Citizen's Income *newsletter*

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Citizen's Income Newsletter
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Editorials

Rebalancing the mix

Most developed countries' benefits systems exhibit a mixture of different kinds of benefits, and this is increasingly true of developing countries. Most run social insurance schemes of some kind (either government-run or organised by trade union, employer, or independent organisations); most have a layer of means-tested benefits; and some have universal and unconditional benefits for certain demographic groups (usually elderly people and/or children). In the short to medium term this is likely to remain the situation. This is both because complex systems tend to be path dependent (- that is, adapting an existing system is easier than starting from scratch), and because there are good reasons for all three kinds of benefits. Social insurance represents reciprocity, with a contribution record granting a right to receive benefits when certain contingencies arise; means-tested benefits recognise that a needs-based approach can be appropriate; and unconditional benefits recognise our equal membership of society and represent a solid financial platform on which families can build. Each of the three types exhibit both advantages and disadvantages, with perhaps means-tested benefits offering more disadvantages than advantages, and unconditional benefits more advantages than disadvantages, with social insurance somewhere in between.

So the question is rarely: How can we replace the current benefits system? It is usually: How should we rebalance this mixture? In the UK, and in the medium term, no viable Citizen's Income scheme could entirely abolish means-tested benefits. The complexity of the current system means that levels of Citizen's Incomes that could be funded by adapting the tax and benefits system would be too low to avoid losses for low income households at the point of implementation unless means-tested benefits were left in place and recalculated.

Social insurance benefits (National Insurance benefits in the UK) are another question. If a Citizen's Income scheme were to be implemented, would we wish to abolish National Insurance benefits? Even though they are not genuine social insurance benefits (there is no connection between the amounts collected and the amounts paid out; and the Government can alter the rates and durations of benefits at whim), many older members of the public still have a soft spot for them. However, younger members of society do not, and don't understand them either.

The UK's propensity to manage change in an evolutionary fashion, rather than through wholesale demolition and building afresh, means that we are likely to see Citizen's Incomes implemented alongside social insurance and means-tested benefits. This is not a problem: at least for the time being.

Framing Citizen's Income

How much does it matter whether the general public thinks Citizen's Income to be a good idea? There are two views on this.

One is that if most members of the general public don't understand an idea, or don't think it's a good idea, then Members of Parliament won't give time to discussing the idea, and certainly won't legislate for it. A caveat needs to be added. If ministers and MPs can see that public opinion is moving in a particular direction, and that it might have moved even further in that direction by the next General Election, then legislation can be somewhat ahead of public opinion and can cement the existing trend. This appears to have happened over equalities legislation, legislation banning smoking in public places, and legislation for same sex marriage. But it is still true that if the general public don't understand an idea, or don't think that it's a good idea, and aren't likely in the near future to think it's a good idea, then legislation relating to the idea is unlikely to occur.

The contrary argument is that in some policy fields public understanding is irrelevant, and that this is true of social security benefits. If the general public has little understanding of a policy field, and MPs and ministers don't understand it either, then policy will be made by think tanks and consultants, and voted through by ministers and MPs without debate. This is how we got Universal Credit on the basis of a report, *Dynamic Benefits*, prepared by consultants for the think tank set up by Iain Duncan Smith, the Centre for Social Justice.

There is clearly truth in both arguments: so to which one should we give credence in relation to Citizen's Income? Probably the former. The idea of giving everyone some money triggers some deeply held and perfectly understandable assumptions, however much evidence there is against them.

For most of the thirty years that the Citizen's Income Trust has been promoting debate on Citizen's Income this has mattered little, because while it has been on the fringes of mainstream political and policy debate, how the idea is framed has been largely irrelevant. But the idea is now firmly in the mainstream, so whether the general public understands it, and whether the median voter thinks it to be a good idea, begins to matter, and to matter rather a lot.

The consequence is that the current debate about terminology among those already involved in the debate might be entirely irrelevant. 'Basic Income', 'Citizen's Income', 'Citizen's Basic Income', 'Universal Basic Income', all suggest giving everyone some money without offering a reason for doing so. So the question is this: How should the concept now be framed so that it is understood by the general public, and understood to be a good idea?

I suspect that it will take substantial research and discussion before we get very far with this, but here's a suggestion to get the ball rolling: The Income Tax Personal Allowance is deeply unfair. Anyone earning below the threshold benefits less from it than those earning above it; and because the different thresholds generally move in tandem, an increase in the Personal Allowance benefits the wealthy more than it benefits the poor. This is rarely understood, so when a Chancellor of the Exchequer suggests that he is raising the Personal Allowance in order to take low earners out of paying tax, he is telling only a small part of the truth. And he is also not saying that disengaging people from paying tax has the proven effect of reducing the likelihood that they will vote for governments offering redistributive policies. So the Personal Allowance in its current form is deeply unfair. To turn it into a cash payment that is paid to everyone would bring lots more people into paying tax, it would treat low earners in the same way as high earners, and it would benefit everyone to the same extent. We could call a Citizen's Income a 'Fair Personal Allowance': or, if that's too long, a 'Fair Allowance'. Or perhaps 'Universal Allowance', which, unlike Universal Credit, really would be universal.

Nobody is suggesting that we should abandon current terminology – whether BI, CI, CBI, or UBI: but it is clearly time to start work on framing Citizen's Income so that it can be heard as desirable by the median voter. All ideas will of course be very welcome.

A neoliberal Citizen's Income?

An article by John Clarke, 'Progressive Dreams Meet Neoliberal Realities', www.socialistproject.ca/bullet/1350.php#continue, poses an important question: Is it true that 'we can draw a line between the models that are concerned with improving lives and raising living standards and those that are focused on intensifying the capacity for capitalist exploitation'?

First of all for some of the mistakes in the article. The 'progressive' camp is well described as offering a range of schemes that would be 'responsibly redistributive, reduce poverty and inequality and ease up on bureaucratic intrusion', and that would provide enough money to live on: but it is not true that those who propose schemes that would be 'responsibly redistributive, reduce poverty and inequality and ease up on bureaucratic intrusion' 'pay great attention to explaining how nice their systems would be but give little if any thought to the concrete prospects of implementation'. Research published by the Institute for Social and Economic Research and by the Citizen's Income Trust shows that schemes that would be 'responsibly redistributive, reduce poverty and inequality and ease up on bureaucratic intrusion' can be perfectly implementable.

A second mistake is to suggest that 'there is a fight to be taken forward for living income, full entitlement and programs that meet the real needs of unemployed, poor and disabled people, as opposed to the present 'rituals of degradation' they embody.' Unfortunately, it is precisely the fitting of benefits to needs that results in the 'rituals of degradation'.

In the section of the article that matters, 'Neoliberal version', Clarke suggests that the motive underlying the schemes proposed by at least some of those governments proposing pilot projects is in fact the same as Charles Murray's: the dismantling of all other welfare provision. He suggests that Citizen's Income plans might be described with 'progressive' phrases, but their purpose is pernicious. He also suggests that Citizen's Income proposals can provide cover for additional austerity within the current system; and that Citizen's Income is being proposed in order to promote a more exploitative employment market.

In the section 'Progressive Dreams', Clarke suggests that 'progressive' versions of Citizen's Income would be politically infeasible because they would tip the balance of power away from employers. He claims that it is neoliberal governments that seem to be interested in Citizen's Income, suggesting that 'progressive' versions don't stand a chance; that pursuing an infeasible Citizen's Income might divert attention from tackling neoliberal depredations; and that Citizen's Income would be an inadequate response to the problems facing our society. Clarke suggests that what we need is such public services as 'free, massively expanded and fully accessible systems of healthcare and public transportation', social housing, universal childcare, 'living wages, workplace rights and real compensation for injured workers'.

Clarke's final paragraph is worth quoting in full:

> I am suggesting that our movements need to challenge, rather than come to terms with, the neoliberal order and the capitalist system that has produced it. For all its claims to be a sweeping measure, the notion of progressive BI is a futile attempt to make peace with that system. In reality, even that compromise is not available. The model of BI that governments are working on in their social policy laboratories will not 'end the tyranny of the labour market' but render it more dreadful. The agenda of austerity and privatization requires a system of income support that renders people as powerless and desperate as possible in the face of exploitation and that won't change if it is relabelled as 'Basic Income'.

The arguments need to be tackled one by one, starting with Charles Murray's. Those who would like to replace public services such as healthcare with a Citizen's Income confuse two different kinds of universality. The universality of healthcare must be one of availability, whereas the universality that characterises Citizen's Income is one of provision. Whether healthcare is provided via the highly efficient NHS, or via an insurance system riddled with market failures, what individuals require is availability when it is needed, however much that costs. One person's absorption of healthcare resources will be very different from another's. Some people might spend months in hospital, and others might hardly ever see the inside of one: but they all need healthcare to be there when they need it. No standard amount of money can replace such a universality of availability. No doubt this argument will need to be made constantly. The important thing is that it is the only right argument and that it has to be made.

Some of Clarke's other statements are genuine wake-up calls, and suggest that only Citizen's Income schemes that do not impose losses at the point of implementation should be proposed. Similarly, nobody should be suggesting that a Citizen's Income scheme could substitute for a National Minimum Wage or for a Living Wage. Citizen's Income and a Living Wage would function very happily alongside each other, and would function far better than a Living Wage with a means-tested benefits system. Every time a Living Wage level is raised, means-tested in-work benefits fall, whereas this would not happen to a Citizen's Income.

