

**Economy Committee – 20 January 2021****Item 6 – Models for Economic Recovery: Universal Basic Income**

**Léonie Cooper AM (Chair):** At this point I am also going to now welcome our guests, who are Ellen Clifford [Disabled People Against Cuts] and Daniel Mermelstein [UBI Lab London]. They can introduce themselves when they are first questioned. Over to you, Shaun, without further ado, for you to kick off the questioning on Universal Basic Income (UBI).

**Shaun Bailey AM (Deputy Chairman):** Good morning, Ellen and Daniel, it is very nice to see you. Thank you for attending. I am a Member on the Committee who is going to need some convincing. Also, I am open-minded. I am going to need some teaching on this. A cursory read around UBI shows there are lots and lots of different opinions, lots of different models, and, to my mind - you may have an opinion on this - not a very conclusive answer, which puts me in a very particular place when it comes to, "Should we do this in London? Should we vote for it?" etc. Let me start by saying: what would the potential benefits of UBI be for London and Londoners? I will start with Daniel.

**Daniel Mermelstein (UBI Lab London):** Thank you very much, first of all, for having me here. I really appreciate the opportunity. I am from an organisation called UBI Lab London, which is part of a network of UBI Labs that have been set up around the country, all over the place. I am representing them today. The biggest impact for Londoners from the country as a whole, if we were to ever implement UBI across the country, is around poverty and inequality. A properly implemented UBI scheme would have a significant impact on reducing levels of poverty and inequality in London and in the country.

Just to give you one example, there is some modelling work that has been done by the Citizen's Basic Income Trust and the London School of Economics and Political Science by a guy called Malcolm Torry [Director of the Citizen's Basic Income Trust] modelling the tax and benefits system. His UBI proposal would lead to reductions in child poverty that are modelled to be about 40%, which is a big, significant number that would have a transformational impact on lots and lots of the most disadvantaged people.

Similarly, in terms of poverty reduction and inequality reduction, that model suggests that the bottom 10% of the income distribution in the country would see their disposable income raised by about 30% while the top 10% would see their income reduced by about 6%. It is a big redistribution --

**Shaun Bailey AM (Deputy Chairman):** I will ask you an additional question: at what level of payment was this 40%? For instance, this uplift, was it 5,000, 10,000?

**Daniel Mermelstein (UBI Lab London):** The model suggests that a level - and we can go into more detail about that - but it is important to say that there are lots of different UBI schemes. There are lots of different ways of setting all these levels. There are lots of different ways to potentially pay for it. It is important to, as far as possible, talk about specific schemes if we can. In this case, this scheme is saying you can give every adult in the country a basic income of around £65 to £70 a week. Therefore, that is about £4,000 a year. It will be a bit less for children, maybe a bit more for people who are already retired. It would require small changes to the tax and benefit system, some small increase in income tax, some changes to the allowances. But fundamentally it is around £4,000 a year. You would not have to necessarily change any of the means-tested benefits, and you would achieve these modelled reductions in poverty and inequality.

I guess the point to make is that you do not necessarily have to change means-tested benefits, but what this would do, the modelling suggests, is it would lift lots of people out of means-testing and out of the welfare system, if you like. Then recognise, as Siân Berry [AM] was saying before, there are some problems that are very specific. For example, in London, housing costs are different to other parts of the country, therefore people need extra help with housing costs. Again - we are going to talk about this later - there are issues of disability. People who have disabilities need more help. There will always be people who need more help and UBI is not the solution to all the problems, but what we have here is a scheme where you can achieve significant levels of poverty reduction, significant levels of inequality reduction, without having to make massive changes to either the taxes for people or necessarily means-tested benefits.

**Shaun Bailey AM (Deputy Chairman):** An uncharitable estimation of what you have just said would be that you are just adding a huge sum of money to the welfare bill. If that is the case and we wanted to do that, would it not be better to just do it through our current welfare system because (a) it is up and running, and (b) it would be fairer because you would get more bang for your buck? That is an assumption I am making. Why would we not do that? My worry with UBI is the social and economic effect. Maybe Ellen wants to come back. I can see you nodding a lot there, Ellen.

What is the social and economic effect of giving people this sum of money? Is it fair if you are giving it to everyone? Some need it less, some need more. Some people are just going to invest it because they do not need the money. Other people will be buying fundamentals. All of these things are what is swirling around in my head, and I present it in this manner because Siân [Berry AM], who is a very active Member of the Assembly, wants us to vote on it. I am trying to get to a point where I can vote on it. Please, Ellen, come back on any point of what I have just said.

**Ellen Clifford (Disabled People Against Cuts):** Thank you very much. I am Ellen Clifford and I am here representing Disabled People Against Cuts, which is a disabled people-led campaign covering England, Wales and Scotland. I am also co-chair of the Experts by Experience Commission on Social Security, which is a Trust for London funded project looking at alternatives for the current social security system from the perspective of benefit claimants ourselves.

We really welcome consideration of new and innovative alternatives to the current social security system. Our members have been hit very badly by the changes that have taken place since 2010. The social security system has really shown itself not adequate to meet the additional demands placed on it by the pandemic. But, with the greatest respect to Members of the Assembly who are in favour of a UBI, the organisations I represent do not think that the introduction of a UBI is the answer and we would stress the need to proceed with caution. We recommend that disabled people and benefit claimants are involved at all stages of discussion on this and agree with the Chair that this is a subject that demands reflective discussion because it is very, very complex.

The great danger with replacing a complex targeted social security system, such as we have in the UK, with a universal system is that the most disadvantaged in society, including disabled people and lower-income deciles, will lose out. That is something that was stressed throughout the final report from the Scotland Citizen's Basic Income. Last year they concluded their feasibility study into conducting pilots in Scotland. The final report from that concluded that they cannot carry on with pilots because they do not have the powers between Scottish Government and Scottish local authorities, but it also stresses throughout the report that they have to be absolutely sure before they carry out any pilots that no participants who are from what they call vulnerable groups, or the lowest income groups in society, would be financially worse off through participation in it.

