**IS CITIZEN’S INCOME STILL THE ANSWER TO WORKFARE ?**

**1. Introduction**

The idea of a citizen’s income or unconditional universal benefit has a long history in Britain, from Lady Rhys Williams’ campaign of the Beveridge report era to today’s Green Party policy documents. In between, various forms of this proposal have been promoted by claimants’ groups but also by some Conservative Party activists, all for different reasons. The Citizen’s Income Trust (formerly the Basic Income Research Group) has been a forum for debate amongst all these tendencies since 1984, and co-founded an international research group, the Basic Income Earth Network (formerly Basic Income European Network). An understanding of these debates and of the different arguments for the many proposed versions of citizen’s income is crucial in order to flesh out any realistic proposal in the current political and economic context. That context includes Universal Credit (UC) which has some similarities to certain variants of citizen’s income. UC is clearly a vehicle for imposing workfare through its ultra-strict ‘availability for work’ conditions and a likely Trojan horse for the erosion of state support for the unwaged of working age. None the less Bill Jordan, a long term advocate of CI, has seen UC as a step towards it (Jordan 2012), and writers from one libertarian left group, Plan C, whilst recognising its intentions have recently argued that:-

‘Those seeking to transcend capitalism should consider placing the universal basic income at the center of their discourse and action. The expansion to all of the newly introduced UC, its increase to the median income level and the removal of the conditions which dictate its receipt must be central to such a program’. (see <http://www.weareplanc.org/universalbasicincome/#.UsnqhhJIiDc> and also <http://anticapitalists.org/wp-content/uploads/2013/10/Exchange-Issue-2.pdf>)

To this Stuart King replied with a piece in Issue 3 of Exchange magazine, asking ‘Does Plan C really want to make us all dependent on the state ? Worse is the idea that Universal Credit should be this stipend. Universal Credit will become the most hated state system for driving down benefits….Our only demand on Universal Credit should be to prevent its introduction and for its abolition.’

So would it be possible to turn UC into a CI ? And would a CI really be the ideal income maintenance system ?

**2. What is or is not a Citizen’s Income (CI) ?**

One way of explaining CI would be to present it as an extension of Child Benefit to adults. The Citizen’s Income Trust (CIT ) brochure on <http://citizensincome.org/> describes CI as:-

‘an unconditional, non-withdrawable and automatic payment to each individual as a right of citizenship…it would be payable automatically to each man, woman and child’…’It would be non-means tested, non-contributory and non-taxable….*The availability for work rule would be abolished’*

The wording here is very similar to that of the Green Party’s manifesto:-

A Citizen's Income sufficient to cover an individual's basic needs will be introduced, which will replace tax-free allowances and most social security benefits. A Citizen's Income is an unconditional, non-withdrawable income payable to each individual as a right of citizenship. It will not be subject to means testing and there will be no requirement to be either working or actively seeking work (from section EC730, see [www.greenparty.org.uk](http://www.greenparty.org.uk)) .

The presentation and argued rationale of CI proposals are often very different from that of negative income tax, a proposal made in 1962 by Milton Friedman as a *substitute* for all forms of welfare state provision including services. However the graphs of net income against gross earnings look very similar. Thus it is crucial, when trying to distinguish and compare left and right wing variants of CI, to consider what benefits and/or services they replace, and their *conditionalities*.

The CIT envisages a separate, higher rate for older people to replace national insurance pensions and pension credit. There would be additional separate benefits for disability. Housing benefits would remain as now; so would elders’ fuel allowances and free TV licences. Tax credits for childcare costs are not discussed in the brochure.

A CI has sometimes been proposed alongside housing subsidies and sometimes without. The Green Party manifesto states that:-

‘Initially, the housing benefit system will remain in place alongside the Citizens' Income and will be extended to cover contributions towards mortgage repayments …This will subsequently be reviewed to establish how housing benefit could be incorporated into the Citizen's Income, taking into account the differences in housing costs between different parts of the country and different types of housing.

It needs to be considered that housing benefit in its present form is in part a subsidy to landlords and helps them charge more, just as in-work benefits can be a subsidy for employers and help them pay less. However, since housing benefit is a greater sum per week for many households in Britain than their unwaged benefits, it would be unthinkable to reduce it or combine it with a flat-rate benefit until and unless an effective system of rent control is in place. (Such a system is currently sought by Green members of the Greater London Assembly as well as by some left Labour MPs).

