

Final Report Webinar

Tuesday 25 August 2020

10.00-11.00

Scottish Citizen's Basic Income Feasibility Project



Welcome

Webinar Chair

Sarah Davidson

Chief Executive Officer

The Carnegie UK Trust

Headlines - Final Report Scottish Citizen's Basic Income Feasibility Project

Steering Group Members:

- **Wendy Hearty**, Public Health Intelligence Adviser
- **Mhairi Paterson**, Community Wealth Building Coordinator, North Ayrshire Council

Scottish Citizens' Basic Income Feasibility Project

25th August 2020

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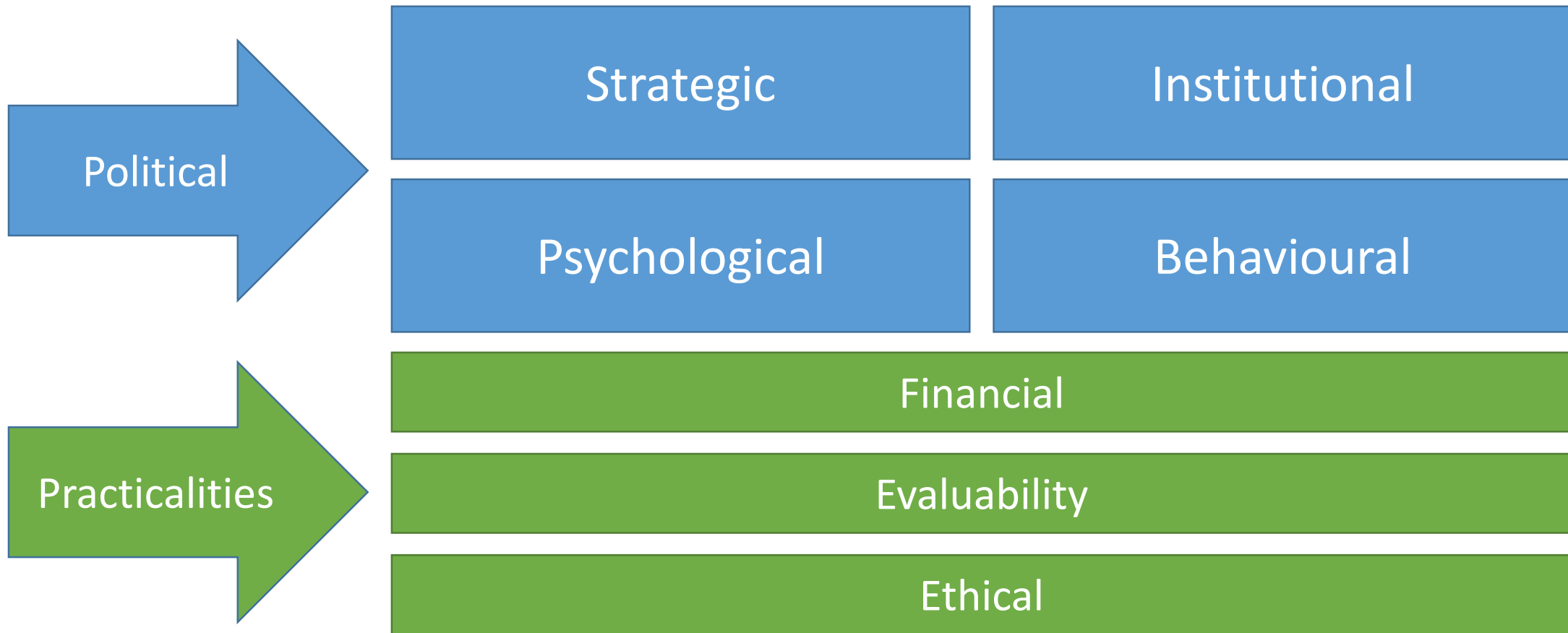
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improvement service

Feasibility Study Background

Four councils - North Ayrshire, Fife, Glasgow City, City of Edinburgh and Public Health Scotland, supported by the Improvement Service and Scottish Government explored the feasibility of a CBI pilot in Scotland

- In **May 2018** Scottish Government confirmed £250,000 to support the feasibility study
- The **Final Feasibility Report published in June 2020** presents our findings into the feasibility of a CBI pilot in Scotland and outlines the design of a proposed pilot model and evaluation

Feasibility Assessment Framework



Pilot Aims

The Steering Group developed a model for a CBI pilot and completed an evaluability assessment to consider the ways in which a pilot could be evaluated.

