income has the following five characteristics:

- Periodic: it is paid at regular intervals (for example every month), not as a one-off grant.
- Cash payment: it is paid in an appropriate medium of exchange, allowing those who receive it to decide what they spend it on. It is not, therefore, paid either in kind (such as food or services) or in vouchers dedicated to a specific use.
- Individual: it is paid on an individual basis - and not, for instance, to households.
- Universal: it is paid to all, without means test.

- Unconditional: it is paid without a requirement to work or to demonstrate willingness-to-work.’ (for a detailed discussion on this definition visit <https://basicincome.org/wp-content/uploads/2020/06/Basic-Income-definition-longer-explanation-1.pdf>).

There is some dispute about whether the basic income should be for all the citizens or all the residents of a given country, which questions the ‘universality’ of it. Indeed, whilst the definition above is a very helpful one in most respects, Professor Guy Standing, a proponent of basic income, points out that there is no universality in a basic income that excludes non-citizens and particular groups of people who may not qualify, for example, migrants who have lived in a country less than the qualifying period, and asylum seekers and refugees. Standing argues that there must be separate schemes for those individuals who may not qualify for the basic income. The Citizen’s Basic Income Trust states that ‘Legal residence becomes the basis of entitlement, subject to a minimum period of legal residency in the UK, and continuing residence in the UK most of the year. Everyone legally resident would have a small independent income, whether or not they were in paid employment.’

In addition, we find the RSA’s helpful articulation of what they term their ‘civic Basic Income’ model extends and enriches the BIEN definition: ‘A version of Basic Income around which communities develop active support mechanisms for their citizens by bringing together public, private and voluntary assets and resources.’ (RSA 2019). Arguably, the term ‘civic basic income’ is broader and could be considered more inclusionary than the term ‘citizen’s income’, which as we have set out above seems to imply the exclusion of non-citizens.

## (ii) What is the purpose of a Basic Income?

Those looking into the potential of basic income firstly set out the issues being faced in the current context, and the extent to which such a payment might ease particular aspects of these. Studies also look at the types of pilots that have been undertaken and the results of these, however it is important to understand the limitations in scope and application of pilots for different populations and contexts. Guy Standing argues that a basic income is about social justice, freedom and basic security as a ‘natural public good.’

The campaign group Compass state that the debate around basic income has been sparked by ‘the emergence of more insecure and fragile economies and societies, bringing growing uncertainty about work, livelihoods and living standards. This fragility is the product of disruptive and ongoing social and economic change, from de-industrialisation to austerity, all contributing to the arrival – in the UK and many other countries – of stagnant living standards and a sharp rise in in-work poverty.’ They add to these issues the problem of consistent reductions in public spending, particularly aimed at the most vulnerable in society, reforms of the benefits system targeted at producing particular behaviours, and the design flaws of Universal Credit. Luke Martinelli of the Institute for Policy Research (IPR) points to the rise in interest in basic income as stemming from ‘...the increasingly apparent flaws and contradictions inherent in the modern welfare state, and ongoing changes in labour market structures – increasing wage polarity, the growth of precarious and insecure employment,

and even the spectre of technological unemployment – to which UBI appears to present a solution.’

The Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) (2019) highlight that ‘in-work poverty’ is now more widespread than ‘out of work poverty’, alongside the adverse effects and impacts of poverty on mental health, including stress and anxiety, ‘lack of control with corrosive effects’, addictions and other issues – where ‘...this loss of control is made more acute by state systems of behavioural management and control that have become an appendage of the social security system.’ (p.9). Frequently mentioned by a number of reports are the significantly negative effects of conditionality within the benefits system (also creating a lack of trust between recipient and state), the ‘poverty trap’, as well as the sanctioning and surveillance mechanisms that are part of the UK’s system. It is of course important to highlight the steps that have been made by the Scottish Government in reducing certain aspects of these for the benefits within its power.

Therefore, as Compass note, ‘There is common ground that the status quo is not sustainable.’ The RSA ask the important question of ‘how feasible a Basic Income would be itself and how it could offer superior outcomes to the current system across poverty and economic security dimensions.’ (p.9). They argue that a basic income could be significant in terms of reductions in poverty, inequality and economic insecurity, in contrast to the current benefits system. They refer to it as ‘universal social support’, as central to living a good life in your community.

Lastly, given the significant challenges created by the current pandemic and the huge number of people who have suffered as a result financially and in many other ways, it has been argued by a number of organisations that a basic income is even more crucial now. A very useful introduction to the world of economic insecurity and in relation to the effects of the pandemic, has been published by the Institute for the Future of Work. They are calling for a robust debate about the potential for a basic income to alleviate these significant structural problems, and make a number of recommendations, including that: ‘The Government should establish a cross-department Disruption Council, with representation from business, unions, academia and third sector, to consider UBI alongside other options to support the new unemployed and worker transition. This should be a key part of developing an Exit Strategy – and plan to build a better future of work.’ See <https://www.ifow.org/news/2020/4/19/entering-the-mainstream-universal-basic-income> for the full article.