Some of Clarke's arguments need to be tackled. No financially feasible Citizen's Income would tip the balance of power very far away from employers and towards employees, if at all. Means-tested benefits function as dynamic subsidies – that is, they rise if wages fall - whereas Citizen's Income functions as a static subsidy because it doesn't rise if wages fall. Thus employers might experience more resistance if they attempt to cut wages. Also, because a Citizen's Income might give to some employees more choice over employment patterns, and thus more ability to negotiate in the employment market, it might look as if the balance were shifting towards employees. However, because the overall effect would be to reduce the inefficiencies in the employment market, employers would find their firms becoming generally more efficient. This really could be a situation in which everyone wins.

No doubt some experiments are being conducted by neoliberal governments. This will not be a problem if researchers test the piloted schemes for household losses, and for changes in inequality and poverty. The best response, though, would be for governments across the political spectrum to research and pilot

Citizen's Income, and not to leave it to governments at only one end of it.

Finally, if universality and unconditionality are good for benefits systems, then they are good for everything else. The UK's Sure Start childcare provision was designed to be universal, which removed the possibility of stigma. The NHS attracts no stigma, and it is highly efficient. Some services will need to be paid for, at least to some extent: experiments with free public transport can mean overloaded transport systems – but many public services are more efficient if free at the point of use. So far from Citizen's Income being seen as a replacement for public services, it should be regarded as a default model for them unless proved otherwise.

As for Clarke's final paragraph: let's be realistic – the neoliberal age might be with us for some time to come, so what the situation requires is survival mechanisms and a modelling of how it might evolve to the benefit of people and planet. Citizen's Income is precisely what is required. If Mr. Clarke would like to suggest a better alternative then we would be pleased to hear from him.

Main article

Behavioural Effects of a Citizen's Income on wages, job security and labour supply

By Anne Gray

Abstract.

What would be the effect of a citizen's income (CI), aka basic income or BI, on wage levels – how would employers respond to its introduction? What would be its effect on the supply of labour, and on the total amount of paid work done in the economy? Would we still need a legally enforced minimum wage? This article explores the behavioural effects of a BI, on workers, jobseekers and employers. It first examines contrasting hypotheses as to the effects on wages and labour supply, then use official data to make a rough estimate of these effects for individuals in different socioeconomic and household circumstances. Analysis indicates that a Minimum Wage will remain essential after the introduction of a modest BI, to prevent the latter substituting for wages and job security, especially in the case of individuals in less advantaged circumstances.

Introduction

Frequently mentioned arguments for a BI include two different groups of incentive effects that can't all take place at once for the same person or household. The first is the category of effects that *increase* labour supply to employers; that it would help people out of the 'poverty trap' and encourage them to get a job, or to move from part-time to full-time work. The second is the category of effects that would *reduce* labour supply to the market; that it would encourage shorter working hours and more leisure; that it would encourage some people to take time off work to study or to care for elderly loved ones or to do unpaid volunteer work. Which groups in the labour force would increase their 'offer' of work to the market and which would reduce it? Under what circumstances, and in response to what level of BI, would people work more, or work less ?

We are in the dark here for a number of reasons. Firstly, most previous experiences of anything like a BI have been in other countries, often in much poorer countries than the UK with much more self-employment – Brazil, India and Namibia to mention examples. The US and Canadian experiments of the 1970s (see http://www.cbc.ca/news/canada/manitoba/1970s-manitoba-poverty-experiment-called-a-success-1.868562 and https://www.bostonfed.org/economic/conf/conf30/conf30a.pdf **)** were far from 'universal', all being a variant of income maintenance for previous welfare claimants only. All we have to go on to tell us what might be the labour market effects of BI are the responses of claimants and employers to previous benefit systems in the UK or in comparable European contexts, and informed guesses about what claimants and employers would do in response to a new type of benefit which has no very similar precedent in nature or scale.

The risk of BI reducing wage rates and job security

Benefit systems have in some instances been found in practice to lead to lower wage rates (Gray 2014). Among these examples, the oldest was the Speenhamland system of poor relief in the early nineteenth century (Polanyi 1957). More recently, lower wage rates, increased precarity and job splitting – leading to jobs with very short hours in place of the full time work that most jobseekers wanted – was an evidenced effect of the high 'earnings disregard' levels present in French, German and Belgian systems of unemployment benefit in the 1980s and early 1990s (Gray 2002, 2004). In the UK, Wilkinson (2001) found a 'Speenhamland effect' of Working Families Tax Credit. The same argument was made in relation to tax credits when they were first introduced (Bennett and Hirsch 2001). Since 2014, the UK government itself hinted that employers had taken advantage of tax credit, defending their 2015 plan to reduce tax credit allowances (later reversed, but only partly) by saying that 'the tax credit system had, for too long, been used to subsidise low pay' (BBC News, 15.9.15, on http://www.bbc.co.uk/news/uk-politics-34260902). This view was underlined by the statement that corporation tax was being cut to 'introduce incentives for business to remove the need for tax credits with pay rises' (George Osborne's budget speech on 8.7.15 – see https://www.theguardian.com/uk-news/2015/jul/08/budget-2015-uk-gdp-other-rich-nations-george-osborne).

Thus benefit systems that allow unemployed people to move into employment without total loss of benefit, as in the examples above, can lead to reduced wages. With WFTC (and the later Working Tax Credit), when unemployed people got a job they re-applied for in-work benefits to partially replace their out-of-work benefits, whilst with Speenhamland and the continental disregards (Polanyi, op.cit; Gray 2002) they just kept some of the benefit they had whilst they were unemployed. Such systems, to a greater or lesser degree, alleviate the 'poverty trap' where almost 100% of benefits are lost on taking a job, as with JSA, discouraging employment. But unfortunately downward pressure on wage rates is an inevitable effect of allowing unemployed people to keep getting state money when they get a job, if that is *all* we do. If ending the 'poverty trap' persuades some unemployed people to take jobs they previously wouldn't have accepted because the wage was too low, employers will then find it easier than before to recruit the numbers they want at a *lower wage* – unless a minimum wage law prevents this. In fact, right wing writers (e.g. Friedman 1962, Parker 1989) have argued for BI precisely *because* it helps and encourages people to take low paid jobs. And if pay falls, it falls not just for those who may be desperate for any job, but for all those changing jobs – and possibly even for those *in* jobs and staying in the same workplace. Many recent press reports show how easy it is for employers to issue new, worse contracts in the current under-regulated, under-unionised environment. Some defenders of BI argue that if the BI was high enough, a minimum wage law would not be needed – and even that some element of 'wage subsidy' is beneficial because it would protect small businesses like rural shops. (Or, one might add, this would help socially important sectors currently placed in serious difficulty by the recent rise in the legal minimum wage, in particular social care). But pay would fall not just for small businesses (including small shops and care homes, which some people might want to have lower costs to prevent them from closing). It would fall for supermarket chains and other corporate giants as well. In any case there are alternative, more targeted, ways of helping small businesses or particular sectors – especially those where, as with social care, the public sector is the main customer.

Can we avoid the Speenhamland effect *and* the poverty trap with a single measure? Probably not , for two reasons, as follows. First of all there is the question of whether a BI would be affordable at a level high enough to enable people to refuse *all* jobs below whatever we consider to be a reasonable wage level. Secondly any measure which increases labour supply is likely to induce easier recruitment at low wages. BI removes the poverty trap for the *unwaged*, and many of their job applications are directed at low paid sectors. So BI on its own, even at a high level, is liable to induce wage freezing, or recruitment at lower than previous hourly rates, just as did tax credit and the continental high-disregard systems. This can be avoided by ensuring that employers are obliged by law to pay a minimum wage – as I argued in 2014, such a regulation is an important safeguard against the BI being used to benefit employers rather than employees.

However, also at stake are other aspects of labour standards, and these are at issue even with a very high level of BI. Guy Standing (1999) amongst others has argued that a BI is a good defence against precarity – in these days of widespread temporary jobs, zero hours contracts and part-time unemployment, it makes such conditions more tolerable and less exposed to poverty. But if such jobs become more tolerable, employers will find it easier to recruit to them. In effect, such employers would be using state funds as a subsidy to support their practice of laying off workers for the weeks or days they are not needed, rather than meeting the costs of continuous maintenance of their labour force as they do in long-term employment contracts with specified hours. Again, repeating the argument of my 2014 paper, limiting the use of temporary labour, and in particular zero hours contracts, is an important form of regulation to prevent this. What is important here is the similarity between a BI and the high disregards in these French, Belgian and German benefit schemes, which did encourage the offer of temporary and 'mini-jobs'. They were like a partial BI for the unemployed. To combat these effects of encouraging *more precarity*, alongside a BI we need regulation of zero hours and limitation of temporary work. This is essential if the BI is not to end up subsidising employers who show no long-term responsibility for training or supporting their workforce and want to turn labour supply on and off like a tap.

Moreover, the problems of precarity are not solved by a BI without other measures. A prospective landlord or mortgage company will be unimpressed by someone who doesn't know whether next week's income will be her wage for 40 hours (say £400) plus her £80 BI, or just her £80 BI. It is creditworthiness and a secure long-term income that gets people a home – which is a good reason for minimising insecurity in the jobs market. A stable and secure income is important for individuals' credit rating and thus their financial wellbeing, according to journalists' advice on how to obtain a good credit rating (see for example http://www.telegraph.co.uk/finance/personalfinance/11120400/Martin-Lewis-20-things-you-must-know-to-boost-your-credit-score.html, or http://www.freelanceuk.com/money/How_to_improve_your_credit_rating.shtml).

