



OFFICIAL REPORT
AITHISG OIFIGEIL

Social Security Committee

Thursday 20 August 2020

Session 5



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SOCIAL SECURITY COMMITTEE

13th Meeting 2020, Session 5

CONVENER

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

DEPUTY CONVENER

*Pauline McNeill (Glasgow) (Lab)

COMMITTEE MEMBERS

*Tom Arthur (Renfrewshire South) (SNP)

*Jeremy Balfour (Lothian) (Con)

*Keith Brown (Clackmannanshire and Dunblane) (SNP)

*Mark Griffin (Central Scotland) (Lab)

Alison Johnstone (Lothian) (Green)

*Shona Robison (Dundee City East) (SNP)

*Graham Simpson (Central Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Neil Craig (Public Health Scotland)

John Finnie (Highlands and Islands) (Green) (Committee Substitute)

Julie McLachlan (North Ayrshire Council)

Andy White (Glasgow City Council)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

Virtual Meeting

Scottish Parliament Social Security Committee

Thursday 20 August 2020

[The Convener opened the meeting at 10:00]

Interests

The Convener (Bob Doris): Welcome to the 13th meeting in 2020 of the Social Security Committee. We have received apologies from Alison Johnstone, who cannot be with us. Her substitute is John Finnie. Our deputy convener, Pauline McNeill, is running a bit late, but will join us as soon as she can.

I welcome Mr Finnie to the committee. Do you have any relevant interests to declare?

John Finnie (Highlands and Islands) (Green): I have no relevant interests to declare.

Decision on Taking Business in Private

10:01

The Convener: Next on the agenda is a decision on whether to take an item in private. Does the committee agree to take in private item 4, which will be consideration of evidence that is heard during today's meeting? Given the complexities of a group discussion using videoconferencing, I will assume that everyone agrees, unless they indicate otherwise.

I see no disagreement, so the committee agrees to take item 4 in private.

Citizens Basic Income Pilots

10:01

The Convener: The next agenda item is on assessing citizens basic income pilots. The committee will take evidence on “Assessing the Feasibility of Citizens’ Basic Income Pilots in Scotland: Final Report”.

I welcome Neil Craig, who is the acting team head for evaluation at Public Health Scotland; Andy White, who is a senior officer in welfare rights and money advice at Glasgow city health and social care partnership and Glasgow City Council; and Julie McLachlan, who is a senior manager in income policy at North Ayrshire Council. Thank you all for your hard work on the report. I invite Julie McLachlan to make an opening statement.

Julie McLachlan (North Ayrshire Council): I thank the committee for the invitation to speak about our final feasibility study report. Today’s discussion builds on our previous meeting with the committee, which coincided with the release of our interim report in November.

The committee will be aware that we published the final report of the feasibility study in June. It is substantial in-depth research, and the steering group was delighted that all four local authorities that were involved the project formally endorsed the report ahead of its submission to the Scottish Government.

I remind the committee that the steering group that led the work on the feasibility study has been working in partnership on the project since 2017. The four local authorities involved are Glasgow City Council, the City of Edinburgh Council, Fife Council and my local authority, which is North Ayrshire Council. The study was conducted in collaboration with Public Health Scotland—formerly NHS Health Scotland—and was supported by the Improvement Service and the Scottish Government.

The Scottish Government supported the project with funding that was announced in the 2017 programme for government. In addition to that, each partner organisation provided in-kind resources to enable the study to take place over two years.

The final report sets out a proposed model for piloting a basic income. We also explored feasibility by examining details of the legislative, financial and practical implications of conducting a pilot, as well as its potential costs and benefits. We commissioned two key pieces of novel research, which we can say more about. The first of those explored the social security implications

of a basic income and the second concerned economic modelling of a national roll-out of a basic income.

The steering group recommended in its conclusions on the feasibility study that a pilot study of basic income should be undertaken. We believe that that would add a great deal of detail and missing information to the debate about the feasibility of a basic income. In particular, it would allow us to test and evaluate the impact of a basic income on communities, and it would generate improved evidence around the impacts—in particular, on people’s behaviour. There has never been a pilot that we could use for comparison in the Scottish context. Such a pilot would also allow us to test how the policy could be implemented, and it would stimulate policy, community and public debate about the feasibility and desirability of a basic income.

However, although it is desirable and we will recommend that we pilot a citizens basic income, it is currently not feasible. There are substantial institutional challenges in implementing a pilot, and the research has determined that it is not feasible for any one level of government to implement a pilot without collaboration. In short, that means that a CBI pilot would require full support across all levels of government: local, Scottish and United Kingdom, including the Department for Work and Pensions and HM Revenue and Customs. We hope that the findings of the feasibility study contribute to a wider discussion about Scottish society and having a wellbeing economy in Scotland.

The Convener: I thank you for that opening statement and, as I said earlier, I thank the team for all its work.

I am grateful that you have put on the record that this is a long-standing piece of work. Much has been made in recent months about the citizens basic income in response to the Covid-19 pandemic. We might get on to that point when we come to members’ questions. That was not the question that I was going to ask, but I think that it is important to put on record that the study is not a reaction to the pandemic; there was an existing commitment from Scottish local government and the Scottish Government to see how it could work.

I am sure that other members will ask questions about the barriers to a pilot, but I would like to look at the case for one. I have read the report. It is good to bring to life what a pilot might look like, because that means more to members of the Scottish Parliament. One of the reasons why there has been institutional resistance to a citizens basic income has been that most social security systems are wed to a conditionality model, whether that is through sanctions or other conditions that are put on claimants. There is

structural resistance to moving away from that model. That brings me on to thinking about how a pilot might work in practice.

