Citizen's Income *newsletter*

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Citizen's Income Newsletter
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Citizen's Income: A solid foundation for tomorrow's benefits system.

A conference on Friday 6th June at the British Library (Euston Road, London) from 10 a.m. to 5 p.m.

Speakers already confirmed: Natalie Bennett (Leader of the Green Party), Dr. Tony Fitzpatrick (Nottingham University), John McDonnell MP, Professor Guy Standing (SOAS)

Some of the day will be genuinely conference, in the sense that we shall be conferring with each other over particular issues that face the debate on Citizen's Income and that would face the policy's implementation. Political feasibility, the design and modelling of alternative schemes, and funding options, have already been suggested as topics that require in-depth discussion.

Please register your interest in attending by sending your name and contact details to info@citizensincome.org

Editorials

Events

Rather more events than usual get a mention in this edition of the *Citizen's Income Newsletter*.

Three significant events occurred in a single week. On Saturday 1st March, the Green Party's Spring Conference passed a resolution confirming its commitment to a Citizen's Income; on Tuesday 4th March, a People's Parliament meeting about Citizen's Income packed the House of Commons' largest committee room; and on Wednesday 5th March, at a seminar at the School for Oriental and African Studies, Professor Guy Standing announced the results of an extensive Citizen's Income pilot project in India.

The fourth significant event is a conference on Friday 6th June that the Citizen's Income Trust has been invited to hold at the British Library. We are very much looking forward to this.

And the fifth is BIEN's international congress, in June in Montreal.

Individuals in society

Discussions of the advantages of a universal unconditional and nonwithdrawable benefits will generally list both the lower marginal deduction rates that individuals would experience compared with those imposed by means-tested benefits, and such social benefits as a greater social cohesion generated by everyone receiving the same Citizen's Income. What is not always recognised is that changes experienced by one individual might cause changes for another.

Take an example from our current social security system. If a mixture of sanctions and incentives leads to someone previously unemployed finding employment, then, if the supply of jobs at the National

Minimum Wage is relatively inelastic – that is, if the supply of jobs does not rise to match a rise in demand for jobs – someone else will not find employment who might otherwise have done so. [1] If the supply of jobs at any particular wage rate is instead elastic, then one person finding employment will not damage the chances of someone else doing so.

Let us now suppose that a Citizen's Income scheme has been implemented. Lower marginal deduction rates will mean that individuals will be more likely to seek and to retain employment. Greater demand for jobs would mean that wages would tend to fall. As Anne Gray points out in her article, this might lead to the Government implementing a robust National Minimum Wage or a Living Wage. If employment at a particular wage rate is inelastic then there will be people seeking employment who cannot find it; but if it is elastic then there will be sufficient employment. The question for further research is therefore this: Would the existence of a Citizen's Income make the supply of jobs more elastic? The Namibian pilot project [2] found that the answer to this is 'Yes'. Self-employment increased substantially in the context of a Citizen's Income. The security of the Citizen's Income had increased people's willingness and ability to start small businesses. The same would be likely to happen in the UK if a Citizen's Income were to be implemented. This suggests that employment at the National Minimum (or Living) Wage would indeed be elastic, that those who wanted employment would be able to find it, or they would be able to create self-employment, and that the kind of active labour market programmes to which we have become used would no longer be required and would no longer risk depriving of employment those seeking it.

Terminology

Andrew McAfee's lecture on Youtube [3] is justifiably popular. He charts the way in which increasing automation is destroying employment, and asks how we are to manage a society in which machines and computers do the work for us. He proposes a 'guaranteed net income' and lists the economists and politicians who have advocated the idea. Frequently in this *Newsletter* we have drawn attention to the importance of accurate terminology. Some of the people McAfee lists recommended a Negative Income Tax, which in some ways works like a Citizen's Income but can also have similarities to means-tested benefits. The context of McAfee's lecture suggests that he might be thinking of a Citizen's Income, because that would be the obvious answer to the problems that he delineates. But what he describes in the term 'guaranteed net income' is a means-tested benefit: that is, the government sets a net income level below which no-one will fall, and then guarantees that level by filling the gap between earnings and the stated minimum. This is as far from a Citizen's Income as it is possible to get, and would do nothing to share out the paid employment still required by an automated society.

If you haven't seen it, watch the video. It's very good. But also watch the terminology.

Notes

1 For instance, Richard Dorsett, Deborah Smeaton and Stefan Speckesser, in their 'The Effect of Making a Voluntary Labour Market Programme Compulsory: Evidence from a UK Experiment' (*Fiscal Studies*, vol. 34, no. 4, 2013, pp. 467-89), find that an individual is more likely to find work if labour market activation provisions are compulsory rather than voluntary, and they evaluate the cost-effectiveness of making the programme compulsory – but only in relation to the individuals subject to the programme. If the person who enters employment is a single person and was on Jobseeker's Allowance and they deprived of employment someone with dependent children on Jobseeker's Allowance, then their entering employment would not be cost-effective in the wider context.

2 *Citizen's Income Newsletter*, issue 2 for 2009

3 www.youtube.com/watch?v=cXQrbxD9_Ng

The Green Party reaffirms its commitment to a Citizen's Income

On Saturday 1st March the Green Party Spring Conference passed the following resolution:

> We call upon [Green Party Executive Committee] to establish a working group (WG) drawing on expertise in the fields of taxation, social security and any other relevant fields, to calculate a Citizen's Income at a level that is reasonable and affordable. We also call for a second WG to be established to create and propose a strategy to raise public awareness and support for a Citizen's Income. We also call on Green Party Regional Council to ensure that a Citizen's Income is included in the manifesto for the next General Election in 2015

The motion's proposer, Alison Whalley, said this in her address to the conference:

Citizen's Income is a universal, unconditional, and non-withdrawable payment to every woman, man and child simply because of their status as a citizen. It is also called basic income because it is a foundation, on which a person can build their life in the economic, social and environmental spheres.

Citizen's Income has three main advantages:

Firstly, because it is not means-tested, it will greatly alleviate the poverty trap now experienced by millions of workers, as well as those seeking work.

It is a secure income. A [Citizen's Income] will give true flexibility to people. It will allow people to build on it through part-time or full-time work, or by engaging in socially and environmentally useful work, paid or unpaid, without financial penalty. This is much, much better than the exploitative 'workfare' schemes so favoured by this government.

It will promote much-needed social solidarity. Since everyone, able or unable to work, rich and poor alike, will receive a Citizen's Income, it will remove the current perceived conflict of interest between 'claimant' and 'taxpayer': there is no stigma, for instance, in receiving Child Benefit or NHS treatments.

A CI will promote a new way of living together, as well as a new way of distributing wealth.

How will it be funded?

An organisation called the Citizen's Income Trust has made financial projections based on a CI equivalent to the Income Support rates for single people. The scheme is close to being cost neutral within the current tax and benefit system.

Why vote for this motion now?

As we all know the prevalent goal of perpetual economic growth is not fit for purpose. A Green economy though is about living within the planet's resources, and sharing the cake, so to speak, more equally – i.e., a steady state economy.

A CI will remove the treadmill of getting any job just to survive. It will give more choice. It will mean not being forced to take a job, like one involved with fracking, that is ecologically or socially unsound. It will unleash people's creativity, and encourage a greater quality of life.

A steady state, green economy means learning to live with less. It will involve a profound shift in priorities and a new mentality towards consumerism. A CI makes the transition possible by protecting everyone's livelihoods.

