

Basic Income Research Group

Bulletin No. 2 November/December '84 Appeal for Sponsors

A FUTURE THAT WILL WORK

We all want a future that will work. It is bound to be different to what we have known before. The question is: how different, and what will it mean for our daily lives?

We need a clear vision of what the future should bring. Yet this is obscured because vital areas of policy are often treated separately, when they should be considered together. Social security is treated separately from personal taxation, employment and education. Welfare reform is treated separately from economic reform.

The Basic Income Research Group believe that this is wrong. Social security and personal taxation should be considered together. And the future of the tax/benefit system should be part of the debate about the future of work.

EARNINGS RULES

Today's benefit system is geared to the assumption of full employment in traditional full-time jobs. Hence the 'earnings rules' which withdraw benefits from claimants who do paid work. Earnings rules prevent disabled people, handicapped people and pensioners from building on their benefits. Disabled people are often trapped into total dependence on meagre benefits, regardless of whether they are physically able to work.

Earnings rules have also created a 'ring fence' around the labour market, which prevents many registered unemployed people from taking part in the main growth area of the economy: part-time employment.

TIME FOR SOME ANSWERS

A Basic Income scheme has never before been the subject of a major debate in Britain. The aim of the Basic Income Research Group is that such a debate should now take place.

In this bulletin we outline a range of questions we want to answer. Above all else, we intend to establish whether a Basic Income scheme would be feasible and whether the costs to be borne by taxation would be capable of commanding a broad consensus.

BASIC INCOMES: HOW THEY MIGHT WORK

A Basic Income scheme would aim to provide for all the right to an independent tax-free income to meet basic living costs. Such a scheme could not be brought in overnight. It would take years to introduce.

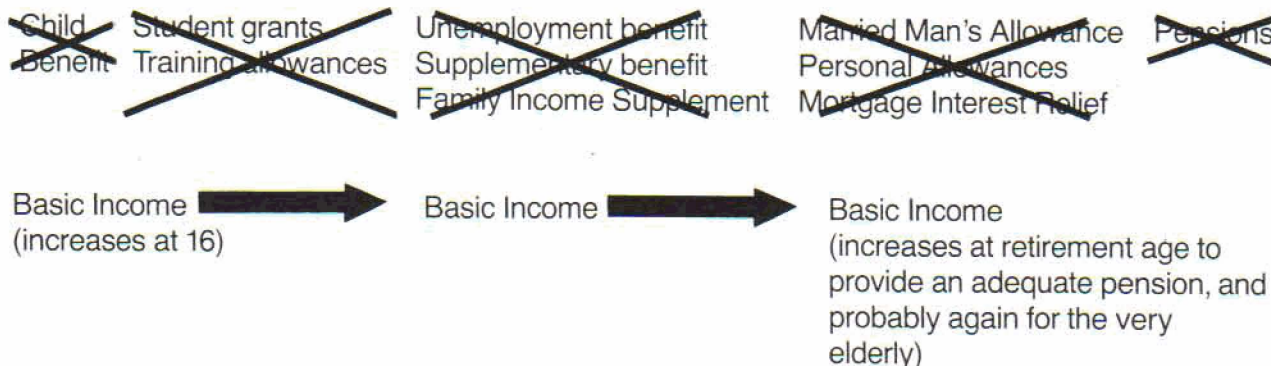
There are many different types of Basic Income schemes. They generally have the following features in common:

- a Basic Income would be paid to every adult resident in the United Kingdom, as an unconditional right;
- a Basic Income would also be paid to children, via their parents until they reach sixteen;
- the tax/benefit unit would be the individual;
- the level of the Basic Income would depend on personal status and not work or marital status;
- the Basic Income would replace existing benefits such as supplementary and unemployment benefits and student grants and training allowances, as well as tax reliefs and allowances;
- the Basic Income would be free from all earnings restrictions, a base on which to build;
- the Basic Income could be paid as an automatic cash benefit, or possibly as a credit against tax;

- all income other than the Basic Income would be taxable;
- a new comprehensive income tax would replace existing income tax and employees' national insurance contributions;
- additional benefits would be paid to cover invalidity and sickness;
- some sort of means-tested housing benefit would remain, at least for the foreseeable future.

