



Assessing the Feasibility of Citizens' Basic Income Pilots in Scotland: Executive Summary

Prepared by the Citizens' Basic Income Feasibility Study Steering Group
June 2020

Key Findings

- This report presents comprehensive and detailed research into the feasibility of a Citizens' Basic Income (CBI) pilot in Scotland. It has been developed by a successful collaboration of local government and public health, supported by national government.
- The CBI Steering Group recommends that a pilot study of CBI is undertaken in Scotland. A robust and well-designed pilot would provide an invaluable opportunity to test and evaluate the effects of CBI within the Scottish context.
- The feasibility study provides important, evidence-based insights to determine the extent to which a nationwide CBI policy is possible within the Scottish context. However there are some areas where evidence is limited or does not exist, creating uncertainty around the specific impacts a CBI may have on people's lives. A robust pilot and evaluation of CBI could resolve this uncertainty by generating improved evidence of the impact of a CBI on a person's behaviour in a Scottish context; produce improved (but incomplete) evidence of the impact of a CBI on economic and community-level outcomes; allow testing of design and implementation features; and stimulate policy debate to strengthen political feasibility.
- The CBI Steering Group has developed a proposed model for a CBI pilot and completed an evaluability assessment to consider the methods through which a pilot could be evaluated against designated outcomes of interest. The proposed pilot would aim to understand the impact of CBI on poverty, child poverty and unemployment, as well as health and financial wellbeing, and experience of the social security system.
- Pilot model recommendations:
 - It is recommended that a pilot should be a randomised controlled study, with two study areas where the whole community receives a CBI (one receiving the high payment, the other receiving the low payment).
 - The preferred model for piloting a CBI pilot in Scotland is based on 5 key principles: universal (paid to all); unconditional (no requirement to search for work); individual (not paid to households, like Universal Credit); periodic (paid at regular intervals); and made as a cash payment.
 - The model proposes two levels of CBI payments - one 'high level' based on the Minimum Income Standard and one 'low level' more closely aligned with current benefit levels. For both levels of payment, suspension of a range of existing income-related benefits is proposed, while others, primarily related to disability, housing, childcare and limited capability for work would continue.
- Care should be taken that participants who are vulnerable and/or with low incomes should not experience detriment (financial or otherwise) compared to individuals not involved in the study.

- Direct intervention costs of a pilot based on the proposed model (net of savings on benefits and pensions and excluding administration and evaluation costs) are approximately £186m over three years for a study including both low and high levels of CBI.
- There is significant interest and value in exploring the potential benefits of CBI via piloting, however there are substantial challenges associated with institutional arrangements for a pilot. This research has determined it is not currently feasible for any one level of government alone to deliver a pilot model of a CBI as described by the Steering Group. There would be substantive and complex legislative, technical and delivery changes required to ensure that a CBI interacts with the existing social security system in a way that avoids detriment to those on benefits and lowest incomes.
- The majority of social security benefits a CBI would need to interact with are reserved to the UK Government, particularly those in relation to housing, child-care support and other top-up payments. Within current welfare and tax governance arrangements, political will and support across all levels of government (local, Scottish and UK) including the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) would be required to overcome these challenges. Without such support, the feasibility of a pilot, that minimises detriment, would require legislative changes to be made.
- We hope that the findings of the feasibility study contribute to the wider discussions on Scottish society, economy and wellbeing, as well as help identify actions which may support future ambitions in relation to basic income or social security reform.

This report presents the findings of research into the feasibility of a Citizens' Basic Income (CBI) pilot in Scotland. We set out to design a CBI pilot to test the role of a CBI in reducing poverty in Scotland and explore the feasibility of local basic income pilots. We did this by gathering and synthesising CBI evidence across published research, engaging with relevant organisations, learning from contemporary pilots, community engagement and survey data, and commissioning new research to address evidence gaps. This provided the Steering Group with a robust evidence base on which to develop the proposed pilot model, alongside an evaluability assessment to assess the best way of measuring whether a CBI would deliver on the outcomes of interest.