A carefully thought-out campaign to raise awareness about a CI will strike a real chord wtih many people, when they understand that a CI makes sense, more so now than ever before.

At the same conference, Barb Jacobson gave a speech entitled 'poverty is political'. Here are a few excerpts:

The European Citizens' Initiative (ECI) for Unconditional Basic Income ran from 14 January 2013 to 14 January 2014. Despite problems at the beginning, to do with how ECIs have been set up by the European Commission, which meant that we couldn't start collecting signatures until over two months later; despite the fact that there was no funded organisation behind it – the countries involved went from 13 to 25, and we collected the support of over 287,000 people throughout Europe. As momentum built in the two last months, the Europe-wide signatures doubled, and we doubled the number of signatures from the UK over the last two weeks of the ECI. I'm also happy to say that 34 MEPs, including both UK Green MEPs, Keith Taylor and Jean Lambert, signed a statement in support of this ECI last November. …

Why do I support unconditional Basic, or Citizen's, Income? I have been a student, feminist, welfare claimant, waitress, secretary, journalist, community organiser, mother – all of these jobs with very little – or no – income attached. I still do some of these things. Currently I am paid to be a housing and benefits adviser, and I'm here to say that I'd be very happy if Citizen's Income cost me my current job. …

Every week I see the problems caused by means-testing. The primary one is the high effective tax rate of 85%; if people work and still qualify for benefits, they can only keep 15% of any extra money they make. This is the real cause of the 'benefit trap', not the supposedly easy money. There is also the problem that with the increase of more flexible, precarious contracts, people need to spend more and more time making and adjusting their claims, with a corresponding extra burden on the bureaucracies which administer them. That is, as long as they're not on zero-hour contracts, which means that while they might not be 'employed' in the sense of earning money by working, they are still 'unavailable for work.' …

We need … to fight for a better society than what has gone before. Citizen's Income, or what many call Unconditional Basic Income, is the best I have found so far. Surely it's better to give people money, and let them decide what to do with it. We know that giving money to poor people increases local spending, multiplying its value by four to five times, in terms of increasing local jobs and other economic activity. And most crucially, Citizen's Income enables us to decide how to use our time – it allows us to be free of stress, overwork, humiliation, and the bureaucratic nightmares that I encounter every week [as a benefits advisor].

The People's Parliament, 4th March 2014

Citizen's Income: a minor policy change that would transform our society

The People's Parliament 'is a discussion series held in Parliament, hosted by John McDonnell MP with the aim of livening up, and providing political depth, to the debate in the run up to the next election' (http://thepeoplesparliament.me.uk). On Tuesday 4th March the subject was Citizen's Income.

Professor Guy Standing, author of *The Precariat*, spoke about the vulnerability of this new class to economic shocks, and about the serious problem of income insecurity, and recommended a Citizen's Income as a solution to the problem that would satisfy justice principles for both egalitarians and libertarians. He also reported briefly on the significant results obtained from a recent Citizen's Income pilot project in India (see the report on a seminar held on the 5th March for further details of the project).

Malcolm Torry, author of *Money for Everyone*, then spoke about how a Citizen's Income would work, how it could be funded, how it would affect individuals, families, and our society as a whole, and how it would reduce marginal deduction rates so that net income would rise faster as earnings rise.

Natalie Bennett, Leader of the Green Party, spoke about the Green Party's longstanding commitment to Citizen's Income, discussed the Green Party Spring Conference resolution to include Citizen's Income in the Green Party manifesto at the next General Election, and showed how a Citizen's Income cohered with the party's commitment to sustainability.

John McDonnell, who was chairing the event, spoke about the importance of a Citizen's Income to our current situation and of how its implementation might become politically feasible.

The House of Commons' largest committee room was packed for the event, and following the presentations, a vigorous discussion took place on the desirable level of a Citizen's Income, the costing of proposed schemes, political feasibility, funding mechanisms, administration, pensions, wage subsidies, the Living Wage and the National Minimum Wage, who should and who should not receive a Citizen's Income, and much more. A dispute about whether work is the way out of poverty was resolved by an understanding that work as it is now, in the context of today's largely means-tested benefits system, is not a way out of poverty, but that, in the context of a Citizen's Income, work could be a way out of poverty for many individuals and families.

The debate ran out of time.

Pilot projects in India

A report on a seminar led by Professor Guy Standing at the School of Oriental and African Studies (SOAS), University of London, on the 5th March 2014

At the seminar Guy Standing reported the results of a Citizen's Income pilot project in which he has been involved in India over the past five years. In recent decades, India has relied on subsidised rice, wheat, sugar and kerosene to reduce poverty, but about three-quarters of the money allocated to the programme never reaches the people for whom it is intended. So an alternative method has now become essential. Cash transfers are the obvious solution, and for the pilot project it was decided that universal, individual, unconditional monthly payments would be the model to be tested. Guy Standing worked with the Self-Employed Women's Association (SEWA) on the pilots with finance provided by UNICEF.

There were three pilots. An initial small project in Delhi offered residents of a low-income area to choose between continuing with the subsidised goods or taking a cash transfer of equivalent value. . About half chose the Citizen's Income. But after a few months of experience, over 20% of those who initially chose the subsidised food and kerosene asked to swap to the Citizen's Income. All those who had taken the cash wished to remain with it.

The second pilot covered 20 villages in Madhya Pradesh. In eight villages every individual was paid a monthly Citizen's Income while continuing to receive the subsidised food and kerosene, if they had been receiving them. Initially, each man and each woman received 200 Rupees a month, and each child 100, paid to the mother or surrogate mother. Subsequently, the Citizen's Income was raised to 300 rupees per month for each adult, and 150 for each child up to the age of 14. These amounts were approximately one third of subsistence income. Twelve similar villages were taken as control villages in what was a modified randomised control trial, enabling the evaluation of the impact to compare individuals over time and with others like them who were not receiving the Citizen's Income.

A third pilot was conducted in a tribal village, where every adult and every child received 300 or 150 rupees respectively. A second structurally similar tribal village was taken as the control village for comparative analysis.

In each of the 22 villages, a baseline survey (census) was undertaken and then evaluations carried out at six, twelve and eighteen months. In the villages in which a

Citizen's Income was received residents were required to open bank accounts within three months, and over 96% of them did so, the remainder being helped afterwards.

In the villages in which residents received the Citizen's Income:

- Latrines were built or improved;
- Housing quality improved;
- Mosquito nets and repellents proliferated;
- Child weight-for-age moved closer to the normal distribution, and girls in particular benefited;
- Diets improved, with more fresh fruit and pulses being consumed;
- There was a lower incidence of illness;
- Spending on medical care and on schooling increased;
- 48 disabled people went to hospital when they were ill (and only two in the control villages);
- Secondary school enrolment outstripped enrolment in the control villages, particularly for girls;
- School performance rose;
- Indebtedness fell, and some men managed to escape from debt bondage. In the local *naukar* system, someone in debt has to work for the person to whom they owe money.

Particularly important results in relation to the criticisms sometimes levelled at a Citizen's Income were:

- Alcohol and tobacco use did not rise;
- There was a general increase in economic activity, particularly amongst women;
- The purchase of productive assets increased: goats, chickens, bullocks, buffaloes and sewing machines;
- More people in the Citizen's Income villages increased their earned incomes than did those in the control villages. (An increase in work days was mainly generated by increases in second main economic activities and by a shift to own-account labour).
- Child labour shifted from external wage labour to work with adult relatives in own-account farming: a form of labour that is less disruptive to schooling.

