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Working Paper

An evaluation of a strictly revenue neutral citizen's income scheme

EUROMOD Working Paper, No. EM5/16

Provided in Cooperation with:

Institute for Social and Economic Research (ISER), University of Essex

Suggested Citation: Torry, Malcolm (2016) : An evaluation of a strictly revenue neutral citizen's income scheme, EUROMOD Working Paper, No. EM5/16, University of Essex, Institute for Social and Economic Research (ISER), Colchester

This Version is available at:

<https://hdl.handle.net/10419/197591>

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EUROMOD WORKING PAPER SERIES

EM 5/16

**An evaluation of a strictly revenue
neutral Citizen's Income scheme**

Malcolm Torry

June 2016



An evaluation of a strictly revenue neutral Citizen's Income scheme ¹

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Abstract

A Citizen's Income – an unconditional and nonwithdrawable income for every individual – would offer many advantages: but because the UK's current benefits and tax systems are complex, transition to a benefits system based on a Citizen's Income could be difficult to achieve. Two previous EUROMOD working papers have studied some of the effects and financial feasibilities of a variety of Citizen's Income schemes.² The advent of EUROMOD G3.0, and the availability of new FRS data, has made possible a more up to date evaluation of one of the schemes discussed in the second of the earlier working papers: a strictly revenue neutral scheme that could be paid for by raising Income Tax rates by 3%, by abolishing Income Tax Personal Allowances, and by making adjustments to National Insurance Contributions, and that would leave in place the existing social security structure and reduce households' means-tested benefits by taking into account their Citizen's Incomes. The earlier working papers show that such a scheme would impose almost no disposable income losses on low income households at the point of implementation, and would impose only manageable losses on households in general. This new working paper updates the previous research on such a scheme, offers a variety of additional evaluations, and studies the possibility of paying a Citizen's Income to a single year cohort as a first step in rolling out such a Citizen's Income scheme to the entire working age population.

JEL: C80, H53, H55, I38, R20

Keywords: Citizen's Income, household income, initial losses, microsimulation model

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¹ The results presented here are based on EUROMOD version G3.0. EUROMOD is maintained, developed and managed by the Institute for Social and Economic Research (ISER) at the University of Essex, in collaboration with national teams from the EU member states. We are indebted to the many people who have contributed to the development of EUROMOD. The process of extending and updating EUROMOD is financially supported by the European Union Programme for Employment and Social Innovation 'Easi' (2014-2020). The UK Family Resources Survey data was made available by the Department of Work and Pensions via the UK Data Archive. All remaining errors and interpretations are the author's responsibility. Opinions expressed in this paper are not necessarily those of the Citizen's Income Trust

² Malcolm Torry, *Research note: A feasible way to implement a Citizen's Income*, Institute to Social and Economic Research Working Paper EM17/14, Colchester: Institute for Social and Economic Research, University of Essex, September 2014, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em17-14; Malcolm Torry, *Two feasible ways to implement a revenue neutral Citizen's Income scheme*, Institute to Social and Economic Research Working Paper EM6/15, Colchester: Institute for Social and Economic Research, University of Essex, April 2015, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em6-15

1. Introduction

This paper builds on and extends the discussion and research results published in two previous EUROMOD Working Papers: *Research note: A feasible way to implement a Citizen's Income*,³ and *Two feasible ways to implement a revenue neutral Citizen's Income scheme*.⁴

A Citizen's Income is an unconditional, nonwithdrawable income paid to every individual as a right of citizenship. A benefits system based on a Citizen's Income would offer many advantages over the UK's current largely means-tested system. A Citizen's Income would deliver reduced marginal deduction rates and so would increase employment incentives; it would offer greater social cohesion; it would not create the stigma that means-tested benefits generate; it would substantially reduce fraud and error rates; and it would be easy to administer.⁵

The advent of EUROMOD G3.0 and the availability of new Family Resources Survey data⁶ has made possible a more up to date and more thorough evaluation of a Citizen's Income scheme that the second of the earlier working papers showed was financially feasible: a strictly revenue neutral⁷ scheme that could be paid for by raising Income Tax rates by 3%,⁸ by abolishing Income Tax Personal Allowances, and by making adjustments to National Insurance Contributions, and that would leave in place the existing social security structure and reduce households' means-tested benefits by taking into account their Citizen's Incomes.