Here we summarise the findings of the feasibility study, including economic modelling of the potential impacts on the wider economy in the longer term in a scenario where the policy was rolled out nationally, and draw out implications to inform future discussions about CBI, social security and the wider Scottish society and economy.

Background and purpose of this report

The feasibility project builds on earlier work undertaken by local authorities who were exploring the possible contribution of a CBI in reducing poverty and tackling inequalities. The work has been undertaken in collaboration by four local authorities (City of Edinburgh, Fife, Glasgow City and North Ayrshire), Public Health Scotland and the Improvement Service. Funding of £250,000 over 2 years was made available by the Scottish Government for this project. Representatives from each of the collaborating organisations were brought together to form the Citizens' Basic Income Feasibility Study Steering Group.

This report has been prepared by the Steering Group to communicate the findings of the project. The group has been asked to consider the role of a CBI in reducing poverty by exploring the feasibility of conducting local pilots in Scotland. Specifically, this included details of the ethical, legislative, financial and practical implementation of conducting a pilot as well as its potential costs, benefits and savings.

We commissioned two pieces of research:

- **Exploring the social security implications of a CBI pilot** was carried out by the Child Poverty Action Group in Scotland. This work explored how a pilot study of CBI might impact on the pilot participants' eligibility for other welfare benefits and associated 'passported' benefits.
- **Economic Modelling of the potential distributional and macroeconomic implications of a national roll out of CBI** was led by the Fraser of Allander Institute at the University of Strathclyde in collaboration with the Institute for Public Policy Research (IPPR) Scotland and Manchester Metropolitan University.

There has been informative and constructive engagement with relevant civil servants from the Scottish and UK Governments, council officers and wider stakeholders to gather information and insights, particularly in relation to the institutional and legal aspects of a CBI pilot. This provided the Steering Group with the best available evidence base to develop a pilot model, consider how to evaluate and measure the impact of the pilot model, and to assess the overall feasibility of conducting a CBI pilot in Scotland. This final report builds on the evidence presented in our Interim Report published in November 2019.

What is a Citizens' Basic Income (CBI)?

There are many different models of CBI, varying in the level of payment, eligibility and the degree to which it replaces and interacts with the existing social security and tax systems. The general concept is based on offering every individual, regardless of existing welfare benefits or earned income, an unconditional, regular payment. The Basic Income Earth Network (BIEN) have defined a CBI as having five essential criteria:

- **Periodic:** Paid at regular intervals (for example every month or fortnight), not as a one-off grant.
- **Cash Payment:** Paid as an appropriate medium of exchange, allowing recipients to decide how to use it. It is not paid in kind or using vouchers.
- **Unconditional:** Paid without a requirement to work or to demonstrate willingness to work.
- **Individual:** Paid on an individual basis – and not, for instance, to households.
- **Universal:** Paid to all, without means test.

Rationale for a pilot

While CBI is not a new concept there has been recent rapid growth in public and political interest. Among its advocates a CBI is seen variously as a way of promoting social justice and equality, reducing poverty and income inequality, removing work disincentives, addressing job insecurity and increasing freedom to make choices. Critics variously view it as encouraging labour market withdrawal, promoting state dependency, diverting funds from those most in need, risking the removal of other social programmes, and potentially costly. Despite this interest, there remain many uncertainties about how a CBI would work within a Scottish or UK context, and how this would fit with, or require change in, our current tax and benefit systems.

The available evidence suggests that a CBI could impact on a wide range of employment, social and health outcomes, but the evidence base for CBI is largely drawn from other contexts and may not be directly applicable to Scotland today. Evidence on health impacts is mixed, with some positive effects on birth weight and mental health, but less evidence for other health outcomes. Similarly, impact on labour market participation is mixed, but overall employment impacts were smaller for men and greater for women with young children. There is an absence of evidence to assess the effects on long-term service use and wider economic impacts.

There are several contemporary CBI-type experiments underway or in planning around the world. However, as it currently stands, a CBI pilot in its purest form, where all characteristics outlined above have been met, has never been tested in any developed country.

