



# Assessing the Feasibility of Citizen's Basic Income Pilots in Scotland: An Interim Report

Prepared by the Citizen's Basic Income Feasibility Study Steering Group  
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# Contents

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<b>Summary</b>	<b>4</b>
<b>Section 1: Introduction and Report Outline</b>	<b>9</b>
<b>Section 2: Background of CBI Feasibility Study</b>	<b>11</b>
2.1 CBI Feasibility Fund	11
2.2 Establishment of the CBI steering group	11
2.3 Feasibility study objectives and outputs	13
2.4 Feasibility study governance	14
<b>Section 3: CBI Introduction and Rationale</b>	<b>15</b>
3.1 What is CBI and what does it aim to do?	15
3.2 Rationale for investigating/piloting CBI in Scotland	18
<b>Section 4: Research Activity and Progress</b>	<b>21</b>
4.1 Benefits-CBI interaction research	21
4.2 Economic modelling of the potential distributional and macroeconomic implications of a CBI	21
<b>Section 5: CBI Model Option(s) Assessed for Feasibility</b>	<b>23</b>
5.1 Overview and rationale of CBI model option(s)	23
5.2 Model parameters and limitations	23
5.3 CBI characteristics	23
5.4 CBI level(s)	24
5.5 CBI levels uplift	26
5.6 Interaction with tax system	26
5.7 Interaction with social security	26
5.8 Pilot duration	28
5.9 Pilot populations	28
<b>Section 6: Assessing Feasibility</b>	<b>30</b>
6.1 Introduction	30
6.2 Basic income characteristics	31
6.3 Political feasibility	32
6.4 Financial feasibility	33
6.5 Evaluability	33
6.6 Ethical feasibility	33

<b>Section 7: Political Feasibility</b>	<b>34</b>
7.1 Strategic feasibility	34
7.2. Institutional feasibility	38
7.3 Psychological feasibility	50
7.4 Behavioural feasibility	54
<b>Section 8: Evaluability Assessment</b>	<b>61</b>
8.1 Theory of change: primary and secondary outcomes	61
8.2 Sampling strategy	63
8.4 Data sources and measures for outcome and process evaluations	72
8.5 Ethics of evaluation	73
<b>Section 9: Financial Feasibility</b>	<b>82</b>
9.1 Direct CBI transfer costs calculation	82
9.2 Administration costs	84
9.3 Economic modelling	84
9.4 Evaluation costs	85
9.5 Conclusions and next steps	85
<b>Section 10: Ethical Feasibility</b>	<b>87</b>
10.1 Informed consent to participate in the pilot CBI	87
10.2 No detriment	88
10.3 Piloting CBI in selected areas	88
10.4 Piloting varying rates of CBI	88
10.5 Time-limited nature of the pilot	88
10.6 Unintended consequences	89
<b>Section 11: Conclusions and Next Steps</b>	<b>92</b>
Next steps	92
Requests of the Scottish Government and stakeholders	93
<b>Appendix 1: Summary Table of Preferred Model</b>	<b>94</b>
<b>References</b>	<b>100</b>

# Summary

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## Background and purpose of this report

This report has been prepared by the Citizen's Basic Income Feasibility Study Steering Group to provide an overview of the Scottish CBI feasibility study thus far. The purpose of this interim report is to share progress and to seek feedback from councillors and the Scottish Government on progress to date and the proposed next steps ahead of the publication of the final report in March 2020.

The work has been undertaken in collaboration by four local authorities (City of Edinburgh, Fife, Glasgow City and North Ayrshire), NHS Health Scotland, the Improvement Service and the Scottish Government. The group has been asked to consider the role of a Citizen's Basic Income in reducing poverty by exploring the feasibility of conducting local pilots. Specifically, this was to comprise "a feasibility business case on piloting Citizen's Basic Income (CBI) in Scotland including full details of the ethical, legislative, financial and practical implementation of conducting a pilot as well as its potential costs, benefits and savings".

## What is a Citizen's Basic Income?

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 Citizen's Basic Income Trust have defined a CBI as having six essential criteria: sufficient to cover basic needs; paid regularly; unconditional; paid to individuals; non-withdrawable and non-means tested; and universal.

## What do we know about the impact of CBI?

A recent review<sup>1</sup> of CBI-like interventions found a large number of relevant evaluations, although many of these were from contexts that are not directly applicable to Scotland today. The review found that CBI had only a very small impact on the decisions people made about work participation but there was evidence that more young people stayed in education for longer. There was some evidence of positive impacts on some health and social outcomes, and wider economic effects such as reduced health service use and increased business activity. However, many uncertainties remain about the likely impacts of CBI in a contemporary Scottish context and how feasible its introduction would be.

## Rationale for a pilot

Across all agencies involved in this work there is a strong desire to consider all policy options that might reduce poverty and thereby improve the lives of the population. With the increasing interest in CBI as one such policy option, particularly in the context of a changing economy, the possibility of piloting was raised. However, the substantial uncertainties surrounding the impacts and feasibility of CBI generally, and pilots specifically, have led to this feasibility work.

## Our models of CBI

An early step in this feasibility study has been clarifying what we envisage by a CBI. There are many variations of CBI that have been proposed by a wide range of groups that we have summarised in

this report. We propose here a short-list of models that could potentially be piloted. These would be paid regularly to individuals (to the main parent/guardian for children and adults without capacity), universal for all people resident within intervention sites, and unconditional. The model of CBI and implications for other policies (especially tax policy) in a pilot scenario would be very different if CBI were being implemented across Scotland. This is discussed in more detail below.

We propose two levels of payment. The high level is based on the Minimum Income Standard<sup>i</sup> (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. This would be £120.48, £213.59 and £195.90 per week for people aged 0-15 years, 16 years to pension age, and pension age respectively. The second, lower, level of payment is more closely aligned with current benefit entitlements. This would be £84.54, £57.90, £73.10 and £167.25 for those aged 0-19 years, 20-24 years, 25 years to pension age, and pension age respectively.

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, certain benefits would need to be continued alongside a CBI. These are disability, work capability, housing and childcare benefits. However, the CBI in our models would replace Income Support (Personal Allowance), Income-based Jobseeker's Allowance (Personal Allowance); Income-related Employment and Support Allowance (Personal Allowance); Child Tax Credit (Family Element plus Child Element); Pension Credit Guarantee (Personal Allowance); Child Benefit; Carer's Allowance (Basic Rate and Scottish Supplement); Universal Credit: standard allowance for single person; and Universal Credit: first child/subsequent child payments.

Our models assume that the CBI would be included in the calculation of income for tax purposes but only be taxed if a participant's total taxable income exceeded the Personal Income Tax Allowance threshold. We are still clarifying whether CBI payments would be counted as income for the remaining means-tested benefits in our models. The extent to which these benefits could be suspended in a pilot scenario are discussed further in the feasibility sections below.

*We would welcome feedback on our proposed models at this interim reporting stage (see section 5).*

## Feasibility

We have assessed the feasibility of CBI pilots in terms of their: political feasibility (incorporating strategic, psychological, viability and behavioural aspects); financial feasibility; evaluability; and ethical considerations.

### Political feasibility

There are mixed views across political parties and civic society on the merits of CBI, with some prominent and persuasive advocates very active in this area. There is also marked variation in the aspirations and models of CBI supported by different groups. Some important groups do not support a CBI as the best way of reducing poverty and are critical of some of the models that have thus far been proposed. There is, however, substantial support for the objectives of CBI, particularly in reducing poverty, and widespread interest in further investigating the potential of CBI.

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<sup>i</sup> Information on the Minimum Income Standard can be found at <https://www.jrf.org.uk/income-benefits/minimum-income-standards>

The work we have commissioned from the Child Poverty Action Group on the potential impacts of different CBI models on the incomes of different groups highlights the potential for absolute and relative detriment for some population groups, particularly if CBI was to be combined with withdrawal of existing benefits. This work has been used to develop models that reduce this risk, although this cannot be reduced to zero.

A number of surveys have been carried out to gauge public support for CBI. These have found that there is a fairly even split between those in favour or against, with many more in favour of a pilot. The support varies across population demographics and by the model of CBI proposed.

Implementing a CBI, even in a pilot scenario, requires the full co-operation of a range of institutions including the Scottish Government, the DWP and HMRC. At present, progress in identifying the issues for the current welfare system with the DWP in implementing pilots with has been limited but should be assisted with discussion on the steering group's preferred model. It may be that primary legislation is required to undertake a CBI pilot given the current arrangements and treatment of Scottish Government social security benefits. Work is underway to engage with all relevant institutions.

*Continued support and intervention by Scottish Government officers and ministers with the DWP and HMRC is important if sufficient progress is to be made to determine the political feasibility of CBI pilots (see Section 6.3).*

## **Evaluability**

A key consideration of the feasibility of a CBI pilot is the extent to which it can be evaluated, and thus whether a pilot would provide useful learning on what the impacts of a wider roll-out would be. If a pilot did not represent a model of CBI that is similar enough to a roll-out scenario, could not be adequately evaluated or could not measure the most important outcomes, it may be better to make a decision for or against the policy based on desk-based modelling.

We have devised a model for piloting a CBI that would allow us to observe a range of important outcomes but with important limitations. In particular, the wider economic impacts and changes to taxes could not be evaluated in a pilot scenario but changes in individual outcomes (e.g. work, health and wellbeing outcomes and community level impacts such as volunteering) could be measured. The potential wider economic impacts are being modelled separately (see section 4).

We recommend that a three-year intervention with an additional one-year preparatory period would be required. A pilot study would need to involve the whole population within a particular geographical location and this would also need to be of a sufficient size to facilitate sufficient community level impacts (e.g. the enhancement of volunteering networks or new forms of economic activity). The size of pilot area to detect changes in our primary outcomes and community effects, and for men and women separately, is calculated to be a minimum of 2,500 for the high-level payment. For the low-level payment, a pilot involving 14,600 people would be required, in communities of at least 2,500 in order to assess community level effects.

There is a tension between the size of the community required to detect community effects, the desire to have a pilot site in each of the four participating councils and the cost of the pilot study. Having a pilot site in each area of sufficient size to generate community effects would be very costly. A smaller sample comprising four pilot sites with a small community in each would cost less but make community effects less likely to happen and more difficult to detect. These trade-offs

would be less challenging if the pilot were conducted on fewer sites but become more difficult the more council areas and/or types of community (affluent/deprived; urban/rural) we seek to include in the pilot.

Further work is planned to identify possible areas for piloting, comparison populations and to estimate the final sample sizes required to account for non-responders. The criteria for selecting types of community will be further explored in dialogue with Scottish Government and other stakeholders

*We would welcome feedback on whether there is a policy preference for the inclusion of certain types of communities in intervention sites e.g. affluent, deprived, urban or rural areas (see Section 8.2).*

The primary short-term outcomes of interest for a pilot are a reduction in poverty, child poverty and unemployment. Secondary short-term outcomes of interest include community level social and economic effects, improved health and wellbeing, and improved experience of the social security system. It would not be possible to evaluate the impacts of CBI on the overall economy within a pilot, nor does it seem likely that we could evaluate the impact of changes to tax rates (and the implications for government revenues and economic growth). We have therefore commissioned econometric modelling work to investigate the likely impacts of introducing a CBI across the Scottish economy using the best assumptions we have available at present.

Further advice will be sought on the ethical implications for evaluating a pilot as described above.

## **Financial feasibility**

Trialling an intervention such as a Citizen's Basic Income is likely to involve substantial spending. It is attempting to meet the basic living costs for an entire community for the duration of the pilot study. However, it is important to note that the direct costs of the payment, and the administration costs of the trial, will be partly offset by savings in terms of benefit payments replaced, and potentially additional tax revenue as incomes are boosted, depending on the tax rules agreed. The precise amounts will vary, but it must be remembered that, if rolled out, a CBI policy would replace some existing programmes, with the intention of doing so in a fair and more efficient way.

Economic modelling has been commissioned to help to establish how financially feasible different models of CBI would be if rolled out across Scotland. The modelling will enable the impact of tax changes on government revenues to be estimated, as well as knock-on impacts on labour market demand and supply.

The financial impact of a pilot is different in that tax changes would not be possible and under pilot conditions, the consequences for savings on benefits (e.g. due to replacement of existing benefits or potentially through the impacts of the CBI on behaviours, health or other outcomes) may not accrue to the Scottish Government. As noted above, it would be possible to pilot a high level CBI in a single site, in multiple sites (thereby allowing examination of differential impacts by deprivation or rurality) or at a lower level across multiple sites (although a larger sample size is required at the lower level as the impact on poverty will be smaller and more difficult to detect).

The estimated potential gross direct costs of pilot options are between £76million and £304million over three years at current prices. Additional administrative and research costs would need to be added to this. These gross costs do not include potential savings on replaced benefits or increased

tax take, thus the overall costs of the pilot are likely to be less. The potential savings from offsetting current benefit spend will be estimated during the next phase of the project.

*Feedback from Scottish Government would be useful on the cost data we have provided to date and the level of detail required in the financial analysis in the final report (see section 9).*

## **Ethical feasibility**

There are several ethical considerations surrounding a pilot of CBI. These include how to ensure informed consent, the potential for detriment for some participants if benefits are withdrawn due to replacement by CBI, or issues arising due to the time-limited nature of the pilot (for example, if legacy benefits have closed to new applicants). Another consideration will be the potential for perceived or actual injustice if some communities receive CBI and others do not, or where different levels of CBI are being tested. This could include legal challenges if there are not sufficient uncertainties in the impacts of the CBI policy to justify a pilot. There may also be unintended consequences in relation to accessing credit or debt management during or following a pilot. Finally, there are risks of substantial media exposure in pilot communities which could have negative consequences for individuals and could make a fair evaluation difficult. These risks require further consideration in the final report.

## **Next steps**

We would welcome feedback from the Scottish Government and others on the work undertaken thus far. We are now working hard to deliver a final feasibility report with fewer uncertainties and clearer recommendations on appropriate next steps.

Specifically, this will involve completion of the econometric modelling work to estimate the overall impacts on the economy of introducing a CBI; further work to establish the legal options for CBI piloting; further negotiations with the DWP and HMRC to establish whether and how a CBI pilot could be facilitated; further work to detail an evaluation plan for any pilot that might take place; and further detail on the ethical considerations and the degree to which these can be mitigated.

The final report will contain a recommendation about whether and under what circumstances a CBI pilot is feasible, how it could be undertaken, what it would be able to consider, and its likely cost.

# Section 1: Introduction and Report Outline

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This interim report outlines the interim findings of the Scottish Basic Income Feasibility Study which aims to test the role of a Citizen's Basic Income in reducing poverty in Scotland through exploring the feasibility of local basic income pilots.

It has been collaboratively produced for the Scottish Government by a partnership of four Scottish local authorities (City of Edinburgh Council, Fife Council, Glasgow City Council and North Ayrshire Council), along with NHS Health Scotland and the Improvement Service.

While CBI is not a new concept, there has been recent rapid growth in political interest. A combination of factors has broadened its appeal in recent times. The concept has both its proponents and critics. 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 this would work within a Scottish or UK context, and how this would fit with, or require change in, our current tax and benefit systems.

A recent review of interventions that provided unconditional cash transfers to individuals or families suggested that there remain substantial gaps in the evidence base for CBI as most studies have been undertaken in contexts quite different to Scotland and did not examine the impacts on the use of services in the long run or wider economic impacts.

Within this context the feasibility study is exploring whether and how a CBI pilot in Scotland would work, what it might look like, what outcomes it could achieve and how these could be measured. The feasibility study is addressing the following questions:

- Does the proposed model meet the CBI characteristics?
- Is it evaluable?
- Is it ethical?
- Is it financially feasible?
- Is it politically feasible?

This interim report takes the following format.

Sections 2 and 3 cover the background to the feasibility study, the objectives and governance of the study, as well as a general introduction to the concept, an overview of the rationale for piloting CBI, the current evidence base, and why the four local authorities are interested in exploring the feasibility of a CBI pilot.

Section 4 provides an overview of research and evidence gathering activities specifically commissioned for the feasibility study.

Section 5 outlines an overview and rationale of CBI model options that have been assessed for feasibility.

Section 6 provides a summary of the feasibility framework, including a description of the different aspects of political feasibility (namely strategic feasibility, institutional feasibility, psychological feasibility and behavioural feasibility).

Sections 7 to 10 provide an interim assessment of each aspect of feasibility in relation to the suggested model, including: CBI characteristics; political feasibility; evaluability assessment (incorporating the theory of change and interim evaluation plans); financial feasibility; and ethical feasibility.

Section 11 outlines the interim report conclusions and next steps.

## Section 2: Background of CBI Feasibility Study

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### 2.1 CBI Feasibility Fund

In September 2017, the Scottish Government announced in the Programme for Government that it would support local authority areas to explore the feasibility of a CBI scheme. In March 2018, four local authority areas – Fife, City of Edinburgh, Glasgow City and North Ayrshire – collaboratively prepared and submitted a joint bid to the Citizen’s CBI Feasibility Fund. The Scottish Government confirmed on 21 May 2018 it would provide £250,000 over two years to support the undertaking of a feasibility study for a CBI pilot in Scotland.

The four local authorities – supported by NHS Health Scotland and the Improvement Service – will report to the Scottish Government on the findings of the feasibility work in autumn 2019 and produce a full business case by March 2020.

“Several Scottish local authorities are considering how they can pilot elements of a citizen’s CBI, a radical form of social assistance. One of its attractions is that it may help those on the lowest incomes back into work or help them work more hours, while providing an unconditional ‘CBI’ as a safety net.

We believe that bold and imaginative projects like this deserve support, but we also recognise that the concept is currently untested. Therefore, we will:

- establish a fund to help these local authorities develop their proposals further and establish suitable testing
- ask the Poverty and Inequality Commission to consider how it could help to draw together findings from local authorities to inform the government’s thinking.”

**Scottish Government, Programme for Government, September 2017**

### 2.2 Establishment of the CBI steering group

The project is overseen by an officer steering group and local governance provided by a councillor group with senior elected member representation from each of the four participating councils.

The steering group was formed in November 2017, its first task being the submission of a joint application to the Scottish Government CBI Feasibility Fund. It was agreed that a joint bid between the four local authorities, supported by NHS Health Scotland and the Improvement Service, would be submitted to ensure research and expertise could be shared, to avoid duplication and to ensure the findings could be applicable to other local authorities in Scotland.

The steering group includes representation from each of the partner organisations:

- City of Edinburgh Council
- Fife Council

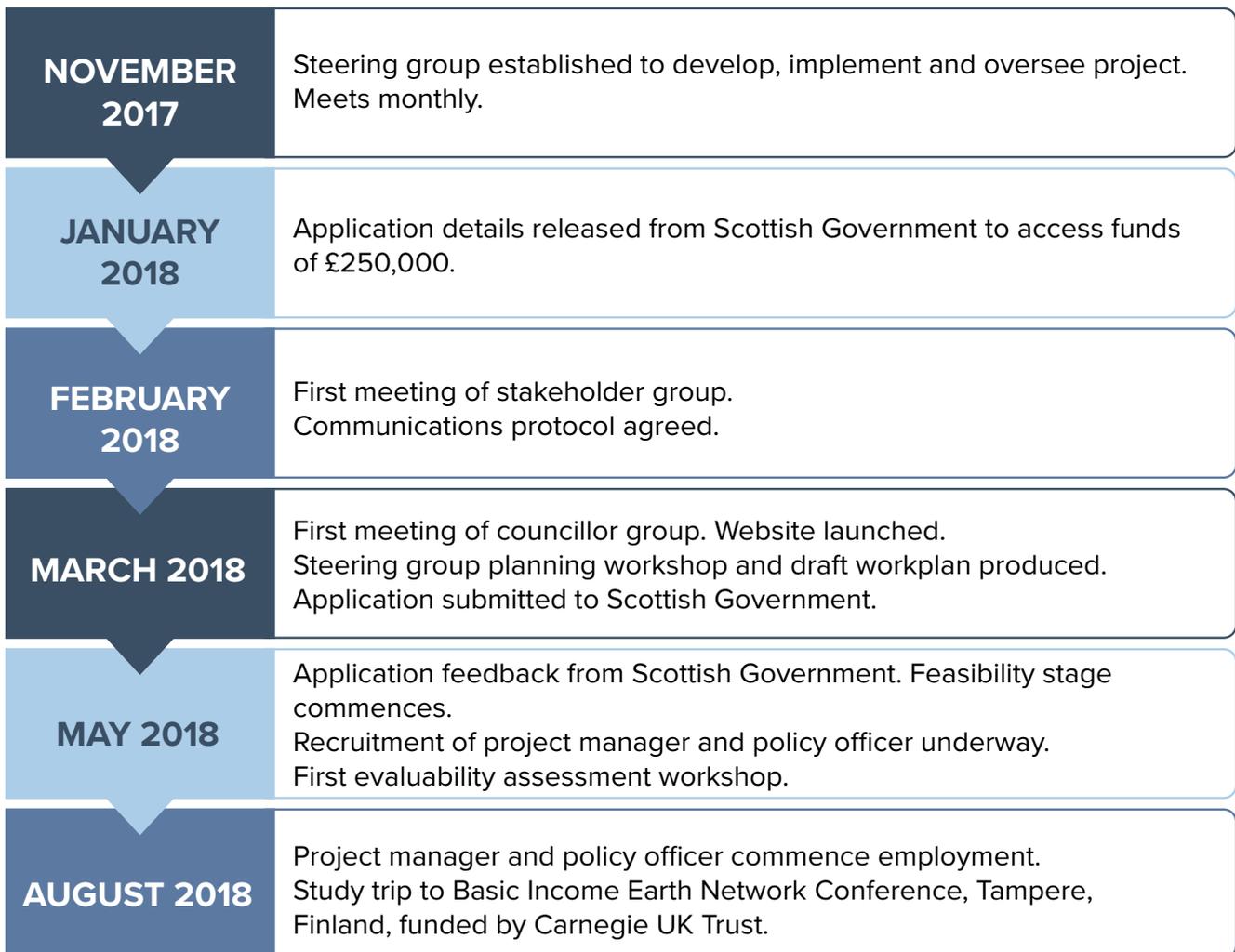
- Glasgow City Council
- North Ayrshire Council
- NHS Health Scotland
- Improvement Service
- Scottish Government

In addition to the £250,000 fund allocated by Scottish Government, each organisation provides in-kind resource to progress the feasibility study.

As agreed in the feasibility funding application, a project manager (based at the Improvement Service) and policy officer (funded by and based at North Ayrshire Council) were recruited in August 2018.

Several sub-groups of the steering group with specific expertise have been formed on an ad hoc basis to take forward key elements of the feasibility study. This includes a research sub-group convened to consider the published research and identify gaps that require commissioning of specific research projects, and an economic modelling sub-group to progress further research on economic modelling (further information in section 4).

*Figure 1: Timeline of steering group establishment and study commencement*



## 2.3 Feasibility study objectives and outputs

The steering group has produced two reports for Scottish Government, including this interim feasibility report, with the final report planned for March 2020. Feedback from this interim report will help shape any final research, pilot design options and final recommendations of the feasibility project. Finally, a full business case is expected by end of March 2020. Supported by evidence on the ethical, legislative, financial and practical considerations associated with piloting a CBI, the business case will include recommendations on whether piloting is feasible under current circumstances. If a pilot is recommended, the report will also propose the research questions to be evaluated; the likely costs and benefits of the proposal/s; and identify possible sources of funding.

The feasibility study comprises five workstreams:

1. project governance
2. evaluability assessment
3. research
4. engagement with relevant government departments
5. communications and engagement

The evaluability assessment is now well underway, with NHS Health Scotland hosting four evaluation workshops which achieved:

- agreement on the intended outcomes of a potential Scottish CBI pilot
- preferred options for CBI pilot/s to meet the intended outcomes
- identification of the intended and unintended consequences of the pilot option/s
- exploration of research questions to be tested through the pilot/s

Further to the evaluation workshops, it was agreed that key research and modelling work needed to be commissioned:

- Benefits-CBI interaction research exploring how a pilot study of CBI might impact on the pilot participants' eligibility for other welfare benefits and associated 'passport' benefits. This will also inform areas for negotiation with DWP/HMRC and local authorities in relation to locally arranged welfare payments/in-kind benefits. The report was published in June 2019.<sup>ii</sup>
- Economic modelling of the distributional and macroeconomic implications of a CBI if it were implemented in Scotland.

The steering group is continuing to engage with DWP and HMRC to explore the complexities surrounding the interaction of a potential pilot and the benefits system.

Further to this, engagement has taken place with communities in each of the four local authorities covering a range of formats (further information on the feedback and findings from engagement are included within section 7.3).

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ii Report available at: [https://basicincome.scot/wp-content/uploads/sites/75/2019/06/Exploring\\_the\\_social\\_security-implications\\_of\\_a\\_basic\\_income\\_pilot\\_March2019.pdf](https://basicincome.scot/wp-content/uploads/sites/75/2019/06/Exploring_the_social_security-implications_of_a_basic_income_pilot_March2019.pdf)

## 2.4 Feasibility study governance

### 2.4.1 Councillor group

As part of governance arrangements for the feasibility study, a councillor group was formed comprising three cross-party representatives from each local authority. The purpose of this group is to provide feedback on the progress of the steering group and give senior local authority input to the feasibility research programme and subsequent business case development.

### 2.4.2 Stakeholder group

As part of the development of the feasibility study, a stakeholder group was established that could act as a sounding board for the CBI feasibility project team and also allow a better flow of information between the team and interested parties. The open nature of this approach and the publishing of regular updates has established a clear communication route and maintained a useful dialogue with both advocates and sceptics of the policy.

*Figure 2: Feasibility study governance*



As part of the governance arrangements, the initial councillor group meeting was held in March 2018, where terms of reference were agreed. A second councillor meeting was held in October 2018, and a third in February 2019. A fourth councillor meeting was held in August 2019 to review the draft interim report. In addition, the project has held three stakeholder workshops (in February 2018, November 2018 and June 2019) which brought together a wide range of individuals and organisations to get broader feedback on the project plans.

