



An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta
National Economic & Social Council

Towards a More Integrated Income Support System

Background Paper

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This background paper provided additional empirical and analytical material on the issues discussed in the main Council report on *The Future of the Irish Social Welfare State: Participation and Protection*. It was considered by the Council in April 2019.

A list of the full set of NESC publications is available at www.nesc.ie

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Abbreviations

BIEN	Basic Income Earth Network
CBI	Citizens' Basic Income
CIS	child income support
DWP	Department for Work and Pensions
HAP	Housing Assistance Payment
IQC	Increase for a Qualified Child
JST	Jobseeker's Transitional payment
NAO	National Audit Office
NCS	National Childcare Scheme
OFP	One-Parent Family Payment
SEED	Stockton Economic Empowerment Demonstration

Executive Summary

The NESC report on *The Future of the Irish Social Welfare System: Participation and Protection* (NESC, 2020) has been informed by a number of background papers. This paper discusses possibilities for a more integrated income support system which would work towards the alleviation of poverty while encouraging participation in the labour market and other activities. What is clear from the poverty figures is that people who are not working have the highest risk of poverty and deprivation, whether through unemployment, illness or disability, or child rearing, and that children have a higher risk of poverty than adults.

The paper starts off by describing the current system of social assistance payments with a focus on means-testing and conditionality. While means-tested payments are targeted at those most in need, and are seen as an efficient use of resources, they are associated with a number of disadvantages. These include unemployment and poverty traps related to withdrawal rates, stigma, low take up, a disincentive to save for some, and complexity. Having conditions attached to the receipt of welfare benefits, especially for people of working age, is acknowledged as part of the rights and responsibilities associated with receipt of state support. How these rights and responsibilities are applied seems to be most important to the effectiveness of this conditionality. Where the welfare and employment support services can be tailored to meet the needs of individuals and present them with a range of options, this seems to be the most effective method of engagement with the best outcomes for everyone involved.

The paper then goes on to consider a number of reform possibilities. The merging of various means-tested benefits for people of working age is discussed with reference to the UK's Universal Credit system and analysis of the desirability and feasibility of introducing a single working age payment in Ireland. It is concluded that there may be some merit in moving towards a more integrated payment structure on an incremental basis but the implications need to be considered carefully, particularly in relation to retaining flexibility to tailor payments to meet people's needs, and to be complemented by adequate support structures and service provision.

Consideration is next given to the concept of a participation income. The underlying purpose would be to ensure that each payment arrangement to people of working age acknowledges that meaningful participation of some form is a legitimate expectation of people of working age (both their expectation and society's expectation of them), and only in rare cases should it be accepted that an individual does not have some capacity to develop a greater degree of self-reliance. Ideally, the income support arrangements governing people of working age would see erosion of differences in how people with various contingencies are treated. The application of a participation income would envisage a broader definition of the activities people could participate in.

One way of integrating social insurance and social assistance, and indeed the tax system, is through the introduction of an unconditional universal basic income. Basic income is a universal unconditional income granted to each individual regardless of personal circumstances. The basic income is tax free and all other income is taxed. The concept of a universal basic income has been around for a long time but is currently generating interest particularly because of rising inequality, the changing nature of work through increasing precarity and technological change, the perceived complexity of the social welfare system, and purported disincentives in transitioning from welfare to work. More recently it has also gained currency as a response to the impact of Covid-19, especially in relation to some sectors of the economy.¹

There are a number of variations of a universal basic income such as a negative income tax and partial basic incomes. Unlike a universal basic income which gives an income to everyone, a negative income tax is a way to let people below a certain level of income receive money back from the state. In a negative income tax system people earning a certain income level would pay no taxes; those earning above that level would pay a proportion of their income above that level; and those below that level would receive a payment of a proportion of their shortfall, which is the amount their income falls below that level. A variation of a negative income tax is refundable tax credits. Other partial basic incomes can take the form of a lower level of payment than a full basic income or targeting sub-groups of the population such as children or those on low incomes.

Partial basic income experiments have taken place throughout the world in both developed and developing countries. Some of the most well-known and best documented have taken place in Finland, the Netherlands, Ontario in Canada, and Alaska, USA. Conclusions drawn from a consideration of basic income and its variants are that while an unconditional universal basic income simplifies the tax and welfare systems there are issues in relation to payment adequacy, overall cost, and difficulties tailoring the payment to specific needs. Variants of basic income lose the advantage of simplicity but may be of value in certain circumstances and may be worthy of further consideration.

Child Benefit is a basic income for children. However, the level of payment is not sufficient to lift children in low income households out of poverty, so that an additional means-tested payment, the Increase for a Qualified Child (IQC), is paid to some of those with children who are on social welfare payments. This additional payment can create a poverty trap for some larger families as they stand to lose the IQCs when taking up a job. In 2007, NESC published a research paper considering a type of child benefit supplement and making the case for a new form of targeting for Ireland's child income supports. The paper examined merging the Increases for a Qualified Child and the Working Family Payment into a single programme to provide a seamless source of child income support. This would be a new second tier payment,

¹ In Ireland, in October 2020 the Arts and Culture Recovery Taskforce proposed a three year universal basic income pilot scheme for arts workers. The scheme would involve a basic income payment of €325 per week per individual, at a cost of €2.5m per 1,000 participants, see <https://www.gov.ie/en/news/e7f78-latest-updates-from-the-arts-and-culture-recovery-taskforce/>.

in addition to the universal Child Benefit, that would be paid only where family income is low, and everywhere family income is low. At the time it was acknowledged that such a new second tier payment would make significant demands on the public data and administrative systems. However, the previous administrative difficulties of being able to assess the income of low income families, especially in the transition from welfare to work, may be able to be resolved through the systems which have been put in place for the means-tested element of the National Childcare Scheme.

Based on the discussions in this paper and the premises of the overall project the following conclusions are drawn.

- Rationalise some of the means-tested payments, but carefully, drawing on the experience of the introduction of Universal Credit in the UK and the analysis on the desirability and feasibility of introducing a single social assistance payment for people of working age. There are changes which can be made to the payments system, but these need to be undertaken carefully and with a mind to the behavioural and long-term implications of the changes, with adequate supports being put in place, as necessary. Consideration could be given to piloting such changes.
- Simplify the means-testing system so that a single means-test could form the basis for a range of payments, and could be transferable between a number of payments.
- Consider the possibility of introducing a participation income where there is a broader definition of the activities people could participate in. Such activities could include approved forms of education and training, caring for young, elderly and disabled people or undertaking approved forms of voluntary work.
- A full universal unconditional basic income is not seen as viable at this time. There remain too many unknowns and it would seem that either the basic income payment would be too low to lift people out of poverty without additional supports, or the tax rate or other funding required to pay for it would be too high. In addition, behavioural responses to this type of basic income are largely untested.
- Variants of basic income may be worth considering given the changing nature of work, etc. Here, it is useful to learn from the pilots and experiments which have been tried elsewhere. For example, it may be worthwhile to consider undertaking a pilot targeted at low income people and whether a basic income type payment would help them to improve their quality of life. Some positive lessons emerged from the Finnish and Canadian pilots, though these are no longer in operation. Another possibility to support low-paid workers without children who are at risk of poverty, would be to introduce a refundable element to personal and employee tax credits.
- It is worth revisiting the possibility of moving towards a second tier of child income support, through merging Qualified Child Additions and the Working Family Payment. While in the past this was deemed difficult because of insufficient available information on which to make the necessary income assessment, this may now become possible with the introduction of the National

Childcare Scheme (NCS), which assesses family income to determine access to the means-tested element of the NCS. A second tier of child income support, in addition to the universal Child Benefit, would help smooth the transition from welfare to work for low income families with children.

- The importance of complementary services and community supports especially with respect to housing, childcare, health and further education. From the *Developmental Welfare State* work (NESC, 2005), and evidence from elsewhere, it is clear that good service provision, with community supports, can enable people to access available employment and/or improve their quality of life. These are required to support a more integrated income support system.

1.1 Introduction

One of the primary rationales for the social welfare system is the alleviation of poverty. While the Irish social welfare system has been reasonably successful in keeping people out of poverty during difficult times, as evidenced in the aftermath of the 2008 economic recession and more recently in responding to the Covid-19 pandemic, there still exists a significant level of poverty among some groups. For instance, in 2019 social transfers reduced the at-risk-of-poverty rate from 41.4 per cent to 12.8 per cent, representing a poverty reduction effect of 69 per cent (CSO, 2019). Ireland was one of the best performing EU member states in this regard (DEASP, 2019). Nevertheless, in 2019, 12.8 per cent of the population were at risk of poverty, 17.8 per cent experienced enforced deprivation and 5.5 per cent were living in consistent poverty (both at risk of poverty and experiencing enforced deprivation). Using consistent poverty, the official Government poverty measure, unemployed individuals (20.2 per cent), those who were not at work due to illness or disability (18.1 per cent), households where no one is working (17.3 per cent) and lone parents (17.1 per cent) had the highest poverty and deprivation levels. The lowest consistent poverty levels were among those who were at work, those who were retired and in households where there were no children. The consistent poverty rate for children (those under 18) was 8.1 per cent in 2019, compared to 5.1 per cent for those of working age (18-64) and 2.3 per cent for retirees (aged 65 and over).

What is clear from the poverty figures is that people who are not working have the highest risks of poverty and deprivation, whether through unemployment, illness or disability, or child rearing, and that children have a higher risk of poverty than adults. For those who can work, a decent job is the best route out of poverty.

As well as alleviating poverty the social welfare system also supports people into employment through its Intreo service, the Local Employment Service and Jobpath. In making the transition from social welfare to employment there can be an element of uncertainty, with loss of social welfare benefits and delays in receipt of wages or assessment for Working Family Payment for low income families with children (NESC, 2018). This transition can raise a concern about the incentive for some people to take a job if social welfare payments are seen to be too high or wages too low. Replacement rates try to capture the proportion of household disposable income from employment that is 'replaced' by social welfare when a person is out of work (NESC, 2011). As stated in NESC's 2011 report on jobseeker supports, the amount of social welfare paid to people reflects their particular circumstances to a significant degree (because of increases for qualified adults and children, qualified means-testing and eligibility for secondary benefits). In some circumstances, high cumulative social welfare payments result and replacement rates are correspondingly high. But

it is important to establish the proportions of the unemployed who are in the circumstances that bring them high welfare payments and lead to high replacement rates.