A number of organisations such as the Citizen’s Basic Income Trust, Compass, Reform Scotland and the RSA are therefore calling for ‘recovery basic income’ schemes to address the sudden and longer-term effects of the pandemic, specifically to give people a basic income floor during the pandemic, and suggesting ways these emergency and recovery schemes could create the foundations for a full basic income scheme over time. Shirley-Anne Somerville MSP said on the 1st of May 2020 that the coronavirus outbreak has definitely strengthened the case for a universal basic income and that the Scottish Government is determined to press the case for exploring the possibility with the UK Government.

### (iii) Advantages and Concerns around Basic Income

Advantages of a basic income as well as concerns and criticisms of the concept have been raised across a number of studies, and below we set out some of the main points that are worth considering and which have been highlighted by a number of experts. It is important to note that more detailed discussions of the aspects of introducing a basic income can be found in the full reports set out in the Basic Income Resources section at the end of this briefing. The Scottish Government supports the exploration of a basic income and has funded feasibility studies which we will highlight later on in this report. In addition, it is a policy that has been supported at SNP conferences. In 2017 and 2019, the Social Security Committee of the Scottish Parliament gathered evidence from experts on the complexities and feasibility of a basic income pilot and system for Scotland. We have provided links to this evidence in the readings section at the end of this summary. The Green Party supports basic income as part of its Citizen's Income proposals, and John McDonnell, in his role as Shadow Chancellor of the Exchequer, requested a report on piloting a basic income, which was written for the Progressive Economy Forum by Professor Guy Standing. The new Irish government has committed to a basic income trial within the next five years.

#### Advantages and Benefits

In general, those in favour of a basic income argue that it might:

- provide a secure adequate income
- function as a form of payment for labour that is currently unpaid, such as voluntary work or care work. It may also allow people to have more control over how they fill their time, and allow space for other possibilities such as more volunteering in their local community and time to care
- prepare society for an age where a lot of work may be replaced by increasing automation
- simplify the administration of existing benefit systems.

Further studies argue that:

A basic income is seen as crucial in times of financial shocks, providing a 'regular and predictable income stream' and the possibility of saving as a buffer against unexpected and unforeseen household costs, as well as reducing income insecurity and debt. (RSA 2019).

As it is a payment that goes to individuals rather than households it may lead to less reliance on one individual in the household, particularly important where there may be unstable or abusive relationships.

A basic income may reduce the fear, humiliation, stigma and anxiety faced by many in relation to the means-testing and conditionality aspects of the benefits system, and give people some space and time to focus on more positive activities.

## Disadvantages and Criticisms

- One argument against basic income is the idea that it may encourage a ‘something for nothing’ culture, and discourages ‘creating economic value’ – i.e. work.
- Some argue there is too much focus on the purchasing power of individuals and individual wealth, and not enough on restructuring the economy in order to prevent overproduction, which may lead to the overworking of workers in the process.
- Some also fear it may lead to the removal of mainstream benefits in favour of a relatively minimal basic income. This is especially important to note given the high costs associated with a basic income.
- An additional and in principle point is that it assumes that our needs are the same, so we should all get the same. For example, people with disabilities or people with unavoidably high housing costs require a higher income than others. So in order to guarantee an agreed standard of living for all, we need inequality in basic income.
- One of the major criticisms of basic income is the question of affordability.

In an article by Carlo d’Ippoliti he outlines several possible side-effects of introducing a basic income (which he contrasts with the job guarantee programme):

- A basic income scheme assumes sufficient trust in the market that the price of essential products and services will largely reflect their value.
- A basic income scheme assumes some degree of scepticism towards public bureaucracy: it assumes a payment in cash is more efficient at providing improvements of quality of life than provision of public services by the state bureaucracy in kind. This could imply that a sufficiently large basic income is a valid substitute for universal provision of the rest of the welfare state e.g. healthcare or education.
- A basic income scheme can complicate the ability of workers to organise for better rights in the workplace, by discouraging workers from taking on an active social role.
- There is an ongoing debate about basic income in feminist economics and social policy, where while it is on the one hand welcomed as a reward for currently unpaid home labour, it is on the other hand perceived as a possible reinforcement for the current unfair gender-based division of labour.

For the full article see: <https://www.socialeurope.eu/the-political-economy-fallouts-of-universal-basic-income-schemes>

The Joseph Rowntree Foundation argues against basic income in relation to resolving poverty. A very interesting point was made by a participant of Inclusion Scotland’s think tank on basic income, centred around the JRF’s Minimum Income Standard (MIS), which focuses on ‘what members of the public think is needed for a minimum socially acceptable standard of living in the UK today.’ The participant made the point that the figures for the MIS are significantly higher than what any proposed basic income payment would be (see p.13). The JRF calculations for 2019 were £18,000 a year for single people and a couple with two children would need to earn £20,600 per parent. The full Inclusion Scotland report can be viewed at



<https://inclusionscotland.org/wp-content/uploads/2020/02/Basic-Income-discussion-paper.pdf>. The full Joseph Rowntree Foundation MIS report can be found at <https://www.jrf.org.uk/report/minimum-income-standard-uk-2019>.

