



UBILAB
Sheffield

Working paper:

Proposal for a Sheffield Pilot

03/19



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Lead authors:

Dr Mark Bryan
Jason Leman

Contributors:

Helen Rice
Dr Simon Duffy

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Executive Summary

What is Universal Basic Income?

A Universal Basic Income (UBI) is a regular payment to all individuals in society. It is paid at a fixed level that covers people's basic needs and does not depend on their financial circumstances or work status.

The idea of a UBI has generated interest from across the political spectrum. The Sheffield UBI proposals are founded on the principles of making the tax and benefit system fairer, more efficient, and more democratic. A UBI can be fair through guaranteeing basic human rights for every citizen in times of change or difficulty. A UBI can be efficient through reducing the size of the welfare state, making it simpler and less intrusive. A UBI can be democratic through giving people the resources to make a meaningful contribution to society in whatever way they wish to.

UBI pilot in Sheffield

A UBI could help address multiple challenges, such as precarity, poverty, inequality, and loss of community. Sheffield – a city of communities, makers, innovation and change – is the ideal testing ground for a UBI. While there have been trials of UBI elsewhere in the world, most evidence comes from times and contexts which are very different from the UK in 2019.

We propose a pilot of UBI in Sheffield that will generate knowledge and understanding about the practicalities and administration of a UBI, its effects on participants and impacts in the wider community. The UBI pilot will add to the academic evidence base on UBI, inform the policy debate about welfare reform, and raise awareness about UBI among the general public.

Three UBI pilot options

We propose three separate options for pilots which vary in ambition and funding requirements. In each of these pilots, about 4,000 people will receive the UBI for 3 years. They will be compared with control groups of similar people who do not receive a UBI, in order to quantify the effects on a range of different outcomes. In addition, a small number of the UBI recipients will take part in interviews and complete participant diaries so that we can gain a much deeper insight into their experiences of UBI and the mechanisms behind any effects. The proposed pilots are:

1. The Tweak: Taking conditionality out of illness and disability benefits

The current benefit system is heavily reliant on means-testing and administrative sanctions placed on people who do not engage in activities such as job search. This pilot would remove these conditions from a specific set of employment-related illness and disability benefits and these benefits would become a basic income that ill or disabled people would receive irrespective of their financial situation or work status. This pilot would cost around £18 million to run.

2. The Top-up: A non-means-tested payment to everyone

This pilot tests a flat-rate top-up payment made to all citizens that might be funded from a Sovereign Wealth Fund or similar. The pilot would include a range of residents, with a flat-rate payment to all adults on the order of £130 per month (£1,560 per year). It would not mean any changes to the current tax or benefit system. There have been examples of this model applied worldwide. This pilot would cost around £23 million to run.

3. The Replacement: Re-organising the tax and benefits system

This pilot replicates a full replacement of the current tax and benefits system. The pilot would include a range of residents, with a standard payment of £6,000 per year plus additional components for people who are disabled, with children, and over retirement age. Payments would be adjusted for projected changes in income tax. Some schemes similar to this have had limited pilots. This pilot would cost around £60 million to run.

Option 1 will include disabled benefit recipients randomly selected from across Sheffield. Options 2 and 3 will be carried out in a specific local area, e.g. people living in a block of flats or small neighbourhood, so that we can investigate effects on the community and not just at the household level. These trials constitute a large social science research programme; though the main spend is on a projected change to the benefits system that represents less than 0.0004% of the UK welfare budget. The cost of the research programme itself is comparable with the £15m spent on pilots and trials for the far more complex Universal Credit welfare system.

UBI outcomes

Based on the principles of the Sheffield UBI pilots (fair, efficient, democratic), outcomes will cover a range of areas that reflect a broad range of values that can feasibly be captured in a 3-year pilot. Our key outcomes cover the following areas:

- **Activity:** paid work and self-employment/entrepreneurship, volunteering, informal caring, education; leisure activities; illicit or criminal behaviour; consumption of goods and services.
- **Wellbeing:** physical and mental health outcomes and behaviours; subjective wellbeing; sense of autonomy; self-efficacy and control; perceptions of financial security and independence; income, savings and borrowing.
- **Relationships:** personal relationships and decision-making within households; community wellbeing; health inequalities; community action and social contribution; group efficacy; social capital; sense of belonging and citizenship; experience of crime; perceptions of 'others'.
- **Place:** housing quality and security; interaction with local and wider environment.

