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# Basic Income

Radical Utopia or Practical Solution?



# **Basic Income**

## Radical Utopia or Practical Solution?

Edited by  
Brigid Reynolds, s.m.  
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A row of dark grey silhouettes of people of various ages and heights, facing forward, positioned at the bottom of the page.

**Social Justice Ireland**

I.S.B.N. No: 978-1-907501-17-3  
First Published: November 2016

Published by:  
Social Justice Ireland  
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Dublin  
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# INTRODUCTION

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A basic income is a payment from the state to every resident on an individual basis, without any means test or work requirement. It would be sufficient to live a frugal but decent lifestyle without supplementary income from paid work.<sup>1</sup>

Basic Income is not a new idea. It goes back at least as far as one of the Founding Fathers of the United States, Thomas Paine in the eighteenth century. It was promoted in Britain in the 1920s under the label ‘social dividend’ and was supported by, among others, the future Nobel laureate James Meade. During the 1960s and 1970s it was promoted in the United States by another future Nobel laureate, James Tobin, who advocated the introduction of a ‘demogrant’ and was supported in this by the famous economist John Kenneth Galbraith. The 1980s saw the establishment of the Basic Income European Network (BIEN), later re-named Basic Income Earth Network as it developed branches across all continents. The first branch of BIEN ever established was in Ireland and it now operates as Basic Income Ireland.

A Basic Income system is not an alternative to publicly funded education and healthcare. Nor is it meant to provide a full replacement to earnings-related social insurance benefits funded by workers’ contributions through mechanisms such as Pay Related Social Insurance (PRSI). Rather, it provides the kind of support that welfare states need in a rapidly changing world where access to full-time, well-paid employment for life is becoming the exception rather than the rule and where access to services is neither free nor universal.

Basic Income has the potential to play a key role in supporting people’s rights to meaningful work, sufficient income to live life with dignity and real participation in shaping the world and the decisions that impact on them. The economic crisis of 2008 and its consequences have exposed the failure of current policy approaches to secure these rights for people. As a result Basic Income is now being discussed and experimented with across several continents.



In Ireland there are questions to be addressed about what Irish society would be like if everyone had an adequate Basic Income? Could the complex and cumbersome social protection system be streamlined? Could all forms of meaningful work, paid and unpaid be equally valued? Could we foster increased creativity and innovation? Could we eradicate poverty? Could we move towards a more sustainable future?

The chapters in this book, which were first presented at a policy conference on the topic of '*Basic Income: Radical Utopia or Practical Solution?*' seek to address these key questions and related issues. The first five chapters look at the wider context. Chapter 1 reflects on policy in practice, values and rights and addresses some of the populist misunderstandings of Basic Income that are often articulated. Chapter 2 analyses the feasibility of Basic Income from a wide range of perspectives and presents an illustrative Basic Income scheme for the UK. Chapter 3 reflects on citizenship and Basic Income and outlines a different proposal for a Basic Income for the UK. Chapter 4 presents an up to date report on a Basic Income experiment being conducted by the Finnish government and looks at how it proposes to tackle poverty and social exclusion "with unconditional money". Chapter 5 provides the background to municipal Basic Income-related experiments in the Netherlands.

Chapters 6 to 10 address Basic Income and Ireland. Chapter 6 summarises the history and recent developments on Basic Income in Ireland. Chapter 7 sets out a range of pathways to a Basic Income system. Chapter 8 sets out a proposal for placing Basic Income alongside similarly transformative strategies so that it can be realised and play an unequivocal role in progressive politics. Chapter 9 presents a fully-costed and up to date proposal for a Basic Income system for Ireland. Chapter 10 proposes a Universal Housing Subsidy, a variant of Basic Income, as the most effective way to proceed.

Together, these chapters set out the challenges and identify options, frameworks and pathways towards a Basic Income system. Readers will be challenged and energised by the possibilities, problems and opportunities presented in these chapters. We hope this publication will stimulate discussion and fuel debate on the issues raised.

*Social Justice Ireland* expresses its deep gratitude to the authors of the various chapters that follow. We wish to thank them as they have made this publication possible. They brought a great deal of experience, research,

knowledge and wisdom to their task and contributed long hours and their obvious talent to preparing these chapters.

This work is partly supported by the SSNO funding scheme of the Department of Housing, Planning, Community and Local Government and Pobal. A special ‘thank you’ to them.

*Social Justice Ireland* advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole. We work to build a just society through developing and delivering credible analysis and policy to improve society and the lives of people. We identify sustainable options for the future and provide viable pathways forward. In all of this we focus on human rights and the common good. This publication is a contribution to this process.

In presenting this volume we do not attempt to cover all the questions that arise around this topic. This volume is offered as a contribution to the ongoing public debate around these and related issues.

Brigid Reynolds  
Seán Healy  
November 22<sup>nd</sup>, 2016



## PART 1

# International Context And Experiments





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# 1. Basic Income – Radical Utopia or Practical Solution?

Seán Healy and Brigid Reynolds

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## a) Changing landscape of social policy

The approach to social policy has changed fundamentally in both Europe and North America in recent decades. This can be seen especially in the ongoing efforts to redesign welfare policy. Governments have taken different approaches to addressing issues such as social welfare/security, labour market policies and the provision of services in areas such as education and health. Interpreting these changes can be challenging. Trends in social welfare are no longer simply a question of whether the resources allocated are rising or falling. In the changing world of the 21<sup>st</sup> century individuals have greater mobility, greater autonomy and greater responsibility.

Ensuring that everyone has the basics required to live life with dignity is a much more challenging task today than it was even two decades ago. We have seen the emergence of issues such as activation, social investment, social inclusion and the growing focus on the connection between rights and responsibilities. These developments have been part of a broader debate where many believe that it is critically important to curb the level of social spending while others have argued that the state should increase the level of its social investments.

There have been two opposing viewpoints concerning what has been happening. On the one hand, many argue that there is a neo-liberal logic underpinning developments in recent decades and that this approach implies the dismantling of the traditional welfare state. On the other hand, many believe that what we are seeing is the development of reforms that help to modernise welfare and ensure that it adjusts effectively to 21<sup>st</sup> century realities.

## b) Three key developments

There have been three key developments in recent decades that need to be noted. The first of these developments concerns citizenship. The understanding of citizenship as it was defined by T. H. Marshall was the dominant understanding that underpinned policy development for decades. Marshall (1973) understood the welfare state to have emerged from a broadening understanding of citizenship and the rights that went with being a citizen. In the eighteenth century *civil rights* had emerged. These included rights such as freedom of speech, freedom of thought and freedom of religion as well as the right to own property and to fair legal treatment.

These were followed in the nineteenth century by the emergence of *political rights* for citizens. These included the right to vote, to hold public office and to participate in the political process. Marshall saw the twentieth century as having produced *social rights*. These included the right to economic and social security through education, housing healthcare, pensions and other services. These are often referred to as social, economic and cultural rights. This third stage in the development of rights led to the acceptance of the view that everyone was entitled to sufficient income to live a full, active life irrespective of their background. The acknowledgement of social, economic and cultural rights advanced the idea of equality for all and promoted the goal of tackling inequality in society.

Marshall's interpretation was based on his experience of the UK. The evolutionary path he set out was not replicated by experience in other countries. Turner (1990) showed that countries such as Sweden, France and Germany had travelled different pathways towards these rights. There is also disagreement on whether or not Marshall saw his analysis as a description of what happened in the evolution of rights in the UK or whether he believed it to be a causal analysis that was, in effect, an evolutionary process. Either way, his core point that rights and responsibilities are closely linked with the idea of citizenship has been very popular in recent years as the idea of 'active citizenship' has been promoted.

Marshall's understanding of an evolving and expanding set of rights linked to citizenship continues to exercise major influence. Some would go so far as to argue that the evolution of rights continues and they point to the

emergence of rights and responsibilities towards the environment (called *environmental or ecological rights*) as a further development in this process.

When we review the developments in approaches to social policy in recent decades, it is clear that citizenship is still relevant. Some have placed a greater emphasis on people's obligations as a counterpoint to their rights. Others have argued for a strengthening of people's 'participation'. However, it is clear that two factors that were essential to the development of the kind of citizenship envisaged by Marshall must be in place if citizenship is to thrive: firstly there needs to be a recognition of the interdependence of the political, the social and the civil dimensions of policy and a realisation that ensuring their interdependence is respected and maintained requires that progress will usually be gradual; secondly there is a need for a social dialogue that can ensure the experiences and concerns of vulnerable and/or excluded groups are recognised in the development of the common good. Without these two aspects being present good social policy that promotes citizenship is most unlikely to be put in place.

The second key development in recent decades concerns benefits, entitlements and the welfare state. In some cases, these have been protected. There have been some cases in which benefits and entitlements have been protected and the welfare state has not been downgraded. There have also been many cases which have led to reduced benefits and/or entitlements or to a downgrading of the welfare state. Evers and Guillemard (2013) conclude that the picture is complicated.

"One cannot make one single interpretation that reads the development solely in terms of the 're-commodification' of welfare in line with a 'liberal logic,' whereby governments are withdrawing from the social sphere and handing it over to the marketplace. None the less the authors in this volume do agree on the need to be alert to the convergence of qualitative changes that are occurring in the post-war welfare state.... The welfare state is being remoulded and the founding principles of the post-war arrangement are being transformed."

Evers and Guillemard: 2013:360

Different governments are using different approaches. Some have emphasised 'social investment'; others have highlighted the 'enabling'



state; others again have focused on the 'active welfare state'. Some of these developments are reducing welfare benefits while others are not. What is clear is that these adjustments are bringing qualitative changes to the welfare state.

The third key development which flows from the two already highlighted is that we are witnessing a change in the paradigms underlying the welfare state. While there is a recognition that ongoing funding of the welfare state is challenging, the principal focus has not been on achieving purely quantitative targets. Rather a qualitative focus has sought to discover new ways of ensuring that welfare could be delivered in a more efficient way that suited the changing economic and political reality. There are new ways of understanding the welfare state, new ways of designing it and new ways of providing welfare. We are also seeing changes in the objectives for the welfare state and in the instruments being applied to achieving those objectives. Those who are arguing for an activating social investment agenda are in fact seeking a profound paradigms shift. They see welfare as not only about protecting people but also about enhancing their capacity to deal with their changing environments; they see this as social investment and argue that its benefits will be seen in political social and economic terms.

Reviewing these developments Evers and Guillemard (2013) conclude that there are:

... five major principles that govern the activating social investment agenda: a redefinition of the state's role; the future as the new horizon for interventions; a rebalancing of rights and obligations; a move from the goal of equality towards that of inclusion; and governance that is based on a 'mix' of the 'pillars' on welfare. The arrangement of these major principles and the weight given to each has led to quite different reforms, depending on the time and country and the way they get interpreted in these contexts, with varying consequences on the scope of individuals' social rights and on citizenship.

- Evers and Guillemard: 2013pp. 361-61)

All this analysis and interpretation has been questioned in light of developments since the economic and fiscal crash of 2008. A new reality

seems to have emerged, one in which social policy has been downgraded and relegated to the sidelines when major decisions are being made.

### c) Economic and fiscal crisis<sup>1</sup>

The financial crisis from 2008 led to the sharpest contraction of European economies since the Great Depression. In 2009, for example, the economic output in the countries of the European Union shrank 4.5 percent, the largest annual reduction in GDP since its creation (Sundaram *et al* 2014). The crisis led to a rapidly dis-improved social situation across Europe in which more than 6 million people lost their jobs. This, and a range of austerity measures, led to increases in poverty and social exclusion, growing inequalities and divergences between countries. *Social Justice Ireland* has published an annual report reviewing these developments. The most recent of these publications (Social Justice Ireland: 2015) argues that the background to the global economic crisis is associated with bad regulation and bad financial practices in the United States, which in turn affected the entire world. These practices can be linked to attempts to maintain and to boost demand in an economy in which poorer people were encouraged to keep borrowing and spending and which led to a massive debt finance bubble (Stiglitz 2009). The distinguished economist and philosopher Amartya Sen is amongst many distinguished economists and others pointing out that what began as a clear failure of the market economy (particularly associated with financial institutions) was soon interpreted as a problem of the overstretched role of the state leading to a prioritisation of austerity policies (2015).

Amongst the responses in Europe was an initial expansionary fiscal approach attempting to mitigate the effects of the crisis. However, as the crisis spread a series of measures were adopted including

- **Consolidation and Adjustment-** reducing deficits throughout the EU through fiscal consolidation along with lending to distressed countries with requirements to undertake structural adjustment programmes and austerity policies;

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<sup>1</sup> The authors wish to acknowledge that this and the following section draw heavily on *Social Justice Ireland's* publication *Europe: A Union for the Powerless as well as the Powerful?* and wish to acknowledge our debt to our colleague Ann Leahy who is the main author of that study.

- **Fiscal Supervision** - creating supervisory structures to enable the European Commission and other member states to monitor the budgets of individual states through new fiscal governance mechanisms, and the enshrining of fiscal rules into the law of each member state (through the Fiscal Compact).

The new governance provisions seek to limit budget deficits to no more than 3% of GDP (within that to target a structural deficit of below 0.5%), which means that governments now have little scope to slow the pace of consolidation or to undertake investment policies that support growth. These are political responses to an economic crisis and are inappropriate. They limit the scope for Keynesian-style strategies to combat recession and thus they penalise or rule out the use of some of the most effective weapons in any governmental toolkit for combating unemployment in a recession. The economic justification for the current EU approach remains hugely contested.

Another policy was to bolster the Euro currency and to ensure that no bank should fail as this risked collapsing the European financial system. A ‘no bond holder left behind’ policy resulted in a massive socialisation of the debt accumulation of private banks in the peripheral countries – meaning that citizens were forced to adopt the debts accrued by financial institutions. The ongoing lack of acknowledgement that creditors and debtors alike contributed to the crisis and are responsible for their actions makes the situation even more difficult for many debtor countries. This has led to a situation where a perception of a democratic deficit at the heart of the EU has been reinforced and citizens of many countries experience a sense of powerlessness.

More recently (March 2015), the European Central Bank launched a programme of quantitative easing<sup>2</sup> intended to last until 2016 and designed to stimulate the economy by encouraging banks to make more loans available. (Many other central banks had already done this during the recession).

Sen (2015) argues that the austerity approaches adopted deepened Europe’s economic problems, and did not help in its objective of reducing the ratio

<sup>2</sup> Quantitative easing essentially means creating money by buying securities, such as government bonds, from banks with electronic cash that did not exist before. The new money swells the size of bank reserves in the economy by the quantity of assets purchased (The Economist, 9 March 2015)

of debt to GDP to any significant extent – in fact, sometimes quite the contrary. Sen concludes that:

If things have started changing, over the past few years, even if quite slowly, it is mainly because Europe has now started to pursue a hybrid policy of somewhat weakened fiscal austerity with monetary expansion. If that is a half-hearted gesture towards Keynes, the results are half-hearted, too.”

- Sen: 2015

Sen is also critical of the policy leaders of Europe for not allowing more public discussion, which he argues might have prevented policy errors through the standard procedures of deliberation, scrutiny and critique.

Thus, in recent years, the European political discourse has been dominated by issues of budgetary consolidation, economic recovery and protecting the euro. The Union, especially the currency union, is often seen as a question of signing up to rules, as if central bankers and not the elected representatives of member nations should make the fundamental decisions in any kind of democratic confederation (Mazower 2015). Against this backdrop people affected both by the economic crisis of 2008 and by subsequent austerity measures have become disenchanted with the European project in many countries. The European elections in May 2014 had clearly shown voter discontent across Europe with mainstream politicians losing seats and EU citizens voting instead for Eurosceptics, populists and the far-right as well as for anti-establishment parties from the left.

Even in strict economic terms, as the European Commission has noted, unemployment, poverty and inequalities undermine sustainable growth by weakening demand in the short term and by affecting potential macro-economic growth in the longer term through reduced access for many households to education and health services and ‘hence to sub-optimal use of human capital’ (2015:15). In its review for 2014, the Commission Directorate for Employment, Social Affairs and Inclusion concludes that, while there are improvements, Europe is facing an uncertain outlook (2015).

## **d) Impact of the crisis on social policy**

The OECD has described the economic crisis following 2008 as having cast long shadows on people's future well-being and pointed out that some of the social consequences of the crisis (such as in family formation, fertility and health) will only be felt in the long term (OECD, 2014). They instance cut-backs on essential spending by families, including on food, which is detrimental to their current and future well-being.

The European Commission has noted that during the crisis following 2008, the reduction in social spending was stronger than in past recessions. They attribute this partly to fiscal consolidation (2014). While social expenditure on things like unemployment benefits, pensions and health helped maintain aggregate demand in the early years of the crisis, their capacity for stabilisation weakened over the prolonged recession due to factors such as increasing numbers of long-term unemployed people losing entitlements, austerity measures that meant cuts in public expenditure, and due to the phasing-out of early stimulus measures taken to counter the crisis (European Commission 2015). A EUROMOD analysis from 2014 illustrates the impact of measures introduced from 2008 to mid-2013 in twelve European countries, taking account of changes in taxes and social contributions and in cash benefits (pensions and others) – but not cuts in services (De Agostini et al, 2014). It found that the impact of these measures on household incomes was particularly strong in Ireland (-17 percentage points), Greece (-14 percentage points), Portugal, Spain and Lithuania.

While the Europe 2020 Strategy is focused on achieving high levels of employment, productivity and social cohesion, it is well recognised that social cohesion is declining or at least under new pressure (Eurofound and Schraad-Tischler Kroll 2014). This is due not only to the economic and employment crisis but also due to longer-term trends such as growing inequality, immigration and increased cultural diversity and increasing social disparities in relation to issues of poverty, labour market access, health and equitable education.

The following table shows clearly that the number and percentage of people at risk of poverty and/or social exclusion or experiencing severe material deprivation or living in households with very low work intensity have all grown dramatically since the crash of 2008. Despite the rhetorical

commitment of the European Union to implementation of the Europe 2020 strategy during this period, the impact of the crisis on social policy shows it was given nowhere near the priority and resources required if it were to be a substantial counterweight to the austerity policies which were given priority in all areas of policy-making. In practice the commitment did not go beyond the rhetoric.

### People experiencing Poverty, EU-28, 2008 and 2013<sup>3</sup>

#### Poverty Indicators 2008 and 2013

	People at risk of poverty or social exclusion		People at risk of poverty		People experiencing Severe Material Deprivation		People in households with very low work intensity	
EU-28	Number	%	Number	%	Number	%	Number	%
Total population								
2008	116.5 m*	23.8*	81.3*	16.6*	42.3*	8.5*	34.4m*	9.1*
2013	122.9m	24.5	83.3m	16.6	48.3	9.6	40.7m	10.8
Children (under 18)								
2008	25.3m*	26.6*	19.4m*	20.4*	9.5m*	9.9*	7.3m*	7.7*
2013	26.3 m	27.7	19.2m	20.2	10.5m	11.1	8.99m	9.5
Older people (over 65s)								
2008	19.3m*	23.4*	14.97*	19*	6.2m*	7.5*	n/a	n/a
2013	16.4m	18.2	12.35m	13.8	6.2m	6.9	n/a	n/a

Source: Eurostat Online Databases: t2020\_50, t2020\_51, t2020\_52, t2020\_53, ilc\_jvhl11, ilc\_li02, ilc\_mddd11, ilc\_peps01. \* relates to EU-27 countries, not EU-28, as this was prior to the accession of Croatia.

The Bertelsmann Stiftung foundation carried out a cross-country comparison in relation to social justice and found that social justice exists to very different extents within the EU, with countries varying widely in their ability to create an inclusive society. They also found that rigid austerity policies and structural reforms pursued during the crisis have had negative effects on social justice in most countries (Schraad-Tischler Kroll, 2014). Using a composite social justice index, they found an overall negative trend since 2008 in all but three countries of the EU (those being Poland,

<sup>3</sup> This table has been taken from *Social Justice Ireland's* study: 'Europe: A Union for the Powerless as well as the Powerful?' by Ann Leahy, p.15

Germany and Luxembourg) and that the social justice index has decreased most obviously in Greece, Spain Italy, Ireland and Hungary (Schraad-Tischler Kroll, 2014). They also found that opportunities for every individual to engage in broad-ranging societal participation are best developed in Sweden, Finland, Denmark and the Netherlands.

Overall they conclude that some countries that perform in a middling way in economic terms, notably Czech Republic, Slovenia and Estonia, still demonstrate a comparatively high degree of social justice, while other countries, notably, Greece, Spain, Italy and Ireland, have a comparably high GDP per capita but a relatively low ranking on social justice and they recommend that these countries now plan not only for stable growth but also for improved participation opportunities for a broader portion of the population.

The capacity of national unemployment benefits to stabilise income when faced with an unemployment shock varies across countries and is limited in some member states. These include Italy, Greece, Slovenia and Estonia (where it is less than 10%), but this contrasts with the situation in continental and Nordic countries (where it is up to 25%) (Dolls et al, 2012 cited in Maselli and Beblavy 2015). Thus, an issue that the crisis of 2008 and the subsequent years has highlighted is the significant shares of unemployed people who are not covered by standard safety nets, such as unemployment benefits or social assistance income or schemes of 'last resort' – even in some of the 'older' countries of the EU.

There has been a subdued recovery in Europe since 2013 along with welcome improvements in the employment situation. However, rates of poverty and/or social exclusion are still very high. Unemployment, especially youth unemployment, is also very high in many countries and at the same time key public services have been under pressure and there has been a lack of public investment which is detrimental to sustained economic improvement.

As discussed already millions of people in the EU are unemployed and many more millions live in poverty and/or social exclusion. In some countries, gaps in protection systems leave many people in extreme situations, while, in addition, cuts to public services disproportionately affect lower-income groups. There has also been a rise in precariousness of working conditions

for many people. The life-chances of many children are adversely affected by more precarious working situations (of their parents), cutbacks in benefits and reductions in key services. Very great divergences exist and have worsened in many cases between member states of the EU and between different groups within countries, something that undermines trust and cohesion. The people affected are not the people who benefitted from the unsustainable debt levels amongst private banks that led to the crisis of 2008. This situation is very far from the inclusive growth approach to which the Europe 2020 Strategy commits the EU.

Experience shows that improvements in the labour market do not necessarily lead to a reduction in poverty. This implies that, independent of any improvement in the economic and employment outlook, a combination of effective policy interventions is required. The likelihood of escaping poverty on a lasting basis when moving into employment depends on the quality of jobs, including decent pay and sufficient working hours to earn a living, and on measures supporting households that are increasing their level of labour market participation (for example, taxation for the second earner, childcare and other measures) (European Commission 2015). The OECD argues that maintaining and strengthening support for the most vulnerable groups must be part of any strategy for economic and social recovery and fiscal consolidation measures must be designed in a way that demonstrates that poor people may suffer more from spending cuts than from tax increases (OECD, 2014). Similarly the Social Protection Committee has called for a focus on policies that foster growth and facilitate the creation of more and better jobs and fight against poverty and social exclusion (2014).

For more than half a century a future of full employment and zero poverty has been held out as a viable outcome of the policies being followed. Social policy has been shaped and promoted on the basis that changes being implemented are more likely to produce these outcomes. It is time for the EU to recognise that the policies being followed are not fit for their purpose of delivering on such a future. The actions of the European Commission, the European Central Bank and the European Council of Ministers during the crash of 2008 and in the period since then show with great clarity that the future which has been consistently promised is not being delivered. Policy development over the past decade has been focused almost exclusively on securing economic goals while the social consequences of the actions taken have never played any major role in shaping ongoing



policy decision-making. The present model is broken. After more than half a century it is time to face that reality honestly. Alternatives need to be analysed and tested. The authors believe that Basic Income is one such alternative approach. It provides a core element of the new paradigm that is needed.

In Europe today economic priorities dominate social priorities. The dominant narrative and the policies coordinated from Europe and enshrined in Europe's new governance structures prioritise austerity approaches and suggest that more austerity is what is required - but the situation of vulnerable people in Europe is offensive from the perspective of social justice and social cohesion.

A more inclusive and sustainable approach requires that European leaders recognise that, on its own, focusing narrowly on austerity measures and structural reforms to reduce government borrowing and the debt/GDP ratio within a short time-span is failing in both economic and social terms and that a new strategy is urgently needed. A future socioeconomic strategy for the EU is required that not only is concerned with budgetary consolidation and the resolution of the debt crisis, but also with promoting social justice. Leadership at EU level in relation to vulnerable groups is critical to this and is increasingly proving critical to the democratic future of Europe.

What should guide society's understanding and development of such a future? In this paper, we now go on to argue that shaping a viable, sustainable future must start from an understanding of the common good. The common good underpins seven basic social rights we believe every person should be able to access in a sustainable manner throughout their lives.

## **e) The Common Good**

People have a right to freedom and personal development. These rights however are limited by the rights of other people. Reflecting on these interactions brings us to a reflection on the common good. This concept originated over 2000 years ago in the writings of Plato, Aristotle and Cicero. More recently, the philosopher John Rawls defined the common good as "certain general conditions that are in an appropriate sense equally to everyone's advantage" (Rawls 1971: 246).

More recently still Francois Flahault notes that

... the human state of nature is the social state that there has never been a human being who was not embedded, as it were, in a multiplicity this necessarily means that relational well-being is the primary form of common good. Just as air is the vital element for the survival of our bodies, coexistence is the element necessary for our existence as persons. The common good is the sum of all that which supports coexistence consequently the very existence of individuals.”

- Flahault 2011: 68

This understanding was also reflected at the international gathering of Catholic leaders at Vatican Council II. They saw the common good as

... the sum of those conditions of social life by which individuals, families and groups can achieve their own fulfilment in a relatively thorough and ready way.”

- Vatican Council II 1965: 74.

