

Welsh Affairs Committee

Oral evidence: [The benefits system in Wales](#), HC 337

Wednesday 3 November 2021

Ordered by the House of Commons to be published on 3 November 2021.

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Members present: Stephen Crabb (Chair); Simon Baynes; Geraint Davies; Ruth Jones; Ben Lake; Robin Millar; Rob Roberts; Dr Jamie Wallis; Beth Winter.

Questions 100 - 153

Witnesses

I: Professor Paul Spicker, Robert Gordon University; Dr Malcolm Torry, Research Fellow, School of Social Policy, University of Bath; Anna Coote, Research Fellow, New Economics Foundation; and Jonathan Williams, Co-founder, UBI Lab.

Examination of witnesses

Witnesses: Professor Paul Spicker, Dr Malcolm Torry, Anna Coote and Jonathan Williams.

Q100 **Chair:** Good morning and welcome to this third evidence session at the Welsh Affairs Committee, where we are looking at the benefits system as it applies in Wales. At this morning's session we are looking specifically at ideas around universal basic income. I am delighted that we are joined by four leading thinkers who are going to help us understand universal basic income in a deeper way.

We are joined virtually this morning by Professor Paul Spicker of Robert Gordon University in Aberdeen, and here in Committee Room 5 in the House of Commons we are joined by Anna Coote, principal fellow at the New Economics Foundation; Jonathan Williams, who is the co-founder of UBI Lab, Cymru; and Dr Malcolm Torry from the University of Bath. We are very grateful for your time this morning.

There are lots of questions that I know colleagues want to ask all of you, but perhaps I could open up the discussion by asking a very general question. Could I ask each of you to outline very briefly what you understand universal basic income to mean and, if you are championing a particular version of UBI, to perhaps outline what that version of UBI is. Could I start with you, Jonathan Williams?

Jonathan Williams: Good morning, everyone, and thank you very much for inviting me today.

Briefly, for me, universal basic income is a fixed, regular and unconditional income paid to all citizens regardless of their wealth, income or employment status, that would be paid either weekly or monthly and to the individual rather than the household.

Anna Coote: Good morning. You asked me what I understood UBI to be about and I think it means different things to different people. In fact, it means so many different things to different people, there is a huge amount of confusion. The previous speaker was very clear about what he meant by it but there are others who think it is a way of giving regular cash payments to people who need more cash income. That is kind of acceptable but the whole thrust of my critique of universal basic income, which I think is essentially a very dangerous idea, is that it overlooks the value and function of in-kind benefits, services and other collective measures that we must have if we are going to make sure that everyone has access to life's essentials. I can elaborate on these points.

Q101 **Chair:** We will perhaps get into further detail on some of those points that you might want to make a bit later. Dr Malcolm Torry, how do you see universal basic income? What is your conception of it?

Dr Torry: Thank you for the invitation. I agree entirely with the definition that Jonathan has given. It is a definition that is employed by the Basic



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Income Earth Network, the global organisation that facilitates the global debate on basic income. It is the definition that has been employed in this country, and in most other countries, for something like 40 years in the modern debate on basic income.

The United States and Canada are very different and are much more flexible. They use the term much more flexibly. This has been a confusion in the global debate. It will be helpful in this context here if I say that by basic income we mean an unconditional income. It is not income tested, not work tested. It is paid to the individual not the household and it is a regular income.

In relation to Anna's comment, which I understand, the basic income, at a feasible level, would not be in competition with public services.

Q102 **Chair:** Thank you very much. That is very helpful. Professor Paul Spicker, would you agree with the comments of the previous panel member?

Professor Spicker: In general, yes, that is certainly the way that universal basic income has been widely understood. Like Anna, I have been critical about that. It is often proposed that it should be a level of income that is adequate to meet people's needs rather than something more practical—a conditional benefit that would extend the principles of child benefit to every man, woman and child in the country.

Q103 **Chair:** Thank you very much. I just about heard that, Professor. Perhaps for future answers if you are able to turn up the volume or get closer to the microphone, that would be incredibly helpful. I think I picked that up, but thank you very much.

My second question is this: does the panel see UBI as an alternative or a supplement to the current benefits system? Is this about ripping up the entire benefits system that we have in this country and replacing it with something completely different called UBI, or do you see UBI as a way of bolting something on to what we already have? Dr Malcolm Torry, perhaps I could start with you.

Dr Torry: I don't know whether members of the Committee have seen the research report that I submitted in response to a report by Autonomy on the possibility of a basic income scheme for Wales. That research report, which I was asked to prepare by the Institute for Policy Research at the University of Bath, offers a feasible level of basic income. It was worked out using the microsimulation programme, which is a tool that enables us to evaluate policy change very accurately.

If you set a variety of feasibility criteria—for instance, poverty must decrease, inequality must decrease, no low-income households must suffer unsustainable losses of any kind, and it needs to be a revenue-neutral change to the benefits system, which you can pay for by reducing the income tax personal allowance and raising income tax rates by no more than 3%—you can then develop a basic income scheme that is



feasible on that basis, which provides £60 per week for each working-age adult and leaves the current benefits system in place.

A lot of people would then be taken off the benefits system automatically by their basic incomes, but you leave it in place because otherwise you will tip low-income households into greater poverty. A basic income, if it is to be feasible, has to leave the current benefits system in place. It cannot remove it. It has to be alongside it. The benefits of it will be that it would provide a substantial secure layer of income to every individual and household in a context today in which so little income is secure. It would not necessarily provide additional money. It will provide a secure layer of income.

Q104 **Chair:** Under that proposition, would any current cohort of households lose money?

Dr Torry: A small amount, of course, would have to be lost by people right at the top of the earnings range. If you look at my research report you will see the graph that shows the income decile changes. The details are all in the report, which I hope has been circulated to Members.

Chair: I will make sure that it is.

Dr Torry: It is the detail that matters with these feasible schemes. If you are going to ensure that poverty rates decrease, inequality rates decrease and low-income households do not suffer disposable income losses, small changes in disposable income among the higher-earnings decile are clearly going to have to take place, simply because we cannot assume today that there will be any additional money coming into the tax and benefits systems. We cannot and we ought not to. Therefore, yes, there would be changes and, as I say, the details are in the report.

Q105 **Chair:** Thank you very much. Professor Paul Spicker, UBI as a replacement for the current benefits system or an add-on?

Professor Spicker: Your question touches on some of the main areas that have concerned me about universal basic income. I think virtually all the basic income schemes that I have seen propose to abolish existing benefits to a large degree. Our existing benefits are there for a reason or, indeed, for many reasons. We deal with a huge range of contingencies.

They are complex because people's lives are complicated, but it is not all about poverty relief. It is not all about getting people into work. There is a great deal more to benefits than that. For example, insurance, social protection, special needs, financing certain activities, sorting people's income through disruption, management of economic policy, degrees of compensation for disadvantage and so on. It goes on like that and what happens is that, if we drive a steamroller over the benefits system and say, "All of this can be dealt with in one way" we will lose sight of most of those objectives.



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My other concern—on the same question—is distribution. If what you do is spend the money on basic income but offer no financial advantage to people on particularly low incomes and people who are relatively excluded currently, the large effect is that the extra money you are putting in is all to the benefit of people who are, in relative terms, better off. Poorer people gain almost nothing for it, so there is a general problem here about targeting, about distribution and about who will ultimately benefit from the policy.

Chair: Thank you very much. Jonathan Williams.

Jonathan Williams: I agree with Malcolm: if we are looking at what is feasible at the moment politically it would have to initially be some sort of add-on. My personal preference is—I have not done anywhere near as much research as Malcolm has on this—that I would like to replace a significant amount of benefits but to keep in place, for example, disability benefits, carer's allowance and housing benefit so that people who have additional needs are not worse off.

I think that we found through Covid, for example, that a significant number of people have been worse off. They have slipped through the cracks. You have 3 million excluded. There is a significant campaign at the moment. I would like to see it be significantly reformed and UBI to be part of that.

Chair: Thank you. Anna Coote, please.

Anna Coote: The question was about whether it is a bolt-on. I think that the UBI has all the trappings of a silver-bullet solution to a lot of our problems. It is not clear what the goal is. What is the goal? Is the goal to ensure that everyone has access to the things that they need in order to survive and participate in society?

If that is the case, we have to take account of the fact that only some of those things can be purchased in the marketplace—food and clothing are examples, apart from housing needs. But if you think about healthcare, education, even housing for many people, even transport, childcare and adult social care, these are things that people cannot buy for themselves.

I know that the supporters of UBI are not claiming that they should be able to, but what is missing from this whole debate is how you put the two together. This is completely absent from all the campaigns for universal basic income. How do you address the goal of ensuring that everybody has access to life's essentials? That is why I think you need to combine any consideration you might make of reforms to the cash-benefits system with what we do about the in-kind benefits, which are the services and other collective measures that are the only way we can make sure that all our citizens get access to life's essentials.

