



House of Commons  
Work and Pensions Committee

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**Citizen's income**

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**Eleventh Report of Session 2016–17**

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
to be printed 26 April 2017*

## Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Department for Work and Pensions and its associated public bodies.

### Current membership

[Rt Hon Frank Field MP](#) (*Labour, Birkenhead*) (Chair)

[Heidi Allen MP](#) (*Conservative, South Cambridgeshire*)

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### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

Committee reports are published on the [publications page](#) of the Committee's website and in print by Order of the House.

Evidence relating to this report is published on the [inquiry page](#) of the Committee's website.

### Committee staff

The current staff of the Committee are Adam Mellows-Facer (Clerk), Margaret McKinnon (Second Clerk), Ian Hart (Committee Specialist), Libby McEnhill (Committee Specialist), Rod McInnes (Committee Specialist), Alison Pickard (Senior Committee Assistant), Michelle Garratty (Committee Assistant), and Jessica Bridges-Palmer (Media Officer).

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# Contents

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|   |           |
|---|-----------|
| <b>Summary</b>  | <b>3</b>  |
| <b>Citizen's Income: theory and practice</b>                            | <b>4</b>  |
| Why it is an attractive idea  | 5         |
| Problems of implementation  | 6         |
| <b>Formal Minutes</b>   | <b>9</b>  |
| <b>Witnesses</b>  | <b>10</b> |
| <b>List of Reports from the Committee during the current Parliament</b> | <b>11</b> |



## Summary

The Citizen's Income (CI)—an unconditional payment from the government to all citizens, irrespective of their means—is not a new idea, but one in which there has been some renewed interest in recent times. CI has been proposed as a solution to a multitude of problems in the welfare system. Purported benefits range from providing security of income for all, to simplifying the benefit system, to protecting against job loss as a result of automation. CI may be an attractive idea on several counts. We convened a panel of experts to help us understand the appeal of CI and its practical application. Ultimately, we were at a loss to understand how CI could even partially resolve the issues it purports to address.

There are fundamental practical problems with implementing CI. A universal CI would simplify welfare by replacing the existing benefit system. Yet providing an adequate unconditional income for all would require prohibitive increases in taxation and may undermine incentives to work at all. Some proponents of CI therefore suggest a more modest unconditional payment; CI would be paid alongside some existing benefits to avoid creating substantial losses for claimants with, for example, disabilities or high housing costs. Yet the complexity of such a system would undermine a key argument for introducing CI, and leave the promises of income security and poverty reduction largely unrealised. At best, we would end up with something very similar to Universal Credit.

There are significant challenges to overcome within the welfare system: ones that supporters of CI rightly take an interest in addressing. But CI is not a panacea. Indeed, there are many problems to which it is neither the optimal, nor even an appropriate, solution. CI risks being a distraction from workable welfare reform. We urge the incoming government not to expend any energy on it.

## Citizen's Income: theory and practice

1. Citizen's Income (CI) is an unconditional payment from the state to all citizens, irrespective of their resources (see Box 1 below).<sup>1</sup> The concept of CI is not new, but CI schemes have undergone some resurgence in interest, in the UK and beyond.<sup>2</sup> Proponents suggest that such schemes are a solution to many of the problems and uncertainties of the modern welfare state and labour market. Opponents argue that CI is prohibitively expensive and is not an optimal, or even necessarily appropriate, means of addressing these problems.<sup>3</sup>

2. In this context we called for participants in a one-off oral evidence session, held at the University of Birmingham on 12 January 2017. We received over thirty expressions of interest, and heard both sides of the arguments from an expert panel. We sought to understand the cases for and against CI and to reach a conclusion on whether this is an idea that merits more in-depth attention from ourselves and the Government. We are very grateful to all of the witnesses, and to those who expressed an interest in taking part.

### Box 1: What is Citizen's Income?

The Citizen's Income Trust explains how CI would work in practice. CI is:

- **Unconditional:** A Citizen's Income would vary with age, but there would be no other conditions: so everyone of the same age would receive the same Citizen's Income, whatever their gender, employment status, family structure, contribution to society, housing costs, or anything else.
- **Automatic:** Someone's Citizen's Income would be paid weekly or monthly, automatically.
- **Non-withdrawable:** Citizen's Incomes would not be means-tested. If someone's earnings or wealth increased, then their Citizen's Income would not change.
- **Individual:** Citizen's Incomes would be paid on an individual basis, and not on the basis of a couple or household.
- **As a right of citizenship:** Everybody legally resident in the UK would receive a Citizen's Income, subject to a minimum period of legal residency in the UK, and continuing residency for most of the year.