³ Malcolm Torry, *Research note: A feasible way to implement a Citizen's Income*, Institute to Social and Economic Research Working Paper EM17/14, Colchester: Institute for Social and Economic Research, University of Essex, September 2014, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em17-14

⁴ Malcolm Torry, *Two feasible ways to implement a revenue neutral Citizen's Income scheme*, Institute to Social and Economic Research Working Paper EM6/15, Colchester: Institute for Social and Economic Research, University of Essex, April 2015, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em6-15

⁵ Malcolm Torry, *Money for Everyone: Why we need a Citizen's Income*, Bristol: Policy Press, 2013, pp 81–186

⁶ EUROMOD 3.0 employs tax and benefits regulations for 2015/16 and Family Resources Data from 2012 updated to 2012 values: 'updated (or backdate) monetary ... from the mid-point of the data year (October 2012) to the mid-point of the policy years applying on June 30th (i.e. October 2011 to October 2015) No other updating adjustments are employed. Thus the distributions of characteristics (such as employment status and demographic variables) as well as the distribution of each income source that is not simulated remain as they were in 2012/13.' (Paola De Agostini and Holly Sutherland, *Euromod Country Report: United Kingdom (UK) 2011–2015*, Colchester: Institute for Social and Economic Research, Essex University, 2016, https://www.euromod.ac.uk/sites/default/files/country-reports/year6/Y6_CR_UK_final_13-04-2016.pdf, p. 56). See Sutherland and Figari (2013) for more information about EUROMOD.

⁷ A revenue neutral scheme is defined as a reform of the tax and benefits system that can be funded by making adjustments to tax and benefits rates and regulations. A strictly revenue neutral scheme is one that can be funded by making adjustments to rates and regulations related to the basic structure of personal income taxation and benefits. So a reform that could be funded by changing Personal Allowances and Income Tax rates would be strictly revenue neutral, whereas one that reduced a tax allowance related to private pension contributions might be revenue neutral rather than strictly revenue neutral (Donald Hirsch, *Could a "Citizen's Income" work?* York: Joseph Rowntree Foundation, 4th March 2015, p. 33. www.jrf.org.uk/publications/could-citizens-income-work).

⁸ One criterion for a feasible Citizen's Income scheme has to be that Income Tax rates should not be raised by more than about 3%. While a large Citizen's Income could compensate for a substantial rise in Income Tax rates, Income Tax rates are a psychological as well as a financial issue, so substantial rate rises can be politically infeasible (Donald Hirsch, *Could a "Citizen's Income" work?* York: Joseph Rowntree Foundation, 4th March 2015, pp. 25–28. www.jrf.org.uk/publications/could-citizens-income-work)

As well as revisiting the question of the financial feasibility of such a scheme, this new research project has enabled me to respond to suggestions made in relation to the previous two working papers, and in particular to evaluate the ways in which the proposed Citizen's Income scheme might or might not reduce the number of households claiming means-tested benefits.

The second of the previous working papers suggested that such a scheme could be introduced one step at a time. As well as re-evaluating the scheme as a whole, this paper studies the possibility of paying a Citizen's Income to a single year cohort as the first step in rolling out a Citizen's Income to the entire working age population.

2. The scheme to be evaluated: scheme β (beta)

Scheme B in *Two feasible ways to implement a revenue neutral Citizen's Income scheme* allocated a Citizen's Income – an unconditional and nonwithdrawable income – of £50 per week to every adult between the ages of 25 and 64, a lower Citizen's Income of £40 per week for every adult between the ages of 16 and 24, a Child Citizen's Income of £20 per week, and a Citizen's Pension of £30 per week. Child Benefit and existing contributory pensions were left in payment.

The scheme to be evaluated in this paper is slightly different, and so is termed scheme β .

The major change is that an amended Child Benefit is employed to provide an unconditional income for children rather than a new Child Citizen's Income being paid in addition or instead. In scheme β Child Benefit rates are increased by £20 per week and Child Benefit is restricted to children under the age of 16 (– that is, the current extension to the nineteenth birthday for those still in full time education is withdrawn). This is because a Young adult Citizen's Income would be paid to everyone between the ages of 16 and 24.

It might be objected that Child Benefit pays more for the first child in the family, and less for the second and subsequent children, whereas a Citizen's Income by definition should pay the same for every individual of the same age. The Royal Society of Arts, in its report *Creative Citizen, Creative State – The principled and pragmatic case for a Universal Basic Income*, allocates a larger Child Citizen's Income for the first child of a family than for the second and subsequent children,⁹ which has the same effect as increasing each of the two Child Benefit rates by the same amount and removing the Child Benefit extension for over 16s still in full-time education. The same objection applies: that this breaks the rule that every individual of the same age should receive the same Citizen's Income.

