

4.

When the flaws in the current MTB system have been corrected, a BASIC INCOME (BI) emerges, defined as being: based on the individual, not the couple; universal, not targeted; undifferentiated except by age; and unconditional. Not means-tested, it is delivered regularly and automatically to all who qualify. The definition of 'individual, universal and unconditional' merely defines a *class* of income maintenance systems, within which many different *models* are possible.

Each characteristic of a BI scheme could help to achieve several related short-term and long-run objectives of welfare reform.

* Each person is respected and valued for her/his own sake. A BI grants financial privacy and autonomy. It *trusts adults with more control over the use of their own time*. Financial independence emancipates and empowers adults.

* A BI can help to prevent, or at least reduce, income poverty, provide **financial security** and reduce anxiety. In the long run, it could increase wellbeing in terms of living standards, health and educational opportunities, help people to develop to their full potentials, and reduce demands on the NHS.

* A BI could help to redistribute income from rich to poor, men to women and geographically, and heal our divided society. But to reduce the *income* inequalities more effectively, it should be financed by a restructured *income tax* system. Eventually, it could help to create a more just, united & inclusive society.

* Non-means-testing of benefits restores the incentive to work-for-pay provided by the wage rate, reducing the current high marginal deductions from potential earnings by removing the aggregated benefit tapers (withdrawal rates), facing unemployed and low-paid workers. Financial security would help self-employed people, small businesses and workers' co-operatives to thrive and grow, releasing their creativity. A BI could reduce the inequality of power relationships in the workplace, and help workers and their representatives to negotiate for reasonable pay and better working conditions. The system could lead to labour markets that are more efficient and flexible for both employees and employers.

* A BI scheme can help to simplify the administration of a social security system, reducing the risk of fraud or error by either recipient or staff. It should also avoid the current time-consuming personal effort and stress required to apply for benefits. Eventually it could lead to a more transparent and accountable system.

A BI system sufficient to prevent income poverty for all, (rather than income-replacement for the main earner), would provide financial security, enable more control over one's life, and help to lead to a culture of joyful work, both paid and unpaid.

BRIEFING LEAFLET No. 2

BASIC INCOME (BI), OR NATIONAL INSURANCE PLUS MEANS-TESTED SAFETY NET?

A personal view by Anne G. Miller

Retired academic economist

Beveridge's *Report on Social Insurance and Allied Services* of 1942 was a best seller. It led to the current social security system comprising the National Insurance Act of 1946 and the National Assistance Act of 1948 – designed for a society and an economy that were very different from those of today. The National Insurance (NI) system was designed around men's employment patterns of the post WWII period, and has never met women's needs, unless they were competing in the work place on men's terms. The NI benefits were intended to be *income-replacements* at times of sickness, unemployment and retirement. The National Assistance, or Social Assistance (SA), system was intended to be a means-tested safety net, with less generous benefits.

The NI benefit levels are based on an individual's contribution record. Gaps in the contribution record lead to reduced benefits. NI benefits are often also time-limited, usually for six months, (except for the State Retirement Pension). However, some people fall through bigger gaps, by not being able to build up a contribution record at all. Many women, while caring for children, elders and others, still fall into this category. Nor is the NI system really designed for self-employed people, who do not enjoy the same protection as employees. The criteria for unemployment benefits have introduced rigidities that discourage part-time work. Zero-hour contracts can lead to uncertainty & anxiety.

The labour market has changed dramatically over the last seven decades, and now many people have a portfolio of low-skilled, low-waged, part-time, short-term, insecure, joyless jobs in the gig economy.

A NI system requires that nearly everyone is in paid employment. Those who gain most from it are those in well-paid, full-time, secure employment over a life-time. It does not necessarily serve others very well. Those who are not eligible for NI benefits can apply for means-tested Social Assistance. The NI benefits in the UK have become eroded over time and are no longer sufficient to meet a person's needs – and were often less than the means-tested benefit (MTB) levels, which themselves have become eroded. The system fails the most vulnerable people in society.

*This material has been abstracted from Annie Miller's (Edinburgh: Luath Press).
A Basic Income Handbook, 2017, pbk, £12.99, ISBN: 978-1-910745-78-6, and
A Basic Income Pocketbook, forthcoming 2019, £7.99, ISBN: 978-1-912147-62-5.
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2. STRUCTURAL FAULTS IN THE SOCIAL ASSISTANCE (MTB) SYSTEM.

