House of Commons

Work and Pensions Committee

Oral evidence: DWP's preparations for changes in the world of work, HC 358

Wednesday 11 November 2020

Ordered by the House of Commons to be published on 11 November 2020.

Watch the meeting

Members present: Stephen Timms (Chair); Debbie Abrahams; Shaun Bailey; Siobhan Baillie; Neil Coyle; Steve McCabe; Nigel Mills; Selaine Saxby; Dr Ben Spencer; Chris Stephens; Sir Desmond Swayne.

Questions 79 - 117

Witnesses

[I]: Stewart Lansley, Compass Associate and a Visiting Fellow, University of Bristol, Pavlina Draganova, National Coordinator, Organise, Professor Peter Alcock, Emeritus Professor of Social Policy and Administration, and Professor David Piachaud, Emeritus Professor of Social Policy.

[II]: Professor Nick Pearce, Director, University of Bath Institute for Policy and Research, Dr Malcolm Torry, Independent Researcher, Author and General Manager of the Basic Income Earth Network, Anthony Painter, Chief Research and Impact Office, RSA, Paul Vaughan, Head of Communities and Neighbourhoods, Fife Council, and Edward Davies, Director of Policy, Centre for Social Justice.

Written evidence from witnesses:

PCW0002 Compass (Stewart Lansley)

PCW0025 Organise (Pavlina Draganova)

PCW0036 University of Bath (Professor Nick Pearce)

PCW0008 Basic Income Earth Network (Dr Malcolm Torry)

PCW0015 Fife Council (Paul Vaughan)

Examination of witnesses

Witnesses: Stewart Lansley, Pavlina Draganova, Professor Peter Alcock and Professor David Piachaud.

Q79 **Chair:** Can I welcome everybody to this meeting of the Work and Pensions Committee, which is the third in our inquiry into the DWP's preparations for changes in the world of work? In our first two meetings in this inquiry we have looked at youth employment and the impact of automation expected on the labour market in the future. Today we are discussing universal basic income. There is a great deal of interest in this subject. We have had e-mails from over 19,000 people about it and I have no doubt there will be many people following our discussion on TV today. We are going to hear from people with a range of views, both for and against UBI.

I want to make clear we are not making any decisions about our recommendations to the Government today. We are going to be hearing more evidence in this inquiry in the coming months and we will publish a report with our conclusions, but that I imagine would be early next year.

Can I also make the point that we will observe the two minutes' silence at 11 am, which I expect will be during the second panel, so that you are aware there will be that pause at 11 am as today is Remembrance Day?

Can I welcome all the witnesses who have joined us for this first panel, and thank you all very much for being with us? What I would like to ask in starting is if each of you could tell us who you are, but also indicate to us whether you think universal basic income is a good idea and, given that this is an inquiry about the future of the world of work, if you could very briefly say what are the main factors that have led you to take the view that you take on this subject.

Can I start with Stewart Lansley, please?

Stewart Lansley: I am a visiting fellow at the University of Bristol and I have written several reports for Compass about the feasibility of basic income. I started out slightly sceptical about the idea but I guess I have become a convert. I think that the circumstances of the last 20 years, with the rolling shocks that we have had to the system, have greatly increased the level of insecurity and uncertainty in society. The present system of social security really is not designed for the modern economy, with the great polarisation in jobs and the volatility in incomes. I think there are lots of other reasons for a basic income but perhaps one of the most fundamental ones is it will provide a degree of social resilience and security for households that is lacking in the present system.

Pavlina Draganova: My name is Pavlina Draganova. I am here on behalf of the Organise network. We are a network of over 800,000 workers from across the UK who support each other to win better rights and conditions at work. I will be speaking on behalf of the network and therefore there are a range of reasons why people support a basic income, ranging from their own personal security and stability—a lot of people have been knocked off their feet by the coronavirus crisis—to people who talk about wanting to volunteer more and spend more time in their communities. Some people support a basic income just because they want to feel like they live in a more fair and compassionate society. I will be trying to represent all of these views today.

Professor Alcock: I am an emeritus professor from the University of Birmingham. My academic career has been in social policy and much of that time has been involved in doing research on social security policy and also on welfare rights for people trying to access social security benefits. The idea of a universal basic income is an attractive one in principle, but I have always been worried about the practicalities of it and I remain therefore an opponent of it as a practical solution to the kind of problems that we face today, and I am not sure that they are terribly different to those that we have faced before, albeit this is a changing world.

I have two main broad concerns about the universal basic income. The first is its economic practicality—how feasible would it be to introduce it—and the second is its political and policy consequences. Pursuing a universal basic income may come at the cost of other policy priorities that I think would be much more important in the current climate.

Professor Piachaud: Thank you. I first became involved in the basic income in 1967, which dates me, when there was discussion about demogrants and negative taxes in the USA. I am now, long after, an emeritus professor at LSE, where I have taught most of my life.

You pose the question about being for or against UBI. I think there is a huge amount of confusion about it. The aim that everyone should have a basic income—a basic command over resources including health care, education, housing—is one I would very positively support.

UBI, though, is usually discussed in terms of a particular mechanism and technique. Even here, there is a confusion between modifications of tax allowances and a significant but very modest basic income, or what one might call the real McCoy from Milton Friedman—the extreme neo-liberal who would probably have been a supporter of Trump—who wanted to abolish the whole of social security with an unconditional poverty-level basic income. That seems to me what the full universal basic income is. That, for a number of reasons, seems to me unattractive and impossible.

It is not a fair system because it makes no distinction about why people are lacking income. To provide, say, half the average income would cost three times what the social security system now costs because it would basically go to three times as many people, roughly. I do not think it deals with the problems of the future of the labour market and I do not think, when one gets down to it, that politically almost anyone really supports it.

I think the whole discussion has been much confused, and I can go into more detail about that later.

Chair: We will no doubt invite you to do so. Thank you all very much.

Q80 **Steve McCabe:** Good morning. What I am interested to know is, if we were to introduce a universal basic income in the circumstances we are currently in, do you think it should be on a permanent basis or do you think it should be on a temporary basis? I am not exactly sure who is best equipped to answer that, so I am going to leave it to the panel to decide.

Stewart Lansley: I think that when Covid broke, there certainly was a discussion about the possibility of an emergency basic income. The problem was that it was not oven-ready. In order to execute a basic income you need a list of every resident in the UK. We simply do not have that. We have lots of lists of people—the tax list, a driving licence list and so on. In order to execute an emergency scheme we would have had to get Government Departments to get together and produce such a list.

I think we have probably gone beyond the point where we need an emergency scheme. Of course the Government could have done something. They could have put up child benefit. Child Benefit is a basic income for children and it is known to be a very powerful instrument against poverty. They could have put it up by a modest amount—£10 or something like that—and that would have done a small amount to protect families.

I think if we imagine that a basic income had been in place at the beginning of this year, it would have been a very powerful instrument for dealing with this kind of shock. We have had a succession of devastating shocks over the last 30 or 40 years. We have had de-industrialisation, globalisation, austerity, the robotic revolution, and now we have Covid. Each of these shocks has had a fairly devastating income effect on household finances, job opportunities and livelihoods. It has really shaken up, in each generation, a significant proportion of the workforce.

With Covid, if we had had a UBI system at the beginning, it could have been used as an automatic mechanism for providing a degree of protection. These shocks are not going to go away, so the debate now should move on from the idea of an emergency scheme to a permanent scheme. What we really need to be looking at is what kind of scheme would be feasible to overcome some of the objections that David Piachaud, Peter and others are aiming at UBI.

Pavlina Draganova: I cannot speak to the idea of a permanent basic income. However, we asked members of the network whether they thought it should be a temporary or a long-term measure and overwhelmingly, out of over 8,000 people, over 80% said they thought it should be a long-term measure. The reasons they gave for why they would need a basic income were also long-term reasons.

I am going to quote a few people now. In terms of security and stability, a lot of people said it would offer them a baseline to get back on their feet and some of these reasons were crisis-related and some of them were not. James from Oxford said, "It would make a huge difference to my stability and health. The recent pandemic has been a huge hit to physical and mental health. I was working as a nursing assistant in infectious diseases and I caught Covid, then the stress brought on a relapse of depression and I had to leave my job. A basic income would allow me to focus on getting and staying well, take a lot of stress off my shoulders and eventually give me the stability to focus on retraining and gaining new qualifications."

Part of the reason people need a basic income is to weather them through the crisis, but a lot of people also talked about being able to spend more time caring for vulnerable family members and volunteering in their communities—training to be magistrates, for instance. There is a big shortage of magistrates in this country, so it would also unlock the potential for people to be able to spend more time doing other kinds of socially valuable work, which is again a long-term concern. The final thing—

Q81 **Steve McCabe:** Could I ask, if it is to be a permanent replacement for the existing welfare systems, how much would it cost to introduce and how long would it take to introduce it?

Pavlina Draganova: I think we are going to get to that question later on in the debate about the specific rates. There are different models. I believe that the model that Stewart is advancing is not a replacement for the existing welfare state, but rather it is a minimum floor that sits below the existing welfare state and is similar to child benefit in that it is just a secure amount of money that you get each month.

