



Citizen's Income

A Citizen's Income is a new way of providing social security.

A Citizen's Income would sweep away almost all benefits and the state pension and replace them with a simple regular payment to everyone – children, adults and pensioners.

This income should be enough to meet the basic needs of everyone.

This unconditional payment to everyone would be cheaper to run and do away with the incredible complexity of the current system.

Because everyone receives the Citizen's Income it removes the stigma of benefits and promotes solidarity between people. It would make that familiar soundbite "*We're all in it together*" finally mean something.

A Citizen's Income would give everyone the opportunity to change jobs, raise children, care for the elderly, pursue education, be creative or start a new business or project – without ending up on the breadline.

Women in particular would benefit from a Citizen's Income. The late Scottish economist Professor Ailsa McKay made it clear that a Citizen's Income recognises the "*diverse roles of women as wives, mothers, carers and workers*".

The Scottish Government's Expert Working Group on Welfare has recognised that a Citizen's Income is one of the two main options for the future of welfare:

"In our discussions, two very different long-term visions were suggested. One would take a highly-individual approach to social security, tying benefits to personal

contributions and savings. The idea of personal welfare accounts is an illustration of this approach. The second vision would take a universal approach and abandon means-testing and complexity. The idea of a citizen's Basic Income is an illustration of this approach." (2nd report, Chapter 4.72)



HOW IT COULD BE



Change is needed

The UK Government has called people on benefits “*scroungers*” and “*shirkers*”.¹ This language is designed to stoke tension and prejudice. It turns people against each other and has helped successive governments to dismantle much of the UK’s welfare state.

Indeed the term welfare state no longer describes the UK benefits system. Welfare is no longer its purpose. It is now designed to do two things – to bully people into low paid jobs, and to subsidise low wages so that companies don’t need to pay people what they need to live with dignity.

Our complex system of benefits and tax credits also requires people to complete extensive paperwork and reveal personal details, often to multiple government departments. People with unreliable or temporary work are hardest hit by the administration, stress and uncertainty.

A decent welfare system would be an investment in people, enabling everyone to make their own choices in life, and recognising the value of all work. Instead the current system creates stress, anxiety and poverty.

A Citizen’s Income would change all that.

Creating a fair system

Those who can pay should contribute a fair share of tax, but everyone should see a benefit. This promotes solidarity – nobody will pay tax but get nothing in return.

A Citizen’s Income could be largely financed from a simplified and progressive income tax system. But other options are possible. For example, everyone in Alaska gets an annual payment from the state’s oil fund.

The next section describes some options for a Scottish Citizen’s Income and how we could finance it.

A Citizen’s Income for Scotland

We have worked with the Citizen’s Income Trust and the University of Stirling to calculate the costs of an example Citizen’s Income scheme using a model based on data from the UK Department of Work and Pensions Family Resources Survey 2010/11. The numerical analysis was conducted by Dr David Comerford, Research Fellow in Economics, University of Stirling.

The Citizen’s Income described below is designed to be an affordable starting place, not a perfect solution. Other changes will be needed to the way the most vulnerable are supported but this example Citizen’s Income scheme is designed to be the foundation for a much fairer welfare system.

Some key benefits would stay: all disability benefits and carer’s allowance for those who need support, and housing benefit and council tax reduction for people who would otherwise be made homeless.

The rest of the benefits system - such as tax credits, Jobseekers Allowance, tax free allowances, Child Benefit, Income Support, Pension Credit and the State Pension - would be replaced with the Citizen’s Income.

The model was used to find out what happens to household incomes (in 2010/11) after we applied the set of Citizen’s Income rates and income tax regime below:

- £50 a week for children and young people under sixteen²
- £100 a week for 16-18 year olds and working-age adults
- £150 a week for pensioners

This equates to a tax-free Citizen’s Income of £5,200 a year for every working age-adult. A single parent household with two children would receive £10,400. A household of two pensioners would get £15,600 in support.

At the moment everyone of working age pays at least **32%** tax (20% income tax, 12% national insurance) on all their income above the personal tax-free allowance. In 2010/11 the top rate of income tax was **51%** (50% income tax, 1% national insurance). Given that everyone would receive a tax free Citizen's Income, personal income tax allowances would no longer be necessary.

With a basic rate of income tax of **30%** on the first £5,000 of income and a top rate of income tax of **50%** this Citizen's Income policy can be expected to cost public finances under **£1 billion**.

