HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Universal Basic Income, HC 793

Thursday 12 January 2017, University of Birmingham

Ordered by the House of Commons to be published on 12 January 2017.

Watch the meeting

Members present: Steve McCabe (Chair); Mhairi Black; Ms Karen Buck; James Cartlidge; Frank Field; Craig Mackinlay.

Questions 1- 53

Witnesses

I: Andrew Harrop, General Secretary, Fabian Society, Declan Gaffney, Independent Political Consultant, Louise Haagh, Reader in Politics, University of York, Annie Miller, Chair, Citizen's Income Trust, Becca Kirkpatrick, Chair, UNISON West Midlands Community Branch, Ben Southwood, Head of Research, Adam Smith Institute, and Peter Alcock, Emeritus Professor of Social Policy and Administration, University of Birmingham.

HOUSE OF COMMONS

Examination of Witnesses

Andrew Harrop, Declan Gaffney, Louise Haagh, Annie Miller, Becca Kirkpatrick, Ben Southwood and Peter Alcock.

Q1 **Chair:** Good morning. My name is Steve McCabe. I am the Member of Parliament for Selly Oak, which has the misfortune to be just outside the postal address for the university but I get the benefit of having many of the students and staff living in my constituency. We are very pleased to be here in Birmingham this morning. One of the things about the Select Committee is we like to get out on the road and not look like just a London and Westminster-based outfit. We are delighted to be here. I am told that I should tell people that if you are going to speak you have to press the microphone to make sure that it is picked up properly. I want to thank Professor Baker and Ed Thomas for helping to put this together this morning. We are very grateful.

I will briefly introduce the Committee. We have James Cartlidge, Craig Mackinlay, Karen Buck, Mhairi Black and our Chairman, Frank Field, who has very generously asked me to chair this morning's session since we are in Birmingham. That may prove to be his first mistake but there you go. I am going to ask the panel to each in turn introduce themselves, partly to make sure that we have everyone on a microphone. If you could just say who you are and where you are from, that would be really helpful.

Louise Haagh: My name is Louise Haagh. I am a Reader in Politics at the University of York and I am also the elected co-chair of the Basic Income Earth Network, which is an international society that fosters informed discussion about basic incomes around the world.

Annie Miller: My name is Annie Miller. I am a retired academic economist. I am also chair of the Citizen's Income Trust that I helped to found 32 years ago. I stay in Edinburgh and we recently set up a Citizen's Basic Income Network Scotland to deal with the Scottish side of things.

Becca Kirkpatrick: I am Becca Kirkpatrick. I live here in Birmingham and today I am here as the Chair of the West Midlands Community Branch of UNISON and I am also a part-time carer for a disabled relative.

Ben Southwood: My name is Ben Southwood. I am Head of Research at the Adam Smith Institute.

Peter Alcock: My name is Peter Alcock. I am an Emeritus Professor here at the University of Birmingham where I was—well, still am in a sense—a professor of social policy and social security policy was one of my areas of research. I am also, Steve, one of your constituents.

Declan Gaffney: I am Declan Gaffney. I am an independent policy consultant specialising in income distribution and social security.

Andrew Harrop: I am Andrew Harrop. I am General Secretary of the Fabian Society and I wrote a report last summer on the future of social security.

Q2 **Chair:** Thank you very much everyone. As people may be aware, the purpose of this session is that the Committee wants to have a one-off evidence session on the question of a basic income or a citizen's income. It is an idea that is not entirely new but there seems to be a bit of newfound interest in it. At a time when we are thinking about welfare and changes that may have to happen to the welfare structure in the coming years, it seems useful to look at this. I was listening the other day to a programme about what is going to happen with the growth of robot technology and the impact that will have on the employment situation and whether or not we are going to have the same work capacity for individuals. It may be this makes it a more poignant issue.

What would be helpful to the Committee to start is if I ask each of you in turn to very briefly tell us whether you are in favour or against the idea and describe how you think it might work. Then different members of the Committee will have particular aspects that they will want to raise with people. Could we start with Louise?

Louise Haagh: I am certainly in favour of the principle and the policy of introducing a universal basic income. I think we all know that the idea looks very different in practice, in different contexts. I also think that the idea of a universal basic income is not a magic bullet. It fits together with a range of other progressive reforms that I think are timely and important today for the welfare state. In this sense, I very much am in favour of a reform that leads the welfare state towards a more unconditional universal form of basic security at the base but I see that as a foundation for other very important progressive changes, including investment in skills and a more green economy. I think we should not look at basic income in isolation.

However, I do think it is very interesting and difficult to ignore when you have an idea that seems to be popping up in all different parts of the world across the ideological spectrum between different groups of society. It is very interesting that in the last year or so across Europe, public officials administering income assistance systems are beginning to look to this idea and experimenting with it at the local level. Governments are doing it but, very interestingly, local public administrations are doing it because of the difficulties and what many feel are punitive measures that exist now in implementing conditional income assistance schemes.

The way I see it is that this is an idea that is happening on the ground looking for an argument rather than an argument looking for a practice. It is very important to open a discussion about what kind of transitions we can see towards implementing a more humane form of basic security at the bottom of the welfare state, which is urgently needed. That is where I stand and I can give some evidence and ideas about what people are doing around the world to foster more knowledge about the idea and take steps to implement it.

Annie Miller: I would like to endorse everything Louise has said and that saves me having to repeat it. In addition, I would like to say that it is defined by being based on the individual; it is universal, unconditional, not means tested, non-selective except by age, would be delivered regularly and automatically to recipients. That definition does not tell you how to design a scheme. The scheme would only cover basic needs. It is never going to allow people to have lives of luxury. It provides for necessities, but luxuries would still have to be earned. There would have to be a separate housing benefit system because there is such a variation of housing costs and rents and prices all over the country. There would also have to be a separate disability benefit system; parallel, separate, but in addition to the basic income.

There is no one optimum scheme. Each scheme is dependent on the objectives, priorities, assumptions and constraints of the people who are devising the scheme and you can end up with a very wide range of possible schemes. Depending on what your objectives are, you would choose one rather than another. If you gave me your objectives, I could probably design a scheme for you. I enjoy doing that sort of thing. These starting points should be made clear at the outset, otherwise you can get very confused about what is going on and why. I can talk later about how to start off with small schemes and then develop them for implementation, but I don't think that is what you are looking for now.

I think that is all that is worth saying at the moment except I endorse everything Louise said, that it needs to be in a wider context.

Becca Kirkpatrick: I am in favour; my family is in favour; my branch is also in favour of a basic income. The UNISON West Midlands region as a whole, which represents about 118,000 workers, is in favour of testing out the policy here in the region and we are going to be asking the candidates for the new elected metro mayor to look into that.

We have found it helpful in the past year, when we have been discussing the idea in various circles, to think about it on three levels. One is a philosophical principle that all humans have the right to exist and to have their basic, essential needs covered, secured and guaranteed. That is one way of debating the concept. Then there is the idea of a policy in isolation of an unconditional cash transfer, which could be of varying sizes, and my colleagues to the right have touched on some of those structural approaches there. Also, it can be part of a wider programme that has its own objectives, as Annie referred to. For example, it could be a part of an anti-poverty strategy that includes other complementary policies alongside it.

In terms of what it might look like and how it might work, what I find hard to escape is the fact that this is a wealthy and abundant society and so it seems to me pretty much a question of political will and a balance of what the public of this country would like to see and believe they are entitled to, based on the conditions of the country. Later on today I can talk from a personal family perspective of why it is important to me and what it would mean to the people I know and love and also, in my role as branch chair, what it would mean for the lives of the workers that we organise. We have done quite a lot of listening over the past year and today I have brought along some of our own qualitative evidence of what people across the region think of the idea. It might surprise you, but I will be pleased to discuss that a bit later on.

Ben Southwood: I come from a slightly different perspective from my fellow panellists, so it might be surprising that I am also strongly in favour of the basic income. The history of the policy is possibly surprising. Hayek, in "The Road to Serfdom", put it in his welfare policy. Milton Friedman was one of the first supporters in the USA of it under the name "negative income tax", which is functionally the same except the pay-in pay-out systems are slightly different but in terms of net payment to people it is exactly the same as long as, as Annie said, you structure it in a particular way based on your goals. The first experiments on the basic income were done by Richard Nixon, Donald Rumsfeld and Dick Cheney across five US cities. It has a long pedigree of being the kind of idea that not just a particular set of perspectives could be interested in and it has some strange allies.