In addition to this, several meetings have taken place with the Poverty and Inequality Commission to update it on the study's progress and seek feedback on specific areas of interest.

In autumn 2018 the group also participated in a series of workshops funded by the Scottish Universities Insight Institute (SUII), which brought together practitioners, policy makers and academics to explore a range of issues relating to basic income.<sup>iii</sup>

iii More information available at: <https://www.scottishinsight.ac.uk/Programmes/Scotland2030/BasicIncome.aspx>

# Section 3: CBI Introduction and Rationale

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## 3.1 What is CBI and what does it aim to do?

### 3.1.1 CBI characteristics – key features of CBI

A Citizen's Basic Income (also known as Universal Basic Income, Basic Income or a Citizen's Income) is defined as an unconditional, non-withdrawable income for every individual as a right of citizenship (Citizens Income Trust, 2018). The general concept is based on offering every individual, regardless of existing welfare benefits or earned income, a non-conditional, regular flat-rate payment.

There are many models. Differences include the amounts of the CBI, how payment levels are applied across different age groups, the source of funding and the nature and size of reductions in other transfers that accompany it.

#### Key features of CBI

- **Basic** Payments should be sufficient to make a significant difference in people's lives and help people cover basic needs.
- **Regular** Paid at regular intervals (for example every month), not as a one-off grant.
- **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.
- **Non-withdrawable** Not be means-tested. Whether someone's earnings or wealth increase, decreased, or stayed the same, their Citizen's Basic Income would not change.
- **Universal** Paid to all, without means test.

**Sources: RSA 2018, Basic Income Earth Network 2018, Citizens Income Trust 2018**

A combination of factors has broadened its appeal in recent times: rising inequality, widespread economic insecurity, and the potential of labour to be displaced by technological change including automation and artificial intelligence.

There is growing political and academic interest in the potential effects of a CBI, both in Scotland and further afield. To our knowledge, a full CBI has not yet been implemented in any country although there have been a number of pilots of interventions that meet at least some of the basic criteria for a CBI. There have been recent tests of different forms of CBI in a number of countries worldwide including Finland, Canada and the Netherlands. Finland has published interim results from the first year of its pilot study.<sup>iv</sup> However, as yet there have been no comprehensive results published of tests of CBI in the UK or countries with similar welfare state provision.

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iv Finland published preliminary results of its pilot (January 2017 – December 2018) in February and April 2019. Full results of the pilot will not be available until 2020. <https://www.kela.fi/web/en/basic-income-experiment>

The recent rapid growth in political interest has been fuelled in part by an organised international movement which has been researching and advocating for the policy for some decades. Civil society organisations and think tanks, including the World Economic Forum, the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA), and the Adam Smith Institute, have recently added their support to this movement.

However, there is controversy over the concept of CBI and several arguments have been proposed:

Arguments for CBI	Arguments against CBI
Promote social justice and equality	Encourage labour market withdrawal
Reduce poverty and income inequality	Promote state dependency
Increase liberty	Unaffordable
Remove work disincentives	Require raising tax levels to an untenable level
Reduce bureaucracy	Divert funds from those most in need
Devote time to caring, education, volunteering etc	Provide justification for removing other social programmes
Increased entrepreneurship	Potentially costly
Address job insecurity and in-work poverty	
Address job loss due to automation	

### 3.1.2 CBI evidence base – overview of published evidence

A recent systematic scoping review of interventions which unconditionally provided substantial cash transfers to individuals or families provided insights into the potential impacts of a CBI.<sup>1</sup> This review concluded that, for the studies identified, the impact of basic income on labour market participation were small for male heads of household, and for both men and women in the most contemporary studies. There was also consistent evidence that a basic income led to children and young people spending longer in education. Although less consistent, there was evidence of positive impacts on some health and social outcomes, and spill-over or wider economic effects such as reduction in health service use and increases in business activity.

This review suggests that a CBI could impact on a wide range of social justice, economic and health outcomes, but the evidence base for CBI is largely drawn from other contexts and may not be directly applicable to Scotland today. Furthermore, there is an absence of evidence to assess the effects on long-term service use and wider economic impacts. Section 7.4 expands on this.

### 3.1.3 Overview of CBI schemes proposed elsewhere

In August 2018, the Carnegie UK Trust funded a group of delegates from the Scottish Citizen’s Basic Income Steering group to participate in the 18th Basic Income Earth Network (BIEN) Congress in Tampere, Finland. Held over four days, the event brought together over 300 academics, policy-makers and advocates to discuss and share opinion on a range of topics related to CBI. Participation in the BIEN Congress allowed insight to the activities, successes and challenges

of several pilots, particularly those currently underway in Finland, the Netherlands and Ontario, Canada. There was significant international interest in the Scottish feasibility study. The steering group has produced a learning report from this visit.<sup>2</sup> Section 7 expands on this.

Since 2015, and from a variety of perspectives, multiple models for basic income schemes have been proposed that relate specifically to the UK and, more recently, the Scottish context. Models vary according to whether the level is set at a partial or full basic income and whether the CBI is intended to fully or partially replace a number of current benefits. Housing, disability and carers benefits are commonly retained alongside a CBI. Typically, payment levels proposed vary by age.

The Citizen's Income Trust (2015) has described a model which is strongly grounded in the principles of a basic income: that it is paid on an individual basis, based on rights of citizenship, is unconditional, and not withdrawn as other income rises. It provides three different illustrative schemes for a basic income, two of which propose that a CBI should replace means-tested benefits except for housing benefit and council tax support. The third proposes leaving means-tested benefits in place and taking a CBI into account. Under this scheme, the basic state pension and child benefit would continue to be paid. Levels of a basic income would be indexed to average earnings, and savings from means-tested and other benefits could be used to fund a CBI.

These concepts are developed and articulated further in Annie Miller's (2017) *A Basic Income Handbook*<sup>3</sup> which informed early thinking around options for a pilot in Fife and Scotland including, as a minimum, a basic income set at the level of means-tested benefits, and exploring a more generous basic income based on the EU Poverty Benchmark or a Minimum Income Standard for the UK.<sup>4</sup>

The RSA<sup>5</sup> (2015) proposes a basic income model of £71 a week for all qualifying citizens aged 25 to 65 years, a pension of £143 per week for those over 65 years, and variable payments for children based on age. While the adult level is on a par with means-tested benefits, the amount proposed for children and young adults is less than what low income households would expect to receive under the current system.

The Buchanan Institute<sup>6</sup> (2017) proposes modifications to the RSA model which would see a basic income being paid to all children (not just the first two), with young adults (18 to 24 years) receiving the full adult rate.

The Adam Smith Institute<sup>7</sup> (2015) argues that existing welfare programmes are costly to administer and designed for a labour market that no longer exists. They propose replacing the majority of UK welfare benefits with a Negative Income Tax. This would be administered through the tax system and act as a minimum income guarantee that would be tapered away as people's earnings rise through work. This is at odds with the principle of a basic income being non-withdrawable.

Similarly, Reform Scotland<sup>8</sup> (2016) highlights the need for reform of the current benefit system to ensure that work pays. Using proposals from the Scottish Greens (£100 per week per adult and £50 per week per child), they highlight which benefits would be replaced (such as out-of-work benefits and Child Benefit) and which should be retained (in relation to caring, disability and housing). Like the Citizen's Income Trust, Reform Scotland proposes that a citizen's income could be funded in part by ending the tax-free personal allowance.

Howard Reed and Stewart Lansley<sup>9</sup> (2016) explored the desirability and feasibility of introducing a basic income scheme in the UK. The first model proposes a full scheme to replace most means-

tested benefits. The second is a modified scheme that would leave means-tested benefits in place, at least initially. They propose that it would be possible to implement a modified scheme based on a genuine unconditional income that would raise average incomes at the lower end of the scale and reduce poverty (particularly for children) and inequality. It could be implemented quickly and be a step towards a full basic income. A full scheme that replaced all or most of the existing system would be difficult to implement in the current circumstances, it would be expensive, and there would be many losers among poorer households.

These models are extended in a further paper for Compass<sup>10</sup> (2019), which proposes a short-term scheme based on a partial basic income and a long-term scheme based on a fuller basic income, funded through a citizen's wealth fund. The personal tax allowance would be converted into a cash payment to create a progressive form of universalism. The models would reduce poverty and inequality and a reliance on means-tested benefits.

Malcolm Torry<sup>11</sup> (2017) also explores different options for implementation including funding a basic income for all citizens through the existing tax and benefits system by maintaining means-testing but introducing new thresholds and considering an option that builds on Child Benefit and makes this universal for all ages over time.

The RSA<sup>12</sup> (2018) proposal for a Universal Basic Income Opportunity Fund — £5,000 for all citizens for up to a two-year period — offers an alternative implementation option, which would enable testing the impact of the unconditional and social support aspects of a basic income.

IPPR Scotland<sup>13</sup> (2018) reviews basic income as one of a number of options the Scottish Government could consider to meet ambitious targets for reducing child poverty. The model of basic income used in the IPPR report was assessed to be a costly intervention that would increase relative poverty. IPPR proposes instead that a minimum income guarantee, a hybrid of a basic income and the current benefits system, would be less costly to implement.

Modelling by Landman Economics for RSA<sup>14</sup> (2019) using the Scottish tax-transfer model illustrates that a partial basic income (£46 a week) would halve destitution and reduce relative household poverty by 8.5%, while a fuller basic income (£92 a week) would end destitution and reduce relative household poverty by a third.

Most recently, Guy Standing<sup>15</sup> (2019) has proposed five different models for a basic income pilot, two of which propose saturation sites at different CBI levels, with and without means-testing being left in place. Other models recommended include: payment of a common dividend as a supplement to existing benefits, removing conditionality from a sample of those in receipt of welfare benefits, and cash grants, for example, to the homeless.

## 3.2 Rationale for investigating/piloting CBI in Scotland

### 3.2.1 Why now?

Despite significant international and domestic interest in the concept, there is a lack of evidence as to whether it would work within a Scottish or UK context, especially within our current tax and benefit system and the norms of the social contract that system represents. Research is therefore required to determine the feasibility of CBI within a Scottish context.

Across the local authorities there is a common interest in reducing poverty and tackling inequality, and the role that a CBI might play in this. The local authorities recognise the potential of a CBI to

support the delivery of existing strategies aimed at reducing poverty, unemployment and inequality. However further research is required to explore any potential negative or unintended impacts. Such research would have multiple benefits:

- Local pilots of CBI would enable small-scale, preliminary experiments to generate this new evidence for the Scottish context, allowing us to investigate crucial components of a CBI and its implementation within managed constraints.
- There is currently insufficient consistent evidence on how people react and respond to CBI.<sup>16</sup>
- A pilot encourages policy debate (Bregman 2018)<sup>17</sup>, helping to explore how and why CBI does or does not work.
- Pilots also have a role to play in raising awareness and generating public debate on the idea of a CBI.
- There are many models that can be used to pilot a CBI and the models piloted need to be chosen carefully and tested rigorously. Differences include: the amount of the CBI delivered to participants; how payment levels are applied across different age groups; the source of funding; and the nature and size of reductions in other transfers that accompany it (for example, changes to existing tax and National Insurance systems; which benefits are withdrawn from participants).

### **3.2.2 Local authority context and challenges**

Prior to this work and independently of each another, four local authorities in Scotland started to explore the idea of piloting a basic income. There is a common interest in reducing poverty and tackling inequality, and the role that a basic income might play in this.

#### **3.2.2.1 Edinburgh**

Edinburgh is well recognised as an affluent and growing city, but also as a city with wide levels of inequality with some of the most deprived communities in Scotland. Within Edinburgh, the council has set out a clear direction for action to reduce poverty, inequality, and their impacts on communities in Edinburgh. While the case for intervention is clear, there remain significant strategic challenges in improving the co-ordination and impact of measures to reduce poverty. As part of this wider poverty and inequality reduction agenda, in August 2017 a motion to City of Edinburgh Council noted the plans of three Scottish local authorities – Fife, North Ayrshire and Glasgow – to develop pilot schemes for a Citizen’s Basic Income in Scotland. The motion, approved by Council, agreed that the council should join and work with these three authorities to develop a pilot scheme for CBI in Scotland.

#### **3.2.2.2 Fife**

In November 2015, the Fairer Fife Commission recommended that Fife should identify a town in Fife in which to test out a pilot of unconditional basic income. Fife’s Programme for Administration, May 2017, reinforced Fife’s commitment to work with partners to establish a pilot Universal Basic Income Scheme in Fife.

#### **3.2.2.3 Glasgow**

In January 2017 the Royal Society of Arts (RSA) gave a presentation on CBI to the Glasgow’s Poverty Leadership Panel (PLP). Following this presentation, and the positive feedback it received, the council provided funding to carry out some community engagement with local groups and

other interested stakeholders. Glasgow also held a sounding board meeting with other relevant organisations, such as Big Lottery, trade unions, COSLA, Child Poverty Action Group and Glasgow's Chamber of Commerce. In addition, two motions were approved by full council. In November 2017, council resolved to reconvene a cross-party working group on trialling Universal Basic Income (UBI) for the city of Glasgow, noting the cross-party work done to date. In June 2019, council resolved to continue to work hard to counter inequality by structural measures such as supporting progressive taxation, promoting universal basic income as an alternative social security system. The council's strategic plan, which sets out the approach to improving the life chances of Glasgow citizens, includes a commitment to explore the feasibility of a basic income.

#### **3.2.2.4 North Ayrshire**

As part of the budget-setting process in March 2017, North Ayrshire Council agreed funding of £200,000 for a Basic Income Pilot which would look at the feasibility and potential benefits of implementing a basic income in North Ayrshire. In August 2017, North Ayrshire Council Cabinet agreed to permit officers to develop a feasibility study for a CBI pilot. High levels of inequality and poverty exist in North Ayrshire. Unemployment levels in North Ayrshire are high, there are significant numbers of people on low income and almost a third of children live in poverty. This pilot is part of a wider package of support relating to the Community Planning Partnership's Fair for All Strategy which aims to reduce inequalities in North Ayrshire. The council is committed to eradicating poverty and tackling inequalities within North Ayrshire. Exploring the feasibility of basic income pilots and their potential to reduce poverty and inequality is a way of challenging these issues.

## Section 4: Research Activity and Progress

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In addition to considering pre-existing published work (see section 7.4) and findings from other contemporary CBI studies, the steering group is commissioning specific research to inform the feasibility project.

A research sub-group was convened to consider the published research and identify gaps that require commissioning of specific research projects. Reviews of existing evidence have been used to inform the research questions for the commissioned research, as well as the evaluability assessment. These projects account for much of the budget allocated to the feasibility project and considerable progress has been made in this area. Two specific research projects have been commissioned.

### 4.1 Benefits-CBI interaction research

The purpose of this work is to explore how a pilot study of CBI might impact on the pilot participants' eligibility for other welfare benefits and associated 'passport' benefits. The work considered the implications of different levels of options for the level of CBI, the potential for variation by age, and different responses by DWP, HMRC, Scottish Government and local authorities to the CBI payments (i.e. whether these will be disregarded or not).

The research considered the impact of the CBI pilot on all taxes paid and benefits received including, but not limited to, Universal Credit, housing benefits, disability benefits, passported benefits, and any local arrangements. The aim of this project was to inform the CBI pilot design considerations to help ensure that participants are in a position of 'no detriment'. The findings will also be used to inform discussions with the Department for Work and Pensions (DWP), Her Majesty's Revenues and Customs (HMRC), Scottish Government, and local authorities in relation to locally arranged welfare payments/in-kind benefits. The research project value was £10k and was commissioned in January 2019 to the Child Poverty Action Group in Scotland. The work was completed in March 2019 and the full report is available online.<sup>v</sup>

Further details of the findings of this project and how the findings have been used are found in section 7.2 of this report.

### 4.2 Economic modelling of the potential distributional and macroeconomic implications of a CBI

The purpose of this commissioned work is to estimate through economic modelling the longer-term macroeconomic impacts of a CBI rolled out on a national basis. The research will model low and high levels of CBI alongside changes in employment, tax revenues and savings to welfare benefit spending to estimate the full fiscal and economic effects of a Scotland-wide CBI. The study has three phases:

- Modelling the short-term effects of a CBI in terms of labour supply response, and how this impacts on the distribution of income across different income groups

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<sup>v</sup> [https://basicincome.scot/wp-content/uploads/sites/75/2019/06/Exploring\\_the\\_social\\_security\\_implications\\_of\\_a\\_basic\\_income\\_pilot\\_March2019.pdf](https://basicincome.scot/wp-content/uploads/sites/75/2019/06/Exploring_the_social_security_implications_of_a_basic_income_pilot_March2019.pdf)

- Assessing the potential impact of these distributional effects on the macroeconomy through variables such as demand side changes in levels and patterns of spending, supply side changes in incentives and productivity, and what these changes mean for longer-term economic performance.
- Finally, translating the macroeconomic effects into a second round of changes in the distribution of incomes across different income groups.

The research will also assess CBI in relation to comparator policies to allow decision-makers to understand how CBI compares to other existing and potential ways of achieving the intended goals of the policy in terms of their costs and impacts.

The research is being led by the Fraser of Allander Institute at the University of Strathclyde in collaboration with IPPR Scotland and the University of Manchester. The approximate cost of this research project is £115k. The study is due to report in early 2020 so the results will inform the final assessment of feasibility and presented in the final project report.

A potential future stage of this research, which would require to be commissioned separately, would adapt and update the analysis based on the findings of the pilot studies, if these are progressed.<sup>vi</sup> The pilot studies would provide insights on changes in some of the short-term outcomes likely to determine longer term economic outcomes, such as labour supply decisions. The findings from the pilot studies would not, however, be available for several years, even if they go ahead. Therefore, this commission is for the first stage only.

The results of the modelling, alongside the results of the pilot studies if they go ahead, will form an important part of the evidence base for Scottish Government and other stakeholders, when the decision on whether to implement a CBI policy is taken. Although there is some uncertainty about whether the pilot goes ahead, this modelling work will be required whether it does or not, to inform the wider debate about the potential costs and benefits of a CBI.

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vi The current phase of work investigates the feasibility of conducting pilot studies in Scotland. A decision on whether to proceed to piloting will follow completion of that work.

# Section 5: CBI Model Option(s) Assessed for Feasibility

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## 5.1 Overview and rationale of CBI model option(s)

A key aspect of the feasibility study is to make recommendations around how a pilot CBI could be designed and evaluated. Potential CBI models differ in terms of the size and characteristics of the eligible population(s),<sup>vii</sup> the amount payable, the total cost and potential outcomes, all of which have implications for the evaluation design discussed in section 8.

Our model attempts to adhere to the overall principles of CBI whilst minimising the risks of financial detriment to vulnerable and low-income groups. We have also tried to find models that are more likely to be feasible for implementation in the current Scottish context given the shared responsibility for social security across the Scottish and UK parliaments and governments. However, it is difficult to find a model of CBI that would substantially simplify the social security system in this context whilst retaining sensitivity to greater needs for some groups. Further details of the proposed model will be given in the overall feasibility report due in March 2020.

## 5.2 Model parameters and limitations

The section below describes our preferred model in detail. The model is not fixed at this stage and may be subject to change and adjustment as new evidence emerges throughout the feasibility study and as we get feedback from stakeholders. A summary table of the preferred model is provided in Appendix 1.

## 5.3 CBI characteristics

The model preferred at this stage is based on the overall principles of CBI set out in Table 1 below.

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vii For example a saturation site where the all the eligible population within a geographic area receives the CBI, or a targeted where only certain groups receive a CBI, e.g. people who are unemployed, care leavers etc.

**Table 1: Characteristics of a CBI for testing in a Scottish feasibility study**

CBI Characteristic	Preferred Model Design
Basic	Payments should be sufficient to make a significant difference in people’s lives and help people cover basic needs.
Regularity (including payment type)	CBI paid by bank transfer or equivalent. 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.

While there is broad agreement on the overall principles of a CBI, there is a need for substantial detail around how individual basic income schemes are designed before a pilot could be implemented. There has not yet been a pilot of basic income in a developed country that fully meets the principles of a CBI.

Our international learning report<sup>viii</sup> for Carnegie UK Trust highlights that comparative basic income schemes in Finland, the Netherlands and Ontario (countries with a similarly developed economy and welfare system to Scotland and the UK) meet the basic, regular and unconditional principles of a basic income. However, compromises were made in the design of individual schemes reflecting the different political and institutional contexts operating in each country. For example, participants in Finland were restricted to those who were in receipt of unemployment benefits, so the scheme could not be deemed to be universal. In both Ontario and the Netherlands, payments were means-tested based on household income, so did not meet the basic income principles of individual and unconditional payment. The intention of the steering group has always been to adopt as pure a model of a basic income as possible, in order to test out these principles for the Scottish context. An important element of the feasibility work is to explore whether we can remain true to these principles in designing and piloting a model of basic income for Scotland.

## 5.4 CBI level(s)

Having considered many different levels of CBI, the steering group proposes to test two levels of CBI payment.

The **High Level CBI Payment** is based on the 2018 Minimum Income Standard (MIS) defined by the

viii Barclay, C., McLachlan, J., and Paterson, M. (2019). *Exploring the practicalities of a basic income pilot. International Learning Report*. Carnegie UK Trust. <https://www.carnegieuktrust.org.uk/publications/exploring-the-practicalities-of-a-basic-income-pilot/>

Joseph Rowntree Foundation (JRF).<sup>ix</sup> The rationale for testing a high level of CBI set at the MIS is based on the potential for a higher CBI to have a greater impact on poverty than a lower rate. The MIS is based on relative poverty defined as the income required to pay for the “items that members of the public think UK households need to be able to afford in order to meet material needs such as food, clothing and shelter, as well as to have the opportunities and choices required to participate in society.”<sup>x</sup>

**Table 2: Proposed High Level CBI Payment**

Age Range	Payment Rate (per week)	Basis for CBI Rate
0 to 15 years	£120.48 (payment to main carer / parent)	Based on rate for a primary school-aged child
16 years to pension age	£213.59	2018 MIS rate for single, working age adult
Pension age	£195.90	

The JRF MIS includes a standard estimate for housing costs. It is generally accepted that due to the complexity and variable costs of current housing provision, it is problematic to include housing costs within a CBI.<sup>18</sup> On the basis that a CBI should be a regular, consistent amount across the population and not subject to means-testing (which currently applies to benefits that cover housing costs), the payment levels in Table 2 exclude costs for housing. They also exclude costs of childcare. It is anticipated that current benefits and support relating to housing and childcare (as well as other specific benefit needs) are retained alongside a pilot CBI. The detail of retained benefits is explored in 7.2.

For the **Low Level CBI Payment** the group agreed that a CBI set at less than people currently receive through benefits would not be ethical and would not effectively tackle poverty. Therefore, the low level CBI payment is based on the current level of social security payments which are common at different ages (child tax credits, unemployment benefits and pension credit). The low-level CBI payments (Table 3) broadly reflect 2019 rates of current out-of-work benefits for different age groups. The proposed payment levels do not include additional entitlements added to means-tested benefits for some carers, those with limited work capability and disabled people (including disabled children). Like the higher rate of CBI, the low rate also does not include amounts for rent or childcare.

A CBI at a similar level to the entitlements that it replaces provides an opportunity to test the effect of an unconditional income with no change in the level of income. The higher level of CBI provides an opportunity to test the effect of both an increased income and a move to unconditional payments.

ix For more information on Minimum Income Standard, see <https://www.jrf.org.uk/report/minimum-income-standard-uk-2019>

x Davis A., Hirsch D., Padley M. and Shepherd C. (2018) *A Minimum Income Standard for the UK 2008-2018: continuity and change*, Joseph Rowntree Foundation, York, pp. 1

**Table 3: Proposed Low Level CBI Payment**

Age Range	Payment Rate (per week)	Basis for CBI Rate
0 to 15 years	£84.54 (payment to main carer / parent)	Rate of child tax credit family rate and first child rate (£63.84) plus Child Benefit eldest child rate (£20.70)
16 to 19 years	£84.54	Reflecting rate of 16-19 year olds who are still in approved education: Rate of Child Tax Credit family rate and first child rate (£63.84) plus Child Benefit eldest child rate (£20.70)
20 to 24 years	£57.90	Rate of jobseeker’s personal allowance for a single person aged 16-24
25 years to pension age	£73.10	Rate of jobseeker’s personal allowance for a single person aged 25+ years
Pension age	£167.25	Rate of pension credit guarantee for a single person of pension age

## 5.5 CBI levels uplift

The payment levels identified above are costed at 2019/20 levels and would require to be uplifted for future use. However, there are complications associated with uplifting the rates. For the lower level, which is designed to be similar to the payment levels of the current social security system, the current UK government’s plan is for these to increase slower than the rate of inflation. However, this is clearly subject to continuing review and could be higher or lower than expected. Any uplifting for inflation should take this into account. For the higher level, which is linked to the MIS, account would need to be taken of the costs of living on low income and even a standard inflation uplift may not adequately adjust for this. The payment levels will therefore require to be revised for any future pilots based on these factors.

## 5.6 Interaction with tax system

A CBI payment would be included in the calculation of income for tax purposes. However, CBI would only be taxed if a participants’ total taxable income exceeded the Personal Income Tax Allowance threshold for the pilot year(s).<sup>xi</sup>

## 5.7 Interaction with social security

A key principle of the CBI feasibility study is that pilot participants (particularly vulnerable and low income groups) are not financially worse-off either during or after the pilot. This is difficult to achieve without retaining some support to meet the greater needs of some groups. Therefore, the steering group is currently exploring a model which suspends participant access to some existing entitlements for the duration of the study, but retains benefits relating to additional needs associated with disability, work capability, housing and childcare support. These will be paid in addition to CBI payments for those who are eligible to receive them (see Section 7.2 for further detail).