Unique features of the UBI LAB Sheffield pilot

While there have been a number of other UBI pilots elsewhere in the world and at different times, the UBI LAB Sheffield pilot offers a number of unique/novel features:

- It would be the first full-scale pilot in England. Feasibility studies are underway in Scotland but there are no definite plans for pilots there so far.
- A focus on activity and not just work: the pilot goes beyond the focus on paid work of a number of other pilots, including the recently completed Finnish experiment to replace unemployment benefit with a basic income. Instead, we adopt a much broader concept of activity, including all undertakings that create personal and social value.
- A community focus: unlike recent pilots in developed countries, the Sheffield pilot (options 2 and 3) will allow us to measure the effects of UBI on the community and not just on individuals and households.
- Individual and community wellbeing: while previous pilots have tended to focus on 'objective' socio-economic outcomes (including objective health measures), the Sheffield pilot will also include a range of more subjective wellbeing measures, including life satisfaction, a sense of meaning, self-efficacy and group-efficacy, and belonging.

Introduction

A Universal Basic Income (UBI) is a regular payment to all individuals in society. It is paid at a fixed level that covers people's basic needs and does not depend on their financial circumstances or work status.

The idea of a UBI has generated interest from across the political spectrum. However, this has meant that what a UBI is, what it is designed to do and how it will work, also varies widely. In a series of discussions led by UBI LAB Sheffield, three principles were adopted to guide the design of the proposed Sheffield pilots. The proposals were designed to pilot schemes that were fair, efficient, and democratic. Each point is expanded below, outlining what this implies in terms of the design of a UBI.

Fair

The concept of fairness is difficult to define, but there are some wide constraints on what we might say is economically fair that would appeal to most modern values¹:

- People have a value that isn't only measured by how much money they can earn;
- People should not be left to starve or otherwise suffer extreme deprivation;
- People should have an adequate standard of living;
- People should not unduly profit from the labour or effort of others.

It is open to debate whose responsibility it is to ensure these standards of fairness. Some argue that fairness is the responsibility of civil society rather than the state, such that no-one is obliged to uphold these standards, but instead individuals and groups may do so if they wish. However, there is a risk of unfairness if we rely upon the voluntary sector or business interests to meet the need, or constrain the greed, of every individual. If we argue that basic levels of fairness should be a matter of state action, with the force of law behind it, then a UBI is a policy that could help meet these aims of fairness.

A UBI might help ensure that people were, for example, valued for pursuing caring, creative or voluntary work, rather than paid work. It might help ensure that people were equally supported regardless of their personal situation or the nature of work they could get. As employers seek more flexible workforces, a UBI could make flexible

¹ These principles have been broadly drawn from the UN declaration on Human Rights, see, UN Gen. Assembly.1948. *Universal declaration of human rights*. UN General Assembly.

employment a fair and desirable option. As people feel shame at being a 'claimant', a UBI would create a more transparent system where everyone could be described as a beneficiary and a contributor, even if people shifted from being net beneficiaries to contributors and back again through their lives².

To implement a UBI that is fair, we would wish to implement a system that helped tackle issues such as poverty and rentier profiteering. This would inevitably impact upon the wealth and income, after taxation, of large sections of society. However, the assumption of this proposal is that our society does wish to ensure standards of fairness, such that some sections of society will have greater obligations placed upon them.

Efficient

An efficient system is one that minimises the resources needed to achieve its goals. This includes the resources of both the provider and the beneficiaries. The current system of welfare benefits includes a large use of resources due to detailed means testing and conditionality³.

The purpose of means testing is to fine tune payments so that they provide an adequate level of support whilst minimising the cost to the provider, and so are financially efficient. However, in terms of time spent and emotional work, this places a high demand on the resources of both provider and recipient to implement⁴. One mechanism for trying to ensure financial efficiency is conditionality. Conditionality is a method that aims to coerce benefit recipients into activities related to work, or similar, with the understanding that this will then reduce the financial burden they place upon the system. However, although conditionality may increase financial efficiency, it is inefficient in terms of the impacts it has on recipients, who may experience negative physical and emotional impact, alongside being forced to undertake activities that research has found do not improve outcomes⁵. It is also inefficient for providers, who direct resources towards continually assessing the activity of beneficiaries to determine if they are meeting the required standards, rather than, for example, providing support towards claimants making best use of their skills, abilities and interests.

An alternative is to exchange economic efficiency for efficiency in terms of minimising the workload the system places on provider and beneficiary, with the understanding that this will allow freed-up resources to be deployed in ways that have wider benefits to

² For example, <https://blogs.lse.ac.uk/politicsandpolicy/55509-2/>

³ For example, National Audit Office (2018) *Rolling out Universal Credit*, HC 1123, <https://www.nao.org.uk/report/rolling-out-universal-credit/>

⁴ For example, Summers, K and Young, D. (2019) *The alleged simplicity of Universal Credit and the lived experience of benefit claimants* LSE (online) <https://blogs.lse.ac.uk/politicsandpolicy/universal-credit-simplicity/>

⁵ For example, Welfare Conditionality Project (2018) *Final Findings Report* University of York <http://www.welfareconditionality.ac.uk/publications/final-findings-report/>

society. A UBI should therefore look to tackle both means testing and conditionality. However, it should be noted that, to be fair, a set of premiums for certain groups needs to be retained within a UBI scheme that aims to replace benefits⁶, even if it may be significantly simpler than the current benefits system.