As you have said, Assembly Member Bailey, there are so many different permutations of a UBI, depending on the level that you are going to pay it at, how you are going to afford that, what changes are made to the tax

system - for example, abolishing personal allowance or increasing tax - and which existing benefits it is going to replace. What the Scottish feasibility study found is very little consensus on the type of UBI that people are in favour of.

When people talk about the need for changes to the social security system, for introduction of a UBI, they often talk about the particular difficulties that disabled benefit claimants have faced over the past few years, but I do not think there is any group in favour of a UBI in Britain who is proposing a model of a UBI that would replace all disability benefits. It is generally agreed that you would retain a separate system of disability benefits, also a separate system for housing benefits, alongside the introduction of a UBI. That is a cause for concern for disabled people because all of the problems with disability benefit assessments could therefore foreseeably continue alongside the introduction of a UBI. Indeed, we would be very concerned that the introduction of a UBI would take precedence in terms of people's efforts and that our problems would continue while people are pursuing this new idea.

A lot of disabled people who are in favour of the idea are not aware that the idea is that disability benefits and all the problems that we have with going through those assessments would continue alongside it. A lot of people have the illusion that they would just receive all of their disability benefits unconditionally. We need to educate people about what a UBI would really mean.

I just want to finish on this: that as a way of relieving poverty, I think there are far more cost-effective direct methods than introducing a UBI. By way of illustrating that point, I would like to invite the Committee to consider two examples from Scotland. First is the Scottish pilot feasibility study. They concluded that they cannot carry out pilots at the moment but did recommend that at some point in the future a three-year pilot with a year's preparation beforehand should take place. They estimated that would cost a total of around £186 million, from which it is likely that no more than around 3,000 to 4,000 people will be lifted out of poverty.

Meanwhile, we have the Scottish Child Payment, which is being implemented now, this year, using the existing social security infrastructure, which will cost an estimated £180 million and by 2023/24 is estimated to lift around 30,000 children out of poverty. Therefore, that is a far more effective use of money, particularly when we are looking at financial hardship now caused by the pandemic. We need to be thinking strategically about long-term options.

As well as looking at a UBI, the organisations I represent are very interested in the question of what we are calling a guaranteed decent income (GDI), which would be a minimum guaranteed income set at the standards that have been devised by the Joseph Rowntree Foundation. We would invite any work that is going on to model, conduct feasibility studies or carry out pilots on UBI, to also be looking at a GDI.

**Shaun Bailey AM (Deputy Chairman):** Ellen, thank you so much for that. That neatly brings me on - I will come back to you, Daniel, so you can address any points - to my second question. Does a UBI represent a realistic solution for the economic issues in London such as wealth inequality, unemployment and social mobility? My worry is I come and came from a very poor community, and our guiding light was ambition; the fact that we would pursue work. Our parents were on it, let us get to school, let us get educated. Would this rob us of some of that urgency? I do not know.

Ellen very eloquently talked about far more effective ways to spend these types of monies, because there is no way this sum of money would not affect what we spend on other types of benefits. If you look at one study, it talked about a £6,000 UBI costing some £200 billion. That would definitely affect the landscape, of course, if you were going to spend that money, and it also points to a far more efficient way to spend that money. For

me, there are a lot of unanswered questions to the effectiveness of UBI and that is before you get on to the cost, but please let me know if you think it represents something realistic that could happen in London.

**Daniel Mermelstein (UBI Lab London):** It is definitely realistic. Let us make that point very clear. It is definitely realistic. You are talking about two things, you are talking about the cost and you are talking about the effectiveness, the value. In terms of the cost, again going back to that same scheme I was talking about, one of the underlying assumptions of the modelling was that it had to be revenue neutral. Therefore, the net cost of the scheme I was talking about is less than £2 billion. It was built into the model that it had to be revenue neutral because we all know that things have to be economically feasible, but they also have to be politically feasible. You have to be able to sell it. You are not going to sell something that comes with a price-tag of £200 billion or some huge number.

Some of those huge numbers, I do not want to go into that too much but some of the numbers are slightly disingenuous in the sense that people say, "Well, a basic income, if we are going to pay everyone £4,000, then in that case you multiply £4,000 by 70 million people", and you always come up with a huge number, right? But that is the gross cost of a scheme, it is not the net cost. One key thing about basic income is that basic income is a change to the benefits and the tax system. Therefore, some of the people who are getting it, because it is a universal payment, are also going to be paying it back through the tax system. Therefore, there is a gross cost and there is a net cost. Often people who are against basic income tend to focus on the gross cost because it is a big number and then it sounds very scary. Therefore, what I would say to you is it is definitely realistic and it is definitely feasible. It can be done, and it can be done, as was modelled in here, cost-neutral.

The other point you are making is even more important and it is also the point that Ellen made, which is absolutely crucial, which is about value. We are paying some money, but what are we getting for it? This is where the whole thing about the pilots comes in and is super important, because the modelling can only take you so far. What we are saying here is, OK, let us do a pilot - and we can talk later, if you like, about the possible structure of a pilot - but let us do a pilot where we are going to test it on a large enough number of people that we can then say: we paid this amount of money, what are we getting back for it? What is the value that we are getting? What are the things we can measure that tell us that spending this amount of money, whether it be £2 billion or even £20 billion, is good value for money, ie does it have a disincentive for work or not? Does it encourage work?

We contend, and there is plenty of evidence to back us, that basic income is not a disincentive to work. The current welfare system is a massive disincentive to work because every time you get benefits, anything you do to change your circumstances changes your benefits. In that, I totally agree with Ellen about the precarity of all this stuff. From an individual's point of view, it is very rational, once you are on benefits, not to do anything that jeopardises your benefits because you are going to have to reapply, or they are going to take them away. Doing anything means getting a little bit of extra work. A universal payment will never disincentivise more work because you are never going to lose it. We can measure that.