<sup>xi</sup> In the commissioned economic modelling work, it is assumed that the Personal Income Tax Allowance threshold is removed as it is a regressive form of taxation and removal will contribute to the funding of a CBI scheme. However, the proposal is that it should not be removed in the pilot study.

A list of the suggested suspended entitlements is outlined in Table 4. The suspended entitlements are proposed to be the same for both levels of CBI.

The steering group are working to the policy objective that participants of pension age are included in a CBI pilot. The inclusion of pensioners is in line with the current approach of adhering to the universal principle of CBI.

The introduction of the new State Pension for those who reached retirement age on or after 6th April 2016 will mean it is likely that pensioner participants will have a range of entitlements, premiums and top-ups. It is important, given a policy of no detriment and potential legal barriers, that sufficient time and detailed examination of the impact of any suggested change is fully explored.

For economic modelling purposes, the development of the low and high rates of CBI assumes the suspension of payment of the Personal Allowance of Pension Credit. However, the complexity of CBI interaction with the variations of State Pension entitlements mean the steering group may investigate additional pilot options in relation to pensions as the feasibility study develops.

There remain a number of significant legislative challenges and risks associated with these proposals, in particular with delivering a CBI which suspends access to a number of entitlements. Ensuring participants are not at risk of detriment by retaining access to some benefits, premiums, additions and elements will require detailed unpicking of the current social security provision. This will require changes to a range of Acts and regulations which are mainly the responsibility of the Department for Work and Pensions. This is likely to be complex and time-consuming.

The feasibility of this model in the context of the current social security system is explored further in Section 7.2. It is the subject of ongoing detailed engagement with relevant national organisations and may be subject to change or amendment as evidence arises.

**Table 4: Suggested benefit entitlements to be suspended during CBI pilot study**

<b>Benefit Entitlements Suspended for Pilot Duration</b>
Income Support (Personal Allowance)
Income-based Jobseeker's Allowance (Personal Allowance)
Income-related Employment and Support Allowance (Personal Allowance)
Child Tax Credit (Family Element plus Child Element)
Pension Credit Guarantee (Personal Allowance)
Child Benefit
Carer's Allowance (Basic Rate and Scottish Supplement)
Universal Credit: Standard Allowance for Single person
Universal Credit: First child/subsequent child payments

The treatment of a CBI payment for the calculation of the means-tested benefits that are not suspended will have an influence on how much individuals would receive from these benefits. A CBI which is disregarded for means-tested benefit calculation would have no impact on the amount

of money received. However, a CBI that is counted as income would reduce the value of the means-tested benefit.

The preferred treatment of CBI payments for means-tested benefits is still to be confirmed by the steering group. Three options are currently being explored:

- a) CBI (both payment levels) is counted as income
- b) CBI (both payment levels) is disregarded as income
- c) A hybrid approach, where:
  - Low level CBI is counted as income
  - Within the high level CBI: a value equivalent to the low level is counted as income, but the remainder of the CBI payment up to the high level is disregarded as income.

## 5.8 Pilot duration

As part of the evaluability assessment process, the steering group identified a range of intended outcomes that a CBI pilot might achieve (see section 8). As part of this process, the group considered how many years a pilot would need to run to be able to assess whether these outcomes were realised. It was noted that the time required to see effects varies between outcomes, with some taking much longer to work through (e.g. reduced income inequality and improved population level health and wellbeing).

Alongside this work, the group researched the rationale behind the duration of other contemporary CBI pilot studies underway or in progress around the world,<sup>2</sup> during general discussions with basic income experts at the Basic Income Earth Network (BIEN) Congress in August 2018.<sup>xii</sup> Experiments in the Netherlands, Finland and Canada are proposed to be between two and three years.

Based on this analysis the steering group proposes a pilot duration of three years with a one-year preparatory period in addition to this. A three-year pilot would provide sufficient time for participants to adapt to a CBI and for shorter-term outcomes to emerge. A pilot longer than three years would be at risk of weakened political confidence and commitment if there was a change in government, with resulting premature ending of pilots and a loss of learning from the process.

A one-year preparatory period is important for avoiding delays which could curtail the duration of the pilot. A discussion in February 2019 between steering group members and the co-principal investigator of the evaluation team for the cancelled pilot in Canada reported extreme time pressures prior to the commencement of the study. These pressures had knock-on effects in terms of decision-making and constraints on the pilot. It would be possible to avoid such time pressures by incorporating a preparatory period. This would allow time for recruiting and preparing participants, trouble-shooting issues and gathering baseline data, therefore ensuring an effective and robust pilot is ready to start on the first day of the three-year pilot period.

## 5.9 Pilot populations

There are two broad approaches to piloting a CBI: a saturation approach where a CBI is given to everyone (of all ages and income levels) within a defined geography, or a targeted approach

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xii The Carnegie UK Trust funded a delegation from the steering group to take part in an international study visit to the 2018 BIEN Congress in Tampere, Finland.

in which everyone in a group of interest in the wider population receives a CBI e.g. care leavers, people who are disabled or unemployed, people from black and minority ethnic communities, the disabled or the unemployed.

Following consideration of the different options, the preference of the steering group is for a saturation approach. Examples of saturation approaches include the town of Dauphin, Manitoba, Canada in the 1970s<sup>19</sup> and more recently, a semi-saturation experiment in the town of Lindsay, Ontario (an arm of the 2017 Canadian experiment which prematurely ended in 2018.)<sup>2</sup>

A saturation approach reflects the CBI principle of universality (where the 'universe' is *all* of those in a defined geographic area). Delivery of a CBI to all those within a geographic area should help reduce the risk of stigma often associated with targeted benefits. It also provides the opportunity to assess individual, household and community level impacts associated with universal receipt of a CBI.

This is an important aspect of the group's theory for how a CBI might impact on the outcomes of interest. The hypothesis is that as a result of *everyone* in an area receiving the CBI, there will be community-level impacts over and above those which might occur through the direct, individual impacts of receiving the CBI. Such impacts include volunteering, informal caring networks and the creation of new social enterprises, businesses and clubs. The steering group wants to design the pilot in a way which provides maximum opportunity for community effects to occur whilst recognising the high potential cost of pilots involving very large populations.

The steering group considered the alternative, targeted approach but rejected it on the grounds that it would not meet the universal principle of a CBI and would not generate community-level outcomes associated with a saturation sample. The steering group also considered a pilot in which the CBI would be given to a random sample of the general population<sup>xiii</sup> but this was also rejected on the grounds that it would not generate community-level effects because CBI recipients would be spread across a large geographical area.

The steering group is currently working to understand the size and number of communities required to evaluate a saturation approach in a way that enables us to explore community level effects and different effects between different groups within the population at a reasonable cost. These trade-offs are discussed further in Section 8.

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xiii A random sample could be stratified to ensure that it reflects the composition of the population of interest in terms of characteristics such as age, ethnicity, prevalence of disability, socio-economic status etc.

# Section 6: Assessing Feasibility

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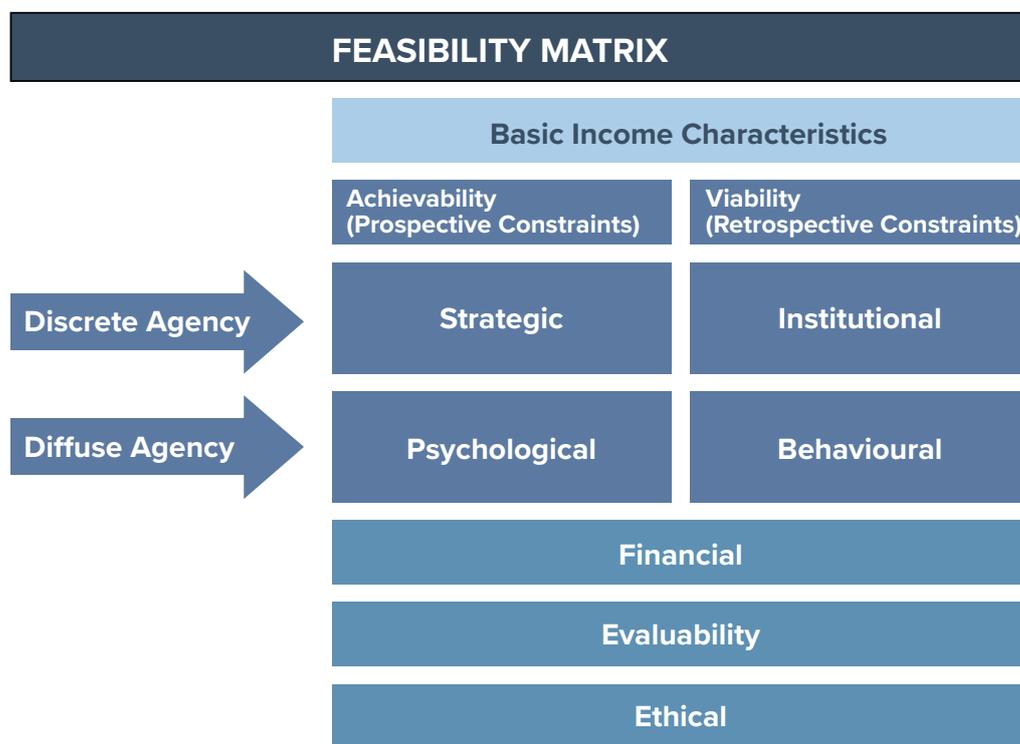
## 6.1 Introduction

Debate around the concept of CBI often focuses around issues such as cost, the ethics of ‘giving money for nothing’, potential work disincentives and the merits or weaknesses of previous pilot projects. However, the likelihood of an intervention becoming public policy is dependent on a wide range of influences and conditions, covering a range of complex and interdependent aspects of feasibility. For a policy to be successful, it must be both viable – the outcomes must meet the aims and objectives set out in the policy intention – and achievable in the given context.<sup>20,21</sup> These two concepts of viability and achievability underpin the analytical framework which the steering group has developed to assess the feasibility of a pilot scheme.

There are several, interlinking aspects of feasibility which the steering group is using to test the viability and achievability of a pilot. **Ethical** considerations and **financial** feasibility are two crucial aspects of this picture, but in relation to the feasibility specifically of a pilot, the **basic income characteristics** of the intervention to be tested and evaluated are equally important. Moreover, as argued by De Wispelaere and Noguera<sup>22</sup>, any proposed policy must also be **politically feasible** to allow either successful testing or roll out. Political feasibility is an overarching term to describe whether there is appetite for a particular policy, however to make sense of the wide range of political influences, it can be broken down into: **strategic, institutional, psychological** and **behavioural** feasibility.

To fully assess the feasibility of CBI pilots in Scotland, a framework encompassing all these interlinked concepts has been developed. This analytical framework will be used to test potential pilot CBI options across all aspects of feasibility in order that the preferred model reflects the most likely model which will adequately test key aspects of CBI, can be evaluated as such, is ethical, and will be politically feasible in order to provide robust evidence sufficient to consider the potential of CBI in Scotland. Figure 3 provides an overview of this analytical framework. Each aspect of feasibility is described in more detail below.

Figure 3: Feasibility analysis framework



## 6.2 Basic income characteristics

The feasibility framework first assesses a proposed CBI model as to what extent it meets any or all the CBI characteristics of interest, thus which characteristics could be tested in a pilot context. This is dependent on the preferred model/s proposed and each option will be assessed against the characteristics. The characteristics are closely interlinked with all other aspects of feasibility including the Evaluability Assessment, with possible trade-offs between CBI characteristics, outcomes of interest, pilot design, evaluability and political feasibility. For example, if it is deemed politically desirable to target a specific population group such as low income families, the CBI would not be universal and the related benefits such as impact on stigma and simplicity of implementation would not be achieved. The characteristics of interest are:

- 1. Universal** - It is paid to every citizen in society, regardless of their age or other characteristic.
- 2. Unconditional (non-withdrawable)** - It is paid without means testing or other conditions, and non-withdrawable, irrespective of other sources of income.
- 3. Regular** - It is paid at regular intervals (weekly, fortnightly, monthly) thus providing a regular, stable income).
- 4. Meets basic needs** - It is a minimum payment, sufficient to meet basic needs.
- 5. Individual** - Assessed and paid individually (including to children) rather than by household.

The proposed CBI pilot model/s are designed in such a way as to ensure that each of the fundamental characteristics of a CBI can be tested as far as possible within a pilot context. These characteristics have already been discussed throughout this report so will not be described in further detail here.

## 6.3 Political feasibility

De Wispelaere and Noguera<sup>22</sup> described multiple aspects of political feasibility covering the interaction between different levels of agency or action, discrete and diffuse, with various potential constraints. Discrete agency refers to political power where there are readily identifiable individuals or groups with roles, responsibilities and intentions in relation to public policy, for example, political parties. Diffuse agency on the other hand is where political agency is exercised through no apparent coordination or collective intention, such as public opinion. Constraints may be retrospective, such as the institutional infrastructure already in place, or the existing knowledge or beliefs of how individuals and group are likely to respond to a policy. Constraints may also be prospective, such as the political will to build a coalition of support for a policy, or how it is received and understood by the general public. Political power and action interact with constraints to impact on the probability of a policy being implemented or the functioning and robustness of a policy once implemented. This gives rise to four interdependent domains of political feasibility:

1. **Strategic feasibility** – the strategic action to build a robust political coalition of support for enabling the legislation and subsequent adoption of CBI as public policy. This may involve politicians, political parties, social movements, interest groups, trade unions or other organised groups. Clearly different groups have varying levels of power and resource available to influence the policy-making process but it is not just the degree of their support that is of interest. Different groups may support different models of CBI, or have varying outcomes in mind for the policy, thus strategic feasibility is not straightforward and depends on the proposed CBI model and implementation levers required.
2. **Institutional feasibility** – the institutional context is important in terms of both political support and practical implementation issues. Political institutional support would be required from a range of organisations and this will impact on funding, administration and evaluation of a CBI pilot. Institutional feasibility affects desirability of a pilot and may affect long-term survival or political resilience of a CBI policy. Institutional feasibility is sensitive to strategic decisions over time as political strategy shapes the development of delivery institutions, thus these two aspects are closely linked.
3. **Psychological feasibility** – is the idea of a CBI both readily understood and seen to be beneficial by the communities concerned? This encompasses public support of CBI and a key challenge here is the idea of reciprocity and contribution, the principle of ‘deservingness’ which has become the norm in the UK. Careful design and framing of a CBI may help influence public perception and thus support of piloting CBI but this must be done carefully to avoid undue impact on evaluation.
4. **Behavioural feasibility** – concerns the behavioural changes because of the intervention that may affect the performance or survival of a policy in the longer term. Potential negative effects or unintended consequences of a CBI on individual behaviours must also be considered. This aspect is closely linked to psychological feasibility, particularly in relation to labour market behaviour, as expectations of behavioural impacts such as withdrawal from the labour market may undermine public opinion of the policy, thus in turn affecting strategic feasibility.

Each of these four aspects feed in to overall political feasibility, which is complex, multifaceted and highly dynamic. Attempts to impact on one aspect of political feasibility is likely to interact with the others, as well as responding differently to different proposals relating to CBI models, piloting options, and evaluation plans.

## 6.4 Financial feasibility

The concept of financial feasibility relates both to questions regarding affordability as well as financial implications at an individual or household level. Cost of a CBI policy, or indeed pilot, will impact significantly on issues of strategic political viability, and financial impact on individuals have a bearing both on behavioural and psychological feasibility. Options to finance a CBI pilot or policy will be dependent on the design of the intervention as well as the institutional context and arrangements surrounding the pilot. The extent to which implementation would impose financial losses on households or individuals is a crucial question for financial feasibility. Evidence to assess financial feasibility includes costings of specific proposed models, what funding and payment mechanisms can be negotiated with other parts of the system, including DWP and HMRC, as well as findings from modelling of both micro- and macro-economic impacts.

## 6.5 Evaluability

A full evaluability assessment process has been undertaken to ensure evaluability of pilot options. The main aim of the evaluability assessment is twofold: to assess to what extent can the outcomes of interest be tested within the context of a pilot, and to what extent can these outcomes be robustly measured? The evaluability assessment works through whether and how a policy such as a CBI can be effectively evaluated. It involves clarifying with stakeholders the intended and unintended outcomes of the policy and assessing whether and how these can be measured with the time and resources available. The evaluability assessment process has explored the nature of possible pilot models, their likely costs, the potential outcomes, and the hypotheses or research questions that the pilot will seek to address. The evaluability assessment process and findings are set out in more detail in section 8.

## 6.6 Ethical feasibility

Ethical questions are numerous in relation to a CBI and form much of the debate around the concept. The main question for this feasibility study is whether a pilot of CBI be delivered ethically in Scotland with the research ethics principle of 'do no harm' uppermost. A range of ethical considerations have been identified in relation to both the piloting of a CBI in a Scottish context, and the evaluation of such a pilot. Ethical considerations can impact on the acceptability of pilots as well as the potential costs of mitigating ethical issues, thus do not stand alone in assessing overall feasibility. Broadly speaking, ethical issues relating to piloting a CBI may include: consideration of mandatory participation; conditions required for 'no detriment'; implications for participants post-intervention; issues of potentially withholding a beneficial interventions from controls; ensuring informed consent for both intervention and evaluation; incentivising the intervention and control groups to participate in the evaluation; and implications of linking data from statutory organisations. A discussion of the full ethical considerations of evaluating and delivering a CBI pilot is set out in sections 8.5 and 10.

# Section 7: Political Feasibility

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## 7.1 Strategic feasibility

### 7.1.1 Overview of strategic feasibility concept

Strategic feasibility relates to the strategic action to build a robust political coalition of support for enabling the legislation and subsequent adoption of CBI as public policy. This may involve politicians, political parties, social movements, interest groups, trade unions or other organised groups. Clearly different groups have varying levels of power and resource available to influence the policy-making process but it is not just the degree of their support that is of interest. Different groups may support different models of CBI or have varying outcomes in mind for the policy, thus strategic feasibility is not straightforward and depends on the proposed CBI model and implementation levers required.

### 7.1.2 Overview of strategic landscape

#### Governmental and political positions

UK Governmental statements on basic income have engaged with the feasibility study on piloting basic income in Scotland. However, this cannot be viewed as assent to a pilot in a context where introduction of Universal Credit and the changing nature of the welfare system are significant factors. Very substantial aspects of social security and tax policy are reserved to Westminster and thus the introduction of a CBI, or the piloting of CBI, requires much more facilitation than is currently the case.

Across the political spectrum there are various degrees of support and opposition to basic income from incorporation in the Green Party manifesto to positive engagement in researching the topic from the Labour Party and adoption at conferences by SNP. While interest exists across the political spectrum, there is no coherence around a view of the correct model and capacities and features of a basic income or its relationship with the existing welfare state.

UK and Scottish parliamentary committees have taken evidence and discussed basic income but again there are mixed views on the efficacy of the policy and on whether a pilot is to be supported even from afar.

#### Scottish Government

In September 2017, the Scottish Government announced in the Programme for Government that it would support local authority areas to explore the feasibility of a CBI Scheme. In March 2018, four local authority areas – Fife, City of Edinburgh, Glasgow City and North Ayrshire – collaboratively prepared and submitted a joint bid to the CBI Feasibility Fund. The Scottish Government confirmed on 21 May 2018 that it would provide £250,000 over two years to support the undertaking of a feasibility study for a CBI pilot in Scotland.

#### Cross-party group in the Scottish Parliament on basic income

The Cross-party Group on Basic Income is a Scottish Parliament working group. It has been established independently of the Citizen's Basic Income Feasibility Study Steering Group and had its first official meeting on 20 June 2018. Approval to establish the group was given by approval by

the Scottish Parliament's Standards Committee on 7 June 2018. The group is currently co-chaired by Tom Arthur MSP and Alex Rowley MSP. Secretariat for the group has been provided by the RSA and Citizen's Basic Income Network Scotland. The Cross Party Group will run in parallel with feasibility work in Scotland so that it can input advice and evidence to the development of the pilots.

### **Local authority interest in a basic income**

Independently of each other, four local authorities in Scotland started to explore the idea of piloting a basic income as a potential means of reducing poverty and tackling inequality. Other local authorities across Scotland have also now expressed an interest in this area.

In addition to the work in Scotland, active pursuit of piloting basic income is being explored in English and Welsh local authorities. The most active are in the north of England and a number of local authorities in the north of England have taken part in fora and motions have been passed by some councils in support of the policy.

In March 2018, COSLA (Convention of Scottish Local Authorities) considered a paper on the basic income and the feasibility work being undertaken in Scotland. COSLA:

- i. noted the work being led by four Scottish local authorities towards universal basic Income pilots and the interest that was receiving
- ii. formally recognised the capacity and boldness of Scottish local authorities to be in the vanguard of exploring challenging policy options, as resources allow, towards meaningful and sustainable changes to outcomes for people and communities
- iii. agreed a COSLA position of expressing a strong interest in the UBI planning work but not to be full and formal participants in the process at this stage
- iv. asked that COSLA officers keep the board and, as appropriate, other COSLA boards and groups updated on progress, and to review the COSLA position on direct participation.

### **The role of civil society**

The role of civil society and of those organisations that develop and inform opinion has proven crucial in developing and maintaining momentum in relation to basic income and the need for piloting the policy within Scotland.

At the time of the release of the Fairer Fife Report, the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) released the first of a series of reports that explored the role and impact of a basic income<sup>5</sup> A number of other reports also were released (summarised in section 3.1) that explored the need, benefits and issues of a basic income within the UK.

The Basic Income Earth Network (BIEN) is the international body leading the campaign and sharing learning and developments on basic income. Its UK counterpart the Citizen's Income Trust and Scottish group, Citizen's Basic Income Network Scotland (CBINS), have developed campaign and educational material. CBINS, alongside a consortium of universities, led a series of sessions on basic income through 2018 exploring various impacts and issues across the policy area.<sup>xiv</sup>

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xiv More information available at: <https://www.scottishinsight.ac.uk/Programmes/Scotland2030/BasicIncome.aspx>

Many of these policy development and influencer groups are positive about the policy of basic income and supportive of the piloting of the approach. However, many groups within the field of inequalities and poverty are either agnostic or against CBI. These groups have engaged so far with the feasibility study and have been actively encouraged to take part to ensure a robust discussion of the issues needing to be addressed.

In particular, the debate about whether a basic income would have a positive or negative impact on the lives of disabled people is the subject of much discussion. The steering group is also aware of the need for a basic income to interact with some existing benefits and entitlements in a way that causes no detriment to the financial wellbeing of disabled people. At the end of July 2019 Inclusion Scotland, a national network of disabled people's organisations, and individual disabled people, produced a briefing and organised a 'pop-up think tank' to discuss the potential impact of a basic income on disabled people.<sup>23</sup> The briefing correctly highlights the additional financial costs facing disabled people and promotes a discussion about the benefits or otherwise of basic income. Inclusion Scotland is keen that disabled people are adequately considered as a basic income policy develops in Scotland. A summary report of the think tank discussion will be produced and this will be useful in informing how these issues are further progressed.

Trades unions have expressed mixed views regarding basic income. The Trades Union Congress motion in 2016 supported basic income as complementary to comprehensive public services and childcare provision and should include supplementary benefits to support people on low incomes with high housing costs and supplementary benefits for disabled people.<sup>24</sup> The motion continued by noting that any transitional arrangements should leave people with lower incomes better off and the basic income would work in tandem with strong trade unions and employment rights and secure, decently and properly paid work. Arguments from trades unions against basic income are that it can entrench low pay and precarious work, and that the sums don't add up and therefore the trade-offs in reduction in services are unacceptable. Some do not consider it an effective route to reforming welfare and argue that it diverts effort from more pressing and progressive issues that should be at the core of the trades unions movement. Others also consider it to be an individualist solution to a shared set of problems and that CBI continues to support a consumer capitalist development model. There therefore remains a wide range of views on CBI amongst trade unions.

### **Alternatives to basic income**

A range of alternative policies have been proposed by governmental and non-governmental organisations that have and are exploring basic income. These have included:

- Negative Income Tax
- Job Guarantees
- Reducing hours of paid work
- More and better quality public services
- Minimum and living wages
- Social Insurance
- Means-tested social assistance
- Subsidies and vouchers
- Workfare
- Participation Income
- Universal Basic Services
- Tax credits
- Charity

Arguments in support or against these are many and outwith the scope of this feasibility study.

### **7.1.3 Strategic challenges**

Strategic feasibility includes determining whether across different interest groups and between different levels of government there is political support for, and consensus can be reached around, CBI pilots.

#### **Diversity of CBI models**

Basic income is an idea that appeals across the political spectrum, but often for different reasons and a different underlying rationale. While there is a broad agreement on the key principles of a basic income, different political choices may lead to very different types of basic income schemes being proposed.

#### **Connecting constituencies of support**

It is important to be aware of the emergence of CBI interest from a specific constituency and how this may pose legislative challenges. For example, in the Netherlands and Scotland, momentum has arisen from local government and civic society. While such grassroots support is valuable, such origins can pose challenges for institutional feasibility due to the need to also engage with, and gain buy-in from, a range of national organisations.

The level of government participation is likely to be a critical success factor. In the case of Scotland, collaboration is required with both Scottish and UK governments if piloting basic income is to be considered feasible.

#### **Understanding the political cycle**

Political events have the potential to shape the design and future direction of pilots. For example, in Finland the experiment was framed by a political window of opportunity – the pilot ended in December 2018, shortly before a parliamentary election took place in April 2019. Such a window could place time limits on the evaluation of outcomes and influence the quality of interpretation.

In July 2018 it was announced that the Ontario pilot would be terminated early. This sudden decision demonstrates the risk of changing political actors on pilot commitment, particularly if pilots are run over several years and coincide with elections.