Possilpark and Ruchill, which are in my constituency, have about 10,000 or 11,000 residents between them. It is fair to say that sanctions and conditionality have been significant issues for them and have certainly had an impact on the communities that I represent. When you are looking at the case for a pilot scheme—*[Temporary loss of sound.]*

—it is because social security has been wed to a sanctions-based regime? In what areas are you looking to implement pilot schemes? I do not mean necessarily in my constituency, which I would ask for, as the MSP. Are you looking at the potential benefits of a CBI for areas of particular deprivation where perhaps the current system simply does not work?

Julie McLachlan: I am happy to take that question, and I am sure that Andy White and Neil Craig will have something to add. In summary, we are proposing a randomised control study. There would be two study areas, which would be generalisable to the Scottish population. In one of the areas people would receive what we would classify as a low payment of £73 a week for an adult, and in the other they would receive a high payment of £213 a week. That coincides with the minimum income standard that the Joseph Rowntree Foundation proposed would be an acceptable amount of money for someone to live on and to be able to participate fully in society.

However, it is important that the pilot model covers the five key principles of basic income. When we look elsewhere around the globe, we see that not all models that have been piloted have been able to represent all of those key principles. The principles that we propose are that the basic income is universal, is paid to all people within the pilot area and is unconditional. The convener mentioned conditionality; we propose that there would be no conditions attached. For example, participants would not be required to search for work. The other two principles are that it would be paid to individuals, not to households, and that it would be paid at regular intervals through cash being paid by bank transfer, for example.

As I mentioned, we would test two levels of income. The interest in testing the low level of a CBI—£73 per week—would be on testing the impact of removing conditionality.

We also propose that a range of existing income-related benefits would be suspended—my colleague Andy White can provide more detail on that—while other benefits, such as disability, childcare and housing benefits would continue.

We propose that the pilot would run for three years, with an additional one year preparatory period. We can say a bit more about the reasons behind that duration.

We have given an indication of the size of a pilot. We propose that, in order for the results to be generalisable for the low-payment basic income, there would be 2,500 participants in the area, and for the high payment there would be 14,000 participants. The three-year study, including the low and high levels of CBI, would cost approximately £186 million.

Conditionality has been one of the difficulties for other pilots; they have not been able to test the impact of an unconditional CBI. We can say a bit more about the engagement with the Department for Work and Pensions and Her Majesty's Revenue and Customs, and the findings that we have from that engagement.

The Convener: Keep your powder dry on telling us about that engagement, because I know that other members want to ask specific questions about it.

I take it, from the last point that you made, that one of the cases that can be made for a pilot is that you would be able to analyse the impact on people getting themselves back into the job market and seeking employment if conditionality were to be removed. That would be a positive thing to study. I do not want to put words in other folks' mouths, but I saw nodding heads when you mentioned that.

Julie McLachlan: You mentioned the labour market. The report sets out the three areas in which we would be most interested in exploring the impacts: property, child poverty and unemployment. The outcomes in those three are the primary areas that we are interested in exploring. There are also secondary outcomes that we are interested in, including people's experience of the social security system, and their health and wellbeing.

We want to focus on those outcomes, in particular, because—as you would expect—all four participating local authorities suffer from high rates of poverty and inequality. In my council area, one in three children lives in poverty and there is only one job for every two people. We have all considered things such as fairness and poverty commissions, so we would be keen to explore the impact on poverty.

One of the reasons for testing the impact on unemployment is that a lot of other pilots have sought only to test the impact on employment. Many people who argue against basic income say that it would have a negative impact on labour market participation. In fact, a pilot that concluded recently in Finland found that there was a slightly

positive impact. Even more important is that there was also a positive impact on health and wellbeing.

10:15

The Convener: That is very helpful. I have a final question, before I bring in other members.

You will appreciate why I mentioned Possilpark. A basic income would enable people to be supported into the labour market rather than living in fear of sanction, which is a reality for too many of the households that I represent. There is a connection between supporting people to have enough money to live on and supporting them into the labour market.

Your report refers to the changing nature of employment, with the development of the gig economy, uncertain work, and transient and short-term employment. There is a lot more uncertainty in the types of jobs that are being created, and there can, at times, be a lot of stigma attached to such jobs.

In a pilot, are you keen to see whether a CBI would change the perceptions of people who are seeking employment? For example, they might consider types of employment that they would not otherwise have thought would be worth their while because they would not be able to make ends meet, or because they were worried about the impact on their benefits if they were to try a job that lasted only a few months before they found themselves unemployed again.

Can you say a bit more about how a pilot might look at the changing nature of employment to see whether a citizens basic income can support communities and enable people to look again at jobs that perhaps would not currently work for them?

Julie McLachlan: My colleague Neil Craig will comment on evaluation of the pilot and the particular areas that we would like to focus on.

In the report, we highlight among the arguments for a basic income—as you mentioned—the changing nature of the labour market. The Royal Society of Arts is really keen on exploring that area as well. I know that the committee would be keen to explore the impact of Covid-19 on the case for a basic income. As you can see, recent announcements of redundancies strengthen the case for a basic income in an insecure labour market.

Part of the problem, especially in places like North Ayrshire—although the RSA looks at wider areas—is that there are just not enough jobs. There is now greater focus on fair work and fairly paid jobs, and on concepts such as community wealth building and the wellbeing economy. Neil

Craig can comment on the specific outcomes that you would like to explore and—importantly—how we would go about finding out whether the pilot had achieved those outcomes.

The Convener: Thank you for that. Before I bring in Neil Craig, I give broadcasting a heads-up that we will move to Shona Robison MSP for the next question, once Neil has made his comments.