It is about understanding cash and in-kind benefits as two sides of the same coin. It is fine to change the social security rules but it is not the answer. If it is done in a way that would cost so much that it would then



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absorb money that would be needed not just to maintain, because they have already been stripped down, but to improve and extend the reach of collective services, we are kind of shooting ourselves in the foot. So I would say the obsessive focus on cash benefits is a mistake and that we have to look at these two together and plan them in the round.

If we are talking about the feasible level of UBI only requiring, is it, a 3p in the pound increase in income tax, well, what else would we spend that money on? Let's think about the trade-offs. Where else should that money go or could that money go? Because we cannot keep on increasing the tax burden, what will we lose if we are going to have a universal basic income system?

That is why I would support what we call a social guarantee—which I hope you have been given some briefing on—which includes universal services and, alongside that, a fair income, which consists of a fair living wage and a guaranteed minimum income. It is a different vision but it shares most of the professed goals of most of the people who support UBI. It is a different way of going about it, because it understands that in-kind benefits are more equitable. They are more efficient, they are a lot more sustainable and they generate jobs at all skills levels across the country. So you have to see things in the round.

Chair: Thank you very much. We are going to come on to alternatives to UBI shortly. I am going to bring in my colleague Beth Williams in a moment but I think, Geraint Davies, you are signalling that you have a supplementary question. Very briefly, please, Geraint.

Q106 **Geraint Davies:** Yes, I want to ask a supplementary to Anna in response to what she said. My understanding is that the basic income being asked for is £60. In a family of five—I use that number because I am in a family of five—that is £300 a week, which would be £15,000 a year. If you compare that with someone on a minimum income of £10 an hour for 40 hours, that is £400 as opposed to £300. In other words, someone on a minimum income is earning 30% more than five people on their £60 a week, so it does seem to me that this amount of money, even for a big family, is affordable to avoid abject poverty and could be recovered within a progressive tax system. Universal services are already provided in health and education, so that is a red herring. Isn't that right, Anna Coote?

Anna Coote: A red herring? I don't think so because—

Geraint Davies: No, we have universal services. The question is: can we afford £60 a week? I just illustrated that a family of five could all be on that for significantly less than one person on minimum income.

Anna Coote: They are not just there. They don't exist. They are actually very severely threatened, both by the cuts that have been made in the last decade and by future policies that might seek to recoup the money that is being spent on Covid and so on. We are not just saying, "Oh, well, it is fine. We have health and education services". We are saying, "They



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need to be improved. They need to be accessible for everyone. We want to extend in-kind benefits so they cover other areas". I am sorry I am getting on to the alternatives again but it is entirely a matter of trade-offs.

Q107 **Beth Winter:** Thank you to the panel for giving your time today. I think Covid has exposed and exacerbated the inequality and poverty in society and the inadequacies of the current welfare system—statutory sick pay being inadequate, and universal credit with the five-week waiting list. Obviously, the UK Government have had to supplement people's incomes to enable people to survive during the pandemic. In my constituency of Cynon Valley, we have one of the highest rates, if not the highest rate, of child poverty, so you could argue that the current welfare system is inefficient.

There are trials of UBI in Finland, India and America, which have demonstrated that it can address poverty levels. The question is: do you feel that UBI would be effective in tackling poverty? Can I ask that first to Professor Spicker, please?

Professor Spicker: Certainly, I would be sceptical about the idea that any level of income can be thought of within a benefits system that is adequate for everyone. Adequacy is a moving target and it depends on lots of other conditions. We have presented benefits sometimes as being related to extra costs, when they are not necessarily about extra costs. For example, what was the disability living allowance and is now the personal independence payment was actually introduced for other reasons entirely. We know from what is being done in social care that there are huge extra costs that we cannot possibly take account of.

Equally, we know that there are some standard problems in relation to housing and childcare that the benefits system can hardly deal with. Therefore, although it is true that any basic benefit will help to some degree to alleviate poverty, we must again beware of what I think has been referred to by Anna as "the silver bullet"—the idea that one size fits everything. It won't. We could quite simply increase child benefit and that would have a major effect on certain people. We could have greater and more generous disability benefits that would have an effect on others entirely.

When we consider these things, there is always what I might call the opportunity cost. As Anna has been saying, it is a question of priorities. It is a question of where you put the money. If we are trying to deal with poverty, a flat rate to everybody is not necessarily the best way to do that. I think we need to understand that, however we do it, it will not deal with every instance of poverty and we do have to think about issues of who gets included and how the money is distributed.

Anna Coote: There are two points. One is about the trial and the other is about how you address poverty. I want to talk about both the field experiments and poverty. If you are thinking about how to help improve



the lives of people in the valleys, as you say, you might think about what the effect would be of them not having to pay for the childcare that they needed. We know—the research has shown us—that it costs a lone parent with a child between two and four up to £7,500 a year to pay for childcare. That is just one example of the ways in which decent service provision can help address poverty and disadvantage.

It is not just childcare. It could be adult social care as well. We are not proposing that all these services would be free but they should be affordable for everyone. The more you have in the way of decent universal services, which enable you to get access to the things that you need in life, the lower the level of cash payments that would be so-called feasible. Of course, the less you have of them—those in-kind benefits—the more you are going to need to live a decent life or even to just get by. There is no point looking at the two independent of each other.

On the field experiments, I have done a study of nearly all of the trials on UBI, and it is interesting that the people who receive the money will always say it has improved their lives. Those involved don't go and ask the people who don't get other things that they might have got if the funds had been spent on services or on other changes to the benefits system or whatever, so it is always good news.

The really telling point is that there has never been a field experiment with UBI that has led to a permanent arrangement of universal basic income anywhere near the way that it has been defined by my colleagues here. The one permanent UBI is in Alaska. That is an annual fund that has been funded by oil money and, tellingly, in a recent election the successful candidate had promised to increase the level of payments in this singular UBI practical example in the world. He promised to increase the level. He got in because he promised it. Then the oil revenues began to decline and he was casting around, thinking about how he was going to afford to pay a higher level of this UBI—which is not called that in Alaska—and of course his strategy was to cut funds going to public services. Again, that is a very good example of the really dangerous trade-offs you can get if you only focus on the cash benefit.

Q108 Beth Winter: Can I just come back on that? I don't think we necessarily disagree, because it is not an either/or situation. Could it be the case that we actually need systemic change, including universal basic services and universal basic income, and primarily it would require progressive tax reform? Lord Sikka is a professor of accounting and has written extensively on this. He has estimated that a wealth tax could generate in excess of £300 billion, so it doesn't have to be a trade-off. It could be all of these things. I feel that we may be saying similar things.

Anna Coote: We might be. I think it is whether you take a pure form of UBI or whether you see it as something like a guaranteed minimum income. The reason that I say that that is a better version is because it is far more affordable and leaves far more resources to improve and extend services, so the two are much more compatible.



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The problem with the universal basic income is that if you are going to pay the money to everyone, even if you do recoup some of it, you are still going to pay a great deal more money, and that is money that you could be spending on services or, indeed, on green infrastructure or better policing or whatever you feel that you need.

Yes, I think we probably have exactly the same goals but I think that UBI is not the answer to getting to the point where people who are disadvantaged—well, everyone has the right to life's essentials and everyone should have access to what they need. If you look at that combination, you have another version, which you could call a universal income guarantee. The idea of that is everyone has a right to an income that doesn't fall below agreed levels of sufficiency. It is not like giving everyone money whether they need it or not. Those two fit together in a much easier and more compatible way, both politically and in practical terms, in my view.

Jonathan Williams: I think the short answer is it will do a lot for poverty. The research undertaken by the Future Generations Commissioner, for example, shows that if you were to give the £60 that Malcolm recommended earlier to working-age adults in Wales, it reduces poverty by something like 41%, which is a significant number of course.

In terms of the experiments—and we are talking about poverty—there are a number of benefits that a universal basic income will provide us. One of those, which relates to Anna's point, is the impact it has on health and wellbeing. That has been a central feature of every single trial that has been undertaken and, of course, if you have an improvement in health and wellbeing, that will help health services because there will be fewer people to visit those. You will save money in that respect. At a time when the NHS will be catching up, for example, on all of the people that have not been seen because of the pandemic, that can only be a good thing.

In addition to that—I am not suggesting it will be a silver bullet, as my colleagues have suggested today—there are a number of benefits. Entrepreneurship is another good example of the benefits that a UBI could bring, because poverty essentially is a lack of cash. By giving people cash in their hands, they can decide how they want to spend it. The problem with universal basic services is you are telling people what they need. By giving them cash, you are allowing them that autonomy and the choice to make the decisions that we need.

Anna Coote: It is simply not true but we can come back to that.