This understanding recognises the fact the person develops their potential in the context of society where the needs and rights of all members and groups are respected. The common good, then, consists primarily of having the social systems, institutions and environments on which all depend, work in a manner that benefits all people simultaneously and in solidarity.

Examples of particular common goods or parts of the common good includes an accessible and affordable public healthcare system an effective system of public safety and security, peace among the nations of the world, a just legal and political system, and unpolluted natural environment and a flourishing economic system. Put very succinctly,

... the common good is not about an accumulation of goods leading to a desirable state of affairs, but rather about creating the conditions in which the good of the individual and the collective may emerge.

- Kirwan, J., cited in F. McHugh (2008): 72

Jacques Maritain (1966) argued that human beings are by nature ordained to life in society, to life in relation to other persons; that the positive realisation and fulfilment of personality is achieved only through knowledge and love of other people. Human beings need other people, and the larger society, to thrive or even to exist at all. They have needs for material goods such as food and shelter; but they also need higher goods such as moral and intellectual education.

A similar view is expressed in a NESC study which states that

at a societal level, a belief in a 'common good' has been shown to contribute to the overall well-being of society. This requires a level of recognition of rights and responsibilities empathy with others and values of citizenship

- NESC 2009: 32

The structural arrangements regarding the ownership, use, accumulation and distribution of goods are disputed areas. However, it must be recognised that these arrangements have a major impact on how society is shaped and how it supports the well-being of each of its members in solidarity with others.

The concepts of the common good is a contested area. Some people fear that an emphasis on the common good will take the focus off human rights. A holistic approach sees human rights and the common good as mutually reinforcing; "the common good is chiefly guaranteed when personal rights and duties are maintained" (John XXIII 1963: 60).

Rights are not simply claims to pursue private interests or to be left alone. Rather, they are claims to share in the common good of civil society. Rights are social, economic, political and cultural conditions that make it possible for persons to participate in the life of the community - the person grows develops and is sustained through communal relationships (cf. Hollenbach 1989).

## **f) Sustainability and the Common Good**

The common good raises the issue of resources. The goods of the planet are for the use of all people - not just the present generation - they are also for the use of coming generations. The present generation must recognise it has a responsibility to ensure that it does not damage but rather enhances the goods of the planet that it passes on - be they economic, cultural, social or environmental.

The future to be worked for must be one in which it is recognised that economic development, social development and environmental protection are complementary and interdependent. Pollution and depletion of resources have thrown into doubt the reliance on untrammelled market forces as the key driver of wellbeing for everyone. The current approach is patently unsustainable and economic policy must be designed to prevent catastrophe.

A successful transition to sustainability requires a vision of a viable future societal model and also the ability to overcome obstacles such as vested economic interests, political power struggles and the lack of open social dialogue (Hämäläinen, 2013). There are several approaches to securing a sustainable economy, all involving transformative change (for example the 'performance economy' associated with Stahel and the 'circular economy' associated with Wijkman). Another is the concept of the 'Economy of the Common Good', based on the idea that economic success should be measured in terms of human needs, quality of life and the fulfilment of fundamental values (Felber 2010). This model proposes a new form of social and economic development based on human dignity, solidarity, sustainability, social justice and democratic co-determination and transparency and involving the concept of the common good balance sheet showing the extent to which an enterprise abides by values like human dignity, solidarity and economic sustainability.

All three pillars – economic, social and environmental - must be addressed in a balanced manner if development is to be sustainable and sustainability must be a criterion for all future public policies.

## **g) Seven core social rights for everyone**

Seven core social rights need to be part of any acceptable vision for the future of Europe. Every person in the EU should have a right to:

1. sufficient income to live with dignity,
2. meaningful work,
3. real participation,
4. appropriate accommodation;
5. relevant education,
6. essential healthcare,
7. cultural respect.

Recognition of these rights would go a long way towards addressing growing inequality and exclusion being experienced by so many across Europe. Social, economic and cultural rights be acknowledged and recognized just as civil and political rights have been. Even a cursory review of the present situation in light of the discussion set out above on the common good and sustainability would recognise the need for these seven core social rights to be secured for all. Likewise, a review of the present socio-economic situation in the European Union as set out earlier in this paper would have no alternative but to conclude that these rights were not available to large numbers of EU citizens. Consequently, a key challenge of the European Union and its legitimacy at this point concerns its ability or otherwise to deliver these seven core outcomes. It is within this context that the authors argue that a Basic Income approach would provide a far greater impact compared to the current models of welfare support, in terms of delivering these essential social rights to all in the EU. We now set out why the first three of these (income, work and participation) are so important.

### ***Work, Income and Participation***

The right to work, the right to income and the right to participation are closely linked.

#### ***The right to work<sup>4</sup>***

The right to work has been asserted and argued for by many philosophies and disciplines through the ages. Work was understood to be a means of

<sup>4</sup> For a more detailed discussion on work see Healy, S. and B. Reynolds, (1990) 'The future of Work: A Challenge to Society' in Reynolds, B and Healy s. Work, Unemployment and Job-Creation Policy : CORI Justice Commission

sustenance and of developing self and society. The preservation of life was understood to be a duty placed on all. It follows therefore that each one has a natural right to procure what is required in order to preserve life. The principal way many people can procure these needs is through their work. If every person has the right to work, then society has the obligation to structure itself in a way that makes work accessible to all. In popular discussion the 'right to work' is often equated with the 'right to employment'. However we rarely hear a discussion on where rests the corresponding obligation to provide 'employment' or 'work'.

We need to explore the meaning of work. In broad terms work could be understood, as any activity that contributes to the development of self, family, community or wider society. Through the ages the writings of some of the great teachers of philosophy, theology, sociology and economics help us to reflect on the ambivalence and ambiguity of attitudes towards work. In contemporary society a similar ambivalence exists. On the one hand, work is seen as important for the individual's self-concept, sense of fulfilment and integration with society. On the other hand work is tolerated as a means to an end: many people work not so much for the sake of the work itself but for the rewards that work brings.

Work provides an opportunity for the person to participate in the life of the society. It gives the person a sense of place and a sense of belonging. While contributing to the workplace the person also receives the benefits of the network of relationships surrounding the task in hand. Work has a major role in forming who we are and through it we discover our gifts and talents. While recognising that self-expression and human development are important aspects of work, we must also acknowledge that not all work is fully humanising. Work, which is routine monotonous and tightly supervised gives little scope for personal growth and initiative. This fact becomes very vivid when we think of the vast areas of work which although essential to the good ordering of the community are unpleasant and difficult. Because of the importance of work for personal development, society has an obligation to ensure that every person has an opportunity to do some work which is challenging and contributes to personal development.

It is through work that we develop our society and our world. The industrialisation process of the last few hundred years has had a major impact on how modern society views work. This has been a time of great

change in the history of the human family. Production became a major focus for society. Serving this production project came to be seen as the most important contribution a person could make to society. The understanding of work was gradually reduced to those activities, which served production. People were rewarded financially and socially for participating in this process. Gradually work was equated with the job for which there was financial reward.

### *The right to income*

The industrial revolution demanded that people, particularly men, leave farms and fishing villages and move into a central location to work in mines and factories. Large numbers of people were enticed and sometimes forced to forgo the security of their traditional livelihood to provide their own food and shelter. To compensate for this loss and insecurity wages were introduced. The early days of industrialisation were associated with heavy manual labour. Payment for this labour was in direct proportion to what was visibly produced. Society set itself the project of production so that a modest level of goods and services would be available to everyone. Wages were the incentive to increase production. Today, wages for the job are not determined by what is produced but rather by the technology used or the power of one's negotiating group. It is time to abandon the application of the crude industrial measurements of the late 18th century to work and income today.

Adequate income, meaningful work and real participation should be seen as a birth right. Our ancestors were hunters, gatherers and farmers and thus provided for their needs and the needs of their families. Each member of the family unit contributed to this subsistence project in a manner suited to their abilities. Each expected to receive an equitable portion of the goods available. Consecutive generations expected to live off the fruits of the earth. As we have noted the industrial and technological developments of the past 250 years have led to large scale urbanisation and globalisation. Today the dominant framework or paradigm concerning work, income and participation equates meaningful work with paid employment. It asserts that full time jobs are available for everyone seeking them, that these jobs will provide adequate income for people holding them and their 'dependants' and that good social insurance will be available for people who are sick or unemployed. This framework has not materialised for large numbers of people. They do not have access to meaningful work or adequate income nor are they likely to have such access in the foreseeable future.

A new paradigm is needed to reclaim the birth right of all people to a share in the goods of creation. Two of the pillars of this paradigm should be a) a definition of work that recognises all work and not just paid employment. b) A Basic Income which recognises the birth right of each person to a share of the goods available. The framing of this new paradigm should be in the context of an inclusive society where every person is valued and supported and where their contribution to society is welcomed.

### *The right to participation*

We have noted the importance of the social dimension of work in developing the networks of interrelationship in society. The person finds their place and sense of belonging through these networks. When people are denied the opportunity to work they are excluded from the possibility of being involved in these networks and become alienated from the mainstream of society. No healthy society can afford to exclude the gifts and talents of a section of its members from its development. This reflection raises questions about how we structure our societies so that everyone feels supported, that they belong and their contribution is valued. This requires appropriate participation structures.

People expect to be involved in the decision-making that affects them. A new paradigm should place a major focus on participation. Since all citizens have equal rights to participate we can expect disagreements. Society needs structures and protocols for managing these disagreements. Interesting work has been done by philosophers and sociologists on the issue of participation. Studying in particular the work of John Rawls and Jurgen Habermas it is possible to summarise the principles to guide a just process of decision-making as follows:

- All people affected by a decision are to have an equal right to take part in, and to determine the outcome of, the process that establishes the decision with which they are to comply.
- People have a right to disagree with and to oppose any proposal being made for decision.
- People should have a fair chance to add alternative proposals to the agenda for discussion.



- Steps must be taken to enhance the value of the equal right of participation of all those affected by a decision. For example, at a national level this applies especially where there is danger of an unfair advantage accruing to special interests e.g. the better off.
- For any decision-making process to be just those involved in the process should be prepared to articulate their real intentions and motives and should not prevent the true attitudes, feelings and needs of others from finding expression.
- In any decision-making process there should be scope to call into question any theoretical or practical claims; in other words there should be free access to the test of 'argumentation' (defined by John Baker as 'a reasoned defence of some belief').
- There should be access for all participants to all relevant information. This would involve the information being available, participants knowing that the information is available, adequate structures existing to disseminate the information and resources and skills being available to interpret the information.

Underlying all proposals and the decision-making processes is a vision of the future being developed. Critical to the process is the articulation of this vision. Such a vision should be articulated from the perspective of the common good and should be developed in the public forum where everyone is free to participate in its formulation. This vision should stimulate a debate and decision making processes which result in agreed structures that value and facilitate all types of work. An essential element of this paradigm would be the provision of an economic floor which would guarantee citizens a minimal essential standard of living, in other words a Universal Basic Income guarantee.

## **h) Universal Basic Income – A better pathway forward**

A Universal Basic Income (UBI) is a payment from the state to every resident on an individual basis, without any means test or work requirement. It would be sufficient to live a frugal but decent lifestyle without supplementary income from paid employment.<sup>5</sup>

Advocates of Basic Income usually point to one of two objectives they wish to achieve: the alleviation of poverty and/or the rejection of paid employment as the fundamental purpose of life. For centuries the promise has been that paid employment will produce meaningful work and adequate income for everybody on this planet. Obviously, this promise has never been delivered.

The growing interest in Basic Income across the world is being driven by several factors, some negative, some positive. Among the negative drivers is the growing fragility of the jobs market and the acceptance that there will never be sufficient jobs for those seeking them. Other negative drivers include the continuing failure of the welfare system to protect people against poverty and the ongoing exclusion of vulnerable people from having a voice in the decisions that impact on them. Among the positive drivers of interest in Basic Income is the recognition that as a system it could address all three of these negative drivers by providing sufficient income to enable people to live life with dignity; by enabling people to do meaningful work that is not paid employment and by supporting people as they seek to play a participative role in shaping the decisions that impact on them.

Lansley and Reed (2016) state:

Some critics view UBI supporters as utopian zealots for a new workless nirvana. Yet one of the central merits of a UBI is that it is non-prescriptive. It offers more choice between work, leisure (not idleness), and education, while providing greater opportunity for caring and community responsibilities. Under a UBI all lifestyle choices would be equally valued. It would value but not over-value work. A UBI would both acknowledge and provide financial support for the mass of unpaid work in childcare, care for the elderly, and voluntary help. By providing basic security it would offer workers more bargaining power in the labour market.

<sup>5</sup> For further information on Basic Income see Basic Income Ireland's website ([www.basicincomeireland.com](http://www.basicincomeireland.com)) or Basic Income Earth Network's website (<http://basicincome.org/>)

The current jobs, tax and welfare systems are producing a growing number of people who, despite having jobs find themselves in poverty - these are the 'working poor'. There is a growing failure to address poverty, indebtedness, dependency and insecurity. This situation is most likely to deteriorate in the coming years. A Universal Basic Income system would go a long way towards addressing the failure of the current systems. The authors of this chapter have written extensively for more than a quarter of a century on the value and need for a Universal Basic Income system (e.g. Healy & Reynolds: 1994, 1995). We will not expand on these in this paper.

## i) Ten populist objections to Basic Income

There are many objections to a Universal Basic Income system being introduced. Most of these, however, are populist in nature and do not stand up to much scrutiny. We address a number of them here in this summary manner.

1. Some people argue that Basic Income *would encourage idleness*. In reality a Universal Basic Income would offer greater flexibility in how people can secure a work-life balance for themselves. The capacity to do this is becoming more and more difficult in a world where work contracts are changing dramatically and there is a gradual casualisation of much of the labour force. Some people, might for example choose to work less, take longer breaks between jobs, develop new skills or be prepared to take the risk of starting a new business. Some might reject low paid, insecure work. This would produce a fairer rebalancing of wage structures. Some might retrain or devote more time to care work, personal development or community and environmental support; in many cases this could produce more value than paid work as these kinds of work would become more recognized.
2. Some people argue that a Universal Basic Income promotes the idea of *the end of work*. In fact this is not the case as a Universal Basic Income would help people to address the growing risks they face in a weakened labour market. Some estimates today suggest that it will be technically possible to automate between one quarter and one third of all current jobs in the Western world within 20 years. This at the very least will see an increase in precariousness of jobs and income for many people. It could lead to substantial increases in unemployment.

3. Some critics have claimed that the Basic Income system *is not affordable*. Chapter 2 in this publication, written by Malcolm Torrey, addresses the issue of feasibility in all its aspects. He has written much more extensively on this issue in his recent book on the topic (Torrey: 2016). Chapter 9 in this book sets out a fully-costed proposal for a Universal Basic Income in Ireland which is very affordable. Work previously done by *Social Justice Ireland* shows that a Basic Income system is viable in Ireland. This was verified by the government's Green Paper on Basic Income published in 2002<sup>6</sup>. The financial viability of a Universal Basic Income system depends to a great degree on the parameters that are set e.g. the level of the payments and which benefits if any they replace. But that is not the whole story. Practically all the evidence shows that the major share of productivity gains over the last three decades have gone to the very rich. Most recent evidence of this can be found in the Quantitative Easing initiative introduced by various countries and the European Central bank to deal with the consequences of the economic crash of 2008. A large proportion of this money also went to the richest not because they were more productive but because decisions were made to produce that outcome. There was no Quantitative Easing for ordinary people. Even a partial reversal of this regressive process would provide more than sufficient finance to fund a modest Universal Basic Income.
4. Some opponents of Basic Income argue it would mean *too large an increase in tax*. From the right there are claims that financing such schemes would crush the private sector and lead to a decline in labour supply and productivity due to the reduction in work incentives. From the left there are claims that a Universal Basic Income would weaken the struggle to improve people's working lives, that it would legitimise the idle rich and erode the gains that have been made by trade unions over a long period of time. Yanis Varoufakis (2016) argues that taxes cannot be a legitimate source of financing for a Universal Basic Income scheme. He points out that wealth has always been produced collectively but has then been privatised by those with the power to do so i.e. the propertied class. He points out that every smartphone is made up of components developed by some government grants, or through the Commons of pooled ideas for which no dividends have ever been paid to society. He

<sup>6</sup> The full text of the Green Paper and related material may be accessed at:  
<https://www.socialjustice.ie/content/policy-issues/irish-governments-green-paper-basic-income>

goes on to argue that there is a strong case that the Commons have a right to a share of the capital stock, and associated dividends, reflecting society's investment in corporations' capital. He suggests that legislation be enacted to ensure a percentage of capital stock(shares) from every initial public offering(IPO) be channelled into a Commons Capital Depository with the associated dividends funding a Universal Basic Dividend. Such an approach could be independent of the welfare state and of the tax system.

5. Henning Meyer, editor of Social Europe Journal, has argued that a Basic Income ***won't work in the EU*** (Meyer: 2016). This is a variation on the broader populist argument against Basic Income that it would lead to major migration flows towards the countries that would introduce a large Basic Income. Meyer believes that EU citizens would migrate towards such a country in the EU. But in a Basic Income system conditions would apply to new migrants receiving these payments – these could probably be the same conditions as currently apply to migrants becoming eligible for social welfare payments once they arrive in a country. Such conditions apply both within the EU and beyond its borders.
6. In the same article Meyer set out another populist (but false) objection to the introduction of a Universal Basic Income. He is concerned that it ***'would come with the abolition of the welfare state'***. This concern is based on some people in Silicon Valley arguing that Basic Income could be paid for by dismantling government-provided services. Such a development would not be acceptable to most advocates of Basic Income. This book contains a number of examples showing how a Basic Income could be paid for without dismantling government-provided services (cf. chapters 3, 4, 8 and 9).
7. Another argument against Basic Income presented by Meyer claims ***that it doesn't solve the inequality issue***. If that were to be used as the test of whether or not a social policy initiative were acceptable, then much current social policy would fail this test. Inequality must be addressed and should always be on the policy agenda. However, Basic Income doesn't claim to solve the inequality challenge. It can certainly contribute towards addressing inequality, which Meyer acknowledges.

It will transform the situation when everyone has a decent floor under them.

8. A further populist argument that misrepresents this reality argues that Basic Income should be rejected because **everyone should ‘earn’ their living**. This argument ignores the fact that some people inherit wealth and live off it throughout their lives – but this isn’t called into questions. Likewise it ignores the fact that some of the essentials one requires to live, such as air and daylight, are free. Much of the debate comes down to one’s view of human nature. Is it good or evil? Those who believe human nature is fundamentally tilted towards evil fear that a Basic Income system would lead to a hedonistic and feckless society. This view is also shared by those who feel superior (or feel they have overcome those evil tendencies) but view the rest of society with suspicion. On the other hand those who believe that human nature is basically good welcome a Basic Income as a means of liberating people from the struggle for survival so that they can participate in and contribute to society.
9. Another populist argument against Basic Income argues that *it reduces the value of work to ‘mere’ income*. Earlier in this chapter, and elsewhere, we set out in some detail our views on the importance of work and how it is valuable in a range of ways that should be recognised and promoted (e.g. Healy and Reynolds, 1990). We went on to argue that everyone needs access to meaningful work as a core right. We stand by this understanding of work and believe that Basic Income would lead to a much broader and meaningful recognition of work while providing sufficient income to ensure people can access meaningful work that is not paid employment.
10. Finally, the argument is sometimes advanced that Basic Income leads to *an inefficient use of public resources* and the money it costs could be spent better on services. Those who hold this position are failing to recognise that the current situation demands a fundamentally different approach. The world is moving away on the one hand from the old social assistance model which was based on a notion of public charity and on the other hand moving away from the social insurance model based on worker solidarity which has been a cornerstone of social democracy. There is a need to recognise that a large proportion of real incomes today

are not the fruit of a workers' daily effort but rather come from a combination of the gifts of nature together with technological innovation, capital accumulation and institutional improvements. It also needs to be recognised that entitlements to real income are not confined to the present generation but accrue in the words of Philippe van Parijs, to "all members of society equally male and female irrespective of the extent of their participation in well protected full-time employment and in paid work generally". (van Parijs: 2016)

## j) Conclusion

For many decades, the European social model has been offering its citizens a future that it has obviously failed to deliver. Despite strong rhetoric to the contrary, economic issues, targets and outcomes are constantly prioritised over social issues. As a result, poverty, unemployment and social exclusion have been growing. It is time to recognise that current policy approaches are not working and that an alternative is required.

A Universal Basic Income system has the capacity to be the cornerstone of a new paradigm that would be simple and clear, that would support people, families and communities, that would have the capacity to adapt to rapid technological change in a fair manner, that would enable all people to develop their creativity and could do all of this in a sustainable manner.

The introduction of a Universal Basic Income system would be a radical step towards a desirable future where nobody would be excluded. It would also provide a practical solution to several of the major challenges faced by our societies today if they wish to ensure that every man, woman and child has sufficient income to live life with dignity, has access to meaningful work and can genuinely participate in shaping the world around them and the decisions that impact on them.

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## 2. Citizen's Basic Income - is it feasible? <sup>7</sup>

Malcolm Torry

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### Introduction

A Citizen's Basic Income <sup>8</sup> is an unconditional income for every individual as a right of citizenship. <sup>9</sup> It would offer many economic and social advantages, and in our fast-changing society it would be the ideal replacement for means-tested and other forms of social security benefit. Someone receiving means-tested benefits – whether in-work benefits, or out-of-work benefits - finds that, as earned income rises, their benefits income falls, making it less than worthwhile to seek employment or to look for a better job. A Citizen's Basic Income would never be reduced, so anyone who had been on means-tested benefits, and now found themselves receiving a Citizen's Basic Income and no longer receiving means-tested

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<sup>7</sup> Much of the material in this chapter is based on Malcolm Torry, *The Feasibility of Citizen's Income* (Palgrave Macmillan, 2016). Readers seeking further detail and references should refer to the book, information about which can be found at <http://citizensincome.org/news/a-new-book-the-feasibility-of-citizens-income/>

<sup>8</sup> A Citizen's Basic Income is sometimes called a Basic Income, a Citizen's Basic Income, or a Universal Basic Income. I have generally preferred Citizen's Income to Basic Income for two reasons: because in English English (although not in American English) the word 'basic' contains somewhat derogatory undertones ( - if something is 'basic' then it isn't very good); and, more positively, because Citizen's Income states that the income is for every citizen, whereas 'basic' does not necessarily imply that. (A complication is that in many countries 'citizen' does not include everyone legally resident. As we might expect, given the evolutionary fashion in which law is made in the UK, the UK has something of a problem with the definition of citizen, and with the concept's relationship to the different statuses that people resident in the UK possess.) In 1984 the UK's Basic Income Research Group was founded, and in 1992 it became the Citizen's Income Trust (CIT). Because Scotland is now having its own debate about Citizen's Basic Income, the CIT has encouraged the development of an independent Scottish organisation. The Scottish network has decided to employ the terminology 'Citizen's Basic Income'. Independently, the publisher of my most recent book, *Citizen's Basic Income: A Christian social policy*, asked for the 'Citizen's Basic Income' terminology. The CIT's trustees are currently discussing the question as to which terminology might now be the most appropriate. In this paper I have chosen to employ the terminology 'Citizen's Basic Income'.

<sup>9</sup> The Citizen's Income Trust's definition of a Citizen's Basic Income is 'an unconditional and nonwithdrawable income for every individual as a right of citizenship' ([www.citizensincome.org](http://www.citizensincome.org)). Strictly speaking the 'nonwithdrawable' is not required because 'unconditional' covers the idea that the income is never withdrawn: but 'nonwithdrawable' usefully emphasises the fact that as earned income increases the amount of the Citizen's Basic Income does not change. Generally understood, and occasionally stated, is the requirement that the Citizen's Basic Income should be an automatic and regular payment, the assumption usually being that the payment will be weekly. This distinguishes a Citizen's Basic Income from the Alaskan

benefits, would find it more worthwhile to seek paid employment or a better job. Households would be able to lift themselves out of poverty more easily. And there would be useful social effects: Citizen's Basic Income would not interfere with personal relationships as means-tested benefits do; it would provide economic security in the midst of a more flexible employment market; it would deliver improved social cohesion; it would be simple and cheap to administer; and it would attract no stigma, errors, or fraud.<sup>10</sup>

Outlining a Citizen's Basic Income's desirability is not irrelevant to a discussion of its feasibility because implementation will only be feasible if Citizen's Basic Income has desirable characteristics and effects.

But however desirable a Citizen's Basic Income might be, if it is not feasible then it is not worth discussing it: so the main purpose of this chapter must be to discuss Citizen's Basic Income's feasibility – or, rather, feasibilities, in the plural. There are seven of them: two different kinds of financial feasibility; psychological feasibility; administrative feasibility; behavioural feasibility; political feasibility; and policy process feasibility. Each of them can be framed as a question: Can we pay for it? Will anyone lose out? Would the idea be understood and acceptable? Could we administer it – and administer the transition? Would it have the expected effects? Could it gather appropriate political support? And could it navigate its way through the policy process from idea to implementation? At the end of the chapter I shall draw some conclusions, and also ask about the possibility of policy accidents.

But before we move on to discuss each of the feasibilities in turn, we need to have clear in our minds the distinction between a Citizen's Basic Income (which is always an unconditional and nonwithdrawable income for each

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Permanent Fund Dividend paid to every Alaskan citizen once a year. There is a further assumption normally made: that the Citizen's Basic Income will not vary from week to week, and that any changes in its value will be occasional and upward. One conditionality that is generally permitted is that the level of someone's Citizen's Basic Income will be age-related. In relation to a 'standard' rate paid to working age adults, most illustrative schemes pay larger Citizen's Basic Incomes to elderly people (as a Citizen's Pension), lower amounts for children, and sometimes lower amounts for young adults. This variability is permitted because someone's age is a conditionality over which it is impossible to exercise any influence, it requires no investigation (on the assumption that someone's date of birth has been accurately recorded), and it does not compromise the automaticity of payments. Thus, in the context of a Citizen's Basic Income, 'unconditional' implies that everybody of the same age receives the same Citizen's Basic Income unconditionally.