Some right-wing advocates of CI (for example Hermione Parker, 1989) have seen it as a way of ‘pricing people into work’ and therefore argued that a state benefit of this kind would be a substitute for minimum wage legislation. The abolition of a minimum wage is far from the Green manifesto, which clearly calls for a *rise* in minimum wages to the ‘living wage’ standard [[1]](#footnote-1). But a book on CI by prominent Green Party activists, Clive Lord et al (2012) sees CI as making minimum wage rules redundant (p.131). There are several problems with this argument, as detailed in section 4 below.

CI can and has been proposed with or without a uniform marginal income tax rate throughout the income scale, although a uniform rate from the first pound of income, with no tax-free allowances, is very often proposed for simplicity. Just as Child Benefit is currently taxed away 100% for those with very high incomes, there is no reason in principle why CI should not work in the same way, although there might be many different views about the best design of the income tax system. Key issues are; whether there should be some tax-free allowance as well as a CI, how high a marginal tax rate should go; and the thresholds for higher rates.

Generally CI is put forward to replace insurance based social security, at least for working age benefit, though there is no reason in principle why national insurance should not continue as a hypothecated tax, or as a way of funding pensions above the CI level or social care for elders.

The CIT and the Green Party both propose a CI for ‘citizens’, ‘subject to a minimum period of legal residency in the UK’ , without saying how long that should be, or what would be provided for residents who do not meet these criteria. This is a major question, since most EU citizens can now live and work in Britain as well as many others without UK citizenship. Anne Miller, writing in the CIT Newsletter in 2011, criticised UC for not being universal, and implies that a CI could and should be payable to everyone with legal residence.

## Translation problems have often confused discussions of CI in an international arena. Various proposals, and actual income maintenance schemes, outside of the scope of insurance-based benefits for the unwaged, have been termed ‘guaranteed income’ or ‘basic income’ and some of these (such as the French ‘revenu minimum d’insertion’ or RMI and its equivalents in parts of the Spanish state) do have work or training conditionalities imposed for some claimants. The notion that any income maintenance system should enjoin paid work as a source of self-respect and of ‘inclusion’ into society underlies the RMI, and also an otherwise CI-like proposal made by Tony Atkinson (1996). Gorz (1985, see section 3 below) also proposes a work requirement, as more recently has S.E. Dorset Green Party. There is a danger that such requirements, however apparently reasonable, could be twisted into workfarist measures; and they also wipe out one important advantage of CI, the lack of any concept of ‘cheating’ on the system and the removal of the need for policing how much work claimants do – a source of much injustice, bureaucracy and expense.

## Lastly it is important to note that a CI might make it easier or more difficult to refuse low pay, depending on its level. Many writers have argued for a ‘partial’ introduction of CI until and unless a ‘full’ CI can be afforded, where a ‘full’ CI is defined as enough to cover basic subsistence needs even if no work was wanted or available. The danger is that a low, ‘partial’ CI would simply make low pay more acceptable – as its right-wing supporters want. But in practice what is a level sufficient to enable people to refuse exploitative work, is probably impossible to predict or generalise about. Individuals’ desire for income above any defined ‘poverty line’ will depend on their lifestyle, their circumstances and the area they live in - how well or badly it is endowed with public transport, childcare facilities, properly insulated housing and so on.

## What is clear is that a very low level of unconditional benefit income would increase the supply of job applicants to low-paying or very part-time jobs, whereas there must be some higher level of CI that would result in sufficient withdrawal from low paid jobs to induce employers to pay more. Possibly econometric modelling could provide some indication of the ‘turning point’. But since we are talking about a major re-structuring of the whole system of income expectations and incentives to work, any such modelling might not predict the actual effect very well. The level of benefits and wages will continue to be an arena of class struggle, as now.

## One objection often made to CI is that it might induce a mass withdrawal from the labour market and a shortage of workers to keep the economy running. The best way to think about this is that CI can be considered as a subsidy to unpaid work and short-time (paid) working. If a CI led to a labour shortage at a given legal minimum wage level, either the CI could be reduced or the minimum wage could be raised.

**3. Different reasons why Citizen’s Income (CI) has been proposed**

CI has been advocated from different parts of the political spectrum for several different and sometimes contradictory reasons. Some of the main ones are:-

1) To simplify the benefits system and reduce the cost of administering it. The designers of UC share this goal with advocates of CI. However, UC now confronts a quagmire of wasted IT investment and implementation delays due to at least four factors. First is the insistence on online applications and computerised processing. Neither would be necessary if UC was genuinely very simple, like Child Benefit which has very low administrative costs. But UC has been made very complex by the other three factors, namely the incorporation of housing benefit, the incorporation of a childcare element, and above all the fierce conditionality.