(iv) **Is a basic income scheme affordable?**

The general criticism levelled at basic income is that it is unaffordable, or more accurately, that a basic income high enough to keep people out of poverty would be unaffordable, and a basic income low enough to be affordable would be insufficient to keep people out of poverty. There are several approaches taken by advocates of basic income schemes in relation to how to address the question of affordability, and we set these out below. You will note these different aspects are addressed in the two example models we will explore later on.

The most conservative proposal is to maintain a basic income through a combination of low payment levels and compensatory elimination of other benefits. A more common stance is what is referred to as revenue neutrality, the idea that increases in spending on a basic income must be matched by increases in revenue; no upper ceiling is placed on how far these increases can go, however.

The main point to consider is that most basic income models are usually combined with the removal of most benefits and the retention of specific benefits, and therefore it is important that the most vulnerable do not suffer a reduction in their incomes as a result of any basic income scheme.

Several possible methods for raising revenue exist to fund a basic income scheme, and all have potential problems:

**Payroll tax.** Personal income tax is the most obvious way to fund a basic income scheme, but some possible issues exist here: (1) higher marginal tax rates may alter individuals' incentives to work, threatening the sustainability of this scheme itself, and (2) forcing workers to pay for a basic income for those unwilling to work may be perceived as unfair.

**Corporation tax.** The usual problems with corporation tax apply here: it is difficult to tax multinationals and business taxes distort incentives for investment. Research on how useful this tax would be in supporting a basic income does seem to suggest however that it does not raise sufficient revenue to fund one at least under current corporation tax arrangements.

**Property and wealth taxes.** Currently existing property taxes in the UK, whether inheritance tax, council tax, stamp duty, or capital gains tax, are largely insufficient to produce enough revenue to fund a basic income scheme. A possible source of revenue could be a land value tax, which would be economically efficient and also difficult to evade, and produce not insubstantial amounts of funds.

**Natural resource dividends and pollution taxes.** The idea of funding a basic income scheme through dividends from the sale of natural resources has been frequently argued, and the proto-UBI of the US state of Alaska, the Alaskan Permanent Fund, which allocates an average of \$1,150 to every Alaskan resident per year, is based on windfalls and dividends from the

state's natural resources. The contribution of these is therefore eminently possible but also very variable in size from year to year, depending on market fluctuations in these resource dividends. Another possible method is to support a basic income from pollution taxes, in particular a carbon tax – albeit generally the research suggests earnings from a carbon tax would only be sufficient to pay for relatively modest basic income schemes.

**(v) What about pilots of basic income schemes?**

There have been a number of basic income pilots undertaken over the last decades. Whilst this is very important and illuminating work, it has been argued by a number of experts that it is extremely difficult to ascertain whether the results of these pilots would be of applicability to a Scottish context, what their impacts might be and how practicable a particular scheme would be to introduce here. In a report for the Progressive Economy Forum by Guy Standing, he sets out 13 pilots that have been carried out and the nature of these. Standing states that although they are not complete basic income pilots, they nonetheless provide useful data for testing a basic income. A study by the Institute for Policy Research (IPR) states there are no full results of tests of basic income in the UK or countries with a comparable social security system. The IPR highlight that only two policies equivalent to the definition of a basic income have been implemented and entered into law: the Alaska Permanent Fund Dividend and the price subsidy reform in Iran. You can find the IPR report at <https://www.bath.ac.uk/publications/assessing-the-case-for-a-universal-basic-income-in-the-uk/>, which also provides an excellent summary of pilots undertaken to date as well as a detailed outline of the evidence for and against implementing a basic income.

Limitations of pilots have been highlighted within a number of publications and centre around trials being limited in their long-term effects, methodological complications (including regarding microsimulation), and the results and data validity being restricted to a particular context only and not necessarily for other contexts. Authors have also stated that some pilots, specifically the Finnish scheme, have not been able to experiment with tax changes regarding revenue-neutral schemes. The argument still stands that we cannot say with any certainty based on pilots in other countries whether those same effects would occur in the UK or Scottish context, particularly given most basic income models have within them a specific model of tax and benefit changes, and what the effects of these changes might be on the incomes and behaviours of different groups of people.