We might respond to the objection as follows: Every Citizen's Income scheme envisages Child Citizen's Incomes being paid to the child's main care. This means that children do not in fact receive their own Citizen's Incomes, and a main carer of children would be receiving a larger Citizen's Income than someone who is not the main carer of children because they would be receiving their own Citizen's Income and the Citizen's Incomes or Child Benefit of their children. In this sense, the requirement that everyone of the same age should receive the same Citizen's Income has already been breached: and to pay more for the first child of a family than for the second and subsequent children does not cause more of a breach than

⁹ Anthony Painter and Chris Thoun, *Report: Creative Citizen, Creative State – The principled and pragmatic case for a Universal Basic Income*, London: Royal Society of Arts, 2015, <https://www.thersa.org/discover/publications-and-articles/reports/basic-income>, p. 22.

already exists, because all it does is adjust the already diverse amounts of Citizen's Income and/or Child Benefit received by the main carer of one or more children.¹⁰

There are several respects in which scheme β is the same as scheme B as that is described in the working paper *Two feasible ways to implement a revenue neutral Citizen's Income scheme*. In particular,

- The scheme raises National Insurance Contributions (NICs) above the Upper Earnings Threshold from 2% to 12% and the Primary Threshold is reduced to zero. This has the effect of making NICs payable on all earned income at 12%. This still seems to me to be an entirely legitimate change to make. The ethos of a flat rate benefit such as Citizen's Income is consistent with both progressive tax systems and with flat rate tax systems,¹¹ but not with regressive tax systems.
- The Income Tax Personal Allowances are set at zero.
- The working paper *Two feasible ways to implement a revenue neutral Citizen's Income scheme* modelled scheme B with a working age adult Citizen's Income of £50 per week. In a subsequent article I modelled the same scheme B with a working age Citizen's Income of £54.20 per week.¹² This figure was based on the total value of the Income Tax Personal Allowance and the National Insurance Contribution Primary Threshold as they would have been in 2012/13. By following the same logic, the value of the Citizen's Income for 2015/16 would have been £60 per week,¹³ so that is the level that I choose for this project.

3. The net cost of scheme β , and household gains and losses

I employ the same evaluation methods as in the previous working papers, and, in particular, I evaluate the effects of the Citizen's Income scheme on household disposable incomes rather than on individuals' disposable incomes.

There are good arguments for both approaches. It is individuals who receive income, so gain or loss is an individual experience; and within a household income is not necessarily equitably shared, so the amounts that individuals receive might be more relevant than the amount that the household receives. However, we can assume that in most cases income is

¹⁰ A review of Anthony Painter and Chris Thoun, *Report: Creative Citizen, Creative State – The principled and pragmatic case for a Universal Basic Income*, London: Royal Society of Arts, 2015, in *Citizen's Income Newsletter*, issue 2 for 2016, London: Citizen's Income Trust, 2016, pp. 20–21.

¹¹ A.B. Atkinson, *Public Economics in Action: The Basic Income / Flat Tax Proposal*, Clarendon Press, Oxford, 1995

¹² Malcolm Torry, 'Evaluation of a Citizen's Income scheme that retains and recalculates means-tested benefits and that sets the working age adult Citizen's Income at £54.20 per week, particularly in relation to the number of claims for means-tested benefits and the amounts of means-tested benefits claimed', *Citizen's Income Newsletter*, issue 1 for 2016, London: Citizen's Income Trust, pp. 6–9, http://citizensincome.org/wp-content/uploads/2016/02/CIT_Newsletter_2016_Issue_1.pdf

¹³ The calculation is as follows: Income Tax Personal Tax Allowance in 2015/16 was £10,600. Removing the allowance would mean additional Income Tax of $10,600 \times 0.2 = £2,120$ being paid. The Primary Earnings Threshold for National Insurance Contributions was £155 per week. Reducing the threshold to zero would mean additional National Insurance Contributions of $155 \times 52 \times 0.12 = £967.20$. The total additional payment would be $2,120 + 967.20 = 3,087.20$, which translates as £59.37 per week: so a Citizen's Income of £60 per week would compensate for the loss of the Income Tax Personal Allowance and the reduction of the Primary Earnings Threshold to zero.

pooled within households, at least to some extent, so if one member gains and another loses then the household might be better off, and that might be a more significant fact than that one member of the household has suffered a loss in disposable income. Another point to make about households is that they are of different sizes, so the absolute gain or loss is not particularly relevant. However, percentage gains and losses are relevant, so this is the measure that we shall use.