What is particularly significant about these results is that they were obtained with a Citizen's Income that was only about one third of subsistence income.

Questions and discussion followed the presentation.

A report on a Citizen's Income meeting at the Scottish Parliament

by Anne Miller

A seminar and round-table discussion entitled 'Beyond Welfare Reform to a Citizen's Income: the desirability and feasibility of a CI scheme', was hosted by Jim Eadie, Member of the Scottish Parliament (MSP) on Wednesday 15 January at the Scottish Parliament at Holyrood. Over 60 people attended, including four other MSPs and some Parliamentary Assistants. The majority of the participants were employees and activists in the Voluntary Sector, together with representatives from several Scottish churches, civil servants, academics, and some private individuals.

Jim Eadie opened the proceedings with a warm welcome to the guests, reminding them of the importance and timeliness of the topic under discussion. The meeting was chaired by Sir John Elvidge, former First Permanent Secretary to the Scottish Government. The first speaker was Ailsa McKay, Professor of Economics at Glasgow Caledonian University, who addressed the question of the desirability of a CI and gave a passionate, but reasoned, discursive presentation on the philosophical and political aspects of a Citizen's Basic Income. She emphasised that a CI is not a mere reform of our current welfare system, but is a radical transformation that involves the acceptance of a whole new way of thinking about social security policy, and helps to secure both equality and efficiency objectives. She pointed out that the National Insurance system was designed for an industrial society, and does not help those who experience in-work-poverty, and helps those who are self-employed only minimally; nor does it take women's contributions into account. A Citizen's Basic Income breaks the link between paid employment and income, and leads to greater gender equality.

The second speaker was Annie Miller, Chair of the Citizen's Income Trust and retired academic economist, who tackled the feasibility question. She said that the discussion could be relevant to the whole UK, or to an independent Scotland, or to a devolved Scotland with greater fiscal powers within the union. She described the current Social Security system as a Gordian Knot that cannot be unravelled or reformed. It must be cut through and replaced by a new radical alternative, designed to meet the needs of the economy and society in the 21st century, but robust enough to meet the needs of changing societies in the future. She defined a CI in terms of the recent European Citizens' Initiative on Unconditional Basic Income, that is, universal, individual, unconditional, and high enough for a life of dignity and participation in society.

However, this does not define the whole system. She emphasised that there is not one unique optimum CI scheme, and that each scheme should be designed to meet a set of specified, prioritised objectives. Annie listed a range of objectives that a CI can fulfil. She briefly reviewed some of the suggested sources for funding a CI scheme, including a sales tax, a sovereign wealth fund, and income tax, but only the latter could redistribute income from rich to poor, men to women, and geographically, reversing the trend of recent decades.

The speakers responded to questions from the floor before the discussion was opened up to the participants. Sir John Elvidge asked the delegates to focus on three questions that needed to be addressed.

- What are your priorities with respect to a CI scheme: preventing poverty; increasing financial security; reducing income inequalities; restoring incentives to work-for-pay for poorer people; simplification of the welfare system; or stimulating aggregate demand?
- What do you think are the main stumbling blocks in implementing a CI?
- If you think that a CI is good thing in general, where would you like the matter taken next?

The ensuing discussion tackled all of these questions, and raised many other important issues. Specific answers were not necessarily forthcoming, but the general feeling was one of sympathy for the concept of a CI, and encouragement for the advocates to take it further.

Many of the participants will have heard of the sad death of Professor Ailsa McKay on 5 March, at the far too early age of 50, after a feisty battle with cancer. We print the full text of her talk on the 15th January after the obituary that follows this report.

Obituary

Professor Ailsa McKay, 1963-2014

Ailsa McKay, Professor of Economics at Glasgow Caledonian University (GCU), died on the 5th March at the all too early age of 50 after a feisty battle with cancer. After a first class B.A. Honours degree in Economics from the University of Stirling, and a Ph.D. from the University of Nottingham, she joined GCU in 1991. Her academic interests and scholarship were in the fields of the economics of the welfare state, the reform of the current social security system, and the economics of gender inequality – particularly the unequal status and income of women, despite their enormous contribution through their paid and unpaid work to the economy and society. These threads came together in her advocacy of a Citizen's Income. In fact, in Scotland, a Citizen's Income is immediately associated in people's minds with the name of Ailsa McKay. If her academic work had been all that she had contributed during her working life, then that would be impressive; but she did more than just analyse the impact of economic policies on women: she challenged them too. She was an active campaigner to make a difference in women's lives. She was a leading feminist economist, and chair and convenor of the European Chapter of the International Association for Feminist Economists (IAFFE).

Ailsa analysed the contribution made by women through their paid and unpaid work to the economy, and also the effect of economic policies on women's lives. She was a founding member of the Scottish Women's Budget Group and a member of the Equality and Budgets Advisory Group of the Scottish Government. She was also a co-founder of the European Gender Budget Network, and was able to give evidence at home to the Scottish Government and H.M. Treasury, and abroad to the Irish Government, and to the government of the Basque community as it worked on their first gender budget initiative to give women a better deal through their economic policies. She also gave evidence in 2008 to the Standing Committee on the Status of Women of the Canadian Parliament. She made the case for policies to support women's equality, such as the creation of a Citizen's Income scheme, and for greater investment in the provision of a universal public childcare service, which would allow women to play a more equal role in the economy and society. She was instrumental in setting up a new research centre at GCU, Women in Scotland's Economy (WiSE). The centre was her vision, and the realisation of her work for gender equality. The amount of work that Ailsa produced, both scholarly and active, in her all-too-short working life, puts many of us lesser mortals to shame.

With passion, compassion, energy and straight-talking, Ailsa influenced opinion formers and those in power to think and act differently. Her warmth, wit and sense of fun were always to the fore when we discussed our common interests. My main contact with her was in connection with our shared ideal of a Citizen's Income. About four years ago she organised a conference on CI through the Scotland's Futures Forum, set up by the Scottish Government so that people in Scotland could put forward their ideas for a better Scotland. Last summer she was invited to be a member of the Scottish Government's Expert Working Group on Welfare. She gave a terrific speech at the Radical Independence Conference on the 23rd November, when she received a standing ovation, which - as she acknowledged - was unusual for an economist. I was grateful that she was well enough on the 15th January to participate in a seminar and round-table discussion on 'Beyond Welfare Reform to a Citizen's Income' at the Scottish Parliament that I helped to organise, where she gave a passionate speech about the philosophical and political aspects of a Citizen's Income. She was active in public life until four days before she died, when she contributed to a Scottish TUC Women's School.

Ailsa will be much missed by her many friends and admirers, and Scotland has lost an important advocate and campaigner. To her husband, Jim, and children, Rory and Annie, we send our sincere condolences.

Annie Miller

Main articles

Arguing for a Citizens Basic Income in a New Scotland

by Ailsa McKay

The constitutional change debate provides an opportunity to shape a distinctively Scottish welfare scenario that would meet the challenges associated with demographic change, the dynamics of modern labour markets and the need to secure equality as well as efficiency objectives.

The following questions should inform the debate:

1. what makes a good society, and
2. what kind of welfare system would support that good society?

So what do we want our welfare system to do, what values and principles will inform investment in state welfare support, and how will that translate in policy terms?