Research by the ESRI (Savage *et al.*, 2015) found evidence that strong disincentives to take up employment were infrequent for those who were currently unemployed. In part, this reflected the fact that most of the unemployed are young and single, without dependants. Lone parents were shown to be a group least likely to face very high replacement rates.² Factors associated with a greater likelihood of a strong financial disincentive to work were identified to be:

- Unemployed individuals with children were shown to be at a relatively high risk of facing large replacement rates; although fewer than 1 in 10 of this group would be financially better off not working than in full-time employment.
- Unemployed persons with low potential wages—up to and including the minimum wage—were also at particular risk of facing high replacement rates.
- Finally, unemployed persons in jobless households also faced higher replacement rates than those not in jobless households. To some extent this result is inherent in the nature of the social welfare system: jobless households are likely to be in receipt of full social welfare add-on payments in respect of a spouse/partner and/or children.

So, while disincentives to work are sometimes cited as a weakness of the social welfare system this can be seen to relate to particular circumstances, especially households with a number of unemployed individuals, often containing children and where people transitioning to work can only command low wages rates. Specific payments are available to ease this transition such as the Working Family Payment and the Back to Work Family Dividend.³

Whilst the social welfare system provides an important foundation for the alleviation of poverty, and a potential springboard to employment, there are concerns about its complexity leading to calls for the consideration of a more integrated social welfare system which would alleviate poverty while encouraging participation in the labour market and other activities.

² The replacement rate is the amount of in-work income that is replaced by the social welfare system when an individual becomes unemployed. A high replacement rate means that the social welfare system replaces a considerable amount of in-work income – more than 70 per cent is generally considered a high replacement rate. Replacement rates do not include childcare costs.

³ Working Family Payment (WFP) (formerly known as Family Income Supplement (FIS) is a weekly tax-free payment available to employees with children. It gives extra financial support to people on low pay; The Back to Work Family Dividend (BTWFD) is a scheme for people with children who stop claiming a jobseeker's payment, or a one-parent family payment, because they are in—or are taking up—work or self-employment. The BTWFD is a weekly payment for up to two years after you start work. For the first year in employment, you are paid the equivalent of any Increase for a Qualified Child that you were getting on your jobseeker's payment or one-parent family payment (up to a maximum of four children). You get half of that amount weekly for the second year. See <https://www.citizensinformation.ie>.

This paper briefly discusses the current Irish system of social assistance payments, focusing then on means-testing and conditionality. Consideration is given to merging means-tested benefits by discussing the UK's Universal Credit and an Irish proposal for a single working age payment. More integrated approaches are then examined, including participation income, an unconditional universal basic income, and a number of variants. The lessons from basic income experiences in other countries are presented, with further details in an Appendix. A more integrated child income support scheme is discussed, the paper concluding with overall conclusions.

1.2 Social Assistance Payments

Social assistance payments are for people who do not have enough PRSI contributions to qualify for the equivalent social insurance payments. They are derived from the poor law (1838) and provide income support to people based on an assessment of their income need arising from a specified contingency. The amount paid can vary depending on the level of income need assessed, with no payment for those whose means exceed specified levels.

There are a number of social assistance payments, as follows:⁴

- *Jobseekers Allowance* is paid to people aged 18 or over and unemployed;
- *One-Parent Family Payment (OFP)* is paid to men and women who are bringing children up without the support of a partner;
- *Farm Assist* is an income support scheme for farmers. You do not need to be available for work to qualify for Farm Assist;
- *Widow's, Widower's or Surviving Civil Partner's (Non-Contributory) Pension* is paid to widows, widowers and surviving civil partners who do not have dependent children and who are not co-habiting;
- *Guardian's Payment (Non-Contributory)* is paid to an orphan's guardian up to the orphan's 18th birthday or 22nd birthday if he or she is in full-time education;
- *Carer's Allowance* is paid to people who are looking after someone who is in need of full-time care and attention because of age, physical or learning disability or illness, including mental illness;
- *Supplementary Welfare Allowance* is paid to people that have no little or no income;

⁴ See https://www.citizensinformation.ie/en/social_welfare/irish_social_welfare_system/social_assistance_payments/social_assistance_in_ireland.html.

- *State Pension (Non-Contributory)* is paid to people when they reach 66 years of age;
- *Blind Pension* is paid to blind and visually impaired people; and
- *Disability Allowance* is paid to people with a disability who are aged 16 or over and under age 66.

In most cases there are equivalent social insurance payments, for example:

- Jobseeker's Benefit;
- Widow's, Widower's or Surviving Civil Partner's (Contributory) Pension;
- Guardian's Payment (Contributory);
- Carer's Benefit;
- State Pension (Contributory);
- Illness Benefit;
- Health and Safety Benefit;
- Invalidity Pension;
- Treatment Benefit;
- Occupational Injuries Benefit;
- Maternity Benefit;
- Paternity Benefit; and
- Adoptive Benefit.

These payments are made depending on your contribution record as described in background paper 151/1 *Social Insurance and the Welfare State: Towards a Sustainable Developmental Welfare State*.

For both social assistance and social insurance, payments are made for adult and child dependants of the main recipient, as discussed in background paper 151/4 *Gender, family and class issues in Ireland's social welfare system*.

A further payment is made for children, the universal (non means-tested and without requiring any contributions) Child Benefit which is paid to mothers for all children.

From the available social assistance, social insurance and the universal child benefit payments it is evident that income support for the main contingencies putting people at risk of poverty are being met, i.e. unemployment, illness and disability, lone parenthood, old age, and caring responsibilities. The extent to which these income support payments are addressing the contingencies putting people at risk of poverty,

and how the risk of poverty may be reduced is set out in the Government's *Roadmap on Social Inclusion, 2020-2025: Ambition, Goals, Commitments* (DEASP, 2020).

For receipt of social assistance payments, a means-test is required, and only those with a household income below a certain level are entitled to receipt of a payment. The means-test is discussed in the following section.

There are conditions attached to the receipt some of the payments, mainly working age payments for people in receipt of jobseekers benefit and allowance, and those in receipt of one parent family payment. The conditionality required is discussed in section 1.4.

Proposals to merge some means-tested social assistance payments, to have a closer link with social insurance, to broaden the conditionality requirements through a participation income or to go for an unconditional basic income are considered in further sections of the paper. But first, means-testing is discussed.

1.3 Means-testing in the Current System

Social assistance payments are means-tested. Receipt of a means-tested payment is conditional upon an individual's or family's financial resources. The means-test is a way of assessing whether an individual or family is eligible for a payment from the state, based upon whether the individual or family possess the means to do without that help.

In Ireland, the Department of Social Protection, or another government agency,⁵ examines all a person's sources of income (cash income, employment, capital and maintenance) to determine whether they are eligible for a payment. How a person's means are calculated and the amount of means a person can have which qualifies them for a payment varies from payment to payment. In some circumstances a certain amount of income, or income from a particular source, is not taken into account and this is referred to as an income disregard. There are also exemptions where some cash income is not taken into account, for example, income from a charity, mobility allowance, for some payments. For people living as a couple (married, in a civil partnership or co-habiting) the means of a person's spouse, civil partner or cohabitant are also taken into account in the means test.⁶

1.3.1 Advantages of Means-testing

The main argument for means-tested social welfare payments is that they can be targeted at those most in need, especially in a context of limited resources for redistribution. Some argue that benefits, such as the universal Child Benefit, should

⁵ For example, other organisations may assess means for the distribution of benefits, e.g Housing Assistance Payment, Childcare, Medical Cards.

⁶ See https://www.citizensinformation.ie/en/social_welfare/irish_social_welfare_system/means_test_for_social_welfare_payments/means_test.html.

not be paid to those with adequate means but should be focused on those without sufficient resources because of unemployment, disability, parenting alone, loss of a partner or with a caring commitment. By taking people's means into account, payments can be tailored to meet various contingencies.

1.3.2 Disadvantages of Means-testing

While popular in many countries as a way of targeting support payments at those most in need, means-tested payments are also seen as having a number of disadvantages. The means-testing process is very intrusive and can be seen to be stigmatising, sometimes referred to as payments for poor people. Often people do not want to be seen as dependent and there can be a low take up of means-tested payments because people are reluctant to be seen to be dependent on benefits, or in some cases they are not aware of them or do not realise they are eligible for them.

Because the assessment of means requires detailed information, which may vary from payment to payment, the system of means-tested payments can be very complex and absorb a lot of administrative resources, plus demand a lot from individuals being assessed particularly those with poor literacy skills.

One of the complexities of means-tested payments is their withdrawal as a person or family's income increases, whether this is a sudden or tapered withdrawal. The withdrawal of means-tested payments can create unemployment and poverty traps, where a person and or their family are better off unemployed or below a certain income threshold. Thus, the withdrawal of means-tested payments can create a disincentive to work, as discussed in the introduction to this paper. For example, in the Irish social assistance system the default principle is that one euro of market income results in the loss of one euro of assistance representing a withdrawal rate of 100 per cent. This default withdrawal rate is significantly reduced in many cases through the application of earnings disregards, income exemptions and partial discounting of means in the rules for various benefits. Taking Jobseekers Allowance, for instance, if you are unemployed for at least four out of seven consecutive days you benefit from an earnings disregard of €20 per day, while 60 per cent of earnings above this level are counted as means. Hence, if you meet these conditions this amounts to a 60 per cent withdrawal rate. If you are availing of the Housing Assistance Payment (HAP), your rental payment is 15 per cent of disposable income so this would increase the withdrawal rate by another 9 per cent (60 per cent of 15 per cent) to give a total withdrawal rate of 69 per cent. The earnings disregards and withdrawal rates vary across benefits with no obvious rationale for the differences.

Sometimes the withdrawal rates can exceed 100 per cent. One situation where this arises is in the treatment of savings. In general, there is a strong disincentive to save for people who may need means-tested payments. In the case of Jobseekers Assistance the first €20,000 of savings is exempt while after that assumed rates of return are applied rising from 5 per cent to 20 per cent. The actual returns on savings from normal bank accounts are far lower than this. Social assistance payments are reduced euro for euro in accordance with the assumed rates of return. This means that a euro of income from a savings account would mean a loss of several euros of social assistance payment. The available data shows, however, that on average

people who are unemployed and lone parents would not be affected as they tend to have few savings, but that pensioners are more likely to be affected.⁷

The rules for the assessment of means are applied in different ways to the various social welfare assistance payments. While the rules have evolved in relation to the contingencies the various payments are addressing, it makes the means assessment process very complex and onerous for both the claimant and the assessor.