Particularly problematic is knowing how to order households. A household of two parents and three children with twice the disposable income of a household containing just one adult will not be as well off as that individual adult. More detailed research, employing household weights and equivalised incomes, so that the disposable incomes of households of different sizes could be more relevantly compared, would constitute a further research project.¹⁴

Table 1 summarises the results obtained from microsimulation of the scheme proposed here.¹⁵

¹⁴ Malcolm Torry, *Research note: A feasible way to implement a Citizen's Income*, Institute to Social and Economic Research Working Paper EM17/14, Colchester: Institute for Social and Economic Research, University of Essex, September 2014, www.iser.essex.ac.uk/research/publications/working-papers/euromod/em17-14, pp. 3–4

¹⁵ The method is as follows: A new set of benefits is created in the UK country system in EUROMOD: a Citizen's Pension (CP) for over 65 year olds, a Citizen's Income (CI) for adults aged between 25 and 64, and a young person's Citizen's Income (CIY) for adults aged between 16 and 24). In the definitions of constants, levels are set for these Citizen's Incomes, and all Personal Tax Allowances are set at zero. So that the additional taxable income is taxed at the basic rate, and not at the higher rate, the first tax threshold is set at 42385. The National Insurance Contribution (NIC) Primary Threshold is set to zero, and in the NIC calculation the NIC rate above the Upper Earnings Limit is set to 12% (to match the rate below the limit). Child Benefit rates are increased by £20 per week. The Citizen's Income total is added to the benefits total and also to the means applied to means-tested benefits. Simulations of the 2015 tax and benefits system and of scheme β generate two lists of household disposable incomes for the entire Family Resource Survey sample. These then generate a list of gains (negative gains are losses), and the total of the gains gives the net cost of the scheme for the sample. To convert EUROMOD's monthly figures to annual figures, and the sample size to the total population, a multiplier of $(12 \times 65m / 46,421)$ gives the cost for the UK population. (The estimate of a UK population of 65m in 2015 is based on the population estimate for 2014 and the average annual addition for the previous decade: Office of National Statistics, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates>). A process of trial and error adjusts the Income Tax rates until the net cost falls below £2bn per annum.

Two different calculations are carried out. The FRS sample is not an entirely accurate reflection of the population as a whole, and the data includes a series of weights (dwt) that estimate the extent to which each sample household is representative of the population. The first calculation of the cost of the scheme multiplies the net household gain by the weight before summing the gains to generate the net cost. A second calculation ignores the weights. The first calculation generates a net saving of £2.8bn, and the second a net saving of £1bn. I record the result of the first (weighted) calculation in the table. The difference between the two calculations is negligible in terms of UK GDP.

Household original incomes are then ordered, the bottom 20% are selected (which broadly equates to households with an original income of less than £50 per week), and the percentage gains are evaluated. The process is then repeated for all households. The data is then ordered in different ways to obtain the other statistics required. (Previous working papers ordered households by disposable incomes. I have here followed a suggestion that I should order by original incomes because this ensures that the same households end up in the lowest quintile in relation to both the current tax and benefits scheme and scheme β .)

Table 1: An evaluation of Citizen's Income scheme β with the working age adult Citizen's Income set at £60 per week.

Citizen's Pension per week (existing state pensions remain in payment)	£30
Working age adult CI per week	£60
Young adult CI per week	£50
(Child Benefit is increased by £20 per week)	(£20)
Income Tax rate increase required for strict revenue neutrality	3%
Income Tax, basic rate (on £0 – 42,385)	23%
Income Tax, higher rate (on £42,385 – 150,000)	43%
Income Tax, top rate (on £150,000 –)	48%
Proportion of households in the lowest original income quintile experiencing losses of over 10% at the point of implementation	1.5%
Proportion of households in the lowest original income quintile experiencing losses of over 5% at the point of implementation	3.2%
Proportion of all households experiencing losses of over 10% at the point of implementation	1.4%
Proportion of all households experiencing losses of over 5% at the point of implementation	16.9%
Net cost of scheme	–£2.8bn: i.e. a saving of £2.8bn

We can conclude that scheme β would be strictly revenue neutral (– that is, it could be funded from within the current income tax and benefits system); that the increase in Income Tax rate required would be feasible; that the scheme would generate a small but significant saving in public funds; that the scheme would not impose significant losses on low income households; and that no households would suffer unmanageable losses.