INSIDE THIS BULLETIN

- p2 Issues to be studied;
Rights and Responsibilities,
a new Social Compact?
- p3 Ending the Poverty Trap;
Why Basic Incomes and
Not A Negative Income Tax;
Paying for Basic Incomes;
Who We Are
- p4 A stake in the Future
Economy;
Will You Become a Sponsor?



WHY BASIC INCOMES AND NOT A NEGATIVE INCOME TAX

What do Basic Income schemes and Negative Income Tax schemes have in common? They would both be based on an integrated tax/benefit system. This means that benefit would be paid automatically as part of an individual's tax assessment, without separate means tests. After that stage, they part company.

Basic Income schemes would guarantee the individual an automatic income as a right of citizenship, and paid for through the tax system. Negative Income Tax schemes would rely on joint benefit assessment of husbands and wives. Benefits would be restricted to low income-earners and the poor, and would be withdrawn as income rises.

Recent proposals from the Institute for Fiscal Studies ('Reform of Social Security,' Dilnot, Kay & Morris) are typical of Negative Income Tax schemes. Many families would find themselves paying 34% in income tax at the same time as their basic benefit was being withdrawn by 50p for each extra £ of earnings. The result would be an 84% marginal tax rate. In addition, the IFS takes the principle of selectivity to its logical conclusion by withdrawing all benefits from higher income-earners, including child benefits and pensions.

A crucial weakness of Negative Income Tax schemes is that they tend to assume an economy based on full-time jobs. That economy could now be behind us. In future years probably a majority of workers will vary their working hours every year, every month and possibly every week, usually working part-time and occasionally full-time. Negative Income Tax, complex at the best of

times, could turn into a nightmare. Most workers would be left guessing their benefit entitlements and tax liabilities from one day to the next. Instead of encouraging change in the labour market, the benefit system would be working against it.

By contrast, a Basic Income scheme would appear to offer the best chance for workers and non-workers to adjust to a rapidly changing labour market. Everybody would have the same starting point from which to earn additional income. So we would all know where we stood. There would be a stable system of income maintenance, which would no longer place obstacles in the way of unemployed people seeking paid work.

But would the tax rates needed to finance Basic Incomes be prohibitive? That question remains to be answered.

PAYING FOR BASIC INCOMES

All income other than the Basic Income is taxable. Therefore, there comes a point on each person's income scale at which tax paid equals the Basic Income. This is the **break even point**, below which the individual is a net beneficiary and above which a net contributor to the system. In order to balance the Budget, most people would be net contributors. The higher the Basic Income, the higher the tax rates necessary to finance the scheme – and the more redistributive the programme becomes.

There might be a case for shifting part of the tax burden on to indirect tax rates, particularly in order to keep down marginal tax rates for low income-earners. For example, an additional expenditure tax could be levied on higher income-earners on a self-assessment basis, to help 'pay' for

a Basic Income scheme (similar to the two-tier expenditure tax considered in the Meade Report in 1978). Whether or not that would be necessary, would depend on the level of the Basic Income. And that would depend on political decisions by the Government of the day.

ENDING THE POVERTY TRAP

Under the present system, many people are dragged beneath the poverty line by taxation. They then have their incomes topped up by means-tested benefits.

This is a nonsense. One part of the system forces people into poverty and the other part helps to relieve it. Instead, the aim of the tax/benefit system should be to prevent poverty in the first place.

Basic Incomes would not be withdrawn as income rises. They would virtually abolish the poverty trap.

WHO ARE WE?