1.3.3 Conclusions on Means-testing

While means-tested payments are often used, targeted at those most in need, and are seen to be an efficient use of resources they are associated with a number of disadvantages. These include unemployment and poverty traps related to withdrawal rates, stigma, low take up, a disincentive to save for some, and complexity.

One possible way to reduce this complexity is to consider having a standard means test for a number of payments, so that people's incomes do not need to be continually re-assessed for the various payments.

In the UK, six means-tested benefits for working age households were merged into one, Universal Credit, and in Ireland the Department of Social Protection analysed the possibility of having a single working age payment (Department of Social Protection, 2010). These initiatives are examined in sections 1.5 and 1.6, but first conditionality is discussed, which is another feature associated with many social assistance and some insurance payments.

1.4 Conditionality

Conditionality is about linking rights and responsibilities. In relation to welfare payments a principle of conditionality holds that access to certain basic, publicly provided, welfare benefits and services should be dependent on an individual agreeing to meet particular obligations or patterns of behaviour. For example, people who are unemployed and seeking work have a right to receive an income support and to receive assistance from the public employment services but also have a responsibility to engage with these services and to seek work.

Internationally, the use of conditional welfare arrangements that combine elements of sanction and support is now well established. These arrangements can be referred to as 'activation', meaning a policy of designing benefit rules and employment / training services with a view to moving unemployed income benefit recipients into work (Lødemel & Moreira, 2014). These requirements are often a combination of activities that are intended to improve the recipient's job prospects (such as training, work experience and re-skilling) and those designated as contributing to society (such

⁷ Data from the Household and Consumption Survey 2018 (CSO, 2020). The median values of savings for the work status of the reference person is €1,400 for unemployed, compared to €6,300 for retired, €5,600 for those at work and €1,800 for those on home duties.

as unpaid or low paid work). Generally, welfare recipients who do not participate as required have their welfare benefits sanctioned in some way. There are two main types of activation approaches: those that support direct employment by getting people off benefits and into work (sometimes referred to as ‘work first’) and those that try to improve human capital by upskilling people on benefits through education and training initiatives so that they can better compete for jobs.

1.4.1 How Conditionality is Applied in Ireland

In Ireland, receipt of jobseekers payments is conditional upon being ‘genuinely available for and seeking [full-time] work’. Engagement with Intreo, the single point of contact for all employment and income supports, is compulsory and constitutes part of the conditionality for receipt of jobseekers payments. Registered jobseekers must attend a group information session soon after becoming unemployed and they must attend for interview with a case officer if called on to do so. The jobseeker, along with a Departmental representative, is required to sign a record of mutual commitments, which states that the Department of Social Protection, through Intreo, will process the income support payment as efficiently as possible and try to identify suitable employment, work experience or training, education or personal development opportunities, through an agreed personal development plan. In return, the jobseeker agrees to try to secure employment at the earliest opportunity and will work with the Department in agreeing a personal development plan and follow up on work placement, work experience and/or training and personal development opportunities. Failure to meet any of these obligations by the jobseeker can result in penalty rate cuts from their social welfare payment.

For lone parents in receipt of One Parent Family Payment (OPFP), once their youngest child is aged between 7 and 13 years of age inclusive, they move to a Jobseeker’s Transitional payment (JST) and are required to engage with the Intreo service in order to bring the lone parent closer to the labour market through engagement in personal development, education or training. However, they are not required to take up work until their youngest children is aged 14. These arrangements for JST promote engagement and incentivise work while also acknowledging the childcare requirements, or the lack of affordable childcare services available, for people who are parenting alone. Once the youngest child reaches the age of 14 lone parents are transferred to Jobseekers Allowance with the requirement to be genuinely available for and seeking [full-time] work.

There is no requirement for people in receipt of a disability payment to be genuinely available for and seeking work; in fact some payments require the benefit recipient not to engage in paid employment.

It is possible for recipients of some payments to undertake unpaid voluntary work and keep their payments, but they must continue to meet all the conditions attached to their payment. Permission to undertake voluntary work has to be granted by the Department of Social Protection and there are various conditions attached to the hours of voluntary work that can be undertaken depending on the welfare payment.

1.4.2 Advantages of Conditionality

A number of advantages have been put forward for having conditions attached to receipt of welfare payments. One advantage is seen as the proactive engagement with benefit recipients and the provision of support for people in order to move them into paid employment. As discussed earlier in this paper, people in work have a lower risk of poverty and deprivation than most working age people who are in receipt of welfare benefits.

Proactive engagement and supports for people in receipt of welfare benefits can also provide them with options, whether that is education or training, personal development, work experience or job opportunities, though that depends on the conditions attached to the payment and the supports available.

There are also those who believe that individuals who refuse to engage in job search activities should have their rights to support reduced or removed, which is an element of conditionality.

1.4.3 Disadvantages of Conditionality

However, there are reports of the negative consequences of a conditionality approach. Research carried out into welfare conditionality in the UK (Welfare Conditionality Project, 2018)⁸ found that there was little evidence that welfare conditionality enhanced people's motivation to prepare for or enter paid work, and that mandatory training and support is often too generic, of poor quality and largely ineffective in enabling people to enter and sustain paid work. The researchers also found that benefit sanctions associated with welfare conditionality triggered negative personal, financial and health outcomes, pushing some people into destitution, survival crime and ill health.

While these findings relate to the UK welfare system some similar findings were observed in NESC's research on low work intensity households in Ireland, where people were fearful of the threat of sanctions and felt that they had to take whatever job opportunities were presented to them, even if they felt unsuited to these because of location or the terms and conditions on offer (NESC, 2018). Where non-specific approaches are used, such as people being sent on generic short-term training courses, these are often seen as inadequately tailored to meet people's needs.

⁸ The welfare conditionality project, funded by the UK's Economic and Social Research Council, analysed the effectiveness, impact and ethics of welfare conditionality from 2013-2018. The findings are based on repeat longitudinal interviews undertaken with 339 people in England and Scotland and drawn from nine policy areas, including Universal credit, disabled people, migrants, lone parents, offenders and homeless people.

1.4.4 Conclusions on Conditionality

In summary, having conditions attached to the receipt of welfare benefits, especially for people of working age, has been adopted as part of the rights and responsibilities associated with receipt of state income support in many jurisdictions.

How these rights and responsibilities are applied seems to be most important to the effectiveness of this conditionality. Where the welfare and employment support services can be tailored to meet the needs of individuals and present them with a range of options, this seems the most effective method of engagement with the most successful outcomes for everyone involved.⁹

1.5 Merging Means-tested Benefits-the UK's Universal Credit

In this section the possibility of merging means-tested benefits is considered, using the example of the UK's Universal Credit. The UK, through its Department for Work and Pensions (DWP), has introduced Universal Credit to replace six means-tested benefits for working age households: Jobseeker's Allowance, Income Support, Housing Benefit, Employment and Support Allowance, Working Tax Credit, and Child Tax Credit.¹⁰ Its rationale for these changes is to:

- Encourage more people into work by introducing better financial incentives, simpler processes and increasing requirements on claimants to search for jobs;
- Reduce fraud and error; and
- Reduce the costs of administering benefits.

The Department of Work and Pensions started work on Universal Credit in 2010 with an initial completion date of 2017, but the programme was 'reset' in 2013 after problems in managing the programme and developing the required technology. Since then, Universal Credit has been rolled out in stages:

- From March 2013 to December 2017: Universal Credit was available to new claimants in a limited group, mostly to 18 to 60 year old single people with no children, unemployed (typically people who would have claimed income-related Jobseekers Allowance);
- From April 2016 to December 2018: Gradual roll out of the Universal Credit full service, which is the digital system that offers Universal Credit to the full range of claimant groups. It was gradually introduced to Jobcentres from 2016 and was

⁹ It is noted that this approach does not necessarily require conditionality.

¹⁰ Much of the material in this section is drawn from (National Audit Office, 2018).

available in every Jobcentre across Great Britain and Northern Ireland by December 2018 (Department for Work and Pensions, 2020).

Rolling six means-tested payments into one, across such diverse areas as income support, housing benefit, employment support, job seeking and low income work support has been a highly ambitious reform programme which has been difficult to deliver, despite being introduced incrementally on an area basis and related to new claims or changes in an existing claim.

There have been many reports of problems with Universal Credit. The observations here are based on assessments undertaken by the National Audit Office (NAO) in the UK, who is officially tasked with reporting on Universal Credit's value for money. A NAO report (June 2018) was damning in its assessment of Universal Credit stating that it had taken significantly longer to roll-out than intended, may cost more than the benefits system it replaces, and it may never be possible to measure whether it has achieved one of its goals of increasing employment. The National Audit Office concluded that Universal Credit had not delivered value for money at the time it made its assessment (NAO, 2018).

While the National Audit Office did acknowledge that some aspects of Universal Credit were working well: the digital system for its implementation; claimant satisfaction levels; and, in general, the relationship between work coaches and claimants; the NAO identified a number of shortcomings with four in ten claimants in a departmental survey (in 2018) experiencing financial difficulties. This is, in part, because of the structure of Universal Credit (claimants are paid monthly in arrears) and because of delays in making payments. While payment timelines have improved since then, there was still, in March 2018, 21 per cent of new claimants who did not receive their full entitlement on time.

The Department of Work and Pensions expected that most claimants would have enough money to cover the initial waiting time after their claim was submitted (about 5 weeks) but in reality nearly 60 per cent of new claimants received a Universal Credit advance to tide them over until they received their first payment. Local authorities, housing associations and landlords have seen an increase in rent arrears since the introduction of Universal Credit, with some landlords now reluctant to rent to Universal Credit claimants. There was an increase in the use of foodbanks in at least some areas where Universal Credit had been introduced, and a greater demand for advisory and advocacy services.¹¹

In addition, claimants experienced a number of difficulties: some claimants have difficulty making and managing a claim online, because of a lack of digital access and skills; some claimants have problems with monthly budgeting because of fluctuating Universal Credit payments; and some claimants have had their payments cut because they were unable or unwilling to engage with employment support services. The NAO reported that the Department of Work and Pensions has been unresponsive to many

¹¹ This was in 2017 and 2018, pre-Covid.

of the criticisms levelled at it and has been dismissive of evidence of claimants' difficulties and hardship (NAO, 2018).