<sup>10</sup> For detailed discussions of arguments for Citizen's Basic Income, see Malcolm Torry, *Money for Everyone* (Policy Press, 2013) and *101 Reasons for a Citizen's Income* (Policy Press, 2015).

individual) and a Citizen's Basic Income *scheme* (which specifies the levels of Citizen's Basic Incomes for different age groups, and the ways in which they will be paid for). A Citizen's Basic Income scheme has a Citizen's Basic Income at its heart, but there will always be tax rates and thresholds and other benefits as well. It is a Citizen's Basic Income scheme that might be implemented, and never simply a Citizen's Basic Income: so for Citizen's Basic Income to be feasible we need to show that at least one Citizen's Basic Income scheme is feasible.

## **The first kind of financial feasibility: Fiscal feasibility**

### ***'Could we pay for Citizen's Basic Incomes?'***

In this era of austerity we have to assume that if a Citizen's Basic Income scheme is to be feasible in the short or medium term then we shall have to find a way of paying for it that does not cost additional public expenditure: that is, it will have to be funded by rearranging the existing tax and benefits system. Clearly there will always be a way of doing this: that is, for any level of Citizen's Basic Income up to the total personal income tax revenue collected divided by the population, Citizen's Basic Incomes can be funded by rearranging the current tax and benefits system. Unfortunately, this funding method might result in large losses for some households, and if it does then it will fail the next feasibility test. In the longer term, additional funding methods might be available: financial transaction taxes, carbon taxes, central government money creation, etc.: but in order to make discussion of Citizen's Basic Income a practical possibility, it will be essential to keep the Citizen's Basic Income debate separate from any other: and, in particular, to keep it away from discussion of hypothetical new taxes that might never materialise. So for the purposes of this chapter, we shall assume that funding for Citizen's Basic Incomes will come from adjusting income tax and social insurance contributions levels and thresholds.

## **The second kind of financial feasibility: Household financial feasibility**

### ***'Would anyone lose out if a Citizen's Basic Income scheme were to be implemented?'***

If there is no additional public revenue available, and Citizen's Basic Incomes therefore need to be funded by adjusting the current tax and

benefits system, there are bound to be gainers and losers. If, at the point of implementation of a Citizen's Basic Income scheme, low income households were to suffer losses in their disposable incomes, or any households were to suffer significant losses, then the Citizen's Basic Income scheme would not be 'household financially feasible'. With a Citizen's Basic Income it would be easier to turn additional earnings into additional disposable income than with means-tested benefits, so in the longer term losses could be ameliorated: but initial losses would still be a problem. Research <sup>11</sup> has shown that in the UK it would be impossible for a Citizen's Basic Income scheme to pass a household financial feasibility test if means-tested benefits were simply abolished. Only Citizen's Basic Income schemes that leave means-tested benefits in place, and take Citizen's Basic Incomes into account when means-tested benefits are calculated, can pass this feasibility test.

Only a scheme that passes both the 'fiscal feasibility' and 'household financial feasibility' tests can be regarded as financially feasible. The appendix contains an illustrative Citizen's Basic Income scheme that passes both of the tests and that would therefore be financially feasible.

## Psychological feasibility

### *'Would the idea of Citizen's Basic Income be understood and acceptable?'*

Feasibility tests based on such presuppositions as 'the rich don't need it', 'if people earn more then their benefits should be reduced', and 'people won't work if you just give them the money', are automatically failed by universal benefits. The fact that such existing UK universal benefits as Child Benefit, the Winter Fuel Allowance, and the National Health Service, are popular, does not affect the difficulty that Citizen's Basic Income schemes would have in becoming psychologically acceptable to the UK's public. Multiple individual conversions would be required to shift public opinion, and to shift policy makers' mindsets. The problem could be circumvented by establishing Citizen's Basic Incomes for one age group at a time, beginning with those thought to be more 'deserving', such as children, and elderly people, and then perhaps the pre-retired and young adults.

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<sup>11</sup> See the appendix of this chapter for an example of recent research.

## Administrative feasibility

### *‘Could we administer Citizen’s Basic Income – and administer the transition?’*

This is perhaps the easiest feasibility test for Citizen’s Basic Income to pass. In the UK, such universal benefits as Child Benefit and the Winter Fuel Allowance are the easiest type of benefit to administer; and among health services the universal ‘free at the point of use’ National Health Service generates fewer administrative problems than any other kind. This suggests that administration of Citizen’s Basic Income would be easy to achieve. Alternatives to Citizen’s Basic Income, such as Negative Income Tax or a Participation Income, would be more difficult to administer than a Citizen’s Basic Income scheme. A further feasibility test relates to whether it would be possible to administer the transition to a Citizen’s Basic Income scheme. Different schemes and different implementation methods would lead to different answers: but a scheme that leaves in place all of the current tax and benefits system, and simply adjusts tax rates and thresholds and recalculates existing means-tested benefits, would have less legislative and regulatory work to do than one that abolishes means-tested benefits.

## Behavioural feasibility

### *‘Would Citizen’s Basic Income have the expected effects?’*

This feasibility test requires households’ situations to improve after implementation, which they would in relation to the secure financial floor that a Citizen’s Basic Income would create; the freedom from bureaucratic intrusion into intimate relationships and household activity that any family no longer receiving means-tested benefits would experience; many households’ greater ability to turn increased earned income into increased disposable income; an increasing range of options in the labour market; a reduction in administrative complexity; increased social cohesion; and so on. A problem is that this feasibility test can only be applied after a Citizen’s Basic Income scheme’s implementation. Evidence from natural and constructed experiments (such as pilot projects in Namibia and India, and Negative Income Tax experiments in Canada and the USA) suggests that the test would be passed. If implementation were to be one age group at a time, then a behavioural feasibility test successfully passed after one implementation could generate the psychological feasibility required for the next.



## Political feasibility

### *‘Could Citizen’s Basic Income gather appropriate political support?’*

Because in a democracy a Citizen’s Basic Income might take longer than a single parliament to legislate and implement, all-party support would be required. This means that the political ideologies of each mainstream party would need to be tested for their ability to generate arguments for and against Citizen’s Basic Income, and a survey would need to be undertaken to discover arguments actually generated from within political parties. Such research in the UK has shown that every mainstream ideology can and does generate arguments for a Citizen’s Basic Income,<sup>12</sup> and that the same arguments against a Citizen’s Basic Income can be found generated both in theory and in practice by most of the mainstream political ideologies. This suggests that while arguments for Citizen’s Basic Income can be ideology-specific, arguments against Citizen’s Basic Income are not closely related to parties’ political ideologies, and that they are psychological rather than political. This in turn suggests that a Citizen’s Basic Income could be politically feasible. Here a warning needs to be offered: Advocacy for Citizen’s Basic Income by a minority political party might make significant political feasibility relating to mainstream parties more difficult to achieve, because larger parties might feel obliged to oppose minority parties’ policy proposals, particularly if minority parties espousing those policies might compromise the electoral chances of larger parties.

## Policy process feasibility

### *‘Could Citizen’s Basic Income navigate its way through the policy process from idea to implementation?’*

The feasibility test here is whether Citizen’s Basic Income can negotiate the journey through the policy-making process from idea to implementation. In the UK, the policy process is constituted by policy networks and communities; think tanks and other institutional players; the Government, Parliament, the civil service, and trades unions; and such self-interested players as computer manufacturers and software writers. The policy process in any developed country will be similar to this. Policy processes can be regarded as both rational and chaotic; policy-making is usually both

<sup>12</sup> Evidence for this and other statements in this chapter will be found in *Money for Everyone: Why we need a Citizen’s Income* (Bristol: Policy Press, 2013).

incremental and evolutionary; and policy development exhibits path dependency – that is, it continues to move in its current direction of travel unless a policy shock makes it change direction. In the midst of such complexity, it will be important never to compromise the characteristics of Citizen’s Basic Income. In the UK, given the importance of public opinion at various stages of a policy process journey, it might only be possible for Citizen’s Basic Income to find its way through the policy process if it were to be implemented for one age group at a time.

## From feasibility to implementation

Do all of the different feasibility tests have to be met, or might it be possible to implement a Citizen’s Basic Income scheme by passing just some of them? Policy process feasibility is clearly crucial, and it might be necessary for the other feasibilities to be in place for a successful journey through the policy process to be possible: but it might not be. The policy process is not entirely rational, so new social policies that have not passed all of the listed feasibility tests have sometimes been implemented. In the UK, this includes Family Allowance, the precursor to Child Benefit. Accidents happen: and it is not inconceivable that implementation of a Citizen’s Basic Income could be via a policy accident. However, on the reasonable assumption that we cannot rely on a political accident giving birth to a Citizen’s Basic Income scheme, we can conclude that implementation of Citizen’s Basic Income one age group at a time might eventually enable Citizen’s Basic Incomes to be implemented for every citizen.

<sup>13</sup> Material in this appendix is drawn from Malcolm Torry, *An Evaluation of a Strictly Revenue Neutral Citizen’s Basic Income Scheme*, Institute for Social and Economic Research Working Paper EM17/14, Colchester: Institute for Social and Economic Research, University of Essex, June 2016, <https://www.iser.essex.ac.uk/research/publications/working-papers/euromod/em5-16>. This paper should be consulted for references, for further detail on the material in this appendix, and particularly for details of how calculations have been made.

<sup>14</sup> This working paper on which this appendix is based uses EUROMOD version G3.0. The contribution of all past and current members of the EUROMOD consortium is gratefully acknowledged. The process of extending and updating EUROMOD is financially supported by the Directorate General for Employment, Social Affairs and Inclusion of the European Commission [Progress grant no. VS/2011/0445.] The UK Family Resources Survey data was made available by the Department of Work and Pensions via the UK Data Archive. All remaining errors and interpretations are the author’s responsibility. Opinions expressed in this appendix are not necessarily those of the Institute for Social and Economic Research or those of the Citizen’s Income Trust.

## Appendix <sup>13 14</sup>

### An illustrative Citizen's Basic Income scheme for the UK

By using the EUROMOD microsimulation programme and Family Resources Survey data we can evaluate illustrative Citizen's Basic Income schemes: in this case, a strictly revenue neutral <sup>15</sup> scheme that could be paid for by raising Income Tax rates by 3%, <sup>16</sup> by abolishing Income Tax Personal Allowances, and by making adjustments to National Insurance Contributions, and that would leave in place the existing social security structure and reduce households' means-tested benefits by taking into account their Citizen's Basic Incomes.

The levels of Citizen's Basic Income are as listed in table 1.

The scheme raises National Insurance Contributions (NICs) above the Upper Earnings Threshold from 2% to 12% and reduces the Primary Threshold to zero. This has the effect of making NICs payable on all earned income at 12%. The Income Tax Personal Allowances are set at zero, and strict revenue neutrality is obtained with a 3% rise in Income Tax levels.

Table 1 summarises the results obtained from microsimulation of the scheme proposed.

We can conclude that the scheme would be strictly revenue neutral ( – that is, it could be funded from within the current income tax and benefits system); that the increase in the Income Tax rate would be feasible; that the

<sup>15</sup> A revenue neutral scheme is defined as a reform of the tax and benefits system that can be funded by making adjustments to tax and benefits rates and regulations. A strictly revenue neutral scheme is one that can be funded by making adjustments to rates and regulations related to the basic structure of personal income taxation and benefits. So a reform that could be funded by changing Personal Allowances and Income Tax rates would be strictly revenue neutral, whereas one that reduced a tax allowance related to private pension contributions might be revenue neutral rather than strictly revenue neutral (Donald Hirsch, *Could a "Citizen's Income" work?* York: Joseph Rowntree Foundation, 4<sup>th</sup> March 2015, p. 33. [www.jrf.org.uk/publications/could-citizens-income-work](http://www.jrf.org.uk/publications/could-citizens-income-work)).

<sup>16</sup> One criterion for a feasible Citizen's Basic Income scheme has to be that Income Tax rates should not be raised by more than about 3%. While a large Citizen's Basic Income could compensate for a substantial rise in income tax rates, income tax rates are a psychological as well as a financial issue, so substantial rate rises could be politically infeasible (Donald Hirsch, *Could a "Citizen's Basic Income" work?* York: Joseph Rowntree Foundation, 4<sup>th</sup> March 2015, pp. 25–28. [www.jrf.org.uk/publications/could-citizens-income-work](http://www.jrf.org.uk/publications/could-citizens-income-work)).

scheme would generate a small but significant saving in public funds; that the scheme would not impose significant losses on low income households; and that no households would suffer unmanageable losses.

We can therefore conclude that the scheme would be financially feasible.

**Table 1: An evaluation of a Citizen's Basic Income scheme with the working age adult Citizen's Basic Income set at £60 per week.**

<b>Citizen's Pension</b> per week (existing state pensions remain in payment)	£30
<b>Working age adult CI</b> per week	£60
<b>Young adult CI</b> per week	£50
(Child Benefit – already unconditional - is increased by £20 p.w.)	(£20)
<b>Income Tax rate increase required for strict revenue neutrality</b>	3%
<b>Income Tax, basic rate</b> (on £0 – 42,385)	23%
<b>Income Tax, higher rate</b> (on £42,385 – 150,000)	43%
<b>Income Tax, top rate</b> (on £150,000 – )	48%
<b>Proportion of households in the lowest original income quintile experiencing losses of over 10% at the point of implementation</b>	1.5%
<b>Proportion of households in the lowest original income quintile experiencing losses of over 5% at the point of implementation</b>	3.2%
<b>Proportion of all households experiencing losses of over 10% at the point of implementation</b>	1.4%
<b>Proportion of all households experiencing losses of over 5% at the point of implementation</b>	16.9%
<b>Net cost of scheme</b>	–£2.8bn: i.e. a saving of £2.8bn

# Changes to means-tested benefits claims brought about by the scheme

Tables 2 and 3 give the results of calculations based on microsimulation of the current scheme and of the Citizen’s Basic Income scheme.

**Table 2: Percentage of households claiming means-tested social security benefits for the existing scheme in 2015 and for the Citizen’s Basic Income scheme**

	Percentage of households claiming benefits in the context of	
	the existing scheme in 2015	Citizen's Basic Income scheme
Out-of-work benefits (Income Support, Income-related Jobseeker’s Allowance, Income-related Employment Support Allowance)	15.4%	13.1%
In-work benefits (Working Tax Credits and Child Tax Credits) <sup>17</sup>	20.5%	15.5%
Pension Credit	12.1%	12.3%
Housing Benefit	21.9%	22%
Council Tax Benefit <sup>18</sup>	26.7%	25.3%

<sup>17</sup> The FRS data employed by Euromod G3.0 is uprated 2012 data, and so is based on data collected before Universal Credit began to be rolled out. Given the slow pace of the roll-out, it will be some years before the FRS data reflects changes brought about by the transition to Universal Credit.

<sup>18</sup> The FRS data employed by Euromod G3.0 is uprated 2012 data, and so is based on data collected before Council Tax Benefit became locally regulated Council Tax Support.

**Table 3: Percentage reductions in total costs of means-tested benefits, and percentage reductions in average value of household claims, on the implementation of the Citizen's Basic Income scheme**

	Reduction in total cost	Reduction in average value of claim
Out-of-work benefits (Income Support, Income-related Jobseeker's Allowance, Income-related Employment Support Allowance)	70%	64%
In-work benefits (Working Tax Credits and Child Tax Credits)	27%	3%
Pension Credit	22%	23%
Housing Benefit	2.3%	3.1%
Council Tax Benefit	6.6%	1.4%

These results show that the Citizen's Basic Income scheme

- would reduce by 15% the number of households claiming the out-of-work benefits Income Support, Income-related Jobseekers' Allowance, and Income-related Employment Support Allowance; would reduce the total cost of these benefits by 70%; and would reduce by 64% the average value of these benefits received by households;
- would reduce by one quarter the number of households claiming in-work benefits Working Tax Credits and Child Tax Credits; and would reduce by one quarter the total cost. (Average claim value does not change, so the reduction in cost is due entirely to the reduction in the number of households in receipt of these benefits.)
- would reduce by nearly one quarter the total cost of the means-tested Pension Credit. The average value of household claims would also fall by about one quarter. The number of claims for Pension Credit would not change much, so the reduction in total cost is due entirely to the reduction in the average value of claims. (The current transition from Basic State Pension to a Single Tier State Pension will change this picture by removing most elderly households from Pension Credit.)

- would not alter the number of claims for Housing Benefit, nor their average value, and so would not alter the total cost of Housing Benefit. This suggests that a Citizen's Basic Income scheme of this type – i.e., that was strictly revenue neutral, and did not impose appreciable losses on low income households at the point of implementation – would not help to solve the problem of housing costs. A solution based on housing supply will need to be found.

(The small reduction in the number of claims for Council Tax Benefit is irrelevant. The locally regulated Council Tax Support has now replaced nationally regulated Council Tax Benefit, so whether a household's Citizen's Basic Income would reduce to zero the household's entitlement to Council Tax Support will now depend on the character of the regulations established by their Local Authority.)

## The poverty reduction and redistributional effects of the Citizen's Basic Income scheme

Table 4 shows the changes that the Citizen's Basic Income scheme would bring about in a number of indicators:

	The current tax and benefits scheme in 2015/16	The Citizen's Basic Income scheme
Inequality		
Disposable income Gini coefficient	0.292	0.267
Poverty indices <sup>19</sup>		
Children in poverty	10.88%	6.99%
Working age adults in poverty	12.45%	10.20%
Economically active working age adults in poverty	3.81%	3.02%
Elderly	10.63%	13.34%

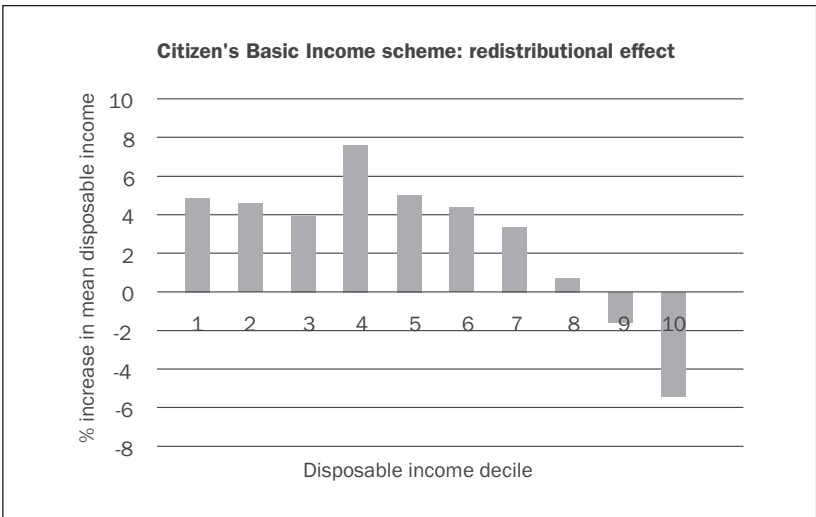
<sup>19</sup> Poverty is defined as household incomes below 60% of median household income (Paola De Agostini and Holly Sutherland, *Euromod Country Report: United Kingdom (UK) 2011–2015*, Colchester: Institute for Social and Economic Research, Essex University, 2016, [https://www.euromod.ac.uk/sites/default/files/country-reports/year6/Y6\\_CR\\_UK\\_final\\_13-04-2016.pdf](https://www.euromod.ac.uk/sites/default/files/country-reports/year6/Y6_CR_UK_final_13-04-2016.pdf), pp. 66–7).

We can conclude that

- the Citizen's Basic Income scheme would deliver a small reduction in inequality;
- more significantly, child poverty would fall by a third, and working age poverty would also fall. An increase in elderly poverty is a function of the Citizen's Basic Income scheme that requires further research.

Figure 1 shows the aggregate redistribution that would occur if the Citizen's Basic Income scheme were to be implemented.

**Figure 1**



The graph shows that the Citizen's Basic Income scheme would achieve manageable and useful redistribution from rich to poor, with those households often described as the 'squeezed middle' particularly benefiting from the transition.



## A feasible transition

Because the only changes required in order to implement the Citizen's Basic Income scheme would be

- payment of the Citizen's Basic Incomes for every individual above the age of 16 (calculated purely in relation to the age of each individual)
- increases in the rates of Child Benefit
- changes to Income Tax and National Insurance Contribution rates and thresholds
- easy to achieve recalculations in existing means-tested benefits claims

the entire scheme could be implemented very quickly.

## A feasible first step

If it were to be thought advisable to make the transition to a Citizen's Basic Income scheme rather more slowly than the 'all at once' method assumed above, then one option would be to introduce a Citizen's Basic Income one age group at a time. Because the cost of the first step in any multi-stage transition is understandably of particular interest, I here calculate the cost of a Citizen's Basic Income payable just to 16 year olds. (For this purpose I assume that Child Benefit is no longer paid for 16 year olds still in full-time education, and that every 16 year old is paid a Citizen's Basic Income of £50 per week.) The net cost would be £1.33 bn per annum. Either this could be provided by raising National Insurance Contributions above the Upper Earnings Threshold, or for the first year the funds required could be found from other government revenue.

By the time every single working age adult has a Citizen's Basic Income, the fact that each new single year cohort will have had its Personal Allowances and NIC Primary Thresholds set to zero from the age of 16, and that they will be paying Income Tax rates at 3% above current rates, will mean that these methods of paying for everyone's Citizen's Basic Incomes will automatically be in place. We know from the calculations above that the entire scheme would be strictly revenue neutral with National Insurance

Contributions collected at 12% on all earned income: so we also know that slowly raising NICs above the Upper Earnings Threshold to 12%, along with the changes that would automatically be generated as each single year cohort became economically active, would cover the cost of each new single year cohort of 16 year olds.

So if a long transition were to be required, then giving a Citizen's Basic Income to every new single year cohort of 16 year olds would be a useful way of slowly delivering an entire Citizen's Basic Income scheme.

I suspect that once the first few single year cohorts had received their Citizen's Basic Incomes, so many people would know individuals for whom their Citizen's Basic Incomes were an entirely positive experience that there would be a widespread call for the whole of the scheme to be rolled out: which could of course be done very quickly.

## Conclusion

If the whole of the scheme envisaged in this appendix had been introduced in 2015 then no additional public expenditure would have been required ( – in fact, a small saving would have been generated), low income households would have experienced very few losses, few households would have experienced unmanageable losses, and Income Tax rates would have increased by only 3%. The costs and average claim values for most means-tested benefits would have been reduced, and the number of households claiming in-work benefits would have dropped dramatically. Child poverty would have been reduced significantly, inequality would have been reduced, and manageable and useful redistribution would have been achieved.

The impact of this quite conservative and easy to achieve Citizen's Basic Income scheme on both employment incentives and poverty would have been both positive and considerable.

If political anxieties necessitate a gradual transition then a viable slow transition is available that would eventually deliver the scheme along with its advantages.

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## 3. Citizenship and Basic Income

Anthony Painter

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The social contract is not only about our relationship with the state; it is also about our relationships to one another. One of the concerns expressed with the notion of a Universal Basic Income is that it embeds an atomised view of society with individual recipients seen as separate from one another. It has been claimed by opponents that this undermines notions of citizenship and reciprocity. However, this fundamentally misunderstands the potential of Basic Income to underpin citizenship.

In the Royal Society of Arts' (RSA) paper advocating a Universal Basic Income, a new social contract – a set of relationships between citizens and the state and one another – was outlined. We argued that whilst the principle of contributory welfare (you receive a greater level of support and services the more you put into the system over time) was problematic as it was poorly targeted, a new system of Basic Income should be 'contribution enhancing'. That means it is not the structure of payments and support that is crucial but what we as a society expect of each other in return.

Norm setting around institutions would be a crucial component of a Basic Income system. Citizenship is not just about what supports you receive; there is also an expectation that a contribution is made. This does not mean the return of corrosive and intrusive conditionality and a destructive sanctions regime. But it does mean that the full range of contributions that a Basic Income can support – entrepreneurship, caring, work, learning and voluntary activity - are valued. The mistake that the current system in the UK makes is that it clumsily and bureaucratically tries to hardwire a system; one that is focused narrowly on waged work only (important though work is). Instead, could a wider conversation about what contributions can and could be supported with the Basic Income not be of significant value?

A couple of years ago, I was told of two young mothers who were studying for a qualification in nursing care. Towards the end of their studies a local Job Centre Plus (the UK benefits and employment agency) insisted that they

make themselves available for work or face sanction. They left their course and failed to qualify. They lost out and their time had been wasted. They were locked in the same oscillation between benefits and poor quality work. And society lost too - we need nursing care workers.

There seemed to be something so unjust in this story that it required further deep reflection. What sort of system could create this situation? The answer seemed to be one whose internal logic was arbitrary, coercive and short-sighted. The balance between the state and the individual was all wrong. These women wanted to make a contribution to society. They were being good citizens and they were punished as a result. We have to question the ethics of such a system (if you want to see further examples of this in action then I highly recommend the Ken Loach film, *I, Daniel Blake*).

As the RSA pursues the 'power to create', this interface between the state and the individual as well as notions of the interrelationship between individuals needed further research and thought. We came to the conclusion that a Basic Income might provide a better answer as both an aspect of and support for citizenship.

A Basic Income is an unconditional payment to each individual (ie it is not based on household). It is a building block for security and is designed to support the individual as they work, care (or are cared for), set up a business, or learn.

We have seen interest in the idea of a Basic Income swell over the past twelve months. In the US, Switzerland, Netherlands, Finland and Canada there is an energetic debate about a Basic Income and pilots are being planned. Basic Income-type experiments were first carried out in the US and Canada in the 1970s – the impact of the Canadian experiment in particular was significant and positive.

