Ms Alison Johnstone MSP
The Scottish Parliament
EDINBURGH
EH99 1SP

Our ref: 2017/0035604
13th October 2017

Dear Alison

Thank you for your letter of 26th September 2017 on the Programme for Government commitments re Citizens Basic Income (CBI). The First Minister has asked me to reply, as the relevant Portfolio Minister.

As stated in the Programme for Government, bold and imaginative ideas like CBI deserve support and that is why we committed to fund research into the feasibility of a citizen's basic income scheme. However, CBI is currently untested in advanced economies. While simple in concept, CBI is highly complex in terms of practical delivery and we have a currently poor understanding of short and long term costs and benefits. It also cannot be fully delivered with current powers over tax and benefits.

It is critical, therefore, that any CBI-related research undertaken is robust and capable of providing useful information to government on the viability of the concept. With this in mind, I have asked my officials to scope out how the fund should work in practice so that Scottish Government investment provides the best chance of a successful outcome. My officials are already working with pilot local authorities and partners, such as Carnegie Trust, RSA and CBINS, to explore which elements of CBI can actually be tested at a local level, so the ground-work is currently being laid. But we need to make sure we get the detail right and that's what I intend to do.

Once further progress has been made, I will be happy to provide further detail if that would be useful.

Yours sincerely

[Signature]

ANGELA CONSTANCE

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot
MACCS case please for MR for the relevant portfolio Minister

Thanks

Allen Skinner
Office of the First Minister
Scottish Government
5TH floor/St Andrews House/Regent Road
Edinburgh EH1 3DG
Tel 0131-244-5214

First Minister’s preferences can be found at:
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From: Johnstone A (Alison), MSP [mailto:Alison.Johnstone.msp@parliament.scot]
Sent: 26 September 2017 11:33
To: First Minister
Cc: Minister for Social Security
Subject: Basic Income

Please find a letter for the First Minister attached.

Best regards,

Alison

[cid:image001.png@01D336BB.3069A310]Alison Johnstone MSP for Lothian | Scottish Green Party
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Alternatively you can text the Scottish Parliament on 07786 209 888,
addressing your comments to Alison Johnstone MSP.

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Basic Income Funding

25 September 2017

Dear First Minister,

I was delighted to hear in your speech on the Programme for Government that the Scottish Government intends to provide funding for research into the feasibility of a citizens’ basic income.

A Scottish Basic Income is worthy of consideration for a whole number of reasons. Research commissioned by the Scottish Greens during the 2014 referendum show that it would significantly raise the incomes of the poorest 10%, reducing inequality to levels found in Sweden, Denmark and Iceland, amongst the most equal countries in the world.

A Basic Income would also facilitate citizens taking time out of work to care or go back to education, and the late Prof Alisa McKay was a passionate supporter of a Basic Income because it recognises the often unrewarded “diverse roles of women as wives, mothers, carers and workers”.

Local Authorities in Fife, Glasgow, Edinburgh and North Ayrshire have already begun to explore the possibility of Basic Income, and I’m sure they will be equally delighted that the Scottish Government is willing to provide some funding to support that process.

I am proud that the Edinburgh project was initiated by Scottish Green Councillor Gavin Corbett and indeed, Basic Income has been a policy of the party since its foundation in 1990.

I would very much appreciate if you could provide further detail on these plans, including in particular:

1. How much funding will be available and to which Local Authorities it will be provided

2. What the criteria for receiving funding will be.

3. Given that a Basic Income trial would likely involve the temporary replacement of UK social security payments and tax credits, what discussions the Scottish Government has had
with the Department for Work and Pensions regarding plans to fund Scottish Basic Income trials.

4. Whether any Scottish benefits are likely to be absorbed into the Basic Income paid in any Scottish trials.

I would appreciate any assistance you can give to myself and Mr Walker regarding this matter.

Yours sincerely,

Alison Johnstone MSP

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CC Jeane Freeman MSP
From: Annie Miller <anniemillerbi@gmail.com>
Sent: 25 August 2017 09:33
To: Paul Vaughan
Cc: Sandra.mcdermott@glasgow.gov.uk; chief.executive@north-ayrshire.gov.uk; Jamie Cooke; Gail Irvine; M HALLIDAY; Hawkins L (Liz)
Subject: City Of Edinburgh Council

Dear Paul,

Gavin Corbett, Green City of Ed Councillor, whom I met on Wednesday, has asked me to pass on to you the news that a full Council Meeting yesterday agreed that Edinburgh should seek to join the three councils already on the Scottish BI Pilot project, (assuming that it is still welcome).