Democratic

Whilst democracy is often taken to mean the extent to which people have a say over the government, and therefore the laws of the land, a wider conception is the extent to which a person has influence over what happens in their own life. Democracy in this sense is about our autonomy with regard the many social structures that we inhabit – family and work as well as government and state.

A UBI gives greater resources to those who have least, empowering them to take greater control. These resources will particularly flow to people in deprived communities, where they could choose to use those extra resources in ways that would strengthen the autonomy and resilience of those communities. A UBI would also value unpaid as well as paid work within the household. It makes no assumptions about who is head of the family, and would give individuals within households greater economic autonomy. A UBI would help give jobseekers more autonomy and power in their relationship with employers. It would support entrepreneurship and retraining, enabling people to take greater risks in developing their lives in the way that they wish to. It could be simpler and more transparent, giving people greater clarity over how they and others are treated by the tax and benefit system.

Conversely, some may argue that a UBI could allow people the choice to forgo participation in community altogether, avoiding any responsibility to wider society or their households. Those who would give more under a redistributive system of UBI might question the imposition of a moral framework that they would question in terms of fairness and social cohesion. In response, any pilot of UBI must allow for negative as well as positive results around such measures. To be democratic, the appraisal of the pilot should account for the diverse views of all those potentially affected by a UBI scheme.

⁶ For an analysis of UBI and compensatory premiums, see Martinelli, L., 2017. *The fiscal and distributional implications of alternative universal basic income schemes in the UK*. IPR Working Paper, Institute for Policy Research, University of Bath.

Why a Sheffield Pilot?

A pilot is an important precursor to any full implementation of UBI. It would allow testing of the practicalities of UBI delivery together with exploring the broad range of social and economic benefits that we hope to see. Equally, a pilot is a mechanism for detecting any unexpected drawbacks or adverse consequences that would need to be addressed before a full roll-out occurs.

A number of pilots around the world have tested different types of UBI. Historically, the “negative income tax” experiments in North America in the 1960s-70s focussed on the labour market effects of a basic income accompanied by an income tax clawback⁷. More recently, Ontario began piloting a similar type of UBI but evaluating a broader range of outcomes (although this pilot was prematurely cancelled in July 2018)⁸. Pilots elsewhere have focussed on UBI-like changes to the benefit system. There are ongoing trials in the Netherlands and Barcelona, but the most prominent is the recently completed Finland pilot to replace unemployment benefit with a UBI⁹. Finally, there have been pilots which do not involve changes to the tax-benefit system, but explore the effects of UBI payments made on top of any existing benefits. There are examples in Africa and India, as well as two upcoming pilots in the US (Stockton Economic Empowerment Demonstration¹⁰ and Y-Combinator¹¹).

Whilst there are valuable lessons to be learned from all these experiences, they come from historical periods and social contexts which are very different from the UK in 2019. A pilot is needed within the cultural context, labour market and tax-benefit system of the UK, looking at how people across different groups behave in response to a UBI. A pilot in Sheffield would complement any pilot in Scotland – currently the subject of a feasibility study. Whilst English and Scottish pilots would share useful common ground, they would also potentially evidence the impact of different health and social care systems, along with potential differences due to culture. A Sheffield pilot would also add to the evidence generated by a small trial mooted for Rochdale¹².

⁷ Marinescu, Ioana, 2017. *No Strings Attached: The Behavioral Effects of U.S. Unconditional Cash Transfer Programs*. Roosevelt Institute

⁸ <https://www.ontario.ca/page/ontario-basic-income-pilot>

⁹ Kangas, O., Jauhiainen, S., Simanainen, M. and Ylikännö, M., 2019. The basic income experiment 2017–2018 in Finland. Preliminary results.

¹⁰ *Our Vision for SEED: A Discussion Paper*. Stockton Economic Empowerment Demonstration, www.stocktondemonstration.org

¹¹ *Basic Income Project Proposal, Overview for Comments and Feedback*. Y Combinator Research, <http://www.ycr.org/basicincome>

¹² Rochdale New Pioneers Programme, in partnership with the RSA <http://www.collegebankandlowerfalinge.org.uk/>

A UBI pilot in Sheffield could also address a key under-explored aspect of UBI, namely its effects on the community. Most previous pilots could not detect community effects because they were based on scattered samples of individuals who did not interact with each other. The only exceptions in developed countries are the Mincome trial, conducted in a small town in Manitoba in the 1970s, and the cancelled Ontario pilot. There is thus a need for an up-to-date pilot in the UK context that could evaluate the potential community benefits of a UBI. Built around seven hills, Sheffield is more a collection of towns than a single city, with some of the wealthiest and poorest areas in the country. Within these towns are particular communities that would be ideal as a testbed of UBI.