#### **Implementation levers**

The support of a broad range of political, civil and community opinion shapers and researchers around the world has maintained a useful dialogue on the policy and the interest in the Scottish feasibility work. It demonstrates the need to nurture and maintain ongoing community dialogue on a policy that has many facets which are at odds with current norms of opinion on the role of welfare and state intervention to support individual income.

The high likelihood that primary legislation will be needed to undertake any proposed pilot must explore the approach taken to developing and maintaining the consensus for the need to pilot and demonstrate the policy before decisions on universal implementation.

## 7.1.4 Next steps

This section has provided a summary of the key actors in the strategic landscape and political challenges associated with delivering a pilot CBI. The piloting of a basic income will require political support that can be sustained over time.

## 7.2. Institutional feasibility

### 7.2.1 Engagement with relevant institutions

The steering group has been engaging with DWP since April 2018. In an exchange of letters between the former Cabinet Secretary for Communities, Social Security and Equalities Angela Constance MSP and the former Secretary of State for Work and Pensions Esther McVey MP, the then Secretary of State committed DWP officials to engage with the Scottish Government and local authorities on the project (letter dated 19th May 2018). Despite this commitment, engagement has not progressed as substantively as the steering group had initially hoped. Engagement and commitment from DWP to explore the feasibility of a CBI pilot is a clear and substantial risk to the steering group's ability to advise if a pilot is in fact feasible. It is hoped that the confirmation of preferred models for CBI can accelerate these processes and provide clarity. Any Scottish basic income pilot will need to rely on the full collaboration of DWP and HMRC.

A face-to-face meeting took place with DWP in March 2019. An introductory face-to-face meeting also took place with HMRC officials in March 2019. Both organisations are open to further discussion. DWP and HMRC have been asked to provide feedback on the steering groups aims for a CBI pilot with a view to informing the steering group how local/regional flexibilities or delegation could support a pilot. It is anticipated a subsequent face-to-face workshop will take place with both organisations later in 2019.

### 7.2.2 Welfare benefits—CBI interaction research

The Child Poverty Action Group in Scotland (CPAG) was commissioned in January 2019 to explore how a pilot study of CBI might impact on pilot participants' eligibility for other welfare benefits and associated 'passport' benefits. The final report on this commissioned research was published by the steering group on 28 June 2019.<sup>25</sup>

The main aims of the research were:

1. to gain an understanding of the benefits and tax implications for different population groups for different levels of CBI
2. to provide analysis of the relevant social security and tax legislative and policy constraints and opportunities at UK, Scotland and local authority levels for delivering a (no detriment) CBI.

Research concluded that leaving all benefits in place and ensuring CBI income is disregarded for calculation of means-tested benefits is the surest way to avoid detriment to pilot participants. However, such an approach may be of limited value in learning about the effects of a CBI scheme which would replace parts of the current benefit system. The steering group has used the research to inform the design of a pilot which attempts to reduce the risk of detriment to participants while also providing scope for learning about the effects of a CBI. The steering group will continue to use outputs from the benefits interaction research to inform ongoing discussions with DWP, HMRC, Scottish Government and local authorities.

### 7.2.3 Legal considerations

The steering group has approached SOLAR (Society of Local Authority Lawyers and Administrators in Scotland) for informal feedback on the ability of Scottish local authorities to pilot a basic income within existing statutory powers, regulations and guidance. While informal feedback was shared, SOLAR suggested that full independent legal analysis on a national level, rather than by individual local authorities, would be required. Additionally, in July 2019 Scottish Government policy representatives participating in the group sought advice from Scottish Government lawyers on the proposed models to support further discussion between Scottish Government and both DWP and HMRC.

### 7.2.4 Institutional challenges

Institutional feasibility is one aspect of feasibility which the steering group is exploring in detail. This includes determining whether there is institutional commitment from a range of organisations (e.g. DWP, HMRC) to support the implementation, administration and funding of CBI pilots. To fully explore the institutional feasibility of a CBI pilot it is important for the steering group to understand the potential interactions between a CBI and tax and welfare benefits systems.

#### Key principles of a CBI pilot

To adequately test the effects of a CBI, the steering group intends to adhere as closely as possible to the overall principles of CBI: basic; regular; in cash; individual payment; universal; and unconditional.

A key principle of the CBI feasibility study is that pilot participants (particularly vulnerable and low income groups) are not financially worse-off as a result of participating in the study (either during the pilot or beyond). To this end, the steering group intends to retain welfare support for the greater needs of some groups, specifically participants with disabilities, limited capability for work, housing and childcare needs. It is hoped this would be provided by ensuring entitlements relating to the above needs remain in place and can be claimed in addition to CBI payments.

### 7.2.5 Delivery mechanisms

There are various legislative powers and delivery mechanisms which can be assessed for distributing a CBI in the context of a pilot. The following section identifies these options, providing a summary of the key constraints and implications associated with each.

#### Delivery powers

The current social security system in Scotland is administered across three different levels of government: UK Government (DWP or HMRC), Scottish Government via Social Security Scotland, and local authorities, who deliver benefits under rules set by both UK and Scottish governments. UK Government, Scottish Government and local authorities all have various existing powers that could be mechanised to pay a citizen's basic income and deliver a pilot in Scotland. It is also noted that a pilot CBI could potentially be delivered via a charitable trust or private company.

Table 5 provides a summary of the powers which could be used to deliver a CBI.

**Table 5: Delivery powers to pay a CBI**

Power to Deliver CBI	Legislative Basis	Description
UK Government	Majority of social security reserved to UK Government	Could be undertaken by UK Government alone or on behalf of Scottish Government. Potentially delivered via DWP or HMRC. No indications of appetite at UK Government.
Scottish Government	Exception 5 of Social Security (Scotland) Act 2018	Permits 'top up' of a benefit reserved to UK Government.
	Exception 10 of Social Security (Scotland) Act 2018	Power to create benefits in areas of devolved responsibility.
Local authority	Statutory power to enhance wellbeing (Section 20 Local Government in Scotland Act 2003)	Power to enhance wellbeing of some or all people in their area, including providing financial support. Used in 2013 to establish the interim Scottish Welfare Fund.
	Local authorities have powers to make discretionary payments to people in various kinds of need	Powers include: Scottish Welfare Fund and provision of financial support to children and adults by social work departments. Exceptions devolving these powers restrict their use to cases of defined need.
Non-governmental delivery: charitable trust/private company	No legislative basis required.	Depending on source of funding, could pay CBI without legislative change.

Each delivery option has different implications for social security entitlement which impact the design and feasibility of a potential pilot. The treatment of a CBI payment for the calculation of means-tested benefits will have an influence on how much individuals would receive from these benefits. A CBI which is disregarded for means-tested benefit calculation would have no impact on the amount of money received; however a CBI that was counted as income would reduce the value of the means-tested benefit.

Using current legislative rules, CPAG has indicated the likely ways in which a CBI payment may affect entitlement to Universal Credit, legacy benefits and Pension Credit (Table 6).

**Table 6: Implications for social security entitlement**

<b>Delivery Mechanism</b>	<b>Universal Credit</b>	<b>Legacy Benefits</b>	<b>Pension Credit</b>
Scottish Government - Exception 10 of Social Security (Scotland) Act 2018	Disregarded in current rules	Adult CBI counted as income in current rules	Adult CBI may be counted as income in current rules
Local authority - statutory power to enhance wellbeing	Disregarded in current rules	Adult CBI counted, but child CBI disregarded, as income	Disregarded in current rules
Non-governmental delivery: charitable trust	Rules unclear	Disregarded in current rules	Disregarded in current rules

The treatment of payments from charitable trusts is unclear within the current benefit regulations for Universal Credit. It would be necessary to clarify the intended treatment of a CBI from a charity or private company to avoid inconsistent interaction across the social security system.

For delivery via Exception 10 or local authority power to enhance wellbeing, under current rules a CBI payment would be treated differently for people in receipt of Universal Credit, Legacy benefits or Pension Credit. This would cause inconsistency and inequality in treatment across pilot participants and risk putting participants in financial detriment. Furthermore, in relation to the key principles of a CBI pilot noted above, it is important that a preferred delivery mechanism and corresponding impact on social security entitlement does not undermine the delivery of an accurate test of CBI.

The feasibility of delivery mechanisms for a CBI pilot is summarised in Table 7. This includes the opportunities associated with each option as well as key constraints and implications.

**Table 7: Feasibility of delivery mechanisms for CBI Pilot**

Delivery Mechanism	Feasibility for CBI Pilot
UK Government	<p>Few constraints on UK parliament to legislate for amendments to means-tested benefits which would support a CBI pilot.</p> <p>No evidence of UK Government appetite to pilot CBI</p>
<p>Scottish Government - Exception 5 of Social Security (Scotland) Act 2018</p>	<p>Scottish ministers permitted to top up any reserved benefit.</p> <p>Under current rules this option restricts delivery to individuals entitled to social security benefits</p> <p>Investigation currently underway to determine whether it would be possible to incorporate those currently not receiving benefits into the payment system.</p> <p>Changes in circumstances during a pilot may end an individual's entitlement to benefits, and therefore force an early exit from a pilot.</p> <p>Restriction on using this power to offset effects of conditionality in reserved benefits.</p>
<p>Scottish Parliament- Exception 10 of Social Security (Scotland) Act 2018</p>	<p>Scottish Parliament has power to legislate for new benefit within social security.</p> <p>Primary legislation likely to be required to ensure clarity within complex social security legislation.</p> <p>Bar on creating new pensions which people qualify for on the basis of old age. This may have implications if eligibility for a higher amount of CBI is based on reaching pension age.</p> <p>Restriction on using this power to offset effects of conditionality in reserved benefits.</p> <p>Current Universal Credit and legacy benefit regulations would likely treat CBI payments differently for purpose of calculating means-tested benefits.</p>
<p>Local Authority - statutory power to enhance wellbeing (Section 20 Local Government in Scotland Act 2003)</p>	<p>Cannot use this power in a way which unreasonably duplicates an existing legal function. However, this restriction does not apply if there is consent from legal body whose function it is.</p> <p>Likely to require consent and negotiation with both Scottish and UK governments.</p>
<p>Local authority - discretionary payments to people in need</p>	<p>These powers are restricted to cases of defined need.</p> <p>Would require primary legislation to amend terms of devolved legislation to align with delivery requirements of a CBI.</p>
<p>Non-governmental delivery: charitable trust/ private company</p>	<p>May not require legislation to achieve.</p> <p>If funding from Scottish or local government, may still be regarded by UK Government as encroaching on reserved social security. Therefore, will still require consent and negotiation with Scottish and UK governments.</p> <p>The treatment of payments from charitable trusts is unclear within the current benefit regulations for Universal Credit. Regulatory clarification would be required to ensure consistency of treatment.</p>

Following the evidence outlined above, there is currently no clear feasible option to deliver a pilot of CBI at this time. It seems unlikely that there is sufficient appetite at UK Government to facilitate a CBI pilot and it is anticipated that all other options would require substantial engagement and negotiation with UK, Scottish and local governments to avoid unintended consequences for pilot participants. This may take the form of time-consuming primary legislation to amend regulations to enable delivery of a satisfactory CBI pilot. It is expected forthcoming discussions with Scottish Government lawyers will provide further detail on the feasibility of the above options. This evidence will be used to progress negotiations with DWP and HMRC.

### **7.2.6 Interactions with welfare benefits**

It is possible for permanent or pilot CBI schemes to interact with social security benefits in a variety of ways. This includes considering which other benefits and entitlements should remain alongside a CBI. Some advocates for a CBI suggest a complete re-design of the tax and social security system which would remove most existing benefits.<sup>5</sup> Others suggest initial modest changes which introduce a CBI payment in addition to current social security benefits.<sup>11</sup>

It is noted that some UK think tanks are critical of models which replace some current benefits with a similar benefit level CBI rate. Based on economic modelling, the Joseph Rowntree Foundation (JRF) and the Institute for Public Policy Research (IPPR) suggest a CBI scheme akin to a benefit level risks making relative child poverty worse. JRF suggests a CBI at this level would be of greatest benefit to individuals with modest incomes (i.e. some earnings) and people who are fully dependent on welfare support would not be any better off.<sup>26</sup> IPPR proposes this would increase median incomes, thus shifting the relative poverty line and pulling more children into relative poverty.<sup>13</sup>

The steering group welcome this insight and will continue to review it alongside other evidence as the feasibility study develops. The conclusions by IPPR and JRF were based upon static modelling which did not take account of potential behavioural effects resulting from receipt of a CBI, nor did they include the possibility of aligning a CBI with substantial changes to the tax system. The steering group is currently commissioning economic modelling research which intends to provide evidence that enhances a static model by building in anticipated behavioural changes such as labour supply decisions. As evidence becomes available from the commissioned research, the steering group will use outputs to inform the feasibility study and contribute to the wider debate about the potential costs and benefits of a CBI.

It should be noted that for the purposes of the economic modelling commissioned by the steering group, the proposed year of analysis assumes that Universal Credit is the main welfare system and legacy benefits will have ended but for a small group of recipients. This was essential to rationalise the number of benefit interactions options being tested through micro-simulation. The options described below are based on the current welfare system where both Universal Credit and legacy benefits exist and therefore differ from options being tested within the economic modelling research.

As noted previously, a key principle of the CBI feasibility study is to ensure vulnerable and low income participants are not financially worse-off within a pilot scheme. The total amount which an individual or household receives in benefits is dependent on various factors, including rent costs, income from earnings (if applicable), childcare costs, limited work capability, disability or health costs. A CBI pilot which prevented detriment to participants would need to ensure these costs were covered, either by including these costs within a CBI payment (potentially making a payment very high) or retaining key benefits alongside a CBI.

An overview of the evidence relating to benefit interaction scenarios, associated rationale and the key risks is presented below. These scenarios are based on analysis of evidence from commissioned research and additional research by the steering group, with an informed judgement taken to limit scenarios to those which reduce the risk of detriment to participants.

As outlined in section 5, the steering group is currently considering a model which suspends access to a number of entitlements for the duration of the pilot. This model corresponds to benefit interaction Option 1 in Table 8 below. The group are exploring the feasibility of this model with Scottish Government lawyers, with a view to informing further discussions with DWP and HMRC.

Options 2 and 3 are included to provide context and evidence on alternative benefit interaction scenarios. Both alternative options describe scenarios where no entitlements are suspended and CBI is paid alongside all existing benefits. The options differ in terms of the treatment of CBI payments for the calculation of means-tested benefits. The steering group considers options 2 and 3 to be of limited value in exploring the potential effects of CBI principles. If substantial elements of the current welfare system remain in place during a pilot, this essentially acts like a top up of current benefits which retains elements of the welfare system that are contrary to the principles of CBI (e.g. household means-testing, conditionality).

Option 1 is closer to a 'true' version of CBI than either option 2 or 3. The intention of the steering group has always been to propose as pure a model of a basic income as possible in order to test out these principles for the Scottish context. An important element of the feasibility work is to explore the extent to which we can remain true to CBI principles in designing local pilots of basic income for Scotland.

The steering group acknowledges there are several challenges associated with delivering a CBI pilot in line with option 1. There are significant legislative challenges and risks associated with delivering a CBI which suspends access to the aforementioned entitlements. Ensuring participants are not at risk of detriment by retaining access to some top-ups, premiums and elements will require detailed unpicking of the current social security provision. This will require changes to a range of Acts and regulations which are mainly the responsibility of the Department for Work and Pensions. This is likely to be complex and time-consuming.

Interaction between a CBI pilot and Scottish Government's new Scottish Child Payment has not been considered within this interim feasibility report.<sup>xv</sup> It is possible that as the feasibility study progresses, there will be more developments within Scottish and UK social security which will have implications for a pilot CBI. To fully consider the implications of benefit suspension and legislate to mitigate any adverse consequences, it will be necessary to undertake substantial and further expert analysis on any proposed model of benefit interaction for the proposed pilot years (particularly within a changing social security landscape).

The steering group is currently focussing on exploring the feasibility of a CBI pilot model which suspends access to a number of entitlements (detailed as option 1 below). However, the group welcomes feedback and insight from ministers and Scottish Government on any of the options outlined in Table 8.

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xv For further details see: <https://www.gov.scot/publications/scottish-child-payment-factsheet/>

Table 8: Overview of evidence for benefit interaction scenarios

Option	Description	Rationale	Key Risks
<p><b>Option 1: CBI payment with some entitlements suspended</b></p> <p>This option is for both low and high CBI payment levels.</p>	<p><b>Entitlements suspended for pilot duration:</b></p> <ul style="list-style-type: none"> <li>• Income Support (Personal Allowance)</li> <li>• Income-based Jobseeker’s Allowance (Personal Allowance)</li> <li>• Income-related Employment and Support Allowance (Personal Allowance)</li> <li>• Child Tax Credit (Family Element plus Child Element)</li> <li>• Pension Credit Guarantee (Personal Allowance)</li> <li>• Child Benefit</li> <li>• Carer’s Allowance (Basic Rate and Scottish Supplement)</li> <li>• Universal Credit: Standard allowance for single person</li> <li>• Universal Credit: first child/ subsequent child payments</li> </ul> <p>The same treatment of CBI for calculation of retained means-tested benefits would need to be agreed for Universal Credit, legacy benefits and Pension Credit as these currently assess income differently. The</p>	<ul style="list-style-type: none"> <li>• Suspended entitlements within this scenario do not include any elements, top-ups or premiums associated with disability, limited capability for work, childcare, caring or housing support. Literature suggests a CBI is not equipped to adequately support individuals with these needs. The entitlements which have been retained therefore help to account for these needs and provide support if a participant’s situation changes during a pilot.</li> <li>• A CBI at the same level as the suspended entitlements would provide opportunity to test the effect of an unconditional income. A CBI at a higher rate would provide an opportunity to test the effect of increased, unconditional incomes.</li> <li>• The suspension of some entitlements alongside a CBI reflects a more accurate test of CBI principles. A suitable test would be dependent on agreement to retain benefits providing additional support as detailed above.</li> </ul>	<ul style="list-style-type: none"> <li>• There are premiums/top-ups associated with some benefits which are available to those with additional needs related to disability, limited capability for work caring and childcare. To avoid absolute and significant relative detriment, these additional elements would need to remain in place.</li> <li>• Suspension of entitlements would require complex changes to underpinning legislation necessitating primary legislation and cooperation of UK and Scottish governments. This will entail substantial political will and time to deliver.</li> <li>• If some entitlements cannot be maintained alongside a CBI there is a risk of adverse effects for participants who could no longer access these benefits. For example, there is a risk of loss of access to a range of passported benefits and loss of National Insurance credits which could reduce rights to future benefits.</li> <li>• If some benefits are suspended, there is a risk of participants permanently losing out on transitional protection due to a pilot. Participants would</li> </ul>

Option	Description	Rationale	Key Risks
	<p>preferred option of treatment of CBI is still being considered by the steering group. These options include:</p> <ul style="list-style-type: none"> <li>a. CBI (both payment levels) is counted as income</li> <li>b. CBI (both payment levels) is disregarded as income</li> <li>c. A hybrid approach, where: <ul style="list-style-type: none"> <li>i. Low level CBI is counted as income</li> <li>ii. Within the high level CBI: A value equivalent to the low level is counted as income, but the remainder of the CBI payment up to the high level is disregarded as income.</li> </ul> </li> </ul>		<p>therefore be at risk of relative and actual detriment compared to those not involved in a pilot.</p> <ul style="list-style-type: none"> <li>• Clarity and agreement would be required on the treatment of CBI payments for the purposes of means-tested benefit calculation.</li> <li>• If a new benefit was created as a way of delivering CBI, clarity would be required on whether it was to be considered taxable.</li> <li>• Some conditional requirements of retained benefits may remain during a pilot of CBI. Participants could therefore experience both conditional and unconditional payments potentially causing issues for accurately evaluating the effects of CBI.</li> <li>• A CBI model – particularly at the low rate – may have adverse impacts on relative child poverty, causing child poverty to worsen.</li> </ul>

Option	Description	Rationale	Key Risks
<p><b>Option 2: CBI payment with full access to all means-tested and non-means tested benefits with CBI income disregarded</b></p> <p>This option is for both low and high CBI payment levels.</p>	<p>Pilot participants would have access to all current means-tested and non-means-tested benefits alongside a CBI. CBI income would be disregarded for the calculation of eligibility to means-tested benefits.</p>	<p>Commissioned research by CPAG concluded that leaving all benefits in place and ensuring CBI income is disregarded is the surest way to avoid detriment to pilot participants. Maintaining all non-means-tested benefits and all means-tested benefits alongside a CBI will account for the complex needs of participants and provide support if a participant's situation changes during a pilot.</p>	<ul style="list-style-type: none"> <li>• This scenario might be regarded as being of limited value in learning about the potential effects of a CBI scheme which may be designed to replace part of the current benefit system.</li> <li>• Within this scenario all means-tested benefits should disregard CBI for benefit calculations. This will require changes to the current benefit rules for Universal Credit, legacy benefits and Pension Credit to ensure all treat CBI in the same way.</li> <li>• If a new benefit was created as a way of delivering CBI, clarity would be required on whether it was to be considered taxable.</li> <li>• Conditional requirements of the current benefits system would remain in place during a pilot of CBI. Participants could therefore experience both conditional and unconditional payments potentially causing issues for accurately evaluating the effects of CBI.</li> <li>• Retaining the current benefits system would also retain all aspects of a fundamentally household based means-testing system alongside an individual CBI.</li> </ul>

Option	Description	Rationale	Key Risks
<p><b>Option 3: CBI payment with access to all means-tested and non-means tested benefits with the current default legislative rules for treatment of CBI payments</b></p> <p>This option is for both low and high CBI payment levels.</p>	<p>In contrast to option 2 which would require legislative change to ensure Universal Credit and legacy benefits all disregard CBI income, this scenario would interact with the current and default benefit rules on treatment of income.</p> <p>This would mean Universal Credit, legacy benefits and Pension Credit would treat CBI income differently, causing different effects for pilot participants within UC, legacy or Pension Credit claims. This would be contrary to the principles of testing the effects of a universal, equal and consistent CBI within the sample population.</p>	<p>No requirement to secure legislation changes to the existing Universal Credit, legacy benefit and Pension Credit rules.</p>	<ul style="list-style-type: none"> <li>• Legacy benefits will treat CBI as income, causing some participants to lose part or all of their entitlement to legacy benefits, including passported benefits. This could cause participants to be in absolute detriment.</li> <li>• Under current benefit rules Universal Credit will disregard CBI payments for the purpose of benefit calculation. Participants on Universal Credit and legacy benefits would therefore experience different effects, raising issues around equality of treatment.</li> <li>• Conditional requirements of the current benefits system would remain in place during a pilot of CBI. Participants could therefore experience both conditional and unconditional payments potentially causing issues for accurately evaluating the effects of CBI.</li> <li>• If benefits are lost because of CBI income/capital, there is a risk of participants permanently losing out on transitional protection due to a pilot. Participants would therefore be at risk of relative and actual detriment compared to those not involved in a pilot.</li> <li>• Retaining the current benefits system would also retain all aspects of a fundamentally household-based means-testing system alongside an individual CBI.</li> </ul>

## 7.2.7 Interaction with HMRC and Treasury

The steering group is currently exploring various options for modelling and funding a CBI pilot and considering whether CBI payments should be taxable or non-taxable. Following a successful face-to-face workshop meeting in March 2019, ongoing commitment to engage in discussions has been established with HMRC contacts. Further direct engagement will take place later in 2019 once HMRC has had an opportunity to review key policy objectives of a CBI pilot scheme. This will help the steering group to address questions relating to the taxation of CBI payments and thus clarify potential methods of funding the payment.

There are some key issues to consider while investigating whether a CBI pilot should be taxable or exempt from income tax. In relation to piloting a taxable CBI within the current system, commissioned research by the Child Poverty Action Group summarises the implications of income tax liability:

- A taxable CBI would increase a participant's liability for income tax and could push some people into paying higher rates of tax. This would depend on their overall income level (inclusive of a CBI) and whether any taxable benefits were replaced by a CBI.
- Participants with higher incomes may lose tax reliefs or new tax charges made due to addition of a taxable CBI payment, creating tax "cliff edges". Feedback from HMRC confirms the significance of these "cliff edges" and the importance of being aware of these in order to provide compensation or support to participants and maintain a position of no financial detriment.

The question of taxation is closely linked to the options for delivery of a CBI payment. The delivery mechanisms outlined in Table 7 have varying precedents for the treatment of payments for income tax.

Research by CPAG draws attention to an inter-governmental agreement which suggests if CBI was delivered by Scottish Government via a new benefit (Exception 10), it would not be considered taxable income.<sup>xvi</sup> However, it was also noted that recent legislation was used to clarify that new benefits paid by Social Security Scotland should be non-taxable. This would suggest that although a pilot CBI delivered by Scottish Government as a new benefit would likely be considered non-taxable, for the avoidance of doubt, amendments to income tax law would be required to provide clarity.

Similarly, a CBI delivered via local government, charity or private company, would also require legal clarification on whether it was considered taxable for pilot participants. In the case of a charity or private company, it is noted by CPAG that there may be tax liability for the organisation delivering the payment, which has implications for the attendant administration costs of delivering a CBI.

To ensure clarity and for the avoidance of doubt, it seems likely that in all options for delivery of a CBI, legislation would be required to define whether payments are taxable or not.

## 7.2.8 Next Steps

This section has provided a summary of the key institutional options and challenges associated with delivering a pilot CBI. The steering group remains committed to assessing the feasibility of a pilot

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xvi The agreement between the Scottish Government and the UK Government on the Scottish Government's fiscal framework, February 2016, para 89

which adequately tests the key principles of a CBI, while also ensuring pilot participants (particularly vulnerable and low income groups) are not in financial detriment as a result of participating in the study. Engagement and commitment from DWP to explore the feasibility of a CBI pilot is a clear and substantial risk to the steering group's ability to advise if a pilot is in fact feasible. Any Scottish basic income pilot will need to rely on the full collaboration of DWP and HMRC. This will require continued engagement with DWP and HMRC to determine what is technically feasible in the support and delivery of a CBI pilot.