We can measure the impact on people's health and wellbeing of having a guaranteed income. These are things that over a large enough cohort can be measured. If you are having a huge number of people whose mental health has improved, or whose physical health has improved because their diet is better and they are not using the health services much because they are not as stressed and they are not as ill, that is a huge saving. These are things we can measure and this is why we are calling for pilots. We are saying, yes, this is a big thing. Yes, this is a complex thing. Yes, this is a potentially big change. Let us try it. Let us test it. Let us do some proper measuring and let us decide whether the cost gives us good value. We think it does.

**Shaun Bailey AM (Deputy Chairman):** Thank you, Daniel. Just before I bring Ellen in, of course there have been many pilots that have studied all of those things and have come up as either inconclusive or they have said it is not worth it. We are not starting from zero. We have benefit systems, for all their vagaries, strengths and weaknesses, but they are there. I accept your point about how we measure the total cost and all those things are very important. I hear some of your arguments, but for me you are talking about measuring all the positives. You would also have to measure all the negatives.

**Daniel Mermelstein (UBI Lab London):** Absolutely.

**Shaun Bailey AM (Deputy Chairman):** A disincentive to work. Because the current benefit system, there is a strong disincentive to work, I get that, but it is a level of income where you might think, “You know what, forget it, I will not do anything here”. Then you have one section of the population keeping another section socially frozen. That, from my background, personally worries me. Ellen, please make a contribution.

**Ellen Clifford (Disabled People Against Cuts):** Firstly, just to note that a basic income pilot in its purest form has never been tested in any developed country, but also to stress the limitations of pilots. One issue is that where people are in favour of pilots, it tends to be in order to prove that a basic income would not act as a disincentive to employment. I do not think it would. The evidence I know with benefit claimants is that once you remove conditionality and sanctions that helps people to look for work because currently those are counterproductive in pushing people further from the labour market in my experience.

But what pilots will not show is the wider impacts that would have on, for example, the tax system or in terms of spending on public services nationally. Disabled people are very concerned about the crisis in funding in social care. We think that is a priority for public spending. They are also concerned about the levels of benefits they are currently paid being very low. There is a document by the Organisation for Economic Co-operation and Development which is advocating for the introduction of UBIs, but it points out that in the UK, because our benefits are paid at a level so far below a guaranteed minimum income, it would not be possible to afford a revenue-neutral basic income at any level that would really make a difference to people’s lives.

I have a couple of figures. Universal Credit has been uprated by £20 a week. We would argue that needs to be made permanent beyond April [2021] and is a higher priority than looking into possibilities for a UBI. But even with that £20 a week uprating, Universal Credit now makes up 43.4% of a minimum income standard, just 43.4% with the £20 uprating. That uprating has not been applied to legacy benefits, which many disabled people are on. Therefore, the benefits disabled people currently receive represent 33.9% of the minimum income standard. What we would like to see is a more targeted approach to increasing benefit levels as a way of pulling people out of poverty instead of looking at universal payments.

**Shaun Bailey AM (Deputy Chairman):** Chair, I will stop there because I will end up straying into other people’s questions. I will go back to you. Thank you.

**Léonie Cooper AM (Chair):** Thank you very much, Shaun. That is very helpful. That is a good start there and really helpful contributions from our guests. We are now going to move on. Susan, you are going to pick up from Shaun and carry on with the questioning.

**Susan Hall AM:** Yes, I am. There are a couple of things, though. Daniel, you said that the current benefit system disincentivises work, but before COVID the UK had record employment figures.

**Daniel Mermelstein (UBI Lab London):** I am not sure those things are necessarily mutually exclusive. You can have lots of employment, but I guess the point I was trying to make is that for those people who are on benefits, there is a benefits trap in there. Essentially, when you try to get out, if you try to move slowly out of benefits, you are being disincentivised because for every pound of income you earn, in effect, by removing benefits and taxing your income, you are being taxed at a higher rate than all of us are. The marginal rate of tax for someone coming out of benefits is enormous. From an individual's perspective it is quite rational to say, "I would rather not get some work". That is a terrible position to find yourself in, when your efforts to better yourself come up against a system that is going against it. I guess that is the point I was trying to make. Obviously, if our society were prosperous then more people are employed, but that does not mean that those who are not are not being disincentivised from working.

**Susan Hall AM:** OK, well, I hear what you say. Nevertheless, we were doing so well with employment before COVID. I accept things are different now, but who could foresee COVID? My next question is: what are the main drawbacks and challenges to implementing UBI? Before you answer that, it is the affordability of this that is quite astonishing. There is about 66.5 million people living in this country and you think they should all be given a minimum of £4,000?

**Daniel Mermelstein (UBI Lab London):** Yes, but again, just to make the point that --

**Susan Hall AM:** No, that is what you were saying.

**Daniel Mermelstein (UBI Lab London):** Yes, absolutely. That is exactly right. The issue here is everyone will get it --

**Susan Hall AM:** No, I get that.

**Daniel Mermelstein (UBI Lab London):** -- and some people will pay it back. If you do the numbers, if you are going down the numbers in the model, then I would like to encourage you to look at the modelling because essentially that is what it is saying. It uses a tool called EUROMOD, which is a standard tool for modelling the tax and benefits system. It uses data from surveys about people's incomes. They do the model and they say, if we do these things, we remove some tax allowances, if we increase income tax by a small amount, we can pay this amount of money. It will be almost, as I have said, revenue-neutral or cost-neutral. Now, I guess when you get into the --

**Susan Hall AM:** You would never persuade me of that, Daniel. You will never persuade me of that.

**Daniel Mermelstein (UBI Lab London):** I would love to sit down with you and go through the paper because it is just the numbers and this is not --

**Susan Hall AM:** It is not just the numbers. It is unaffordable. You just work out £4,000 per person of a population of around 66.5 million is astonishing figures. It was said, I think by you - no, it might have been by Ellen, because she made some really good points, plus housing benefits, plus a lot of other benefits - that before we look at anything, we absolutely should be looking at disabled benefits. I am with her 100% on that.