Accordingly, I favour it for different reasons and possibly with different provisions. We tend to think that the idea of basic income is to simplify the welfare system, not to change the overall productivity, although maybe you would have extra money from lower levels of administration. That is yet to be seen. It is also to reduce the cost of going out to work and changing your lifestyle when you are receiving benefits. As we know, we have been trying to reform that without much success recently, but there is a goal of reducing the implicit tax rates. Also for people who have regular incomes, it means that you don't see boosts and falls in your income from work, meaning that you have a disincentive to going out to work because you are worried about losing your benefits. In all these sorts of precarious situations you could pay out the same amount of money but solve them.

As I say, we see this as replacing most of the benefit system rather than being in addition to it. If it were in addition to it, I would say that probably it is going to come to the point where we are spending too much and we would have to raise taxes too much to make the system worth doing, but as a way of rationalising our existing system I think it is an extremely good idea. It enhances the freedom of people who are receiving money from the state.

Peter Alcock: I first came across the basic income idea back in the 1970s when I was doing research on social security reform at a time when I was also quite active as a volunteer and a welfare rights worker in Sheffield where I lived at the time. The latter in particular made me think it would be good if we could find a better way to do this, because there were all sorts of people experiencing all sorts of problems with the social security scheme. The basic income, to be honest, looked like a magic bullet although it is interesting, as Ben has just pointed out, that different people were trying to use the bullet in different kinds of guns. I spent a bit of time looking at the basic income and reading stuff around it, and eventually I published an article in the early 1980s called "Unconditional benefits: misplaced optimism in income maintenance". You can guess from the title that the conclusion I came to was that it was not a magic bullet and that it was more likely to be a distraction from the kind of problems that I was coming across in my research and finding in my welfare rights practice.

It does sound like a good idea: why don't we just give everybody enough to live on and let them decide how to live their lives? It is such an appealing idea that it is too good to be true and I found that my view is that it is too good to be true. I have been a critic of it ever since then, not because I don't think it is a good idea but because I don't think it is feasible in the kind of economic and political circumstances that we currently find ourselves in. There is a danger that it acts as a distraction from other pressing issues around employment, inequality and support for welfare services. I am slightly worried that it has had support from people like Charles Murray and Milton Friedman in the United States. Murray argued that we should pay everybody a basic income and then we can withdraw all welfare services because they can buy them themselves. You don't need to deliver services to people because they can buy them on the market. They can buy them on the market because they will have an income. I am worried that it is a distraction from other more pressing issues.

Declan Gaffney: I am in danger of repeating most of what Peter has just said. Last year I wrote an article for *The Guardian* about basic income in which I actually said it was too good to be true. In fact, that was the headline. The conclusion I reached was that basic income is best thought of as a thought experiment and that was unpopular with some supporters of basic income. I meant it as a compliment because I think it is a useful thought experiment. It is a way in which one can hone one's intuitions about a whole range of issues to do with reciprocity, property rights and freedom, and it can be very helpful in tightening up one's perceptions and intuitions in that area. As a practical proposition, what tends to happen is that universal basic income is sold under the brand of universality and flat rate payments and then one finds that as you move from that abstract idea of a single flat rate income going to everybody to some kind of practical implementation, the elements on which it is sold—lack of conditionality, the flat rate base and so on—begin to fall away and it starts to gradually become more and more like an adaptation of existing social security systems.

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

I am extremely sceptical about the entire basic income programme and I am extremely aware that what is being sold under that brand is often very far away from what it seems to be.

Andrew Harrop: In the report I published last summer there is an appendix that has the arguments for and against basic income—and you are very welcome to look at that afterwards—and that gives you an indication of where I am coming from. I started sitting on the fence. Something that I don't think anyone else has mentioned yet is that really the debate about basic income should be seen through the prism of tax reform more than social security reform. The reason I say that is that tax-free reliefs and allowances are a huge part of the basic income debate. There is a suggestion that you would take away those tax-free allowances and give people cash instead. In our system in this country now tax-free allowances are, financially speaking, more important than social security. We already have, effectively, a basic income; it is just not a universal basic income. We give people who are earning enough to make full use of the personal allowance and the equivalent to national insurance, £60 a week equivalent to a cash basic income through the tax system.

The question is could we use that money better by distributing it more smoothly to everyone and in particular to people on zero or low earnings and to children. In an ideal world, I would like to see, rather than the personal allowance and the equivalent to the national insurance system being paid to those earning enough to benefit from it, a lower flat cash payment going to people who are not in a position to benefit from those allowances and particularly to children.

My view is opposed to some of those who have spoken before because I don’t think that should replace means-tested benefits. We should have a tiered system of social security that includes more scope for universal non-conditional payments but also has means-tested universal credit and contributory benefits for those who have earned entitlement.

Chair: Thank you very much. That is a very good introductory round.

Q3 **Ms Karen Buck:** One of the questions that I am never quite clear about on basic income is whether advocates regard this as being an alternative to income in a future world where there is less employment or less stable employment or as a form of work incentive or smoothing out of what is, for some people at least, in a more casualised economy a very uncertain income. Can it be both? The UBI’s current phase of popularity is very much predicated on some views about the changing world of work. How seriously do we need to take the projections? If we do need to take them seriously, we may need to look at how we refine the tax and social security system to deal with them.

As a subsection to that question, is it realistic, in a world where welfare states have become more conditional, that we can win democratic support for a system that removes conditionality? Declan mentioned specifically the issue about the future world of work. What is your view of that?

Declan Gaffney: My view is that I don’t know and nobody else does. However, it is not as if we have never been here before. It is not that we have never had people discussing a universal basic income in the prospect of massive job losses, because exactly the same thing happened during the 1970s and 1980s during a period of huge, traumatic change in the labour market, not just in the UK but throughout the developed world. That was the period when I first became aware of proposals for a universal basic income and they were promoted back then in almost exactly the same terms as they are often promoted today. The idea was that deindustrialisation was going to lead to a permanent loss of employment, that full employment was completely gone as a policy objective and, therefore, you would have to find some way of supporting people and, essentially, of taking people out of the labour market or of allowing them to reduce their hours of work. Effectively, it was a technique for reducing labour supply in the face of what was seen as being a permanent collapse in labour demand.

The idea began to wane in popularity as employment, to a large extent, recovered after the recessions of the 1980s and the early 1990s. As it moved back towards higher levels of employment, the idea of basic income began to retreat. The idea that we are facing a permanent loss of employment due to economic developments, which are undoubtedly taking place due to technological change and so on, is not new but the last time it happened we did not see the kind of permanent loss of employment that would build the case for a universal basic income.

We don’t know what is going to happen this time. I tend to go with the views of Alan Manning of the LSE on this, because he is one of our best labour market economists. His considered view was that the impact of technology on employment is effectively zero in the medium term and the long term. I am sceptical about these prophecies of the permanent loss of labour demand.

Q4 **Ms Karen Buck:** Can I ask one of the advocates: are you looking at basic income as preparation for a world without work or to allow people to dream or having surfing lessons—which is, to grossly caricature Anthony Painter, the view of some of the more romantic advocates of UBI—or is it about improving work incentives and giving people a basic security to deal with insecure employment?

Becca Kirkpatrick: UNISON and my branch of UNISON see it as something that we need and can afford and should have as a society right now ahead of any changes that may come. It could help with some of the changes that may come but we think it is something that it would be important to have in the here and now. To your second question—

Q5 **Ms Karen Buck:** Can I ask you why? What is it for?

Becca Kirkpatrick: The fact that people don’t have their basic living conditions secured and guaranteed.

Q6 **Ms Karen Buck:** In work or out of work or both?

Becca Kirkpatrick: Either. We don’t have anything in place to ensure that people don’t fall into destitution, die as a result of poverty.

Q7 **Ms Karen Buck:** Is that right?

Becca Kirkpatrick: Yes, of course it is.

Q8 **Ms Karen Buck:** Is that right because of conditionality or because the system doesn’t exist?

Becca Kirkpatrick: It is because the system doesn’t exist. We are not set up, we don’t have that objective as a society to prioritise guaranteeing that for everyone. You have to take a decision that we need to ensure that rather than having a very holey safety net that is supposed to shoot out when people need it and they are already falling, we have a solid platform that is there continuously.

Q9 **Ms Karen Buck:** But if it doesn’t cover disability, sickness and housing, how does the UBI do that?

Becca Kirkpatrick: What it is saying is that every human has basic needs of sustaining themselves and providing the basic needs of communication and getting around and a roof over our heads. Some people have additional needs and we would recognise those, and that has been referred to already.