2) To avoid means-testing of those without insurance-based entitlements (and in practice to avoid means-testing altogether)

3) To eliminate the ‘poverty trap’, allowing people to keep their benefit as they move from unemployment into work, thus encouraging them to take work which would otherwise be unacceptable either because of low hourly pay or too-short hours. Right-wing advocates of CI such as Hermione Parker (1989) or Milton Friedman (1962) have seen CI as an alternative to a national minimum wage, a way of making unacceptable pay rates acceptable to jobseekers without employers having to pay more. In the same way, UC is seen by its designers as a means of ‘pricing people into work’ without raising the existing minimum wage. However Guy Standing (1989) sees CI as an appropriate replacement for social insurance in a world of precarious employment where many part-time, temporary or long-term unemployed people cannot build up an insurance record. Thus it reduces poverty for the precarious, but is not a substitute for labour regulation to reduce precarity – of which Standing is a strong advocate. Robertson (1985) and Clive Lord et al. (2012) advocate CI as a solution to the poverty trap and as an *alternative* to labour market regulation, whilst appearing unconcerned about the resulting gift from taxpayers to employers via CI payments.

4) To encourage part-time and voluntary work and make ‘work-sharing’ and ‘care sharing’ more acceptable, a point made by (amongst others) the Green Party [[2]](#footnote-2), by Clive Lord et al, Jordan (1987), and Robertson (1985). For Andre Gorz (1985) , CI represented the form that personal income could take as increasing automation made human labour power increasingly redundant, requiring a break with the ‘law of value’ and the wage/salary system as a way of distributing GDP. He proposed it hand in hand with work-sharing – a contribution of 20,000 hours’ work per lifetime would be required from each person to ensure that necessary work was done. But, writing in an era when trade union strength was far greater than now and from a country (France) where trade unions had historically had a significant role in the design and administration of social security, he hinted that this work requirement could be implemented through agreements organised by trade unions or at least democratic working class organisations, rather than the state.

5) To break the link between income and work, distributing resources on the basis of ‘to each according to her need’. This goal, of which there is a flavour in Gorz, attacks the twin problems of inequality and the constant concern with economic growth as a source of employment. Gorz’s future world would emphasise ‘use values’ rather than ‘exchange values’, envisaging a contraction of *market* activity in favour of activities performed for their own sake. In particular this encourages caring, whether for children, grandchildren, or disabled or older people. This is an important function of a CI, since caring activities risk losing quality if marketised and the ‘carer’s allowance’ of the present UK system is both totally inadequate as a way of helping carers and also inflexible – it is a deterrent to caring being shared. For some proponents of CI, including Lord et al, the de-linking of income from employment is also a way of making it more acceptable to abandon economic growth as a key goal, to stabilise or reduce consumption of natural resources in the interests of ecological balance and halting climate change. A paradox is that in Lord’s proposals, it undermines the system of wage labour – obviously a key element of capitalism – whilst at the same time making people dependent on the state for distributing the CI.

6) as a way of sharing out the stream of revenue from some publicly held capital asset, often mineral resources – for example the ‘social dividend’ paid to everyone in Alaska and locally in some parts of India and Namibia[[3]](#footnote-3). A land value tax would be a way of re-appropriating some of urban real estate values for communal use for this (and other) purposes, especially in unusually high-value areas like central London.

7) to enable people to walk away from jobs where conditions are unacceptable, helping people to challenge excessive overtime, unsafe practices, sexual harassment, etc.

8) to largely eliminate the crime of benefit fraud, by declaring it legal to work and claim benefit at the same time.

The last two points, amongst several of the others, are made by the current campaign for a Europe-wide CI, on [www. basicincome2013.eu](file:///F:\univcredit_lit\cab_briefing_on_universal_credit_jan_27th_2011.pdf)

**4. The labour market effects of CI and evidence about benefit systems which share some of its features**

There are some important effects of CI that would depend on how recipients responded to a different incentive system. All ‘availability for work’ rules would be removed in the CIT’s and the Green Party’s proposals. This means some people with particularly poor work prospects (for example because of poor health, a criminal record, or residence in an unemployment ‘black spot’ ) would probably stop searching for jobs, whilst others who are currently discouraged by the ‘benefits trap’ would accept jobs at a lower wage rate (or higher commuting costs, etc.) than they had formerly thought feasible. So would some of those people who are currently discouraged from working because means-tested benefit would be withdrawn from their partner.

