Social Justice Ireland

Submission to the Commission on Taxation and Welfare

A pathway to a Basic Income Pilot for Ireland

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Introduction

What is Basic Income?

The idea of a basic income, "an income unconditionally granted to all on an individual basis, without means test or work requirement"[1] is something that *Social Justice Ireland* has been proposing for decades. At its core, a Basic Income is a guaranteed payment from the State to every resident - on an individual basis - without any means test or work requirement and intended to provide for a subsistence level lifestyle for everyone.

It provides a floor of income below which no one should fall. This safety net, in turn, provides for a number of other benefits.

Changing world of work

Our economy is changing in many way, with the growth of various forms of part-time, precarious and different forms of self-employment over recent years. While the number of people employed is higher now than in most years since 2007 among these jobs, part-time employment has become a more frequent occurrence and now represents almost one in five jobs. Within those part-time employed it is worth focusing on those who are underemployed, that is working part-time but at less hours than they are willing to work. By the fourth quarter of 2021, the number underemployed stood at 110,200 people, 4.2 per cent of the total Labour Force and about one-fifth of all part-time employees.

Judged over time, the CSO labour force data suggest the emergence of a greater number of workers in precarious employment situations. Aside from the impact this has on the well-being of individuals and their families, it also impacts on their financial situation and adds to the challenges faced by the working-poor.

Changing technologies also mean that this trend is likely to increase. A recent report from the European Parliament Research Service,[2] while acknowledging digital technologies can create the basis for higher living standards with less work, also recognised that they can lead to skill gaps, greater inequality and a more polarised society. They can also erode job quality by eliminating valuable skills, intensifying monitoring at work, and extending atypical (or 'gig') work.

Employment in the future, in certain sectors at least, may be scarce as the impacts of automation and globalisation are realised.

Choice and Flexibility

Because you get to keep your Basic Income payment irrespective of your situation, individuals will know that they are always better off taking up employment. This is not the case with the current system, where the removal of welfare payments on starting a job can mean a reduction in household income. This leads to individuals needing to consider whether employment is worth their while as their earnings are offset by both the cost of accessing employment and the benefits that they lose.

No more unemployment traps.

Will improve everyone's quality of life

Basic Income is an enabler. It allows everyone the freedom to choose how to spend their time and how much of that time they want to spend in paid employment, caring, volunteering, accessing

[1] The definition of basic income by the Basic Income Earth Network (BIEN).
[2] http://www.europarl.europa.eu/stoa/en/document/EPRS_STU(2021)656311

education, engaging in leisure activities and so on. It also gives people the choice to avoid jobs that they find unfulfilling, or maybe morally or socially unacceptable. This improves the quality of living standards in Ireland, one of the objectives of the Government's paper on Wellbeing and the Measurement of Broader Living Standards in Ireland[3], published with Budget 2021, and of the Wellbeing Framework subsequently to be designed.

Part of the new Social Contract

Even in a situation where most or all of these things are cheap (or even free), individuals will have income needs to enable them to participate in society at a level considered the minimum social norm. This is why Universal Basic Income and Universal Basic Services are complementary policies, essential to ensuring that everyone in society has sufficient income and sufficient access to public services to live life with dignity and experience living standards expected in a first world country. The better the quality (and the better subsidised) the services, the lower the level of basic income necessary[4].

Environmental benefits

Basic Income also provides environmental benefits. Today, citizens are calling for social well-being and the environment (as well as other goals) to take centre-stage in public policy discussions. Not only is economic growth alone not enough to achieve these new public policy goals, very often, economic growth and full employment can be pursued in a manner which is contrary to these goals. Economists have started to redirect their attention to how social and environmental factors affect the economy, and how the economy can affect people, communities, society and the planet[5].

Basic Income is *not*….

- a *sole* means of alleviating poverty
- an alternative to publicly funded education and healthcare
- an excuse to withdraw other public services

Whether it would replace other payments to people at particular risk of poverty would depend on what level the basic income is set at, amongst other things. Generally, it would be the aim of the system that individuals on the margins of society, or already in difficulty would not be made worse off, so a number of those payments could be maintained.

More Equal Societies are Better Societies

Policymakers must acknowledge that a thriving economy is not a goal in itself but a means to social development and wellbeing for all. Substantial evidence has emerged in recent decades to support the view that economies and societies perform better across a number of different metrics, from better health to lower crime rates, where there is less inequality[6].

A Basic Income, which provides a floor below which no one can fall, is a move towards creating a more equal Irish society.

