

# Universal Basic Income in the UK

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UBI has three principal characteristics. In the first place, it is an income: people get money so that they can buy things. That depends on the idea that the things they buy - goods and services - will and should be available through an economic market.

Second, UBI is a 'basic' or foundational income. One of the key things to say about money is that it is 'fungible', or easy to mix - when Basic Income is added to money from different sources, it makes up a bigger income. That makes Basic Income very different from universal basic services in areas such as housing or education; it does not have to do everything. Benefits like Child Benefit or Alaska's Permanent Fund Dividend are not designed to provide full, adequate, alternative incomes - they are springboards, providing a basic, stable but partial income.

Third, UBI is universal. That means different things in different places, but for most of its proponents, it means that every person gets the benefit without any test of means or need, or additional conditionality. These elements of Universal Basic Income call for consideration of three central themes - income, about basic income, and about universality:

## *Income.*

How far should we be relying on income, and how far on the provision of services? Basic Income. How 'basic' should a Basic Income be? What should a Basic Income be trying to provide, and how much should it be?

## *Universal Basic Income.*

How universal should Basic Income be? If Basic Income is simple, constant and universal, what happens to all the other circumstances we want to deal with?

## 1.1 Cash income and public services

Social security generally refers, in Britain, to cash payments. There are a few exceptions (such as provision for welfare milk and vitamins), but the assumption is that people will get the money to spend on the items they need, rather than being provided with the service. There are some cases - for example the distribution of food - where most of us probably think that providing an income is the best way to do this. There are others, like sanitation or roads, where collective social provision is straightforwardly better than marketisation. There are arguments made about health care on both sides, but most countries in the developed world have provided systems offering comprehensive access to hospital care at least.<sup>(1)</sup>

However, there are situations where it is much less clear what the answer should be. In the 1980s, the Conservative government decided to pay for residential care for older people through the social security system; then they changed the system, putting the resources through local authorities instead; and currently many local authorities are adopting systems of "direct payments" which give people needing social care a budget to manage. When the Labour government introduced Tax Credits, they decided to pay for child care through those benefits, rather than developing a service nationally. The system of Housing Benefit is based in the same sort of compromise; it was initially developed to replace direct subsidies to council housing, switching from bricks and mortar to support of people on low incomes.





The underlying issue here is “commodification” - the question of what should be dealt with through the economic market. One of the attractions of UBI to free-marketeers is that it relies on the distribution of goods through conventional economic processes. That is not always the best way to go - the central point of arguing for a secure, stable universal income is to ensure secure, stable, universal access to resources. There are strong arguments for making public provision in areas such as health care, child care, schools, communications or water supplies, implying that they would not be provided for within the framework of basic income. Some people have argued for Universal Basic Services rather than Universal Basic Income. A recent report argues for provision for internet connections or transport to be provided publicly rather than by giving people money to spend. One of the key objections to UBI, often ignored in the literature, is the ‘opportunity cost’ - the question of whether a cash payment is the best way to spend the money.

## 1.2 What is a ‘Basic’ Income?

A recurring dilemma faced by schemes for Basic Income is the balance between cost and adequacy: as Martinelli puts it, there is a risk that “ an affordable UBI would be inadequate, and an adequate UBI would be unaffordable.”(2) It may be desirable for Basic Income to be as high as possible, but it is not necessary to the design or operation of the scheme. Torry argues that a ‘Citizen’s Basic Income’ should be more than a foundational income, but concedes that the scheme could be introduced in part, or at lower levels.(3) Painter describes Basic Income as a ‘platform’ and a ‘bedrock of security’(4), and the same argument can be made for Child Benefit, which is much more limited than a full Basic Income.

