

ICAEW



How might we implement a citizen's income?

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Preface

Nearly 250 years ago political activist Thomas Paine suggested something like a citizen's income. Ever since then the idea has occasionally emerged into public consciousness and then dropped back into obscurity. But in the last 10 years we have seen some interesting pilot projects in Namibia and India, and increasing debate globally. In the UK, until two years ago there was little discussion of the idea outside the academic world, and media comment was often uninformed and negative, but the situation is now very different. One aspect of the increasing level and intelligence of the debate is that there is now a considerable volume of media coverage, and it is generally positive.

The debate was addressed in detail at the beginning of this year on BBC Radio 4's topical *Money Box Live* programme, which I was lucky enough to be part of. The participants held a variety of views on the subject, and it was a genuine debate, but what was striking was that so little of it was about whether a citizen's income might be desirable, and how much of it was about whether it would be feasible to implement a citizen's income. It is not that whether a citizen's income is desirable is no longer worth discussing, but the debate is now clearly shifting towards feasibility and implementability.

It is therefore a pleasure to have been invited by ICAEW to prepare this report on possible methods for implementing a citizen's income. The report will first of all inspire debate among members of the Institute, and will then be available to inform the wider debate about implementation methods.

Introduction

What is a citizen's income?

A citizen's income is an unconditional, automatic and non-withdrawable income for every individual as a right of citizenship. It is each of the following.

Unconditional

A citizen's income would vary with age – less for children and young people, more for the elderly, but there would be no other conditions – so everyone of the same age would receive the same citizen's income, whatever their gender, employment status, family structure, contribution to society, housing costs, or anything else.

Automatic

Someone's citizen's income would be paid weekly or monthly, automatically. Each individual's citizen's income would turn on at birth and would turn off at death, and would adjust automatically as their age changed. Almost no administration would be required.

Nonwithdrawable

Citizen's incomes would not be means-tested. If someone's earnings or wealth increased, then their citizen's income would not change.

Individual

Citizen's incomes would be paid on an individual basis, and not on the basis of a couple or household.

As a right of citizenship

Everybody legally resident in the UK would receive a citizen's income, subject to a minimum period of legal residency in the UK, and continuing residency for most of each year.

How would we pay for it?

There are a number of ways a citizen's income could be financed.

The current tax and benefits system could cover it by implementing a combination of some or all of the following:

- abolishing or reducing the Income Tax Personal Allowance;
- raising income tax rates;
- charging National Insurance contributions on all earned income;

- charging National Insurance contributions at a rate of 12% on all earned income;
- adjusting other tax allowances;
- abolishing or reducing means-tested benefits (including Working Tax Credits, Child Tax Credits, and Universal Credit).

We could consider a new taxation, for instance:

- a financial transaction tax;
- a carbon tax; and/or
- a land value tax.

Alternatively, it could be paid for by creating a social wealth fund or introducing quantitative easing.

The different methods could be used successively, perhaps funding an initially low citizen's income from within the current tax and benefits system, and then employing additional funding methods as the citizen's income increased.

Effects of a citizen's income

How would a citizen's income affect an individual?

A citizen's income would not be withdrawn as earnings rose. In the UK the marginal deduction rate can be as high as 96% if someone's earnings take them above the Personal Tax Allowance. This means that for every extra £1 that they earn they can lose 96p in tax and withdrawn benefits, and therefore keep only 4p. The new Universal Credit will reduce the marginal deduction rate for such households to around 73% – which means that they will keep 27p for every extra £1 that they earn.¹ If, on the implementation of a citizen's income, means-tested benefits were abolished, then for anyone currently on means-tested in-work or out-of-work benefits, marginal deduction rates would be lower, net income would rise faster, and there would be more incentive to seek employment, to create self-employment, to seek new skills, and to increase earnings.

If, alternatively, means-tested benefits were not abolished on the implementation of a citizen's income, but instead each household's means-tested benefits were recalculated to take into account their citizen's incomes, then many households would come off means-tested benefits, and many would be on reduced means-tested benefits. Those households whose citizen's incomes enabled them to escape from means-tested benefits would experience immediately the lower marginal deduction rates and the freedom from stigma, bureaucratic intrusion, errors, and sanctions regimes that they currently experience. Those households still on reduced means-tested benefits would need to earn less before they were able to come off means-tested benefits, and would therefore be closer than before to escaping from the problems related to means-testing.