Compared to the JSA/ESA system, CI would make it more attractive to accept ‘mini-jobs’ for a few hours a week, because people could keep all their earnings rather than suffer benefit withdrawal. International research on benefits for lone parents has found that increasing disregards generally does draw many more into paid work (Finn and Casebourne 2011). If working and claiming was permitted for everyone, ‘mini-jobs’ would probably proliferate, echoing the experience of France, Belgium and Germany in the 1990s. These countries had a system known in French as ‘cumul’ – the permitted ‘cumulation’ of a part-time wage with part-time benefits. Substantial ‘disregards’ of this kind led to a growth of precarious, very part-time and usually temporary job offers which it was argued took the place of full-time, longer-term jobs and undermined established TU conditions (Gray, 2002). As employers increasingly take advantage of the wage subsidies inherent in such systems, those seeking full-time work are increasingly disappointed and the state must either extend wage subsidies further to boost the demand for labour, or drive people into the job offers which they find inadequate by means of workfare-like conditions (Gray 2002) .

Trade unions and social movements of the unemployed and precarious were very concerned about the proliferation of precarious work, or ‘flexploitation’ as I once called it (Gray 2004). They sought a solution not so much in changes to the income maintenance system as in re-regulation of the labour market and in mass struggle against casualization, workfare and exploitative trainee positions. All these demands were expressed in the ‘Euromarches’ movement.[[4]](#footnote-4)

The CIT in its introductory brochure (<http://citizensincome.org/filelibrary/booklet2013.pdf> , page 13) argues that ‘labour market flexibility’ is a good thing and would be encouraged by a CI. It supports the idea of a National Minimum Wage but does not consider the possibility of CI depressing wages. But CI might well encourage more employers to hire at the ‘wage floor’ as it became more acceptable to jobseekers – leaving the Exchequer with less tax receipts and in effect allowing part of the value of CI to go to employers. However CI is presented and whatever the reasons for demanding it, such a payment is undeniably a wage subsidy. As such, it is open to the criticism that it will encourage employers to pay less than they would otherwise have needed to offer to attract job applicants, if the wage was all someone had. This criticism, based on evidence, has been made of Working Families Tax Credit and its UK predecessors (Wilkinson, 2001) as well as of the Speenhamland system of the early nineteenth century (Polanyi, 1957). It can likewise be predicted as an effect of UC, even if (as several commentators suggest) UC actually offers *lower* payments to many households than the current combination of JSA and WTC.

As Jordan says (1987, p. 158), if a CI is not high enough to enable workers to live on it alone, ‘this amounts to an artificial encouragement of low wages and a wasteful use of labour, which, in the absence of a full basic income, is really an encouragement of exploitation, since workers cannot rely on their basic incomes for subsistence’. But who is to say at what level of CI people who now seek work would say, ‘that’s enough for me, I don’t want to work, at least for an employer’ ? The level would vary with the individual’s circumstances, savings, earnings prospects, and degree of liking or dislike for their customary occupation. One could try to determine, through econometric modelling, at what level of CI employers of particular occupational groups or skill levels would offer less wages than they would without a CI, given the state of the economy and other relevant circumstances. But since recent labour market history is so coloured by JSA conditionality, it would be hard to say what people would choose on the basis of financial rewards alone. What seems obvious is that below a certain level, a CI would encourage low pay, and above a certain level it would discourage low pay, without being able to tell where the turning point would be. Jordan’s approach in a later work where he addresses this issue (Jordan, 1998) is effectively ‘suck it and see’. He says (p.176) ‘by offering citizens “time out” of the labour market for cultural or political pursuits, for investment in higher skills or improvements to their homes, or for looking after the next generation or people with special needs, or simply for travel, recreation and personal development, it would maximise chosen participation and minimise constrained activity. If that meant less labour was supplied than the formal economy needed for efficient functioning, the basic income would have to fall to a level that would once more increase formal labour supply’. None the less there are two major issues about this solution. Firstly it would require that the army of labour (reserve or otherwise) had much more power than at present – in the emasculated state of British trade unions – to bargain for employers, rather than middle income taxpayers, to cover the cost of labour power. Secondly a fall in labour force participation would mean a fall in the tax take, so that public borrowing would be needed to finance the CI until and unless the supply of labour and tax revenues could be restored.