Neil Craig (Public Health Scotland): We propose that a pilot study should have a mixed evaluation that should look at not only the quantitative measures that Julie McLachlan listed—the impact on poverty, child poverty and employment—but explore a range of other outcomes, including the mechanisms that affect the choices that people make, such as whether they go to work or take the opportunity that is offered by a basic income to do things like additional training or volunteering.

We would explore those through a process of evaluation in which we would dig a bit deeper into and explore the circumstances of individuals using qualitative methods including interviews and focus groups, in order to get to the bottom of people's motivations when they have access to a basic income, to see how it affects their choices. We would combine quantitative hard measures on employment, poverty and so on with a more nuanced understanding of the rationale for the choices that people make when they are offered a basic income.

The Convener: That is very helpful—thank you.

Shona Robison (Dundee City East) (SNP): Good morning, and thank you for all your work to date. You must feel that a basic income has very much become centre stage during the discussions on the Covid response. It is very positive that the concept is gathering so much support.

Julie McLachlan has mentioned on a couple of occasions the institutional challenges of delivering a pilot under the current arrangements, particularly in relation to the DWP and HMRC. I would like to explore that a little more. Has any progress been made in talks with those organisations? What legislative, technical and delivery changes would be needed to join up the dots in what is a complex system to ensure that a pilot could work to the extent needed in order to gather the required data?

Julie McLachlan: I will give a brief overview of the relationship with the DWP and HMRC, because, as you alluded to, exploring those institutional arrangements was a key part of the feasibility study. The steering group began engaging with the DWP in April 2018, which was just before the formal start of the feasibility study. In May 2018, the then Cabinet Secretary for Communities, Social Security and Equalities wrote

to the then Secretary of State for Work and Pensions to ask the DWP to engage with the local authorities throughout the feasibility study. Following that, the current Cabinet Secretary for Communities and Local Government wrote to the secretary of state and the Financial Secretary to the Treasury to seek assurance that DWP officials would continue to engage with the steering group.

We have had progress on that engagement. We have had two face-to-face meetings with the DWP and HMRC. The first of those took place in March 2019, and the second took place more recently, in January 2020. It is fair to say that the engagement moved more slowly than we would have liked, given the tight timescales that we were working to for the feasibility study, and that it was difficult to get some substantive answers to the questions that we posed to the DWP. Some of that was due to the complexity of the benefits system and some of it was due to the DWP's focus on the current welfare system. I have to say that officials of both organisations were helpful and engaged in our areas of interest.

In the latter engagement, we presented to the DWP and HMRC our preferred model of a CBI, which built on what was in our interim report. We put questions to both organisations on the areas of interest that we would need to explore to determine our conclusions from the feasibility study. Those areas included conditionality, which has already been raised; the treatment of CBI payments; the suspension of benefits; the transition back on to benefits; and any local variations that could be allowed relating to piloting or tax changes. Our focus was to ensure that there would be no detriment to any potential pilot participants.

As the full report sets out, we were not able to identify a delivery model for a CBI. A key issue is the need for primary legislation to be able to remove conditionality or to suspend benefits. Those issues would not go away even with a smaller pilot. If there was a pilot focusing on a smaller amount of people, there would still be issues with interaction with the benefits system and the need for primary and secondary legislation changes. For example, changes would be needed to remove conditionality from the pilot area.

The meetings highlighted that, to be able to pilot a basic income on the model that we propose, there would have to be further detailed technical discussions to fully map the benefit and tax interactions with the purpose of ensuring that there would be no detriment.

A further issue, which my colleague Andy White can expand on, is how a basic income would interact with the complex range of entitlements that those of a pension age currently have. That requires careful consideration. I understand that

the Cabinet Secretary for Communities and Local Government, since receiving our final feasibility study report, has written to the Secretary of State for Work and Pensions and the Financial Secretary to the Treasury to highlight the findings and to ask for further dialogue on the potential for a CBI pilot. The steering group and the four councils are really keen for that dialogue to take place.

The Convener: Mr White, you were mentioned. Do you want to comment?

Andy White (Glasgow City Council): Yes, I am happy to comment.

As Julie McLachlan has detailed, there was engagement with the DWP. There is no doubt that we would probably have wanted further engagement with the DWP and HMRC. However, it is fair to say that, when we engaged with them, it was a constructive meeting. There were around 18 representatives from HMRC and the DWP present, so they certainly took the issue seriously.

You will see from our report that we recommend that further detailed work be done in relation to how a CBI would interact with the benefits system, and particularly the UK benefits system. The feedback on the model from the DWP was very helpful in setting out the legislative challenges and highlighting the issues for the DWP and HMRC relating to system changes that would be required and barriers in relation to information technology systems.

From that meeting, I really got a feeling that I wanted to go again and have further discussions with the DWP and HMRC. If we want to have a CBI pilot in Scotland that ensures that those on the lowest incomes—particularly those on benefits—are not put in detriment, it is important that further work is done to map out the potential detriments and the solutions to those issues. That work would probably lead us to suggest a different model from the one that we have suggested.

In relation to the timescales that the steering group worked to, we have commented on the model that we proposed and the rationale behind it, but there is no doubt that more detailed work would have to be done before a pilot could be launched in any part of Scotland.

Shona Robison: I hope that I have captured this correctly. From what you say, it seems to me that there has been pretty good engagement with HMRC and the DWP at official level. Whether there has been the same response at ministerial level is maybe—[Inaudible.]

—to the letters that the cabinet secretary has sent.

Leaving that aside, how optimistic are you that there will be further engagement on some of the detail?

My next question is perhaps more tricky. Will we reach a point at which going further than that engagement would require more political agreement from the UK Government? Are any further meetings planned at official level to build on the work that has been done?

