

Universal income



NHS Health Scotland is a national Health Board working with and through public, private and third sector organisations to reduce health inequalities and improve health. We are committed to working with others and provide a range of services to support our stakeholders take the action required to reduce health inequalities and improve health.

Key messages

- The impacts of a universal income policy are not yet fully understood. Variations of the policy could have different impacts on how income is distributed.
- Supporters of a universal income policy argue that it would make the social security system simpler, less stigmatising and would reduce inequalities.
- Those against a universal income policy argue that it would be excessively expensive to fund, would provide disincentives to work, or would require substantial increases in personal taxation.

Key actions

- Carry out a systematic review of the models and impacts (across health and social outcomes) of previous universal income policies.
- Do further econometric modelling of different designs of universal income to identify a model that would provide the maximum benefits, while minimising the potential negative consequences.
- Apply impact assessments to inform the design of any piloting work to identify populations that might be adversely affected by unintended consequences of the policy.
- Undertake a robust evaluation of the pilots to better understand the economic, social and health impacts of such a policy.

What is this briefing about?

This briefing focuses on the recent discussions around a universal income policy and the implications it might have for health and wellbeing and reducing health inequalities. It links closely with NHS Health Scotland's complementary Inequality Briefing on '**Income, wealth and poverty**'¹ as well as linking to our **Modelling the impact of policy interventions on income in Scotland report**.

What are health inequalities?

Health inequalities are the unfair and avoidable differences in people's health across social groups and between different population groups. They represent thousands of unnecessary premature deaths every year in Scotland, and for men in the most deprived areas nearly 25 fewer years are spent in 'good health' than men in the least deprived areas. For women this is 22 years. One of the most important causes of health inequalities is income inequality and so aspects of policy on social security are important in addressing this.

Universal income policy

In Scotland, there has been recent interest in introducing a universal income. This briefing explains the concept of a universal income and the variations that have been proposed by different groups over time. This briefing then outlines the potential impacts of such a policy and the uncertainties, in order to inform future discussions.

This is relevant to health and health inequalities because of the importance of poverty, income and income inequalities in generating health outcomes across the population.

Describing and defining the policy

Several terms have been used to describe universal income policy. This includes: citizen's income, minimum income, basic income and universal basic income. These different terms reflect, to an extent, the variation in the underlying rationale for the policy.

For some, universal income reflects a human rights approach to social security. For others, it is about a means of providing a low-level social safety net or increasing the financial incentives for low-paid workers.



The policy should not be confused with the Joseph Rowntree Foundation's Minimum Income Standard,² which is a calculation of an income threshold rather than a specific policy or intervention.



The basis of the universal income is that the **whole population would receive an income from the state, irrespective of their income from other sources and not dependent on need.**

This universal income would replace most, if not all, other benefit and welfare payments. There are, however, different variations of the policy model that have been described. These are outlined below.

Variants of universal income policies

Many versions of universal income policy have been proposed.³ There are three main differences across the variants:

Eligibility: Some models propose that all people resident within the country at all ages would receive the income at the same level (e.g. adults, children, migrants into the country, prisoners), while in others, the income is based on citizenship and/or age criteria (often being provided at a lower level for children). It is often argued that the social solidarity sought from the policy is dependent on its universality.

Benefit replacement: In some variants, universal income would replace all other social security payments (including the state pension, all disability payments and housing benefit), while in others, only some of these would be replaced.

Level of income: This is the biggest variation in the design of the policy. This concerns the level of income that would be distributed, the relationship to tax-free allowances (and whether or not that would be changed), if there would be associated changes in personal income tax and if the universal income would be taxable.

The generosity of the universal income and the changes in other associated taxes and allowances are fundamental to how expensive the policy would be to implement and the extent to which it would address poverty or inequality.

For a universal income policy to be more redistributive,* it would need to be implemented at a level higher than the benefits it would replace for those on the lowest incomes.



* An action that is intended to share money more fairly between rich and poor people.

Given that universal income would mean an increase in social security payments for a substantial proportion of the population, the costs of the policy would be high and would require increases in taxation and/or for the universal income to be counted as part of wages income and therefore taxable.⁴

However, at a high enough level, universal income could reduce inequality⁵ or even eradicate poverty by ensuring no individual falls below the designated thresholds (including relative thresholds if the level of universal income was linked to median earnings) – **but this would require very substantial tax increases.**

For there to be no detriment for individuals and households with substantial needs and payments under the current system, a replacement universal income would need to be at a high level.

If housing benefits were replaced by universal income, the wide variation in rents across the country would cause problems. At present, housing benefit covers the housing costs for low-income households in accordance with local prices and eligibility criteria. As a result, households in areas with high rents would face much higher costs than those in areas with low rents, but without additional money.¹ To avoid some households having unaffordable rents there would need to be a radical change in housing policy, variation in the level of universal income across the country or the continuation of housing benefit alongside universal income.