I wanted to come to your other question about is it feasible and realistic and I think you are talking about political feasibility in terms of public opinion. That is a very good question. We, as the UNISON branch, also wanted to find out the answer to that ourselves. When we went out to listen to people's views on it, we expected that we would receive quite a lot of pushback based on that common sense idea of what people believe in this country, so we thought, "Let's actually test it out and find out for ourselves". Just to be clear, if you remember from my introduction talking about the three ways of thinking about it, we were going out to have a conversation at a philosophical level: what do people in this region believe about the idea that we should guarantee everyone's security? There are different ways of guaranteeing people's security but this was one: what do people think of it?

We were expecting some robust debate and perhaps more pushback because of the idea of getting something for nothing or that you should work, the very strong work ethic that exists in this country and the dislike of freeloading. We expected to get a lot of that and we are very surprised that so far we have found overwhelmingly the opposite. What I have here is a folder, which I will leave with the panel so you can have a look at it afterwards. We were asking people on an individual basis what it would mean for them, what would they choose to do with their lives if they had something in place to ensure their security like this. Lots of examples were about caring in the family, their own educational development and giving back to the community. That was a very strong theme that you will see in this folder of evidence here. At the same time, after having a conversation with people, we asked them to indicate in a very simple poll—they had a yes and no box—were they in favour of or against the idea.

Q10 **James Cartlidge:** Did you give them a figure of how much it would be?

Becca Kirkpatrick: No. We discussed that it could be different figures but we also had the conversation with people that it is about political will, so there are lots of different ways. We had that as part of our conversation. We explained it could be less than subsistence, it could be subsistence level, at a level to eradicate poverty, which is the preferred version that my UNISON branch is in favour of.

Q11 **Frank Field:** Can you pick up Peter's point about what would happen to the tax rates? Was that introduced into the conversation, what people would be paying in tax to ensure everybody had this basic allowance?

Becca Kirkpatrick: Yes. We had quite an open conversation with people about there are many different ways it could be funded. In a nutshell, we would be in favour of progressive and redistributed taxation. That could include new forms of tax that we don't currently have. We have heard some of the other panel members saying this is a magic bullet. We are not saying this is the only policy we should introduce. We are in favour of lots of other policies to go alongside this and, from my introduction, my third way of thinking about the idea is about a type of programme. You could have a programme of reducing inequality, a programme of creating security for people. We see it as just one thing we would like introduced in this country. We would be in favour of progressive redistributive taxation, including perhaps new funding streams that don't currently exist, and the level is going to very much depend on how it is funded.

We said to the people we were meeting, "All this is up for debate. Let's just start the debate. What do you think of the idea, the principle?" You will see from this folder that we could count the negative conversations we had on both hands from all the listening we did. It was really surprising to us. We expected a lot more pushback. What we are going to do this year is very much carry on that listening. We want to do as much as we can in as many varied, different areas as possible, in different demographics, different political voting-leaning ways, and just test it out as rigorously as we can. So far, from last year's listening work, which I will leave with you today, we found it very popular as a concept with people. You will also be aware, hopefully, that there has been a European-wide survey of many tens of thousands of people that indicated that already, with a very low level of debate in this country, 62% of people in this country support a subsistence level basic income.

Q12 **James Cartlidge:** I have a few points. I think the amount is incredibly important because the generosity is absolutely key to it. The only experience I have had politically of this before is that in the general election campaign ITV Anglia filmed a debate at my biggest secondary school and, because the Green Party had it, it was asked as a question. The Green candidate explained about it and all the children, no prompting, were very strongly against it, interestingly, and the first question that was asked to the Green candidate was, "Why should I study?" interestingly. There is an interesting point about incentives.

In my experience as an employer—and I have made this point several times but I think it is incredibly important about the tax credit system at the moment—do not underestimate the extent to which people are very aware of what they get and the impact it has. I had staff who declined pay rises because of tax credits but particularly who would never work more than 16 hours or 24 hours. I can see how that could be a good reason to have a universal benefit system because you don't get these things, but only if it is very generous. I think that is the issue. If there is no housing benefit included in it and there is no incapacity benefit or disability benefit, it has to pay more than tax credits are paying to those on low pay. That becomes very generous. If it is that generous, it is incredibly expensive and you are paying that amount to Wayne Rooney and all the other wealthy people. If it is not generous, to me you must be reducing what you pay to the poorest. I think the amount you pay is incredibly important.

I also want to ask about the impact on immigration. People talk about the impact of robots and all the rest of it. I stayed in a hotel in Westminster last night and every member of staff was from eastern Europe. We have a session next week on this. Businesses across my constituency and across the country have very large numbers of people from the EU and elsewhere doing jobs that for one reason or another we don't seem to have a labour market for in this country. It seems to me we do have to ask ourselves: what would be the impact of a generous basic income in a situation where we are going to have fewer foreign workers to fill unskilled positions? I would be interested in your opinion. The most important question is: how generous? Is it more generous than the tax credits that are paid to those on low incomes?

Ben Southwood: As a useful categorisation difference that might clarify some of those answers and also how I think about it, I think about it differently from many people to my right here. I see it as replacing the current system. Maybe we can have disability on the side and we can argue about housing benefit, because I have a different perspective from these people about housing benefit. There are two points. One is that historically it has been known as the basic income or the negative income tax. The negative income tax is paid in a different way. Instead of paying a lump sum to everyone, you look at the point at which we start charging people tax. People who earn less than that get a negative tax, as in if they earn £1 less than that they get a 50p top-up and if they earn £2 less than that they get a £1 top-up. We can see that this system seems like it is paying out much less money because you don't give it to any of the people who earn at or above the amount you set.

Q13 **Frank Field:** Ben, this is not true, is it? Basic income is a totally different proposal from negative income tax. Under basic income we all get a lump of money. Under your scheme, I would not get it.

Ben Southwood: The reason why they are the same is in the negative income tax system you set a point, pay people money underneath and take money out of people above. With basic income you give the money at the bottom and then you tax people right from that amount. In the negative income tax system you don't tax people with that amount until they hit the point where you start taxing In the basic income system you tax them right from the bottom, so when you give £5,000 to Wayne Rooney under this system, say, you also add his taxes of £5,000 automatically under the system. Every basic income proposal has that built in: you don't give any extra money to rich people. It is very easy to make the net payment to rich people the same.

Q14 **James Cartlidge:** What it says in here is it is a universal entitlement paid as a cash benefit.

Ben Southwood: As Andrew said, it would necessarily involve removing—

Q15 **James Cartlidge:** Could I just ask those to your right—or to your left as it were—how do you perceive the physical payment? Is it in this sense or is it like a benefit?

Annie Miller: Samuel Brittan, about 30 years ago, pointed out that a basic income, which is favoured by people who are concerned about the poor, is a separate payment and then the tax system would claw back. In the negative income tax system it is a different administration whereby the tax and benefit systems are integrated and so you either receive a net payment after your taxes have been deducted or you get a net benefit after your taxes have been deducted. They are different administratively but they could produce the same outcome.

Could I point out that the problem with the housing benefit is not a problem of the basic income, it is a problem of the housing policy? If you get your housing policy right, then it need not be a problem.

Q16 **Chair:** While we are on this question of housing benefit and disability benefit and things like that having to be separate, once you factor those in, how different is that from universal credit? It sounds to me that you are describing something very similar and I am wondering if I have got the wrong end of the stick here.

Ben Southwood: A very quick answer. Universal credit is usually household-based rather than individual-based and all basic income proposals are typically individual-based. Secondly, universal credit has gone to extreme extents to try to make sure no one is worse off under the new system. Under a basic income proposal you have to accept that some people are going to be worse off, some people are going to be better off, but overall it is going to be more—.

James Cartlidge: Universal credit is means tested. I thought the whole point of this is that it is not means tested, unless I am completely naive.

Frank Field: Say the income we are going to pay at is £8,000. All of us individually would get £8,000, maybe less for children or maybe more for children, and then you would set tax rates to finance this proposal. It is not like negative income tax or any of those other proposals. It is separate, isn't it? Are we not right? Isn't that what James is asking you?

Q17 **James Cartlidge:** Peter, you were the first to write on this. Would you tell us what you think the general proposal is?

Peter Alcock: They have been confused in the past; they were in the 1970s. Both negative income tax and basic income were promoted as securing similar outcomes and to some extent that is true. But Frank is right, the point about the basic income is that you would pay it to everybody. With negative income tax you reduce the churn, as it is called, because you don't pay people something and then tax it back from them. You reduce the churn effect of a basic income but—the point that you are making, James—you lose the simplicity of paying it to everybody. I suppose in a sense it is the difference between a practical question of how do you distribute and a principle question of whether you give everybody, as an individual, the amount of money, and some of the arguments are principle arguments.

Let me throw a slight spanner into those principle argument works. Another dimension that is also debated, both in principle and in practice, is the difference between individual and shared incomes, and in particular incomes for couples. That does end up muddying the water in a way that I think makes it more difficult to sustain a practical argument for an individual basic income. At the moment all of our benefits, as has been explained, are geared largely to a shared basis, a couple basis or a family basis.