He asked me to pass this information on to you and to ask you to make contact with your corresponding officials in Edinburgh, either Nick Croft or Laurence Rockey.

Best wishes,
Annie.

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From: Liz Hawkins  
Housing and Social Justice Directorate  
2 March 2017

CC.  
Cabinet Secretary for Communities, Social Security and Equalities  
Cabinet Secretary for Finance and the Constitution  
Minister for Social Security

CITIZENS BASIC INCOME

Purpose

1. To provide briefing on a Citizens Basic Income (CBI) including an overview of the concept, analysis of the potential costs and opportunities, relevance and practicality in Scotland, modelling of one CBI proposal and a brief discussion of alternatives.

Priority

2. Routine

Overview

3. Citizens Income is seen as a radical reform challenging current notions of the social safety net and the relationship between work and income. There is growing international support for the concept with a number of policy-makers, politicians, academics, think-tanks and campaigners suggesting it offers a solution to some of the most difficult modern day challenges. The Social Security Committee has called an evidence session on CBI for 9th March.

4. The concept of CBI is simple but implementation is highly complex with many divergences in policy under the CBI umbrella. Most forms of CBI share a number of common features:
   - CBI is a universal, non-taxable, non-means tested payment made to all citizens from cradle to grave. This means that everyone considered a ‘citizen’ has a safety net of some kind throughout their lives.
   - CBI is paid to individuals not households and is paid regardless of past national insurance contributions record, income/wealth, or marital status.
   - Income from the CBI is not withdrawn as employment income increases but all non-CBI income would be subject to tax with models generally referring to a flat rate of income tax on all income. The policy consolidates and simplifies both income tax and national insurance systems.
First Minister - Briefing on Citizens Basic Income

- In most cases, it is assumed that the CBI replaces most other social security. However, there is on-going conceptual debate on whether housing support and disability payments should continue to cover additional needs or alternatively, whether the CBI should be set at a high enough level to negate the need for this.
- The level of CBI payment is generally expected to vary with age to reflect needs at different life stages. In most cases proposed payments would be highest at pension age, where the ability to earn income through employment is reduced and sickness and disability are most likely to bring additional needs.

5 On a UK basis there is support for CBI from the political left and to a certain extent from the right, although it has been categorically ruled out by the current UK Government. Whilst the left see CBI as restoring dignity to welfare and ending (or limiting) conditionally the right sees it as lessening state interference in people’s lives and reducing complexity in the welfare system. Both argue that carefully set up it could helpfully incentivise work although many stakeholders argue that its primary role is in putting value on currently unpaid work such as caring and volunteering and creative endeavour. It is this argument that leads many proponents to suggest that the measurement of success of such a scheme should not be narrowly measured but considered in terms of wellbeing over a long period.

6 Although elements of the concept align with elements of the Government’s stated purpose in terms of promoting inclusive economic growth and creating a Fairer Scotland, it is a very costly policy which is unlikely to gain public acceptability and ultimately may not have the desired transformative impact. This paper summarises findings. More detail is provided in the Annexes:

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Analysis of the CBI Concept

7. Advocates of CBI tend to concentrate on the conceptual advantages of the policy suggesting that it could ultimately heal deep divides in the current social and political economy. Various advantages are proposed with the key ones being that:
   - A CBI, if set high enough, would give every individual financial security, lifting them out of poverty and giving them greater equality and greater control over their lives.
   - CBI would restore the incentive for paid work by ending means tested benefits and their high taper rates. Proponents say this is especially helpful for encouraging creativity, risk-taking and entrepreneurship and to support individual decisions to develop new skills or retrain for a new sector. It is seen as of particular benefit to small businesses, self-employed individuals, those in failing industries as well as those looking for alternative work life options.
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- CBI would simplify and destigmatise the current benefit administration system making it more transparent and accountable and removing the time consuming and stressful bureaucracy for individuals.
- CBI could result in longer term benefits to health, social care and family relationships as security reduces income stress and allows more time to be spent on voluntary, creative and caring activities with such activities being more readily valued by society.

**Impact on labour market**

8 Even at a conceptual level the policy's rationale in terms of paid work is rather conflicting and confusing. On one hand the policy argues that there will be greater incentives to work because of the removal of marginal rates. While this may hold true for those in and out of work, for individuals in more stable jobs, no matter the pay or skill level, it will have little incentivizing impact. However, for those on more stable jobs, higher skilled jobs or higher up the income distribution the CBI could allow people to reduce their labour availability. While it is argued that this could be a good thing for society, increasing the value placed on caring and creativity, it nonetheless will reduce the availability of labour and skills to the economy with unknown longer term impacts.