Source: <http://citizensincome.org/citizens-income/what-is-it/>

- 1 CI may be alternatively be referred to as "basic income", "universal basic income" or "income guarantee". It shares many of the same characteristics as "negative income tax".
- 2 Several countries have conducted, or plan to conduct trials of CI-type schemes. Finland began a CI experiment in January 2017. The City of Utrecht in the Netherlands is due to begin a smaller scale trial in 2017, expected to last two years and aiming to find out how recipients respond to different sets of rules. The Canadian province of Ontario announced in its 2016 budget it would consult with focus groups on how a CI scheme might be piloted. Switzerland held a referendum on the topic in mid-2016, but it was comprehensively rejected by nearly 77% of voters. See House of Commons briefing, [Universal Basic Income](#), September 2016.
- 3 A recent report by the Fabian Society summarises the arguments for and against introducing UBI. See Harrop, A. [For us all: redesigning social security for the 2020s \(appendix 7\)](#), Fabian Society, August 2016

## Why it is an attractive idea

3. Under CI, everyone would receive a basic level of income. This could provide income security for all and a way of meeting fundamental needs. Louise Haagh, Reader in Politics at the University of York, told us that she saw CI as one part of a solution for “implementing a more humane form of basic security at the bottom of the welfare state”.<sup>4</sup> Becca Kirkpatrick, Chair of the West Midlands Branch of UNISON, told us the security offered by CI is particularly important in the context of an increasingly conditional welfare system, whereby individuals stand to lose part or all of their incomes if they fail to comply with the conditions of receiving benefits. She explained that instead of a “very holey safety net [...] we should have a solid platform that is there continuously”.<sup>5</sup>

4. The income security offered by CI might also mitigate developments in the modern labour market: for example, the “gig economy” and the rise in zero-hours contracts.<sup>6</sup> Both have been associated with low, variable incomes, and insecure employment. The Green Party argued that CI would provide security to people in these precarious types of work.<sup>7</sup> Such a policy could strengthen the bargaining position of workers, “as they no longer have to take up a job solely to survive”.<sup>8</sup> Louise Haagh told us that with CI providing at least a modicum of income security to all, employers would need to pay more to people carrying out vital, but poorly remunerated jobs.<sup>9</sup> Some witnesses further suggested that the stability provided by CI might strengthen work incentives. Ben Southwood, Head of Research at the Adam Smith Institute, told us that a CI-type system could address disincentives that result from being “worried about losing your benefits”, smoothing out boosts and falls in income resulting from the interaction of work and benefits.<sup>10</sup> Others suggested that CI could provide an alternative to income from work, allowing people to meet basic needs while channelling their skills and interests into other pursuits.<sup>11</sup>

5. Annie Miller, Chair of the Citizen’s Income Trust, further told us that CI could reduce the stigma associated with claiming benefits, explaining:

One of the problems with the current system is the structure. It is not based on the individual, it is not universal, it is targeted on poor people. It is much easier to stigmatise them, humiliate them and reject them leading to low take-up. So targeting does not protect poor people. Universal systems protect both rich and poor.<sup>12</sup>

6. Witnesses focused on the simplicity of CI schemes compared to the current welfare system. Ben Southwood told us this was his preferred reason for advocating a CI-type

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4 [Q2, Q46](#) (Louise Haagh)

5 [Q7–9](#) (Becca Kirkpatrick)

6 “Zero hours” contracts are those in which the worker has no guarantee of any hours of work each week. Data suggests that the prevalence of such contracts has increased sharply in the UK; however, it is unclear how far this represents an increase, and how far it reflects better awareness amongst workers of the kind of contract that they are on. See Chandler, M., [People in employment on a zero-hours contract](#), ONS, March 2017. On the “gig economy” see Brinkley, I. [In search of the gig economy](#), The Work Foundation, June 2016

7 See Stone, J. [Rise in insecure work means universal basic income needed more than ever, Government told](#), March 2017

8 Hochlaf, D. [Coming soon to a welfare state near you? A universal basic income](#), ILC-UK Blog, October 2016

9 [Q23](#) (Louise Haagh)

10 [Q2](#) (Ben Southwood)

11 See, for example, Painter, A. [Creative citizen, creative state: the principled and pragmatic case for a Universal Basic Income](#), The RSA, December 2015; Coppola, F. [The changing nature of work](#), March 2013