Increasing modern concerns about the impact of automation, artificial intelligence, and superlative computing power has also driven interest.

The RSA is becoming involved in the debate not simply to add to the considerable philosophical and theoretical thicket. (Disability support and housing costs are additional to our scheme). We have accepted the arguments in favour – that Basic Income is the best system to support the

range of contributions that people wish to make - as well as being the most humane system- and we set ourselves the goal of helping shift the idea more towards the mainstream and practical reality.

In our model we have adopted a genuinely progressive tax system to make the tax simple and fair; we redistribute resources to families with young children to prevent losses in transitioning from Universal Credit (the current UK income support system); and we add some ‘design features’ to the model in order to emphasise that recipients, ie all of us, are expected (though not required) to use this resource to make a contribution to benefit society. Our model works as follows:

- Payments are made to every citizen on a universal basis. EU nationals would receive them only after contributing to the system for a number of years in line with current EU law. Other international migrants would be subject to existing benefit rules. Prisoners would not receive it.
- The weekly amount that any working age person receives is a ‘basic’ amount. In other words, if they are fit and able to work they would have a very strong incentive to do so. And they would not get trapped at low earning levels. This contrasts very heavily with the current system.
- All recipients over 18 could be required to be on the electoral roll, thereby reinforcing citizenship.

To embed the notion of citizenship, we recommended a norm establishing ‘contribution contract’ for young adult recipients:

This would be introduced for those aged 18-25. The contract is a civic one made with their friends, family and community to ensure they are contributing and these ‘contracts’ would be in return for the basic income. However, there should be no state monitoring of these contracts and sanctions will not be imposed if commitments are not kept to for any reason. This stops sanctions being re-introduced via another mechanism.

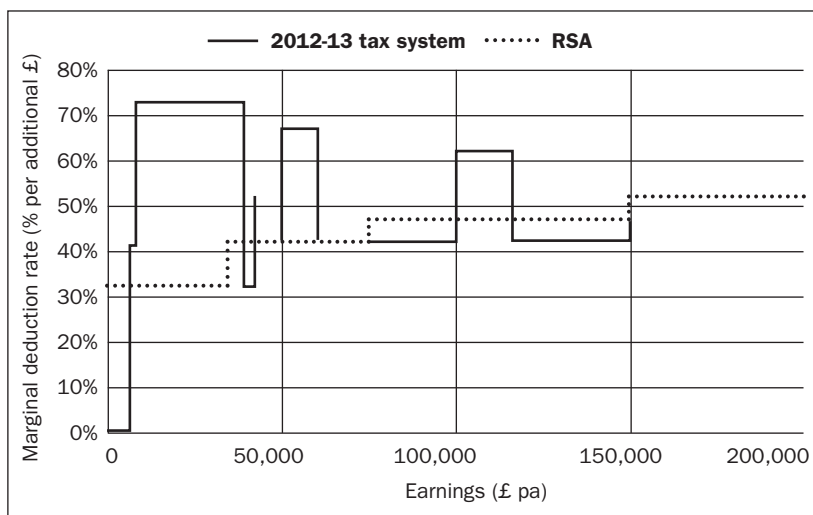
The RSA Basic Income would be paid as follows (on the basis of 2012-13 prices):

- Basic Income of £3,692 for all qualifying citizens between 25 and 65.



- Pension of £7,420 for all qualifying citizens over 65.
- A Basic Income for children aged 0-4 of £4,290 for the first child and £3,387 for other children aged 0-4.
  - This is comparable to the benefits available to low-income households before the child begins school.
  - There would be a reduction in the Basic Income for a third child or more, potentially to zero. This would reduce the cost of the system and would align it even closer with prevailing political and moral expectations.
  - A Basic Income of £2,925 for those aged 5-24 years-old.
  - As a design option, the higher under-fives rate could be kept for older children too but at a cost of £3.7billion.

The tax system we outline would be shaped as follows (the unbroken line shows the current system for ease of comparison):



It is easy to see how our system achieves a much more sane, comprehensible and less distorting way of taxing and redistributing than the current ‘Himalayas’-style tax curve we can see above. The cost of our Basic Income system is greater than the current system. We estimate that the changes we have made would cost up to one percent of GDP over and above the current

model. This sounds like a considerable sum. However, it is no greater than the change that Gordon Brown made to tax credits and well below cumulative changes that George Osborne has made to personal allowances, VAT, inheritance tax and corporation tax *despite austerity*. If the benefits of Basic Income come to be accepted as were major changes to the pension system or NHS funding then one percent of GDP is more than affordable.

So who are the losers? Well, obviously, there are some losses for individuals earning over £75,000 compared with the current system. There are some losses for those who are locked for prolonged periods of time on very low hours. Serious thought is needed on how to address these individuals. Work conditionality and sanctions are not the solution - they are not working. Different types of support are needed and that applies just as much to the current system as it would do under Basic Income. However, the system is dynamic and people languishing in this way involuntarily is not as common as may first appear (people in this range tend to be on flexible and unpredictable hours/work and so their circumstances continually change up and down).

But the big game-changer that has yet to be seriously discussed is the introduction of Universal Credit *and* the 'National Living Wage'. This changes the picture for a Basic Income system considerably. The National Living Wage means that incomes accelerate quickly beyond the point where there may be losses in a Basic Income system. This was a surprise to us but it needs further serious discussion as it quickly improves wage income to a level where there are net gains over the current system. We mapped the consequences of a National Living Wage combined with a Basic Income against the likely net income of five family types from 2020-21. The results were as follows:

**The RSA Basic Income model compared with the Resolution Foundation calculations of likely Universal Credit / National Living Wage household income.**

Family		2020/21		
		New household income -current proposed system(£)	RSA Basic Gain(£) Income(£)	Gain(£)
1	Single, one child, under five, part-time (20 hours), wage floor	13,480	15,635	2,155
2	Single, one child, over five, part-time (20 hours), wage floor	13,480	14,090	610
3	Couple, two children (one under five), wage floor (one partner 37.5 hours, one 20 hours)	25,840	34,469	8,629
4	Couple, two children (both over five), wage floor (one partner 37.5 hours, one 20 hours)	25,840	33,946	8,106
5	Single, one child (over five), low earning (37.5 hours per week at £11.50 per hour)	18,930	22,889	3,959
6	Single, one child (under five), low earning (37.5 hours per week at £11.50 per hour)	18,930	24,435	5,505

This is an exercise we undertook before and after factoring in National Living Wage. That is the game-changer in all this. The large gains for families with two earners does raise the question of whether there is scope to make up some of the funding shortfall by looking at a higher tax rate at a slightly earlier level. Overall though, our redistributive adjustments mixed with the National Living Wage make Basic Income far more attractive as a relative proposition.

So that’s the technical bits out of the way. **Why do this?**

It’s quite simple: Basic Income supports people in nurturing their lives and frees them to create a new future. Those two young mothers who were taken off their nursing care courses are a case in point. Had there not been such an intrusion into their power to choose they would have got their qualifications and have a different life and be making a bigger contribution. With their new-found confidence they may even have got a degree by now or started a business. Does that matter? Their knowledge and experience about caring could be shared with others – not only on a professional but on a voluntary basis too. Their family life could have felt like it was on an

even greater upwards trajectory instead of being locked between low quality work and an intrusive welfare state. Their mental health, educational outcomes, life satisfaction, all-round well-being could be much enhanced.

**That's why.** This is not simply a theoretical exercise. It's about what should constitute social justice in a society such as ours. And how we can renew citizenship as it is threatened in so many ways.



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## 4. Tackling poverty and social exclusion with unconditional money: Notes on the Finnish basic income experiment<sup>20</sup>

Pertti Honkanen and Ville-Veikko Pulkka,

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The idea of a basic income, “an income unconditionally granted to all on an individual basis, without means test or work requirement”<sup>21</sup>, has been discussed in Finland for decades. Yet, it is fair to note that basic income was never widely considered a politically feasible option before a reference was made to a basic income experiment in the governmental programme of the centre-right wing coalition government of Prime Minister Juha Sipilä in May 2015.

The reference to a basic income experiment was a surprise for many since the coalition parties the Centre Party of Finland (agrarian, economically centre-right), the Finns Party (nationalist, populist, economically centre-left) and the National Coalition Party (liberal and conservative factions, economically right) have not been the most noticeable advocates of basic income, even though a few Centre and National Coalition Party members have been in favour of the idea in recent years.

Regardless of the many universal elements in the Finnish welfare state (e.g. extensive social security and free/quasi-free public services), the idea of paying unconditional money for everyone has not resonated with the prevailing strong work ethic of the social democratic welfare state. Partly due to this the Social Democratic Party and social democrat led trade union movement have been critical against the idea of a basic income. Another reason for the reluctance has been anxiety that basic income would be

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<sup>20</sup> This chapter will be also published in Scottish Anti-Poverty Review, No. 22

<sup>21</sup> The definition of basic income by the Basic Income Earth Network (BIEN).

combined with weakening of labour laws and collective agreements, even though this is not inherent in the idea of a basic income.

The most prominent advocates of basic income have been traditionally green-left politicians, scholars and activists. A mid-size Finnish party the Green League was the first party to publish their own micro simulated basic income model in 2007 (revised model in 2014), followed by another mid-size party the Left Alliance in 2011. Both models are partial models: the level of basic income corresponds roughly to the levels of the current basic security benefits and the models leave for instance housing allowances and earnings-related benefits intact. Less unexpectedly, the leftist model is more generous and has greater impacts on income distribution.

It is important to note that discussing basic income at a general level is not a sustainable starting point since level of basic income, taxation model and replaceable benefits determine what kind of effects basic income has. Due to this it is clear that even testing a basic income involves many political decisions which have their consequences on the results.

An illustrative example of the problematic nature of general level discussion is also two Kela surveys carried out in autumn 2015. According to the first survey 69% of the Finnish people were in favour of a basic income scheme *as such*. When probable levels of basic income and needed flat rate taxes were included, the support collapsed to 30–40%.

The Finnish basic income experiment has received a great deal of international interest. What is repeatedly forgotten in foreign media is that the Finnish government is *testing* a basic income scheme, not *implementing* one. This is why the experiment should not be automatically interpreted as a paradigm shift in Finnish social and labour market policies. In tandem with the experiment the Finnish government is implementing more conditional elements in social security. That is, instead of a paradigm shift, more truthful motivation for the Finnish experiment is the government's endorsement for promoting evidence-based policies and experiment culture.<sup>22</sup> In addition to the basic income experiment, also other social experiments will be carried out.

<sup>22</sup> The expression used by the Prime Minister Juha Sipilä's government.

## Setting the agenda – Diminishing disincentives in social security

After evaluation a consortium<sup>23</sup> led by the Finnish Social Insurance Institution Kela was appointed to study the suitability of different basic income models for the experiment. The assignment handed down by the Prime Minister's Office outlined the following options:

- 1) full basic income (the level of BI high enough to replace almost all other benefits, perhaps excluding earnings-related benefits)
- 2) partial basic income (would replace most of the basic security benefits, but leave some)
- 3) negative income tax (politically determined unconditional minimum income for those who cannot earn it otherwise)
- 4) other possibilities to test basic income (the research group analysed participation income and the British Universal Credit, but these systems would not enable one to test the effects of basic income due to their conditionality).

In the assignment only one clear target was emphasised: diminishing disincentives in social security. In the Finnish basic income discourse basic income has been often seen as a practical measure to make work always pay. In other words, employment became the primary indicator in the Finnish basic income experiment.

This target resonates with the strong work ethic of the social democratic welfare states, but has also a connection to the activation policies pursued in Western welfare states in recent decades. Removing disincentives in social security has been a major target of all Finnish governments since the mid-1990s.

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<sup>23</sup> The consortium consists of the Finnish Social Insurance Institution Kela, the Government Institute for Economic Research, the Universities of Helsinki, Tampere, Turku and Eastern Finland, the National Fund for Research and Development Sitra, the think tank Tänk, and the Federation of Finnish Enterprises. The Association of Finnish Local and Regional Authorities contributed also to the review.



## Research group's recommendations

Based on extensive theoretical analysis and numerous microsimulations, the research group recommended in its report (published on 30 March 2016) testing a partial basic income which would correspond to current basic security benefits (e.g. basic social assistance, basic unemployment benefit, labor market subsidy, sickness allowance, rehabilitation allowance, minimum parental allowances). A full basic income scheme was considered to be too expensive and politically unfeasible to test.

Testing a negative income tax scheme in a reliable manner would have required an access to people's real-time information of incomes. Such a digital income registry will be implemented in the coming years. However, economic implications at macro and micro level would be mathematically almost identical in a basic income and a negative income tax scheme.

In an ideal research setting several models with different taxation systems should be tested to achieve better understanding on the dynamic effects of basic income.

To produce generalizable and reliable results the research group recommended a nationwide and compulsory randomisation. To capture possible externalities (that is what happens when more people in a certain area receives the new benefit) more intensive regional sample would also be necessary. The research group recommended focusing on low-income households since the budget (€20 million for two years) is limited and the elasticity of labour supply is supposed to be greatest among this group. According to power calculations by economist Jouko Verho, a sample of approximately 10 000 people is needed in order to observe statistically significant results if employment changes two percentage points.

According to the microsimulations, it is clear that improving economic incentives consistently is not possible with a partial basic income which is financed budget neutrally<sup>24</sup>. This results from the relatively high income tax rates needed to finance basic income budget neutrally and the benefits such

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<sup>24</sup> The budget neutrality requirement means that no one's net income is allowed to change drastically in comparison to the current system and the basic income is financed from inside the current social security system and by increased taxes on labour and capital income.

as preventive and complementary social assistance, housing allowances and earnings-related benefits which cannot be replaced by a partial basic income. In order to improve economic incentives of low income households it is necessary to apply progressive taxation or dilute the current level of social security.

## **Basic income and social exclusion**

In addition to the incentive target the assignment handed down by the Prime Minister's Office mentioned a need to make social security more inclusive. Even though the incentive approach has been emphasised by the Finnish government, we concentrate next on poverty and social exclusion.

In order to discuss social exclusion in a scientifically meaningful manner, it is important to name explicitly the indicators which are considered to lead to social exclusion. Otherwise the obvious risk is we end up moralising about people who are bad off.

The most explicit risk factor behind social exclusion is undoubtedly unemployment. In addition to declining incomes, unemployment may produce for instance weaker social relationships and both physical and mental health problems. The Finnish basic income experiment studies will test whether better economic incentives and less means testing produces higher employment rates. In other words, tackling social exclusion by supporting better employment is an empirical question which will be studied.

Based on older Finnish studies on the effects of lowering income taxes, it seems relatively clear that economic incentives do not have a crucial effect on employment. In the case of basic income, however, diminishing the bureaucracy traps may ease working on a part-time basis or going into self-employment since basic income reduces reporting obligations and delays. Regardless of these factors, it will not be reliable to verify whether a basic income can tackle social exclusion via better employment before the evaluation of the results in 2019.

During the five negative income tax experiments in the United States and Canada in the 1960s and 1970s labour supply declined moderately, but these results cannot be translated directly into the context of Finland in the 2010s.

The experiments had also methodological weaknesses which had effects on the reported results. With reference to social exclusion these results were not as negative as it might look at first sight since young people educated themselves further and mothers looked after their children instead of working.

In addition to employment there are naturally many other indicators which might indicate social inclusion or exclusion and on which basic income may have a direct or indirect effect. For instance health, educational attainment, subjective well-being, stigmatisation of social security, housing, and indebtedness can be evaluated, but *ex ante* research on these indicators is highly speculative. According to a study by Evelyn Forget negative income tax had considerable positive effects on health, and especially mental health, during and even after an experiment which was carried out in Dauphin Manitoba, Canada, in 1974–1979.

It has been argued that an unconditional basic income might also increase social exclusion. Since basic income is unconditional by definition, it would make current activation measures voluntary and people could refuse to participate both in labour markets or the activation measures offered without a threat of sanctions. Many commentators have been particularly worried about youths. Partly due to the possibly increasing risk of social exclusion of NEETs (not in education, employment or training), the research group recommended to exclude youth under 25 years old from the Finnish basic income experiment.

To tackle moral connotations and speculations, we concentrate next on the direct effects of a basic income on social exclusion. The indicators which we can analyse *ex ante* and which we consider meaningful in this context are poverty and income distribution. The negative effects of poverty and asymmetric income distribution on social exclusion indicators such as health, nourishment and social cohesion have been widely discussed in research literature.

## The effects of different basic income models on poverty and income distribution

The research group made extensive calculations and simulations with different basic income models, especially with different levels of partial basic income which replace basic benefits while earnings related benefits are adjusted with the basic income. One example: if the agreed basic income is 600 euros per month, it replaces basic unemployment benefits, sickness benefits, maternity benefits, child care benefits and study grants if these are less or equal to €600 per month. Earnings related benefits in unemployment and sickness insurance are in most cases greater than €600. In hypothetical models these benefits are adjusted so that the gross benefit, including basic income, does not diminish. E.g. if originally the earnings related benefit is €1000 per month, the person gets in the basic income model €600 of basic income and still €400 of an earnings related benefit. In these calculations housing benefits and social assistance are paid according to the current rules. In general basic income lowers the demand for these means-tested benefits, but it does not totally eliminate them.

When basic income is paid for the whole population, it cannot be financed only by the benefit expenditures it is replacing. A big reform must be carried through also in the tax system. In the hypothetical simulations the research group implemented a flat tax rate on all taxable income (labour income, benefit incomes and capital income; basic income itself is always excluded from the tax base). This flat tax replaces all current income taxes and with the help of the simulation model a budget neutral tax rate is sought. Also tax systems which modified the current system were experimented with, because a general flat tax is not realistic, and not even a desirable alternative in the Finnish context.

In the simulation experiments the basic income was paid for the adult population (age at least 18 years) excluding individuals having pension income. Pensioners were excluded because the current pension system has already many features corresponding to a basic income. So there is a universal, non-means tested minimum pension level (so called guaranteed pension) and old-age pensions are not means-tested against labour income. The pensioners are nevertheless still included in the figures describing the income distribution of the whole population.

In Table 1 we can see some results from these simulations.

**Table 1. Basic income, tax rates and income distribution**

Basic income, euros/month	Flat tax rate, %	Gini	Poverty-rate, %
0 (current system)	NA	26.51	13.03
450	41.5	25.94	12.29
500	43.5	25.50	11.98
550	45.0	25.15	11.74
600	46.5	24.79	11.39
650	48.5	24.33	11.10
700	50.0	23.96	10.91
750	52.0	23.49	10.47
800	53.5	23.11	10.21

We see that the flat tax rate is rising quite steeply when higher basic income levels are experimented. A basic income of €600 per month presumes of flat tax rate of 46.5%. At the same time the effect on income distribution is clearly equalizing: the higher the basic income, the lower the Gini-coefficient and the poverty rate are.

The research group also made many calculations regarding different household types with different incomes in order to study the income and incentive effects of various basic income models. Incentive problems can be serious in the current system if the person or the family is receiving different means-tested benefits at the same time: wage-adjusted unemployment benefit, housing benefit and also social assistance. The situation is aggravated when there are children in the family, because these benefits are also dependent of the number children. In these situations also child-care fees make the situation more complex. In some income brackets the marginal effective tax rate can be 80 – 100 percent and even more.

Experiments with basic income schemes showed that in many cases the incentive problems are easing off, but it is difficult to eliminate them totally and in some situations or models they even aggravate. In the partial basic

income models housing benefits are still needed in many cases, because the basic income cannot cover the high housing costs, especially in urban areas in Southern Finland. In general dependence on the housing benefit system creates incentive problems. In every case one advantage of basic income schemes is simplification of the system and this can alleviate at least the so called bureaucratic traps; delays, reporting obligations and falling through the social security net.

## Experiment design

Finally, on the 25<sup>th</sup> September 2016, the Ministry of Social and Health Affairs published its draft basic income experiment bill which was written during summer 2016<sup>25</sup>. In the bill on the basic income experiment the government proposes testing a partial basic income model of €560 net a month which would be paid just to Kela recipients receiving either basic unemployment allowance or labour market subsidy in November 2016. According to the bill the current progressive taxation will be applied which means that the model is relatively generous for people who find a job. In other words, it will improve work incentives substantially.

A sample of 2000 recipients will be randomised based on a nationwide randomisation which will be carried out in December 2016. The experiment's treatment group consists of persons between 25 and 58 years old living in Finland. The control group will be approximately 130 000 people. The bill's consultation period ended on the 9<sup>th</sup> September and the policy process continues normally during the autumn.

The experiment design proposed in the bill is based partly on the recommendations made by the Kela-led consortium, but its approach is not as ambitious. This can be mostly explained by time and budget constraints: building a new taxation system by the Tax Administration and a new payment platform by Kela would not have been possible until the 1<sup>st</sup> January 2017. Enabling sample size bigger than 2000 persons would have required a new payment platform.

<sup>25</sup> The Ministry's press release available in English: [http://stm.fi/artikkeli/-/asset\\_publisher/sosiaali-ja-terveysministerio-pyytaa-lausuntoja-osittaisen-perustulokokeilon-toteuttamisesta?\\_101\\_INSTANCE\\_yr7QpNmIJmSj\\_languageId=en\\_US](http://stm.fi/artikkeli/-/asset_publisher/sosiaali-ja-terveysministerio-pyytaa-lausuntoja-osittaisen-perustulokokeilon-toteuttamisesta?_101_INSTANCE_yr7QpNmIJmSj_languageId=en_US)

Severe criticism of the bill was made by many economists and politicians was fully expected. The sample size has been criticised to be too small, target group too exclusive and the model unrealistic since budget deficit would be €11 billion if this model based on the current taxation was implemented at state level.

Given the government's aim to test basic income's employment effects, the proposed model can be described "good enough", as Heikki Hiilamo, Professor of Social Policy at the University of Helsinki, described the bill. Even though the proposed model is not budget neutral, it is probable that some sort of progressive taxation would be applied in order to improve work incentives among low income households, if basic income was implemented at state level.

At the same time it is clear that this approach will not be ambitious enough to explore all important dynamics of basic income. It will shed some light on the employment effects of partial basic income, but studying not just other low income households, but also the entire working population with multiple different models would be necessary in order to understand the dynamics of basic income better. Based on the work already done, this should not be politically unfeasible.

## Conclusions

Testing a universal benefit such as basic income may sound like a simple task at first. However, the more complex the current social security system is the more complex the process will be since numerous existing laws have an influence on the process and need to be taken into account before launching an experiment. This is definitely one reason why basic income experiments may remain more popular in developing countries where the implementation process can be much simpler.

Promoting evidence-based policies and experiment culture may increase transparency and by that means even democracy if political decisions are based on scientific work more often in the future. However, this approach has its limitations too. It would be naïve to assume that social sciences, involving economics, would be free of any political connotations. As the experiments in the US and Canada in the 60s and 70s showed, the results

may also be interpreted in a manner that is not based on the actual evidence.

In order to carry out a scientifically successful experiment it is important to emphasise the need for political commitment before, during and after the process. Primarily this means guaranteeing enough time and money to plan, implement and assess the experiment, but also being aware of a demand process which requires patience and fluent cooperation between politicians, researchers, civil servants, and relevant institutions. An experiment is not “just an experiment”, but a complex policy process; at least if it is carried out in a scientifically reliable way.

Regardless of the limitations of the proposed experiment design, the Finnish basic income experiment has an opportunity to produce scientifically and politically interesting data, even though a two-year experiment cannot reveal the universal truth of the nature of basic income, no matter how ambitious the research setting is. It is a political question whether the employed approach will be extended in the future, but given the current public discussion, it seems a probable scenario.

Promoting evidence-based policies may be a new creative approach to strengthen democracy, but it shall not make politics absent. Setting agendas and defining societal targets are still political questions and this should be bear in mind when discussing evidence-based policies.



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## 5. Municipal Basic Income-related Experiments in the Netherlands

Sjir Hoeijmakers

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This short paper examines how the basic income debate has arisen in the past three years in the Netherlands, and how this has led to the municipal initiatives for experiments. It specifically goes into the political context and the various reasons for the debate and the plans for experiments to arise. Secondly, it explains how the municipal experiments relate to basic income but also how most of them are not full basic income experiments, and how this has come to be. Lastly, it discusses the current status of the Dutch experiment initiatives on the practical and political level, and what the next steps may be.

### How the experiment initiatives came to be

Over the past three years, the public debate on basic income has strongly gained momentum in the Netherlands. In the ten to fifteen years before, there was hardly any mentions of the subject in the Dutch media. However, since journalist Rutger Bregman published his immensely popular longread<sup>26</sup> at the online newspaper the Correspondent, numerous articles, interviews and public discussions have followed, including multiple influential episodes of the Dutch public tv show ‘Tegenlicht’<sup>27</sup>.

In the context of all this attention to basic income, a parallel discussion arose on starting experiments in municipalities. Many citizens, researchers, council members and aldermen were inspired by the idea of a basic income, and what it could mean as an alternative to the current Dutch basic welfare system ‘bijstand’, which is a national system that is executed at the local level. Throughout the Netherlands, these people started working out experiment initiatives, resulting in a coalition of nineteen municipalities

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<sup>26</sup> <https://decorrespondent.nl/10/waarom-we-iedereen-gratis-geld-moeten-geven/637725660-af14ba97>

<sup>27</sup> <http://www.vpro.nl/programmas/tegenlicht/lees/specials/basisinkomen.html>

officially declaring their intention to start such an experiment to the Dutch ministry of social affairs. Four of these municipalities (Utrecht, Wageningen, Tilburg and Groningen) were the first to have their plans ready, and presented those to the ministry in the fall of 2015.