9 CBI is sometimes seen as a means to confront labour market inequalities resulting specifically from automation and indeed some technological companies are funding CBI pilots. However, it is not clear how this confrontation would happen. CBI would leave the current inequalities in the labour market intact, doing little to challenge inequality from ownership of technologies and assets and offering no alternative help or direction to the unemployed. Likewise the policy is said to confront current inequalities in the labour market around low skill, low pay, unpredictable work because the CBI will mean that people withdraw their labour unless conditions improve. In reality this confrontation can only happen if the CBI is set at such a level that a household can have a reasonable standard of living without work. If this is the case then significant work incentive is also removed.

**Impact on stigma from benefit system**

10 Similarly the policy argues that it would destigmatise benefits. The recent consultation on social security in Scotland reinforced the importance of dignity and respect in the social security system and as CBI is universal it does remove much of this stigma. However for certain groups (people with disabilities and those on housing benefit) means tested benefits will remain and could become even more stigmatising if they relate to smaller sub-populations.

11 It is also important to recognise that although removal of conditionality and means testing may be desirable in some circumstances, in other circumstances it may not. For households with specific needs it is the conditionality and means testing that allows them to receive appropriate allowances. A way needs to be found to remove stigma but it is quite a blunt instrument to do this by removing targetted allowances.
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*Impact on poverty*

12 One of the most profound concerns around CBI is the impact it could have on people in poverty. The high cost of CBI, financially and politically, could limit the scope of existing social policies to assist individuals needing specific social security assistance. According to recent analysis by the Policy Network this leads to 3 specific concerns:

- Existing social programmes are rolled back to finance basic income
- Services are marketised under the logic that CBI could be used to pay for them
- Political will and public support for more expansive programmes to address specific inequalities is weakened.

13 CBI supporters acknowledge this as an issue and warn against such practice but it is difficult to see how this can be avoided given that most governments will not be able to afford both CBI and a generous welfare state.

*Impact on equality of opportunity*

14 One of the suggested advantages of CBI is that it will create better equality of opportunity. All individuals will have a basic income from which they can seek to work to increase their total income. However for this to be true society would need to be neutral to start with. For example CBI is said to promote gender equality by giving women independent finance. However, to counter this, if CBI is implemented in an environment of gender related constraints on choice and a gendered division of labour, then CBI is more likely to further entrench gender stereotyping. Certainly evidence from early pilots suggests that it was women rather than men who reduced working hours and women who took on greater caring and domestic roles. Likewise, if CBI is introduced into an environment where the employment rate for people with a disability is significantly lower than for people without a disability, then the inability of people with disabilities to find suitable work to top up their CBI could entrench inequalities further. As noted above if money has been spent on CBI there may be little political will or public support to tackle some of the entrenched social and institutional inequalities.

*Impact on health and welfare*

15 Various literature shows that moving people out of poverty is generally good for health and well-being and certainly removing some of the indignity around receipt of benefits may be beneficial. However it is not clear that CBI will specifically help those in poverty and its impact on related social structures may ultimately entrench deep routed inequalities in society.

Analysis of Application in Scotland

16 The reality of any CBI will depend on the practical detail of any system in its local economic and social context. The higher the CBI the more likely it is to lift people out of poverty but the higher the public finance cost to fund and the harder it
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would be for the government to fund other supportive social policies. This section looks more specifically at the realities of trying to implement a CBI system in Scotland.

Public attitudes

17 According to JRF and the Policy Network the CIB would require at least three seismic shifts in British and Scottish attitudes and policy:
   • Acceptance that everybody should be supported at a certain level with no work-based conditions. Current social attitudes suggest that if anything public opinion is moving in the opposite direction to this. A British Social Attitudes survey question in 2011 asked what should happen to an unemployed person who fails to prove that they are actively searching for work. In the response 94% said that benefits should either be reduced or removed completely.
   • Acceptance of a greater role for the state in redistribution involving higher rate of direct taxation or some equivalent means of raising money. Again there is no evidence that this is in line with current public thinking in fact evidence from parts of Europe suggest that widespread support for CBI quickly falls away when the full implications of the costed proposals are understood.
   • A reduced role for the state in ensuring that each citizen can afford essentials such as housing or childcare through income transfers. Stakeholders working to tackle poverty are particularly concerned about the impact of such a move on vulnerable groups.