Some groups also face extra costs (e.g. due to disability or because they live in remote and rural areas), which would not be easily accommodated within a universal income policy. The additional costs due to disability are (at least partly) recognised within the current social security system.

The case for a universal income

People have argued for the introduction of a universal income for a number of reasons. For some, the policy represents the establishment of a social security system that would ensure the entire population was provided with sufficient income to live on. In essence, this would provide for a fundamental human right. Other advantages are argued to stem from the universal nature of the policy, including the destigmatisation of welfare benefits; a decrease in bureaucracy, complexity and means testing; and an end to sanctions and the associated uncertainty in incomes for individuals.

The policy is also designed to help greater economic risk-taking in the population, given that there is baseline income that people can rely on and to which there would be no interruption if a business were to fail.⁶ The policy would also support people who are currently in unpaid caring roles.

It is also argued that the policy could change the nature of the economy by providing people with the income they would require to undertake less paid work but more creative or voluntary activity – thereby benefiting individuals and the population overall in a different way.

It would also assist workers in negotiating pay and potentially lead to increased wages at the lower end of the income scale where a universal income would provide a greater proportion of total income.

The case against a universal income

There are two main concerns about a universal income. First, that it would be too expensive to fund from taxation at a sufficiently high enough level to ensure that nobody experiences financial harm from the withdrawal of existing benefits. Some recent proposed models of universal income that have attempted to ensure that the policy was revenue neutral have struggled to avoid such harm. Linked to this is the wide variation in housing benefits received across the population because of the differences in housing costs. This is difficult to resolve within a universal income policy without substantial knock-on effects to other substantive policy areas, including housing policy, but also potential industrial, economic and regional policy (which arguably generate the variation in demand for housing in different areas).

Second, it has also been argued that the provision of an unconditional income may create a disincentive to work which could make industry less competitive because of increased wages and associated increased costs. Ultimately, this could lead to a decrease in national economic output and less resources to fund universal income policy and public services.

Evidence of the impact of universal income

There are no comprehensive reviews currently available that assess the impacts of universal income policies, although there are a number of evaluations of relevant policies. It is difficult to interpret the existing evidence because the policy has been tried at different levels, and in very different contexts and time periods. However, particularly in countries where there is no comprehensive social security system, there is evidence that universal income policy can generate positive impacts on child health, educational attainment and mental health.^{7,8} The minimum income experiment in Dauphin in Canada between 1974 and 1979 was associated with an 8.5% decline in hospital admissions compared with a matched comparison population.⁹ Further work to systematically identify evaluations of relevant policies and their impacts, particularly on the behavioural responses to the policy, would be helpful.

Piloting universal income

Piloting a universal income policy in Scotland would require the full cooperation of the Department for Work and Pensions and the Scottish Government, both of which provide different aspects of the current social security system.

As the policy is universal, and many of the benefits are argued to occur as a result of the universal nature of the policy and the impacts it has across the whole population, it would likely require whole geographical communities to be involved (in both the intervention and comparison groups).

As there remains substantial uncertainty about the impacts of the policy, and indeed which variant of the policy would be best, robust evaluation is important.

This would therefore require substantial evaluation resources to be in place at the planning stage of the pilot to demonstrate the possible positive and negative impacts, and to arrange robust data collection processes.

Summary

The introduction of a universal income would represent a radical change from the current social security system which is largely based on the application for benefits and their means testing. The advocates of universal income argue that it would have substantial benefits by reducing income inequalities and because of its simplicity and lack of stigma. However, the policy has been critiqued as being unaffordable unless some expensive components of the current social security system such as housing benefit were excluded. For the policy to achieve a substantial reduction in income inequality it is likely that it would have to be implemented alongside increases in other taxes.

Options for further action

- Carry out a systematic review of the models and impacts (across health and social outcomes) of previous universal income policies.
- Do further econometric modelling of the distributional aspects of different designs of universal income to identify a model that would provide the maximum positive benefits while minimising the potential negative consequences. In particular, policy options that would eradicate relative poverty could usefully be identified.
- Apply impact assessments of the policy to inform the formulation of any piloting work. This would help to identify populations who might be adversely affected by unintended consequences of the policy.
- Undertake a robust evaluation of any pilots to ensure that we better understand the economic, social and health impacts of such a policy.

References

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- 7 Ruckert A, Huynh C, Labonte R. Reducing health inequities: is universal basic income the way forward? *Journal Public Health* 2017;2:1–5.
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- 9 Forget EL. New questions, new data, old interventions: the health effects of a guaranteed annual income. *Preventive Medicine* 2013;57:925–8.

Collaboration with NHS Health Scotland

For further information, to join the mailing list for future Inequality Briefings in the series or to discuss working in partnership with NHS Health Scotland, contact:



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