In considering a proportional approach to supporting policymakers when judging the value of a CBI, we explored alternatives to a pilot, such as directly rolling out the policy or conducting economic modelling only. The feasibility study goes some way to determine the extent to which a nationwide CBI policy is possible within the Scottish context, however there are some areas where evidence is limited or does not exist, creating uncertainty around the impacts of CBI. Well-designed, local pilots of CBI might be able to address many of these gaps and generate new evidence for the Scottish context. Specifically, a robust pilot and evaluation of CBI would: generate improved evidence on the impacts of CBI in a Scottish context; allow testing of design and implementation features; and

stimulate policy debate to better understand the political feasibility. The group concluded that whilst modelling the economic impact of a national rollout has a role to play in exploring broader and longer-term impact of a CBI, this approach alone would be insufficient to fill the gaps in knowledge about the impacts of a CBI.

The CBI pilot model

We propose a preferred model of CBI for piloting in Scotland. A three-year pilot would allow sufficient time for the realisation of short- and some medium-term outcomes. This should be preceded by a one-year preparation period to help mitigate delays which could constrain or compromise the pilot. The group recognises that the model of CBI and implications for other policies (especially tax policy) in a pilot scenario would be different if CBI were being implemented nationally across Scotland.

CBI Characteristics and Pilot Design Principles

CBI Characteristic	Pilot Design Principle
Cash Payment	CBI in monetary form, paid by bank transfer or similar. Not paid in kind or as a voucher.
Periodic (including payment type)	Regular payment (weekly, fortnightly or monthly options) Given prospectively
Individual	Individual payments for adults Child payments to main parent/guardian, usually mother For adults without capacity, payment made to guardian
Universal	Total population (within saturation site) with no means-testing or restrictions by income, age or individual characteristics
Unconditional	No conditions or sanctions, CBI as a right.

Two levels of CBI payment are proposed. The high level is based on the 2018 Minimum Income Standard (MIS) produced by the Joseph Rowntree Foundation in order to have a model that is likely to be able to substantially reduce or eradicate poverty.

The second, lower, level of payment is more closely aligned with current benefit entitlements and provides an opportunity to test the effect of an unconditional income with relatively little change in the level of income for those previously receiving benefits.

Proposed Payment Levels

Age Range	Low CBI Level (per week)	High CBI Level (per week)
0 to 15 years	£84.54 (payment to main carer/ parent)	£120.48 (payment to main carer/ parent)
16 to 19 years	£84.54	£213.59
20 to 24 years	£57.90	£213.59
25 years to pension age	£73.10	£213.59
Pension age	£168.60	£195.90

We do not want to propose models of CBI for piloting that will lead to direct financial detriment for participants. This is very difficult to guarantee given that the current social security system is designed to identify financial need and vary payment accordingly, whilst a CBI is designed to be universal. In order to achieve this balance, our research has identified that certain benefits would need to be continued alongside a CBI. These are disability, work capability, housing and childcare benefits. It should be noted that for benefits retained alongside a CBI, some conditions associated with eligibility will inevitably remain. For example, entitlement for housing, childcare and disability support is currently based upon individuals meeting certain eligibility conditions.

Proposals on Interaction with Tax and Benefits

For the duration of the study, pilot participants who would normally be in receipt of elements paid within Universal Credit, and premiums and additions within Pension Credit and legacy benefits should be able to claim these alongside a CBI: Specifically, those relating to disability, limited capability for work, housing, childcare and caring.

A preferred model would be to suspend participant access to the following benefit entitlements¹ for the duration of the study:

- Income Support (Personal Allowance)
- Income-based Jobseekers Allowance (Personal Allowance)
- Income-related Employment and Support Allowance (Personal allowance)
- Child Tax Credit (Family Element plus Child Element)
- State Pension
- Child Benefit
- Carer's Allowance (Basic Rate and Scottish Supplement)
- Universal Credit: Standard allowance for Single person
- Universal Credit: First child / subsequent child payments

¹ Suggested suspensions are set out in the context of the CBI characteristic of payments being made to the individual. It is not the intention that any couple rates would continue to be paid within these existing benefits. Instead, within this model, a couple would each receive the CBI payment.