Jonathan Williams: For me, like I said, there are a number of benefits and it will solve poverty.

Dr Torry: Poverty is a multifaceted reality. Income is just one part of it, but it is an essential part of any armoury that a Government have to



reduce poverty. There are questions about precisely how you then provide that money to ensure that people stay out of poverty.

In answer to the direct question about basic income, nobody would ever implement a basic income on its own. You have to change the current tax and benefits system, unless you somehow have a vast new income flow from a wealth tax, which would be an interesting thing to see happen and I look forward to it. However, in the short to medium term, my presupposition is that we have to adapt the current tax and benefits system and not assume we can add any money to it.

A simple basic income scheme that has a basic income of £60 per week for working-age adults, increases child benefit by £10 a week, provides younger adults with lower amounts than the £60 and adds a small amount to basic state pensions, can reduce poverty indices as follows, and you will find these details in the report. The overall poverty reduction, based on incomes before housing costs, is 17.33%. For children it is 31%, which is a considerable reduction in the poverty rate. For working-age adults, it is 12.63%, for economically active adults it is 12%, and for the elderly it is 13%. The figures are slightly different for incomes after housing costs, as they always are.

As you can see, even a relatively minor adaptation of our current tax and benefits system along these lines would considerably reduce poverty rates. I was quite surprised at these results, and they are robust because they use the gold standard EUROMOD microsimulation programme to evaluate them. Of course, income is not the only aspect of poverty; we need good education, good healthcare and all of that. The question, given the benefits of a relatively simple, affordable scheme of this nature, with the poverty reduction rates that it would offer, is would it be worth doing that? I think it is up to Committee members to decide whether that is the case.

Chair: Thank you very much, Beth. Rob Roberts has a supplementary.

Q109 **Rob Roberts:** Very quickly, Mr Williams, you made a statement there that you thought UBI at the £60 level would reduce poverty by 41%. Last year the University of Strathclyde modelled a UBI and said that it would reduce poverty by 5.4%, so I am interested just to clarify where that 41% number comes from.

Jonathan Williams: That is from research, as I mentioned, undertaken by the Future Generations Commissioner. That is based on that particular cohort of people, working-age adults, and that is in Wales. That £60 would be in addition to any benefits that they receive at the moment.

Q110 **Rob Roberts:** Not, as Dr Torry mentioned earlier on, as a replacement to some of the benefits? It would be on top of what they are already getting.

Jonathan Williams: Yes, on top of it.



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Rob Roberts: That is a very different thing, of course.

Jonathan Williams: Yes.

Rob Roberts: I just wanted to clarify that. That is fine. Thank you, Chair.

Q111 **Simon Baynes:** Thank you to our witnesses for your time this morning; it is very much appreciated. What assessment has there been of whether UBI would be more effective than alternative reforms—I know we have touched on this already—to the benefits system at tackling socioeconomic deprivation? I will start with Professor Spicker, please.

Professor Spicker: This is a very difficult question, because to be effective we have to say whether the benefits system is meeting its aims. We have seen, I am afraid, a great deal of over-simplification about what those aims are. We will hear that benefits are about getting people into work. If we look in detail at the benefits system, we find that, roughly speaking, about 85% or more of our benefits have nothing to do with whether people are employed or not or going into work. Half our benefits go to pensioners; half the remainder mainly goes to people with disabilities. Whether or not the benefits are effective depends a great deal on whether they are achieving the aims that you want for particular people.

We have seen with universal credit a number of patterns that I personally find disturbing. It is not only the problems of implementing a scheme during a time when there is mass and sudden unemployment, but that we have forgotten something that we used to have in unemployment benefit long ago: the idea that people's work patterns might be interrupted and that they needed support during the interruption. There is an issue here called income smoothing that is one of the objectives of benefits.

If you only think that poverty is the issue and not anything else, then we can certainly home in on that and say what the poverty effects are, and you can have people presenting you with different alternatives about that. But if we think that some things are equally important—for example, security of income, being able to meet one's liabilities, making sure that people don't fall into catastrophic debt as a result of their circumstances—then I would say that much of what has been happening has been rather badly done in recent times.

I am not convinced that universal basic income is the panacea for those problems. I am afraid I think we would need much wider-ranging reforms. Remember too that many of the benefits we have are there to enable people to pay for things in a private market, the examples being housing benefits most obviously, but also tax credits relating to childcare. If we decide to move those things out of the market, then we will find a different constellation of issues that would not necessarily be dealt with by benefits at all.



Q112 **Simon Baynes:** Thank you very much. Dr Torry, please. We have touched already this morning on the basic income figure of £60 per week. It would be quite interesting if you could say whether you think that would make a significant impact on poverty levels. I know that Mr Williams has already said that, so I am trying not to repeat things. Specifically, what assessment has been made of whether UBI will be more effective than alternative reforms? Could you direct your comments to that, please, Dr Torry?

Dr Torry: It entirely depends on the scheme as a whole. It is important to make a distinction. A basic income is always an income that is unconditional, without work tests, without income tests, and paid to the individual. A basic income scheme is a basic income, along with all its levels specified for different age groups and the accompanying changes that you would make to the existing tax and benefits system. It is the scheme that would have effects, so you have to evaluate the scheme as a whole.

That is what my research has always done. You say, "This is a feasible scheme because it fulfils these feasibility criteria." The research that I do compares a basic income scheme, which is inserted into the existing system, with the existing system as we have it now. Those are the comparisons that I make.

Of course it would be equally possible using a microsimulation programme to evaluate the effects that different reforms would give us. The Institute for Social and Economic Research, with which I work in the University of Essex, does many of those evaluations and I would encourage you to read its research reports on those. The microsimulation tool is extremely flexible. What you do is you rewrite the programme to include new benefits and change existing benefits and taxes and then run the Family Resources Survey data through it again to find the effects that you have created and compare them with the current effects of the current system. It is a very important tool that we have, and any proposal that you wish to make could be evaluated using it.

As I say, it is the whole scheme that matters. I entirely agree of course that removing some things from the private market into the public sector, or going the other way of course, will affect the impact you have on poverty. Again, you have to look at the whole package rather than simply, "If we leave public services as they are currently and we make this change to the benefits system, these will be the effects." We can also theorise—but I only theorise—the effects it would have on the employment market.

What we can say is that, at the moment, anybody on universal credit will receive 24p or so in the pound for any extra pound that they earn, although that will now change with the changed taper rate, which I know Iain Duncan Smith wanted in the first place and wasn't allowed. I am very pleased he now has it after all this time, so that will increase slightly what people get, but still it is a fairly small proportion of any extra pound



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that people earn, whereas any household taken off universal credit by a basic income scheme would immediately find that their margin of reduction rate, as it is called, will go down and they would get far more out of any extra pound that they earned, providing a greater incentive to go into employment, to look for a better job, to learn new skills and so on.

This is a theoretical matter at the moment, because unless we have a genuine pilot project, which is difficult in a developed economy—and if people want, I will explain that—it is very difficult to predict the employment market effects.

Simon Baynes: Thank you very much. Mr Williams, I suspect I know the answer to the question from your point of view, as a champion of UBI, but I put the same question to you, please.

Jonathan Williams: I will keep it short. In terms of assessments, I think it goes along the lines of what Dr Torry just said—that we need a pilot so we can measure these things.

Simon Baynes: Thank you. Anna Coote, please.

Anna Coote: In terms of assessment, I think it is important to remember that all of the field trials of UBI so far—not all of them, but almost all of them—have been of selective groups, so they will be people in a disadvantaged area or a particular category, or indeed it might be something like care leavers, which I understand is proposed for Wales. You can't assess the effect of UBI, as it is intended to be for the whole population, on the basis of a trial that is selective and also of a fixed term. You have to think about what the effect would be in the long term, what the effect would be if you had paid the money to everyone, how that would work, what people would think about it and the trade-offs. As I keep saying, what would you not get? I think you have to bear that in mind if you are going to think about assessing the effects.

You can do any number of economic models, and this is part of the tragedy of it—that the UBI campaign is made up of people who love crunching numbers. They can look at the figures and say, "If you do this, you get this, and that happens," but they can't possibly be talking to real people about things like childcare, housing, transport, education and skills training, if you are thinking about what you would do for the jobs market and so on, because you have to look at the whole package.

To come back on a point that was made earlier, that universal services are about doing things to people and it is just a sort of top-down state of things, absolutely not, and anyone who wants to read the literature about that will see that that is not how it needs to work and not how it will work.

Simon Baynes: Thank you very much. Back to you, Chair.



Chair: Thank you very much. I beg your pardon—Beth Winter had a supplementary question.