Enter the Citizens Basic Income (CBI) proposal – a minimum income guarantee paid to all citizens on an individual basis, without means test or work requirement. A CBI would replace all existing income maintenance benefits, including all reliefs set against income tax liability and the amount paid would be tax-free.

A CBI would ensure that the financial gains from paid work were always positive and would provide a more secure base for individuals to opt in and out of the labour market, thus promoting greater flexibility with respect to individual life choices. Furthermore, the universal aspect of the proposal protects against discrimination, thus providing the foundations for a more equitable system of state welfare provision.

Adopting a CBI would not simply imply tinkering with existing systems in response to identified inadequacies or inefficiencies. The concept itself involves the acceptance of a whole new way of thinking about social security policy in terms of the functions it *can*, *should* and *does* perform. If understood in these terms, a CBI is more representative of a *radical idea* than a *welfare reform* proposal.

A CBI provides the basis for creating *space* to rethink our notions of work, income and citizenship rights within modern capitalist economies. The perceived crisis in capitalism, and the current economic recession, present an opportunity to reshape our thinking on *what makes a good society, how do we value, and who do we value in that society*. Crucially, in doing so, we need to develop a better understanding of how the structures and processes associated with our economic systems can better serve the needs of *all citizens* across all of our communities.

The inadequacies of our current welfare system, operating alongside and in conjunction with contemporary labour markets, are obvious when evidence is presented of increasing income inequalities, the persistence of widespread poverty, and the associated problem of social exclusion. Furthermore, the social justice case for the promotion of equality has been strengthened by a heightened awareness regarding the negative impact inequality has on overall economic performance. Existing social security policy can therefore be criticized for failing to deliver, both as a mechanism that acts in supporting the efficient functioning of a modern capitalist economy, and as an effective social policy that promotes 'security' for all citizens. From a gender equality perspective this is particularly the case.

The current position of women in Scotland's economy is a cause for concern at a number of levels, and the constitutional futures debate provides a platform for raising and discussing issues relating to gender inequality. With specific reference to social security policy, gender concerns should be central to the debate. Formal social security arrangements have traditionally served men more favourably than women. This is in part due to the direct relationship between insurance-based benefits and the labour market, but it is also an indirect consequence of policies that fail to recognize the diverse roles of women as wives, mothers, carers and workers.

The Scottish constitutional futures debate provides the space to consider new ideas and proposals that will transform our welfare system into a 'workable new welfare architecture' that will meet the needs of the Scottish economy and the women who live and work in that economy. A CBI would provide a framework to build a welfare system that effectively recognises the *totality* of women's contribution to the economy and wider society. The question remaining is - in the new Scotland is there a desire and/or political will to do so?

Within a Scottish context a commitment to the promotion of equality has been a defining feature of the post devolution political and policy frameworks, made explicit via high-level strategy and processes. The current political climate within Scotland provides real opportunity to move beyond the confining parameters of mainstream economic analysis in attempts to understand the role of women in the economy. The door is ajar, creating a space for new thinking that more accurately accounts for a whole range of economic activity that is welfare enhancing yet remains invisible within a policy framework focused on the world of paid work. In the context of social security policy the open door allows for consideration of the CBI proposal and how it presents as an invaluable opportunity for reshaping welfare policy in accordance with a goal of promoting opportunities for *all* of Scotland's people.

This brings us full circle to our initial question – what kind of welfare system would support a good society in a new Scotland?

In contrast to current social security measures, a CBI does not explicitly link income provision with work. In this sense it can be regarded as an emancipatory measure in that it serves to free individuals from the economic necessity of *toil* and provides the basis to support a range of welfare enhancing activity undertaken outwith the confines of market based exchanges. A CBI is not merely an alternative to existing social security provision but rather a *philosophy* aimed at enhancing individual freedom and promoting social justice: in essence providing the basis for securing '*real freedom for all*'. However, the arguments posed against the proposal mainly focus on costs and the impact on work incentives and disincentives. To date those arguments have won over the very diverse and convincing arguments in support of the proposal. That is, paying people in exchange for what is *perceived* to be doing nothing is highly unlikely to happen given the value that modern society attaches to work. The word *perceived* is used deliberately here: as what is it that we understand by 'doing nothing'? This kind of statement indicates a very narrowly confined notion of what we as a society currently *value* as economic activity.

In particular: how and who we value in the context of assessing the gendered impact of austerity measures on overall economic performance raises a number of questions. Who was bailed out and why; how was the bailout financed and who will continue to pay the price; why the impact on pay and jobs in the public sector; and how can we justify the level and scope of the current public spending cuts evident across Europe? Policies to encourage private sector investment may lead to positive outcomes in terms of boosting aggregate demand. But this is by no means guaranteed due to the uncertainty and volatility inherent within global financial markets, as Keynes so eloquently argued in the 1930s. In accounting for gender difference it may be that we can conclude that the best way to boost aggregate demand is to target resources towards meeting the needs of women and their families. However, this would require a fundamental shift in thinking. In particular it would require an acceptance of the centrality, and indeed the superiority, of public sector expenditure and the care sector in supporting economic and human development. Perhaps it is time to make that fundamental shift, and to consider a different set of values as the defining feature of our 'good society'. Maybe a CBI provides us with just the platform for doing so in a new more gender equal Scotland.

This text formed the basis for Professor Ailsa McKay's presentation at the Scottish Parliament on the 15th January 2014. The Citizen's Income Trust is grateful to Ailsa's widower, Jim Campbell, for permission to reprint the text.

Is Citizen's Income the answer to workfare?

by Anne Gray

Introduction

The context of the Citizen's Income (CI) debate now includes Universal Credit (UC), about which opinions differ. Bill Jordan, a long term advocate of CI, has seen UC as a step towards it (Jordan, 2012), and writers from one libertarian left group, Plan C, have recently argued that

> those seeking to transcend capitalism should consider placing the universal basic income at the center of their discourse and action. The expansion to all of the newly introduced UC, its increase to the median income level and the removal of the conditions which dictate its receipt must be central to such a program. (www.weareplanc.org/universalbasicincome/#.UsnqhhJIiDc)

A CI is of course very different from UC. The former is a universal individual benefit, without work test, and the latter is a means-tested and work-tested benefit.

Some advocates of CI (for example Hermione Parker, 1989) have seen it as a way of 'pricing people into work' and therefore argued that a state benefit of this kind would be a substitute for minimum wage legislation. Others, such as the Green Party, call for a *rise* in minimum wages to the 'living wage' standard (http://greenparty.org.uk/policies/jobs-2010.html). But a book on CI by prominent Green Party activists, Clive Lord et al (2012), sees CI as making minimum wage rules redundant (Lord et al, 2012: 131).

CI might make it easier or more difficult to refuse low pay, depending on its level. Many writers have argued for a 'partial' introduction of CI until a 'full' CI can be afforded, where a 'full' CI is defined as enough to cover basic subsistence needs even if no work was wanted or available. The danger is that a low, 'partial' CI would simply make low pay more acceptable. In any case, the level at which a wage is a 'living' wage depends on circumstances: for instance, on how well their area is endowed with public transport, childcare facilities, properly insulated housing, and so on.