The citizen's income would never be reduced, so it would provide a solid floor of financial security on which everyone could build, and would therefore provide greater freedom to pursue a variety of paid and unpaid activities.

How would a citizen's income affect the employment market?

The labour market could become more flexible without damaging workers' economic security and the greater financial security that everybody would experience would make it easier to create new businesses, co-operatives, and self-employment. It would also mean that badly paid or unfulfilling jobs would be easier to refuse and so would become better jobs.

Providing that the citizen's income for working age adults is not too large, a variety of experiments and pilot projects suggest that the employment incentive provided by the secure financial platform that a citizen's income would provide, in combination with the lower or potentially lower marginal deduction rates that households would experience, would be greater than the disincentive effect of each household having a small secure unearned income.² The only groups that might experience a temporary net employment disincentive would be the mothers of young children, and workers between jobs, who would be able to take time to look for the right job, rather than being forced to take any job.

We don't know how the employment market and the economy will change as technology changes. The only benefits system that will suit any employment market configuration is a radically simple one, ie, a citizen's income.

How would a citizen's income affect a family?

Cohabitation, civil partnership, and marriage, would be neither subsidised nor penalised. Each individual would receive their own citizen's income, so there would be more incentive to form and maintain relationships.

Members of a family would be free to work out together the employment pattern that they wanted, without their choices affecting their citizen's incomes. Additionally, family members would experience lower marginal deduction rates, or potentially lower marginal deduction rates, and so would be able to lift themselves out of poverty more easily.

How would a citizen's income affect our society?

Everyone would receive a citizen's income, creating greater social cohesion, and a greater variety of employment patterns would become available to individuals with caring responsibilities. It would also result in administrative savings.

Feasibilities

There is a wide variety of possible citizen's income schemes, with different upper and lower ages for age groups, different levels of citizen's incomes for different age groups, and different funding methods. Some citizen's income schemes will be more feasible to implement than others. A citizen's income scheme would need to pass a variety of feasibility tests.

- Financial: Would it be possible to finance a citizen's income? Would implementation impose substantial financial losses on any households?
- Psychological: Is the idea readily understood, and understood to be beneficial?
- Behavioural: Would a citizen's income deliver the expected advantages?
- Administrative: Would it be possible to administer a citizen's income? Would it be possible to manage the transition?
- Political: Would the idea cohere with existing political ideologies?
- Policy process: Would the citizen's income idea be able to travel through the policy process from proposal to implementation?

Below we'll address these feasibility concerns in more detail.

Financial feasibility

A citizen's income scheme can be constructed in such a way that everyone's citizen's income can be paid for by reducing tax allowances and means-tested and other benefits, and increasing slightly the rates at which income tax and National Insurance contributions are paid. Or citizen's incomes could be paid for partly or wholly out of the proceeds of new taxation, a social wealth fund, or quantitative easing.

We have to be able to show that a citizen's income scheme would not impose substantial losses on any household at the point of implementation, and that households with low disposable incomes would not experience any losses at all. Research shows that a revenue neutral citizen's income scheme that abolished current means-tested benefits would impose significant losses on low-income households, but that if means-tested benefits are left in place, and each household's means-tested benefits are recalculated to take into account the citizen's incomes received by its members, then such losses can be avoided.³ There are therefore two feasible possibilities:

- a citizen's income scheme with large enough citizen's incomes to enable means-tested benefits to be abolished without imposing losses on low income households (such a scheme would not be revenue neutral, so additional funding would be required); and
- a revenue neutral scheme that leaves in place the current means-tested benefits and takes into account household members' citizen's incomes when households' means-tested benefits are calculated.

Psychological feasibility

Our embedded presuppositions are that the poor need money, so we need to give money to the poor, that the rich don't need it and that if you give people money then they won't work.