Q113 **Beth Winter:** To pick up on one of the points you just made in terms of the claim that it was about people who want to number-crunch, the First Minister of Wales and the Future Generations Commissioner of Wales are proponents of UBI and they are not number-crunchers. They are looking at what you were suggesting, Anna, about systemic change and looking at this within the mix of universal basic services, wider reform, tax reform et cetera. I don't think that that comment was accurate in terms of—

Anna Coote: Forgive me, I was talking mainly about the people who have been campaigning for UBI from day one. People have been campaigning for this for 40 years, as Malcolm said right at the start, and none of these people have made any attempt to think about that whole picture and about how you pay for both—how you pay for cash and in-kind benefits together, what is the right mix—and what would be the best way of making sure everyone has access to life's essentials.

Beth Winter: I disagree and I think the First Minister of Wales, Mark Drakeford, would disagree as well. He has also been campaigning for 40 years on UBI.

Chair: Let's keep moving on. Geraint Davies, please.

Q114 **Geraint Davies:** Can I ask Dr Torry about the wider impacts—the macroeconomic impacts—of this sort of universal benefit? It does strike me, and it has been pointed out by Anna Coote, that there are choices to be made. Obviously if you spend this money, then either you take that money from other services or you increase marginal tax rates at the top end and have clawback, which would be acceptable. Something that hasn't really been looked at is whether this change would increase revenue and productivity. I am thinking specifically of people who have no money and are dashing around trying to get zero-hours jobs. It would give them some level of stability away from risk and away from stress and would enable them to train and to focus their fire on more productive outcomes. Has there been any analysis on whether there would be an increase in productivity and wealth to pay for this as well as paying for a more progressive tax system?

Dr Torry: Those who work in macroeconomic models have produced a number of results that suggest that productivity would increase in a variety of ways. This is not my field, the macroeconomic models, and if you are interested in that, there is a good chapter on it in "The Palgrave International Handbook of Basic Income", on how certain economic factors would change if we had a basic income scheme.

What I would say though is that where there have been pilot projects—and I think now we do have to discuss pilot projects in order to answer the question—the results have been significant and would tell, and do



tell, us something about what the macroeconomic effects might be. The problem we have is that the only genuine pilot projects have taken place in Namibia and India. I entirely agree with Anna that many of the things that have been called basic income pilot projects simply haven't been. We need to be clear about the definition of a pilot project. A pilot project is a project that does for a single community or communities what you would do nationwide. If you change what you would do nationwide in order to do it in the local community, it is no longer a pilot project.

Namibia and India have real pilot projects and these were affordable, very small basic incomes to representative communities. The Indian one was very large. The economic activity rose substantially, particularly own-account economic activity—that is, people starting their own businesses, people working for themselves and people seeking secure employment rather than the kind of insecure employment that they had had before. That kind of effect we have seen in—

Geraint Davies: Sorry, but we need to move on. In a nutshell, I think what you are saying is that where you give people some level of secure income, they are able to stand back and be less frantic and plan the future and do things.

Dr Torry: They do. Yes, of course they do.

Q115 **Geraint Davies:** Also, you made the point that in terms of marginal tax rates and clawback from universal credit, you get a situation where the marginal income people get goes up, so there is more incentive to work as well. That is what you said, isn't it? Those would be two—

Dr Torry: Yes, therefore we can say that we would be likely to see an increase in employment market activity and new businesses. Until we have a genuine pilot project in a developed economy, we cannot say that, which I include in the research report a "feasible" pilot project. I suggest Wrexham, but you can make your own choices.

Q116 **Geraint Davies:** Finally, Professor Spicker pointed out that half the social security welfare costs go to pensioners and another quarter go to people with disabilities. Half of it goes to pensioners and they are, dare I say it, on a universal basic income already—obviously we will not increase their productivity, with all due respect to pensioners. Have you costed just paying this to the people who aren't pensioners?

Professor Spicker: That could be done. The particular scheme that I was asked to research by the University of Bath gives a small addition to pensions and pensioners and leaves their current state pensions in place.

There is also a pre-retirement pilot project in the research report. Let me explain that. A pilot project would normally be undertaken in a particular community or a group of communities and these are the ones that have been done. A genuine pilot project could take a single demographic group because then you would be able to say that in this demographic group, the group of people who are approaching retirement, you give them a



basic income and then test the effects. You would then know the effects, generally.

Q117 **Geraint Davies:** I think we are coming back to question 13. I will leave it there.

Finally, can I ask Professor Spicker the same sort of question, namely on the wider macroeconomic impacts? Would you agree, particularly if this scheme is limited to non-pensioners and tries to focus on working people in insecure poverty who want to work, we could end up with a situation where you take away some of that risk, some of that stress, so they can focus on training choice, and there is added productivity and lower marginal clawback of universal credit, which could give rise to economic growth to help pay for this, alongside progressive taxation? Over to you.

Professor Spicker: There are lots of issues still missed in this. You have asked about macroeconomic policy, and in macroeconomic terms benefits are not really public expenditure. You are taking money from some people and moving it to others. You are not spending it, you are giving it to them so that they can spend it.

The next question is what effect that will have in terms of the economy overall. Most of the literature we have on that talks about the labour market. For example, will people cease to be involved in the labour market? I can say a couple of things about that. The first is that the evidence on conditionality is not good; putting conditionality in place tends to slow down the rate at which people return to work. We have to ask largely whether the restrictions that we have put in as a result of welfare reform in universal credit are not counterproductive.

The second question is: are we going to find out about this from a pilot of two years or three years? Here I have to be very sceptical. The evidence I have for that comes from pensions. We introduced pensions in this country in legislation in 1908. It took the best part of 60 years before we achieved the current balance of pensioners who were not involved within the labour market and that period was also characterised by two world wars and a health service. The idea that we will find all this out by doing some meticulous calculations over two or three years seems to me quite forlorn.

The fact is that when pensions were introduced initially, people were not sure about them. They weren't sure whether or not they were secure; they weren't sure whether they were going to be taken away. Indeed, the terms were changed in 1925. It is in the 1920s and 1930s not that people started to choose not to be in the labour market, but that employers started, at a time of mass unemployment, to boot out all the workers, saying, "You are going to be the one to go because you have the option of a pension." It is only by, I suppose, the late 1950s or early 1960s that we begin to see anything like the modern situation.



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I am afraid I don't think we will get the evidence that people are looking for from the exercise that is there. It may well be that there are some beneficial effects, and it may well be that there are some that are not beneficial, but we have to face financial crises, pandemics and whatever else in the meantime.

Geraint Davies: Yes, I think I have the idea. You seem to have a sort of paradigm where people should be forced to work as opposed to have the room to make choices to add to productivity, but I will beg to differ. Over to you, Chair.

Chair: Thank you, Geraint. I am just conscious of time, so if I could ask my fellow Committee members to be concise in questions and for the panel to be concise in answers, that would be very helpful in enabling us to get through all the remaining material. Jamie Wallis, please.

Q118 **Dr Jamie Wallis:** A supplementary first of all to Geraint's question. Can I can direct this specifically at Dr Torry? You mentioned that you did not feel as though there had been any valid or relevant UBI trials anywhere in the world, save for two in Namibia and India. I don't think that those countries really compare to our economy and the challenges we have here in the UK. What about North America? I think we mentioned Alaska. Have there been any other trials in northern America?

Dr Torry: I didn't say this when Anna mentioned the Alaska project. It is a very interesting dividend. That is what it is: it is a dividend on a permanent fund into which a proportion of oil royalties are paid. It is an annual payment and it varies year to year. What we do know from research done in Alaska is it behaves very differently from any kind of regular income. You can't say, "Here is experience of a once-a-year payment that will tell us what will happen if we have a once-a-week or once-a-month payment."

Q119 **Dr Jamie Wallis:** Are there any other trials?

Dr Torry: The trials in the United States, which have been municipal experiments undertaken by municipal leaders, have generally been of minimum income guarantees. Where they have been unconditional, they have selected very poor areas of their cities to conduct them, so you do have to say that these are not representative projects and therefore it is very difficult to draw conclusions.

Q120 **Dr Jamie Wallis:** Thank you very much. I do apologise, I was interested in that one comment you made about Namibia and India and I was just wondering, but I believe colleagues will ask you about those foreign trials in more detail later.

Can come on to conditionality and how that plays with the benefits system? Mr Williams and Dr Torry, how do you justify giving people something for nothing?



Jonathan Williams: I think the reason for giving people money for nothing is that our benefits system at the moment is there to protect people when they are in times of trouble, for example. We have seen throughout the pandemic that there are a significant number of people who are not protected and who slip through the cracks. I don't think it is money for nothing. I think people, for example, contribute to society in all different types of ways. There are people who care for their loved ones and no longer can work—for example, a significant amount of women do that—and people who look after their children and contribute to society in different ways. It is not necessarily money for nothing and it is just ensuring that everyone is looked after in society, which is precisely what the welfare system is there to do.