Julie McLachlan: I will answer the latter question first. No further meetings are planned. The final report concluded the feasibility study, and the formal funding and in-kind funding that were available have ended.

On the next steps, as we have said, to enable us to have more detailed proposals for piloting a basic income, we absolutely need to have further engagement across all levels of government—local government and the Scottish and UK Governments. However, it is accurate to say that DWP officials are very focused on the current model of social security that they are developing. In debates regarding the Covid response, the chancellor has not suggested that he would be willing to explore further the idea of a citizens basic income.

10:30

Without a commitment at a political level, and given that, rather than looking at the feasibility of piloting, the DWP's focus is on its response to Covid and on the current social security system, we would not be able to explore those proposals further. That is not to say that, if we approached officials, they would not be willing to engage in further dialogue. However, for us to take the proposals to the next step and pilot a basic income, it is key that we have further buy-in at a political level.

The Convener: Does Shona Robison want to come back on that?

Shona Robison: No, that is fine. Thank you.

Jeremy Balfour (Lothian) (Con): [*Inaudible*.]—evidence so far. I will pick up on some of the stuff around what would happen, if a pilot was to take place, with regard to unforeseen circumstances, particularly for those more vulnerable or disabled people and those who are on low incomes at the moment. What mitigation would you foresee—for example, if we ran a programme and found that people who had lost their disability living allowance or personal independence payments were less well-off or struggling more because of other unforeseen circumstances? How would you mitigate that, if the study does not work? There have been cases like that in other parts of the country and the world.

Julie McLachlan: I can respond to that, and then I will bring in my colleague Andy White, who

has a more detailed understanding of the welfare system.

A key principle of our moving towards a pilot would be no detriment. In the feasibility study report, we do an indicative equality impact assessment. As we set out in the report, before moving to a pilot, we would strongly advise that a full, detailed equality impact assessment be undertaken to ensure that there are no detrimental impacts, particularly for those most vulnerable groups that Jeremy Balfour outlined, and particularly those on the lowest incomes. The report also sets out work on transitioning, because it is important that, when someone starts to receive a basic income, they are supported and aware. That is one of the reasons why we highlight the need for a one-year preparatory period. A lot of other commentators have suggested that we go straight into piloting or a national roll-out, but we feel that that one-year preparatory period is important.

Further to that, we feel that it is important that people are supported to transition off a basic income back on to benefits, although, depending on their situation, they might not have received any benefits. Andy White will have more to add on benefits interaction and the impact on those who receive benefits.

Andy White: That is a good summary from Julie McLachlan of the careful approach that we take to any pilot. With regard to people who are entitled to disability benefits, Jeremy Balfour mentioned disability living allowance, PIP, attendance allowance or the Scottish Government's replacement for disability assistance. We are not saying that those benefits would be replaced by our proposed model of CBI. There is an expectation that those benefits would still be accessible to anybody who participated in the pilot.

In relation to detriment, we are concerned about the potential of a CBI kicking someone out of a legacy benefit or universal credit; because they have PIP or another disability benefit, they have disability premiums on top of their award of a legacy benefit or they have transition protections in relation to disability within universal credit. We mapped that out in the report, and it is one of the issues that we would have to do further work on in relation to the DWP, to make sure that, if someone was in receipt of a basic income, it would not kick them out of the wider entitlements that they may have.

You will see from our suggested model that the basic subsistence rates—for example, in universal credit—would be suspended to help to fund a CBI, but we are keen that that would not end other entitlements in UC. Disability has been mentioned, but there could be issues associated with the

additional moneys that relate to limited capability for work or work-related activity. As you will be aware, there are other elements as well, such as a carers element. In the report, we have highlighted the issues that are involved in trying to protect people and not cause them detriment. We have had initial discussions with the DWP and HMRC, but, as I have highlighted, the matter requires further detailed work. In the report, we recommend that the Scottish and UK Governments commit to doing that further work, which, as a steering group, we would have a continued interest in.

Jeremy Balfour: I will come back to Andy White, just to clarify things in my mind. My understanding is that, going forward, if there is a trial and it is a big success, and if it is rolled out across Scotland or even the whole of the UK, at that point, someone's disability payments may disappear. Under the model that you are working on, which is obviously different from those in other parts of the world, would disability payments continue even if everybody was on a universal income? It would be helpful if you could clarify that.

Andy White: Yes. It is important to clarify that issue. It is important to clearly tell people what a CBI would do and what it would replace, but it is as important to tell them what it would not replace. There is no intention that a CBI would replace disability benefits, but we want to make sure that people would continue to have access to the passporting that the disability benefits lead to, and that it would not end. That is why the interaction between a CBI and the social security system is so complicated. Some advocates—not all—suggest that we could just switch off certain benefits. However, as the committee knows from the work that it has done over a considerable period, there are issues related to the passporting of benefits.

We welcome the opportunity to point out that we are not saying that disability benefits would end. Indeed, in the report, not only do we say so in relation to disability benefits, we say that that should be the case in relation to housing benefit, housing support costs and childcare. As I said, we would want to see some of the additional elements—for example, the top-ups that people would get for being a carer or having limited capability for work or work-related activity—continue in any system.

I am sorry, but it is not as straightforward as the one starting and the other stopping—there are intricacies within that.

Jeremy Balfour: It is not easy, but that was helpful.

My final question is about the longer-term cost. In your report, you have included a figure for the

cost of the pilot. The figures that I have seen are that it would cost between £20 billion and £26 billion to roll-out a CBI across Scotland. Do you recognise those figures? Would that cost be added on to disability benefits? What would be the on-going total cost of the scheme?

The Convener: I do not see anyone immediately volunteering to respond. I know that the report includes various figures. Perhaps you could talk us through those.