An additional wealth tax on people with very large amounts of capital could be levied to help to close the wealth gap. Alternatively, a 'super-tax' on extreme high incomes would raise relatively little additional revenue, but would help ensure that the very rich make a fair contribution.

"We haven't designed a complete or perfect system, but these calculations show how Scotland can start on a journey to rebuild a fair welfare system with a Citizen's Income at its core."

Patrick Harvie, Scottish Green MSP



Note on the calculations

It is important to note that these calculations use household incomes and the benefits system present in 2010/11 to predict costs and model the policy's effects on inequality and poverty. In addition, behavioural responses to the introduction of a Citizen's Income have not been modelled.

The expected behavioural changes would include:

- since CI is not lost when people take on work, people are less likely to be caught in the 'benefits trap' so the incentive to enter paid employment will be stronger;
- higher tax rates may encourage a voluntary reduction in working hours for those who enjoy flexibility and may create incentives to avoid tax, potentially through emigration; however the simplified tax system would make life harder for people who try to avoid paying their fair share of tax;
- there may be additional impacts on migration patterns, though this would depend on the qualifying criteria for CI.

These changes can be expected to both raise and reduce revenue but no quantification of the relative sizes of these effects has been attempted.

The benefits!

Scottish Greens believe that nobody should be forced to live in poverty. Everyone should have the opportunity to lead a fulfilling life and find meaningful employment.

Scotland is one of the richest countries in the world but vast inequality means that too many people can't give their children a secure start in life, don't have the chance to get the training and education they want, and can't find (or create!) a good job.

One measure of inequality is the GINI coefficient. The Citizen's Income and tax structure described above is estimated to bring Scotland in line with the **most equal countries in the world** for example Denmark, Sweden and Norway.

The lowest earning **70% of households can be expected to be better off** while the top 10% of highest earning households lose only 11% of their income. See the change in household income graph on page 6.

A Citizen's Income can **help make all work pay**. The complex design of the current benefits system creates a perverse situation; many people find that taking a job or increasing their working hours has no effect on their income because their benefits or tax credits are reduced. For people caught in this 'benefit trap', even when work is available it doesn't provide a way out of poverty.³ A Citizen's Income can help to ensure both that paid work will always add to a person's net income, and unpaid work such as parenting, caring, and volunteering is recognised as having value to society.

Women are more likely to be found in low paid jobs and typically earn less than men for the same work – the pay gap in Scotland is as large as 33% when comparing women's part time work to men's full time employment. A Citizen's Income supports the lowest income households and treats all genders equally.

Despite progress in recent years, one in five **children** in Scotland still lives in poverty. This statistic is only expected to grow worse as a result of UK Government welfare reforms. The current child benefit of £20.50 for first child per week, and £13.55 for younger children, would be replaced in this proposal by a young person's Citizen's Income of £50, paid to the parent or guardian. However it is likely there will need to be extra support for very low earning families or families with special needs to tackle child poverty and give young people the best start in life.

Reducing inequality has been shown time and time again to create a **healthy successful economy**.⁴ Bringing people out of poverty means that more and more people can aspire to a better standard of life. A Citizen's Income enables more people to participate in the economy and is a step towards greater equality of opportunity.