The pilot would aim to understand the impact of CBI on:

- Poverty; Child poverty; Unemployment;
- Health and financial wellbeing;
- Experience of the social security system.

A robust pilot and evaluation of CBI could deliver:

- Improved evidence of the impact of a CBI on a person's behaviour in a Scottish context;
- Improved evidence of the impact of a CBI on community-level outcomes;
- Allow testing of design and implementation features;
- Stimulate policy debate on CBI.

Pilot Design Recommendations

- Meets CBI principles: **universal**; **unconditional** (no requirement to search for work); **individual** (not to households); **periodic** (paid regularly); and **cash** payment
- Study should be **3 years** with additional **1 year preparatory** period
- Recommend testing **two levels of CBI payments** – a low level and high level
- For both, suspension of some existing income-related benefits is proposed, others related to **disability, housing, childcare and limited capability for work** would continue alongside CBI.

Age Range	Low CBI (per week)	High CBI (per week)
0 – 15 years	£84.54	£120.48
16 – 19 years	£84.54	£213.59
20 – 24 years	£57.90	£213.59
25 years – pension age	£73.10	£213.59
Pension age	£168.60	£195.90

Pilot Design Recommendations

- A **randomised controlled study**, with **two study areas** where the **whole community** receives a CBI (one receiving the high payment, the other receiving the low payment).
- Delivered **alongside a control group** drawn from the same sampling frame as the pilot communities
- **Sample sizes** of the two study areas:
 - Statistical power to detect different effects for males and females;
 - Both study areas need to be large enough to detect community level effects;
 - The low level CBI requires a sample size of **14,600** individuals;
 - The high level CBI requires a minimum of **2,500** individuals;
 - These are minimum sample size requirements without taking non-responses into account

Estimated Pilot Costs

- Indicative estimates of direct costs of a CBI pilot inline with CBI payment levels and sample sizes specified in the model;
- Include estimated savings on benefits and pensions due to replacement of some entitlements;
- Do not include administrative and evaluation costs;
- Calculated over a 3 year pilot period

	Sample Size	Net Cost of Pilots over 3 years
High CBI	2,500	£61.9m
Low CBI	14,600	£124.5m
Total	17,100	£186.4m

Overall Assessment of Feasibility

- Across Scottish and UK political spectrum there are **divergent views on CBI** and preferred models;
- Relevant published evidence suggests CBI could **impact on a range of social, employment and health outcomes**;
- **Public support for CBI varies** according to different population groups;
- **Substantive and complex legislative, technical and delivery challenges** associated with institutional arrangements for a pilot which adequately tests all principles of CBI;
- The Scottish Government or Local Authorities alone could not implement a pilot of CBI.

Overall Assessment of Feasibility

- **Primary legislation and regulation changes** would be complex, time-consuming and costly;
- The **full collaboration of the DWP and HMRC** is required to understand and overcome challenges;
- Reducing the scale or scope of a CBI pilot, or amending pilot model design would potentially reduce some of these barriers but would **not** provide a true test of a universal, unconditional CBI;
- Political will and **support across local, Scottish and UK governments** essential to understand and overcome challenges.

Conclusion

- Final Feasibility report endorsed by all 4 Local Authorities
- Report publicly released in June 2020
- Report submitted to Scottish Ministers in June 2020
- Report submitted to the Poverty and Inequality Commission who will report to Scottish Government on their recommendations
- CBI Steering Group will continue to meet on an occasional basis to support sharing of the Feasibility Study findings locally, nationally and internationally as appropriate.

Headlines - Exploring the Social Security Implications of a Citizen's Basic Income Pilot

Judith Paterson

Head of Advice and Rights

Child Poverty Action Group Scotland

EXPLORING THE SOCIAL SECURITY IMPLICATIONS OF A CBI PILOT

- How could a CBI pilot interact with the benefits system? **Three models**
- Other areas of law where there might be issues
- How could a pilot be delivered? **Four models**
- Importance of avoiding detriment to pilot participants

BENEFIT INTERACTIONS

1. Pay CBI alongside benefits
 2. Pay CBI instead of all benefits
 3. Pay CBI instead of some benefits
- Complex, interlocking legislation
 - No precedent for removing benefit entitlement
 - Permanent loss of entitlement (eg future rights to benefit)
 - Entitlement built up over years (pensions)
 - Account for variable costs (eg rent, childcare, disability) to avoid cash losers
 - Account for wider support

SOME OTHER AREAS OF LAW TO CONSIDER

RESERVED

- Tax/National Insurance
- Child maintenance
- Citizenship and people from abroad

