



Autonomy

A Future Fit For Wales

a basic income for all

Full report
November 2021



Autonomy is an independent think tank that provides necessary analyses, proposals and solutions with which to confront the changing reality of work today. Our aim is to promote real freedom, equality and human flourishing above all. To find out more about our research and work, visit

autonomy.work

Published 2021 by:

© Autonomy

Autonomy Research Ltd

Cranbourne

Pilcot Road

Crookham Village

Hampshire

GU51 5RU

authors

David Frayne

Cleo Goodman

Phil Jones

Jack Kellam

Ishan Khurana

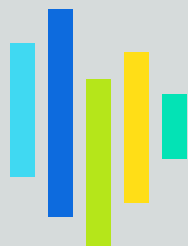
Lukas Kikuchi

Stewart Lansley

James Muldoon

Howard Reed

Will Stronge



Comisiynydd
**Cenedlaethau'r
Dyfodol**
Cymru

**Future
Generations**
Commissioner
for Wales

This report was commissioned
by the Future Generations
Commissioner for Wales

Contents

Acknowledgements

Introduction

Executive summary

1. Context

- a. Income, well-being and security in Wales
- b. An uncertain economic future
- c. Higher spend states

2. A basic income for Wales

- a. What is a basic income?
- b. What could a basic income deliver for Wales?
- c. The Welsh context

3. Learning from past pilots

- a. Finland
- b. The Netherlands
- c. Madhya Pradesh, India
- d. Barcelona
- e. Ontario, Canada
- f. Scotland

4. Local perspectives

- a. 'Cautious enthusiasm': learning from key stakeholders in Wales
- b. 'What would you do?': basic income and everyday life in Wales

5. Modelling a basic income in Wales

- a. Design principles and ethics
- b. Model 1: an introductory basic income
- c. Model 2: wiping out poverty in Wales

6. Funding a basic income

- a. Three taxation scenarios
- b. Investing in future generations: a Welsh Future Fund

7. Designing a Welsh pilot

- a. What can a pilot achieve?
- b. Characteristics of a Welsh pilot
- c. Pilot ethics
- d. Feasibility assessment

Appendix A: Responding to common objections

Basic income would cost too much

Basic income would inadvertently hurt the most vulnerable

Basic income would inadvertently benefit those who do not need it

Basic income would promote laziness

There are better alternatives to basic income

Appendix B: Engagement methods

- Stakeholder engagement
- Citizen workshops
- Basic income survey
- Project sounding board

Appendix C: Autonomy's adaptation of the Landman Economics tax-benefit model

- The Landman Economics model

Appendix D: Basic income, models and scenarios

- Scheme a: Model 1 in tax scenario 1
- Costing and funding
- Scheme b: Model 2 (no tax changes modelled)
- Costing and funding
- Hybrid scheme: Model 1 in tax scenario 3
- Costing and funding

Acknowledgements

We'd like to thank the following individuals for their invaluable contributions to this study:

Shreya Nanda

Simon Youel

Guy Standing

Sioned Pearce

Introduction

This report is a study for the Future Generations Commissioner, exploring the feasibility and desirability of a basic income in Wales. While consideration is given to the present circumstances of the Welsh economy and labour market, its remit extends to detailing future prospects and proposals, as well as constructing a roadmap for how Wales might get there.

This is almost certainly the most comprehensive study on basic income in a Welsh context. It combines stakeholder engagement, economic calculation and reviews of existing basic income experiments to produce informed policy suggestions for Wales. Our team included a combination of labour economists, microfinance experts, mathematicians, campaigners, sociologists and political scientists, allowing us to tackle the technical, social and political dimensions of the problem.

Above all, this document is about the future of Wales: it is about the economic security of its residents, the strength of its voluntary sector and civil society, the ability of Wales residents to say no to exploitative work, and a social security system that promotes people's well-being rather than entangling them in bureaucracy and poverty.

David Frayne and Will Stronge (editors)

Executive summary

Executive summary

Wales is beset with a number of economic and social problems pertaining to health, income, the social security system and the labour market.

- Drawing on resources such as the Welsh Index of Multiple Deprivation (WIMD), the 2020 Marmot Review and available data on demographic change, Autonomy provides an 'at a glance' diagnosis of present and future trajectories.

Despite the limitations of the current devolution settlement, the basic income conversation in Wales is growing.

- In this report, we platform engagements from a range of key Welsh stakeholders, who voice qualified support for basic income, often stressing it would work best combined with other policy measures. Continuous engagement with key stakeholders will likely be crucial as the basic income conversation develops in Wales.
- In the report, we also present the findings from workshops conducted with Wales residents, asking them to imagine what they might do with a basic income. Short of a full evidence - based pilot, even this small evaluation shows a varied range of potential positive impacts.

Two models of basic income are modelled in the report. The first, an introductory basic income, would cut poverty in Wales in half and reduce inequality substantially.

- Overall poverty rates in Wales would decrease by 50%.
- Child poverty would decrease by 64%, bringing it to a rate of under 10% in Wales.
- Pensioner poverty in Wales would decrease by 61%.
- A Model 1 basic income would cost around £6 billion annually and could be paid for via reforms to the tax system in Wales, or via small reallocations of the UK spending budget.
- A more substantial, and expensive, 'Model 2' basic income would almost wipe out poverty in Wales entirely. This second model of basic income is posed as a longer-term goal for policymakers.

A basic income would stimulate millions of extra pounds in household spending, providing a boost to the economy.

- Autonomy's calculations show that extra spending (around £600 million) could be expected by putting more cash in the pockets of lower income households, via basic income.
- This, in turn, would generate greater VAT returns for Welsh Government – a crucial source of revenue.

There is a strong appetite amongst the Welsh public for trying basic income.

- New polling shows that 69% of the public support Welsh Government trialling a basic income scheme (only 11% oppose).
- 67% support Welsh Government increasing taxes on the very rich in order to provide a 'basic standard of living for everyone in Wales'.

The report details a plan for a basic income pilot in Wales.

- The plan takes the best elements of previous basic income pilots, to produce a design that prioritises affordability and validity, and involves a wide-ranging evaluation including a number of well-being indicators.
- A well-designed pilot with 5,000 residents can be conducted at an estimated base cost of £50 million. It would benefit from existing political and civil society support in Wales, although some cooperation from the UK Government would be needed.

1

Context

1. Context

a. Income, well-being and security in Wales

Poverty

Wales currently has amongst the highest levels of children, working age adults and pensioners living in relative income poverty in the UK (see Table 1). According to the Wales Index of Multiple Deprivation (WIMD), the current three most affected regions are Blaenau Gwent, Merthyr Tydfil and Neath Port Talbot.¹

The Covid-19 crisis has also worsened things for some. In his accompanying report to the Welsh Government's draft budget for 2020-21, the Chief Economist Jonathan Price notes:

Disadvantaged groups in the labour market are being most badly affected, with particularly adverse impacts on the low paid and on young people entering the labour market. Poverty will have increased. One effect of the crisis will therefore be to increase inequality, and as a result of 'scarring' impacts on younger people in both education and the labour market, this effect will persist.

¹ Welsh Index of Multiple Deprivation (2020). Available at: <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Welsh-Index-of-Multiple-Deprivation>

Demographic	Wales income poverty rate %	Scotland income poverty rate %	Northern Ireland income poverty rate %	England poverty rate %	UK income poverty rate %
All individuals	23	19	19	22	22
Working age adults	22	19	18	21	21
Children	28	24	25	31	30
Pensioners	19	15	12	16	16

Table 1. The poverty rate (after housing costs) for UK nations. All figures rounded to the nearest whole number. Source: StatsWales. Available at: <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Poverty/householdbelowaverageincome-by-year>

An indicator of the level of poverty in Wales is also the public reliance on food banks. Between April 2020 and March 2021, the Trussell Trust network delivered nearly 146,000 food parcels to residents in Wales, 54,000 of them to children.² The amount of food parcels delivered in the UK is significantly higher than previous years as a result of the Covid-19 crisis, but even before the pandemic, significant numbers of Wales residents were forced to rely on food parcels.³

By all accounts, poverty remains a major issue for Wales, and progressive policymakers ought to be considering direct and universal solutions moving forward. The welfare state as we know it has its roots in a different context of industrialised Britain, where full (male) employment was the norm and

² Trussell Trust (2021) 'End of Year stats data briefing' Available at: <https://www.trusselltrust.org/wp-content/uploads/sites/2/2021/04/Trussell-Trust-End-of-Year-stats-data-briefing-2020-21.pdf>

³ These figures refer to the total number of food parcels delivered in Wales by food banks in the Trussell Trust network, rather than the number of food bank users.

unemployment was actively, and often successfully, guarded against. Today, unemployment, underemployment – and with them, record levels of poverty – are rearing their ugly heads, with no clear solution forthcoming from the present welfare system.

Health and well-being

A recent report from the Institute for Health Equity, led by Michael Marmot, analysed data on the average national annual improvements in life expectancy, in the period between 2011 and 2018. The analysis included males and females in countries within the UK, as well as 18 Organisation for Economic Co-operation and Development (OECD) countries.⁴ Wales has had the smallest improvements in average life expectancy of all listed countries. Only men in the USA have had lower average improvements (Figure 1).

Life expectancy is closely related to the level of geographical deprivation: more deprivation leads to worse health and shorter life expectancy. Using the Welsh Index of Multiple Deprivation (WIMD), we are able to corroborate this by demonstrating a strong correlation between income and health in Wales (Figure 2).

The correlation between health and income in Wales resonates with broader findings from the World Health Organisation's 2020 report on health inequities across Europe, which suggests that the risk of poverty is directly correlated with early-onset morbidity and premature mortality. The most striking finding is that 'income security and social protection' is the largest contributor to inequities in self-reported health, mental health and life satisfaction across Europe.⁵ This factor makes a

4 Institute for Health Equity (2020), 'Build Back Fairer: The Covid-19 Marmot Review'. Available at: <http://www.instituteoftheequity.org/resources-reports/build-back-fairer-the-covid-19-marmot-review/build-back-fairer-the-covid-19-marmot-review-full-report.pdf>

5 World Health Organisation (2019) 'Healthy, prosperous lives for all: The

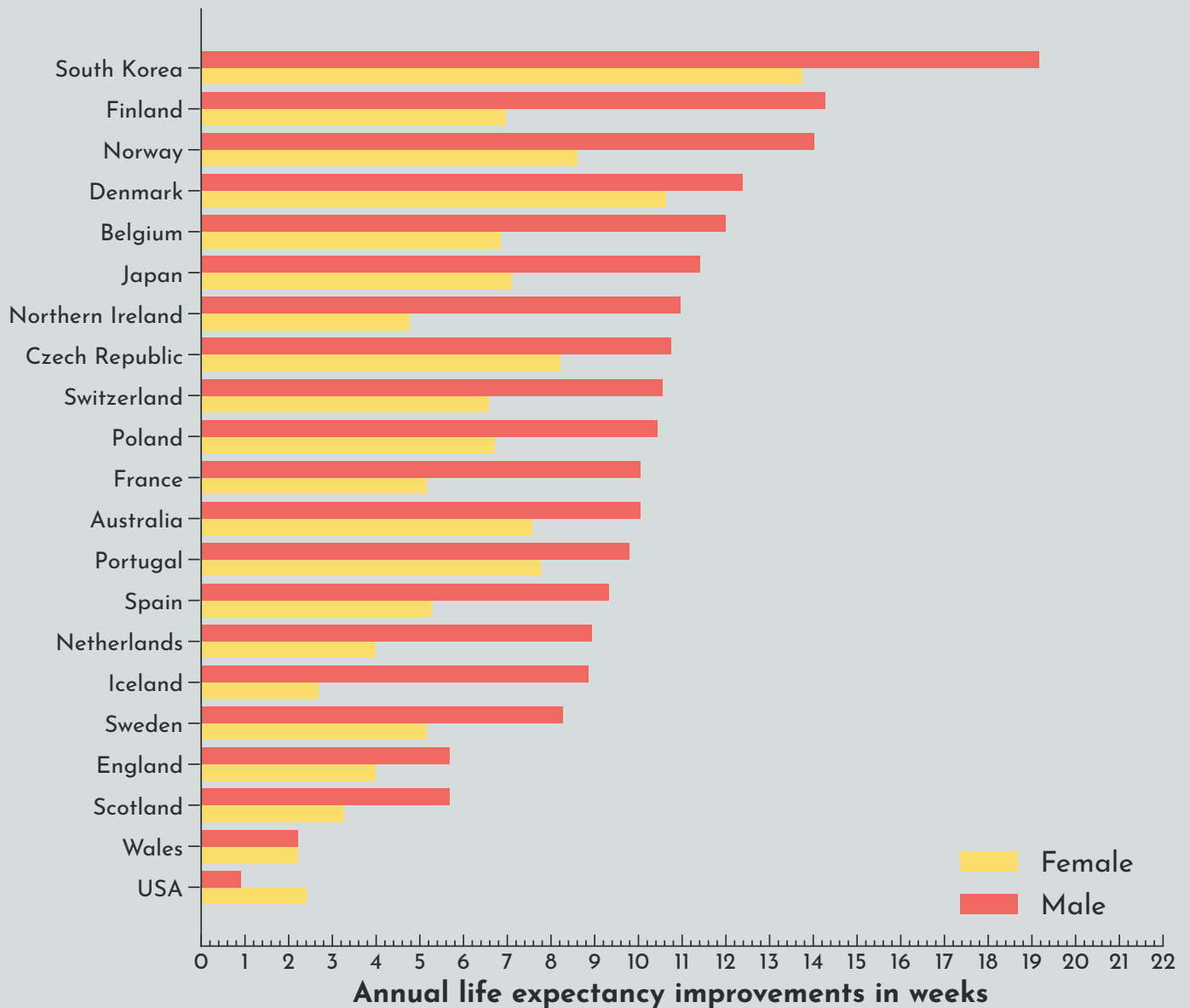


Figure 1. Average annual life expectancy improvement in weeks in selected OECD countries including the UK, 2011 to 2018.

Source: ONS 2019. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/nationallifetablesunitedkingdom/2017to2019>

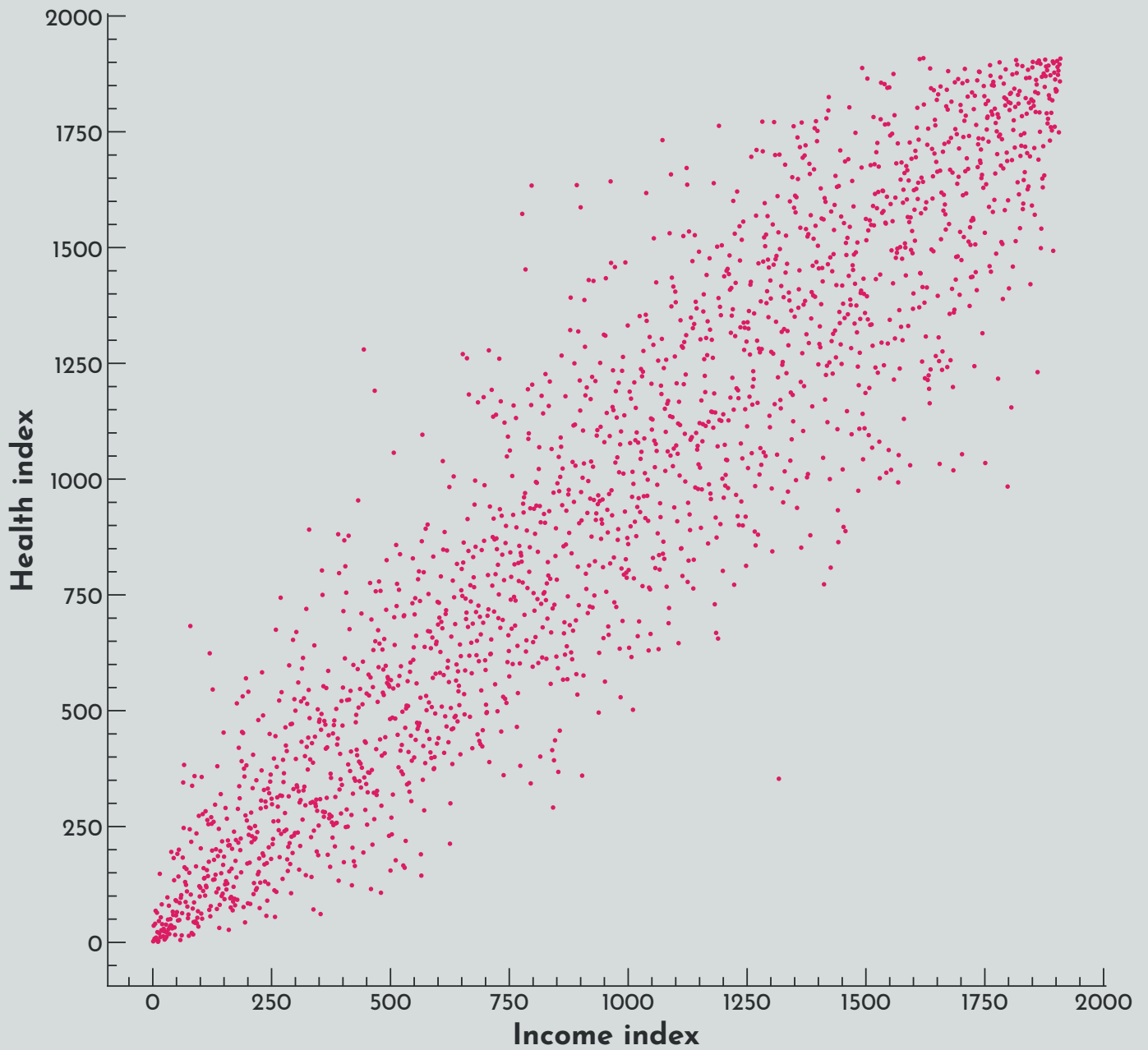


Figure 2. The correlation between income and health in Wales is strong.

Source: Welsh Index of Multiple Deprivation. Available at: <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Welsh-Index-of-Multiple-Deprivation>

significantly higher contribution to health inequities than, for example, the quality and availability of health services, making a strong case for the role of preventative measures based on directly addressing the economic determinants of health.⁶

The same World Health Organisation (WHO) research also found that the effects of living in poverty during childhood are strongly associated with an increased risk of chronic ill health in later life, including conditions such as diabetes, cancer, and cardiovascular and respiratory diseases.⁷ We can therefore infer that Wales' current child poverty rate of 28% is likely to cause significant health problems for younger generations in decades to come.

Work and its discontents in Wales

While standard employment contracts remain the most common arrangements in the Welsh labour market, the rise of more insecure 'non-standard' models is cause for concern. The use of 'zero-hours' contracts is particularly acute in Wales. Research conducted by Wales TUC Cymru showed that between June 2018 and June 2019 the number of people on zero-hours contracts in Wales rose by 35%.⁸ There are now at least 50,000 individuals across Wales on such contracts, representing 3.4% of employees. One poll of workers on zero-hours contracts found that:⁹

European health equity status report'. Available at: <https://www.euro.who.int/en/publications/abstracts/health-equity-status-report-2019>

6 The WHO study assessed the relative importance of five factors in shaping health inequities across 36 European countries. The factors are Health Services, Income Security and Social Protection, Living Conditions, Social and Human Capital, Employment and Working Conditions. 'Income Security and Social Protection' is defined as 'being able to afford to pay for the goods and services considered essential to living a dignified, decent and independent life (such as fuel, food and housing)'.

7 Ibid.

8 TUC (2019), 'The use of zero-hours contracts in Wales is out of control. It's time to ban them'. Available at: <https://www.tuc.org.uk/blogs/use-zero-hours-contracts-wales-out-control-its-time-ban-them>

9 TUC (2019), 'Great Jobs with Guaranteed Hours: What do workers really

- More than half (51%) have had shifts cancelled at less than 24 hours' notice.
- Nearly three-quarters (73%) have been offered work at less than 24 hours' notice.
- More than a third (35%) have been threatened with not being given shifts in the future if they turn down work.
- Only a quarter (25%) prefer being on zero-hours contracts.

Like those in many nations, people in Wales have turned to online platform work (sometimes known as the 'gig economy') for sources of income. Between 2016 and 2019, the number of people in the UK working for online platforms at least once a week has doubled from 4.7% of the adult population to 9.6%.¹⁰ A study by the TUC found that there are now 1.4 million people who access online labour platforms as their main source of income. Just like zero-hour contracts, this form of work involves no contracted hours, few rights and low pay in general. Today, around 15% of Wales' working age population are 'platform workers' of one stripe or another, representing yet another signal that traditional working life is changing in ways largely unfavourable to those in the labour market.¹¹

In addition, the impact of Covid-19 and lockdown measures on employment levels in Wales was severe. Between August and October 2020 the redundancy rate in Wales was 10.4 per thousand individuals, compared to 4.2 per thousand recorded the previous year, marking an increase of more than double.¹²

think about 'flexible' zero-hours contracts?' Available at: https://www.tuc.org.uk/sites/default/files/great-jobs-with-guaranteed-hours_0.pdf

¹⁰ TUC (2019), 'Platform work in the UK 2016-2019'. Available at: <https://www.feps-europe.eu/attachments/publications/platform%20work%20in%20the%20uk%202016-2019%20v3-converted.pdf>

¹¹ Ibid.

¹² ONS (2020), 'Employment in the UK: December 2020'. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/december2020#coronavirus-and-measuring-the-labour-market>

At the same time, the pandemic has also increased working time for many of those in work, with gendered outcomes. UK-wide studies have shown that 86% of women carrying out a standard working week alongside childcare responsibilities during the first phase of the pandemic experienced some form of mental health problem.¹³ Research carried out by Compass, Autonomy and the 4 Day Week Campaign found that women are 43% more likely than men to have increased their hours beyond a standard working week during Covid-19.¹⁴

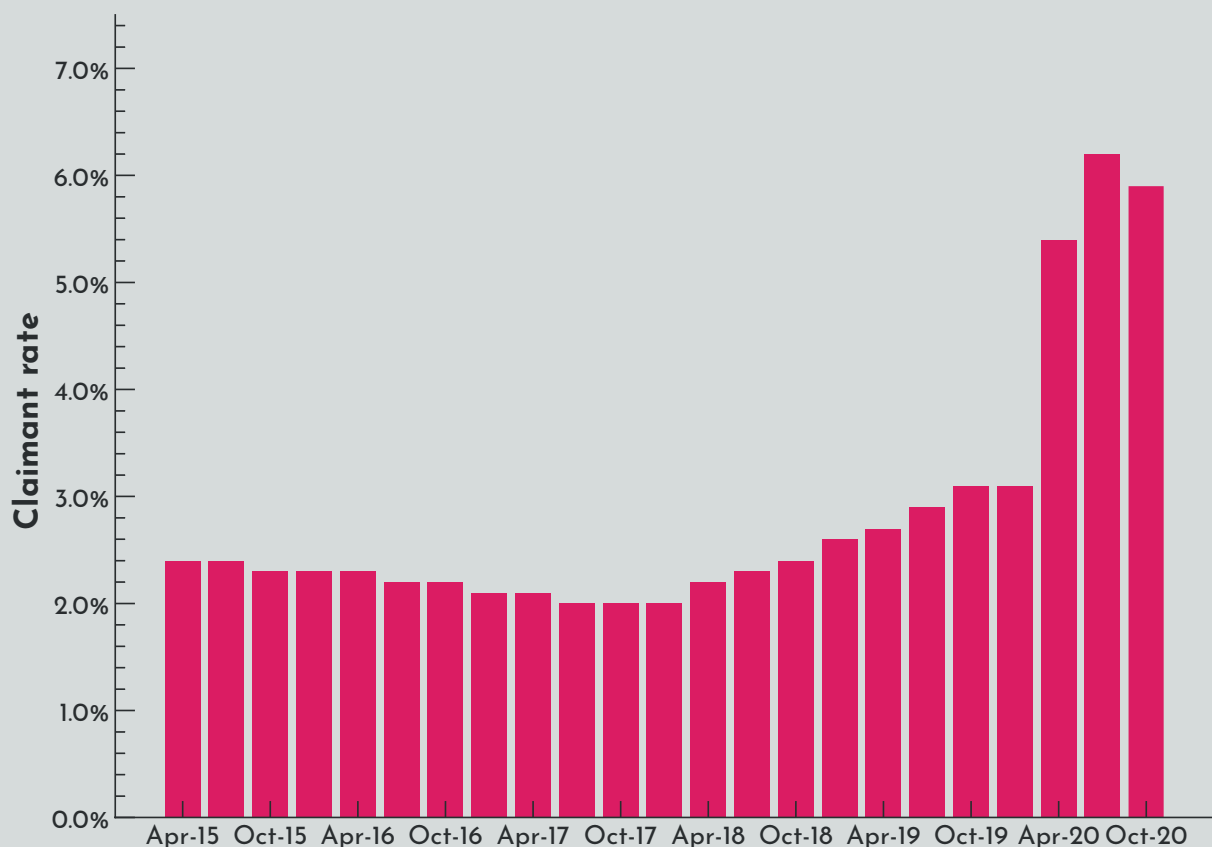


Figure 3. Claimant rate in Wales from 2015–2020. Source: ONS via NOMIS.

¹³ Murray, N. (2020), *Burnout Britain Overwork in an Age of Unemployment*. London: Autonomy, Compass and the 4 Day Week Campaign. Available at: https://autonomy.work/wp-content/uploads/2020/10/4DW-mentalhealth_cumpass_4dwcORANGE_C-v2.pdf

¹⁴ Ibid.

Given the combined realities of working life in Wales pre-crisis, a return to 'normal' is far from desirable. A new labour market, designed according to metrics of security, time-autonomy and decent pay, should be on the agenda of progressive policymakers going forward.

A broken social security system

A 2018 United Nations poverty and human rights enquiry into the UK benefits system condemned the 'major limits on government support', along with a 'simple-minded focus on getting people into employment at all costs'.¹⁵

It is evident that the system is not adequately addressing poverty and worklessness. A welfare system premised on the belief that employment is the best route out of poverty does not address the fact that a substantial proportion of people in poverty already live in working households.¹⁶ The Universal Credit system has also failed to address the UK's 'unemployment trap', in which a high effective marginal tax rate for low-earners can cause a drop-off in income as people move from benefits into low-paid and insecure forms of work.¹⁷

The difficulty of navigating welfare bureaucracy also means that a large section of society's most vulnerable do not receive the payments they are due. It is estimated, for example, that £3.5 billion of pension credit goes unpaid annually.¹⁸ An

¹⁵ Alston, P. (2018), Statement on visit to the UK by Professor Philip Alston, United Nations Office of the High Commissioner. Available at: <https://www.ohchr.org/en/NewsEvents/Pages/DisplayNews.aspx?NewsID=23881>

¹⁶ TUC (2019), 'Pay, Work and Poverty in Wales: The facts that all Welsh voters need to know'. Available at: <https://www.tuc.org.uk/blogs/pay-work-and-poverty-wales-facts-all-welsh-voters-need-know>; for broader, similar UK trends see: Hick, R, and Lanau, A (2017), 'In-Work Poverty in the UK: Problem, policy analysis and platform for action', Cardiff: Cardiff University.

¹⁷ Adam, S., Brewer, M. and Shephard, A. (2006), The poverty trade-off: Work incentives and income redistribution in Britain.

¹⁸ The Guardian (2019), 'A million pensioners in poverty because of unclaimed benefits', Available at: <https://www.theguardian.com/society/2019/jun/26/a-million-pensioners-in-poverty-because-of-unclaimed-benefits>

enquiry by Citizens Advice in 2018 found significant numbers of potential Universal Credit claimants struggling to complete their applications, leading to delays, failed claims and people falling into debt.¹⁹ Studies have also shown the difficulties faced by people trying to meet Job Centre requirements while trying to fulfil parenting responsibilities²⁰ or trying to complete applications without easy access to a computer.²¹ Figures from the Trussell Trust suggest that 9% of the people using food banks are doing so because of benefit delays.²²

Since the mid-1990s, UK welfare reforms have also been expanding various forms of ‘conditionality’: the stipulation for benefit claimants to fulfil behavioural requirements such as job-seeking activities and mandatory training, coupled with increased pressure to accept employment, even when it is unsuitable. These requirements are reinforced by punishments (or ‘sanctions’) for non-compliance, which can leave citizens without benefits for periods between four weeks and three years.

A major five-year study on UK welfare conditionality suggested that these reforms are harmful and ineffectual.²³ Researchers found that, as well as being ineffective at transitioning people into secure jobs, welfare conditionality is significantly linked

19 Citizens Advice (2018), ‘Making a Universal Credit Claim’. Citizens Advice. Available at: <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/welfare-policy-research-surveys-and-consultation-responses/welfare-policy-research/making-a-universal-credit-claim/>

20 Patrick, R. (2014), ‘Working on Welfare: Findings from a Qualitative Longitudinal Study Into the Lived Experiences of Welfare Reform in the UK’, *Journal of Social Policy*, 43:4, 705-725.

21 Reeve, K. (2017), ‘Welfare conditionality, benefit sanctions and homelessness in the UK: ending the ‘something for nothing culture’ or punishing the poor?’, *Journal of Poverty and Social Justice*, 25:1, 65-78.

22 Trussell Trust (2020), Mid-year Stats. Available at: <https://www.trusselltrust.org/news-and-blog/latest-stats/mid-year-stats/>

23 Welfare Conditionality Project (2018), ‘Final findings report’. Available at: http://www.welfareconditionality.ac.uk/wp-content/uploads/2018/06/40475_Welfare-Conditionality_Report_complete-v3.pdf

to poverty and destitution, the uptake of survival crimes, and worsening health and impairments. For the minority in the study who did find employment, the most common pattern was cycling between short-term insecure work and unemployment.

Furthermore, a system of conditions focused on adjusting the behaviour and attitudes of benefit claimants promotes a stigmatising view of the unemployed person as a 'shirker', in need of mental and behavioural reform. This focus on individual responsibility has come at the expense of political narratives focusing on genuine economic and structural issues, such as the availability of work and its quality. To the exclusion of people who cannot work, or who contribute their time and talents in other ways, conditionality also prioritises a limited idea of 'success', focused on employment.

Overall, the current UK benefits system has proven itself to be inefficient, stigmatising and ineffectual in tackling worklessness and poverty. A new system that prioritises comprehensive support without judgement will need to be the priority of progressive policymakers going forward.

b. An uncertain economic future

Ageing and the care crisis

As with almost all nations, Wales has an ageing population. In 2008, 18% of the population was over 65. By 2033 this is expected to rise to almost 26% by one estimate.²⁴ Specifically, Wales is expected to see its share of the population aged between 16-64 - i.e. those that are most likely to be engaged in economic activity - decrease relative to the rest of the UK in coming decades.²⁵

24 Senedd Cymru (2011), 'The ageing population in Wales'. Available at: <https://senedd.wales/NAfW%20Documents/ki-020.pdf%20-%2003112011/ki-020-English.pdf>

25 Price, J. (2020), 'Chief Economist's Report 2020'. Available at: <https://gov.wales/welsh-budget-2020-chief-economists-report>

Getting older is a fact of life and is clearly not in itself a problem. Rather, it is the standard of social provisions, the conditions of care work and the general level of infrastructure that can turn an ageing society into a crisis-ridden one. Having a greater proportion of the population outside the labour market and relying on a form of care produces new demands.