Cost

18 CBI is not a cost neutral option in operation: A CBI would require Scotland to accept much higher marginal tax rates. Several tested experiments have relied on windfall funds such as the Alaskan Oil and Gas Reserves, Aid funding in Namibia and philanthropical funding in California. In these cases everyone can see an increase in income with resultant positive impacts. However, where such windfalls are not available CBI has to be met from taxation which will require some element of redistribution. Work by JRF at a UK level suggested that whatever system was developed would require a tax rate on all earned income of around 40% if housing benefit was excluded or over 50% if CBI was to be large enough to also cover housing benefit. Due to differences in income distribution between Scotland and the rest of the UK there may need to be an even higher tax rate in Scotland.

Winners and losers

19 Covering such costs means that there will be winners and losers either because the CBI does not equate to previous benefit levels or because of the redistribution of taxes and benefits. The exact nature will depend on how the system is established. For example in terms of total redistribution the Green Party model analysis suggests that everyone in work with an income below £40,000 will gain from the system, whereas those with incomes above that will lose. In the initial models put forward by the Citizens Income Trust families with children lost out and poverty increased. Later models in support of CBI increased the amount for children,
especially young children which did reduce this impact, however, even then families with more than 4 children saw their income drop compared with the current benefit system.

20 There is also likely to be contention around the level of support offered with, for example, remote rural areas arguing that costs of living are higher and therefore they should receive greater CBI. Further information is provided below but significant modeling effort would be required to establish levels which did not impact negatively on vulnerable groups.

**Administrative complexity**

21 As CBI relies on complete information on every citizen it would probably require the construction of a new register of citizens, containing details such as name and address (necessary for fraud prevention), date of birth (because the rates depend on age) and bank account details in order to receive the income. Although partial databases already hold much of this data linking it into a comprehensive register will give rise to civil liberties concerns. In addition as almost all of the models suggest that housing benefit and disability benefit should remain as separate benefits this complexity remains in the system.

**Work incentives and disincentives**

22 As noted above, it is not clear if, in a modern economy such as Scotland the CBI would increase or decrease labour availability. The partial evidence that is currently available from different economic contexts suggests that most people will remain working (eg Namibia and Manitoba) but many will reduce hours. Those reducing hours in the pilots tend to do so for arguably better societal outcomes eg to spend more time with families or to increase time in education. Nevertheless this will reduce the available pool of labour which will have a knock on effect on the economy.

23 In the case of increased work incentives it is not known whether it is the cash or the removal of conditionality that leads to behaviour change. As a result some recent pilots have introduced new and different conditionality requirements to test this issue.

24 It also follows that CBI may not be enough on its own to encourage people into the labour market. Ongoing provision of skills, training and assistance in entering the labour market will be required. But it may be increasingly hard to find the additional money to pay for such services and to target such assistance to individuals who are no longer known to the State because they are not receiving means tested benefits.

**Lack of Powers**

25 In practice a basic income can either be administered as a benefit such as child benefit or the state pension or it can be administered as a negative income tax
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alongside changes to personal allowance. Most commentators suggest that the former is better because it is more transparent to individuals and negates the need for children to be incorporated into the tax system. However, neither approach would be possible for Scotland under devolved powers:

- Scotland does not have powers to set a tax base meaning that it can only discriminate based on income not additional needs.

- Personal allowance for tax purposes is reserved. A negative income tax approach could only be implemented alongside changes to personal allowance and hence would not be implementable with current powers.

- Some of the schemes propose significant changes to employee National Insurance Contributions which are also reserved.

- A new CBI benefit could be brought in by Scottish Government but to work as a CBI it would need to replace all existing reserved benefits including Child Benefit, state pension as well as all those in the Universal Credit umbrella. This would require UK Government endorsement and transfer of the corresponding budget which is unlikely. In addition households with specific needs and support would be difficult to administer across such a system.

Lack of evidence

26. The concept is currently untested. Although various pilots are being established to test elements of the concept there has not yet been a fully robust experiment. To be robust and transferrable to Scottish society the experiment would need to be based on an advanced economy, giving universal income, randomised, long term and basic (that is, the income should be sufficient to live on). No pilots have been set up on this basis. Further detail on pilots is provided in Annex D.