DEVOLVED

- Council tax reduction
- Student support
- Paying for care
- Looked after children and kinship care
- Legal aid

POWER TO PAY	FEASIBILITY FOR PILOT
UK Gov	Full power but not on UK agenda. Only UK gov can flex tax and benefit rules
Scot Gov	Power to create new benefit but bar on offsetting sanctions and creating new pension
Local Gov	Limited power – some restricted to particular groups of people in need, may need consent of UK gov if effectively social security
Charity/private - eg, trust from government money	Could be regarded by UK gov as reserved social security with same constraints as Scot Gov creating a new benefit

SUMMARY

- Very complex to identify all tax and benefit interactions
- Delivery/legislation change across government - local, Scottish Government, DWP, HMRC
- Avoiding disadvantage goes beyond avoiding immediate cash loss

Headlines - Modelling the Economic Impact of a Citizen's Basic Income in Scotland

Graeme Roy

Director

Fraser of Allander Institute, Strathclyde University

Prof Ashwin Kumar

Manchester Metropolitan University

Modelling the Economic Impact of a Citizen's Basic Income in Scotland

August 2020



Our approach

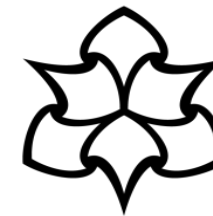
1. We use a model of households – a microsimulation model – to assess the first-order distributional and fiscal impacts of different CBI schemes
2. We then use a macroeconomic model of Scotland to highlight the channels through which such changes in the tax & benefit system could impact upon economic outcomes over the long-run

Modelling a CBI is not straightforward - limited evidence introducing a CBI at scale & quite different to 'typical' policy appraisal

A note on terminology

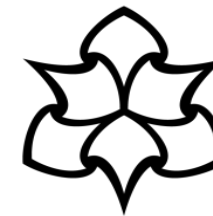
- › The aim of our work is not to provide a ‘forecast’ of what might happen

 - › Instead our approach is designed to shed light on
 - i. the avenues through which a CBI could impact upon the Scottish economy
 - ii. the sensitivity of any modelling to different assumptions
 - iii. the immediate fiscal costs of different schemes
 - iv. the likely scale of effects
 - v. the potential +ve & -ve implications of different scenarios for how people/firms might respond; and
 - vi. the types of behaviours that could drive particular outcomes
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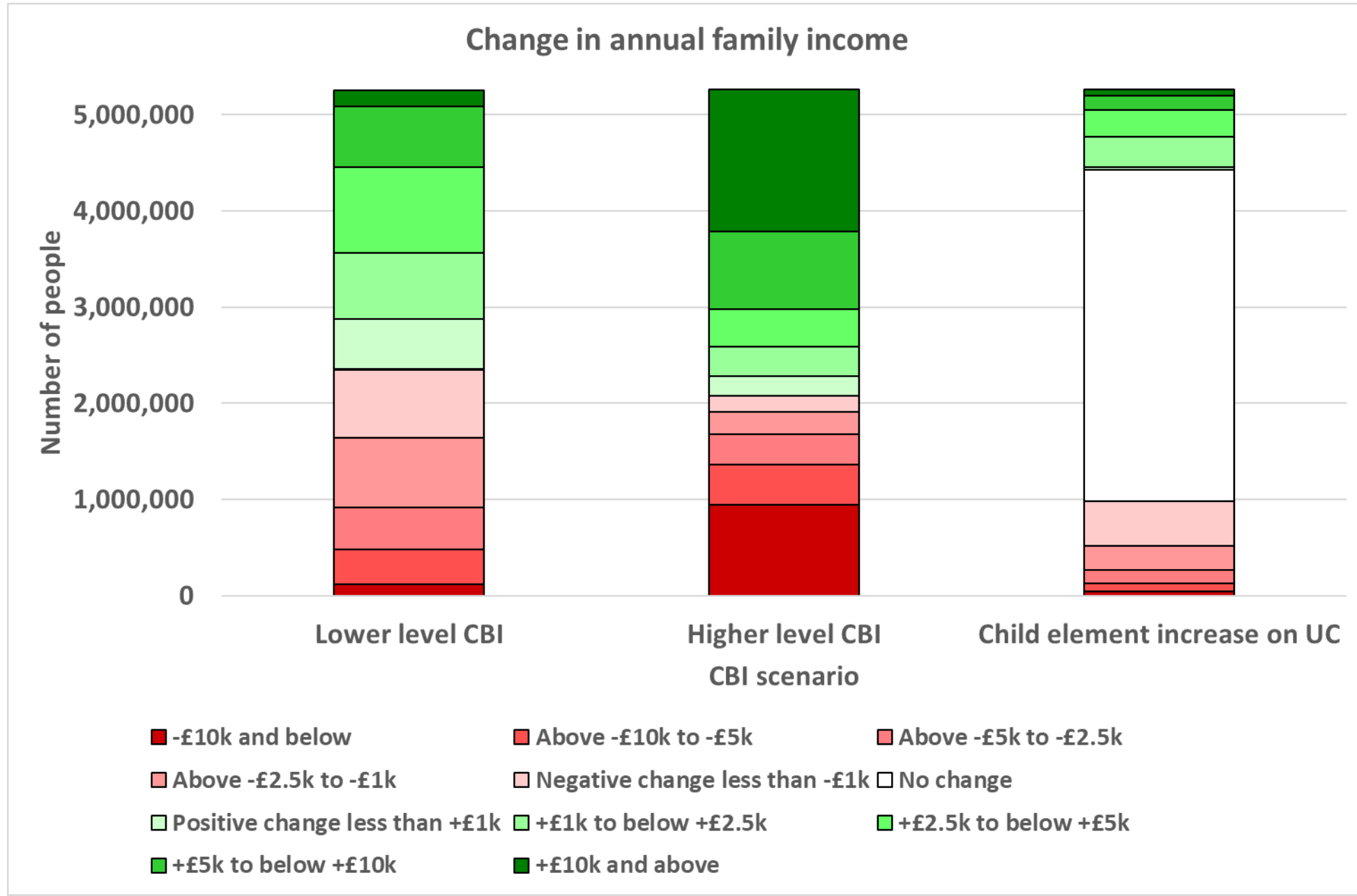
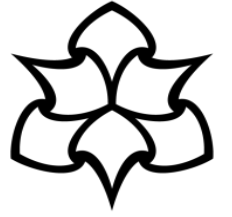
Summary of costs