A pilot will require good networks between multiple stakeholders to be successfully run. There are already several examples of successful working between Sheffield City Council, the University of Sheffield, Sheffield Hallam University and community partners. There are strong community and business networks that exist in the city. The research programme will engage multiple stakeholders to both successfully implement the pilot, alongside curating a wider set of discussions. Discussions have already begun with Disability Sheffield about incorporating illness and disability issues into the pilot (and these issues are already the focus of one pilot option).

Implementing a UBI will require a nationwide discussion about the reasons for change. Sheffield is the ideal site to prefigure such discussions alongside the UBI pilot. Motivations towards a UBI include technological change towards automation, precarious work, supporting entrepreneurship, and reducing poverty. The city has a long history of innovation and entrepreneurship in manufacturing, arts, and science. Active networks of makers and artists alongside the two universities provide entry points for discussions around entrepreneurship. Sheffield has active research centres in robotics and artificial intelligence, enabling local expertise to be used in informing discussion. Most people have very poor knowledge about how the tax and benefit system works and where money goes. Sheffield has centres of knowledge on tax and benefits, along with populations who have very diverse experiences of the system.

A series of discussions held alongside the pilot would help curate discussion in the city. By trialling the kinds of discussions that would be had ahead of the implementation of a full UBI scheme, the Sheffield pilot would serve as both a useful testbed of a UBI and the framing that would need to be in place for successful implementation. These discussions could be linked to current initiatives connected with partner organisations, such as the Festival of the Mind and the Festival of Debate¹³.

¹³ The Festival of the Mind is run by the University of Sheffield and includes the public presentation of research, see <https://festivalofthemind.group.shef.ac.uk/>. The Festival of Debate is co-ordinated by Opus Independents and includes a city wide programme of discussion, see <https://www.festivalofdebate.com/>

Options for a pilot

Based on the three key principles of fairness, efficiency and democracy, three pilots have been proposed that explore different aspects of a UBI. They include a full UBI scheme, but also two partial UBI options which represent specific improvements on the current system.

1. The Tweak: focussing on the potential benefits of UBI for people who are disabled or ill, this pilot would change a subset of employment-related illness and disability benefits into a basic income. This pilot would be focussed upon removing conditionality and means testing; with the understanding it would be fairer, make the system more efficient, and less restricting upon the activities of claimants¹⁴. The cost of a three year pilot for the tweak with 4,000 participants would be of the order of £18 million.

2. The Top-up: this pilot tests a flat-rate top-up payment (of around £130 per month or £1,560 per year) made to all adults. A UBI of this type, which might be funded from a Sovereign Wealth Fund or similar, is sometimes called a social dividend¹⁵. This pilot would not impact upon the efficiency of the current tax and benefit system, but would aim to redistribute a modest level of wealth in a fair and democratic way. A three year pilot with 4,000 adults, covering approximately 2,500 households, would cost around £23 million.

3. The Replacement: this pilot is a UBI model in which a payment of about £6,000 per year would be made to all working age adults, with slightly smaller amounts for children and larger amounts for people over working age. The UBI would replace the personal income tax allowance and most benefits except for housing-related benefits (which are very dependent on local conditions) and additional payments for disability. It would be financed, in large part, by additions to income tax¹⁶. Accepting the challenges outlined in the introduction, this scheme would be fair, efficient and democratic. A three year pilot with 4,000 adults would have a cost of around £60 million.

Details of the costings and model assumptions for all three pilots are given in Appendix 2.

¹⁴ For example, Welfare Conditionality Project (2018) *Final Findings Report* University of York <http://www.welfareconditionality.ac.uk/publications/final-findings-report/>

¹⁵ For example, Goldsmith, S., 2002, September. The Alaska Permanent Fund Dividend: an experiment in wealth distribution. In *9th International Congress, BIEN, Geneva*.