12 [Q53](#) (Annie Miller)

system. The Adam Smith Institute advocates a form of CI that it refers to as “free market welfare”. This would replace the UK’s existing system which, it argues, is “costly to administer, complicated to navigate, and designed for a postwar-style labour market that no longer exists”.<sup>13</sup> Reducing bureaucracy and streamlining the system was one of the objectives of the CI pilot carried out by Finland’s Government.<sup>14</sup> Indeed the Department for Work and Pensions had this benefit of CI in mind when it consulted on introducing Universal Credit, itself an attempt to simplify the welfare system.<sup>15</sup>

## Problems of implementation

7. Having considered the potential benefits of CI, we sought to understand how it might work in practice. We were particularly interested in how the differing basic living costs of individuals would be accounted for. Ben Southwood explained that in the Adam Smith Institute’s proposed system, these costs would not necessarily be covered. He did, however, allow that “maybe we could have disability [benefit] on the side”.<sup>16</sup> Other witnesses emphasised that CI would offer a basic payment to all, topped up with additional components—such as for housing or disability. Annie Miller told us this might require some means-testing to be retained.<sup>17</sup> David Piachaud, Professor of Social Policy at the LSE, explained that such dilemmas are common in considering the implementation of CI. He argued that CI’s “masonic straight-edge is scarcely appropriate in dealing with the crooked timber of humanity”. Any adaptation or additional components, however, undermine the case for simplicity— “one of CI’s greatest superficial attractions”.<sup>18</sup> The result would be a framework that is arguably similar to Universal Credit. Declan Gaffney, a political consultant, explained:

As a practical proposition, what tends to happen is that [CI] is sold under the brand of universality and flat rate payments and then one finds that as you move from that abstract idea of a single flat rate income going to everybody to some kind of practical implementation, the elements on which it is sold—lack of conditionality, the flat rate base and so on—begin to fall away and it starts to gradually become more and more like an adaptation of existing social security systems.<sup>19</sup>

8. We also heard there is a risk of CI being viewed as a panacea for problems that have other, more appropriate solutions. Louise Haagh, despite supporting CI, argued that proponents should avoid making an unnecessarily broad case for its introduction. Instead debate should focus on “the implementation of basic income security and that is all”.<sup>20</sup> Declan Gaffney felt, however, that CI was already proving an unhelpful distraction from

13 Story, M. [Free market welfare: the case for a negative income tax](#), 2015, Adam Smith Institute. Negative Income Tax

14 The preliminary report on this pilot found that a partial CI would eliminate some bureaucratic roadblocks and gaps in coverage, but would not by itself solve all problems related to disincentives. Kela press release, [From idea to experiment - Preliminary report on a universal basic income completed](#), 30 March 2016.

15 CI was mentioned in the Universal Credit consultation document. The Department for Work and Pensions (DWP/The Department) has confirmed, however, that it has no plans to implement the idea or conduct further research into it. See [PQ 40099](#), 15 June 2016; [PQ 42464](#), 19 July 2016.

16 [Q12](#), [Q16](#) (Ben Southwood)

17 [Q41](#) (Annie Miller). See also: [Q2](#) (Andrew Harrop), Torry, M. Money for everyone: why we need a Citizen’s Income, Policy Press, June 2013

18 See Piachaud, D. [Citizen’s Income: rights and wrongs](#), November 2016, pp.10–11

19 [Q2](#) (Declan Gaffney)

20 [Q46](#) (Louise Haagh). See also [Q15](#) (Annie Miller)

issues that are “eminently reformable [...] at the stroke of a Minister’s pen”—for example, the extensive use of sanctions to enforce benefit conditionality.<sup>21</sup> Why reshape the entire welfare system when a small change—to the value of or conditions of eligibility for an allowance—could have much the same effect? Peter Alcock, Emeritus Professor of Social Policy at the University of Birmingham, summarised:

I think it is a political distraction. There are all sorts of problems with the benefit system and there are all sorts of issues there. We need to look at what the role of the state is to support employment, to improve the provision of care, to give better incentives to people to take certain kinds of jobs. They can be dealt with, and should be dealt with, within the existing structures that we operate.<sup>22</sup>