**5. Comparison of Citizen’s Income and Universal Credit**

UC appears attractive in so far as it has some similarities with a CI proposal, but there are also some very important differences:-

a) UC is assessed on the income of the household – different no-deductions levels of income are allowed for single people and couples. CI on the other hand is an income for each individual, so that no reporting or investigation is required of partnership status or changes in it, and each person has an income of their own regardless of any difficulties about distribution of income within the family. This is a very important feature of CI to provide income security for unwaged women, especially in situations of relationship breakdown or domestic violence.

b) UC has a much higher marginal deduction rate for people working more than a few hours a week than recently proposed versions of CI. The CIT’s proposal, like that of the Green Party and many others, envisages that earnings alongside of a CI would be subject to the standard rate of income tax plus a percentage tax which would replace national insurance contributions – at current rates about 31%. But under UC, earnings over the ‘work allowance’ (that is, earnings disregard level, which varies with household type) lose 65%, and beyond the income tax and NI thresholds 76% (until the UC entitlement is all withdrawn).

c) Because of the poor incentive to work resulting from UC’s high deduction rate, Anne Miller comments that ‘It is not surprising that a stiff regime of conditionality and sanctions, and thus of expensive monitoring, has to be in place to enforce this incentive.’

d) UC is for persons currently eligible for any of the benefits it replaces, whereas CI (despite its name) in the CIT and Green Party proposals would be for anyone who is legally resident. UC would exclude asylum seekers, people on self-employment work visas (who are often running marginal small start-up businesses or are individual freelancers), migrants from some states that have recently joined the EU, people who are still ‘habitually’ resident in another country even though they may have arrived (or returned) to the UK with the intention of permanent residence, and so on. Current difficulties and debates surrounding the eligibility of migrants for benefits underline the importance of a *Europe-wide* CI as a necessary counterpart to freedom to work anywhere in the EU.

e) Most important of all, UC is a policy to drive people into low-paid and casual work and is accompanied by job-centre disciplines for all claimants, even those already doing some work who will be pressured into increasing their hours or looking to change jobs until they can earn away their UC entitlement. Generally speaking, any ‘availability for work’ conditions or work obligations are contrary to one of the most important arguments for CI, which is to help people resist exploitative work and excessive working time, emancipating non-market forms of work (unpaid caring and voluntary work, and the ‘subsistence economy’ of house repairs and food growing) in a way that JSA or UC conditionalities cannot do. When we consider that around a quarter of all day-care for children in the UK is provided by unpaid grandparents, many of whom are still of working age (Gray 2005), and voluntary work contributes between £22 billion and £40 billion to the economy annually[[5]](#footnote-5), we can see how much may be lost through an ever-more-workfarist benefit system which begins to pressurise part-time workers to work more hours.

**6.** **Universal Credit as a ‘stepping stone’ to CI; would claimants gain or lose from the shift to UC from the previous system ?**

The government has claimed that UC will give unwaged people more incentive to work, but as stated in the last section, the incentives are actually quite poor. According to the Institute for Fiscal Studies, ‘incentives to work will be strengthened for the main earner in a family who works part-time or has low earnings, and will be weakened for those with higher earnings and for second earners in couples’ (Mike Brewer et al. 2012, , pp.69-70). UC will have a higher withdrawal rate than tax credits do, because UC will be withdrawn at the rate of 65p for every extra £1 earned, compared to only 41% from tax credits. This change particularly hits people with a working partner. James Browne of the IFS said in a conference presentation[[6]](#footnote-6) that 1.8 million claimants will lose £3.8 billion between them from the introduction of UC, whilst 2.9 million (mainly single earner couples with children) will gain £4.9 billion between them and 2.4 million will see no change. A joint report from Child Poverty Action Group and the TUC[[7]](#footnote-7) said that over 61% of UC claimants will lose from the introduction of UC combined with other cuts to benefits since 2010. From the switch to UC alone, pensioner couples lose £478 p.a., unwaged couples with no children lose £778 p.a. and some disabled people lose well over £2000 per year (because of the abolition of ‘severe disability premium’ and of the disabled WTC when UC is introduced, either worth over £50 per week). Marginally viable self-employment is also hit, because UC assessment will assume self-employed people make as much as the hourly NMW even where they actually do not.

Whereas the current system does not means-test tax credits against savings (only against income) UC will withdraw some in-work money from those with savings over £6,000 and withdraw the benefit entirely from those with £16,000 or more. This particularly impacts workers who have recently suffered redundancy or who are saving for retirement or house purchase.

The future value of UC may wither if the allowances are not updated. Already, the potential gains of the gainers from the new system have been substantially reduced by the decision to freeze the ‘work allowances’ for three years.