Looking at this particular thing, it is the affordability again. If you look to taxing people that can afford it more and start stripping money out of that element of people, you will have lots of businesspeople literally leave, in which case the burden of tax will go on to middle earners far more. I know everybody wishes there was a money tree but this is unaffordable. It really is unaffordable. Look at the pilot that you did in Finland. It was unaffordable. I would be happy - not now - to sit down and discuss this with you because I was hoping

you would come up with something that I could really buy into, but the affordability of this I do not believe is there.

But if we take the money out of this, if I go back to my proper questions or the Chair will tell me off, what, other than this massive financial issue, are the main drawbacks and challenges for implementing UBI in London?

**Léonie Cooper AM (Chair):** I am not going to tell you off, but can you keep away from the subject of pilots? We have some subsequent questions on pilots. That is probably aimed more at Daniel than at you, Susan. Answer Susan's questions, but we will talk about pilots in a bit more detail in a minute.

**Daniel Mermelstein (UBI Lab London):** Implementing change on this scale is hard, obviously. Implementing change on any scale of this size would be hard, any kind of change. In some ways it is an easy thing to think about, but in practice it could be logistically hard to implement. Obviously, that would be unavoidable.

Again, obviously I am not going to stray into the thing about pilots but the whole point about experimenting is trying to find answers to a lot of these questions. We can foresee some of the logistical challenges, but what would be the unintended consequence of some of these things? Unintended consequences can be good as well as bad. We might see things that we think, "Wow, we did not expect this, but this is great". There will be logistical challenges.

Again, what would be the cost? If you do it in a small scale you can start to predict the cost. Therefore, we would not have to have religious arguments about whether it is affordable or not affordable, we would just see it in the numbers and then everyone could make a call. Otherwise, it becomes more an ideological argument than a practical argument. A lot of these things are important and that is why we want to try these things out. No one is under any illusion that making big changes to the tax and benefit system is easy. It never is.

But, as Siân Berry [AM] said at the beginning, we are faced with an unprecedented situation here where all of the gaps and all of the holes and all of the inequalities of our society have been laid completely bare. The pandemic has showed us how immensely interrelated we all are. It is OK for me to have 100 masks and 100 bottles of sanitiser, but for me it would be better to have one of each and have 99 other people around me each have one. It would be safer for me in that respect. The pandemic has thrown all these things open and it has thrown all these challenges and, in a way, this is the moment, as Siân [Berry AM] said, to be bold because this is a moment of greatest peril.

**Susan Hall AM:** First of all, affordability is certainly not a religious argument. It is one of the most important ones. You cannot put a system in that nobody can afford. By your figures, I honestly do not think we could afford them. You obviously think that is one of the main problems. Will UBI be sufficient to replace the current benefit system in the UK?

**Daniel Mermelstein (UBI Lab London):** I do not think anyone is suggesting that we should replace the benefit system and that is fine. As I said at the beginning, a lot of people need extra help for their different circumstances. No one is saying that UBI is some kind of magic bullet solution to every problem.

I would like to make one point about affordability, which is that if someone had said a year ago, that the UK Government would, in effect, take over paying the salaries of literally tens of millions of people, everyone would have said it was unaffordable. This is exactly what they are doing with the furlough system. Therefore, in a way, another thing that the pandemic has shown is that big crises can present big opportunities as well

and force people to think differently. Things that were thought unthinkable a year ago, like in effect socialising the salaries of vast numbers of people, are now things that we accept.

**Susan Hall AM:** Yes, I accept the furlough system is unaffordable in terms. It has only been put in, in order to save people, as it has done. The Government has done incredibly well on that part. But we know there is an end to it because it certainly is not affordable going forward indefinitely, as I absolutely think that the system of yours would do. The furlough system was brought in, in a dire emergency. Thank god Rishi Sunak [MP, Chancellor of the Exchequer] had the foresight to do that because it has saved lots of businesses, which hopefully will bring us out. If you do not have people working and making money, taxation is the only way you are ever going to pay for anything like this, although the burden on taxation from this system would be extreme. How could negative impacts on people with higher needs be avoided? If you could refer back to some of Ellen's really good points, how could that be avoided?

**Daniel Mermelstein (UBI Lab London):** In the basic income movement there is clear acceptance that there are some people who have different needs and have higher needs and have different circumstances. As part of the UBI Lab network there is a UBI Lab Disability, which is run by people with disabilities who are very conscious of all these issues. There have been proposals like the one from the Centre for Welfare Reform, which is called UBI Plus, which specifically addresses some of these issues about how you can have a system of universal basic income that takes into account the additional needs of people with disabilities.

There are some other very structural problems that we face, like housing costs, which are extremely high in London and less high in other parts of the country. A UBI could not solve that problem, but people within the UBI movement have made proposals that again are sensible proposals about how you can address some of these issues. How can you use UBI as part of the solution to a lot of these very, very structural issues like housing or like disability? Clearly there are people who have more needs and those needs should be addressed.

**Susan Hall AM:** They absolutely, certainly should. Ellen, have you got anything you want to add to this from your perspective? You did very eloquently talk about it in the beginning. Is there anything else you would like to add to that?

**Ellen Clifford (Disabled People Against Cuts):** Our concern really is that, for the basic income movement, disability always seems to be seen as an add-on. It is kind of like, "People over there will deal with that", without a full understanding of the complexities of the disability benefit system and the additional costs that disabled people require. We would feel much more comfortable if that was taken on as more of a central issue within questions of how a basic income could work.

Just on average, research by Scope showed that on average disabled people have additional expenditure of about £584 per month. With the current Disability Living Allowance and Personal Independence Payments, we would like to see the eligibility for that widen, because there are a lot of disabled people who do need their extra costs covered but who cannot access it at the moment. Our fear is that trying to afford universal payments for everyone will then detract from things like being able to widen eligibility for disability benefits to all those people who need them.

I take the point Daniel makes that some people would be paying it back, but then to our mind then it is just an exercise in shuffling money around, which will take a lot of resources away from a more targeted approach we prefer to see in social security.

**Susan Hall AM:** Yes, I completely agree. Chair, I will leave it there because I know time is running on. Thank you, Daniel and Ellen, thank you.