9. Opponents of CI also raised concerns about the effect on incentives to work, particularly in relation to less desirable jobs.<sup>23</sup> If everyone receives a basic income, then there is arguably a disincentive to work at all. Some supporters of CI downplay this, imagining an increasingly automated future world of work, with less need for human labour.<sup>24</sup> The International Longevity Centre UK, however, stressed that while it is “tempting to imagine a world where machines perform all the work, the evidence suggests we aren’t at this stage quite yet”.<sup>25</sup> Neither, argued Alan Manning, Professor of Economics at the LSE, are we likely to arrive there at any time in the near future.<sup>26</sup> Peter Alcock contended that it was very difficult to see how a CI system that was generous enough to achieve its purported benefits could avoid creating a disincentive to work. Ben Southwood acknowledged that this question is “hard to answer”, stating:

We do not know for sure whether it will increase or reduce work because we know it will raise the incentive to do the extra hour but it might reduce the incentive to do hours at all.<sup>27</sup>

10. Finally, we heard concerns relating to the fiscal cost of a CI system. The total cost would depend on the level at which the CI was set, what benefits it replaced (and what top-ups were payable), and who was eligible. Several different models were brought to our attention. These included “supplementary CI”—“a modest CI alongside the existing social security system”, and “full CI”, providing “an unconditional income adequate to live on to all citizens”.<sup>28</sup> Professor Donald Hirsch, Director of the Centre for Research in Social Policy at Loughborough University, calculated the cost of full CI paid at “safety net levels” for all.<sup>29</sup> This would require substantially higher rates of direct taxation than at present: “potentially 40% on all income, or at least 50% if means-tested housing support were to be abolished”. Even this calculation is likely to understate the cost. Hirsch explained that

21 [Q51](#) (Declan Gaffney)

22 [Q52](#) (Peter Alcock)

23 [Q18](#) (Peter Alcock)

24 See Coppola, F. [The changing nature of work](#), March 2013; McGee, S. [How the gig economy is helping make the case for universal basic income](#), June 2016

25 Hochlaf, D. [Coming soon to a welfare state near you? A universal basic income](#)

26 Manning, A., [Automation and equality: the challenge to progressive politics](#), Technology, globalisation and the future of work in Europe, IPPR, March 2015; Thornhill, J. and Atkins, R., [Universal basic income: money for nothing](#), Financial Times, May 2016. See also [Q2](#) (Declan Gaffney)

27 [Q38](#) (Ben Southwood)

28 Piachaud, p.3.

29 Hirsch defines the safety net level as the level of Income Support for a single adult (currently £3,800 per year) and Child Tax Credit (£2,780 per year) for children. See Hirsch, D. [Could a Citizen's Income work?](#), Joseph Rowntree Foundation, March 2015

the “safety net” level would fall substantially short of providing an acceptable standard of living.<sup>30</sup> Accordingly, some proponents of CI argue for a supplementary system, protecting those in greater need.<sup>31</sup> As Peter Alcock explained, however, each type comes with its own problems:

Either you have a very high level of basic income, in which case you are going to have to have massively increased levels of taxation because there is nowhere else for their money to come from, or you do it on the revenue neutral basis that people have been talking about, but if you do it on a revenue neutral basis you do not solve any of the problems because you need to retain all of the means testing and all of the other elements of the benefit system that currently may or may not be causing problems. The problem is you don't solve them like this. It is either too expensive or it isn't worth having.<sup>32</sup>

**11. The cost of introducing a CI at a level that would be beneficial for the poor would be prohibitive, as equal benefits would go to the whole population irrespective of their income. It would require rises in taxation that have not been contemplated by any political party serious about winning a general election.**

**12. As there is no prospect of introducing a fully-fledged CI, a more affordable system would need to be layered on top of the existing benefit system to ensure that additional needs such as disability or housing support were accounted for. This would not reduce complexity, and it is difficult to see how it would substantially alleviate poverty or provide income security. Indeed, it would create a system that is scarcely distinguishable from Universal Credit. There are many problems with the existing benefit system, but CI is an unhelpful distraction from finding workable solutions to them. We urge the incoming government not to expend any energy on CI.**

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30 This calculation is based on the Minimum Income Standard (MIS). In 2016, single adults would need to earn £17,100 before tax to achieve the MIS. Couples with at least two children would need to earn £18,900 each.