Finally, there were these wider concerns about who we are as a society and as a country. Ted from Oxford said, "I don't think it would change my life but it would reassure me that I lived in a society that could function more fairly and justly." We had a lot of people also saying, "It would not really impact me monetarily. I know I would have to pay more tax in order to enable this to happen, but I just think it's the right thing to do."

Q82 **Chair:** Professor Alcock, you have indicated you do not support the measure but do you think in the current circumstances with the pandemic there would have been a case for adopting this temporarily?

Professor Alcock: No, I do not, partly for the reason that Stewart was outlining before: it would be difficult to do it on a temporary basis because of the logistics of getting it up and running. That, of course, is not a reason for not doing it in principle, but in an emergency you need something that is an urgent response and it is not there to do that.

I cannot really see the logic of having a temporary basic income, but the primary arguments for it, as was just being articulated, are to do with the way in which it may change society. That is a long-term change. Whether it is temporary or permanent, it seems to me that the problems about determining the level, how much it would cost and whether it really would lift the people who need protection from poverty out of poverty remain the same questions. I still do not think that the proponents of a universal basic income have an answer to those questions because they are practical questions about how you deliver it.

Professor Piachaud: Although generally in favour of universal basic income, I agree entirely with what Stewart Lansley said about raising child benefit, because that is a universal benefit that does seem to me targeted at predominantly those who have the extra costs of children, and raising it in the circumstances of the Covid situation would seem to be very sensible. Having it generally does not seem to me to fit the circumstances in which many people's jobs have continued and their earnings are unchanged, but very many employed and particularly self-employed people have lost income. Something that is targeted at the circumstances seems to me far more efficient.

In the long-run, the fact that the tax system and the social security system barely communicate with each other and that basically Government do not have any means of accessing the whole population efficiently puts the UK rather behind Indian developments, so that an ability to respond effectively to a crisis is very limited. A universal basic income would provide some sort of framework but it would not have been particularly fitted to the present crisis.

Chair: Thank you. Steve, did you want to come back on that at all?

Steve McCabe: No, I think that is fine, Chair. Thank you very much.

Q83 **Siobhan Baillie:** Thank you all for joining us. We knock on a lot of doors with our weird hobby of politics, and if you ask people if it is a good idea that the Government should give everybody cash the answer is usually yes. If you ask people if they want to pay extra taxes for social good the answer is yes, but then if you start asking them whether they think MPs or CEOs of companies should get extra cash from the Government it would be a no, and we know that parties that propose even hypothecated taxes in elections do not often prosper. I am really interested in an honest look at the disadvantages of UBI, at the reality that not everybody needs a basic income and at how there would be a justification for providing that income across society even when there is no need.

Stewart Lansley: This is one of the regular criticisms of a basic income: that it would go to everybody, including the rich. The concept of universalism—that everybody is entitled to something—is embedded in the welfare state. We have large sections of the welfare state that go to everybody: the National Health Service, education and child benefit, although that is now taxed back from higher taxpayers. The reason for that is that we want to give equal access to everybody to absolutely basic services, and these have been incredibly effective. The National Health Service and the education system have been very effective in creating a level playing field for health. Child benefit has been a very effective instrument against poverty.

Beveridge always intended the social security system to be based on national insurance and that national assistance—the means-tested bit—would be residual and would eventually die out. In fact, what has happened to the social security system since the war is exactly the reverse of that. We have had a great expansion in means-testing and we have had a reduction in universalism.

I think one of the big cases for a basic income is that it would try to correct that balance a little bit. It would restore an element of universality and we all know the arguments against means-tested and the arguments for universality.

The other thing we have to recognise is that it is not just low income families who are subject to the effects of Covid and technological change and all these things that are happening at the moment; it is moving up the income scale. A lot of people who have lost their jobs and are suffering from volatile incomes at the moment are in the middle income groups, and some of them are in higher income groups. The effects of automation will also affect people in middle income groups. The degree of social protection does need to go up the income scale.

It is perfectly possible to design even a modest basic income scheme. We at Compass do not favour a big-bang scheme that would replace the existing social security system. What we would prefer is to start small and to have a modest starter rate that would act like a Plimsoll line—a guaranteed income below which nobody would fall, sitting under the existing social security system.

The thing about basic income is that you have to look at it not just as a reform of social security, but also as a reform of the tax system. It is really a package we are talking about, changing the social security and the tax system. It is perfectly possible to design a system with adjustments to the tax system that claw the basic income payment back from higher income groups.

The model that we are advocating at Compass is highly progressive. It would concentrate all the gains at the bottom. Even though everybody is getting a flat rate, basic income, it would concentrate the gains among the poorer third, it would be roughly neutral in the middle and it would make higher income groups slightly worse off, so there would be a level of redistribution taking place between the top and the bottom.

Pavlina Draganova: I agree. I completely see your point about the reticence of people to see why higher income groups should get this benefit. However, I think first of all a lot of people view it slightly differently to a regular benefit and more as a right—as something that is the glue that sticks society together and something that we are entitled to because each of us is a valued member of society, who contributes to making that society as great as it is.

The second thing is that we polled Organise members and asked whether their income had mostly stayed the same or changed a lot as a result of Covid. Over half of the people said that their income had changed a lot. I think this crisis has made a lot more people feel the precariousness that is generally felt by low income workers.

It would be a mistake to think about the end of this crisis as the end of this precarious state. We have Brexit coming around the corner, which is going to lead to a lot of shift in our economy, we have the longer-term challenge of the climate crisis, which is going to require a lot of people to retrain into completely new industries, and for all of these issues we need a stronger social safety net that enables people to change jobs, change industries and weather these crises without being worried about how they are going to put food on the table.

Professor Alcock: It is interesting. What has entered the discussion now is some distinction between what is sometimes referred to as a partial basic income and the universal basic income. The question about who deserves or what the consequences of paying these benefits would be is slightly different depending upon whether you are talking about a universal or a partial basic income. The problem with the universal basic income, which pays people enough to live on, is that in order to provide people with enough to live on you would have to raise taxes at an incredibly high rate to pay people. Even if you set it at the current income support level it would be incredibly expensive in tax terms. Of course it would pay money to people who potentially could then do nothing and there is a moral question, which we might return to later, about whether we should be paying people to do nothing and not make any contribution to the society in which they live.

If you pay a partial basic income, that is a relatively small payment to people, which I think is what Compass and some other groups have been proposing, my main concern is that it is neither fish nor fowl. It does not give you the benefits of a universal basic income because it is not enough for people to live on, so consequently you need to retain all of the existing social security system in order to support those people who do need support at a level to keep them out of poverty. Therefore you are not making any significant change to the infrastructure of social security and taxation, yet it will cost an awful lot of money to implement it. The transaction cost of taking money off people and giving it back to them is unnecessarily high.

I am a strong proponent of the redistribution of wealth and I think we do need to try to move resources away from some of the people at the top who have far more than they need towards people at the bottom who have much less than they need, but a basic income is not the best way to do that and it would not be the best way, I do not think, to win support for those kinds of changes.

Professor Piachaud: I very much agree with what Pete Alcock has just said. There are attractions to a modest, partial basic income, but I do not see it really as a first step towards a much broader system for a number of reasons. Really, one has to compare universal basic income with social security. Part of the problem of social security is it is very complex, taking account of housing costs, of living arrangements, how people are clumped together, taking account of people's disabilities. Those are real factors that affect people's needs and it is very difficult to get away from all of that.

Most fundamentally social security, the biggest Government programme there is, is very efficient. It tags the groups that it aims to help: the retired, disabled, children and unemployed people. It is perhaps on unemployed people that the issue becomes most focused because the advocates of UBI want that to be entirely unconditional. In the literature this has become focused on surfers. Should MPs, for example, be free to chuck in their jobs, demanding as they are, and simply say, "Well, I am not going to do anything for society anymore. I will just surf, but I would like to enjoy an adequate basic income"? It is puritanical, retaining the work ethic, if you like, but I think in line with most people's views on this I do not think that people should be entirely free to do that unconditionally. Unemployment benefits have conditions attached. They have some sanctions that may be unduly harsh, but there are conditions. Simply to say everyone completely regardless is free to get an adequate income to live on is not something that I think many people when it comes down to it really support, and I do not.

Q84 **Siobhan Baillie:** Thank you. It is really helpful to touch on the justifications for unemployment, because all of us here are on this Committee because we want to improve the welfare system, we want to find gaps and we want to make Universal Credit, for example, work better. I do think that would help meet the job losses that we are unfortunately seeing at the moment.

We have been looking into the future of work and we know that many projections relating to the future of the labour market suggest that technological developments like automation are going to create more jobs than they replace, so not necessarily leading to the mass displacement of workers that is sometimes feared about automation. Can I ask one of our detractors and one of our supporters of UBI if you have looked into that side of things and, on that basis, do you still think there is any justification for UBI? Professor Alcock, if I could start with you.