What is clear is that a very low level of unconditional benefit would increase the supply of job applicants to low-paying or very part-time jobs, whereas there must be some higher level of CI that would result in sufficient withdrawal from low paid jobs to induce employers to pay more. Econometric modelling might be able to provide some indication of the 'turning point', but as we are talking about a major re-structuring of the whole system of income expectations and incentives to work, any such modelling might not predict the actual effect very well. The level of benefits and wages will continue to be an arena of controversy.

One objection often made to CI is that it might induce a mass withdrawal from the labour market and a shortage of workers to keep the economy running. The best way to think about this is that CI can be considered as a subsidy to unpaid work and short-time (paid) working. If a CI led to a labour shortage at a given legal minimum wage level, either the CI would have to be reduced or the minimum wage would have to be raised.

Different reasons why Citizen's Income (CI) has been proposed

A CI has been advocated from different parts of the political spectrum for different and sometimes contradictory reasons. For instance:

1) To simplify the benefits system and reduce the cost of administering it. The designers of UC share this goal with advocates of CI. However, UC now confronts a quagmire of wasted IT investment and implementation delays due to at least four factors. First is the insistence on online applications and computerised processing. Neither would be necessary if UC were genuinely very simple, like Child Benefit, which has very low administrative costs. But UC has been made very complex by the other three factors, namely the incorporation of housing benefit, the incorporation of a childcare element, and above all the fierce conditionality.

2) To avoid means-testing of those without insurance-based entitlements (and in practice to avoid means-testing altogether)

3) To eliminate the 'poverty trap', allowing people to keep their benefit as they move from unemployment into work, thus encouraging them to take work which would otherwise be unacceptable either because of low hourly pay or too-short hours. Such advocates of CI as Hermione Parker (1989) and Milton Friedman (1962) have seen CI as an alternative to a national minimum wage, a way of making unacceptable pay rates acceptable to jobseekers without employers having to pay more. In the same way, UC is seen by its designers as a means of 'pricing people into work' without raising the existing minimum wage. However, Guy Standing (1999) sees CI as an appropriate replacement for social insurance in a world of precarious employment where many part-time, temporary or long-term unemployed people cannot build up an insurance record. Thus it reduces poverty for the precarious, but is not a substitute for labour regulation to reduce precarity, of which Standing is a strong advocate. Robertson (1985) and Clive Lord et al. (2012) advocate CI as a solution to the poverty trap and as an *alternative* to labour market regulation, whilst appearing unconcerned about the possibility of seeing CI as a gift from taxpayers to employers.

4) To encourage part-time and voluntary work and make 'work-sharing' and 'care sharing' more acceptable, a point made by (amongst others) the Green Party (http://policy.greenparty.org.uk/ec#Direct), by Clive Lord et al (2012), Bill Jordan (1987), and James Robertson (1985). For Andre Gorz (1985), CI represents the form that personal income could take as increasing automation makes human labour power increasingly redundant and a way needs to be found to distribute GDP that does not rely on wages. Gorz proposed that each citizen would need to provide 20,000 hours' work per lifetime to ensure that necessary work was done. But, writing in an era when trade union strength was far greater than now, and from a country (France) where trade unions had historically had a significant role in the design and administration of social security, he hinted that this work requirement could be implemented through agreements organised by trade unions or at least

democratic working class organisations, rather than the state.

5) To break the link between income and work, distributing resources on the basis of 'to each according to her need'. Gorz's future world would emphasise 'use values' rather than 'exchange values', envisaging a contraction of *market* activity in favour of activities performed for their own sake. In particular, a CI could encourage caring, whether for children, grandchildren, or disabled or older people. For some proponents of CI, including Lord et al (2012), the de-linking of income from employment is also a way of making it more acceptable to abandon economic growth as a key goal, and to stabilise or reduce consumption of natural resources in the interests of ecological balance and halting climate change.

6) As a way of sharing out the stream of revenue from some publicly held capital assets, often mineral resources – for example the 'social dividend' paid to everyone in Alaska and locally in some parts of India and Namibia (http://blogs.lse.ac.uk/politicsandpolicy/archives/34269). A land value tax would be a way of re-appropriating urban real estate values for communal use, especially in unusually high-value areas like central London.

7) To enable people to walk away from jobs where conditions are unacceptable, and to help people to challenge excessive overtime, unsafe practices, sexual harassment, etc.

8) To largely eliminate the crime of benefit fraud, by declaring it legal to work and claim benefit at the same time.

The labour market effects of CI and evidence about benefit systems which share some of its features

There are some important effects of CI that would depend on how recipients responded to a different incentive system. All 'availability for work' rules would be removed by a CI. This means that some people with particularly poor work prospects (for example because of poor health, a criminal record, or residence in an area of high unemployment) would probably stop searching for jobs, whilst others who are currently discouraged by the 'benefits trap' would accept jobs at a lower wage rate (or higher commuting costs, etc.) than they had formerly thought feasible. Some people who are currently discouraged from working because means-tested benefits would be withdrawn from their partner would also be encouraged to seek employment.

Compared to the JSA/ESA system, CI would make it more attractive to accept 'mini-jobs' for a few hours a week, because people could keep all of their earnings (after tax) rather than suffer benefit withdrawal. International research on benefits for lone parents has found that to increase earnings disregards generally does draw more people into paid work (Finn and Casebourne, 2011). If working and claiming was permitted for everyone, 'mini-jobs' would probably proliferate, echoing the experience of France, Belgium and Germany in the 1990s. These countries had a system known in French as 'cumul' – the permitted 'cumulation' of a part-time wage with part-time benefits. Substantial 'disregards' of this kind led to a growth of precarious, very part-time and usually temporary job offers which it was argued took the place of full-time, longer-term jobs and undermined trade union negotiated employment conditions (Gray, 2002). As employers increasingly take advantage of the wage subsidies inherent in such systems, those seeking full-time work are increasingly disappointed, and the state must either extend wage subsidies further to boost the demand for labour, or drive people into jobs via versions of workfare (Gray, 2002).

Trade unions and social movements of the unemployed and precarious were very concerned about the proliferation of precarious work, or 'flexploitation' as I once called it (Gray, 2004). They sought a solution not so much in changes to the income maintenance system as in re-regulation of the labour market and in mass struggle against casualization, workfare, and exploitative trainee positions: all demands expressed in the 'Euromarches' movement (www.euromarches.org).

The Citizen's Income Trust, in its introductory booklet (www.citizensincome.org/filelibrary/booklet2013.pdf, p.13) argues that 'labour market flexibility' is a good thing and would be encouraged by a CI. It supports the idea of a National Minimum Wage but does not consider the possibility of CI depressing wages. But CI might well encourage more employers to hire at the 'wage floor' as it became more acceptable to do so, leaving the Exchequer with lower tax receipts and in effect allowing part of the value of CI to go to employers. However CI is presented, and whatever the reasons for demanding it, such a payment is undeniably a wage subsidy. As such, it is open to the criticism that it will encourage employers to pay less than they would otherwise have needed to offer to attract job applicants. This criticism, based on evidence, has been made of Working Families Tax Credit and its UK predecessors (Wilkinson, 2001) as well as of the Speenhamland system of the early nineteenth century (Polanyi, 1957). It can likewise be predicted as an effect of UC, even if (as several commentators suggest) UC actually offers *lower* payments to many households than the current combination of JSA and WTC.