An 'on your bike' economy where individuals have unpredictable changes in jobs and housing may also be inimical to family relationships and children's education '

BI and the freedom to with-hold one's labour

So far this paper has focussed on one potential effect of BI – the *increase* in the supply of labour. That is, the unemployed would move more easily into employment because they would face no poverty trap, and precarious jobs would become more acceptable. But it is often said that BI would enable people *not* to work, that is not to work for so long or all the time because they chose study, caring, or volunteering; or not to work because they wanted to refuse exploitative conditions. At first sight these two expectations seem in contradiction to each other; would BI induce more paid work or less? Firstly, it depends on the level of BI compared to average wages. Secondly, the effects would differ between various population groups.

Let us consider first the effect of BI on the unemployed. Unemployed people fall mainly into two groups - those receiving JSA and those who are ineligible - plus some eligible non-claimants who feel they cannot meet the very strict conditions, or have no fixed address. The ineligible group are mainly people whose 6 months' entitlement to insurance-based JSA has expired and they cannot claim income-tested JSA because they have an employed partner. Ineligible unemployed also include those aged under 18. The argument that people are deterred from working by the benefits poverty trap applies mainly to this non-claimant group, because for those on JSA, the benefit *conditions* are the main factor. People on JSA are currently under such strict rules as to what jobs they can refuse that they are often obliged through fear of sanctions to apply for rock bottom pay and conditions regardless of the 'poverty trap' (Gray 2004). The *financial incentive* effect of a BI (that is, removing the poverty trap) would make little difference to them. What would make a big difference is that BI is *unconditional*: all the job centre rules about applying for so many jobs each week, with sanctions for even minor rule infringements, would not apply.

Current JSA rules have been getting gradually tighter, with sanctions and the imposition of compulsory work-for-benefit placements becoming more common, even since 1996. These aspects of the job centre system, described by labour economists as 'conditionality' and by critics also as 'workfarist (Gray, 2004; Peck and Theodore, 2000) were designed to chase people into bad jobs. According to OECD-reported research, greater conditionality of benefits systems does increase the outflow from unemployment into jobs (OECD, 1994, 2000). That is, greater conditionality leads to an increase in labour supply. Conversely, relaxing the punitive sanctions and workfare regime would enable people to spend longer looking for a good job, or re-training in new skills, with nobody forcing them to take the first offer even if this does not meet their income and job security needs or fully use their skills. That is, *less* conditionality could be expected to lead to a *fall* in labour supply; this option to turn down bad jobs would work against the Speenhamland effect explained earlier. If a BI was introduced, it is hard to say which effect would win out - easier recruitment by employers to low paid or casual work because of the cushion of BI, or more difficult recruitment on low wages/temporary contracts because of the end to benefit 'conditionality'.

It is because of the threat of sanctions and workfare that some voices in the trade union movement have recently taken up the historically popular claimants' movement demand for a BI, a demand first flagged up by Bill Jordan (1989). BI was enthusiastically discussed at a conference on welfare held by UNITE and the PCS in autumn 2014, leading to the publication by UNITE of the 'National Welfare Charter' linking BI to the demands to end sanctions and workfare, which was endorsed by a fringe meeting of the TUC in 2015 (see https://londonunemployedstrategies.com/2015/09/16/welfare-charter-launched-at-tuc-congress-2015/

There was also a UNITE/USDAW motion supporting the principle of BI passed at the TUC itself in 2016. (see http://citizensincome.org/news/the-tuc-votes-for-a-resolution-on-in-work-benefits-and-universal-basic-income/).

Over and above the virtue of abolishing benefit sanctions, a BI that was high enough to enable people to refuse low pay or very insecure work would probably reduce the total of hours worked and the number of jobs offered. Some of the worst jobs would not be offered because they would attract few applicants. But if the BI was not high enough to enable people to refuse 'bad' jobs, it would have the opposite effect – low pay would be more acceptable and employers would recruit more easily at low wages than if there was no BI. It is impossible to say, a priori, how much would be 'high enough' to mark the tipping point or boundary between these two effects, above which labour supply falls. Moreover, the tipping point could vary according to socioeconomic group and region.

Turning to people who are *not* on out-of-work benefits – that is, people in paid work, mothers and other carers, students and would-be students, the *level* of the BI would be the key factor in their decisions about whether and how much to work. Just as people clearly find it hard to manage on JSA of £73.10 per week, they would probably not stay completely out of work for long on a BI of £70 or £80 per week unless they had some parental support. However, for many students that might be riches, given that the maximum maintenance grant of £65 per week in England has just been abolished for new starters. Some parents might work more if they found £70 or £80 a handy childcare grant, but others might want to spend more time with their children. Some older people might find it was enough to make up any deficit in their pension entitlement and therefore retire sooner than they would otherwise. Some full-time workers might do less overtime, and some people (in particular students or those in poor health) might give up part-time jobs. Some people might feel more confident about starting their own business with even a small BI as a cushion in the early stages, rather as they were once encouraged by the Enterprise Allowance Scheme of the 1980s – but they could be people moving out of unemployment or out of jobs they found boring or ill-paid, so the net effect on labour supply is again unpredictable.

If a BI were high enough (how high we don't know) it would encourage more people to work part-time, even those used to quite high hourly rates. For there to be any substantial effect of a BI in terms of people withdrawing, at least by working shorter hours, from jobs they already had, a BI would have to offer enough for them to feel that the loss of income was worth the gain in non-work time. For example, if a BI of £150 per week was introduced, this would enable someone to give up 10 hours work per week without loss of income if s/he earned £15 per hour after tax, but to give up 15 hours work per week and have the same weekly income as before if s/he only earned £10 net per hour. But if the BI were only £60, the person on £15 per hour would only feel motivated to work 4 hours per week less whilst the person on £10 per hour might work 6 hours less. The higher the BI in relation to the individual's hourly wage, the greater would be the likely reduction in labour supply from people already in paid work.

The 'value of leisure' (whether used as leisure, or for some form of unpaid work or study) clearly varies considerably with the individual, depending on their tastes, commitments and current hourly wage rate. As a rule of thumb, one might expect that if – and only if – people have a 'target weekly income' they want, irrespective of the amount of effort it takes to obtain it, the ratio of the BI to the hourly wage rate gives us the maximum number of hours by which they would seek to reduce their work time. So for example, if the hourly wage was £10, a BI of £100 would induce people working 45 hours to seek only 35 hours, and a BI of £140 would induce people to seek 31 hours rather than 45. But things might not be as simple as that, firstly because the value of the first extra hour of leisure may be greater than further hours, secondly because employers are not that flexible, and thirdly because the 'target weekly income' may vary with the extent of income security, the effort involved in earning, the costs of commuting, work clothes and lunches, and the influence of other family members in response to the introduction of a BI.

Conversely, if we consider new graduates or school leavers, or mothers returning to work, the question might be, 'what is the minimum extra income I need?' The higher the BI, the more likely they would be to meet that target with a small number of hours' work per week. The higher the *ratio* of the BI to the hourly wage, the more likely are new entrants or re-entrants to the labour market to be satisfied with a small number of hours of work. But independently of the level of the BI, the higher their hourly wage rate the more likely people are to achieve their 'target' income with a short working week. So if we want to encourage part-time work to reduce any pressure placed by automation on the 'supply' of jobs, a high legal minimum wage would help, whatever the level of BI offered.

Clearly not everyone would react to the introduction of BI in the same way. How it would affect their 'propensity to work' would vary with the level of wages individuals can obtain, depending on occupation, skills, experience; their entitlements (or lack of them) under the previous benefit system; caring commitments; the desire to study; their partner's work, their health/disability; and heir closeness to pensionable age.

Who would work less and who would work more?

This section attempts to investigate what the effect of a BI might be on the employment behaviour of different groups in the population. Who would respond to a BI by offering more labour to the market – taking a job when they hadn't before, or seeking longer hours? And who would respond to a BI by reducing their personal labour supply, dropping out of paid work or seeking shorter hours?

The method used here is first to consider which categories of people would gain from a BI introduced in the range of £70 to £90 per week for a working age adult, and which categories would lose through paying higher taxes to finance the BI. Both gainers and losers are categorised by their current employment status. They include full time workers, who can vary their hours only by doing overtime in some instances: and part-time workers or self-employed people, both of whom can in theory at least vary their working hours quite a lot, in the case of the part-timers possibly by changing jobs or taking two jobs. Then there are unemployed jobseekers (divided into those claiming JSA and those who are not claiming); people who are medically unfit for employment or whose job choices are heavily constrained by their health; people whose main activity is caring for relatives; students; and those who are still under pension age but wholly or partly retired. Most of these groups can be identified from the Labour Force Survey; however, the *published* data for 2016 do not identify *all* the categories in the table separately, and have been supplemented by published LFS data for earlier dates, and from other sources as detailed in the notes. There may be an unintended overlap, thus some double counting, for some categories. Thus the estimates of numbers are very rough, and may be regarded as guesstimates of the rough order of magnitude of numbers pending the possibility of access to the raw data which one could interrogate to provide better estimates of the numbers in these various categories. Further information about sources, and some caveats, is given in the note to the two tables below.