These presuppositions mean that each individual, and particularly each individual related to the policy process, needs to experience an individual conversion in order to understand:

- that giving money to everyone is better for the poor (because it isn't taken away as their earnings rise);
- that it is administratively efficient to give it to the rich as well, and that it does not matter that they do not need it, because in the context of a progressive tax system the extra tax they will pay will be greater than the citizen's income they receive; and
- that the evidence suggests that people would be more likely to seek employment and to increase their earnings if they received a citizen's income than if they were on the current means-tested benefits.⁴

Sufficient conversions are possible, because a rational minority can persuade a majority⁵ and public opinion can shift very fast once the shift has started – same sex marriage is a recent example.

It is clear that people feel more generous towards certain groups, such as children and the elderly. It will therefore be easier to shift opinion towards unconditional benefits for these age groups. Once citizen's incomes are being paid to these groups, there is likely to be pressure from young adults and from those who will soon be retired for an extension of citizen's incomes to them. Further pressure from young adults about to become working-age adults, and from working age adults who are not yet pre-retired, could then result in a working age citizen's income.

Behavioural feasibility

Pilot projects and other experiments in both developed and developing countries suggest that the expected employment market, economic, and social advantages would follow from the implementation of a citizen's income.

Successful implementation of a citizen's income for one demographic group, along with the expected advantages materialising, would enable the scheme to pass the behavioural feasibility test for that group, and would build the psychological feasibility required for a citizen's income to be established for the next age group.

Administrative feasibility

Administration of existing unconditional benefits promises successful and very cheap administration of new ones.

Different schemes would pose different transition challenges, and some schemes would be easier to implement than others. A scheme that left the whole of the current means-tested benefits structure in place, and recalculated every household's means-tested benefits (including tax credits) to take account of household members' citizen's incomes, would be easy to implement, and, because fewer households would then find themselves on means-tested benefits, the administrative costs of the benefits system as a whole would fall. A scheme that abolished means-tested benefits would be more difficult to implement because more legislative changes, and a variety of transitional arrangements, would be required.

Political feasibility

The citizen's income must be in alignment with policies across party lines due to the need for support from all major political parties. Each ideology can in fact offer arguments for a citizen's income, and proponents of the different ideologies have done so.⁶ Arguments against a citizen's income are generic and not related to the ideologies.

Policy process feasibility

We need to be able to identify a route through the policy process that a citizen's income scheme could take from being simply an idea to being implemented, either for the UK population as a whole, or for a particular age group. Some citizen's income schemes, and some implementation methods, will be easier to

negotiate through the policy process than others, but a new book, *The Feasibility of Citizen's Income*, comes to the conclusion that there are citizen's income schemes that could meet a policy process feasibility test.

Feasibilities as a whole

If a psychological feasibility test had not been passed, then implementation would still be possible if the Government was convinced that psychological feasibility would follow implementation.

Different schemes would pass a psychological feasibility test with varying degrees of difficulty. A citizen's income scheme for everyone in the UK would be more challenging than one for groups such as children and the elderly. Citizen's incomes for young adults and the pre-retired, would probably pass a psychological feasibility test more easily than a citizen's income for working age adults. If a citizen's income for a particular demographic group were to pass a behavioural feasibility test, then it would generate a level of psychological feasibility for citizen's incomes for other demographic groups, and perhaps for all age groups.

Objections to a citizen's income

There is only space for brief responses to objections frequently made in relation to proposals for a citizen's income. More detail on these and other objections can be found in *101 Reasons for a Citizen's Income*.

There are problems that a citizen's income would not solve, such as the housing crisis

It is true that a citizen's income would not solve some of the problems that we face. No benefits system, however, can solve these problems.

A citizen's income would give scarce public money to people who do not need it

At first sight it does sound ridiculous to give money to people who are already wealthy. Once we recognise the administrative efficiency of doing so, however, the fact that giving money to everyone would mean that no stigma would attach to money given to the poor, the vital fact that to give money to everyone would not impose the marginal deduction rates that means-tested benefits impose, and the fact that the wealthy pay more in tax than they would receive in their citizen's incomes, and that their citizen's income would in any case simply replace their personal tax allowance, dissolves this objection completely.