As Jordan says (Jordan, 1987: 158), if a CI is not high enough to enable workers to live on it alone, 'this amounts to an artificial encouragement of low wages and a wasteful use of labour, which, in the absence of a full basic income, is really an encouragement of exploitation, since workers cannot rely on their basic incomes for subsistence'. But who is to say at what level of CI people who now seek work would say, 'that's enough for me, I don't want to work, at least not for an employer'? The level would vary with the individual's circumstances, savings, earnings prospects, outgoings, and degree of liking or dislike for their customary occupation. One could try to determine, through econometric modelling, at what level of CI employers of particular occupational groups or skill levels would offer lower wages than they would without a CI, given the state of the economy and other relevant circumstances: but as recent labour market history is so coloured by JSA conditionality, it would be hard to say what people would choose on the basis of financial rewards alone. What seems obvious is that below a certain level a CI would encourage low pay, and above a certain level it would discourage low pay, without us being able to tell where the turning point would be. Jordan's approach in a later work where he addresses this issue is effectively 'suck it and see'. He says:

> by offering citizens 'time out' of the labour market for cultural or political pursuits, for investment in higher skills or improvements to their homes, or for looking after the next generation or people with special needs, or simply for travel, recreation and personal development, it would maximise chosen participation and minimise constrained activity. If that meant less labour was supplied than the formal economy needed for efficient functioning, the basic income would have to fall to a level that would once more increase formal labour supply. (Jordan, 1998: 176)

None the less, there are two major problems with this solution. Firstly, it would require that the army of labour (reserve or otherwise) had much more power than at present to bargain with employers. Secondly, a fall in labour force participation would mean a fall in the tax take, so that public borrowing would be needed, or tax rates would need to rise, to finance the CI until the supply of labour and tax revenues could be restored.

Comparison of Citizen's Income and Universal Credit

UC appears attractive in so far as it has some similarities with a CI proposal, but there are also some very important differences:

a) UC is assessed on the income of the household (– different no-deductions levels of income are allowed for single people and couples). CI on the other hand is an income for each individual, so that no reporting or investigation is required of partnership status or changes in it, and each person has an income of their own regardless of any difficulties over distribution of income within the family. This is a very important feature of CI to provide income security for unwaged women, especially in situations of relationship breakdown or domestic violence.

b) UC has a much higher marginal deduction rate for people working more than a few hours a week than recently proposed versions of CI. Earnings additional to a CI would be subject to the standard rate of income tax plus a percentage tax which would replace national insurance contributions – at current rates 32% in total. But under UC, earnings over the 'work allowance' (that is, the earnings disregard level, which varies with household type) lose 65%, and beyond the income tax and NI thresholds 76% (until the UC entitlement is all withdrawn).

c) Because of the poor incentive to work resulting from UC's high deduction rate, Anne Miller comments that 'it is not surprising that a stiff regime of conditionality and sanctions, and thus of expensive monitoring, has to be in place to enforce this incentive' (Miller, 2011: 9).

d) UC is for persons currently eligible for any of the benefits it replaces, whereas CI would be for anyone who is legally resident. UC would exclude asylum seekers, people on self-employment work visas (who are often running marginal small start-up businesses or are individual freelancers), migrants from some states that have recently joined the EU, people who are still 'habitually' resident in another country even though they may have arrived (or returned) to the UK with the intention of permanent residence, and so on. Current difficulties and debates surrounding the eligibility of migrants for benefits underline the importance of a *Europe-wide* CI as a necessary counterpart to freedom to work anywhere in the EU.

e) Most important of all, UC is a policy to drive people into low-paid and casual work and is accompanied by job-centre disciplines for all claimants. Those working less than full time will be pressured into increasing their hours or looking to change jobs until they can earn away their UC entitlement. Generally speaking, any 'availability for work' conditions or work obligations are contrary to one of the most important arguments for CI, which is to help people resist exploitative work and excessive working time, emancipating non-market forms of work (unpaid caring and voluntary work, and the 'subsistence economy' of house repairs and food growing) in a way that JSA or UC conditionalities cannot do. When we consider that around a quarter of all day-care for children in the UK is provided by unpaid grandparents, many of whom are still of working age (Gray 2005), and that voluntary work contributes between £22 billion and £40 billion to the economy annually, [1] we can see how much may be lost through an ever-more-workfarist benefits system which pressurises part-time workers to work more hours.

Universal Credit as a 'stepping stone' to CI? Would claimants gain or lose from the shift to UC from the previous system ?

The government has claimed that UC will give unwaged people more incentive to work, but, as we have seen, the incentives are actually quite poor. According to the Institute for Fiscal Studies, 'incentives to work will be strengthened for the main earner in a family who works part-time or has low earnings, and will be weakened for those with higher earnings and for second earners in couples' (Mike Brewer et al, 2012: 69-70). UC will have a higher withdrawal rate than tax credits, because UC will be withdrawn at the rate of 65p for every extra £1 earned, compared to only 41% from tax credits. This change particularly hits people with a working partner. James Browne of the IFS said in a conference presentation (www.ifs.org.uk/conferences/uc2011_browne.pdf) that 1.8 million claimants will lose £3.8 billion between them from the introduction of UC, whilst 2.9 million (mainly single earner couples with children) will gain £4.9 billion between them and 2.4 million will see no change. A joint report from the Child Poverty Action Group and the TUC (www.cpag.org.uk/sites/default/files/TUC-CPAG-UC-report-0413.pdf) has said that over 61% of UC claimants will lose from the introduction of UC combined with other cuts to benefits since 2010. From the switch to UC alone, pensioner couples lose £478 p.a., unwaged couples with no children lose £778 p.a. and some disabled people lose well over £2000 per year (because of the abolition of 'severe disability premium' and of the disabled WTC when UC is introduced, each worth over £50 per week). Marginally viable self-employment is also hit, because UC assessment will assume self-employed people make as much as the hourly NMW even where they do not.

Whereas the current system does not means-test tax credits against savings (only against income) UC will withdraw some in-work money from those with savings over £6,000 and withdraw the benefit entirely from those with £16,000 or more. This particularly impacts workers who have recently suffered redundancy or who are saving for retirement or house purchase.

The future value of UC may wither if the allowances are not updated. Already, the potential gains of the gainers from the new system have been substantially reduced by the decision to freeze the 'work allowances' for three years.

Universal Credit will not be easily transformable into a true CI because even if all conditionalities were removed, the 'work allowances' and maximum UC amounts are per household rather than per person, they are too small, and the marginal deduction rate is still very high. It would be better to start again, whilst recognising that if funds could be found for UC, they could also be found for a CI of similar scale.

The next steps for supporters of Citizen's Income

Debate needs to focus not on the potential cost of CI, but on its labour market effects. Introducing a CI into the UK's excessively 'flexibilised' labour market with only a low (and poorly enforced) legal minimum wage would probably worsen wages and conditions. Much of a CI's benefit in the current context would go to employers as a wage subsidy.

The lower a CI, the less likely it is to help people to resist exploitative work and the more likely it is to have a 'Speenhamland effect': that is, it would act as a wage subsidy and depress wages. A 'transitional' or 'partial' CI would be especially likely to turn into hidden wage subsidies or –like the continental experience of 'cumul' – lead to excessive splitting of work into dead-end 'mini-jobs'.