Table 1 shows roughly how many people are in each sub-group, and hazards a guess at what the effects might be for different sections of the labour force of a BI in the region of current JSA entitlement or not much higher. For clarity, those whom we can expect would be likely to raise their hours of work in response to a BI are highlighted in yellow and those whom we expect to reduce their hours in grey. This table suggests what might be the *direction* of change in offer of paid work to the market from each group, considering both the likely effects of the BI itself and the likely effects of higher taxes to pay for it, compared to the current system. The higher tax burden would of course impact on income groups above the 'breakeven' level where BI and income tax bill would be equal. Table 2 shows guesstimates for what might be the total effect on labour supply in terms of hours per week. It should be emphasised that this is highly speculative and needs to be informed by more research on labour supply elasticities and the gains/losses produced by a BI system compared to the current benefits system, as well as by interrogation of the Labour Force Survey and other large data sets to obtain better estimates of the numbers in each labour market category. The guesstimates of what proportion of people in each of the categories would respond by working more or less are mere hypotheses and not based on evidence. However, the table may serve to show the very rough orders of magnitude of the changes expected.

In Table 1 there are four quadrants; on the left side are those who are currently not in paid work and on the right side those who are employed or self-employed. In the upper half of the table are the 'gainers' from BI ('G' groups) and in the lower half the 'losers' who would pay more tax than their BI – that is, their income is above the breakeven point. These two variables – in paid work or not, gainers or losers, divide the table into four.

In the *upper left quadrant (gainers from BI, not employed)* we have those with non-economic reasons for staying out of the labour market, plus those most affected by the 'poverty trap' in the current benefits system. Unemployed people, if claiming benefit, would be more likely to enter work quickly because their BI would remove the poverty trap, although as noted earlier the effect of removing benefit conditionality would work in the opposite direction and modify this incentive effect. Unemployed people *not* claiming benefit would especially gain from a BI taking them out of the poverty trap if any money they earn currently results in a loss of JSA or tax credit for their partner. But the published LFS data do not tell us how many of them are in this kind of household situation. So the table makes a very arbitrary guess that half of the non-claimant unemployed are in this situation.

Table 1: Guesstimate of effects on work time offered to the labour market in response to replacement of UC by a BI of £70-£90 per week with 30% tax on lower and middle incomes

	Employment status								
	Not working			Working part time			Working full time		
Gain or lose from BI?		Likely change in work hours in response to int-roduction of BI	Mn.	Working part time or self-employed (can vary hours subtantially)	Likely change in work hours in response to int-roduction of BI	Mn.	Working at leat 30 hrs (limited ability to vary no. of hours worked per week or month)	Likely change in work hours in response to int-roduction of BI	Mn.
Gainers from BI being introduced	**G1A.** Unable to work because disabled or sick (note 1)	None	1.20	**G2A.** Limited work capacity because of health or disability	None, or small either way	0.81	**G3A.** Those with high care costs for children or other relatives (note 8)	Might fall or rise	1.98
	G1B. Unable to work because of caring commitments	Possibly rise if BI pays for care	2.23	**G2B.** Mothers/carers (note 5)	Fall	2.93	**G3B.** Others claiming working tax credit or UC (note 9)	Rise (because keep more of overtime pay) or fall (because no need to work so hard)	2.10
				G2C. Part-time workers who can't find full time work (note 4)	None	1.70			
	G1C. Could work but discouraged by poverty trap with current benefits system (note 2)	Rise	0.80	**G2D.** Students	Fall	2.32	**G3C.** Other lower paid workers not claiming working tax credit or UC (note 10)	Fall (if don't need overtime pay so much)	5.40
	G1D Non-claimant unemployed, no JSA of own to lose but gain from BI if no longer lose partner's benefits (11)	Rise	0.80						
Losers from BI being introduced	**L1A.** Early retired (note 3)	Rise if need more money	1.15	**L2A.** Early part-retired, (note 6; part time, or self employed, who can vary hours)	Possibly fall (tax disincentive)	0.41	**L3.** Middle to high hourly pay, no tax credit or UC. (note 7)	Possibly fall (tax disincentive) if hours flexible	10.10
	L1B. Others, not working by choice	Probably none	1.10	**L2B.** Others incl. partners of well paid, working only part time by choice, or self -empl.	Probably none	3.04			

Notes

General note; numbers are taken from Labour Force Survey data for 16-64 age group in July to September 2016, unless otherwise specified

1; source; 1.2 million people were classified by the benefits assessors as in the 'support' group of ESA in 2015 (see https://www.rethiningcapacity.org/why-the-budgets-cut-to-esa-may-backfire)

2; assume all claimant unemployed are at least potentially in this group

3; those identified in Labour Force Survey as not working, not 'looking after home or family' and over 50

4: Estimate of number, which unfortunately includes all those up to age 74, taken from EU report on all the countries in the LFS on http://ec.europa.eu/eurostat/documents/2995521/7311566/3-19052016-BP-

5; Taken from http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171776_388440.pdf which uses LFS data for 2014 (paril to June)

6: part time workers aged 50 - 64 and in managerial, professional and technical, and 'associate professional' occupations. It is assumed those who are self employed can vary hours. Data are for 2013, from https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/264899/older-workers-statistical-information-booklet-2013.pdf
That source notes that 38-39% of employees in this age group would like shorter hours, which presumably would thus be their response to a rise in their tax bill .

7; From same source as note 6, we can find the number of full time workers in the three occupational groups likely to have the highest pay (and thus most likely to be 'losers').

8: Labour Force Survey data for full time working mothers with children under the age of 5. Under estimate because excludes any with older children or disabled adults needing high care costs

9: from official statistics on working tax credit claims for 2014-15 on https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/525464/cwtc_awards.pdf

10; all full time employees in LFS minus the total of; 'losers' amongst full time workers plus mothers with high childcare costs and others claiming WTC.

11: There are 1.66 million non-claimant unemployed (LFS July to September 2016) - say half of these (an arbitary guess) are deterred by loss of partner's JSA or TC/UC in the present system

In the *bottom left quadrant (non-employed 'losers' from BI)* we have the 'early retired' and a few others who are not working by choice – taking a gap year, 'housewives' (or 'househusbands') without young children, etc. It is assumed that most of these, in particular 'early retired' people (those aged 50 to 64, not in paid work, nor disabled nor engaged in care) are in the 'loser' category since they have decided they do not need earnings, so they are probably people of above average means due to wealth, partner's income or early pension entitlement. Also in the bottom left quadrant, a few early retired people (defined as aged 50-64 and not working or claiming unwaged benefits) might respond to higher tax by thinking their money is no longer enough and they should take a part time job – or keep up some activity in their former profession. In the *bottom right quadrant (employed or self-employed, 'losers')* other workers aged 50 plus, if already partly retired and working part-time, might decide that the extra tax makes it no longer worth working and would retire completely. Also in this quadrant are some other part-time workers who are not carers, nor over 50, nor disabled nor students – it is assumed that they have non-economic reasons for their choice of paid hours and that a BI would probably not affect this choice.

In the *top right quadrant of the table (in paid work, whether full or part time, gainers from BI)* we have people who are employed (or self-employed) part-time because of caring or for health reasons, plus students. Many students can be expected to drop their part-time jobs if they had a BI, at least in term time, and this is important because there are over 2.3 million students employed part-time – they are a larger category than the unemployed. Then there are mothers who are in paid work part-time; they might be affected by the poverty trap associated with tax credits, and welcome the zero withdrawal rate of a BI, so they might seek longer hours. However, research on American and Canadian experiments in offering something like a BI suggests that women with children tend to reduce their hours (or delay return to work) when offered a BI (Prescott et al. 1986, Hum and Simpson 1993). But if they are lone parents on benefit or their partner is not working (and therefore claiming income based JSA in the current system), they might work longer hours because they would no longer be penalised by a loss of benefits from the household as their earnings rise. Blundell, Dias, Meghir and Shaw (2012,2015), when modelling the effects of the 1999 introduction of WFTC, found that more generous in-work benefits overall *reduce* mothers' work offer to the market. The change from Family Income Supplement to WFTC in 1999 made the in-work benefits regime more generous with a lower 'taper' rate and by starting the taper at a higher level of income. This change was rather like what a BI would do since it offered, in effect, a higher 'disregard' of earnings and partial alleviation of the poverty trap. Modelling the introduction of WFTC showed a *positive* effect on lone mothers' employment rates - but only very small unless they were home owners. For the much larger number of partnered mothers, there was a negative effect on employment rates of 2-3%, and also a negative effect on their hours. On balance it seems likely that the effect of a BI on the employment seeking behaviour of part-time-employed mothers would be a small reduction in the hours they offer to the labour market.