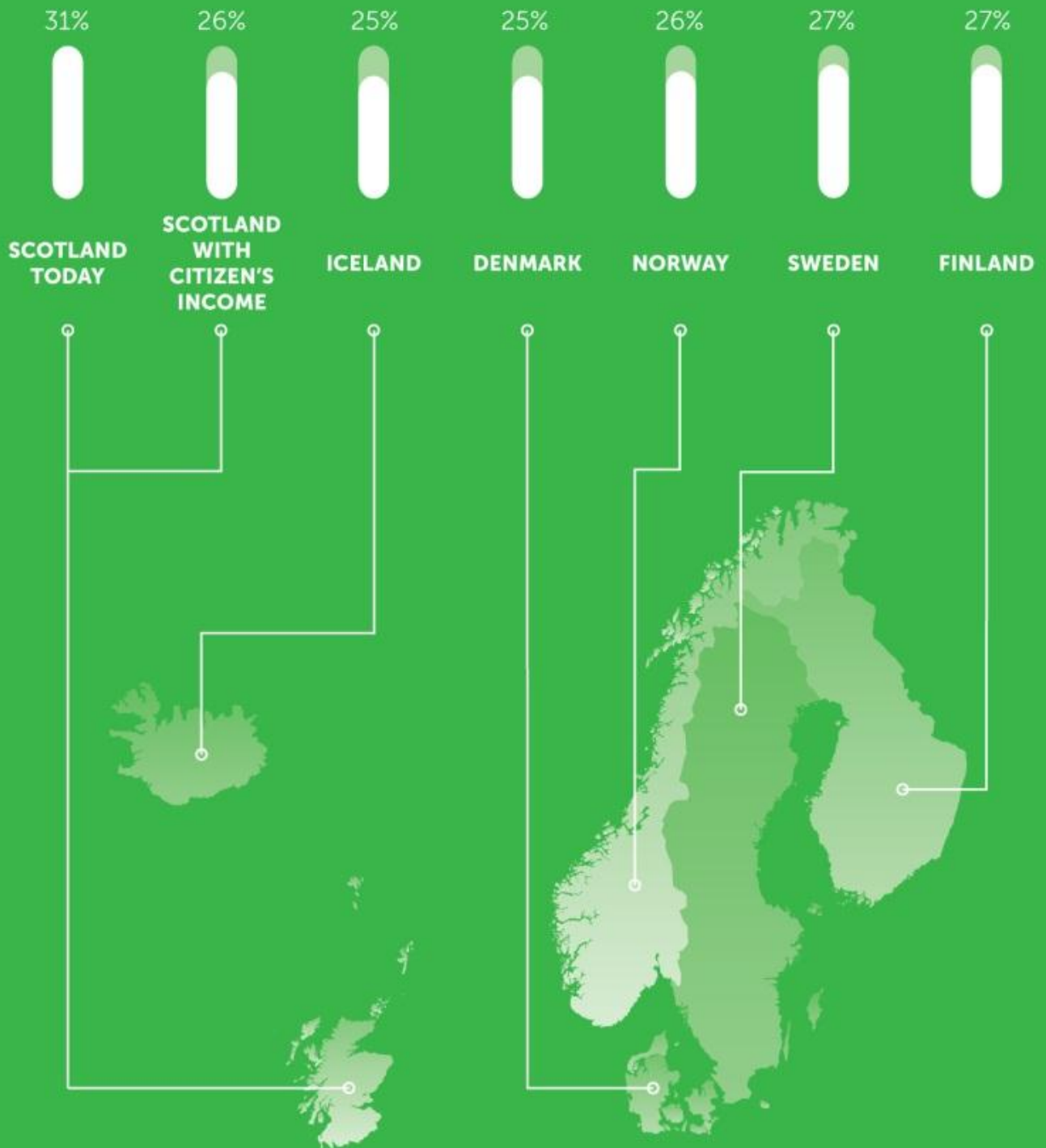
"Citizen's Income is a simple idea that could reduce inequality, promote solidarity and allow each of us to make our own decisions about working, caring, learning and creating, without ending up on the breadline."