Workers aged in their 50s and early 60s are more likely than any other age group to be juggling caring responsibilities and working. In 2016 to 2017, 65% of men and 60% of women aged 52 to 64 years who were carers were also in work. (Sarah Crofts, ONS Centre for Ageing and Demography)²⁶

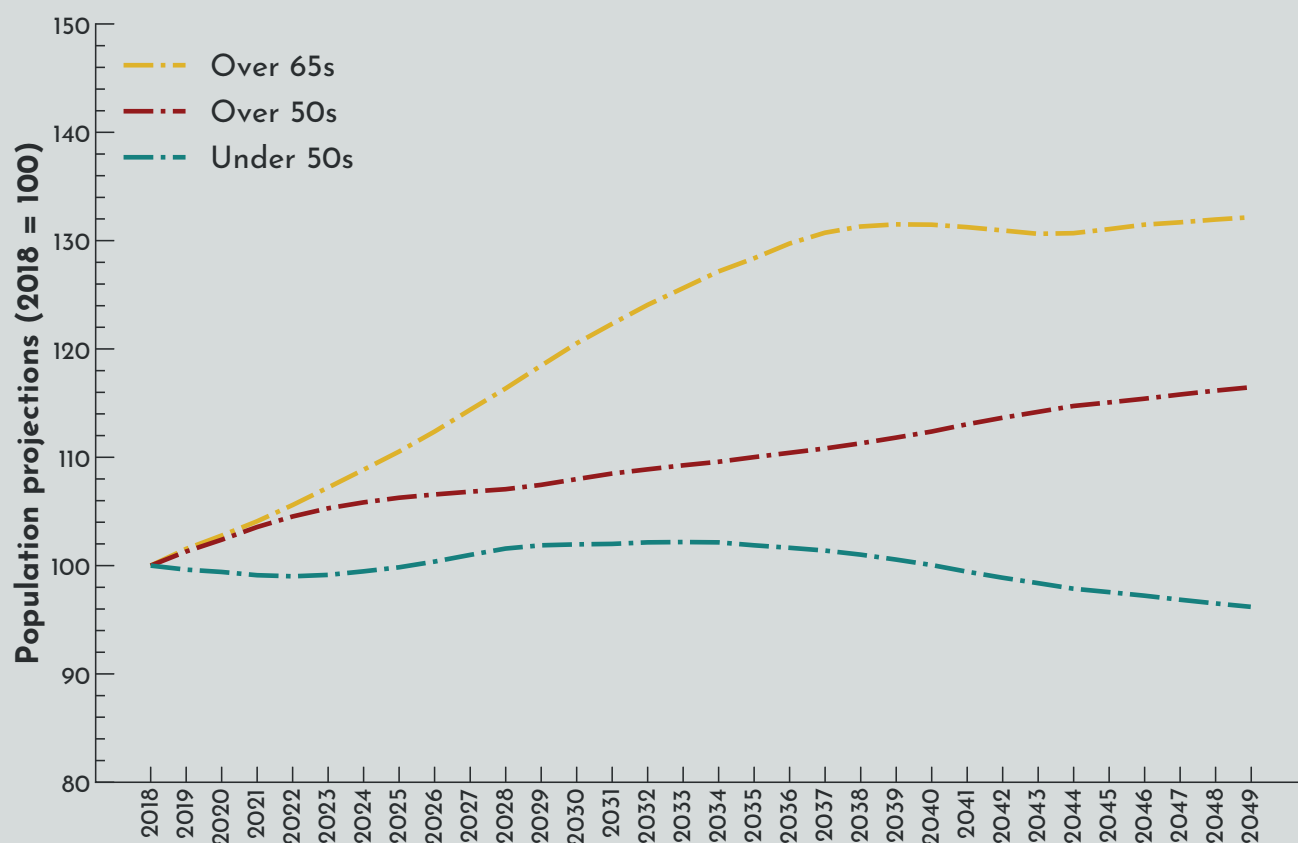


Figure 4. Ageing in Wales by the year 2049. Source: ONS National population projections via NOMIS.

26 ONS (2018), 'Living longer: Fitting it all in - working, caring and health in later life'. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerhowourpopulationischangingandwhyitmatters/fittingitallinworkingcaringandhealthinlaterlife>

We can reasonably predict that as the population ages, there will be increased need for informal and formal care, and that the pressure to juggle employment and care responsibilities will be felt more strongly by some than others. Currently, workers in their 50s and 60s are more likely than any other age group to be juggling care responsibilities and work.²⁷ ONS time-use data also shows that women currently shoulder a disproportionately large share of unpaid caring responsibilities, making this a gender equality issue additionally.²⁸ As Figure 4 shows, Wales has a declining working age population and both an increasing population of individuals who will both tend to need more care, and a population who will be giving care outside of, and around, their employment.

As well as care, people will need adequate funds to support their longer lives, whether from employment or elsewhere. Without sufficient pensions and/or other social security provision, there will be a need for older people to stay in the workforce longer, potentially damaging health and increasing competition for jobs between generations. The key question for policymakers is therefore not if an ageing society will need to be addressed in the coming years and decades, but rather when this confrontation with reality will take place and in what manner.

Oncoming automation

It is important to note from the outset that the future of workplace technologies is determined by a combination of

²⁷ ONS (2018), 'Living longer: Fitting it all in - working, caring and health in later life'. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerhowourpopulationischangingandwhyitmatters/fittingitallinworkingcaringandhealthinlaterlife>

²⁸ ONS (2016), Women shoulder the responsibility of 'unpaid work'. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/womenshouldertheresponsibilityofunpaidwork/2016-11-10>

factors. As well as the cost of labour, automation is influenced by industrial strategy, world events and trade union voice. As noted above, the UK as a whole has a low-wage labour market characterised by relatively high labour precarity and job insecurity. This implies that from a basic cost perspective, investment in labour-saving technologies could be less prevalent given the availability of cheap human labour to employers.

Equally, the UK economy is currently seeing low levels of investment in research and development, in no small part due to the fact that large sections of industry are dominated by rentier firms whose business model is sweating assets that are naturally or artificially scarce.²⁹ Monopolistic or oligopolistic positions are not conducive to investment in new labour-saving technologies (and their concomitant productivity gains), simply because there is little extra competitive advantage to be gained.

Nonetheless, history has shown – from manufacturing to agriculture – that the introduction of labour-saving technologies in the workplace can be disruptive (or indeed, beneficial) for workers' lives and for the composition of industries. Policymakers will need to remain attuned to the development of labour-saving devices and the business strategies of those who intend to adopt them. This will be particularly important given the long-term trend of a declining share of national income going to those who labour, versus those who own capital.³⁰

29 Christophers, B. (2020), *Rentier Capitalism*. London: Verso.

30 ILO (2019), 'The Global Labour Income Share and Distribution'. Available at: <https://www.ilo.org/ilostat-files/Documents/Labour%20income%20share%20and%20distribution.pdf>

In their analysis of the relationship between furlough rates and the feasibility of automation, the Fabian Society have demonstrated a potential Covid-19-automation 'double whammy' threat to occupations. Jobs in the accommodation, food services and retail sectors have seen both high rates of furlough and Covid-19-related redundancies and are often composed of tasks that are more feasibly carried out by automated technologies, compared to other occupations.³¹

In our analysis, intended only as a low-resolution guide, we have combined data on the composition of the job market in Wales with ONS analysis of the number of jobs at potential 'risk of automation' across industries. In Figure 5, we have presented those occupational categories that are most prevalent in Wales. We have highlighted in red those categories that the ONS estimate to be at high risk of automation. Making up six of the nine categories listed here, we can take this result as indicative of potential disruption - and therefore of particular interest to industrial strategy going forward.

³¹ Fabian Society (2020), 'Sharing the Future'. Available at: <https://fabians.org.uk/wp-content/uploads/2020/12/FABJ8359-Work-LONG-report-WEB-201214v1.pdf>

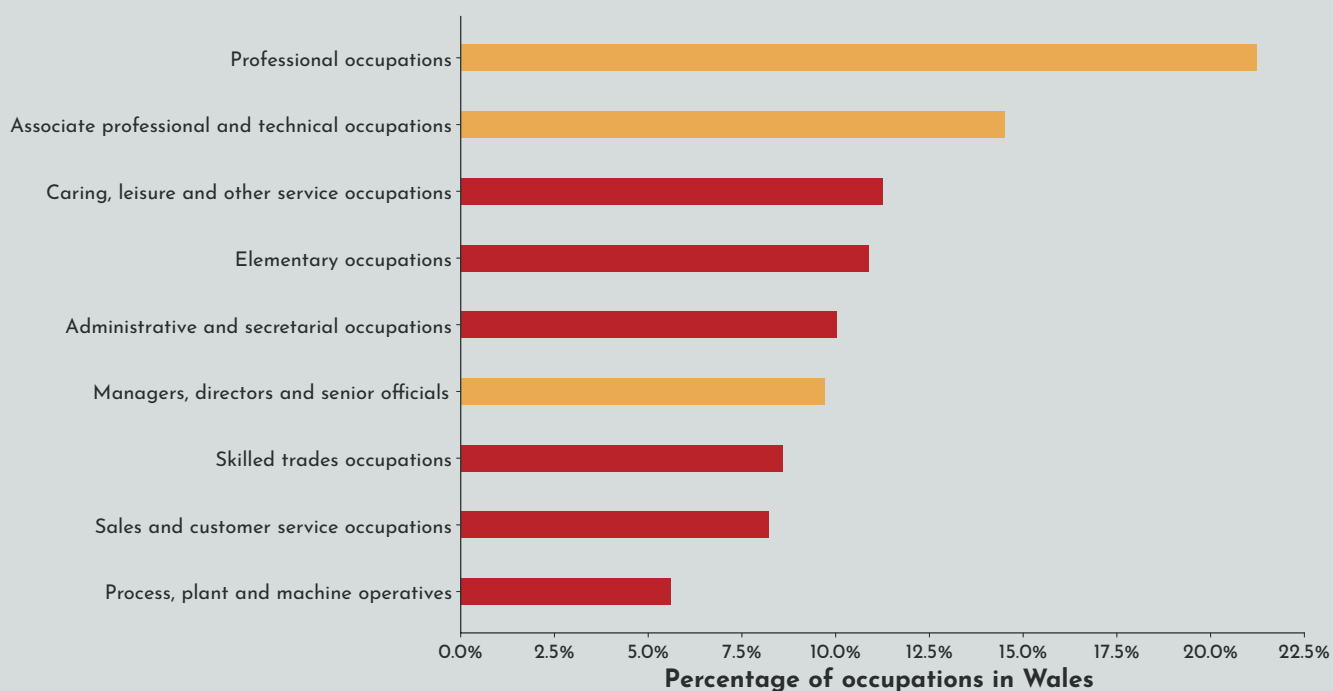


Figure 5. Prevalence of selected occupational categories in the Wales labour market as a % of overall occupations in Wales. Those occupations highlighted in red are those wherein 50% or more jobs in this category are classified as 'at risk of automation' by the ONS. Source: Autonomy analysis of ONS data on occupations in Wales and ONS analysis on 'risk' of automation

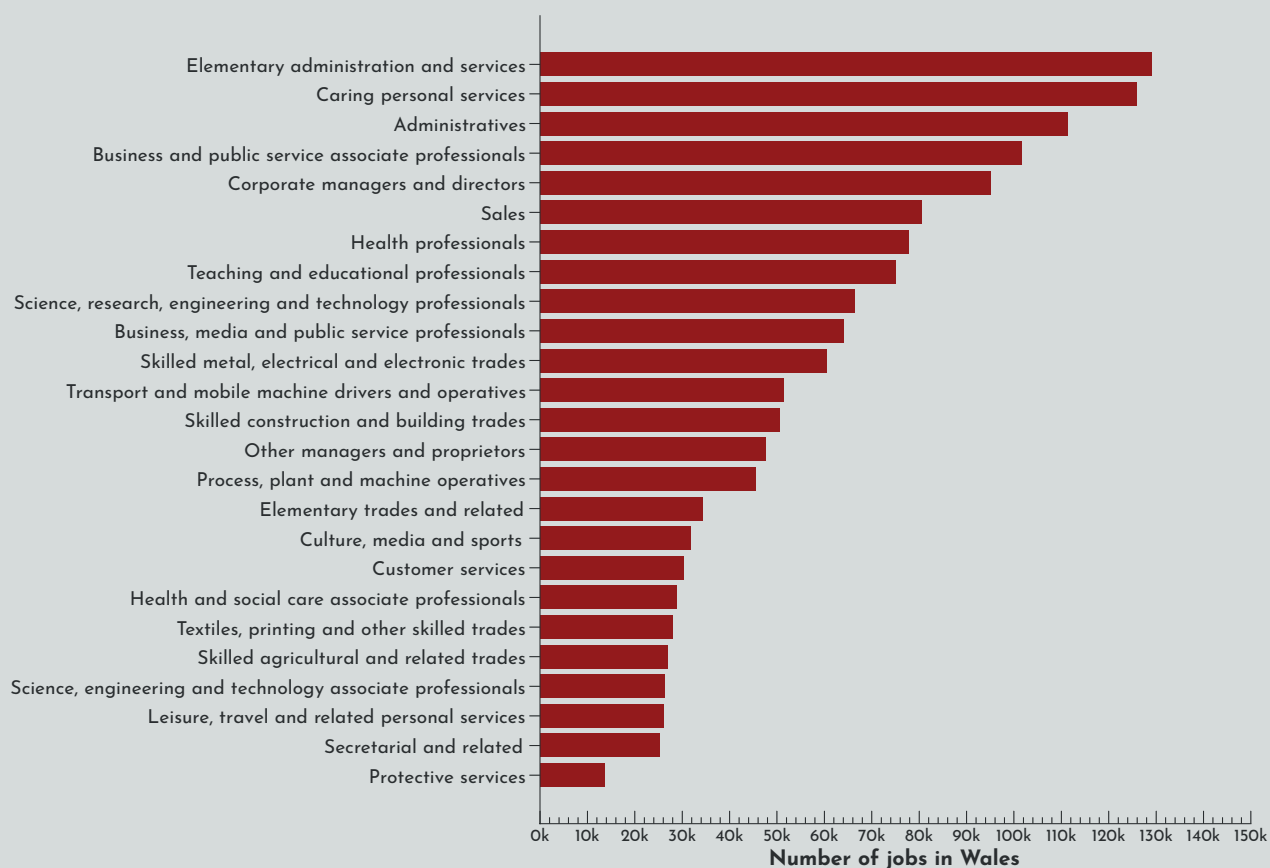


Figure 6. Number of workers across different industries in Wales. Source: ONS. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/whichoccupationsareathighestriskofbeingautomated/2019-03-25>

c. Higher spend states

With these emergent trends and present social ills intensifying, we are likely to see – and these challenges will require – the emergence of ‘higher spend states’ as we move further into the twenty-first century. The Institute for Public Policy Research (IPPR) Commission on Economic Justice identified that future public spending challenges are ‘likely to increase over time’, as multiple crises – environmental, demographic and epidemiological – intersect with demands on the economy.³²

The Covid-19 pandemic has been in this sense a ‘pilot’ wherein national governments have wielded state resources at scale to attempt to manage drastic socio-economic circumstances. The National Audit Office estimates that the UK Government will spend in the region of £370 billion on its Covid-19 policies, including the furlough scheme, the Job Support Scheme, the NHS Test and Trace system and the Self-Employment Income Support Scheme.³³

Government intervention into the social and economic fabric of Welsh society is likely to become a regular feature in the coming years and decades: the question will be towards which purposes and in whose interests these actions will take place. Inevitably, we need also to ask from where the financing of such progressive state intervention will derive – something we return to in Section 6 of this report.

32 Nanda, S. and Parkers, H. (2019), ‘Just Tax’. IPPR. Available at: <https://www.ippr.org/files/2019-09/just-tax-sept19.p>

33 National Audit Office (2021), ‘COVID-19 cost tracker’. Available at: <https://www.nao.org.uk/covid-19/cost-tracker/>

2

A basic income for Wales

2. A basic income for Wales

a. What is a basic income?

A basic income is a **regular, unconditional payment to every individual, designed to cover their basic needs.**³⁴

What is meant by basic needs?

Deciding what constitutes 'basic' needs is a challenge, but it may include - at a minimum - having the resources to obtain enough to eat, a place to live, to learn and access medical care, consonant with an agreed standard of what life should be like in a good society.³⁵

Basic income is designed to be paid to individuals and, unlike household-oriented systems of welfare, does not make any assumptions about how household members share incomes in order to meet their needs. Recognising that some people in society have additional needs, it is also important to stress that introducing basic income **does not necessarily mean abolishing all or most other state benefits.**

³⁴ For a more comprehensive account of what is meant by a basic income, see Standing, G. (2015), *Basic Income: And How We Can Make it Happen*. London: Penguin.

³⁵ Stronge, W. (2020) 'What counts as basic?' *Autonomy*. Available at: <https://autonomy.work/portfolio/incomenotservices/>

Who receives a basic income?

Basic income has been known by a number of other names, including ‘universal basic income’ (or UBI) and ‘citizen’s income’ – although citizenship does not have to be a requirement to receive a basic income. In Wales, the ‘universal’ aspect of a basic income could cover people who are **usually resident** in Wales.

What would residents have to do to receive a basic income?

Payments are not means-tested, and the scheme is also intended to jettison welfare conditionality, in which the receipt of benefit payments is tied to behavioural requirements like job-seeking and training activities. Basic income has no such conditions. The state would not be permitted to withdraw payments from an individual, nor have the authority to tell individuals how to spend their payments. Payments are also made automatically, divorced from procedures like queuing and regular form-filling.

What could a basic income look like in Wales?

Our proposal, synthesised from a wealth of previous proposals, is that a basic income for Wales should adhere to the following guidelines:

- It should provide a monthly, automatic and unconditional cash payment to every individual who is usually resident in Wales. This is the practical definition of universal.
- It should include residents above retirement age, and also children, whose payments would be directed to a guardian until they reach a designated age.³⁶
- The amount of the payment should not change based on an individual’s income or employment status.

³⁶ This age could be 16 or 18, for example, depending on one’s justification.

- The basic income should be at an amount sufficient to have a meaningful impact on everyday life.
- To avoid any negative impacts on Wales residents with additional needs, the basic income should sit alongside relevant supplemental benefits such as disability-related benefits.
- It should be taxable, meaning that while every resident receives the basic income, those most in need see a larger proportion of it, while the most well-off gain relatively less in net terms. This makes a basic income fair as well as universal.

b. What could a basic income deliver for Wales?

There has been a significant uplift in interest around basic income throughout the Covid-19 pandemic. Various polls and studies have found that, with the pandemic bringing more people into financially precarious situations, support for basic income has increased.³⁷ Respondents were more likely to value the policy as a means of reducing the stress and anxiety of insecurity, maintaining a sense of social solidarity, and guaranteeing economic support for individuals.³⁸

Despite this recent surge of interest in basic income, however, it is important to note that arguments for basic income long predate Covid-19.³⁹ At its core, basic income has always been about enhancing the well-being of individuals and communities by improving economic security and providing the financial

37 YouGov (2020) 'YouGov / NEON Survey Results'. https://docs.cdn.yougov.com/5y7apjzd6v/NEON_CoronavirusClimate_200417_W.pdf

38 Nettle, D., Johnson, E., Johnson, M. and Saxe R., (2020) 'Why has the Covid-19 pandemic increased support for Universal Basic Income?'. Available at: <https://psyarxiv.com/csr3u/>

39 For a brief history of basic income, see Standing, G. (2015), Basic Income: And How We Can Make it Happen (Chapter 1).

base needed to plan and make choices in life. A basic income can also contribute to the well-being goals set out in the Well-being of Future Generations (Wales) Act 2015.

Combating poverty and inequality in Wales

Basic income can help move us towards a **more prosperous Wales**. We showed above that Wales currently has amongst the highest levels of children, working-age adults and pensioners living in relative income poverty in the UK. Basic income represents a very direct method of reducing poverty. As we show in our modelling work in Section 5, it can lead to a significant reduction in the scope and depth of poverty in Wales - even if the levels of payment are relatively low or 'introductory'.

It can also act as an immediate remedy to the discontents of work in Wales, described in Section 1, providing a guaranteed income floor for those precariously positioned in non-standard, zero-hours or platform economy work.

I have lived with an underlying stress about money all my life. It would be interesting to see what not having to worry about paying for rent or food would feel like. (Resident of Hundleton)⁴⁰

Later in the report we set out a number of funding proposals (Section 6) which include a more progressive taxation system. If financed in this way, basic income could also contribute to a **more equal Wales**. With those who could most afford it contributing more to the basic income fund, basic income has the potential to embody principles of a 'progressive universalism', in which the payments are the entitlement of all, but the greatest benefits accrue to the worst-off in Wales.

⁴⁰ The quotes from Wales residents found throughout this report are taken from an online survey issued by the Basic Income Conversation, in partnership with Autonomy (see Appendix B.)

Reducing welfare bureaucracy and paternalism in Wales

We suggested above that the current welfare system is unfit for purpose, failing to make the required impact on poverty, entangling people in bureaucracy, and imposing forms of conditionality that stigmatise unemployed people and downplay the true economic causes of hardship.

“ *There’s so many barriers placed in front of people when they’re at a difficult point in their life... The system seems designed to catch people out rather than to support people.* ”
(Sian Aldridge, *The Wallich*)

An advantage of basic income is that it dispenses with many of the bureaucratic hurdles and expenses of a benefit system built around means-testing and conditionality.⁴¹ It also has an ethical advantage, as a policy that removes the paternal authority of the state to decide who deserves support. Such a system is ethically dubious because it imposes controls on certain members of society that are not exacted on others. It also perpetuates a narrow and often-discriminatory definition of social contribution, based exclusively on participation in paid employment.

Basic income can also reduce paternalism because, unlike welfare schemes (such as food stamps and cashless cards) which limit how funds can be spent, the policy trusts individuals to decide what they need. Existing cash-transfer studies refute the prejudice that people in need spend ‘irrationally’, and instead show that recipients usually spend on goods such as food, housing, healthcare and schooling.⁴² A recent cash-

41 Browne, J. and Hood, A. (2012), ‘A survey of the UK benefit system’, IFS Briefing Note 13. London, Institute for Fiscal Studies.

42 Blattman, C. and Niehaus, P. (2014), ‘Show them the money: Why giving cash helps alleviate poverty’, Foreign Affairs. Available at: <https://www.foreignaffairs.com/articles/show-them-money>; The Economist (2010), ‘Homelessness: Cutting out the middle men’; Whitehurst, G. J. (2016), ‘Family support or school readiness? Contrasting models of public spending on children’s early care and learning’, Economic Studies at Brookings, Evidence Speaks Reports, 1(16), 28 April. Available at: <https://www.brookings.edu/research/family-support-or-school-readiness-contrasting-models-of-public-spending-on-childrens-early-care-and-learning/>

transfer scheme in Canada, for example, found that people experiencing homelessness given a direct payment of \$7,500 ended up spending 39% less on goods like drugs, cigarettes and alcohol over a one-year period.

Responding to Wales' uncertain economic future

Wales faces an uncertain economic future. In addition to the widespread economic shocks caused by major events such as the pandemic and climate change, existing studies on automation – and our indicative consideration above – point to the possibility of significant disruption in the Welsh job market as a result of labour-saving technologies. Basic income could provide a vital cushion for those in the most affected occupations, as they move into other kinds of work.

An ageing population also means that Wales is likely to see more economically inactive people requiring income support, more people in need of care, and a greater proportion of people over 50 trying to balance employment and elderly care responsibilities. In this context, basic income can provide a robust form of support for older people, as well as a valuable resource for people shouldering caring responsibilities.

A healthier Wales

We showed in Section 1 that Wales ranks poorly in OECD measures of life expectancy, and that the correlation between income and health is strong in Wales. This is consistent with the World Health Organisation's 2020 findings on health inequities in Europe, which found that 'income security and social protection' is the most significant contributor to health inequities across Europe.⁴³ The direct link between income and

⁴³ World Health Organisation (2019) 'Healthy, prosperous lives for all: The European health equity status report'. Available at: <https://www.euro.who.int/en/publications/abstracts/health-equity-status-report-2019>

health should not be surprising, given the relationship between income and other key determinants of health such as food security, housing, and the ability to participate in learning and cultural activities.⁴⁴

These findings suggest that preventative measures are key, and that any commitment to **a healthier Wales** ought to directly address the economic determinants of health.⁴⁵ A basic income can improve population health by reducing poverty and increasing food security.⁴⁶ By eliminating the threat of insufficiency, a basic income enhances individuals' sense of security and reduces some of the causes of physical stress in their lives.⁴⁷ The predictability of a basic income also improves individuals' overall sense of well-being and mental stability.⁴⁸

“ [With a basic income] I would be able to stop worrying about money, thereby freeing up a lot of 'mental bandwidth' for more productive thoughts. (Resident of Camrose) ”

A basic income has also been shown to have particular benefits on the health of children. At the end of a basic income trial in the Indian state of Madhya Pradesh, the proportion of children with a normal weight had increased from 39% to 59%.⁴⁹

44 Mikkonen, J., and Raphael, D. (2010), 'Social Determinants of Health: The Canadian Facts.' Toronto, Ont.: York University, School of Health Policy and Management. Available at: https://www.thecanadianfacts.org/The_Canadian_Facts.pdf

45 The Future Generations Report (2020), 'Progress against the well-being goals: A healthier Wales'. Available at: <https://www.futuregenerations.wales/wp-content/uploads/2020/06/Chap-3-Healthier.pdf>

46 Johnson, M., Geyer, R., Degerman, D. (2019), 'Exploring the health case for a trial of Universal Basic Income'. and Basic Income Studies, 14(2), 1-11.

47 Johnson, M. and Johnson E. (2019), 'Stress, Domination and basic income'. Social Theory & Health, 17(2), 253-271.

48 Helsinki Ministry of Social Affairs (2019), 'The basic income experiment 2017-2018 in Finland, Helsinki: Ministry of Social Affairs.' Available at: https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/161361/Report_The%20Basic%20Income%20Experiment%2020172018%20in%20Finland.pdf

49 Schjoedt, R., 'India's basic income Experiment', Pathways Perspectives on social policy in international development. Available at: <https://socialprotection-humanrights.org/wp-content/uploads/2016/04/Indias-Basic-Income-Experiment-PP21.pdf>.

Evidence from trials in India and Alaska also suggests that basic income has a direct impact on birthweight.⁵⁰

The improvement in individuals' mental health also has positive flow-on effects because it can alter people's behaviour in ways that promote long-term health and well-being.⁵¹ As well as benefiting individuals, a basic income can reduce the net cost of its implementation by providing relief for the NHS. In the Manitoba Basic Annual Income Experiment, recipients of the income used hospitals 8.5% less than non-recipients.⁵²

Enabling new freedoms

Among other things, the ability to take control and make choices in life depends on a background of economic security. With the financial protection of a basic income, a wide range of hypothetical new freedoms can become possible. Individuals would have more latitude to do things like find and select suitable jobs, or initiate financially risky ventures like starting a new business. A basic income could contribute to **a more equal Wales** by giving more people the resources to undertake education. By helping to resource a range of cultural and communal activities, it could also help push towards the goal for a **Wales of vibrant culture and thriving Welsh language**.

“ [With basic income] I would still work but under less pressure. My relationships would improve as I'd have more time for others, to support my community and learn new skills. (Resident of S. Glamorgan) ”

50 Kehler, B. and Wolin, C. (1979), Impact of income-maintenance on low birth-weight. *Journal of Human Resources*, 14(4): 434-462.

51 Johnson, E., Johnson, M. and Webber, L., (2020), 'The need for accurate design in trials of "upstream" health interventions: assessing research on Universal basic income's effect on stress.' *Evidence & Policy*. Available at: <http://www.healthlumen.com/wp-content/uploads/2020/06/Measuring-the-health-impact-of-Universal-Basic-Income-as-an-upstream-intervention.pdf>

52 Forget, E. (2011), 'The town with no poverty: The health effects of a Canadian guaranteed annual income field experiment'. *Can Public Policy*, 7(3), 283-305. Available at: <http://www.healthlumen.com/wp-content/uploads/2020/06/Measuring-the-health-impact-of-Universal-Basic-Income-as-an-upstream-intervention.pdf>

It is not possible to know exactly how people in Wales would use their basic income, but we can gain insights by engaging with citizens (see Section 4b) and observing the results of previous basic income pilots (see Section 3). It can also be noted that the freedoms enabled by basic income are partly tied to its nature as a payment to the individual, rather than the family unit. The safety net of an independent payment could, for example, give people (women in particular) the financial independence needed to exit from abusive family dynamics.

“ *Anything that gives women the economic means to leave an abusive relationship is absolutely critical. (Catherine May, Chartered Institute of Housing)* **”**

A Wales of cohesive communities

Basic income pilots have demonstrated higher levels of trust between individuals and greater levels of community well-being.⁵³ This may be the result of basic income's nature as a universal right – one which has the potential to boost a sense of self-worth and communicate to people that they belong to society.

“ *Because [basic income] would be there as a right, it communicates to people that they are part of society, and by and large, I think people will rise up to that. (Sian Aldridge, The Wallich)* **”**

There is also evidence that by reducing poverty, a basic income could have a positive effect on crime rates. During the Manitoba Basic Annual Income Experiment, for example, crime

⁵³ Kangas, O., Jauhiainen, S., Simanainen, M. and Ylikännö M. (eds.), 'The basic income Experiment 2017–2018 in Finland. Preliminary Results.' Ministry of Social Affairs and Health'.

in small rural towns decreased by 15% in comparison to a test site that did not receive the income.⁵⁴

Basic income in combination with other measures

While basic income has significant transformational potential, it is inadvisable to view it as a standalone cure. The policy can be strongest if it works alongside other measures. This means an ongoing state commitment to improvements in healthcare, social care, educational opportunities, affordable housing and transportation. In Wales, it also means continuing to build on the goals of the Fair Work Wales commission, struggling towards a real living wage and more democratic workplaces.⁵⁵ One of the benefits of a guaranteed income floor is that it can act as a fund for labour organising and give workers greater leverage and confidence to refuse or reform unscrupulous employment practices, without the risk of destitution.⁵⁶

“ *It could be part of the solution, but one policy can never be the entire solution. (Natasha Davies, Chwarae Teg)*

One particularly enticing prospect is for the economic security provided by a basic income to work in synergy with a shorter working week (see Autonomy’s sister report on a shorter working week for Wales).⁵⁷ Working together, these policies could give Wales residents significantly more control over their lives.

54 Calnitsky D. and Gonalons-Pons P., (2020), ‘The Impact of an Experimental Guaranteed Income on Crime and Violence,’ Social Problems. Available at: <https://doi.org/10.1093/socpro/spaa001>.

55 Fair Work Wales (2019) Report of the Fair Work Commission. Available at: <https://gov.wales/fair-work-commission>

56 Abu Sharkh, M. and Stepanikova, I, (2005), ‘Ready to Mobilize? How Economic Security Fosters Pro-Activism Attitudes Instead of Apathy. Socio-Economic Security Programme Working Paper’. Geneva: International Labour Organization.

57 Autonomy (2021) A Future Fit for Wales: the roadmap to a shorter working week. Autonomy.

c. The Welsh context

A favourable climate

Through the passage of the Well-Being of Future Generations (Wales) Act 2015, Wales has demonstrated a unique legislative commitment to a more rounded and sustainable definition of social progress. The Act's vision for Wales in 2050 includes dramatic improvements in well-being that will require new policies in order to be achieved. The recent interest around basic income in Welsh political debate presents a significant opportunity to move forward towards these goals.

Increasing cross-party engagement has developed around basic income. Prominent figures from Welsh Labour, Plaid Cymru and the Welsh Liberal Democrats have all expressed public support for particular versions of the policy.⁵⁸ 25 Members of the Senedd from these parties have signed UBI Lab Cymru's pledge to support a pilot in Wales, and a commitment to piloting basic income is included in the Welsh Government's Programme for Government 2021-2026.⁵⁹

In September 2020, Labour MS Jack Sargeant called on the Senedd to establish a basic income trial in Wales, and lobby the UK Government for funding to support a Wales-wide basic income.⁶⁰ Sargeant stressed the potential of the policy to establish a platform of security in a rapidly changing Wales, affected by the economic and psychological shock of Covid-19 and the displacement of workers by automated technologies.

58 Business Live (2020), 'Plaid Cymru call for emergency universal basic income as economic impact of coronavirus deepens'. Available at: <https://www.business-live.co.uk/economic-development/plaid-cymru-call-emergency-basic-17943996>; Dodds, J. (2019), 'Why the Welsh Liberal Democrats want to trial universal basic income in Wales'. Available at: <https://nation.cymru/opinion/why-the-welsh-liberal-democrats-want-to-trial-universal-basic-income-in-wales/>; Sargeant, J. (2020), 'The bold policies we need from Welsh Labour's next manifesto'. Available at: <https://labourlist.org/2020/06/the-bold-policies-we-need-from-welsh-labours-next-manifesto/>

59 Welsh Government (2021) 'Programme for Government 2021-2026'. Available at: <https://gov.wales/programme-for-government-2021-to-2026.html>

60 Senedd Cymru (2020), 'Plenary: 30/9/2020'. Available at: <https://record.assembly.wales/Plenary/6568#A60623>

Sargeant's motion was passed, prompting enthusiasm from a range of political representatives. In the debate, respondents highlighted the potential for basic income to reverse punitive welfare conditionality, address the decline of employment as a route out of poverty, give people more freedom to return to education, and also to make voluntary, civic and artistic contributions to Welsh society. Labour MS Jenny Rathbone stressed the value of basic income as a means of recognising the unsung social contribution of unpaid care work. The leader of Plaid Cymru, Adam Price, added that the policy could strengthen the power of workers to think twice about accepting jobs that were low paid or that made a dubious social contribution.