Table 2: Guesstimated change in total weekly hours of labour supply which might arise from a BI in the £70-£90 range

Group from Table 1	Who they are	Would offer more hours or less?	No. of people (mn.)	Change in hours per person p. week (rough guesstimate)	Total change in hours offered (million p. wk)	Comments
G1B	Non-working mothers not under JSA obligation to seek full time work	More	2.20	19	2.09	Mums might move from no work to part time due to having BI to pay childcare This assumes 5% of them do
G2B	Mothers in paid work part-time	Less	2.93	0.60	-1.76	Mums in part-time jobs would reduce their labour supply by 3% from an assumed average of 19 hours
G1C & G1D	Unemployed	More	1.60	40	21.33	Unemployed move from no work to full time. Change in total hours if 1/3 of them do
G2D	Students	Less	2.32	8	-11.14	If most students working part time live on their BI alone in term time*
L1A	Early retired who go back to work	More	1.15	10	3.83	If one third of early-retired who pay higher tax, or their partners do, get mini-jobs
L2A	Part-time 'semi retired' who decide to fully retire	Less	0.41	20	-2.73	If 1/3 of early part-retired part time workers who pay higher tax, or their partners do, drop out of work
G3C, L3	Full time workers who gain from BI or who lose because of higher tax bill to pay for it	Less	15.42	0.5	-7.71	These groups might do less paid overtime, but the average paid overtime across the economy is only one hour per week anyway
Total net change, hours per week for all groups					**3.92**	
of which in mainly lower-skilled or entry level jobs (students, ex-unemployed and returning mothers)					**12.29**	
Alternative result if *half* the unemployed group enter work full time					**14.59**	
of which in mainly lower-skilled or entry level jobs					**22.95**	

*A survey by Endsleigh Insurance with the NUS in 2015 found that students who work earn on average £412 per month in term time, which suggests a working week of 13.6 hours if the hourly wage was say £7.
(see https://www.endsleigh.co.uk/press-releases/10-august-2015/)
In vacations they may work more - or less if they go travelling or cannot find work at their vacation address.
Many universities set a limit of 8 hours paid work per week in term-time. We assume that the average reduction is 8 hours per week.
But term time is only about 30 weeks in the year, say 3/5 of total time.

Table 2 attempts to gauge the rough orders of magnitude of these effects, to determine whether it is more likely that a BI would lead to a rise in aggregate labour supply or a fall. This second table takes each of the groups identified in Table 1 and hazards a guess at how large the effect per person in each group would be. Thus, having established hypotheses about the *direction* of labour supply effect in Table 1, Table 2 offers a guesstimate of how large these effects would be. It suggests that a BI for working age adults in the range of £70 to £90 per week, if all benefits for children and disabled people remain as now, would produce a substantial *increase* in labour supply, of 3.92 million hours or the equivalent of 98,000 full time workers. Compared to the overall 31.56 million people in paid employment or self-employment, this seems small – but in certain sectors and places where jobs are scarce, it could have a substantial effect on wage levels. As shown at the end of Table 2, there is a *particularly large increase in labour supply for unskilled or entry level jobs* – altogether possibly almost 12.3 million hours. This is a very powerful argument for keeping a minimum wage law in place.

The overall result is highly sensitive to the size of the effect on the unemployed, which is likely to be the largest of all the effects on separate labour force groups. Alongside the effect on the unemployed, there would be substantial effects on students and mothers. The potential *increase* in labour supply from the unemployed, if the BI reduced their number by one third, would be perhaps 21 million hours per week. But the contrary *fall* in labour supply from students might be over 11 million hours per week. This is useful to the job prospects of the unemployed, since they often compete with students for unskilled part-time jobs.

For mothers, the effects are particularly unpredictable and would depend a great deal on what regime is in place to help with childcare costs, as well as on the income tax rate. In the table, if a 5% increase is assumed in the number of working mothers and their average hours were 19 per week (as estimated by Alakeson, 2012), this would lead to an increase in labour supply of 2.09 million hours.

Full time workers who do not currently get WTC but who would gain from BI might reduce their overtime, which in aggregate amounts to a large effect even though paid overtime *per person* across the labour force is very small anyway in the current state of the economy. The full time workers who don't gain from BI, but find themselves with a higher tax rate than before or in a higher tax band, might also do less overtime because of the disincentive effect. A guesstimate is a fall of 7.7 million hours per week, if say average overtime per worker was reduced from one hour to half an hour across *all* these full time workers.

At this level of BI few full timers would feel able to switch to part-time jobs, unless perhaps nearing retirement. But assuming a BI would mean a higher income tax bill for some groups, some early-retired workers might re-enter the labour force for 'mini-jobs' ('unretirement') and some might postpone their retirement. Others might reduce their hours, whether because they felt the BI enabled them to do so, or because if they were well paid and therefore in a higher tax band to pay for the BI, they felt deterred from continuing full time. These effects are small and comprise increases in hours from some older workers set against reductions from others – the net effect might be less than one million hours per week. (Effects on people over 64 are not considered here; however depending on the level of BI for people currently receiving state pension, there obviously would be some labour market effects in so far as some pensioners do also have jobs)

Conclusion

The interesting points shown by this series of guesstimates are that firstly whilst the effect of a BI on unemployed people's job seeking and job acceptance is the largest effect, the effects on mothers, students and choice of retirement age are also important. Whereas much discussion of the labour market effects of BI has focussed on the unemployed or 'prime age' full time workers, the responses of *other* groups in the labour force may be of considerable impact on the likely change in overall labour supply. Despite the likely fall in students' working hours, one would expect a large *rise* in labour supply will be at the lower end of the pay ladder, making the retention of a minimum wage very important. It must be emphasised that the guesstimates of both size and direction of the labour supply effects mentioned here are highly speculative, and no more than an initial sketch of the several different effects that need to be subjected to proper econometric modelling in order to assess what would really be the effects of introducing a BI.

If we now consider a considerably higher BI – say £150 per week – it is likely that some full time workers with no caring commitments and of 'prime' working age would reduce their hours to part-time, if their job conditions permitted that. There would probably be a demand for three or four-day a week jobs. Here the previous analysis about the trade-off between the hourly value of leisure and the wage rate comes into play.

If people did reduce their income from work it would erode the income tax base, which must be taken into account in assessing how large a BI would be affordable. Ensuring that a BI does not induce a fall in the tax revenue used to pay for it is one of several reasons why it would be desirable to fund it partly from non-income tax sources – such as taxes on personal wealth, land value tax, capital gains tax and corporation tax.

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News

The ***British Medical Journal*** has published an article by Anthony Painter of the Royal Society of Arts entitled 'Universal Basic Income: The answer to poverty, insecurity, and health inequality?' '… The evidence suggests that a universal basic income could help improve recipients' mental and physical health. The RSA has already called for a trial of a universal basic income in the UK. It would give people a better foundation and greater control over their lives in and out of work. Failure to test this promising intervention in a rigorous way would be a failure of government and a missed opportunity to invest in the health and wellbeing of an increasingly insecure and unequal society.' http://www.bmj.com/content/355/bmj.i6473

The **Friedrich Ebert Stiftung** foundation has published a report into the digital economy. The UK country report concludes as follows: 'In the medium and long terms ... modernisation will affect in particular the UK labour market and lead to further transformation of forms of working, labour relations and models of work. In this context, the already advanced process of digitalisation will set an important example for other (neo)liberal economies and welfare states. Education policy represents at best only a medium term solution to the problems arising from transformation. Over the long term other, much broader structural changes will have to be discussed, which will also seek to detach work from social security coverage. Whether, for example, the often mentioned unconditional basic income – above the subsistence level – could be a sustainable solution here must be subject to more detailed empirical research.' The project report can be found here: http://library.fes.de/pdf-files/id/13010.pdf; and the UK report here: http://library.fes.de/pdf-files/id/13002.pdf.

The think tank **Compass** has published two articles on the relationship between Citizen's Income and women, particularly in relation to women's participation in employment and in caring and household work. Dr. Jane Lethbridge explains that Citizen's Income should be seen as only one element of strengthened welfare state that women need (http://www.compassonline.org.uk/universal-basic-income-further-dismantling-of-the-welfare-state/); and Professor Ursula Huws explains some of the history of the feminist movement's engagement with the subject of employment and argues that Citizen's Income would benefit both men and women (http://www.compassonline.org.uk/universal-basic-income-and-womens-liberation/).

On the 12th January 2017 the **Work and Pensions Committee** held an oral hearing on Citizen's Income. To watch the hearing go here: https://www.youtube.com/watch?v=syVNeYCQtyU . The transcript can be found here: http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-basic-income/oral/45336.html.

Book reviews

Philippe Van Parijs and Yannick Vanderborght, *Basic Income: A radical proposal for a free society and a sane economy*, Harvard University Press, 2017, 384 pp, 0 6740 5228 4, hbk, $29.95

This book revolves around two focal points: freedom, and Basic Income; and it might best be understood as a meditation on the relationship between them.

The introductory first chapter outlines what a Basic Income is and how it would tackle poverty, unemployment, and the quality of employment, and how it would enhance an individual's freedom: freedom within the household, freedom in the employment market, freedom from bureaucratic intrusion … . The relationship between 'universal' and 'unconditional' needs more work, and a Basic Income that varied across a country would not achieve the kind of redistribution that the authors would like to see achieved across Europe in chapter 8, would be conditional and therefore not a Basic Income, and would pose considerable practical difficulties: but otherwise this chapter offers a reliable discussion. Persistence with the significant amount of detail will reward the reader.

