

# Want a more equal society? Universal Basic Income might not be the policy you are looking for

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Darren Baxter, 27th April 2018



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The case for a Universal Basic Income (UBI) has rapidly become part of mainstream political debate. The Labour Party is actively considering the policy, in the US it was revealed Hillary Clinton almost included it as a manifesto pledge. Trials have recently begun across the world, including close to home in Scotland.

The policy is again in the news as the Finnish government chose not to fund an extension to their two-year basic income trial. This led to much speculation as to what this means for the policy, leading many to argue that a basic income had fallen flat In reality, the government simply chose not to fund an extension to what was always intended as a time limited policy experiment. But this provides a useful chance for reflection on the idea of Universal Basic Income, its aims and the debate that surrounds it.

The idea of Universal Basic Income, or Citizens Income, is superficially quite simple. A monthly payment made to every adult and/or child in the population, of equal value and with no conditions attached. No need to search for or be in work, no means testing, just a condition of citizenship.

For its proponents, UBI has several benefits. It would remove bureaucracy, and therefore cost, from the system through eliminating means testing, and protects workers in an increasingly insecure labour market. This latter point is particularly important in an age where many are concerned about the impact that automation and AI might have on our working lives, and the resultant power balances between capital and labour.

These benefits, and a perceived coalition of support from both left and right, have led many to view UBI as a potentially revolutionary policy which could bring about positive change to a welfare state battered by years of austerity and ideologically driven reforms.

However, the superficial simplicity of a Universal Basic Income belies a multiplicity of versions, and raises several questions. At what level should a UBI be paid? How does it factor in children? How will it support those with disabilities or who are out of work? Will it sit alongside or replace existing social security arrangements? And most importantly, what are the economic arrangements which govern how a UBI would be paid for?

In reality, those who advocate Universal Basic Income have varied motivations for doing so, and there are also multiple versions of what a UBI could look like in practice. For instance, there is a drastic rift between those for whom UBI is about transforming the economy and those for whom it is about papering over its cracks. This acknowledgement is often lacking from the UBI debate, but should be of primary interest.

Those who seek a radical departure from capitalism see UBI as part of a radical platform to move away from a world in which work is central to our lives, identities and economies. In their book Inventing the Future, Alex Williams and Nick Srnicek argue that UBI is a fundamental part of delivering a new economy in which citizens have much greater freedom over when and if they work.

To do this, Williams and Srnicek acknowledge that UBI “must provide a sufficient amount of income to live on” so that people can refuse employment, thereby freeing them to engage in more meaningful labour, whether paid or unpaid. This is often picked on to claim that a UBI would simply be unaffordable. There is truth in this. While Williams and Srnicek have not proposed a specific payment level, modelling conducted by IPPR shows that were a UBI paid at a high enough level to meet the Minimum Income Standard (a measure of what the public think people need for an acceptable minimum standard of living), it would cost around £1.7 trillion a year – equivalent to almost all of the UK’s GDP in 2016

What this shows is that for UBI to be a viable proposition at these levels, there would need to be a fundamental transformation in the ownership of the economy. Williams and Srnicek acknowledge this, arguing that UBI will only work in combination with large scale and collectively owned automation, a reduction in the working week and a shift in social attitudes around the value of the ‘work ethic’.

It is this level of transformation which sets the ‘post-workists’ against many other proponents of the policy. Those who argue for a basic income from a post-work platform have little in common with the tech entrepreneurs of Silicon Valley who are funding trials of UBI in the US. For this group, the appeal of a basic income lies in its ability to offset the impacts of automation and AI, whilst their creators still accrue the benefits. Here, rather than using technology to facilitate a radical platform, UBI is a capitulation to the rise of inequality in the age of the robot and AI.

This critique has been central to the argument forwarded by left wing opponents to UBI who argue that it is an individualistic policy that accepts a status quo in which capital exploits labour. These criticisms recognise that as an indiscriminate policy UBI is blind to structural inequalities in a way the labour market isn’t. As Anna Cootes notes, UBI fails “to tackle the

underlying causes of poverty, unemployment and inequality”.

That there are radically different visions for Universal Basic Income is somewhat lost in a policy debate, which often presents UBI as a catch all policy which can offer both cost-effective efficiency and radical emancipation for those on low incomes. Worryingly this tension, and the myth of a coalition of support between left and right which underpins it, might see policymakers sleep walking into a position that suits very few.

In Scotland for example, the Green Party has proposed a model of UBI which could get close to being fiscally neutral. This would see much of the existing welfare system replaced by a payment of £5,200 per year for adults and £2,600 for children, alongside significant reform the tax system. In this scenario, personal allowances would be removed and combined tax and NI rates increased for all.

Citing security in the labour market as a key reason for the policy proposal, this model has been welcomed by proponents of UBI. However, at £400 a month for adults while also removing almost all the welfare state, it is unlikely to buy much economic freedom for those on low incomes or insecure and exploitative employment contracts. In reality some would see their incomes drop. For instance, in Scotland lone parents would see their monthly earnings fall by around £300 a month.

What's more, a model of UBI paid at this level would also have notable impacts on rates of relative poverty. Were this model introduced in the UK as a whole, it would also raise relative child poverty by 17%, placing a further 750,000 children into households who earn below 60% of the median income. This is because while it would raise the incomes of those earning the least, it would also raise incomes for all but the highest income decile, lifting the poverty line higher.

Research commissioned by the Joseph Rowntree Foundation has similarly found that UBI schemes increase relative poverty for working age adults, children and pensioners. The introduction of a UBI, according to their modelling, could see the number of children in poverty rise by up to 60%.

Increasing the incomes of those at the bottom of the distribution is imperative. This is demonstrated clearly by the rise of food banks deprivation and income crisis in the UK since 2010, which is a direct result of government policy choices. However, using a UBI to achieve this, at the expense of say increases or reforms to Universal Credit and a more generous and less conditional unemployment benefit, comes at the cost of addressing, and in fact exacerbating, relative poverty.

Action on relative poverty is important, and inequality is not cost free. As Kate Pickett and Richard Wilkinson show in their book 'The Spirit Level', countries with higher rates of inequality perform worse against a range of social outcomes – physical health, mental health, drug abuse, education, imprisonment, obesity, social mobility, trust and community life.

The pursuit of a fiscally neutral UBI has led to a series of proposals which, if implemented, would do little to raise the material circumstance of those in poverty nor provide sufficient additional power in the labour market. In light of this, can it be really said that such

proposals meaningfully fit with a progressive, radical vision for the welfare state?

The need to act in delivering a better vision for the welfare state is clear. In 2016, 22% per cent of adults and 30% of children were living in poverty. By 2019/20 the number of children in poverty could increase by 500,000. This is driven by political choices, the consequence of welfare reform and austerity. As such, it is welcome that as a society we are discussing more ambitious plans for the collectivisation of income and wealth and how it can be best deployed to support the needs of all in society.

However, unless we are to engage in a radical economic transformation which drastically increases common ownership of economy, it is unlikely that Universal Basic Income on its own will do more than lock us into our current predicament. In the meantime, we need to look for equally radical policies which make a much more material difference to the lives of those on low incomes and who suffer from structural inequalities. Proponents of UBI need to go big or go home.