For the purposes of means-tested benefit calculation for retained benefits, CBI payments should be disregarded as income.

We suggest that a CBI payment should be included in the calculation of income for tax purposes. This would mean that all taxable income (CBI and non-CBI) which is above the Personal Income Tax Allowance threshold (currently £12,500) would be taxed.

Evaluation and Governance

The case for a pilot study is to provide a means of reducing the uncertainties about the impact of the policy, including any unintended negative consequences and implementation issues and inform any further decisions about a national policy. We have developed a method of piloting that would maximise the resulting learning. A summary of the key recommendations is provided below:

- a) Any pilot should be a **randomised controlled outcome study** with **two intervention arms** (one receiving the high payment, the other receiving the low payment) where the whole community receives a CBI. This offers the best way of understanding the potential impact of a CBI on a range of social and economic outcomes. Within the pilot communities, everyone receiving the CBI would be invited to take part in the evaluation.
- b) Based on the theory of change, the **outcomes** should be changes in poverty, child poverty, unemployment, community level social and economic effects, health and well-being, and experience of the social security system. The final list of outcomes should be developed over time as the theory of change evolves according to emerging evidence and/or new areas of interest.
- c) The study should be delivered alongside a **control group** comprising a stratified random sample of the population drawn from the same sampling frame as the pilot communities. It is recommended the evaluation is complemented by a process evaluation exploring the mechanisms by which any change in outcomes came about, including any facilitators and barriers to the successful implementation of the CBI and any differential effects between different groups of recipients.
- d) **People leaving and people entering the study area should be included in the pilot**, with consideration given to various eligibility criteria to reduce the risk that differences in the availability of the CBI between study and neighbouring areas affect the outcomes by distorting decisions regarding uptake of employment, moving area etc. Children born in the study area during the study period should also be included in the pilot and receive the CBI.

The recommendations above specify what we believe to be the most robust evaluation possible. However, there are substantial challenges and important limitations of a pilot and outcome evaluation on the scale and using the design proposed in this report. **Limitations of the proposed pilot and evaluation** include:

- a) the limits on generalisability to other areas
- b) the limited scope to explore the role of contextual effects due to the limited range of contexts (e.g. geographical, social, economic) in which the CBI pilot would be implemented
- c) the risk that single sites might be contaminated by economic shocks peculiar to those areas

- d) some of the potential impacts of a CBI are unlikely to occur because of the time-limited, geographically-narrow focus of the proposed pilot and because the institutional barriers might prevent all the features of the CBI proposed being tested.

There are several recommendations associated with **ethical considerations** of progressing a pilot and evaluation as described here. Care should be taken to ensure that participants, especially those who are vulnerable and /or on low incomes, do not experience detriment (financial or otherwise). A transition strategy to support all pilot participants before, during and post pilot should be developed to manage the risks associated with transitioning on or off a pilot or following changes in participant circumstances. Prior to commencement of the study and evaluation, the appropriate measures to ensure ethical approval, data protection, and Equality Impact Assessment should be taken. Appropriate legal and procedural advice should be sought to ensure that the selection of intervention areas (and exclusion of other areas), and the mandating of people to participate in a pilot is procedurally fair and reasonable and within the legal competence of the policymaking body.

Feasibility Assessment and Learning

There are several, interdependent aspects of feasibility which the Steering Group have used to test the viability and achievability of a pilot. Considerations of pilot design, evaluation and governance notwithstanding, a CBI pilot must also be politically feasible in order to progress to implementation, and this is considered across four domains: psychological, behavioural, institutional, and strategic feasibility. Some aspects of financial feasibility are also considered.

Psychological Feasibility

The analysis undertaken by the Steering Group found that although recent UK and local surveys demonstrate net approval for the principle of CBI, support for CBI varies according to different population groups. For example, there is high support among young citizens, people who are unemployed, or on low incomes. There is net disapproval for some groups, including pension age residents, higher income groups and people who are self-employed. Public support also varies according to the method of funding a CBI, with greatest support for CBI models funded through general taxation targeted at high income groups. Although analysis provides a general indication of psychological feasibility for a CBI, it is important to note that public opinion on the model specified by the Steering Group has not been measured and support may therefore differ according to design features such as level of payment, communities included in the study, duration of a pilot and interactions with the tax and benefit systems.