Q18 **Frank Field:** Peter, can I ask you to go on further? The other difference is the conditionality. Under the basic income I would get my £8,000 and if I decided to do nothing nobody would interfere with me and I would just exist on my £8,000. If I could make my world go round on that, that would be it. There is no system in existence now that would pay me £8,000 and allow me to be a loafer unless I was going round and—

Peter Alcock: There has been a debate about that too, a philosophical debate. The example that is often quoted is that of surfers on Malibu Beach who would be paid a sufficient income that all they need to do all day is surf. They are often quoted but they tend not to be seen as a terribly sympathetic group—why should we be supporting surfers on Malibu Beach—but the principle applies to all really. It is linked to the difficult question of then how do you incentivise people to take difficult employment. I agree with Declan that jobs are not going to disappear and the jobs that are going to continue are going to be those that are not particularly attractive to do, such as caring work. You are going to need to pay people a sufficient incentive to get them to do that and I don't see that a generous basic income scheme is going to meet that challenge.

Q19 **Chair:** Andrew, I think we were waiting for your point.

Andrew Harrop: Let's start with children, because they are less controversial. We could significantly increase child benefit and that would be a basic income for children that would be an act of horizontal distribution between people of similar incomes, with children and without, to recognise their extra living costs.

Q20 **Frank Field:** Andrew, when you say that, that is because you are accompanying that by your tax reforms, aren't you? There is no new pot that we have not discovered.

Andrew Harrop: No, exactly. What I am talking about is reducing the tax allowance and redistributing that initially to children but potentially, as I said, to non-working adults. You could do that progressively over decades without there being cash losers. Of course, if you did it in one go there would be cash losers and it would be very politically controversial.

The broader point I want to make is that when we look at the tax allowances and benefits side by side, we already have a broadly universal flat rate system. It is lots of different benefits and lots of different tax allowances, but the net effect is that we give the same amount of cash, if you include tax allowances as cash, to rich and poor alike. That means that, in my view, this debate is not really about how much extra it would cost overall. It is about whether it is a sensible idea to rationalise the whole system into one. My view is that it isn't and the reason is that it would overall not have positive distributional impacts. It would end up that you would have a huge great reform and modelling by Compass—

James Cartlidge: Unless it was very generous.

Andrew Harrop: On a revenue neutral basis, or broadly revenue neutral, you would end up more or less where you started with particularly low income, non-working households not being any better off. Modelling by Compass suggested poverty would rise with the full basic income, which is the principal reason that I am not convinced by it.

Q21 **Mhairi Black:** In theory I think that sounds like an absolutely magic idea and that is the reason I am wanting to try to understand the practical side of it a bit more. One of the few concerns that I have with this is: is there not a possibility that it could create a minimum income, that it could almost act as an income ceiling? If employers know that everyone is getting paid enough to get by, free of poverty, then there is never going to be another wage rise. Is that something that you have seen in different parts of the world or anything like that?

Louise Haagh: We don't know exactly what the effect of the basic income would be, but I think it is a very poor argument to argue against basic income because we think it might have a lowering effect on wages.

Q22 **Frank Field:** We did against means tests on that basis. That is one of the traditional arguments against means tests. The poverty trap was based on that very point.

Louise Haagh: There is no reason to assume that—in fact the contrary—if people have basic security that allows them to refuse an unpleasant job, that that will have a negative effect on wages. In fact, quite the opposite, just as was argued before. An argument that one of the panellists made was that we should not have it because otherwise people will refuse to take low-paid, unpleasant, more difficult jobs. You can't swing it both ways.

I think the important thing is to make the case for why it is that we should accept that we should socialise basic income security at the bottom, just as we have already socialised entitlement to education and health. We don't question whether those on higher incomes receive public education or public health and we don't monitor their behaviour as to whether they are entitled to services. Really there is no principle difference and it is very odd in the 21st century that we should make this very sharp distinction. I think the biggest and most important rationale for basic income, although the redistributive argument is also very important, is in relation to freedom. It is about recreating a different relationship between citizens and between citizens and the state. So we would recreate the sense of the state being an enabling state, a constitutive state that enables people. In answer to your question earlier on, how do we see the basic income, is it a replacement for paid work, do we view it in a positive way as a disincentive to engage people? No, I don't think that is how most proponents of a basic income view the experiment. Of course, if there are people who wish not to work they are able not to do so, but the other argument is, why should people be made to do unpleasant jobs because they have no other alternative.

Q23 **Ms Karen Buck:** Just to be clear on that point—it is incredibly important— your central argument then is that unpleasant and difficult work would have to be better remunerated because people would be able to refuse it?

***Louise Haagh*:** Yes. Well, you wouldn't bargain for—

Q24 **Ms Karen Buck:** Because other people will pay through their paid income to subsidise it?

***Louise Haagh*:** Just as everything else is bargained for in society, in a free society. It seems to me only fair and right that it should be. But I should say on the international evidence, of which we have quite a lot, of the effects of economic security, the evidence is very clear that you do have very low rates of withdrawal from the labour market where you have more stable income security but typically the people who withdraw are mothers who look after their young children. In Canada there was an experiment that looked a little bit like the basic income between 1974 and 1979, in which they had a 10% withdrawal rate from the labour market during those years, but, as has been shown by subsequent surveys, this was mothers who wanted to stay home with their small children or young boys who had previously been encouraged to go into the labour force young who stayed in school.

So you see the withdrawal rate from the experiments, of which there are many different types. They are not exactly basic income but they look the same or have the same sort of effect. People think strategically about their contribution. It is not the case that they withdraw in favour of non-contribution but that they withdraw in favour of other types of contributions. You have a wealth of studies. In fact, in many ways I am quite worried about some of the basic income experiment designs that we see at the moment and the idea that we base a basic income and the importance of the principle on the results of those experiments. We have, as I already stated, a lot of evidence already from long-term studies that show that security motivates, whereas some of the experiments that are ongoing now are very short-term and focused on very particular sets of individuals who already have difficulties integrating into the labour market.

Q25 **Mhairi Black:** How would the value of the basic income work? For instance, the cost of living in Glasgow is very different to the cost of living in London, so how would you be able to look at that?

Craig Mackinlay: Food is much the same, isn't it—Tesco prices?

***Annie Miller*:** The minimum income standards people do focus groups. I contacted them and said, "Is there a difference in Scotland from the rest of the country", and apart from London where housing and transport is more expensive, the rest of the country is very much similar.

Can I pick up on another point? You said, "How much should it be?" We have a couple of very good poverty benchmarks. The official EU poverty benchmark is 06 of median equivalised household income. I am sure you all know about that already because the DWP publishes households of below average income and it gives the values of that in that publication. It is published every year. So that would provide one measure that ensures that people are not living in poverty. The minimum income standards have been producing figures since 2008, they update them every year, and they are slightly more generous. But either of those would give a good standard to see what would be possible to give.

Now, how do we finance this? Picking up the points of my colleague on the left—I am not sure which one it was—we have a social security budget, as opposed to the Government expenditure. In the last figures I have, which were for 2015-16, the cost of social security was £262.5 billion. The cost of tax expenditures, which are benefits to taxpayers through the tax system and through the tax loopholes in the same year, amounted to £235 billon. That means that taxpayers get 17% of the total income in the country. That is different from GDP because this is the money that goes through people's wallets and purses. 17% of that potential tax base is sheared off and given to taxpayers before the rest of it is taxed for. What it does is reduce the tax base and increases the tax rate for people who cannot afford paying it.

Now, if you imagine the benefit system as being not just social security for poor people but tax benefits for rich people and put them together, you would have something like £500 billion. This would be sufficient to pay for—to improve not quite as much as the official EU poverty benchmark but it could certainly give £100 for every adult, more for pensioners and less for children.

Q26 **Chair:** Can I just check that social security figure you quoted? Does that include pensions and pensioner benefits?

***Annie Miller*:** Yes.

Q27 **James Cartlidge:** It does not include tax credits?

***Annie Miller*:** It does, this is from the Blue Book.

Q28 **James Cartlidge:** Tax credits is Treasury, HMT

***Declan Gaffney*:** That figure would correspond to the budget, including tax credits. Just for the scale of that.

Chair: If you speak without hitting the microphone, we are missing the answers. Sorry.

Q29 **Mhairi Black:** When I think of one of the few benefits that is still universal it is the state pension. Now, my grandmother was able to live on purely the state pension, that is all she had, but even today we do not expect people to do that anymore because I think most folk would recognise that the state pension isn't enough in real terms. So how then, if we've allowed that situation to happen, would you ensure that if there was a basic income the value wouldn't deteriorate the same way the value of the state pension has deteriorated, if you know what I mean?