The declared and underlying reasons for the experiment initiatives vary considerably across municipalities, depending e.g. on which (political) parties took the initiative. Some of the most prevalent are:

- Testing (aspects of) basic income to see whether it could be a building block in the social security system of the future, including all the different reasons why one could support basic income, spread across the political spectrum;
- Dissatisfaction with the current basic welfare system, it being too complex; too much based on control and distrust; too much relying on punishment instead of support; too stigmatizing; and it containing a significant welfare trap;
- Dealing with high unemployment as a consequence of the economic crisis
- Relevant new and old research being discussed, e.g. on the prospect of high rates of unemployment due to automation of jobs and on the Mincome experiment in Canada in the seventies.
- A trend in the Netherlands of decentralisation of power when it comes to basic social security, granting municipalities more (sense of) responsibility over this policy area
- A coalition of municipalities that exposed their initial plans, establishing mutual reinforcement and drawing the attention of even more municipalities

One of the most striking things about the Dutch experiments is exactly this variety of reasons for starting the various initiatives, and the backgrounds of the people taking those. Nearly all political parties in the Netherlands are involved in some experiment initiative, and as mentioned earlier these

initiatives were started by citizens, researchers, council members and aldermen alike.

## **The experimental plans: what they entail and how they relate to basic income**

The plans considered by the municipalities all take place in the context of the current Dutch basic welfare system ‘bijstand’. This system is intended as a ‘last resort’ for people not receiving (sufficient) income from other sources, including e.g. social insurance. Bijstand recipients receive an allowance that complements their income to approximately 900 euros for individuals and to approximately 1300 euros for a two-person household. In order to qualify for this allowance, candidates have to comply with a list of conditions, including the obligation to accept (nearly) any job when offered; the obligation to regularly apply for a job and to prove that one is doing this; obligatory participation in reintegration schemes offered by the municipality; and sometimes the obligation to participate in unpaid labour as a ‘payback’ for the allowance.

In the experimental groups the bijstand would be changed in two essential ways. Firstly, many of the conditions, most notably the obligation to actively search for a job, would be taken away. In this sense, the bijstand would be made more ‘unconditional’. Secondly, the welfare trap of the current system would be alleviated by allowing participants to keep some of the income they earn next to their allowance, instead of it being fully cancelled by a corresponding decrease in allowance size.

Apart from these two common elements, there are multiple small differences between the plans municipalities are considering. Some, for instance the municipality of Wageningen, are considering to also add a group to the experiment in which participants receive extra support and guidance, in a more ‘supportive’ and less ‘dominant’ way. Others, for instance the municipality of Eindhoven, consider randomizing the experiment on a neighborhood level, so that community effects can be taken into account. Most want to measure a wide variety of possible effects, but municipalities differ in the stress they put on groups of those, e.g. sometimes taking more of a health and wellbeing perspective and sometimes more of a financial perspective.

The experiments can be seen as testing a negative income tax scheme, and bridging two essential differences between the current Dutch basic welfare system and an unconditional basic income. They differ from a full basic income in three ways. Firstly, participants are limited to those currently on a welfare scheme. Secondly, even though the welfare trap is partly countered, participants are not allowed to keep their full allowance. This means that participants receive something that could be financially equivalent to a basic income, but may perceive their allowance differently due to a different framing of the system. And lastly, the allowance is paid out on a household basis, not on an individual one.

The reason for the above differences is largely practical in nature: municipalities do not have the authority to experiment with income taxation schemes, and with paying out allowances on an individual instead of a household basis. Moreover, there is an article in the Dutch social security law that allows for experiments as described above, and there are financial means available for welfare benefits, whereas starting a full basic income trial would require more legal work and coordination on the national level (e.g. with the national tax service).

## **Recent developments and current status**

As of the time of writing (20th of October) it is yet unsure whether and when the municipalities can and will start the experiments as described above. Municipalities have been ready to start the intended experiments since the beginning of 2016, and civil servants and researchers from different municipalities and universities have been working together to prepare practicalities as far as possible. However, there are still some difficulties on the national level.

As recently as the 30th of September, the ministry of social affairs released a document resulting from negotiations between the previously mentioned first four municipalities and the ministry. This document details the framework within which municipalities will have to fit their experiments. However, this framework contains multiple restrictions that go against much of the initial intentions of the municipalities. For instance, according to the document, municipalities will have to add an extra experimental group to the experiment that will have to comply with stronger conditions instead of fewer. Moreover, researchers from the universities of Utrecht,

Wageningen, Tilburg and Groningen have recently expressed their concerns that these restrictions make scientifically valid experiments impossible. They have expressed these concerns in an open letter to the Dutch parliament, which is currently reviewing the document and can submit comments until the end of October.

If these difficulties are overcome, the experiments could start as early as January 2017, though starting dates might differ for different municipalities. It might well be the case that, depending on the final contents of the legal document discussed above, some municipalities will decide to not go forward with the experiment whereas others will try to fit their plans in the framework provided as best they can.



## PART 2

# Basic Income and Ireland







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## 6. History and Recent Developments on Basic Income in Ireland

Seán Ward

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### Introduction

This short paper presents an overview of the history of basic income in Ireland together with recent developments. There is a particular focus on financial and economic analyses that have been carried out. An expanded account of most of these analyses is available in Ward (1998), (2006) and (2008). The paper does not attempt to summarise philosophical arguments relating to basic income, for example, Baker (1992), Healy and Reynolds (1995), Ryan (2009) and Mulligan (2012).

The paper starts with definitions of basic income and why it is of interest. The paper then summarises analyses that were carried out in the 1970s and 1980s; the 1990s and 2000s; and analyses that were carried out from 2010 to date. It concludes with a brief description of the two organisations which have been to the fore in analysing and advocating for basic income in Ireland.

### Definitions

In its simplest or purest form basic income (sometimes called ‘basic income guarantee’) is a substantial, unconditional and tax free payment from the exchequer to all citizens on an individual basis and it is financed by a flat tax on all income. It replaces tax credits and tax allowances for those in paid employment and it replaces welfare payments for those who are not in paid employment. There are many variants of basic income, including:

*Universal full basic income:* a substantial income, which is usually set at a social welfare rate. It may be topped up by conditional payments for particular groups.

*Conditional full basic income:* a substantial payment which is conditional. This conditionality can be defined in different ways. For example, it may depend on being usefully engaged, i.e. being in paid employment, having a caring role, engaging in voluntary work, attending classes, engaging in work search activity etc.

*Universal partial basic income:* a universal but less than full payment, which may be topped up by conditional payments in respect of unemployment, disability, non-market work etc.

*Conditional partial basic income:* a less than full conditional payment, which may be topped up by further conditional payments in respect of unemployment, disability, non-market work etc.

While there has been some analysis of a universal partial basic income (Ward 1994), most analysis has focused on the first of these: universal full basic income.

The administration of basic income can also vary. Thus Child Benefit (which is a basic income for children) is paid directly to the parent or guardian. However, for those in employment, a Refundable Tax Credit would be another way of administering basic income. As some employees do not earn enough to use up the full tax credit – and therefore they do not benefit from increases in the tax credit, which are implemented in the annual budget – a Refundable Tax Credit would mean that the ‘unused’ part of the tax credit would be refunded to the employee.

## Why basic income?

The motivations for considering basic income are varied (Ward, 1998). The main attractions are the following:

- Impact on the incomes of the less well-off
- Impact on autonomy/entrepreneurship and participation in the labour market
- Simplicity.

When assessing basic income or any other tax/welfare model, it is important to make explicit the principles or criteria against which any model or proposal will be assessed. According to Healy and Reynolds (1995), the following principles are relevant:

- 1 Nature and its resources are for the benefit of all
- 2 Income adequacy
- 3 Adequacy must be guaranteed
- 4 Penalty-free
- 5 Equity
- 6 Efficiency
- 7 Simplicity and transparency
- 8 Freedom.

## **Analyses carried out in the 1970s and 1980s**

Dowling (1977) developed the first basic income scheme for Ireland. Under his full basic income proposal, all citizens would receive a non-taxable cash grant, with supplements for old age, widows and employees. He envisaged the elimination of all tax expenditures, social welfare payments and employee PRSI contributions. The scheme would be financed by a tax on employee incomes of 34 per cent and by an employers' payroll tax of 9 per cent. Farmers and self-employed were also included in the tax base. Dowling's paper initiated little debate about basic income (Callender 1989).

The First Report of the Commission on Taxation (1982) contained a cursory examination of basic income which it rejected, mainly on cost grounds. Similarly, the Commission on Social Welfare (1986), quoting the Report of the Commission on Taxation, rejected basic income on cost grounds, but also because basic income might represent a detour from the priority objective, according to the Commission, of increasing social welfare rates to adequate levels.

Honohan (1987) outlined a full basic income scheme whereby each adult of working age would receive an untaxed payment equivalent to Unemployment Assistance; elderly people would receive somewhat higher payments and smaller amounts would be paid in respect of children. Unlike Dowling, he envisaged that existing tax expenditures would be retained. He concluded that a tax rate of over 65 per cent on all personal income would be required to fund this scheme and that it should be rejected.

## **Analyses carried out in the 1990s and 2000s**

Callan developed a full basic income model (Callan et al, 1994) which was very similar to that developed by Honohan. Like Honohan, he found that a tax rate in excess of 65 per cent on all personal income would be required to fund his model. In addition, he modelled the income distribution effect and reported that the outcome would not be advantageous for significant numbers of low income households. He concluded that basic income should be rejected.

Ward (1994) developed a model whereby children and the elderly would receive a full basic income, while those of working age would receive a substantial partial basic income, which would be topped up for the unemployed to the level of Unemployment Assistance. Further payments would be available to protect certain existing welfare entitlements. All tax expenditures would be abolished and a range of public expenditures, including supports for farmers, students and business, would be reduced or abolished. There would be no employer or employee PRSI and the scheme would be funded by a 50 per cent tax on all personal income. Ward reported that this model would bring benefits to many low and middle income households in terms of net income and work incentives. He cited the following advantages of this model over the current systems:

- More equity, both horizontal and vertical
- Improved incentives to recruit labour and seek work
- Greater simplicity and certainty.

Ward's proposal was developed into a full basic income proposal by Healy and Reynolds (1995) and Clarke and Healy J (1997). According to Clark and Healy (1997), their proposal ('Variant B') would involve:

- Full basic income payments to all adults and children
- Additional 'social responsibility' payments to preserve existing welfare entitlements
- Exchequer savings arising from the abolition of existing redundant income supports and administrative savings in the Department of Social Protection.

The scheme would be financed by a tax on personal income of 48 per cent and an employer payroll tax of 8 per cent.

Whatever about the attractions of a basic income system, vastly differing estimates had been put forward regarding the personal tax rate that would be required to fund a basic income system in Ireland. Estimates had ranged from 48 per cent (Clark and Healy 1997) to 65 per cent or more (Callan et al 1994). The Callan analysis had also cast doubt on the effectiveness of basic income in alleviating income poverty. If the higher estimates of the tax rate were accurate, then basic income would not be viable; if basic income could not address income poverty, then basic income might not be desirable.

The Government Green Paper on Basic Income (Department of the Taoiseach, 2002) attempted to address these issues – the required personal tax rate and the impact on income poverty. It also examined other impacts, including the impact of basic income on participation in paid employment. Underpinning the Green Paper analysis was a full basic income model with the following characteristics:

- Basic Income payments were paid unconditionally and payment amounts were aligned with social welfare rates, which they replaced
- All tax expenditures were abolished
- All farm income supports remained
- DIRT was set at 24 per cent

- Employee PRSI / levies were abolished
- A Social Responsibility Tax (replacing Employers PRSI) was set at 8 per cent; this money was used to provide ‘top up’ payments to certain low income individuals.

The Department of Finance estimate of the tax rate required to finance the proposal was 48 per cent on personal income together with an employer payroll tax of 8 per cent.

Under the aegis of the Green Paper, a distributional analysis was carried out using micro data (Callan et al. 2000b). Both the existing tax/welfare system and basic income were allocated similar resources for distribution. With regard to income poverty, the analysis showed that:

- 70 per cent of households in the bottom four deciles would gain from basic income, while 16 per cent would lose out
- Half of the individuals who would be below the 40 per cent poverty line under the conventional system would be brought over this poverty line by basic income.

Counterbalancing these gains, basic income would bring about many “losers” compared with the current system: this arises inevitably from the equality of resources for both systems referred to above. Thus, only 15 per cent of individuals in the top four deciles would gain under basic income; whereas 84 per cent would lose compared with the current system.

Two definitive results emerged from the Green Paper analysis:

- The earlier, very high, estimates of the personal tax rate required to finance basic income are no longer applicable
- Basic income can be effective in addressing income poverty.

The Green Paper analysed the likely impact of basic income on participation in paid employment. The Green Paper acknowledged that analysis of the issue is necessarily tentative and this has remained a contested area.

Typically, two statistics are employed in discussing the implications for labour supply, the Replacement Rate and the Marginal Tax Rate. The Replacement Rate (RR) is calculated as ‘out of work family income’ divided by ‘in work family disposable income’. The RR statistic is relevant for those facing the choice between low paid employment and no work: the lower the value of RR, the greater the incentive to take up paid employment. Under basic income, the RR is lower for those out of work and for many in work on low wages; the main reason for this is that basic income is not withdrawn on taking up paid employment (Department of the Taoiseach, 2002). This means that basic income would increase the incentive for these people to participate in paid employment.

However, the availability of basic income to those who are not in paid employment also means that for many other people their RR rises; for example, according to the Green Paper, the percentage of women engaged on home duties facing an RR of more than 70 per cent would increase from 36 per cent to almost 50 per cent. It was argued that the reduction in RR (consequent on basic income) for those out of work and those on low pay is the relevant statistic and that RR is largely irrelevant for those on higher wages as they are generally not facing a choice between paid work and no-work (Clark, 2002). With regard to the rise in RR, consequent on basic income, for many women on home duties, it was argued that this diminution in the incentive to take up paid employment could lead to a reduction in participation in the paid workforce by this group (Callan et al, 2000b). On the other hand, it was argued that:

“Those in home duties have chosen to carry out these important and necessary activities, and thus have chosen not to be in the labour force as conceived by economists. Clearly, the only reason to calculate the replacement ratio of adults in home duties is to figure out what price signals would force these persons into paid employment. Here a basic income is clearly contrary to this view, as it gives adults in home duties the financial support to make a decision on how they will contribute to society based on what they feel is best for their families, and not forcing them into taking up a low-paying job because of economic need” (Clark, 2002).



Another statistic, which is relevant for the supply of labour (the number of hours worked) is the Marginal Tax Rate (MTR). According to the Green Paper:

“The main impact of a change to a basic income scheme was found to be on taxpayers with marginal tax rates less than 30% under the conventional system, whose marginal tax rates would rise to 50%, or more in certain circumstances, under a basic income system. This increase could apply to 57% of taxpayers. Changes in marginal tax rates can affect decisions regarding hours of work, decisions to work overtime, to take on extra hours or to opt for part time work. It should be noted that in a basic income system each person receives a tax-free payment from the State. This means that their average tax rate could, and in many cases would, be lower while their marginal tax rate would be higher.”

It was also argued that tax rates and benefit levels have very limited impact on adult males and single females and that, in general, income effects overwhelm the substitution of leisure for income in these situations. However, it was agreed that an increase in the marginal tax rate could influence the number of hours worked by married females (Clark, 2002).

Arising from the divergent arguments about Replacement Rates and Marginal Tax Rates, the Green Paper set out two alternative ‘forecasts’ of the effect of basic income on labour supply. According to one view, married women would be less active in the labour force and this would be the main channel for a forecast fall in labour supply. According to another view, by enabling greater flexibility for individuals who are freer to make choices that suit their personal circumstances, basic income could reduce the supply of labour for full time work patterns, but still would result in an overall increase of labour supply in a more flexible market (Department of the Taoiseach, 2002).

## **Analyses carried out from 2010 to date**

Social Justice Ireland published a study entitled *Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits* (Social Justice Ireland 2010). A refundable tax credit is one where, in the event that the income of an individual is insufficient to use up all of his or her tax credits (Personal Tax Credit, PAYE Tax Credit), the remaining credit is paid to the individual

by means of a cash transfer. As noted previously, a refundable tax credit can be a mechanism for implementing a basic income.

It is worth noting that the proposal examined in the study was not a full and universal basic income. Rather it can be considered as a conditional and partial basic income, in that it was targeted at those over 23 years of age in employment for at least 40 weeks in the year and on low earnings.

The study found that some 113,000 low income workers would benefit from the proposal and that the exchequer cost of the proposal would be €140m per annum.

Social Justice Ireland presented a paper *Basic Income – Why and How in Difficult Times: Financing a BI in Ireland* to the Bien International Congress in 2012 (Healy et al. 2012). The context for the paper was the economic crisis in the EU and the “series of decisions which have been made that have seriously damaged Ireland’s most vulnerable people, that place a disproportionate burden on their shoulders and seriously damage the social infrastructure on which they depend” (ibid.). The paper presented ten reasons for introducing a basic income:

- It is work and employment friendly
- It eliminates poverty traps and unemployment traps
- It promotes equity and ensures that everyone receives at least the poverty level of income
- It spreads the burden of taxation more equitably
- It treats men and women equally
- It is simple and transparent
- It is efficient in labour-market terms
- It rewards types of work in the social economy that the market economy often ignores, e.g. home duties, caring, etc.
- It facilitates further education and training in the labour force
- It faces up to the changes in the global economy.

The paper updated the Government Green Paper (Department of the Taoiseach 2002) estimate of the basic income payments and other payments that would be required in 2012 and the costs and savings that would arise. It concluded that the net cost of basic income could be met by:

- A Social Responsibility Tax, payable by employers to replace Employers PRSI, of 8 per cent of payroll
- A tax rate (replacing income tax, PRSI and Universal Social Charge) of 45 per cent on all personal income.

It concluded that:

“A basic income system is an essential component for Ireland if it is to move towards a sustainable future and a social model that values and includes the well-being of all members of society and respects and protects the common good and common resources for future generations. Basic income is affordable, feasible and politically viable in Ireland today. It is an essential component of any sustainable, equitable and inclusive future for present and future generations in Ireland. It is clear, simple, transparent and easy to administer unlike the current tax and welfare system.”

In 2013, Social Justice Ireland published *A Universal Pension for Ireland* (Larragy 2013). This proposal was, in effect, a full and universal basic income for those aged 65 years and over, based on residency. The proposal would:

- Replace the existing State Contributory and Non-Contributory Pension
- Provide everyone of pension age with a weekly pension of €230.30 (i.e., the equivalent of the current State Contributory Pension), rising gradually over time
- If they have been resident in Ireland for 40 years, from age 16 to pensionable age, they would receive the full Universal Pension
- If they have less than 40 years’ residency, they would receive as their Universal Pension the more favourable of the following:

- A residency-related pension (2.5 per cent of the full Universal Pension per year of residence)
- Their current pension amount.

The study reported that, despite generous tax reliefs, only half of the workforce was covered by a private pension scheme. In addition, the current state pension constituted the main source of income for over 80 per cent of those aged 65 and over in 2011. In that year, the State Pension and associated transfer payments accounted for 88.6 per cent of the first quintile's retirement income, 95.1 per cent of the second quintile's, 88.3 per cent of the third quintile's, and 63 per cent of the fourth quintile's retirement income. Only the highest earning 20 per cent of pensioners did not rely on the state pension for a majority of their retirement income. Even then, the state pension constituted the single largest source of income for the top quintile.

Given the ineffectiveness of generous tax reliefs in promoting pension coverage and the modest role of private pensions in supporting pensioners' incomes, the Report recommended that the marginal rate of tax relief on private pension contributions should be reduced to the standard rate of 20% and this measure should also apply to the Public Service Pension Related Deduction (or 'pension levy'). This would be a strongly progressive change, as nearly 82% of the additional benefit flowing from tax relief at 41% instead of 20% went to the top 20% of earners, with 56% accruing to the top 10% of earners. The standard-rating of pension contributions together with some further restriction on the extent of tax relief claimed would more than fund the Universal Pension proposal in the current year and for every year up to 2046. According to the Report, the proposal would have many benefits as it would:

- Provide older citizens, regardless of their previous social insurance contribution record or means, a guaranteed income during old age
- Provide those older people who do not receive any support through the State pension system with a pension, thus achieving universal coverage
- Provide a secure and certain framework around which citizens can plan for their retirement

- Over time it would distribute income from the wealthiest in society to the poorest, creating a more egalitarian society, and
- Ensure the long-term sustainability of the State pension system.

## Organisations which have analysed and promoted basic income

Two organisations have been to the fore in analysing and advocating for basic income in Ireland: *Social Justice Ireland* (and prior to 2009 *CORI Justice*) and *Basic Income Ireland*.

*Social Justice Ireland* ([www.socialjustice.ie/](http://www.socialjustice.ie/)) has been the source of most of the analyses of basic income in Ireland over the last 20+ years. In its annual publications, *Socio-Economic Review* and *Budget Choices*, the organisation has consistently argued that basic income represents a better option than the current system. It co-hosted the international Bien Congress in Dublin in 2008. Basic income has featured prominently in several of its annual Social Policy conferences.

*Basic Income Ireland* ([www.basicincomeireland.com/](http://www.basicincomeireland.com/)) has been in existence since the 1990s and is one of Bien's (Basic Income Earth Network) oldest national affiliates. It co-hosted, with *Social Justice Ireland*, the international Bien Congress in Dublin in 2008. From 2011, it has become much more active in hosting public meetings, writing papers and articles, leafleting and engaging with the media. It hosts an annual Summer Forum on basic income featuring Irish and international speakers.

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# 7. Pathways to a Basic Income System

Michelle Murphy

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## Introduction

The purpose of this paper is to examine possible pathways to implement a basic income system and to explore the option most suited to the Irish context. Issues concerning affordability, feasibility and the case for a basic income are addressed elsewhere in this publication<sup>28</sup>.

## Section 1: Pathways towards a basic income system

The implementation of a basic income system and the pathways required to do so have been a topic of consideration for three decades. The fundamental difference between the pathways examined in this paper is one of timing. Some advocates propose an approach that would see the immediate implementation of a full basic income system once the required elements are in place. Others propose an approach that would take place over a particular time period. This time period can vary from three years (Clark and Healy, 1997) to twenty years (Fitzpatrick, 1999) to fifty years (Torry, 2015) depending on the pathway proposed.

This paper will examine five different pathways to implement a basic income system:

1. All-at-once approach
2. By groups approach
3. One step at a time approach
4. Partial basic income approach
5. Gradual approach

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<sup>28</sup> See in particular chapters 2, 3 and 9 – Torry, Painter, Murphy and Ward.

## All-at-once approach

A number of proposals regarding the ‘all-at-once’ implementation of a basic income system exist. In 1997 a study was commissioned to examine pathways to a Basic Income in Ireland (Clark and Healy). Among the options considered by the study is an ‘all-at-once’ approach. Clark and Healy described this approach as involving the complete removal of the current system and the implementation of a full Basic Income at the same time. It would see the complete elimination of the current income tax and social welfare system, to be replaced by a basic income system. On the last day of the tax year, taxes and benefits would be collected and paid through the existing system. Then during the first week of the new tax year, taxes would be collected and Basic Income payments would be made according to the basic income system.

The advantages of this approach are that it quickly eliminates the present tax and social welfare system and it quickly realises the benefits of basic income. It would prevent confusion arising from parts of the social welfare system being universal and parts still being means tested. The disadvantage is that the change required might be too drastic for some who would need to become gradually accustomed to receiving basic income payments. The ‘all-at-once’ option would require significant planning and system testing to ensure the transition to a basic income system does not cause disruption and does not have unintended consequences. A clear public education and information strategy over the months leading up to the change to a full basic income system would be necessary.

Torry (2014, 2015) has also considered the ‘all-at-once’ approach in the UK context. Torry’s approach would see a small citizen’s income<sup>29</sup> for every citizen of the UK, regardless of age. The proposed citizen’s income would be comprised of a citizen’s pension for people aged 65 and over, a citizen’s income for adults of working age (which would replace the personal tax allowance), a young adults citizen’s income for those aged 16-24 and a child’s citizen’s income. He notes that a scheme that simply adjusts tax rates and thresholds and recalculated means-tested benefits would require less legislative and regulatory work (Torry, 2016).

<sup>29</sup> A Citizen’s Income as an unconditional, nonwithdrawable income for every individual as a right of citizenship. It is sometimes called a Basic Income or a Universal Basic Income <http://citizensincome.org/citizens-income/what-is-it/>

Stevens and Simpson (2016) make a similar proposal in which they outline how a universal guaranteed basic income can be delivered to all age groups in Canada. A basic income can be provided to adults aged 18 and over via a refundable tax credit whilst other age groups will be covered by already existing guaranteed income schemes for seniors, child benefit programmes and child tax benefit. They propose that the basic income replace certain existing non-refundable tax credit programmes.

## The ‘by groups’ approach<sup>30</sup>

The ‘by groups’ approach would involve the introduction of Basic Income payments to certain groups in society, one after the other. There are several ways of implementing a ‘by groups’ basic income system. A ‘by groups’ basic income system could be progressed over a four year period by introducing a basic income for different groups in each of the four years. Clark and Healy (1997) suggested that in year one, a partial basic income for adults aged 21-64 be introduced. In year two, most of the children’s basic income would be introduced. In year three, a full basic income payment for older people would be introduced. In year four, the outstanding parts of the children’s and adult’s payments would be introduced. In order to implement a basic income system of this design in Ireland today the working age and older person’s basic income payment would have to be adjusted according to the new retirement ages and a fifth element would be required for young people aged 18 to 21.

The advantage of the ‘by group’ approach is that the level of change is not as dramatic as in the ‘all-at-once’ approach. The disadvantages of this approach are that there are winners and losers, as some groups go first and other groups have to wait a number of years. This could cause resentment between lifecycle groups as some go without a basic income but face increased tax rates for a number of years (Clark and Healy, 1997).