¹⁶ This model was primarily developed from analysis set out in Martinelli, L., 2017. *The fiscal and distributional implications of alternative universal basic income schemes in the UK*. IPR Working Paper, Institute for Policy Research, University of Bath. <https://www.bath.ac.uk/publications/the-fiscal-and-distributional-implications-of-alternative-universal-basic-income-schemes-in-the-uk/>

In practice all pilots face practical and ethical limitations in the extent to which they can simulate a 'real' UBI. For example, the additional income tax required by the Replacement model implies that some people will be worse off under a UBI and as such we cannot estimate the direct effects of UBI on these people (we summarise the pilot limitations – which affect the outcomes which can be evaluated – in more detail below). Another consideration is that simulating changes to taxes and benefits for the Tweak and Replacement models would almost certainly require the cooperation of HMRC and the DWP – both in order to ensure the accuracy of payments and deductions and also to replicate the payment mechanisms of a real UBI. As is clear from the figures given above, the Replacement model is the most expensive, mainly because it is costly to provide UBI payments to an adequate sample of people over the time period required for the pilot. These pilots constitute a large social science research programme; though the main spend is on providing additional direct payments, amounting to less than 0.0004% of the UK welfare budget, to people below median income. The cost of the research programme itself is comparable with the £15m spent on pilots and trials for the far more complex Universal Credit welfare system. In the context of multiple challenges experienced by the current welfare system and wider societal issues, combined with the potentially wide-ranging impact of a Universal Basic Income, the pilots are very affordable.

The options for the pilots and their proposed experimental designs are explained in more detail below.

UBI outcomes

The funders and direct stakeholders in a pilot would have particular values they would like to see reflected in the outcomes. However, an implemented UBI would need to appeal to the population at large. Therefore, the pilot needs to be democratic by assessing how different kinds of values are impacted through the introduction of a UBI.

We already have evidence from the UBI pilots and social dividend schemes in North America about the effects of UBI on a range of outcomes.¹⁷ These include employment and working hours, consumption, school attendance and attainment, health, crime and illicit/risky behaviour. While there is a need to see whether these results would replicate in the UK context, the UBI LAB Sheffield pilot will test a much broader conception of how a UBI might impact upon society. The research programme will broadly explore: activity - what people do; wellbeing - how people are in themselves; relationships – how

¹⁷ Marinescu, Ioana, 2017. *No Strings Attached: The Behavioral Effects of U.S. Unconditional Cash Transfer Programs*. Roosevelt Institute

people are with others; place – how people interact or transform the environment around them. The pilot therefore aims to have a much more holistic view of potential benefits or adverse consequences than many previous studies.

For instance, there was a strong focus in the North American pilots of the 1960s-70s on employment effects. Similarly the primary focus of the recently completed Finnish pilot was also on employment, although the main impact appears to have been on health and wellbeing¹⁸. Reflecting that a UBI potentially has a wide-ranging impact upon individuals, we will look at changes in activity more broadly defined than employment, such as caring, volunteering and leisure activities. Reflecting the findings of previous trials, physical and mental wellbeing will be captured alongside financial wellbeing. We will also go beyond objective measures to explore, for instance, how work (and the search for work) is experienced subjectively.

The UBI LAB Sheffield pilots (the Tweak and the Replacement) will also have a community focus which is lacking in other past and current trials in developed countries. We will therefore include a suite of measures to capture community interaction and cohesion, and social capital. There is also the question of how UBI might change relationships, decision making and the balance of power within households. Other values, such as how a UBI will impact upon the environment, will be incorporated through broad indicators.

Our key outcomes cover the following areas:

- Activity: paid work and self-employment/entrepreneurship, volunteering, informal caring, education; leisure activities; illicit or criminal behaviour; consumption of goods and services.
- Wellbeing: physical and mental health outcomes and behaviours; subjective wellbeing; sense of autonomy; self-efficacy and control; perceptions of financial security and independence; income, savings and borrowing.
- Relationships: personal relationships and decision-making within households; community wellbeing; health inequalities; community action and social contribution; group efficacy; social capital; sense of belonging and citizenship; experience of crime; perceptions of 'others'.
- Place: housing quality and security; interaction with local and wider environment.

We list examples of specific possible research questions at the end of this proposal.

¹⁸ Kangas, O., Jauhiainen, S., Simanainen, M. and Ylikännö, M., 2019. *The basic income experiment 2017–2018 in Finland*. Preliminary results. <http://julkaisut.valtioneuvosto.fi/handle/10024/161361>

Pilot structure and Research designs

1. The Tweak: Taking conditionality out of illness and disability benefits

This pilot will address the effects of removing some of the most contested elements of the welfare system, namely the means-testing, conditionality and sanctions associated with illness and disability benefits. To avoid the administrative complications of removing conditionality from a large set of different benefits simultaneously, we will focus on one specific, employment-related benefit: Employment Support Allowance (ESA) (and its means-tested implementation in Universal Credit (UC) if Sheffield claimants have migrated to UC at the time of the pilot)¹⁹. As well as reducing the administrative complication of the pilot, focussing on a single benefit has the advantage that the UBI intervention is better defined and the causal pathways easier to identify than when multiple benefits are changed at the same time.