Chair: There are quite a lot of witnesses wanting to come in so on that let's take Annie, then Andrew, then Becca and then I want to move to Louise to talk about it.

***Annie Miller*:** This problem isn't unique to the idea of the basic income. The national insurance benefits have been eroded since they were introduced under the 1946 Act and they used to be more than the means-tested benefit system, which itself had been eroded, and now it is the other way around. Instead of the means-tested benefit being a safety net, it is the main way.

The state pension is about £120 a week at the moment but people who have only that or less can apply for pension credit, which is a means tested benefit and that would automatically entitle them to housing benefit if they qualify as well. So we should take pension credit as the amount we need, not the state pension. The state pension is not universal, it is dependent on your contribution record.

I would like to see something in a constitution; unfortunately we don't have a constitution in this country, which makes it very easy for people to do what people in power want to happen. I would like to see some legislation. Under the Universal Declaration of Human Rights, which we are signed up to, we ought to be able to apply for it on that basis.

***Andrew Harrop*:** The new state pension, which is just in the process of being implemented, is much closer to looking like a basic income and is paid at a level that many will consider is close to adequacy. It is at the same level as pension credit. But we have this huge discrepancy between the older people's social security system and the system for working age. The basic level of support is around £72 a week if you are a single unemployed person and £155 a week for a pensioner. Along with other colleagues, in terms of fighting poverty, I would like to see that basic level of support to someone of working age but out of work to be much higher. Where I disagree is I cannot see that working as a pure universal payment up to a level around £155 a week, which is why I support a tiered system. You could create a social security system that included a universal element, which might be £40 or £60 a week, plus a means tested element, plus some contributory entitlements, and the package could take you up to around £155 a week, similar to pensioners, for those of working age. But I don't believe we will ever be able to sell it politically in terms the public consent or afford to have a universal income that was up at that level.

Q30 **Mhairi Black:** Does that not defeat the purpose of a basic income, though, if you have that tiered system?

***Andrew Harrop*:** It defeats the purposes that colleagues on my right have talked about. I see this as a tax reform that is better uses the tax expenditure that we currently devote only to people earning sufficient amounts, and I want to see that distributed broadly as a flat-rate level of support whether you are working or not.

Mhairi Black: Right, okay.

Chair: I will come to you in a second, Louise. Becca, you wanted to come in on that.

***Becca Kirkpatrick*:** Yes, thank you, Steve. Following from Louise's comments about changing the labour markets so employers would be competing for labour, which we do not currently have, I wanted to speak from two particular perspectives. My own UNISON branch is 5,000 workers across the region from the charity and voluntary sector, the community sector, as well as significant numbers in the large housing associations, but one of our majority sectors that we organise is care workers. I have a dual interest here. As well as having loved ones in my own family and friends who have worked in care, I am one of those people who have worked in care and have also become a recipient of care after my younger sister had a very severe brain injury in 2013. It has left her fully dependent on care now and, in fact, under Deprivation of Liberty for her own safety.

You will all be aware that the way the care industry and our social security system is structured means that people can be compelled to take care work on pain of losing their income under the sanctions regime. You can be compelled to take up agency care work. Having seen it from the inside as well, without going into too much detail, my sister has been on the receiving end of care that has left her more emotionally damaged than she was when she became in need of care in the first place. Quite simply, it is not a job for everyone. It is an extremely difficult job. It is a very manual job but unlike other types of manual work it is emotionally difficult as well. It is exhausting, it is sad. You can be under risk of being injured potentially by clients and it is common to have very short staffing.

There have been some comments raised already about who is going to take this kind of work if they don't have to. That is exactly the problem. We cannot have a care industry that looks like this. This is one of my main interests in this kind of policy. We need to completely transform care. We need to value it. It is not going to be automated away at any point, it needs investing in. This has been mooted already. This week the boss of the Mears Group that provides care has said the same thing. He is an employer saying we should be paying more like £11 an hour for care. It is a benchmark for society, isn't it, how we look after our most vulnerable? We all have family members who could need care or will need care in future, we are all going to age, and it is just absolutely a nightmare way that we are running the care industry at present.

The other one to refer to—and it was in the pre-hearing questions—is about self-employed workers, which is a growing sector. I want to particularly speak about workers in construction, who again are compelled to be bogusly self-employed. My own husband is one of those. He works as a tarmac layer and although he goes to work in a shirt with a company logo and he doesn't own his own equipment to do the job and he does not choose where the jobs are, his bosses have told him and most of the rest of his gang that they have to register as self-employed. So he gets no employee pension, he gets no sick pay, he gets no holiday pay and again it is an absolutely brutal job there. It damages your body permanently and as workers are heading into middle age when they should really be out of construction they are being left with injured backs, much like care workers can be. My own brother also has worked in construction on a self-employed basis—

Q31 **Frank Field:** Becca, can I just come in there? Isn't there a case for reforming and for the Revenue to say, "These are not self-employed jobs" rather than turn the whole social security system upside down with a basic income?

Becca Kirkpatrick: I definitely believe that anyway, but I also believe we need a basic income.

Frank Field: Sure. No, I can see that.

***Becca Kirkpatrick*:** We have a situation where a manual worker needs rest, a holiday, for their own health and safety but in fact if you are going to do that you are losing money. Every day you are not at work, you lose money. My brother worked once for pretty much a whole year without any days off because of his employment status, and that was in construction. So those are the interests from my perspective of what it might mean for workers to just rebalance that situation where you are compelled to take work that people shouldn't be compelled to take. We need a highly trained and well-rewarded care industry. We could see a lot more job sharing so people are not having to do 40 hours a week caring; we could have more people employed and industry trained and being able to have time away from what is very difficult work. That was the point I wanted to make.

***Louise Haagh*:** I want to make a very quick clarification. I think there has been the impression in the past that basic income replaces or is an alternative to a range of other institutions in society, including contributory systems as well as a general social security system or even paid work. I want to make it very clear that there is no reason why—and many basic income advocates believe this—you could not combine a basic income with a tiered contributory welfare system. I am not saying I am necessarily an advocate of that or that all basic income supporters are but there is absolutely no reason why that should not be the case. Many basic income supporters do believe that there is good reason to combine a subsistence floor that is guaranteed with a tiered contributory welfare system. What is very important, however, is that the contributory systems need to change. We all know that the way that the contributory systems work nowadays does not allow a large number of the labour force to contribute. There needs to be reform of the contributory system and there needs to be reform to self-employed status, and the rights and benefits that the self-employed workers have. But, again, there is no trade off, there is no choice to be made between making those changes which are necessary and making a change to the lowest level of basic income assistance by removing conditionality.

The way conditionality works nowadays is very counterintuitive. The level of conditionality that exists keeps increasing as work becomes more complex. What that means is that the conditions become more punitive and more difficult to exercise.

Q32 **James Cartlidge:** Sorry, what do you mean specifically by conditionality?

***Louise Haagh*:** Well, for example, you now have in-work conditionality. Previously, you had conditionality to prove that you were willing to work. Now you have in-work conditionality so when you are in work you also have to prove exactly how many hours you are working. Of course for some people that means you might be forced—I can read from the DWP website. "In-work conditionality means that if you are earning below your threshold you will be expected to make efforts to increase your income. DWP suggest that this may include increasing the hours you work, finding additional work or finding a new job with a higher income."

Q33 **James Cartlidge:** Isn't that a good thing?

***Louise Haagh*:** Well, what it means is that every single week that your income or hours may change you are scrutinised. The cost of doing that and the kinds of relationships you create between citizens and the state, employers and employees, in having all of these checks performed is just irrational.

Q34 **James Cartlidge:** Sorry to interrupt, but it brings me back to the original point about tax credits. If you have a means tested system, you have to constantly, to one degree or another, scrutinise because obviously if your income increases you no longer are entitled. It seems to me that this comes back to how generous universal income is because if it isn't very generous you will have this problem because you will get all the top ups. If it is very generous then there is the issue about costs and so on. To a certain extent those who are proposing it have got to give us some sense of what the payment would be.

***Louise Haagh*:** I think you are right that any means tested system if the world of work is quite deregulated and precarious is going to be difficult to implement and that is something that needs to be looked at, but I don't think that is an argument against making the basic tier unconditional. There is a difference between exercising conditionality on someone on the pain of losing their basic security and exercising the conditionality to adjust the benefit at a higher rate of income.

Chair: Thank you. I want to ask Craig, who is an alumnus of this institution if he wants to put his point to the panel.

Craig Mackinlay: Very happy to be back in Birmingham, I am almost in tears with the welling up of thoughts and memories of this great place.