A citizen's income designed for people who can earn incomes would not be sufficient for people with disabilities who cannot do so

A citizen's income would pay the same to everybody of the same age. People with disabilities experience costs higher than those of other people, and they are less able to seek employment. If a citizen's income were to replace means-tested and other benefits, then people with disabilities would not have enough to live on. Until a citizen's income could be large enough to provide everyone with an income sufficient to live on, means-tested benefits would need to be retained to provide for those households in which needs could not be fully met by a combination of citizen's incomes and earned incomes.

A citizen's income would cause people to stop seeking paid work

The most frequent reason given for not implementing a citizen's income, and the only one that does not dissolve completely on examination, is that we do not know what all of the effects of implementing a citizen's income would be. A significant effect might be people leaving the employment market.

Citizen's income pilot projects in Namibia and India found that economic activity rose among people given a citizen's income, and particularly among women. This was because a foundational income gave them the economic security to take risks and to start their own enterprises. Negative income tax experiments have found that work effort changed little when something similar to a citizen's income was provided, but that people who became unemployed took longer to re-enter the employment market, probably because they were looking for the right job rather than for any job, and that employees with children would sometimes reduce their employment hours. Neither of these tendencies should be cause for regret. The evidence therefore suggests that a citizen's income would either increase economic activity, or would reduce it slightly in ways that might be helpful.

Obviously it is not possible to foresee all of the effects of implementing a citizen's income, which is a reason for considering carefully how it should be implemented – hence this report.

A citizen's income would encourage unsustainable immigration

It is sometimes suggested that the UK's benefits system functions as a magnet, resulting in immigration that would not otherwise occur. Migration has a wide variety of causes, and it is doubtful that benefits systems function as significant magnets; but the fact that the suggestion is made needs to be taken seriously, and a response needs to be offered.

A revenue neutral citizen's income scheme would result in small gains and losses for some households, but by definition would not on average provide households with additional net incomes. There would therefore be no more of a magnet effect than there is now; and the reduction of marginal deduction rates that many households on means-tested benefits would experience if they were being paid citizen's incomes would mean that immigrants would be even more likely to seek employment or start new businesses than they are now.

A citizen's income would be unaffordable

There are certainly citizen's income schemes that would be unaffordable. A high citizen's income paid without reducing tax allowances or other benefits would not be affordable; and if a citizen's income were to be paid for by reducing personal tax allowances to zero and imposing the same income tax rate on everyone earning an income⁷ then that single rate might be too high for low earners to manage. But there are also citizen's income schemes that would be perfectly affordable. An illustrative scheme published by the Citizen's Income Trust reduces personal tax allowances to zero, abolishes or reduces most means-tested benefits, restricts tax relief on pension contributions to the basic rate, and pegs citizen's income rates to the rates at which the UK pays out-of-work means-tested benefits. It could be revenue neutral – that is, no additional public funding would be required. A similar scheme with lower citizen's income rates, and that leaves in place means-tested benefits and takes a household's citizen's incomes into account when their means-tested benefits are calculated, would be equally revenue neutral.

The objection of unaffordability will apply to some citizen's income schemes, but not to others. In relation to revenue neutral schemes, there can be no objection in relation to affordability.

Four implementation methods

This report has so far discussed some of the advantages that a citizen's income would offer and responded to some common objections. We now need to address the question as to how a citizen's income should be implemented. The following four implementation methods have been chosen for discussion because they are potentially administratively feasible:

- 1** A citizen's income for every UK citizen, large enough to take every household off means-tested benefits (including Working Tax Credits, Child Tax Credits, and Universal Credit), and to ensure that no household with low earned income would suffer a financial loss at the point of implementation. The scheme would be implemented all in one go.
- 2** A citizen's income for every UK citizen, funded from within the current tax and benefits system. Current means-tested benefits would be left in place, and each household's means-tested benefits would be recalculated to take into account household members' citizen's incomes in the same way as earned income is taken into account. Again, implementation would be all in one go.
- 3** This scheme would start with an increase in Child Benefit. A citizen's income would then be paid to all 16 year olds, and they would be allowed to keep it as they grew older, with each new cohort of 16 year olds receiving the same citizen's income and being allowed to keep it.
- 4** Inviting volunteers among the pre-retired, between the age of 60 and the state pension age.