The group responsible for overseeing this programme of research and investigation comprises:

BILL JORDAN (Social Scientist)	ANNE MILLER (Economist)	CATHY ASHTON (Business in the Community)	PAUL LEWIS (Youthaid)	MAGGIE PLOUVIEZ (The Volunteer Centre)	BOB MORLEY (NCVO Personal and Family Services Group)
CAROL SMART (National Council of One-Parent Families)	JUDITH OLIVER (Association of Carers)	ROBIN SMAIL (Low Pay Unit)	EVELYN McEWEN (Age Concern England)	MALCOLM WICKS (Family Policy Studies Centre)	PETER MITCHELL (RADAR)
HERMIONE PARKER (Research analyst)	KEITH ROBERTS (Scientist)	PHYLLIS FERGUSON (Family Forum)	STAN WINDASS (Foundation for Alternatives)	SUSAN RAVEN (Journalist)	CHRIS TOPHER HALL (Research Officer, NUS)
	LINDA AVERY (The Spastics Society)	PHILIP VINCE (Liberal Party)	LIAM HARGADON (British Youth Council)	GEOFFREY RANDALL (SHAC)	ROGER MATTHEWS (Shelter)
		DAVID HOWIE (National Youth Bureau)	CHARLES KENNEDY (MP)	DAVID TRIESMAN (NATFHE)	

This group will be supported by a small Advisory Council. Members who have already agreed to participate are:

TONY CHRISTOPHER,
PATRICK COLDSTREAM,
SARA MORRISON,
SIR ALASTAIR PILKINGTON,
JANE PRIOR AND
JO RICHARDSON M.P.

The Secretary to the Research Group is Peter Ashby (NCVO Policy Analysis Unit).

A STAKE IN THE FUTURE ECONOMY

We hope that over the next few years economic recovery will generate millions of new jobs for the unemployed. A Basic Income scheme could help achieve this. But suppose that doesn't happen. Suppose that with the continuing advance of automation and new technologies, fewer and fewer workers are employed in the nation's wealth-creating industries. How, then, could we ensure that the benefits of wealth-

creation are distributed among us all, and not restricted to the privileged few?

A Basic Income scheme would provide a mechanism for giving every individual citizen a stake in the national economy. Earner or non-earner, man or woman, we would all have a stake in economic recovery. The Basic Income might even be linked to increases in the Gross National Product. It would make possible a new form of economic democracy in the 21st Century. It would make us all shareholders in the national economy.

WILL YOU BECOME A SPONSOR?

The Basic Income Research Group are seeking sponsorship from all organisations and individuals who share our belief that there must be far-reaching changes in social security and personal taxation policies.

We intend to draw up a range of options for different schemes, and to outline the practical steps that would be necessary to move towards Basic Incomes over a number of years. We will not be bound by any political dogma. Many of us would favour a Basic Income scheme that was redistributive. But to restrict our approach in this way would be to deny the flexibility of Basic Incomes, and to prejudice the tasks we have set ourselves.

We hope that trade unions, voluntary organisations, business organisations, independent bodies and individuals in every area of public life will agree to become sponsors of the Research Group. A list of sponsors will be published early in the New Year. All sponsors will receive a regular bulletin reporting on the progress of the research programme. They will also be invited to attend a national conference towards the end of 1986 to consider the programme's findings. At that stage, sponsors should be in a position to make a considered judgement about the feasibility of a Basic Income scheme.

Sponsors are not committing themselves in any way to support a Basic Income scheme. Rather, they are committed to encouraging public debate about the desirability and feasibility of Basic Incomes.

The Research Group urgently need financial assistance, and some contribution from sponsors would be appreciated. If individuals could manage £5 or £10, that would be a help; if organisations could afford more, that would be much appreciated. But most important at this stage is your goodwill rather than your money, your commitment to consider these issues seriously and on the basis of their merits.

The introduction of a Basic Income scheme would raise many difficult issues. It would not be a panacea. But it would face up to the severity of Britain's employment and social crisis. It would offer a vision for the future and hope for the young. We believe that it merits the sponsorship of all those concerned to find ways of overcoming the appalling divisions which beset Britain today.

Please fill in one or both of the forms below and return to:
Peter Ashby, Secretary, Basic Income Research Group, 26 Bedford Square, London WC1.
All cheques should be made payable to the National Council for Voluntary Organisations.

I wish to become a personal sponsor of the Basic Income Research Group	
Name	
Address	
Telephone No	
Occupation	
Signature	
Date	

My organisation wishes to become a sponsor of the Basic Income Research Group/wishes to receive further information about sponsorship.*	
Name	
Organisation	
Address	
Position in organisation	
Signature	
Date	
*please delete as appropriate	