Behavioural Feasibility

The available relevant published evidence suggests that a CBI could impact on a wide range of social, employment and health outcomes. However, the current evidence base for CBI is mixed and there is a lack of evidence to assess the effects on long-term service use and wider economic impacts. The ways in which people respond to a CBI are largely in response to the model design and institutional arrangements. For example, in countries with CBI-like pilots, the political context and framing have had considerable impact on the pilot design and outcomes of interest. Evidence suggests that removing or reducing conditionality has the potential to make significant impacts on participant behaviour and health outcomes. A pilot would have the potential to assess more fully the changes in behaviours that would arise from a CBI in Scotland.

Institutional Feasibility

Support would be required across a range of institutions to implement a pilot of CBI. Our proposed pilot model would require the full collaboration of the Department for Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC). The Steering Group have engaged with the DWP and HMRC over the duration of the feasibility study to explore institutional opportunities and challenges. The required legislative and delivery competencies for a CBI pilot are reserved to the UK Government and, therefore, at present neither the Scottish Government or Local Authorities on their own could introduce a CBI. For example, there are substantial challenges to delivering a pilot which adequately tests all the principles of a CBI set out in our preferred model, while also ensuring pilot participants (particularly vulnerable and low-income groups) are not in detriment, financially or otherwise, as a result of participating in the study. Reducing the scale or scope of a CBI pilot, or amending the design of the pilot model, would not eliminate these challenges.

Addressing these challenges would require substantive primary legislation and regulation changes which currently are mainly the responsibility of the DWP and HMRC. Changes to legislation would be complex, time-consuming and possibly costly, and would therefore depend on significant political will and interest. Another challenge is the inability of the DWP's existing IT infrastructure to administer a CBI and make the necessary changes to other benefit entitlements during and after any pilot. As a result, political engagement alongside further detailed discussion with both the DWP and HMRC would be essential to consider how key barriers to institutional feasibility could be overcome.

Financial Feasibility and Economic Modelling Findings

A CBI pilot raises several questions regarding financial feasibility. These include the short-term costs of the pilot scheme if a pilot is able to go ahead in the future and the longer-term fiscal and macroeconomic implications if a CBI was rolled out nationally across Scotland. Trialling an intervention such as CBI is likely to involve substantial spending as it is attempting to meet the basic living costs for an entire community for the duration of the pilot study.

We provide indicative estimates of the direct costs of CBI payments within the pilot model we propose. The direct intervention cost of a pilot based on the assumptions associated with our proposed model, net of savings on benefits and pensions, would be approximately £62m over three years for a sample size of 2,500 at the high level of CBI and £124.5m for a sample size of 14,600 at the low level of CBI. This would give a total of **approximately £186m over three years for a study including both low and high levels of CBI**. These costs do not include implementation and administration costs, which were not possible to estimate given the challenges around institutional feasibility.

However, it is important to note that these costs and the administration costs of the trial, could be partly offset by additional tax revenue as incomes are boosted and depending on the tax rules agreed in the context of the pilot. The precise amounts will vary, but it must be remembered that, if rolled out nationally, a CBI policy would replace some existing programmes with the intention of doing so in a fairer, more progressive and efficient way.

The **economic modelling** work commissioned and undertaken by the Fraser of Allander Institute and partners provides important insights into the potential impacts of a national rollout of CBI on the economy in the longer term. The modelling suggests that the CBI proposed could reduce poverty, child poverty and income inequality. It would also have the potential to reduce economic precarity and change the nature of labour/leisure/training/creating/caring choices that people currently face.

The modelling also, however, outlines the potential fiscal costs of a nationwide CBI scheme and the considerable uncertainty regarding the economic impact of both the CBI and the way in which it is funded. Overall, the modelling concludes that the CBI would have major impacts on society and the economy, driven by how citizens' behaviour changes in response to the introduction of a CBI and any changes in taxation required to fund it, and by other economic impacts such as changes in productivity. The modelling suggests that in most scenarios, the potential benefits of the CBI proposed could come at a cost of reduced economic growth and reduced real incomes for the richest groups compared to what they would have been in the absence of a CBI.