The implementation methods in more detail

- 1 A citizen's income for every UK citizen, large enough to take every household off means-tested benefits (including Working Tax Credits, Child Tax Credits, and Universal Credit), and to ensure that no household with low earned income would suffer a financial loss at the point of implementation. This scheme would be implemented all in one go.**

Detail

The levels of citizen's incomes would need to be high enough for every household to receive citizen's incomes adding up to at least the current benefit cap.

Funding

Such a citizen's income scheme could not realistically be funded from within the current tax and benefits system as the increases in income tax rates required would be in the region of 28%. Additional funding would therefore be required.⁸

Advantages

A large citizen's income would take everyone off means-tested benefits, and if funding from elsewhere enabled income tax and National Insurance contribution rates to remain as they were, then nobody would experience higher marginal deduction rates. This would mean that everyone currently on means-tested benefits (including Working Tax Credits, Child Tax Credits, and Universal Credit) would experience considerably lower marginal deduction rates, which would improve employment market incentives.

The scheme would deliver complete freedom from means-tested benefits, and from the stigma, bureaucratic intrusion, errors, and sanctions, that accompany them. A larger citizen's income would offer considerable personal freedom, and would provide maximum opportunity to start new businesses, do voluntary work in the community, or fulfil caring responsibilities.

On average the scheme would redistribute somewhat from rich to poor, and would particularly benefit middle income earners.⁹

Disadvantages

A sizeable citizen's income would generate an employment market disincentive. It is difficult to know whether this would be larger than the incentive that would be delivered by reduced marginal deduction rates.

The radical nature of the scheme would generate uncertainty as to its likely effects, and the combination of a large citizen's income and of the funding mechanism chosen to pay for it might generate economic uncertainty and also uncertainty about both social effects and effects on household disposable incomes.

Feasibility

The big question is whether the additional funding could be found without impacting household disposable incomes, without compromising the economy's productive capacity, and without generating inflation. One scenario in which this combination might be possible would be a highly mechanised economy in which a proportion of proceeds to capital could be diverted to pay for the citizen's income. In a highly mechanised economy it would not matter if employment disincentives increased.

If this scenario were to materialise, then such a citizen's income would have the potential to pass all of the feasibility tests.

- 2 A citizen's income for every UK citizen, funded from within the current tax and benefits system. Current means-tested benefits would be left in place, and each household's means-tested benefits would be recalculated to take into account household members' citizen's incomes in the same way as earned income is taken into account. Again, implementation would be all in one go.**

Detail

A citizen's income of about £60 per week for each working age adult, £20 for each child (on top of Child Benefit), £50 for each young adult (up to age 25), and £30 for each pensioner (on top of current state pension provision), could be paid for by adjusting income tax and National Insurance contribution allowances and rates.

Funding

Income tax and National Insurance contributions would be paid on all earned income, income tax rates would rise by approximately 3%, and National Insurance contributions would be collected at 12% across the entire earnings range.¹⁰

Advantages

Anyone currently on means-tested benefits (including Working Tax Credits, Child Tax Credits, and Universal Credit) would either be taken off them or would be receiving less of them, and so would have a greater opportunity to come off them by reducing costs or seeking additional earned income. Any household no longer on means-tested benefits would cease to experience the stigma, bureaucratic intrusion, errors, and sanctions that accompany them.

The more limited nature of the scheme would mean that any net employment market effects would be likely to be small, and because existing tax and benefits structures would not change, the scheme could be implemented almost overnight.

The scheme would on average redistribute slightly from rich to poor.¹¹

Disadvantages

In this scenario a lot of households would still be on means-tested benefits. As income tax would be payable on all earned income, income tax rates would need to rise by 3%, and National Insurance contributions would be payable at 12% on all earned income. Any household not in receipt of means-tested benefits might see a small reduction in their disposable income, and higher earners would see a larger reduction.