A further report from the NAO in 2020 specifically focused on getting the first Universal Credit payment which usually takes five weeks. The field work was done pre-Covid from November 2019 to February 2020. The NAO reported that the five week wait for the first payment can exacerbate many claimants' existing financial difficulties. Vulnerable groups, such as people who are unemployed, lone parents, people with disabilities, and so on, often have little or no savings. Despite the fact that the Department for Work and Pensions has improved the proportion of people getting their first Universal Credit payment on time and in full to around 90 per cent, as the Universal Credit caseload has grown, this means that a large number of people still do not receive their full payment on time. The NAO states that the Department for Work and Pensions needs to better understand and address the needs of vulnerable people and those with complex claims, who may be at greater risk of struggling under the Universal Credit regime (NAO, 2020b).

The NAO has also reported on fraud within the Universal Credit system (NAO, 2020a). In relation to addressing the five week waiting period for the first payment of Universal Credit the Department for Work and Pensions provided claimants with the option of an advance based on their estimated first payment. The DWP has identified nearly 100,000 Universal Credit claimants that it suspects may have claimed an advance fraudulently, worth an estimated £100-£150 million. Fraudulent claims involved providing false information to boost the value of the advance, and fraudulently using the personal identification details of third parties. Some of this fraudulent activity was attributed to the move to greater digital engagement with claimants and a reduction in face-to-face interviews, introduced by the DWP to save money through reducing staff time in processing manual claims.

In terms of lessons for Ireland it is evident that despite the attractiveness of combining a number of means-tested payments into one payment system with the purpose of encouraging more people into work, reducing fraud, and reducing the costs of administering benefits the implementation of such a system is challenging and not necessarily positive for a number of reasons. Therefore, any rationalisation of the current means-tested system in Ireland would need to be done carefully.

Some aspects of this approach was considered in Ireland in 2010 with a report being produced on the desirability and feasibility of introducing a single social assistance payment for people of working age (DSP, 2010a). The findings of this report are discussed in the next section.

1.6 Irish Single Working Age Payment Proposal

Following publication of NESC's Developmental Welfare State report (2005), the 2009 Renewed Programme for Government, and the OECD economic survey of Ireland (2009), the Department of Social Protection undertook an analysis into the desirability and feasibility of introducing a single working age payment for people of working age in Ireland, and the extent to which such a payment would facilitate people to take up employment or increase their prospects of taking up employment in the future.

As discussed earlier in section 3, the social security payments administered by the Department of Social Protection are contingency based, resulting in a number of different payments serving a diverse set of needs from low income, lone parenthood, illness, unemployment, caring, and so on. While a contingency based system allows for the development of a payment to meet changing needs, it is questionable as to whether some payments achieve the best outcomes for individuals in the longer-term. Development of payments in this way has led to complex rules, especially in relation to means testing, disregards of income and interaction with other payments. Some people of working age can get categorised according to the payment they are receiving so that there is less focus on work related activities.

Welfare reform in the 2000s rationalised aspects of the payment structure, with incentives to take up employment including more generous income disregards and tapering arrangements, but there remained significant differences across schemes in how these were applied. In addition, there was no fundamental review of payments for people of working age. This single working age payment analysis sought to do that stating that the reform of the welfare system should focus on the outcomes for people in reducing their risk of poverty and social exclusion.

The payments considered for incorporation into a single working age payment included: Jobseeker's Allowance, Farm Assist, Disability Allowance, One-Parent Family Payment, Carer's Allowance, Widow and Widowers Non-Contributory Pension and Blind Pension, each with their own criteria and conditions specific to the payment and conditions relating to work. Unlike in the UK's Universal Credit, housing benefits (such as rent supplement), and in-work tax credits were not included.

The feasibility study reached three main conclusions:

- The Jobseeker's Allowance payment could be the overarching payment for people of working age but it would need to be structured in such a way that conditions could be tailored according to individual circumstances. It was envisaged that the payment would consist of three levels allowing for tailoring of conditionality at each level and related to the level of supports required by the individual. Payments should be applied to new claimants only.
- The effect of aligning working age social assistance payments to the current rules of Jobseeker's Allowance showed that there were losses in all categories at almost all income levels, with losses greatest for Carer's Allowance, One-Parent Family Payment, Disability Allowance and Farm Assist at the time the analysis was undertaken. In certain cases, entitlement to a payment would cease at

significantly lower income levels than currently, and in some cases entitlement to a payment would cease or be substantially reduced.

- Services were a crucial part of the overall proposal and would have to be in place or adequately developed to support the introduction of a single payment, and that the development of services would have to be progressed in conjunction with other government Departments and agencies.

The study proposed a 'road map' for the introduction of a single working age payment and suggested the possibility of piloting its introduction. In the event, the proposal has not been implemented.

From consideration of the UK's Universal Credit and the Irish single working age payment proposal it can be concluded that any move towards a more integrated payment structure should take place on an incremental basis. The implications of such a move would need to be considered carefully, particularly in relation to retaining flexibility to tailor payments to meet people's needs, and to be complemented by adequate support structures and service provision. Consideration could be given to piloting such an approach.

1.7 Participation Income

A 'participation income' is one possible way to acknowledge that meaningful participation of some form is a legitimate expectation of people of working age (both their expectation and society's expectation of them) and that, only in rare cases, should it be accepted that an individual does not have some capacity to develop a greater degree of self-reliance.

1.7.1 What is Participation Income?

The concept of a Participation Income was advocated by Tony Atkinson, a British academic whose work focussed on addressing inequality and poverty. In a seminal article in 1996 he proposed a Participation Income as a universal and non means-tested payment, paid to individuals, not households but that would be conditional on people participating in society (Atkinson, 1996). At the time it was a response to proposals for a universal basic income (see section 1.8 of this paper) which was being promoted as an alternative to social insurance. Atkinson believed that a basic income should replace dependence on means-tested benefits and should complement, rather than replace, an improved social insurance scheme. While he maintained that such a payment should be universal and individual, in line with the key elements of a universal basic income, he felt that there should be conditionality attached. This reflected concern about the political feasibility of a universal basic income where some considered it would promote idleness – well captured by John Rawls, who said 'those who surf all day off Malibu must find a way to support themselves and would not be entitled to public funds' (Rawls, 1971). In other words, there is some need for reciprocity to address concerns about 'getting money for nothing' and recognising the move to active labour market policies where people are expected to engage in job seeking activities in return for benefits.

Atkinson, however, envisaged a wide interpretation of activities which people could participate in, saying that:

While the qualifying conditions would include people working as an employee or self-employed, absent from work on grounds of sickness or injury, unable to work on grounds of disability and unemployed but available for work, it would also include people engaging in approved forms of education or training, caring for young, elderly or disabled dependants or undertaking approved forms of voluntary work, etc. The condition involves neither payment nor work; it is a wider definition of social contribution (Atkinson, 1996: 68-69).

Atkinson did envisage some problems with the idea of a participation income. For example, what would happen to people who failed to secure a participation income, and how might people respond to the introduction of a participation income. Also, how do you decide whether people are 'participating' and how would you track moves from one form of participation to another?

There has been little active attention, for more than twenty years, given to Atkinson's proposed Participation Income. However, it was discussed at a Basic Income Earth Network (BIEN) symposium in 2017 and the proceedings were published in *Political Quarterly* in 2018. The main reactions are outlined in next section.

1.7.2 Reactions to a Participation Income

While no country has explicitly implemented a Participation Income, the social contribution advocated by Atkinson has been alluded to in the active welfare policies of some countries, e.g. Denmark, Finland, Germany and the Netherlands. In an assessment of how the idea of a participation income is incorporated into active labour market policies in these countries Hiilamo and Komp found that they all had elements of a participation income but that the understanding of social participation was related to paid work, albeit in different ways. For example, in Denmark there is a narrow focus on work reintegration; Finland has tailor-made reintegration plans for the long-term unemployed; Germany has reformed many policy areas to achieve better activation; while the Netherlands had the broadest range of social participation activities considered. In some cases, the social participation activities are focused on reintegrating people back into the workforce, while in others they are to keep people gainfully engaged or making a contribution while in receipt of benefit. In terms of the types of social contribution envisaged by Atkinson, care giving is not considered as a form of social participation in any of the four countries, volunteering is recognised as a form of social participation in three of the countries, and further education is valued as a social contribution only in the Netherlands; in the other three countries it is seen as an instrument to improve the employability of the unemployed (Hiilamo & Komp, 2018).

Atkinson acknowledged the gendered effects of social insurance and social assistance means-testing¹² which can act as a disincentive to labour participation for low income and secondary workers, who are disproportionately women and care givers. His proposal for a participation income explicitly recognises care giving as a social contribution. However, Zelleke argues that a participation income would have the effect of reinforcing and legitimising inequalities as women and those on low incomes would be most likely to be required to participate in care giving and volunteering for a participation income rather than being supported into paid work (Zelleke, 2018).

From a different perspective Pérez-Muñoz argues that a participation income can address unmet social needs, and believes that an income transfer programme, such as the proposed participation income, can be used as a policy tool to motivate people to engage in socially valuable activities. He suggests that a participation income could provide a mechanism to decide which activities count as socially valuable and to assign recipients to the production and provision of those activities (Pérez-Muñoz, 2018).

One of the main criticisms of Atkinson's proposed participation income is its administrative complexity. De Wispelaere and Stirton contend that in order to operationalise a participation requirement, a set of criteria would need to be established which would define and identify a wide range of informal and 'less institutionalised' types of participation activities. These activities would then need to be validated. They further suggest that negotiating these definitional issues would require political trade-offs which they argue would be better addressed through a partial universal basic income (De Wispelaere & Sturton, 2018).

In reality, the UK did not proceed along the lines of a Participation Income, or indeed a Universal Basic Income. Nevertheless, it is worth considering the concept of a universal unconditional basic income and various variants.