Our report does not make a recommendation on how a nationwide CBI scheme should be funded as our focus is on the feasibility of a pilot scheme. It is acknowledged that there is an almost limitless number of permutations of funding sources. The taxation options alone are numerous including new taxes such as carbon taxes, tourist taxes or land value tax and also the closing of tax loopholes. The scope for administration cost savings from a national scheme that minimised bureaucracy and a potential realignment of public spending priorities are also highlighted by some advocates of CBI. It is likely that any government looking to introduce a CBI would consider the full range of options at their disposal.

Conclusions

We conclude that while there are divergent views on CBI across the Scottish and UK political spectrum, even amongst advocates there is little evidence of a consensus view of a preferred model and features of a basic income, or its relationship with the existing welfare state. This research has determined there is interest and value in exploring the potential benefits of CBI via piloting, however it is not currently feasible to progress to a pilot model of a CBI as described by the Steering Group, without strong support across all levels of government (local, Scottish and UK). This is due to the substantive and complex legislative, technical and delivery challenges associated with institutional arrangements for a pilot. Political will and support across all levels of government and, in particular, the DWP and HMRC would be required to further understand and overcome these challenges and support a pilot and evaluation.

The feasibility study suggests several possible areas for next steps or further work, to be considered by interested parties:

- a) **Feasibility study approach** – the novel, systematic approach used here to assess aspects of political, ethical and financial feasibility alongside design and evaluation has been constructive and informative. This approach could be adapted and used to systematically explore other policies or interventions at design or in advance of implementation.
- b) **Exploring knowledge gaps and findings from economic modelling** – the 3-stage approach taken in the CBI economic modelling programme sets out new ways to approach future economic modelling. Further work to refine the assumptions underpinning this modelling could be undertaken, as well as adapting the approach for modelling other interventions and economic scenarios that might meet the goals of a CBI without some of the challenges and costs of the CBI proposed in this work.
- c) **Providing detail on how a CBI may interact with the social security system** – it would be essential to the feasibility of any CBI pilot that more technical work is carried out by Scottish and UK governments on benefit interactions which details realistic options to avoid detriment and allow important entitlements to continue alongside a CBI pilot.

- d) **Further public engagement work** – it is likely that any future exploration of CBI in Scotland would need to involve further engagement with the Scottish public, and specifically any local communities affected by a pilot CBI.
- e) **Exploration of ethical issues** – this process unearthed several ethical issues that should be explored in relation to both policy testing and implementation.

Given the evidence-based and collaborative approach to the study, we suggest partners involved continue to reflect on the learning and are active in the dissemination of the study findings both in the UK and further afield.

To build upon this learning, we ask that the UK Government, including the DWP and HMRC, actively consider these findings and work with partners to further explore the technical feasibility of implementing a desired pilot of CBI in Scotland.

Closing Remarks

The obstacles identified through the feasibility study pose significant challenges in progressing the exploration of CBI in Scotland, and indeed the rest of the United Kingdom. The practical difficulties in implementing a pilot alongside the current social security system would require substantial capacity and resources to address current legislative constraints. The levers to address these barriers sit within the UK government and neither the Scottish Government or Local Authorities on their own could implement a CBI. In the current landscape, any pilot would require considerable commitment from the UK Government to make the necessary legislative, technical and procedural changes required.

This is not to suggest that there would be no benefit in piloting CBI in Scotland. The potential trade-off between slower economic growth and income restraint for the richest groups alongside reductions in poverty, inequality and potential improved outcomes across health, wellbeing, education and social outcomes is a discussion that is already in progress. The possibilities of a CBI as a policy response to poverty, inequality, precarious employment and a focus on promoting wellbeing could provide useful insights to the debate. It is hoped that the findings of the feasibility study contribute to the wider discussion on Scottish society and the economy, as well as help identify actions which may support ambitions in relation to basic income or social security reform.



www.basicincome.scot

gmccartney@nhs.net