We can therefore conclude that scheme β would be financially feasible.

4. Changes to means-tested benefits claims brought about by scheme β

Tables 2 and 3 give the results of calculations based on microsimulation of the current scheme and of scheme β .¹⁶

¹⁶ EUROMOD generates data on the different benefits received by households in the sample. Microsimulation of both the 2015 tax and benefits system and scheme β can therefore generate information on the number of claims for each social security benefit for the existing scheme in 2015 and for scheme β , and also information on the total cost of those benefits and on the average values of benefits claims.

Table 2: Percentage of households claiming means-tested social security benefits for the existing scheme in 2015 and for scheme β .

	Percentage of households claiming benefits in the context of	
	the existing scheme in 2015	scheme β
Out-of-work benefits (Income Support, Income-related Jobseeker's Allowance, Income-related Employment Support Allowance)	15.4%	13.1%
In-work benefits (Working Tax Credits and Child Tax Credits) ¹⁷	20.5%	15.5%
Pension Credit	12.1%	12.3%
Housing Benefit	21.9%	22%
Council Tax Benefit ¹⁸	26.7%	25.3%

Table 3: Percentage reductions in total costs of means-tested benefits, and percentage reductions in average value of household claims, on the implementation of scheme β

	Reduction in total cost	Reduction in average value of claim
Out-of-work benefits (Income Support, Income-related Jobseeker's Allowance, Income-related Employment Support Allowance)	70%	64%
In-work benefits (Working Tax Credits and Child Tax Credits) ¹⁹	27%	3%
Pension Credit	22%	23%
Housing Benefit	2.3%	3.1%
Council Tax Benefit ²⁰	6.6%	1.4%

These results show that scheme β

¹⁷ The FRS data employed by Euromod G3.0 is updated 2012 data, and so is based on data collected before Universal Credit began to be rolled out. Given the slow pace of the roll-out, it will be some years before the FRS data reflects changes brought about by the transition to Universal Credit.

¹⁸ The FRS data employed by Euromod G3.0 is updated 2012 data, and so is based on data collected before Council Tax Benefit became locally regulated Council Tax Support.

¹⁹ The FRS data employed by Euromod G3.0 is updated 2012 data, and so is based on data collected before Universal Credit began to be rolled out. Given the slow pace of the roll-out, it will be some years before the FRS data reflects changes brought about by the transition to Universal Credit.

²⁰ The FRS data employed by Euromod G3.0 is updated 2012 data, and so is based on data collected before Council Tax Benefit became locally regulated Council Tax Support.

- would reduce by 15% the number of households claiming the out-of-work benefits Income Support, Income-related Jobseekers' Allowance, and Income-related Employment Support Allowance; would reduce the total cost of these benefits by 70%; and would reduce by 64% the average value of these benefits received by households;
- would reduce by one quarter the number of households claiming in-work benefits Working Tax Credits and Child Tax Credits; and would reduce by one quarter the total cost. (Average claim value does not change, so the reduction in cost is due entirely to the reduction in the number of households in receipt of these benefits.)
- would reduce by nearly one quarter the total cost of Pension Credit. The average value of household claims would also fall by about one quarter. The number of claims for Pension Credit would not change much, so the reduction in total cost is due entirely to the reduction in the average value of claims. (The current transition from Basic State Pension to a Single Tier State Pension will change this picture by removing most elderly households from Pension Credit. ²¹)
- would not alter the number of claims for Housing Benefit, nor their average value, and so would not alter the total cost of Housing Benefit. This suggests that a Citizen's Income scheme of this type – i.e., that was strictly revenue neutral, and did not impose appreciable losses on low income households at the point of implementation – would not help to solve the problem of housing costs. A solution based on housing supply will need to be found.