The current Labour-led administration has since committed to trialling a basic income pilot. First Minister, Mark Drakeford, has long been an advocate of a 'progressive universalism' that chimes with the spirit of basic income. Speaking in October 2020, Drakeford said:

I am interested to see whether it is possible to run some experimental pilots here in Wales, because I think the idea is definitely one that has merit and ought to be explored in that way.⁶¹

Our interviews with key Welsh stakeholders (Section 4) have revealed that there is already a good level of awareness and interest in a basic income for Wales. The citizen-led UBI Lab Cymru (along with local Welsh labs and UBI Lab Womxn) have been building a network of supporters across the country, and motions have already been passed by the councils of Swansea, Cardiff and Rhondda Cynon Taf, in favour of a Welsh basic income pilot. Overall, this is very fertile ground for investigating the prospects for a basic income in Wales.

⁶¹ Drakeford, M. (2020), 'Plenary: 13/10/2020'. Available at: <https://record.assembly.wales/Plenary/6594?lang=en-GB#C321945>

Current barriers

Although there has been a groundswell of support in Wales, the current devolution settlement places constraints on the feasibility of both basic income trials as well as more substantive implementations of the policy. These limitations relate to the legislative, financial and administrative capacities of the current devolution settlement in Wales.

Legislative powers

The full implementation of a basic income scheme falls outside the current legislative capacities of the devolved Welsh Government. However, while welfare and social security remain reserved powers of the UK Government, there has been significant debate surrounding the prospects for a partial or full devolution of social security to Wales.⁶² This follows the stream of welfare powers handed to Scotland since 2016. Furthermore, with the known harms and inefficiencies of existing UK-level welfare provision, in the form of hard conditionality and Universal Credit,⁶³ there is a compelling case for a partial or full devolution of social security to Wales.

Future devolution of welfare can facilitate more favourable conditions for basic income policy. Yet even under the current devolution settlement, options do exist for the Welsh Government to initiate basic income pilots. The most obvious route is using the broad 'well-being power' given to

62 Wales Centre for Public Policy (2020). Available at: <https://www.wcpp.org.uk/publication/administering-social-security-in-wales/>; Senedd Research (2020), 'Does Wales need more control over the benefits system'. Available at: <https://seneddresearch.blog/2020/09/11/does-wales-need-more-control-over-the-benefits-system/>

63 The Bevan Foundation (2018), 'Universal Credit: Implications for devolved policies and services'. Available at: <https://www.bevanfoundation.org/wp-content/uploads/2018/11/UC-report-final.pdf>; Alston, P. (2018) 'Statement on Visit to the United Kingdom, by Professor Philip Alston, United Nations Special Rapporteur on extreme poverty and human rights'. Available at: https://www.ohchr.org/documents/issues/poverty/eom_gb_16nov2018.pdf

councils under the Local Government Act 2000 to deliver trial payments with national level support.⁶⁴ The alternative is for direct payments to be made to recipients by the Welsh Government, similar to the £500 one-off bonus delivered to care workers in June 2020 during the Covid-19 pandemic.

Even so, as current Finance Minister Rebecca Evans has made clear, both of these options would require cooperation from the UK Government ‘because of the interaction of... basic income with the tax and benefits system’.⁶⁵ If the UK Government or its agencies opted to obstruct the pilots, there is a risk that citizens in receipt of payments as part of a pilot could find themselves paying more tax, or losing out on their current means-tested benefits. As well as making a prospective trial invalid as a true test of the basic income schemes proposed in this report, running a trial under these conditions would also be unethical, since it could leave some participants worse off. Large families and disabled people would be among those groups particularly at risk.

Financing

In order to make a basic income as progressive as possible and raise the necessary funds, the tax system in Wales would need to change. The block grant received by the Welsh Government under the Barnett formula is likely insufficient to fund an expansive, nationwide basic income.⁶⁶ Furthermore, its current income-raising powers are limited, with fiscal devolution in Wales still in its early stages compared to the devolved administration in Scotland, and government borrowing limited

64 See RSA (2019) ‘A Basic Income for Scotland’, 43. Available at: <https://www.thersa.org/reports/basic-income-scotland>

65 Senedd Cymru (2020), ‘Y Cyfarfod Llawn Plenary: 30/09/2020’. Available at: <https://record.assembly.wales/Plenary/6568#A60623>

66 We offer costings for a basic income in Sections 5 and 6. See, Welsh Government (2020), ‘Final Budget 2020 to 2021’. Available at: <https://gov.wales/statement-final-budget-2020-to-2021>

to £1 billion ring-fenced for capital expenditure. However, in addition to control of local taxes such as council tax and business rates, in recent years the Welsh Government has assumed powers to set both a Land Transaction and Landfill Disposal taxes and, since 2019, has had the ability to vary the final 10p in the pound within each income tax band.

The Wales Act 2014 provided a route for the devolution of further new taxes, and in the years since, the Welsh Government have explored a series of proposals, including a hypothecated 'Social Care' tax, a Land Value tax and a Tourism levy.⁶⁷ While the revenue-raising capacity of the Welsh Government therefore remains limited – and, with respect to income tax variation, as yet untested – the direction of travel has been set firmly towards greater devolved fiscal powers.⁶⁸ Paired with an interest in innovative fiscal reform, the future potential for creative funding bases for a future Welsh basic income should not therefore be ruled out.⁶⁹ However, funding any such policy would require a significant departure from the status quo. We explore the possibilities further in Section 6 of this report.

Administration

In addition to concerns around legislative powers and financing, any proposals will also have to factor in the administrative capacities of the Welsh Government to identify Wales residents and distribute a basic income. While Westminster benefits from the administrative capacities of the Treasury and HMRC, and Scotland from the capacities of

⁶⁷ Welsh Government (2018), 'Developing new Welsh taxes'. Available at: <https://gov.wales/developing-new-welsh-taxes>

⁶⁸ Wales Centre for Public Policy (2018), 'The Welsh Tax Base: Risks and Opportunities after Fiscal Devolution'. Available at: <https://www.wcpp.org.uk/publication/the-welsh-tax-base-risks-and-opportunities-after-fiscal-devolution/>

⁶⁹ See a recent scoping paper on potential to replace council tax with a local income tax, as an example of creative fiscal policy: <https://gov.wales/local-income-tax-scoping-feasibility>

Social Security Scotland, the Welsh Government's capabilities are currently more limited, given the absence of any devolved welfare powers in the country. For its recent, one-off payment to care workers during the Covid-19 pandemic, the Welsh Government needed to work with HMRC and the UK Government to ensure that the money reached the correct recipients.⁷⁰ As such, effective identification and distribution of basic income payments would also currently rely upon similar cooperation from the UK Government and its agencies.

There have been recent calls to establish a distinct 'Welsh Benefits System', joining up the currently disaggregated claiming process for existing devolved grants and allowances like free school meals or discretionary housing payments,⁷¹ or even to establish a dedicated administrative agency, in line with Social Security Scotland.⁷² Both of these would help to build administrative capacity and experience at the devolved level but, short of far more expansive welfare devolution, would alone remain insufficient for the Welsh Government to implement a basic income.

Administering basic income payments without undesirable effects on their interaction with the wider tax and benefits system would therefore require assurances at the UK-level. Offering a preview of what can go wrong, confusion over the aforementioned Covid-19 payments for care workers recently saw the £500 sum unintentionally subject to tax from the UK Government under the PAYE system.⁷³ A basic income for

70 BBC (2020), 'Coronavirus: Care home staff to get £500 bonus'. Available at: <https://www.bbc.co.uk/news/uk-52940243>

71 Bevan Foundation (2019), 'A Welsh Benefits System'. Available at: <https://www.bevanfoundation.org/current-projects/welsh-benefits-system/>

72 Wales Centre for Public Policy (2020), 'Administering Social Security in Wales'. Available at: <https://www.wcpp.org.uk/publication/administering-social-security-in-wales/>

73 BBC (2020), 'Coronavirus: Care workers in Wales to pay tax of £500 bonus'. Available at: <https://www.bbc.co.uk/news/uk-wales-politics-53737029>

Wales would require careful planning with the UK Government to ensure participants were not subject to unforeseen repercussions in their tax payments or welfare entitlements.

Looking to the future

There are significant barriers to a basic income under the current devolved settlement. Welsh Government lacks the welfare powers to implement a full, nationwide scheme, which would also exceed the existing capacity of its budget. There would need to be significant changes to the status quo for a Welsh basic income, and these should not be understated.

However, the devolution settlement is not set in stone. Should greater control of welfare be granted to the Welsh Government, along with further financial autonomy, then a nationwide basic income scheme may become achievable. The groundswell of recent support for a basic income in Wales, tied to a push for greater devolution, could provide a path for a basic income.

In the short term, local pilots of a basic income are feasible. If the Welsh Government can secure minimal cooperation from the UK Government, then it could look to test a basic income scheme. This could be done without the wholesale devolution of social security, and at an affordable cost (see Section 7). Since the implementation of a national scheme would significantly benefit from a pilot, this would be a plausible and powerful first step on the road to a national basic income in Wales.

3

Learning from past pilots

3. Learning from past pilots

The job suspensions and losses resulting from the Covid-19 pandemic have renewed interest in the idea of a basic income, with a number of governments considering forms of unconditional payments. On 15 June 2020, Spain's government launched a scheme offering up to €1,015 a month to 850,000 lower income households.⁷⁴ In August 2020, Germany began a pilot in which 120 citizens will receive €1,200 a month for three years.⁷⁵ In the US, citizens also received an unconditional \$1000 'stimulus cheque' to encourage spending and help cover costs during the pandemic.⁷⁶

A full-scale, long-term implementation of basic income has never been tried, but we can learn much from existing trials of direct cash payments, localised basic income pilots, and other experiments. Each study needs to be understood within its national context, and we would always urge extensive local stakeholder involvement in the creation of any new basic

⁷⁴ Cué, C. E. (2020), 'Spain's guaranteed minimum income scheme will reach 255,000 people by June 26, says PM'. El País. Available at: <https://english.elpais.com/politics/2020-06-07/spains-guaranteed-minimum-income-scheme-will-reach-255000-people-by-june-26-says-pm.html>

⁷⁵ Forrest, A. (2020), 'Germany to give people £1,000 a month, no questions asked, in universal basic income experiment'. The Independent. Available at: <https://www.independent.co.uk/news/world/europe/germany-universal-basic-income-ubi-euros-month-experiment-a9678186.html>

⁷⁶ Cochrane, E. and Stolberg, S. G. (2020), '\$2 Trillion Coronavirus Stimulus Bill Is Signed Into Law'. The New York Times. Available at: <https://www.nytimes.com/2020/03/27/us/politics/coronavirus-house-voting.html>

income scheme. It is not possible to transplant policy and pilot designs from one country to another in a straightforward way. Nevertheless, past pilots still provide important lessons on the design and likely results of a potential Welsh scheme.

There have been several thorough scoping reviews and surveys of the existing literature that can be consulted for a wider selection of case studies.⁷⁷ Here we focus on studies with the most pertinent lessons for the Welsh context. In each case, we provide an overview of the intervention before drawing out specific lessons on the social impact and how Wales could learn from the example.

a. Finland

Finland conducted a two-year trial of basic income from 1 January 2017 to 31 December 2018, providing an unconditional payment of €560 per month to 2,000 randomly sampled unemployed people, aged 25 to 58.⁷⁸ The Finnish pilot was a partial (below subsistence) basic income test which corresponded to the monthly net amount of the basic unemployment allowance.

The experiment was administered by the Finnish social security agency, Kela, and was designed to ensure that participants in the study would suffer no financial detriment as a result of

77 Carnegie UK (2019), 'Exploring the Practicalities of a Basic Income Pilot'. Available at: <https://www.carnegieuktrust.org.uk/publications/exploring-the-practicalities-of-a-basic-income-pilot/>; Hiilamo, H. (2020) 'Experimenting with basic income in Finland, Canada and the United States: What can we learn?'; Session E1, BIEN Congress 2018; What Works Scotland (2018), 'Universal Basic Income: a scoping review of evidence on impacts and study characteristics.' Available at: <http://whatworksscotland.ac.uk/wp-content/uploads/2018/10/WhatWorksScotlandBasicIncomeScopingReview1210FINAL.pdf>; Gibson, M., Hearty, W. and Craig P. (2020), 'The public health effects of interventions similar to basic income: a scoping review.' *Lancet Public Health* 2020. 5.

78 Helsinki Ministry of Social Affairs and Health (2019), 'The Basic Income Experiment 2017–2018 in Finland. Preliminary Results.'

their participation in the pilot. Participation in the trial was compulsory, so the results would not be biased based on who chose to participate. The experiment was mainly designed to test the impact of unconditional versus conditional benefits on the incentive to work, with a view to investigating how the social security system could be redesigned to address the changing nature of work.

Social impact

Preliminary analysis of the experiment issued in February 2019 assessed the 2,000 recipients of a basic income, as well as 5,000 persons in a control group. It was found that those who received the basic income worked an average of six days more than those receiving regular unemployment benefits between November 2017 and October 2018. Another notable result was that there was a greater increase in employment for those recipients who had children, and for those whose first language was neither Finnish nor Swedish.

Significantly, in terms of the Future Generations Commissioner for Wales' focus on well-being goals, the preliminary analysis also partly focused on the well-being impacts of the trial. Significant improvements were found in relation to life satisfaction, trust in other people and institutions, mental and physical health, experience of depression, confidence in one's own future, and financial situation. This included a 17% incidence of improved physical and mental health, and a 37% decrease in the incidence of depression.⁷⁹ The full report was released on 6 May 2020 and also included the results from in-depth interviews, showing that some interviewees felt that the experiment had enabled them to invest more in activities outside of paid employment, such as informal care.⁸⁰

79 Ibid.

80 Ibid.

Lessons for Wales

In order to obtain political approval for the pilot, it was stated that the primary goal was to promote employment, with only unemployed people included in the sample. While the employment-based framing of the study led to numerous commentators declaring the trial a 'failure' following publication of initial results, the findings on well-being are promising and bode well for the potential of basic income to enhance well-being in Wales. Any pilot in Wales ought to be framed in terms of a broad set of well-being indicators, consonant with the Well-being of Future Generations (Wales) Act 2015.

Another major problem with the pilot's design was that 83.3% of the benefits received by the test group still remained means-tested. For the test group, this meant that accepting employment still entailed losing other benefits and possibly even housing assistance. It therefore did not remove the work disincentive created by means-tested welfare. This problem should be avoided in any Welsh pilot.

The trial was undertaken on a relatively small budget of €20 million, showing that trials can be conducted through limited financial means. However, the budget was the result of compromises in experimental design. If the basic income amount paid to individuals was at subsistence level, one could expect stronger effects on well-being indicators than were found. Overall, the Finland pilot indicates some positive social impacts, but the below-subsistence payments and narrow evaluative focus on employment are areas that could be improved upon in the design of any Welsh pilot.

b. The Netherlands

There are a number of basic income trials (although not named as such) in Groningen, Tilburg, Utrecht and

Wageningen, among others, following 2015 legislation allowing municipal authorities to experiment with social assistance.⁸¹ The experiments provide low income households on social assistance with €960 per month.

The experiments mainly sought to explore alternative means of encouraging participation in paid work among different test groups. In one of the experiments, individuals were exempted from the job requirements of the current social assistance system and were able to retain some of their benefits as they earned money from a job. These trials are motivated by a desire to reform a welfare conditionality that penalises individuals who fail to actively seek or remain in employment. Like the Finnish trials, the primary focus is on the extent to which a change in benefit conditionality might alter employment outcomes, although there was also some monitoring of health and well-being, and other forms of social participation.

One problem was that the central government placed restrictions on the extent to which municipal governments could alter the rules of conditionality and means-testing. Some municipal governments accepted such restrictions in their trials, while other cities have held experiments without government permission. These experiments are limited in their simulation of a true basic income for welfare recipients, and do not fully reflect the impact of introducing unconditional social assistance.⁸²

Social impact

Utrecht university conducted the study 'What Works' (Weten wat werkt) which addressed the question of the best way to

81 See: the Dutch Participation Act (2015), (Participatiewet, in Dutch). Available at: <https://www.rijksoverheid.nl/onderwerpen/participatiewet>

82 van der Veen, R. (2019), 'Basic Income Experiments in the Netherlands?', Basic Income Studies, De Gruyter, 14(1), 1-13, June.

guide people on social assistance back to paid work and other forms of social participation. The study tested three different types of interventions against a control group and found that each test group had increased chances of labour participation. In this study, the effects on social participation, health and well-being were all found to be small and statistically indistinguishable from zero.⁸³

Lessons for Wales

A prominent criticism of the Dutch experiments is that they are really about testing work incentive structures rather than a true basic income. Negotiations between the central and local governments in Netherlands may foreshadow a challenge for Wales, highlighting the added complications of trialling basic income at a sub-national level.

c. Madhya Pradesh, India

The pilot in Madhya Pradesh, India, included 6,000 individuals (including children) across eight villages, and paid every resident a basic income for 18 months.⁸⁴ The pilot was funded by UNICEF, with payments beginning at 200 rupees for each adult and 100 rupees for each child (paid to a guardian), later rising to 300 and 150 rupees respectively (an amount thought to be enough to modestly improve living standards).

The India pilot contains many examples of good research practice. Its evaluation method included a baseline survey, undertaken before the pilot was implemented, an interim evaluation survey six months in, a final evaluation survey at the

⁸³ University of Utrecht (2020), 'Study What Works,' March 2020. Available at: <https://www.uu.nl/en/publication/final-report-what-works-weten-wat-werkt>

⁸⁴ Schjoedt R. (2016), 'India's Basic Income Experiment'. Pathways Perspectives on social policy in international development (21). Available at: <https://socialprotection-humanrights.org/wp-content/uploads/2016/04/Indias-Basic-Income-Experiment-PP21.pdf>

end of the 18 months, and a 'legacy survey' three years after the trial's conclusion.⁸⁵ It also took the form of a randomised control trial, comparing the results with twelve 'control' villages, where nobody received payments. In addition, the evaluation also incorporated 80 qualitative case studies giving detailed insights into experiences at the individual and family level.

Social impact

The trial evaluation found significant improvements in mental health, nutrition, housing, sanitation, and educational attendance / performance. Debts were reduced and many basic income recipients made small investments in things like tools, repairs and seeds, or established small shops, boosting production and incomes. Women and minority groups reported having a stronger bargaining position in the household, and evidence also suggested increased social cohesion and more trust in local government and institutions.

Lessons for Wales

The evaluation methodology in India serves as a valuable exemplar for the kind of broad monitoring and evaluation framework that could be used in Wales. This could be adapted to the key well-being goals included in the Well-being of Future Generations (Wales) Act 2015.

d. Barcelona

The B-Mincome experiment ran in Barcelona between 2017 and 2019. There were 1,000 families taking part in the test, plus 500 families acting as a control group. The families were randomly selected from three of the city's poorest districts (Nou Barris, Sant Andreu and Sant Martí) and received a

⁸⁵ Davala, S., Jhabvala, R., Standing, G. and Kapoor Mehta, S. (2015), *Basic Income: A Transformative Policy for India*. London: Bloomsbury.

maximum cash transfer of €1675 a month. In addition to the payment, members of some participating families were also required to participate in social inclusion initiatives in areas like training, employment, entrepreneurship and community participation. Unlike in Finland and the Netherlands, the focus of the study was not on employment outcomes but on reducing poverty and increasing well-being in a broader sense.

Social impact

In July 2019, the first results came in from the first operational year (2017–2018).⁸⁶ The report indicated a significant reduction in material deprivation and food insecurity, as well as in the ‘sensation’ of financial insecurity. Participants also reported a significantly higher sense of life satisfaction (an increase of 27% on the scale used) and an improved sense of confidence about the future. The study also found greater participation in community life among women, but was inconclusive on whether the trial had fuelled participation in civil society. The researchers suggest that this impact would need a longer duration to measure.

Lessons for Wales

The Barcelona trial was closer to a negative income tax study than a true basic income trial. Nevertheless, the results bode well for a Welsh pilot to find significant improvements in participants’ overall quality of life. A shortcoming of this study is that it made payments to family units rather than individuals. This makes it difficult to compare to other trials, and also neglects one of the celebrated benefits of basic income (especially for women) as an independent financial resource.

⁸⁶ B-Mincome (2019), ‘Report on the preliminary results of the B-MINCOME project (2017–2018).’ Planning and Innovation Department Area of Social Rights. Available at: https://ajuntament.barcelona.cat/dretssocials/sites/default/files/arxius-documents/results_bmincome_eng.pdf

e. Ontario, Canada

The government of Ontario launched a basic income pilot in April 2017, covering four local areas consisting of 4,000 individuals with low incomes. The trial paid single people around C\$17,000 a year and couples around C\$24,000. Disabled participants were also paid an additional supplement.⁸⁷ The research was designed to study a series of quality of life indicators as well as the effect of the income on employment and education. In reality, the scheme was closer to a negative income tax experiment because the payment could be reduced by 50 cents for every dollar earned. Like the Barcelona trial, payments were also directed to households rather than individuals.

Social impact

The trial was cancelled in August 2018 upon the election of a new Conservative government, highlighting the politically precarious nature of basic income experiments. The government blocked as much as possible any analysis of the pilot, although unofficial surveys showed that 88% of recipients reported feeling less stressed, with many reporting increasing their voluntary work.⁸⁸

Lessons for Wales

To ensure that any pilot could be completed and properly evaluated, Wales would need to ensure the presence of strong political will (and ideally strong cross-party support) from the

87 Ontario.Ca (2019), 'Ontario Basic Income Pilot.' Available at: <https://www.ontario.ca/page/ontario-basic-income-pilot#:~:text=The%20Ontario%20Basic%20Income%20Pilot,across%20the%20three%20pilot%20sites>

88 Basic Income Canada Network (2019), 'Signposts to Success: Report of a BICN Survey of Ontario basic income Recipients'. Available at: https://assets.nationbuilder.com/bicn/pages/42/attachments/original/1551664357/BICN_-_Signposts_to_Success.pdf

outset. In any future pilot, legal guarantees also ought to be given to recipients, to guarantee that basic income payments continue for the agreed period.

f. Scotland

In 2016, the ruling Scottish National Party (SNP) passed a motion endorsing basic income in the nation. It read: ‘a basic or universal income can potentially provide a foundation to eradicate poverty, make work pay and ensure all our citizens can live in dignity’.⁸⁹ A subsequent feasibility study was conducted involving Fife, North Ayrshire, City of Edinburgh and Glasgow City Councils, in conjunction with NHS Scotland and the Improvement Service.⁹⁰

“ *There are good lessons from how Scotland have been going about it, because their steering group has the cast of characters I would expect from Wales - a very multi-disciplinary advisory panel.* ”
(Representative of Public Health Wales)

Although there are currently no plans to begin the pilot, the Scotland feasibility study is an extremely valuable resource for consideration in the Welsh context. In contrast with some of the above examples, the Scottish study focused on designing a pilot that represents a true test of basic income: a ‘saturation model’, in which everyone in a given geographical location receives guaranteed payments. The study also proposes

89 West, J. (2016), ‘Scotland: Scottish National Party Conference calls for universal income.’ Basic Income Earth Network. Available at: <https://basicincome.org/news/2016/03/scotland-conference-members-call-for-universal-income/>

90 The Citizens’ Basic Income Feasibility Study Steering Group (2020), ‘Assessing the Feasibility of Citizens’ Basic Income Pilots in Scotland: Final Report.’ Available at: https://basicincome.scot/wp-content/uploads/sites/75/2020/06/Draft-Final-CBI-Feasibility_Main-Report-June-2020.pdf; Basic Income Conversation (2020) ‘Are Scottish Basic Income Pilots Possible? An Overview of the Scottish Basic Income Pilot Feasibility Study.’ Available at: <https://www.compassonline.org.uk/wp-content/uploads/2020/07/Briefing-Are-Scottish-Pilots-Possible.pdf>

a wide-ranging evaluation, including impacts on poverty, unemployment, health and well-being, and experiences of the social security system. A sample size of 2500+ is also suggested, in order to investigate the hitherto under-explored community-level effects of basic income.

The study concluded that a Scottish basic income pilot is a desirable next step - one which is ethical, affordable and evaluable. The main obstacle identified was that a pilot cannot be conducted in Scotland without cooperation from the UK Government and its agencies, the Department for Work and Pensions and HMRC. This cooperation is needed due to the way that basic income payments could interact with existing means-tested benefits and the tax system. Despite support from local authorities and the Scottish Government, a Scottish pilot will not go ahead until commitment from central government and relevant institutions has been secured. Little progress has been made towards these ends since the feasibility study concluded in June 2020.

Lessons for Wales

The pilot proposed in Scotland would produce some of the most detailed and comprehensive analyses of basic income in history, and the Scotland feasibility study could therefore prove to be a valuable resource for considering a basic income pilot in Wales. Crucially, as a devolved nation in the UK, the challenges Wales would face in developing a basic income trial would also be comparable to those faced in Scotland. There is potential to build coalitions between Welsh and Scottish political institutions in order to achieve the required co-operation from the UK Government.

4

Local perspectives

4. Local perspectives

a. ‘Cautious enthusiasm’: learning from key stakeholders in Wales

In line with the Future Generations Commissioner’s commitment to collaboration and involvement in the improvement of well-being in Wales,⁹¹ Autonomy has sought to learn from the views and ideas of key Welsh stakeholders. We aimed to assemble a group of stakeholders that could collectively speak to the seven key goals in the Well-being of Future Generations Act.⁹² We were also keen to prioritise political and charitable organisations representing marginalised or disadvantaged groups with a special stake in basic income policy. Such groups potentially have the most to gain from a boost in guaranteed income, but also have more to lose, should a basic income policy be designed without careful consideration. More details about the method of our stakeholder engagement can be found in Appendix B.

At the most general level, the stakeholders we interviewed were cautiously enthusiastic about the development of a basic income policy in Wales. This section presents key elements of their rationale.

⁹¹ Future Generations (2015), ‘Well-being of Future Generations Act 2015’. Available at: <https://www.futuregenerations.wales/about-us/future-generations-act/>

⁹² Ibid.

Why are stakeholders enthusiastic about basic income?

Every person interviewed was aware of basic income, sometimes due to publicity surrounding the policy in the wake of Covid-19. Several highlighted the pandemic as a ‘useful’ disruption (in a certain sense) because it had generated discussion about labour market insecurities, and posed productive questions about what kinds of work society deems valuable. Several stressed this as an ideal moment to consider a basic income policy for Wales.

Covid-19 has turned the world upside down. This is an opportunity to re-evaluate how things work. In our Covid-19 policy response to government, we took the decision to advocate for a UBI pilot in Wales. (Catherine Fookes, Women’s Equality Network)

Some of the enthusiasm for a basic income in Wales arose out of perceived inadequacies in the pandemic support put in place by the UK Government. Representatives of the arts and creative industries described to us the ‘eligibility gap’ for people with non-standard careers (perhaps combining freelance work and employment). Representatives of Clwstwr, the Arts Council of Wales and the Musicians’ Union all praised the universal aspect of basic income as something that could have protected people with non-standard employment during the pandemic.

Covid-19, creatives and the 'eligibility gap'

It is hard to overstate the impact of Covid-19 on the Welsh creative industries. A recent survey by Creative Cardiff found that 85% of creative freelancers in Wales faced a significant decrease in business as a result of the pandemic, with 60% saying their work had dried up completely. Many surveyed said they were considering giving up their ambitions in the creative sector.

What is more, significant delays and 'eligibility gaps' in the UK Government's relief payments have left many without income.⁹³ 67% said that payment delays would cause them significant financial difficulty, and 53% suggested that the government's support schemes would not cover their losses.⁹⁴

A comparable survey by the Wales Freelance Taskforce found that theatre and performance freelancers have been particularly badly affected. 47% received no support from the UK Government's Self-Employment Income Support Scheme, 27% have been struggling to pay bills, and a third feel uncertain about their future involvement in the industry.⁹⁵

93 Creative workers have missed out on the Covid-19 Self-Employment Income Support Scheme for a number of reasons. Some missed out because pressure to comply with IR35 tax rules has forced them to set up as Limited Companies, others because they are not technically exempt from trading (even though there may be no business), and others because they work a composition of gig work and employment contracts.

94 Creative Cardiff (2020), 'The COVID-19 Self-employment Income Support Scheme: How Will it Help Freelancers in the Creative Industries in Wales?' Available at: <https://creativecardiff.org.uk/sites/default/files/Creative%20Cardiff%20study%20on%20COVID-19%20Support%20Scheme%2024.20.pdf>

95 Wales Freelance Task Force (2020), 'Rebalancing and Reimagining: Strategies to Support Arts and Performance Freelancers.' Available at: <https://www.freelance.wales/report>

Both Creative Cardiff and the Wales Freelance Taskforce have advised exploring basic income as a solution to these difficulties, echoing recommendations also made by the Irish Arts and Cultural Recovery Taskforce.⁹⁶ A basic income could provide a vital safety net for creative workers in Wales who are living invoice to invoice, especially in times of crisis.

96 Ibid.

Turning to more entrenched problems, a significant source of support for basic income stemmed from the unconditional aspect of payments. Several interviewees reported working with service users who had suffered injustice, health problems and periods of destitution as a result of the behavioural conditions built into the current welfare system. Representatives from the homelessness charity, The Wallich, criticised the punitive nature of the current sanctioning regime.

Sanctions put people in horrific hardship. Often people can't find their way back from that. You'd see people with deductions leaving them with say £20 a week to feed themselves, pay gas and electric, pay for water. (Sian Aldridge, The Wallich)

Diverse Cymru discussed the delays and stress experienced by people undergoing reassessment for Employment Support Allowance and Personal Independence Payments, even after being diagnosed with a long-term disability.

Every year, people feel like they have to start fighting again for their next benefit. (Ele Hicks, Diverse Cymru)

In relation to these and similar problems, there was a perception that basic income could provide a vital financial safety net for people stalled in the bureaucracy of the current benefits system, remove unjust forms of means-testing and conditionality, and see an end to the current sanctioning regime.

Some stakeholders also praised the potential for basic income to reverse another effect of conditional welfare: its tendency to discourage some people from working. Based on their own focus group research, Disability Wales suggested that people with fluctuating impairments may want to work during periods where they feel well enough, but are fearful that engaging in work would invalidate their benefits.

A UBI would allow disabled people who wish to do so to take on short-term work or work with very few hours, without risking their main source of income. (Disability Wales)

Echoing testimonies from our basic income workshops (Section 4b), several stakeholders also described having worked with people who felt unable to engage in voluntary work, either due to the time commitments of mandatory job-seeking activities, or a reasonable fear that volunteering would invalidate benefit claims.

The number of times we had volunteers who were keen, wanted to be involved, and yet week in and week out had to curtail their activity with us because they needed to go and satisfy the conditions of their benefits. (Tom Hall, The Wallich)

Whereas conditional welfare was criticised for discouraging voluntary work, basic income was praised as a potential resource for voluntary activities. Often at stake in these conversations was the definition of 'work' itself. Weighing up the potential of basic income, many of those interviewed reflected on the value systems that surround what UK society is prepared to 'count' as work, and by extension, worthy of resources and recognition.

One of the strongest sources of enthusiasm related to basic income's potential to officially acknowledge the necessity and contribution of a wider range of activities than those conducted in employment. The majority of stakeholders described the unsung and under-resourced contribution made to Welsh society by unpaid care work (in its various forms), or broader forms of civic, voluntary and artistic activities.

This could be a very positive thing in terms of recognising the roles of unpaid carers - and you know, there's also so much evidence of the financial value of unpaid carers, in terms of how much they save the health and social care system. (Ele Hicks, Diverse Cymru)

Some also discussed the ancillary activities that revolve around paid jobs, such as applying for work, travelling for work, and developing skills and knowledge. We were told that the unpaid load in these areas can be especially demanding in the casualised creative sector, where 'you are the business yourself in some ways' (Representative of Musicians' Union). Overall, then, there was significant support for basic income as a resource for work outside employment. Several saw potential for basic income to broaden out what Welsh society is prepared to call, recognise and reward as 'work'.

I think [basic income] has power as a way of revising the way we think about work. It would be great to challenge the way that we

see work, encouraging people to volunteer, or be civic minded. This is all good, rather than the idea that paid employment is the only productive form. (Catherine May, Chartered Institute of Housing)

As well as helping to transform conceptions of valuable work, one interviewee also hoped that basic income could help acknowledge that, even with reasonable adjustments in place, some people simply cannot work. Unlike a welfare system based on the heavy auditing of disabled people, basic income could be an official acknowledgement that everybody is entitled to a living.