Professor Alcock: I have not done any research work on the likely impact of automation, but I know it has been advanced as the reason for the universal basic income. The logic being, as I understand it—and to some extent, of course, we already live in this world—that as robots and other forms of production are able to replace jobs that human beings have done, there will be fewer jobs for human beings and therefore less need for people to work to do them. I do think however that argument has been massively overplayed. For a start, there are an awful lot of jobs that automation will never replace. They have just been down our street a little earlier emptying the bins. I cannot see that being replaced. Emptying the bins is important, but care work, work in the health service and work in education—there are all sorts of jobs that we are going to need human beings to do and we need to make sure that human beings are appropriately trained, supported and remunerated for the work that they do.

It seems to me that we will remain a largely wage-based economy for the foreseeable future and it is in the context of that largely wage-based economy that the universal basic income just does not work. It does not work if it is generous enough to mean that people do not work, because then you have a problem with who would empty the bins and why should they, and if it is not generous enough to remove people from the need to work then of course you are going to have to retain all of the supports that you currently have that David was outlining before, and the special needs that go with them within the social security system. I do not think automation will be such a powerful social change.

Stewart Lansley: I broadly agree that automation will probably end up with roughly the same number of jobs, but with a lag. What it will be is very disruptive. There is no doubt there is going to be huge upheaval in certain industries. Several insurance companies have just abolished all their staff and replaced them with robots. Most of the evidence suggests we are going to end up with a more polarised society and a bit of a hollowing out of the middle, and there will be more very high-paid jobs and more low-paid jobs. Basic income would contribute to evening that out.

To respond to David's point that a basic income is going to encourage a disincentive to work and lots of people will sit around being idle, again we have to distinguish between these two models. There is the big-bang model that you pay everybody at a decent income level and that would affect the incentive to work, although do not forget that the work ethic in Britain is very strong. With the model that we are talking about, which is this modest income floor, this Plimsoll line at a low level, the evidence is that it would not have an effect on the incentive to work. In fact it would probably be roughly pro-work. There will be some people who come off means-tested benefit who will be better off transferring from unemployment going into work, because they keep the basic income when they move in, but also a small basic income would change people's relationships. It would give people more choice over some of the big decisions in life because they have a cushion. It would probably encourage entrepreneurism, because more people would be prepared to take the risk of starting up a shop or a small business or trying their hand at music or writing or whatever.

I think we have to understand that the nature of work is not just about paid work. It is also about unpaid work. An estimate suggests that there is the equivalent of about one-third of GDP in people who do unpaid work in terms of caring and volunteering, and of course that is not counted. This system might rebalance slightly towards that kind of work. It could be a charter for caring and volunteering.

If we are talking about this basic income floor, the arguments against because it is going to encourage idleness are much weaker.

Q85 **Sir Desmond Swayne:** I put it to you that unemployment can behave like any other commodity, namely the more you pay for it the more you will have of it. If people can have an adequate income without going to work why would they trouble themselves with going to work? Even the best jobs involve all sorts of hassles and stress and travel and disincentives. How will that affect enterprise? We already know of many enterprises that have had to close down or go elsewhere because they could not find workers. Will it be the case that a universal income will drive automation because enterprises have to automate because they cannot get the workers, because they are paid sufficiently for doing nothing?

Pavlina Draganova: I have a few points to make firstly on the idea that basic income would discourage work, which is unsubstantiated. I think the idea that MPs would become surfers is entirely a theoretical question. In reality, people are saying that first of all lockdown has made them miss their jobs. They have hated being idle during this period. It has made them feel depressed and they are so excited to be able to go back to work and contribute.

Again, people have talked a lot about volunteering. Claire from Devon has said, "If I got UBI I would work part-time and spend the rest of the time volunteering, as I do now. I helped plant 2,200 trees last winter and I plan to do more this winter. To argue that UBI makes people indolent and lazy is incorrect. Look at the number of people who have stepped up to volunteer during Covid when they didn't have to work." I do not believe that people will stop working because they receive a basic income. What we are seeing is people unable to work because of the mental and physical health impact of the constant financial stress they are under. A lot of people said, "My financial situation right now is a question mark", "My financial situation is so erratic that it's difficult to plan anything", "I'm under continuous stress", and they said that receiving a basic income would allow them to sleep at night and enable them to work better as a result of not having this constant stress.

We also heard from business owners. If I can just quote you one, Lucy from Staffordshire said, "As a business owner it would mean I could possibly afford to put more money into my business, possibly expand, even employ others. Removing some of the financial pressures off people helps their wellbeing in many other ways and a healthier and happier workforce can only be a good thing." In my view, from hearing from people, the main impediment to work is the constant financial stress of having to juggle two or three jobs, none of which give you enough to live on, and to have this worry. This is not a workforce that is going to level up Britain if they are worrying about how they are going to survive the week.

Professor Piachaud: There have been a number of advocates of a full universal basic income who have been worth billions and billions in Silicon Valley who see the world as one in which the demands for labour are going to be very limited, so out of a crisis of conscience they think universal basic income would support the rest. That seems to me a very bleak view. It is what Harari wrote about when he said there might be a new unworking class, a useless class, not merely unemployed but unemployable. Rather than thinking about the universal basic income in relation to that, I think one has to think about how one can avoid that situation. If there were a persistent high rate of non-employment then it seems to me very probable that those who were not employed would have a very low level of income because those in work would see them as undeserving and not be willing to pay the costs of decent unemployment benefits. One can argue about whether unemployment benefits in Britain now are at a decent level.

The challenge seems to me to find ways into the future in which everyone can make a contribution and has a responsibility to make a contribution, who is able-bodied and of working age, rather than imagine that a universal basic income is going to make it possible that we have a decent society in which those who own and operate the robots enjoy a high standard of living and the rest are dependent on a universal basic income. I think the future of the labour market and the questions you are considering on the Select Committee are absolutely crucial, but I do not see a universal basic income as being desirable or politically feasible or certainly a politically attractive way forward.

Q86 **Sir Desmond Swayne:** Can I come back to Pavlina and put it to you that volunteering and working are clearly different things? In volunteering you choose the level of your commitment and you choose what it is you are going to volunteer at. Going to work is not the same thing at all, necessarily, and the danger is that you will by creating a universal income create an army of volunteers doing all sorts of worthy things but not necessarily the things that are efficient and required as dictated by a functioning market with a price mechanism.

Pavlina Draganova: I think this crisis has laid bare the fact that not all paid work is the same as the most socially valuable work. Some jobs that are paid are of questionable value to society and some roles that are unpaid or very badly paid were revealed to be key jobs for keeping our society afloat during this crisis. I think that your question refers to a larger question about what kinds of work we value, which is another question that this pandemic has posed to us and that will only continue to become more relevant as I mentioned, as some sectors have to be wound down and some have to be expanded to address the climate crisis that we are facing longer-term.

Chair: Thank you. I am going to bring in Siobhan Baillie who wanted to raise a point and I can see Professor Alcock wants to contribute as well.

Q87 **Siobhan Baillie:** Thank you. Pavlina mentioned that the comments about people stopping working or who would not work if they were paid a universal basic income were unsubstantiated. It is a really emotive conversation because nobody wants to suggest people are lazy. It is a very difficult thing, but I think we need to look at some evidence. I know that in the Finland trial, where there was a stipend—a universal basic income—for about 2,000 people, many of them remain jobless and did not climb out with those payments. I would be very interested to learn from where UBI has been trialled and to hear from the panel about the evidence base. My understanding is that where it has been trialled, it has been a flop.

Professor Alcock: This discussion does raise another contradiction in the universal basic income arguments. The contradiction again revolves around the level at which it is set. If it is going to remove the financial insecurity that people particularly on the margins of the labour market face, then it is going to have to be a pretty generous benefit, particularly if it is going to account for people's family size, living circumstances, housing benefit and so on. Those are the sorts of things that contribute to people's financial insecurity.

If it is at such a high level, then it is going to lead to the other problem of, "Why should we pay it to people who do nothing?" There is a moral argument there but there is also an attitudinal argument that I think would have political consequences, which is that if we are paying a high level of benefit to people who do nothing then the support for that benefit I suspect will wither away, and keeping it at a high level will be very difficult to maintain because people will see or may think that it is being paid to those who do not need it. Therefore, maintaining the high level of universal benefit would require a lot of attitudinal and political buy-in, which you are not likely to get because of the contradictory implications of it.

Again, it looks like a silver bullet but it misses the target.

Stewart Lansley: Can I deal with the question about pilots? The Finnish scheme showed a modest increase in people going into work compared with the control sample, so it did not reduce the incentive to work. There have been lots of other pilots. The pilots that took place with a slightly different scheme in the United States and Canada in the 1970s showed that the effect on the incentive to work was broadly neutral and the only two groups where there were slightly fewer people working was among mothers with young children, who delayed a little bit before they went into work, and among students, who just took a little bit longer to decide what job.

I think the evidence really is that there is not really a negative effect on the incentive to work and, if anything, there might be a slight positive one. We believe this modest income scheme would be marginally pro-work, although different sorts of work including setting up businesses.