Neil Craig: I will take that question. I typed “R” in the chat column; perhaps that was not seen.

The figures on the long-term roll-out are in the Fraser of Allander institute's report, so we recognise the figures that Jeremy Balfour mentioned. I am not sure whether there is much more to say at this stage other than that those figures are premised on the same set of assumptions that Andy White and Julie McLachlan have been talking through, about what benefits would be replaced and what benefits would be retained. They also make assumptions about the revenue neutrality of the scheme.

We asked those at the Fraser of Allander institute and their colleagues at Manchester Metropolitan University and the Institute for Public Policy Research to assume revenue neutrality, so the costs of the scheme had to be covered through savings on the benefits based on the assumptions that we have been talking through, savings on pensions, additional tax revenues and the abolition of the personal tax threshold. Those savings made the scheme revenue neutral.

Of course, those assumptions had to be built into the modelling. There are alternative ways of financing such a scheme, including through deficit financing. The sustainability and the long-term macroeconomic consequences of that, and the number of permutations for how big a deficit might be used to fund it, all opened a Pandora's box of additional issues that we considered were not within the scope of the analysis.

The assumptions that we asked the Fraser of Allander institute to model are basically the ones that Julie McLachlan and Andy White have been talking through: the replacement of some benefits and the non-replacement of others.

The Convener: Andy White wants to add to that.

Andy White: I agree with Neil Craig. I indicated that I wanted to reply before I heard what he had to say, which was probably not the wisest approach.

The cost depends on the model that is settled on. We suggest that, in tackling the issue of poverty, setting a minimum income standard at a higher level should be considered. The cost of

doing that is not, to any great extent, down to the fact that we are giving a higher level of money to people who are on benefits; it is probably because we are giving quite a high level of money to people who are not on benefits but who are on higher incomes. You can see from our cost figures that the suspension of benefit entitlement does not contribute much to reducing the cost. Therefore, we suggest that the other side of that accounts for the majority of the costs, because quite a high level of payment is made to people who may have other levels of income, or certain levels of income that mean that they are not in receipt of benefits.

The overall cost depends on the final model that is used. I know that the issue of cost is one that the committee will consider further.

Mark Griffin (Central Scotland) (Lab): My questions are on the impact of a basic income on people living with a disability, so it is helpful to have some of the issues clarified. I, too, understood that a basic income would be a replacement for all benefits, so it is helpful to have clarification that a pilot scheme would not remove disability benefits from the system.

Was any consideration given to modelling a minimum income level that included a rate for disability, so that that model would have one streamlined system? We know that people with a disability face higher costs and so would require a higher minimum income to achieve the same living standards as someone without a disability. Was there any discussion about including a disability premium in the income modelling part of the basic income pilot?

10:45

Neil Craig: We decided fairly early on that trying to cover the additional costs of those with disabilities and encapsulate that in a basic income that covered those costs would lead to a prohibitively expensive basic income for the reason that Andy White just gave, which is that we would be paying that on a huge scale to people who did not necessarily have those needs. We felt that, on balance, it was better to retain disability-related benefits in the benefits system, in the way that Andy White has just described, than to define a basic income that covered the list of benefits that are in the report, which would be replaced. That is why we did not go down the route of estimating in a detailed way the cost of a basic income that included those allowances.

Andy White might want to add more on that.

Andy White: The proposal is cost prohibitive. As well as that, we are trying to adhere to the characteristics of a basic income, particularly with regard to the unconditional nature of it. Clearly, any awarding of disability benefits involves an

assessment process, and the Scottish Government's replacement of the disability benefits has suggested some helpful and transformational changes to how assessments would take place. However, having a citizens basic income that would also have a system for deciding whether people met the eligibility criteria for disability benefits would produce quite a complicated system. There are two issues: the issue of it being cost prohibitive and the issue of the unconditional nature of a basic income.

Mark Griffin: Is there a danger that a basic income would provide only the minimum income requirement of people without a disability, meaning that people living with a disability would not see the benefits of having their minimum income standards met through CBI but would have to rely on two systems to deliver that? Some of us feel that the disability entitlements that people get are not enough to cover the costs of living with a disability and that, therefore, under the proposal, part of the population would have their minimum income standards met but people living with a disability would not.

The Convener: Does anyone want to give some reassurances about what would happen with regard to disabled people and the benefits system if we were to move to a system involving a citizens basic income?

Andy White: It is a reasonable point to make. As someone who has worked in welfare rights for 20 years, on the front line, looking at maximising benefits and income for disabled people, I think that a system that is less complicated and more accessible is to be desired.

Most advocates of basic income suggest that disability benefits would not be replaced by basic income, because it would be cost prohibitive. For example, if you look at the personal independence payment, the enhanced rate of the daily living component is something like £89 or nearly £90. That is only one part of that benefit; those who are eligible could be entitled to the mobility element as well, which has two potential additions in relation to the levels. If you tried to get a basic income that added another £90 a week, just in that one example, and applied that to everyone universally, the cost would be even more than what we are suggesting. Really, we are acknowledging what some other advocates are saying, which is that the disability benefits system should be reformed and improved but that it should stand alone and separate from any basic income.

Mark Griffin: I have one other question in a different area. How would the economic impact of a basic income affect behavioural change and the ability of someone who received a minimum income standard to choose not to accept work that was insecure? For example, could they choose

not to take a job that underpaid them for the value of their labour or a zero-hours contract? Would a minimum income give people the ability to reject that kind of unfair work? Do you feel that the size of the sample—I think it was 14,000 participants—is sufficient to demonstrate the effect of that behavioural change? And would you be able to predict the reaction of employers to that behaviour? Would employers be forced to amend the type of work that they offered, as well as the rates of pay and contractual conditions that they set?

