

PROPOSING A RECOVERY UNIVERSAL BASIC INCOME FOR NORTHERN IRELAND

June 2020

WHAT IS A UBI?

A Universal Basic Income is an unconditional regular payment given to every person in a society. Everyone receives it regardless of their financial circumstances or status.

FIVE KEY PROPERTIES OF UBI ARE:

1. Universal – paid to everyone in society
2. Unconditional – paid regardless of a person's circumstances
3. Individual – paid to individuals, not households
4. Substantial – enough to live on
5. Permanent – non-withdrawable and secured by legislation

A UBI IS BETTER THAN CURRENT WELFARE PROGRAMMES BECAUSE:

- **Inclusive:** protects and recognises everyone
- **Fair:** Simplifies and de-stigmatises the welfare system whilst also making it less intrusive in people's lives
- **Egalitarian:** Alleviates poverty and reduces inequality
- **Democratic:** Increases freedom, empowers individuals and facilitates civic participation
- **Restorative:** strengthens social bonds, heals divisions, improves mental health and supports more sustainable lifestyles

WHY IS IT NEEDED?

The COVID-19 crisis has exposed many of the failings of the current economic system, and as we move towards a 'new normal' attention is rightly focused on how we can **kickstart the economy, protect livelihoods and rebuild household finances** in a fair and sustainable way.

As the government's emergency income protection schemes, such as the Job Retention Scheme (JRS), Self-Employment Income Support Scheme (SEISS) and other forms of support are inevitably wound down, we face a **cliff edge of economic uncertainty** that must be met with substantial intervention by the NI Executive.

A basic level of financial security should be a fundamental and universal right shared by all, and we believe that a **UBI can be this generation's NHS**; symbolising a new economic contract in a post-COVID world in the same way the NHS did after WW2. The pandemic has shown that any of us can be one crisis away from the indignity of poverty, from relying on benefits, food parcels and others for help. This shared experience lays bare the precarity of the current system and the need to value and protect everyone moving forward.

WE ALREADY HAVE:



Universal
Healthcare



Universal
Education

WHY
NOT



Universal Basic
Income



THE SOLUTION

We propose a **2-month recovery Universal Basic Income** (rUBI) for Northern Ireland that provides comprehensive support for households during this critical period as well as delivering a vital stimulus to the economy.

THE RECOVERY UBI WOULD BE:



This rUBI would provide a solid income floor for families and individuals to get through the aftermath of the pandemic. Although middle and high-income households would also receive the payment, this is important because:

- Means testing in a crisis is difficult and expensive and inevitably allows people to fall through the cracks
- Middle and high-income households will still play a role in using their rUBI to stimulate demand in the economy post-lockdown
- Payments to higher income households can be recouped through taxation in the long-term

These payments would be untaxed and additional to any other benefits an individual is eligible for. The rUBI would last for 2 months and should be implemented as soon as possible to offset the worst impacts of a deep recession. Forecasters have predicted as much as a **10% contraction in the NI economy** in 2020. By comparison, the UK economy shrunk by just 4.1% in 2009 following the financial crisis. This will inevitably lead to economic downturn, increased unemployment, mass redundancies, debt default, business failure and decreased consumer spending. There is also a significant risk that many jobs lost may never return due to increased automation. The economic impact of coronavirus on people's opportunities and quality of life will likely outlast that of the virus itself, and the NI Executive must think big and act fast to offset the damage caused.

A rUBI is the only way to provide money directly to people whilst also ensuring every person is protected, and it is also the best way to protect the economy in a recession marked not by systemic failure like 2008 but by forced limits on economy activity. This time, **it is not the banks that need bailed out, but ordinary people**. Unfortunately whilst the UK Government's response so far has been welcome, it has allowed up to 5 million people to slip through the cracks, including potentially hundreds of thousands in NI.

A rUBI is also the best way to stimulate demand post-COVID. Whilst many people will require their rUBI to survive the crisis, others will use it to buy goods and services in the local economy that can help all sectors retain jobs. Without stimulus to increase demand, an even more prolonged and severe recession is certain.

DISTRIBUTION

The unconditional nature of UBI means that no-one need fall through the gaps, as often happens with means-tested benefits. The recovery UBI could be paid to all adults using current structures:

- The self-employed and those in receipt of tax credits or Universal Credit could have their UBI paid to them via HMRC and the DWP respectively.
- Those in paid employment could be paid by HMRC via the PAYE system.
- The monthly UBI for children could be easily paid to all households currently in receipt of child benefit.

HOW DO WE PAY FOR IT?

With a population of 1.882m people and assuming that approximately 63% of the population are eligible for the adult UBI and 20% eligible for the child UBI (pensioners, making up the remaining 17%, have not been included as their incomes have generally not been affected by the pandemic), the cost of the rUBI for NI would be **£2.75bn over 2 months**, just over 6% of NI's average GDP. The rUBI for NI mirrors proposals by the UBI Lab Network across the UK and is similar to the USA's CARES Act (\$1200 for adults, \$500 for children) and COVID response policies in Japan and Spain.

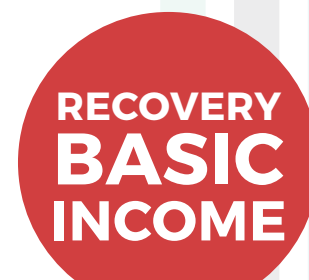
Whilst these figures may appear high, they must be considered in context with the unique crisis we find ourselves in and the social and economic costs of a deep recession. As the UK Government has shown, there is indeed a magic money tree that can be harvested during a crisis – it plans to borrow to fund the JRS, projected to cost over £100bn and created money via Quantitative Easing during the financial crisis, at a cost of £137bn. **Funding a rUBI is therefore a matter of political priority rather than financial feasibility.**



£2180 per person



£1560 per person



£1460 per person

Whilst the most feasible scenario for funding a UBI is through a UK wide recovery scheme, a rUBI could in theory be funded by the NI Executive. However, its revenue raising power is limited, with a borrowing limit of £2m per year up to a total cap of £3bn. To fund a rUBI the NI Executive will have to collectively push for emergency extended borrowing powers and potentially devolution of some major taxes such as Income Tax, NIC or VAT to fund long-term debt repayments. As has already been shown by the UK Government's response to COVID, a significant one-off increase in debt can be justified as an emergency measure to stave off recession.

This proposal has been developed by UBI Lab NI in partnership with Basic Income Northern Ireland (BINI), and adapted from the UBI Lab network's UK wide recovery UBI proposal.