1.8 Basic Income

One way of integrating social insurance and social assistance, and indeed the tax system, is through the introduction of a Basic Income model. The concept of a universal basic income has been around for a long time but is currently generating interest particularly because of rising inequality, the changing nature of work through increasing precarity and technological change, the perceived complexity of the social welfare system, and purported disincentives in transitioning from welfare to work. The increasing precariousness of some forms of work adds to the complexity of the welfare to work transition and increases the likelihood of in-work poverty.¹³

¹² See also NESC background paper on *Gender, Family and Class Issues* as part of this project.

¹³ The Covid-19 pandemic and associated restrictions have highlighted the importance of social welfare payments and supports paid without recourse to detailed assessments and have also heightened calls to consider basic income type payments.

1.8.1 What is Basic Income?

Basic Income has been defined as a universal unconditional income granted to each individual irrespective of personal circumstances. The Basic Income is tax free and all other income is taxed. The desirable level of Basic Income is a level sufficient to allow individuals to live with dignity and exercise real life choices.

For a person who is unemployed, the basic income payment would replace income from social welfare. For a person who is employed, the basic income payment would replace tax credits and allowances in the income tax system.

Key elements of a basic Income are that it is paid:

- In cash;
- Adequately, to live a frugal but decent lifestyle;
- On a regular basis;
- By the State out of publicly-controlled resources;
- To each person rather than to households or ‘heads of households’;
- Without a means-test; and
- Without a work requirement (Government of Ireland, 2002; Carnegie UK Trust, 2019).

1.8.2 Consideration of Basic Income in Ireland

Such an approach was suggested by NESC as early as 1978 when examining how personal income tax and transfers might be integrated (NESC, 1978). In 1982 the first report of the Commission on Taxation briefly considered the idea of Basic Income before rejecting it on cost grounds (Commission on Taxation, 1982). The Commission on Social Welfare (1986) also deliberated and rejected Basic Income on cost grounds, adding that it was not well targeted or flexible enough to meet a variety of needs, plus it would require a substantial increase in taxation (Department of Social Welfare, 1986). In 1996 the Expert Working Group on the Integration of the Tax and Social Welfare Systems examined Basic Income concluding that a full Basic Income scheme would be problematic and that the high tax rates required to fund it could have a detrimental effect on employment (DSCFA, 1996). The Expert Working Group also examined two variants of Basic Income: a Basic Income for Children and a Partial Basic Income. A Basic Income for Children is essentially Child Benefit, which was substantially increased since the Expert Group reported in 1996. It is supplemented by an Increase for a Qualified Child (IQC) in low income families. Partial Basic Income was considered as similar to a full Basic Income in that every adult would receive an unconditional payment, but this rate would be lower than social welfare payments, and so a top-up would be required. However, the Group concluded that a Partial Basic Income lost many of the attractions of a full Basic Income because of the complexity required to top-up the payment.

In 2002 the Government published a Basic Income Green Paper (Government of Ireland, 2002). The objectives of the Green Paper were to facilitate discussion of the issues, examine the implications of the introduction of a Basic Income system in Ireland and discuss a possible framework for the development of a Basic Income system, and alternatives, to meet the underlying objectives of social inclusion, income adequacy, simplicity and economic efficiency. The Green Paper concluded that the introduction of a Basic Income system would involve very considerable changes to our established tax and social welfare systems, and that substantial increases in taxation (or reductions in social welfare benefits or other expenditures) would be needed to finance Basic Income. There would also be behavioural changes, which are difficult to predict, but could include lessening of the incentive for some groups, such as married women with children, to take up paid employment, but on the other hand would provide greater choice regarding the balance between caring and paid employment.

The ESRI has undertaken detailed studies of a Basic Income approach, including in relation to the preparation of the Green Paper (Callan *et al.*, 1994; Callan *et al.*, 1999; Callan *et al.*, 2000). The ESRI estimated that the introduction of a Basic Income system would require a single effective tax rate on all personal income of around 48 per cent (based on 1999 data), although the precise rate would depend on factors like the rate of Basic Income selected, as well as economic, labour and behavioural effects. The ESRI researchers also found that the Basic Income system they analysed would have a substantial impact on the distribution of incomes in improving the incomes of 70 per cent of households in the bottom four deciles and raise more than half of those who would be below the 40 per cent poverty line above this line. However, the researchers stressed that there is a considerable amount of uncertainty in predicting the dynamic aspect of Basic Income. Some anticipated responses could be withdrawal of labour from the labour force by certain groups, especially married women with children, less willingness to work additional hours, and increased immigration of lower skilled workers and emigration of higher skilled people which they say would result in lower employment, productivity and output.

Social Justice Ireland has been a long-time advocate of Basic Income, and in 1997 published 'Pathways to a Basic Income' which argued that the introduction of a Basic Income system in Ireland would have positive effects on the labour market, and outlined a number of implementation options (Clark & Healy, 1997). However, an ESRI review of this work concluded that a reduction in labour supply as a result of a move to a Basic Income scheme would add to pressure on wages, and potentially on inflation and competitiveness (Callan *et al.*, 1999).

Further work by Social Justice Ireland (Clarke, 1999 & 2002) and more recently by Murphy and Ward (2016), Ward (2018) and Murphy (2018 & 2019) document developments on basic income in Ireland, including providing further costings and the potential effects of basic income on poverty. Social Justice Ireland contend that the affordability of a universal basic income depends on the parameters of the payment, such as: the level of the payment; which benefits it replaces, and which (if any) remain; and what the eligibility conditions are. Social Justice Ireland argue that it is possible to design a structure of universal basic income that is both affordable and sustainable.

The Programme for Government *Our Shared Future* contains a commitment to request the Low Pay Commission to examine Universal Basic Income, informed by a review of previous international pilots, and resulting in a Universal Basic Income pilot in the lifetime of the Government (Government of Ireland, 2020). In October 2020, an Arts and Culture Recovery Taskforce recommended a three year universal basic income pilot for workers and performers in the arts and entertainment business to meet essential living costs. The scheme would involve a basic income payment of €325 per week per individual, at a cost of €2.5m per 1,000 participants (Arts and Culture Recovery Taskforce, 2020).

Basic Income Ireland (BII),¹⁴ which is an affiliate of the Basic Income Earth Network,¹⁵ is the main proponent of Basic Income in Ireland. BII is a network of people working towards making a universal basic income become a reality in Ireland.

1.8.3 Arguments for Basic Income

Various arguments have been put forward in favour of Basic Income. These can be summarised as follows:

- Poverty and unemployment traps would be removed;
- It would provide an automatic payment, thus eliminating the problems of stigma and non-take up of benefits;
- It would provide an independent payment to everyone, such as people working in the home who are not in the paid workforce, guaranteeing everyone basic financial security;
- It would potentially create a fairer and more cohesive society by treating everyone equally;
- It would respond to changes in the global economy including technology developments and atypical working;
- It would give people the space to be more creative or entrepreneurial;
- It would facilitate further education and training;
- Simplicity, in that the basic income entitlement is clear and guaranteed and the income tax liability is easy to calculate; and
- It could potentially improve everyone's quality of life (Government of Ireland, 2002; Carnegie UK Trust, 2019).¹⁶

¹⁴ See <https://www.basicincomeireland.com>.

¹⁵ See <https://basicincome.org>. Basic Income Earth Network (BIEN) is a network of academics and activists interested in the idea of a Basic Income, and who foster informed discussion on the topic throughout the world.

¹⁶ www.basicincomeireland.com.

1.8.4 Arguments against Basic Income

While advocates promoting Basic Income extol its potential virtues, there are others who are more critical of this approach. The disadvantages of Basic Income have been expressed as follows:

- Substantial increases in taxation would be needed to fund Basic Income;
- A reduction in the incentive to work or work longer hours, with the likelihood that aggregate employment would fall or remain constant, while average productivity and output would fall;
- As a universal scheme it is poorly targeted in terms of addressing poverty, and does not have the flexibility to meet different needs in different ways;
- Unless the basic income payment was adequate, it would not be sufficient to lift people out of poverty;
- Uncertainty in relation to its impact on women but it could reinforce women's traditional role by encouraging them to return to providing care and household services; and
- Ambiguity about its impact on behaviour and the dynamic aspects of the introduction of a basic income system (Government of Ireland, 2002; Cantillon & McLean, 2016; Goldin, 2018).

This is a brief summary of the main arguments for and against the introduction of a basic income scheme. There are other reasons put forward by advocates and adversaries, with many nuanced lines of argument not presented here. Related to these distinctions are variations of a universal basic income and some of these are discussed in the next section.

1.9 Variations of Basic Income

There are a number of variations of a universal basic income and two types are discussed here: a negative income tax and partial basic incomes.

1.9.1 Negative Income Tax

Unlike a universal basic income which gives an income to everyone, a negative income tax is a way to let people below a certain level of income receive money back from the government. The origins of a negative income tax are attributed to the British politician Juliet Rhys-Williams in the 1940s and later in the 1960s to the American economist Milton Friedman (Forget, 2011). The idea is to: a) ensure that people in paid work will always have more money than those who do not; and b) 'benefits-in-kind' would cease to exist. Essentially, in a negative income tax system, people earning a certain income level would pay no taxes; those earning above that income level would pay a proportion of their income above that level; and those earning below that level would receive a payment of a proportion of their shortfall, which is the amount their income falls below that level (Shindler, 2015).

There are some differences between a universal basic income and a negative income tax. While everyone gets a payment under a basic income system and pays tax on whatever they earn above this level, a negative income tax requires more administrative effort as there is a requirement to assess a person's income to determine whether they require a payment and the amount of that payment. A negative income tax is targeted at those on low incomes, with the objective of ensuring that even those earning a small salary are financially better off than those earning nothing.

Between 1968 and 1982, in the USA and Canada, there were five social experiments testing the idea of a negative income tax. MIT economist Joshua Angrist reported that the findings from the experiments were ambiguous.¹⁷ According to Angrist the designs were complex and the data collection strategy was not well planned so that there was a high level of misreported income. Some of the results showed that there was a modest reduction of work among recipients, especially primary income earners, though some of these findings are disputed because of the unreliability of the data.

While a comprehensive negative income tax system has never been fully implemented some countries have implemented facets of it for those working by way of refundable tax credits, for example, the Earned Income Tax Credit in the USA and Working Tax Credit in the UK. Working Tax Credit was designed to top up a person's earnings if they worked and were on a low income. Working Tax Credit has now been superseded by Universal Credit which is replacing not only the Working Tax Credit but also five other benefits, as outlined earlier.