Whatever the level of Basic Income, it is still a money payment, and it is not certain that Basic Income would in fact function as an income, in the way it is intended to do. When people look for a mortgage, their ability to raise capital depends on their expected income, and a Basic Income would become part of that calculation. Using Basic Income to pay for a mortgage would be equivalent to “capitalisation” - that is, turning prospective future income into capital now. That example is legitimate and unavoidable. In other less benign contexts, however, the use of Basic Income to secure loans may well be considered undesirable. If the benefits of Basic Income are not to be swallowed by financiers, there would need to be restraints on lenders.(5) Lenders would have to be restricted in relation to the ‘alienation’ or signing over of the benefit, the periods of loans, the rates of interest and the use of UBI as security.

This also points to the possibility of a different kind of payment, more like a payment of capital than a regular income. A recent paper from the Resolution Foundation canvassed the possibility of awarding a ‘Citizen’s Inheritance’, a lump sum of £10,000 for young people at the age of 25.(6) The same idea could be extended: a lump sum could be paid every six months, or every five years, or on the birth of a child. The principles behind Universal Basic Income apply to any cash benefit, not just to an income supplement.

## 1.3 Universality: coverage and contingencies

It is possible to have a Basic Income that covers only part of the population. Child Benefit is, effectively, a partial Basic Income, available only to families with children. A citizens pension, on the model of New Zealand Superannuation, would be a Basic Income for pensioners.





Most schemes for a Basic Income do include pensioners, and some include children, but in general they do so at a rate which is different to that for people of working age. Reform Scotland proposes that pensioners are compensated at a higher rate, making it possible for their basic income to replace the pension.(7) The Compass scheme proposes that pensioners are paid at a lower rate than adults of working age, on the principle that the State Pension will continue to be paid, and the income from UBI will be additional to it.(8) The RSA's most recent scheme suggests that eligibility for a Universal Basic Opportunity Fund should be available for people aged 55 and under.(9) The RSA has also proposed that, as part of basic income, there should be a supplementary element paid for children 0-4.(10) This is reasonably well targeted: family incomes commonly flatten or dip at this point. If UBI is packed with premiums and extra provision, however, it starts to get more complex.

Many Basic Income schemes have been based on the assumption that if we have a Basic Income we can extinguish most or even all of the other benefits. That could have very bad effects. Social security is complicated, in part, because it deals with a wide range of circumstances: we should not expect disability, lone parenthood, bereavement or homelessness to be dealt with on exactly the same terms, with identical rules, processes or provision. Any Basic Income scheme, Frank Field has argued, is likely to suffer from the same problems as universal credit. "the pressure to constrain costs has resulted in benefit rates being set at too low a level to relieve poverty and incentivise work; so too has the inability of a streamlined system to accommodate the additional challenges faced by disabled people, families with children and those with relatively high housing and council-tax costs."(11)

Beyond that, we should expect different criteria to be applied. Take as an example the part of the system that deals with sickness (which is not the same thing as dealing with disability). Sickness benefits are delivered, amongst many other criteria, to smooth the interruption of income; to permit early retirement; to allow withdrawal from the labour market to make work more efficient; to allow a period for recovery without financial problems; to supplement low income; to encourage people to seek medical help. Unemployment benefits are meant to deal with interruptions to earnings, low income, transitions to work, seasonal variation and long-term unemployment. They have more recently been required, because of the redefinition of sickness benefits, to include short-term sickness and lesser invalidity. They used to take into account casual, short term and short time working employment - many of the relevant rules have been jettisoned, but Universal Credit is having to take those issues on again. UBI could help with parts of this, but only with parts.

Any major simplification of existing protections implies that some principles would have to be compromised. Which circumstances should not be adapted to? Which criteria should never be applied? Richard Titmuss argued there has to be some combination of universal and selective benefits, because they are trying to do different things.(12) However the issues are approached, there will have to be a range of responses, and UBI can only ever be part of them. There must be other benefits, as there are other resources and other kinds of provision.