Neil Craig: Those are the very behavioural effects that we are keen to explore in a pilot. It is fair to say that all the potential impacts that you have listed are those that it is hypothesised would be the result of a basic income. It is also fair to say that the evidence that we have currently on those potential impacts is quite scant. We have suggested carrying out a pilot that would explore those issues, first, to find that out and, secondly, because such impacts are absolutely integral to the macroeconomic modelling, whereby certain assumptions have had to be made about the likely labour supply response and productivity effects. All the things that you have spoken about might potentially work through into productivity changes as well.

The pilot aims to explore and get better evidence on what those impacts might be. In the long term, it would also help to refine some of the assumptions that have been made in the macroeconomic modelling, so that those estimates could be less assumption and more evidence based.

Those are all reasonable hypotheses about what might happen, but the evidence base is not great at the moment, and that is partly the rationale for the pilot that has been proposed.

Mark Griffin: Briefly, do you think that the pilot—

The Convener: Mark, I am really sorry but we do need to move on—my apologies for that. A few members still need to ask their questions. I give members a heads-up that I intend to run the meeting until about 11:15.

Tom Arthur (Renfrewshire South) (SNP): I declare an interest as the co-convener of the cross-party group on basic income.

I would like to understand the implications of Covid-19 for the arguments about a basic income. The way in which we are meeting remotely via computer would have been unimaginable for many members of the Scottish Parliament even a year ago; now it is part of how we do our job. The changing nature of working practices affects not only MSPs but a range of professions across the private, public and third sectors.

Many of the arguments about basic income have been about its potential impact on the gig economy and the rise of the precariat, as well as touching on the implications of mass automation and the fourth industrial revolution. Humans are becoming surplus to requirements for some tasks.

Is Covid-19 having a fundamental impact on some of the philosophical arguments for a basic income?

Julie McLachlan: That is an interesting point. There have been calls for an emergency UBI, but what we are proposing is a pilot of a basic income, not a national roll-out of a universal basic income. An emergency UBI would be a national roll-out of a basic income.

The arguments for a basic income have been strengthened in recent months. Despite the patchwork of support that has been put in place at different levels by the Government, people are still falling through the cracks and are unable to receive support. From that perspective, the universal aspect of a basic income is appealing.

I am keen to stress that we did not explore a national roll-out of a CBI, although the findings from our economic modelling clearly point to what the implications of that might be.

Covid-19 has opened up a wider debate about what kind of economy we want. Should something like gross domestic product be our key focus or should we move to a wider range of measures that focus on the wider social, economic and environmental wellbeing of our communities and of society? That has been important.

We will see changes in the future. Automation has been mentioned, and the climate emergency and the need to ensure a just transition are also important. All of those changes in the economy and in economic policy are likely to add to the argument for a universal basic income.

We would emphasise, due to the issues highlighted in the report, that it is important to pilot a CBI first. We have highlighted the substantial challenges in the interaction with benefits: the risk that people will lose out and the risk of people experiencing a detriment to their welfare. We are keen that there should be a pilot before there is any move to a roll-out. That would allow a better exploration of the behavioural implications and the risk of detriment.

I know that there are other views. We are not proponents of a UBI. We have taken an objective and evidence-based approach to the feasibility study. Other proponents might be keen to see a move to a full roll-out—the argument for that has been made in other places.

Andy White might want to add to what I have said.

11:00

Andy White: I am in general agreement with Julie McLachlan, although Covid and the issues arising from it—the financial pressures that people have been put under—are one of the reasons that Glasgow City Council wants to fully explore a CBI.

As committee members can see in the foreword of our report, our city treasurer is clear that Covid is an issue. He highlights the need for a different model of social protection—one that is there when people actually need it—and for a system that values varied contributions.

During the Covid outbreak, one of my jobs was to co-ordinate the giving of welfare advice to people who were shielding. I spoke to hundreds of people and, day in and day out, it was clear that the existing system was not really up to the job as far as their immediate needs were concerned. I spoke to people who had never claimed benefits in their lives. I spoke to people who were absolutely surprised at the bureaucracy of claiming benefits and equally astonished at the low levels of support that were available. I also spoke to a range of people who were managing the crisis that had been brought on them by Covid by going into debt. They were pretty astonished that, in order to get an immediate payment through the universal credit system, they were being asked to go into even more debt.

For me and my council, there is no doubt that Covid has fuelled our interest in a CBI pilot and in the need for a better, more responsive system of social protection.

Tom Arthur: Thank you very much for that. I would love to go into far more detail, but I have the opportunity to have those conversations via the cross-party group on basic income. I look forward to catching up in the future but I will stop there, to give colleagues an opportunity to ask questions. I appreciate that we are pushed for time.

The Convener: I appreciate that, Tom. I can see the thirst in the committee to get into a conversation about CBI rather than hold a scrutiny session. That is why it is taking so long, but I am loth to cut members off.

Pauline McNeill (Glasgow) (Lab): Andy White said that the existing system is not up to the job, and I agree. There is a lot of interest in the idea of a universal, or citizens, basic income.

I believe that Neil Craig said earlier that the Fraser of Allander figures were based on a revenue neutrality principle. There are a few challenges around that. It is hard to test CBI in a pilot, because the system as a whole cannot run unless there is buy-in, as Julie McLachlan said. I wonder how we will get that buy-in, even for the lower levels, because although it is said that the

system is revenue neutral, it is not really, because to achieve that, people would have to agree to an increase in tax, at a minimum of 8 per cent. How much work do the witnesses think would be involved to get that buy-in from people? Some people will pay more and a pilot cannot show that; therefore, there are limitations to a pilot.