Dr Torry: I don't see it as money for nothing and I will explain why. At the moment, we give money for nothing when we give universal credit to households and we do it very badly. That way of providing an income has all kinds of problems with it. It has overpayments and errors, it has intrusion into people's private lives involved in it and it is an insecure income because sometimes it doesn't arrive. There are lots of problems with means-tested benefits that we all recognise. It is the system we have and therefore if we are going to do nothing else, we need to improve that and I would quite agree with that.

A basic income would be no more money for nothing than universal credit is. There is another aspect to it as well. At the moment, each of us who has an earned or retirement income is paying income tax and we have an income tax personal allowance. There is a sense in which that is money for nothing, in the sense that your tax bill is reduced by your income tax personal allowance. If you turn the income tax personal allowance into an unconditional payment and then tax all of your earned or other income, then it will make no difference to you and no difference to Government revenue. The problem we have at the moment with this debate is that the income tax personal allowance is not counted as public expenditure, whereas if we were to turn it into a cash payment and then tax all your earned income, it would be counted as public expenditure. It would look as if public expenditure shot up and we were suddenly giving people money for nothing, whereas we were simply changing the way in which we organise our tax and benefits system.

Q121 **Dr Jamie Wallis:** Understood. Can I go a little bit further though and ask how you justify giving someone earning a very large salary with huge amounts of assets—a very wealthy individual—something for nothing? Jonathan, please.

Jonathan Williams: You would give with one hand and take with the other through progressive taxation. It just cuts bureaucracy by giving everyone the money rather than making it conditional. Yes, that is why you would give it to rich people and, like I said, give it with one hand and take with the other.

Dr Jamie Wallis: Understood. Is that the same—



Dr Torry: It is because it is efficient. A basic income would be efficient for people without much money, and in order for it to be efficient for poorer households, you have to give it to wealthy households as well, otherwise it wouldn't be unconditional and wouldn't serve the purposes for which it had been designed, so I entirely agree.

Of course, the tax burden for people higher up the earnings range who are receiving a basic income would rise, but they would still be getting their basic income, so the total additional tax burden would not fall on them, because they would be getting additional income as well. It is the whole package you have to look at. You have to say, "How much of this package is a totally secure income at the moment?" You have to say that very little of it is, particularly for working-age adults, and ask how can we improve that.

Q122 **Dr Jamie Wallis:** Thank you. Can I now ask Anna Coote and Professor Paul a question? What is your response to concerns that UBI could undermine public confidence in the benefits system? I will start with you, Anna, please.

Anna Coote: There is a problem with the benefits system, in that it is insufficiently generous and the way means tests are applied is problematic for many people. It can be stigmatising and demeaning for people, so I would certainly support a reform of the social security system to make it more generous and less stigmatising.

That does not mean to say that the answer is to pay everyone the same amount of money all the time. The answer is to go back to the universal credit system, to go back to child benefit, and to think about the ways in which we can ensure that everyone has enough money to live on without giving lots of money away to people who do not need it. We need a system that is geared to ensuring that everyone has access to life's essentials. UBI is not the right solution to the problem of a flawed cash-benefits system.

Q123 **Dr Jamie Wallis:** Professor Spicker, can I ask you the same question but could you focus on concerns that a universal basic income would undermine public confidence in the current benefits system?

Professor Spicker: I cannot see by what process that would come about. If we are talking about public confidence, let's look at the case of child benefit, which is in just the sorts of terms that you have been raising questions about. What happens is that over time these things become simply an integral part of the way that people live. It does not seem to me to be a substantive objection.

It is certainly true that there are lobbies that think that child benefit ought to be means-tested, and indeed that everything else should. We know where that leads because we have been there before. When we had means-tested benefits being done willy-nilly throughout lots of services, we had more than 3,000 different means tests. The advantage of doing



this in taxation is fundamentally that there is only one means test, whereas if you do it benefit by benefit and service by service, you create problems and you also create error of a particular sort.

I can point here to further examples where we can see that. If we look at the number of errors that there are in the pension system, they are tiny as a proportion of overall pensions. But get to pension credit and there are more than 50 times the proportion of errors than there are for the retirement pension otherwise. It is not the way to do things.

Q124 Ruth Jones: Obviously the universal basic income is all about the universal, basic. I am interested in how you target it. For instance, how best would you support households that have additional needs such as children or people with disabilities? How do you make it more applicable to those areas? Can I start with Anna Coote, please?

Anna Coote: This is one of the problems with the concept of UBI. It is supposed to get rid of the means testing and conditionality that people do find stigmatising, but unless you give everyone a huge amount of money, which we certainly could not afford, it would always require very substantial top-ups for people according to need. That is what would happen.

I would go back to the point that it is better to think about combining planning around in-kind benefits with cash benefits, seeing the system in the round and thinking about a minimum income guarantee, which would solve some of the problems but not all of them. Nothing does. There is not a perfect solution to the problems that we have. I think we should recognise that.

Professor Spicker: I would refer back to an answer I gave earlier about adequacy, and say that there is no level of benefit that could possibly be adequate in all circumstances for everyone. We have to decide broadly what we need to be basic. Child benefit was one of those attempts. We could have further attempts and we ought to have further attempts. My scepticism about basic income is the idea that it could be used to replace all the other things that benefits do.

Jonathan Williams: As I mentioned earlier—and Anna has pointed it out as well—you would not remove all benefits. You would still maintain disability benefits, carer's allowance, for example, and housing benefits. But the goal, should you find that it did increase economic activity, as Geraint pointed out earlier on, is that you would increase it significantly. Perhaps at one point then you could have it at the minimum income standard of £213, but I think that would be a goal rather than something that you would implement immediately.

Dr Torry: First, I probably ought to tackle the question of a minimum income guarantee. A minimum income guarantee, by being a level of income that a household is sure it will reach, requires a means-tested benefit, and we know about means-tested benefits. It is the current



system that we have. I agree that it needs to be improved but that is what a minimum income guarantee is.

A basic income scheme that left in place the existing means-tested benefits would provide exactly the same levels of income for people with disabilities, people with different needs and so on. We might wish to increase child benefit, and my schemes generally do because it has lost so much of its real value over the years. In order to ensure that we reduce child poverty, child benefit must be increased.

An important factor in this debate is the way in which the UK's policy process works. It has always worked by evolution, by adaptation and by addition rather than subtraction and it has worked relatively successfully in that way. Over the years individual changes have been made to the system that are relatively easy to process. One of the problems with universal credit is probably that it tried to do too much at the same time—in fact I am sure it did.

One of the ideal things about a basic income scheme is that it will be very easy to implement and to fit into the current system without changing it. A feasible scheme would do precisely that. We know that a basic income could be extremely easily implemented. It would be as simple as child benefit because of its unconditionality. It would fit into the existing scheme and it would adapt it by taking people off existing benefits rather than abolishing them or changing them in any way. One of its virtues is that it would fit closely with the way in which policy is changed in this country.

Q125 Ruth Jones: Thank you. Coming back to Mr Williams and the comments made there by Dr Torry, we already have a targeted support system within the benefits system so why would you change that and replace it with UBI?

Jonathan Williams: I think it does not protect the people it needs to protect, the current scheme that we have at the moment. I keep referring back to it but the pandemic has been the perfect illustration of the inadequacies of the system that we currently have in place. If we remove the conditionality and ensure everyone gets their money, then no one is slipping through the gaps, because it is inclusive.

Q126 Ruth Jones: How would you target the UBI?

Jonathan Williams: You would not. You would give it to everyone, for example, but, as I mentioned, for people who have particular needs—disabilities or if they needed a housing allowance, for example—that would remain in place. I would not remove those. I would remove some benefits but not all.

Ruth Jones: Anna Coote, do you have anything further to add to that?

Anna Coote: It seems very contradictory that if you want to introduce a scheme that is called very simple and is supposed to tackle the problems



of the existing benefits system, which are mainly about means testing, you want to superimpose it on a means-tested system, because you know that you could not afford to do anything else because you would still need to top it up very substantially from all sorts of different angles. Go back to what we have that is good about the current system—there is not a lot but the child benefit is one example that is very good—and think about how you could build it from there, but do not ever think about cash independently of the other ways in which we ensure that people have access to life's essentials. I am sorry if I sound like a cracked record but I think that it is such a mistake to just think about money.

Dr Torry: A basic income scheme would provide a layer of security of income, which we are desperately in need of now. I got into this debate when I was administering means-tested benefits back in the late 1970s, a long time ago now, and we all knew how insecure they were for the claimants on the other side of the counter. There was discussion not long after that within the DHSS, as it then was, about how unconditionality could be increased. The debate went nowhere at the time.