Feasibility

Because the scheme could be funded from within the current tax and benefits system it would not generate losses of any significance for low income households, and would generate few losses for other households, this scheme could pass most of the feasibility tests.¹² Difficulty might occur over psychological feasibility, and because tax rates would rise there might be resistance to giving money to working age adults.

3

This scheme would start with an increase in Child Benefit. A citizen's income would then be paid to all 16 year olds, and they would be allowed to keep it as they grew older, with each new cohort of 16 year olds receiving the same citizen's income and being allowed to keep it.

Detail

This scheme would start with an increase in Child Benefit to £45 per week for each child, and then perhaps with a further increase. Then a citizen's income of £60 per week would be paid for each 16 year old, and they would be allowed to keep it as they grew older, with each new cohort of 16 year olds receiving the same citizen's income and being allowed to keep it.

Child Benefit would no longer be payable beyond the sixteenth birthday.

The 16 year olds would receive no income tax Personal Allowance and their National Insurance contribution lower earnings limit would be zero. This would remain the case as they grew older.

Because parents and other carers often remain responsible for the care costs of young adults up to the age of 18, a phased approach to the payment mechanism might be required, with payment at age 16 to parents, half each to parents and young adults at age 17 (this would not be an administrative problem), and payment to the young adult at age 18.

Funding

To raise Child Benefit to £45 per week for each child would require an increase in National Insurance contributions above the upper earnings threshold by 4% and income tax rates to rise by 2.5%. Personal Allowances would remain as they are. To raise Child Benefit to £60 would take an income tax rate rise of 4.5%.

A citizen's income of £60 per week for 16 year olds could be paid for by raising National Insurance contributions by a further 2% above the Upper Earnings Threshold. The following year, a further 2% increase would be required, and then the year after that a final 2% rise. The outcome after three years would be to equalise all National Insurance contributions at 12%.¹³

For each new annual cohort entering the employment market, the value of the citizen's income would match the value of the Income Tax Personal Allowance and the value of the National Insurance Contribution Lower Earnings Limit still experienced by cohorts above them not receiving citizen's incomes. No further additional funding would therefore be required. (The value of the Income Tax Personal Allowance is the allowance multiplied by the basic rate of income tax, and the value of the National Insurance Contribution Lower Earnings Limit is the level of the limit multiplied by the rate at which employee's National Insurance contributions are collected.)

Advantages

The rise in Child Benefit to £45 per week and then perhaps to £60 per week would reduce child poverty by one tenth and then by one quarter. The increase in unconditional benefits coming into every household with children would provide a solid financial platform on which to build. The young adult's citizen's income would provide a valuable contribution to maintenance costs during education and training, and would therefore encourage young people to remain in education and training. Another advantage is that the young adult's citizen's income would reduce the level of student debt.

Disadvantages

Child Benefit would no longer be paid beyond the sixteenth birthday.

Child Benefit affects the amounts of Housing Benefit and Council Tax Support payable, but is not taken into account when other means-tested benefits are calculated. The overall effect on marginal deduction rates might be very significant.

It does mean that two individuals with only one day difference in their ages could find themselves on very different tax and benefits systems. (This might generate pressure to extend the scheme to additional cohorts, and so could be counted as an advantage.) Additionally, it could take between 40 and 50 years for the whole population to benefit from a citizen's income.

Feasibility

Much would depend on public opinion related to the 4.5% increase in income tax rates. The effect of the changes on child poverty might make the higher rate acceptable.

The young adult's citizen's income would be popular both with the young adults and with their parents. The fact that once beyond the age of 19 young adults' citizen's incomes would not require any additional funding (because it would replace their Income Tax Personal Allowance and their National Insurance Contribution Lower Earnings Limit if they were employed, and means-tested benefits, or most of them, if they were not) would mean that it would not be difficult for the scheme to pass financial feasibility tests.

4

Inviting volunteers among the pre-retired, between the age of 60 and the state pension age.

Detail

Anyone above the age of 60 would be able to exchange their Income Tax Personal Allowance, their National Insurance Contribution Lower Earnings Threshold, and their ability to claim means-tested benefits, for a citizen's income of the same value as the Personal Allowance and the Lower Earnings Threshold. (If it was agreed that means-tested benefits would still be payable, then these would be recalculated so as to take into account the value of the citizen's income.) Backing out would not be possible once the pre-retirement citizen's income was in payment.