Modelled Examples

27. The following table lists some of the proposed CBI models for the UK. The one most commonly discussed and modelled below is that by the RSA published in 2016. Across the models child payments vary from £50 to £82.50 per week as compared to £20.70 for a first child benefit payment. Pension payments are broadly similar to current levels of state pension. Working age adult CBI payments vary from £56.25 to £71.

28. Although savings will be made from various welfare payments the savings are roughly £100 billion more than the cost of CBI at a UK level (roughly £10 billion for Scotland). Various proponents suggest various policy combinations to meet the shortfall including removing the personal tax allowance, removing private pension incentives, introducing land value taxes, raising income tax, introducing a higher tax threshold, removing basic income for anyone earning over a threshold (£150,000 is mentioned). In both the RSA and Green party examples below these types of revenue policies are estimated to raise around £100-£150 billion although as noted in Annex E our modelling could not replicate this.
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<th>RSA</th>
<th>Green Party</th>
<th>Citizens Income Trust / Reid Foundation</th>
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<tr>
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<td>82.50-1st child 65.15 add child</td>
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<td>Lone pensioner supplement</td>
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<tr>
<td>Disability supplement</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>+£8 billion for disability supplement</td>
<td></td>
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<tr>
<td>Total Savings from Benefits</td>
<td>£171 billion</td>
<td>£164 billion</td>
<td></td>
</tr>
<tr>
<td>Additional Savings</td>
<td>£100 billion from Removal personal allowances, NI reliefs, Reduced relief on pension contributions</td>
<td>£150 billion from Removal personal allowances, NI reliefs, Reduced relief on pension contributions</td>
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<td>Cost to public purse</td>
<td>£2 billion</td>
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29. From Scottish Government modelling of the RSA version of CBI we found that, without factoring in any behavioral responses, the scheme was beneficial to the majority of the poorest households. However its benefit quickly dropped and only half of people in the third decile would be better off, while half were worse off. Two thirds of households in the top half of income deciles would be better off.

30. This would be an optimistic picture because, even with the abolition of certain benefits and tax changes proposed by RSA, running the analysis for Scotland we estimate that there would be a shortfall of approximately £3.6 billion per annum. This shortfall means that that overall household income is being increased, so household gains will exceed household losses. Further detail is found in Annex E.
31 Citizens Income Trust provided a paper for the oral evidence session of Social Security committee on 9th March. The paper suggests that a CBI should ultimately be set at 50% of the mean income in Scotland for pensioners (roughly £196) or primary care-givers, 40% (£156) for other adults and 20% for children (£78). This does not replace existing Social Security but appears to work alongside it with income from the CBI scheme classed as income for the calculation of existing means-tested benefits. The lack of detail means that it is difficult to conclusively model this proposal but given the fact that each of the suggested incomes are higher than the ones modeled above we can conclude that the scheme will be significantly more costly with the same redistribution and revenue raising issues.

Alternatives to CBI

32 There are many conceptual advantages to CBI but it may be possible to achieve some of those benefits under alternative and potentially less costly approaches. This paper has not fully investigated alternatives but mentions a couple below from the CBI literature.

33 In developing the Finnish pilot a number of other approaches were considered, one of which was UK’s Universal Credit scheme. As JRF point out the “Universal Credit is to some extent a step towards a more unified structure of income transfer: it abolishes separate systems for in work and out of work claimants and has a single taper rate for the main benefit. It has the potential for a withdrawal schedule closer to that of citizens income although direction of travel by UK Government since 2010 has been in the opposite direction with both tax allowances and taper rates increasing” (although subsequent to this report the 2016 Autumn budget did decrease taper rates very slightly). The Finnish Pilot notes that it is keen to watch the development of Universal Credit as an alternative option. [REDACTED]

34 Another alternative which has been used at various times in various European countries is unemployment insurance. The current Danish unemployment insurance system is seen as one of the most generous in the world, whereby individuals can choose to pay an insurance premium of around £50/month. If made unemployed an individual can claim a high proportion (around 85%) of their previous salary for up to 3 years. After 3 years they enter a separate social security system. A similar model proposed in Belgium suggested using voluntary higher social insurance payments to allow individuals to build up credits for sabbaticals to allow them to leave their job for a few months or years to care or fulfill a range of needs. However one clear downside of this system is the division it creates between those who can and those who can’t afford the insurance premium.