Chapter 2 discusses such alternatives as Negative Income Tax, Earned Income Tax Credits, and wage subsidies, all of which fare badly in a variety of respects when compared to Basic Income. Basic Income is preferred to a Basic Endowment because it protects our lifelong freedom against freedom badly exercised in our youth; and a reduced working week is criticised on the grounds that it would control the number of hours of paid employment that we were permitted to work, whereas a Basic Income would enhance our freedom at the same time as offering the possibility of a shorter working week. A Participation Income ought to have been tackled here as an undesirable alternative to Basic Income rather than later in the book as a feasible step on the way to Basic Income.

The following two chapters contain some of the relevant history: chapter 3 the history of social insurance and means-tested benefits, and chapter 4 the history of the Basic Income debate. Then chapter 5 argues that a Basic Income would be both ethical and just, with both of those criteria focused on the notion of individual freedom, and in particular on the freedom not to seek paid employment. Among the dialogue partners are John Rawls, Ronald Dworkin, Amartya Sen, Brian Barry, and Karl Marx. This is a chapter that the 'philosophically inclined' (p.113) reader will greatly enjoy, although whether the unphilosphically inclined will find that it satisfactorily answers the objections to Basic Income listed at the beginning of the chapter is an interesting question. Rather more likely to do that would be the fact that the lower marginal deduction rates that a Basic Income would deliver would make it more likely that someone would seek paid employment, not less. More practical considerations are permitted to intrude when a land value tax is found to be impractical; and the reader is plausibly counselled to seek a more just society rather than a happier one.

In chapter 6, on funding, experiments, and transitions, there is a usefully detailed discussion of the different marginal deduction rates that would be experienced by individuals at different points on the earnings spectrum if income tax rates were raised to pay for a Basic Income. The discussion suggests that such increases need to be kept to a minimum. A variety of natural and constructed experiments are discussed, and the difficulty of employing their results in debate on Basic Income is well argued. There is an equally useful discussion on the difficulty of transferring labour market models and empirical results from contexts within current tax and benefits systems to the context of the Basic Income debate. A number of taxation options are discussed: taxes on capital, on land, on other natural resources, on financial transactions, and on consumption. When the authors turn to implementation options, they correctly recognise that a 'partial Basic Income' (which ought in relation to their original definition of Basic Income to have been called a 'small Basic Income') would need to be the first step. They then consider options for how such a Basic Income might be implemented, and suggest that implementing it first for a single age cohort would create unfairness between cohorts (p.160). However, if the Basic Income replaced income tax personal allowances and other benefits then members of the relevant cohort would not necessarily receive any immediate financial advantage, and any perceived unfairness relating to a Basic Income's various advantages over existing benefits systems would result in pressure to extend the Basic Income to neighbouring cohorts. This implementation method has more to be said for it than the authors realise.

Chapter 7 tackles political achievability. A survey of opinion poll results finds the public broadly in favour, except for Swiss, most of whom voted against the referendum resolution on Basic Income because they were not convinced that it would be possible to pay for the high Basic Income recommended by the campaigners. The chapter goes on to find growing understanding of the advantages of Basic Income among trades unionists (- the UK's Unite receives an honourable mention). The complexity of feminist, socialist and Green Basic Income debates is well understood. Somewhat incongruously the UK's Liberal Democrats and Charles Murray are located together in a section titled 'Liberals'. Separate sections on 'Liberals' and 'Neoliberals' would have made more sense. Similarly, the section entitled 'Christians' should have been two sections: 'Christian Democrats' and 'Christians'. Social movements such as Occupy and the movement that promoted the European Citizens' Initiative on Basic Income are correctly seen as significant locations for future debate on Basic Income.

The latter half of chapter 7 evaluates social policies that the authors believe would be useful steps on the way to a Basic Income. They recognise that a Participation Income (an income conditional on the recipient's 'participation' in society) would face administrative challenges, and believe that these would result in the participation condition being phased out. They would not. The participation-testing of the entire population would be so unpopular that the Participation Income would soon be abolished along with any thought of it becoming a Basic Income. A Negative Income Tax, which the authors also believe could be a step towards a Basic Income, could suffer the same fate. As the authors recognise at the end of the chapter, the only viable first step on the way to a Basic Income would be a Basic Income paid at an easily fundable level to a single or multiple cohorts. Unfortunately, the last line returns to the possibility of 'participation' conditions. The temptation to suggest this should be resisted.

Both chapters 6 and 7 contain material on implementation routes. To have brought this material together into a single chapter titled 'roads to Basic Income' would have been helpful. As it is, issues relating to implementation look as if they are of secondary significance. They are not. They are where the debate is now going.

Chapter 8 ponders the difficulties that globalisation, immigration and emigration could pose for a Basic Income in a single country, and the authors speculate about the possibility of a global Basic Income. They suggest that a Europe-wide Basic Income funded by a financial transactions tax or a carbon tax would reduce the economic pressures that give rise to migration within Europe, and would therefore reduce levels of migration, and make it more likely that freedom of movement would survive. Such a Basic Income would also help to preserve the Euro's viability.

This book is a triumph, and will remain the definitive liberal argument for a Basic Income for many years. At its heart is a utopia in which every individual experiences the maximum possible freedom, and Basic Income as a means to that end. 'Equality', 'inequality' and 'social cohesion' are missing from the index, and Basic Income's promise of a more equal and more cohesive society might have been given a little more attention alongside the ubiquitous emphasis on individual freedom: but readers from a wide variety of ideological commitments will still find this book useful. It is well written, well referenced, and generally well organised, and it tackles many of the issues central to the current debate.

There will be a lot more books on Basic Income, as there should be given the increasingly diverse and widespread debate. Some of those books will be from the same standpoint as this one, others will be from a different ideological standpoint, and some will be from a more pragmatic point of view. Whatever standpoint they come from, they will find it difficult to exceed the intellectual quality of *Basic Income: A radical proposal for a free society and a sane economy*.

Paul Spicker, *What's Wrong with Social Security Benefits?* Policy Press, 2017, vi + 117 pp, 1 4473 3732 4, pbk, £9.99

This is yet another useful book from Paul Spicker (and if you don't know his regular blog on the welfare state, you can find it here: http://blog.spicker.uk/).

Chapter 1 rehearses a number of reasons for a government paying benefits. The reasons are an essential first logical step in the argument, and the diversity of the reasons is a major cause of the complexity of the system. The circumstances for which benefits are paid are listed, and then the different types: social insurance, social assistance, tapered benefits (such as Housing Benefit), noncontributory benefits, discretionary benefits, and universal benefits (for instance, Child Benefit). (We might disagree over whether 'a universal working-age income would be [expensive]' (p.10).) Spicker provides a useful summary table.

Chapter 2 demolishes a number of myths in relation to cost, dependency, disincentives, immigration, and fraud. The least conclusive discussion is the one related to disincentives, which probably reflects the reality of the situation.

In chapter 3 Spicker outlines what he regards as the real problems: the size of the operation; the system regards what is normal as exceptional (such as changes in the structure of households); unintended consequences of changes in regulations; benefit design not taking account of administrative requirements; the consequences of morally freighted bureaucratic intrusion (as in benefits sanctions and the cohabitation rule); complexity; selectivity boundary problems; low take-up of selective benefits; fraud; the cost of means-testing; and administrative mistakes that are then difficult to rectify.

Chapter 4 tackles benefits levels, with useful tables on replacement rates; and chapter 5 makes detailed recommendations for the reform of existing benefits: rolling out the new higher basic state pension for older pensioners first; changes to disability assessment that would respond better to the diversity of disabilities and reduce the cost of assessment; increased levels of public employment to reduce the number of people unemployed and the cost of out-of-work benefits; and a somewhat inconclusive list of options for family benefits. There is a lot of sense in Spicker's recommendation.

In chapter 4, Spicker employs the term 'basic income' for any provision that 'offers a foundation that can be supplemented in various ways' (p.66), offers the examples of the Basic State Pension and Child Benefit, and argues for such universal benefits as Child Benefit and the Winter Fuel Allowance on practical grounds:

> Where there is an income tax and a universal benefit, people need to be asked about their income once. Where there is income tax and a means-tested benefit, people still need to be asked once, but others will have to be asked twice … Taxing with one hand and allocating funds with the other is simpler, fairer, less liable to error, much less cumbersome and much less intrusive. … Universality is often seen as a costly alternative; the opposite may be true. (p.69)

When in chapter 6 Spicker asks how the system as a whole might be reformed, he suggests that 'personalised' benefits cannot take account of the rapid changes of circumstances that so many people now experience, and he places little hope in Universal Credit. It is therefore not surprising that a section follows on Citizen's Income, for which Spicker offers moral, economic, practical (administrative), and social justice arguments. He then criticises the proposal on the grounds that if current benefits were retained and recalculated there would still be a poverty trap; on distributive grounds; and on the basis that low income households would suffer losses. It is a pity that of the three illustrative schemes in the Citizen's Income Trust publication that he references he chooses one that would impose losses on low income households, and not the one that would not; and that he has not referenced further research on the latter scheme published by the Institute for Social and Economic Research in 2016. This particular scheme, of which Spicker is well aware, responds to his criticisms by paying a decent sum (£60 per week for each working age adult), does not generate losses for low income households, redistributes from rich to poor, takes a significant number of households off means-tested benefits, reduces the total costs and levels of claims for a variety of means-tested benefits, requires an increase in Income Tax rates of only 3%, and requires no additional public expenditure. The only criticism that might still stick is that it is not entirely unproblematic to reduce to zero the Income Tax Personal Allowance: but New Zealand manages to tax all earned income, so there is no reason why the UK should not be able to do so.