What we would like to see is the framing that 'everyone has value', and universal basic income is acknowledging that even if people can't work, they need the resources for a good quality of life. (Ele Hicks, Diverse Cymru)

Beyond these responses, much of the support among stakeholders also hinged on detailed accounts of the specific ways a basic income could benefit particular groups, whether this is women, carers, creative freelancers, or people experiencing homelessness. The following sections detail these specific aspects.

Basic income and women

Representatives from the Women's Equality Network and Chwarae Teg praised basic income's potential to boost the financial independence of women in Wales:

It could give women the freedom to leave abusive relationships... especially if they're being financially controlled. We know that during the pandemic, with more people at home, violence against women has rocketed. (Catherine Fookes, Women's Equality Network).

These stakeholders also suggested that basic income could be one component in a strategy to widen the work-related choices available to women in Wales.

'If women want to not work and be able to care, then we want them to be able to do that'. Alternatively, 'if you haven't got much social capital, or financial backing, and you hate your current job... if you had UBI you would have the flexibility and the proper safety net to get out of that situation. You could upskill and go back into training, find another job, do a startup and that kind of thing'.
(Catherine Fookes, Women's Equality Network).

Basic income and carers

Diverse Cymru believed a basic income could be a beneficial resource for households composed of a disabled person and a carer, in which the current benefit system often means that 'people are literally choosing between heating and eating' (Ele Hicks, Diverse Cymru).

Basic income and people experiencing homelessness

Representatives from housing associations and a homeless charity all praised basic income's potential to help people experiencing homelessness. It was suggested, for example, that a basic income could be a resource for ensuring that new homes can be made hospitable:

I spoke to a woman who moved into a home, but then was just sat there looking at four empty walls. (Sian Aldridge, The Wallich).

Representatives from The Wallich also praised basic income as a scheme which invests a level of trust in people to take charge of their own spending choices. This is in contrast to current prejudices surrounding the spending patterns of people experiencing homelessness, which the interviewees believed were inaccurate and paternal.

Basic income and creative freelancers

Representatives from Clwstwr, the Musicians' Union and the Arts Council of Wales spoke positively about the potential for basic income to act as a resource for creative activities. All focused on the issue of privilege in the arts and creative sector, where success often hinges on the unequal ability to survive spells without pay (whether in the form of fallow periods, unpaid internships, or unpaid time for research and development).

Clearly if we want more people from diverse backgrounds, it's hard for them to get started, build their reputation, their portfolio, their career, if they haven't got anything to fall back on.
(Representative of the Musicians' Union).

'Creative freelancers often can't afford to do R and D, because they're working paycheque to paycheque'. (Representative of Clwstwr)

A representative of the Musicians' Union pointed to the tendency for many creative careers to fail, as priorities are swallowed up by the necessity to earn a living by other means: 'There's a balancing act people are doing that UBI could potentially help with' (Representative of the Musicians' Union).

Why are stakeholders cautious about basic income?

Although the majority of stakeholders were broadly supportive of basic income, most qualified their enthusiasm with a degree of caution. Whenever a significant policy idea arrives on the national scene, stakeholders will naturally want to make sure proponents do not view it as a panacea or replacement for existing political goals and public spending commitments. It is not surprising that the focus of many interviews was on the continued relevance of benefits, initiatives and public spending commitments that ought to complement any basic income scheme.

Several stakeholders were emphatic on the point that introducing a basic income does not excuse the government from questions of what Welsh public services should look like.

We don't want to be in a situation whereby there's less investment in public care services because we're providing the UBI and saying people can do their own care (Natasha Davies, Chwarae Teg)

It needs to be very clear that basic income is not a replacement for any statutory duties, whether that's in social care, healthcare, housing, any of the fields of life. It needs to be very clear that the services that exist still need to exist, even if people have a basic income. Mostly because it is basic' (Ele Hicks, Diverse Cymru)

Ele Hicks from Diverse Cymru - an organisation that advocates for a Welsh basic income in its manifesto - suggested that basic income can be seen as a vital safety net while the 'slow work' of struggling for recognition and support for marginalised groups in Wales continues.

To us, the idea of a basic income is a step towards making sure no-one misses out while we're addressing the long-term problems: the pay gaps, valuing disabled people, valuing carers... The main reason we put basic income into our manifesto is because what people are constantly telling us is that the pace of change is not fast enough. (Ele Hicks, Diverse Cymru)

However, although it is vital that basic income should not signify a lack of commitment to public service provision, several interviewees supported the idea of basic income as a 'smart' investment that can save public money in the long run, should its impact include positive effects in areas like health and crime.

If basic income were a long-term thing, we may be accepting of public spending cuts in the future, because there's maybe an evidence base to show that it's had a positive impact on things. If we do see homelessness decrease, alcohol dependence decrease, mental health difficulties decrease, then there's a justification for funding to be pulled back. (Tom Hall, The Wallich)

Several interviewees also praised the savings that can be made by eliminating the auditing and bureaucracy that prop up the current system of welfare conditionality: 'you can remove some of that costly infrastructure'. (Catherine Fookes, Women's Equality Network)

Basic income and disability in Wales

It is important to recognise that there is no standard level of 'basic needs' among Wales residents. The organisations we spoke to representing disabled people described the additional costs of impairment-related needs: 'costs can include repairs to wheelchairs, the cost of adapting housing and hiring personal assistants' (Disability Wales).

Both Disability Wales and Diverse Cymru stressed the importance of retaining state support for impairment-related needs, alongside basic income.

If it reaches the statute books, it has to be very carefully worded on the face of the law... [Basic income] has to be a minimum guarantee, and therefore it has to recognise that disabled people face increased costs and therefore, things like PIP or DLA and Attendance Allowance - those are not about giving people the same income as everyone else. Those are to account for the increased costs of living due to impairments. They should not be counted towards basic income, but need to be an additional system of support for disabled people. (Ele Hicks, Diverse Cymru)

Disability Wales recommends that should the government introduce a basic income scheme, it should also introduce a new service to help disabled people apply for their additional benefits, alongside basic income. Such a service would be necessary to truly universalise basic income's promise of making the system 'clearer and easier to navigate'.

Building on the theme of commitments that must be retained under basic income, the union representatives we interviewed (from TUC Cymru, UNISON Cymru and the Musicians' Union) were keen to stress the ongoing importance of good quality employment opportunities, fair work and collective bargaining. Any basic income scheme must 'be part of a bigger levelling up of worker's rights' (Bethan Thomas, UNISON Cymru).

Representatives from both TUC Cymru and the Musicians' Union were concerned about the impact that a basic income could have on pay for workers employed under illegal or unregulated terms and conditions. They hoped that the introduction of a basic income would not be used as an excuse by unscrupulous employers to undermine the ability of workers to negotiate on pay:

What we're pushing at on the UK and Welsh level is about maximising powers of collective bargaining and trying to use all the levers within Wales to do that, and I think that's why there's a degree of caution around [basic income]... about how those two campaigns can work side by side. (TUC Cymru)

The final concern raised in our stakeholder interviews related to fears that in spite of basic income's universality, some in Wales may still end up excluded from the scheme. Representatives from The Wallich suggested that an inclusive basic income policy would need to be paired with efforts to support people without a fixed address to open bank accounts. Catherine Fookes, from the Women's Equality Network, also raised the question of whether and how asylum seekers and refugees in Wales would receive a basic income.

Conclusions - Bringing people with you

The stakeholder interviews were a valuable way to begin mapping the key sources of support and caution around a basic income in Wales, and it is our view that none of the concerns presented here represent a reason to reject the idea. They instead highlight the importance of developing the discourse further.

As stakeholders were keen to stress, there is no 'one' basic income policy. Any basic income scheme will sit at the crossroads of a particular set of ethical, legislative and public spending commitments for Wales. What interviews highlight above all is the need for transparency, inclusion and collaboration in setting the broader agenda.

When asked for 'one key message' for the Future Generations Commissioner, most interviewees talked about the importance of bringing people with you. Planning and implementing a basic income in Wales will need the right combination of technical expertise and democratic debate at all stages - from campaigns and messaging, to pilot design and evaluation, and the implementation of any national policy.

Key lessons

- With reference to the injustices and negative impacts of conditional welfare (including the way it discourages some people from working) there was significant support for the unconditional aspect of basic income.
- Some also praised the universal aspect of basic income, pointing to the 'eligibility gaps' in economic support during Covid-19.
- Stakeholders are enthusiastic about the potential for basic income to recognise and reward social contributions other than employment.
- Stakeholders also expect a range of positive impacts for specific groups, including women, carers, freelancers, and people experiencing homelessness.
- Disability and equalities organisations stress the need to retain benefits for additional impairment-related needs alongside basic income, and advise that any basic income scheme should include support for disabled people to access their additional benefits.
- Many want reassurance that basic income would not replace other public spending commitments. They describe the need for a 'whole package' and stress that basic income cannot be seen as a panacea for Wales.
- Several stakeholders also however recognise that a benefit of a guaranteed income floor is that it could eventually reduce the need to publicly spend in areas like healthcare and crime.
- Union representatives stress that collective bargaining for workers' rights remains important, and that basic income must not be seen as a replacement for employment opportunities and fair work.

b. 'What would you do?': basic income and everyday life in Wales

To further understand the potential impact of a basic income on well-being in Wales, Autonomy partnered with the Basic Income Conversation to host a series of workshops with Wales residents. The purpose of the workshops was to gain insights into views on basic income, as well as consider its hypothetical impacts on everyday life.

Workshops were designed to include participants with a range of personal circumstances, varying across age, gender, employment status, whether or not they had caring responsibilities, and their location in Wales. Their experiences do not represent a full spectrum of Welsh perspectives, but they do provide a useful snapshot, allowing us to preview possible impacts of basic income, short of an evidence-based pilot (see Appendix B for full details of the workshop method).

A central element of the workshops involved asking participants: what would you do if you had a basic income? Throughout the workshops in general, one thing was very clear: well-being is detrimentally affected by financial worry and the difficulties of accessing income support. Participants shared the many ways in which they thought basic income could improve their situation, and we have summarised the key comments here.

A strong theme throughout the workshops was the idea that making significant life decisions depends on having a financial safety net. Economic security is the foundation needed to shift priorities or make a lateral move in life. At the most general level, participants felt that if everyone had a guaranteed income floor, they would be more likely to make a positive contribution to Wales, providing their time and talents to areas

like care work, community life and employment. It was also commonly suggested that, because everyone would interact with the basic income system, people in Wales would feel a stronger sense of connection to the nation.

Self-employed participants seemed to find it easier to imagine a basic income, since many were already used to the idea of managing multiple income sources. Phillip, for example, has been running his business for a number of years and is also doing some driving work, to supplement the income lost due to the Covid-19 crisis.

Phillip	
Location	Penrhiwceiber, Rhondda Cynon Taf
Paid work	Runs Pip's Real Hot Chocolate, driving work
Unpaid work	Developing his business
How might you spend a lower level basic income?	<p>The basics - covering bills, petrol for the car, food, and savings.</p> <p><i>The security of a basic income would be absolutely amazing, especially in this last year... A low level basic income is not going to change my life. If a problem occurred, if my company went under, if my business stopped trading, then it would be awful. But it would mean the absolute basics were covered... I would probably stick that basic income money in savings. If I was able to do my events, my markets and go out and sell I would just let it add up so it's there for an emergency.</i></p>

How might you spend a higher level basic income?	<p>Philip would hire someone to do paid work for the business, giving him more time to develop the business and work on his house.</p> <p><i>A high level basic income would be life-changing... It would mean that I wouldn't have to take a penny from my business. Every single thing that I earned in my business could go back into it. I could afford to employ someone.</i></p>
--	--

Ann was another person who thought that basic income could allow her to improve her business. This was partly due to the practical problems of running a business while drawing on Universal Credit.

Ann	
Location	Ysgubor-y-coed, Ceredigion
Paid work	Self-employed market gardener, claiming benefits to subsidise running her business
Unpaid work	Student
How might you spend a lower level basic income?	For Ann, it depends completely on whether it would reduce her income by impacting entitlement to other benefits.

<p>How might you spend a higher level basic income?</p>	<p>Ann hopes it would allow her to employ someone and take more risks with her business, such as growing different kinds of vegetables and finding a market for them. She would also hope for more time to study and enjoy leisure.</p> <p><i>Welsh hill farmers can draw from a lot of subsidies, but as a market gardener I have no access to them. I end up relying on housing benefit and tax credit and that incurs a lot of stigma, even though I work 60 hours a week...</i></p> <p><i>If I get moved over to Universal Credit my business will become 'unviable'. If you are in seasonal work Universal Credit does not work because it gets calculated on a monthly basis... If you have three months in succession where you run at a loss, Universal Credit decides that your business is not viable, and you have to make yourself available for work. But my business has been going for 10 years. It is viable.</i></p> <p><i>It is hard to earn a living growing food in the way that we all agree we should if we want to address climate change... A basic income would make my job more possible. I'm 55 and working 60 hour weeks has its consequences on both your mental and physical health.</i></p> <p><i>But equally, while I'm doing all the work, there's nobody else learning my job for when I finally retire. With a basic income I would be able to employ somebody more regularly. They could learn the whole business. It could lead to greater employment and stop people from working themselves to the bone.</i></p>
---	---

While some foresaw improvements to their businesses, other participants thought that a basic income would allow them to engage in other ways. Education and training courses were a common example. Sarah wants to get back into education, but is not currently in a good economic position to commit.

Sarah	
Location	Porthcawl, Morgannwg
Paid work	Self-employed equalities trainer
Unpaid work	Runs women's health activist and support groups
How might you spend a lower level basic income?	<p>Sarah wants to invest in her self-care, develop the groups she runs as a volunteer, and gain financial acknowledgement for her unpaid volunteer work.</p> <p><i>I was financially penalised last year because of the amount of volunteering and work that I did for free. [Basic income] would be a way to give me something back for community work.</i></p>
How might you spend a higher level basic income?	<p>Sarah said she would invest in university education.</p> <p><i>I've already made the decision to go into education. It's just how and when I'm going to make it happen. I would make those decisions differently with a basic income.... With a basic income I would be able to just study. I would have a better outcome from that education experience, because I wouldn't also have to be stressed about earning money. I think it would have a huge impact.</i></p>

People in secure employment with a regular, salaried income tended to have less specific answers on what they would do with a basic income, particularly at the lower level. However, when presented with the higher level basic income, people invariably said it would make a significant difference to their lives. Many said they would try and reduce their working hours - especially those with caring responsibilities.

Sarah B. told us that her financial circumstances left her unable to find a job that could be balanced with caring for her daughter. She worked full-time as a cafe manager throughout the initial part of the Covid-19 crisis, while also raising her

young daughter. When lockdown eased, Sarah and her team had to deal with being understaffed, due to an increase in business caused by the UK Eat Out to Help Out scheme. The stress of balancing these responsibilities had serious consequences for Sarah B's mental health, to the point where she needed to be signed off work.

Sarah B.	
Location	Aberaman, Rhondda Cynon Taf
Paid work	Employed as a cafe manager
Unpaid work	Mother
How might you spend a lower level basic income?	<p>Sarah would use the money for bills, buying better-quality items for the home, and trips out and treats for her daughter.</p> <p><i>You could save up two months' worth and that's Christmas sorted. You wouldn't have to worry about the heating an extra couple of nights a week. I'd be able to buy nicer things for my daughter. And you can save up for a rainy day as well... Obviously, I'd still have to be in full-time work. But it would take that pressure off.</i></p> <p><i>Treating yourself every now and again when you are stuck in a rut can be enough to bring your mental health up a bit. Even though it might be temporary, sometimes just going out for a nice meal and pretending like things are okay makes a difference.</i></p>

How might you spend a higher level basic income?	<p>Sarah would want to seek a new job with more flexible or shorter working hours, allowing her to spend more time with her daughter.</p> <p><i>I live on my own with my four-year-old so all of the bills are on me. This would mean all I'd have to worry about would be food and luxury items... That would give me the opportunity to just work in school hours. As it stands, I've got a career that means I have to work before and after. I don't have the luxury of spending time with my daughter.</i></p> <p><i>If I'd had a basic income this year I would have been able to just reduce my hours and make life a lot easier for myself whilst I adjusted to everything else going on.</i></p>
--	---

Where some said basic income may afford them more latitude to plan their businesses or work-life balance, others stressed the potential to contribute to culture and community more broadly. Those already active in their communities suggested that basic income could help them do more, as well as act as recognition and compensation for their voluntary efforts.

Rebecca, for example, is an artist who works on creative projects with her community. She talked about the barriers to doing this work and how financial hardship and the benefits system can discourage people from getting involved with community projects.

Rebecca	
Location	Tawe-Uchaf, Powys
Paid work	Self-employed artist
Unpaid work	Artist, community projects

<p>How might you spend a lower level basic income?</p>	<p>Rebecca would feel more secure, knowing her food shop was covered.</p> <p><i>The bottom line in this country currently is food banks. This would mean people have enough money to buy groceries... And at the moment with Covid-19, I've been shut down. So [basic income] would mean that I can definitely pay for the groceries when my son comes home from university in a couple of weeks.</i></p>
<p>How might you spend a higher level basic income?</p>	<p>Rebecca would hope to develop her community work, take on a part-time assistant, and work on creative projects for herself.</p> <p><i>I got given a glass kiln by a friend of mine who passed away. Now I should have gotten that up and running straight away, because that's something I could have shared with other makers. I didn't wire it in because with Brexit coming up, I was extremely wary of spending any of my savings on something that was just an extra. So I didn't do it until recently and you just think 'Crikey, that was a shame. I didn't do that three years ago.'</i></p> <p><i>The other thing is volunteering, I work on these community projects, a lot of the time I have a huge number of volunteers. Many of them come to me in secret, they hide from their neighbours, they sneak out of their houses to contribute to their community. [This is] for a bunch of reasons and one of them is because they're on benefits... They don't want people finding out that they're able to work or contribute because they could literally be left with no income. I know for a fact that people who are assumed to be on the outside of society, the hard to reach people who are accused of not contributing in any way shape or form, they want to but they don't dare.</i></p>

Like Rebecca, several other participants were artists running creative businesses, or relying on their creative work for part of their income. They talked about how difficult it is to balance the development of creative work with the necessity to bring in a decent income. One participant hoped to use their basic income to develop ideas and make improvements to their theatre show.

Anon.	
Paid work	Self-employed, working as a magician and on various theatre projects
Unpaid work	Artist and community projects
How might you spend a lower level basic income?	<p>They would enjoy the security of knowing their basic needs would be met.</p> <p><i>You just want to be able to relax, you want the well-being that comes with knowing you've got some money coming every week.</i></p>
How might you spend a higher level basic income?	<p>They hope basic income would provide the resources to develop their new show, employ an assistant to work on it, and focus on the other creative projects they are personally invested in.</p> <p><i>A basic income would help with the show I'm trying to make. It would mean more costumes and that I could employ an assistant on it.</i></p> <p><i>I work with a theatre company and we did stuff for the community. I get the most pleasure from that. It's not about having the biggest house or the best car... Money is about giving you time sometimes. When I have money it gives me time to work.</i></p>

All of these cases help to illustrate the new freedoms that might come with the establishment of a basic income in Wales - to start new ventures, shift priorities, or invest in self-development and education.

Underpinning all of this was a strong feeling that a guaranteed income floor could bring about dramatic improvements to health and well-being. Our workshop participants talked at length about the stress and pressure they felt as a result of financial worry. A number described a trade-off between safeguarding their health and bringing in enough income. Katherine talked about the impact of her illness on her family's finances, and the personal effects of financial worry.

Katherine	
Location	Betws-yn-Rhos, Conwy
Unpaid work	Mother and student
How might you spend a lower level basic income?	<p>Katherine would save up for a better car and buy better-quality essential purchases.</p> <p><i>I would save for a much better van. So that we knew we weren't going to have the expense of that completely falling apart again in the near future... It's spending money that saves money in the long run because being skint is really expensive.</i></p>

<p>How might you spend a higher level basic income?</p>	<p>Katherine hopes to be able to make longer-term plans, invest in her career, and feel more secure about the ups and downs of life.</p> <p><i>We just constantly have our eyes on the really short term. When I had my son I was really ill and I was in hospital for a long time. My husband couldn't work because he had a baby to look after. The ramifications on our finances were massive. If anything like that happened again, the implications would be really huge.</i></p> <p><i>Having a guaranteed amount of money that couldn't be taken away would mean that we could set our sights a little bit longer... I don't think our lives would change drastically - we'd probably be as busy as we are now, but with a more long term, sustainable, less stressful, less frenetic mindset. And the benefits of that would be earning more in the long term and being a better mum, because I'm not knackered and stressed all the time.</i></p>
---	--

Also on the theme of health and well-being, some participants said they would use a basic income to fund self-care activities like gym memberships, participation in sports, or holistic treatments for chronic illness.

Anon.	
<p>How might you spend a lower level basic income?</p>	<p>They would buy fresh fruit and veg, or a gym/sports club membership.</p> <p><i>But mostly I think you'd still be stressing from the impacts of poverty on this low level basic income. You'd still be reacting, worrying about how you'll pay the gas, electricity and utilities bills, transport costs and food costs. Just the basics.</i></p>

<p>How might you spend a higher level basic income?</p>	<p>They would hope for greater scope to prioritise health, and the resources to seek more accommodating and meaningful work.</p> <p><i>A basic income would enable me to do more - to sustain work when well, and always put my health first, without the stigma of conditionality. I could move forward and try more work opportunities, or study or volunteer without the fear of it affecting my benefits.</i></p> <p><i>I've just recently been discharged from the community mental health team. I have worked hard in the past. But many of the jobs that I've gone for have been non-jobs, or zero-hour contract jobs.... With Asperger's Syndrome, routine is very important and it is difficult to navigate certain types of change. So a basic income would give me the security to allow me to plan ahead and cope better with sudden changes to work, health or life. You would also be without fear of short-term, zero-hour contracts and the time and hurdles you have to get over for Universal Credit. You can then be more creative and progressive and think of the bigger picture, for the long-term good of society as well.</i></p>
---	---

Conclusions

As a method of assessing the impact on Wales, workshops on a hypothetical basic income can never match up to evidence gathered by a true pilot study (see Section 7). Yet even a small evaluation like this one allows us to glimpse the varied possible impacts of a basic income in Wales.

It also makes clear that the impacts would extend well beyond the economic and employment effects, prioritised in the evaluation of some previous basic income trials. As workshop participants talked through the relationship between income security and mental health, or the latitude to properly care and contribute to the community, we saw the potential for basic income to speak directly to the broader ideas of well-being and progress, prioritised in the Well-being of Future Generations (Wales) Act 2015.

Finally, the workshops also offered a small preview of the potentially untapped enthusiasm for basic income among sections of Wales' population. We advise that any potential future developments in campaigning and implementing a basic income in Wales include the views and voices of citizens.

5

Modelling a basic income in Wales

5. Modelling a basic income in Wales

In this section we present two possible models for a national basic income in Wales. First we propose an ‘introductory’ basic income (Model 1), which balances funding feasibility in the short and medium term with hugely significant positive economic impacts (as well as expected social benefits). This is followed by our proposal for a more substantial basic income (Model 2), which represents a route towards the longer-term goal to wipe poverty entirely from Wales.⁹⁷

a. Design principles and ethics

“Would basic income meet the needs of people who’ve got kids, would it meet the needs of people who are disabled and have additional costs, is it going to meet the costs of living in some parts of the country but not others? The details are important from an equalities perspective. (Natasha Davies, Chwarae Teg)”

We have designed our basic income models to ensure that no one in Wales who is currently using the Universal Credit system would be made worse off after the scheme is implemented. Optimally, a basic income has to:

⁹⁷ All of our basic income calculations use the Family Resource Survey and an adapted version of the Landman Economics Model (see Appendix C. for more information). Department for Work and Pensions, Office for National Statistics, NatCen Social Research. (2020). Family Resources Survey, 2018-2019. [data collection]. UK Data Service. SN: 8633, <http://doi.org/10.5255/UKDA-SN-8633-1>

- Be an amount sufficient to have a meaningful impact on everyday life.
- Avoid any negative impacts on Wales residents with additional needs, meaning that it should sit alongside relevant supplemental benefits.
- Benefit those at the bottom of the income spectrum the most, and make sure that any net economic losers are clustered away from the bottom half of earners in Wales.
- Paid to those usually resident in the country - and this could mean living in Wales for 6 months, or for a year, for example.

How would this basic income interact with the Universal Credit benefits system?

The models presented here propose a simple interaction between basic income and the current benefits system. They leave much of the current benefit system intact, allowing each scheme to exist more-or-less in parallel (see Table 3). The only benefits that basic income would replace are child benefits and the state pension. These benefits would be made redundant by the introduction of a more substantial basic income for children and over-65s.

In designing Model 1, the 'introductory' basic income, it was imperative to ensure that nobody in Wales currently using the Universal Credit system would be made worse off as a result of the new policy. To be certain, we have run a variety of 'case studies' representing different household situations into our tax and benefit calculator. This method has allowed us to capture any outlying exceptions and edit the scheme accordingly. These case studies vary according to factors like marital status, employment status, rent/mortgage costs, number of children and whether members of the household are disabled or carers.

The main mechanism which ensures that no one currently using the benefits system would be worse off is the 'disregard' we have put in place (explained below).

Of course, in time, the aim would be for a basic income scheme to grow to such a level that payments to any residents would be sufficient to make many of the means-tested benefits obsolete, but until a 'flat rate' welfare system which would truly leave none behind, basic income systems should integrate with the existing system in some manner. In the meantime, while funding constraints necessitate that the basic income remain at a lower level, we argue that it is best for basic income and the existing welfare system to co-exist with as little interference as possible.

Benefit	Change
Child Benefit	Replaced with child basic income
State Pension	Replaced with pensioner basic income
Universal Credit	Retained
Attendance Allowance	Retained
Bereavement support payment	Retained
Child Tax Credit	Retained
Disability Living Allowance (DLA)	Retained
Free TV licence for over-75s	Retained
Guardian's Allowance	Retained
Housing Benefit	Retained
Income-related Employment and Support Allowance (ESA)	Retained
Industrial Injuries Benefit	Retained
Lump-sum bereavement payments	Retained
Maternity Allowance	Retained
Pension Credit	Retained
Personal Independence Payment (PIP)	Retained
Severe Disablement Allowance	Retained
War Widow's Pension	Retained
Winter Fuel Payments and Christmas Bonus	Retained
Working Tax Credit	Retained
Bereavement Allowance (previously Widow's pension)	Retained
Carer's Allowance	Retained
Contribution-based Employment and Support Allowance (ESA)	Retained
Incapacity Benefit (from 29th week)	Retained
Widowed Parent's Allowance	Retained

Table 3. Complete list of benefits and how Autonomy's basic income models interact with them.

The 'disregard'

We have put in place a 'disregard' of the basic income, which would force the Universal Credit calculation to not consider basic income as a form of income relevant to its deductions and allocations. This means that individuals will be receiving their basic income irrespective of what is due to them via Universal Credit and vice versa: their Universal Credit allocation will be paid out irrespective of their basic income dividend.

Disabled people in Wales

Recognising that there is no single definition of 'basic needs', it is imperative that disabled people in need of additional benefits are not adversely affected by the introduction of a basic income in Wales. Table 3 provides a precise list of which benefits we are replacing or retaining in our proposed basic income models, and we have retained all benefits that disabled people have access to currently.

A taxable scheme

Finally, unlike many basic income proposals, we have designed the basic income so that it is taxable. This means that it still adheres to the principle of universality (everyone receives their basic income), but also to the principle of fairness. Everyone's basic income will be taxed in accordance with their current tax bracket. This means that the very rich will pay more tax on their basic income - it is less impactful on their finances - and those on lower incomes will see more of the basic income, as it will be taxed at a lower rate.

With all of these principles in mind, we propose two models of basic income that could be deployed in Wales.

b. Model 1: an introductory basic income

Model 1 is our first and main proposal for a basic income in Wales: it balances funding feasibility in the short and medium term with strong potential socio-economic impacts.

It is an introductory scheme: funds would be insufficient to support all of the basic costs of life in modern Wales but would still make a significant impact on day-to-day living (see Table 4).

	Model 1 weekly rate	Model 1 annual rate
A child	£40	£2,080
Single adult aged between 18 and 64	£60	£3,120
Single adult aged 65 and over	£175	£9,100
Couple aged under 65	£120	£6,240
Couple with one child	£160	£8,320
Couple with two children	£200	£10,400

Table 4. Model 1 basic income rates according to household type (before tax).

Table 4 demonstrates that even this introductory basic income would provide significant income contributions to single adults and families over the course of a year. For example, this basic income would represent an 11% income increase to a single adult, earning the median wage in Wales.⁹⁸ For a single adult

⁹⁸ This increase is before tax. Median gross weekly earnings for full-time adults working in Wales were £537.8 in April 2020. This was 91.9% of the UK average

earning the UK National Minimum Wage, a Model 1 basic income would represent a 17% increase in their annual income.⁹⁹

The impact on poverty of Model 1

The impact of even an introductory basic income scheme upon livelihoods in Wales would be life-changing for many. Should Model 1 be implemented across Wales, poverty levels would decrease by half (from 23% to just over 11%).¹⁰⁰ The number of pensioners beneath the poverty line would be cut by around 60% and child poverty would be reduced by around two-thirds (see Table 5).

	Current poverty rate	Poverty rate after Model 1	Decrease in poverty rate with Model 1 basic income introduced
Child poverty	27%	10%	64%
Working adult poverty	22%	13%	41%
Pensioner poverty	23%	9%	61%
Overall	23%	11%	50%

Table 5: The impact of basic income Model 1 on poverty rates in Wales.¹⁰¹

(£585.5). ASHE (2020). Available at: <https://gov.wales/annual-survey-hours-and-earnings-2020>

⁹⁹ This figure is presuming the person is over 25, for whom the National Minimum /Living Wage is £8.72. For persons aged 18-20 the National Minimum/Living Wage is £6.45 per hour, or £13,416 per year (working 40 hours a week). For these individuals, the Model 1 basic income would amount to a 23% increase in annual income before tax.

¹⁰⁰ We're using the definition of poverty wherein households are below the poverty line if their income is below 60% of the national median income. This follows the Child Poverty Act (2010).

¹⁰¹ All figures presented here are for poverty levels after housing costs and are rounded.

In absolute numbers, Model 1 basic income would take an estimated 109,783 children, 167,480 working age adults and 87,694 over-65s out of poverty. Crucially, a Model 1 basic income would succeed in bringing child poverty rates in Wales down to below 10% (amongst the lowest in Europe), which is a medium-term recommendation of the 2020 Marmot Review.¹⁰²

After World War 2, welfare states in rich nations have been key tools for the limitation and reduction of poverty. Even in the period between 1985 and 2005, redistributive cash transfers via tax and benefit systems were fundamental in offsetting some of the rapidly growing income inequality.¹⁰³ Despite the progress that social security has bequeathed us over the decades, when it comes to poverty reduction, a Model 1 basic income would deliver in a much shorter time frame what twentieth century welfare states only rarely achieved over many decades.

¹⁰² Institute for Health Equity (2020), 'Build Back Fairer: The Covid-19 Marmot Review', p. 97. Available at: <http://www.instituteofhealthequity.org/resources-reports/build-back-fairer-the-covid-19-marmot-review/build-back-fairer-the-covid-19-marmot-review-full-report.pdf>

¹⁰³ Caminada, K. et al. (2012), 'Disentangling Income Inequality and the Redistributive Effect of Taxes and Transfers in 20 LIS Countries Over Time'. Luxembourg Income Series. Available at: <http://www.lisdatacenter.org/wps/liswps/581.pdf>

Model 1's impact on inequality

The Gini index, or Gini coefficient, is an internationally recognised measure of equality that specifically looks at the distribution of income across a population. The coefficient ranges from 0 to 1, with 0 representing perfect equality and 1 representing perfect inequality.

- Before Model 1 basic income, Wales' Gini coefficient is: 0.33
- After Model 1 basic income, Wales' Gini coefficient would be: 0.25
- This marks a change in the direction of equality of: 24.75%

The net cost of Model 1

Calculations of the cost of basic income will often simply quote the gross cost of payments, neglecting to state, or even calculate, the true net cost of a scheme.