[3] https://assets.gov.ie/90764/74a122af-0acf-4384-86b5-a0dbd6cca8f5.pdf
[4] This forms part of *Social Justice Ireland's* policy proposals for a new Social Contract, available on our website here: https://www.socialjustice.ie/content/publications/building-new-social-contract-policy-recommendations
[5] See Clark, C. And Kavanagh, C. (2022): Measuring Ireland's Progress – Sustainable Progress Index 2021 https://www.socialjustice.ie/content/publications/measuring-irelands-progress-sustainable-progress-index-2021
[6] Wilson, R. and Pickett, K (2009): The Spirit Level: Why More Equal Societies Almost Always do Better. Penguin: London.

Universal Basic Income – What it looks like

Social Justice Ireland fails to see why the proposal to introduce a Universal Basic Income needs to be piloted. This does not happen with other changes to the income distribution, for example increases in the National Minimum Wage; increases to core social welfare rates; or the cost of disability payment. The concept has been proven internationally and is well-documented.

However, in line with commitments set out in the Programme to develop a pilot for Universal Basic Income, we propose a four-year pilot along the following terms.

(a) The payments to be made under the pilot scheme

The proposed level of payment is the same as under the Job Assist scheme, i.e. €208 per week. It is withdrawn gradually once Market Income exceeds €170,000 and it is withdrawn completely when Market Income reaches €250,000.

The model which is described here relates to a UBI of €208 per week.

(b) The implications for other Social Welfare entitlements

UBI will replace almost 60 weekly social welfare payments, as well as all income tax credits and tax reliefs. People can top up their income from other sources and, unlike under more traditional means-tested welfare systems, payment of UBI is not affected by changes in employment status. UBI differs fundamentally from the traditional welfare state model in that it is paid unconditionally, giving people the freedom to engage in productive activity without having to meet certain criteria as outlined by the welfare provider.

Social Justice Ireland proposes retaining several welfare payments in order to ensure that the least well-off do not lose out. In some cases, existing Social Welfare payments will be converted to supplements on top of UBI. Care needs to be taken to ensure that these supplements are calibrated so that people on low incomes do not lose out. Here are some of the payments that will be retained by participants in the UBI pilot:

- Back to school clothing and footwear
- Carer's payment (supplement over UBI)
- Child payments
- Death benefit and bereavement
- Maternity/Paternity/Parents/Adoption (supplement)
- Domiciliary care allowance
- Free travel
- Fuel allowance
- Household benefits package
- Mortgage interest supplement
- One-parent family payment (supplement over UBI)
- Redundancy and Insolvency
- Rent supplement
- Respite care grant
- School meals
- Treatment benefits
- SWA Exceptional/Urgent Needs
- Other working age supports.

(c) The income tax / PRSI / USC that will be payable

The core of the proposed model is:

- UBI will be included in Total Income and be part of the tax base.
- UBI will be progressively withdrawn for very high earners.
- The rate of tax will increase progressively in accordance with Total Income.

Income Tax, PRSI and USC will be combined into a single composite tax based on Total Income, which includes Market Income and UBI. The initial composite tax rate will be very low and will start to be applied when Total Income just exceeds UBI. Thereafter, the composite tax rate will increase gradually. The effective tax rate on market income will never exceed 50 per cent. Participants in the pilot will be deemed to have fully paid Class A PRSI contributions throughout their participation in the pilot. Participants will not be able to avail of any tax credits and allowances.

It is proposed that the Revenue Commissioners will provide an on-line ready reckoner, so that the composite tax payable on every level of income can be displayed. Following is an example, showing market incomes from €5,000 p.a. to €40,000:

Current system

Market income	**€5,000**	**€10,000**	**€15,000**	**€20,000**	**€30,000**	**€40,000**
Income Tax/PRSI/USC	€0	€0	€120	€1,378	€4,553	€8,343
Net Income	€5,000	€10,000	€14,880	€18,622	€25,447	€31,657

Proposed UBI pilot:

Market income	**€5,000**	**€10,000**	**€15,000**	**€20,000**	**€30,000**	**€40,000**
UBI	€10,853	€10,853	€10,853	€10,853	€10,853	€10,853
Composite Income tax	€2,846	€4,872	€6,476	€8,247	€12,295	€17,016
Net income	€13,007	€15,981	€19,378	€22,606	€28,558	€33,837

Difference: UBI pilot minus Current system

UBI-Current	€8,007	€5,981	€4,498	€3,984	€3,111	€2,180

(d) Implications for spouses and co-habiting partners

For spouses and co-habiting partners, they can apply to participate in the pilot. If they are not in the pilot, the implications will be as follows:

- For Social Welfare entitlements, spouses and co-habiting partners will be treated as dependent adults.
- For Income Tax, PRSI, USC, they will pay contributions based on their own income. They will benefit from the single person tax credit and the employee (or earned income) tax credit. They will also be able to avail of other tax credits and allowances. There will not be joint Income Tax assessment.