In short, Universal Credit is not easily transformable into a true CI; even if all conditionalities were removed, the ‘work allowances’ and maximum UC amounts are per household rather than per person, they are too small and the marginal deduction rate is still very high. It would be better to ‘start again’, whilst recognising that if funds could be found for UC, they could also be found for a CI of similar scale.

**7. What would a true CI cost ?**

The more UC and/or the overall package of existing benefits costs, the greater the funds available to ‘switch’ to CI without calling on other sources of state revenue like higher income tax (often raised as an objection), wealth or land taxes or eco-taxes (which might be at least as much needed as revenue to fund other state expenditure). The safest plan, in terms of both fiscal feasibility and political acceptability, would be to aim for a system in which no claimant loses compared to the present system. This is what the Green Party manifesto does by saying ‘When the Citizens' Income is introduced it is intended that nobody will be in a position that they will receive less through the scheme than they were entitled to under the previous benefits system.’

Like the Green Party, the CIT also proposes that the CI would keep the current levels of unwaged benefits and minimum pension guarantee, leaving housing benefits untouched. Thus a CI would be affordable because it would just make a different use of the existing benefits bill (just over £200 billion) plus personal income tax allowances (around £68 billion) in 2011-12, together totalling around £272-£276 billion. Working tax credits, national insurance contributions for employees and tax allowances would be abolished. These changes would mean the CI compensated for tax which would be paid (with no tax-free allowances) on the first £11.5k of annual earnings and the first £18.5k of investment income. However the marginal tax rate would be 32% for everyone, including all those moving from no work to some work. This single income tax rate is questionable for two reasons. Firstly, it undermines the concept of ‘freedom to work’ at very small or temporary jobs. It seems reasonable for the very poor to be able to have some initial slice of income which would be theirs to keep 100% and which they would not have to report to the tax authorities. Secondly, right wing proponents of CI obviously would like low taxes on high incomes, so the desire for ‘simplicity’ of tax/benefit rules is often used to smuggle in a notion that higher income tax rates on higher incomes should be abolished. This is not a necessary part of any CI scheme and CI is compatible with higher tax rates than now for the rich. Anne Miller (2011), for example, has proposed that higher rates of income tax for higher incomes would be retained under a CI system. CI would also be compatible with wealth or real estate/land value taxes as ways of getting more state revenue, either for CI and/or for other much-needed purposes.

Minimum wage regulation crucially affects the cost of CI. If a CI was introduced alongside a ‘living wage’ (raising the minimum legal wage) not only would some workers gain (even if with no tax allowances they paid a standard rate of tax on the increase), but the exchequer would gain too. The rise from the current minimum wage to the higher ‘living wage’ would mean that low-paying employers paid more of their own wage bill, saving the state some of the in-work benefits their employers currently receive. A rough and ready calculation of raising the minimum wage by around £2 an hour (made on data available in early 2010) suggested that the tax credit bill could have been reduced by £3.5 billion to £6 billion. Likewise, housing benefit costs could be reduced by rent control and alleviating the housing shortage. These savings in benefit bills could be made just from shifting the cost of labour back to employers and the cost of housing back to landlords and developers; they do not depend on the introduction of CI itself, nor on claimants changing their behaviour.

**8. Conclusion; the next steps for supporters of Citizen’s Income**

Debate needs to focus not on the potential cost of CI, but on its labour market effects. Introducing a CI into the UK’s excessively ‘flexibilised’ labour market with only a low (and poorly enforced) legal minimum wage would probably worsen wages and conditions. Much of its ‘benefit’ in the current context would go to employers as a wage subsidy.

The lower a CI, the less likely it is to help people to resist exploitative work and the more likely it is to have a ‘Speenhamland effect’. Thus proposals for a ‘transitional’ or ‘partial’ CI may be especially likely to turn into hidden wage subsidies or –like the continental experience of ‘cumul’ – lead to excessive splitting of work into dead-end ‘mini-jobs’.

CI could have adverse effects for unwaged and low paid people *unless* introduced in parallel with supporting measures to re-regulate the labour market and restore the eroded power of trade unions. To quote Clark and Kavanagh (1996, p. 404) (Charles Clark and Catherine Kavanagh, 1996, ‘Basic Income, Inequality and Unemployment; Re-thinking the linkage between Work and Welfare’ in *Journal of Economic Issues,* vol. 30, no.2, pp. 399-406):-

‘Whether a Basic Income policy would weaken or strengthen workers’ power in the labor market is a more difficult question to answer. It would depend on the context in which the Basic Income policy was instituted and the support workers already received from the state. The existence of a minimum wage, strong unions, and enforced pro-labor legislation might be essential to preventing the Basic Income from becoming a wage subsidization policy’.