On Peter's argument that there will be lots of political objections to it if you are paying it at very high levels, the point about our modest scheme is that it is a floor and then the existing system sits on top of it. Some people will still get means-tested benefits and so on, and the simulations we have done show that it does significantly increase the incomes at the bottom, while clawing it back from the top. The political arguments are very different between these big bang schemes and the modest scheme.

Q88 **Chris Stephens:** Moving on to look at the rates and perhaps the cost and its relationship with the social security system, can I ask Mr Lansley what he thinks an appropriate rate for a basic income should be and should it be one fixed rate or should we look at different rates based on need?

Stewart Lansley: We have modelled quite a lot of different schemes at different rates, at high rates and more modest rates. We have found that it is extremely difficult to get a scheme with high rates to work. It would be too expensive and would require huge hikes in tax rates. Also there would be losers, if you were using it to sweep away most of the existing social security system.

We did find that systems with lower levels were very progressive. They were affordable, they were feasible, they cut poverty, they cut inequality and they cut a degree of means-testing. The rates that we have looked at are £40 for a child, which is roughly double the existing child benefit, and £60 for an adult. We paid £60 to all adults, but you could vary it. You could have a slightly lower rate for younger adults.

Q89 **Chris Stephens:** Is that £60 a week, or £60 a month?

Stewart Lansley: It is £60 a week. So £40 for a child and £60 for an adult would be the equivalent of £10,400 per year for a family of four. It is not enough to live on but it is a significant sum that is guaranteed. We think it will have a similar effect to child benefit, so people can plan, they know it is coming, they can ride out volatile incomes and so on.

We need to distinguish between the gross cost and the net cost. The gross cost of this scheme excluding pensioners would be something like £180 billion. That is something like 8% of the size of the economy because you cannot count just the gross cost. As I said earlier, we need to look at the reform as a tax reform and not just a benefit reform. Basic income is as much a reform of the tax system as it is of the benefit system. You can make that revenue neutral by the abolition of the personal tax allowance, which has become much more expensive over the last 10 years. I think it is around £120 billion. There is a case just for abolishing the personal tax allowance and converting it into a cash payment. You could just do that and that would be highly progressive. Also we have put on slightly modest increases in the marginal rate of income tax by 3 pence. The effect of that is revenue neutral. By revenue neutral I mean that after allowing for the basic income there would be no net increase in the average tax rate.

You could do it more cheaply. You could have slightly lower benefits or you could have slightly higher benefits and we believe you can start small and move over time towards a more generous scheme. We think that is perfectly feasible and practical.

Chair: Can I interrupt? I can see that Professor Piachaud wants to come in. Can I take him first and then come back to you?

Professor Piachaud: Thank you. On the detail of a modest scheme I agree with a great deal of what Stewart Lansley said, but what I do not think is very helpful is to think of having a floor below the social security system. In some senses the social security system for a great many people is the floor, and improving that and maintaining it and enhancing it in the future seems to me to be very important. The child benefit component is a universal basic income for children and there is a very strong case for maintaining that.

Thinking about a universal basic income in comparison with improvements in social security and modifications in the tax system seems a more productive way than waving a new label and saying we will have a whole new system and call it universal basic income, which is very much a distraction from improving social security more generally.

Q90 **Chris Stephens:** Stewart, one of the key aspects of the work of this Committee is to look at the support and whether there should be additional support for disabled people or people with complex needs. To go through the proposal that you are putting forward today, how do you see the relationship between a universal basic income and the support that goes out to people with complex needs or the disabled? Are you suggesting that the social security system stays more or less the same along with UBI or are there other changes you could suggest?

Chair: Okay, Mr Lansley and then Professor Alcock, but Mr Lansley first.

Stewart Lansley: We are proposing that it is grafted on to the existing social security system. The rest of the system stays intact, so you have almost a two-tier system. You have this automatic guaranteed non-means-tested payment going to everybody, and then on top of that some people will come off means-testing because of that and some people will still need it. Housing benefit, disability benefits and other benefits would stay in place. Introducing the floor does not preclude making other changes to the rest of the system. It does not preclude improving the way we assess people for disability benefit, which needs to be improved anyway. It does not affect the need to re-examine the whole conditionality and sanctioning system that I think most of us would agree is much too harsh. It is not a distraction from those other benefits. It is perfectly possible to fire on more than one cylinder.

Chair: Professor Alcock, I know there was an earlier point you wanted to come in on. Do you want to make your point now?

Professor Alcock: There was, yes. I do not really want to get into this debate now but I think the evidence from the pilots is more equivocal than Stewart Lansley was suggesting. It is interesting that they have all been pilots and none of them have turned into a full-blown scheme.

Another point about the partial basic income scheme that slightly concerns me is its potential effect on wages and on employers. It is basically a subsidy for employers, potentially, because their workers would not need to be paid so much as they would already have a proportion of their income provided. We may want to subsidise employers for all sorts of reasons but subsidising them on a blanket basis like that does not seem to me to be the most sensible way to support a changing labour market.

Chair: I can see a couple of our witnesses want to come in, but can I take Debbie Abrahams first who wanted to go on from this a little and then come to the witnesses?

Q91 **Debbie Abrahams:** I think the discussion so far has been quite revealing about our understanding of the psychology of human behaviour. I have been very struck first of all over the last six or seven months by the 3 million or so freelancers or self-employed who have not been eligible for any Government support and who are really struggling. A basic income of the level that we have described would have been some help. I am also very concerned, as Chris has just mentioned, about how a UBI would potentially impact on disabled people. I am heartened by what Stewart Lansley has just said, but I would like to know more about if he and anybody else can analyse the pilots and how this has impacted on disabled people. Also, what have the impacts been around poverty and inequality?

Finally, does the proposal that Compass has put forward address or move towards the minimum income standard that has been advocated for several years around reducing poverty and inequality?

Chair: Thank you. I think the questions are for Mr Lansley, but I know Ms Draganova would like to come in as well. Mr Lansley, do you want to respond first?

Stewart Lansley: On the last point, under this system, some people will rise to the minimum income standard automatically. We believe that over time this floor should come up and, as the floor comes up, fewer people will need it. I see this system a little bit like the Beveridge system was a starting block for a better system. Over time it was improved. I see this as a starter block for building a better system for the future. It is very much the next generation who would benefit. I see over 20 to 25 years us moving towards a fuller basic income scheme.

For political and practical reasons, and to minimise the level of disruption, we think we should go for something quite modest. We could even move it in steps so it would not be too disruptive, and hopefully that would be enough to win public support. You cannot introduce this without public support and we do not have that public support yet.

Q92 **Debbie Abrahams:** Winners and losers, Stewart—so particularly focusing on disabled people who have been hit so badly over the last decade and are really struggling.

Stewart Lansley: Nobody on disability benefit would be worse off.

Q93 **Debbie Abrahams:** What does the international evidence say in terms of pilots? What was the impact on disabled people from the pilots?

Stewart Lansley: I do not know. Do you mean the American pilots and so on?

Q94 **Debbie Abrahams:** Yes, and in Finland.

Stewart Lansley: I do not know about Finland because I think it was only unemployed people. I just do not know, sorry. Also we do not have the full evidence on the Finland study yet. We only have the first stage evidence, I think.

Chair: I think Ms Draganova wants to come in one this.

Pavlina Draganova: I am afraid I also cannot answer specifically about the existing pilots but we did have a lot of people with disabilities writing in support of this proposal and I wanted to read what they said. Ross from Dublin said, "As a long-term disabled person it might make it possible to work a little when my health allows. At present a lot of disabled people will not even volunteer in case that is seen as an ability to work permanently." This is a comment on how the existing system discourages. It does not allow for the kind of flexibility that a lot of people really need.

Q95 **Debbie Abrahams:** I could also provide you with evidence from disabled people's organisations that are saying something contrary to that, so I think when we are working forward we need to make sure we are looking at who are the winners and losers, recognising those who are most vulnerable and who we need to be lifting up, not making things worse.

Pavlina Draganova: I completely agree. I would say to that, and in response to the comment about how you have a silver bullet, I do not think anyone here is arguing this is a silver bullet or that it will by itself solve all the issues we have with poverty and inequality. We are arguing for, at heart, a system of measures that does not currently replace the rest of the welfare state but provides a minimum floor that helps to address some of these issues. I hope that helps.

Q96 **Selaine Saxby:** Good morning. At the very start Professor Piachaud spoke about the costs of the UBI compared to the current public expenditure and I was interested in investigating that a bit further. In each of your views, how much would a UBI cost compared to current public expenditure on welfare?

Chair: Professor Piachaud, are you able to comment on that?

Professor Piachaud: Broadly speaking, roughly a third of the population is on social security in one way or another and if you were to give an adequate minimum to everyone as a universal basic income, the gross cost would be roughly three times as much. It would be a colossal increase and nobody here—Stewart or Pavlina—is proposing that, but it seems to me if that is what people are holding out as a long-term desirable thing, one should be aware of the cost of it, which is quite enormous.