No matter where we are, I think, on a political spectrum, left or right, I would assume that we are all after a tax and benefit system that maximises the participation of people in work because I think there is a self-worth that comes with work and earning your own money. We want an economy that is growing, we want Britain to be globally competitive and for people just to be doing well. I think those are the broad aims that we would all like no matter where we come from.

I am a chartered accountant, chartered tax adviser, so I know the tax system fairly well. I would like to think I am fairly good on tax credits and the general benefit system because we are on the Work and Pensions Select Committee, so we are probably better informed than some. But I would not like to even start to model the whole benefits and tax system in terms of you have got free school meals, you have got entitlement to dental care at a certain level, you have got free prescriptions. There is so much going on, there are disincentives and rates and cut-offs, it is very complex to work out what your real rate of tax is for earning that additional £1 within our system. Very, very complicated to work out.

Probably from a right of centre, libertarian point of view I would probably be alongside Ben's thoughts on a lot of this and this is an area I have thought about very carefully for some years. Because of the complications of the system, wouldn't it be nice to just get rid of all that froth, get rid of all the bureaucracy, the form filling, the cut-off rates, the marginal rates of tax loss and benefits loss and have something rather more simple? Now, that is where we get to the complication of how we do something different. It would be useful to model what the amount should be. I was sort of with everyone until perhaps Annie said, "But we will need something special for housing benefit and we have something special for disability benefits". That is all well and good. What is the floor level if you perhaps do not need a house or you are not disabled, would it be JSA or would it be JSA plus something? It is deemed by society and Parliament that JSA—whether you like it or not, it is deemed by everybody, by our elected House—that that is a sufficient amount to add to the incentive to actually get you into work, but it is enough to help you to survive while you are looking for work. We may have views on whether that is enough or not. What would the tax rate need to be under a system if we just said—as I would like—it is a standard level, no more, no less and it is enough to cope with disability, it is enough to cope with your housing issues? That would probably need to be quite a lot of money. I would imagine that would be into your £200-odd a week, perhaps even more, £250.

What would the rate be, what would be the tax rate for UK citizens to keep all that going? Would that make Britain globally competitive? Would it—and this is my main fear—encourage economic inactivity? The youngster at 18 or 21, just out of university, in receipt of £200-odd a week or whatever the level it might be, might think, "Do you know what, I can sit on the beach in Indonesia for half the year and then I can go off to India for the rest of the year because that £10,000 a year" or whatever it might be, "is enough to help me to just live that easy lifestyle". So would we be encouraging economic inactivity? I think that is the very dangerous side of this. If it is not enough for people to survive then we have destroyed what this whole concept is all about.

The poverty level as well: we do get very hung up on what poverty is in the UK. We have this measure of 60% median income. If we were to add this basic income to everybody, I think we would have more poverty under that measure because I would have that extra, James could have that extra, but there would be this base of people on this basic income and that would be a lot of people at less than the 60% median level. So, perversely, we could under this grant measure that we have been using for years be creating poverty.

What would someone like me do with this extra £10,000 that lands in my lap? I would be paying some of it back in tax, probably at 40% and what would I do with the rest of it? I don't know. Will I buy something extra that I wouldn't have bought, so I may be paying a bit of extra VAT, or would I just save it? For someone like me this would be a total waste of that additional tax that is being borne by the country. We do have a sort of a similarity in operation; that is for the elderly under the new basic rate pension of £155 a week. That is in the ballpark. So we do have a sort of figure of basic income—

Chair: Craig, I don't want to interrupt you—

Craig Mackinlay: No, I know, I am just trying to encompass—

Chair: You are just wandering a little bit so if you give the panel a chance to respond.

Q35 **Craig Mackinlay:** If you can argue for simplicity, I think I would be listening but all I am hearing at the moment is we have something wrong with our benefit system, let's change it and make it just as complicated as the one we are trying to replace in the first place. Sorry, Chairman.

***Declan Gaffney*:** When it comes to looking at the cost of universal basic income or any other change to the tax and benefit system, we need to be clear what we mean by cost. In particular, looking at the gross fiscal cost is pretty unhelpful for some of the reasons we have already seen today with discussion about negative income tax and so on. Because money is churning around and being taken away from people and then given back, we are not necessarily getting a good idea of the cost to society or to the economy just by looking at gross fiscal figures. So one of the very, very big, scary sounding figures like £500 billion, that is not necessarily telling us what we need to know because we are not taking account, for example, of the cost of the existing tax allowances in the current system.

The economic cost or the social cost, one way of getting at that is to look at what the impact on marginal tax rates is. In other words, what would the basic rate of income tax need to rise to in order to fund these transfers? That is an economic cost because although economists differ on the optimal level of income taxation and many economists would say that it is quite a bit higher than current levels, or current rates of income taxation, nonetheless most economists I think would agree that there an optimal level and you should not get too high above it, otherwise you will start incurring genuine economic cost that reduces your ability to fund, for example, the basic income transfer.

The figure that I have in my head for the cost of a very basic basic income is the figure that Donald Hirsch produced for the Joseph Rowntree Foundation a couple of years ago. If I remember correctly, that does not include housing costs and it does not include a special payment for disability either, although I could be wrong on that, but the figure was a 55% basic rate of income tax. Because it is a basic income proposal the 55% is charged on the first £1 that people earn; you have the basic income in place as the tax-free allowance. That gives an order of magnitude for a fairly modest, unambitious form of basic income—of a basic income tax of around 55%, just to give some idea of the scale of the impacts.

Q36 **James Cartlidge:** Sorry, Declan, you mean as soon as you work and start paying tax, you pay at 55%?

Declan Gaffney: Yes, but bear in mind you are receiving a basic income that is replacing your tax allowance.

Q37 **Craig Mackinlay:** What was the basic income in his model there?

Declan Gaffney: I cannot remember all the details. I think it was set at around JSA rates and it didn't include—

Andrew Harrop: The RSA's numbers are very different from that. They have a much closer to cash-neutral model.

Q38 **Chair:** There are lots of people wanting to respond so we will take this in order. Let's move to Ben, then we will come to Louise and then Annie.

Ben Southwood: Mine is a quick point on whether it will lead to less working overall. I think the answer is we don't know and that is because there are two effects at play. There is an income effect and a substitution effect. Basically, any realistic basic income or negative income tax proposal is going to reduce the implicit marginal tax rate on extra hours. So extra hours will pay you higher. However, it is also likely to give you a higher income for doing zero hours than you were under the previous system. It means your income is higher, there is less desire to work overall but each extra hour pays you more.

When we have done experiments—I mentioned the Manitoba experiment in Canada, but there were also five in Gary, Indiana and in Seattle and across the USA—the reason why these never made it into policy is because there seemed to be a small increase in divorce in one of the subgroups. But in terms of the work effects, there was extra work by men and lower work by women, which roughly balanced each other out in terms of there was no overall effect from the higher income. Most of the lower work from women was from women with kids. In fact pretty much all of it was, many of them single mothers, which is probably a group where we might not mind if they do less work, they probably need to do less work. That is just a framework to think about it: we do not know for sure whether it will increase or reduce work because we know it will raise the incentive to do the extra hour but it might reduce the incentive to do hours at all. So that is hard to answer.

***Louise Haagh*:** I think the figures I quoted are based on a very old calculation, an old model and we should mention that there are some very up-to-date, intricate calculations done by the Citizen's Income Trust, specifically Malcolm Tory, who is not here today, has worked out figures for a revenue-neutral basic income in the UK. It is worth looking at, it is very detailed. On the basis of his figures we could pay out £60 a week for a teenager, adult; the income tax rate would be 23% for income up to £42,000 and 43% on income over that, and then 48% on incomes over £150,000.

Ms Karen Buck: Sorry, can you say those one more time?

Q39 **Craig Mackinlay:** So it is a 3% increase on where we are today?

***Louise Haagh*:** Yes, a 3% increase in taxes from where we are today, which would roughly work within the progressive system at 23% on earnings up to £42,385; 43% on earnings over £42,385; and 48% on incomes over £150,000.

Q40 **Ms Karen Buck:** That is for a basic income that is below the current JSA level?

***Louise Haagh*:** Which would be assumed to be supplemented with some means-tested benefits. He specifically wanted to show that a basic income reform could be done on a tax neutral basis tomorrow. That is the purpose of his calculations.

Craig Mackinlay: If someone were unemployed they would have less money.

Q41 **Ms Karen Buck:** Just to explore that, if you were prepared for a starting point that people on JSA, who are effectively some of the people who are on the lowest income in the country, take a very substantial reduction in their income—

***Louise Haagh*:** I haven't read the whole paper. It would be supplemented—it would need to be supplemented so there would be no loss.