**(vi) Scottish Government: Feasibility Studies 2018 - present**

The Citizen's Basic Income Trust state that 'Scotland has been leading the debate on basic income in the UK.' In 2018 the Scottish Government committed £250,000 over two years to fund a feasibility study for a potential basic income pilot in Scotland, directed by Glasgow, Edinburgh, North Ayrshire and Fife local authorities, as well as the Scottish Government and Public Health Scotland. You can read the interim report at [https://basicincome.scot/wp-content/uploads/sites/75/2019/10/CBI\\_Feasibility\\_Project\\_Interim\\_Report\\_Sept\\_2019\\_FIN](https://basicincome.scot/wp-content/uploads/sites/75/2019/10/CBI_Feasibility_Project_Interim_Report_Sept_2019_FIN)

[AL FOR WEB.pdf](#). Within the interim report the authors state that there has not been a full basic income implemented in any country to date despite a number of pilot schemes.

The final report by the Citizens' Basic Income Feasibility Study Steering Group was published in June 2020 and sets out in significant detail the results of their commissioned research which assessed the economic impacts of implementing a 'Citizen's Basic Income', or CBI, in Scotland. This modelling work was conducted by the Fraser of Allander Institute at the University of Strathclyde along with the Institute for Public Policy Research (IPPR) Scotland and Manchester Metropolitan University. The report's authors state that: 'How individuals, households, firms and the entire economy respond to such changes – not just in their own circumstances but the wider implications for society as a whole – is necessarily going to be more uncertain than smaller scale or marginal changes that we usually see in policymaking.' The report can be found at <https://basicincome.scot/2020/06/10/draft-final-report-cbi-feasibility-study/>. Within this link you will find a report by the Child Poverty Action Group which sets out the possible interaction between a basic income and the current benefits system.

The Citizens' Basic Income Feasibility Study Steering Group published an Executive Summary to accompany the full economic impacts report, in which the Group sets out their proposals for a basic income pilot and how this should interact with the current benefits and tax systems. They call for a pilot with the following characteristics:

'A randomised controlled study in two areas where the whole community would be in receipt of the CBI: one area would be given the high payment; the other area would be given the low payment.

- The high payment would be based on the Joseph Rowntree Foundation's Minimum Income Standard and the low-level aligned with current benefit levels.
- They propose suspending particular income-related benefits and the retaining of benefits relating to disability, housing, childcare and limited capacity to work.
- The anticipated pilot costs ('net of savings on benefits and pensions and excluding administration and evaluation costs') would be in the region of £185 million over three years.
- There would be the requirement for 'substantive and complex legislative, technical and delivery changes required to ensure that a CBI interacts with the existing social security system in a way that avoids detriment to those on benefits and lowest incomes.'
- They outline that given most of the benefits that would be part of the CBI are reserved, support from all levels of government, including the DWP and HMRC, would be necessary.' (from [https://basicincome.scot/wp-content/uploads/sites/75/2020/06/Draft-Final-CBI-Feasibility\\_Exec-Summary-June-2020.pdf](https://basicincome.scot/wp-content/uploads/sites/75/2020/06/Draft-Final-CBI-Feasibility_Exec-Summary-June-2020.pdf))

## (vii) Basic Income Models for Consideration

There have been a number of basic income models proposed. They illustrate what is possible based on modelling and microsimulation, and are costed based on whether the model would be for the UK as a whole or specifically for Scotland only. They set out how much their model would cost and how this could be paid for, and most state that the basic income would replace most benefits but that some would need to be retained in order to protect the incomes of the most vulnerable. All models are predicated on the argument above that the current benefits system is not fit for purpose and that an alternative must be sought if we are to have the chance of living in a healthier, fairer society.

Anthony Painter of the RSA cautions against seeing basic income models as ‘blueprints to follow’, because they are actually illustrations for how things might work, not certainties, and that changes to the tax and benefits system in particular would take a significant amount of time. He also highlights that many are ‘legacy models’, and an extension of his point would be that things are even more unrecognisable and unprecedented now that there must be even more caution over any approach. There are a number of basic income models, and as we highlighted above, since March more has been added to the literature on basic income given the pandemic. However, we set out below two models and provide links to further reading should you wish to explore these in more detail.

Proposals vary depending on:

- the payment level suggested and whether the payment is expected to be ‘full’ or ‘partial’;
- the interaction of a basic income with existing benefits and means-tested benefits, particularly which benefits the basic income is expected to replace or would be additional to these;
- how the basic income would be funded, particularly in relation to taxation;
- who would be eligible – whether by citizenship or residency – and who might therefore be excluded;
- different schemes for varying age groups and those receiving the state pension.

It is worth reiterating that there must be consideration of the different variants of what might constitute a basic income, including whether the payment is full or partial (and the potential impacts on poverty) and how the schemes would be funded (bringing in questions of tax system changes we mentioned before and as you will see within the models presented below). There are also additional characteristics within models advocating a ‘commons dividend’ type approach. The Citizen’s Basic Income Trust point out that as well as any scheme requiring to be feasible financially, it must also be ‘behaviourally feasible’, which means that ‘it would need to produce the expected effects.’ Notwithstanding this long list of implications, there are further potential implications for employment policy.

