

Written evidence from UBI Lab Liverpool [PCW0020]

What are the main challenges that DWP faces as a result of the “Fourth Industrial Revolution”?

There are four main challenges DWP faces as a result of the Fourth Industrial Revolution. They are:

How should the DWP cope with on short-term contracts, zero hours contracts, and many other varieties of employment status that don't fit into neat categories.

A wary attitude to risk and innovation in the private sector that is rational from an individual perspective but is deleterious from a collective perspective.

One of the lesser discussed aspects of the Fourth Industrial Revolution has been its intersection with migration across the world. The DWP should help to build social solidarity across diverse groups through a national system of security that allows the Fourth Industrial Revolution to flourish.

People who have been made disabled to the extent that they find work difficult should be given extra support to cope with the challenges of life in the context of a new industrial revolution. Their support systems should be laid on top of a system of universality that applies to everyone.

What do we know about the possible likely impact on the labour market? For example: Are some sectors or types of jobs more likely to be affected than others? Are some groups of people more likely to be affected than others? What new types of jobs and opportunities could become available? Is it likely that there will be a reduction in the number of jobs available?

Liverpool is a port city and has had a history of precarious employment throughout the twentieth century on docks industries. Containerisation and industrial changes in shipping mean that this sector is almost completely wiped out from an employment perspective. This effect of transformational change will be much more widespread in the coming era. But while some sectors will be wiped out completely, others will thrive. What we can't say at this point is which grouping any particular sector will fall into.

Given that lack of knowledge of the future, the DWP should look to support individuals across the board rather than target support around specific sectors. The next economic shock might not be from a financial crash as in 2008 or a pandemic as in 2020. It might be from a war or from climate change. But when it comes, the DWP needs to be much more prepared than it has ever been to support citizens. That means setting in place an infrastructure and scaffolding of a social security system now that can be easily and quickly built around to protect people's incomes, rather than build as we go, as we've seen with the furlough scheme and government-backed loan schemes in 2020.

The principles of universalism, preparation and solidarity need to prevail, and the best way to do that is to build up a system of Universal Basic Income infrastructure now that can be used to fund citizens when the time comes. That might mean unique citizen numbers that can be allocated benefits, it might mean other systems put in place. But it needs to be put in place prior to the shock happening, if we are to avoid the gaps in the system that we've seen over the course of the 2020 pandemic.

We believe that the number of jobs available will necessarily be reduced, due to the extent and quality of automation. This is not a bad thing. Automation of household chores during the 20th century freed people from many tens of thousands of hours of drudgery across their lives. Automation is an opportunity to grasp, not a threat to be afraid of. What would be most appropriate in these circumstances is the loosening of the ties between the wages system and the consumption function. By putting in place a social security system that allows for more automation, and more liberty for citizens, the DWP would be facilitating greater innovation in the private sector, and greater ability for individuals to live their lives in the best way they can.

Is there a need to consider new, long-term approaches to addressing change in the labour market: for example, introducing a Universal Basic Income (UBI)? Is UBI an appropriate short-term response to shocks in the labour market?

Yes, there needs to be a thorough overhaul in the medium to long term of the system of government support for individuals. A system of payments to each individual at a subsistence level - whether called a UBI or a Negative Income Tax, or any other name - and subsequently clawed back at a reasonable level of income tax to ensure that higher earners do not benefit directly in financial terms could achieve three imperatives. In the first instance, it could feasibly be close to cost neutral in fiscal terms, it could provide resilience and security quickly to people's changing and ever-shifting economic circumstances, and it could improve dynamic risk-taking perspectives with regard to innovation in the economy.

Measures would have to be put in to ensure that the richest in society are not made even more rich by a UBI. To that end, we would suggest a system that ensures that a UBI is subject to a standard rate of taxation that gives no benefit to those at the top of the earnings scale.

What can the Government learn from the international evidence on UBI?

The government should study carefully the results of the recent Finland trials of UBI, along with other similar trials. They provided strong positive evidence on a range of variables. Government could also learn that universalism as a response to the coronavirus pandemic could have removed the problems associated with the various different schemes for workers, self-employed, small businesses and others.

What should be remembered, however, is that any international evidence on UBI is only partial given that a full UBI is not in place in those countries. The real benefit of a UBI is when people have the confidence that it won't be taken away. The same benefit was found when the NHS was founded and people overwhelmed the new service with historical health

issues. The freedom of knowing this was here to stay and was not means tested was transformational, and would be again.

June 2020