The Socialist Party, in commenting on Clark and Kavanagh’s paper, believes it over-optimistic that a CI would actually help workers, even with such supporting measures, saying ‘It is just inconceivable that a state payment to everybody in work would not adversely affect wages and salaries’. [[8]](#footnote-8)

This comment misunderstands what most CI proposals attempt to do, which is to raise income mostly for those who are *not* in full-time work. The most appropriate way to increase income for those who are in work is obviously to raise wages, otherwise employers will receive part of the benefit of CI by paying lower wages than they would in its absence.

In order that CI does not have this ‘Speenhamland’ effect or encourage casualisation, it would be best to regard it as an income maintenance policy to be implemented *after* measures to protect and improve wages and conditions have been put in place. A CI cannot be expected to become an adequate tool for resisting ‘flexploitation’ by itself. It can address the several objectives listed in section 3 *only* if the third objective – ending the ‘poverty trap’ – is underpinned by improving the quality of jobs on offer. Several of the goals of CI – ending workfare and conditionality, permitting ‘cumul’, reducing poverty, giving more freedom for unpaid work – can better and sooner be addressed directly, separately from introducing CI. This would mean working for four points – less conditionality and no workfare; higher disregards; a higher national minimum wage; equal remuneration for part-time and temporary workers and an end to zero hours contracts. To underpin these four points, legal changes are needed; to restore trade union freedom, protect the right to state income support against erosion over time, and raise relatively more tax revenue from profits, wealth and inheritance. Lastly, restoration of pre-2010 housing benefits and disability-related benefits are immediate concerns which need not wait for a complete overhaul of the benefit system. (These nine points are set out as a ‘benefits manifesto’ in Appendix 1. An eventual CI, after the pre-conditions for making it work have been put in place, could be added as point 10).

**Appendix 1; A nine point manifesto for immediate benefit reform**

1) ending workfare along with all forms of unpaid ‘work experience’ placements and compulsory job search programmes. Many of the latter may be seen as expensive attempts to deter the unwaged from refusing low paid work and to make them compete pointlessly with each other for a limited number of vacancies. Softening or removing ‘availability for work’ rules for lone parents of very young children, for jobseekers with substantial health problems and those approaching retirement age would be a priority, calling for restoration of benefit entitlements which have been removed in recent years. Many jobseekers would probably enrol for useful skills training or education if permitted to do so whilst claiming. The effect of reduced conditionality would probably be a reduced number of applicants for the worst jobs and a gradual improvement in skills.

The ‘work allowance’ under UC is not a true ‘disregard’ since part-time workers (if not carers) will have to be ‘available for’ and looking for longer hours until/unless they can become independent of UC. One aspect of challenging excessive conditionality would be to demand removal of this pressure on part-timers to work *more.*

2) Increasing the ‘disregard’ level for unemployed claimants so that there is a substantial slice of untaxed income that they can earn from small casual and part-time jobs without any conditions. The disregard level should be defined not in money but in *hours* over several weeks ( say 12-16 per week, averaged over say eight weeks) to avoid any disincentive to accept or seek a higher hourly rate. One possibility would be to generalise the current rule that ESA claimants can earn up to £95 per week for up to a year, permitting 15 hours at the NMW without benefit deductions. Under Universal Credit they will lose this opportunity. UC will improve only slightly on the current JSA disregards of £5 per week or £20 for lone parents and carers. It will allow people to keep 100% of their monthly ‘work allowance’ although withdrawing 65% of UC for everything they earn above that level. This means the effective disregard is £111 per month for childless people, or about 4 hours’ worth per week of the minimum wage, 8 hours’ worth for a couple with one child and 9 hours’ work for a lone parent with one child[[9]](#footnote-9) . These rather small amounts apply if the household also claims housing costs, but home owners with no outstanding mortgage are privileged by a disregard equivalent to 19.5 hours’ minimum wage for 2 parents with 2 children, or 26 hours for a lone parent with one child, if they do not claim housing costs.

Increasing disregards for all those claiming housing costs to say 16 per week for at least a year of their claim period would induce extra part-time working and job-splitting, but there would be no particular incentive for employers to create vacancies for less than 16 hours, as might occur with smaller disregards like the UC ones for childless people or like the historic experience of ‘cumul’ on the continent.

3) Press for higher wage levels for those at the bottom end of the income scale, so as to lift employees out of scope of in-work benefits and make their employers pay their true wage bill. A compensating wage subsidy for small businesses hiring unemployed people could be envisaged alongside of this. Without a substantial increase in the wage floor, CI could rightly be accused of repeating the wage-reducing effects of the Speenhamland system.