CI could have adverse effects for unwaged and low paid people *unless* introduced in parallel with supporting measures to re-regulate the labour market and restore the eroded power of trade unions. To quote Clark and Kavanagh (1996: 404):

> Whether a Basic Income policy would weaken or strengthen workers' power in the labor market is a more difficult question to answer. It would depend

[1] The National Council for Voluntary Organisations estimated that the economic contribution of volunteers in 2007/08 was £22.7 billion. (see www.biglotteryfund.org.uk/value_of_volunteering.pdf) whilst another estimate including the work of volunteer police and magistrates goes up to £40 billion (see www.volunteering.org.uk/policy-and-campaigns/volunteers-week, the site of Volunteering England which is part of NCVO). Neither includes unpaid caring work offered to relatives and friends, of which it is said that in London alone the over 50s (the main age group involved) 'provide £4.7 billion, as a result of caring for other adults and £600 million providing childcare for their grandchildren' (see GLA press release on www.london.gov.uk/media/mayor-press-releases/2013/10/older-londoners-bring-53-billion-boost-to-the-economy).

> on the context in which the Basic Income policy was instituted and the support workers already received from the state. The existence of a minimum wage, strong unions, and enforced pro-labor legislation might be essential to preventing the Basic Income from becoming a wage subsidization policy.

The Socialist Party, in commenting on Clark and Kavanagh's paper, believes it over-optimistic that a CI would actually help workers, even with such supporting measures:

> It is just inconceivable that a state payment to everybody in work would not adversely affect wages and salaries. (www.worldsocialism.org/spgb/socialist-standard/2000s/2008/no-1243-march-2008/basic-income-dangerous-reform)

This is to misunderstand what a CI attempts to do, which is to raise income for those not in full-time work as well as for those in it. The most appropriate way to increase income for those who are in work is obviously to raise wages, otherwise employers will receive part of the benefit of CI by paying lower wages than they would in its absence.

In order that CI does not have a 'Speenhamland' effect, or encourage casualisation, it would be best to regard it as an income maintenance policy to be implemented *after* measures to protect and improve wages and conditions have been put in place. A CI cannot be expected to become an adequate tool for resisting 'flexploitation' by itself. It can address the several objectives listed above only if the third objective – ending the 'poverty trap' – is underpinned by improving the quality of jobs on offer. Several of the goals of CI – ending workfare and conditionality, permitting 'cumul', reducing poverty, giving more freedom for unpaid work – can better and sooner be addressed directly, separately from introducing CI. This would mean working for five points – less conditionality and no workfare; higher disregards; a higher national minimum wage; equal remuneration for part-time and temporary workers; and an end to zero hours contracts. Legal changes would therefore be needed to restore trade union freedom, protect the right to state income support against erosion over time, and raise a higher proportion of tax revenue from profits, wealth and inheritance.

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News

The **Institute for Fiscal Studies** has published its *Green Budget* for 2014: 'There is an inevitable down--side of policies that focus increases in generosity on those with the lowest incomes. While reducing the cost of providing a given level of support to those people, withdrawing the extra support as income rises weakens the incentive for some workers to earn a little more. Increasing in-work benefits might also result in higher administration costs; and take-up rates for means-tested benefits are inevitably less than 100%.' www.ifs.org.uk/budgets/gb2014/gb2014_ch7.pdf, p.161

The **European CEO** (Chief Executive Officer) website advocates a Citizen's Income: 'Europe's inflexible labour markets are in need of a structural overhaul, which can perhaps be found in the shape of an unconditional basic income … The concept is especially pertinent for Europe, given that there exists a glut of university graduates whose skills are too often laid to waste in dead-end jobs … The introduction of an unconditional basic income would certainly amount to a structural transformation, and it could well be the overhaul that industry leaders, politicians and economists alike are calling for. … A common criticism of the system is that an austerity stricken Europe can ill afford to fund such a drastic change, however, numerous studies have proceeded to unpick the argument. The Citizens Income Trust claims the full integration of the tax and benefits system would make possible a payment to every UK citizen equivalent [in value] to … the current tax threshold, whilst numerous others argue that proceeds from VAT could do the same. … "Everybody from the wealthiest to the poorest would benefit from reduced crime, reduced need for healthcare, better use of acquired skills and particularly, reduced social tensions caused by unemployment, income disparities and economic migration," says Barb Jacobson of the ECI [European Citizens' Initiative on Unconditional Basic Income]. Given that millions of the continent's skilled workers remain unemployed, now is the time for leaders to address the structural failings of Europe's labour markets and replace the convoluted mechanisms of social security with an unconditional basic income. In short, doing so would overturn Europe's inflexible markets and put the region's pool of skilled youths to far better use. www.europeanceo.com/business-and-management/2014/01/is-unconditional-basic-income-the-reform-europe-needs/

On the 19th February ***The Independent*** reported that 'only 3,200 people – a fraction of the original target – had been signed up to receive Universal Credit …. Under the original timetable, one million people were supposed to be receiving the payment by April, rising to 1.7 million a year later. … The DWP admitted that only 3,200 had been enrolled for Universal Credit by the end of November … The vast majority are young, single jobseekers, the least complicated category of claimant. As the Government has spent £612m getting the scheme off the ground, the spending so far equates to £191,250 per head. … Government sources insisted David Cameron and senior ministers remained committed to Universal Credit. … However, Whitehall officials were yesterday reported to fear the whole project could be scrapped after the general election, whichever party is victorious in May 2015. … Anne Begg, the chair of the Commons Work and Pensions Select committee, said the "jury is out" over its future.' www.independent.co.uk/news/uk/politics/universal-credit-governments-welfare-reform-may-be-scrapped-after-next-election-9139458.html

The World Bank has published a report on pension provision in Latin America: 'Policy strategies developed in the region in recent years established three different lines of action. A first group of countries, comprised of Argentina, Brazil, Chile, Panama and Uruguay, opted to include older adults who during their working life did not make contributions to pension systems. Common measures included facilitating entry into the contributory system by relaxing some requirements or simplifying procedures. Other countries – such as Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Paraguay and Peru–, which did not have the necessary resources, decided to focus on vulnerable groups and granted pensions to the most disadvantaged citizens through their own social security institutions. A third group is formed only by Bolivia and Trinidad and Tobago. Their strategy has been to grant pensions to all older adults, regardless of whether or not they worked. "These strategies appear to be working and the overall situation is improving. However, two clear challenges remain: one is political, social and design consoled-ation whereas the other is fiscal sustainability, in other words, they have to be paid," says Rofman.' (www.worldbank.org/en/news/feature/2014/03/13/better-pensions-latin-america?cid=ISG_E_WBWeeklyUpdate_NL)

On the 25th February, in the House of Commons, **Ben Gummer MP** proposed that National Insurance Contributions should instead be known as an Earnings Tax: '… At every turn, the link between contributions and benefit, which from the beginning was not entirely true, was eroded, to the point where it now barely exists. That link will become nugatory with the introduction of universal credit and the single state pension, both considerable reforms of this coalition Government. What remains of national insurance is not really a contributions-based system, but a system of entitlement whereby a certain number of years of payment entitles the recipient to additional benefits. Let us be straight. National insurance is now a tax. It has all the features of a tax. Money paid in this financial year in national insurance contributions is used to pay this year's costs of pensions, health care and much else besides. The surplus in the national insurance fund is transferred to other Government spending. The more robust commentators have explained that it is not an insurance system but a giant Ponzi scheme. … Were national insurance a much smaller tax, we would call it a stealth tax. That was certainly how the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown) used it, when he increased NI contributions having promised not to increase income tax. That is the principal reason why I wish to see reform. We know the struggle we have, in this place, to improve the conversation our voters have with the people sent here to represent them. I firmly believe that, if we are clearer about the amount of money we take from people in tax—if that figure were more simply presented—and if we explain equally clearly how it is spent on their behalf, we will have done something important to reconnect voters with their democracy. A small but important part of that is coming clean about national insurance. I propose we call it earnings tax, because it is a tax on earnings. … [This] would … be an important first step in the merging of income and earnings taxes, as proposed most recently by the TaxPayers Alliance, the Institute of Directors and the Chartered Institute for Payroll and Pensions Professionals. I believe that such a merger would have far wider benefits; it would not just benefit the people those organisations represent. But that discussion is for another time. All I propose at this stage is a twofold reform: first, a simple change of name, which would cost next to nothing; and secondly, the merger of the national insurance fund into general Government funds, which would save administration costs that would far more profitably be spent elsewhere. The result would be that we would have made an important move in being clearer, simpler and more transparent about how our constituents are taxed, on what and where it is spent.' (www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140225/debtext/140225-0001.htm)