1.9.2 Refundable Tax Credits

In Ireland, there are some advocates for the introduction of refundable tax credits. The introduction of such a system would mean that the part of the tax credit that a low paid employee did not benefit from would be refunded i.e. paid back to them at the end of the year. It is argued that the main beneficiaries of refundable tax credits would be low-paid employees.

Currently, low-paid working people with children are entitled to the Working Family Payment, which is gradually withdrawn as their income increases. They may also be entitled to the Back to Work Family Dividend if they have moved from social welfare into employment. However, there is no such support payment for low-paid workers without children.

One potential measure which would provide targeted support for low-paid single workers is making personal and employee tax credits refundable. A person who is single and in employment is entitled to a personal tax credit of 1,650 and an employee tax credit of €1,650, so that when the total amount of tax owed is calculated, €3,300 is deducted. People who earn less than €16,500 per year do not pay any income tax because their tax credits of €3,300 are more than or equal to the

¹⁷ Cited in (Linke, 2018)

amount of tax that they are due to pay.¹⁸ However, they cannot benefit from tax credits. If tax credits were made refundable, the unused part of the tax credit (for people who earn less than €16,500 per year) would be refunded by the Revenue Commissioners.

Details on who exactly would be eligible for these would have to be considered carefully to ensure that the refundable tax credits would lower poverty rates. For example, eligibility criteria could be set to ensure that the measure was targeted, in terms of setting a minimum age, a minimum annual income from employment, a minimum of PRSI payments, a maximum level of annual earnings, and so on. Entitlement to the refundable tax credit would have to be carefully assessed and paid at the end of the tax year. The cost would also need to be calculated.

1.9.3 Partial Basic Incomes

Because of some of the potential drawbacks of a full universal basic income, as noted earlier in this paper, partial basic incomes have been considered. These can take the form of a lower level of payment than a full basic income or targeting certain sub-groups of the population such as children or those on low incomes.

In Ireland, the Expert Working Group on the Integration of the Tax and Social Welfare Systems (1996) examined a partial basic income at a lower level than the social welfare rates. Because of the lower level of the payment it would be required to be topped up by a supplementary payment. In so doing, the partial basic income lost many of the attractions of a full basic income because of the added complexity attached to the top up payment. At the time, the Expert Working Group also considered that partial basic income would not substantially improve work incentives.

Social Justice Ireland has also examined the possibilities of a partial basic income, through the introduction of a 30-hour working week and/or through the introduction of a 'social wage'. A 'social wage' is understood as the employers social insurance contribution (in addition to the direct wage paid to the employee) referred to as 'that part of the employees' compensation package that is paid to a social insurance or comparable fund' (Taft, 2016). Social Justice Ireland argue that a partial basic income could become instrumental in the introduction of both a reduced working week and a higher social wage, which, if gradually expanded could facilitate wage flexibility that would cushion firm costs. They suggest that a partial basic income could also reduce pressures on the social insurance fund, although they caution that a set of inter-related steps would need to be carefully co-ordinated, with a social consensus to build social trust, admitting that it is difficult to foresee how all this could be put in place when market processes are dominant and where certain market forces carry more weight than others.

¹⁸ People may have to pay the Universal Social Charge if their income is over €13,000, and PRSI, depending on how much they earn each week.

Further work by Social Justice Ireland examines variations of a partial basic income. One option involves giving a modest partial basic income to some or all citizens, which would gradually expand and increase over time until a full basic income is developed. Another approach proposes giving all citizens an unconditional tax credit as a partial basic income, which could be built up gradually. A modified partial basic income, paid at a lower rate and retaining existing means-tested benefits, would be viable, though it would keep some of the complexities of the existing system.¹⁹ Social Justice Ireland contends that a partial basic income could be implemented on a revenue neutral basis (with reference to the current social welfare and income tax system) using a single income tax rate of 40 per cent.²⁰

1.9.4 A Basic Income for Children

An alternative approach is a basic income for sub-groups of the population. Essentially, the Irish Child Benefit payment fulfils this role. It is a monthly payment to the parents or guardians of all children under 16 years of age irrespective of the family's income. It is also paid for children under 18 years of age if they are in full-time education, full-time training or have a disability and cannot support themselves. It is by default paid to the mother and it is not taxable.

The advantages attributed to Child Benefit are that it is paid to all children so that it is administratively simple and non-stigmatising. It is also seen as advantageous to be paid to the child's mother by default as research evidence shows that, in general, mothers tend to spend the money on their children's needs (Daly & Leonard, 2002; Corrigan, 2004; MacMahon *et al.*, 2012). However, it is costly (about €2bn annually) and there are those who argue that it would be a better use of resources to have a more targeted payment. One way of doing this would be to tax the payment for high earners but this has proven to be technically difficult and politically unfeasible. In addition, the payment (currently €140 per month, €32.31 per week) is not sufficient to lift children in low income families out of poverty so that an additional means-tested payment, the Increase for a Qualified Child (IQC), is paid to some of those with children who are on social welfare payments. This additional payment can create a poverty trap for some larger families as they stand to lose the IQCs when taking up a paid job. If the job is low paid they may qualify for the Working Family Payment but this can take time to assess so creating uncertainty in making the transition from welfare to paid work.

The challenge in optimising child income support is to strike a balance between the level of the universal payment paid to all children and the means-tested payment for children in low income families to ensure that children are not at risk of poverty but that people are able to make the transition from welfare to work without financial penalty. The Expert Working Group on the Integration of Tax and Social Welfare Systems examined the possibility of a full basic income for children and three partial

¹⁹ See <https://www.socialjustice.ie/content/policy-issues/post-covid-19-basic-income-how-its-paid-and-how-get-there>, 02/03/21.

²⁰ See <https://www.socialjustice.ie/content/policy-issues/basic-income-and-ubs-key-improving-living-standards-after-covid-19>, 02/03/21.

variants—an ‘integrated child benefit’ which was a basic income for children that would be taxed; a ‘child benefit supplement’ which was a means-tested supplement for families with children, paid to all families on lower income whether unemployed or in work; and an ‘in-work benefit’ which would be payable through extending and enhancing Family Income Supplement (now Working Family Payment). The Expert Working Group did not recommend a full basic income for children (on the basis of cost, and that the payment would not be adequate to cover the costs of children in some low income families) and did not reach agreement on recommending any of the three partial variants due to various drawbacks attached to each.

We will return to the issue of child income support in section 1.12 of this paper. There are also examples of partial basic incomes targeted at low income groups which are being introduced elsewhere, and the next section provides a brief overview of the learning from these experiences.

1.10 Learning from Elsewhere

Partial basic income experiments have taken place throughout the world in both developed and developing countries and at national and regional/local levels. Some of the most well-known and best documented have taken place in Finland, the Netherlands, Ontario in Canada and Alaska, USA. Scotland has been exploring the feasibility of a Basic Income pilot. For details on some of the pilots see Appendix 1.

A number of lessons can be taken from the partial basic income pilots. These are summarised as follows.

- No country has yet introduced a full-blown universal basic income. The pilots and experiments which have been undertaken have either been on a sub-sample of the population, or in a specific area or region. Therefore, at best they are partial basic incomes or in some cases an adjustment of the existing social welfare system or cash transfers.
- In many cases the partial basic income pilots have had a positive impact on alleviating poverty, especially those experiments which have been targeted at low income groups. While the basic income payment is often not adequate in and of itself to lift people out of poverty, where it is unconditional it has enabled people to meet their basic needs and have the freedom to explore options. In most cases, research has shown that the income has been spent on productive goods and services.
- The pilots show that payment of a partial basic income has had a limited effect on employment. While it has been argued that receipt of a basic income frees people up to start up their own businesses, etc., there has been no demonstrable impact on aggregate employment. In some cases, a slight increase has been observed in part-time employment. On the other hand, payment of a basic income has not caused people to leave work or give up seeking work countering claims that a universal basic income would encourage idleness. However, many of the pilots had some conditionality attached.

- While one of the stated aims of a basic income is simplification of the social welfare (and tax) system the pilots failed to demonstrate this as they all had various assessment and selection criteria and in many cases required additional support payments and services. Indeed, one of the lessons from the partial basic income experiments is the requirement for additional supports for low income groups and the need for wider social service provision requiring various government departments and agencies to work together.
- The cost of implementing a basic income was often an implicit, if not explicit, reason for terminating the various pilots or not continuing them. These payments were often made at a higher level than existing social welfare rates or required additional top-ups for subgroups of the population, such as for people with disabilities. A full universal basic income would require an increase in tax rates but this was not an aspect of any of the pilots. It has been suggested that an additional source of income may be required to fund a basic income, e.g. the oil investments in Alaska.
- The motivations for implementing a basic income need to be understood. In some cases it is to provide an income to enable people to live with dignity, in others it is to support the transition into paid work, while more recently some privately funded pilots are said to be easing the way to a situation where many jobs will be automated and so some people may become dependent on a basic income payment for their livelihood. Where the political ideology of a country or state changed this often had an impact on the basic income pilots, causing some of them to be terminated.
- The inclusion of a conditionality element in many of the pilots dilutes the impact that a basic income might otherwise have. One of the fundamentals of basic income is that it is received unconditionally, yet many of the pilots required people to be activated or job-seeking, in some instances with a threat of sanction, so that arguably they cannot be considered as basic income experiments, even though they are promoted as such.
- The long-term behavioural impacts of a basic income payment are unknown as none of the basic income pilots, with the exception of the Alaska Permanent Fund, are of long enough duration to assess the full impact of the receipt of a basic income payment. Some have suggested that a basic income payment should be seen as permanent, or at least paid for up to ten years, yet most of the pilots have only lasted 2 years, or 5 years at most, with the exception of Alaska. In Alaska the dividend has helped to mitigate the worst effects of poverty among rural indigenous families, especially among the older population.
- The importance of collecting basic data and carrying out an evaluation or research on the impact of the payment of a basic income. While most of the pilots aspired to do this, where it was not built in to the original design the research element was often delayed or incomplete, meaning that learning from the pilots was not available to inform adjustments or continuations of the pilots, some of which ended prematurely.

1.11 Conclusions on Basic Income

The previous sections of this paper, sections 1.8 to 1.10, have: set out the definition of a universal basic income and the perceived advantages and disadvantages; discussed variations of basic income, including consideration of refundable tax credits; and presented the learning from a number of international pilots.