In the coming months, the group will be informed by feedback from Scottish Government policy representatives participating in the group following feedback from Scottish Government lawyers and consider whether, as per SOLAR suggestion, further independent legal advice is required.

The steering group welcomes feedback and insight from ministers and Scottish Government on delivery options and benefit interaction scenarios. This will focus the steering group on aspects of feasibility within a refined framework that is of particular interest to ministers.

## 7.3 Psychological feasibility

### 7.3.1 Background

This section considers the psychological feasibility of conducting a CBI pilot in communities in Scotland. The analysis rests on the observation, conceptualised by De Wispelaere and Noguera<sup>22</sup>, that the legitimacy of any policy implementation, and by extension the success of a policy pilot, requires a broad level of acceptance within the general public for whom the policy applies. The importance of this aspect of feasibility rests on three factors:

- **Civic legitimacy:** public acceptance and support for the policy are necessary to secure backing and engagement from political groups and civic society agents needed to implement the pilot. As such, psychological feasibility can be considered a key influence on the strategic feasibility concerns discussed elsewhere in this report.
- **Democratic legitimacy:** the imposition of a CBI pilot in the face of strong opposition by the public and community in the areas selected for piloting could be considered undemocratic and be contrary to the concepts of informed consent and 'no detriment' necessary for the pilot to meet ethical standards required.
- **Practical legitimacy:** As De Wispelaere and Noguera point out, "illegitimate policies often fail because those subject to them refuse to play by the rules". In this scenario, the imposition of a CBI pilot in a community within which there was strong opposition would face difficulties in securing participants, maintaining participation throughout the pilot period, and evaluating the experiences of CBI participants.

In order to assess the feasibility of a CBI pilot across these aspects of legitimacy, the steering group has focussed on gathering evidence across three core questions:

1. What is the evidence of broad public support and acceptance of CBI, either as a pilot or as a policy?
2. What are the limits to that support, what is the evidence on opposition to CBI, and what constraints to feasibility arise from that opposition?
3. What next steps are required during the feasibility research and during implementation and planning of a pilot to address those constraints and ensure psychological feasibility?

### 7.3.2 Approach to assessing feasibility

To carry out this assessment, the steering group has drawn on a range of sources of evidence on public opinion as it currently relates to welfare policies and CBI. These include:

- **Large scale international surveys** assessing support for CBI across the UK and other developed countries. Within this, a key source of evidence has been the European Social Survey (ESS) which, in its 8th rotating round, incorporated questions on basic income schemes. Fieldwork for this research was carried out in 2016 and reported in 2017.<sup>27</sup>
- **National surveys** assessing views of and support for CBI within the UK and Scotland. Key sources for this element include an Ipsos MORI survey carried out for the University of Bath Institute for Policy Research in 2017,<sup>28</sup> and a further survey carried out by Populus on behalf of the RSA in July 2018.<sup>29</sup>
- **Local survey and focus group** work assessing views of CBI with Scottish local authorities. In addition to these national and international survey results, during the past three years members of the steering group have taken forward focused analysis to assess the understanding and acceptance of CBI within the potential pilot local authorities. In particular, members of Fife People's Panel (a representative panel of 1% of the adult population in Fife) were invited to complete either a paper or online survey between 16 June and 14 July 2017 incorporating questions on views of CBI.<sup>30</sup> A similar approach was taken in North Ayrshire where, in 2018 the North Ayrshire People's Panel (includes approximately 2,000 residents across the various communities of North Ayrshire) were posed similar questions on awareness and acceptance of CBI.<sup>31</sup> During 2018/19 these local survey analyses have been followed up with focus group work in both these authorities.

### 7.3.3 Findings

#### Support for CBI

Overall, analysis of these sources shows general net positive levels of support for CBI as a policy across all three levels of geography.

The results of the 2016/17 European Social Survey (ESS) found that 51% of UK respondents were 'in favour' of having a CBI scheme in their country, compared to 49% against. This result placed the UK at the mid-point of approval among European countries, with results ranging from 59% in favour in Belgium to 34% in Norway. Overall, only 12% of UK respondents were quoted as being 'strongly against' the policy.

Other UK level surveys conducted in recent years show even stronger levels of net approval. The 2017 Ipsos MORI survey found that 49% of respondents would support a CBI in the UK, compared to only 26% who would oppose the idea. The 2018 Populus survey found that 41% of adults would support the idea of a CBI in the UK, compared to only 17% who would oppose the idea in principle. Analysis of the results of this survey by UK region show similar levels of support recorded in Scotland, with 45% of adults in favour of the policy in principle and only 14% against (although this finding is based on a small sub-sample size and should be treated with some caution).

When these national level surveys have been replicated for local authority areas in Scotland, the results remain positive. People's Panel surveys in Fife (2017) and North Ayrshire (2018) have been used to assess public awareness and understanding of the CBI concept. To ensure respondents were reflecting on the same basic income scheme, a brief description of basic income was given to

survey participants. This also provided context to answer subsequent questions for participants who were less familiar with the concept. The description of basic income was as follows:

*“A basic income is an income unconditionally paid by the government to every individual, regardless of whether they work, and irrespective of any other sources of income. It replaces many means-tested payments such as Jobseeker’s Allowance and Universal Credit (but not housing or disability benefits) and is high enough to cover basic needs (food, etc). Most models suggest at least £73.10 per week for an adult of working age, in line with current benefits.”*

Of 900 people surveyed in Fife, 58% of respondents said they knew something about basic income or understood it fully, suggesting a good level of public awareness of basic income.<sup>30</sup> Similar levels of awareness were recorded in North Ayrshire’s People’s Panel. Of 1225 people who answered, 66% said they knew something about it or fully understood the concept.<sup>31</sup>

Follow up focus groups with a small number of North Ayrshire residents asked about their knowledge of basic income and how it may benefit themselves and others. Contrary to the survey results, most focus group participants were not familiar with the concept. However, after being provided a description of basic income as outlined above, participants responded in favour of basic income, suggesting a number of potential benefits to themselves and others including an expectation of reduced stress levels and easier household budgeting.

Survey participants were asked to consider how a basic income might affect how they used their time. From a list of ten suggested effects, the highest response for both surveys was that basic income would not affect how they used their time (Fife 46% and North Ayrshire 32%).

Respondents were asked to indicate which arguments they found most convincing in favour and against a basic income. The main argument in favour of basic income was its perceived role in reducing anxiety about financing basic needs. This was concurrent across both councils, with 50% of respondents in Fife and 41% in North Ayrshire supporting this argument. In contrast, an increased dependence on the state was noted by both councils as a main argument against a basic income (38% in Fife were in support of this argument, North Ayrshire 52%). Other arguments respondents found convincing against a basic income included a belief that it would be difficult to finance, only people who need it most should receive a basic income and it may encourage people to stop working. It is interesting to note the latter argument of CBI encouraging people to stop working is contrary to how participants responded about the likely effects of basic income on their own working hours. Only 3% of respondents in North Ayrshire and 5.4% in Fife said they would likely work less as a result of basic income. This suggests respondents may think a basic income would cause other people to lower their working hours, despite noting an unlikelihood to reduce their own.

When Fife residents were asked about how they would vote if a referendum were held in Scotland around the introduction of a CBI, respondents were split with 32% in favour, 29% against, and 39% unsure. A follow-up question on support for a CBI trial in the area, however, brought a much clearer and positive response – 45% of respondents were in favour of a trial, with only 27% against. This result is in line with similar UK wide results found by the Populus survey which reported that 40% of respondents would support a trial in their local area, compared to only 15% who would oppose.

## Analysis by characteristic

While survey data show general levels of net support for CBI, further analysis shows that these levels can vary considerably depending on the characteristic of respondents and the way the scheme is financed.

Data gathered as part of the 2016/17 ESS project allows for analysis of the drivers of support for CBI between different social groups. The analysis highlights key areas of variance including employment status, income, age, and income source.

- Those who were unemployed at the time of the survey show a 71% approval rate, compared to 53% approval amongst those who are in work.
- Similarly, data show a relationship between income level and support, with an approval rate of 64% among those who said they found it 'very difficult' to get by on their household income, against approval of 46% who felt 'comfortable' on their current income.
- 61% of 15-34 year olds in the UK said they approved of the policy. Those aged over 65 were the only age group in the UK who recorded a net disapproval rating, with only 43% being supportive of the policy.
- In terms of sources of income, support is highest among those whose main source is unemployment benefits (65%), followed by those earning wages/salaries (about 57%). Support is lower among those receiving income from self-employment (49.5%) and farming (48%), and lowest for those receiving main income from investments/savings (about 37%).

At the same time as these variations, support for CBI also varies depending on how respondents think the scheme will be financed.

- Data gathered by Ipsos MORI found that only 30% of respondents would support a CBI if it meant an increase in their taxes from current levels, compared to 40% who would oppose in those circumstances.
- Overall, respondents would be most in favour of CBI if it were funded by raising taxes on the wealthiest in society. The Ipsos MORI survey found that 34% would prefer the policy to be funded by increasing taxes on wealth, compared to only 12% who supported it mainly being funded by an increase in general income tax. The Populus survey similarly found that 34% would support the policy being funded by raising progressive income tax so that the rich pay more than they get out of the scheme.

There is also some evidence that support for CBI policy might be strongest when targeted at particular groups, although different surveys on this point do not show the same level of agreement as on other issues. The Ipsos MORI survey, for instance, found that 57% of respondents would support a scheme targeted at low income households, higher than the overall net support level of 49% for a genuinely universal scheme from that survey. The Populus survey, by contrast, showed no change in level of support between a universal or a targeted scheme.

## 7.3.4 Conclusions

The psychological feasibility of a CBI pilot rests on the test of whether the policy can command sufficient levels of public support and acceptance. The analysis undertaken by the steering group found:

- levels of net approval for CBI in principle recorded by several UK and local surveys undertaken in recent years
- levels of net approval for the concept of a CBI trial in local areas and across the UK where this question has been asked.

The analysis further shows, however, that support for CBI is not necessarily universal nor unconditional in all cases:

- Support is high among the young, the unemployed, those on low incomes. Net disapproval ratings are recorded for some groups though, including pension age residents, higher income groups, and the self-employed.
- Support is highest for models of CBI funded through taxation targeted at high income groups, and lowest when funded through increased general taxation.
- Though the evidence is not conclusive on this point, some surveys show that support is higher for CBI schemes which are targeted at low income groups.

These findings are useful and provide a strong indication of the general psychological feasibility of the CBI pilot in principle. It is important, however, to consider some caveats to that conclusion. Much of the analysis considered in this section is based on UK level survey data, and it is possible that levels of public support may be different in the specific communities selected for a CBI trial. Even where local surveys have taken place, in Fife and North Ayrshire, testing has not been undertaken for the specific model of CBI to be used in the proposed trial – including level of payment, geography, time period and other design factors.

All the analysis above further shows that even in areas where support levels are high (the unemployed and low income groups), sizeable proportions of the population remain opposed to a CBI in principle.

Taken together, these findings suggest that in order for a successful CBI trial to take place, the following is necessary:

1. In preparation for a launch of a pilot, significant communications activity is undertaken to inform local residents, and address the concerns of those groups which are least in support of the policy.
2. In order to deliver that activity, a programme of citizen research is undertaken in the pilot communities as part of the early stages of pilot implementation. This programme should seek to build on the analysis presented here to understand the nuances of local support and opposition for the specific scheme to be trialled and develop messaging and communications tools most appropriate to securing support and approval of local residents.

## 7.4 Behavioural feasibility

### 7.4.1 Introduction

Whilst a CBI has not been fully implemented anywhere, there are relevant studies from which we can learn about the potential impacts of CBI-type interventions on a range of outcomes. Studies which provide all individuals with an unconditional, substantial, regular sum of money may not be available but there have been several studies that involve the unconditional provision of substantial cash payments to either individuals or households. To ensure maximum transferability

of learning from findings, the focus will be on evidence from middle- and high-income countries. This section provides an overview of the findings of these studies, along with consideration of the design, evaluation and impacts of these interventions. These studies encompass various types of interventions that can be broadly deemed as like a basic income: unconditional cash transfers (UCT), negative income tax (NIT), or those simply described as basic income (BI).

The available evidence provides important information by which to assess behavioural feasibility – that is, the likelihood of individuals behaving in a way that will lead to the desired outcomes. As already described, there are numerous intended behavioural outcomes of a CBI pilot including: income security and debt; use and experience of services; improved opportunities and freedom in life choices (training, education, work, caring); health and wellbeing; labour market participation; and community participation and justice outcomes.

There are also several potential unintended or undesirable behavioural outcomes which form the basis of persistent arguments against basic income. These include: encouraging labour market withdrawal; promoting state dependence; providing justification for the removal of other social programmes and services; and reinforcement of gender roles. These potential negative outcomes will be assessed against the available evidence.

This section will offer a brief overview of the relevant available evidence on basic income, and basic income-like interventions, and then discuss some of the implications for the behavioural feasibility of a pilot of CBI in Scotland. Potential negative effects or unintended consequences of a CBI on individual behaviours will also be considered. An assessment of all the potential behavioural outcomes of a CBI is important when assessing the overall feasibility of a CBI pilot, as these outcomes may affect the performance or survival of a policy in the longer term.

#### **7.4.2 Overview of evidence on UCTs/NIT/BI-type interventions**

A recent review published by What Works Scotland<sup>1</sup> synthesised evidence on studies which provided unconditional provision of a substantial cash payments to either individuals or households in middle- and high-income countries. This review provides a comprehensive overview of the evidence on basic income type interventions where the context is most likely to be generalisable to Scotland, and as such a separate review of the available literature has not been systematically undertaken for this report. However, emerging evidence from contemporary basic income experiments from other middle- and high-income countries, such as Finland and the Netherlands, will also be considered in the final report.

The review identified 28 studies of ten interventions conducted across a wide range of settings. These interventions were: the North American Negative Income Tax (NIT) studies (New Jersey Graduated Work Incentive Experiment, Rural Income Maintenance Experiment, Gary Income Maintenance Experiment, Seattle/Denver Income Maintenance Experiment, Manitoba Basic Income Maintenance Experiment which included a saturation site); The Alaska Permanent Dividend Fund; the Iran Cash Transfer; various Native American Casino studies; The Madya Pradesh (India) Unconditional Cash Transfer Pilot; and the Indonesia cash transfer study. The details of whether the interventions reviewed meet the characteristics of a CBI are summarised in table 9.<sup>xvii</sup>

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xvii A full description of the interventions included in this review, along with all of the outcomes reported, can be found in the review report available at <http://whatworksscotland.ac.uk/publications/universal-basic-income-scoping-review-of-evidence-on-impacts/>

**Table 9: Reviewed study intervention characteristics**

Intervention	CBI Characteristic				
	Unconditional	Universal	Permanent	Basic	Fixed*
North American NIT studies	Yes	No	No	Yes	No
NIT saturation site	Yes	Yes	No	Yes	No
Alaska Permanent Dividend Fund	Yes	Yes	Yes	No	Yes
Iran cash transfer	Yes	Yes	Yes	Yes	Yes
Native American casino studies	Yes	Yes	Yes	Varied	Yes
India UCT pilot	Yes	Yes	No	No	Yes
Indonesia cash transfer	Yes	Yes	No	No	Yes

\* Amount does not vary from payment to payment

Whilst none of the interventions could be described as a full CBI, some provided unconditional cash transfers to large numbers of people on a permanent basis, while others were time limited or smaller. The interventions were in different economic, social and political contexts, across different time periods, and some were targeted at specific populations. The existing welfare systems in the intervention countries varied widely and whilst the purpose of the interventions also varied, overall they provided quite substantial amounts of additional income to individuals or households with conditions attached. The studies used a range of experimental, quasi-experimental and qualitative study designs. The quality of evidence is mixed, with several of the studies having small sample sizes, multiple intervention arms, or poor reporting standards. However, some of the studies used more robust quasi-experimental methods and large samples. Despite the methodological issues with many of these studies, confidence in the findings are strengthened where studies report similar effects for dissimilar interventions. The studies provided evidence on labour market participation and education, health and wellbeing outcomes, broader community and economic outcomes.

### **7.4.3 Labour market and education outcomes**

All of the studies reported impacts on labour market participation. In the NIT studies there were small reductions in hours worked for male heads of household reported, which primarily involved longer spells of job-seeking between jobs. The review reports that absolute reductions in hours worked for second earners and female household heads were small, but larger as a percentage of lower baseline hours. There was evidence to suggest that second earners and single parents spent more time in the home and that the presence of preschool children in the home was a stronger predictor of hours worked for male head of household than whether they received the NIT payment. In more contemporary studies, there was either no effect or a small positive effect on male employment. Impacts on female employment were less consistent, with one study showing no effect, one a small positive effect, and one a small negative effect. These results suggest that

contextual factors may have a greater effect on female labour market participation.

There was some evidence from both groups of studies that small business owners and farmers increased the hours worked in their own businesses. The NIT studies reported reductions in adolescent employment in favour of staying in education for longer. Two studies from lower-middle income countries reported decreases in child labour. There was consistent evidence of children and young people spending more time in education and some studies reported positive effects on educational attainment, but this evidence was less consistent. Overall, the evidence suggests that where people reduced labour market activity, the time gained was channelled into other productive activities, such as education, providing care, and business activity.

Across the studies, the reported impact of providing unconditional payments on the labour supply of most groups appears to be minimal overall. Given that this evidence comes from studies of differing interventions, in widely varying contexts and including diverse populations, the consistency of effects increases confidence in the findings.

#### **7.4.4 Health and wellbeing outcomes**

Several studies reported modest to strong positive effects on several health outcomes including low birth weight, adult and child mental health, service use, and diet. Some studies suggested mechanisms underlying these improvements, such as improved quality of parenting due to reduced overall stress and reduced financial strain. These effects were less consistent than those for labour market activity and educational participation although this might be partly explained by differences in measurements used across the various studies or other study characteristics.

There did not seem to be any effect on rates of marital dissolution but one study reported strong positive effects on parenting quality and other measures of family relationships. Positive effects on child mental health and educational outcomes in one of the Native American casino studies appeared to be mediated by reduced parental problems and improved parenting, which became stronger over time. Many studies reported stronger effects on health and educational outcomes in the most disadvantaged or at-risk groups, and where interventions directly targeted these outcomes.

#### **7.4.5 Community and economic outcomes**

There is evidence to suggest that there could be important spillover and community level effects.<sup>xviii</sup> Where this data was collected, several studies reported reductions in criminal behaviour.

It has been argued that impacts on some outcomes could strengthen over time. For example, there appears to be an increase in consumption in Alaska, which in turn stimulates increased demand for labour. Improvements in mental health in the Manitoba saturation site seemed to benefit the whole community. Furthermore, there was some evidence of increased business activity, which could have important economic effects if replicated at scale. In addition, it is possible that the indirect effects of improvements in outcomes such as education and low birth weight can have widespread societal implications. The review also noted that there was evidence that improved health outcomes grew larger over time, suggesting that a permanent CBI could have cumulative long-term economic benefits.

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xviii Spillover effects refer to impacts on individuals or communities who are not directly receiving the basic income payment

#### **7.4.6 Potential unintended consequences**

Some adverse impacts were reported, most notably increases in accidental mortality related to receipt of transfers. Increased substance abuse was implicated in these increases but it is noted that this pattern is observed after any large payments, including salaries and social security benefits. There were also some qualitative reports of increased substance abuse, particularly in the Native American casino studies. It is worth noting here that casino dividend schemes often result in very large lump sums for young adults which is likely to play a role in such substance abuse and in reported reductions in participation in further education or the labour market.

Cash transfers were linked to conflict in some communities but this was related to issues around eligibility and resentment where there were targeted payments. This was particularly notable in the casino dividend schemes where receipt of dividends is dependent on being identified as a member of a Native American tribe or community, even where other American citizens live locally and work in the same casinos. This clearly is very different contextually from Scotland so these specific unintended consequences may be less likely, although we must be aware that conflict in a pilot situation where communities may feel resentment where adjacent communities are in receipt of a basic income.

There were also several implementation issues identified relating to perceptions of the intervention. The perception that a basic income would lead to recipients working less was persistent and led to negative publicity and political opposition in some cases. The Alaskan Permanent Dividend is viewed more positively, reportedly because it is regarded as a common fund based on collective ownership of oil revenues.<sup>32</sup>

It is possible that a lack of interest in study findings could have been due to poor understanding of the purpose, costs and need for lengthy timelines in CBI-type studies. In the case of the Manitoba study, this resulted in evaluation data being boxed up and not analysed for two decades. Conversely, public and political understanding of the purpose of social experimentation might have reduced controversy around some other experimental studies. Earlier NIT experiments suffered from a lack of cooperation between all relevant agencies and levels of government. Furthermore, targeted payments and issues establishing eligibility for payments were noted as possible causes for conflict and it was reported in the review that some recipients in such circumstances experienced hostility and media intrusion.

#### **7.4.7 Implications of evidence on behavioural feasibility**

Assessing the likely behavioural outcomes is crucial in the overall feasibility of a CBI pilot as this will determine the likelihood of the intervention having the impact that is expected and intended. Crucially, the possible unintended or negative outcomes must also be assessed so that the intervention can be designed in a way that avoids or minimises these potential consequences. The common behavioural fears related to CBI can be interrogated against the current available evidence and the possible impacts of a permanent CBI will now be explored.

##### **Withdrawal from labour market**

Labour market withdrawal continues to be one of the biggest criticisms of basic income and persists despite evidence largely to the contrary. Although evidence varied across studies, the overall impacts on hours worked is perhaps less than commonly feared. However, it is important to note that the impacts on all behavioural outcomes, including labour market participation, may differ on roll-out of a long-term basic income policy than is reported in short term experiments.

It is possible that those receiving a basic income might become more selective when seeking employment, thereby forcing employers to increase wages. Conversely, they could settle for lower wages since they already have a basic income. It is also possible that increased consumption could also lead to greater demand for labour. There is also the potential for people to reduce labour market participation more if payments were permanent as they would have the security of knowing payments would continue. These potential outcomes directions may be affected by other government policies thus the wider policy context is important in mediating the outcomes of a basic income policy.

Other aspects of basic income that would have an important influence on labour supply responses include the value of payments, whether they are made unconditionally and whether they are withdrawn in response to other income. Clearly, if payments were sufficiently high to live on without earned income, it would be financially feasible for some people to withdraw from the labour market. Conditionality is a crucial influence on making decisions around alternative uses of time, such as caring for relatives, starting a business, returning to education, or volunteering. Finally, any deduction rate as earnings from other sources increase could also be expected to influence decisions around numbers of hours worked.

### **Withdrawal of other services**

There are genuine fears amongst some groups, most notably those living with a disability or long-term health condition and carers, that the introduction of a basic income would have potential negative consequences for service provision. These fears are focused on both financial questions over how a CBI would be funded as well as broader questions of political ideology related to the shrinking of state interventions and a reduction in the provision of core health and social care services. Practical financial questions are raised with concern over funding of a CBI which may give rise to opportunity costs impacting negatively on decisions regarding financing public services and a reduction in universal services. These are very real fears given that a reduction of other social programmes is indeed proposed by some commentators as a possible benefit of introducing basic income.<sup>33</sup>

### **Reinforcing gender roles**

The potential impacts of basic income on gender roles is debated and potentially contentious. It may be argued that a basic income might increase financial independence for women thus allowing them to leave unhappy, or even abusive, relationships.<sup>34</sup> However, it may also be possible that a basic income could reinforce traditional gender roles by increasing expectations that women should stay in the home and engage in caring and domestic labour. The review evidence does not provide much illumination on this debate. The effects on women's labour participation vary across studies and there is little evidence that CBI increases rates of marital dissolution.

Why impacts on female employment differ is not clear but the review authors conclude that labour supply responses for women may be more context dependent than those of men. Lone parents have worse than average health which is attributed to poverty, stress, and role strain.<sup>35</sup> This being so, providing a basic income to provide the opportunity work less and spend more time in the home with children at key points in time might be considered a positive outcome in such circumstances.

This suggests that the wider policy context and individual circumstances are particularly important when considering issues of gender, especially in relation to labour market participation. The potential impact on the gender pay gap in a Scottish context is unclear from the published evidence.

Individual, rather than household, payments may also be reasonably expected to have a gendered impact on outcomes. Individual payments in Alaska were associated with an increase in part-time employment for women, whereas in Iran female employment increased despite household level payments. The review authors also noted that in Indonesia, where payments were made to men and there is a high gender inequality index, the payments were reported to have been handed from husbands to wives in many cases.

Thus, the evidence on the impact of basic income on gender issues is mixed and this must be carefully considered in the evaluation of any future pilot.

#### **7.4.8 Conclusions and recommendations**

To our knowledge, a full CBI has not yet been implemented in any country although there have been several pilots of interventions that meet at least some of the basic criteria for a CBI. There are current tests of different forms of CBI in a few countries worldwide including Finland, Canada and the Netherlands. However, as yet there have been no results published of tests of CBI in the UK or countries with similar welfare state provision. Emerging evidence from Finland and other contemporary pilots may yield fruitful findings for the Scottish context and will be considered in the final report.

The recent systematic scoping review of interventions which unconditionally provided substantial cash transfers to individuals or families provided insights to the potential impacts of a CBI<sup>1</sup>. This review concluded that, for the studies identified, the impact of basic income on labour market participation is small for male heads of household, and for both men and women in the contemporary studies. There was also consistent evidence that a basic income led to children and young people spending longer in education. Although less consistent, there was evidence of positive impacts on some health and social outcomes, and spillover or wider economic effects such as reduction in health service use and increases in business activity.