Option	Lower level CBI	Higher level CBI	Child element increase on UC
Gross cost	-£26.7 bn	-£57.8 bn	-£1.0 bn
Savings from benefit reductions	£4.0 bn	£4.0 bn	£0.0 bn
Savings from state pension reduction	£6.3 bn	£6.6 bn	£0.0 bn
Savings from PA abolition	£9.1 bn	£9.0 bn	£0.0 bn
Savings from tax rate rises	£7.2 bn	£38.3 bn	£0.9 bn
Net cost	-£0.2 bn	£0.1 bn	£0.0 bn



Policy effects (tax rates and poverty)

Option	Lower level CBI	Higher level CBI	Child element increase on UC
Income tax rate rises	+8 points on every band	+49 pts on band 3 +44 pts on band 4 +39 pts on 1,2,5	+6 points on top two bands
New income tax schedule	27:28:29:49:54	58:59:70:85:85	19:20:21:47:52
Change in poverty (Base = 1,150,000)	-280,000	-910,000	-170,000
Change in child poverty (Base = 280,000)	-90,000	-250,000	-100,000
Change in poverty rate (Base = 21.8%)	-5.4 pp	-17.3 pp	-3.2 pp
Change in child poverty rate (Base = 28%)	-9 pp	-25 pp	-10 pp



Macroeconomic results

- › Introduce both a citizen's basic income and tax changes to pay for it

 - › How might people respond?
 - Will people value the CBI?
 - Or will they seek to bid up their wages to offset higher taxes?
-

Macroeconomic results

Table: Macroeconomic impacts of implementing Policy Option 1 (low-level CBI)

% change from base	Workers focus upon after-tax wages	Workers take into consideration their CBI	“Social Contract”	<i>Comparator policy (Increase in child element of UC)</i>
Economic activity	-8.8	-4.4	0.2	-0.7
Employment	-9.7	-5.0	-0.1	-0.8
Consumption of lowest quintile	26.7	28.7	30.8	3.7

Question the Panel

Wendy Hearty, Public Health Intelligence Adviser

Mhairi Paterson, Community Wealth Building Co-ord

Neil Craig, Principal Public Health Advisor

Judith Paterson, Head of Advice and Rights

Graeme Roy, Director, Fraser of Allander Institute

Prof Ashwin Kumar, Manchester Metropolitan University

Vote of Thanks and Close

Sarah Davidson, Chair

Basic Income Scotland

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