The problem is not just the below-poverty levels of the MTB safety net. The system also suffers from major structural faults.

The **assessment and delivery unit** is the couple, (married, civil partnership, or otherwise co-habiting), so that couples have to make joint applications for MTBs. Family Law requires married couples to aliment (maintain) each other in a style appropriate to the standard of living of the wealthier partner. This forces the poorer partner, usually the female, into the role of financial dependent, which should be an anachronism in the 21st century. She may have no independent income of her own, (except perhaps Child Benefit), with which to feed herself and her children, no recourse to benefits on her own account, nor is she legally entitled to any of her partner's income.

The MTB system is **targeted on poor people**. This does not protect them, but rather segregates them, making it easier to identify and stigmatise, humiliate and reject them. It leads to a low take-up of the benefits to which poor people are entitled. Universal systems are popular with all and thus protect the poorest.

When unemployed and low-paid workers try to earn their way out of poverty, they not only face the deduction of income tax and NI contributions, but the withdrawal rates of their benefits are aggregated and also deducted from their earnings. Some claimants can face Marginal Deduction Rates of nearly 96%. The effects of the **MTBs' inherent disincentives to work-for-pay** cannot be avoided. This creates a regressive system, where claimants face far higher effective tax rates than those on the highest incomes, whose income tax rate is 45% and NI contribution is 2%.

MTBs may also be differentiated on the basis of: personal characteristics, household living arrangements, work-status, or worth, (such that 'undeserving' recipients receive less than others). Differential amounts are the source of much stigmatisation and injustice. Monitoring people's situations is intrusive and increases administration costs and the risk of errors and fraud.

In order to receive their benefits, claimants of MTBs usually have to fulfil **conditions designed to change behaviour**. Formerly, claimants had to prove that they were 'available for work'. Now they must 'prove that they have been actively seeking work for 35 hours each week', otherwise they can face crippling sanctions, such as losing two weeks-worth of benefits, both for themselves and their children, forcing them into deep debt or risking destitution. This creates stress and anxiety that undermines health, making extra demands on the NHS.

The current UK means-tested benefit system is misogynistic, divisive and stigmatising, oppressive and punitive, & discourages people from working.

3.

IS AN IMPROVED NATIONAL INSURANCE SYSTEM POSSIBLE IN THE UK?

Some hard-working, well-paid, (mainly) men of a certain age claim that an improved NI system would meet the social security needs of the UK.

Paul Spicker, Professor Emeritus of Robert Gordon University in Aberdeen, has attempted to identify, in his excellent book, *What's Wrong with Social Security Benefits*, in the UK and to suggest ways in which to improve them. Even if the UK's Social Security system could be improved, as recommended by Spicker, including more generous benefit levels, and notwithstanding the structural flaws in the MTB system, **are the necessary conditions likely to prevail in the UK?**

The Nordic countries have a variety of social security systems based on NI, which have worked well for them. They have well-educated populations, with full employment, high wage rates, state-funded childcare provision with highly-qualified nursery staff, and had high NI benefits, financed by high taxation rates. Usually both parents have to work because of the high cost of living. The Nordic countries have a good work culture. However, cracks have begun to appear in their systems, on account of increased unemployment.

The UK tends to educate the more academically-able half of its population. Many pupils are still illiterate when they leave school. Many more leave with poor work skills to sell on the labour market. It would take a generation to repair this neglect. The costs of childcare services in the UK are some of the highest in Europe.

Despite government claims of near full employment in the UK, this includes the 'full employment' of people in low-waged, part-time, short-term, insecure employment, (rather than well-paid, full-time, secure jobs for all). **For many, it is a work culture of 'Nose to the grindstone of work-for-pay in joyless jobs'**. The most vulnerable people are driven to take any job available in order to reduce expenditure on the Social Security system, and to increase economic growth, which in turn tends to benefit the top 40% of the UK income distribution.

The current Social Security system is in disarray. It is complex, unwieldy, unjust, inefficient and not fit for purpose. It meets few, if any, of the broad objectives listed on page 4. If we were to design a Social Security system from scratch today, we would be unlikely to end up with the current National Insurance and means-tested, safety-net Social Assistance systems. It is a Gordian knot that cannot be unravelled or reformed. It needs to be cut through and replaced by a radical alternative, designed for the 21st century. That alternative should be a Basic Income (BI). It represents a new relationship between society, the state and its citizens. A BI system would work well in either the current labour market situation or one where automation has increased unemployment.