Each of the two illustrative models have carefully considered and modelled the potential effects of their proposals on poverty and inequality, and each has considered the balancing of specific payment structures alongside the potential effects on incomes for the most

vulnerable in our society. The first model by the RSA relates specifically to Scotland; the second model by Compass concerns a UK-wide basic income scheme. Overall, a number of experts have highlighted that the main points to consider are: (1) the extent to which any payment is expected to cover the basic amount an individual, couple or family would require in order to live, and (2) the ways in which the basic income would work within the present complex social security and tax systems, which are administered across the UK and Scottish Governments alongside the DWP, Social Security Scotland and HMRC. As most proposals fall outwith the bounds of devolved authority, there would be the need for the co-operation of the UK Government in setting up the conditions for a basic income for Scotland.

**MODEL 1: RSA Scotland (2019): 'A Basic Income for Scotland' by Anthony Painter, Jamie Cooke, Ian Burbridge and Aima Ahmed**

<https://www.thersa.org/globalassets/pdfs/rsa-a-basic-income-for-scotland.pdf>

Two models for Scotland were developed and tested for a Basic Income-based system of tax and social support: 'Horizon 2' and 'Horizon 3' (Horizon 1 being the status quo). These were developed from a micro-simulation undertaken by Landman Economics using their Scottish tax-transfer model. The authors stress that both 'are indicative models designed to demonstrate key features of possible Basic Income systems rather than proposals per se'. Full costings and modelling data can be found within the report in the above link.

**The Horizon 1** model consists of 'the dominant, prevailing paradigm, supported and maintained by systems, resources and infrastructure. This is the current welfare benefits system.'

**The Horizon 2** model consists of an initial Basic Income of £2,400 per person per annum that sits alongside Universal Credit. The calculations carried out show that this model 'halves destitution and reduces relative household poverty by 8.5 percent', with a 33% reduction in child poverty (note: these figures are before behavioural impacts), and 'Quantitative measures of poverty should never be taken in isolation of the wider impacts on the individual' (p.34). They state this model is achievable within a single Parliament. This model has the same parameters as the figures within the Horizon 3 model 'but is based on current Income Tax rates', and thus 'there would be no increase in higher rate and no additional rate at £75,000.'

The model in more detail is as follows:

£2,400 for adults

£1,500 for children

Contributory basic State Pension and Pension Credits would be kept in this model, with a transitional move, where 'The Horizon 2 model in effect translates the existing Income Tax and National Insurance allowances into a cash sum. In this, it bears some similarities to recent models proposed by Compass and New Economics Foundation thinktanks. The RSA has previously supported this possible route.' (p.31). They retain a £1,500 personal tax and primary threshold, creating a 'tax free ramp from zero to low earnings, thereby smoothing

the transition into work', and where 'The impact of this is to effectively boost Basic Income payments by £500 per annum for those earning in excess of £1,500 per annum.'

In terms of cost, the authors state the horizon 2 model would require an additional net fiscal contribution of £1.9bn (1.2% of Scottish GDP). They argue that 'With the right powers and political will this could be achieved within a single parliamentary session.' (p.36).

**The Horizon 3** model replaces the current system of Universal Credit completely, and retains other benefits including disability benefit, housing benefit, childcare support and incapacity benefit. Their calculations show that 'the horizon 3 model eliminates destitution and reduces relative household poverty by 33 percent.' They state it could be achieved within a 20-year timeframe. The payments below are per annum:

Basic Income (18+): £4,800

Basic Income (child): £3,000

Universal Basic Pension: (66+): £8,780

Regarding cost of the horizon 3 model, the authors set this as £9.6bn, which 'would take a number of five-year parliamentary sessions to achieve'. (p.36)

**MODEL 2: Compass (2019), 'Basic Income for All: From Desirability to Feasibility', Stewart Lansley and Howard Reed**

[https://www.compassonline.org.uk/wp-content/uploads/2019/03/Compass\\_BasicIncomeForAll\\_2019.pdf](https://www.compassonline.org.uk/wp-content/uploads/2019/03/Compass_BasicIncomeForAll_2019.pdf)

This is a UK-wide model, with the authors setting out two possible steps to introducing a basic income: **Model 1** is an initial basic income funded through the existing tax and benefits system, costed as requiring an additional tax rise of £28bn for the UK, and suggested as a basis from which to build Model 2. **Model 2** is long-term, linking a basic income scheme to a permanent citizens' wealth fund, 'which would over time pay for a steady rise in the income floor.'

**Model 1 ('the fast track route')**: this model is a partial scheme ('partial basic income' – PBI) implemented within a single parliament, or alternatively phased in over a longer period of time, or which could be brought in at lower payment rates at the start. Phasing options are set out in more detail within the report itself. The model utilises the Landman Economics tax-benefit model, and sets out a 'conversion of personal tax allowances into a cash payment'. The model has a net cost of £28bn. As with most models, the payment structure set out by Compass is illustrative. It sets out various options in relation to paying different rates for adults, and a lower rate for young adults up to the age 24. The authors stress that the figures are based on 'no assumed behavioural effects' in response to the introduction of the basic income and tax changes, although it is anticipated there would of course be major behavioural impacts, which cannot be modelled or tested at this stage. The model also involves the potential to create a Citizen's wealth fund before the implementation of Model 1, which could start paying out before 20 years.