Improving disability benefits, for example, is a tiny fraction of that and so is targeting on children through a universal child benefit, which is a very small fraction of that. I would slightly dispute what Stewart Lansley said about the Beveridge scheme being improved as it has gone along. In a lot of respects, benefits have declined relative to earnings levels. There have been some extensions in that Beveridge said very little about disability benefits and disability costs at all, but those who have never been in the labour force were not included in his scheme at all so they were still dependent on national assistance. There have been some improvements there, but basically the social security system is in need of a revamp and enhancement, and focusing on that seems to be more important than inventing a new scheme.

In relation to some of the trials and pilots, no one has ever piloted a full universal basic income. The Finnish one was focused on the long-term unemployed only and some schemes in some countries have been externally funded, and if it is externally funded then some people gain from it. There are no apparent losers.

But were it to be a major redistribution, paying this to everyone rather than to the targeted social security recipients, obviously one could accompany it with tax changes, but just the net effect of paying everyone the universal basic income would be not at all redistributive. It would be giving benefits not only to those who now get social security benefits but the universal benefit to everyone so that would have to be clawed back. The cost of that is potentially colossal, so it is sensible to consider some of these partial schemes.

Professor Alcock: On that last point I think we are all agreed that the cost of a full universal benefit scheme would be colossally and impractically expensive. I am also worried about the cost of the partial basic income scheme that appeared to be revenue neutral and perhaps in one sense can be. But it does inevitably involve increasing taxation and it seems to me if we are going to make the case for increasing taxation—a case that will have my support, I should say—there are other priorities than shifting money around between people who already have it within the existing distribution of resources because we will not make social security any more generous on this partial basic income scheme.

If we want to raise taxes then I would look at things like the National Health Service, the education service and support for social care as much greater priorities in current circumstances than providing a minimum £60 a week payment to everybody, some of whom will not need it and it will not make any difference to them, and for those people who do need it, it will not be sufficient to live on.

Q97 **Chair:** Mr Lansley, did you want to comment on the cost point?

Stewart Lansley: On Peter's point, the effect of the scheme is to raise incomes among the poorest. It doubles them. It is not this minimum £60 either. Combined with the existing system, it lifts income significantly at the bottom end. The only point I would make in addition is that you cannot solve poverty or inequality on the cheap.

If we are going to get back to the levels of poverty in the 1970s, which were not perfect but they were a lot better than they are at the moment, then we need to raise the share of national income that goes to the poorest fifth. There is no short cut to that. That is what we need to do and we can do it by various schemes of redistribution. Basically we can do it in other ways, but we have to grasp that nettle and we have to fire on more than one cylinder.

Beveridge said we need national insurance and we need child benefit, family allowance and we need full employment and we need a national health service. Circumstances are different now but if we want some kind of new Beveridge plan we really want to sort these issues out. Those are the kind of issues we have to look at.

Chair: Selaine did you want to come back on that?

Selaine Saxby: I am fine. I am aware we are short of time, Chair, thank you.

Q98 **Chair:** Yes, time is going on. Can I finally put one question to you, Mr Lansley? Can you tell us what your proposition would mean for pensioners? I know that part of the Compass scheme I have seen involved abolishing the state pension, so what would you propose should happen to pensioners' incomes?

Stewart Lansley: The thing about pensioners is that we have been edging towards a basic incomes pension for pensioners anyway because we have been raising the flat rate state pension and on top of that there is pensioner credit. What we proposed in our scheme was a slight rise in the state pension. I think it was £15 or something like that, and also to abolish the conditionality so it means those people who have not paid enough stamps would get the basic state pension. Some would still get pensioner credit but obviously fewer would need it so it would cut the numbers on pensioner credit quite significantly.

Chair: Thank you very much. That brings us to the end of our first panel session. Thank you to all four of you for being willing to be with us, for the very interesting discussion we have had and the very interesting perspectives you have all given to us. Thank you very much indeed.

Examination of witnesses

Witnesses: Professor Nick Pearce, Dr Malcom Torry, Anthony Painter, Paul Vaughan and Edward Davies.

Q99 **Chair:** Can I now welcome our second panel joining us virtually? There are five people on the panel. Can I ask each of you very briefly to tell us who you are, starting with Professor Pearce?

Professor Pearce: I am Nick Pearce. I am the director of the Institute for Policy Research at the University of Bath and we do a lot of research into basic income alongside other research into the welfare state more broadly.

Dr Torry: Malcolm Torry. I was until recently a visiting fellow at the London School of Economics and director of the Citizens Basic Income Trust in the UK. I am now general manager of the Basic Income Earth Network, the global organisation facilitating the global basic income debate. I started in this debate when for two years 40 years ago I worked in Brixton supplementary benefit office behind the public counter and the vast majority of the time since then as a full-time vicar in the Church of England. I constantly research the possibility of an unconditional income.

Anthony Painter: Good morning, I am Anthony Painter. I am chief research and impact officer at the Royal Society for Arts, Manufactures and Commerce. We devote a lot of our research and policy effort to looking at the future of work and economic insecurity, and hence our interest in universal basic income as part of that dual discussion.

Paul Vaughan: I am Paul Vaughan. I am head of communities and neighbourhoods of Fife Council and I was part of the steering group looking at the feasibility of a Scottish citizens' basic income pilot over the last two years.

Edward Davies: I am Edward Davies. I am the director of policy at the Centre for Social Justice. We look at root causes of poverty and that involves a lot of work on the benefit system, and we have had a bit of a look at universal basic income as well.

Chair: Thank you all for joining us. Our first question to you comes from Shaun Bailey.

Q100 **Shaun Bailey:** I want to look a little bit more into the implementation of any possible basic income. What we have seen this year is quite a shift in some of the socio-economic realities we have had to encounter as a result of the pandemic and other factors that have come in. I am curious. I read what the RSA suggested—that it would take around 10 years to implement a universal basic income system. From an implementation point of view, would you accept that analysis and what challenges in that set-up period do you think there would be, particularly from a socio-economic point of view?

Anthony Painter: We analysed two potential systems. One was very similar to the system that Stewart Lansley was discussing in the previous session that looked at around £60 a week individual payments. It is important to emphasise it is an individual payment rather than a household payment, so if it is two individuals that is £120 and if there is more then £180 or £240. Then there was a more expansive system that was more at the £100 a week level and obviously safeguarding pensioner incomes alongside that.

Our assessment is that you could introduce the first system within a Parliament. There are universal payment systems already in operation: child benefit, basic state pension and so on. Basic income has a simplicity once you have that universal register in order to make that payment. For the longer-term system, we are looking at two Parliaments, but it is not just about the technical implementation. It is about testing and understanding the system and building political and public dialogue around it, understanding how it is interacting with the labour market and the rest of the social security system and so on.

I would support the comments made by Mr Lansley in the previous session: that you probably want to produce it at a certain level so you can test and understand the impacts it is having and then evolve towards a more expansive system over time, much as we did by the way with tax credits and universal credit and as we did with the basic state pension in relation to pension credits. You would evolve towards that more expansive system.

Q101 **Chair:** Does anyone else want to come in on that point on the timescale?

Dr Torry: The illustrative basic income schemes that I have researched and are published by the Institute for Social and Economic Research are in many ways quite similar to the Compass scheme and the RSA schemes, but the approach is somewhat different in that I first of all established feasibility criteria and then look for illustrative schemes that will fit them.

One of the important feasibility criteria that I set to begin each research project is that the scheme as a whole should make as few changes as possible to the existing tax and benefits system, so you have built into the research project already the requirement that almost nothing else should change except things like tax rates slightly and the income tax personal allowance, national insurance, contribution rates and thresholds.

Means-tested benefits in the presence of a basic income would automatically change their levels so no change would be required structurally. If you make that one of the criteria then the illustrative schemes that emerge from the research project are those that would be very easy to implement and as soon as an appropriate database could be constructed for the payment of basic income itself, it would take very little time to implement a scheme.

Chair: Shaun, did you want to come back on that?

Q102 **Shaun Bailey:** Just so I understand that point, am I right in thinking, going back to Dr Torry, that to implement a system like this we would be leveraging existing systems that are in place in order to try to implement this in a timely way? Have I understood you correctly there?

Dr Torry: Yes, if you wanted to do it as rapidly as you could. Obviously if you had an illustrative scheme that would make larger changes to the existing system, then you would be looking at a much bigger timescale. The illustrative schemes that I research would create infinitely less disruption to the current system than, for instance, the implementation of universal credit, because it would leave everything as it was and in fact make the existing system much easier to administer because one of the outcomes would be far fewer people on universal credit after you implemented the basic income.

Q103 **Debbie Abrahams:** My questions are on evidence. As a former academic, evidence is very important to me. I am very keen to understand the evidence from pilots that have been undertaken. I am aware of pilots in Scotland and I know Fife is one of the areas that has been piloted.

Can I take you back to what I was asking the first panel? What evidence is there of the winners and losers in any pilot? I am particularly thinking about disabled people and what the impact has been in terms of reducing poverty and inequality?

Chair: Mr Vaughan, do you want to tell us about what has been happening in Fife?