There are some fundamental gaps in the existing evidence base, primarily due to the difficulty of funding, implementing or evaluating a universal, permanent intervention. Most studies have been short-term interventions with dispersed samples of low income respondents. It is possible that the effects of a full, permanent basic income would be different from such pilot interventions.

The available relevant published evidence suggests that a CBI could impact on a wide range of social justice, economic and health outcomes but the evidence base for CBI is variable and there is a lack of evidence to assess the effects on long-term service use and wider economic impacts.

## Section 8: Evaluability Assessment

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An evaluability assessment is a way of working through whether and how a policy or an intervention such as a CBI can be effectively evaluated. It involves clarifying with stakeholders the intended and unintended outcomes of the policy and assessing whether and how these can be measured with the time and resources available.

The CBI evaluability assessment process involved four workshops in which the steering group:

- developed a draft theory of change for a CBI in Scotland. The theory of change maps out both the outcomes it is hoped to see and the possible unintended outcomes that could result from a CBI in Scotland.
- prioritised these outcomes with a view to focusing on those that are more likely to be measurable across a sample of the population in the course of a 2-3 year pilot
- developed an outline evaluation plan based on the proposed model of CBI outlined in section 5
- considered the ethical issues that an evaluation of a pilot CBI might raise (see 8.5).

The following provides more detail on these processes and makes a number of recommendations for evaluating a pilot CBI.

### 8.1 Theory of change: primary and secondary outcomes

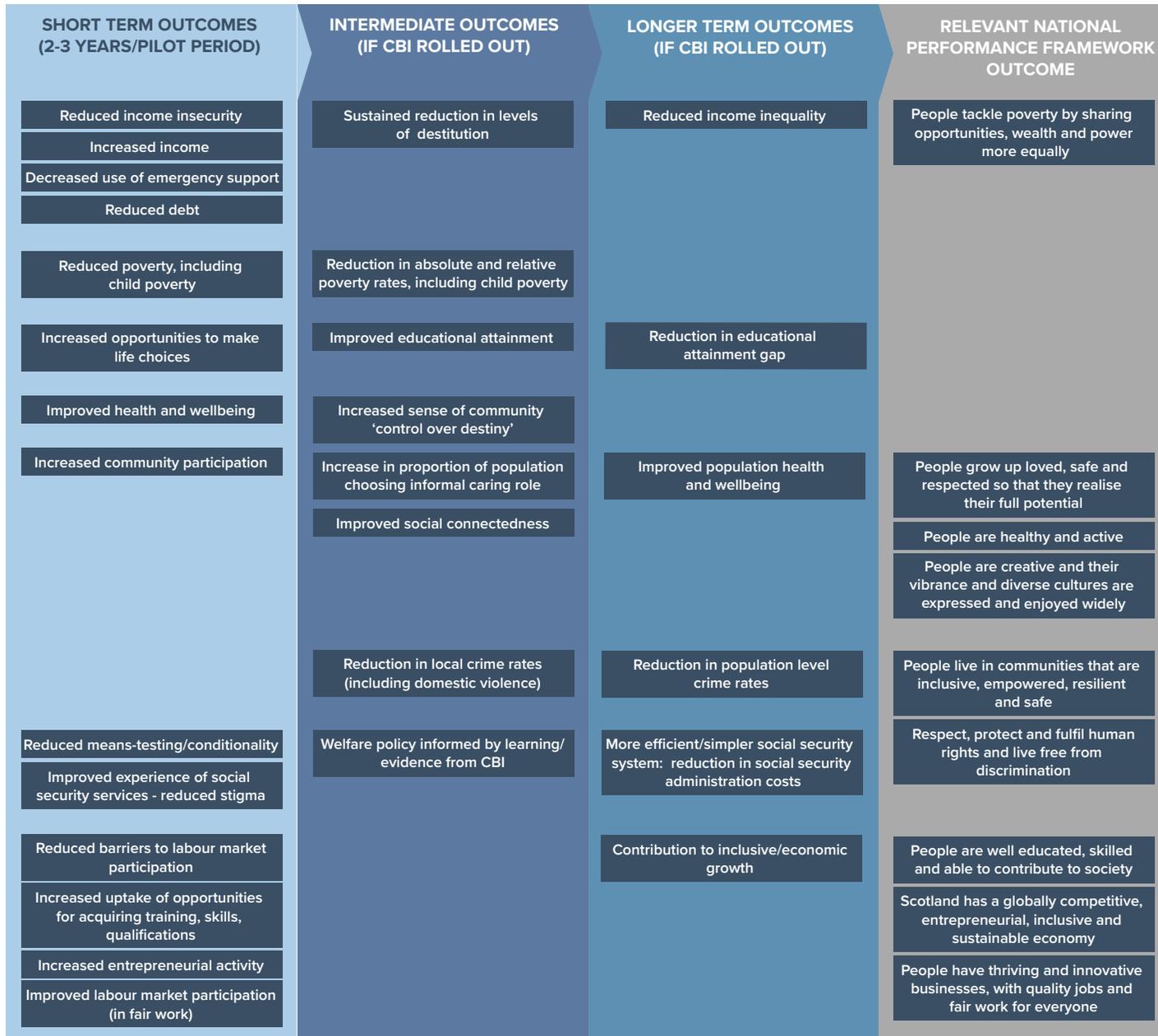
A theory of change “explains how activities are understood to contribute to a series of results that produce the final intended impacts”.<sup>36</sup> It includes both the intended outcomes of a policy or intervention and the potential unintended consequences, both positive and negative. It also highlights some of the external factors that may impact on what could be achieved. Figure 4 presents the proposed CBI theory of change. These outcomes were informed by an understanding of the evidence on CBI as well as policy priorities. Column 1 indicates the potential outcomes of a 2-3 year pilot. Columns 2 and 3 describe the potential medium- and longer-term population level outcomes if the short-term outcomes occur and it were feasible to roll out a CBI across Scotland. These population level outcomes also feed into several of the outcomes in the Scottish Government’s national performance framework (column 4).<sup>xix</sup>

The evaluation plan will include details on how data on each of these outcomes will be gathered. However, to plan the sampling strategy, we focus on three primary outcomes in particular: poverty, child poverty and unemployment. The rationale for identifying primary and secondary outcomes and for focusing on these three outcomes in particular is discussed in section 8.2.1 below.

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xix <https://nationalperformance.gov.scot/national-outcomes> (accessed 24th June 2019)

Figure 4 – Summary Theory of Change



## 8.2 Sampling strategy

The sampling strategy needs to clarify two key questions:

- How many people need to be included in the sample i.e. the *sample size*?
- Which *communities* should we include in the sample given the proposal set out in section 5 to carry out the pilot in ‘saturation’ sites?

Both questions raise issues of generalisability. To draw generalisable conclusions from the pilot study about the likely impacts of a CBI requires that the sample populations are large enough for us to be confident that any changes observed are likely to be the result of the intervention, and not just due to chance. That is, the samples need to be sufficiently ‘powered’. This is discussed in section 8.2.1 below.

Generalisability also requires that the areas included in the pilot study are representative of the communities in whom the impact of a CBI is of most interest. This may be the population as a whole or it may be communities where the intended outcomes of the CBI are most important to achieve, for example, areas with high levels of poverty or unemployment. Choice of communities is discussed in section 8.2.3 below.

### 8.2.1 Sample size

Powering a study requires prior information on the size of the potential change in outcomes that the study needs to be able to detect. Trying to detect change in all the outcomes of interest may lead to very large sample sizes. This would increase the costs of both the CBI and the evaluation. Therefore, for the purposes of an evaluation, a distinction is often made between primary outcomes and secondary outcomes.<sup>37</sup>

The primary outcomes are those for which it is most important to be able to detect the change of interest. In this study, based on the discussion with the four council areas and the Scottish Government, the primary outcomes are reduction in child poverty, reduction in poverty and reduction in unemployment.

The other outcomes in the theory of change are ‘secondary’ outcomes. The study has not been powered specifically to be able to detect change in these outcomes. However, measured either quantitatively or qualitatively, they will provide information on whether or not the CBI has additional impacts over and above any changes in the primary outcomes.

In calculating the required sample, we have assumed:

- the intervention and comparison populations have poverty and unemployment prevalence’s that are the same as Scotland overall.<sup>xx</sup>
- the CBI model at the low rate will be expected to have a smaller impact on relative poverty, such that we would expect, and want to detect, a change of two percentage points (i.e. from 26% to 24% for child poverty, and from 20% to 18% for poverty overall).<sup>xxi</sup>

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xx This does not necessarily mean that study areas will be selected which have levels of these outcomes similar to Scotland as a whole. This is a working assumption for the initial calculation of the required sample size. The assumption can be varied to check the implications of choosing, for example, more deprived areas where levels of poverty and unemployment may be higher.

xxi The latest data on the prevalence of poverty in Scotland are available from ‘Poverty and Inequality in

- the CBI model at the higher rate will be expected to have a larger impact on poverty, such that we would expect, and want to detect, a halving of the poverty prevalence (i.e. from 26% to 13% for child poverty, and from 20% to 10% for poverty overall).
- existing evidence suggests that the impact on unemployment will not be large, but it is important to have adequate power to detect changes in this outcome. We have calculated the power to detect a three-percentage point change in unemployment. Unemployment rates have been as high as 8.7% in 2011 and 6% in the last two years, making a 3 percentage point change a reasonable change to expect.<sup>xxii</sup>

All of the assumptions above can be varied but in general, the smaller the size of effect we want to be able to detect, the bigger the sample required.

Table 10 provides the required sample sizes in both the intervention and control groups to detect changes in the primary outcomes. At the high rate of CBI, the required sample sizes are small (142 for child poverty, 196 for poverty overall and 792 for unemployment). At the low rate of CBI, the required sample sizes are much larger: 7,340 in both the intervention and control groups for child poverty and 6,494 in each group for poverty overall. The required sample size to detect change in unemployment is again 792 in each group because the effect size we want to be able to detect is the same i.e. a three-percentage point change.

**Table 10: Required sample sizes for statistical power**

	Outcome	Scotland average prevalence	Percentage point change to be detected	Required sample size in each group
<b>Low rate CBI</b>	Child poverty	26%	2%	7,340
	Poverty	20%	2%	6,494
	Unemployment	3.3%	3%	792
<b>High rate CBI</b>	Child poverty	26%	13%	142
	Poverty	20%	10%	196
	Unemployment	3.3%	3%	792

We are interested in the impacts of CBI across all protected characteristics and socioeconomic position. It is likely that the evaluation will be designed to collect information on all of these characteristics. We do not, however, propose to power the study to be able to look at differential impacts for all of these groups, nor for intersectional impacts (i.e. for the sub-groups with multiple

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Scotland 2015-16'. After housing costs, the prevalence of child poverty is 26% and for the population overall is 20%. Using the International Labour Organisation (ILO) definition of unemployment (which is not dependent on individuals claiming unemployment benefit), the latest unemployment rate for Scotland (from January 2019) is 3.3% (see <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/ycnn/lms>).

xxii Additional assumptions made in the power calculations were that the intervention and comparison populations are equally sized, that we are aiming to achieve 80% power (i.e. 80% chance of detecting a real effect) and that we want to be able to detect both increases and decreases in our primary outcomes (i.e. a two-tailed test).

characteristics) because of the impact this would have on sample size and study cost.<sup>xxiii</sup> We could still, though, measure outcomes in different groups, such as disabled people, and assess whether any differences are statistically significant.

We do want to understand the potential for differential impacts between men and women. With a saturation sample, we can expect the population to be fairly equally split between men and women. This would therefore require the sample to be doubled to understand the impacts of CBI separately for men and women (i.e. comparing men in the intervention group with men in the control group, and women in the intervention with women in the control group).

## 8.2.2 Response rates and migration in and out of the pilot sites

The sample sizes detailed thus far provide the number of people on whom we need to have data at the end of the pilot to achieve the required level of statistical power. However, we would expect some people to decline to participate in the study, some people to decline to respond to the surveys and some loss of the initial population (including out-migration and deaths) over the duration of the pilot (likely to be up to three years).

This needs to be factored into the evaluation design by increasing the size of the sample invited to take part in the study. However, the scope to learn from different studies about how big an increase in the sample size is required is limited by the fact that the degree of non-response for an intervention like CBI is likely to vary by context, by the groups involved, by the type of intervention and by the method of recruitment.

To inform the planning of the evaluation, we reviewed response rates in surveys and basic income studies elsewhere to assess the likely order of magnitude of these effects. For national surveys, response rates are typically between 50-60% of eligible participants and they have been falling steadily over time, which increases the risk of underestimating non-response if we base our calculations on those.

The limited information from other CBI experiments suggest that response rates are likely to be substantially lower than those in routine surveys. Non-response is likely to be a particular issue for the control group.

To allow for non-response in this study, given the intention to conduct the pilot in saturation sites, we would need to identify sites with larger populations than the initial sample size would suggest. Anticipated response rates in the order of 50% would require sites twice as big as the required

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xxiii The prevalence of disability in the population can be assessed in different ways. Using the definition from the Annual Population Survey (people who are between 16 and 64 years old self-report whether or not they have an illness which has lasted for more than 12 months which has kept them from working), it was estimated that in 2018 there were a total of 210,600 people with a disability (accounting for 4% of the 5,254,800 people estimated to be resident in Scotland in 2018). A saturation pilot approach in an area representative of Scotland overall would need to have the sample sizes detailed in Table 1 for people with disabilities. Given the prevalence of disability, this very substantially increases the overall population size required for sampling. At the low CBI rate this becomes prohibitively large (at 128,772 for child poverty, 113,930 for poverty overall, and 13,895 for unemployment; in the intervention and comparison groups). At the higher rate the required samples are more reasonable (2,491, 3,439 and 13,895 in the intervention and comparison groups for child poverty, overall poverty and unemployment respectively). The total population sizes required would be smaller if the intervention and comparison areas were to be more deprived and have a higher prevalence of disability. For example, the prevalence of disability in Glasgow is 5.7%, reducing the required sample sizes across the board by 30%.

sample size, or we could consider an incentive programme. This would greatly increase the cost of the payments in the pilot study.

For some outcomes, administrative data might be the best source. If so, non-response, non-participation and the resultant problems of bias and reduced power would be less of an issue, although consent to access data may still be required (see 8.5 below). If administrative data can answer the study questions regarding the primary outcomes (poverty, child poverty and unemployment), a survey could just be used to measure the secondary outcomes and the potential for survey non-response to reduce the power of the study would be less important.

Whatever the sample size we ultimately seek to achieve, there will be a degree of fluidity in the relevant population because of incomers to and leavers from the communities selected during the course of the pilot study. We recommend that people moving into an area during the pilot should receive the CBI because not to do so might compromise potential community effects. We also recommend that they should be invited to participate in the evaluation. Additional questions could be included in the evaluation to identify the influence, if any, that the CBI had on their decision to move.

Consideration should be given to ways of mitigating ‘honey pot’ effects, where CBI is the primary reason for people to move into a pilot area. For example, it might be useful to establish residency rules so that people coming into the areas might not be eligible for the CBI straight away. We also recommend that newborns should be included in the pilot.

We also suggest that people leaving an area during the course of the pilot should continue to receive the CBI for at least some time after their move. This may help to avoid the risk that the fear of losing the CBI discourages people who might otherwise move e.g. to new employment. Leavers would also continue to be included in the evaluation. Additional questions could also be asked of this group to see whether and how the CBI influenced their decision-making.

In summary, potential non-response means that we will need to oversample to achieve the required sample size. We will estimate by how much sample size needs to be increased when we are clearer about the data sources used to measure the primary outcomes.

### **8.2.3 Selection of communities to include in the study**

The sample size calculations in Table 10 estimate the total number of people on whom we need to collect data to achieve the required level of power. We also need to identify which sites to include to achieve the required sample size and to be able to fully explore the outcomes of interest in a way that is generalisable to other communities.

One of the secondary outcomes of interest is ‘community effects’, that is, social or economic outcomes over and above direct, individual level impacts, which may occur because all of the people within a defined area receive a CBI. Community level effects include, for example, increases in volunteering, creation of informal caring networks, or the creation of new social enterprises, businesses and clubs. In section 5 we recommended a ‘saturation’ model because we recognised that we would require a high proportion of the population within a community to get the CBI if these community level impacts are to be given their maximum chance to develop.<sup>xxiv</sup>

xxiv The steering group also considered a pilot in which the CBI would be given to a random sample of the general population. A random sample could be stratified to ensure that it reflects the composition of the population of interest in terms of characteristics such as age, ethnicity, prevalence of disability, socio-economic status etc. However, as noted in section 5 this was rejected on the grounds that it would not generate community level effects because CBI recipients would be spread across a large geographical area.

We therefore need to understand the size and characteristics of communities that would make community effects more likely to occur. We also need to identify a mechanism for identifying such communities and selecting those for inclusion in the pilot study.

### **Defining communities to explore community effects**

There is little evidence on how big a community needs to be for community effects to arise. We ideally need to identify geographical communities which include as many work, family, friends, caring, volunteering, club, socialising and market relations as possible, but with a relatively small population if we want to include a number of different types of communities within the overall sample. We also want to avoid selecting intervention or comparison populations that are exceptional in this regard (e.g. particularly independent communities) as this will either reduce the generalisability of the findings or reduce the similarity between the intervention and comparison populations.

To help identify areas for inclusion in the study where it would be reasonable to expect community effects to occur, we have considered two ways of classifying communities according to their size and characteristics.

The first is the Carnegie UK Trust and the Scottish Towns Partnership Understanding Scottish Places (USP) methodology.<sup>xxv</sup> This defines independent and interdependent localities using information on the number of certain assets in the town, the diversity of the business and employment base in the town, and the distance people resident in the town travel to work and to study. It is plausible that CBI is more likely to generate community effects in the more dependent and interdependent towns. Towns classified as such vary greatly in size from little more than 1,000 to the largest towns and cities in Scotland. This would suggest that even quite small communities might expect to see community effects, although this assumes that independence/interdependence are drivers of potential community effects. The USP system is also of limited value in identifying areas within cities.

The second is intermediate zones (abbreviated to 'interzones') as the basic population unit. There are 1,235 interzones across Scotland. Each interzone comprises a population of between 2,500 - 6,000. The boundaries reflect, as far as possible, naturally occurring neighbourhoods whether by geography/ transport links, housing types etc. Interzones are a standard and accepted convention for reporting aggregated data, and data are likely to be more readily available at this level than for any other geography of similar size.

We therefore recommend interzones as the basis for identifying intervention sites within and/or across a number of local authority areas. Sites could be contiguous interzones or in different parts of a local authority or located across a number of local authorities. This would suggest a minimum community size of 2,500 for inclusion in the pilot study.

### **'Types' of community to include as study site(s)**

In addition to the size of area needed to generate potential community effects, we also need to decide on the characteristics of the intervention communities for the results to generalise to other areas in Scotland. For example, do we want the communities involved in the study to be similar to the Scottish average in terms of the primary outcomes (poverty, child poverty or unemployment) or are we more interested in assessing the impact of CBI in more deprived communities where the

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xxv <https://www.usp.scot/StaticPage/Methodology>

primary outcomes are currently likely to be worse? Including more deprived communities would make sense in relation to the primary outcomes identified earlier but we may be interested in exploring impacts in both, i.e. we may want to be able to say what the impact of CBI is in a deprived community and in a community typical of the Scottish average.

Likewise, we may want to explore the impact of CBI in both urban and rural communities because of the likelihood that the scale and type of community effects will differ between towns and rural areas.

### **Number and distribution of study sites**

Understanding how CBI would impact differently across different kinds of area is clearly of interest. Furthermore, spreading the intervention and comparison areas can help mitigate against unintended contextual change that might impact on particular areas. For example, if an area were very dependent upon a single large employer, or if a new large employer entered an area, this could impact markedly on the local labour market and people's incomes, and lead to a confusion of the effects of the economic 'shock' with those of the CBI.

In principle, we could include a range of different community types but the more types we try to include, then for any given overall sample size, each community would need to be smaller. This has two potential consequences:

1. The power to detect differences in outcomes *between the communities of different types* would decrease as the size of community decreased. If we want to draw comparative conclusions about each type of community, we need sufficient numbers in each.
2. The smaller the communities included, the greater the concern about whether community effects would be likely to occur.

Overall, therefore, there is a tension between statistical power to assess the primary outcomes at an individual level and the desire to have multiple intervention or comparison sites large enough to generate community effects in all four local authorities and/or across the spectrum of deprived-affluent and urban-rural communities. Increasing the overall sample size would help to address this problem but the greater the size of a pilot, the higher would be the direct payment, administrative and evaluation costs.<sup>xxvi</sup>

To illustrate these tensions, Table 11 indicates how statistical power to assess individual level outcomes and our capacity to detect community effects would vary according to the number of sites in the study population. Table 10 suggested that we need a sample of approximately 800<sup>xxvii</sup> people to measure the impact of a CBI at a high level or 1,600 if we want to detect effects separately in both men and women. The corresponding figures for a study of a CBI set at a low level were approximately 7,300<sup>xxviii</sup> or 14,600. Table 11 uses the higher figures (on the grounds we do want to explore effects separately in men and women).

Scenario 1 is the simplest option, involving a total of two sites, where one site receives the low

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xxvi The direct payment costs of the options are described in section 9, but the detailed costing, including evaluation and administrative costs, will be undertaken as part of the overall feasibility report.

xxvii Fewer people were needed to detect a change in poverty and child poverty but choosing the highest figure ensures we would be powered to detect change in all the primary outcomes.

xxviii Fewer people were needed to detect a change in poverty and unemployment but choosing the highest figure ensures we would be powered to detect change in all the primary outcomes.

level of CBI and one site the high level of CBI. The site receiving the lower level of CBI needs to be larger to achieve the required level of statistical power because the anticipated effects of the lower payment on the primary outcomes are smaller. The smaller site receiving the higher level of CBI is potentially large enough to expect to see potential community effects based on the USP data but smaller than the minimum interzone.

If we want to look at impacts in more and less deprived communities within the sample of 1,600 for the high level of CBI and 14,600 for the high level, this would mean two communities of 800 for the high level and two communities of 7,300 for the low level of CBI (Scenario 2 in Table 11). For the high level of CBI this would give us the power to detect changes in the primary outcomes but not differentiated by gender.<sup>xxix</sup> There is also a risk we would not be able to detect community effects because the population of 800 in each site would be too small on the USP criterion and less than the size of the smallest interzone. For the low level of CBI, we would only be able to detect changes in poverty rates undifferentiated by gender, but the relatively large communities would support potential community effects.

**Table 11: Options for number of sites, power and community effects**

Scenario	High level CBI (total intervention population 1,600)			Low level CBI (total intervention population 14,600)		
	Sample size	Power	Community level effects	Sample size	Power	Community level effects
<b>Scenario 1:</b> 2 sites total	1,600 (1 site)	Yes	Unknown  (possible based on USP, but less than the 2500 minimum size of interzone)	14,600 (1 site)	Yes	Yes
<b>Scenario 2:</b> 4 sites total (2 deprived and 2 average)	2 sites x 800	Yes  (but not by gender)	No	2 sites x 7,300	Yes  (but not by gender)	Yes
<b>Scenario 3:</b> 8 sites total (2 deprived, 2 average, 2 rural and 2 urban)	4 sites x 400	No	No	4 sites x 3,650	No	Yes

If we also wanted to look at impacts on urban and rural communities, Scenario 3 shows that we would need eight sites in total, four with 400 people receiving the high level of CBI and four with 3,650 people receiving the low level of CBI. This would leave us underpowered to detect changes

xxix i.e. we would not be powered to detect gender differences in outcomes within more and less deprived communities separately, but we would still be powered to detect gender differences in outcomes across the sample as a whole.

in poverty in each of the different types of community (although we would still be sufficiently powered across the sample as a whole). This is true for both high and low levels of CBI. For the high level of CBI, it would also make it very unlikely that community effects would occur.

These limitations on the effects that we could detect if the sample were divided into different types of community could be avoided if we increased the sample sizes. For example, four communities of 1,600 people receiving the high level of payment could include deprived and 'average' communities in both rural and urban areas, giving a total sample for the high level of CBI of 6,400. This would provide sufficient power but might not enable us to measure community effects based on the minimum size of interzone. Four communities of the minimum size of interzone (2,500) would give a sample of 10,000 people grouped in the natural communities thought necessary to generate community effects. However, it would also increase the cost of the payments and the evaluation (see section 9 on financial feasibility). To do the same for the low level of payments would lead to a very large sample size and therefore cost – 58,400 if we create four groups of 14,600 each to get the required level of power in each type of community.

In summary, and assuming we are designing the pilot to achieve adequate levels of statistical power, there are difficult trade-offs to be made in deciding which communities to include. We need to identify the best combination of cost, community size (given our interest in potential community effects) and range of council areas and/or types of community to include in the pilot. However, having a range of areas and community types of sufficient size to generate community effects would make the pilots very costly. Keeping costs down requires either the community size or the range of community types and/or number of council areas to be reduced. It is unlikely to be possible to meet all three goals simultaneously.

Two caveats need to be borne in mind when thinking through these options:

1. In the tables above we have indicated that in some instances, we will not have the desired level of power or that it is unlikely we will be able to detect community effects. This does not mean that the effects can't be measured. It just means that, in the case of community effects, they are less likely to occur or, if they do, only on a scale that makes them hard to detect. In the case of the primary outcomes, it makes it more likely that quantitative effects observed are not statistically significant. For both, it underlines the potential importance of qualitative data, which we are planning to use to explore the secondary outcomes and to supplement and help with interpretation of the quantitative data.
2. In the more deprived areas, prevalence of the primary outcomes is likely to be higher and the population younger with a greater proportion being children. As such, this would increase the required sample sizes (the closer the prevalence is to 50%, the higher the required sample size). However, the main point stands: there are trade-offs between the desire to be able to detect impacts in communities of different types, power and cost. The optimal trade-off needs to be identified in discussion with Scottish Government and other stakeholders.