Payments are summarised as:

- £60 p/w for adults aged 18-64
- £40 p/w to mothers for each of their children aged 0-17
- £175 p/w to adults aged 65+

Therefore: a couple with one child would receive a weekly payment of £160 (£8,320 annually), and a couple with two children would receive £200 weekly (£10,400 annually). A couple under 65 would receive £120 weekly (£6,240 annually).

The authors state that the first £25 per week of the PBI is not counted for means-testing, giving an extra income for those claiming means-tested benefits. Disability benefits and housing costs are retained within this model, but child benefit and state pension are removed. Other parts of the social security system, including means-tested benefits, are retained (as above). More detail is set out below.

**Model 1** consists of two different alterations to the existing tax and benefit system:

- ‘A guaranteed set of payments aimed at providing an income floor’, and
- A number of tax adjustments to fund the additional income required to fund a weekly basic income, ‘whilst making the tax system more progressive’. These tax changes consist of removing the personal allowance, introducing a new tax rate at the bottom end of the income band of 15p, a rise in existing tax rates of 3p in the pound, and changing the current system of NICs. The authors argue the 3p tax rate ensures the benefit is concentrated amongst the bottom half of the distribution.

The various impacts on poverty and inequality of Model 1 have been modelled, and the full impacts can be found in the report itself. A summary of key points is:

- ‘Child poverty (after housing costs) falls from 28.7% to 18.1% (more than a third)
- Working-age poverty falls by just over a fifth to 15.7%
- Pensioner poverty falls by almost a third to 11.3%
- The Gini coefficient (a summary measure of inequality, where 0 is complete equality and 1 is complete inequality) falls from 0.377 to 0.337.
- 75% of households overall gain and 25% lose (7% lose more than 5%). These gains are found to be concentrated amongst the poorest households and losses (from withdrawal of personal allowance and higher marginal tax rates) amongst higher income groups. Middle income households in deciles 4-8 gain small amounts.’

**Model 2 (‘the slow track route’)** has the purpose of enhancing long-term funding for a basic income scheme through the creation of a citizen’s wealth fund (for detailed information on this see <http://www.social-policy.org.uk/50-for-50/citizens-wealth-fund/>). This fund would take a significant period of time to build up but would be ‘a permanent and growing source of finance’ once established, has the potential over a period of time to increase basic income levels, and ‘within a generation help to deliver a more effective anti-poverty social security system’. The authors assert it could be funded through a combination of long-term borrowing,

allocating some existing revenue-generating public sector assets, as well as ‘modest levies on the UK’s huge pool of corporate and private wealth’.

The fund would aim to increase Model 1 weekly payments as follows:

- £50 for children
- £80 for adults
- £180 for adults aged 65+

Couples under 65 would receive an annual payment of £6,240, families of four (2 adults, 2 children) would receive £13,520 per year. The authors state that with these higher payments this would lead to a fall in the Gini coefficient to 0.329. It has been calculated that these measures would cost an additional £26bn annually, which this model proposes is paid for by a citizens’ wealth fund which could be created before the implementation of Model 1 as above, with payments potentially beginning earlier than 20 years..

As above, because the additions in Model 2 are calculated to cost £26bn, a fund equal to £650bn would be needed (on the assumption of a 4% payout). In order to build the fund, the authors assert this could be financed by an initial endowment of £100bn ‘from a mix of long-term bond issue and transfer of part of the UK’s public asset base’ currently worth £1.7tn, alongside a revenue injection of £25bn yearly. The authors state that if such a fund had an annual real return of 4% the fund would accrue around £650bn after 20 years, which could pay the additional £26bn needed for higher basic income payments.

The authors set out possible options: (1) transferring current commercial assets and profitable state-owned enterprises (e.g. the Land Registry and Crown Estate), into the fund, including publicly-owned land; (2) sporadic one-off taxes (paid in shares) on windfall profits; (3) corporate payments for the use of personal data, where the authors state that the fund managers M&G suggest a £100bn ‘gilts-financed fund to pay for higher social investment’.

#### (viii) What alternatives to a basic income exist?

There have been alternatives to the basic income model argued by various organisations. The **Weekly National Allowance** proposals by the New Economics Foundation thinktank consist of removing the tax-free personal allowance and replacing it with a flat payment of £48 per person per week for adults, which they argue would be funded completely from the removal of this tax. It is important to note that this is not a basic income and does not replace any benefits. You can read more about this Allowance via ‘Nothing Personal: replacing the personal tax allowance with a weekly national allowance’ (March 2019), Alfie Stirling and Sarah Arnold, New Economics Foundation. Available at [https://neweconomics.org/uploads/files/NEF\\_WeeklyNationalAllowance\\_2019.pdf](https://neweconomics.org/uploads/files/NEF_WeeklyNationalAllowance_2019.pdf).