Annie Miller: Just following on that point and on Malcolm Tory's system, the income levels are embedded in the current social security system. That level is taken into account when means-tested benefits are given. So they would still get their JSA levels but £60 a week would be independent, it would not be checked out, it would be unconditional.

Q42 **Ms Karen Buck:** It does not simplify the system, though, does it?

Annie Miller: There is less means testing. A housing benefit is still means tested but there will be less means testing, yes.

Q43 **Chair:** Did you also have another point of view?

Annie Miller: When someone said that Donald Hirsch quoted 20% income tax, I think he was quoting me from a paper about 10 years ago when I was first looking at the minimum income standards and worked out that if every single household received what he said, and I have the numbers of households, and the income tax system hadn't changed then that is what it would cost. That was 10 years ago, I have done a lot more work since then and I put him straight that the income tax should never go over 50% as a standard rate; it could go up to 50% or 60% for higher and additional-rate people.

Frank Field: So we are doubling the standard rate?

Q44 **James Cartlidge:** Would you have a maximum income as well?

Annie Miller: No. I agree with Richard Murphy that you cannot cap incomes but you can tax them, but I think 60% is probably as much as I would go at the moment. In Sweden, they have a 65% tax.

Q45 **Craig Mackinlay:** We do have a 60% rate, as you will be aware, between £100,000 and twice the personal allowance so—

Annie Miller: Yes, but it is only £23,000—from £100 to £23,000 this year.

Craig Mackinlay: But that has its own behavioural aspect—

Peter Alcock: I think this detailed argument about the cost of it may be a little bit of a red herring because I have read a lot of this stuff over the years and at the end of the day I think your intuition is right. Either you have a very high level of basic income, in which case you are going to have to have massively increased levels of taxation because there is nowhere else for their money to come from, or you do it on the revenue neutral basis that people have been talking about, but if you do it on a revenue neutral basis you do not solve any of the problems because you need to retain all of the means testing and all of the other elements of the benefit system that currently may or may not be causing problems. The problem is you don't solve them like this. It is either too expensive or it isn't worth having.

Q46 **Chair:** Yes, thanks. I am going to take one more point from Louise and then I am going to bring Frank in.

Louise Haagh: I said at the outset that basic income is not an attempt to solve all the problems, okay, and I think one of the mistakes in the debate is when questions revolve around whether it will solve the housing crisis and whether there would be housing benefit and so on. It is designed to solve or improve the implementation of basic income security and that is all. We need other policies to solve other kinds of problems in the labour market, in education, in care, and so on.

If we look, for instance, at what countries across the OECD are spending on employment-assistance systems and on training for unemployed people in those situations, what you find is that the UK has the worst ratio in terms of administration to investment in people. So the UK is spending 0.33% of GDP on administration, the same as Denmark and Sweden but it is spending 0.08%, which is 13 times less than Sweden, on training and education for people in unemployment. So the basic income cannot solve the problem that unemployed people face in terms of reintegration into work without public investment in other areas.

Q47 **Frank Field:** Peter, I wanted to talk to you and you have largely answered the point, but I am going to put it in another way.

There are at least two arguments running through our seminar or witness group today. One is a negative income tax argument, which we are not inquiring into. We are looking at a citizens' income scheme, which is what we have people to represent their views on. What you are saying to us is that very early on you looked at this proposal and you gave us conclusions just now that in fact if it is going to be worthwhile it is going to cost a huge amount in tax revenue and if you leave the tax revenue where it is you cannot do very much on the citizens' income scheme anyway so why go down this route. When we look at that pamphlet that you wrote all those years ago we can read it with that statement that you have just made to the Committee, that nothing much has changed in your argument. Is that right?

Peter Alcock: Yes, that would be the case. If you want to read a more recent iteration of a similar sort of position, David Piachaud, an Emeritus Professor at the LSE has just published a paper, which you can get through the LSE's case paper website, I think it is case paper 200.

Q48 **Mhairi Black:** Sorry, what was that name again?

Peter Alcock: David Piachaud. He is a colleague of mine. He makes very similar arguments and it is more accessible than my paper, which, of course, was before digitalisation so can only be accessed in a paper form in an obscure library somewhere. You may have difficulty tracing it. What is more, it is before I was digitalised so I don't have it in digital form either.

Q49 **Frank Field:** Do you have it in paper form, Peter?

Peter Alcock: I couldn't find one for today. I am going to go through—

Frank Field: Would you try and find it for us so we can have a read, thanks. That's it, thank you.

Q50 **Chair:** I think we are coming close to the end now. What would be useful is just to do one last run down the panel and if there are any concluding points that you feel have been missed or anything you want to clarify or make sure we hear before we leave, that would be helpful. I will start at the other end with Andrew on this occasion and we will just work down.

***Andrew Harrop*:** As I have been saying I don't support replacing means-tested benefits but I do support a paid universal element to the welfare system. What has changed since Peter was writing his paper in the 1980s is the tax allowance system. It is so generous now that it has changed the terms of this debate. We give £60 a week at the moment, going up to £68 by 2020 to people with jobs, compared to the £72 or £73 to people without. We have an almost flat-rate system at the moment. The question is, should we integrate them?

A couple of small points that came up earlier in the hearing I want to respond to as well. One is that you could have these sorts of systems with some conditionality. The phrase that is used is a participation income and it was originally proposed by Sir Tony Atkinson, who sadly has just passed away. The other question that came up earlier, just to touch on it in passing, is migration. You could design this system so that it became a ramped-up entitlement once new migrants had paid in taxes for a certain number of years so that they were making a significant net contribution to the Exchequer.

Frank Field: Then they could all disappear abroad where you could have a resident—

Q51 **James Cartlidge:** That is not the point, Andrew, because a lot of people I know—immigrants coming in are not scroungers, they are here to work. The point is the more generous the more we will be dependent on them to do the type of work that they are already currently doing, and I don't see that changing.

***Andrew Harrop*:** So the key is that the sort of proposals that I have been talking about and the other revenue neutral proposals—if you are a full-time worker you are left with no change to your overall tax benefit situation, so there should not be major work-incentive changes for full-time workers; it is really about people working very low hours or on very low rates of pay who would be affected.

Chair: Okay, thanks. Declan.

***Declan Gaffney*:** As a general comment, I think a lot of what we hear in terms of the case for basic income is proposing basic income as a solution to problems that also have other potential solutions. Those other solutions need to be addressed as well. One of the commonest arguments that we hear in favour of basic income turns on conditionality and turns particularly on the use of benefit sanctions and indeed the current benefit sanctions regime, administered by the Department for Work and

Pensions, which is universally recognised to be considerably harsher than any sanctions regime we have ever had in the past.

My response to that is that there is absolutely no logic that dictates that we have to have as draconian a sanction system as we currently have. We didn't have it until about 2012; we do not need to have it in the future. That is something that is eminently reformable, and it is reformable at the stroke of a Minister's pen. It does not even require primary legislation. So conditionality and benefit sanctions that are the cause of so much controversy are things that are within the gift of the Secretary of State for Work and Pensions already. We do not need basic income in order to get away from that. I think it will be interesting to see what comes out of the pilots that are currently taking place, or currently being set up, in Europe and in Canada, which will explore what happens when conditionality is taken out of the picture altogether. It is not a full basic income, it is nothing like the utopian schemes that are sometimes promoted, but it is taking conditionality out and then seeing what happens. That, I think, will be interesting.

The other area where I think UBI has been proposed as a solution to problems that should be addressed or could be addressed by other means is the whole area of flexibility of work, the gig economy and so on. I think we should be conscious that the futurology of work has for a long time tended to always point in the same direction, which is we are going to lose massive amounts of jobs and never replace them again and it is all going to ultra-flexible. The employment relation as we have known it for decades will cease to exist and people will be essentially engaged by a kind of spot contract where you get hired by the hour to carry out tasks.

That is the way the futurology of work—at least the pessimistic futurology of work—has always looked for as long as I have been around. It has proved to be a very, very poor guide indeed to what was going to happen. The percentage of the work force that has a permanent employment contract has barely changed in 30 years. We do have new forms of precarity, we have new forms of more flexible types of working emerging, but they are not yet sweeping away the existing employment relations and we should not assume that they are going to. We should not assume that the economic rationale of modern capitalist societies is towards ultra-flexibility. Many people may believe that but the evidence historically is rather strongly against them. What we should be looking at and what we could be looking at in things like the care sector is building employment relations in those sectors that are more like the employment relations that the majority of the workforce can take for granted, with permanent contracts, with proper in-work benefits with entitlements to holiday pay, sick pay and so on.