**Caroline Russell AM:** Thank you, Chair. I just want to pick up on something that Susan [Hall AM] was raising about cost and net cost. Am I right in my understanding of what you were saying, Daniel, that UBI is given to everyone, but obviously if you are earning above a certain threshold then you will end up paying that money back in tax? Therefore, that is what makes the net cost much less than the cost of multiplying £4,000 by 70 million people?

**Daniel Mermelstein (UBI Lab London):** Yes, that is right.

**Caroline Russell AM:** Thank you. I just wanted to clarify that. My first question is: how could UBI help with the economic recovery from the pandemic?

**Daniel Mermelstein (UBI Lab London):** The key issue at the moment is how you get out of the current situation. We think that putting even small amounts of money in the hands of lots of people is a transformational thing. People go out and spend the money. Especially - and this is something that is well known - people who are poorer tend to spend extra money they have been given more readily than people who are richer, because people who are richer are able to maybe save it or do other things with it. People who are poorer tend to spend it in the economy. That is one immediate way of kickstarting an economy, to put money in the pockets of lots of people.

The other thing - and this is very interesting - is that UBI could be a huge motor for entrepreneurship, particularly in a place like London where there are lots and lots of small businesses. In fact, in the whole of the UK, 95% of all businesses employ fewer than ten people. Therefore, small businesses are going to be the motor of the economy.

Interestingly, in the United States last year there was almost a sort of micro-experiment in what would happen with UBI because they sent this cheque, \$1,200, to everyone in the country. They sent tens of millions of cheques out and people got this money. Within a couple of months there was this huge spike in business creation. Even publications like *The Economist*, who are no fans of state transfers or cash handouts, had to accept that this had a massive impact in the rate of business creation because it gave people the opportunity of taking a risk and creating their own business. They had a bit of money in their pocket to take that risk.

We think this is huge. If you can do that and if you can put even small amounts of money regularly in the pockets of lots of people, it will give people the incentive to then go and do something with that money, particularly create business, create enterprise. This is the thing that ultimately is going to lead to an economic recovery, lots of people creating small businesses, maybe employing a couple of people, maybe just employing themselves, and having that cushion. In the UBI movement we like to call it a floor, a floor of economic security. You know you are never going to fall below that floor. That is, psychologically and practically, of huge importance. In answer to your question, those two things are particularly important.

**Caroline Russell AM:** Another of the things that we have all learned in the pandemic is that our health and our family circumstances can change on a sixpence. People have found that suddenly they are unable to work. We are seeing people unable to, or struggling to, work while doing home schooling just at the moment. There are also people who find themselves with huge caring responsibilities for people who are experiencing long-term impacts from having had coronavirus.

I just wondered, Ellen, did you want to contribute on the issue of how UBI might help?

**Ellen Clifford (Disabled People Against Cuts):** I would just suggest that the impact of £76 a week might be less than Daniel is suggesting. For people who are on benefits, that amount would be taken back, it would be deducted from their benefits. Then for wealthier people they would then be paying it back through the tax changes. Therefore, it would not be everyone that would have it as extra money. I am not sure that £76 per week is enough to be that transformative. That is less than the current lowest weekly amount on Universal Credit.

There is one other concern that we have for the lowest-paid workers, whether there could be the potential impact of encouraging less scrupulous employers to drive wages down further and whether this could be used effectively to subsidise wages. That is a general economic concern that critics of UBI have.

**Caroline Russell AM:** Obviously, one would hope that laws around a Living Wage and at least --

**Ellen Clifford (Disabled People Against Cuts):** We would welcome those being strengthened, for sure.

**Daniel Mermelstein (UBI Lab London):** Can I make a point on that, though? I do disagree with that. One of the things that certainly contributes to keeping wages low is that most people do not have a choice about what kind of job they can accept. If the choice is between taking a low-paid job and starving, I do not think that is a choice. You take whatever job is available. Knowing that you have this floor of economic security is something that is powerful psychologically, and that would mean that you are able to refuse work that is dangerous, badly paid, or demeaning in ways that I do not think, currently, a lot of people are in a position to do.

Therefore, even at low levels, having a basic income, knowing that something is unconditional and non-withdrawable, is big. It is important. It is important in people's minds as well as in the economy as a whole. Employers will know that people will reject jobs. I think that the opposite would be true; that you would struggle to fill jobs that are unsafe or badly paid and therefore you would have to raise wages.

Again, going back to the issue, a lot of this unfortunately is a bit hypothetical. We should be trying this out. We should be finding a way to try this out so we can say for sure whether this is real or not.

**Caroline Russell AM:** Yes. Can I just check, the way that UBI Labs propose trials, this is not necessarily instead of benefits, it is like an emergency payment?

**Daniel Mermelstein (UBI Lab London):** Part of the challenge with doing a proper UBI trial is that a proper UBI trial would require primary legislation. That is why the motion that was put forward to the Assembly was calling on the Government to enable trials. Enabling trials means passing legislation that allows the Department for Work and Pensions (DWP) and [Her Majesty's] Revenue and Customs (HMRC) to make changes to the tax and benefits system, to make changes to people's tax codes and things, so that you can give people money without it impacting their eligibility for other benefits. At the moment, given the situation right now, if someone decided to give someone else money that would count as their income and they would probably get hit on their benefit somewhere else. Therefore, in order to enable trials, you have to pass legislation and you have to do this. This is a very centralised country in terms of decision-making. That would have to be done in Parliament.

**Ellen Clifford (Disabled People Against Cuts):** I just want to add that looking at the Scotland report is really useful for that. They decided that they are not able to undertake pilots because it would require new legislation to devolve responsibilities, or there would need to be, as Daniel says, a lot of co-operation with the

DWP and with HMRC. In order to trial it properly, you would need to be reducing people's benefits while giving them the basic income, which, because of those interfaces with the DWP and HMRC, it is not currently possible to do.

**Caroline Russell AM:** Yes, which is why the motion is asking to talk to the Government about it. Can you just outline precisely, Daniel, how you would see a UBI pilot work in London?