(e) The number of participants and the likely Exchequer cost

Regarding the number of participants in the pilot, we are suggesting a cohort of 3,000 selected as follows:

- On-line applications will be invited to participate in the pilot.
- In the applications, they will be asked to confirm that they will facilitate research of the pilot by cooperating with survey and interview requests and allowing their administrative data (e.g. Revenue and Social Welfare) to be used.
- As this is a UBI pilot, limited there is only modest exposure for the Exchequer. For example, if a participant is currently unemployed, the additional cost per week for public funds would be zero.
- Applicants who fulfil the criteria will be selected based on the date and time of application. Quotas for age and gender can be applied so that the pilot is representative of the population per the Census of Population.
- A matched comparator group will also be selected. A benefit of this option is that comparisons are possible between those on UBI and those who are not.
- If the pilot has 3,000 participants, one-third currently unemployed and two-thirds earning €30,000 p.a., the annual cost will be c. €5.4m.

(f) The evaluations that will be carried out

Two types of evaluation are proposed: formative and summative. In *formative* evaluation, researchers will seek to identify improvements which could be made quickly to the scheme. Areas for improvement could include: administration, anomalies in entitlements which come to light, circumstances which were not foreseen etc. This type of evaluation will consist primarily of interviews with participants and administrators.

Summative evaluation will focus on monitoring and reporting on key impacts of the pilot. Variables to be monitored will include:

- Total Income (level and security);
- Market income;
- Need to work outside the sector;
- Ability to develop art/performance;
- Ability to plan ahead;
- Level of stress
- Health
- Wellbeing (aspects not covered above such as capacity to participate, contribution to local community etc.).

Data will be gathered from administrative records and from surveys and interviews with participants. The annual cost of evaluation could be approximately €100,000 to €150,000.

(g) Legislative changes

It is likely that some legislative changes will be required to facilitate the pilot. These will be identified by the Revenue Commissioners and the Department of Social Protection and included in the Finance Bill and the Social Welfare Bill as required.

(h) Governance of the pilot scheme

The pilot will be administered by a dedicated unit within the Revenue Commissioners. The pilot will be overseen by a Steering Group, representing the following organisations (may be adjusted as agreed):

- Department of Finance
- Revenue Commissioners
- Department of Social Protection
- Low Pay Commission
- ICTU
- Social Justice Ireland.

The secretariat will be provided by the Department of Enterprise, Trade and Employment.

The role of the Steering Group will be:

- To draft the scope and rules of the pilot for approval;
- To oversee the implementation of the pilot;
- To agree adjustments to the operation of the pilot;
- To commission research of the pilot;
- To produce an annual report on the operation of the pilot and research findings.

Establishing the Steering Group is the first thing that needs to be done.

(i) Proposed timeline

Following are some key milestones for going live:

Phase 1 – 3 Months

The Steering Group is appointed and commences work.

Phase 2 – 23 Months

This proposal is discussed/modified by the Steering Group and a Memorandum goes from the Minister of Enterprise, Trade and Employment to Government by the end of July.

The Revenue Commissioners and the Department of Social Protection prepare legislative amendments that will be required in the Finance Bill and Social Welfare Bill.

Revenue establish a Unit to implement the pilot and commence IT preparations. The Steering Group oversees all preparations for the pilot, including publicity and the engagement of researchers to evaluate the pilot.

Applications are invited and their eligibility is assessed.

The pilot is up and running. Minor modifications are considered and agreed by the Steering Group if indicated by formative evaluations. The Steering Group prepares an Annual Report to include the results of evaluations.

Summative evaluation will have access to full-year data.

Phase 3: Post-25 Months

Further research is carried out into the implications of extending UBI across the society, using the results of the evaluations. Such additional research will include:

- Total Income (level and security);
- Market income;
- Ability to develop skills;
- Ability to plan ahead;
- Level of stress;
- Health
- Wellbeing (aspects not covered above such as capacity to participate, contribution to local community etc.).

The research will also cover other areas, including:

- The Exchequer implications of extending UBI across society;
- The likely impact on labour supply;
- The distributional consequences.

(j) Conclusion

In Ireland, there have been many studies, papers, seminars and much speculation as to how basic income would work and what the effects of basic income might be. Ultimately, the biggest element in these activities has been conjecture.

The proposed UBI provides the first opportunity in Ireland to find out the answers to many of the questions which have been speculated about over a long period**.** ***Early and considered implementation of the pilot will be key to getting the answers.***

Social Justice Ireland is an independent think-tank and justice advocacy organisation of that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole.

Acknowledgement

The work of Social Justice Ireland is partly supported by the Department of Rural and Community Development via the Scheme to Support National Organisations and Pobal.