Paul Vaughan: I think I just need to put the record straight first of all. There has been no pilot in Scotland. There has been no pilot in Fife or any of the other three local authorities, Glasgow, Edinburgh or North Ayrshire, that have been involved in this. Over the last two years we have been undertaking feasibility work to look at how you could run a pilot in Scotland. As part of that work we undertook an extensive literature review of all the pilot work that had been undertaken and was available to be researched. That is published and available through the What Works Scotland website and summarised in the feasibility report that is also available.

The overall view is that there has been no particular implementation of a full basic income within a pilot within a country comparable to the UK or the Scottish context, and one of the main reasons for wanting to undertake a pilot work is to fill a number of the evidence gaps that come up. I was listening with interest to the comments from the previous panel and while a lot of what was said is certainly argument that has been made, it is generally argument that is based on academic thought experiments with modelling that has been undertaken, rather than looking at how you could practically implement a pilot and what the practical results would be of some of those pilots. The evidence that is there we feel is insufficient to define whether you go for a basic income, and therefore that would be what we would be looking at undertaking.

As for specifics around disabled folk, that was something that we engaged with disabled groups up in Scotland on, to recognise their particular concerns. There are obviously increased costs for individuals with disabilities and any pilot scheme would need to recognise those additional costs and include those in any payments.

Q104 **Chair:** What are the plans in Fife at the moment? Are you planning to introduce some things based on your two years' work?

Paul Vaughan: According to the feasibility study we have done, it would seem not to be possible for a Scottish local authority or, it would seem, the Scottish Government itself, to be able to implement a pilot basic income, at least not in the way we have defined the model we saw as our preferred model. This is down to a number of the issues that were picked up by the previous panel.

There are severe institutional issues or challenges that need to be faced. The way that the welfare and tax system works at the moment obviously has implications for the UK Government through HMRC and DWP. It has implications for the Scottish Government and the control they have over the setting of income tax rates and the benefits they can introduce, and equally also for local government in terms of the different aspects of the welfare system it is responsible for.

These connections and the interactions between these have led us to believe that for us to be able to undertake any pilot in Scotland, we would need primary legislation at the House of Commons and Westminster to allow it to happen and the working together of all three levels of government to make a pilot happen.

Q105 **Chair:** Thank you very much. Mr Davies and Professor Pearce, do either of you want to comment on evidence so far of what the effects of this sort of scheme might be?

Edward Davies: This is very much the right question to be asking. My reading of the evidence is it is incredibly equivocal and I think you heard that from the last panel as well. Your question on disabilities was the right one and as the last panel said I have not really seen anything on disability. I think in some ways it is a solution looking for a problem in that you have a huge range of pilots and precursors—sovereign wealth funds, small-scale work and all these kinds of things—that come out with this huge range of quite contradictory evidence. Some say this is good for work, some say it is not good for work.

We just heard someone say they wanted a £180 billion scheme which had a marginal pro-work benefit. Finland seems to have done something quite good for wellbeing but if you want to tackle wellbeing this is not the way to do it. There is a slightly good thing for women on maternity leave who may want choose to stay at home longer but again, if you want to tackle that there is a much better way of doing it. I think the big picture on evidence is, exactly as Paul just said, that this has never been trialled and from those pilots and precursors that do exist, the results are really equivocal and it leaves me thinking this is a huge change without any basis in an existing trial or anything like that.

On your point about who are the winners and losers, a lot of the things I have seen on this suggest that the losers from this are probably the people who are worst off already. I know the Joseph Rowntree Foundation did some research on this and their figure was that you increase child poverty by 60% because the winners tend to be the people who are in low-paid work, not the people out of work.

It is all dependent on the system you put in because every single trial, pilot or precursor is totally different and based on something completely different. There is no coherent idea out there of how this could work with strong evidence behind it.

Professor Pearce: I think it is important to distinguish between microsimulation evidence where you take household survey data and apply different schemes and look at the distributional consequences of those schemes—those are desk research exercises that will tell you what happens in a static environment and they tell you about the different winners and losers and the costs and consequences of different approaches—and real world pilots.

From the real world pilots we have, I think it is important to say there is a big difference between countries that have trialled forms of basic income that have underdeveloped or minimal forms of welfare provision currently, so pilots in India, Kenya, Uganda and places of this kind where basic income can be seen to have very beneficial effects because you are not bringing it into a system where there is already a welfare state developed.

Finland is interesting because it is a highly developed welfare state and it was the first randomised controlled trial across a whole country. It is not a universal basic income because it is only 2,000 people. They are out of work and it is not going to everybody and it had a limited budget. They were only given a certain budget by the Parliament—€20 million. It can tell you a certain number of things.

Ideally we would have a whole area given the basic income with everybody in it or we would do something on a national scale that allowed us to see the differences between the recipients and a control group. One of the questions here is that in real world pilots we can get closer to something that might look like a basic income in practice and in reality. The biggest challenge here, and it is also a challenge for microsimulation studies, is that, as has just been said about Scotland, it is very hard to model changes to the tax system to show how you would pay for a basic income. That did not happen in Finland either so we cannot yet know, without knowing what changes to taxation take place, what some of the labour market effects might be—the incentives that change for individuals given their levels of taxation alongside a basic income.

Microsimulations can tell you something about those things but microsimulations, as we have them currently in the UK at least, are static and not dynamic and we are not able to look at things like corporation tax, wealth taxes, carbon taxes, or land value taxes. These kinds of taxes do not figure in microsimulation models so some ways you might want to pay for a basic income, if you wanted to look at some of those kinds of taxation—taxing wealth and environmental bans, for example—cannot be factored into the models we have. That is a big constraint on what we can do in the real world but it also opens up territory for us to think about how we might alternatively fund improvements in the welfare state.

Chair: Thank you. We are coming very close to the moment for the two minutes' silence. I am going to come to Chris Stephens next. Chris, you might just have time to set out your question and then we will come back to the panellists after the silence.

Q106 **Chris Stephens:** For how long do you think a pilot scheme should operate? That would be my first question, thank you.

Chair: Thank you. I think we are now very close to 11 am, when the bell will go to mark the start of the two minutes' silence. We will observe it and then the bell will go again and we will resume our discussion. Thank you all very much.

11 am

Sitting suspended.

11.2 am

On resuming—

Q107 **Chair:** Thank you very much. The question was about how long a pilot should be. Does anyone want to comment on that? Yes, from Fife—go ahead.

Paul Vaughan: The preferred model that we have worked on in Scotland is a three-year pilot. We looked at that. We felt that over that length of time there would be a number of short-term outcomes that we would expect to be able to see with any particular pilot. It is not just the length of the pilot; how it is constructed becomes very important. We had quite a bit of debate and have settled on our preferred approach of a randomised control group, but on the basis of picking a geographic area, or two geographic areas, to run the pilots in, on the grounds that one of the things that we would be looking to test for are community-level impacts and community-level benefits that might arise from any implementation of a pilot, which is not really doable when looking at a population-wide approach. On top of that, there would be a population group that we would use as a control group. In terms of timing, we have been looking at three years.

Q108 **Chris Stephens:** Paul, I asked you this before: obviously you are very much involved in the Scottish feasibility study, but you will be aware of other UK local authorities, I am sure, who want to pilot some of this. Is it the position of Fife Council that you are relaxed about whether it would be a UK pilot or a Scottish pilot?

Paul Vaughan: The position of the four local authorities was that we worked on a Scottish pilot. The evidence that we collected was around what that would mean in a Scottish context. The modelling was done on the basis of Scottish data and the Fraser of Allander Institute's model of the Scottish economy. I cannot comment on what the UK-wide impacts would be. Our preference across the four local authorities is still that we would like to see it piloted in Scotland. We have done a fair amount of the leg work that is required to get this established, and we have highlighted where the changes now need to happen for it to happen, but it is on the basis that the pilot would fill these evidence gaps to decide whether you did in the future want to go ahead with a broader scheme.

Q109 **Chris Stephens:** Thanks, Paul. Just to recap the question for the others: how long do you think a pilot should be? Maybe you could give us a view about the Scottish feasibility study and what you think about that; the impacts on future work. I will start with Dr Torry, if I can, Chair.

Dr Torry: There is always a problem with pilot projects, because in terms of employment market activity during that project, if it is of fairly short duration, every worker's eyes will be on what happens at the end of it rather than what happens during it. Employment-market behaviour may not change anything like as much as it would change if there was to be a permanent basic income scheme. That is a problem that we cannot easily solve, because a pilot project by definition has to have a defined length, because you need to stop it and then evaluate it. This is why there are now some Kenyan pilot projects that are going to be running over 10 years, in order to try to capture some of the longer-term employment market and enterprise effects. I think probably the Scottish approach is the right compromise under the circumstances, because if it is too long then you are trying to run something that you would want to run permanently if you could, and you then need to keep on managing and paying for a relatively small project. You do have to stop it at some point, and I think three years is probably about right.

