

Having featured in several high-profile trials across the world over the last few years, what is a universal basic income, and could we ever see its implementation?

In a highly automated world with few human jobs, what would we do to get by? Although this is still a scenario far on the horizon, the threat of automation of work and the bifurcation of the labour force into “safer” non-routine and “less safe” routine jobs within the next forty years is very real. Back in 2013, a now oft-cited study conducted by Carl Benedikt Frey and Michael Osborne of Oxford University concluded that 47% of jobs in America were at risk of being automated within the next few decades.

This alarming prediction of a radically shaken labour market has since prompted much debate and policy brainstorming. One possible solution which has recently gained traction in political spheres is the idea of a universal basic income (UBI). The concept is simple: a guaranteed, non-means-tested cash handout to every adult citizen in a country.

However, the suggestion of a UBI is not really anything new. Thomas Paine, one of the US founding fathers, affirmed his approval of a welfare system that would promise every citizen a fixed income in 1797. Then, during the 1970s, US Republican President Richard Nixon attempted to pass a negative income tax bill (a social welfare policy similar to UBI, inspired by the writings of Milton Friedman) but failed to get the approval of Congress. After a quiet few decades, the discussion surrounding UBI has now drifted back into the contemporary debate.

In 2016 Switzerland went so far as to hold a referendum on the implementation of a UBI, yet 76.9% voted against the measure. Nonetheless, experiments and trials on local and regional scales are always taking place, with the most famous being in Finland (although nascent schemes have also been piloted in the US, Canada, Kenya, Germany and India).

Moreover, British politicians have started to give the policy some serious thought. Both Nicola Sturgeon and Mark Drakeford (the respective First Ministers of Scotland and Wales) have stated they are in favour of trialling a basic income scheme (although the devolved governments currently lack the ability to put in place a permanent programme). Meanwhile, last year the Liberal Democrat Conference voted to back the policy of a UBI. However, Anneliese Dodds, the Shadow Chancellor, ruled out Labour running for the next election with the promise of a UBI – despite her predecessor, John McDonnell, being open to the idea.

Across the Atlantic there has been much less noise made by politicians on the issue, barring Andrew Yang. Mr Yang ran in the 2020 Democratic Party presidential primaries with a signature policy of a \$1,000 per month payment for all adult citizens. Then, this year he ran

for New York Mayor with a basic income proposal for the poorest New Yorkers. Following his elimination from the Democratic mayoral election, he set up his own party – The Forward Party – which supports UBI. Additionally, in her 2017 autobiography, Hilary Clinton reflected that she almost ran for the presidency with the idea of a UBI for all Americans.

Why UBI?

But what is the reasoning behind the concept of introducing what many see as a radical and expensive shake-up of current social welfare systems? Well, one argument is that a UBI could help reduce factor immobility and hence ameliorate structural unemployment (job losses caused by a fall in demand for a particular set of skills in the economy) which has been a particular problem in developed countries over the last few decades. Workers with a lack of transferable skills can be left long-term unemployed or underemployed due to outsourcing, changing demand patterns and technological development.

With a UBI, people could rely on a steady and guaranteed source of income which could facilitate and incentivise skillset retraining; this would counter the problem of hysteresis and allow discouraged workers to participate in the labour market once more and move up the income ladder.

Additionally, UBI's proponents suggest that it could encourage entrepreneurship (and productivity growth) as people have a safety net to fall back on. Similarly, the idea of a safety net may allow people to spend more time caring for loved ones and would reduce stress for those working in the gig economy. Some even propose that UBI supports real freedom by giving us the resources to carry out our own will.

UBI would also hugely simplify the current UK social welfare system because, by packaging all payments into one lump sum, error and the cost of means-checking immediately disappears. More importantly, however, UBI would eliminate the disincentivizing effect of losing income to tax and withdrawn working tax credits which may stop people in work from wanting to increase their earnings or discourage people from being in paid work at all. Fundamentally there is still a problem with in-work poverty in the UK where 60% of people in relative poverty live in working households – UBI could certainly go some way to alleviating this.

However, the fundamental problem is cost. Even with the counterbalancing gains in productivity, employment prospects and work incentives, a UBI scheme would not be cheap. It is, of course, dependent on the set level of the recurring payment, however, as summed up succinctly by Dr Luke Martinelli of Bath University, “an affordable basic income would be inadequate, and an adequate basic income would be unaffordable.” The removal of all existing benefits would cut costs, but essentially a combination of further cuts and tax hikes would be required.

Nevertheless, support for UBI in the UK seems to be rising - particularly among young people - with a YouGov poll from 2020 revealing that 51% of British people were in favour of a universal basic income. Moreover, following the government's furlough scheme and welfare spending spree over the course of the pandemic, a world with a UBI does not seem as impossible as it might have done previously.

Ultimately, although some trials have shown positive results (i.e., improvements in mental wellbeing, time spent working and children's school attendance), further experiments are required to gain more conclusive proof of the benefits of UBI and to better its design, and implementation and cost-effectiveness. Yet, what was once a pipe dream is now a genuine policy proposal, the popularity of which continues to grow.

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