4) Press to outlaw zero hours contracts and ensure strict enforcement of equal pay and fringe benefits for part-time, temporary and agency workers, resisting current moves to reverse the gains which UK workers have derived from relevant EU directives.[[10]](#footnote-10)

5) Press for a reversal of the anti-trade union law introduced in 1990, which outlaws solidarity actions and those intended to support pressure for changes in conditions *other* than labour contracts, such as benefit regulations, privatization, trade union law, etc.

6) Press for a right to state income support, at a certain minimum replacement ratio of the average or median wage, to be written into law rather as the child poverty reduction targets are written into law. This would preserve unwaged benefits from further erosion through budget cuts or inflation. One problem with Universal Credit is that by cutting the link between contribution record and benefit entitlement, it opens the door to any government to whittle away benefit levels even more than they have already been eroded by inflation in recent years. This risk appears with any non-contributory system, including CI. Already the government imposed huge losses by freezing the UC ‘work allowances’ for three years.

7) Press for new and higher or more effectively enforced taxes on profits, wealth, inheritance and land or real estate, to fund benefits (as well as public services, which also need additional state revenue to avoid and restore cuts). If funded from the income tax/national insurance ‘pots’ alone, as some CI promoters have advocated, CI could become, as the Socialist Party puts it, ‘a re-organisation of poverty’.

8) Restore pre-2012 levels of housing benefit and preserve them until and unless the cost of rented housing can be very substantially brought down by rent controls and building of more cheap social housing. The ‘cap’ on eligible rents, especially for single people, the overall benefits cap, and the bedroom tax are all recipes for destitution and homelessness in a system which depends so heavily on housing benefit for a reasonable level of income replacement when out of work[[11]](#footnote-11).

9) Restore and preserve pre-2010 levels of benefits for people with disabilities (‘severe disability’ premium, the disability element of WTC, the cuts in DLA and its replacement by PIP); replace the current form of WCA testing by fairer procedures

1. <http://greenparty.org.uk/policies/jobs-2010.html>) [↑](#footnote-ref-1)
2. <http://policy.greenparty.org.uk/ec#Direct> [↑](#footnote-ref-2)
3. <http://blogs.lse.ac.uk/politicsandpolicy/archives/34269> [↑](#footnote-ref-3)
4. <http://www.euromarches.org/> [↑](#footnote-ref-4)
5. The National Council for Voluntary Organisations estimated that the economic contribution of volunteers in 2007/08 was £22.7 billion. (see www.biglotteryfund.org.**uk**/value\_of\_**volunteering**.pdf‎) whilst another estimate including the work of volunteer police and magistrates goes up to £40 billion (see <http://www.volunteering.org.uk/policy-and-campaigns/volunteers-week>, the site of Volunteering England which is part of NCVO). Neither includes unpaid caring work offered to relatives and friends, of which it is said that in London alone the over 50s (the main age group involved) ‘provide £4.7 billion, as a result of caring for other adults and £600 million providing childcare for their grandchildren’ (see GLA press release on <https://www.london.gov.uk/media/mayor-press-releases/2013/10/older-londoners-bring-53-billion-boost-to-the-economy>). [↑](#footnote-ref-5)
6. (<http://www.ifs.org.uk/conferences/uc2011_browne.pdf>) [↑](#footnote-ref-6)
7. <http://www.cpag.org.uk/sites/default/files/TUC-CPAG-UC-report-0413.pdf> [↑](#footnote-ref-7)
8. (<http://www.worldsocialism.org/spgb/socialist-standard/2000s/2008/no-1243-march-2008/basic-income-dangerous-reform>) [↑](#footnote-ref-8)
9. Assuming they are over 25 and have a claim for the ‘housing costs’ element of UC [↑](#footnote-ref-9)
10. <http://www.independent.co.uk/news/uk/politics/uk-opts-out-of-eu-legal-high-plans-9056212.html> [↑](#footnote-ref-10)
11. OECD cross-national comparisons in 2004 showed that JSA plus housing benefit replaced only 53% of the wage for average production workers, lower than any other north European country - see <http://www.oecd.org/about/publishing/36965805.pdf>. In 2011-12 housing benefit totalled £16.94bn and rent rebates £5.45 billion, against £15.41 billion for the total of JSA, ESA and IS – see <http://www.theguardian.com/news/datablog/2013/jan/08/uk-benefit-welfare-spending>. [↑](#footnote-ref-11)