**Daniel Mermelstein (UBI Lab London):** The Scottish feasibility report is excellent and I would encourage anyone who is interested in this to have a good look at it, even just reading the executive summary. They went to a lot of trouble, they spoke to a lot of people, they did some original research, they looked at all the different aspects and it is a very comprehensive thing. Because it is in a UK context, even though it is ostensibly for Scotland, it has a lot of lessons for the rest of the UK. That is point number one.

It does point the way to some of the characteristics of a pilot that you would probably want to have. For example, there is this idea of a saturation pilot. What you want to do, in order to be able to measure the sort of community-type impacts, is to have a good enough number of people in a community who are all getting the basic income. That is the idea of a saturation pilot, to have people in the same community, a big enough number of them. The Scottish feasibility report talks about numbers from about 3,000 to 6,000 people. That is the smallest number that you could have that could take part in a saturation pilot. That would give you an opportunity to do the sorts of measurements that would give you enough information to really understand what the impacts - not just on an individual, but on a community - are of having a basic income pilot. That is important, the number, and the idea of a saturation pilot.

The other thing is what kind of level you set the basic income at. One of the suggestions in the Scottish report is around what you get from Universal Credit. Another one is a more generous sum of money. Again, this would have to be decided, but these are the numbers you are talking about.

Then the other crucial part of it is how long. Again, in order to be able to measure community-wide impacts and also an individual impact, you would have to do a two to three-year pilot, minimum. Plus it would take at least a year to set it all up because, again, it takes time for the sense of having a regular income to take hold and how people then psychologically start to act differently if they were having this regular income, this floor of economic security that no one has ever had.

All of these things put together start to point the way to how you do a pilot. I think it is crucial, given that London is so big and diverse, but it also has local government, the boroughs. Doing it in boroughs would be a great way of doing it because then you can compare different boroughs and the outcomes in different places. I think those are the general parameters of how you would run a pilot.

**Caroline Russell AM:** OK. Do you have any thoughts - I am sure Susan [Hall AM] would want me to ask this question - on how a pilot might be funded? Is this sort of a government project to see whether treating the whole process of benefit payments in a completely different way actually would have overall benefit to the community? Are you suggesting this is a Government-funded thing?

**Daniel Mermelstein (UBI Lab London):** Yes, given the sums involved and given the state of local government finances, I think everyone senses that, and this is a pilot that would give information about something for the whole of the nation. The assumption is that this would have to be funded by the Government, yes.

**Caroline Russell AM:** Well, the Government is funding all sorts of things at the moment. This is a different way of doing things and it would certainly be a bit cheaper than furlough, I suspect. Trials have been mentioned and referred to and we have the Scottish report, which obviously gives some very helpful information. Are there any other trials anywhere else in Europe or anywhere else in the world that you think it would be useful for us to be aware of that might have relevance for a London pilot?

**Daniel Mermelstein (UBI Lab London):** Ellen [Clifford] mentioned that there has never been a true UBI pilot anywhere in the world, I do not think. What there have been are attempts at something. For example, the one that has gathered a lot of headlines recently is the pilot in Finland, but the pilot in Finland was very much targeted at a specific cohort of people, which is the unemployed. That has its own issues and it draws its own conclusions. A lot of the conclusions were about: how does this pilot, targeting this type of people, affect their chances of employment? A lot of it was about their wellbeing - their mental wellbeing, their physical wellbeing - and whether it has any negative impacts on accessing the jobs market. At least it is a pilot in a European country with a similar type of benefit system to the UK, for example. That is helpful and some of the conclusions were very encouraging about access to the labour market, about people's wellbeing, their sense of their own self within society and all of these things that we consider to be useful.

There are other cash transfer pilots in other parts of the world that are more akin to a basic income in that they are just giving a significant number of people money, in places like Kenya, Uganda or India where they give people with low incomes cash over sustained periods of time and then they measure the impact of those. The issue with those is, yes, it is cash transfer, but it is in a very different kind of scenario where people are a lot poorer and there are fewer safety nets.

One of the more interesting ones, where it has been going on for longer and been under the radar, is the Alaska Permanent Fund. In Alaska in the 1970s when they discovered oil, they had a bit of a moment of clarity, of insight, which was in effect that the riches of the oil discovery did not just belong to the people who happened to find it in the 1970s. They were not just going to blow it on big infrastructure projects. What they would do was put that money, that revenue, in a fund, and then every year they would write a cheque and would give people a share in the profits of the fund. The Alaska Permanent Fund has been up and running since the early 1980s and every year every resident of Alaska gets a cheque for \$2,000 or \$3,000, depending on how well the fund did, just because they are residents of Alaska. It is unconditional and non-withdrawable and it has all the characteristics of a basic income except that it is not very regular. It is only once a year and they do not exactly know how much it is, the amount of money.

**Caroline Russell AM:** Ellen, did you want to come in?

**Ellen Clifford (Disabled People Against Cuts):** Yes, I just wanted to say that also with the Alaskan fund it does not get taken back through taxation and people's benefits are not reduced as a result of receiving that fund. It would be great if there was a similar oil fund that we could just all draw on here, but the reality is that paying out a basic income would mean changes to the current taxation system.

**Daniel Mermelstein (UBI Lab London):** Yes, I am talking about this in the context simply of Caroline [Russell AM] asking me about the different ways in which this has been tried. Because it has been going on for so long, they have been able to measure to some degree what impact it has on the population. Does it reduce their availability for work or does it reduce their stress levels, all of these things? Again, these are positive outcomes.

Things have been tried. Nothing has ever been tried which would be a full-on basic income. Again, in the context of London, if we think about what London is in the world, sending a signal that says, "We are at the

forefront of something as transformational as this because we are going to try this out in one of the major world cities", that would be a huge thing, apart from anything else.

**Caroline Russell AM:** It certainly would. I am just thinking, did we not have Enterprise Allowance in the 1980s? That had some characteristics of this.