Alison Johnstone, Scottish Green MSP



INCOME EQUALITY

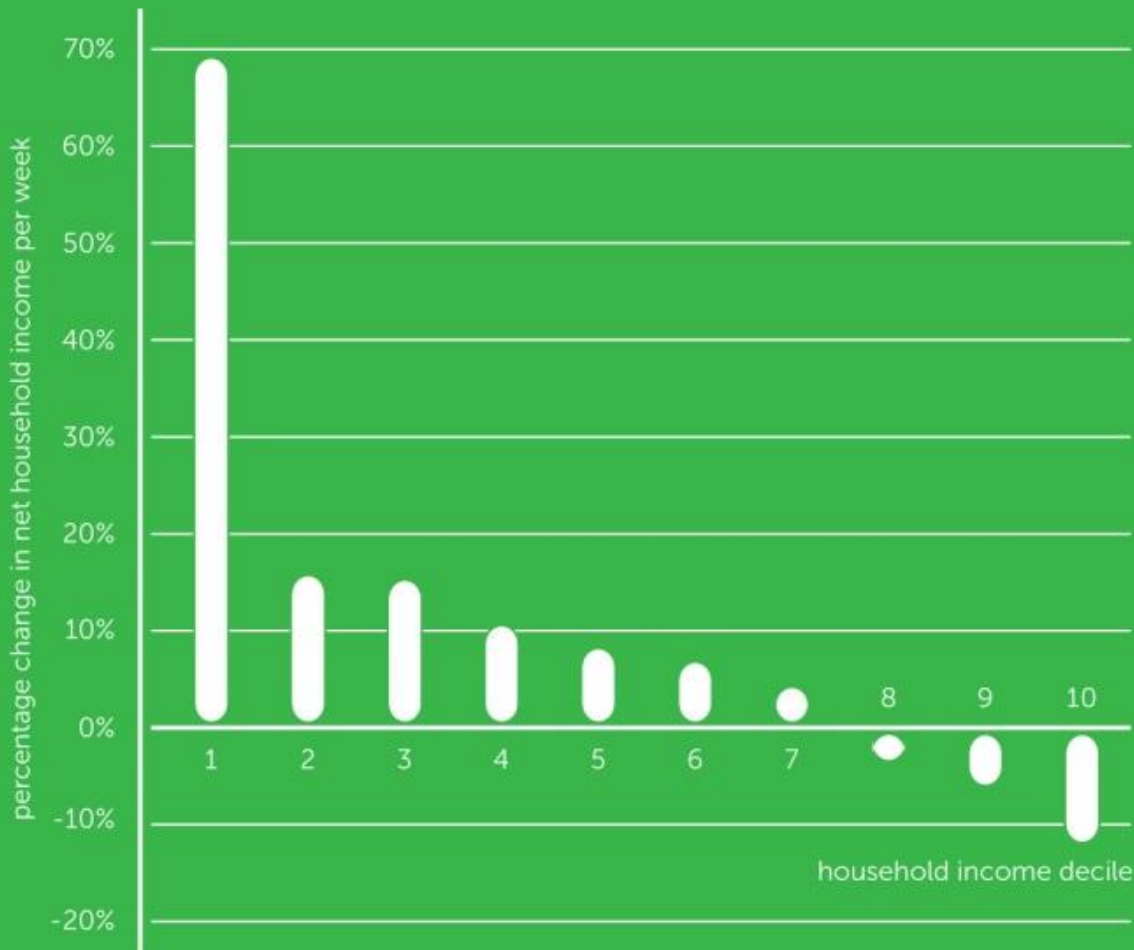
A Citizen's Income could bring Scotland's household incomes in line with the most equal countries in the world as measured by the most commonly used indicator of inequality: the GINI coefficient.



Source: OECD, 2010; plus modelled value for Scotland with Citizen's Income

CHANGE IN HOUSEHOLD INCOME WITH A CITIZEN'S INCOME

Seventy percent of the lowest earning households can expect to be better off.
The top ten percent of households lose only 11% of their income.



HOW MUCH DOES YOUR HOUSEHOLD EARN?

| Median gross income of households in decile | One adult (£) | One adult and one child (£) | Two adults (£) | Two adults and one child (£) | Two adults and two children (£) |
|---|---------------|-----------------------------|----------------|------------------------------|---------------------------------|
| Top decile | 60,500 | 77,700 | 88,500 | 113,400 | 151,400 |
| Ninth decile | 39,800 | 49,300 | 58,300 | 74,700 | 91,100 |
| Eight decile | 31,100 | 36,700 | 46,400 | 59,800 | 70,200 |
| Seventh decile | 24,800 | 30,900 | 37,900 | 49,200 | 59,900 |
| Sixth decile | 21,100 | 26,300 | 32,200 | 42,100 | 50,900 |
| Fifth decile | 17,600 | 24,700 | 27,200 | 35,600 | 44,200 |
| Fourth decile | 15,300 | 20,900 | 23,000 | 30,400 | 37,100 |
| Third decile | 13,200 | 17,000 | 19,900 | 26,400 | 32,000 |
| Second decile | 11,300 | 14,500 | 17,100 | 21,800 | 26,800 |
| Bottom decile | 8,600 | 10,700 | 13,300 | 15,300 | 19,700 |

Source: HM Treasury, Budget 2014: estimated median gross income for each decile (£ per year, 2014-15) for different household compositions. Income figures are for UK, are pre-tax and include benefits.

Common questions

Why pay a Citizen's Income to everyone?

The purpose of a welfare state should be to maximise individuals' welfare, to help people realise their potential whether in paid work or in other aspects of their lives, and to protect the dignity of all people, whether they are able to work or not.