While a universal basic income has been lauded by some as a way to make the tax and welfare systems more integrated and provide a payment to people that would enable them to live with dignity and make choices about their lives, there are no examples of this having been fully implemented in any country. Rather, variants in the form of pilots and experiments have been undertaken in some countries and states.

In summary, while an unconditional universal basic income simplifies the tax and welfare systems there are issues in relation to payment adequacy, overall cost, and difficulties in tailoring the payment to specific needs. Variants of basic income lose the advantage of simplicity but may be of value in certain circumstances and may be worthy of further exploration.

1.12 Child Income Support

As discussed earlier in section 1.9.4 on a basic income for children there are a number of options for variants of a basic income for children, one of which was a ‘child benefit supplement’. In 2007, NESC published a research paper considering a type of child benefit supplement and making the case for a new form of targeting for Ireland’s child income supports (Sweeney, 2007). The paper examined merging Child Dependent Additions [CDAs] (now called Increases for a Qualified Child) and Family Income Supplement [FIS] (now called Working Family Payment) into a single programme to provide a seamless source of child income support. The paper recommended that the CDAs and FIS should be replaced by a new second tier payment (in addition to the universal Child Benefit) that would be paid only where family income is low and everywhere family income is low. It was acknowledged that such a new second tier payment would make significant demands on the public data and administrative systems, and to date such a payment has not been introduced.

In 2010, the Department of Social Protection carried out a policy and value for money review of child income support (DSP, 2010b) and in 2012 the Advisory Group on Tax and Welfare reported on child and family income support (Advisory Group on Tax and Social Welfare, 2012). The Advisory Group on Tax and Social Welfare examined the taxation of child benefit and a two-tier child income support (CIS) payment with a view to trying to better target child income support payments, while ensuring that a universal child benefit is paid to all children. The Group concluded that the preferable method was the two-tier child income support payment as it has the potential to provide better targeting with a smaller negative impact on work disincentives than the current payment structure. The Group identified a number of issues which needed to be addressed including: upper age limits, payment thresholds, rate of

payment, assessable income, withdrawal rate and operational issues. These are details which would need to be worked out if this proposal was agreed, in principle.

The previous administrative difficulties of being able to assess the income of low income families, especially in the transition from welfare to work, may be able to be resolved through the systems put in place for the means tested element of the National Childcare Scheme. The introduction of a two-tier child income support payment offers a real possibility of smoothing the transition from welfare to work for low income families with children, at the same time as better targeting of child income support. The provision of complementary services such as childcare and housing, along with further education and training, would also be important.

1.13 Conclusions

This paper has discussed how a more integrated income support system might work towards alleviating poverty while at the same time supporting people into work in a sustainable, less complex social welfare system. Means-testing associated with social assistance payments was considered and the conditionality connected to some social assistance and social insurance payments was discussed. This led to the consideration of potential options for a more integrated income support system, such as a more unified means-test, a merging of some working age social assistance payments, a participation income, through to a universal basic income, with some basic income variants and pilots. Options for a more integrated child income support system were also considered.

This paper should be seen in the context of the overall project on the future of the Irish social welfare system, with papers on social insurance system, self-employment, platform working, gender, family and class, part-time and precarious working, the interface between income support and services as well as papers on income, wealth, redistribution and their implications for the welfare system, and the challenges facing the welfare state.

It is worth bearing in mind some of the premises of the overall project:

- Changes in wider society and economy: such as rising inequality; the changing nature of work through increasing precarity and technological change; the perceived complexity of the social welfare system; and purported disincentives in transitioning from welfare to work.
- The nine principles underpinning the project: adequacy, redistribution, contributory, solidarity, comprehensiveness, consistency, simplicity, equity, and sustainability while acknowledging that there may be some tension between these.
- The desire for a more integrated income support system.
- The conceptual framework of a developmental welfare state where service provision and innovative measures play an important complementary role alongside income support.

Based on the discussions in this paper and the premises of the overall project the following conclusions are drawn.

- Rationalise some of the means-tested payments but carefully drawing on the experience of the introduction of Universal Credit in the UK and the analysis on the desirability and feasibility of introducing a single social assistance payment for people of working age. There are changes which can be made to the payments system, but these need to be undertaken with care and with a mind to the behavioural and long-term implications of the changes, with adequate supports being put in place, as necessary. Consideration could be given to piloting such changes.
- Simplify the means-testing system so that a single means-test could form the basis for a range of payments, and could be transferable between a number of payments.
- Consider the possibility of introducing a participation income where there is a broader definition of the activities people could participate in. Such activities could include approved forms of education and training, caring for young, elderly and disabled people or undertaking approved forms of voluntary work.
- A full universal unconditional basic income is not seen as viable at this time. There remain too many unknowns and it would seem that either the basic income payment would be too low to lift people out of poverty, without additional supports or the tax rate or other funding required to pay for it would be too high. In addition, behavioural responses to this type of basic income are largely untested.
- Variants of basic income may be worth considering given the changing nature of work, etc. Here, it is useful to learn from the pilots and experiments which have been tried elsewhere. For example, it may be worthwhile to consider undertaking a pilot targeted at low income people and whether a basic income type payment would help them to improve their quality of life. Some positive lessons have emerged from the Finnish and Canadian pilots, though these are no longer in operation.
- It is worth revisiting the possibility of moving towards a second tier of child income support, through merging Qualified Child Additions and the Working Family Payment. While in the past this was deemed difficult because of insufficient available information on which to make the necessary income assessment, this may now become possible with the introduction of the National Childcare Scheme (NCS), which assesses family income to determine access to the means-tested element of the NCS. A second tier of child income support, in addition to the universal Child Benefit, would help smooth the transition from welfare to work for low income families with children.
- The importance of complementary services and community supports especially with respect to housing, childcare, health and further education. From the *Developmental Welfare State* work, and evidence from elsewhere, it is clear that good service provision, with community supports, can enable people to access available employment and/or improve their quality of life. These are required to support a more integrated income support system.

APPENDIX 1

International Basic Income Experiments²¹

A1. Finland

In 2015 the Finnish Prime Minister announced a basic income experiment as part of the programme for government. A research study was undertaken and based on the report from the study a Bill on the basic income experiment was passed by the Finnish parliament in December 2016, with the experiment being launched on 1st January 2017. The experiment ran for two years and ended in December 2018. The Finnish experiment is the world's first basic income experiment that was nationwide, statutory and based on a randomised field experiment.

The experiment involved 2,000 unemployed people aged between the ages of 25 and 58 years receiving a basic income of €560 per month (€129 per week) as an unconditional payment, without means-testing and untaxed. They received this payment for two years from 1st January 2017 to 31st December 2018. The experiment was run by Kela, the Finnish social insurance agency. The participants in the experiment were selected at random in December 2016, and participation was compulsory for those selected. The experiment was designed so that no one would lose financially by participation in the pilot which meant that the level of basic income was matched to existing benefits.

The purpose of the pilot was to examine how the work incentives of a basic income compared to the existing conditional benefits. The specific questions to be addressed were:

- How could the social security system be redesigned to address the changing nature of work?
- Can the social security system be reshaped in a way that promotes active participation and gives people a stronger incentive to work?
- Can bureaucracy be reduced and the complicated benefits system simplified?

The pilot was evaluated and involved both a population register based study and a phone survey among members of the experimental group and a control group (rest of the unemployed population). Preliminary results were published in 2019, with final results published and launched by Kela at a public event in 2020.²² The results

²¹ This section draws heavily from (Carnegie UK Trust, 2019).

²² See https://www.kela.fi/web/en/news-archive/-/asset_publisher/IN08GY2nIrZo/content/results-of-the-basic-income-experiment-small-employment-effects-better-perceived-economic-security-and-mental-wellbeing#:~:text=06%2F05%2F2020-

showed that there was a small positive employment effect, especially in year 2, among the basic income recipients compared to the control group. However, the interpretation of the employment effects of the experiment was complicated by the introduction of an activation model in 2018, which meant more stringent entitlement criteria for unemployment benefits. In general, the basic income recipients were more satisfied with their lives and experienced less mental strain than the control group. They also had a more positive perception of their economic welfare. There were beneficial effects in relation to health, well-being and trust in other people and government institutions.

Some of the strengths of the experiment were seen as having legislation to enable implementation of the pilot, as this would permit a similar experiment to be run again. It was also seen as beneficial to have had the national security agency running the experiment as they were able to use national administrative data with existing population registers. It was thought that centralised decision making helped ensure a smooth experiment implementation.

However, the experiment also encountered a number of challenges. The time to plan the experiment was limited and this led to compromises around its design. It was also noted that two years was not a long enough period to fully implement and evaluate the experiment. The experiment was also constrained by the €20million budget set by the Government. The Finnish Tax Department did not participate in the study so the basic income was not subject to tax, meaning that the experiment was not a true reflection of how basic income would function if implemented as a policy in terms of its interactions with the tax system.

In December 2016, the research team recommended expansion of the experiment in 2018 to enlarge the sample size and include other low income people, not just people who were unemployed. However, the experiment was not extended or enhanced, and ended in December 2018. In essence, the political debate about basic income in Finland is currently closed with a greater focus on activation.

Some commentators on the Finnish basic income experiment are critical of how the pilot was implemented arguing that: the design was more limited than originally envisaged; requests to postpone the starting date and increase the budget were ignored; the required co-ordination between different government departments did not happen; there was a failure to communicate the process and outcomes of the experiment adequately; and there was a delay in appointing the evaluation team so that the results of their analysis were not available until after the experiment had ended (De Wispelaere *et al.*, 2018). Their more substantive criticisms, however, relate to the basic income experiment being situated within an activation model which required jobseekers to either work on a part-time basis or intensively participate in activation measures or face a benefit cut, and the influence of the political process where they say basic income experiments are subject to compromise and uncertain outcomes.

A2. Netherlands

While the Dutch Participation Act 2015 introduced greater conditionality on welfare recipients the decentralisation of the Netherlands' system of general assistance enabled some municipalities to experiment in their local areas. Six municipalities (Utrecht, Groningen, Tilburg, Wageningen, Nijmegen, Deventer) have been carrying out social assistance benefits experiments, involving 2,500 unemployed citizens (plus a control group of 500). The duration of the experiments was to be for two years, with individuals receiving €946 per month (€218 per week). These experiments have been referred by some commentators as partial basic income pilots. While not testing basic income *per se*, they are examining one of its key attributes – the relaxation of conditionality.