There is one point I would like to make about pilot projects and their relationship to microsimulation, which is the research tool that is used at the Institute for Policy Research that I use and that Howard Reed uses for Compass. That is, it is effectively a pilot project, because it uses real-world data from a vast sample of the population and puts it through computer programmes that model the tax and benefits regulations of the UK. We are, in fact, running a whole-country pilot project. We do not need to run pilot projects to discover the immediate financial and fiscal effects of a basic-income scheme. What we need pilot projects for is employment market affects, because at the moment pilot projects are the only way to evaluate those. For instance, microsimulation, the method that I use, sets feasibility criteria and, for instance, in response to a recent comment made during this panel, one of those feasibility criteria is that there shall be no significant losses at the lower end of the earnings range. It is perfectly possible to find an illustrative basic-income scheme that fulfils that particular criterion, the criterion that no major changes will need to be made to the current system, and the criterion that all poverty and inequality indices should fall. It is perfectly possible to find a feasible, illustrative, basic-income scheme of that nature.

One further question I have about pilot projects is this: we are assuming that there is this gulf between the concept of a full basic income for a whole country and a pilot project in a particular place. There are other options, and these have been researched. One of those options is to implement a basic-income scheme for a single-age cohort, and there is research on this possibility, starting with a full-country, single-age cohort—for instance, young adults—and seeing how that worked. Then they keep it if it works well, and so you roll out a basic-income scheme for the whole country. There is already evidence from a pilot project in Korea on such a single-age cohort basic income in a province. There is a wide variety of experience out there, and if ever this Committee or the Government wish to take a longer look at these issues, then clearly we will be very happy to help with that.

Q110 **Chair:** Thank you. Does anyone else want to comment on how long a pilot ought to be and what is proposed in Scotland? Yes, please go ahead, Mr Painter.

Anthony Painter: I think they have come up with a good compromise of three years. You do not want to set a pilot running and then have it sink into the background in public policy discussion and debate. One of the key reasons to have a pilot is so that the public engages with notions of UBI and the impact it is having. In basic income-like pilots there has been no perfect pilot up until this stage. The early-stage impacts have tended to become accentuated or reinforced over time. This can work both ways, of course, because one of the things you want to do in the pilot is understand if there are very negative impacts straight away that you have not picked up in microsimulation or a review of the evidence as presents itself in a previous pilot. What we saw in Finland, for example, is that the impacts after one year—and the biggest self-reported impacts were probably on mental health, lower levels of anxiety, and greater trust in institutions—were still there by the end of year 2. The employment effects were still minimal; they were minimal at the end of year 1, and at the end of year 2.

In other experiments, for example the one that ran for five years in Dauphin, Manitoba in the 1970s in Canada, you started to see those community-level effects that Paul Vaughan was talking about; so, for example, young people staying in education longer. The hypothesis is that this was a mutually reinforcing impact, that people started to influence each other, and in the face of having this cash payment it opened the possibility of staying in education, and so there is a social effect to stay in education longer. We have seen positive health impacts, particularly on mental health and wellbeing, and again, such as in the pilot in North Carolina, these have become reinforced over time. In effect, you do not expect the direction of travel to change abruptly. I think three years is sufficient, but even at the end of one year you will be able to see some of the immediate impacts and start to understand and get the public engaging with some of those positive and negative impacts of UBI.

Professor Pearce: I just want to say that the most important thing, obviously, with a trial is to establish the research criteria at the beginning, effectively, and to make sure that your evidential standards are as high as possible, so that when you come to the end of the evaluation you have genuine research evidence and knowledge that you can build upon. Randomised control trials tend to be thought of as the top of the hierarchy for those kinds of trials, but an area-based trial where you distribute it to an entire area, as Mr Painter says, does have some benefits, because you then begin to see more than just the effect on individuals, but the peer effects that might take place within a community, whether that is about changes in norms, habits and attitudes, trust in others, and so on and so forth.

I have one final point on minimum income guarantees. Although that is not a basic income scheme, it is, if you like, a cognate of basic income. You talked a bit about that in your first session this morning. Spain has just introduced a new minimum income guarantee. It retains, obviously, lots of means testing for different kinds of households, payments made on the basis of household characteristics, but it is another form, if you like, of relevant real-world experience of how you might combine income from wages with means-tested top-ups for different household types and see the outcomes that are achieved, and also some of the testing of different administrative approaches. Spain had a deluge of applicants for its new minimum income guarantee. It struggled to process all of them, but it will give us evidence about what happens when at scale you introduce a big national policy for establishing a minimum income floor.

Q111 **Chris Stephens:** Paul, you have described in detail to the Committee some of the challenges in getting a pilot up and running and the interaction with reserve benefits, for example. What would Fife Council want the Committee to recommend to the Department for Work and Pensions in order for the pilot in Scotland to get up and running?

Paul Vaughan: As a steering group, what we would be looking for is the ongoing work with officials and things within the DWP and HMRC to get to the point where we would be able to run that pilot. There is further work to be done looking at some of the legislative changes that would be required for even a pilot to be undertaken. We would be looking for that support from across all three levels of government—the UK Government, the Scottish Government, and local government in Scotland—to work on that with a clear end date of when the pilot will be scheduled to take place.

Q112 **Selaine Saxby:** I want to look into the economic modelling. This is, I think, particularly for Professor Pearce and Dr Torry. You have mentioned the microsimulation analysis of implementing UBI and that it shows patterns of gains and losses across different income and demographic groups. Could you explain which income and demographic groups would experience losses if the UBI was implemented, and what would be the benefits and drawbacks from that modelling if we did implement?

Professor Pearce: Perhaps if I go first, Dr Torry. We at the Institute for Policy Research at the University of Bath have modelled lots of different schemes set at different levels, and the impacts on different households and the distributional impacts across the population. The costs and benefits vary considerably, obviously, depending on the level at which you set the basic income; on what you then do to other benefits—if you leave benefits as they are or withdraw them, whether you retain disregards for basic income or not; and, of course, on the taxes that you raise to pay for a basic income if you wish it to be revenue neutral. You have very, very different consequences for those kinds of schemes. Broadly speaking, the higher the level of the basic income the more costly it is, but the higher benefit it has for reducing poverty and the better it protects particular groups. The lower it is and the more you withdraw existing means-testing benefits to pay for it, the worse its impacts on particular households and on particular deciles or quintiles in the income distribution.

Broadly speaking, if you give a basic income to both members in a household, if you are a couple in a household, and instead of means testing that household as a whole you give each adult a basic income, and you do the same for children, and if you then add some disability premiums, or keep disability payments, those kinds of schemes are going to be very, very progressive. It will be households where you have a single member, or where you have no children that, broadly speaking, the benefits will be less or the costs will be higher. There will be those kinds of things to think about, and we can report all the modelling. We have reported lots on different kinds of schemes that we outlined in our research.

I wanted to pick up a couple of things from the previous discussion. One was Dr Torry mentioning different age groups. We have also modelled those. We looked at a basic income for young people—18 to 25-yearolds—set at £73, or thereabouts, per week at 2017 prices, and you take away the benefits to which that group would be entitled, such as JSA, ESA and so on. The net cost of that is about £23 billion, but it does not include looking at student grants and loans, which you might want to do as well, and that has a large impact. It reduces child poverty, and it reduces poverty in households of working age. You can think about, for example, looking at particular age groups, as well as households across a distribution and household types. Of course, we do have something approaching a basic income for pensioners already with the new single-tier state pension. Over time that evolves to look something like a basic income.

Finally, if you take the simplest scheme, which is to replace the personal tax allowance with the implied tax saving, again at 2017 prices and rates, of something like £2,200 a year, and if you then withdraw the personal income tax allowance and you apply a single rate of 12% on all earned income for national insurance, the net cost is about £13 billion, and that tends to have a good impact on reducing child poverty—something like 25%—but less of an effect on reducing income inequality overall. Within the different deciles and quintiles you will get effects, as I said earlier, on those households that do not have children or where they are a single-person household. They will tend to do worse within the lower-income distribution deciles or quintiles because, as I said earlier, they are not benefiting from the extra payments coming into a household by virtue of having children, two adults, or people with disabilities.

Chair: Thank you. Selaine, did you want to hear from Dr Torry as well on this?

Selaine Saxby: If Dr Torry has anything he would like to add, yes please.

Dr Torry: Yes, certainly. While the Institute for Policy Research and my research use the same research tools—we use EUROMOD, now UKMOD, the microsimulation programme with the Government's own survey data—we take a different approach to the method in that the IPR simulates a large number of different schemes, choosing different criteria for the schemes, whereas my research begins with feasibility criteria and then looks for an illustrative scheme that will fit those criteria. One of the criteria that I set is that there shall be very, very few losses among the disposable household incomes of the lowest quintile of incomes. The difficulty of achieving 0% losses is that the current tax and benefit system is incredibly complicated and the household circumstances are extremely complicated. If you make any change at all to the tax and benefit system you will get losses among some households, including those with relatively low incomes.

The illustrative scheme that I researched earlier this year—which fits all of my criteria for feasibility—in the working paper recently published by the Institute for Social and Economic Research, just 1.34% of the lowest quintile of household incomes suffer losses of over 5%. It is almost impossible to get any level below that because of the complexity of the system. That is an extremely good result. It is perfectly possible. That is a revenue-neutral scheme that raises income tax rates only slightly, and also retains a certain level of income tax personal allowance.