Spicker lists a number of options for reforming the system: reemphasising social insurance, more means-testing, and more universal benefits; and he then offers his preferred option for reform: 'to change the balance between benefits of different types' (p.109). He wants to see complexity made manageable by keeping benefits separate rather than rolling them up into omnibenefits; less emphasis on personal need and more on rights; a recognition that benefits have a variety of roles, and not just the intention of getting people into work; and less intrusive enquiry into individual circumstances. All of these recommendations suggest a Citizen's Income alongside retained and recalculated existing benefits. Spicker's solutions are to reduce the role of benefits by, for instance, supplying more housing; separate benefits for different purposes; more accessible claiming processes; diversifying disability testing; and rapid resolution of complaints. These are all sensible suggestions.

There are few people who know more about the benefits system than Paul Spicker, and it is a pleasure to have so much of his wisdom packaged in this short and cheap paperback. Further work at his usual rigorous standard on scheme B in the Citizen's Income publication that he references would of course be welcome.

Werner Eichhorst and Paul Marx (eds), *Non-Standard Employment in Post-Industrial Labour Markets: An occupational perspective*, Edward Elgar, 2015, xii + 435 pp, 1 78100 171 4, hbk, £105, 1 78643 432 6, pbk, £35

At the time of writing this review, an employment tribunal has recently determined that Uber drivers are workers with rights to the National Minimum/Living Wage, holiday pay, etc., and that they are not self-employed. The case was brought by a group of drivers, but it would appear that other drivers regret the decision. The case raises precisely the kind of issue that this excellent book is all about: the diversity and complexity of the employment field.

There has been much discussion – including in a number of recent books reviewed in the *Citizen's Income Newsletter* – of the future shape of paid employment. The two forces of globalisation and automation are seeing jobs moving from one country to another, jobs disappearing – and new jobs emerging, a small number of which have traditional employment rights attached to them, but a large number of which do not. A lot of generalisations have been offered, and in particular the generalisation that we are seeing the emergence of a 'precariat'. This book is not about generalisations: it is about diversity, complexity, and detail.

The editors' introduction explores the nature and causes of employment market change. Traditional industrial employment is decreasing, and in service sector jobs it can be difficult to increase productivity, so the employment market is bifurcating into continuing highly regulated and highly paid employment, and a lot more poorly paid and poorly regulated employment. While differing regulatory regimes in different countries can account for employment market diversity between countries, the book finds that more significant variations exist not only between different sectors within each country, but also between different occupations within each sector. The editors suggest that the two factors that most influence what happens in a particular occupation in a particular country are 'the replaceability of workers' and 'the flexibility of hiring practices' (p. 5). A further constraint on employers is the availability of the kind of skilled labour that their particular industry requires. This means that two firms in the same field, but with different production models, can face different constraints, and might therefore exhibit different employment patterns. So diversity can be found not just between countries, between sectors, and between occupations, but also between firms in the same industry. Additional factors will be labour market regulation, the coverage of trades unions, and market conditions (- rapidly fluctuating demand making more flexible employment patterns more likely).

The first half of the book contains country-specific chapters on Germany, the Netherlands, France, Spain, Italy, Denmark, the USA, and the UK. There is not room in this review to discuss in detail all of these chapters, so in line with the likely interests of this *Newsletter*'s readers we shall discuss the chapter on the UK.

Perhaps wisely, the editors leave the different country chapters' authors to define 'non-standard employment' for their own contexts: so Koslowski's and McLean's chapter about the UK employment market begins with an understandably somewhat inconclusive discussion of what is meant by 'non-standard employment'. One important conclusion is that because the UK's employment market is relatively unregulated in comparison with the employment markets of other European countries, there can be little difference in practice between 'standard' and 'non-standard' employment. In particular, because redundancy is relatively easy to achieve, there can often be little more flexibility in a fixed-term contract than in one that looks permanent. Similarly, there is no standard working week in the UK; and now that agency workers experience employment rights, there is little difference between being employed by an agency and being employed by the company in which the employee is working. When the authors study the prevalence of fixed-term contracts (as a proxy for non-standard employment, even though they have already recognised that such contracts are not in practice very different from 'permanent' ones), they find considerable occupational diversity. Case studies of particular occupations generate the conclusion that employees in the public sector are more likely to be on temporary contracts than employees in other sectors. This is explained as a function of employment protection being generally higher in the public sector.

The authors also discover that the employment market share of temporary contracts has remained fairly consistent for the past twenty years (p. 223). (A later chapter, which ought to have been among the country specific chapters, finds an upward trend in part-time employment in both Germany and the UK, and a *decline* in fixed-term employment in the UK.) However, what Koslowski's and McLean's chapter does *not* study is the growth in so-called 'zero hour' contracts: contracts that do not guarantee to the worker a minimum number of hours of employment. Because they have chosen to concentrate on temporary contracts rather than the detail of contracts (- zero hour contracts need not be temporary), the authors appear to have missed an important trend represented by the following table:

Table 1: The prevalence of no guaranteed hours contracts (NGHC)

Millions and %			
Reference period	Total NGHCs where work was carried out (millions)	Percentage of contracts that are NGHCs (%)	Percentage of businesses making some use of NGHCs (%)
Jan-14	1.4	5	13
Aug-14	1.8	6	11
Jan-15	1.5	6	11
May-15	2.1	7	11
Nov-15	1.7	6	10
Source: Office for National Statistics Business Survey. [1]			

Following the different single-country chapters, the reader will find a set of comparative chapters. These chapters find:

- diversity between subjective perceptions of job security between occupations (- where job security is generally low, the 'insecurity gap' is higher);
- higher mobility from insecure to secure employment in less regulated Northern European employment markets than in the more regulated Southern and Continental countries, alongside occupational differences in such mobility;
- overlaps between part-time employment and low-wage employment, which particularly affects women (- with Nordic countries being something of an exception because of better childcare provision);
- a diversity of training regimes across Europe, and an accompanying diversity of young adult employment experiences;
- and that trades unions are now more interested in non-standard employment than they used to be, partly because they now understand that employers can use non-standard employment to put pressure on the conditions experienced by 'standard' employees.

The book's major findings will be found in the editors' introduction rather than in a concluding chapter. The overall message is one of diversity, and of comprehensible but sometimes surprising connections. For instance, both elementary service occupations and university teaching now exhibit increasing non-standard employment. The explanation is that both university teaching and elementary service occupations experience greater labour supply than demand, meaning that in both occupations workers can be easily replaced. But, as the editors emphasise, diversity is ubiquitous, and every country and every occupation needs to be studied separately for employment patterns and their explanations.

The index could have been more thorough, which is one reason for reading the book itself as thoroughly as possible. Another reason would be the wealth of detail with which this book is packed. The editors and authors are to be congratulated on a most useful volume that will confirm some of its readers' assumptions about Europe's changing employment market and will demolish a few others.

Caroline Lodge, Eileen Carnell and Arianne Coleman, *The New Age of Ageing: How society needs to change*, Policy Press, 2016, 0 4473 2683 0, pbk, ix + 276 pp, £14.99

As the subtitle of this book suggests, the authors have an agenda: to stop society treating older people as if they are somehow different from everyone else. They do not deny the reality of ageing – far from it – but by the end of the book the reader is clear that there is no simple category of 'the elderly', with defined characteristics, into which elderly people fit. To take just one example of the many issues that the authors tackle: Marks and Spencer, to its surprise, found that a new range of fashion clothes with long sleeves designed for 18 to 34 year olds was in fact more popular with women aged between 55 and 70. This realisation led to a change in the character of the

[1] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/contractsthatdonotguaranteeaminimumnumberofhours/september2016

range designed for the older age group. Assumptions had been made, and subsequently questioned: precisely the journey that the authors set out to encourage.

The early chapters study demographics, healthy life expectancy, and the narratives about ageing circulating in our society (such as 'decline', 'dependence', and 'generational conflict over resources'). As the title of chapter 3 suggests, 'society ages people', whereas the reality is that people are living longer healthy and active lives, leading the authors to ask for a 'lifecourse' narrative that recognises the changes that take place across the whole of a person's life.

Each subsequent chapter then tackles a particular issue as it relates to older people: the economics of ageing, elderly consumers, employment, media exclusion, body image, housing, caring, preparation for death, the enjoyable aspects of old age, wisdom and memories, and political activism. Throughout, as well as research-based evidence, the authors employ interview transcripts to useful effect.

Of particular interest to readers of this *Newsletter* will be the fourth chapter, on the economics of ageing, and the sixth, on employment. The former shows that there is no 'time bomb' or 'agequake', shows that elderly people make substantial contributions to our society and economy, and suggests that the notion of economic conflict between generations masks the far more important economic conflict between rich and poor. The latter discusses the variety of reasons for older people remaining in paid employment, and suggests a variety of flexibilities that would ease transitions into retirement.

Scattered throughout the book are passages about state, occupational, and private pensions. If ever there is a second edition then it would benefit from a chapter about elderly people's income strategies and their components: employment income, state pensions, occupational pensions, private pensions, and savings. It would be particularly useful to discuss the ways in which the state pension is changing (- the new Single Tier State Pension will increase today's Basic Pension to the level of current means-tested provision), possible future changes (- perhaps towards an unconditional Citizen's Pension), and the ways in which future changes might facilitate the changes that the authors call for elsewhere in their agenda: the abolition of poverty, and the more flexible employment market that older people need.