The net cost of Model 1 is considerably lower than the gross cost from the outset, as the basic income we are proposing would be taxable and replaces two benefits (thus removing the current costs of those). The net cost, before any changes to the tax system, is computed by subtracting the following from the gross cost: income tax revenue (generated solely by the basic income); National Insurance Contributions (generated from the basic income itself); the abolition of State Pension; the abolition of Child Benefit.

The gross annual cost of Model 1 is £13bn

The following deductions are made to reach the net cost:

- Income tax revenue from basic income: £1.02bn
- NIC revenue from basic income: £0.37bn
- Abolition of state pension: £4.43bn
- Abolition of child benefit: £0.49bn

The net annual cost of Model 1 is £6.8bn

After we take into account the tax returned to the state after, and through, the basic income payouts, as well as the replacement of child benefits and state pensions, then the cost is roughly halved.¹⁰⁴

Impact on indirect tax yield and spending

The effects of a basic income on the Welsh economy would go beyond mere poverty reduction, and further elements need to be taken into account in order to approach a more comprehensive assessment. One such element is the change in spending as a result of the increase in disposable income for low-income households. This change would alter the total indirect tax yield: with increased spending comes increased indirect taxation (including VAT, entertainment tax and other duty on goods and services).

¹⁰⁴ The full costs and savings that accrue from the Model 1 basic income are fleshed out when integrated into the taxation systems proposed in Section 6 and then list in Appendix D.

This is all money that returns to the state, and indeed VAT was the largest source of public revenue in Wales in 2017-18.¹⁰⁵ We can calculate estimates of an increase in VAT returns to the state using available data on the proportion of incomes that go towards indirect taxes. This would constitute yet further reductions to the net cost of a basic income in Wales.

The following estimates are made by finding the relationship between indirect taxes and equivalised household disposable income (EHDI); this is shown in Figure 7.

We arrive at this relationship using ONS data on the average indirect taxes paid by households in each income decile.¹⁰⁶ Notably, Figure 7 shows that in general the fraction of disposable income spent on indirect taxable goods and services goes down as income increases. This suggests that households on higher income spend a lower proportion of their disposable income compared with households on lower income. We can therefore expect an increase in indirect tax yields and total spending as a result of a redistribution of income. This increase happens despite the policy being revenue neutral (i.e. no 'new money' is added into the economy).

For the revenue-neutral Model 1 we estimate a £280 million increase in indirect taxes returning to the state. Out of that £280 million increase, £120 million is the increase in VAT. This allows us to estimate an increase of £600 million in new spending on VAT eligible goods.

105 Guto, I. et al (2019), Government Expenditure and Revenue Wales 2019. Cardiff: Cardiff University. Available at: https://www.cardiff.ac.uk/_data/assets/pdf_file/0004/1540498/Government-Expenditure-and-Revenue-Wales-2019.pdf

106 The indirect taxes paid as a fraction of the average equivalised household disposable income (EHDI) is then calculated for each income decile, this is shown by the orange markers in Figure 7. By interpolating between these points (the red line in Figure 8) we can estimate the average indirect taxes paid for a given EHDI. This relationship is then used to estimate the change in indirect tax yield using the EHDIs after the policy is implemented.

Further considerations

There are other considerations that can and should be taken into account when considering the public financing of a basic income. The positive social impacts of the policy in the mid to long term have a strong potential to reduce pressure on public spending in areas such as health and crime. These savings could eventually be factored in as reductions to the 'true' or net state cost of a basic income in Wales.

Although it is difficult to quantify the exact impact before the fact, given the strong relationship between income and health, we can say with a good degree of confidence that the reductions in poverty as a result of Model 1 would significantly lighten the load on public health services. Research by the World Health Organisation recently suggested 'Income Security and Social Protection' is the largest contributor to health inequities across Europe.¹⁰⁷

Basic income pilots have also begun to build the direct evidence-base on basic income's positive flow-on effects. In the Manitoba Basic Annual Income Experiment, recipients of the income used hospitals 8.5% less than non-recipients.¹⁰⁸ Crime in small rural towns also decreased by 15% in comparison to a test site that did not receive the income.¹⁰⁹ Overall, the positive social impacts of basic income could lead to a significantly lower true, net cost, in the months and years after implementation.

¹⁰⁷ World Health Organisation (2019), 'Healthy, prosperous lives for all: The European health equity status report'. Available at: <https://www.euro.who.int/en/publications/abstracts/health-equity-status-report-2019>

¹⁰⁸ Forget, E. (2011), 'The town with no poverty: The health effects of a Canadian guaranteed annual income field experiment'. *Can Public Policy*, 7(3), 283-305.

¹⁰⁹ Calnitsky D. and Gonalons-Pons P. (2020), 'The Impact of an Experimental Guaranteed Income on Crime and Violence'. *Social Problems*. Available at: <https://doi.org/10.1093/socpro/spaa001>

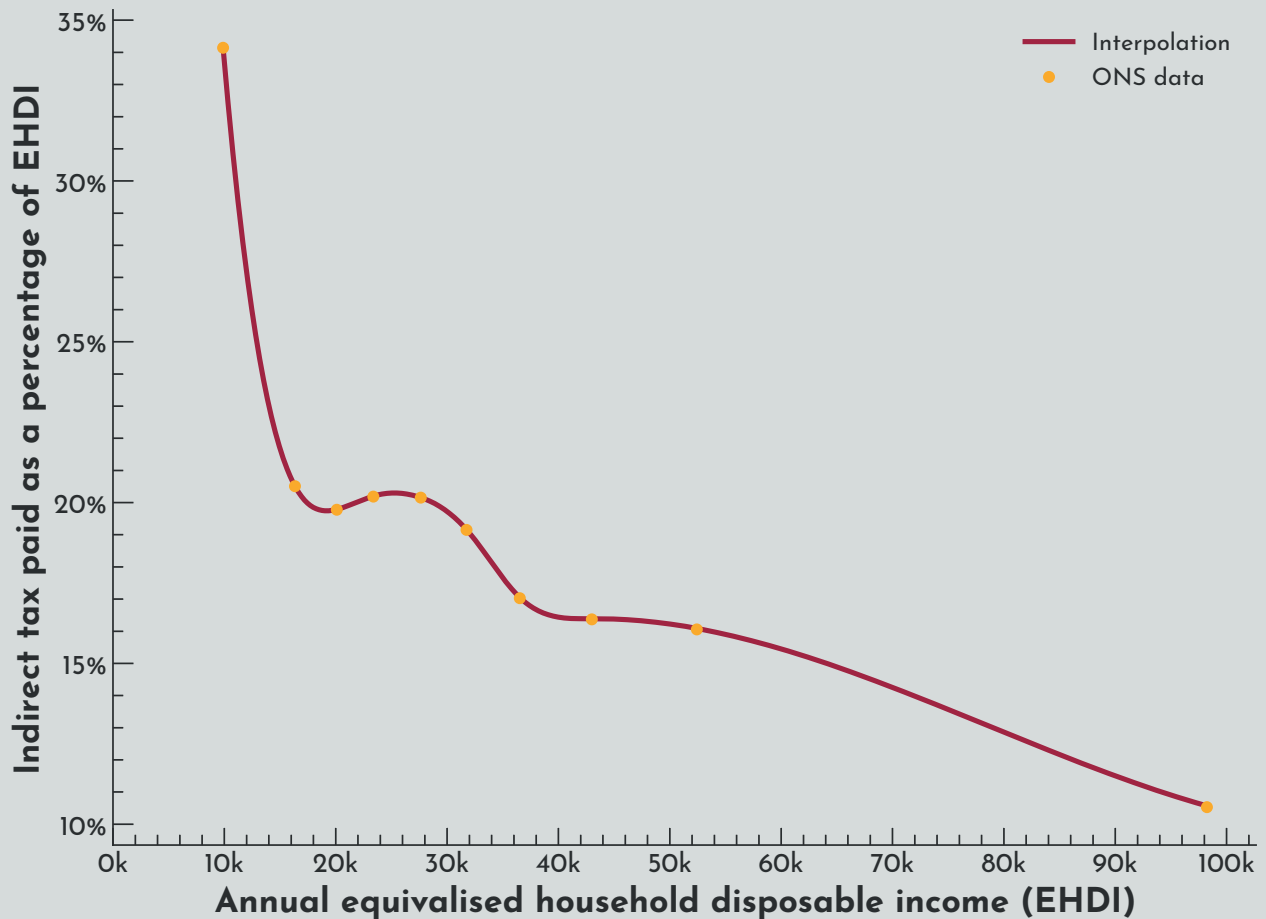


Figure 7. Indirect taxes paid by households as a percentage of annual equivalised household disposable income (EHDI). The orange markers represent data on the indirect taxes paid as a fraction of average EHDI for each income decile. The interpolation between is shown in red.

Source: Autonomy analysis of ONS data on effects of taxes and benefits on UK household income in the 2019 financial year. ONS. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/theeffectsoftaxesandbenefitsonhouseholdincome/financialyearending2019>

Who gains and who loses with Model 1 basic income?¹¹⁰

Model 1 has been designed to maximise the amount of households who would gain from a basic income. As Figures 8 and 9 below show, 80% of Welsh households would gain on average from the Model 1 basic income. Only 20% of households would see a reduction of their income, via the redistributive taxes that pay for it. The vast majority of these cohorts are in the very top income decile (Figures 8 and 9).

In Figure 10 we show the negative distributional effects of Model 1. It shows which individuals lose more than 5% of their disposable income due to the required tax changes. The vast majority of those seeing reductions are clustered in the top 20% of the population, and mainly in the top 10%.

¹¹⁰ All figures in this section use the taxation system proposed in Scenario 1 (see Section 6).

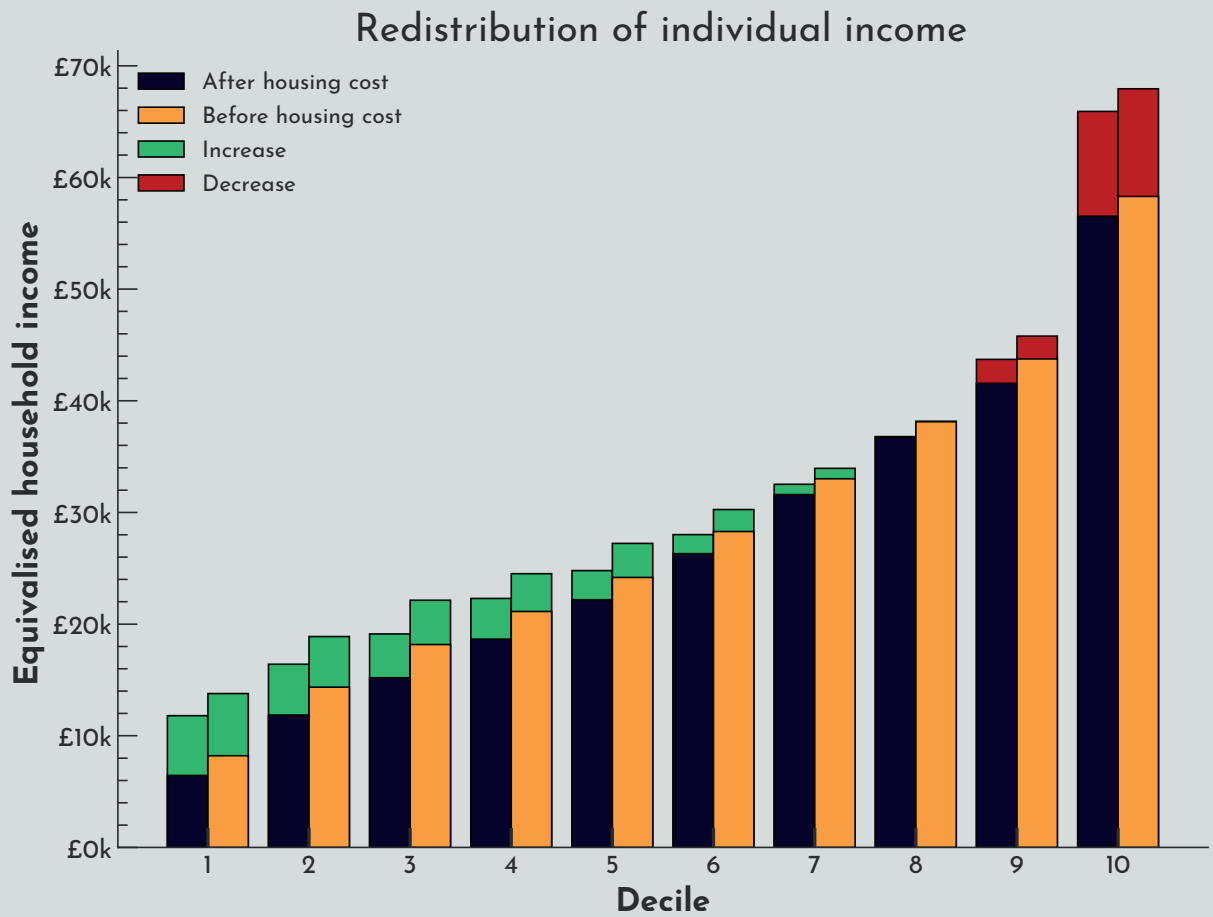


Figure 8. Income gains and losses per decile of households in Wales. 1 represents the lowest earning households and 10 represents the highest earners. Source: Autonomy analysis of the Family Resource Survey (FRS).

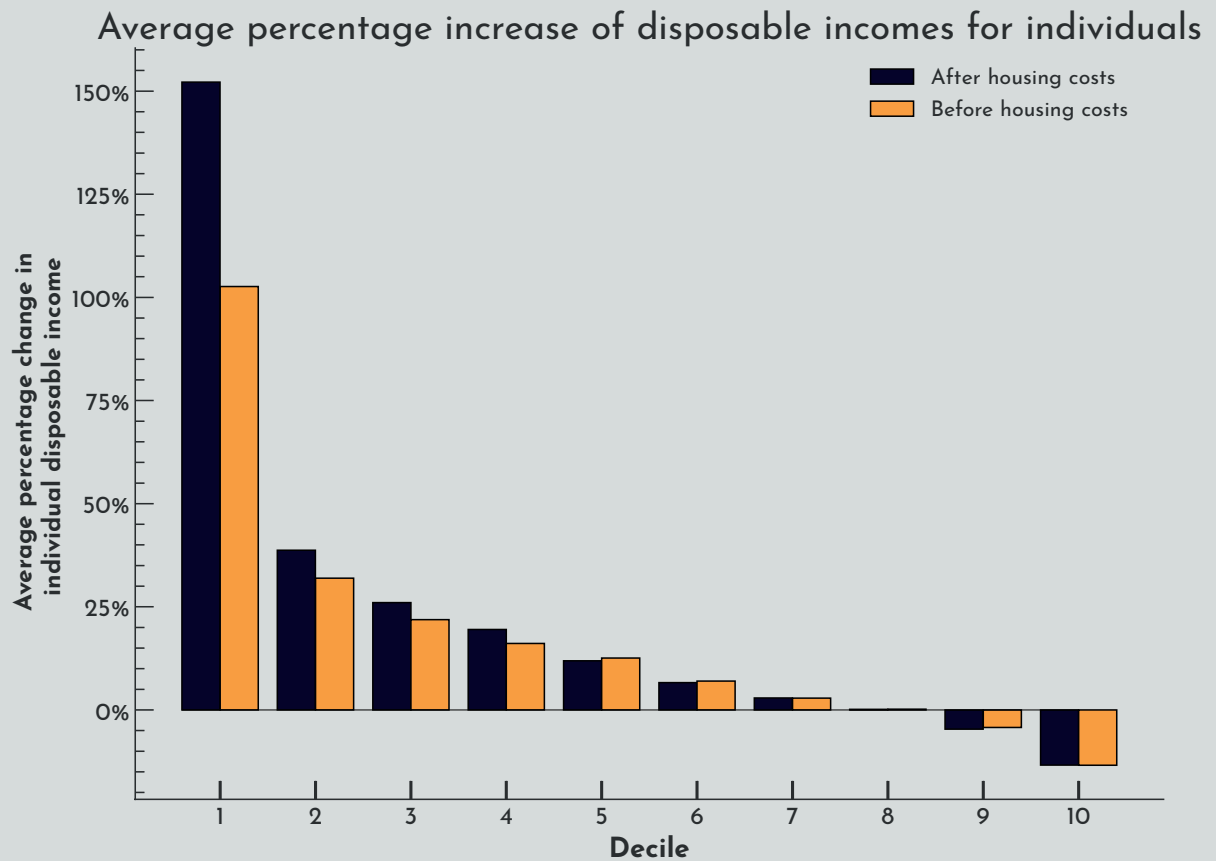


Figure 9. Average % increase of disposable income for individuals. 1 represents the lowest earning households and 10 represents the highest earners. 80% of individuals in Wales would, on average, see an increase in income of some kind. The increases are clustered in the bottom deciles of earners.

Source: Autonomy analysis of the Family Resource Survey (FRS).

Percentage of individuals losing more than 5% of disposable income

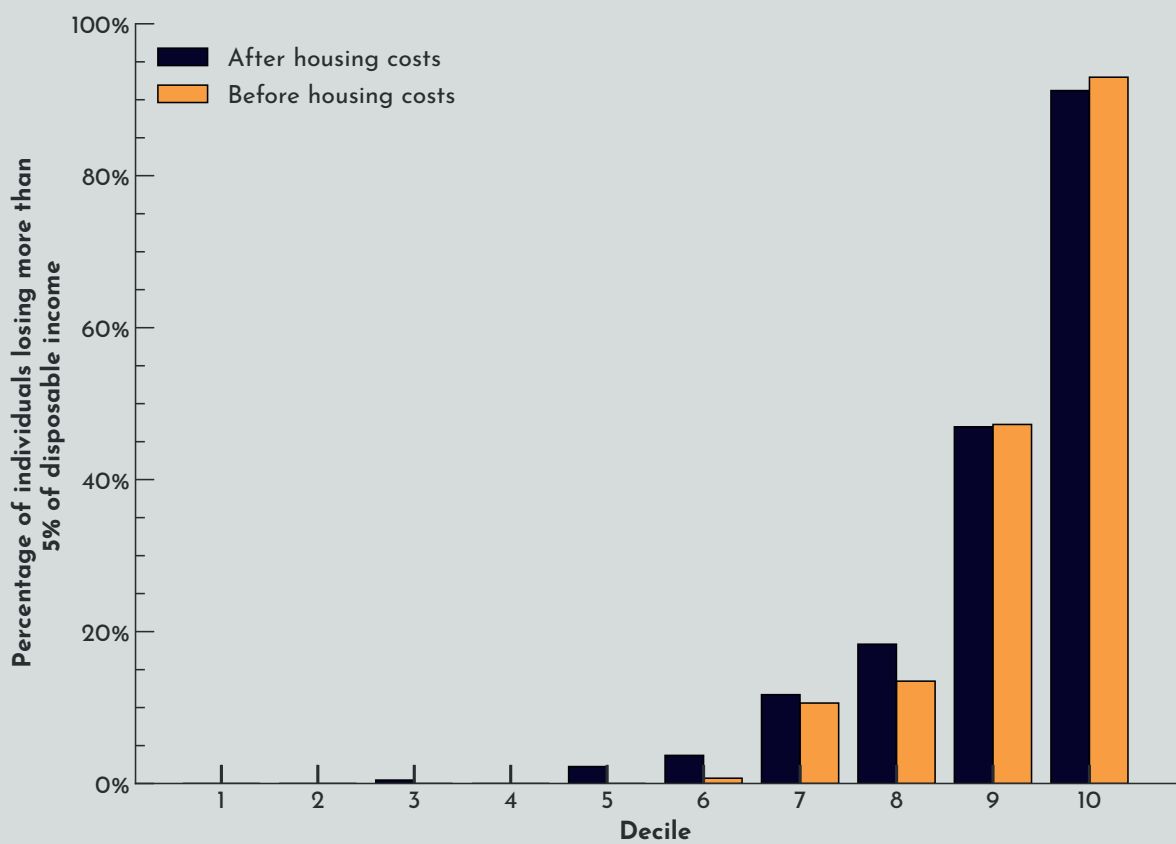


Figure 10. Income gains and losses across deciles of household in Wales. 1 represents the lowest earning households and 10 represents the highest earners.

Source: Autonomy analysis of the Family Resource Survey (FRS).

c. Model 2: wiping out poverty in Wales

Model 2 is a more substantial basic income scheme than Model 1, with significantly higher payments (and therefore also cost). These payments are set at a level that would cover many of the basic costs of life in modern Wales, providing residents with a strong financial floor on which to build their lives and communities.

Given its more substantial cost, we envisage Model 2 sitting further along the time horizon for a basic income in Wales. It functions as a ‘north star’: a future standard to which policymakers might aspire in their ambition to eliminate poverty. Our design decisions were in part guided by the research question: what would a basic income that eradicates (or very nearly eradicates) poverty in Wales look like and how much would it cost? Model 2 is a plausible answer to these questions.

For adults and those aged over 65, Model 2’s weekly rate is £213, while basic income for children remains at £40. These are similar amounts to the study carried out in a Scottish context by researchers at the University of Strathclyde.¹¹¹ These payment levels have also been discussed in existing debates around a Welsh basic income, so it is of particular interest to map at least some of the impacts such a model would have.¹¹²

¹¹¹ Fraser of Allander Institute (2020), ‘Modelling the Economic Impact of a Citizen’s Basic Income in Scotland’. Available at: <https://fraserofallander.org/modelling-the-economic-impact-of-a-citizens-basic-income-in-scotland-a-guide-to-the-report-released-today/>

¹¹² Winckler, V. (2020), ‘Some thoughts on a universal basic income for Wales’. Available at: https://www.bevanfoundation.org/commentary/universal_basic_income_wales/

	Model 2 weekly rate	Model 2 annual rate
A child	£40	£2,080
Single adult between 18 and 64	£213	£11,076
Single adult aged 65 and over	£213	£11,076
Couple aged under 65	£426	£22,152
Couple with one child	£466	£24,232
Couple with two children	£506	£26,312

Table 6. Model 2 basic income rates according to household type (before tax).

We are maintaining that the same set of benefits would be replaced and retained as in Model 1, along with a full ‘disregard’ on the basic income when it comes to Universal Credit assessments (see Table 3 and relevant section in the discussion of Model 1).

Many recipients of Model 2’s scheme would be raised above the eligibility level for means-tested benefits and therefore would generally not be entangled in the Universal Credit system. This would help remove the disincentive to find work created by the Universal Credit ‘unemployment trap’, in which claimants coming off benefits and into low-paid work are subjected to a high effective marginal tax rate.

The impact on poverty of Model 2

Model 2’s higher weekly basic income payments would represent a major shift in poverty levels (see Table 7).

	Current poverty rate	Poverty rate after Model 1	Decrease in poverty rate with Model 2
Child poverty	27%	1.36%	95%
Working adult poverty	22%	1.37%	94%
Pensioner poverty	23%	3.35%	86%
Overall	23%	1.76%	92%

Table 7: The impact of basic income Model 2 on poverty rates in Wales.

Model 2 basic income would reduce overall poverty in Wales to just under 2%. It would decrease child poverty rates by 95% and poverty amongst working age adults by approximately 94%. To an even greater degree than Model 1, Model 2 would represent an unprecedented governmental intervention to eradicate poverty in Wales.

Model 2's impact on inequality

The Gini index, or Gini coefficient, is an internationally recognised measure of equality that looks at the distribution of income across a population. The coefficient ranges from 0 to 1, with 0 representing perfect equality and 1 representing perfect inequality.

- Before Model 2 basic income, Wales' Gini coefficient is: 0.33.
- After Model 2 basic income, Wales' Gini coefficient would be: 0.23.
- This marks a change in the direction of equality of: 32%.

The net cost of Model 2

As with Model 1, the net cost of Model 2 is considerably lower than the gross cost, because the basic income we are proposing would be taxable.¹¹³

¹¹³ This is a key difference between Model 2 and the basic income model deployed in the University of Strathclyde study, despite the similar amounts being paid out. The gross cost for a Scottish 'Citizen's Basic Income' was estimated at £58 billion, with the net cost before changes to the tax system being £47.2 billion. The rest of the cost in the University of Strathclyde study is met through changes to Income Tax Personal Allowance. Fraser of Allander Institute (2020).

The gross annual cost of Model 2 is £29.37bn

The following deductions are made to reach the net cost:

- Income tax revenue from basic income: £3.97bn¹¹⁴
- NIC revenue from basic income: £1.51bn
- Abolition of state pension: £4.53bn
- Abolition of child benefit: £0.49bn

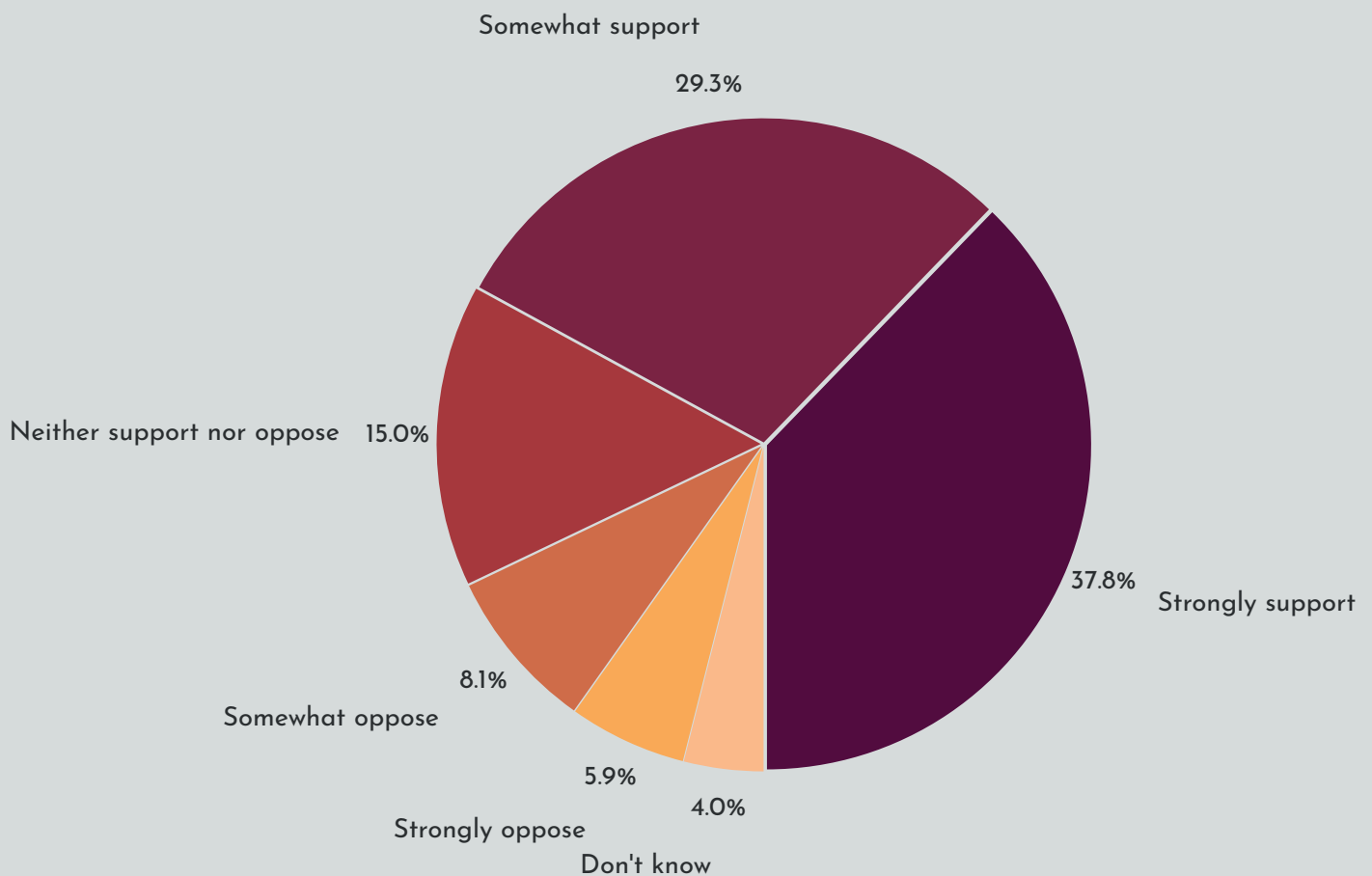
The net annual cost of Model 2 is £19.41bn

¹¹⁴ We assume 2020 UK tax and benefit rates here.

Gains from indirect taxation

As with Model 1, we would expect the Model 2 basic income to produce significant revenue from indirect taxation such as VAT. This would amount to ~£2bn (calculated using the same method detailed for Model 1 above).

Thinking about the financial impact of the Coronavirus pandemic, to what extent (if at all) would you support or oppose the Welsh Government increasing the taxes on the very rich in order to provide a basic standard of living for everyone in Wales?



Survation.

Total respondents: 1049

6

Funding a basic income

6. Funding a basic income

A basic income for Wales could be funded in several ways: through rises in different forms of taxation, through a reallocation of the funds of the current UK budget, or through payouts from a matured long-term investment fund. This section outlines the different possibilities.

a. Three taxation scenarios

A basic income for Wales could be funded through rises in different forms of taxation. We have calculated taxation options according to three different scenarios. Each would entail a change either in the current tax raising powers of the Welsh Government, or in the amounts that the UK Government allocates to Wales for its budget.

Scenario 1:

In this scenario, we imagine a devolution settlement that provides Wales with significantly more developed fiscal powers, including power over wealth taxes. In this scenario, we have modelled exactly what changes to the tax system would need to be in place in order for the basic income to be revenue neutral but politically feasible.

Scenario 2:

In this scenario, we have envisioned the UK as a whole raising the funds for a Wales basic income, perhaps through a revision of the Barnett formula, or as part of new, broader support packages for each of the UK nations. We have therefore suggested ways in which the entire budget for a Wales basic income could be raised from a variety of sources. These could include slightly higher taxation such as capital gains tax or raised corporation tax, or subtle readjustments of current public spending in other areas. We show that the cost of a Wales basic income would represent a relatively small proportion of UK spending in any case.

Scenario 3:

In this scenario we propose a hybrid, 'collaborative' model that assumes the same tax raising powers as in Scenario 1, but with a minor part of the funding coming from outside Wales, from other sources. In this scenario, the income tax changes in Wales are less pronounced.

Note on wealth taxes: a little off the top

Wealth taxation is remarkably low across the UK and falls far short of the taxation accrued from earned income (wages and salaries). There are good ethical reasons, however, to support greater taxation of those who accrue their incomes simply from owning and ‘sweating’ assets, in comparison to those who survive predominantly from selling their labour.

As IPPR’s Commission on Economic Justice identified, there is a need ‘to move to a higher tax, higher spend economy – with future public spending challenges likely to increase over time’.¹¹⁵ Further, an LSE study of 18 OECD countries over the past five decades has shown that tax cuts for the richest have led to higher income inequality and no significant positive effect on economic growth and employment.¹¹⁶ Thus, the argument for an increase in wealth taxation has both an ethical and a practical orientation: we should raise more revenue from unearned income so that there is parity with those who earn their living, and, given the challenges of the twenty-first century, we will need to do so. A wealth tax would be:

- **Fair.** Wealth provides opportunity, security and spending power. Those with the most wealth have the ‘broadest shoulders’ to afford an additional contribution to society.
- **Efficient.** Unlike taxes on work or spending, a wealth tax would not discourage productive economic activity. The administrative costs would also be small as a proportion of the revenue raised.¹¹⁷

115 IPPR (2019), ‘Just Tax’. Available at: <https://www.ippr.org/files/2019-09/just-tax-sept19.pdf>

116 Hope, D. and Limberg, J. (2020), ‘The economic consequences of major tax cuts for the rich.’ International Inequalities Institute Working Papers (55). London School of Economics and Political Science, London.