Torry is generally in favour of the ‘all-at-once’ approach. However he notes that if it were advisable to make the transition to a basic income more slowly, one option would be to introduce a basic income one group at a time<sup>31</sup>. He takes a slightly different angle as he notes that introduction by group might

<sup>30</sup> Also known as the demographic approach

<sup>31</sup> See Ch 2 for further expansion on this issue

make a basic income more politically feasible. According to Torry the ‘by group’ approach could help to shift public opinion, especially if the pathway begins with those groups thought to be more ‘deserving’ such as children, and elderly people followed by other groups in the lifecycle. He notes that a behavioural feasibility test successfully passed after implementation for one particular group could generate the psychological feasibility for the next<sup>32</sup>. One of the disadvantages of this approach is that those groups that might benefit from a basic income the most could be among the last to receive it as they are not considered ‘deserving’ enough from a political perspective. Painter and Thoungh (2015) also considered the demographic approach but found that one of the groups that could lose out in such an approach in the UK context is low income lone parents. They propose a transitional measure for this particular group in order to address this problem.

## **‘One step at a time’ method**

Torry has also explored a ‘one step at a time’ method to implement a basic income system. This method has the advantage of allowing space to test new approaches without causing too much disruption for household budgets or tax or benefit administration systems. The disadvantage is the underlying issue of a benefits system not fit for purpose for today’s society is not resolved (Torry, 2015 p.8). This approach is designed as a first step towards a full basic income system. Torry’s proposal is concerned with children and young people. He proposes that child benefit be turned into the child’s citizen’s income and that a young adult’s citizen’s income for young people aged 16-18 be established. The payment for young adults is then retained through adulthood. At the same time a citizen’s income for older people would be introduced by turning the Single Tier Pension into a universal citizen’s pension. Torry estimates that this ‘one step at a time’ approach could deliver a full citizen’s income system in fifty years depending on the method adopted<sup>33</sup>. The main advantage of this approach is the gradual nature of the change. However the disadvantage of this approach is that not everyone benefits from it.

<sup>32</sup> See chapter 2 of this publication

<sup>33</sup> The introduction of an unconditional pre-retirement payment for everyone over 55 would shorten the timeframe by thirteen years.

Fitzpatrick (1999) also proposed a ‘one step at a time’ method which would see a full basic income system being implemented over a twenty year period. His reasoning for this approach is that it would make a full basic income system more politically acceptable. He argues that a long-term process of five year increments would allow the time to deliver necessary change in tax and benefit systems and embed a basic income system into social policy. He identified five stages of implementation (i) revised social insurance (ii) social insurance plus transitional basic income (iii) participation income (iv) partial basic income, and, (iv) full basic income. His argument is that the introduction of a full basic income ‘all-at-once’ would most likely be unacceptable in political discourse. A long-term approach would allow time for a basic income to garner political and social support and for voters to be persuaded of the value of basic income.

## **Partial basic income**

A variation on the ‘one step at a time’ approach is the partial basic income pathway. This option involves giving a (usually modest) partial basic income to some or all citizens over a period of time which would gradually expand and increase over time until a full basic income system is developed. Groot (1999) argues that this is the most appropriate method to transition to an unconditional basic income in the long term as the ‘all-at-once’ approach would be too disruptive and seen as politically unacceptable. The disadvantage of this method is that the welfare system is a mix of conditional and unconditional regimes for an extended period of time, with the challenge of how a partial basic income would interact with conditional welfare benefits and payments. Skidelsky (2015) proposes giving all citizens an unconditional tax credit as a partial basic income which could be built up gradually as rewards from work fall. In a 2016 study considering possible universal basic income simulations, Reed and Lansley come to the conclusion that a modified partial basic income, paid at a lower rate and retaining existing means-tested benefits would be viable, although it would keep some of the complexities of the existing benefits system. They propose that such a partial basic income could be introduced either by demographic group or by introducing modest, partial basic income payments which would be increased over time. Consideration of a basic income for people of working age is discussed in chapter 8 of this publication.

## Gradual approach

The gradual approach to implementing a basic income system involves dismantling the current system while simultaneously building up the basic income system. This approach would establish the basic income system separately from the current tax and welfare systems. It would see the gradual phasing in of the basic income system while the current tax and welfare systems are phased out. This would be done over whatever specific time period is chosen. The advantage of the gradual approach is that the challenge of reforming the current complex tax and welfare systems in order to move to a basic income system is overcome. The basic income system is established separately from the current tax and social welfare system. The gradual approach is equitable in that it distributes the costs and gains of the basic income system equally. It also avoids the disruption of the ‘all-at-once’ approach and the possible resentment between lifecycle groups of the ‘by group’ approach. Clark and Healy (1997) proposed implementing the gradual approach over a three year period. The basic income system would be introduced by one third in year one, two thirds in year two and full implementation in year three. The reverse happens for the tax and welfare systems which are reduced by one third in year one, by two thirds in year two and is eliminated in year three. Research (Clark, 1999) establishing the financing of implementing a three year gradual approach<sup>34</sup> (including a detailed payment schedule) for Ireland was commissioned by the Irish Government for the Green Paper on Basic Income published in 2002.

Painter and Thoung (2015) proposed that a small basic income be implemented gradually following the model used by the UK government for the Single Tier Pension introduced in April 2016. They proposed that the Single Tier Pension process could be used to establish a minimum income guarantee for all qualifying individuals set at the level of their proposed basic income. The authors suggest that this could be gradually introduced over a five to ten year timeframe during which time the basic income replaces personal allowances, benefits and credits. The authors note that the advantage of this method is that it allows on-going evaluation as the transition takes place. Torry also considers a gradual approach as a method of ensuring a smooth implementation of a basic income system. His proposal would be to introduce a smaller basic income (compared with his

<sup>34</sup> <http://www.taoiseach.gov.ie/upload/report.htm>

other proposals) for all and gradually increase it whilst simultaneously reducing benefits and in work credits. The advantage of this is that it would allow for gradual adjustment by the labour market, and ongoing evaluation of the transition to a basic income system.

## **Section 2: A proposal for a basic income system in Ireland**

This section will outline a proposed structure to implement a basic income system in Ireland. This proposal could be implemented over a five year period i.e. one Dáil term (a government term of office). A gradual approach over five years would be most appropriate in the Irish context given the complexity of the Irish tax system and the social welfare system and the reforms required to implement a basic income system. A five year timeframe would also allow sufficient time to ensure that the basic income system is developed appropriately and that any anomalies within the current tax and social welfare systems and their interaction are addressed.

### **Delivering a structure to support a basic income system**

In order to deliver a structure that will support a basic income system in Ireland, two key reforms are required; one reform in the tax system and one reform in the social welfare system. By implementing these reforms the current tax and social welfare systems in Ireland would contain the necessary elements to provide a structure for a basic income system.

The two proposed reforms required to adjust the current tax and social welfare systems to support a basic income structure are:

- (i) Make the State Contributory Pension a universal payment for all adults aged 66 years and above.
- (ii) Make tax credits refundable\*.

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\* details of these reforms were proposed by Healy/Reynolds in their paper at the Bien Congress in Barcelona (2004)



Details of both reforms are outlined below. These reforms could be implemented consecutively, and once implemented Ireland's tax and social welfare system would be structured in a way that would support the gradual introduction of a basic income system.

### ***Transforming the State Contributory Pension into a Universal Pension***

The social welfare system currently provides three 'lifecycle' payments; a universal child benefit, an unemployment benefit for people of working age who are not in employment<sup>35</sup> and a State Contributory Pension. The State Contributory Pension is not universal and can be regarded as taxable income. These are not the only payments within the social welfare system, (there are other supplementary payments), however these are the three payments that cover the life cycle and thus are of interest in terms of designing a basic income system.

- The State Contributory Pension is paid only to people from the age of 66 who have sufficient Irish social insurance contributions. The conditions and thresholds are very complex and there are many people who do not qualify for the State Contributory Pension under this provision.
- If a person does not qualify for a State Contributory Pension they may be entitled to the State Pension (non-contributory) which is a means tested payment. However not everyone is entitled to this payment.
- Due to historical reasons there are approximately 46,000 women who do not have an entitlement to a State Pension.

A universal pension (as proposed by *Social Justice Ireland*) is a universal flat-rate entitlement paid as a matter of right to all residents over a defined qualifying age regardless of previous contributions or income. The final amount of the Universal Pension would depend on years of residency in Ireland. The Universal Pension would replace the State Pension (Contributory) and the State Pension (Non-Contributory) and act as Ireland's first tier pension. The objective of the universal pension is to provide an adequate and sustainable post-retirement income for all citizens and residents of Ireland. Ireland could have a universal pension for every person aged over

<sup>35</sup> The weekly jobseekers allowance rate for adults aged 25-65 is €193, the rate for jobseekers aged 18-24 is €102.70, and the rate for jobseekers aged 24-25 is €147.80.

66 by simply standard rating the current tax-break for private pensions. This reform could be implemented in one year. Government would set a specific date to switch all those currently receiving a payment from the state over 66 to the Universal Pension. Prior to this date the necessary administrative changes should be implemented and the Budget should give effect to the tax and spending changes required<sup>36</sup> (Social Justice Ireland, 2013).

By making the State Contributory Pension a Universal Pension, all adults aged 66 and over would be guaranteed this minimum level of income. It would also address one of the technical challenges of implementing a basic income system. Torry (2013) also argues that the proposed Single Tier State Pension in the UK be turned into a Citizen's Pension for everyone which is not means tested as a step on the road towards a basic income system.

### ***Introducing refundable tax credits***

Ireland introduced a tax credit system in 2001. In practice this means that a person's tax is calculated from the first cent they earn, the tax credit is subtracted from this and the balance is the actual tax bill that they pay (gross tax, less tax credits = tax payable). The value of tax credits is that people at all income levels could benefit to the same extent from tax credits. One problem persists however. One group does not benefit as much as others from the tax credit system. This group is made up of low income employees who do not have a high enough tax bill to benefit from the full value of the tax credit. To rectify this problem, a person could receive a payment from the government equivalent to the portion of the tax credit that they have lost – a refund from the state. This is known as a refundable tax credit system or a negative income tax system. If tax credits were refundable then all those employed would be entitled to this minimum level of income.

A summary of the main findings of *Social Justice Ireland's* refundable tax credit proposal<sup>37</sup> are outlined below. The study found that making tax credits refundable:

- Would address the problem identified already in a straightforward and cost-effective manner.

<sup>36</sup> Full details of this proposal are outlined in *A Universal Pension for Ireland* available at <https://www.socialjustice.ie/content/publications/universal-pension-ireland-2013>

<sup>37</sup> Full details of this proposal are available at <https://www.socialjustice.ie/content/publications/building-fairer-tax-system-working-poor-and-cost-refundable-tax-credits-2010>

- Would involve no administrative cost to the employer.
- Would incentivise employment over welfare as it would widen the gap between pay and welfare rates.
- Would be more appropriate for a 21st century system of tax and welfare.
- Almost 113,300 low income individuals would receive a refund and would see their disposable income increase as a result of the proposal.
- Almost 40 per cent of refunds flow to people in low-income working poor households who live below the poverty line.

The major advantage of making tax credits refundable lies in addressing the disincentives currently associated with low-paid employment. The main beneficiaries of refundable tax credits would be low-paid employees (full-time and part-time). The benefits from introducing this policy would go directly to those on the lowest incomes.

## **A basic income system for Ireland**

In practice, if the State Contributory Pension was turned into a universal pension and if tax credits were made refundable then Ireland would have a structure that would support the implementation of a basic income system. The tax and social welfare systems would contain a universal entitlement for all stages of the lifecycle and every person in society. Older people would be entitled to the universal pension, children would be entitled to Child Benefit, and adults of working age would be entitled to a refundable tax credit or a social welfare payment. The level of these payments, of course, would vary. However developing a structure that would support a universal entitlement for all stages of the life cycle through the tax and social welfare systems would allow for the transition to a basic income system.

A basic income system in Ireland could be introduced over five years (i.e. a Government term of office) if it were implemented as follows:

### *Year 1:*

- Introduce a universal pension for all citizens aged 66 as over, making that necessary administration, taxation and expenditure changes.

- Begin work on establishing the basic income system separately from the present tax and welfare systems.
- Ensure that any anomalies in the existing tax and welfare systems that might generate unintended consequences in the basic income system are addressed and rectified in a timely manner.
- Develop a comprehensive communications strategy and ensure all the necessary administrative adjustments and upgrades are made.

*Year 2:*

- Introduce Refundable Tax Credits for all employees so that every employee is entitled to this minimum level of income.
- Continue work on establishing the basic income system separately from the current tax and welfare systems to ensure a smooth transition.
- Continue to upgrade the administrative systems and the roll out of the comprehensive communications strategy.

*Year 3:*

- Introduce one third of the basic income system.
- Remove one third of the tax and social welfare systems.
- Maintain the remaining two thirds of the tax and social welfare systems.

*Year 4:*

- Introduce two thirds of the basic income system.
- Remove two thirds of the tax and social welfare systems.
- Maintain the final one third of tax and welfare systems.

*Year 5:*

- Introduce the remaining one third of the basic income system to deliver a full basic income system.
- Eliminate the remaining one third of the old tax and social welfare systems.

The value of a gradual five year approach as proposed is that the necessary changes to the tax and social welfare systems are made so that they contain the necessary elements for a basic income system. This would deliver a smooth transition to a basic income system. In year one and year two people aged 66 and over and adults in employment gain the benefits of these reforms, and in years three to five everyone gets the initial benefits of the basic income payments in a gradual manner.

## **Conclusion**

This paper describes a number of pathways towards delivering a basic income system. These are not the only pathways available, however in the opinion of the author they are the pathways most relevant to the tax and social welfare systems which exist in Ireland at present. This paper also makes a proposal on how to structure a pathway for the introduction of a basic income system in Ireland over a single Government term of office (i.e. a five year period). More research into pathways for a basic income system is required as further financing and feasibility proposals are developed. The case must be made not only for the affordability and feasibility of a basic income, but also that the transition to a basic income system can be smooth, gradual and operable. This means arguing the case for the structure of a basic income system and demonstrating how this can be developed by reforming and adjusting the existing tax and social welfare systems and making the necessary changes to develop a basic income system.

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## 8. Basic Income and Transformative Strategies

Michael Taft

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This paper proposes that Basic Income is best placed alongside similarly transformative strategies. Basic Income on its own may be unable to achieve its objectives – not only for reasons of costs, but because it is ideologically contested. However, by integrating it into other strategies, Basic Income can be realised and play an unequivocal role in progressive politics.

### 1. Basic Income: Overcoming the Limitations

Proponents argue that an unconditional Basic Income (BI) constitutes a profound reform of the welfare state and an extension of real freedom for people to choose what they do with their own time. This is done by breaking the link between work and income.



BI has the potential to remove layers of bureaucracy, notably means-testing, and allows people to pursue activities that are not regarded as part of the social contract but which are crucial to social reproduction; notably, working in the home and care working. Though critics maintain that a BI would induce idleness (the weakest of criticisms) the few experiments in BI show largely the opposite. BI can increase entrepreneurship, a return to education, caring work, etc.<sup>38</sup> That BI can also provide leverage to low-skilled and low-paid workers who wouldn't be forced to take the most alienating and exploitative of jobs simply to survive shows that it is capable of becoming a wage-bargaining tool.

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<sup>38</sup> A journalistic survey can be found here. Basic Income – International Experience, American Herald Tribune: <http://ahtribune.com/economy/942-basic-income-part-ii.html>

Further, BI can be viewed as an extension of the trade unionist and Left tradition of de-commodification strategies. According to Esping-Andersen:<sup>39</sup>

*‘... the extension of rights beyond the narrow terrain of absolute need ... the upgrading of benefits ... that permit employees to be paid while pursuing activities other than working, be they child-rearing, family responsibilities, re-education, organizational activities, or even leisure. Such programs are, in spirit, truly decommodifying.’*

Many proponents of BI would agree – and maintain an unconditional payment would maximise the decommodifying potential. However, this perspective is not universally shared among supporters of BI, many of whom see the unconditional payment being premised on the abolition or considerable down-sizing of the welfare state. This would require people to engage in market-relations for what has traditionally been part of public markets; individual consumption – albeit, boosted by BI – would replace or partially replace collective consumption.

There are other concerns. Panitch<sup>40</sup> argues that it is debatable whether a BI could be set at a high enough level to satisfy basic needs and, so, provide real freedom. We can see this from a brief calculation from the Vincentian Partnership’s Minimum Income Standard Calculator. This shows that an income capable of fulfilling basic needs would need to be set at between €219 and €253 per week.<sup>41</sup> However, this does not include housing costs which would drive these figures much higher. A BI set at a lower level would not achieve the freedom it seeks but would still leave people having to resort to the labour market to fund basic needs, never mind needs and wants above that basic level.

There may well be a strong political objection to giving money for people to do nothing; or to higher income groups who don’t need it. Never mind that we already ‘give’ money to both sets, in many cases through tax expenditures. We provide a cash benefit to recipients of unearned income through the operation of thresholds under inheritance and gift taxes. We

<sup>39</sup> The Three Worlds of Welfare Capitalism, Gosta Esping-Andersen: <http://isites.harvard.edu/fs/docs/icb.topic1134169.files/Readings%20on%20Social%20Democracy/Esping%20Anderson%20-%20The%20Three%20Worlds%20of%20Welfare%20Capitalism.pdf>

<sup>40</sup> Vida Panitch, Basic income, decommodification and the welfare state: <http://carleton.ca/philosophy/wp-content/uploads/PSC-proofs1.pdf>

<sup>41</sup> Minimum Income Standard Calculator: <http://www.misc.ie/home>

provide a cash benefit to high income earners through personal tax credits along with a range of secondary reliefs (e.g. private health insurance, pension contributions, etc.). Nearly 12 percent of the income of the 10 percent households in the state comes via social transfers.<sup>42</sup>

Nonetheless, the political objection (and the manipulation of this argument by opponents of not only BI but general critics of social protection) could be a persistent obstacle to the introduction of BI. We could see a debate mired on these issues for years with little progress.

Another argument that could be problematic is the use of BI as a defence mechanism against both the dynamic of new forms of employment but the onward march of automation and the digital revolution that could result in considerable job losses among medium-skilled occupations. However, this defence mechanism could end up entrenching or merely shifting inequality. Henning Meyer argues:

*‘If the point of departure is that many jobs might no longer be available so you are not free to choose to work a few hours on top, you are in trouble. In this case a lot of people would be stuck on whatever the basic income level is and the rest, the ones who can still work and benefit disproportionately from productivity gains, would run off with the spoils. As social inequality is relative and not absolute, a UBI would only shift the level rather than help to eradicate inequality.’<sup>43</sup>*

All of the above might be moot in any event, at least for the foreseeable future. The cost of implementing a full BI – at a level that satisfies basic needs – could be so overwhelming and drive up taxation rates so high that it would find little traction in a debate that is dominated by other issues. Housing, health services, education, economic infrastructure; these and more have vital calls on limited resources. BI might seem a luxury when set against these pressing social needs. A recent attempt to model the cost of implementing a full BI in the UK by Howard Reed and Stewart Lansley<sup>44</sup>

<sup>42</sup> CSO Survey of Income and Living Conditions: <http://www.cso.ie/en/releasesandpublications/er/silc/surveyonincomeandlivingconditions2014/>

<sup>43</sup> Henning Meyer, Basic Income Won't Solve Technological Unemployment, Social Europe Journal: <https://www.socialeurope.eu/2016/02/why-a-basic-income-wont-solve-technological-unemployment-but-a-job-guarantee-might/>

<sup>44</sup> Howard Reed and Stewart Lansley, Universal Basic Income: An Idea Whose Time has Come?: <http://www.compassonline.org.uk/wp-content/uploads/2016/05/UniversalBasicIncomeByCompass-Spreads.pdf>

found that the costs would be prohibitive while there would still be substantial ‘losers’ in the bottom two deciles. Similar attempts in Ireland show similar high costs.<sup>45</sup> On this ground alone, BI could be dismissed.

This would be unfortunate for whatever the many obstacles and legitimate objections, BI holds out the promise of at least addressing an inadequate social protection system and intrusive means-testing programmes that create unemployment and income traps with a more accessible universal payment; something that is in keeping with a social democratic model.

Therefore, it might be helpful to step away from the strategic idea that BI must do the heavy-lifting. If we do this, we can see BI as a complement to other strategies which seek similar goals – the provision of greater freedom, social security, a more efficient social protection regime and the ongoing de-commodification of men and women. I will focus on two complementary strategies and return to a BI model that, while falling short of a full payment, can overcome many of the objections listed above; in particular, the issue of cost.

## Strategy 1: The 30-Hour Work Week

One of the first demands of the emerging trade union movement was to limit the working week. In 1866 the International Workingmen’s Association called for a 40 hour work week – a radical demand at a time of 60 hour working weeks. It took well into the 20th century before this was implemented in the industrialised countries.

The argument for the 40 hour work week was premised on the idea that people had a right to a free weekend, to have more freedom and autonomy over their lives. It was also based on the idea that productivity gains should be taken by workers through reduced working time rather than pay increases (what was the point of pay increases if, working 60 hours per week, you had little opportunity to spend it). Reduced working time and pay increases were not mutually exclusive but at certain times and in many sectors, reduced working time was prioritised.

<sup>45</sup> Dr.Michael Collins found that a BI set at the official poverty line (€228 weekly in 2011) would cost over €10 billion to implement after eliminating social protection payments, tax credits and allowances (including pension tax breaks) and administration: [http://www.nerinstitute.net/download/pdf/towards\\_a\\_bi\\_tasc\\_sep\\_2011\\_final.pdf](http://www.nerinstitute.net/download/pdf/towards_a_bi_tasc_sep_2011_final.pdf)

Reduction of working time – to 30 hours per week – is starting to emerge as an issue in the workplace. Workplace stress, commuting times, reduced per unit productivity in extended working hours, work/life balance have all contributed to policy maker, stakeholders and workers taking a new look at what is an age-old demand.

Proponents of reduced working time claim a number of benefits that go beyond the workplace. It is claimed it could help reduce carbon consumption through working lives less dependent on convenience-led consumption; foster the potential for greater gender equality – in particular, through greater sharing of caring duties; and promote a greater sharing of work hours in the economy, leading to lower unemployment and under-employment levels.

Reduction of the working week, however, would be economically challenging. In a stylised firm of 50 employees working a full-time week (39 hours), reduction of the working week to 30 hours would require the firm to increase employment by 30 percent to maintain the same level of output. Even if the firm could capture some of the productivity gains from a reduced working week, the employment increase would be significant. Firms in capital-dense sectors – where wages and working conditions are generally higher – would be less impacted but firms in labour-dense sectors would struggle with wage suppression and costs passed on to consumers becoming prevalent. For the public sector, costs would either be passed on to the taxpayer or result in reduced expenditure in other area (opportunity costs).

What this shows is that a move to a reduced working week is not realisable in the short-term. Experiments are being conducted in private and public workplaces throughout Europe – notably in the Scandinavian countries and the UK.<sup>46</sup> These are focusing on the productivity dividend that may occur through reduced working hours

There is little by way of concrete proposals for a systemic shift to a reduced working week. Some proposals centre around setting a 30-hour work week for new labour market entrants, or reducing the working week based on age

<sup>46</sup> David Crouch, Efficiency Up, Turnover Down: Sweden Experiments with the 6-Hour Working Day: <https://www.theguardian.com/world/2015/sep/17/efficiency-up-turnover-down-sweden-experiments-with-six-hour-working-day> and Louise Ridley, This UK Company is Loving It's 6-Hour Working Day: [www.huffingtonpost.co.uk/2016/01/07/six-hour-working-day-sweden-uk\\_n\\_8928280.html](http://www.huffingtonpost.co.uk/2016/01/07/six-hour-working-day-sweden-uk_n_8928280.html)

(e.g. 35 hours for over 50s, 30 hours for over 60s). However, we should be cautious about such proposals as they may create perverse consequences – notably reducing the demand for young labour. This is all the more the case in the absence of co-ordinated collective bargaining.

Nonetheless, the move to a 30-hour working week has a transformative potential. Imagine a three-day weekend every weekend, or a week off each month, or annual holidays up to 10 weeks a year. There is the potential for increased leisure, educational opportunities, and civic participation. A reduced working week shares with BI the potential for more freedom and autonomy for individuals but its implementation will require a supporting strategy.

## Strategy 2: The Social Wage

In early 2015 a RTE current affairs programme compared living standards in France and Ireland<sup>47</sup>. In France:

- Childcare and early childhood education is free and universal
- GP visits cost only €7
- Unemployed workers receive 80% of their wage in benefit which lasted over a year

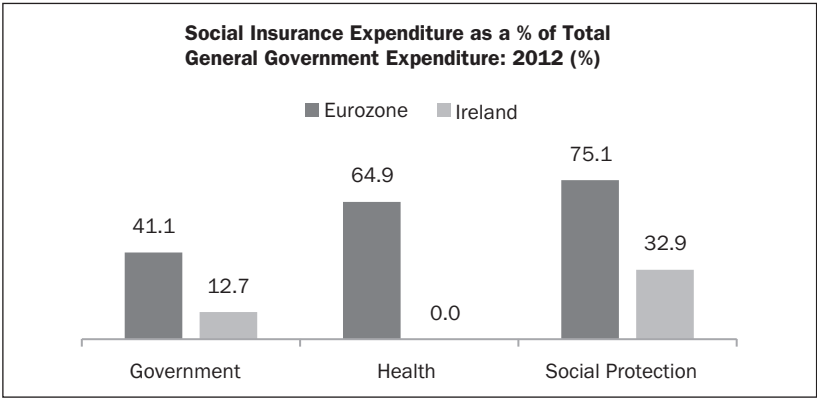
Waiting times for hospital appointments are measured in hours and days rather than weeks and months

The panel praised the French model but doubted people would be willing to pay the taxes needed to provide these services. What they didn't know (or didn't refer to) is that Irish workers already pay a higher level of personal taxation than French workers. So how can the French (and other EU countries) afford this level of social protection and public services? The answer is the Social Wage.