31 Torry, M. [An evaluation of a strictly revenue neutral Citizen's income scheme](#), Euromod working papers series EM 5/16, June 2016

32 [Q45](#) (Peter Alcock)

# Formal Minutes

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**Wednesday 26 April 2017**

Members present:

Rt Hon Frank Field, in the Chair

|               |                 |
|---------------|-----------------|
| Heidi Allen   | James Cartlidge |
| Mhairi Black  | Richard Graham  |
| Ms Karen Buck | Craig Mackinlay |

Draft report (*Citizen's income*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 12 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Eleventh Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[The Committee adjourned

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

**Thursday 12 January 2017**

*Question number*

**Andrew Harrop**, General Secretary, Fabian Society, **Declan Gaffney**, Independent Political Consultant, **Louise Haagh**, Reader in Politics, University of York, **Annie Miller**, Chair, Citizen's Income Trust, **Becca Kirkpatrick**, Chair, UNISON West Midlands Community Branch, **Ben Southwood**, Head of Research, Adam Smith Institute, and **Peter Alcock**, Emeritus Professor of Social Policy and Administration, University of Birmingham

[Q1-53](#)

# List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2015–16

|                       |   |                  |
|-----------------------|---|------------------|
| First Report          | Pension freedom guidance and advice   | HC 371 (Cm 9183) |
| Second Report         | Welfare to work   | HC 363 (HC 720)  |
| Third Report          | A reconsideration of tax credit cuts  | HC 548           |
| Fourth Report         | Benefit delivery  | HC 372 (HC 522)  |
| Fifth Report          | The local welfare safety net  | HC 373 (HC 924)  |
| Sixth Report          | Understanding the new state pension – interim report on pension statements  | HC 550           |
| Seventh Report        | Communication of state pension age changes –interim report  | HC 899           |
| Eighth Report         | Communication of the new state pension  | HC 926 (HC 229)  |
| Ninth Report          | Support for the bereaved  | HC 551 (HC 230)  |
| Tenth Report          | In-work progression in Universal Credit   | HC 549 (HC 585)  |
| Eleventh Report       | Automatic enrolment   | HC 579 (HC 610)  |
| First Special Report  | Progress with automatic enrolment and pension reforms: Government and Financial Conduct Authority responses to the Committee's Fourth Report of Session 2014–15 | HC 375           |
| Second Special Report | Improving Access to Work for disabled people: Government response to the Committee's Second Report of Session 2014–15   | HC 386           |
| Third Special Report  | Benefit Sanctions: Beyond the Oakley Review: Government Response to the Committee's Fifth Report of Session 2014–15   | HC 557           |
| Fourth Special Report | Pension freedom guidance and advice: Financial Conduct Authority Response to the Committee's First Report of Session 2015–16                                    | HC 719           |
| Fifth Special Report  | Welfare-to-work: Government Response to the Committee's Second Report of Session 2015–16  | HC 720           |
| Sixth Special Report  | The local welfare safety net: Government Response to the Committee's Fifth Report of Session 2015–16  | HC 924           |

**Session 2016–17**

|                        |   |                  |
|------------------------|---|------------------|
| First Report           | BHS   | HC 54            |
| Second Report          | The future of Jobcentre Plus  | HC 57 (HC 965)   |
| Third Report           | Intergenerational fairness  | HC 59 (HC 964)   |
| Fourth Report          | Concentrix  | HC 720 (HC 1006) |
| Fifth Report           | Support for ex-offenders  | HC 58 (HC 1044)  |
| Sixth Report           | Defined benefit pension schemes   | HC 55            |
| Seventh Report         | Disability employment gap   | HC 56            |
| Eighth Report          | Response to the Government's consultation on corporate governance reform  | HC 995           |
| Ninth Report           | Employment opportunities for young people   | HC 586           |
| First Special Report   | Communication of the new state pension: Government Response to the Committee's Eighth Report of Session 2015–16 | HC 229           |
| Second Special Report  | Support for the bereaved: Government Response to the Committee's Ninth Report of Session 2015–16                | HC 230           |
| Third Special Report   | Benefit delivery: Government Response to the Committee's Fourth Report of Session 2015–16                       | HC 522           |
| Fourth Special Report  | In-work progression in Universal Credit: Government Response to the Committee's Tenth Report of Session 2015–16 | HC 585           |
| Fifth Special Report   | Automatic enrolment: Government Response to the Committee's Eleventh Report of Session 2015–16                  | HC 610           |
| Sixth Special Report   | Intergenerational fairness: Government Response to the Committee's Third Report of Session 2016–17              | HC 964           |
| Seventh Special Report | The future of Jobcentre Plus: Government Response to the Committee's Second Report of Session 2016–17           | HC 965           |
| Eighth Special Report  | Concentrix: Government Response to the Committee's Fourth Report of Session 2016–17                             | HC 1006          |
| Ninth Special Report   | Support for ex-offenders: Government Response to the Committee's Fifth Report of Session 2016–17                | HC 1044          |