117 Wealth Tax Commission (2020), ‘Should the UK have a wealth tax? The wealth tax commission publishes its recommendations’. Available at: https://warwick.ac.uk/fac/soc/economics/research/centres/cage/news/09-12-20-should_the_uk_have_a_wealth_tax_the_wealth_tax_commission_publishes_its_recommendations

The difficulty for policymakers, in previous years, has been the considerable room for error and inaccuracy – due largely to lack of data – in estimating wealth in the UK. More recently however, pathbreaking work in this area has been completed via large scale collaboration between dozens of economists and tax justice organisations.¹¹⁸ The Wealth Tax Commission’s ‘Tax Simulator’ is the best wealth tax simulator in the UK, factoring in administrative costs as well as potential behavioural response rates (should those with wealth try and avoid paying this tax). In our modest, proposed wealth tax rates we have factored in a behavioural response rate of 7%, which reduces the yield proportionately.¹¹⁹

118 See the summary page for the collaboration between researchers at CAGE, Warwick University, London School of Economics, which was the product of contributions from over 50 international experts on tax policy and practice: Wealth Tax Commission (2020), ‘Should the UK have a wealth tax? The wealth tax commission publishes its recommendations’. Available at: https://warwick.ac.uk/fac/soc/economics/research/centres/cage/news/09-12-20-should_the_uk_have_a_wealth_tax_the_wealth_tax_commission_publishes_its_recommendations

119 The behavioural response rate is the amount by which an individual would, on average, reduce the wealth they own or report if they faced an average tax rate of 1%. This encompasses all avoidance and evasion responses, including savings, labour supply, gifting, under-reporting, migration, and offshore evasion. With strong tax enforcement and a comprehensive tax base, a low behavioural response rate is possible. Wealth Tax Commission (2020).

Proposed UK annual tax rates on different wealth brackets:

- £750k-£1m: 1.6%
- £1m-£2m: 1.9%
- £2m-£5m: 2.1%
- £5m-£10m: 2.2%
- £10m+: 2.5%

Total yield from proposed wealth taxation for the UK: **£72.1 billion**

Scenario 1: a Wales with further devolution

In this scenario, we assume that Wales has increased tax raising powers, including powers over wealth taxes, as a result of further devolution. We have modelled exactly what changes to the tax system would need to be in place, and what other savings are possible, in order for a basic income to be revenue-neutral and yet politically feasible.

Income tax: the broadest shoulders

To fund a Model 1 basic income, we have proposed certain changes to the tax system in Wales. See Table 8.

Personal allowance	12,500	0%
Basic rate	12,500–25,000	20%
Basic rate+	25,000–42,500	36%
Higher rate	42,500–120,000	45%
Additional rate	Above 120,000	55%

Table 8. Proposed changes to the income tax brackets.

The tax bands have shifted compared to the current UK tax system, with a new tax band ‘Basic rate+’ introduced. The personal allowance now starts to taper for income above £90,000 (compared with the current UK tax system which tapers at £100,000).

We have also envisaged reforming National Insurance Contributions (NIC) along the lines of similar proposals.¹²⁰ We have removed the regressive elements of NIC, and added a tax rate for earners below £183 per week.

¹²⁰ Lansley S. and Reed H., (2019) Basic Income for All: From Desirability to Feasibility. Available here: https://www.compassonline.org.uk/wp-content/uploads/2019/03/Compass_BasicIncomeForAll_2019.pdf

Scenario 1's proposed changes to NIC

NIC Class 1:

Less than £183 per week	12%
£183-£962 per week	16%
Above £962 per week	16.5%

Table 9. Proposed changes to National Insurance Contributions (NIC) Class 1 system.

NIC Class 2: Class 2 NIC is a fixed tax of £3.05 pw, for all earners above £6475 per year. We have made no changes here.

NIC Class 4: Class 4 NIC is for self-employed people. As for Class 1, we have removed the regressive elements of NIC, matching them with the changes for Class 1.

Less than £9501 per year	12%
£9501-£50,000 per week	16%
Above £50,000 per week	16.5%

Table 10. Proposed changes to National Insurance Contributions (NIC) Class 4 system.

New wealth taxation and Wales

In considering how to fund a basic income, it is useful to consider Wales' potential wealth tax revenue, were Wales to gain greater control over this aspect of its national finances. Using the Wealth and Assets Survey, we can estimate that Welsh households hold around 3.67% of overall UK wealth.¹²¹ If we apply the wealth tax scheme proposed above (yielding £72.1bn in the UK as a whole), we can estimate a gain in Wales of around £2.64bn. Evidently, not all of the revenue

¹²¹ ONS (2019), 'Wealth in Great Britain Round 6: 2016 to 2018'. Available at: <https://www.ons.gov.uk/releases/wealthingreatbritainwave62016to2018>

from wealth taxes would be utilised for funding a basic income scheme, and so we propose that only half be put to use for this purpose – £1.323 billion.

Scenario 1 summary: funding basic income in a more devolved Wales

	Gross cost (£bn)	Savings (£bn)	Tax and NIC changes (£bn)
Gross cost of basic income (Model 1):	13.05		
Abolition of state pension:		4.43	
Abolition of child benefit:		0.49	
Income tax changes:			3.32
NIC changes:			3.84
Wealth tax			1.323
Total cost			0.0 ¹²²

Table 11. Total costs, tax changes and savings for a basic income in Wales given Scenario 1. Figures here are for a Model 1 basic income detailed in sections above.

Scenario 2: a UK-funded basic income budget for Wales

In this scenario, the cost of a Wales basic income (Model 1) would be met by the UK as a whole raising the necessary funds, perhaps as part of a reconfigured Barnett formula, or through wider, new support packages for each of the UK nations. The advantage of this scenario is that no changes to

¹²² We have given the budget leeway of ~£2 million in order to account for any extra, unforeseen costs that could occur. As the system is streamlined over the years, this excess can be cut.

the Welsh taxation system would be required; instead a 'lump sum' would be asked of the UK budget.¹²³

At a net cost of just over £6 billion, the Model 1 basic income would amount to a small fraction of the UK's overall public spending budget: somewhere in the range of 0.74% and 0.77%.

The £6 billion could be raised by reallocating some of the current budget, or repurposing public spending. We provide examples of potential sources for basic income funding below:

- Were the UK Government to reverse the cut in the rate of corporation tax, from 28% in 2010 to 19% in 2020, it would raise a figure in the range of £26-28bn (a rise of 1p raises £2.6-2.8bn).¹²⁴
- The UK's 2017-2027 military equipment budget is equivalent to £17.9bn per year, for ten years. In 2020 the UK Government has agreed a rise of a further £16bn.¹²⁵ Were some of this allocated to devolved social security (basic income) budgets, a substantial cost of a Wales basic income would be met.

¹²³ The obvious added advantage of an entirely externally-funded Wales basic income would be that the income and wealth tax systems in Wales would not need to be adjusted, likely creating a greater proportion of 'winners' from the basic income scheme (depending on how the UK would mobilise the funds).

¹²⁴ KAI Indirect Taxes, Customs and Coordination, 'Direct effects of illustrative tax changes', HMRC, 24 April 2018. Available at: <https://webarchive.nationalarchives.gov.uk/20180426102538/https://www.gov.uk/government/statistics/direct-effects-of-illustrative-tax-changes>; this was already suggested previously by Reed, H. and Lansley, S. (2019), albeit the corporation tax rate remained at 19%, rather than the expected 18%.

¹²⁵ National Audit Office (2018) Available at: <https://www.nao.org.uk/wp-content/uploads/2018/01/The-Equipment-Plan-2017-to-2027-Summary.pdf>; UK prime minister Boris Johnson has recently agreed a further £16 billion in defence spending for the UK, Guardian (2020) Available at: <https://www.theguardian.com/politics/2020/nov/18/boris-johnson-agrees-16bn-rise-in-defence-spending>

- As of September 2020, the UK Government has allocated devolved administrations an estimated £12.7 billion through the Barnett formula as part of its Covid-19 spending.¹²⁶ If such expenditure is justified as support through the current crisis, then similar support might be justified for other social problems, whether they be environmental, epidemiological, or the ongoing crisis of poverty in Wales. Given that Wales is one of four devolved nations, only a certain, relative proportion of such an amount could be expected to go towards a Welsh basic income.
- In July 2020 the UK Government temporarily cut the Stamp Duty Land Tax (effectively a subsidy to property owners) which is estimated to have cost the public purse £3.8 billion.¹²⁷ The Eat Out to Help Out scheme, which cost at least £500 million, was also criticised not only for contributing to the spread of the Covid-19 virus, but also as an unnecessary expenditure.¹²⁸
- The UK Government is estimated to have spent an estimated £895 million on doubling the amount of 'work coaches' within Jobcentre Plus, in order to 'enhance work search support' during the pandemic.¹²⁹ This use of public funds is highly questionable: unemployed individuals primarily need financial support, not help looking for jobs that are increasingly unavailable in the current crisis.

126 NAO (2020), 'Covid-19 Cost Tracker'. Available at: <https://www.nao.org.uk/wp-content/uploads/2020/09/COVID-19-cost-tracker-2020-09-08.pdf>

127 HM Treasury (2020), 'A plan for jobs'. Available at: <https://www.gov.uk/government/publications/a-plan-for-jobs-documents/a-plan-for-jobs-2020>; NAO (2020).

128 Wales Online (2020), 'Eat Out to Help Out cost government £522M Treasury reveals'. Available at: <https://www.walesonline.co.uk/news/uk-news/eat-out-to-help-out-18875642>

129 DWP (2020), '4,500 new Work Coaches to join the frontline to help Britain build back better'. Available at: <https://www.gov.uk/government/news/4-500-new-work-coaches-to-join-the-frontline-to-help-britain-build-back-better>

Revenue for a Wales basic income could also be raised from a variety of sources, including slightly higher income and/or wealth taxes (such as capital gains tax),¹³⁰ at a UK-level. As already noted above, the UK has a severely under-used capacity to raise funds through more sensible wealth taxation. Of a potential £72 billion that could be raised through the progressive taxation of wealth greater than £750,000, a certain proportion could go to fund basic income budgets of devolved nations, including Wales.

Scenario 3: a hybrid funding scheme

In Scenario 3 we propose a hybrid, ‘collaborative’ model that assumes the same tax raising powers as in Scenario 1, but with a minor part of the funding coming from outside Wales, from other sources. This results in a reduction in tax burden for Wales residents in Scenario 3, relative to Scenario 1.

In this hybrid scenario, we ask the question: what would a reasonable UK contribution to a Wales basic income be? To do this we effectively modelled how a Welsh basic income would fit within a broader change in taxation across the UK, to understand the flow of funds within a hypothetical UK-wide basic income. A revenue-neutral, UK taxation scheme would result in Wales being a net beneficiary of funds: a certain amount of external funds would be required in order to make up the cost of deploying a basic income in Wales. We then scale this hypothetical tax system down to a Wales-only system, which leaves a hole in the budget of around £1 billion. This constitutes the UK-funded contribution to the hybrid model.

130 Economists at the Institute for Public Policy Research have estimated that an increase in capital gains tax could bring an added £21 billion per year to the budget. IPPR (2019), ‘Just Tax’. Available here: <https://www.ippr.org/files/2019-09/just-tax-sept19.pdf>

This method then gives us a tax system that is calibrated ‘fairly’, such that Wales raises only the amount of money that it would have to in the hypothetical case of a UK-wide basic income policy implemented across all nations. Taxes are still only raised in Wales, and basic income is still only deployed in Wales, but with a UK-funded component (to be funded by any number of means).

In Scenario 1, the tax and savings system doesn’t include redistribution from the UK. There, changes to the tax system are slightly more pronounced, as all the funds for the basic income are raised from within Wales (via incomes and wealth). By contrast, Scenario 3 presumes a similar, but ‘lighter’ shift in the tax regime for Wales, leaving a deficit that is then met by the broader UK budget. This hybrid model follows the current financial arrangement in Wales, where the UK contributes funds to make up for the deficit in Wales’ budget after public revenue.¹³¹

Scenario 3’s proposed new income tax rates

Personal allowance	12,500	0%
Basic rate	12,500–25,000	20%
Basic rate +	25,000–42,500	32%
Higher rate	42,500–120,000	45%
Additional rate	Above 120,00	55%

Table 12. Proposed changes to the income tax brackets.

¹³¹ See Cardiff University (2019) ‘Government Expenditure and Revenue Wales 2019’. Cardiff: Cardiff University. Available at: https://www.cardiff.ac.uk/_data/assets/pdf_file/0004/1540498/Government-Expenditure-and-Revenue-Wales-2019.pdf

The tax bands have been shifted compared to the current UK tax system, with a new tax band 'Basic rate+' introduced. The personal allowance now starts to taper for income above £90,000 (compared with the current UK tax system, which tapers at £100,000).

We have also envisaged reforming National Insurance Contributions (NIC) along the lines of similar proposals.¹³² We have removed the regressive elements of NIC, and added a tax rate for earners below £183 per week.

Scenario 3's proposed changes to NIC

NIC Class 1:

Less than £183 per week	12%
£183-£962 per week	13%
Above £962 per week	14%

Table 13. Proposed changes to National Insurance Contributions (NIC) Class 1 system.

NIC Class 2: Class 2 NIC is a fixed tax of £3.05 per week for all earners above £6,475 per year. We have made no changes here.

NIC Class 4: Class 4 NIC is for self-employed people. As for Class 1, we have removed the regressive elements of NIC, matching them with the changes for Class 1.

Less than £9501 per year	12%
£9501-£50,000 pw	13%
Above £50,000 pw	14%

Table 14. Proposed changes to National Insurance Contributions Class 4 system.

¹³² Lansley, S. and Reed, H. (2019), Basic Income for All: From Desirability to Feasibility. Available here: https://www.compassonline.org.uk/wp-content/uploads/2019/03/Compass_BasicIncomeForAll_2019.pdf

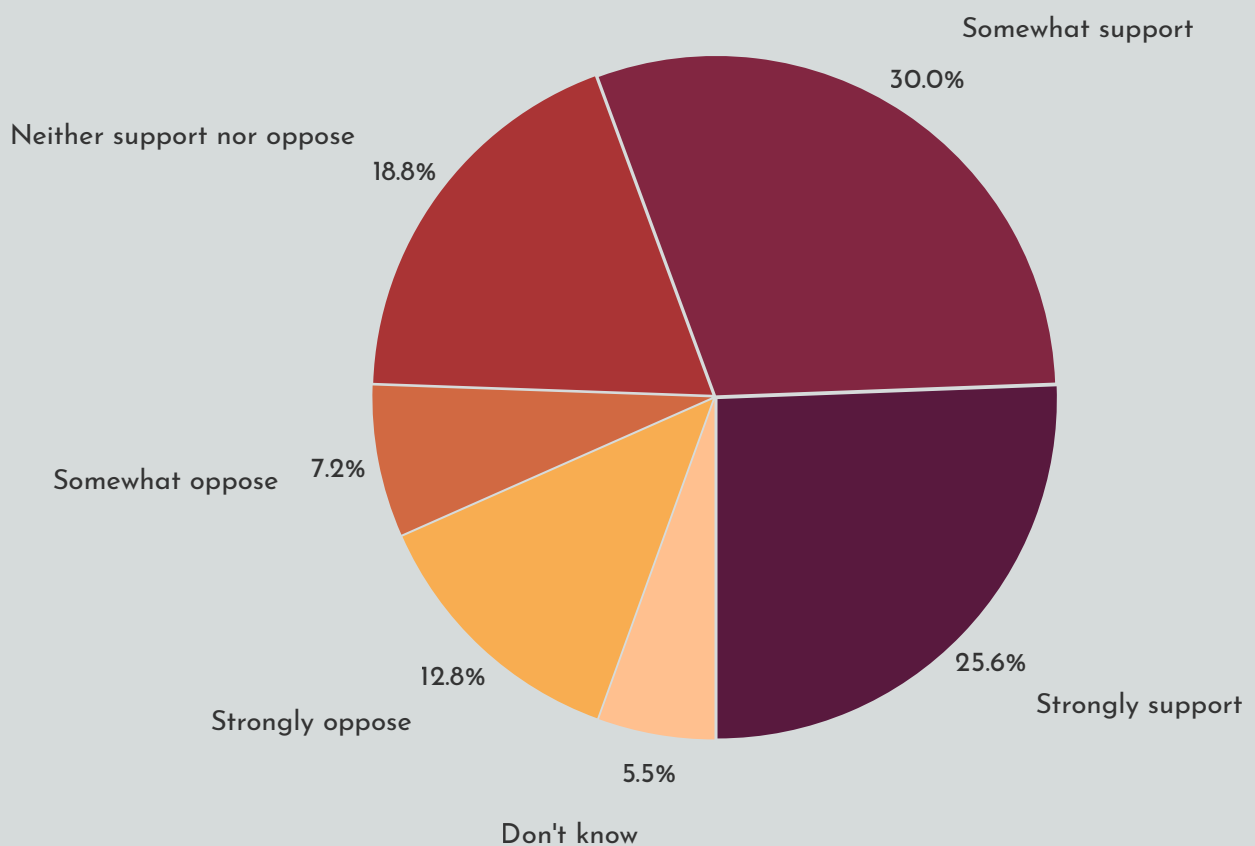
Scenario 3 summary: Funding basic income in a hybrid manner

	Gross cost (£bn)	Savings (£bn)	Tax and NIC changes (£bn)		
Gross cost of basic income (Model 1):	13.05				
Abolition of state pension:		4.43			
Abolition of child benefit:		0.49			
Income tax changes:			2.99		
NIC changes:			3.03		
Wealth tax			1.323		
Remaining cost after Wales tax changes and savings				0.79	
UK contribution (£bn)					1
Remaining budget					0.21 ¹³³

Table 15. Total costs, tax changes and savings for a basic income in Wales given Scenario 3. Figures here are for a Model 1 basic income detailed in sections above.

¹³³ We have given the budget a £0.21 billion cushion in order to account for any extra, unforeseen costs that could occur. As the system is streamlined over the years, this excess can be cut.

Thinking about the impact of a crisis like the Coronavirus pandemic, to what extent, if at all, would you support or oppose the Welsh Government being given more significant devolved powers regarding welfare and its tax raising powers to deliver policies specific to the needs of Wales?



Survation.

Total respondents: 1049

b. Investing in future generations: a Welsh Future Fund

*We, the living, often pay lip service to our ancestors and grandchildren, but we lack institutions to turn our rhetoric into meaningful behavior. Corporations are driven by quarterly profit statements, governments by the next election. How nice it would be if one sector of our economy had a multigenerational time horizon!*¹³⁴

Another option for funding a basic income in Wales is through the establishment of a Welsh Future Fund (WFF), which would generate returns to pay for the basic income scheme in the future.

The WFF would be Wales' variant of sovereign and citizens' wealth funds: institutions that use current public assets – and accrue new assets – that can generate returns to the fund, such that it grows annually. The WFF would be managed by an expert independent body, on behalf of the residents of Wales, with the explicit aim of becoming a mechanism by which Wales residents receive basic income payments.

There are now over one hundred similar funds around the world, with the large majority of these having been created since the year 2000.¹³⁵ Many of these funds were established based on selling a single resource, such as oil, but there is nothing preventing Wales from using several sources of revenue in order to start growing a new fund.

The most well-known of such funds are currently the Norwegian Government Pension Fund Global and the Alaska Permanent Fund. In the case of Alaska, its Permanent Fund was established in 1975 from levies on the oil industry, delivering

¹³⁴ Barnes, P. (2001), *Who Owns the Sky?* Washington: Island Press. p. 123.

¹³⁵ Cummine, A. (2016), *Citizen's Wealth: Why (and how) sovereign funds should be managed by the people for the people.*

annual returns to the fund of close to 10% each year. This \$65 billion fund pays out a citizen's dividend of on average £1,100 per year, which has helped Alaska remain one of the most equal states in the US. The decision of Alaskan Governor, Bill Walker, to lessen the dividend payout from 2016-2018, in order to pay off the state's debt, offers grounds for why the Welsh Future Fund should be managed by an independent body, separate from the government. This would ensure that funds cannot be similarly appropriated from the WFF.

The Norwegian oil fund also offers an important lesson for the UK. If the UK Government had followed the Norwegian example with their own North Sea oil and gas fields in the 1980s, it would be a £450 billion asset today. Norway offers an example of what forward-thinking economic policy can achieve through a progressive vision of managing a nation's wealth.

Another important precedent is the Australian Future Fund, which is an independently managed sovereign wealth fund, established in 2006 and recently valued at AU\$168bn.¹³⁶ The fund was created with income from the sale of a third of Australia's national telecom provider. It was subsequently grown with investments from successive Australian governments. The fund has become a member of the International Forum of Sovereign Wealth Funds and signed the Santiago Principles - a set of international guidelines that represent the best practices for managing sovereign wealth funds (see the section below on 'Governing the fund democratically').¹³⁷

¹³⁶ Future Fund. Portfolio Update 31 December 2019. Available at: <https://www.futurefund.gov.au/>

¹³⁷ Future Fund (2015), 'Building a long-term sustainable sovereign wealth fund under the Santiago Principles'. Available at: <https://www.futurefund.gov.au/news-room/2016/05/22/Building-a-long-term-sustainable-sovereign-wealth-fund-under-the-Santiago-Principles>

The goal of an independent WFF would be to model other sovereign wealth funds and ensure that the nation's wealth is used for the maximum benefit of its people. Distributing the assets of the WFF through a basic income means that money would directly reach long-term residents on a regular basis. The fund would also enable all citizens to directly own part of the economy and feel that they had a stake in its future. As economists Howard Reed and Stewart Lansley articulate in their proposal for a similar fund:

*Crucially, a citizens' wealth fund would link citizens directly to the basic income system and the basic income floor that it provides, since they would own part (a growing part) of the mechanism that funds it.*¹³⁸

UK Social Wealth Fund Proposals

A number of comparable policies have been suggested in the UK context. Guy Standing has argued for a Commons Fund to be established, primarily through levies on the commercial use of various commons resources, including a land value tax, a carbon tax and other forms of wealth tax.¹³⁹ This fund would make ethical and sustainable investments to generate a Commons Dividend, to be paid equally to all UK citizens.

In a similar vein, Lansley, McCann and Schifferes have proposed the establishment of Social Wealth Funds to correct the imbalance between public and private wealth, and increase the resources available to all citizens in the UK.¹⁴⁰

¹³⁸ Lansley S. and Reed H. (2019), Basic Income for All: From Desirability to Feasibility. Available here: https://www.compassonline.org.uk/wp-content/uploads/2019/03/Compass_BasicIncomeForAll_2019.pdf

¹³⁹ Standing, G. (2019), Plunder of the Commons: A Manifesto for Sharing Public Wealth. London: Pelican Books..

¹⁴⁰ Lansley, S., McCann, D. and Schifferes, S. (2018), Remodelling Capitalism: how social wealth funds could transform Britain. Available here: <https://www.friendsprovidentfoundation.org/wp-content/uploads/2018/05/Remodelling-Capitalism-Report-How-Social-Wealth-Funds-could-transform-Britain.pdf>

The idea behind this scheme is to redistribute the total wealth of society towards the commons, in order to counteract the growing portion of privately held wealth.

Similarly, the IPPR has proposed a UK Citizens' Wealth Fund that if established today could be worth £186bn by 2029/30, and at that time pay out a £10,000 universal minimum inheritance to all citizens at the age of 25.¹⁴¹ This scheme would be funded by a reformed taxation scheme, sales of certain public assets, capital transfers and various new revenue streams (outlined in their report).

In Wales, Gerald Holtham and Tegid Roberts have proposed a small levy on Wales residents to pay into a social security fund that would be used to provide people with social care in old age.¹⁴² A levy on citizens would be placed in an independent fund that could be invested and used to expand social care provision.

These schemes have received widespread attention in progressive economic policy circles and provide a variety of pathways that could be followed by a Welsh initiative to launch a Welsh Future Fund.

Building the fund

The preferred and most politically viable option would be to gradually develop the WFF over the course of a decade or two. A longer timeline would risk the Fund becoming politically controversial, since, despite its promise, the population will not have seen the fruits of the Fund. There is also the legitimate concern that the economic security that the Future Fund could bring will be required by residents sooner rather than later.

¹⁴¹ IPPR (2019), *Our Common Wealth: a Citizen Wealth Fund for the UK*. IPPR Commission on Economic Justice.

¹⁴² Wales Online (2017), 'This is how Wales can solve the huge funding crisis facing social care'. Available at: <https://www.walesonline.co.uk/business/business-news/how-wales-can-solves-social-12999191>

Via the UK Treasury

The best way to establish the Welsh Future Fund would be for the UK Treasury to issue one-off, zero interest-bearing, perpetual bonds, bought by the Bank of England as a form of overt monetary financing. The Welsh Government currently has bond-issuing powers, but they are limited,¹⁴³ so the best route would be for the UK Treasury to issue the bonds with the explicit aim of founding the WFF.

The Bank of England could simply credit the UK Treasury account directly with funds which the UK Treasury could transfer to the WFF. The most obvious way this could be done is through the so-called Ways & Means facility, which serves as the UK Treasury's overdraft at the Bank of England. The Bank of England has offered the UK Treasury theoretically unlimited funding through this mechanism during the Covid-19 crisis,¹⁴⁴ but the UK Government has not yet taken advantage of this, with the balance of this facility staying flat at £370m.¹⁴⁵

Seen as an overdraft facility, the Ways & Means facility is intended as a short-term means of financing (though there is no official obligation, nor imperative for repayment, especially since it is interest-free). The UK Treasury has pledged to repay any funds from the Ways & Means as soon as possible, before the end of the year. For longer-term financing, it could therefore be preferable for the Treasury to issue non-interest bearing perpetual bonds, which the Bank of England would purchase with newly created central bank reserves.¹⁴⁶

143 Gov.wales (2018), 'New bond powers for infrastructure investment'. Available at: <https://gov.wales/new-bond-powers-infrastructure-investment>

144 Financial Times (2020), 'Bank of England to directly finance UK government's extra spending'. Available at: <https://www.ft.com/content/664c575b-0f54-44e5-ab78-2fd30ef213cb>

145 Bank of England (2020). Available at: <https://www.bankofengland.co.uk/boeapps/database/fromshowcolumns>

146 Van Lerven, F. (2016), 'A Guide to Public Money Creation'. Positive Money. Available at: <http://positivemoney.org/wp-content/uploads/2016/04/Public-Money-Creation-2.pdf>

The proceeds of this sale would then be transferred to the WFF, allowing the fund to grow without an increase in debt.

Via regional monetary financing

Alternatively, the Welsh Government could issue new bonds itself, to invest in the WFF. The Bank of England would create new central bank reserves to buy these bonds, perhaps via a Special Purpose Vehicle. This debt would continuously be rolled over, by the Welsh Government issuing new bonds to sell to the Bank of England ahead of old bonds maturing.

In the US, the Federal Reserve has set a precedent for this system with its Municipal Lending Facility, which was announced in August 2020 to help local governments plug the gap between reduced incomes and increased costs during the Covid-19 pandemic.¹⁴⁷ The Federal Reserve has committed to purchasing \$500bn of bonds issued by states, as well as counties with at least 500,000 residents, and cities with populations of at least 250,000. This is intended to be a short-term measure, with the Federal Reserve only buying bonds with maturities of up to 3 years (though this has already been extended from 2 years). However, it is foreseeable that these bonds will simply be rolled over, rather than forcing local authorities to attempt to repay when it is unlikely they will be in a strong position to do so.

If these regionally issued bonds need to be interest-bearing, which may be necessary if the option to sell to the private sector is desired, the Bank of England could hold and perpetually roll over this debt, while returning to the Welsh Government as profit the interest income received (similar to how Quantitative Easing works in practice at the national level).

¹⁴⁷ Federal Reserve (2020), Available at: <https://www.federalreserve.gov/monetarypolicy/muni.htm>

Forms of monetary financing such as this are intended to provide an additional tool for monetary policy to enable the central bank to stimulate aggregate demand when it is below the desired threshold.¹⁴⁸ Various forms of monetary financing have been commonplace in the UK for many decades. It tends to involve the central bank (in the UK case, the Bank of England) 'monetising' government debt by exchanging it for newly created money and holding the debt permanently on its balance sheet.¹⁴⁹ Policymakers have used monetary financing as an effective tool to manage extraordinary spending commitments throughout recent history, such as those incurred by wars and public investment programmes. In the twentieth century, forms of monetary financing were used extensively – for example in both World Wars – and the Bank of England continued to absorb a large proportion of public debt throughout the post-war period until the 1990s.¹⁵⁰

With a substantial initial endowment and sound investment strategy, the WFF could grow to a size capable of financing a basic income similar to the Model 1 basic income, detailed above, entirely by itself. However, given that we would expect a basic income to be funded at least in part by income and wealth taxes (whatever the given devolved scenario is), it is more realistic to expect a Welsh Future Fund to augment, rather than replace these standard funding mechanisms. As such, in Table 16 below, we have shown the required size, initial endowment, assumed growth rate and necessary timeline for a Welsh Future Fund. If the Fund were to be treated as a

148 Van Lerven, F. (2016), 'A Guide to Public Money Creation'. Positive Money. Available at: <http://positivemoney.org/wp-content/uploads/2016/04/Public-Money-Creation-2.pdf>

149 See the work of Positive Money for in-depth studies on this topic: <https://positivemoney.org/>

150 The notable exception was the 1974–1988 period, a period of high inflation). Ryan Collins, J. and van Lerven, F. (2018), 'Bringing the Helicopter to Ground'. UCL. Available at: <https://www.ucl.ac.uk/bartlett/public-purpose/sites/public-purpose/files/iipp-wp-2018-08.pdf>

mechanism for financing half of a Wales basic income, and given a substantial endowment, it could hold the necessary annual funds within the period of a decade.

	Value of fund (in 2020 terms) required to for annual payout (£bn)	Initial endowment value (£bn)	Assumed real growth rate of the fund (% per annum)	Number of years required for fruition
Model 1 basic income	170	78	4	20
50% of Model 1 basic income	85	58	4	10

Table 16: Growth plan required for a Welsh Future Fund to augment or replace taxation as mechanisms for funding basic income in Wales.

Besides its ongoing investment strategy, the Fund could be occasionally topped up with one-off windfall taxes, or environmentally oriented levies on industrial carbon emissions, pollution rates and so on. Policymakers could review what inputs to the Fund make sense for the common good of Wales residents. For example, should projects such as the Tidal Lagoon Power project in Swansea ever come to fruition, powering approximately 155,000 Welsh homes each year, there is a case to be made for part of the generated revenue to feed directly into the WFF;¹⁵¹ after all, the natural power of the tide belongs to no one and is common property.

¹⁵¹ Tidal Lagoon Power. See: <http://www.tidallagoonpower.com/projects/swansea-bay/key-statistics/>

Governing the fund democratically

As with all sovereign/citizen wealth funds, the governance of the Welsh Future Fund requires careful consideration. A definition – or constitution – consisting of basic principles would guide the fund’s activity and ensure that as a new Welsh institution, it is accountable to Welsh ‘citizens’, defined here as residents.

Although the fund will require expert portfolio managers in order to make astute judgements as to how to best grow the fund, and in the most ethical way, consideration must be given to the right balance of democratic engagement for the people of Wales, who would be the WFF’s ultimate owner (if not manager).

The ‘Santiago Principles’, drafted in 2008, are an internationally accepted framework for the design and evaluation of sovereign wealth funds.¹⁵² However, these principles would require some adapting in order to give them the democratic force that a Welsh Future Fund should embody. As Angela Cummine notes, the Santiago Principles say almost nothing about the citizen-state relationship that democratic funds need.¹⁵³ The WFF should adopt Cummine’s reforms of the principles, with further tweaks, as part of the fund’s constitution.

Definition

The definition of the WFF and its operation must be clear from the outset. A definition might include:

The Welsh Future Fund (WFF) is a special-purpose investment fund that is managed by the general government of Wales in a fiduciary capacity as an agent

¹⁵² International Working Group of Sovereign Wealth Funds (IWGSWF) (2008), ‘Sovereign Wealth Funds: “Santiago Principles”’, Available at: https://www.ifswf.org/sites/default/files/santiagoprinciples_O_O.pdf

¹⁵³ Cummine, A. (2016) *Citizens’ Wealth: why (and how) sovereign funds should be managed by the people, for the people*. London: Yale University Press, p. 3.

on behalf of the residents of Wales.¹⁵⁴ Residents own these funds, their underlying assets, and their investment returns collectively, as a people. Created by the general government for macroeconomic purposes that seek to enhance the Welsh community's welfare, the WFF holds, manages, and administers public assets to achieve financial objectives, and employs a set of investment strategies that include investing in foreign financial assets.¹⁵⁵

Ownership and democracy

The principles of the WFF would be articulated clearly and distributed to all residents. Examples might include notes on ownership and democracy:

The owner, meaning the established residents of Wales, should set the objectives of the Wales Future Fund, set its overarching investment policy, appoint the members of its governing body (in accordance with clearly defined principles) and exercise oversight over the WFF's operations through democratic mechanisms.¹⁵⁶

Transparency

The principle of transparency is crucial to a democratic institution. As such, an annual, unified statement that summarises the Fund's investments, growth rate, number of payees and amount paid out in the previous year will both assure Wales residents that their fund is being exercised with good judgement, and remind beneficiaries/owners of the fund that this is a collective good.