Chair: I will bring in Siobhan Baillie at this point, and then I want to come back to the economic impact in a moment.

Q113 **Siobhan Baillie:** This is a specific question to Edward Davies, because I know the Centre for Social Justice did a report specifically looking at whether UBI was an effective policy for poverty reduction. Thinking about the DWP, did your research find that UBI would meet the needs of the families that DWP already supports, so complex needs, low income, issues with drug addiction and family breakdown? I am interested to know a bit more about that.

Edward Davies: Yes, that is an incredibly good point. The entire premise of this conversation—and, frankly, too much of the conversation of the whole of Westminster—is predicated around poverty being simply about money, and this idea that if we get the money level right, if we give a bit more to that, this or the other, we can solve the problem. I know that people do not like this, and I can see people sighing in the background, but I think we also do need to understand that the fundamental lives that people lead and the things that keep them in poverty will not be addressed by this in any way. The OECD says we have 5 million people at the moment in the UK who are functionally illiterate. This does not help that. We have 500,000 people with a gambling problem in the UK. This does not help them. I imagine that has gone up a lot during lockdown as well. We had massive rates of alcohol addiction, we have the worst drug-addiction rates in the country, we have a huge domestic abuse problem; this does not touch those things.

Part of the issue I would have with this is we bring in this huge amount of money and refocus it in a payment, when it could be much better targeted. Anthony rightly said the Finland model showed some improvement in self-reported mental wellbeing. I would expect that. We have been collecting ONS data on what makes for good mental wellbeing—David Cameron's famous happiness index. If I really wanted to tackle wellbeing, I know there are many things above that. Again, really uncomfortably, the top thing on that happiness index for a lot of people—I do not like it—is marital status. That is something that has collapsed in the UK in the last 30 or 40 years. If we are really going to talk about improving wellbeing, let us talk about what is going on in people's homes at the moment, which is not in a good way. There is this big question where we spend another hearing talking about this stuff, but not focusing on what policy and social interventions will make people's lives better.

I do not mean to be facetious about this, but this is a really important point; this Committee did this piece of research a couple of years ago when Frank Field was chair. I am just going to read three sentences from this Committee's conclusion. "Ultimately, we were at a loss to understand how CI could even partially resolve the issues it purports to address… At best, we would end up with something very similar to Universal Credit… We urge the incoming Government not to expend any energy on it." I think this is the problem: we are coming back and having the same conversation every few years, and we are ignoring that there are these huge, huge elephants in the room that we hear about every day at the CSJ. We do not fund addiction services properly, we have some real education problems, we have a crisis of family breakdown, and somehow we feel like shuffling round money to different earners is going to be the answer. It is not.

Q114 **Chair:** Okay, thank you. We are coming towards the end. I want to ask what you think the economic impact would be of moving in the direction that we have been talking about this morning in general terms. Clearly it depends rather on what precise form was adopted but, Mr Painter, first of all, what do you think the economic impact of introducing a universal basic income would be?

Anthony Painter: I will look at a macro and then individual level, because I think those are two useful lenses to look at this problem through. On the macro level, some research has been done as to the impacts of the Alaskan permanent fund dividend, which again is not a perfect UBI, but it is an individual payment, it is made on an annual basis rather than a weekly or monthly basis, and it has been in place about 40 years. It is not ungenerous. It can make a difference of between $8,000 and $10,000 to an average family's income in Alaska.

Chair: What are you talking about?

Anthony Painter: The Alaskan permanent fund dividend. The macro impact, particularly on employment, has been broadly neutral. The reason is because whatever the interactive effects, in terms of the labour market effects of people receiving income, and incentives to work and so on, people spend that money, and that creates a macro economic boost, and so that is promoting greater employment. The dynamics of this are cancelling each other out. Of course, it depends on how you fund this, it depends on what the tax rates are going to be, and it depends on the labour market responses—the responses of trade unions, employers, and so on. This is an argument for having a concentrated trial to understand a bit more of those impacts.

On an individual level, to go back to the discussion the Committee is having in its wider inquiry, and the point being made on a fairly frequent basis in the discussion, we are not anticipating that there will be a mass obsolescence of employment as a result of automation, but we are anticipating that there will be a big transition, and people and places will have to transition to gain new skills, to upskill, and to transition into new forms of work over time. In the last few months we did a report analysing the impact of Covid and automation on risk to workers, and we have seen five years' tech acceleration in five months. You see this most starkly, of course, in a shift from high street retail to online retail. That requires a shift in skills and economic geography, and so on and so forth. In terms of economic impacts, basic income essentially sets a baseline on which people can take risks, weather the storm, have greater economic resilience, and manage the impacts on their lives in a better way.

The final thing I will say on this is, yes, UBI is not the source of ultimate happiness, but it does remove some of the elements of unhappiness, going back to the previous conversation. Edward made a lot of good points. This is not just about money; this is about relationships, and lives, and norms, and support, and so on and so forth, but economic precarity is a structural impediment to people achieving wellbeing in their lives. This goes beyond those in acute poverty, or even destitution; this is widespread across households where 40%-odd of people have access to savings of less than £1,000, according to our survey work. What basic income does is help individuals and households push back against that precarity, to take risks by learning new skills, trying a new business, moving careers, and navigate some of these shifts they are facing in their lives, thereby underpinning their economic security, their health and wellbeing, reducing their anxiety and the impact that has on alcohol addiction, and so on and so forth. The economic impacts are quite powerful, but they are not sufficient in and of themselves to get to that point of ultimate wellbeing.

Q115 **Chair:** Thank you. Professor Pearce, do you have any observations on what you would expect the overall impact on the economy to be if the Government were to choose to move in this direction?

Professor Pearce: I think that depends fundamentally on the level at which you set UBI and the taxes you raise to pay for it, and that will impact on labour-supply effects, and it will impact on people's take-home income in very different ways.

There is a big question behind this though, and it is partly what Anthony has just said and what you touched on in your first session, which is that we have seen since the 1970s a decline in the labour share of national income in many countries. Increases in productivity are being uncoupled from median wages, and there is a question about whether technological change is reducing the labour share, and if that is the case do you need things like basic income or other measures to make up household incomes, particularly for those workers whose wages have been declining relative to where they were in the 1960s and 1970s? Part of that, of course, is about the collapse of trade unions, it is about political changes to corporate governance, and it is about tax and benefit changes, but there is a broader economic question about whether things like basic income—or even, if you are not a fan of basic income, other forms of supplementing household incomes or providing services that otherwise families would have to purchase, like childcare—will enable you to tackle this wider problem of a long-term increase in the returns to capital and decrease in the returns to labour.

Q116 **Chair:** Thank you. Does any other witness want to comment on this point, on the overall effect on the economy?

Dr Torry: Although it is true that Namibia and India are countries that are very different from the UK, what was particularly striking about the projects in which very small basic incomes were paid to the entire communities involved in those trials was the huge uplift in economic activity among the households with the lowest incomes—far bigger than any of the researchers ever expected. This was because for the first time they had a secure base on which to build. I would agree entirely with the last two speakers; it is the security of income that matters just as much and possibly even more, than the net level of a household's income. That is, of course, important, but so much is now so insecure that a solid layer on which people could build would be so valuable.

In relation to Mr Davies' point, my experience, and also the experience of those projects, is that that secure layer of income had significant social effects. These are not disconnected things. What matters is the whole package of social policy that a Government puts in place. One of the things that would be really valuable about the kind of pilot project that Paul Vaughan is talking about is that it would begin to show some of the social and economic effects where you will be looking in particular at the extent to which new businesses were being formed by people who for the first time have a secure layer of income on which to build.

Q117 **Chair:** Mr Davies, would you like to comment on the economic impact? What do you think the economic impact would be if the Government was to move in this direction?

Edward Davies: I would agree with Nick's point that it enormously depends on the level at which you set the income. The calculation we did, if you go to the very top end—which I do not think anyone here would advocate, but I have seen it advocated elsewhere, that you set a level of the top recipients of the benefit and so you can eliminate the benefit system—you are talking about numbers up towards £1 trillion, or about half of GDP. I think most people here would tend to say that is not a goer. But then as you reduce it, the impact, for good or ill, is going to be less. I think one of the people at the last hearing said you could spend £180 billion on his plan and it would be marginally pro-work. £180 billion is a lot of tax to be claiming. Are we sure that would not have big knock-on effects?

Being brutally honest, there is a secondary political impact. If you guys are going and knocking on doors, and you are saying, "We are going to collect tax and give it to everyone, from Richard Branson to someone with no intention of working," I would love to be the Opposition. It would be a very, very hard political sell, the economics of it, and just the way it would go. You cannot disassociate the political from the economic on that, and you would need to think long and hard about how on earth you could sell that to the general public.

Chair: Okay, fine. I thank you all very much for a very interesting set of contributions. There is a lot for us to think about. I am not quite sure what our conclusion is likely to be, but we are very, very grateful to all of you for being willing to share your expertise with us. That concludes our meeting.