35 In post-war Sweden unemployed workers from specific failing industries were compensated in the form of active labour market programmes and retrained for more productive sectors. The Policy Network suggest that such an approach could be adapted to cope with the age of automation combining a time limited basic income with active retraining especially if it is linked to unemployment insurance, perhaps even part funded in advance by technology companies.
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36. However, it is not clear that the issue with work life balance is lack of money. For many it is a lack of jobs that allow the flexibility to work reduced hours or reduced days or different work patterns.

Conclusion

37. [REDACTED]
ANNEX A
UK Political Perspectives on CBI

On a UK basis there is support for CBI from the left who see CBI as restoring dignity to welfare, ending (or limiting) conditionality, making work always pay:

- At the SNP March 2016 party conference, SNP members agreed a motion stating that "conference believes that a basic or universal income can potentially provide a foundation to eradicate poverty, make work pay and ensure all our citizens can live in dignity". The motion called for more research into the impact of the policy. Members also agreed that a basic income should be considered as a possibility when designing the welfare state of an independent Scotland.
- SNP MPs backed a motion from Caroline Lucas that called on the UKG to fund and commission research into the feasibility of various CBI models.
- It is Scottish Green policy. The Greens have proposed a weekly income of £100 for adults – i.e. higher than JSA - and £50 for children.
- John McDonnell supports CBI, although it is not yet Labour Party policy.
- In June 2016, Councillor John Mooney, Leader of West Dunbartonshire Council (Labour) proposed a motion to support in principle the concept of a Universal Basic Income. This was agreed by Council with a commitment to write to both the UK and the Scottish Government calling on them to explore the potential of CBI as a potential alternative to the current complications and complexities of the UK welfare system.
- In the next few weeks Councillor Matt Kerr, Glasgow City council (Labour) is putting forward a paper to Council asking for consent to develop a Glasgow pilot.

CBI also has some support on the right who see CBI as lessening state interference in people’s lives, reducing complexity in the welfare system, and incentivizing work:

- Finland has a centre-right government.
- Adam Tomkins has written an article in the Daily Record calling for CBI to be discussed seriously in Scotland, although he acknowledges that the main lever to deliver CBI lies with Westminster not Holyrood.
- The think-tank Reform Scotland published a report on welfare reform in February 2016 and recommended that a Basic Income should be introduced. The levels proposed were the same as the Greens.
- However, in a UK parliamentary debate in September 2016, the DWP minister Damian Hinds said CBI was unaffordable: "Even the most modest of citizens basic income systems would necessitate higher taxes. At the same time it would cause a significant decrease in the motivation to work amongst citizens with unforeseen consequences for the national economy...While at first glance a CBI might appear desirable, any practical implementation will invariably be unaffordable. Because it doesn’t take into account individual needs properly, it will markedly increase inequality."
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Annex B
International Pilots of CBI

Finland CBI Pilot

- On January 1, 2017, Finland launched an experiment in which 2,000 individuals—randomly selected from a pool of unemployment benefit recipients—will receive unconditional cash payments of €560 (about £480) per month for two years.\(^1\) The first payments were sent out on Monday, January 9. To avoid selection bias, participation in the experiment was mandatory for those selected.
- The main aim of the pilot is to determine whether unconditional cash transfers are more effective than means-tested unemployment benefits in incentivizing work.
- Those included in the study population will be paid a monthly basic income of €560 for two years. The amount of the benefit does not decrease if the recipient earns additional income. The basic income is not subject to tax. However, it is counted as income for the purpose of determining eligibility for additional social assistance.
- The Finnish government is interested in testing basic income as a way to remove work disincentives and reduce bureaucracy.
- The 2,000 individuals receiving the CBI will be compared with a control group. The study will examine differences in employment rates between these groups.
- The original experiment design wished to test different levels of basic income but because the constitution requires all individuals to be treated equally this could not be implemented.
- The original experiment also wished to make changes in tax provisions but the Finnish Tax Administration was unable to participate in the drafting of the law so this was not carried out.
- Although the pilot will provide good evidence around work incentives compared to an existing benefits based system it will not provide strong evidence on CBI as an option because it is not universal and does not take into account the required redistribution.

Canadian Pilot

In February 2016, Ontario’s state budget included a commitment to run a pilot project to test "that a basic income could build on the success of minimum wage policies and increases in child benefits by providing more consistent and predictable support." A proposal for how the pilot should be run has been drawn up in outline with CBI being offered to all households below a certain income threshold. This states that the pilot should test a range of approaches, including various different forms of CBI and a negative income tax proposal.\(^2\) Ontario is currently looking for a community in which to run the pilot. One community has been approached to date but its council declined to participate.