I spent 34 years as a vicar in south London parishes and what was problematic for so many families was the insecurity of their incomes. Every part of it was insecure except for child benefit. It was everyone's favourite benefit; it was our favourite benefit when I was working for DHSS, because of its complete unconditionality, we knew it would just keep on coming week after week after week. That kind of security for everybody would make such a difference.

One thing we do know from the Finland experiment—I call it an experiment not a pilot project, when employment benefits were made unconditional for 2,000 randomly selected unemployed individuals from around the country—is that their mental health and their wellbeing generally increased dramatically. In the second year they saw a small increase in employment market activity and, crucially, no decrease in employment market activity at all. Of interest to this group here may be also that trust in politicians rose substantially among the trial group. You might be interested in that.

Crucially, it is the security of the income that made a difference to them for that period and it would make such a difference to so many households. A layer of security that would never be taken away.

Q127 **Ruth Jones:** Thank you. Finally, Professor Spicker, do you have any silver-bullet solutions to how you manage the differing needs with the UBI?

Professor Spicker: I do not have any silver-bullet solutions. I have a lot of small solutions that can make a difference in particular contexts. It has been suggested, for example during this discussion, that we have a universal pension. We do not actually have one except for the over-80s. We could substantially remove the need for pension credit if what we were to do instead was to have a minimum pension available within the



current system. The distributive effects would be protected by a COPE—contracted-out pension equivalent—which means that we target pensions pretty well.

We can do that sort of thing almost group by group, but the most controversial group have always been people who are unemployed, where it is quite clear that at every stage—and this has been true since 1911—there have been some conditional requirements. The main effect, however, in increasing conditional requirements on the unemployed, apart from making the system more complex, has been to slow down the rate at which people return to work. We need to look at that system and to ask whether we can, in practical ways, simplify it.

Ruth Jones: Thank you very much. Thanks to the panel for your time.

Q128 **Rob Roberts:** Before I get to my questions, I want to pick up on something that Dr Torry said earlier on, to clarify my own understanding. Dr Torry, am I right in noting here that you would pay for UBI through the abolition of the personal allowance?

Dr Torry: The abolition or its reduction. Some of the schemes that have been shown to be entirely feasible on the basis of all of the feasibility criteria that we would normally use, abolish the income tax personal allowance. My most recent scheme and the one that you will find in the research report retains a small income tax personal allowance. This is simply because of HMRC's concern that if you were to abolish it entirely you would bring paper rounds into income tax. This is probably not sensible, so a small one would be retained.

There are countries that do not have any. New Zealand is one. That is an interesting example of how the income tax personal allowance is a choice that the Government make.

Q129 **Rob Roberts:** To clarify, back in 2016-17 you made the point that you would abolish the personal allowance so that lower earners were not impacted, but that is not quite the case because on top of abolishing the personal allowance you also wanted to add 3% on to each tax band. Surely that would mean a 15% tax rise for the lowest earners?

Dr Torry: Yes, and they would receive a basic income. A basic income would never be implemented on its own, nor would the income tax personal allowance reduction ever be implemented on its own, and nor would an increase in income tax rates be implemented on its own. It is when you put them together that you have to look at the net effect of that on every single household.

That is what the microsimulation programme enables us to do. It enables us to prove that with this particular feasible scheme the 10% of households with the lowest earnings, apart from a very small proportion, would experience no losses at all in their net incomes. It is when you put the package together that you find the results that you need. Of course a basic income would have to be paid for. We all know that and therefore



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you have to find a way of paying for it. The important thing is what do you do to all of these millions of households in this country.

The microsimulation programme has passed through it data from a 0.1% proportion of the entire population in order to evaluate what would happen to the entire country. We can with confidence say that low-income households would not suffer losses.

Q130 Rob Roberts: We will come back to that point in a moment. In 2017 your figures were £61 for an adult, £50 for a young adult and £40 per pensioner on top of their existing state pension. Have you moved away from that point now just to a basic income of £60 for adults?

Dr Torry: No, no. If you look at the research report that was I hope circulated to you—

Rob Roberts: So those figures are accurate?

Dr Torry: No, not exactly, not for the current scheme that I was asked to prepare for Wales. You will find the current scheme in the research report, and I would encourage Members to read it, including its detail. It is a £35 addition for pensions and £60 per week for working-age adults above the age of 25. For 20 to 24-year-olds, it is £50, for 16 to 19-year-olds, but not young people still in full-time education because their families receive child benefit, it is £25, and there is a £10 increase in child benefit.

What that achieves is the results that I have explained in terms of poverty reduction, no losses for low-income households, inequality falling and quite a lot of people being taken off means-tested benefits. The figures are in the report. It is the detail of the scheme.

Q131 Rob Roberts: I appreciate that the devil is always indeed in the detail. Given those proposals, what is your assessment on what the cost would be to the Treasury of the proposals that you make?

Dr Torry: If we are talking about just Wales, it is £64.48 million per annum—a tiny proportion of the budget. I always aim for the UK as a whole at a net cost of less than £2 billion. With the current system it is impossible to get it to exactly zero because if you are increasing tax rates by just one percentage point, you cannot hit zero, whatever other changes you make. There is a band that is normally recognised as revenue neutrality with a scheme, which is between minus £2 billion and plus £2 billion for the UK as a whole. The £64 million is well within that if we are looking at just Wales.

Q132 Rob Roberts: £64 million annually?

Dr Torry: £64 million for the whole year.

Q133 Rob Roberts: Presumably that is a net cost, having taken all of their other changes into account?



Dr Torry: That is a net cost, yes. That is the net cost after you have made all these changes. It takes into account the lower amounts of means-tested benefits that households will be receiving because they receive a basic income. The figures for the lower rates of means-tested benefits you will find in the report.

Q134 **Rob Roberts:** Can you clarify, to get to that net cost, what are you saying that the tax rates would be if they are currently 20, 40 and 45?

Dr Torry: We find that an increase of 3 percentage points in all of the different tax rates enables revenue neutrality to be achieved and it keeps low-income households within their almost zero income losses. So even though low-income households will be paying a bit more income tax—

Rob Roberts: It is not a bit more, is it, it is 15% more. The difference between 20 and 23 is 15%.

Dr Torry: Yes, indeed, it is 3 percentage points; yes, quite right. However, the combination of that with their basic income means that on average their disposable incomes increase. There is an important graph that you can see in the report—I will find it—that shows that for incomes before housing costs—

Chair: Sorry, we are going to have to speed up proceedings because time is running short.

Dr Torry: I would encourage you to read the report. You have been sent a link to it, I gather. You will find some graphs in there that tell you.

Chair: It has been circulated to all Members.

Q135 **Rob Roberts:** No problem. I will go on to Mr Williams. What level would you set a universal basic income at and how would you pay for it?

Jonathan Williams: This is the million-dollar question, is it not? What level? At the moment, my preference would be somewhere in between Malcolm's suggestion of £60 and the minimum income standard.

In terms of how you would pay for it, there are a range of options. There is progressive taxation. Wealth taxes have been discussed here. There are carbon taxes that you could look at as well. Something that interests me is if you had a green model of what Alaska has, for example. If we invested in renewable energy in Wales and we used the profits from that renewable energy in a sovereign wealth fund and paid out a dividend to the citizens of Wales, that would be very interesting and would help towards our climate target as well.

Q136 **Rob Roberts:** So we would not require any cuts to any public expenditure or anything along those lines? You would raise it in other means?

Jonathan Williams: Yes, that is how I would do it. I would look at taxes and that type of thing, yes.



Q137 **Rob Roberts:** Ms Coote, what would be your response to the proposals that we have heard for how to do this and how to fund it?

Anna Coote: If there is money to be raised, the question is what are you going to spend it on. Is it better to spend it on giving money to everyone or would you spend it on better childcare, on improving the education system, on help with housing and decent housing, on adult social care? In terms of this thing about the personal tax allowance, for example—"Let's abolish the personal tax allowance"—everybody wants to get their hands on the personal tax allowance and spend it on the climate emergency, on renewables, on better services, on the NHS. Again the question is not just what it would cost, but what would you not pay for if you raised that money?

Q138 **Rob Roberts:** Thank you very much. Professor Spicker, your response to your colleagues' proposals on the scheme?

Professor Spicker: What troubles me about the proposals is that whenever people talk about either benefits interacting with a means-tested system and therefore their value being reduced, or benefits being paid for by the loss of other benefits, these are fundamentally problematic.

Rob Roberts: Thank you, I appreciate your concise response.

Q139 **Ben Lake:** We have heard quite a bit already this morning about some of the foreign trials or experiments of universal basic income in some form. Dr Torry, accepting that some are experiments rather than pilots, could you elaborate on whether there are any emerging lessons that you think are worth emphasising for the purposes of this report?