(The small reduction in the number of claims for Council Tax Benefit is irrelevant. The locally regulated Council Tax Support has now replaced nationally regulated Council Tax Benefit, so whether a household's Citizen's Incomes would reduce to zero the household's entitlement to Council Tax Support will now depend on the character of the regulations established by their Local Authority. ²²)

5. The poverty reduction and redistributive effects of scheme β ²³

Table 4 shows the changes that scheme β would bring about in a number of indicators:

²¹ The reason for elderly individuals' Citizen's Pensions of £30 per week not affecting the number of elderly households' claims for Pension Credit would appear to be the ways in which tax and benefits regulations relate to each other in the context of elderly households. I could not discover an easy way of resolving this issue within EUROMOD. The slow transition from Basic State Pension to the Single Tier State Pension (STP), which will be paid at the level of income to which Pension Credit's Guarantee Credit raises pensioner income for everyone with a complete National Insurance record, will substantially reduce the number of claims for Pension Credit. Once roll-out of the STP has been achieved, it will be relatively simple to abandon the National Insurance record conditionality and turn the STP into a Citizen's Pension.

²² In 2012 Council Tax Benefit was still centrally regulated, and because the uprating of the 2012 FRS data employed by EUROMOD G3.0 continues to assume this situation. Under the Government's localisation agenda, Council Tax Benefit's replacement, Council Tax Support, is now locally regulated as well as locally administered. This means that every borough in the country can now invent its own regulations, and, in particular, its own taper rate. It will be far from easy to include Council Tax Support in future tax and benefits simulations. EUROMOD G3.0 assumes that Council Tax Support is still regulated as it was in 2012 (Paola De Agostini and Holly Sutherland, *Euromod Country Report: United Kingdom (UK) 2011–2015*, Colchester: Institute for Social and Economic Research, Essex University, 2016, https://www.euromod.ac.uk/sites/default/files/country-reports/year6/Y6_CR_UK_final_13-04-2016.pdf, p. 15)

²³ The data employed in this section are generated by the Sumstats application attached to EUROMOD G3.0.

Table 4: Changes that scheme β would bring about in inequality and poverty indicators

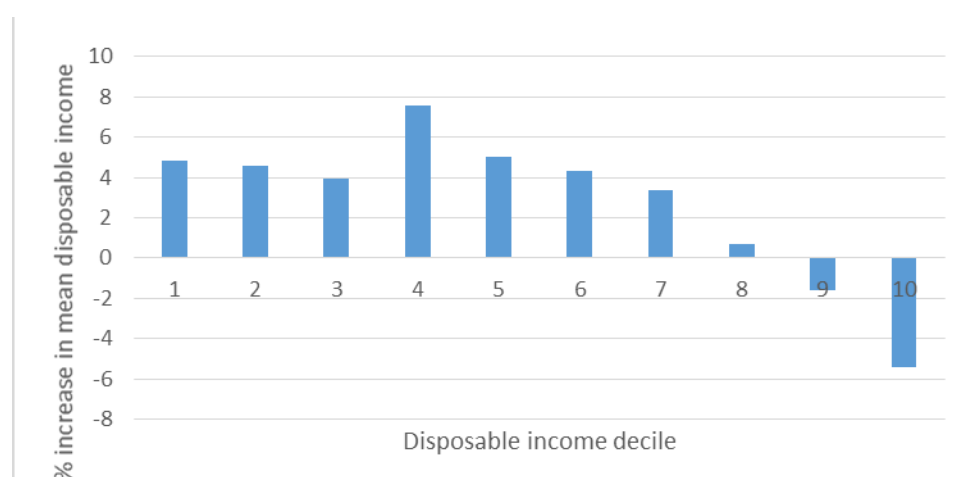
	The current tax and benefits scheme in 2015/16	Scheme β
Inequality		
Disposable income Gini coefficient	0.292	0.267
Poverty indices ²⁴		
Children in poverty	10.88%	6.99%
Working age adults in poverty	12.45%	10.20%
Economically active working age adults in poverty	3.81%	3.02%
Elderly	10.63%	13.34%

We can conclude that

- scheme β would deliver a small reduction in inequality;
- more significantly, child poverty would fall by a third, and working age poverty would also fall. An increase in elderly poverty is a function of scheme β that requires further research.

Figure 1 shows the aggregate redistribution that would occur if scheme β were to be implemented.

Figure 1: The redistributive effect of scheme β



²⁴ Poverty is defined as household incomes below 60% of median household income (Paola De Agostini and Holly Sutherland, *Euromod Country Report: United Kingdom (UK) 2011–2015*, Colchester: Institute for Social and Economic Research, Essex University, 2016, https://www.euromod.ac.uk/sites/default/files/country-reports/year6/Y6_CR_UK_final_13-04-2016.pdf, pp. 66–7).