Another alternative is the **Minimum Income Standard/Guarantee**, which is for adults not currently benefiting from any other schemes, specifically those who are at risk of losing work and those excluded from the current government job retention and self-employment income



protection schemes set up from the pandemic. It is therefore not universal. This would be paid through the Universal Credit payment system and has no conditionality or means testing. See <https://neweconomics.org/2020/04/an-income-floor-for-all> and <https://neweconomics.org/2020/05/only-a-minimum-income-can-ensure-support-for-everyone>.

## 5. Questions for consideration

### 1. What minimum income should be guaranteed?

Currently the poverty line is set at 60% of median income, adjusted for household composition. Some commentators argue that this is arbitrary. The Joseph Rowntree Foundation has proposed a “minimum income standard” based on the cost of what the public generally regards as necessities. Do you support such “consensual” approaches to determining minimum incomes?

Roughly what levels of weekly income would you regard as being adequate for each adult and child (not taking into account housing costs or additional needs, for example arising from disability)?

### 2. Conditionality

In what circumstances, if any, should the receipt of state support be conditional on individuals meeting certain conditions, such as actively seeking work, participating in (re) training programmes, or community work?

If state support is conditional, what sanctions is it reasonable for the state to take when claimants fail to meet these requirements?, for example total or partial withdrawal of benefits for a period; replacement of cash support with vouchers for a period, etc.

### 3. Unpaid work

How can the system of state support better recognise the role of unpaid work, for example childcare, caring for relatives, and voluntary work?

### 4. Universal Basic Income

This paper has presented various options for a Universal Basic Income (UBI), i.e. a sum of money paid to each adult and child regardless of their income or circumstances, and which is neither means-tested or conditional.

Do you support the principle of a universal basic income?

What are the advantages and disadvantages of a “partial” basic income scheme. (A partial scheme is where the level of basic income is not high enough to provide an adequate level of income, and is supplemented by the retention of means-tested benefits.)

Do you think that a full UBI is feasible? (A full UBI is one that provides an adequate level of income without the retention of other benefits.) How quickly do you think it could be introduced?

How could a UBI deal with differing needs, for example those arising from disability or variable housing costs?

### **5. Other approaches**

UBI is not the only way in which poverty could be tackled.

Please give your views on the following approaches:

Raising existing benefit levels to the Minimum Income Standard in order to reduce/ eradicate poverty. (The system could be reformed in other ways, e.g. removing waiting times, ending the benefits cap, reforming conditionality and sanctions.)

Reviving the national insurance system. The principle behind the Beveridge plan was to remove stigma by making benefits non-means-tested in return for national insurance contributions. However, they were always paid at relatively low levels, in contrast to many European schemes that pay 60-80% of previous employment income.

### **6. Short-term measures**

Radical reform of the system of income support will take time. What immediate steps should be taken to reduce poverty?

The Commission would like your views on the above questions, and any other issues you think are vital in delivering a secure income for all.

### **6. Conclusion**

An examination of mechanisms, in principle and practice, to deliver a secure income for all is a crucial part of the Commission's work in developing proposals for an independent Scotland. Ensuring that no one has to live in poverty and has the dignity of a secure income is one of the key pillars of a fair society with wellbeing at its heart. It's one of a number of core issues we are considering.

In 1942, the Beveridge Report was considered revolutionary. It laid the foundation for the creation of the Welfare State and the NHS, and a reimagining of the social contract between the citizen and the state. We need that kind of ambition now, and a reset of the relationship between governments and the people they are there to serve. Independence offers that opportunity.

As we begin the road to recovery from this pandemic, and securing a brighter future for Scotland with independence, our focus must be on building something better than our old normal. Please join our discussion about how to make that happen.

If you would like to contribute to our consultation, our website is:

[www.socialjustice.scot](http://www.socialjustice.scot)

## **Basic Income Resources**

A number of extremely helpful research reports and articles were used in the writing of this consultation paper, and these can be found below.

Carlo D'Ippoliti, 'The Political-Economy Fallouts Of Universal Basic Income Schemes' (2018), Social Europe, <https://www.socialeurope.eu/the-political-economy-fallouts-of-universal-basic-income-schemes>

Citizens' Basic Income Feasibility Study Steering Group (October 2019), 'Assessing the Feasibility of Citizen's Basic Income Pilots in Scotland: An Interim Report', [https://basicincome.scot/wp-content/uploads/sites/75/2019/10/CBI\\_Feasibility\\_Project\\_Interim\\_Report\\_Sept\\_2019\\_FINAL\\_FOR\\_WEB.pdf](https://basicincome.scot/wp-content/uploads/sites/75/2019/10/CBI_Feasibility_Project_Interim_Report_Sept_2019_FINAL_FOR_WEB.pdf)