Funding

For the vast majority of such volunteers, disposable income would not change. For a couple not receiving means-tested benefits and where one partner had not been earning an income, additional funding would be required to pay for their citizen's income. The government would need to decide whether to claw back this citizen's income from high earning households via an additional tax charge, as with Child Benefit. Anomalous cases might generate either a requirement for additional funding or a saving to the Exchequer.

Advantages

Take-up of the scheme would constitute a clear measure of the scheme's popularity. The scheme would offer maximum freedom as to whether to receive a citizen's income and to pay more income tax and National Insurance contributions on earned income, or to remain in the current system.

Many of those who volunteered who were on means-tested benefits (including Working Tax Credits, Child Tax Credits, and Universal Credit) would find themselves on reduced means-tested benefits, or on none at all. They would therefore experience increased incentives in the employment market. If means-tested benefits remained in payment for the volunteers, then the solid financial floor provided by the household's citizen's income would enable many pre-retired individuals to reduce their costs or to accept part-time or occasional employment in order to come off means-tested benefits: something currently impossible for many pre-retired people. All of those who came off means-tested benefits would escape from the sanctions, errors, stigma, and bureaucratic intrusion associated with means-tested benefits.

Disadvantages

In the absence of a claw-back mechanism for high earners, granting a citizen's income to the non-earning spouse of a high earner might prove to be generally unpopular. It does also mean that two tax and benefits systems would be running alongside each other for the same age cohort.

If means-tested benefits are maintained and reduced for volunteers, because means-tested benefits, including Pension Credit, are based on a household claimant unit, couples rather than individuals would need to volunteer for the scheme. This might cause difficulties if one member of a couple wished to volunteer and another did not.

Feasibility

The scheme could pass all of the feasibility tests. In particular, it would pass the psychological feasibility test because only those persuaded of the scheme's virtues would be on it.

Author's verdict

The first implementation method, introducing a large citizen's income for all, would require substantial additional public funding, and so in the short term it is not feasible. However, if sufficient additional funding were to become available to enable a citizen's income large enough to float every household off both in-work and out-of-work means-tested benefits, then implementation would not be a problem.

The second implementation method, providing a lower level citizen's income, would be financially feasible, and it would not impose significant losses at the point of implementation. It might, however, prove to be psychologically infeasible, as might be the first implementation method.

The third implementation method, initially paying a citizen's income to young adults, could potentially satisfy all of the feasibility tests, as could the fourth method, offering the citizen's income on a voluntary basis to the pre-retired.

My verdict is this

- The third and fourth methods would be the easiest to implement.
- The second method would be feasible if a government were to conclude that, once implemented, the citizen's income scheme would be popular.
- The first method is not feasible in the current funding climate.

A note on terminology

A 'citizen's income' is an unconditional, automatic and non-withdrawable income for every individual as a right of citizenship. A citizen's income is sometimes called a basic income, a universal basic income, or a citizen's basic income.

A 'marginal deduction rate' is the proportion of additional earned income that the worker does not receive because means-tested benefits have been withdrawn and income tax and National Insurance contributions have been charged.

A 'revenue neutral' citizen's income scheme is defined as one that funds a citizen's income from within the current tax and benefits system by reducing tax allowances, increasing income tax rates, and altering National Insurance contribution rates and earnings thresholds. A 'strictly revenue neutral' scheme is one that funds a citizen's income from within the current tax and benefits system by altering National Insurance contribution rates and earnings thresholds, income tax rates, and income tax *personal* allowances, and not such allowances as those for private pension contributions.

Questions for discussion

Feasibility

- Is it possible to construct a 'feasibility score' for citizen's income schemes and their implementation methods?
- Which of the four implementation methods would be feasible in the short to medium term?
- Which might be feasible in the longer term?

Desirability

- Is it possible to construct a 'desirability score' for citizen's income schemes and their implementation methods? – a score that would increase with advantages and decrease with disadvantages?
- Which of the four implementation methods would be the most desirable in the short to medium term?
- Which would be desirable in the longer term?