The pilot will remove the part of the Work Capability Assessment (WCA) which decides which 'work-related requirements group' people are put into. Instead, all claimants will go into the Support Group, which does not require any work-related activity from claimants. Claimants will also receive the maximum benefit levels corresponding to that group (irrespective of previous NI contributions or current means). These two changes remove conditionality and means-testing; in addition we will scrap the rules on permitted work (currently up to £125.50 and 16 hours per week for ESA), so that recipients retain all of their benefit if they move into work of any type. This will effectively change the benefit into a basic income (subject to some variation due to additional 'disability premiums' and help with housing service charges). The cooperation of the DWP will be required in order to make these changes.

The quantitative component of the study will be a randomised control trial (RCT), in which at least 8,000 current recipients of employment-related illness and disability benefits will be randomly selected from across Sheffield (from approximately 24,000 current recipients)²⁰. Half of this sample (4,000 people) will be randomly selected to receive the UBI intervention (the treatment group) while the other half will stay on existing benefits (the control group). The pilot will last 3 years over which time we will compare differences in outcomes between the treatment and control groups, using data

¹⁹ Our costing of this option is based on the ESA rules before the introduction of UC.

²⁰ The sample size in this and the other pilot options is based on a set of power calculations of the minimum sample needed to detect hypothesised effects in a range of domains. The hypothesised effect sizes were based on the typical effects estimated by previous research in these areas.

from the pilot survey instrument (described in detail below) and relevant administrative data (subject to DWP authorisation and consent from pilot participants).

The qualitative study will be based on an additional sample of 20-50 people who will receive the UBI intervention. This will be an in-depth study using methods such as interviews, active participant diaries and observations to gain an insight into people's lives on UBI, and help us understand 'why' and 'how' certain effects happened and add rich detail to the findings of 'what' happened.

2. The Top-up: A non-means-tested payment to everyone

In this pilot all adults get a payment of £130 per month (£1,560 per year) on top of any other income they receive. In a full implementation, the Top-up would be funded by, for example, a sovereign wealth fund or carbon taxes, and would be akin to a social dividend generated from resources that society considers to be held in common. As additional income, the Top-up would be taxable and would also be taken into account in calculating means-tested benefits. This implies that the net value of the Top-up is reduced as earnings rise (according to a person's marginal tax rate) but also that part or all of a person's means-tested benefits are replaced by the Top-up (with the difference being that the Top-up is guaranteed rather than conditional income). Aside from these effects stemming from the normal operation of the tax-benefit system, the DWP or HMRC do not need to be involved in this pilot in any way, and it is the simplest of the 3 options.

The Top-up will be administered to a whole community in Sheffield, for example a block of flats, a small housing estate, or a group of streets. By using such a 'saturation site', we can capture not just the effects of UBI on individuals and households but any additional community-level effects – for instance, the possibility that people may use their UBI to do things together; or that individual behavioural change may be reinforced by seeing or interacting with other people doing the same things. The last successful pilot in a developed country which used a saturation site was in Manitoba in the 1970s so there is much to be gained by a new pilot of this type. After having identified a suitable community containing about 4,000 adults, we will offer the Top-up to all adults in the community for a period of 3 years.

For the quantitative study, we will then use statistical matching techniques to compare people receiving the Top-up with a control group consisting of people in one or more similar communities and of similar age, education, occupation etc. We will assess UBI outcomes using the pilot survey instrument (described in detail below) and community-level data from administrative or other external sources.

The qualitative study will be based on an additional sample of 20-50 people who will receive the UBI intervention. This will be an in-depth study using methods such as interviews, active participant diaries and observations to gain an insight into people's lives on UBI, and help us understand 'why' and 'how' certain effects happened and add rich detail to the findings of 'what' happened. One part of the qualitative work could be to have 'community level' discussions – e.g. a focus group or workshop – so that community level effects could be explored at a collective rather than just individual level.

3. The Replacement: Re-organising the tax and benefits system

This pilot tests the full UBI LAB Sheffield model described above: a payment of about £6,000 per year to all working age adults, with slightly smaller amounts for children and larger amounts for people over working age or who are disabled.

While there are many ways to fund a full UBI scheme, we propose that it would mainly be financed by additions to income tax. This is not because funding through an income tax is the only feasible funding method. Rather, any sustainable funded scheme will need to redistribute money from one group of people to another group of people. Income tax is relatively transparent as a mechanism of doing this, and thus fits with opening up the pilot proposal to democratic critique.