Julie McLachlan: I know that Neil Craig will answer in relation to the modelling that we did, but I am keen to say that the modelling is for a national roll-out of CBI. As you rightly allude to, there are limits to what can be tested in a pilot. However, as Neil Craig mentioned earlier, a pilot can give a better insight into the behavioural implications—how people react to receiving that money—which can then be used to inform economic modelling.

Another important point, which we discuss in the report, is that a pilot would open up a debate around people's views on a basic income. Some work on that has been done; Fife Council and North Ayrshire Council have both surveyed their communities on their views on a basic income.

There are also national, European and international surveys, but further debate would be really important in getting people's views, by, for example, asking hypothetical questions about whether they would be willing to pay more tax so that we could roll out a universal basic income.

Again, I come back to the debate about the need for a wellbeing economy—one which does not focus only on measures such as GDP. That is important as well.

The public debate aspect is very important. In the report, we recommend that further work is done on getting people's views about the feasibility of a basic income. We hope that the report can be used as a good basis for starting that conversation. I know that Neil Craig will have more to add on the specific impact of the modelling.

The Convener: Both Neil Craig and Andy White want to comment. I will take them together, and I apologise for asking them to be a little briefer, to let us get through the topic.

Neil Craig: I will be very brief.

In relation to Pauline McNeill's comment, I confirm that revenue neutrality was assumed in order to make the modelling tractable. We asked the Fraser of Allander institute to model revenue neutrality because, if one were to say that there were no parameters, there would be infinite permutations of revenue that could be raised through various forms of taxation. It was a way to rein in the analysis by saying that, if the payments were set at a particular level, with the savings, and with the effects of the tax threshold, how much

additional revenue would need to be raised, and how would that express itself in terms of the changes that would be required to the income tax rate?

However, all sorts of different permutations could be explored. I will leave it at that.

Andy White: Neil Craig has covered it. I do not want to take up any time unnecessarily.

Graham Simpson (Central Scotland) (Con): I will be really brief, because we have covered a lot of ground.

I have a comment about the affordability aspect, which was covered by the Fraser of Allander institute. It produced a range of figures, starting at £27 billion and going all the way up to £58 billion; extra tax started at 8 per cent but went all the way up to 49 per cent. I cannot see any Government going for that; it would be massively unpopular.

Will the witnesses comment on a potential problem with running a pilot project, which is that some people will be in the pilot and some will not? I live in East Kilbride. Hamilton is down the road from there. If a pilot were run in Hamilton, some people in East Kilbride would ask why people in Hamilton were getting that money, but they were not. Have you considered that?

Julie McLachlan: I will try to be brief. Yes, absolutely; we have considered that. In the report, we have not proposed a specific location for the pilot projects; we have said that we would have to use an area which is generalisable for the Scottish population.

We want to test the community-level effects of a basic income. To do that, there must be a saturation pilot. One could look at other models. We debated looking at specific areas of the population, such as care leavers, lone parents or carers, but we are really interested in those community-level effects, so we have to have that saturation pilot. However, we fully recognise the issues with that, and we have also commented on how people would be treated as they moved in and out of pilot projects.

On affordability, we recognise the challenge. As Neil Craig said, we asked the Fraser of Allander institute to look at a specific model, but we have pointed out in the report that one could look at other ways of funding a citizens basic income, such as through a wealth tax or a carbon tax. We have not gone into detail about those.

The Convener: Before I bring in Neil Craig and Andy White, who have both indicated that they wish to speak, if Graham Simpson wants to come back in just now that would be helpful, given the time constraints. Either Neil or Andy could then mop up any additional questions.

Graham Simpson: I have only one more question. I think that my first question has been answered.

A well-publicised pilot was done in Finland. As far as I know, the Finnish Government has not taken that work forward. Why is that?

The Convener: Who would like to comment on that? I know that Finland was mentioned in the opening statement.

Julie McLachlan: It is correct that there was a pilot in Finland. It did not test all the principles of a universal basic income. It was not universal; it focused on people who were already receiving benefits. They were keen to test the labour market outcomes. I could go into more detail on the findings, which I alluded to earlier, but I am conscious of time.

We visited Finland, funded by the Carnegie UK Trust, and we spoke to people who were involved in different pilot areas. We heard that there was an impact on the political feasibility of it. The Government decided to take a different approach during that pilot, which had an impact on the findings. I know that the current Government is no longer focusing on a basic income—at least, that is my understanding of the Finnish context.

The Convener: Apologies to Neil Craig and Andy White for not taking your responses there.

Keith Brown (Clackmannanshire and Dunblane) (SNP): I have a couple of points that it would be useful to get comments on from those who were involved in the report.

First, Graham Simpson's point is important; for that reason, I imagine that it would be far better for a pilot to be done across an entire local authority area. Oddly enough, that leads me to think that you would be best to go to somewhere such as Clackmannanshire, which is the smallest mainland council and happens to be in my constituency, or to Inverclyde or Midlothian, which are very small councils. That would give you the local government buy-in, which the report repeatedly stresses is necessary in addition to buy-in from Westminster and Holyrood.

Do the people involved in the report think that sufficient regard was paid by them and by the Fraser of Allander institute to the other benefits, and is three years long enough for those benefits to be evident? I am talking about things such as the reduction in child poverty and inequality and the alleviation of pressure on health and other social services as a result. Those benefits will take some time to come through the system, but should be advantages that would be clear from some of the figures that are mentioned in the report. Is that aspect being given sufficient attention? Rightly, the report has concentrated on the costs of a CBI,

but I am not sure that the benefits have been fully fleshed out.