### **Criteria and process for identifying and selecting communities for inclusion in pilot study**

The discussion so far has highlighted the need for consideration of, and agreement on, the number and type of communities to be included in the pilot study. Having done so, the criteria and process for identifying and selecting communities for inclusion in a pilot study need to be agreed. For example, if it were decided that we did want to include both deprived and rural communities, we would need to decide how these types of community were defined, how we would identify the communities that met these definitions and, of those, how we would choose the communities that

would be involved in the pilot.

We suggest that the three primary outcomes (child poverty, poverty and unemployment), or indicators related closely to them, should be the core criteria for determining eligibility, given their importance to the study and their relevance to deprivation. If we also want to explore effects of the CBI in rural areas, we would also need a definition of rurality. The Scottish Government's urban-rural classification provides a possible source for identifying rural communities.

However, this raises several further issues for consideration:

- In determining eligibility would a site be 'scored' on one, two or all three outcomes (recognising that they are likely to be highly related)?
- Would a site need to meet a relevant 'threshold' for all three (albeit that they are likely to be related)? This may reduce the number of eligible sites.<sup>xxx</sup>
- Are data available at 'community' level for all three outcomes of interest to enable these to be used to determine eligible sites?
- Would too many selection criteria mean that only a small number of atypical sites met all the criteria?

In the final report we will set out the criteria and process we propose to use, informed by guidance from Scottish Government and stakeholders on the types of communities to be included and the criteria they think it is important to consider. We propose then to use the interzone and USP data to identify a list of communities that meet these criteria. We would exclude any communities that for other reasons, such as recent economic 'shocks', might confound the results of implementing the CBI, and then select at random from the remaining list the communities for inclusion in the pilot study.

#### **8.2.4 Control area**

Our control areas are likely to be the same size as the intervention sites. However, by definition we are not expecting community effects, so the control sites do not need to be community-based in the same way as the intervention populations. The sampling could be done through a more standard random sampling approach stratified so that the control groups match the types of communities in the pilot study sample, for example, in terms of the proportion of the population living in deprived communities (however that is defined) or the proportion experiencing one or more of the primary outcomes. As part of continuing to develop the evaluation plan we will, however, further explore options for identifying potential control groups.

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xxx The initial analysis done by Fife council, referred to above, drew on data taken from the Local Level Household Income Model Estimates (2017). Data may be available to enable a similar analysis for child poverty. Data may not, however, be so readily available at interzone level for unemployment rates. The roll out of Universal Credit has impacted on the ability to use indicators such as Jobseeker's Allowance as a proxy for unemployment at a neighbourhood level. However, as part of SIMD19 (to be published by end of 2019), there may be an updated data for the SIMD employment domain. Potentially this could be used to select sites based on this criterion. Data availability issues are also likely to occur if a population of 10k is identified that is not coterminous with an administrative boundary for which data can be disaggregated (or aggregated up).

## 8.3 Process evaluation

In addition to understanding the outcomes of a CBI, it is important to understand how these outcomes are achieved. A process evaluation can consider how a policy is implemented, who it 'reaches' and the factors that may impede or facilitate the intended outcomes (or result in unintended outcomes). To do this, we recommend that any evaluation of the pilot also include a process evaluation.

## 8.4 Data sources and measures for outcome and process evaluations

As indicated above, there are a number of potential sources of data for measuring individual/household and community outcomes, and the process of implementation and delivery.

- 'Universal' administrative data routinely collected by, for example, HMRC, DWP, local authority et al
- Administrative data routinely collected as part of the CBI delivery system
- 'Bespoke' survey data
- 'Bespoke' qualitative data e.g. through in-depth case studies.

Table 12 groups the short-term outcomes in the theory of change into five domains. It includes a domain covering background socio-demographic variables and one to capture the processes of delivering a CBI. It also summarises the different potential data collection sources. Some of the data sources could be used to collect data in more than one 'domain'. For example, a bespoke survey (whether self-administered or administered via an interview (analogous to the Scottish Household Survey or Scottish Health Survey) could collect socio-demographic, income, employment/economic status and wellbeing data etc. This survey could be structured, to allow for quantitative analysis, with some open questions to provide qualitative data. In addition, in-depth qualitative case studies could capture more experiential data, perhaps focusing on one or two domains e.g. health and wellbeing, individual and community empowerment, experience of the social security system and of the CBI process.

The extent to which a pilot could influence 'universal' data sources, and potentially, routine data collected via the administration of a CBI, would be contingent on whether and how the relevant agencies adapt existing systems to accommodate a CBI. If a separate CBI delivery agent were established, then this would provide an opportunity to influence the data collected from participants (contingent on appropriate information governance procedures).

A bespoke survey and qualitative in-depth study would be designed to capture the questions of interest. A survey (particularly if administered at a number of points over the course of a pilot, including to a control group) would, however, need to be constrained in length to reduce participant 'fatigue' and drop-out. A survey could focus on 'core' outcomes of interest, specifically relating to income, labour market activity and health and wellbeing, with other outcomes being explored via other methods or with sub-groups rather than the whole sample/control group e.g. qualitatively and/or with additional questions/'modules' being asked at different times (analogous to the Scottish Social Attitudes Survey). Contingent on receiving the relevant permissions, questions contained in pre-existing surveys such as the Scottish Household Survey, Scottish Health Survey, Labour Force Survey, Family Resource Survey could form the basis of the research instruments if a pilot were to progress. This would help ensure the validity of the research tools, while also allowing for a degree of comparability with population-wide data.

## 8.5 Ethics of evaluation

This section highlights some of the ethical issues that would need to be considered in an evaluation of a pilot CBI, if it were to go ahead. Any research or evaluation project would need to address issues relating to, for example, the inclusion of vulnerable populations, including those who may not have capacity to give informed consent and children under 16 years, and the need to cover sensitive topics. Several issues, however, may be specific to evaluating a financial intervention designed to be tried out in sample populations (everyone in selected saturation sites) and compared with matched control populations. The most important of these - the concept of equipoise, the implications of seeking informed consent and, in relation to this, obtaining consent to access routinely collected data – are discussed below.

### 8.5.1 Equipoise

As noted above, the suggested evaluation design is for a controlled study with an intervention group receiving a CBI (or different levels of CBI) and a comparator group. If the pilot were to progress, the aim would be to evaluate the impact of providing individuals and households with a regular income (at a high or low level) which they receive without having to meet conditions or eligibility criteria (other than possibly residence).

In clinical research the principle of ‘equipoise’ is applied where there is genuine uncertainty whether a treatment is beneficial. It means that no participant in a control trial is knowingly being given inferior treatment. The principle follows from the duty of beneficence (a healthcare professional’s commitment to care for a patient as best they can). As a concept, it has been suggested that it may not apply directly to social, public health or preventative interventions for populations of ‘healthy’ subjects<sup>xxxi</sup> – though a principle of ‘fairness’ may apply if a public health need is unmet.<sup>38</sup> Further, for social interventions there may not be the evidence around outcomes, or there may be multiple outcomes around which there is uncertainty in relation to some but not others.<sup>39</sup>

Insofar as it is appropriate to apply the concept, the question posed is whether the intervention being tested i.e. a pilot CBI, is in equipoise. That is, based on current knowledge, do we have any reason for thinking that the control group will necessarily be worse off than the intervention group? Under normal circumstances it would be assumed that additional money would be beneficial, particularly for people on low incomes. This would mean, in the case of the CBI (assuming the issue of no-detriment is resolved), the control group are, by definition, likely to be at a financial disadvantage.

Conversely, given the limited comparable evidence from other studies, there may be sufficient uncertainty in relation to the wide range of intended and unintended outcomes (positive and negative), to believe that the control group (and in fact the wider population) is not being denied a ‘treatment’ known to be of benefit. Even if the benefit of a CBI in direct financial terms is clear, the uncertainty in relation to the wider impacts for the individual and society, may justify the argument that the intervention and control groups in a CBI would be in equipoise.

Given this uncertainty it may be useful to obtain independent expertise to help clarify both whether it is appropriate to apply the concept and, insofar as it is a useful principle, whether the intervention and control groups are in equipoise.

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xxxi The author (Verweij, M., 2009) argues that ‘A trial in which the preventive effects of two interventions are compared can be morally acceptable, even if there is no equipoise regarding these arms of the study.’ (p.151).

## 8.5.2 Informed consent to participate in the evaluation of a pilot CBI

Obtaining informed consent is a fundamental principle of social and medical research: consent has to be informed, freely given, and can be withdrawn at any time without reprisal (with appropriate consent procedures for children under 16 years, and for adults who may lack capacity).<sup>xxxii, 40, 41, 42</sup>

In practical terms it is likely that non-participation in the evaluation of any pilot is likely to be higher than non-participation in the intervention itself. The risk of non-response may mean that over-sampling is required to achieve samples of sufficient power to detect changes in the primary outcomes of interest (see section 8.2.1). This too may be problematic given that everyone in a saturation site is a participant in the intervention. It implies that the saturation site itself will need to be large enough to take into account non-response. This would have implications for the cost of the intervention (more people would need to receive the CBI than necessary for the evaluation).

An alternative is to ‘compensate’/incentivise people to participate. Any financial incentive would need to be set at a level that supported participation, but not at a level that it would in effect increase the level of CBI and distort the findings. This additional amount may be considered ‘unwarranted material gain’.<sup>xxxiii</sup> There may also be other potential ethical implications of ‘incentivising’ participation.

Similar issues regarding non-participation relate to the control group who, arguably, have less stake in participating in an evaluation of an intervention they don’t receive (but could benefit from – see ‘equipoise’ issue above). If an incentive were ethically acceptable, it would represent a cash payment to the control group with the potential to distort the findings, although the incentive would be the same as the those in the intervention group.

## 8.5.3 Informed consent, confidentiality and access to data

### Routes for identifying and recruiting participants

As noted above, if the target population is a saturation site(s) all those within the site would effectively be a (potential) research participant. Nonetheless, for the purposes of including people in the study, a mechanism needs to exist for identifying and approaching potential participants in the first instance. If this is through an agency charged with delivering the CBI this could raise participant concerns about privacy and confidentiality. As part of whatever process is involved in ‘signing up’ for a CBI, consideration would also need to be given to obtaining consent to contact for evaluation purposes (consent to participate would be part of a separate process undertaken by the evaluation team). Consent to the use of data would also need to be considered at that stage. Although not specific to this study, this again could have likely ethical implications, given the (financial) nature of the intervention.

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xxxii The UK Government Social Research Unit’s (2011) *Professional Guidance for Ethical Assurance for Social Research in Government*, states that ‘Participants in any research study involving primary data collection must be asked for their consent to take part unless the law requires participation, as with the Census.’ (p.9)

xxxiii The RESPECT Code of Practice for socio-economic research (see footnote 4) includes the principle that researchers should ensure that the research process does not involve unwarranted material gain or loss for any participant.

## Consent to routine data use/linkage

Informed consent would be required for the collection of ‘bespoke data’, whether through, for example, self-completion surveys or in-depth interviewing. Some of the outcomes of interest could, however, be potentially captured through routine data collection, whether collected as part of ‘usual practice’ e.g. by DWP or HMRC, or collected as part of the delivery of the CBI. Consideration would need to be given to the permissions required to access and (where applicable and appropriate), link data, particularly personal, sensitive data. Scottish Government *Guiding Principles for Data Linkage* (published in 2012) notes that although consent from data participants is an important consideration, it is not a necessary requirement for data linkage under data protection legislation. There would, however, need to be a strong justification for not obtaining consent and approval would have to be obtained from an appropriate approval body.<sup>43</sup> If there is a legal basis for using personal data without consent (such as to perform a public task or for the legitimate interests of an organisation) this may reduce the impact of non-participation among the intervention and control groups. Independent advice would be needed to establish whether these legal bases apply to an evaluation of a pilot CBI.

Table 13 below presents a summary of the ethical implications of an evaluation and indicates areas where additional expert advice would be helpful.

### 8.5.4. Summary of evaluability assessment recommendations/proposals

#### Outcomes of interest

Based on the theory of change, the primary short-term outcomes of interest are a reduction in poverty, child poverty and unemployment. Secondary short-term outcomes of interest include community level social and economic effects, improved health and wellbeing and improved experience of the social security system.

#### Sample size considerations

The intervention and control group sample sizes need to be powered to detect changes in the primary outcomes. This would require a minimum sample of around 800 at the high rate of CBI and 7,300 at the low level of CBI.

We *should* power any pilot study to be able to detect different effects for males and females at all ages. This would require the minimum sample sizes to be doubled to 1,600 for the high level of CBI and 14,600 for the low level.

We should *not* power a pilot study to be able to detect the impacts of a CBI on people with and without disabilities because the size of sample required to detect changes in the primary outcomes for people with disabilities would be too high to be financially feasible. We would, however, explore outcomes in people with disabilities.

Oversampling should be carried out to address potential non-response, bearing in mind that this will increase the costs of the pilot in terms of CBI payments. We will estimate by how much sample size needs to be increased when we are clearer about the data sources used to measure the primary outcomes.

The ethical and practical issues in using incentives to encourage high response rates should be explored, bearing in mind that any financial incentives would in effect increase the value of the CBI

and potentially distort the findings of the pilot study, although the incentive would also apply to the control group.

### **Community effects considerations**

The steering group, in discussion with Scottish Government and stakeholders, will consider and agree the number and type of communities to be included in the pilot study considering the issues laid out in this section. On the basis of this decision, we should then develop criteria and a process for identifying potential communities using the interzone data; exclude any communities that for other reasons (such as recent economic ‘shocks’) might confound the results of implementing the CBI; and then select at random from the remaining list the communities for inclusion in the pilot study.

If Scottish Government agrees that we should design the study to be able to detect community effects, the interzone data suggest a minimum community size of 2,500 for inclusion in the pilot. The choice of communities to include in the study needs to recognise the tension between cost, statistical power and the desire to have multiple intervention or comparison sites large enough to generate community effects in all four local authorities and/or across the spectrum of deprived-affluent and urban-rural communities.

### **Process evaluation**

In addition to assessing outcomes, we recommend that consideration is given to including a process evaluation. This would provide information on how the CBI is implemented, who it reaches, and the barriers and facilitators to achieving outcomes.

### **Data sources and collection**

A number of different data sources could be used to collect data on outcomes and processes including administrative data routinely collected e.g. by DWP, HMRC etc., data routinely collected as part of administering a CBI, ‘bespoke’ survey data and qualitative data designed for the purposes of the CBI evaluation.

Further independent expertise needs to be obtained on whether and how to apply this concept in the context of a CBI pilot, as well as the legal basis for using personal data without consent.

Table 12: Domains, outcomes data sources/measures

	'Domains'	(Short term) outcomes	Data collection sources			
			Routine/admin data 'universal' (e.g. DWP, HMRC, NHS, local authority – including, where appropriate, data linkage with CBI routine data)	Routine/admin data (CBI delivery agent/mechanism)	'Bespoke' survey	Qualitative/in-depth case studies/panels
1	Socio-demographic data (e.g. age, gender identity, ethnicity, disability/ long-term limited illness, household composition/size, housing tenure, length of time in current area, SIMD etc)	All	✓	✓	✓	
2	Income, poverty, child poverty (income and sources of income etc.)	Reduction in individual/household income insecurity; improved individual and household income  Decrease need/usage of emergency support provisions such as food banks/welfare fund  Reduction in individual/household debt	✓	✓	✓	✓

	'Domains'	(Short term) outcomes	Data collection sources			
			Routine/admin data 'universal' (e.g. DWP, HMRC, NHS, local authority – including, where appropriate, data linkage with CBI routine data)	Routine/admin data (CBI delivery agent/ mechanism)	'Bespoke' survey	Qualitative/in-depth case studies/panels
		Reduction in individual/household poverty including child poverty				
3	Individual/community empowerment	Increased opportunities to make life choices Increased community participation/activity			✓	✓
4	Health, wellbeing and child/young people education	Improved individual and household health and well-being	✓		✓	✓
5	Labour market participation	Reduction/removal of individual barriers to labour market participation Increased uptake of opportunities for acquiring training, skills, qualifications	✓		✓	✓

	'Domains'	(Short term) outcomes	Data collection sources			
			Routine/admin data 'universal' (e.g. DWP, HMRC, NHS, local authority – including, where appropriate, data linkage with CBI routine data)	Routine/admin data (CBI delivery agent/ mechanism)	'Bespoke' survey	Qualitative/in-depth case studies/panels
		<p>Increased rate of business start up/ entrepreneurial activity/creative activities/industries</p> <p>Increased labour market participation (in fair work)</p>				
6	Experience of social security system	<p>Reduction in means-testing conditionality</p> <p>Improved experience of, and relationships with, social security and welfare support</p>	✓	?	✓	✓
7	CBI process: delivery, receipt, mechanisms of change	<p>Delivery process</p> <p>Reach</p> <p>Uptake</p> <p>'Dosage'</p> <p>Experience</p> <p>Mechanisms of change</p>		✓	✓	✓

Table 13: Evaluation of a pilot CBI - summary of ethical issues, risks and mitigations or outstanding issues

	Issue	Risks	Mitigations/ outstanding issues
<p>Equipose</p>	<p>In clinical research this principal applies where there is genuine uncertainty whether a treatment is beneficial – it means that no participant in a control trial is knowingly being given inferior treatment. It may not be directly applicable to ‘social interventions’, where there may not be the evidence around outcomes, or where there may be multiple outcomes around which there is uncertainty in relation to some but not others</p> <p>Insofar as it is appropriate, is the intervention being tested in equipose? Is there sufficient uncertainty in relation to the intended and unintended outcomes, that the control group is not being denied a ‘treatment’ known to be of benefit?</p>	<p>If the concept of equipose is applicable, and the intervention is not in equipose, the control group (and others throughout Scotland) are deprived of a ‘treatment’ from which they could benefit</p>	<p>Uncertainty how the concept of equipose applies to an intervention of this nature</p> <p>Insofar as it applies, is the intervention in equipose?</p> <p><b>Further independent expertise needs to be obtained on whether and how to apply this concept in the context of a CBI pilot</b></p>
<p>Informed consent to participate in the evaluation (intervention and control groups) - general</p>	<p>Obtaining informed consent from research participants is a fundamental principal of social and medical research: consent has to be informed, freely given, and can be withdrawn at any time without reprisal</p>	<p>Non-participation/consent withheld for all or part of the study may impact on achieved sample size. This will have particular implications for the assessment of primary outcomes, which need to be adequately powered to detect change</p>	<p>Increased sample size of intervention group (and if appropriate, control group)</p> <p>Potential to consider incentives for intervention and control groups but this may distort the findings.</p>

	Issue	Risks	Mitigations/ outstanding issues
<p>Informed consent - bespoke data collection (intervention and control group)</p>	<p>As above</p>	<p>This will have implications for response rates (particularly if some survey data are required from the control group). Again, this would have particular implications if the data for the primary outcomes had to be obtained via a bespoke survey. The samples need to be adequately powered to detect changes in these outcomes.</p>	<p>Increased sample size of intervention group (and if appropriate, control group)</p> <p>Potential to consider incentives for intervention and control groups, but this may distort the findings.</p>
<p>Informed consent: administrative data (intervention and control group)</p>	<p>Whether there is also a requirement to obtain informed consent to access ‘administrative’ data including routinely collected from the general population and/ or from data collected as part of the administration and delivery of a CBI.</p>	<p>If informed consent is also required for access to administrative data – whether routinely collected and/or collected via the CBI delivery provider – this may have implications for the completeness of the data from both intervention and, where appropriate, control groups. Again, this would have particular implications for the primary outcomes for which the samples need to be adequately powered to detect changes.</p>	<p>Increased sample size of both intervention and control groups to take into account if consent withheld</p> <p>Consider whether there is lawful basis for using personal data without consent e.g. public task or legitimate interest (e.g. if data collected as part of delivery of a CBI)</p> <p>Linking data would also require the agreement of the relevant data controllers.</p> <p><b>Further independent advice needs to be obtained on the lawful bases for using personal data without consent</b></p>

## Section 9: Financial Feasibility

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A CBI pilot raises several questions regarding financial feasibility. These include the short-term costs of the pilot scheme if a pilot goes ahead and the longer-term fiscal and macroeconomic implications if a CBI were rolled out across Scotland as a whole. Trialling an intervention such as a Citizen's Basic Income is likely to involve substantial spending. It is attempting to meet the basic living costs for an entire community for the duration of the pilot study. However, it is important to note that the direct costs of the payment and the administration costs of the trial will be partly offset by savings in terms of benefit payments replaced, and potentially additional tax revenue as incomes are boosted, depending on the tax rules agreed. The precise amounts will vary but it must be remembered that, if rolled out, a CBI policy would replace some existing programmes, with the intention of doing so in a fair and more efficient way.

The longer-term implications will not be clear from a pilot because a pilot would not be at a large enough scale nor of long enough duration to generate the full economic impacts of a CBI rolled out across the population as a whole. However, we have taken the view that some understanding of the potential macroeconomic implications of a CBI would be useful alongside the results of the feasibility study to help inform decisions about whether to go ahead with a pilot.

Therefore, we have commissioned economic modelling work to estimate what these effects would be. This work is described later in this section. We have also begun to estimate what the costs of the pilot itself would be in the short term. Our initial results are presented in the next section.

### 9.1 Direct CBI transfer costs calculation

Below we provide indicative estimates of the direct costs of CBI payments. These are driven by the level of the proposed payment and the proposed sample sizes as outlined in sections 5 and 8. As such they will be subject to change in response to decisions taken about the proposed sample size, confirmation of the proposed level of payments and any future uplift of benefit rates or the Minimum Income Standard for the pilot years. The direct payment costs estimated below do not include administrative and evaluation costs. They also exclude potential savings on existing benefits and any additional tax revenues that would accrue, thus the overall costs of the pilot are likely to be less. Table 14 calculates the direct cost of CBI payments per 1,000 people in the sample.

*Table 14: Estimated direct costs of CBI payments per 1,000 pilot recipients*

Age Group	Scottish Population Distribution <sup>xxxiv</sup>	High CBI Rate	Low CBI Rate
0-15 years	17%	£120.48	£84.54
16-19 years	4%	£213.59	£84.54
20-24 years	6%	£213.59	£57.90
25 years – pension age	57%	£213.59	£73.10
Over pension age	16%	£195.90	£167.25
<b>Cost per 1,000 population per week</b>		<b>£195,096</b>	<b>£89,180</b>
<b>Cost per 1,000 population per year</b>		<b>£10.14m</b>	<b>£4.63m</b>

Table 15 calculates the cost of a three-year pilot based on the recommendations in section 8, i.e. that we test the impact of both high and low levels of CBI; that we want to be able to examine the scale of impact on our outcomes separately for men and women but not for people with and without disabilities; and that communities smaller than 2,500 are unlikely to demonstrate community-level impacts. The calculations do not include uplifts in years two and three and they take no account of payments changing as people move up through the age structure or of people entering or leaving the pilot areas due to birth, death or migration.

The direct intervention cost of a pilot based on these assumptions would be £76m over three years for a sample size of 2,500 at the high level of CBI and £203m for a sample size of 14,600 at the low level of CBI. This would give a total of nearly £280 million over three years for a study including both low and high levels of CBI.

Increasing the number of sites to explore the impacts of a high level of CBI across four deprived and rural communities as discussed in section 8 would increase the direct payment cost for the high level of CBI to £304m, giving a total direct payment cost of the pilot to over £500m over three years. Note that this is a minimum based on the minimum size of interzone. We have not presented the comparable figure for a low level of CBI because the cost of the CBI in four sites of 14,600 people would be prohibitively high.

To reiterate, these figures do not include evaluation or administrative costs, nor the recovery of other benefits that CBI would replace, nor the additional tax revenues that might accrue. We comment more on these below.

xxxiv 2018 mid-year estimates from National Records Scotland available at: <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2018>

*Table 15: Estimated direct costs of CBI pilot study*

Direct cost per 1,000 population per year		Pilot Duration	Estimated Sample Size	Estimated Direct Costs of CBI Pilot
High CBI	£10.14m	3 years	2,500	£76.09m
High CBI	£10.14m	3 years	10,000	£304.35m
Low CBI	£4.63m	3 years	14,600	£203.12m

## 9.2 Administration costs

Running a CBI pilot along the lines set out in section 5 will require changes to the administration of benefits and potentially taxes for those involved in the pilot. These arrangements will need to run alongside the benefit and tax system for the rest of the population. This will incur additional administration costs. We have not yet quantified these in detail, but Scottish Government has provided costs of administering other comparable schemes. These provide an indication of the potential scale of the administration costs of a CBI pilot. Further work will be carried out to refine these estimates for the final report of the CBI feasibility study in March 2020.

Universal Credit (UC) Scottish choices are administered by the DWP, which charges the Scottish Government based on the number of times people take up the choices. To implement the UC Scottish choices, the Scottish Government paid just over £0.5 million to the DWP in April 2018 for one-off costs. This included changes to the UC IT system and updates to DWP staff guidance and training. Ongoing operational costs, based on the actual number of choices offered and taken up, were just under £115,000 for the period 4 October 2017 to 31 December 2018. Costs beyond December 2018 are being finalised.

On a bigger scale, the Scottish Welfare Fund is administered by local authorities who are provided with £5 million each year to cover the costs involved in administering that. Unlike the CBI pilots, this is a national scheme so it is plausible that the costs involved will be greater than those of administering the CBI pilots but either way, these figures suggest that the administration costs will be significant but small compared to the overall costs of the CBI payments themselves.