There is a considerable lack of appreciation in the Irish debate over the role of social insurance in the provision of public services and in-work benefits.

<sup>47</sup> Michael Taft, The French Elephant in the Room: <http://notesonthefront.typepad.com/politiceconomy/2015/02/how-do-eu-countries-manage-to-provide-better-public-services-and-income-supports-than-us-and-are-the-irish-people-willing-to.html>

The reliance in other countries on social insurance expenditure is considerable – with over 40 percent of all government expenditure coming through social insurance funds, rising higher under the health and social protection categories. Ireland with its heavily means-tested regime has much less reliance.<sup>48</sup>



There is a considerable debate over the nature of social insurance. It has been argued that it is a tax; others argue that it is an insurance payment. The Commission on Taxation took a middle course, claiming that employers’ social insurance could be both a tax and an insurance contribution.<sup>49</sup>

However, employers’ social insurance is also part of an employees’ employee compensation. This is the categorisation used by national and international data and national accounts agencies. In political economy discourse, it is described as the ‘social wage’. An employees’ compensation is divided into (a) the direct wage – that part of the employees’ compensation package that is paid directly to the worker; and (b) the social wage – that part of the employees’ compensation package that is paid to a social insurance or comparable fund.

This allows us to view social insurance through consumption: Through the direct wage, employees engage in private or individual consumption.

<sup>48</sup> Eurostat, General Government Expenditure by Function: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov\\_a\\_exp&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_a_exp&lang=en)

<sup>49</sup> Commission on Taxation Report, 2009: [http://researchrepository.ucd.ie/bitstream/handle/10197/1447/Commission\\_on\\_Taxation\\_Report\\_2009.pdf?sequence=1](http://researchrepository.ucd.ie/bitstream/handle/10197/1447/Commission_on_Taxation_Report_2009.pdf?sequence=1)



Through the social wage, employees are enabled to engage in collective consumption, accessing contingency benefits and public services for free or at-below market rates. Returning to the example above, the French employee (as for employees throughout continental Europe) can access pay-related unemployment, sickness and maternity/paternity benefits; pay-related old age pensions, obviating the need to save through occupational and personal pensions; free or below-market health services including hospital and GP care along with prescription medicine; and strong family benefits.

However, in Ireland, the social wage is weak. The effective social wage in the EU is 20 percent of the direct wage (i.e. employers' social insurance is 20 percent of direct wage). In Ireland the effective rate is 8 percent. Were the Irish social wage raised to average EU levels, it would generate an additional €8 billion for the social insurance fund which could pay for European levels of in-work supports and access to public services (notably health) for free or at below-market rates. A couple of examples will suffice.<sup>50</sup>

- Throughout continental EU countries, employees can avail of sickness benefit through the social wage. This pay-related benefit means that someone on the average wage can receive up to 70 to 80 percent of their pay during their period of illness. Irish sickness benefit is a flat-rate payment so for an average income earner the payment makes up to about 27 percent of their wage.
- Ireland has a flat-rate maternity benefit of €230 per week (or 33 percent of an average wage) while other countries provide more generous benefits. Austria, Denmark, France, Germany, the Netherlands, and Spain all provide 100 percent of previous pay while Belgium and Italy provide 80 percent.

The key point here is that social insurance is capable of mobilising greater resources for employees in certain contingencies than BI, assuming BI replaces social protection payments.

However, there are issues. Social insurance regimes were originally designed and implemented in industrial cultures premised on the permanent, full-

<sup>50</sup> EU Commission, Mutual Information System on Social Protection: <http://www.missoc.org/MISSOC/index.htm>

time job with a full-time spouse/carer working in the home (in almost all cases, women). This model began to fray with the large-scale entry of women in the labour force, the rise of part-time work and the fragmentation of employment contracts (zero/low-hour contracts, rolled-over temporary contracts, bogus self-employment). It has been put under more pressure by the rising elderly demographic and the fiscal squeeze arising out of the speculation-fuelled crash.

Further, by its very character social insurance benefits those in work even though throughout Europe the employment rate is less than two-thirds.<sup>51</sup> While many countries use universal payments to supplement social insurance (e.g. Child Benefit) there are considerable gaps in the social protection net which, in the Irish case, is supported by means-tested programmes. Esping-Andersen argues that social insurance regimes are potentially conservative:

*'In these conservative and strongly 'corporatist' welfare states, the liberal obsession with market efficiency and commodification was never preeminent and, as such, the granting of social rights was hardly ever a seriously contested issue. What predominated was the preservation of status differentials; rights, therefore, were attached to class and status. This corporatism was subsumed under a state edifice perfectly ready to displace the market as provider of welfare . . . On the other hand, the state's emphasis on upholding status differences means that its redistributive impact is negligible.'*

While these states have developed strategies to address this conservatism and the changes in the labour market, this has as much led to greater complexity, bureaucracy and reduced benefits as actually spreading the benefits of social insurance. Along with the rising elderly demographic, this has raised questions over the long-term viability of predominantly social insurance regimes.

Nonetheless, the ability of social insurance regimes to mobilise resources for people in times of need instils strong social security – a security that BI also promises. However, the cost to employers (and employees through limited direct wage increases) would be considerable. To Europeanise the Irish social insurance system will require, like a reduced working week, a supporting strategy.

## Strategy 3: Basic Income as the Foundation

The introduction of a reduced working week and a strong social wage has the potential to boost prosperity, security and personal autonomy. However, just as with the introduction of a BI that satisfies basic needs, there are considerable cost considerations. Reductions in the working week would create considerable costs at firm level, with employers attempting to recoup costs through wage suppression. The introduction of a European-style social wage in Ireland would entail substantial increases in employers' social insurance which would mean workers forgoing a significant portion of direct wage increases.

Of course, there could be a countervailing process which would mitigate these costs. Employers would benefit from increased hourly productivity while many employers would find firm based benefits would fall in costs as increased social insurance benefits 'socialise' costs across all firms (e.g. sick pay social insurance would replace much of the costs of firm-based sick benefits). Further, increases in in-work support would increase consumer spending – a boost for firms reliant on domestic demand. Still, there is no ignoring the cost impact.

This is where Basic Income can play a significant role – not to do all the heavy-lifting but to facilitate the introduction of the 30-hour work week and a higher social wage, while providing its own benefits. To do this in the first instance, we need only introduce a 'Partial' or 'Feasible' Basic Income – one that would:

*‘... reach a compromise between the affordability of the scheme and a rate of payment that is big enough to make a non-trivial impact on the income distribution.’<sup>52</sup>*

For a partial Basic Income (PBI) the principles would

- Be compatible with the fiscal space
- Accept the need for prioritising public services
- Be implementable within the current tax / social protection regime

<sup>51</sup> Employment rate refers to the proportion of all working age people who are employed. Eurostat: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsa\\_ergan&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsa_ergan&lang=en)

<sup>52</sup> Reed and Lansley

An important political consideration is that a PBI would be presented as a stand-alone proposal. It can begin to fulfil the potential of full BI and win popular support without demanding that people support a full BI. Nor do those arguing for a PBI need to argue for a reduced working week and stronger social wage. It stands or falls on its own merit; but if it stands it could be a vital tool in achieving other transformative social goals.

The following proposal attempts to marry those principles and political consideration:

- Personal tax credits (single, married, PAYE and the new self-employed credits) would be transformed into a direct payment to all adults. The full credits amount to a cash value of €3,300 per year, or €63.29 per week. This would eliminate the tax credit and expose all earnings to income taxation.

This PBI would not affect those fully in the income tax net or those reliant on social protection (it would be absorbed in social protection payments). It would be a redistributive mechanism to the low-paid, part-time and casual workers whose income is below the income tax threshold or who find themselves falling through particular holes in the current social protection net. In essence, this would be a refundable tax credit as proposed by Social Justice Ireland with a minimum earnings level before the PBI becomes operative. The following provides a small example of how it would work.

Transforming Personal Tax Credits into a Partial Basic Income (€)			
	Average Earner (€36,000)	Part-time Low-Paid (€13,000)	Casual Worker (26 Weeks at Minimum Wage)
Loss of Personal Credits / Increased Taxation	3,300	2,600	1,856
Partial Basic Income	3,300	3,300	3,300
Net Gain	0	700	1,444

This stylised calculation shows that the sole beneficiaries of transforming personal tax credits into a PBI would be low-income earners. This

emphasises its redistributive potential. There are other beneficiaries however. Below we highlight two:

- **Caring in the Home:** currently, a person may avail of a home carer's tax credit if they earn less than €7,200 and a single person's tax credit through their spouse's income. Both credits are only available to married couples and civil partners. In addition, many low-income households cannot avail of all the credits as their income is too low. A PBI would eliminate these income and marital status conditions while ensuring that all households, regardless of income, were provided with an equal payment.
- **Student Maintenance Grants:** The current maintenance grant regime is means-tested. Households with total gross income of more than €40,000 are ineligible for full maintenance grants while those above €46,000 are ineligible for partial grants. The average gross household income is €56,000. A targeted PBI would provide more income to students than the current grant regime (save for the special non-adjacent rate).

It is beyond the scope of this paper to estimate the cost of introducing a PBI, especially without access to CSO micro-data. Reliance on headline Revenue Commissioner<sup>53</sup> and Department of Social Protection<sup>54</sup> data can only provide broad brush-stroke estimates. If, in the first phase of introducing a PBI, a minimum income threshold could be used this would allow a PBI to act as a refundable tax credit. If the threshold was initially set at €5,000 the potential cost could be €1.5 billion.<sup>55</sup> This is considerably less than the proposed tax cuts under the current Programme for Government.

The Exchequer would benefit from savings beyond just the abolition of personal tax credits (since these would be transformed into direct payments). There would be reduced expenditure on student maintenance grants, Family Income Supplement, earnings disregards for means-test programmes (e.g. part-time work on Jobseekers' Allowance, Carers'

<sup>53</sup> Revenue Commissioners Income Distribution Statistics: <http://www.cso.ie/px/pxeirestat/pspn/rv01/DATABASE/rv01/Income%20Tax%20and%20Corporation%20Tax%20Distribution%20Statistics/Income%20Tax%20and%20Corporation%20Tax%20Distribution%20Statistics.asp>

<sup>54</sup> Department of Social Protection, Annual Statistics: <http://www.welfare.ie/en/Pages/Annual-SWS-Statistical-Information-Report-2015.aspx>

<sup>55</sup> Discussions with researchers from Social Justice Ireland suggest that the cost would be less based on their estimates of the cost of a refundable tax credit to a threshold of €14,000.

Allowance where one spouse is working). Not only would a PBI begin to limit the extent of means-tested programmes (though it couldn't eliminate them altogether), it would also increase indirect tax revenue as a result of focusing on consumption-intense income groups.

But let us be clear about the limitations of PBI. It can rationalise some of the complex inter-actions between tax and social protection; direct income support to the lowest earning and particularly disadvantaged groups, create income floors where none currently exists; and partially limit means-testing. Most importantly, it is clearly affordable. However, it does not provide an independent income capable of satisfying basic needs; it is not an anti-poverty policy (in the first instance it would be absorbed into social protection payments) and it does not end means-testing or adult dependency.

If the introduction of BI is dependent on an all-at-once strategy, it may never succeed. There are too many questions that can't or won't be answered until implemented. Then, it might be too late or expensive to correct any deficits. A PBI, however, is part of a broader-based strategy – and a policy that does not require people to 'buy-into' BI (not fully anyway). It is intended to address current issues pragmatically and win support on the basis of common sense. If PBI is successful, then a deepening of the common sense of BI – especially in its ability to leverage other transformative strategies – is likely to stand a better chance of winning support.

## **4. A Road Map: Connecting Radical Utopias and Practical Solutions**

A utopia only remains utopian when it is abstracted without connection to where we are today. However, once we put in place a road map, no matter how long that road may be, we begin to convert no-place into a concrete space here. This allows us to focus the debate on whether it is, in principle, a good idea? Would society be better off with this or without? That puts the debate on a different plane.

The inter-related strategies each have their own challenges and require different strategies.

A reduction of the working week may require conducting experiments in the public and private sector, with willing firms participating and subsidised to ensure no loss of income through pilot projects. Ex-ante, continuous and ex-post analysis would be conducted, focused on a range of topics from employee-impact, productivity, firm performance, etc. involving employee and employer representatives. In addition, reduction of working time could be introduced on an age-related basis; for instance, a phased reduction in working time for over 60s.

An increase in the social wage could be phased in, starting with a higher employers' PRSI for income in excess of €100,000 with a gradual reduction in the threshold over time. This would focus the increased cost in the first instance in these firms that can better absorb it while beginning to roll out the benefits (e.g. pay-related maternity benefit, subsidised prescription medicine). It would also allow firms a number of years to plan for the impact.

Following an exhaustive cost-benefit analysis, the PBI could be introduced as outlined above and be gradually increased consistent with fiscal and economic capacity.

The PBI could become instrumental in the introduction of both a reduced working week and a higher social wage. A PBI could, when gradually expanded, facilitate wage flexibility that would cushion firm costs. A PBI could also reduce the pressures on the social insurance fund which, again, would reduce costs for employees and employers (and the self-employed who should be brought fully into the social insurance regime).

However, such inter-related steps would need to be carefully co-ordinated. This requires evidence-based policy formulation, a social consensus to build social trust, and the full and equal participation of all stake-holders. It is difficult to foresee how all this could be put in place where market-processes rule and certain market forces are privileged. But that is true for so much of what makes for a civilised life: housing, healthcare, education.

While we should be cautious about reading too much into happiness polls, or polls that assess policy preferences 10 to 20 years down the line, they can be provocative. The Future of Ireland<sup>56</sup> polled people about their forward-

<sup>56</sup> The Future of Ireland, OMD, 2015: [http://www.futureofireland.ie/uploads/files/article\\_1/files/The\\_Future\\_of\\_Ireland.pdf](http://www.futureofireland.ie/uploads/files/article_1/files/The_Future_of_Ireland.pdf)

looking social wish-list and, in particular, asking what are the 'key ingredients of happiness'. At the top of the list was 'free universal health care'. At the bottom of the list were 'the ability to become rich' and a 'free market'. Interestingly, 'work-life balance' and 'financial security' featured at the top, along with 'free universal education'. It is these ingredients of happiness that an inter-related strategy of working-time reduction (work-life balance) and the social wage and BI (financial security) can address. That free health and education also features reinforces the social and collective character of what makes for happiness.

This is the new terrain that we can work in. In so many big and little ways people are trying to express the desire that they no longer want to be treated like a commodity, something to be bought and sold like a chair. To vindicate that desire requires connect-the-dots thinking, policy innovation, alliance-building and social persuasion. But if we do that, the future is not only progressive; it can now become increasingly possible.





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## 9. Costing a Basic Income for Ireland

Eamon Murphy and Seán Ward

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### Introduction

What should citizens of a Republic expect in 2016?

*Social Justice Ireland* believes that all people are entitled to seven rights:

- the right to sufficient income to live life with dignity;
- the right to meaningful work;
- the right to appropriate accommodation;
- the right to relevant education;
- the right to essential healthcare;
- the right to real participation;
- the right to cultural respect.

*Social Justice Ireland* also believes that the introduction of a Universal Basic Income (UBI) in Ireland would go a long way to upholding this first right. It would also assist in upholding, at least in part, many of the other six rights to which we believe every citizen is entitled.

Interest in the idea of such a guaranteed income, under many different formats and with many different names, has been growing. Examinations of the idea, the likely outcomes and costs, and prospects for success have materialised everywhere from *The Economist* newspaper to the Cato Institute to a recent *Freakanomics* podcast. This year even saw a referendum on Basic Income take place in Switzerland.

*Social Justice Ireland* has written extensively on the subject in the past (see Healy et al, 2013), and this paper will examine how a system of UBI could have been instituted in Ireland in 2015.

## Why a Universal Basic Income?

The structure of Irish society is changing, and with it, the structure of work and employment. Many full-time jobs in the modern economy provide neither a living wage nor guaranteed hours. The traditional labour market faces wage-stagnation and technological disruption, with certain types of jobs disappearing. Already we are seeing some skills being made obsolete, with others becoming less valuable. This is likely to lead to a fall in wages over time. A system of UBI would underpin living standards in such a precarious labour market.

As well as this, our society is gradually ageing. In the future, there will be a requirement for more people in caring roles. A system of UBI would allow people to care for family and neighbours without having to account for their time to the State.

Ireland needs to take account of these facts, and transform how it delivers social welfare. There is a growing realisation that the current system is no longer fit for purpose. A system of UBI would be transformative, and would be a manifestation of a social welfare system fit for the 21<sup>st</sup> century.

At first, the concept of “free money” may seem to run contrary to many of our basic assumptions about how work, pay and personal responsibility interact. Yet forms of guaranteed income already exist in child benefit, disability payments, and old age pensions. They exist in unemployment benefit, tax credits, and maternity benefit. Such programs were initiated because, at the time, they were the most simple and obvious ways to target a distinct issue, incentivise a particular activity, or achieve a specified outcome. *Social Justice Ireland* argues that direct payments can work for society as a whole.

Basic Income systems have been proposed in many different formats over the last number of decades. This paper will examine a particular framework for UBI, structured in a way that we believe is fair and efficient. Most importantly, it is realistic and sustainable, and could be implemented in Ireland in a very short time. We will also show how such a system could be funded.

## Eligibility and Structure

For the purposes of this proposal, we define UBI as a universal non-conditional payment from government, paid regardless of income or wealth, at the same level to everyone in a specified age group. It is granted to every person on an individual basis, without means-test or work requirement. It is tax-free, with all other personal income being taxed.

It would replace almost all<sup>57</sup> weekly social welfare payments, as well as all tax credits and tax reliefs.

People can top up their income from other sources and, unlike under more traditional means-tested welfare systems, payment of UBI is not affected by changes in employment status. UBI differs fundamentally from the traditional welfare state model in that it is paid unconditionally, giving people the freedom to engage in productive activity without having to meet certain criteria as outlined by the welfare provider.

As noted, many variations of Basic Income have been proposed and examined by different organisations and commentators. *Social Justice Ireland* proposes a system that is fair, efficient and sustainable. The following are some of the basic eligibility conditions and details of the structure.

1. Payment is conditional on residency within Ireland. In line with current welfare requirements, non-citizens must have lived here for a number of years before becoming entitled to a UBI.
2. The level of the payment is age-dependent. Further details are outlined in Table 1.
3. Payment is not available to those serving a custodial sentence.
4. Payment is constant and does not change upon the taking up of employment or the acquiring of other income.
5. All income, aside from the UBI payment, is subject to tax at one single rate of 40%. All other income tax rates, as well as Employee PRSI and Universal Social Charge, are abolished.

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<sup>57</sup> Exceptions to this are detailed in Table 2.

6. The Employer PRSI rate, currently at 10.75%, would increase to 13.5%.
7. There are no tax credits or tax reliefs.
8. The UBI replaces all welfare payments, with the exception of those noted in Table 2.

## Payments in 2015

As noted in the preceding section, the level of payment is dependent on the age of the recipient. Table 1, below, illustrates the rates that would have been paid in 2015 under *Social Justice Ireland's* model. These would be the basic rates of payment under the proposed UBI system.

**Table 1 UBI Rates of Payment**

Payment	Weekly (€)	Annual (€) <sup>58</sup>	Cost (€m)
Children (0-17)	31.05	1,620	1,978
Working Age Adults (18-65)	150	7,827	22,490
Older people (66-79)	230.30	12,017	5,027
Older people (80+)	240.30	12,539	1,803
<b>Total</b>			<b>31,298</b>

Our proposed system of UBI involves the abolition of all social welfare, bar the payments noted below. *Social Justice Ireland* proposes retaining these welfare payments in order to ensure that the least well-off in society do not lose out unduly due to the introduction of the proposed system. Table 2 details the payments that would have remained alongside UBI, as well as projected costs for such payments, in 2015. They include a €38 per week supplement to those between the ages of 18 and 65 actively seeking paid employment, in order to ensure that the unemployed do not lose under the system being proposed.

Costs are based on outturns from 2015 from the Department of Social Protection (Department of Public Expenditure and Reform, 2015), adjusted to take account of changes that would take effect under a system of UBI, as well as on the author's own calculations. (Further details are available on request).

<sup>58</sup> Weekly payments are multiplied by 52.18 to give the annual amount.

**Table 2 Other Department of Social Protection Expenditure maintained under a system of UBI**

<b>Payment</b>	<b>Cost (€m)</b>
Administration	296.3
Back to school clothing and footwear	41.2
Carer's payment (supplement over UBI)	135.8
Child payment (supplement over UBI)	483.9
Citizens Information Board and Pensions Ombudsman	46.9
Cost of Disability allowance	360.3
Death benefit and bereavement	8.9
Domiciliary care allowance	121.3
Free travel	77
Fuel allowance	205.9
Household benefits package	221.1
Miscellaneous Services	7.1
Mortgage interest supplement	11.4
One-parent family payment (supplement over UBI)	346.2
Other working age income supports	42.1
Redundancy and Insolvency	44.2
Rent supplement	310
Respite care grant	124.6
School meals	39
Treatment benefits	30
Working age Employment Supports, including Unemployment Supplement	890.2
<b>Total additional payments and administration and DSP items</b>	<b>3,843</b>

## Calculations

In order to illustrate that the aforementioned UBI proposal is financially feasible, *Social Justice Ireland* has proposed the following funding model, based on figures for 2015.

The calculation of the net cost for the system in 2015, and the tax rate required to fund it, is based on data and population projections from Census 2011<sup>59</sup>. The funding model also involves creating savings and efficiencies from certain parts of the welfare system (and from other government departments); removing certain payment types that are no longer required under the system; and the institution of a single tax rate on all income earned aside from the UBI payment.

**Table 3 Headline figures of Social Justice Ireland's UBI proposal**

Key Figures	(€m)
Total cost of UBI payments	31,298
Cost of welfare payments maintained under UBI, and Administration	3,843
<b>Total cost of UBI</b>	<b>35,141</b>
Total savings under UBI in other Departments	729
<b>Net cost of UBI</b>	<b>34,412</b>
Total expenditure of Department of Social Protection in 2015	19,893
Current funding from Income Tax, PRSI, USC etc. in 2015	26,763
<b>Surplus of Income Tax over DSP expenditure</b>	<b>6,870</b>
Funding requirement: Net cost of UBI + surplus of existing system	41,281
Employer PRSI	7,704
Yield required from a single rate of income tax on all personal income	33,577
Rate of Income Tax required on all personal income	40%

<sup>59</sup> The population projection used is M2F1. Updated figures, based on the results of Census 2016, will be published online when the Central Statistics Office makes those results available.

## Employer PRSI

Table 4, below, illustrates details of Employer Social Insurance rates from selected developed Western economies. It is clear from this table that Ireland lags far behind its developed western counterparts, with an Employer PRSI rate that is below half the EU average.

There is, therefore, plenty of scope for increasing the contribution made by employers to the system. Increasing the Employer PRSI rate from the current rate of 10.75% to 13.5% (just below that of the United Kingdom, and just above half the European average) is a sensible and justified way to assist in funding a system of UBI.

**Table 4 Selected Employer Social Insurance Rates**

Country	Employer SI rate
Austria	21.48%
Belgium	35%
<b>EU Average</b>	<b>25.05%</b>
France	43.4%
Germany	19.33%
<b>Global Average</b>	<b>16.85%</b>
<b>Ireland</b>	<b>10.75%</b>
<b>Italy</b>	<b>30%</b>
Japan	14.59%
Netherlands	18.47%
<b>OECD Average</b>	<b>22.03%</b>
Spain	29.9%
Sweden	31.42%
United Kingdom	13.8%
United States	7.65%

Figures from KPMG



## Distributional Effects

Table 5, below, illustrates the effective tax rates that different households would have paid in 2015 had a UBI been introduced that year, and the monetary effect of the proposal.

It shows the effective tax rate for each household in 2015 under the current system; the effective tax rate for these households under the proposed system of UBI; and the net change in income under the proposed system. It assumes each household is childless, and that the household is not availing of any tax reliefs.

**Table 5 Effective Tax Rates**

*(Income tax, incl. Employee PRSI and USC, minus Basic income if available; divided by Gross income)*

Gross Income	Single Person	Couple (1 Earner)	Couple (2 Earner)
€ 15,000	1.9% / -12.2% / €2,112	1.9% / -64.4% / €9,939	0% / -64.4% / €9,654
€ 20,000	10.2% / 0.9% / €1,872	6.2% / -38.3% / €8,999	1.1% / -38.3% / €7,869
€ 25,000	14.4% / 8.7% / €1,422	7.6% / -22.6% / €7,599	1.3% / -22.6% / €5,983
€ 30,000	17.1% / 13.9% / €972	9% / -12.2% / €7,149	4.3% / -12.2% / €4,944
€ 40,000	23.7% / 20.4% / €1,312	14.4% / 0.9% / €6,249	9.1% / 0.9% / €3,308
€ 60,000	32.8% / 27% / €3,512	25.7% / 13.9% / €7,889	17.1% / 13.9% / €1,943

Excluding the effects of the removal of tax reliefs, UBI would have had a broadly positive effect in 2015, especially among lower income groups. Low-income earners would have very low effective tax rates, and those on very low earnings would receive a top up to their gross wages. High-income earners would face a marginal tax rate of only 40%, compared to over 50% in the current system. Their effective tax rates would also be lower under UBI; however all tax breaks would be closed off.