**Daniel Mermelstein (UBI Lab London):** That is right and this was, again, a Conservative Government in the early 1980s. The Thatcher Government introduced this Enterprise Allowance, which basically gave people money if they set up their own business. There was a quote I was reading earlier from, I think it is, the comedian Alan Davies, who said that the Enterprise Allowance saved him when he was a jobbing artist, and in a way, it seems so obvious. He said:

*"If you were on the dole, you got £26 a week and you weren't allowed to work. If you were on the Enterprise Allowance Scheme, you got £40 and you could work."*

That is the difference between, in a way if you like, the current welfare system where you get £20 week but you cannot work because they will penalise you, or a kind of UBI where you are saying, "Here's £40 a week. See what you can do with it". He says that is the thing that sort of -- and it was not just him. There are more examples of people, particularly artists and people who have more uncertain income, who benefitted from this and it was a Conservative Government programme.

**Caroline Russell AM:** Thank you. Finally, I am just wanting to move on to London local authorities, how they might be able to help with trialling UBI, what support they might need to do it and whether micro pilots might play a part in what local authorities are able to do.

**Daniel Mermelstein (UBI Lab London):** Yes. In the UBI Lab movement we have worked very hard to try to work with local authorities, again to ask for these pilots, because we think that basic income in a way is a grassroots initiative. The thing that local authorities can do is not only when it comes to the logistics of administering and running a pilot because they have the wherewithal and the infrastructure to do that, but also - and this is a key thing - creating the networks and building the support that is required for a basic income pilot. They have the networks of people. We have been asking to call for the creation of working groups that involve stakeholders in the community, who would all have to come together to make a pilot a success. We think this is a big, big job and they have a big part to play, the local authorities, in making a success of pilots in the administration, in the data-gathering, and in just building the networks of support that would make this a success.

It is worth pointing out, as you said, that there is also this idea of the smaller micro pilots, local micro pilots. I am excited because I live in north London and there is some idea of doing a micro pilot around the area where I live, which I think is an amazing stroke of luck for me. The idea is you can still measure some impacts and do that thing at a very micro level, and those are exciting ideas.

**Caroline Russell AM:** The micro pilot around you, is that being funded by central Government or is that being funded by some kind of grant? How does that work?

**Daniel Mermelstein (UBI Lab London):** No, this is in the very early stages, but the idea is to fund it by some kind of benefactor or donor. This is very much outside of, if you like, the local authority or the Government arena, but the principle is the same. You could fund these micro pilots and do these. The key thing about all of this is you can do that. Everything has its pros and its cons. Doing a pilot is better than not doing anything, but it is not the same as doing it in the whole country. Doing a micro pilot is better than not

doing anything, but is not as good as doing a pilot. There is a limit to the things you can measure and there is a limit to the things you can deduce from it, but it is still a way of understanding what the real-life impacts and outcomes of this would be.

**Caroline Russell AM:** Yes, thank you. Ellen?

**Ellen Clifford (Disabled People Against Cuts):** Sorry. Our caveat with it is that the smaller the pilot, the less it is going to tell us about potential impacts on the wider tax and welfare landscape and about impacts on additional funding pressures on public services nationally. Yes, that is the problem for us with smaller pilots. We would stress that if there are going to be pilots looking at UBI, as I said before, we would really like a pilot, as well, looking at minimum income standards that are means-tested rather than universal. I think with the two rates that they recommended in Scotland being looked at in pilots, they were recommending that a pilot looks at both a lower level payment, which is the equivalent of roughly a Jobseeker's Allowance amount, and then another pilot with a higher amount, roughly at the level of the minimum income standard. We would want a third one, which was looking at a minimum income standard that is means-tested rather than universal.

It is quite, for want of a better word, exciting, the kind of potential with the London Recovery work for looking at solutions for some of these issues. I am involved in the London Recovery Board through my role on the Equality, Diversity and Inclusion Advisory Group. One of the missions is around a robust safety net, and that recovery work is in partnership with local authorities. It is going to be really great to look at what work can be taken forward, exploring the role of local authorities in terms of better social security options.

**Caroline Russell AM:** Yes. Thank you. I will hand back to the Chair.

**Léonie Cooper AM (Chair):** Thank you. I am not actually sure that we have managed to nail down whether or not we think London local authorities are currently in a position to implement UBI or, indeed, what support they might require. I am also not quite clear whether or not a pilot would be assessing the impact in terms of the tax landscape where people might be contributing more, as well as what the benefits might be. I am sort of posing that. I think that is still there as a bit of a question. I am not sure with our two very excellent guests whether they can answer that question about London local authorities because you are not actually representing London local authorities.

**Murad Qureshi AM:** I will try to sweep up as quickly and as effectively as I can do. Can I just return to something? I have spent most of this session listening to possibly all the reasons why we should not have a pilot. It sounds incredibly complex and it makes me return to the idea that it should be 'one size fits all'. Could I ask Daniel? Would a 'one size fits all' UBI be appropriate across the country or should we expect different types in different regions?

**Daniel Mermelstein (UBI Lab London):** I think UBI is UBI. In a way, it is about 'one size fits all'. It is about saying we should have a basic income across the country. Obviously, from the point of view of the UBI Lab Network and the UBI movement, of course we want it in the whole country, and we do not want it to be set at different levels for different regions because then it is another sort of weird form of means-testing, if you like. Definitely, if UBI is UBI, then it has to be one UBI. Now the question is: what UBI? Within a UBI, as we said earlier, there are a lot of different schemes and, therefore, what the scheme should be, what the level should be, what it pays for and all of that stuff is up for debate. That is why, in a way, we think the way forward is to pilot it or to try it because it is a way of getting to those answers.

**Murad Qureshi AM:** OK. No, it is just that one of the instances around the world, which I do not think we have referred to, is in Spain. Last May, they put a million families on their equivalent of a basic level of income

that has cost them €3.5 billion. Are we any the wiser of the success or not of this? Has that actually delivered the results? One million households, that is a huge.