The graph shows that scheme β would achieve manageable and useful redistribution from rich to poor, with those households often described as the ‘squeezed middle’ particularly benefiting from the transition.

6. A feasible transition

Because the only changes required in order to implement scheme β would be

- payment of the Citizen’s Incomes for every individual above the age of 16 (calculated purely in relation to the age of each individual)
- increases in the rates of Child Benefit
- changes to Income Tax and National Insurance Contribution rates and thresholds
- easy to achieve recalculations in existing means-tested benefits claims

the entire scheme could be implemented very quickly.

7. A feasible first step

If it were to be thought advisable to make the transition to a tax and benefits system based on a Citizen’s Income rather more slowly than the ‘all at once’ method assumed in this working paper so far, then one option, already trailed in previous working papers in *The Feasibility of Citizen’s Income*,²⁵ would be to introduce a Citizen’s Income one age group at a time. Because the cost of the first step in any multi-stage transition is understandably of particular interest, I here calculate the cost of a Citizen’s Income payable just to 16 year olds.

For this purpose I assume that Child Benefit is no longer paid for 16 year olds still in full-time education, and that every 16 year old is paid a Citizen’s Income of £50 per week.

The net cost would be £1.33 bn per annum.²⁶ Either this could be provided by raising National Insurance Contributions above the Upper Earnings Threshold, or for the first year it could be found from other government revenue.

By the time every single working age adult has a Citizen’s Income, the fact that each new single year cohort will have had its Personal Allowances and NIC Primary Thresholds set to zero from the age of 16, and that they will be paying Income Tax rates at 3% above current rates, will mean that these methods of paying for everyone’s Citizen’s Incomes will automatically be in place. We know from the calculations above in relation to scheme β that the entire scheme would be strictly revenue neutral with National Insurance Contributions collected at 12% on all earned income: so we also know that slowly raising NICs above the

²⁵ Malcolm Torry, *The Feasibility of Citizen’s Income*, New York: Palgrave Macmillan, 2016

²⁶ There are 537 sixteen year olds in the FRS sample. 37 are not in full-time education. Currently Income Tax of £214.22 and National Insurance Contributions of £179.52 are collected – a total of £393.74 – on total earnings for this group of £7,039 per month. With a Citizen’s Income in payment, all of this income would be taxed at 12% + 23% = 35% = £2463. Additional tax collected would be £2,069 per month = £568 per week. 500 of the sample are in full-time education, so their families would currently be receiving Child Benefit. I take the midpoint between the First Child and Other Child rates for Child Benefit = £17 per week. The net cost of the Citizen’s Income would therefore be $(50 \times 537) - (17 \times 500) - 568 = 26850 - 8500 - 568 = £17782$ per week.

There are 772514 16 year olds in the UK (Office for National Statistics:

<http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/about-ons/business-transparency/freedom-of-information/what-can-i-request/previous-foi-requests/population/uk-population-of-14-to-18-year-olds/index.html>). So the total cost would be $17782 \times 52 \times 772514 / 537 = £1.33$ bn per annum.

Upper Earnings Threshold to 12%, along with the changes that would automatically be generated as each single year cohort became economically active, would cover the cost of each new single year cohort of 16 year olds.

So if a long transition were to be required, then giving a Citizen's Income to every new single year cohort of 16 year olds would be a useful way of slowly delivering an entire Citizen's Income scheme.

I suspect that once the first few single year cohorts had received their Citizen's Incomes, so many people would know individuals for whom their Citizen's Incomes were an entirely positive experience that there would be a widespread call for the whole of scheme β to be rolled out: which could of course be done very quickly.

8. Conclusion

If scheme β had been introduced in 2015 then no additional public expenditure would have been required (– in fact a small saving would have been generated), low income households would have experienced very few losses, few households would have experienced unmanageable losses, and Income Tax rates would have increased by only 3%. The costs and average claim values for most means-tested benefits would have been reduced, and the number of households claiming in-work benefits would have dropped dramatically. Child poverty would have been reduced significantly, inequality would have been reduced, and manageable and useful redistribution would have been achieved.

The impact of this quite conservative and easy to achieve Citizen's Income scheme on both employment incentives and poverty would have been both positive and considerable.

If political anxieties necessitate a gradual transition then a viable slow transition is available that would eventually deliver scheme β and all of its advantages.

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