Feasibility and desirability

- Is it possible to construct an overall score out of the desirability and feasibility scores?

Endnotes

- 1 Richard Murphy and Howard Reed, *Financing the Social State: Towards a full employment economy*, Centre for Labour and Social Studies, 2013, pp 25–7.
- 2 For details of pilot projects and other evidence, see Malcolm Torry, *The Feasibility of Citizen's Income*, Palgrave Macmillan, 2016, chapter 7.
- 3 Malcolm Torry, *Two feasible ways to implement a revenue neutral Citizen's Income scheme*, Institute for Social and Economic Research, Colchester, April 2015, and *An Evaluation of a Strictly Revenue Neutral Citizen's Income Scheme*, Institute for Social and Economic Research, Colchester, June 2016.
- 4 For the evidence, see Evelyn L. Forget, 'Canada: The Case for Basic Income', pp81–101 in Matthew C. Murray and Carole Pateman (eds) *Basic Income Worldwide: Horizons of Reform*, Palgrave Macmillan, New York, 2012; Sarath Davala, Renana Jhabvala, Soumya Kapoor Mehta and Guy Standing, *Basic Income: A Transformative Policy for India*, Bloomsbury, London, 2014; *Making the Difference: The BIG in Namibia: Basic Income Grant Pilot Project, Assessment Report*, Basic Income Grant Coalition, Namibia NGO Forum, 2009, pp72–3.
- 5 See Serge Moscovici, 'Toward a Theory of Conversion Behavior', pp209–239 in Leonard Berkowitz (ed.) *Advances in Experimental Social Psychology*, vol 13, Academic Press, New York, 1980, p211.
- 6 See Malcolm Torry, *Money for Everyone: Why we need a Citizen's Income*, Policy Press, 2013, pp 211–30.
- 7 A.B. Atkinson, *Public Economics in Action: The Basic Income / Flat Tax Proposal*, Clarendon Press, Oxford, 1995, pp.24–46.
- 8 See Malcolm Torry, *Two feasible ways to implement a revenue neutral Citizen's Income scheme*, Institute for Social and Economic Research, Colchester, April 2015, p6, Scheme C in this working paper would deliver something like the levels of citizen's incomes required.
- 9 Malcolm Torry, *Two feasible ways to implement a revenue neutral Citizen's Income scheme*, Institute for Social and Economic Research, Colchester, April 2015, p8.
- 10 Malcolm Torry, *An Evaluation of a Strictly Revenue Neutral Citizen's Income Scheme*, Institute for Social and Economic Research, Colchester, June 2016, p6.
- 11 Malcolm Torry, *An Evaluation of a Strictly Revenue Neutral Citizen's Income Scheme*, Institute for Social and Economic Research, Colchester, June 2016, p9.
- 12 Malcolm Torry, *An Evaluation of a Strictly Revenue Neutral Citizen's Income Scheme*, Institute for Social and Economic Research, Colchester, June 2016, p6.
- 13 Malcolm Torry, *Two feasible ways to implement a revenue neutral Citizen's Income scheme*, Institute for Social and Economic Research, Colchester, April 2015, pp8–12.

Further reading

All of the points made in this report can be found in the following sources, along with evidence for the statements made.

- Citizen's Income Trust, *Citizen's Income: A brief introduction* (Citizen's Income Trust, 2015)
- Malcolm Torry, *Money for Everyone: Why we need a Citizen's Income* (Policy Press, 2013)
- Malcolm Torry, *101 Reasons for a Citizen's Income: Arguments for giving everyone some money* (Policy Press, 2015)
- Malcolm Torry, *Two feasible ways to implement a revenue neutral Citizen's Income scheme* (Institute for Social and Economic Research, Colchester, April 2015)
- Malcolm Torry, *The Feasibility of Citizen's Income* (Palgrave Macmillan, 2016)
- Malcolm Torry, *An Evaluation of a Strictly Revenue Neutral Citizen's Income Scheme* (Institute for Social and Economic Research, Colchester, June 2016)

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