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\(^2\) [https://www.ontario.ca/page/finding-better-way-basic-income-pilot-project-ontario](https://www.ontario.ca/page/finding-better-way-basic-income-pilot-project-ontario)
Dutch Pilots
In September 2016, the Dutch government decided to allow basic income experiments on a limited scale and under strict conditions. However, the Dutch Parliament needs to give its approval and in January 2017 it refused to debate the issue. The pilots aimed to divide unemployed welfare recipients into five groups, with each having different obligations. Some groups will receive an unconditional CBI of around £800 per month; others will be required to have even more contact with employability services than they do at present; still others will receive a CBI and be entitled to 50% of any income earned. The pilots aim to find out:

- Which intervention best incentivizes people into work?
- Which intervention has the best outcome in terms of moving people off benefits?

A maximum of 25 municipalities, or 4% of the total number of Dutch welfare claimants, will be allowed to participate in the experiments. The duration of the experiments is set at two years.

However, on December 15th 2016, the ‘committee for citizens’ initiatives’ decided not to allow a discussion in Dutch Parliament about the proposal to implement a CBI in 2018.

Oakland, California
A large start-up accelerator in Silicon Valley, Y Combinator, announced in mid-2016 that it would pilot paying out monthly salaries between $1,000 and $2,000 a month to 100 families in Oakland, California. This is a universal income in that the families range in socioeconomic status and there are no requirements to stay in the US. If the pilot is a success, a five-year trial will follow.

1 http://basicincome.org/news/2016/10/netherlands-design-of-bi-experiments-proposed-meets-criticism-from-stakeholders/
First Minister - Briefing on Citizens Basic Income

Annex C
Scottish Pilots of CBI

Fife CBI Pilot
In November 2015 Fife’s Fairer Fife Commission issued a report with a number of recommendations to tackle poverty and inequality in Fife. One of the recommendations was "to test and evaluate a highly innovative ‘Basic Income’ pilot, learning from leading practice around the world".

Fife Community Partnership remain actively interested in developing a pilot and Officials are planning to submit a paper to the Community Planning Partnership after the May Council elections to explore models and feasibility. A meeting of the Citizens Basic Income Network Scotland (CBINS) was hosted in Kelty, Fife on 28th January where Prof Karl Widerquis from Reading University spoke prior to a discussion about the Fife pilot. The Council are currently working on the parameters of piloting a citizen’s basic income in one town in Fife of 2-5,000 people for a minimum of 2 years. They are fully aware that it will be a long complicated process requiring agreement from a wide number of partners, including UK Government. Such agreement has not yet been sought.

Glasgow CBI Pilot
According to the Basic Income Network (BIEN) website, on “November 26 2016, Glasgow Councillor Matt Kerr announced that Glasgow City Council had instructed its officers to begin researching and designing a local pilot study on CBI”. No further formal announcements have been made although officials of Glasgow Council have been in touch with Scottish Government officials recently to ask for a meeting.
ANNEX D
Illustrative Modelling of the RSA CBI Scheme

Micro-simulation modelling of the RSA scheme for households in Scotland was undertaken in order to investigate the potential distributional impacts. The analysis should be viewed with the following caveats in mind:

- Microsimulation modelling requires significant detail about the tax and benefit system. This level of detail is not provided in the RSA paper therefore we have had to make assumptions about the benefits that would be retained under their scheme. We assume all benefits are stopped, with the exception:
  - Disability Living Allowance
  - Personal Independence Payments
  - Severe Disablement Allowance
  - Industrial Injuries Disablement Benefit
  - Housing Benefit
- As per the analysis presented by the RSA, the analysis does not apply any behavioural responses to households.
- The levels of the payments suggested by RSA are for 2012-13 so the analysis has been run with data from 2012-13. This means that the charts below present what would have happened had the system been in place in 2012-13.

Summary

- In their report RSA state that the scheme would be funded by the abolition of certain benefits and tax changes. However, running the analysis for Scotland with all the tax and benefit changes specified we estimate that there would be a shortfall of approximately £3.6 billion.
- In considering the distributional impact, this shortfall needs to be noted since it means that overall household income is being increased, so household gains will exceed household losses.
- It is estimated that the scheme would lead to approximately 85% of households in the bottom decile being better-off. However, the proportion of households better off in deciles 2, 3 and 4 is 62%, 51% and 54% respectively compared to 64% or more households being better off in deciles 5 and upwards.