The social assistance experiments have been testing out which interventions help unemployed people get back into the labour market or participate in activities of care and voluntary work. The experiments also focus on the health and well-being of welfare recipients and the job satisfaction of case workers. The existing level of social assistance is used as the basic income.

The experiments explore the effects of changing work conditions and means-tested social assistance in the direction of an unconditional basic income. Interventions vary between the municipalities but broadly cover:

- Exemption from duties of reintegration such as job search and training;
- Intensive coaching through additional voluntary and personalised support; and
- Testing the financial incentive of retaining more earnings from taking a job.

The value of the experiments has been documented as a response by local politicians and civil society to the increased conditionality of the Dutch Participation Act. In addition, in each municipality good links have been established with local universities in support of the local experiments, along with good connections between the various municipalities undertaking the experiments.

An evaluation report on the experiments for social assistance benefits (de Boer *et al.*, 2020) showed that when welfare recipients were not required to job search there was no negative effect on their job finding rate. Intensive coaching and being able to retain more earnings from taking a job led, in some cases, to more people taking up part-time but not full-time jobs. There was much uncertainty around the results, however, in many of the municipalities. It was suggested that in future experiments it would be important to limit the number of different interventions undertaken so that the effects of those interventions could be more clearly tracked.

Criticisms of the Dutch social assistance benefits experiments relate to the fact that they do not reflect 'true' basic income pilots but are more about experimenting with conditionality and new incentives. In addition, municipalities are not legally permitted to form treatment groups that relax the conditionality requirements of work and means-tests.

A3. Ontario, Canada

In their March 2016 budget, the Ontario Liberal Party committed to establishing a basic income pilot to test the ability of basic income to reduce poverty. The pilot was due to run for three years and pilot recruitment took place from September 2017 to April 2018. However, with a change of Government, it was announced in July 2018 that the pilot would be terminated early, with participants to receive their final payments in March 2019.

Ontario's approach was framed around reducing poverty by exploring how people's lives might change if they knew with certainty that they had enough money to cover their basic needs. Following a Negative Income Tax model the Ontario experiment aimed to provide a minimum income to those living on a low income (less than €22,500 per annum for a single person and €32,000 per annum for a couple). Those with a disability received an additional €330 per month to take account of the additional living costs. Invitations to participate were aimed at residents aged between 18-64 years old.

The basic income pilot was tested in three communities: Hamilton, a large urban community; Thunder Bay, a smaller urban area; and Lindsay, a small town/rural community. In total, 4,000 people were included in the pilot, with an additional 2,000 people participating in a control group. The comparison group did not receive the monthly Basic Income payments, but actively participated in the research study associated with the pilot. Individuals in the Basic Income pilot received a monthly payment of €940 (€217 per week), with income withdrawn at 50 per cent above €11,270 per annum. The experiment was funded by the Ontario Provincial Government, at an estimated cost of €33m per year (CA\$50m).

There was to be an ongoing research study which regularly asked people, in both the basic income pilot and the comparison group, about their health, education, employment and housing through surveys. The pilot was to be evaluated by third party evaluators who would make comparisons between the two groups in relation to a number of attributes such as food security, mental health, health care usage, housing stability, education and training, and employment and labour market participation. Study results from the pilot's baseline survey showed that the participants were hoping to improve their employment opportunities, stabilise their housing, eat healthier and improve their health (Forget, 2020). However, because of the early termination of the pilot, no further results are available.

The Ontario basic income pilot was popular with participants, anti-poverty groups and some sections of the media. The level of payment provided for a real increase in incomes for those on low incomes, especially for those who were in receipt of social welfare payments. It also removed the stigma of means testing. It was notable, however, that 70 per cent of people in receipt of the basic income payment had a job of some kind. The payment of a basic income was documented as providing people with more flexibility and choices in their lives, and this has been communicated through a dedicated website of 'basic income voices' and a 'I am Living Proof Campaign'.

The Conservative Ontario Government, however, made a decision in July 2018 to terminate the pilot at the end of March 2019. Various reasons have been espoused for the termination including: cost; that a small scale pilot did not address poverty among the low income population of Ontario more generally; and that giving people an unconditional ‘hand out’ did not incentivise them to get a job to lift them out of poverty. It is unfortunate that no evaluation of the learning from the pilot has been conducted.

A4. Scotland

Scotland has explored the feasibility of a Citizens’ Basic Income (CBI) pilot. In May 2018, the Scottish Government confirmed they would provide £250,000 over two years to support four local authorities (Fife, Edinburgh, Glasgow and North Ayrshire) to undertake a feasibility study on a CBI pilot scheme in Scotland. These four local authorities, along with the NHS Health Scotland and the Improvement Service, formed a Citizens’ Basic Income Feasibility Study Steering Group to undertake the feasibility study.

The Steering Group was asked to consider the role of a CBI in reducing poverty by exploring the feasibility of conducting local pilots in Scotland. They were specifically asked to explore the details of the legislative, financial and practical implementation of conducting a pilot as well as its potential costs, benefits and savings. They commissioned two pieces of research: one on exploring the social security implications of a CBI; and economic modelling of the potential distributional and macroeconomic implications of a national roll out of CBI.

The Group proposed a three-year pilot which would allow sufficient time for the realisation of short-term, and some medium-term, outcomes. The pilot would be preceded by a one-year preparation period. Two levels of CBI payment were proposed: a high level based on a Minimum Income Standard; and a lower level in line with current benefit entitlements. Some benefits—such as disability, housing and childcare—would need to continue alongside a CBI.

In its final report the Steering Group concluded that there were divergent views on CBI across the Scottish and UK political spectrum. Even amongst advocates there was little evidence of a consensus view of a preferred model and features of a basic income, or its relationship with the existing welfare state. The research found that there was interest and value in exploring the potential benefits of CBI through piloting, but that it was not currently feasible to progress to a pilot model of a CBI as described by the Steering Group without the support of the different levels of government, i.e. local, Scottish and UK. This was due to the substantive and complex legislative, technical and delivery challenges associated with the institutional arrangements for a pilot. However, the feasibility study suggested several areas for further work (Citizens’ Basic Income Feasibility Study Steering Group, 2020).

To date, the pilot has not progressed, but the Citizens’ Basic Income Feasibility Study Steering Group continues to exist.

A5. California, USA

A number of basic income type pilots are underway in the USA. Two are noted here.

Y Combinator Pilot

In May 2016, Y Combinator, an American company which supports start-up companies, announced that it would fund a five year unconditional basic income study. The initial study was to involve up to 100 residents in Oakland, California receiving an unconditional guaranteed minimum income for a period of six to twelve months to cover their basic needs. Y Combinator said it chose Oakland for the study due to its economic and social diversity, but also high levels of inequality. The purpose of the basic income study was to explore what opportunities people take if they are guaranteed financial security (Carrie Wong, 2016).

The research arm of Y Combinator, Y Combinator Research, initiated the study in September 2016, but one year later fewer than 10 people were involved in the study due to what were termed ‘bureaucratic obstacles’, specifically trying to ensure that participants would still receive their means-tested support payments (Sanchez, 2018).

Nevertheless, Y Combinator Research was planning to begin a larger basic income study in 2019 (Tiku, 2018). This proposed study was to provide \$1,500 per month to 1,000 randomly selected participants for 3 to 5 years. Another 2,000 people were to serve as a control group and receive monthly transfers of \$50 for the duration of the study. The experiment was due to take place across two states (but would not include the city of Oakland). Y Combinator Research estimated it would need \$60m for this study, and is seeking funding from others as well as its own contribution. The study has not yet materialised, as Y Combinator research want fundraising to be complete before starting the study.

Some local community activists, while welcoming funding from the big tech companies for improving the livelihoods of low income people, have expressed reservations about the basic income pilots and have argued that the tech companies should engage with local community organisations who work with low income people. Sceptics of the pilot also argue that Y Combinator is funding the experiment as a prelude to a future where low paid workers lose their jobs due to technological advancement, and may become dependent on a basic income (Carrie Wong, 2016).

Stockton Economic Empowerment Demonstration (SEED)

In a pilot study in Stockton, California, which began in February 2019, 125 residents who were living at or below the median income line (around \$46,000 annually) were given \$500 monthly stipends, distributed through the mail in the form of debit cards.²³ Participants in the demonstration project were selected randomly from the poorest neighbourhoods in Stockton. The SEED payments represented an increase of

²³ www.stocktondemonstration.org, 19/02/21.

almost 30 per cent in recipients' overall income, especially during the Covid-19 restrictions.

Initial results from the demonstration project found that most recipients had been using their stipends to buy groceries and pay their bills, with an overall improvement in their wellbeing and health. Around 43 per cent of the participants had a full-time or part-time job, with only 20 per cent being unemployed and not actively seeking work. The initial 18 month programme, costing \$38m, was extended in June 2020. The demonstration project is funded by private organisations and philanthropic donors.

What is notable about these USA basic income experiments is that they are privately funded. This has been seen by some as an advantage, as they are not affected by changes in government policy, with reference to the Ontario and Finnish basic income initiatives. Others are more sceptical of the motivations of private funders.

A6. Alaska, USA

Alaska has had a type of basic income since 1982 where residents receive a regular payment from a Permanent Fund. The Alaska Permanent Fund Dividend programme provides a universal basic income to all residents from the investment earnings of a state wealth fund created from oil rents. The payment is paid annually and the amount varies depending on the stock market and other factors. The lowest individual dividend was \$331 in 1984 and the highest was \$2,072 in 2015. Not surprisingly, the dividend is popular among the public with 71 per cent stating a preference for retaining the dividend even if it meant raising taxes, compared to only 29 per cent who held this view in 1984, two years after the start of the dividend.

A study of the labour market impact of the dividend found that it had no overall effect on employment, but did increase part-time work by 1.8 percentage points (17 per cent) (Jones & Marinescu, 2018). The authors suggest employment remained steady because the extra income allowed people to buy more which increased the demand for service jobs, some of which are part-time. While not an anti-poverty programme, given the limited and variable amount of the payment, research has found that the dividend has helped to mitigate the worst effects of poverty among rural Indigenous families in Alaska, especially among the older population (Berman, 2018).

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