Dr Torry: The extent to which the genuine pilot projects are relevant to a country like this is obviously debatable. What we can say is that the general welfare improvements found among them and the quite surprising increase in economic activity among low-income households in those pilot projects—we were not expecting in Namibia to see a 200% increase in own-account economic activity among low earners—was a very surprising result. It appears to have been simply because, for the first time, they had a secure layer of income that they would not lose for that period of two years so they could take risks they could not take before. To what extent that would be replicated in a country like this, we do not know. The Finland trial was purely 2,000 randomly selected unemployed individuals, so again you have to ask to what extent would those effects would be replicated here.

An argument that can be made both in relation to that and in relation to the trials in India and Namibia is that if we were to implement a substantial, secure layer of income in his country, it is possible that you would see the same or more effects than we saw in those particular trials. Among a group of 2,000 randomly selected unemployed individuals, you are already looking at people with employment challenges. To discover that there was a small increase in their employment market activity and



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no fall in it during the pilot project, in the experiment, is significant, so we would expect to see at least that effect here.

In relation to an interesting experiment in Canada in the 1970s, which was not a basic income pilot project, but a minimum income guarantee experiment, there has been more recent research on the results of that project. The results were basically just put away in cardboard boxes, and an academic called Evelyn Forget got them all out again 40 years later and compared them with the health records of the same period. She discovered that in Dauphin where this experiment took place hospital admissions were far lower and other health indicators improved considerably. It is that that turned the Canadian Medical Association into an advocate for basic income in Canada, because they could see the health benefits of it. A basic income, we can theorise, would have even more of an impact than a minimum income guarantee would have.

So you can say that although these experiments were not basic income pilot projects, if you look at the difference between the different mechanisms employed in basic income and in those experiments, you can say that it would be likely, though obviously not necessarily true, that a basic income would have at least those effects on our population.

Until we hold a genuine pilot project, it is difficult to say what many of the effects would be. I do understand that two years or three years or whatever is a short period of time, but what we can say is that even though they were short periods of time in Namibia, India, Dauphin, Finland and so on, we saw significant effects.

Arguably, a permanent basic income would have even more effects, because in terms of the employment market if you are in a two-year pilot project, your mind is on what follows it, not just on what is going on now, so your employment market activity will still be to a large extent controlled by the employment market that you experienced before the experiment started, whereas if you were involved in a permanent basic income, you would be likely to see far more of a positive effect. A genuine pilot project, even though for two or three years in this country, would be extremely helpful to the entire global debate about basic income. I recommend Wrexham. I do not know if there is an MP from Wrexham here; I have no idea.

Q140 **Ben Lake:** Ms Coote, what do you say to that response?

Anna Coote: Just to reiterate on the field trials. Even the Indian experiment—I am not so sure about the Ugandan one—was selective because they were only in certain selected villages and they will not have been given to the richest villages in the country. The evaluation of that scheme said that none of this would work in any case unless you have better childcare, better roads and railways and all the things that you have to pay for collectively, and you only have one pot of money. A number of the other field experiments were funded by charities, so there was no democratic control over the system anyway. It was aid and



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development money in the case of India and charities in the case of Uganda and Malawi and other experiments—the Kenyan one too. That is the field experiments.

I cannot see the point of spending political capital and money on a trial in Wales. You have to ask yourselves why the Scots were talking about this for years and have finally decided not to do it, as far as I know, because they can see there is a better way. There is another way of getting much better results.

I really do question the validity of a result from a field trial that says that people's health and wellbeing increased, when you do not take account of the state of the health service, of the state of housing, of the state of education. All these are fundamental determinants of health that must be maintained, improved, extended if you want to improve people's health and wellbeing.

Of course people need secure income, but if you are going to put all the burden of a secure income on to a UBI scheme, what happens to employers? Should we not be looking to employers to provide security? I would worry about shifting the obligation to provide security to a UBI scheme rather than people being secure, and having decent healthcare and decent education, which we are not secure about—we cannot take these things for granted. We have to be sure that those benefits are extended and improved, and we want to ensure that security in employment and decent pay and conditions for people who are working are not just passed from the employers to the Government.

Chair: Beth would like to ask a supplementary.

Q141 **Beth Winter:** I am possibly repeating myself, but you can do both. The Welsh Government, in introducing a trial, and if you look at the work that they are doing in terms of social partnership arrangements, addressing the housing and homelessness problem, it is not an either/or. It is possible to do both. That is where the Welsh Government are coming from on that— that this is a safety net, and universality is underpinning the approach that is being taken. It is not this "instead of". The notion that we have a limited pot of money is questionable, because if you look at the inequality that exists, in the fifth richest nation in the world, in terms of a progressive tax system, we could be generating billions of pounds to be able to pay not just for the UBI but also universal basic services potentially.

Anna Coote: Do you want me to respond to that?

Beth Winter: If you want to.

Anna Coote: I am a huge admirer of the way the Welsh Government go about their public service policies and so on, and that is great. When you say you can have both, yes, you can have both but it depends on which version of cash-benefit UBI you choose. First, if it is going to be enough money for everyone to live on, you certainly could not afford it and you



would not have the money to improve services, but you can have a combination of universal services and a guaranteed minimum income or a universal guaranteed income, if you like, a universal basic income guarantee. That is much, much more affordable and leaves much, much more in the way of resources to improve and extend all those income benefits—the housing, the childcare, the adult social care, the transport and all things that people need to get by.

Q142 Robin Millar: Thank you to all the witnesses on the panel for your time. It has been fascinating to hear this discussed and pulled one way and the other. I have a great interest in poverty and I am afraid this morning's discussion has rather reinforced my view that we spend too much time talking about the inputs and not about the outcomes and dealing with that.

We have had a conversation that focuses on how income sits alongside the benefits system, how it sits alongside public services and that mix. Could I ask two questions? The first question I would like to direct to Ms Coote directly, please. You have described universal basic income and universal basic services as two sides of a coin. Can you elaborate on that, please?

Anna Coote: It is not universal basic income as described by my colleagues here; it is a fair living income, which would consist of a fair living wage and a guaranteed minimum income for those who are not earning. They would be combined with universal services and that is what we would call a social guarantee.

The reason I talk about two sides of the same coin is that they are so interdependent and they affect each other. If you have to pay for childcare, if your rent is very high, if you have to pay a lot of money to get where you need to get on public transport and so on, what you need as a sufficient income is going to be a lot higher.

Q143 Robin Millar: Thank you. A question then to each of the panel members. Scotland has considered a minimum income guarantee and it has talked about elements of services and so on. Are there any other alternatives to a UBI that would realise some of these objectives that we are after but could perhaps be more practical or less difficult to implement? I will start with Professor Spicker.

Professor Spicker: I have mentioned the argument for having a number of smaller changes running not only through the benefits system but more generally. If what you can do is that you can create a set of platforms, you will not avoid all gaps, you will not avoid all exclusions, but you do reduce the number. We could, for example, increase the facilities that are available to people under 25. Currently there is very little that is directed at them.

We could look at certain catastrophic expenses. Before I came to the Committee here, I looked up the issues about funeral costs in Wales. Funeral costs everywhere, in Wales as in Scotland, are often inflated by



the increasing costs of cremation or the costs of burial. You can decide to go for different sorts of problems; you can go for many of them. Ultimately the value of a benefit and the value of the service depends on the constellation of other things that there are around it.

Q144 **Robin Millar:** Thank you, I will stop you there and I will summarise if I may. You are suggesting that we tweak the existing system and plug some of the gaps. We must get through the other witnesses. Can I come to Dr Torry first?

Dr Torry: As has often been said, it depends what we are trying to do. If we are trying to reduce poverty and increase the security that households experience—economic and other kinds of security, which is always a concern of Government and of a population—then an increase in unconditionality generally will always be useful. I agree that child benefit could well be increased. It would be enormously valuable to families with children. Because it is unconditional and secure, it is something you can rely on totally. So an increase in child benefit would be enormously helpful.

I entirely agree with the idea that we should implement what we would call a citizens' pension, an unconditional pension for elderly people, rather than the somewhat chaotic structure that we currently have, which still makes it quite difficult for people to plan for their retirement, because they do not know how much they are going to be getting in their state pensions because it can be made up of pension credit and basic state pension, and it is rather confusing and difficult for an awful lot of people. To increase unconditionality generally would be enormously helpful.

Robin Millar: Thank you. Mr Williams, I will come to you last. Anna.

Anna Coote: You talked at the beginning of your question about achieving these objectives. I am not sure what they are. Is it to eliminate poverty, is it to ensure that everyone gets what they need, is it to improve the benefits system? What is it? The answer to your question is that it is important to be clear. You may have been and it is just that I have not picked it up. Forgive me if that is true.

Are there any other things that you can do? Yes, I would encourage you all to look at our proposals for a social guarantee and the proposals for universal services, which should go hand in hand with anything that is considered about social security reform. We could also look at other things like—perhaps I will not go on.