Conference announcement

The 15th Basic Income Earth Network (BIEN) Congress will take place from the 27th to the 29th June 2014 at McGill University, Montreal, on the theme of *Re-democratizing the Economy*. Speakers include:

> Alicia Bárcena Ibarra, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), United Nations
>
> Roberto Gargarella, Professor of Constitutional Theory and Political Philosophy at the Universidad de Buenos Aires
>
> Renana Jhabvala, President of the Self-Employed Women's Association (SEWA), Bharat, India
>
> Joe Soss, Cowles Chair for the Study of Public Service at the Hubert H. Humphrey School of Public Affairs, University of Minnesota
>
> Guy Standing, Professor in Development Studies at the School of Oriental and African Studies (SOAS), University of London and Co-President, BIEN
>
> David Stuckler, Senior Research Leader at University of Oxford and Research Fellow of the London School of Hygiene and Tropical Medicine and Chatham House

For further details, see www.biencongress2014.com.

Reviews

David G. Mayes and Anna Michalski, *The Changing Welfare State in Europe: The implications for democracy*, Edward Elgar, 2013, 1 78254 657 3, hbk, xi + 258 pp, £80

As the editors of this collection state in their introduction, improved health, education and housing are now viewed as preconditions for economic growth and not simply as a cost; but

> the process of taxing one group in society for the greater good and the benefit of others still remains deeply politically contentious ... A badly structured system demotivates the richer in society from increasing their efforts as they are seen to be 'losing' too much of the product of that effort to others, while those receiving may feel that there is no great benefit from work and effort as the financial gain is negligible and the loss of time substantial. (p.1)

Each European nation has developed its own distinctive welfare structure rooted in social norms evolved through its own complex history, so even though many of the pressures experienced by European welfare states are similar, and the EU now attempts a limited co-ordinating role in relation to welfare states, the ways in which EU guidance and contemporary pressures have changed both the benefits systems and the governance of European nations can be quite different from one country to another. The picture that emerges is of different countries giving different weights to tax-funded systems, compulsory state insurance systems, and private insurance provision.

Following an introductory chapter, a chapter on the categorisation of welfare states which finds that the accession of new EU member states and increasing globalization have between them compromised the clarity implied by the fourfold 'Anglo-Saxon', 'continental', 'Scandinavian' and 'Southern' model. The authors conclude that

> there is no single model that applies to welfare regimes. In many cases this applies not just among the EU countries but within each country because they do not treat each aspect of the welfare system in the same manner. (p.50)

Chapter 3 explores the link between social insurance and democratic governance, and finds that

‘Continental’ social insurance schemes administered by trades unions offer a stronger democratic link to their governance than the state-administered British scheme. Chapter 4 finds little democratic governance in relation to active labour market policies, particularly in the UK where the contracting out of labour market activation, and payment by results, prevent democratic engagement, particularly for the private organisations’ clients. Chapter 5 shows how Europe has both adopted and softened US workfare policies; and chapter 6 charts a global trend towards the privatisation of welfare provision, a consequent decline in the democratic accountability, and an increasing mismatch between labour market flexibilisation and policies designed to increase social inclusion. Chapter 7 studies the changing and complex web of organisations involved in health care governance in the UK, and worries about the unaccountability of quangos; and a final chapter worries about the way in which the financial crisis has resulted in increased centralisation in EU policy-making.

‘Universal’ has two entries in the index: one about the ‘universal coverage’ of the Czech Republic’s health insurance scheme, and the other about the UK’s new ‘Universal Credit’. (All of the entries for ‘means testing’ in the index lead to passages about the UK.) ‘Conditionality’ appears in the index, but ‘unconditionality’ does not. Indices can be useful guides to the presuppositions underlying the discussion represented by a book’s chapters, and this index does not disappoint in this respect. Means-tested, social insurance and private insurance are the benefits system models with which the researchers who have contribut-ed to this book are operating – because those are the models underlying Europe’s benefits systems, as the quotation at the beginning of this review rather suggests. It might have been helpful for at least one chapter to have taken the UK’s NHS and Child Benefit as models for benefits that do not ‘demotivate’ and do not mean that financial gain is ‘negligible’ if earnings rise.

Bernd Marin, *Welfare in an Idle Society? Re-inventing retirement, work, wealth, health, and welfare*, Ashgate, 2013, 1 4724 1697 1, pbk, 701 pp, £75

The question that this book tackles is an important one: How can developed countries afford pensions for an ageing society when more people are putting in fewer years of paid employment?

Part I or this substantial volume is full of detailed and diagrammatic description of the demographic and financial situation faced by state pensions (particularly in Austrian, which is the focus of attention, but also in other developed countries). The initial conclusion is that a pay as you go state pension is the only viable financial bedrock for the elderly, that men’s and women’s retirement ages should be equalised, that each individual’s retirement age should be flexible, and that a lifetime approach should be taken: for instance, making it possible to take paid sabbaticals and then to be gainfully employed after what we might now call the state retirement age.

In part II Marin recommends a ‘notional defined contribution’ (NDC) system – that is, a state pay as you go system that mimics a funded defined contribution pension, i.e., each individual builds up a notional account that is then turned into a pension based on age at retirement and the number and amounts of contributions, as a funded defined contribution pension would be. Credits are attributed for child-rearing years and other contingencies: so the UK’s current Basic State Pension and State Second Pension together look like a rather haphazard version of NDC.

Part III calls for disability benefits that do not alter with employment status because employment should always be an option and there should be every incentive to seek it (p.428); and Part IV discusses the greater diversity of employment patterns experienced by women as compared to men, and wonders about how to recognise this in state pension schemes.

At over 700 pages this book is far too long. It’s like a holdall into which Marin has thrown the workings and the results of his own and others’ researches. Each section, and the book as a whole, could have done with some drastic editing (with perhaps many of the tables and graphs being made available on a website). Sadly, there is no index, which one would have thought essential in such a vast volume as this. But having said that, the book is of considerable interest, and it tackles some vital questions.

An abiding impression is that in each section the argument leads in the direction of increasing unconditionality and universality (particularly because that would facilitate a flexible retirement age, and would incentivise employment at all ages, particularly for people with disabilities), but that is not where the concluding sections end up. A further book would be of value: more concise, more tightly argued, and with an overall theme: to test the hypothesis that the situation outlined in part I of the book demands a Citizen’s Pension for elderly people and a Citizen’s Income for working age adults.