Citizens' Basic Income Feasibility Study Steering Group (June 2020), 'Modelling the Economic Impact of a Citizen's Basic Income in Scotland: Final Report', University of Strathclyde Fraser of Allander Institute, IPPR & Manchester Metropolitan University. <https://www.sbs.strath.ac.uk/download/Fraser/202004/Modelling-Economic-Impact.pdf>

Citizens' Basic Income Feasibility Study Steering Group (June 2020), 'Assessing the Feasibility of Citizens' Basic Income Pilots in Scotland: Executive Summary', [https://basicincome.scot/wp-content/uploads/sites/75/2020/06/Draft-Final-CBI-Feasibility\\_Exec-Summary-June-2020.pdf](https://basicincome.scot/wp-content/uploads/sites/75/2020/06/Draft-Final-CBI-Feasibility_Exec-Summary-June-2020.pdf)

Compass (2019), 'Basic Income for All: From Desirability to Feasibility', Stewart Lansley and Howard Reed [https://www.compassonline.org.uk/wp-content/uploads/2019/03/Compass\\_BasicIncomeForAll\\_2019.pdf](https://www.compassonline.org.uk/wp-content/uploads/2019/03/Compass_BasicIncomeForAll_2019.pdf)

Compass (2016), 'Universal Basic Income: An idea whose time has come?' Howard Reed and Stewart Lansley, <https://www.compassonline.org.uk/wp-content/uploads/2016/05/UniversalBasicIncomeByCompass-Spreads.pdf>

Fraser of Allander Institute, University of Strathclyde (April 2020): 'It's time to talk about Basic Income. But first we need to work out why we want it.' <https://fraserofallander.org/miscellaneous/its-time-to-talk-about-basic-income-but-first-we-need-to-work-out-why-we-want-it/>

Inclusion Scotland (February 2020): 'Friend or Foe? Basic Income and Disabled People in Scotland: A discussion paper by Inclusion Scotland', <https://inclusionScotland.org/wp-content/uploads/2020/02/Basic-Income-discussion-paper.pdf>

Institute for Policy Research (IPR) (2017), 'Assessing the Case for a Universal Basic Income in the UK', Luke Martinelli, University of Bath, <https://www.bath.ac.uk/publications/assessing-the-case-for-a-universal-basic-income-in-the-uk/>

Painter A. and Thoung C. (2015) Creative citizen, creative state: the principled and pragmatic case for a Universal Basic Income, The RSA, [https://www.thersa.org/globalassets/reports/rsa\\_basic\\_income\\_20151216.pdf](https://www.thersa.org/globalassets/reports/rsa_basic_income_20151216.pdf)

Painter A., Thorold J. and Cooke J. (2018) Pathways to Universal Basic Income: The case for a Universal Basic Opportunity Fund, The RSA, [https://www.thersa.org/globalassets/pdfs/reports/rsa\\_pathways-to-universal-basic-income-report.pdf](https://www.thersa.org/globalassets/pdfs/reports/rsa_pathways-to-universal-basic-income-report.pdf)

Progressive Economy Forum (2019): 'Basic Income as Common Dividends: Piloting a Transformative Policy', Guy Standing, [https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF\\_Piloting\\_Basic\\_Income\\_Guy\\_Standing.pdf](https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf)

Reform Scotland (2016): 'The Basic Income Guarantee' by James Mackenzie, Siobhan Mathers, Geoff Mawdsley and Alison Payne. <https://reformscotland.com/wp-content/uploads/2016/02/The-Basic-Income-Guarantee.pdf>

Reform Scotland's latest briefing calling for a Basic Income Guarantee (April 2020), at <https://reformscotland.com/2020/04/one-for-all-the-case-for-a-basic-income-guarantee/>

RSA Scotland (2019): 'A Basic Income for Scotland' by Anthony Painter, Jamie Cooke, Ian Burbridge and Aima Ahmed <https://www.thersa.org/globalassets/pdfs/rsa-a-basic-income-for-scotland.pdf>

RSA Action and Research Centre (2018): 'Realising basic income experiments in the UK: A typology and toolkit of basic income design and delivery, Charlie Young, <https://www.thersa.org/discover/publications-and-articles/reports/realising-basic-income>

Scottish Parliament's Social Security Committee (9 March 2017): evidence gathering in relation to a citizen's income. This report sets out the complexities of implementing a basic income system in Scotland. <http://www.parliament.scot/parliamentarybusiness/report.aspx?r=10836&mode=pdf>

Social Security Committee (28 November 2019): 'Assessing the Feasibility of Citizen's Basic Income Pilots in Scotland' - [https://www.parliament.scot/S5\\_Social\\_Security/Meeting%20Papers/SSCPublicPapers\\_20191128.pdf](https://www.parliament.scot/S5_Social_Security/Meeting%20Papers/SSCPublicPapers_20191128.pdf) - reports on the Basic Income Pilot Feasibility Study's interim report, and summarises the payment levels proposed and issues still to be decided.