## UBI in operation

As noted earlier, the idea of money for “doing nothing” goes against many of our instincts as a society. Among other things, it may be assumed that such a system will make people lazy. Experience, however, does not bear this out.

In 2005, the poor Namibian village of Otjivero benefited from a UBI-style pilot project. Every resident received \$100 (Namibian) each month; approximately €6.50. Rather than make people lazy and dependent, this payment transformed Otjivero into a village of entrepreneurs. Freed from spending their days trying to meet basic needs, residents focused on bettering their lot. They started small businesses. More children were enrolled in school. People with chronic illnesses benefited from better nutrition.

An experiment during the 1970s in the Canadian town of Dauphin, Manitoba, led to a fall in hospital admissions and mental health consultations amongst participants. High school completion rates increased, particularly among males in low income families (i.e. those students normally under the most pressure to become self-supporting).

The raw data showed employment falling. However, this was partly because teenaged males were staying in school longer. Broadly speaking, the experience has been that adults with full-time jobs don't reduce working hours very much under systems of basic income. The exception is women who want more time off work after giving birth. Primary earners rarely reduce hours. A *well-designed* UBI creates incentives for people to work and does a much better job of supplementing the incomes of the working poor than other kinds of social assistance.

Other probable, if inestimable, benefits from such experiments include savings from reduced bureaucracy and administration, better education and health outcomes, and lower costs associated with reduced crime. Given the minimal effect on the incentive to work shown in many of the studies conducted, it could be argued that the burden of proof is shifted to those who claim a UBI would lead to a significant shift in attitude towards work.

## The Benefits of the Proposal

The proposed system of UBI would have many benefits compared to the current welfare system in Ireland. Some of those benefits are listed below.

- The UBI system proposed would be far more easily administered, given the reduced number of payment types and the universality of payments. There would be a much-reduced need for means-testing and other time-consuming tasks, reducing the cost of administering the welfare system.

A conservative estimate, given the number of programmes that would be halted altogether, might be that administration costs would be cut in half;

- UBI would eliminate the poverty traps inherent in traditional means-tested welfare systems. Employment is always worth pursuing, as the UBI will be received in addition to money earned through employment, rather than withdrawn. It is also untaxed;
- Welfare fraud would be more-or-less eliminated, as payment of UBI is not contingent on employment status or means;
- UBI respects and rewards all forms of work, not just paid employment. Caring work, home duties, and child-rearing – all socially and economically imperative work – would receive additional recognition under this system;
- UBI would assist in alleviating poverty, and with payments being universal, there would be no stigmatisation for recipients;
- UBI would be good for the environment, as it facilitates a society and an economy that does not have full paid employment as an overarching goal. Full employment relies on ever-expanding GDP growth, which conflicts with our concerns for the environment. UBI would reduce the extent to which the ability to live life with dignity is tied to labour market participation by a member of the household.

In relation to the poverty traps which exist under the current Irish welfare system, the benefit of UBI was well summed up by Philippe Van Parijs (2016) when he said that because it can be combined with earnings, basic income provides poor people with a floor on which they can stand, rather than a net in which they can get stuck.

## Conclusion

Ireland's unemployment rate has been consistently high over the last number of years. Unfortunately, we have structured our society in such a way that the only way most people can live life with dignity is by having

paid employment, or by living in a household where someone is in paid employment.

Yet the only time we have had full employment in this country, it could be said to have been something of an economic miracle. Others might say “economic mirage”. The foundations on which it was based were wholly unsustainable. It appears that Ireland is not capable of providing full paid employment for its citizens in a sustainable manner. A system of UBI in Ireland would go a long way to fulfilling the right of every citizen to live life with dignity.

UBI can help facilitate many of the aforementioned seven rights which *Social Justice Ireland* believes everyone is entitled to. A UBI would provide a floor upon which **sufficient income to live a dignified life** could be built.

It would provide individuals with greater choice about what kind of work they wish to engage in, with the opportunity **to engage in meaningful work**, such as caring work, or volunteer work in the community, that might be impossible without such a payment.

It would help to facilitate **relevant education** and training, and engagement in lifelong learning. It would allow citizens the flexibility to return to full-time or part-time education, giving them an amount of money to assist them in maintaining themselves throughout the period.

A UBI gives citizens the option to reduce their working hours, allowing them additional time to devote to **real participation** in society. This may take the form of political participation or activism, volunteer work within the community, or care work within the home.

And because UBI would treat every citizen equally, regardless of position within the labour market (or not), it would represent an acknowledgement of the equal worth and **cultural respect** of all.

The standard objection to UBI is that it is unaffordable. But this depends largely on what parameters are set: the level of the payment; which benefits it replaces and which (if any) remain; what the eligibility conditions are, and so on. *Social Justice Ireland* has provided a structure that is both affordable and sustainable.

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# 10. A Right to Housing? The case for a Universal Housing Subsidy

Ronan Lyons

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## Introduction

The close juxtaposition of economic recession and rising accommodation costs in Ireland in the decade from 2006 to 2016 has led many to call for a right to housing to be included in the Irish constitution. For example, writing in the Irish Times in August 2015, Maeve Regan of the Mercy Law Resource Centre says: “The right to housing in our Constitution would put in place a basic protection in recognition that a home is central to the dignity of each and every person and a foundation of every person’s life.” Those who call for such a right often cite other countries or the Universal Declaration of Human Rights and the Council of Europe’s European Social Charter, both of which include a right to adequate housing.

While the inclusion of a right to housing in the Irish Constitution might bring about a meaningful right in practice, it is likely that this would only be so after a lengthy landmark court case, which would wind its way through various levels of the Courts and through numerous appeals. How that right would be made effective, in general to the populace at large and not just the plaintiffs of that particular case, would still need to be worked out.

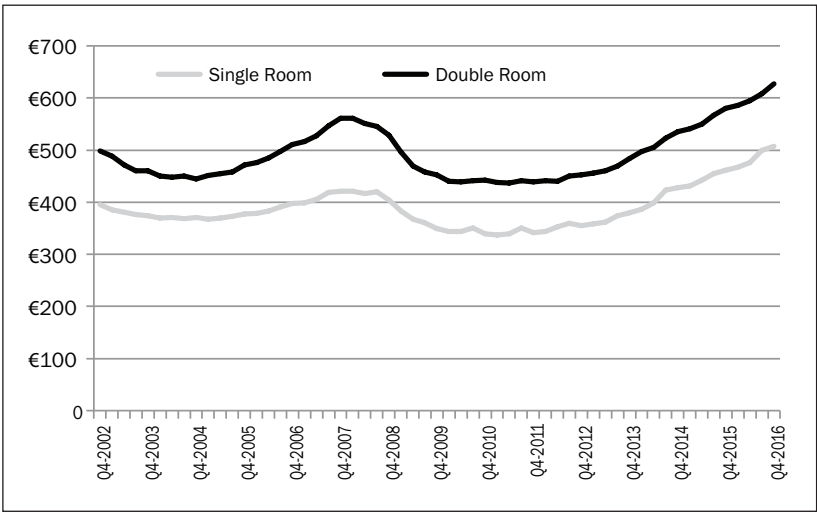
This paper aims to outline how a right to housing can be made meaningful in the Irish context. The core proposal is a Universal Housing Subsidy, a variant of the idea of a universal basic income. In particular, it argues that by using a taxonomy of housing and care needs, together with household-specific data on disposable income, a right to housing can be made effective and that this right need not distort outcomes, including the incentive to work.

# The Irish Context

The two figures below provide the context for understanding the importance of an effective right to housing in Ireland. Figure 1 shows the average monthly rent in Dublin for single and double rooms, for almost 15 years from late 2002 to late 2016. At the peak of the Celtic Tiger, a single room cost roughly €420 a month, or €5,000 per year. By late 2010, this had fallen to €4,000 per year. However, from 2012 on, rents for single and double rooms started to rise dramatically and by mid-2014, they already passed their Celtic Tiger peak. By late 2016, the average rent for a single room was over €500 per month, or €6,000 per year.

A similar trend emerges for double room rents. With the general cost of living largely unchanged in Ireland since the end of the Celtic Tiger, it is important to note that in this particular market, costs are up to 20% higher now than ten years ago. This segment of the rental market is perhaps the most heavily relied upon by lower-income households, but it is one that receives little attention.<sup>60</sup>

**Figure 1. Average monthly room rents in Dublin, by room type, 2002-2016**



Source: Author's analysis of Daft.ie archives

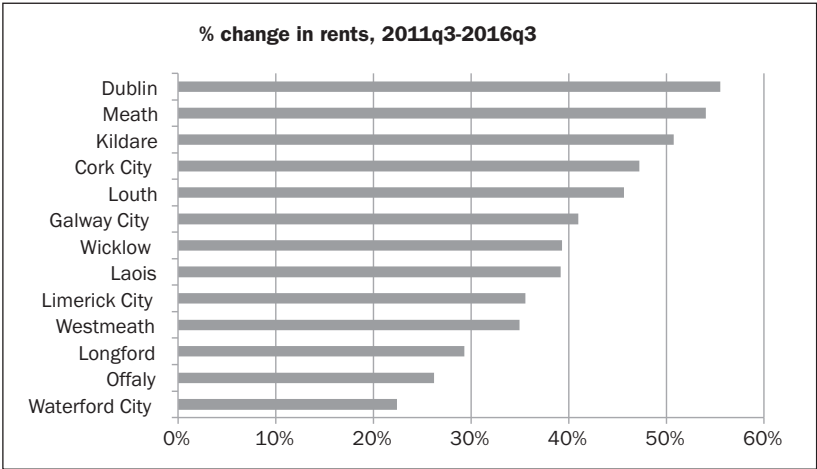
<sup>60</sup> The figures here come from an analysis of the Daft.ie archives; the author thanks Daft.ie for permission to use these figures.

The increase seen in room rents is not in any way unique to that particular segment of the market for accommodation. Many parts of the housing market have seen dramatic increases in accommodation costs in the five years to 2016. Figure 2 presents the change in average rents, in selected markets, between the third quarter of 2011 and the same period in 2016. The markets include Ireland’s main cities, as well as counties close to Dublin.

Whereas the increase in rents has been most pronounced in Dublin, and in two neighbouring counties (Meath and Kildare), even in markets such as Offaly and Waterford city, there has been a substantial increase in rents over the past five years. In most of these markets, the increase has been since 2014, with only Dublin, Cork and Galway seeing rents bottom out as early as 2011.

The evidence is clear, therefore, that, as of late 2016, accommodation costs are rising rapidly in Ireland. This is at a time of stagnant consumer prices generally and also a time with limited income growth, particularly for those in the bottom half of the income distribution. In many segments, accommodation costs are significantly above their previous peaks, reached during the Celtic Tiger.

**Figure 2. Change in average rents, selected markets, 2011 and 2016**



Source: Author’s analysis of Daft.ie archives



## Housing as a System

If the cost of accommodation rises dramatically, this can be viewed as a “bad” in its own right. Those who call for rent controls are implicitly subscribing to this point of view. An alternative perspective is that rising accommodation costs are a signal – and a dramatic rise in costs, an emergency siren – that new supply is required. In this perspective, banning rents from rising is similar to hiding symptoms of an illness: the underlying issue remains unaddressed.

Perhaps the single most important barometer of the health of a housing system is what economists term the price elasticity of supply, or how responsive housing supply is. In practice, this means that a housing system can be deemed healthy if a 10% increase in demand is met with a 10% increase in supply. In addition, the more rapidly this new demand is accommodated, the fewer transitory costs of adjustment there will be.

This description of housing as a *system* is deliberately agnostic with respect to market or non-market provision. In aggregate terms, all that matters if demand for housing in Ireland increases is that supply increases. But by this metric, Ireland’s housing system has failed completely.

To take the example of the Greater Dublin Area, a comparison of the 2011 and 2016 Censuses shows that the five counties in the Greater Dublin Area (Dublin, Kildare, Louth, Meath and Wicklow) added 106,000 people in five years. Based on prevailing demographics, this translates into approximately 40,000 new households. These new households require 40,000 new dwellings, or in monthly terms, the Greater Dublin Area required 650 new dwellings each month between April 2011 and April 2016.

However, completions data for the eight local authorities in the Greater Dublin Area indicate that in not one of those 60 months did completions reach this target of 650 new dwellings. Indeed, for most of the first 30 months, completions were less than one third of this rate. Compared to 40,000 new households, the total number of completions in the eight local authorities of the Greater Dublin Area was just 18,000.

While this is inadequate, there are three further compounding factors. The first is that the completions data are, strictly speaking, connections to the

national electricity grid. Many of the completions registered in 2011, 2012 and later may be Celtic Tiger-era projects only connected to the grid much later. Secondly, this figure represents the gross completion rate and does not take account of depreciation and obsolescence. At a national level, 52,000 gross completions translated into just 19,000 new units. This reflects both delayed connections to the electricity network and the obsolescence of perhaps 1 in 150 properties each year. Factoring in both of these supply-related factors means that the actual addition to housing supply in the Greater Dublin Area between 2011 and 2016 was not 18,000 but closer to 6,000.

There is one last factor here and it relates to demand, rather than supply. Household formation is a complex social process but one of its determinants is the availability and affordability of accommodation. For example, students and young professionals may stay at home with their parents longer, if they do not perceive that they will be able to afford to start a household of their own. Thus, the lack of housing itself may be hiding the true shortfall in new accommodation in the Greater Dublin Area in recent years. It is likely that no more than 20% - and perhaps as little as 10% - of new demand for accommodation was met with new supply.

An obvious question is why supply has been so weak. At first glance, it may seem a case of market failure. However, new supply will only come on stream if price is greater than cost. To take round numbers, in 1995 the average value of a dwelling was €120,000 and, if this represented some sort of equilibrium, the cost of constructing that home must have been around €100,000. By 2007, the average value of property in Ireland was €360,000, and in this context, an increase in the cost of building a home to €200,000 would not have been problematic for new supply. However, the collapse in property prices has meant the average value of a home in Ireland now is currently around €180,000. Without any significant reduction in costs, this means that building is not viable in large parts the country currently.

There are two solutions to such a situation. Firstly, prices (both sale and rental) can rise to such a point that construction is viable again. However, particularly in a context of high unemployment and largely static wages, this is a dangerous policy, as it threatens both international competitiveness and social cohesion.

The second solution is for construction costs to fall. To see the importance of this, it is worth drawing a parallel between the mortgage regulations and construction costs. Once mortgages are capped, as is now likely to be the case into the future, house prices have effectively been capped, relative to the real economy. In this policy environment, it is incumbent on government to also cap construction costs relative to the real economy. (This is particularly relevant when it comes to the provision of housing for those on lower incomes, as discussed in the following section.)

My research related to the housing policy discussion in Ireland over the past two years suggests that the cost of building a two-bedroom apartment in Ireland currently is roughly €280,000. This figure excludes any land costs but does include a range of other soft costs, including VAT, local authority levies and a 12.5% profit margin. Assuming that the ultimate landlord would like a rental income of 5% a year, this up-front cost of €280,000 converts into a monthly rent of €1,400. Bearing in mind that this excludes land, a realistic actual monthly rent for a newly built two-bedroom apartment is probably closer to €1,800. The average rent for a two-bedroom apartment in Dublin currently is €1,300 and in only two parts of the city – Dublin 2 and Dublin 4 – is it above €1,600. Unsurprisingly, any apartment building that is taking place currently is concentrated in these areas.

Construction costs do not vary significantly around the country, so the problem is significantly worse when considering Ireland's other urban markets. Rents for two-bedroom apartments in Cork currently average €850 while in Waterford they are less than €600. Even in the extreme case, where profits were banned, land free and VAT scrapped fully, we should still not expect to see apartments being built in areas that currently demand significant numbers of new homes, including apartments.

The maths are less onerous for building houses, rather than apartments, but the overall challenge is still there for most parts of the country outside Dublin. And a focus on apartments is not arbitrary: recent reports by the Housing Agency, analysing census figures, suggest that the vast majority of new households being created in Ireland comprise one or two persons. This reflects greater longevity, increasing rates of separation, but also smaller families and greater fraction is people choosing to not have children.

A sensible policy objective, therefore, is to lower construction costs to a reasonable multiple of household incomes. However, it is not clear at this stage that there is any unanimity on the causes of the higher construction costs. Therefore, the first priority must be to establish an evidence base, similar to the methodology underpinning the World Bank Doing Business report, where an overall score can be broken down into its constituent parts and, where necessary, challenged. Such a transparent analysis of construction costs in Ireland now, compared to Ireland 10, 20 or 30 years ago and perhaps more importantly compared to our economic peers, would provide the evidence base necessary to take further policy action. In summary, assuming accommodation costs do not claim an ever greater share of static or slowly rising incomes, Ireland needs construction costs to be capped also so that there are no barriers to building all the new homes that Ireland needs each year.

## **An Income-based Housing Subsidy**

This is relevant for making effective a universal right to housing, when the income distribution is taken into account. The current system of Central Bank rules in relation to mortgages, plus significant reform of construction costs as discussed above, would have the following combined effect: mortgage caps mean that house prices do not go so high relative to average incomes that the sector becomes a danger to the Irish economy, while sensible construction costs mean that those on average incomes can afford a new home. But this still leaves to be answered the question of how to provide housing for those on below-average incomes.

To take a concrete if stylised example, a family that earns €45,000 a year has monthly disposable income of about €3,000. The golden rule of housing affordability is that a household shouldn't spend more than roughly one third of its disposable income on accommodation, so this family shouldn't be spending more than €1,000 a month on housing. In other words, if they are to afford the property that costs €280,000 to build (the two-bedroom apartment described above), they will require a monthly subsidy of €400 from the rest of society to bridge the gap between the €1,000 they can afford and the €1,400 in break-even rent.

Hopefully, this example shows just how closely related build costs and social housing are. The more expensive it is to build a home, the more of a top-up

those on lower incomes are going to need to find somewhere to live. And just as important, the more expensive it is to build a home, the greater a fraction of society is going to require a subsidy.

A family earning €45,000 year is actually above the median income, while as noted above, €280,000 is roughly the cost of building a two-bedroom apartment excluding land costs in Ireland currently. So Ireland in 2016 is in the worrying situation where a family in the top half of the income distribution is not able to afford even a two-bedroom apartment, let alone something larger. This is a reminder that it will not be possible to fix the social housing crisis in Ireland until the very high level of construction costs is addressed.

To take a second example, and perhaps one more familiar to those involved in social housing, a single person earning €18,000 a year can afford to spend no more than €500 a month on accommodation – one third of their monthly disposable income. However, the maths of construction in Ireland currently means that a 50-square-metre one-bedroom apartment costs roughly €160,000 to build – a monthly break-even rent of €800. This €300 gap between what they can afford and what is needed to see a home for them built is currently an insurmountable obstacle. It is easy to see why both for-profit and not-for-profit housing developers are currently not prepared to build one-bedroom apartments, at a loss of €300 a month per unit.

Reform of housing policy, in particular housing subsidies, means that this challenge need not be insurmountable. The principal change required is how social housing is funded, in particular to reflect the gap between what someone with a low income can afford to spend on rent and what the cost of their accommodation is. In the example above, a person on €18,000 has €500 a month to spend on rent but their newly built one-bedroom apartment costs €800 a month. The clear and obvious answer is that this person needs a subsidy of €300 a month.

Note that under this system, the lower a household's income is, the bigger its subsidy. Those in most need get most help. This is a distinction between this scheme and a pure Universal Basic Income, which would apply to all households equally. In this sense, the proposal in this paper is more akin to a negative income tax than a universal basic income. This gives it an element of progressivity that a universal income lacks, although it should

be noted that both preserve the incentive to work and are universal in their availability.

Thus, under this proposed scheme, if a household's income goes up, that household requires less of a subsidy and if its income continues to rise, there is a point at which the household transitions – without any huge change in its circumstances – from receiving a housing subsidy to not receiving one. This has the important positive side-effect that the housing of those on lowest incomes does not turn into a ghetto system, where those on below-average incomes live apart from the rest of society.

Another important aspect is the role that this would give Approved Housing Bodies. Such a simple income-based housing subsidy would provide AHBs with the collateral they need to expand the production of social housing, when a recession hits. That is to say, the provision of social housing would be decoupled from the provision of market housing. This is the opposite of the case currently, where Part V provisions tie the production of social and affordable housing to the market. AHBs will confirm that international capital is very interested in becoming involved in the funding of social housing in Ireland, but the current constraint is a lack of connection between housing subsidies and the cost of providing homes.

Three further points are worth making here. The first is that an income-based housing subsidy renders largely irrelevant the debate about who provides the homes, public or private. Every household now has sufficient income to cover the cost of their accommodation, and AHBs have a slight advantage over their for-profit counterparts, in that they do not have a 12.5% profit margin, nor do they face local authority levies. These two differences probably account for €100 per month difference in the break-even rent. Where local authorities grant AHBs land for free, this further tips the scales in favour of nonprofit housing bodies in providing housing at scale.

Secondly, the cost of meeting households' accommodation needs clearly depends on the nature of each household. The needs of older persons will vary from those of students and those households starting a family. And within the older persons demographic, there are a number of different levels of care and housing need, from completely independent living to round-the-clock residential care. Therefore, to implement a subsidy of this nature

properly, a full taxonomy of housing and care needs and the life-cycle of housing is required. This does not prevent universal design features, where relevant.

A final point on the subsidy is its flexibility in relation to renting versus owning, particularly for those with incomes close to the average. As mentioned above, when those in receipt of a subsidy receive an increase in their household income, above the level that would justify subsidy, they stay in their accommodation and merely pay the market rent. Alternatively, for a premium similar to the profit margin that would be enjoyed by a for-profit developer, the household can pay a slightly higher rent that would give them an equity share in the house.

What we have currently is a social housing system very far removed from the goal of topping up inadequate incomes in order to cover accommodation costs. For example, rent supplement is what might be termed a zero-one subsidy. The household either gets the whole thing, or you get nothing. This creates a barrier to taking up employment as well as being inherently unfair, as it gives those just below the threshold far more than those just above the threshold – and the same as those who have no income at all of their own.

A housing subsidy that varies with income is completely different. Those who need the most help get the biggest top-up, while those who are very close to being able to afford their own place to live are not treated much differently to those whose incomes are just above that cut-off. This subsidy would need to be based on official earnings, both private (Revenue Commissioners) and public (Social Welfare).

The policy implications are clear. Ireland needs to replace its mishmash of legacy systems and short-term measures that have become mainstays of social housing. Rent supplement merely pits so-called “welfare tenants” and working tenants against each other. A more farcical example is the tragic situation of families living in hotels for more than the cost of their previous rent. Included in systems that are not fit for purpose is Part V, which as noted above bizarrely links the production of social housing to the production of market housing.

There is a clear link between this objective and the last one. To guarantee a right to housing for all, we need minimum standards that reflect average incomes and subsidies for those who cannot afford the socially agreed ‘minimum acceptable home’. The starting point should be the question: “What fraction of income distribution do we believe we should support in providing their housing needs?” If we decide that one third of the income distribution should receive help from the rest of society, what the household one third of the way up the income distribution can sustainably spend on accommodation must be the benchmark for the minimum acceptable home, in terms of size, features, etc.

## Implications and Further Issues

What is outlined above is meant to be an introduction to a system that will make effective a right to housing in Ireland. That right would be meaningful for all residents and would take account of the individual circumstances of that household. Those circumstances include income – with lowest-income households receiving the biggest assistance and above-average-income households receiving none.

But circumstances also include care needs. Care needs are particularly important when thinking about housing Ireland’s older persons, but also many other residents with special care needs. Existing benefits given to those with particular conditions or disabilities can be seen as extensions, or early manifestations, of a housing-and-care subsidy based on income and needs.

Some authors have expressed a concern about the link between a Universal Basic Income and migration (see, for example, Tyler Cowen, “My Second Thoughts About Universal Basic Income”, Bloomberg, October 2016). Clearly, any implementation of a universal scheme, even an income-contingent one, requires careful consideration about eligibility, on the basis of citizenship, residency or some combination of the two. One potential solution would be to grant resident citizens full entitlement but resident non-citizens a partial entitlement based on years of residency, with full entitlement only after a certain number of years (e.g. 10). Regardless of the exact nature of the solution, it is unlikely that this would be enough to render the scheme unworkable.



A more serious concern is about the cost. Half of all households in 2014 earned less than €27,000. If average income in this half of the population is just €15,000, this means their maximum sustainable monthly budget for accommodation is just €400. This means that, without assistance, these households could not afford a property worth more than €80,000, whereas newly built one-bedroom apartments (excluding land) cost twice that. A subsidy of €400 per month for one million households translates into an annual exposure of almost €5bn.

This is not insurmountable but grossly exceeds the current Exchequer budget for housing. As outlined above, the first step to implementing this scheme is to ascertain why construction costs are as high as they are. Only then can a right to housing for all, appropriate to their circumstances and regardless of their means, be made effective.

**A Basic Income is a payment from the state to every resident on an individual basis, without any means test or work requirement. It would be sufficient to live a frugal but decent lifestyle without supplementary income from paid work.**

**Basic Income has the potential to play a key role in supporting people's rights to meaningful work, sufficient income to live life with dignity and real participation in shaping the world and the decisions that impact on them. The economic crisis of 2008 and its consequences have exposed the failure of current policy approaches to secure these rights for people. As a result Basic Income is now being discussed and experimented with across several continents.**

- *Would a Basic Income system make a difference?*
- *How could such a system be put in place?*
- *What would it cost?*
- *Can we afford it?*
- *How are Basic Income proposals being advanced in other countries?*

These are some of the questions addressed in the chapters in this book, which were first presented at a policy conference on the topic of '*BASIC INCOME: Radical Utopia or Practical Solution?*'



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ISBN 978-1-907501-17-3



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