The funding model for the pilot will involve an increase of twenty percentage points onto income tax rates, the removal of the personal income tax allowance, and removal of the lower and upper limits on National Insurance Contributions. The increase on income tax could be hypothecated as 'Basic Income Taxation'²¹, linked directly to the UBI payment. Individuals with gross earnings of above around £25,000 per year would experience a net loss and those earning under around £25,000 per year experiencing a net gain. The actual point at which people become net contributors rather than beneficiaries would be dependent on personal circumstances, given the premiums paid to people with children, over working age, or who are disabled.

As well as removing the personal income tax allowance, the UBI would replace most benefits except for housing-related benefits and additional payments supporting the living expenses of people who are disabled. To simulate the removal of the tax allowance and the financing mechanism, adjustments would be made to recipients' income tax. As this pilot alters the structure of the tax-benefit system, the cooperation of both HMRC and DWP will be required to calculate new entitlements/liabilities and to

²¹ A UBI scheme is likely to gain more support if mainly funded through a hypothecated tax, see Truchlewski, Z., 2018. 'Oh, what a tangled web we weave' How tax linkages shape responsiveness in the United Kingdom and France. *Party politics*, p.1354068818764017.

administer the scheme. Because of the need to adjust for income tax and benefits, only those residents eligible for UK benefits and subject to taxation will be included. By its design, as this pilot tests both the receipt of UBI and its financing by additional taxation, it cannot test the effects on higher income people who would be net losers (since they would not agree to take part). We hope that qualitative work could be done with these people to gauge their likely reactions to a full UBI scheme.

As for the Top-up option, the Replacement will be administered to a whole community in Sheffield. As we cannot estimate UBI effects for net losers, we will select a community with below average income in order to maximise the effective participation rate within the community as a whole. We offer the Replacement to all individuals in this community for a period of 3 years.

For the quantitative study, we will then use statistical matching techniques to compare people receiving the Replacement with a control group consisting of people in one or more similar communities and of similar age, education, occupation etc. We will assess UBI outcomes using the pilot survey instrument (described in detail below) and community-level data from administrative or other external sources.

The qualitative study will be based on an additional sample of 20-50 people who will receive the UBI intervention. This will be an in-depth study using methods such as interviews, active participant diaries and observations to gain an insight into people's lives on UBI, and help us understand 'why' and 'how' certain effects happened and add rich detail to the findings of 'what' happened. One part of the qualitative work could be to have 'community level' discussions – e.g. a focus group or workshop – so that community level effects could be explored at a collective rather than just individual level. We also hope to interview some higher earners, who would be net losers under the proposed tax scheme about their attitudes and views on the Replacement model.

Quantitative data collection

For evaluating the quantitative UBI outcomes, both treatment and control groups will be asked to complete surveys every 6 months, with the first (baseline) survey administered before the pilot starts. The questionnaires will be modelled on standard household longitudinal surveys such as Understanding Society²², with a focus on the UBI outcomes listed above. Standard questions already exist for most of these measures and thus the results will be comparable with existing academic and policy research in these areas.

In order to minimise survey attrition, UBI recipients would need to complete the surveys as a condition of receiving payment, while the control group will be offered small

²² <https://www.understandingsociety.ac.uk/>

incentives to participate in the form of shopping vouchers or similar (the cost will be minimal compared with the overall cost of financing the UBI payments). Data will be collected by face-to-face survey interviews (CAPI) in the first wave and by mixed modes thereafter. We will also consider innovative methods for collecting complementary data. These include mobile apps to collect data in real time, scanners to collect purchasing and consumption data, and short-form time diaries.

Nature of evidence and Limitations

The pilots will produce both quantitative and qualitative evidence, and we see the two forms of evidence as complementary rather than separate. The quantitative study will estimate the overall effects of UBI on a range of measurable outcomes. Subject to proper randomisation (option 1) and satisfactory statistical matching of the UBI community with the control group (options 2 and 3), these effects can be regarded as 'causal' relationships – that is if UBI were implemented elsewhere, we could expect similar effects to be produced in other comparable communities.

The qualitative study will provide a richer (though narrower in the diversity of cases and more complex) picture of life on UBI than is possible in the quantitative study. It cannot deliver 'causal' effects but it can help explain some of the mechanisms behind the quantitative effects and hopefully fill in some of the blanks, e.g. the potential reactions of higher earners in the Replacement option. For both the qualitative and quantitative studies we will be seeking outside advice as needed (partly via an Advisory Group).

There are, however, some limitations to the evidence that can be generated in a 3-year pilot. First, the limited period of the pilot (and the fact that participants know it is temporary) means that it is very difficult to predict the long-term effects which would flow from a permanent UBI. For instance, people who are not cash constrained and have long-term financial planning horizons may be relatively unaffected by a temporary UBI. The proposed focus on low-income communities and benefit recipients will go some way to mitigating this risk and we also plan to investigate the attitudes of higher-income individuals in the qualitative work.