Because everyone receives the Citizen's Income there is no stigma associated with being on benefits. Paying a Citizen's Income to everyone promotes an inclusive society and solidarity between people. This is a world apart from the divisive language of "*strivers and skivers*" used by the media and some politicians to stoke hatred of those on benefits.

Finally, the current "means-tested" system is complex and expensive to run. A universal Citizen's Income provides a simple solution to the vast volumes of form filling and checking required by the current system.

Work? Let someone else do it!

Why would anyone work if they were getting an income for free?

A Citizen's Income will only ever pay for the basics. People would still need to work to pay for most things in life. A Citizen's Income might help people achieve a better work-life balance or take an occasional break but would not pay for a comfortable life.

A Citizen's Income recognises that the benefits of work go beyond money. People have an innate desire to have a fulfilling life, and for most people that will include paid work that we find interesting and rewarding, as well as the social contact we gain from working with others. Many very wealthy people still go to work today despite being able to live off their shares or investments.

But most of us also have periods in our lives when we need to balance paid work with other priorities, from education to caring for our families, from being creative to dealing with personal problems. A Citizen's Income

allows each person to strike the balance that's right for him or her at each particular time in their life.

What about housing costs?

Housing (rent or mortgage) is often the biggest cost to a household. A Citizen's Income does not help with high housing costs. For that reason, no changes to housing benefit or council tax benefits are included in our calculations. But that does not mean changes are not needed.

The 'tapering' of Housing Benefit and Council Tax Reductions adds to the benefits trap that a fair system should not create, and lack of affordable housing is a major issue. Other policies such as secure tenancies, rent controls in areas of spiralling rent, investment in social rented housing and well-insulated warm homes will continue to be necessary to secure affordable housing. A *land value tax* replacing council tax and business rates would encourage owners to bring empty properties back to life and all their land into productive use (as opposed to speculative land banking) and would be a fairer tax overall.⁵

How would you fully fund a Citizen's Income?

Our estimates for the net cost of the scheme described above come to less than £1 billion per year. Scotland's total public sector expenditure in 2012-13 was £65 billion.

Extra savings not included in the calculation are the reduced costs of running a much simpler, non-means tested system, estimated at £300m.⁶ Indirect savings could be expected on health and social care as people moved out of poverty. A Green Government would also be able to find other savings, for example the SNP Government has promised to spend £2.5 billion every year on defence as part of their NATO commitments. Moving half that defence spend into an investment in improving people's lives would have a transformative effect.

Finally, there are alternative ways to fund a Citizen's Income. This proposal was calculated using only a change in income tax and national insurance. Other options to help fully fund a Citizen's Income include a wealth tax, the reform of VAT into a resource tax; a small financial transactions tax on speculative trading; a shift from income to capital tax and the closure of corporate tax loopholes.

Conclusion

Our vision for the kind of society we want is one based on kindness, solidarity and equality.

A Citizen's Income is the foundation of that fairer society. A simpler, affordable system which goes beyond the 'safety net' approach, fostering solidarity and giving people the economic security they need to build a better life.

A Citizen's Income scheme comes at a financial cost but the benefits of a more equal society and economy are clear.

A Yes vote in September 2014 will deliver the powers for Scotland to start its journey to rebuilding a fair welfare system.

Endnotes

1. "[The budget deficit will not be dealt with by] just hitting either the rich or the welfare scrounger" David Cameron ([BBC, 19 June 2010](#)); "We back the workers; they back the shirkers", David Cameron (Prime Minister's Question Time, [column 305, 11 July 2012](#))
2. Although not modelled in this proposal it is expected that the lowest earning families with children and people who are severely disabled such that they cannot work would require a higher rate of Citizen's Income.
3. A significant proportion of the 'benefits trap' is created by the design of Housing Benefit and Council Tax Reduction and so changes would be needed to the design and administration of these benefits too.
4. See for example: *The Spirit Level: Why More Equal Societies Almost Always Do Better*. London, Allen Lane, 5 March 2009.
5. For more details see: www.andywightman.com/docs/LVTREPORT.pdf
6. The Citizen's Income Trust estimates the running costs of a Citizen's Income scheme to be 1% of expenditure. Applying these estimates to this proposal produces a running cost estimate of ~£260m. UK-wide DWP administration costs in 2010/11 were approximately £5.6bn; Scottish proportion can be expected to be ~£560m.



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