## 1.4 How much is enough?

There is no simple answer to the question of what an 'adequate' benefit might look like. It might be assumed, for example, that we might want to set a Basic Income for two people at 60% of median household income. This is the test currently used in the European Union for determining whether people are 'at risk of poverty'.(13) (The term may be misleading: what the 60% level is really about is measuring 'economic distance' and the impact of income on people's ability to participate in society.) This implies an individual benefit set at 30% of the median, currently £164.35 per week. The UK Minimum Income Standard calculated for the Joseph Rowntree Foundation equates before tax to





£344.23 pw for a single person and £392.31 pw for a couple.(14) For comparison, the full State Pension is currently £159.55 per week, while the basic rate of Jobseekers Allowance is £73.10 for a single adult.

Benefits set at an adequate level would be much more generous than current benefits, but they would still only be 'adequate' in very round terms. No generalisation about adequacy is ever going to be final and complete. An income based on economic distance may be adequate for food and clothing, but it does not follow that it will be sufficient to meet housing needs, fair to people with disabilities or responsive to the claims of pensioners. People have complex, varying needs, and benefits are provided to meet diverse claims on public policy. UBI is intended to provide a secure, stable income that allows people freedom and choice in their lives, without the complex and intrusive processes that dog the present system. Many advocates of Basic Income want it to be sufficient to live on. If it is not, then people will need to draw on existing benefits, and some of the key advantages of UBI will be lost. The United Kingdom would not be not creating either its social security system or its tax system from scratch. Research results reflecting the potential effect of introducing basic income in places with no such support are often impressive,(15) but a large part of their impact has been simply that they offer poor people more money.(16) Britain already has extensive systems of income support, covering millions of people.

There are two key problems which come from trying to introduce UBI by replacing the benefits that already exist. The first is that benefits cannot be replaced without disregarding the reasons why people get them currently. People have more needs and more claims than basic income would provide for, and most other forms of support - for pensioners, for disability, for housing, for sickness, for education and so forth - will continue to be necessary. Social security is complicated, in part, because it deals with a wide and complex range of circumstances: a more generous benefits system could be considered to provide for a range of contingencies, but we would still not expect disability, lone parenthood, bereavement or homelessness to be dealt with all on the same terms, with identical rules, processes or provision. The proposal to abolish personal tax allowances, a different kind of benefit, could also have unintended consequences: it implies that every pound a person receives must be declared for tax purposes, a recipe for confusion and intrusive administration.

Second, removing existing benefits would mean that poor people will not benefit from UBI to the same extent as others. If UBI replaces the means-tested benefits, there will be no financial advantage to the poorest people. If it is deducted from means-tested benefits, wholly or in part, there is no advantage in complexity and service delivery, and little advantage financially. In both cases, most of the money (if not all) will have been spent to reach people who do not currently get benefits, the vast majority of whom are on higher incomes. Most UBI schemes proposed for the UK leave some poor people worse off - and in several proposals, they would be much worse off.(17)

The interaction with pre-existing benefits is critical. There are several options which could help to avoid these problems:

- To disregard UBI for the purposes of other benefits. This would mean that current recipients will receive the full benefit for UBI without it affecting their benefit entitlement, operating as Child Benefit does now. This option depends on an acceptance that most of the existing benefits system would continue in its current form.
- To introduce a lower level of UBI. The implications of a lower level of Basic Income have been examined by Malcolm Torry, the Director of the Citizens Income Trust; his alternative schemes preserve many of the advantages of UBI without leaving large numbers of people worse off, but they do so by leaving means-tested benefits in place.(18) There is a clear precedent for





this. Child Benefit, despite its limited role, plays an important part in the current benefits system; it guarantees a stable, predictable income (and may be the only benefit which does), it has clear distributive benefits for people on low incomes, and it has been described as a 'life line'.(19)

To mix UBI with other benefits. Benefits can be mixed with other sources of income to make up an income package, of which UBI will be a part. This is already the case with the State Pension, where 62% of claimants have an additional private or occupational pension that supplements the pension, and more than half of those at least double their pension income in the process.(20) UBI could be paid at a lower level than 30% of the median income but be supplemented e.g. by contributory benefits. Tony Atkinson argued: "it is a mistake to see Citizen's Income as an alternative to social insurance. It is more productive to see them as complementary."(21)

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Find out more about author of this paper Paul Spicker on [his website](#).



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