Neil Craig: On the first point, the criteria for choosing the area to include in the study would have to be finalised in that year's preparatory period. Even if it is a local authority, people will still be living at the edges of those areas, close to people who are not, and close to job opportunities in neighbouring areas that might encourage them to move in and out of those areas. At some point, there will still be a boundary around the study area, which might affect the sorts of behaviours that people engage in as a result of either receiving the CBI if they are in the study area, or not receiving it were they to move out. That comes back to the prior discussion about how that would be managed.

We have given some thought to that but it would require further refinement. One question is whether you would continue to be eligible to receive the CBI if you moved into a neighbouring area that was not part of the pilot study. We suggest that you should be, so that it does not unduly influence your choices about taking jobs elsewhere; however, that would all need to be refined.

On whether we attach enough weight to wider benefits, the length of the period that the study would apply for was partly a pragmatic choice. If we conducted a longer pilot, we would certainly see more of the potential consequences working through. However, that would come at a cost and might also mean that the study could be more prone to some of the political changes that seem in Finland to have led to the termination of its pilots.

11:15

We are mindful of getting a duration where we are likely to see the full pilot work through without making it such a long period that it is very costly and might become prone to political changes, such as a change in the complexion of the Government that then decides not to continue the pilot and curtails its usefulness.

In terms of the other benefits that might be included were CBI rolled out nationally, I take the point that there are additional benefits to be considered. It was largely a pragmatic choice to look at the macroeconomic consequences. The macroeconomic modelling is not a prediction about what will happen but an exploration of some of the parameters that will drive what will happen. Some of those parameters relate to how acceptable CBI is to people and how that would influence their subsequent response to CBI. If some of the additional benefits that Mr Brown described were worked through, that might

increase the acceptability of CBI and might change people's response to it.

It becomes very difficult to keep defining potential knock-on implications and to quantify them in a reliable way, though, because the ripple effects are so complicated, but I take the point that they are important things to consider. We are keen to make the point that defining impacts in terms of narrow parameters such as GDP need to be put in the context of a wider debate about a wellbeing economy and some of the other consequences that might flow from the creation of CBI that cannot be quantified with traditional models and traditional macroeconomic modelling approaches.

Keith Brown: I will not ask another question, but I will just say, for those of us who support CBI and are keen to see a pilot, that the Westminster Government has set its face against it, so it seems unlikely. The benefits that I mentioned—the health benefits and the benefits from reducing inequality—are the central purpose for advocating CBI in the first place. It would be useful, if further work is to be done—although I know that that is difficult, as has just been said—to quantify what those might be, because that is fundamental to the case for CBI. That is just a comment, convener.

The Convener: Okay, thank you. That is now on the record. I apologise to John Finnie, as it has turned out that he is the final member to come in. We are very pleased to have you here and I thank you for your patience.

John Finnie: Thank you, convener. I also thank the panel for their excellent, hard work on the matter. I align myself with the comments on there being an unnecessary focus on GDP, because we need to consider broader factors—for instance, the Oxfam humankind index could inform decisions.

Earlier this year, a Resolution Foundation report stated that the move to universal credit was a shock to families' living standards. It seems to me that when we move from one system to another, the transitional arrangements are absolutely key. Can the panel briefly say something about the challenge of transitional arrangements to a CBI, were they to be put in place?

Neil Craig: The purpose of the year's preparatory period that Julie McLachlan referred to earlier is to deal with some of those issues. I cannot give you chapter and verse on our deliberations about what all the different transitional challenges might be, but we were certainly conscious of them. We recognised the importance of a good preparatory period to ensure that those transitional arrangements were fully considered, partly to achieve no detriment and partly to make sure that logistically the scheme

worked properly and did not put people in difficult financial circumstances.

That is related to the issues around what happens when people move in and out of the pilot area, what happens at the end of the pilot period and so on. That also has ethical implications for carrying out the pilot and its evaluation, which we explored in some detail. There are hundreds of questions there, but we acknowledge their importance, which is one of the main reasons why a lengthy preparatory period was proposed.

John Finnie: Thank you.

The Convener: Mr Finnie, given that you had to wait quite a long time to ask your question and for all the difference that another two or three minutes will make, do you want to ask a follow-up question?

John Finnie: I will, if I may. Thank you, convener. People have alluded to Covid and reference has been made to the Finnish experience of a CBI, so do the panellists think that on-going engagement at an international level on a CBI is likely? There is much interest in it and some surprising people are now lending their support to a concept that was, only recently, rubbished as impractical. Is there any engagement on it outwith Scotland?

Julie McLachlan: The formal aspect of the feasibility study has concluded with the end of the funding, but we are keen to share the report's findings, as we see that as a key next step. The report is probably one of the most in-depth studies in the UK of a basic income proposal. I mentioned our international learning visit to Finland, funded by the Carnegie UK Trust, for a basic income Earth network conference. As part of that, we produced an international learning report, and there was significant interest in Finland in what was happening in Scotland.

At that stage, we presented our early findings from the start of the feasibility study, but we would welcome the opportunity to share the findings further. There is significant interest in the work that we are doing in Scotland on the feasibility of that basic income assistance.

John Finnie: Thank you.

The Convener: Thank you, Mr Finnie, and I thank you again for your patience. Before I thank the witnesses for their time and efforts today, I think that all committee members who were involved in the questioning are very appreciative of the significant work that all the witnesses have done on the issue. The nature of our questions shows that the committee wants an on-going dialogue on the issue, but I do not know whether the best format for that is a formal scrutiny session or whether there is another way to keep that

conversation going and work with the witnesses. There is certainly a thirst for something in that regard, but the committee will have to discuss how we take that forward.

I thank all our witnesses for their time this morning. We now move to agenda item 4, which is consideration in private of the evidence that we have just heard.

11:23

Meeting continued in private until 11:48.

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