154 Here a 'resident of Wales' could be defined by a determined period of time during which the person has dwelled in Wales.

155 Adapted from the IWGSWF(2008) and Cummine (2016), both cited above.

156 Adapted from the International Forum of Sovereign Wealth Funds (IFSWF) (2008) and Cummine (2016).

Embedding Wales' well-being goals into the Wales Future Fund

Setting up a fund is also an opportunity to put financial ballast behind the goals of the Well-being of Future Generations (Wales) Act 2015. One of its principles (adapting existing models) could read:

The statutory investment mandate of the Wales Future Fund must include an obligation to invest in a manner consistent with the goals of the Well-being of Future Generations Act. This would involve ensuring that the Fund contributes towards a resilient, prosperous, globally responsible, cohesive, more equal, vibrant and happier Wales.¹⁵⁷

Use of the fund

Finally, the Fund's constitution ought to stipulate that its income be used primarily (or perhaps solely) to pay weekly basic income payments to Wales residents. Ring-fencing the Fund in this way will help prevent unsympathetic governments from raiding the fund for other purposes, and ensure that future generations do not lose out due to the short-term horizons of others.

¹⁵⁷ Adapted from the IWGSWF(2008) and Cummine (2016).

7

Designing a Welsh pilot

7. Designing a Welsh pilot

a. What can a pilot achieve?

A key forerunner to any implementation of a basic income in Wales will be a successful pilot. In this section, we make recommendations for how a pilot could be structured, administered and evaluated.

Given the existing ethical arguments for basic income, along with the impacts on household incomes that modelling can show (see Section 5), the decision to implement basic income need not hinge entirely on the findings of a pilot. However, pilots are extremely valuable for demonstrating the efficacy of the scheme and learning lessons about implementation. In summary, a pilot can:

- Build public support and awareness around basic income.
- Generate debate among key Welsh stakeholders, leading to a stronger understanding of the strengths and weaknesses of basic income designs.
- Build on the ethical case for basic income by building an evidence-base of its observable social and psychological impacts.
- Help to identify and iron out any practical difficulties associated with the implementation and administration of a basic income, before it is expanded nationally.

- Collect experimental data on the impacts of a basic income in Wales that can be used to further inform the design of a national model.

We outline our recommendations for the design of a Welsh pilot below, although a caveat of any design is that it will always be subject to political contingencies, including the amount of investment available and whether the relevant co-operation can be secured from the UK Government. We reflect further on cost and feasibility below.

b. Characteristics of a Welsh pilot

Following our study of existing pilot designs, we propose a pilot with the following characteristics:

- It would involve a non means-tested and non-withdrawable monthly payment, delivered directly into individuals' personal bank accounts. There would be no behavioural conditions to satisfy in order to receive the payment.¹⁵⁸
- The amount would be set at different rates for children (0-17), adults (18-64) and adults aged 65 and over.
- The level of payment would be based on the Minimum Income Standard (MIS) set by the Joseph Rowntree Foundation. The MIS does not include housing or childcare costs, so benefits related to housing and childcare would be paid in addition to the basic income.
- The basic income would be paid in addition to existing benefits for people with additional needs, such as disability benefits.

¹⁵⁸ Assistance should be provided for individuals without bank accounts to help them set one up. The Welsh homelessness charity, The Wallich, reports having made progress in this area. This was also found to be a practical and effective solution in a basic income pilot in India. See Davala, S., Jhabvala R., Standing G and Kapoor Mehta, S. (2015), *Basic Income: A Transformative Policy for India*.

- The pilot would include 5000 participants split across two specific communities – in one urban and one rural region of Wales.
- To capture the community-level effects of basic income, this would be a ‘saturation study’, meaning that all residents in the two pilot regions would receive the basic income.
- In addition to the two test populations, the pilot would include stratified and randomly selected control groups, demographically comparable to the pilot sites and Welsh population as a whole.
- The pilot would run for a period of 24 months, balancing the need to observe social impacts over time with cost-effectiveness and political expediency.
- The pilot would be monitored and evaluated by an independent research group and use a variety of evaluation methods to investigate a range of personal and social impacts, consistent with the ambitions of the Well-being of Future Generations (Wales) Act 2015.
- The rationale and characteristics of the trial design are explained in more detail below.

Who will be included in the pilot?

In order to capture the diversity of Wales, two parallel trials would be organised in Wales: one in an urban area, and one in a rural area. Saturation sites should be selected based on there being a sample community of 2,500 people within each of the two geographic areas.

To explore the community-level effects of basic income, participation in the pilot should not be targeted at a particular subgroup of the selected locale (for example, unemployed people) but should include every individual in the community, including children and people beyond working age.

Community-level effects have not been sufficiently captured in some previous pilots. A saturation study allows the pilot to explore the hypothesis that the well-being and security of individuals is connected to the prosperity of the community as a whole.

The basic income payments should be paid to individuals (and not a designated 'head of household') to avoid reinforcing the traditional breadwinner model, echoing the feminist case for basic income. To avoid compromising the results of the evaluation, people entering the community after the pilot has commenced would be ineligible to receive the payment.

Since the sample size needed to produce statistically significant results is intrinsically linked to the outcomes being measured, questions surrounding the sample size and locations of the trial should be revisited when the evaluation and monitoring criteria have been decided.

We have stopped short of giving our own suggestions for specific Welsh pilot locations, because these ought to be decided in a deliberative and democratic way. Local communities need to be consulted, and there could possibly be a pilot application process for local councils. An independent panel, appointed by Welsh Government, could select the final locations in consultation with the pilot's research team, and we recommend that everyone involved should have a good grasp of the technical factors involved in choosing suitable pilot sites.

When choosing pilot locations, there are respective merits to consider in targeting low income communities (likely to demonstrate deep impacts on poverty) versus selecting communities that are more representative of the overall population of Wales (a more scientifically sound approach, likely to produce results that are generalisable to Wales as a whole).

How much will individuals be paid?

Age range	Payment rate per week
Child (0-17)	£120.48
Adult aged 18-64	£213.59
Adult aged 65+	£195.90

Table 17. Suggested payment levels for a Wales basic income pilot

These figures are based on the Joseph Rowntree Foundation's Minimum Income Standard - a method which engages members of the public in a deliberative process, in order to identify the things that everybody should be able to afford.¹⁵⁹

The status of existing benefits during a pilot

To create the most realistic simulation of how a national basic income might be experienced, we suggest suspending some of the current subsistence benefits during the pilot. For the reasons we outline in our modelling frameworks above, the pilot payments should also be fully 'disregarded', meaning that they would not be considered a form of income relevant to the deductions and allocations of key means-tested benefits.

¹⁵⁹ Joseph Rowntree Foundation (2018), 'A minimum income standard for the UK 2008-2018: continuity and change'. Available at: <https://www.jrf.org.uk/report/minimum-income-standard-uk-2018>

Suggested benefits to be suspended and replaced with the basic income for the duration of the pilot¹⁶⁰

We recommend suspending all subsistence level benefits including:

- Income Support (Personal Allowance)
- Income-based Jobseekers Allowance (Personal Allowance)
- Income-related Employment and Support Allowance (Personal allowance)
- Child Tax Credit (Family Element plus Child Element).
- State Pension
- Child Benefit
- Universal Credit: Standard allowance for single person
- Universal Credit: First child/subsequent child payments

The Welsh Government will need to engage with the Department for Work and Pensions in order to discuss the feasibility of suspending these benefits for the duration of the pilot.

¹⁶⁰ These suggestions mirror those in the Scottish Basic Income Pilot Feasibility Study, with the exception of Carer's Allowance, which we decided to exclude from our list of benefits suspended. Our reasoning is that Carer's Allowance is less like a subsistence benefit and more like a 'remuneration' for a service (supporting someone to care for another).

The Citizens' Basic Income Feasibility Study Steering Group (2020), 'Assessing the Feasibility of Citizens' Basic Income Pilots in Scotland: Final Report.'

Available at: https://www.basicincome.scot/_data/assets/pdf_file/0024/175371/Draft-Final-CBI-Feasibility_Main-Report-June-2020.pdf

Length of the pilot

To balance expediency and cost-efficiency with the ability to capture longer-term impacts, we recommend that a trial be run for 24 months. A longer trial may create a sense of public fatigue in assessing the merits of the scheme, and importantly, would also postpone the possibility of implementing a full basic income in Wales.

A sufficient preparatory period is, however, important to design the pilot effectively. Consideration should be given to the need to design an evaluation, conduct a baseline survey, train researchers, and prepare for the administration of the pilot. Significant time after the pilot will also be required to analyse and communicate the findings.

Monitoring and evaluation

The monitoring and evaluation of a basic income pilot in Wales ought to be carefully deliberated at the design stage. We advise an evaluation guided by a number of core principles:

- The evaluation should encompass a rounded range of measures, in alignment with the broader ambitions of the Well-being of Future Generations (Wales) Act 2015.
- Taking advantage of the saturation samples, the evaluation should attempt to observe the potentially layered effects of basic income, at individual, household and community levels.
- Building on previous findings about the potential of basic income to alter attitudes, as well as behaviour, the evaluation may attempt to measure participants' outlook on issues such as altruism, tolerance and democratic values.

In the earlier review of existing trials (Section 3), we suggested that a shortcoming of some pilots was a tendency to focus mainly on the ability of basic income to assist people back into the labour market. We advise that a trial in Wales should be based on a wider range of evaluative criteria. If it can achieve this, the Welsh pilot could be one of the most robust pilots ever delivered, generating data on the likely effects on well-being and impacts at the community level.

Based on previous pilots, we hypothesise that a basic income pilot in Wales could have the following observable outcomes:

- Reduction in poverty
- Alleviation of economic insecurity
- Improved health and well-being
- Empowerment of residents to make life choices
- Reduced barriers to labour market participation
- Increased uptake of education and training
- Increased entrepreneurial and voluntary work

We have stopped short of specifying exactly which outcomes ought to be evaluated in a Welsh pilot (although poverty and child poverty are undoubtedly top priorities). The shape of the evaluation should be decided by a democratic and deliberative process involving Welsh stakeholders, but we do warn against the potential cost and feasibility issues of attempting to evaluate every possible outcome.



With anything to do with pilots, there needs to be thought on the governance arrangements. Who would be deciding whether it was successful or not? How would it be evaluated? The key to moving things forward and creating change is about taking people with you.



(Bethan Thomas, UNISON Cymru)

The proposed evaluation and monitoring of a basic income pilot has significant implications for all of the other design parameters, so these should be revisited, once the evaluation priorities have been agreed upon. Wherever possible, the outcomes of interest should also be monitored using existing evaluation frameworks and routine datasets. This is not only more efficient, it also allows data to be compared to a much larger pool of relevant data sets (such as those held by the Administrative Data Research Centre Wales). If data is not collected in accordance with these commonly used frameworks, then the opportunity for extensive comparative evaluation could be lost - both for Wales and any other nation interested in learning from a Welsh pilot in the future.

During the evaluation itself, we envisage that a series of surveys will be undertaken with both the control and test groups. To observe changes in behaviour, circumstances and attitudes over time, we advise a baseline survey (before the pilot begins), an interim evaluation (six months in), a final evaluation (at the end of the 18 month period) and a legacy evaluation (six months after the pilot ends). The baseline survey should be a census of all households to gather information on the metrics to be studied in the pilot. This baseline survey should itself be piloted by researchers, to determine whether the questions are suitable and clear.

Importantly, it should also be noted that personal experiences and social impacts are not always adequately captured by surveys. We therefore advise that, in addition to surveys, the pilot evaluation ought to include an ethnographic element.

Qualitative researchers embedded in pilot communities could potentially use a mixture of methods, including home visits, observation of key community events, photography, or biographical interviews with individuals and families.

A subset of the pilot sample could be asked to complete reflective diaries over the study period, and local spokespeople (such as community anchor organisations, headteachers, the police, or healthcare professionals) could be interviewed on the topic of community-level effects.

What would Welsh stakeholders like to see evaluated?

Our engagement work has shown us that stakeholders in Wales have strong views about the metrics and methods of evaluation. As part of the evaluation of a Welsh pilot, researchers embedded in Welsh civil society organisations could potentially be supported to conduct small-scale studies, in parallel to the central evaluation. These could investigate the impact of the basic income pilot on particular sections of the pilot sample, such as creative freelancers, children, women, or people experiencing homelessness.

We would really like the idea of involving homeless people in a pilot, looking at their experiences, including the hidden homeless as well. (Catherine May, Chartered Institute of Housing)

People who are self-employed, or have portfolio careers, or do atypical work, like our members, don't get considered in the same way. I would want to make sure those things were focused on in a pilot. (Representative of the Musicians' Union).

*I'd be interested in whether it affected decisions at the household level. Things like the division of unpaid work, whether or not having a UBI would affect decisions about whether to work, how much to work, whether its driving decision-making about career change, going into self-employment or education. Has it given more leisure time, more free-time?
(Natasha Davies, Chwarae Teg)*

The cost of a Welsh pilot

Here we provide the costings for a Welsh pilot with 5000 test participants, over a 24 month period. These costings are based on the assumption that the pilot would ring-fence basic income payments from the tax system (in a similar manner to postgraduate grants, for example). This has the advantage of avoiding the political hurdles, administrative complexity, and risk to participants involved in a temporary alteration of the tax system. From there, there are two options available:

- The first option, in accordance with the basic income models proposed in this report, would simulate the principles of progressive taxation detailed there. This would involve participants declaring their incomes at the start of the trial, and the researchers adjusting the basic income payment amounts per individual, as appropriate. These deductions have been simulated in our net costing for the pilot by using a random sample from the Welsh Family Resource Survey. The actual cost of a trial will depend on the demographic composition of the actual pilot sites. Factoring in these considerations, the cost, with tax and NIC considerations simulated, is £31 million.¹⁶¹
- The second option would be to pay out the basic income amounts in full, without simulating the tax deductions; this option would be simpler and would eliminate the need to check people's income levels, should they alter. Although this would result in a pilot that does not simulate the effects of a basic income integrated with progressive taxation, it would honour a key message of basic income, which is that everyone receives the same amount at the point of payment. Factoring in these considerations, the gross cost is around £50 million.¹⁶²

¹⁶¹ Costings for the pilot have used a sample from the Family Resource Survey (FRS).

¹⁶² Costings for the pilot have used a sample from the Family Resource Survey

Both costings presented here could also be further reduced pending DWP cooperation to suspend subsistence benefits.¹⁶³

The costs of an evaluation would also need to be added to the cost of pilot payments. The evaluation would require significant resources over a number of years, for planning, executing, and analysing the study, although it is not possible to know the precise cost until final agreement has been reached on its metrics and methods.

c. Pilot ethics

One core principle of any basic income pilot must be that no individual is worse off as a direct result of their participation. Although a basic income is designed to replace certain benefits, the national models we have proposed in this report suggest that other benefits should be untouched. We would deem as ethically unacceptable any pilot that disqualified participants from key means-tested benefits, leaving them worse off.

In addition to this core principle:

- Appropriate consent must be obtained from all participants in the pilot.
- Proper legal advice should be sought before any pilot is implemented, to examine the implications for how the scheme would interact with other forms of social assistance.
- Any proposed research model should be put before a research ethics committee for approval.

(FRS).

¹⁶³ As noted earlier in this report, these suspensions would depend on negotiations with the DWP.

- All data collected should be stored and protected on secure servers and the anonymity of participants should be preserved as default.

d. Feasibility assessment

We have assessed the feasibility of a Welsh basic income pilot using a model adapted from the existing Scottish Basic Income Pilot Feasibility Study.¹⁶⁴

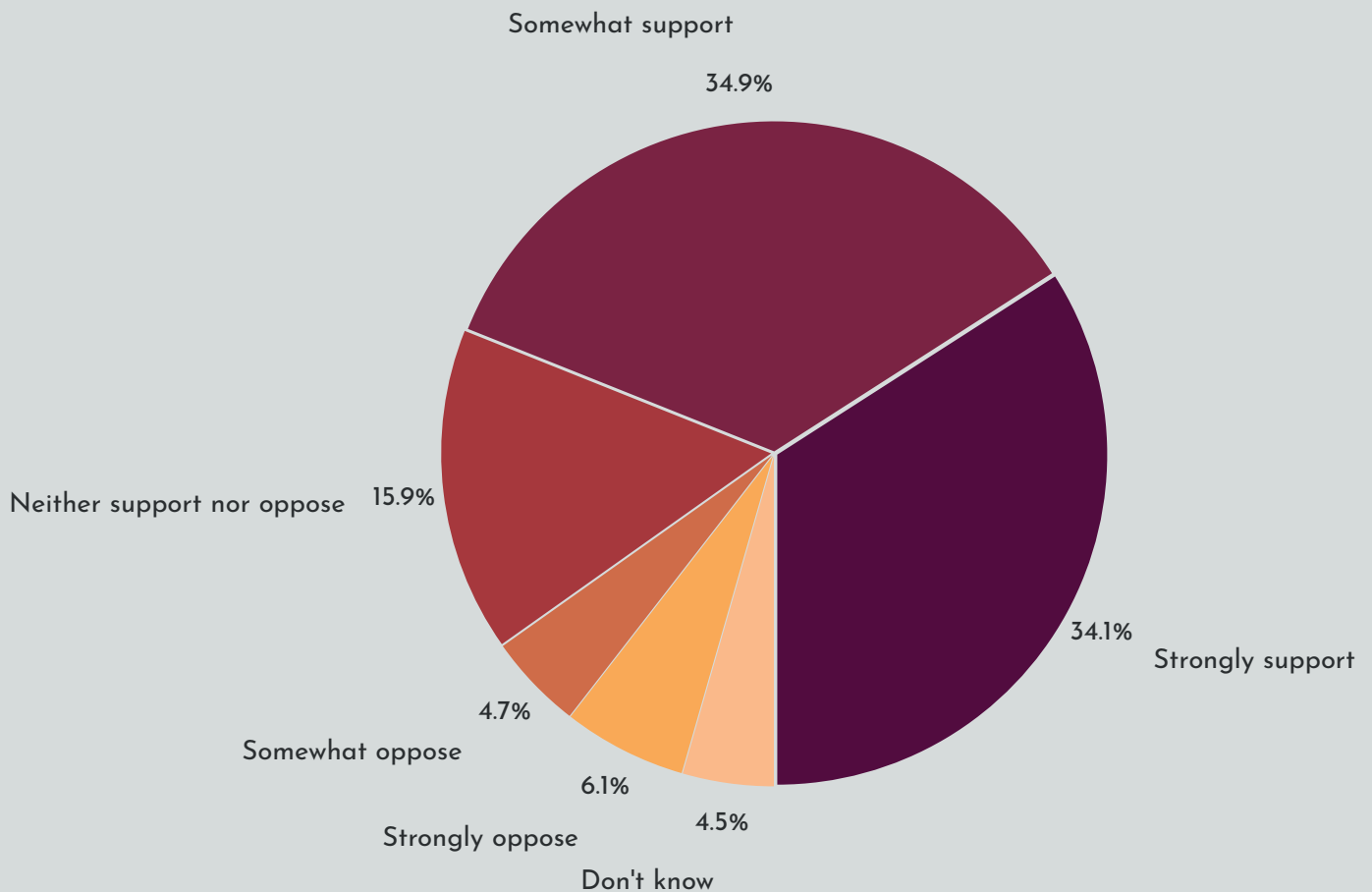
Type of feasibility	Current status
Is there a political coalition of support for the policy within Wales?	Yes. Figures from Welsh Labour, Plaid Cymru and the Welsh Liberal Democrats have all expressed public support for versions of the policy (see Section 2c). Immediately following the Senedd election in May 2021, a cross-party group of 25 Members of the Senedd signed UBI Lab Cymru's UBI pledge to support a pilot. First Minister Mark Drakeford has publicly committed to a basic income trial in Wales and is included in the Welsh Government's Programme for Government 2021-2026.
Is there an absence of institutional barriers to implementation?	No. Any pilot would require the cooperation of the UK Government, as well as the DWP and HMRC, which has not yet been obtained. The Scottish Government supports the policy of UBI but is currently focussing on a Minimum Income Guarantee, given the limitations to devolved powers to carry out a pilot. However, support for pilots has been growing in Wales, Scotland and Northern Ireland. This coalition of interest from devolved governments may be sufficient to apply the political pressure required to deliver a basic income pilot in the UK. .

164 Citizen's Basic Income Feasibility Study Steering Group (2020), 'Assessing the Feasibility of Citizens' basic income Pilots in Scotland: Final Report.' Available at: https://www.basicincome.scot/_data/assets/pdf_file/0024/175371/Draft-Final-CBI-Feasibility_Main-Report-June-2020.pdf

Is there public support for the pilot?	Yes. Survey evidence from Wales indicates that 69% are in favour of a basic income trial in response to the coronavirus pandemic. Wales also has a number of established basic income advocacy groups, including the UBI Lab networks.
Is there evidence to suggest the pilot will lead to the desired behavioural outcomes?	Yes. Evidence from existing international experiments points to improvements in key well-being indicators (see Section 3).
Is the pilot affordable?	Yes. The pilot has been given a base cost (i.e. prior to evaluation costs) of approximately £31 million for a pilot that simulates tax and NIC considerations and £50 million for a pilot that does not.
Can a monitoring and evaluation framework be established to test the performance of the pilot?	Yes. The principles for an appropriate monitoring and evaluations framework have been outlined in this report.
Can a pilot be designed to comply with strict ethical criteria?	Yes. The appropriate ethical guidelines have been outlined in this report.

Table 18: Feasibility assessment for a Wales basic income pilot.

Thinking about the financial impact of the Coronavirus pandemic, to what extent (if at all) would you support the Welsh Government trialling a 'basic income' scheme, whereby residents in Wales receive a regular, guaranteed, support payment to ensure that livelihoods are protected?



Survation.

Total respondents: 1049

8

Concluding
points

8. Concluding points

The current condition of Wales suggests that the time is right for a basic income. The nation has amongst the highest levels of relative income poverty in the UK, which in turn has significantly negative effects on the nation's health. A significant proportion of Wales residents are working on poor terms and conditions in non-standard forms of employment, with further labour market disruption likely, as a result of new technologies in the workplace. As Wales looks ahead to an ageing population, it will also see a rising demand for formal and informal care and funds to support people in later life.

With respect to these challenges, basic income has strong potential to succeed where the current UK welfare system is desperately failing. Previous studies of basic income also show how the policy can assist with more general progress towards the key well-being goals of the Well-being of Future Generations (Wales) Act 2015.

The current climate in Wales presents fertile ground for developing a basic income. The First Minister and the Welsh Government have committed to delivering a basic income pilot. Along with key Welsh councils, figures from Welsh Labour, the Welsh Liberal Democrats and Plaid Cymru have also backed the prospect of a basic income pilot. Autonomy's new polling also shows that 69% of residents support Welsh Government trialling a basic income scheme (only 11% oppose), and that 67% support Welsh Government increasing taxes on the very rich in order to provide a 'basic standard living for everyone in Wales'.

At the most general level, the stakeholders and citizens in our research also highlighted the potential for a wide range of positive impacts for specific social groups such as women, carers, the self-employed or people experiencing

homelessness. Stakeholders tended to stress the importance of combining basic income with other state initiatives, and the need to include stakeholders as part of the governance of any policy design, campaign or pilot, moving forward.

The current devolution settlement places constraints on the establishment of a national basic income scheme and pilot. These constraints relate to Wales' legislative, financial and administrative capacities. In response, we suggested that the current devolution settlement is not set in stone, and pointed to the feasibility of a basic income pilot in the short term, with some cooperation from the UK Government. In the longer term, a basic income budget could form part of UK-Wales financial arrangements.

There is no 'one' basic income policy. A basic income for all in Wales has the potential to be more modest and politically pragmatic, or more ambitious and future-oriented - although even a more pragmatic form of basic income can have hugely beneficial impacts. Our main, 'Model 1' (introductory) basic income policy can reduce overall poverty in Wales by 50%. At £6 billion - a fraction of UK spending, as well as feasible within a reformed Welsh taxation system - this represents a realistic goal for progressive policymakers and activists over the next decade. Our more ambitious 'Model 2' basic income would wipe out poverty in Wales almost entirely; this more expensive basic income should act as a guiding ambition for the coming decades, as more robust social security becomes even more urgent.

A basic income in Wales could be funded in a variety of ways: through rises in different forms of taxation, through a reallocation of the funds of the current UK budget, or through payouts from a 'Welsh Future Fund'. The report outlined a number of possible strategies, paying heed to the devolution

settlement now, and in the possible future. Tax reform can be envisaged within a variety of scenarios including a more substantial devolution settlement in Wales, as well as wider, UK options. In general, the increased spending required for a basic income in Wales should be seen in the context of a broken social security net, high levels of poverty and a frail labour market; we should perhaps ask, what is the cost of not introducing a form of basic income?

A key next step is to establish a basic income pilot in Wales. This can build support, provide practical insights and generate an evidence-base on national impacts. The report outlined a pilot scheme with the potential to be one of the most robust ever delivered, generating data on a wide range of well-being indicators. This pilot scheme would include 5,000 Wales residents over a two-year period, at an estimated base cost of £50 million.

9

Appendices

Appendix A:

Responding to common objections

There are a number of common objections to basic income, and we respond to some of these here. These have also been addressed in more detail elsewhere.¹⁶⁵

Basic income would cost too much

The criticism that basic income costs too much often relies on quoting the gross cost of a scheme. The modelling work in Section 5 of this report shows that the net cost is significantly less. A key feature of basic income Models 1 and 2 in this report is that the basic income is taxable. The net cost is reached by incorporating reductions as a result of increased income tax revenue, increased National Insurance Contributions, and the abolition of the state pension and child benefit (which would be made redundant in these schemes). There are also further public spending reductions that must be considered, such as the millions of pounds in indirect taxes accrued by giving the public greater spending power (such as VAT), or the savings made by any possible reductions in ill health and crime, which are established impacts of basic income.

¹⁶⁵ Standing, G. (2019), *Basic Income as Common Dividends: Piloting a Transformative Policy*. London: Progressive Economic Forum, 39-44; Standing, G. *Basic Income: And How We Can Make it Happen*. London: Pelican, chapter 6.

Countering the idea that basic income is prohibitively expensive, we have also considered further funding ideas. Specific consideration should be given to raising taxes on those in high income brackets. A basic income could also be paid from the funds accrued via a Citizen's Wealth Fund - or Wales Future Fund - established by the UK Government for the purpose of introducing the scheme (see Section 6b). A basic income could also be introduced through a more modest payment that would be gradually increased as the benefits of basic income are more widely felt.¹⁶⁶

Finally, it should be noted that in the UK, spending on social security is much lower as a share of national income than European countries. There is also a consensus growing that 'higher spend states' will become a new normal as we move further into the twenty-first century.

Basic income would inadvertently hurt the most vulnerable

A poorly designed basic income scheme could increase poverty for those worst off by eliminating their current social protections. A basic income with no added benefits for the most vulnerable would mostly benefit middle income earners.

Designed and funded properly, however, a basic income scheme would hugely benefit a large section of society's most vulnerable. By removing means-testing and difficult-to-navigate bureaucracy, a basic income provides a genuine safety net for those often excluded from current forms of support. Our research shows that even a more modest basic income scheme would reduce overall poverty in Wales by 50%, and child poverty in Wales by as much as 64% (see Section 5b). Further, by making basic income taxable, you maintain its universalism

¹⁶⁶ Lansley, S. and Reed, H. (2019), A Basic Income for All: From Desirability to Feasibility

but also ensure that those on lower incomes tend to receive a greater proportion of the unconditional funds.

Basic income would inadvertently benefit those who do not need it

Some critics point out that the already well-off in society will receive a payment, which would seem to run counter to the scheme's intentions of redressing inequality. However, the benefit of a quasi-universal scheme in which payments are distributed to everybody is that the system would be more efficient and harder to stigmatise than the current, targeted system of benefits.

The alleviation of the many social and economic drawbacks of the current means-tested system would outweigh the cost of payments to a small wealthy minority - especially since the benefit received by the very wealthy from a basic income would be reduced by increased taxes on the highest earners (a proposal detailed in Scenarios 1 and 3, in Section 6 of this report).

A basic income for all could also lead to greater social cohesion and solidarity by removing the firm line currently drawn between who deserves support and who does not. The longest-lasting and most passionately defended public goods are those that are available to everyone as a right. The NHS is perhaps the best existing example.

Basic income would promote laziness

Critics have claimed that a basic income would encourage laziness, and discourage participation in employment. In reality, basic income trials tend to demonstrate little change in the amount of time worked for primary earners, with secondary earners tending to work a little less.¹⁶⁷

¹⁶⁷ Foreign Affairs (2020), 'The Basic Income Has Its Moment: How the Pandemic Made a Fringe Idea Go Mainstream.' Available at: <https://www.foreignaffairs.com/articles/united-states/2020-10-08/basic-income-has-its-moment>

More attention could also be paid to the ways in which the current benefits system can discourage work, either by imposing a high effective marginal tax rate on people moving off benefits and into low-paid jobs, or discouraging voluntary work with a system of conditionality based exclusively on promoting employment.

More broadly, accusations that basic income causes laziness tend to be tied to a narrow conception of productive activity, based exclusively on contributing via paid employment. This ignores the significant contribution that people make through unremunerated care work, voluntary work, and other kinds of 'hidden labour'. The idea that basic income promotes laziness also aligns with a rather dismal view of humans as only being motivated to contribute their time and talent to the world by a fear of hunger.

There are better alternatives to basic income

Basic income offers significant advantages over certain other policies. In this report we have argued, for example, that basic income is vastly preferential to means-tested and conditional welfare, and could reverse the inefficacies and paternalism of the current Universal Credit system.

Nevertheless, the idea of basic income as something that exists 'in rivalry' with other policies has sometimes been exaggerated (usually by its opponents). There is no suggestion in this report that basic income ought to replace all other benefits or displace major public spending commitments on things such as public services. In reality, basic income can have the strongest impacts by working alongside other measures, whether this is

a state commitment to improvements in areas like housing, healthcare, education and transportation, or the important struggles taking place for fair work.

Appendix B:

Engagement methods

Stakeholder engagement

In order to represent the views of key Welsh stakeholders on basic income, we aimed to assemble a group of candidates that could collectively speak to the seven well-being goals of the Well-being of Future Generations (Wales) Act 2015. We were also keen to prioritise representatives of political and charitable organisations representing marginalised or disadvantaged groups, reasoning that such groups may have more to gain from basic income, but also more to lose from a poorly designed trial or policy.

A total of 23 organisations were contacted, although not all were able to engage with us in the three-month project period. Eleven interviews were successfully conducted, and one organisation supplied a written statement in lieu of an interview.

The following is a list of the organisations contacted. The underlined organisations all informed the final report.

The Bevan Foundation

Chartered Institute of Housing

Public Health Wales

Race Alliance Wales

Disability Wales

End Child Poverty Network

Musicians' Union

The Wallich

Diverse Cymru

TUC Cymru

Learning and Work Institute

Confederation of British Industry

Arts Council of Wales

Chwarae Teg

Clwstwr

Women's Equality Network

Carers Trust

Centre for Alternative Technology

National Youth Advocacy Service

Community Foundation Wales

UNISON Cymru

Social Care Wales

Wales Council for Voluntary Action

Research interviews covered topics including immediate and long-term challenges for Welsh organisations and their publics, the possible impact of basic income in Wales, policy and pilot designs, and the public communication of a basic income in Wales.

It is relevant to note that interviews focused on an 'imagined' or hypothetical basic income, rather than one specific policy design. We wanted interviewees to remain open to all of the

possible options for a basic income scheme, including various options for amounts, public messaging and interaction with the current benefits system. Interviewees who requested further information on payment amounts were cited figures approximate to a lower and higher level basic income, roughly corresponding to the two models presented in this report. Interviewees were also given the opportunity to raise their own topics and concerns. The interviewees' responses were taken into consideration as we designed and modelled our own basic income scheme.

Citizen workshops

In partnership with Autonomy, the Basic Income Conversation hosted a short series of workshops with Wales residents, over the project period. These were designed to gather personal perspectives on basic income, stories of everyday experience, and hypothetical insights into what people might do if they were receiving a basic income.

The workshops were advertised through mailing lists and social media. A registration of interest form was used to gather demographic information from prospective participants, as well as basic information on paid and unpaid work commitments. This information was used to compose diverse workshops, with the potential to speak to a range of experiences. Ensuring gender diversity and a geographical spread across Wales was a main priority, as well as including employed and unemployed people, and people with different types of care responsibilities.