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<tr>
<th>Table 1 – Estimated costs and funding</th>
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<td>Increase in benefit expenditure on CBI</td>
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<td>Additional income tax</td>
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<td>Additional national insurance</td>
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<tr>
<td>Shortfall in funding</td>
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Notes: The increase in income tax from the removal of the personal allowance is calculated using the microsimulation. An estimate of the impact of reducing tax relief on pensions is calculated as a Scotland share of the RSA UK estimate.
First Minister - Briefing on Citizens Basic Income

Chart 1 - Proportion of households in each decile better/worse off

- Household better-off as a result of CBI
- Household worse-off as a result of CBI

Chart 2 - Average gains for better-off households as a proportion of net income

Chart 3 - Average losses for worse-off households as a proportion of net income
ANNEX E – CURRENT LINES

Top Lines
[REDACTED]

Current Context
- There is increasing interest in Scotland and internationally on Citizens Basic Income – a tax-free, unconditional, non-means-tested regular payment for all citizens, replacing most social security benefits.
- CBI pilots are being developed in parts of Finland, Canada and the Netherlands – however, these are all small scale and there is an argument about whether these are genuinely testing aspects of a CBI system or just elements of it.

Scotland and CBI
- Scottish Ministers have made clear in parliament their view that CBI is not viable in Scotland without full powers over tax and social security or without cooperation of UKG. That is because basic income is a replacement for most benefits. The UK Work & Pensions Committee held a one day oral evidence session on CBI on 12 January 2017. However, the UK Government has not been positive about CBI to date - DWP Minister Damian Hinds said in September last year that CBI was ‘unaffordable’.
- The Scottish Government’s Expert Working Group on Welfare (2014) did not recommend CBI as a replacement welfare system in an Independent Scotland: ‘It is likely that the introduction of CBI would be a controversial step and would need careful introduction to gain widespread support.’
- The Social Security Committee is holding a one day investigation into CBI on March 9th.
- The 2016 SNP Conference agreed a motion supporting the principle of CBI.
- Both the Fife and Glasgow discussions about pilots are at the earliest stages. A Fife pilot was proposed by its Fairness Commission, but so far only an initial scoping meeting has been held. A Glasgow pilot has been proposed by Cllr Matt Kerr but it is not clear that any work is being taken forward on this as yet.
- The Citizens Basic Income Network Scotland (CBINS) is a new organization, established at the end of 2016, ‘to raise awareness of the benefits that a Basic Income would bring to Scotland’.
Cabinet Secretary for Communities, Social Security & Equalities

CITIZENS BASIC INCOME – SCOTTISH GOVERNMENT APPROACH TO THE THREE PROPOSED PILOTS

Purpose

1. To advise you of a further potential pilot of Citizens Basic Income in Scotland and to seek your views on Scottish Government’s future approach.

Priority

2. Routine

Background

3. Briefing sent to the First Minister and copied to the Cabinet Secretary for CSSE and Minister for Social Security on 3 March 2017 set out the advantages and disadvantages of Citizens Basic Income. This paper concluded that [REDACTED]

Local Authority Pilots

4. In December 2016 the Minister for Social Security noted that she wished officials to keep a watching brief on the Fife Pilot of Citizens Basic Income. Officials have been engaging with Fife Council on this matter. In recent months there has been increasing attention on the approach and both Glasgow Council and North Ayrshire Council have now committed to develop a pilot.

5. None of the pilots have moved further than early thinking and there are no solid proposals on the table at this stage. Glasgow are developing a feasibility study and RSA Scotland are taking a leading role advising both Glasgow and Fife. Council elections on May 4th may influence proposals although all three are currently confident that the policy has cross party support and will continue to feasibility stage.

6. You have already been invited to meet with Alex Rowley, MSP to talk about Scottish Government’s role in the Fife pilot. You have also been asked to meet Councillor Joe Cullinane (Labour), the leader of North Ayrshire Council.

7. It does not seem to make sense for each local authority to independently go through a feasibility stage and initiate discussions with UK and Scottish Government. If all three projects went ahead together they could potentially reduce the cost and administrative resource required for each pilot or they could test different aspects of CBI, but this would only work if all three had been designed together.

8. At this stage you may wish to consider whether:
RECOMMENDATION

9. You are invited to:

[REDACT]

LIZ HAWKINS
Communities Analysis
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DG Communities
Director for Housing and Social Justice
Dave Signorini, Communities Analysis
Shirley Laing, Social Justice and Regeneration
Paul Tyrer, Social Justice Strategy
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