There are many other things we could do, and we have to do everything in the context of the climate emergency. What you are planning for social security reform in Wales, if that is what you are trying to do now, has to bear that in mind. I would like to make that point that the universal basic income does nothing for the goals of sustainability, ecological sustainability, but there are multiple advantages to achieving that goal within the idea of universal services and the way that they are designed



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in our proposal. Do look at that and take it as part of what you are trying to achieve.

Q145 **Robin Millar:** Thank you. Just to be clear, we have had tweaks to the existing system addressing gaps such as child benefit and a citizens' pension. We have mentioned the increasing unconditionality, and the point is very well made by Ms Coote about clarifying objectives and looking at the social guarantee, which includes universal services. There is a lot there to think about. Mr Williams, what are your thoughts?

Jonathan Williams: Yes, they covered quite a lot of ground there so it is difficult to add to it. I think the immediate thing that you do is increase universal credit. Reducing the uplift, for example—we could have done without that. An increase would have helped a lot of people.

Q146 **Robin Millar:** To Ms Coote's point about objectives, what would you say your objectives are for the universal basic income?

Jonathan Williams: Reducing poverty. That is ultimately where I come from on this, a reduction in poverty. As I said, uplifts in universal credit and perhaps an increase in the minimum wage as well would help tackle that.

Q147 **Geraint Davies:** Dr Torry, what are the advantages and disadvantages about a pilot project focused purely on care leavers? I am talking about the pilot in Wales, of course.

Dr Torry: I would call that an experiment rather than a pilot project, in the sense that it would not mirror the characteristics of a nationwide basic income. However, I could see that it could be a valuable experiment and rather similar in its structure to the Finland experiment. Those two could, with some profit, be compared with each other because in Finland 2,000 randomly selected individuals around the country were selected for an unconditional income for two years. To select another group of people from around the country, which is what is proposed, would also produce some interesting results from which I am sure we could learn. We would then have to evaluate, at the end of the experiment, what had happened and what the results were for these care leavers.

The problem with that particular experiment is this: in order for it to be anywhere close to a pilot project, even for that group of people, you would have to give the unconditional income to some and not to others. This is the problem with this kind of experiment. There would then be an injustice in that. There is a real paradox here. You want to experiment with something that has value and so you choose this particular group of people. In order to evaluate what effects it has, you then have to find an identical group of people who do not receive that treatment in order to evaluate what difference the treatment has made. That is a conundrum that I hope the Welsh Government are going to think hard about.

Q148 **Geraint Davies:** In other words, if we do a pilot scheme with care leavers, what you will conclude is what will happen to care leavers with



that pilot. If they are particularly vulnerable, for example, and they are in distress and in a situation of high risk, it might be the case that the outcomes for them are specific to them.

Dr Torry: It would be, yes.

Q149 **Geraint Davies:** What would be your advice, if anything, to the Welsh Government on moving forward on this project, if we are concerned about universality?

Dr Torry: The other thing I would say about it is that the Welsh Government appear to be talking about additional money—that people would be receiving an income that they would not otherwise be receiving. As I understand it, presumably they would therefore not be receiving means-tested benefits that they might otherwise be receiving. That is a question, because I have not seen any detail related to the project. I do not know if there is any yet. The other question is, will the tax system be changed for this particular group of people if they enter employment?

If neither of those things happen, then you cannot call it a pilot project in any sense because you would never be able to maintain that project in the long term, even for care leavers, because the net cost would be very high. It is net cost that matters. I therefore see multiple problems with the experiment. I hope you can make it work, because we will learn something from it. A genuine pilot project would be very different from that. I think a genuine pilot project would be feasible for Wales.

Could I clarify what happened in Scotland? The Scottish Government funded a feasibility study, an extremely well-conducted feasibility project, and they published their final report. I would encourage Members to read that. Their conclusion was that they would very much like to implement a basic income for Scotland and run a pilot project initially—in fact numerous pilot projects in different boroughs—to test out basic income in different places. But they also recognise that under the current circumstances within which they operate, without active engagement from the UK Government, running a genuine pilot project is simply not possible because they are at the moment not permitted to touch the income tax personal allowance and therefore would not be able to fund a nationwide scheme. Neither could they fund a genuine pilot project. The outcome of the feasibility study was a very positive one in theory; it is just that they cannot do a pilot project at the moment.

Geraint Davies: In a nutshell, a proper project would be interactive with the benefits system.

Dr Torry: And the tax system.

Q150 **Geraint Davies:** If it lifted people out of poverty and made them more healthy and more proactive in the job market, that person over a period of time would incur fewer health costs for them, with more revenue to the Exchequer, but you could not do that experiment in Wales, where you could not control the whole system.



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Dr Torry: The answer is you can get close to it. There is a plan in the research report that explains how you would get close to a general pilot project, although you could not actually conduct one. It would be close enough to be able to say that the results would be replicated nationwide. It would require HMRC engagement. The problem at the moment is that you may not get that.

Geraint Davies: I want to get a response from Jonathan Williams. Perhaps you could write to the Committee on precisely what would need to happen.

Dr Torry: It is in there.

Geraint Davies: We do not have any time to—

Dr Torry: No, of course not, but I hope you have had the link to the research, and there you will find a detailed study of the Wrexham pilot project.

Q151 **Geraint Davies:** Jonathan Williams, what is your view of the Welsh pilot? What are the pros and cons and what more could the Welsh Government do, or are there intrinsic limitations?

Jonathan Williams: I think they should be commended first and foremost for at least looking into it and trying to do some sort of experiment, but ultimately, when you are looking at a particular cohort of people such as care leavers, it is not representative of Wales. The point of a pilot is that you measure all sorts of people—children, the unemployed, the employed, pensioners. So I would look at including all of those people.

In addition to that, when you are looking at care leavers, they are going to be spread across Wales. They are not going to all be living in a particular area. By doing it in a particular geographic location rather than having it spread with all these different people, you could look at the community effects of that. For example, if you are giving an amount of money to a few thousand people in a particular ward in a county borough, you might see the economic impacts of that—small businesses being set up because people are pumping money back into that economy.

It is a missed opportunity if it is not more ambitious, the pilot, and that is why the First Minister should at least try to make the case to the UK Government.

Q152 **Geraint Davies:** Anna Coote, I know you are not very keen on doing a pilot, but if you were charged with doing a pilot, how would you do it? Would you do it in a village? How would you do it and what do you think of the experiment being done?

Anna Coote: I would be very careful what you are claiming for it. By all means give support to care leavers, which sounds like a good idea. There is a real danger in claiming that it is a UBI experiment. I would not do something that was not UBI and say that it is a UBI experiment or a UBI



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pilot. I think Malcolm has put his finger on a big problem—that if you are going to do a proper evaluation you need a control group. Who would the control group be? Again looking back to Finland, Malcolm said that Finland was a wonderful example, but why have the Finns decided not to go forward? Because they cannot afford it, because they do not regard it as a wise use of public funds.

That is another question to consider. Is it the best way of using a pot of money, to have a UBI pilot? Paying money to care leavers is another matter but there is a danger that if you say it is a UBI pilot you raise expectations that you will not be able to fulfil. It causes a lot of confusion and frustration, I think.

Q153 **Geraint Davies:** Finally, Professor Spicker, how would you look to do such a pilot and what do you think of the Welsh pilot? If providing a basic universal income enabled more initiative, reduced risk and improved health opportunities and training, for example, which might happen over a period of time, how could you conduct that pilot test and what do you think of the Welsh pilot?

Professor Spicker: The most important thing to emphasise is that when you talk about care leavers you are talking about an extremely vulnerable population. The last figures that I have seen suggest that 40% of all care leavers have emotional or behavioural problems. To me the idea that you would put them, effectively, into a pilot and rely on the money to find its way out would not meet the needs of that population, who clearly would need far more by way of support, guidance and help in the process. I am all in favour of making more resources available for care leavers; I am not convinced that this is the way to do it.

Quite separately on the question of a pilot, I have expressed concerns about the generalisability of pilots but there are things to be learned about basic income and about benefits. It troubles me that a lot of what has been done about pilots has not been looking for this—the practical details of what it is that you do to get money to people predictably and securely.

We need to be thinking about claims, about verification, about how to manage changes of circumstances, about how to make the benefits inalienable to stop courts, for example, sequestering the money and so forth. There are all those sorts of things to be considered and I am troubled that the pilot study has not spent enough time on this.

Chair: Thank you very much to all our panellists this morning. It has been an interesting discussion. Dr Torry, you made reference several times to the source material and the research that you have done. I can assure you that links to that have been circulated to Members and that we will be able to read the relevant research when we go back and look at the written transcript from this session. It has been very useful. Thank you to you all. I hope you have enjoyed it, and thank you to my colleagues on the Committee for making it a worth-while session.



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