Q52 **Mhairi Black:** On what you were saying about sanctions, I don't think it would be a surprise to anyone that I agree with you, but do you not give merit to the idea that if we were to introduce some sort of basic income, part of what would be good about it is that it would change the relationship between citizen and state so that we were not seeing things just as wholly practical and sanctions that said, "They are not good there, let's change that" or "That doesn't answer that"? Is it not a case of going, "No, we need to start changing how the entire system works and how people view the system and how society fits in with the state"? Is there not an opportunity there?

***Declan Gaffney*:** I think there is and I am very sympathetic to those arguments. I am a reluctant supporter of conditionality. If you are a reluctant supporter of conditionality, which I am, which is based on the evidence—the evidence base is that that would just have more people drifting away from the labour market—you have to also be a reluctant supporter of some kind of sanctions to back up that conditionality—not the sanctions regime that I am afraid we have the moment, but a much milder one. Sanctions are not a policy instrument in social security, they are a backstop to your policy instruments and they should not be used to try and deliver policy outcomes. I have to say honestly as a reluctant supporter of conditionality I am a reluctant supporter of sanctions as well.

Peter Alcock: Yes, I think it is interesting the way we ended up sitting here because we had not planned to sit like this. You heard my general views before in answer to Frank's question so the only further comment I would like to make is that I am concerned about the policy or the political impact of this debate. My message to you is that because I think it is something that is either utopian or it isn't worth pursuing, I think it is a political distraction. There are all sorts of problems with the benefit system and there are all sorts of issues there. We need to look at what the role of the state is to support employment, to improve the provision of care, to give better incentives to people to take certain kinds of jobs. They can be dealt with, and should be dealt with, within the existing structures that we operate. Spending time and possibly a large amount of money introducing something that either will not make any difference or will be unachievable is a dangerous distraction. My advice to you would be put your efforts elsewhere.

***Ben Southwood*:** I find myself in the slightly strange position of agreeing more or less equally with both sides. I favour the policy but for quite different reasons to the other people who favour the policy. Maybe they found themselves in a similar position of thinking, "We are making bad arguments for a policy I like because my argument is very different".

Q53 **Frank Field:** Ben, which policy are you supporting? Citizens' income or the negative income tax?

***Ben Southwood*:** You ought to see the tax and benefit system as one system and what we are doing is we are trying to create a sort of progressive redistribution. A lot of what we do is about redistribution. We are taking money from those who earn a lot and give it to people who earn less. Now, we have a very, very progressive system relative to what we could have. It could be a lot more progressive and we can argue about the level of productivity but on balance, with the decile incomes before and after tax, it makes a massive difference. We are obviously doing quite a lot of redistribution; we could do more. My argument is that even if we keep it the same we could do it in a better way. I think you should look at how much you give people net of how much you take from them, not look at it as two separate things. It is one policy instrument. Therefore, I do think the basic income and a negative income tax are on principle the same policy. It may be that the advocates of the two have been different in terms of what levels the levers should be set at and how they ought to administer the system, but I don't believe we should see a massive distinction between the two and that is my summing up.

Becca Kirkpatrick**:** One thing that I want to draw the Committee's attention to that has not been mentioned is Simon Duffy from the Centre for Welfare Reform, who is not here today. He has done quite a lot of work around the idea of a basic income plus, which is his approach to how we provide for people who do have additional costs because of a disability, and he maintains that everybody should receive the same basic income payment and build something on top of that. He would be in favour of testing disability to go back to being the responsibility of GPs so it is less onerous than it is now. The argument that he makes returns to that kind of philosophical idea that we do at a human level have a similar central basic need for sustenance and survival that is common to all of us, so in that way by making a payment to everybody it could have an interestingly powerful, new cohesive effect on society that we are yet to really experience.

Unifying the potential of that payment to all is something that I think could be interesting in terms of helping us psychologically get a grip of some of the other great challenges that are facing us not just as a country but a planet, humans on the planet, things that are coming our way that we need to pull together and get a handle on. So this is in step with moving towards recognising what you have in common at the species level.

I maintain that the amount and the way of funding it is a question of political will ultimately, and it is about the objectives of the decision makers. Income, wealth and economic equality have been rising in recent years. I would be very strongly in favour of us aggressively turning back the tide on that. We are going to continue over the coming months to have our conversations with people outside this room about what they think of this approach to income security. We very much hope that you start hearing on the doorstep from your own constituents in the near future—so beyond the realm of policy wonks and journalists, for you to be hearing it from the people who vote for you.

The final thing I want to do is hand over this evidence to the Committee to have a look at. Thank you for having me today.

Chair: Thank you. Good.

***Annie Miller*:** Just a few details. Craig would not have an extra £10,000 a year, it would all be clawed back. I would have a residency qualification so that people have to reside in the country for the majority of the year in order to get it, so they couldn't swan off to other places for most of the year. You could build in a small earnings ceiling in order that you don't have to tax the first pound. I would index it to some proportion of the average income per head. Therefore, if it were the same proportion for the administration of the Government, if the average income went down, the level would go down. People would say, "I could manage before, I cannot manage now, I'd better go out and get a few more hours' work" so you would have a self-stabling mechanism.

One of my criticisms of the current systems, national insurance and social security system, is that it is based on men's working patterns and it doesn't meet women's needs at all. We have not discussed that. It may be an accident that we three women are here protecting women's interests and one of the ways to do that is to individualise the unit of assessment and delivery because it badly affects women so that would be one very helpful thing.

Secondly, the present system in its selectivity penalises couples. Couples can get more benefit by living apart than by living together.

James Cartlidge: That is a very good point.

***Annie Miller*:** So that is another thing that would be very easy to do. Baroness Stroud wrote a note to George Osborne last year recommending this should be done.

On the other things we have been talking about, one of the problems with the current system is the structure. It is not based on the individual, it is not universal, it is targeted on poor people. Tt much easier to stigmatise them, humiliate them and reject them leading to low take up. So targeting does not protect poor people. Universal systems protect both rich and poor so it is better for poor people.

On means testing benefits, under the current system, people could find that they are having a marginal deduction rate of up to 96% and that is in the welfare-to-work programme that came out in 2011. Universal credit reduces it to 65% if you are below the personal allowance and 76%. This is still very regressive. Poor people pay a much higher rate of deductions than the higher-income earners, which is 62% or 67%, including a lower national insurance rate. That should be changed too. The national insurance rate should be put up to 12% for everybody, otherwise it is just a regressive system.

Lastly, on the unconditionality, those of my colleagues on my left, who are actually on the right, like freedom of choice. So unconditionality is very important to that. At the moment we have freedom of choice for rich people but not for poor people. I want the freedom of choice for poor people. I want them to have more choice over their lifestyles, their lifework balance. I want people to be able to say, "I work half time". The present system doesn't cope with working half time; you are either in work or out of work. How does it cope with zero hours' contracts? Are you employed or are you not employed? How does it cope with this? There are so many things wrong with the current system. If you change each of those or even some of them—if you change each of them you will end up with a basic income system. You could start at the moment by changing some of those features to improve the system, make it better for women, make it better for poor people in particular.

Can I recommend my new book coming out in March? Can I give you a couple of leaflets when you go? They are not necessarily the views of the Citizen's Income Trust, it is personal work that that I have been doing, but I would like to leave them. Leaflets are easier to read than the book.

***Louise Haagh*:** Just a few words. I think it is very interesting that it seems to be that most people on the panel have made arguments for basic income. If you want to ease the benefit sanctions regime, you are really transitioning towards basic income. So I am very happy to hear that we seem to have a lot of consensus on the panel.

I think the panel has also broadly agreed that the basic income is indeed complementary with a range of other policies and it is very important to see it that way. It is constitutive of transformation in other policy areas, which is very important, when you think about how to recreate a care sector that is protects people better, both for those who deliver the work and who receive care. You should think about the ways in which we might be able to incentivise the public sector, looking at investing in other areas of bringing people within society, which is much easier done when people are not disincentivised by very high withdrawal rates on their tax when they enter into work or the fear of losing basic security, which is what you have when you have a conditional benefit system at the base.

So for all of those reasons I see the basic income as the natural evolution, as an institutional transformation of the welfare state, that is happening anyhow by many other names and by many other means. I think it is just a logical next step to try and look at the way we can facilitate that institutionally and through the tax benefit system, which is what I think we have done today. But we have only opened the debate and I really hope that is a precursor to looking into the matter more seriously. Thank you.

Chair: Thank you very much. We have had about an hour and a half. I am not sure we have total agreement from our witnesses but we have certainly had a fascinating range of views and some excellent contributions. It just remains for me, on behalf of the Committee, to thank the witnesses very much indeed.