But there is more than enough material in this first edition to be getting on with. *The New Age of Ageing* is an important book, and our society would benefit from policy-makers taking note of the authors' numerous recommendations.

Daniel Sage and Patrick Diamond,
***Europe's New Social Reality: The Case Against Universal Basic Income*, Policy Network, 2017**, free to download at http://www.policy-network.net/publications/6190/Europes-New-Social-Reality-the-Case-Against-Universal-Basic-Income

This report is a most useful contribution to the Citizen's Income debate because it summarises very clearly some important objections against the establishment of a Citizen's Income.

In the first chapter the authors set the agenda:

> As an idea, UBI has a powerful allure in the context of profound social and economic disruption, a lack of alternative political visions, and public distrust towards the conventional welfare state. However, this paper poses a question about the extent to which UBI is necessarily the solution to these crises. It asks whether there are effective strategies and policies that could more credibly deal with these challenges. Finally, the report scrutinises the claim that UBI is a panacea for the travails of the centre left in its capacity to tackle the social challenges already identified. (p.3)

Chapter 2 catalogues some of the challenges facing Europe: low economic growth, a fragile labour market, a generational divide (- the incomes of older people are more secure than those of younger adults), high youth unemployment, and rising inequality. In some countries unemployment and poverty indices have improved recently, and education provision has also improved, but health inequality remains a problem. The result of these and other challenges is political polarization, with a weakening of the centre ground: a situation that poses significant problems for Europe's social democratic parties.

Chapter 3 discusses some of the causes of the electoral weakness of social democratic parties, recognizes Citizen's Income's appeal across the political spectrum, and charts the rise of the idea's popularity in political parties towards the Left of the spectrum.

Chapter 4 examines claims that a Citizen's Income would

> (a) further gender equality, (b) provide a solution to the labour market disruption that will be caused by automation, (c) … promote better

> work-life balance and (d) … [and] address intensifying precariousness, especially for young people (p.13)

and provides convincing arguments in support of these claims.

Chapter 5 offers arguments against pursuing Citizen's Income as a policy option. It would be expensive, and would require substantial increases in tax rates; and aversion to higher taxation, a perception that working age adults should only receive an income from the state if they are in employment or actively seeking employment, and a perception that benefits discourage paid work, would make public acceptability of Citizen's Income difficult to achieve. The results of Evelyn Forget's study of Canadian and US Negative Income Tax experiments are accurately reported: that is, that adolescents spent longer in education before finding a job, and women took longer maternity breaks before reentering the employment market. The authors suggest that the latter finding means that a Citizen's Income would compromise gender equality. They also suggest that a Citizen's Income would not address inequality in the employment market, would not address the problems posed by automation, would not address the ownership of capital, would not prevent precariousness, and might compromise the existing welfare state. The authors claim that to implement a Citizen's Income would make it less likely that other necessary reforms of the welfare state would occur. They would prefer to see measures to enhance gender equality, improved skills training, sabbaticals, and a shorter working week.

It is of course not difficult to answer the objections: Recent research from the Institute for Social and Economic Research [2] has shown that it is perfectly possible to implement a Citizen's Income of £60 per week and raise Income Tax rates by just 3%, that such a scheme would reduce both poverty and inequality, and that it would not impose losses on low income households at the point of implementation. The scheme would retain and recalculate means-tested benefits, but would take a lot of families off them, giving them greater freedom from bureaucratic interference and increased employment incentives. Such a scheme would enhance gender equality by paying Citizen's Incomes on an individual basis rather than to households; it would provide households with greater choice as to how they organize their employment market activity; it would help to prevent precariousness; and it would not compromise any other parts of the welfare state as it would not require additional public expenditure. The fact that young people might spend longer in education, and that new parents might take longer breaks before returning to work, might be regarded as significant benefits. There are of course Citizen's Income schemes that would suffer from all of the objections that the report's authors mention: but there are also schemes that would not: and it is the fact that such realistic schemes exist that has helped to generate the significant increase in interest in the UK.

Citizen's Income is no panacea. It would not address inequality in the employment market, it would not solve the problems posed by automation, it would not address the ownership of capital, and it would not prevent precariousness: but the fact that it could make a contribution in all of these areas, and that it could enhance gender equality, incentivize skills training, increase people's ability to take sabbaticals, and make more possible a shorter working week, suggests that it would promote the authors' preferred policy options rather than compromise them.

It needn't be either/or. It could be both/and.

[2] Malcolm Torry, *An Evaluation of a Strictly Revenue Neutral Citizen's Income Scheme*, Institute for Social and Economic Research, Colchester, Euromod Working Paper EM 5/16, 2016, https://www.iser.essex.ac.uk/research/publications/working-papers/euromod/em5-16; *Citizen's Income schemes: An amendment, and a pilot project*, Institute for Social and Economic Research, Colchester, Euromod Working Paper EM 5/16a, 2016, https://www.iser.essex.ac.uk/research/publications/working-papers/euromod/em5-16a

Malcolm Torry, *The Feasibility of Citizen's Income*, Palgrave Macmillan, xxix + 286 pp, 1 137 53077 6, hbk, £82

Two years ago, the notion that there would be an active and practical debate about the desirability and feasibility of the Citizen's Income would have seemed far-fetched. A case might have been put. Some dreamy activists and philosophers might have enjoyed indulging in a simulated reality. But then we would all have moved onto something else. And yet, in many developed countries as well as some that are developing, that is precisely what has happened – a live, mainstream debate is occurring.

There is a wave theory of interest in Citizen's Income. Each generational wave is greater. And we are currently riding the latest wave. It sounds like a natural process but it is not. The only reason this wave is rising so high is down to the relentless work, perseverance, research, coalition building of a range of dedicated people. One of those people is Malcom Torry – a prolific researcher, writer, and pro-Citizen's Income coalition builder.

His latest book, *The Feasibility of Citizen's Income*, combines clinical analysis with deep humanity. The work systematically dismantles the case against Citizen's Income with precision. It leaves the reader with a sense of grounded hope. *Feasibility* constitutes an essential component of any social policy library – not only for those who are specifically interested in or advocate for a Citizen's Income.

Opponents of Citizen's Income deploy a number of strategies in opposing it. Now that we are in the space where the proposition cannot be ignored, they resort to conceding the desirability case ('of course unicorns or utopias are desirable') but then sink their teeth into the case for feasibility ('but in the real world it's obviously not possible'). Knowing this, Torry makes the desirability case quickly and decisively but then devotes the lion's share of the work to confronting feasibility across a number of dimensions: fiscal, household finances, psychological, administrative, behavioural, political, and policy process. What emerges across these dimensions is, in essence, a theory of change for moving from the current state to a Citizen's Income.

The model of change adopted by Torry is one of elite policy making and political change. There is a good deal of sense in this in that this has been the leverage point through which major changes to the social contract in what is now called 'welfare' (though Citizen's Income is not actually a system of 'welfare' alone) have come. Think of the Poor Law Commission, the Beveridge Report, the Turner Commission or indeed the introduction of Universal Credit in this regard. So history is on the side of this analysis.

Personally, I have a sense that Citizen's Income requires a very different type of engagement alongside elite policy processes. It is such a big change that a strong civic conversation and convening will be needed also. The difference between this view and the one expressed in the book is one of emphasis rather than anything more fundamental. *The Feasibility of Citizen's Income* presents more than adequate evidence that elite changes are critical, particularly in a UK system dominated by an overweening executive.

Two of the critical feasibilities are the fiscal and distributional aspects of introducing a Citizen's Income. Torry's Citizen's Income Trust (CIT) have been in the vanguard of this work (and, indeed, the RSA's model was based on work undertaken by the CIT). As part of making the case, advocates of Citizen's Incomes have had to produce detailed models that enable impact analysis. And, indeed, the latest CIT models, which are distinct from the CIT model that the RSA used in its model, present a perfectly robust fiscal and distributional case. However, there is a methodological caveat that needs to be attached to all these models – including the RSA's. In assessing the impact of a Citizen's Income we imagine no behaviour change between the current system and the proposed new system. Yet we know that behaviour is sensitive to incentives. Without knowing these behavioural impacts, a truly robust model is impossible.

So if there is a criticism of the Torry analysis, it understates some of the highly significant uncertainty around this type of modelling. In fairness, others do too (and I don't exempt my own analysis from this need for caveat). But this really is a minor quibble.

Throughout *The Feasibility of a Citizen's Income* Malcolm Torry's particular authorial voice, blending compassion with analytical finesse, is audible. I would strongly urge the publishers to place this volume at a more affordable price point or publish a standard price e-book version. Whether the current wave of interest in Citizen's Income breaks or whether it becomes even larger, this work will remain relevant, essential, and powerful. There is a strong case for Citizen's Income. Torry gives us the substance with which to make it.

Anthony Painter

Anthony Painter is Director of the Action and Research Centre at the Royal Society of Arts and author of Creative citizen, creative state: the principled and pragmatic case for a Universal Basic Income.

The next BIEN Congress

The next BIEN (Basic Income Earth Network) Congress will be held in Lisbon from the 25th to the 27th September 2017. (This will be part of the Portuguese Basic Income Week, which will run from the 25th to the 30th September). For further information, go to http://basicincome.org/17th-bien-congress-portugal/