**Daniel Mermelstein (UBI Lab London):** Yes. I guess the issue there is that the moment you say it is a million households, it is not universal. It is a form of welfare and we have forms of welfare and they have forms of welfare. If you say it is a million households, you have to define “Who is the household who goes into the programme or does not go into the programme?” It is a means-tested -- it is a way of getting money out to people and I am absolutely sure it has helped the people who got the money, but it is not really a UBI experiment because it is not universal. The key thing about UBI has to be about universality, about unconditionality and about regularity. The moment you say there are a million households in this, another 25 million households who do not get it, then what you are talking about is it is another means-tested welfare programme. It is difficult to then answer that question.

**Murad Qureshi AM:** OK. The most recent example is what is happening in [the United States of] America. The Senate has approved about a \$1 trillion budget for not \$600 but \$2,000 and, if anything, the argument there was “How much should go?” I have got to confess, actually [former President] Trump got this one bloody right actually, \$2,000. If you are going to give something, \$2,000 is probably the appropriate level. That is likely to be replicated, is it not, under [President] Biden? Is that not where the Americans are going essentially, without them realising possibly?

**Daniel Mermelstein (UBI Lab London):** Well, maybe. There are a lot of issues happening there that I am not qualified to talk about. Again, it is universal, so that is great. It is a significant amount of money that people are going to receive. The issue with that one is that it is not regular. The thing about UBI is it is about regularity as well. It is not just about sending people a cheque once. It is a “We are going to support you, rain or shine, day in, day out for the rest of everyone’s lives”, and regular payments is absolutely key.

**Murad Qureshi AM:** OK. I suspect that it will be more regular than we realise if I am reading what --

**Daniel Mermelstein (UBI Lab London):** Perhaps, yes.

**Murad Qureshi AM:** -- the Federal Reserve and [President] Biden are saying, certainly to get Americans through the pandemic crisis that they face more severely than we do.

The other thought is that was the appeal for me when I signed up to that petition. I did not envisage it would get any more complicated than that, quite honestly. I do think one of the things we do need to investigate is whether our colleagues in local government, particularly in London, in these particular circumstances, have the capacity to take on board delivering such commitment. I just wondered - and I think this is the final point - whether you have any more thoughts on that.

**Daniel Mermelstein (UBI Lab London):** Yes.

**Murad Qureshi AM:** At the moment, they will be hard-pushed to find the income to do that. It would certainly have to be a transfer, I would have thought, from central Government, and it would be the terms of those funds. Daniel, is that how you think our local authorities could run it?

**Daniel Mermelstein (UBI Lab London):** To answer the previous question about whether local London authorities are equipped at the moment, the answer is no, first because they do not have the legal powers. Again, this has to go through central Government and this is why we have been pushing so hard for people to lobby central Government to make the changes that are required to make pilots even a possibility.

Once you have got over that hurdle, then you have to say, “Yes, a local authority could deliver it”. They have the wherewithal in terms of the bodies on the ground and the infrastructure, but, clearly, they are not going to have the money, and perhaps they will need extra support. This is a national effort in a way, in that respect. Local authorities need to be given the legal framework and the funding to run these trials, but we think they are the right kind of unit to run a trial, particularly in a place like London, which is so densely populated and has different local authorities. It would be an ideal place to try some of these things out and say, “Well, does it provide the benefits that all of us on this side are saying it provides? Does it create unintended consequences that no one has thought about but are good or are bad?” Then, “Does it provide the value? Is it, in a way, a valuable thing to do?”

**Ellen Clifford (Disabled People Against Cuts):** Yes, obviously I agree with Daniel that local authorities absolutely do not have the ability to do that now. I just want to stress though that, for us, the question of trialling a UBI is some place in the future, after we have secured central Government commitment to it. In the meantime, I would really emphasise the need to make sure that Londoners who are struggling under the current climate are able to access financial hardship support now. We are very concerned about what will happen in April [2021] when the £20 a week uprating of Universal Credit is due to end. I know that has made a huge difference to families and we are really worried about that, which is coming very imminently.

**Léonie Cooper AM (Chair):** It is also, Ellen, slightly outside of the scope of this discussion.

**Ellen Clifford (Disabled People Against Cuts):** Sorry.

**Léonie Cooper AM (Chair):** In the sense that I mentioned something else being outside the scope of the discussion earlier on, that is also outside of the scope of the discussion of UBI, if you do not mind.

**Murad Qureshi AM:** Indeed. Just one last point. If there were transfers from the Government on this front, we are talking about legislation and what have you. I think there is a far easier route and it is the Bank of England. Actually, they pumped out more money than the Chancellor [of the Exchequer, The Rt Hon Rishi Sunak MP] has, or than people imagine and it is through printing money, quantitative easing. Most of that, I think, has been keeping the financial sector happy. Is there a means of tapping into that, avoiding all these obstacles, and direct payments as they are making anyway, Daniel?

**Daniel Mermelstein (UBI Lab London):** No.

**Murad Qureshi AM:** No?

**Daniel Mermelstein (UBI Lab London):** I do not think so, because I think we are talking about two slightly different things.

**Murad Qureshi AM:** OK.

**Daniel Mermelstein (UBI Lab London):** One is how you pay for it, and you are right, quantitative easing or printing money or however you want to call it is one way of paying for it. Another way of paying for it could be to invent some other tax, another way. There are different ways of paying for it. I think that the one that is scrutinised and modelled most is changes to the tax and benefits system, the rates of income tax and the various different kind of tax and benefits system issues. It is the easiest one to model because it is already there and that is its purpose. The purpose of the tax and benefits system is to tax some people and give

money to other people in the form of benefits or in the form of education, the NHS, whatever, and so that is the one that is being modelled most.

**Léonie Cooper AM (Chair):** I am going to have to draw you to a close because we have only got ten minutes left of our complete amount of time. We do need to make a decision about what we are going to do with the referred motion and we have also got a couple of other items that we need to conclude on the agenda.

Daniel, I would like to thank you enormously for your contribution and, Ellen, also for yours. That has been really, really helpful in the discussion, which I think has been much more useful really than the very brief debate that we had in the [London Assembly] Plenary in the Chamber, as it were.