Due to the scale of the study and method of recruitment, it is likely that the views presented are skewed in favour of basic income. The workshops were not intended to make representative claims about the views of Wales residents, but are useful for furthering understanding of the potential impacts of basic income on everyday life.

Three workshops were conducted in small groups online. Two of the workshops were 3 hours long and the third (evening workshop) was 2 hours long. The workshops' agenda included:

- An introduction to the project and the aims of the workshops.
- Time for the participants to introduce themselves and propose 'ground rules' for the conversation.
- A short talk and Q&A about basic income to ensure participants were able to engage with the technical aspects of the policy.
- An exercise exploring what participants imagine they might do with a basic income of £50 and £250 per week.
- A discussion about the potential well-being impacts of a basic income, including both risks and benefits.
- A discussion about the next steps the participants hoped to see with regards to the development of a basic income scheme in Wales.

With the participants' consent, the workshop sessions were recorded and these transcripts were used to develop Section 4b of this report. We would like to thank the participants for their time and candour.

Basic income survey

The quotations from Wales residents that appear throughout this report are drawn from a survey conducted by the Basic Income Conversation, in partnership with Autonomy. The survey was disseminated via email to approximately 4000 people in Wales, and also advertised via social media. It was completed by 164 residents and asked them 'If you were receiving a weekly basic income, how would your life be different?'

Participants were asked to consider a payment amount sufficient to 'impact financial circumstances and well-being'.

Due to the method of disseminating the survey, it is likely that the views presented are skewed in favour of basic income. The survey is not intended to make representative claims about the views of Wales residents, but it is useful for furthering understanding of the potential impacts of basic income on everyday life.

Project sounding board

A number of organisations contributed direct feedback on our preliminary basic income proposals via an online sounding board meeting, two months into the project. In no particular order, we would like to thank the following people for their participation, as well as Cathy Madge, from the Future Generations Commissioner's office, for organising the panel:

Jonathan Williams, UBI Lab Wales and UBI Lab Cardiff

Anna Nicholl, Wales Council for Voluntary Action

Natasha Davies, Chwarae Teg

Megan Thomas, Disability Wales

Leo Holmes, Co-founder of UBI Youth and Labour for UBI

Chloe Winstone, Future Leaders Academy

John Jackson, Reset Cymru

Ele Hicks, Diverse Cymru

Lowri Walters, UBI Lab Swansea and UBI Lab Womxn

Adam Jones, Public Health Wales

Nisreen Mansour, TUC Cymru

Stephanie Bolt, local artist, educator and theorist

Appendix C:

Autonomy's adaptation of the Landman Economics tax-benefit model

The costings of the various Welsh basic income scenarios were made using a tax and benefit microsimulation model (MSM), which was developed in-house and derived from the Landman Economics model. The latter was also previously used for the already-cited 2019 Compass basic income study and other research.

MSMs of this type are used to compute the tax burden and benefit receipts of individuals and households using survey data as input, and in turn to compute their net disposable household incomes. This allows us to fully cost basic income, as well as to gauge its redistributive effects. In our study we used the 2018/19 release of the Family Resources Survey (FRS), where we scaled the data with inflation and population growth to correspond to 2020 levels.

We calibrated the MSM so as to reproduce the correct net income statistics as given by FRS, and the official households below average income (HBAI) statistics as reported by the

Department for Work and Pensions (DWP). After this step, the costing and the redistributive effects of basic income can be computed.

While the gross cost of basic income is a straightforward multiplication of the number of recipients within each age group and their basic income packages, the net cost is a more complicated figure to compute. The latter should be considered the real cost of basic income.

The net cost, before any changes to the tax system, is computed by subtracting the following from the gross cost:

- Income tax revenue from basic income
- National insurance contributions from basic income
- Abolition of state pension
- Abolition of the child benefit

After having computed the net cost, we balance the budget by raising funds using both income and wealth taxes (depending on the scenario envisaged).

We compute the redistributive effects of the basic income schemes by comparing the distribution of equivalised household incomes pre- and post-basic income. Note that the latter is affected by both the basic income receipts, as well as the changes in the tax system.

Note that we draw a distinction here between net costs before and after any tax changes, and in the above we use the term in the former sense.

The Landman Economics model

In order to create and cost the two basic income models presented in this report, Autonomy adapted the Landman Economics Tax-Transfer Model (TTM). The TTM is a micro-simulation model of the tax-benefit system. It was originally developed for the Institute for Public Policy Research and is also used by the Resolution Foundation and the Joseph Rowntree Foundation. The TTM uses data from the Family Resources Survey to analyse the impact of direct taxes, benefits, tax credits, and Universal Credit.

The information in the Family Resources Survey allows payments of direct taxes and the receipt of benefits, tax credits and/or Universal Credit to be modelled with a reasonable degree of precision for each household in the survey, using either the current tax-benefit system or an alternative model (such as basic income). Using a 'base' system (often the actual current tax-benefit system) and one or more hypothetical 'reform' systems, the model can produce:

- Aggregate costings of each system (the amount received by the exchequer in direct taxes and National Insurance Contributions, and the amount paid out in benefits, taxes and Universal Credit).
- Distributional impacts of the reform system (for example, change in incomes in cash terms, and as a percentage of weekly incomes in the base system). These distributional impacts can be broken down according to several different variables. We use two breakdowns in this report: income decile (ten equally-sized groups of households, from poorest to richest according to equivalised disposable income) and household type.
- A strong sense of who 'wins' and who 'loses' from a particular reform or set of reforms.

- The impact of potential reforms on overall inequality of disposable incomes (i.e. the Gini coefficient).
- The impact of potential reforms on household and child poverty rates.

Appendix D: Basic income, models and scenarios

Scheme a: Model 1 in tax scenario 1

Redistributive effects (Before housing costs)

Population:

- Children (0-17): 635319.87
- Adults (18-64): 1856762.19
- Pensioners (65+): 625045.67
- All: 3117127.73

Pre-basic income poverty levels:

- Child poverty: 19.98%
- Working age adult poverty: 18.02%
- Pension age adult poverty: 23.42%
- Poverty: 19.5%

Post-basic income poverty levels:

- Child poverty: 6.36%
- Working age adult poverty: 10.47%

- Pension age adult poverty: 9.9%
- Poverty: 9.52%

Changes:

- Child poverty decrease: 68.17%
- Working adult poverty decrease: 41.9%
- Pension poverty decrease: 57.73%
- Overall decrease: 51.18%

Medians:

- UK Median Before Housing Costs (BHC) (Pre-basic income): £528.95
- UK Median Before Housing Costs (BHC) (Post-basic income): £531.28

Gini coefficient:

- Before basic income: 0.31
- After basic income: 0.23
- Change: 25.38%

Decile 1:

- Average % increase in EHI: 102.63%
- Individuals gaining: 100.0%
- Individuals losing: 0.0%
- Individuals losing more than 1%: 0.0%
- Individuals losing more than 5%: 0.0%

Decile 2:

- Average % increase in EHI: 31.94%
- Individuals gaining: 97.32%
- Individuals losing: 2.68%
- Individuals losing more than 1%: 2.68%
- Individuals losing more than 5%: 0.0%

Decile 9:

- Average % increase in EHI: -4.24%
- Individuals gaining: 19.9%
- Individuals losing: 80.1%
- Individuals losing more than 1%: 79.3%
- Individuals losing more than 5%: 47.27%

Decile 10:

- Average % increase in EHI: -13.4%
- Individuals gaining: 4.72%
- Individuals losing: 95.28%
- Individuals losing more than 1%: 93.35%
- Individuals losing more than 5%: 92.96%

Redistributive effects (After housing costs)

Population:

- Children (0-17): 635319.87
- Adults (18-64): 1856762.19
- Pensioners (65+): 625045.67
- All: 3117127.73

Pre-basic income poverty levels:

- Child poverty: 26.93%
- Working age adult poverty: 21.96%
- Pension age adult poverty: 23.44%
- Poverty: 23.27%

Post-basic income poverty levels:

- Child poverty: 9.72%
- Working age adult poverty: 13.01%
- Pension age adult poverty: 9.24%
- Poverty: 11.58%

Changes:

- Child poverty decrease: 63.91%
- Working adult poverty decrease: 40.76%
- Pension poverty decrease: 60.58%
- Overall decrease: 50.24%

Medians:

- UK Median Before Housing Costs (BHC) (Pre-basic income): £469.45
- UK Median Before Housing Costs (BHC) (Post-basic income): £470.32

Gini coefficient:

- Before basic income: 0.33
- After basic income: 0.25
- Change: 24.75%

Decile 1:

- Average % increase in EHI: 152.17%
- Individuals gaining: 100.0%
- Individuals losing: 0.0%
- Individuals losing more than 1%: 0.0%
- Individuals losing more than 5%: 0.0%

Decile 2:

- Average % increase in EHI: 38.72%
- Individuals gaining: 97.29%
- Individuals losing: 2.71%
- Individuals losing more than 1%: 2.71%
- Individuals losing more than 5%: 0.0%

Decile 9:

- Average % increase in EHI: -4.66%
- Individuals gaining: 22.71%
- Individuals losing: 77.29%
- Individuals losing more than 1%: 76.48%
- Individuals losing more than 5%: 46.95%

Decile 10:

- Average % increase in EHI: -13.37%
- Individuals gaining: 5.67%
- Individuals losing: 94.33%
- Individuals losing more than 1%: 92.38%
- Individuals losing more than 5%: 91.22%

Costing and funding

All numbers are expressed in units of billions, unless otherwise stated.

Gross cost: 13.05

Net cost before any tax changes (2020 UK tax and benefit rules): 6.82

+ Gross cost

Income tax revenue from basic income: 1.02

NIC revenue from basic income: 0.37

Abolition of state pension: 4.43

Abolition of child benefit: 0.49

Decrease in MTBs: 0

= 6.82

Extra funding sources:

Wealth Tax: 1.323

Balance sheet:

+ Gross cost: 13.05

Abolition of state pension: 4.43

Abolition of child benefit: 0.49

Reduction in MTBs: 0

Income tax changes: 3.32

NIC changes: 3.84

Wealth Tax: 1.323

= -0.35

Indirect Tax Change: 0.28bn

VAT Change: 0.12bn i.e. ~0.6bn in additional spending on VAT goods

New tax system

Personal allowance	12,500	0%
Basic rate	12,500-25,000	20%
Basic rate+	25,000-42,500	36%
Higher rate	42,500-120,000	45%
Additional rate	Above 120,000	55%

Table 19: New tax system under Autonomy's 'Scheme 1'

The personal allowance starts to taper for income above £90,000 (compare with the 100k for the current UK tax system). The tapering is £1 pound for every £2 that your taxable income is above the limit.

The tax bands have been shifted compared to the current UK tax system. A new tax band 'Basic rate +' has also been introduced.

Current UK Tax System

Personal allowance	12,500	0%
Basic rate	12,500-50,000	20%
Higher rate	50,500-50,000	40%
Additional rate	Above 150,000	45%

Table 20: Breakdown of the current UK tax system

The personal allowance starts to taper at £100k.

National Insurance contributions

Employees pay class 1 and class 2 NIC contributions, and self-employed pay class 2 and 4. Class 3 NIC are voluntary contributions and are not considered in the analysis.

NIC Class 1

For NIC, we have removed the regressive elements of NIC, and added a tax rate for earners below £183pw.

Less than £183 pw	12%
£183-£962 pw	16%
Above £962 pw	16.5%

Table 21: NIC class 1 tax system under Autonomy's 'Scenario 1'

The current NIC class 1 tax system

Less than £183 pw	0%
£183-£962 pw	12%
Above £962 pw	2%

Table 22: The UK's current NIC class 1 tax system

NIC Class 2

Class 2 NIC is a fixed tax of £3.05 pw, for all earners above £6475 per year. We have made no changes here.

NIC Class 4

Class 4 NIC is for self-employed people. As for Class 1, we have removed the regressive elements of NIC, matching them with our changes for class 1.

Less than £9501 per year	12%
£9501-£50,000 pw	16%
Above £50,000 pw	16.5%

Table 23: NIC class 4 tax system under Autonomy's 'Scenario 1'

The current NIC class 4 tax system

Less than £183 pw	0%
£183-£962 pw	9%
Above £962 pw	2%

Table 24: The UK's current NIC class 4 tax system

Scheme b: Model 2 (no tax changes modelled)

Redistributive effects (Before housing costs)

Population:

- Children (0-17): 635319.87
- Adults (18-64): 1856762.19
- Pensioners (65+): 625045.67
- All: 3117127.73

Pre-basic income poverty levels:

- Child poverty: 19.98%
- Working age adult poverty: 18.02%
- Pension age adult poverty: 23.42%
- Poverty: 19.5%

Post-basic income poverty levels:

- Child poverty: 0.0%
- Working age adult poverty: 1.08%
- Pension age adult poverty: 5.36%
- Poverty: 1.72%

Changes:

- Child poverty decrease: 100.0%
- Working adult poverty decrease: 94.01%
- Pension poverty decrease: 77.11%
- Overall decrease: 91.18%

Medians:

- UK Median BHC (Pre-basic income): £528.95
- UK Median BHC (Post-basic income): £540.9

Gini coefficient:

- Before basic income: 0.31
- After basic income: 0.21
- Change: 30.51%

Redistributive effects (After housing costs)

Population:

- Children (0-17): 635319.87
- Adults (18-64): 1856762.19
- Pensioners (65+): 625045.67
- All: 3117127.73

Pre-basic income poverty levels:

- Child poverty: 26.93%
- Working age adult poverty: 21.96%
- Pension age adult poverty: 23.44%
- Poverty: 23.27%

Post-basic income poverty levels:

- Child poverty: 1.36%
- Working age adult poverty: 1.37%
- Pension age adult poverty: 3.35%
- Poverty: 1.76%

Changes:

- Child poverty decrease: 94.95%
- Working adult poverty decrease: 93.76%
- Pension poverty decrease: 85.71%
- Overall decrease: 92.44%

Medians:

- UK Median BHC (Pre-basic income): £469.45
- UK Median BHC (Post-basic income): £480.39

Gini coefficient:

- Before basic income: 0.33
- After basic income: 0.23
- Change: 31.93%

Costing and funding

All numbers are expressed in units of billions, unless otherwise stated.

Gross cost: 29.37

Net cost before any tax changes (2020 UK tax and benefit rules): 19.41

+ Gross cost: 29.37

Income tax revenue from basic income: 3.97

NIC revenue from basic income: 1.51

Abolition of state pension: 4.53

Abolition of child benefit: 0.49

Decrease in MTBs: 0

= 19.41

Hybrid scheme: Model 1 in tax scenario 3

Redistributive effects (BHC)

Population:

- Children (0-17): 635319.87
- Adults (18-64): 1856762.19
- Pensioners (65+): 625045.67
- All: 3117127.73

Pre-basic income poverty levels:

- Child poverty: 19.98%
- Working age adult poverty: 18.02%
- Pension age adult poverty: 23.42%
- Poverty: 19.5%

Post-basic income poverty levels:

- Child poverty: 5.72%
- Working age adult poverty: 10.26%
- Pension age adult poverty: 9.9%
- Poverty: 9.26%

Changes:

- Child poverty decrease: 71.37%
- Working adult poverty decrease: 43.06%
- Pension poverty decrease: 57.73%
- Overall decrease: 52.51%

Medians:

- UK Median BHC (Pre-basic income): £528.95
- UK Median BHC (Post-basic income): £531.71

Gini coefficient:

- Before basic income: 0.31
- After basic income: 0.23
- Change: 23.13%

Decile 1:

- Average % increase in EHI: 102.86%
- Individuals gaining: 100.0%
- Individuals losing: 0.0%
- Individuals losing more than 1%: 0.0%
- Individuals losing more than 5%: 0.0%

Decile 2:

- Average % increase in EHI: 32.46%
- Individuals gaining: 100.0%
- Individuals losing: 0.0%
- Individuals losing more than 1%: 0.0%
- Individuals losing more than 5%: 0.0%

Decile 9:

- Average % increase in EHI: -0.7%
- Individuals gaining: 40.86%
- Individuals losing: 59.14%
- Individuals losing more than 1%: 50.05%
- Individuals losing more than 5%: 22.55%

Decile 10:

- Average % increase in EHI: -9.39%
- Individuals gaining: 6.65%
- Individuals losing: 93.35%
- Individuals losing more than 1%: 93.35%
- Individuals losing more than 5%: 83.74%

Redistributive effects (After housing costs)

Population:

- Children (0-17): 635319.87
- Adults (18-64): 1856762.19
- Pensioners (65+): 625045.67
- All: 3117127.73

Pre-basic income poverty levels:

- Child poverty: 26.93%
- Working age adult poverty: 21.96%
- Pension age adult poverty: 23.44%
- Poverty: 23.27%

Post-basic income poverty levels:

- Child poverty: 9.72%
- Working age adult poverty: 13.01%
- Pension age adult poverty: 9.49%
- Poverty: 11.63%

Changes:

- Child poverty decrease: 63.91%
- Working adult poverty decrease: 40.76%
- Pension poverty decrease: 59.51%
- Overall decrease: 50.02%

Medians:

- UK Median BHC (Pre-basic income): £469.45
- UK Median BHC (Post-basic income): £470.96

Gini coefficient:

- Before basic income: 0.33
- After basic income: 0.26
- Change: 22.86%

Decile 1:

- Average % increase in EHI: 152.78%
- Individuals gaining: 100.0%
- Individuals losing: 0.0%
- Individuals losing more than 1%: 0.0%
- Individuals losing more than 5%: 0.0%

Decile 2:

- Average % increase in EHI: 39.49%
- Individuals gaining: 100.0%
- Individuals losing: 0.0%
- Individuals losing more than 1%: 0.0%
- Individuals losing more than 5%: 0.0%

Decile 9:

- Average % increase in EHI: -1.2%
- Individuals gaining: 40.43%
- Individuals losing: 59.57%
- Individuals losing more than 1%: 50.75%
- Individuals losing more than 5%: 22.17%

Decile 10:

- Average % increase in EHI: -9.28%
- Individuals gaining: 7.62%
- Individuals losing: 92.38%
- Individuals losing more than 1%: 92.38%
- Individuals losing more than 5%: 82.66%

Costing and funding

All numbers are expressed in units of billions, unless otherwise stated.

Gross cost: 13.05

Net cost before any tax changes (2020 UK tax and benefit rules): 6.82

+ Gross cost

Income tax revenue from basic income: 1.02

NIC revenue from basic income: 0.37

Abolition of state pension: 4.43

Abolition of child benefit: 0.49

Decrease in MTBs: 0

= 6.82

Extra funding sources:

- Wealth Tax funding: 1.323

Balance sheet:

+ Gross cost: 13.05

Abolition of state pension: 4.43

Abolition of child benefit: 0.49

Reduction in MTBs: 0

Income tax changes: 2.99

NIC changes: 3.03

Wealth Tax funding: 1.323

= 0.79

= 1bn in UK funding for 0.2bn 'cushion'

Indirect Tax change is 0.4bn

VAT Change: 0.2bn i.e. ~1bn in extra spending on VAT goods.

Tax system

Personal allowance	12,500	0%
Basic rate	12,500-25,000	20%
Basic rate +	25,000-42,500	32%
Higher rate	42,500-120,000	45%
Additional rate	Above 120,00	55%

Table 25: New tax system under Autonomy's 'Scheme 3'

The personal allowance starts to taper for income above £90,000 (compare with the 100k for the current UK tax system). The tapering is £1 pound for every £2 that your taxable income is above the limit.

The tax bands have been shifted compared to the current UK tax system. A new tax band 'Basic rate +' has also been introduced.

Current UK Tax System

Personal allowance	12,500	0%
Basic rate	12,500-50,000	20%
Higher rate	50,500-150,000	40%
Additional rate	Above 150,000	45%

Table 26: Breakdown of the current UK tax system

The personal allowance starts to taper at £100k.

National Insurance Contributions

Employees pay class 1 and class 2 NIC contributions, and self-employed pay class 2 and 4. Class 3 NIC are voluntary contributions and are not considered in the analysis.

NIC Class 1

For NIC, we have removed the regressive elements of NIC, and added a tax rate for earners below £183pw.

Less than £183 pw	12%
£183-£962 pw	13%
Above £962 pw	14%

Table 27: NIC class 1 tax system under Autonomy's 'Scenario 3'

The current NIC class 1 tax system

Less than £183 pw	0%
£183-£962 pw	12%
Above £962 pw	2%

Table 28: The UK's current NIC class 1 tax system

NIC Class 2

Class 2 NIC is a fixed tax of £3.05 pw, for all earners above £6475 per year. We have made no changes here.

NIC Class 4

Class 4 NIC is for self-employed people. As for Class 1, we have removed the regressive elements of NIC, matching them with our changes for class 1.

Less than £9501 per year	12%
£9501-£50,000 pw	13%
Above £50,000 pw	14%

Table 29: NIC class 4 tax system under Autonomy's 'Scenario 3'.

The current NIC class 4 tax system

Less than £183 pw	0%
£183-£962 pw	9%
Above £962 pw	2%

Table 30: The UK's current class 4 tax system

Note that the current UK NIC system is regressive.

Winners and losers from the hybrid system (Model 1 in Scenario 3).

The following figures represent the impact on individual incomes in Scenario 3, should Model 1 basic income be introduced.

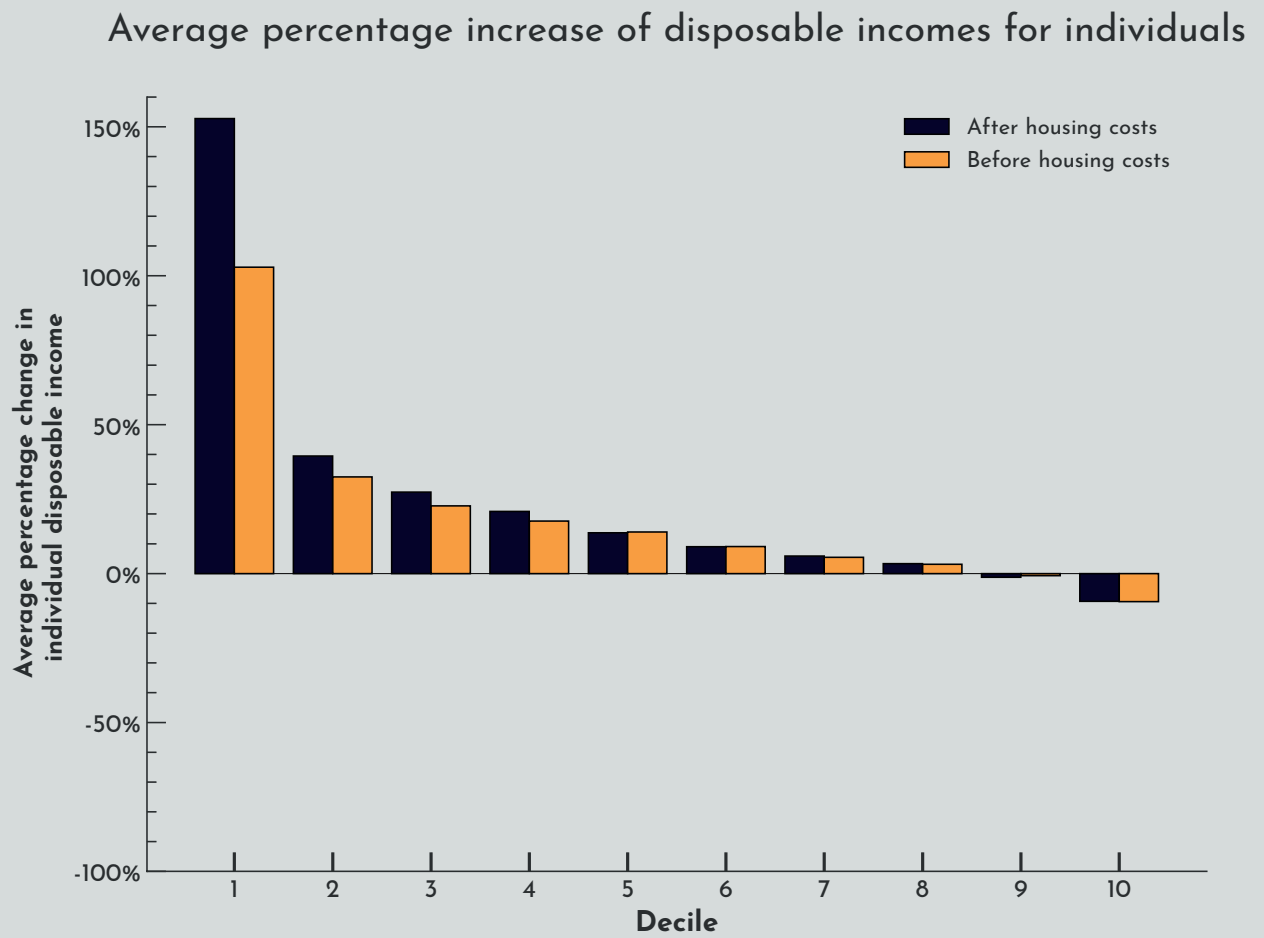


Figure 11. Average percentage increase of disposable incomes for individuals, with Model 1 in Scenario 3. Source: Autonomy analysis of the Family Resource Survey (FRS).

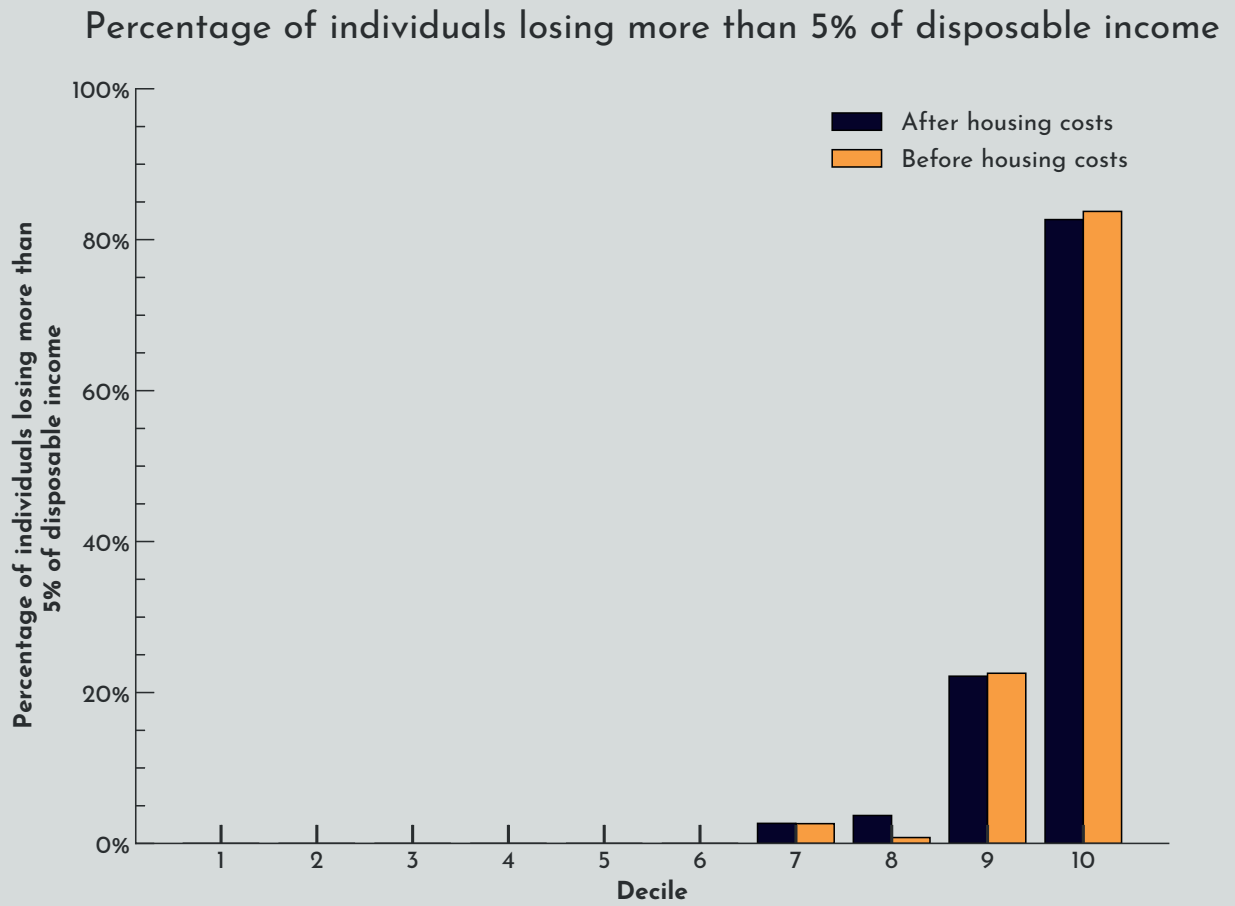


Figure 12. Percentage of individuals losing more than 5% of disposable income, with Model 1 in Scenario 3. Source: Autonomy analysis of the Family Resource Survey (FRS).

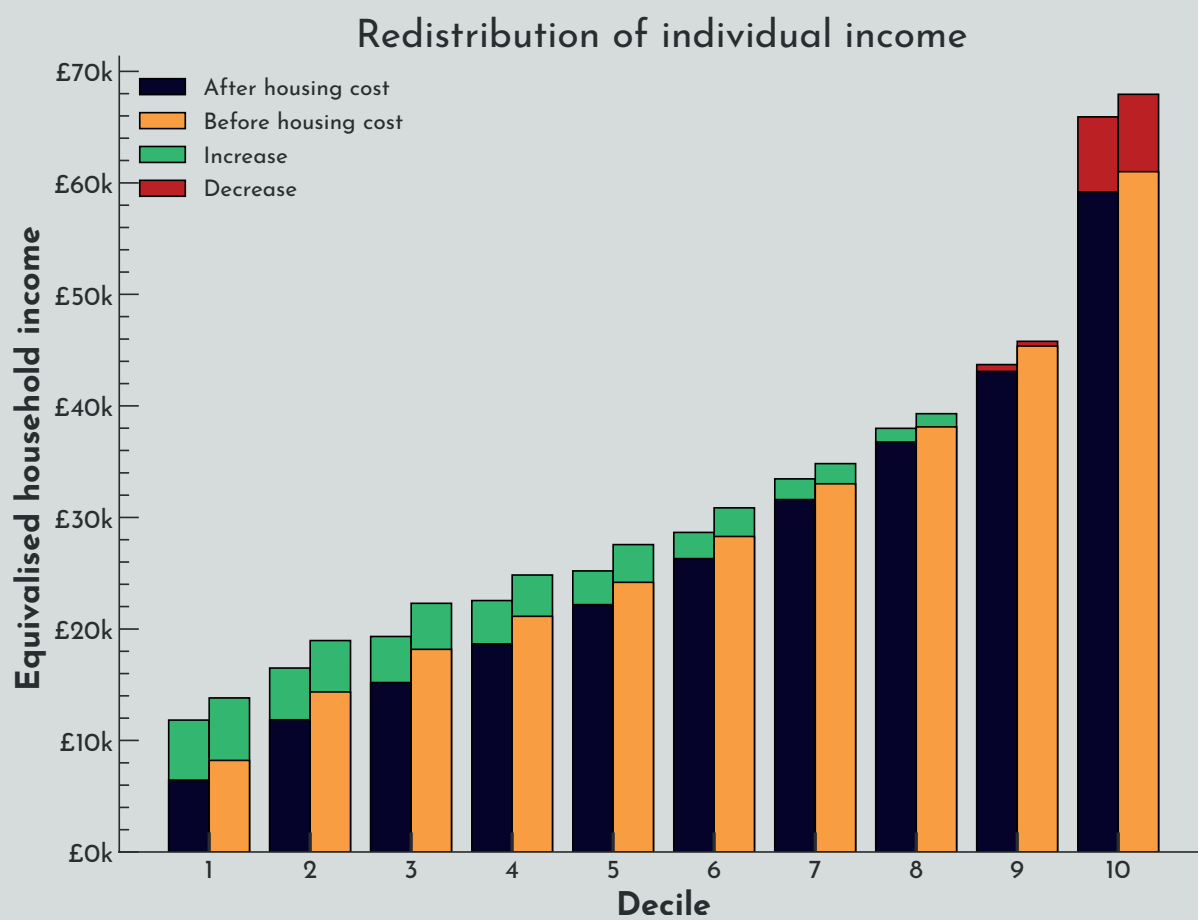


Figure 13. Redistribution of individual incomes, with Model 1 in Scenario 3. Source: Autonomy analysis of the Family Resource Survey (FRS).