## 9.3 Economic modelling

As noted above, the steering group has commissioned research to model the longer-term macroeconomic impacts of a CBI rolled out on a national basis. The research will model low and high levels of CBI alongside changes in employment, tax revenues and savings to welfare benefit spending to estimate the full fiscal and economic effects of a Scotland-wide CBI. The study has three phases:

- modelling the short-term effects of a CBI on the distribution of income across different income groups
- feeding the impact of these short-term effects into estimates of the longer-term effects on the macroeconomy
- translating the macroeconomic effects into a second round of changes in the distribution of incomes across different income groups.

This study is due to report in early 2020 so we will be able to feed some of the estimates of benefit savings and additional revenues from that work into the estimates of the direct payment costs of the pilot presented above.

The research will also assess CBI in relation to comparator policies to allow decision-makers to understand how CBI compares to other existing and potential ways of achieving the intended goals of the policy in terms of their costs and impacts.

The research is being carried out by the Fraser of Allander Institute at the University of Strathclyde.

The estimates from the economic modelling will represent the potential savings and revenues if CBI is rolled out Scotland-wide. The actual savings made in the context of a pilot study will depend on the arrangements made to administer the pilot in terms of suspending benefits replaced by the CBI for those in the study, changing tax codes for study participants, etc. Further research is required to understand what is technically and administratively feasible within the preferred pilot model and whether and how savings can be accrued within a pilot. Engagement with DWP, HMRC and Scottish Government is ongoing to explore the issues involved and agree whether and how this would work. These discussions will also provide details on the feasibility of potential funding sources and the costs of administering a pilot CBI.

## 9.4 Evaluation costs

A pilot involving an evaluation as described in section 8 would incur additional evaluation costs. The greater the size of a pilot, the higher the evaluation costs will be, although unlike the direct payment costs, they will not all increase in direct proportion to the number of people in the pilot. Some costs, for example, developing questionnaires for gathering data in the evaluation will be fixed and/or one-off costs.

Detailed estimates of evaluation costs will be compiled as part of the final feasibility report and based on feedback on the evaluation proposals set out in this interim report. However, like the administration costs, they will be small relative to the overall costs of the pilot.

## 9.5 Conclusions and next steps

The estimates of direct payment costs suggest that they could range widely from around £280m to £500m depending on decisions about the scale of the pilot study, the number of sites and the level of payment. These are approximate figures at this stage, subject to change as the steering group develops further the plans for the CBI, shaped in part by decisions about the models proposed in section 5 and the evaluation issues discussed in section 8. The aim of these calculations is to highlight the potential scale of the payments required and the way this is driven by decisions that need to be taken in discussion with stakeholders about the aims, the size and the structure of the pilot study.

The steering group will continue to investigate these potential savings and revenues with further details provided in the full feasibility business case submitted at end of March 2020.

The main areas to be explored further in finalising the financial aspects of the March report, in addition to the number and size of sites, are:

- the offsetting cost savings and additional revenues that might be generated by a CBI

- administration costs
- evaluation costs
- potential transition issues such as budgeting and financial support for families as they move on or off the CBI at the start and end of the study
- potential pressures on local authority services that might arise from the CBI.

Feedback from Scottish Government would be useful on the cost data we have provided to date and the level of detail they will need in the financial analysis in the final report.

## Section 10: Ethical Feasibility

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This section highlights some of the ethical issues that would need to be considered in a CBI pilot, if it were to go ahead. This needs to be distinguished from the ethical issues surrounding the evaluation of a pilot, which are treated in a section 8.5. The discussion below focuses on the six main ethical issues around the ethics of a pilot. Importantly, there are interdependencies between those issues which are also highlighted in this discussion.

### 10.1 Informed consent to participate in the pilot CBI

A CBI pilot could be viewed as social research. A fundamental principle of social research is that participation should be based on informed consent. However, this view has to be nuanced by the fact that social research which is conducted for the purpose of policy-making, especially in the pilot situation, may be guided by somewhat different principles. In particular, such research may not always have to involve the principle of informed consent and voluntary participation. As stated by the Social Security Advisory Committee (SSAC), which examined ethical and legal issues of piloting in the Department for Work and Pensions (DWP), ‘it is acceptable for a number of individuals to be mandated to participate in the pilot so that either the expected benefits can be rolled out to the rest of the eligible population or the policy can be altered or rejected at an early stage’ (SSAC 2007: 4). According to the SSAC, foregoing informed consent is justifiable by the fact that the government is required to deliver the best possible conditions for all of its subjects. The SSAC (2007: 4) states that ‘some degree of risk within pilots may be defended on the grounds that it will produce information that is likely to increase the “common good”’.

In general, it seems that testing innovative approaches to benefits do not necessarily imply that consent is required from participants, and there are examples from elsewhere where it was not sought. For example, a pilot of basic income for the unemployed carried out in Finland involved a mandatory participation of individuals selected through random sampling.

However, foregoing consent is ethically acceptable insofar as there is no harm or detriment to the participants. The operating principle of the feasibility study is avoidance of detriment to participants. As long as this principle is realised in practice, it may be acceptable to mandate individuals to participate in the pilot. If CBI is to work as a benefit replacement, individuals may be mandated to participate insofar as this replacement does not cause any detriment to them. Otherwise, they could be mandated to participate only if they would be able to retain access to all existing benefits and possibly have CBI income disregarded for the purpose of assessing entitlement to them, thus avoiding detriment.

The feasibility and acceptability of possible compulsory participation in the pilot is still being considered by the steering group. A view has been expressed that if (existing) welfare benefits were suspended then receipt of a CBI could be effectively compulsory for those without their own financial means. This could imply that the opportunity to give informed consent to participate in the intervention is withheld for all members of the intervention group. This may raise particular ethical questions for those members of the group for whom a CBI is a replacement for all or part of their existing welfare benefits. Even in the context of a policy of ‘no detriment’, there may still be an ethical case to be made for or against compulsory participation in a pilot.

## 10.2 No detriment

A fundamental principle informing the feasibility study is that participants in the intervention should not experience (financial) detriment. Because many of the participants may be in receipt of means-tested (and-non-means-tested) benefits, detailed work is currently underway to assess the implications for these participants of receiving a CBI. This includes consideration of whether and how receipt of a CBI may impact on other benefits over the period of the pilot as well as in the longer term if, for example, people would otherwise be entitled to legacy benefits but would face being transferred to Universal Credit. There may also be impacts on National Insurance contributions or pensions.

The risk of losing out in absolute terms during a pilot depends in part on the level of CBI and whether CBI is regarded as income for the purposes of assessing eligibility for means-tested benefits. This is still being addressed and various options have been proposed including full disregard of CBI income when calculating benefits, partial disregard and no disregard (see section 5.7). Consideration may also need to be given to some form of guaranteed top-up income or way of ensuring that people are at least at the same levels as they would be without a CBI.

Moreover, consideration also needs to be given to the impact on those on higher incomes who may end up paying more in tax as a result of receiving CBI.

Groups at risk of potential detriment will be identified through the commissioned economic modelling and an approach to mitigating these risks will then be developed.

## 10.3 Piloting CBI in selected areas

It's been highlighted that piloting CBI in selected areas may be ethically problematic and seen as discriminatory by people in adjacent areas or in fact anywhere in the country on the basis that a preferential treatment is given to certain groups only. However, this argument could be refuted on the basis of equipoise discussed in section 8.5 of this report. In short, given the limited comparable evidence from other studies, in particular in terms of wider impacts for individuals and the society beyond the direct financial gains, there may be sufficient uncertainty as to whether those who do not receive the CBI are genuinely missing out on something beneficial, given the potential long-term impacts and distributional effects.

## 10.4 Piloting varying rates of CBI

One of the ideas being explored is to test out two different payment levels. It is not clear whether/ what ethical (or equity) questions this might pose for the intervention. Giving different groups different payments when payments are clearly beneficial might be problematic, but such a pilot could only go ahead if the principle of withholding something beneficial from a control group (see above) was accepted anyway, so piloting varying rates may not pose any additional ethical concerns.

## 10.5 Time-limited nature of the pilot

The pilot, if it goes ahead, is anticipated to be time-limited, with implications for people once the pilot ends (assuming it is) and payment ceases. Apart from ensuring people are fully aware of this at the start of the study, it may raise additional ethical dimensions for consideration as well as being a further argument against compulsion (in the intervention). With respect to the exit process, some

international pilots, as far as we know, simply intend to revert to the previous regime. Attention is needed as to how much support is given to individuals on CBI at the end of pilots to access benefits or manage the loss of extra income that CBI may have represented, but it may be an option to consider more intensive support if this is deemed necessary. The assumption is that people normally in receipt of benefits will move onto the UC which may need managing.

Assuming the pilot is not targeted chiefly at benefit claimants, the “exit process” will also affect those who are not entitled to benefits, in the sense that they are above the threshold, but benefit from CBI because of its universal nature. In this instance, they would be less likely to need help to claim old benefits (although some may have been entitled to do so and unaware of this). However, the issue there is that they are likely to experience a fall in income when the pilot ends, consideration will have to be given as to how to make them aware of this possibility from the beginning of the pilot and offer access to any financial management services. This is likely to be less of a problem if participation of in a pilot is based on informed consent as individuals would be given a choice to decide for themselves if the risks associated with the sudden fall of income after the pilot are too substantial.

## 10.6 Unintended consequences

There are also potential ethical issues relating to unintended consequences that CBI payments may have on some people in terms of how it affects their behaviours and long-term consequences this may have. Possible or perceived misuse of funds is a common critique of CBI so mitigation measures may be required to safeguard certain aspects such as giving regular modest payments instead of lump sums. It may also be required to put in some mitigation measures to offset risks relating to accessing credit and consequent accumulation of debt, e.g. would some people be more likely to get credit with regular CBI income that they then struggle to pay off after the pilot?

**Table 16: Evaluation of a pilot CBI: summary of ethical issues, risks and mitigations or outstanding issues**

Ethical Consideration	Issue	Risks	Mitigations/Outstanding Issues
Informed consent to participate in the pilot CBI	Foregoing consent is ethically acceptable in social research which is conducted for the purpose of policy-making insofar as there is no harm or detriment to the participants.	It may be difficult to ensure that there is no detriment to any of the pilot participants.  Given the complexity of the intervention, this raises ethical issues even if consent is sought.	Benefit interaction analysis, informed by the CPAG report, is used to design a pilot in a way to avoid detriment. Further safeguards may be provided, for example access to special top-ups to make up for any difference in income from a CBI and foregone benefits.  With all these assurances, further independent ethical advice may be sought on whether foregoing consent is acceptable and fair.
No detriment	A fundamental principle informing the feasibility study is that participants in the intervention should not experience (financial) detriment.	It may be difficult to ensure that there is no detriment to any of the pilot participants.	Benefit interaction analysis informs pilot design to avoid detriment. Further safeguards may be provided, for example access to special top-ups to make up for any difference in income from a CBI and foregone benefits.
Piloting CBI in selected areas	Piloting CBI in selected areas may be ethically problematic and seen as discriminatory by people in adjacent areas or in fact anywhere in the country on the basis that a preferential treatment is given to certain groups only.	If pilot participants receive treatment that is clearly better, there is a risk that a pilot may be legally challenged by people not included in it (i.e. anyone in Scotland because the control group is proposed to be a random sample of the general population).	It may be useful to obtain independent expertise to help clarify both whether it is appropriate to apply the concept and, insofar as it is a useful principle, whether the intervention and control groups are in equipoise.

Ethical Consideration	Issue	Risks	Mitigations/Outstanding Issues
Piloting varying rates of CBI	One of the ideas being explored is to test out two different payment levels.	<p>Giving different groups different payments when payments are clearly beneficial might be problematic in terms of fairness and equal treatment.</p> <p>Such pilot could only go ahead if the principle of withholding something beneficial from a control group (see above) was accepted anyway, so piloting varying rates may not pose any additional ethical concerns.</p>	As above.
Time limited nature of the pilot	The pilot, if it goes ahead, is anticipated to be time limited, with implications for people once the pilot ends (assuming it is) and payment ceases.	Individuals may not be able to manage the loss of extra income that CBI may have represented.	<p>Ensuring that people are fully aware at the start of the pilot that it is time-limited.</p> <p>Giving support to individuals on CBI at the end of pilots to access benefits or manage the loss of extra income.</p>
Unintended consequences	CBI payments may have unintended consequences on some people in terms of how it affects their behaviours and what long-term consequences this may have.	Negative short-term and long-term outcomes for participants. The latter may continue well beyond the pilots.	<p>Giving regular modest payments instead of lump sums.</p> <p>Consideration of measures to offset risks relating to accessing credit and consequent accumulation of debt (e.g. financial advice and support).</p> <p>A detailed risk register prior to pilots based on existing evidence.</p>

## Section 11: Conclusions and Next Steps

This interim report of the Scottish Citizen's Basic Income feasibility study provides an overview of the work undertaken thus far. The work is provisional and provided at this stage to garner feedback from the Scottish Government and other key stakeholders such that these can be fully taken into account before the final report is produced.

We have described a small number of CBI models which could potentially be piloted in order to evaluate the some of the important impacts of a CBI in Scotland. These include a high level of CBI payment which would be aligned to the Minimum Income Standard and therefore be very likely to substantially reduce poverty for recipients, and a lower level aligned to current benefits which would allow examination of more of the impacts that are not strictly income-related (e.g. individual payments, no conditionality, etc.).

We have assessed the feasibility of CBI pilots in terms of their: political feasibility (incorporating strategic, psychological, institutional and behavioural aspects); financial feasibility; evaluability; and ethical considerations. Apart from the financial costs, the most substantial barriers identified thus far to a pilot are political, in particular the institutional and legal barriers. Specifically, there is a need to engage more fully with the DWP and HMRC to clarify whether, and in what circumstances, introducing a CBI to pilot communities in Scotland would be possible. If co-operation for a pilot and a legal basis for facilitating payment is not found this, would severely constrain the ability of the Scottish Government to pilot CBI under current circumstances.

The details of the models of CBI proposed for piloting are also important and have different implications for the potential for groups to benefit or be at detriment, particularly depending on how current benefits are treated in a pilot scenario. There are some ethical considerations of piloting still to be fully explored but we have substantially progressed the development of a pilot model that would allow for evaluation of several important outcomes of interest.

The cost of piloting could be substantial and would be higher if it is deemed important to consider differential impacts across more and less deprived communities and/or urban and rural communities. The costs of piloting have to be considered differently from the costs of a policy roll out where changes to the tax system and impacts across the economy would need to be considered. These will be described more fully in the final report when the results of the econometric modelling are available.

### Next steps

We would welcome feedback from the Scottish Government and others on the work undertaken thus far. We are now working hard to deliver a final feasibility report with fewer uncertainties and clearer recommendations on appropriate next steps.

We will work with our commissioned researchers to complete the econometric modelling work to estimate the overall impacts on the economy of introducing a CBI. We will also be undertaking further work to establish the legal options for CBI piloting and pursuing further negotiations with the DWP and HMRC to establish whether and how a CBI pilot could be facilitated. The final report will include a detailed proposal for how a CBI pilot could be comprehensively evaluated. We will also provide further detail on the ethical considerations for piloting and the degree to which these can be mitigated.

The final report will contain a recommendation about whether and under what circumstances a CBI pilot is feasible, how it could be undertaken, what it would be able to consider, and its likely cost.

## Requests of the Scottish Government and stakeholders

1. We would welcome feedback on our proposed models at this interim reporting stage.
2. Further support and intervention by Scottish Government officers and ministers with the DWP and HMRC is important if sufficient progress is to be made.
3. We would welcome feedback on whether there is a policy preference for the inclusion of certain types of communities in intervention sites e.g. affluent, deprived, urban or rural areas.
4. Feedback from Scottish Government would be useful on the cost data we have provided to date and the level of detail they will need in the financial analysis in the final report.

# Appendix 1: Summary Table of Preferred Model

Criterion/Consideration	Preferred Model
<b>Duration of pilot</b>	<ul style="list-style-type: none"> <li>• Paid for three years in the pilot after a one-year preparatory period.</li> </ul>
<b>Experiment type</b>	<ul style="list-style-type: none"> <li>• Saturation within specified geography/ies. All residents within a geographical area will be eligible to participate in the study.</li> <li>• A control group will comprise a standard random sample drawn from wider population and stratified to meet criteria used to identify saturation sites.</li> <li>• Newborns within a saturation site will be eligible to receive payment.</li> <li>• Incomers to a saturation site eligible to receive payment. (This may be subject to a qualifying period, still to be determined by the steering group).</li> <li>• People leaving a saturation site eligible to receive payment. (This may be subject to a time limit, still to be determined by the steering group).</li> <li>• Preference for voluntary or mandatory compulsion is still to be confirmed by steering group. Options which are under consideration:               <ul style="list-style-type: none"> <li>o Participation in the pilot is voluntary for residents in the intervention area, or</li> <li>o Participation in the pilot is compulsory for residents in the intervention area.</li> </ul> </li> <li>• Participation in evaluation of the study will be optional for residents in the intervention and control group (including incomers and leavers to a saturation site).</li> </ul>
<b>Payment type and regularity</b>	<ul style="list-style-type: none"> <li>• CBI paid by bank transfer or equivalent.</li> <li>• Regular payment (preference for weekly, fortnightly or monthly options).</li> <li>• Given prospectively.</li> </ul>
<b>Universal</b>	<ul style="list-style-type: none"> <li>• Total population (within saturation site) with no restriction by income, age or individual characteristics.</li> </ul>
<b>Conditionality</b>	<ul style="list-style-type: none"> <li>• No conditions, CBI as a right.</li> </ul>

Criterion/Consideration	Preferred Model
<b>Individual</b>	<ul style="list-style-type: none"> <li>• Individual payment for adults.</li> <li>• Child payments to main parent/guardian, usually mother.</li> <li>• For adults without capacity, payment made to guardian.</li> </ul>
<b>Level of payment</b>	<ul style="list-style-type: none"> <li>• Preference is to test two levels of CBI payment.</li> <li>• High level CBI (per week): <ul style="list-style-type: none"> <li>○ 0 to 15y - £120.48 (payment to main carer/parent)</li> <li>○ 16y to pension age - £213.59</li> <li>○ Pension age - £195.90</li> </ul> </li> <li>• Low level CBI (per week):<sup>xxxv</sup> <ul style="list-style-type: none"> <li>○ 0 to 15y - £84.54 (payment to main carer/parent)</li> <li>○ 16-19y - £84.54</li> <li>○ 20-24y - £57.90</li> <li>○ 25y to pension age - £73.10</li> <li>○ Pension age - £167.25</li> </ul> </li> </ul>
<b>Interaction with tax system</b>	<ul style="list-style-type: none"> <li>• CBI would be included in the calculation of income for tax purposes. N.B. CBI would only be taxed if a participants' total taxable income exceeded the Personal Income Tax Allowance threshold for the pilot year(s).</li> </ul>

xxxv Low level CBI rates reflect existing benefit entitlements:

0 – 15 y = £84.54 (Rate of child tax credit family rate & 1st child rate (£63.84) plus Child Benefit eldest child rate (£20.70)).

16-19 y = £84.54 (Reflecting rate of 16-19 year-old who is still in approved education: Rate of Child Tax Credit family rate and first child rate (£63.84) plus Child Benefit eldest child rate (£20.70)).

20-24 y = £57.90 (Rate of jobseeker's personal allowance for a single person aged 16-24).

25y to pension age = £73.10 (Rate of jobseeker's personal allowance for a single person aged 25 or over).

Pension age = £167.25 (Rate of Pension Credit guarantee for a single person over pension age).

Criterion/Consideration	Preferred Model
<b>Delivery model</b>	<ul style="list-style-type: none"> <li>• Delivery model has yet to be identified. Further exploration and discussion of delivery powers required with Scottish Government and DWP. Delivery model options being explored by the steering group:               <ul style="list-style-type: none"> <li>o Scottish Government using Exception 5 or Exception 10 of Social Security (Scotland) Act 2018.</li> <li>o Local authority using i) statutory power to enhance wellbeing or ii) power to make payments to people in need.</li> <li>o Non-governmental delivery using charitable trust/private company.</li> </ul> </li> </ul>
<b>Interaction with other benefits</b>	<ul style="list-style-type: none"> <li>• Unless specified below, all benefits (including those delivered by DWP, HMRC, Scottish Government or local authorities) should remain in place for the pilot duration and able to be claimed alongside a CBI. There are further comments regarding pension age participants below.</li> <li>• The steering group is working to the policy objective that participants of pension age are included in a CBI pilot. The inclusion of pensioners is in line with the current approach of adhering to the universal principle of CBI and desire to have a saturation site within the pilot.</li> <li>• The introduction of the new State Pension for those who reached retirement age on or after 6th April 2016 will mean it is likely that pensioner participants will have a range of entitlements, premiums and top-ups. It is important that sufficient time is given to carry out a detailed examination of any suggested pilot to ensure no group is adversely affected and to ensure the pilot is legally competent. The complexity of CBI interaction with the variations of state pension entitlements mean the steering group may investigate additional pilot options in relation to pensions as the feasibility study develops.</li> <li>• For the duration of the study, pilot participants who would normally be in receipt of the following benefits should be able to claim these alongside a CBI: all benefits, premiums and elements relating to disability, limited capability for work, housing and childcare support.</li> <li>• The preferred treatment of CBI payments for means-tested benefits is still to be confirmed by the steering group. Three options are currently being explored:               <ul style="list-style-type: none"> <li>d) CBI (both payment levels) is counted as income</li> <li>e) CBI (both payment levels) is disregarded as income</li> <li>f) A hybrid approach, where:                   <ul style="list-style-type: none"> <li>o Low level CBI is counted as income</li> </ul> </li> </ul> </li> </ul>

Criterion/Consideration	Preferred Model
	<ul style="list-style-type: none"> <li>o Within the high-level CBI: A value equivalent to the low level is counted as income but the remainder of the CBI payment up to the high level is disregarded as income.</li> <li>• Pilot participants (particularly those engaged with the benefit system) should not be financially worse-off during or beyond the duration of the study.</li> <li>• To avoid long-term financial detriment, participants who would have National Insurance gaps as a result of losing access to suspended benefits should be credited with class 1 National Insurance contributions for the duration of the study.</li> <li>• A preferred model would be to suspend participant access to the following benefit entitlements for the duration of the study: <ul style="list-style-type: none"> <li>o Income Support (Personal Allowance)</li> <li>o Income-based Jobseeker’s Allowance (Personal Allowance)</li> <li>o Income-related Employment and Support Allowance (Personal Allowance)</li> <li>o Child Tax Credit (Family Element plus Child Element)</li> <li>o Pension Credit Guarantee (Personal Allowance)</li> <li>o Child Benefit</li> <li>o Carer’s Allowance (Basic Rate and Scottish Supplement)</li> <li>o Universal Credit: Standard allowance for single person</li> <li>o Universal Credit: First child/subsequent child payments</li> </ul> </li> <li>• For pilot participants who would normally be eligible to underlying entitlement within Carer’s Allowance, this should be retained for the duration of a pilot.</li> <li>• 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.</li> </ul>

Criterion/Consideration	Preferred Model
<p><b>Anticipated sample size/ number of intervention sites</b></p>	<p><u>Sample size</u></p> <ul style="list-style-type: none"> <li>• There is a preference for testing the two levels of CBI.</li> <li>• Sample size is still under consideration by the steering group. Calculations to date suggest that for a CBI set at the high level (see level of payment above) a sample size of at least 2,500 is necessary to be able to detect changes in the primary outcomes (poverty, child poverty and unemployment) amongst men and women and measure community level effects.</li> <li>• For a CBI set at the lower level, a sample size in the order of 14,600 would be required.</li> <li>• Similar numbers would be needed in the control groups.</li> </ul> <p><u>Number of intervention sites</u></p> <ul style="list-style-type: none"> <li>• The number of intervention sites is still to be confirmed by the steering group but the work undertaken so far highlights the factors that need to be considered in deciding on the number (and therefore size) of sites included in the pilot.</li> <li>• Each site needs to be large enough to detect community effects.<sup>xxxvi</sup></li> <li>• There is also potential interest in the impact of CBI in different ‘types’ of community, in particular deprived communities compared to more affluent communities, or rural areas compared to urban areas.</li> <li>• For any given sample size, the more types of community included, the smaller each community will be, which has implications for 1. the statistical power of the study to draw inferences about the impact of CBI on the primary outcomes <i>within</i> each type of community, and 2. the likelihood that community effects wouldn’t occur.</li> <li>• If we also want to explore effects in deprived and rural communities, we would need four communities receiving the low payment and four the high payment.</li> <li>• Dividing the minimum sample of 2,500 required for testing the impact of the high-level payment between four sites would mean each site would be 625, probably too small to detect community effects and effects by type of community. Four communities of 2,500 would give a total sample of 10,000, with enough in each to give us the power to detect community effects and effects by type of community.</li> </ul>

xxxvi Community effects are social or economic outcomes over and above direct, individual level impacts, which may occur because all of the people within a defined area receive a CBI. Community level effects include, for example, increases in volunteering, creation of informal caring networks, or the creation of new social enterprises, businesses and clubs. There is little evidence on how big a community needs to be for community effects to arise, but it is unlikely they will occur in the smallest communities.

Criterion/Consideration	Preferred Model
	<ul style="list-style-type: none"> <li data-bbox="562 233 2119 416">• Dividing the sample of 14,600 required for testing the impact of the low-level payment between four sites would mean each site would be 3650, probably large enough to detect community effects, but <i>not</i> enough to give us the power to detect effects <i>within</i> each type of community. This could be addressed by increasing the sample size within each type of community, but this would greatly increase the cost of both the CBI payments and the evaluation due to the large increases needed to reach the levels of power required.</li> <li data-bbox="562 440 2119 584">• The impact across additional community types could be explored but this would increase the tensions described above between the statistical power, the likelihood of community effects and the cost of the pilot i.e. the more types included, the smaller each site would be and the less likely community effects would be unless the sample size and cost of the pilot were increased.</li> <li data-bbox="562 608 1783 639">• Allowing for non-response would require these sample sizes to be increased further.</li> </ul>

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