Small-scale UBI pilots also have difficulty picking up macro effects, such as the potential increase in wages from workers having more bargaining power due to UBI. We do hope, however, to capture some aggregate community-levels effects due to the potential for UBI to stimulate social interaction. A caveat with regards to community-level effects, however, is that every community is different in some way. A methodology designed to evaluate interventions, e.g. Pawson and Tilley's *Realistic Evaluation*²³, would recommend the study of multiple communities to explore the impact of context. Such an approach would also address the statistical concern that a single community

²³ Pawson, R. and Tilley, N., 1997. *Realistic evaluation*. Sage.

may be affected by an area-level ‘shock’ (such as the closure of a local employer) which would confound the effects of UBI. Our sample size of 4,000 may be sufficient to cover two communities, but covering more than two communities inevitably implies expanded pilot schemes or potentially diluting community effects by focusing on smaller geographic areas.

A further risk is that community effects in a pilot study would be significantly different to community effects in a full scheme. Those within the area may perceive themselves as different, either positively or negatively, to their neighbours as a result of being the focus of the study. When focusing on deprived neighbourhoods, interventions risk making stigma worse through reinforcing the framing of an area as ‘bad’ or ‘in need’²⁴. Conversely, the advantages of a UBI may be perceived as so significant as to place pressure on the community to ‘perform’, in ways that would not be the case if the whole city or region were receiving a UBI.

Finally, the definition of a ‘resident’ is likely to be difficult to determine in some cases. Only people who are defined as resident at the start of the pilot will be included, as otherwise there may be an incentive for others to move to the pilot area or otherwise try to ensure they are classified as resident. It may be that a certain level of proof will be required to determine residency within the pilot area, which itself could cause difficulty. For example, family members who are only temporarily resident within a pilot household may be excluded. The risk of negative impact upon households will need to be carefully evaluated prior to the pilot commencing.

²⁴ Halliday, E., Popay, J., Anderson de Cuevas, R. and Wheeler, P., 2018. The elephant in the room? Why spatial stigma does not receive the public health attention it deserves. *Journal of Public Health*.

Examples of possible research questions

Meta-questions

- What contextual factors appear to have greatest influence on the impact of a UBI? How do the effects of UBI vary across income level?
- What influences participants framing of a UBI?

Activity

- How does UBI affect objective employment experiences?
 - Whether people work or not
 - Number of hours worked
 - Type and quality of work
 - Duration and stability of employment
 - Earnings from employment
 - Self-employed vs employee status
- How does UBI affect caring and voluntary activity, both within the (extended) family and friendship groups and in the community more generally? If there is more caring or voluntary activity, what is there less of?
- Does UBI support professional risk taking and investment: taking a gap year, trying out a new job, starting a business, reskilling?
- Does UBI lead to increase in non-market activities such as caring and volunteering
- What do people do with their UBI?
 - Spend it? If so, on what? Entertainment, necessities, children?
 - Save it? If so, what for? Holiday, Christmas, home improvements, professional development (e.g. training courses), pension, consumer durables?
 - Help pay off debts?
 - Give it away? To charity? To help with people they provide care for?

Wellbeing

- How does UBI affect subjective employment experiences as captured by job satisfaction and job-related stress?
- Does UBI change the perception and pressures around job search?
- Does UBI help people find jobs that are better matched to their preferences and skills?
- How does UBI affect their financial stability and planning, both real and perceived (e.g. their perception of being in financial difficulties)?
- Do people use 'mental accounting', i.e. do they treat UBI differently to other income because of where it came from?
- Does UBI reduce over-indebtedness?
- Does UBI lead to a reduction in food bank use?
- How does UBI affect health and wellbeing? Does it reduce stress? Does it increase subjective wellbeing?
- Does UBI affect risky/unhealthy behaviours such as smoking, alcohol consumption and poor diet? Is there any effect on illicit behaviours such as drug use?
- How does UBI affect children's wellbeing: nutrition, subjective wellbeing / happiness?

Relationships

- How does UBI affect relationships within families? Does it affect the division of household labour?
- Does UBI have group or community effects? Do people pool their UBI to fund community or related events? Does it affect the use of community services?
- Does UBI impact upon perceptions of trust? Does it affect local levels of crime?
- Does UBI promote a sense of belonging or citizenship?

Place

- Does UBI impact on perceptions of housing security? Do people feel greater confidence in their ability to remain resident in the community?
- Does UBI impact on how people change and look after the physical environment of the area?
- Does UBI impact upon recycling rates? Does UBI encourage activities contributing to energy efficiency?

Model assumptions and costings

The costings outlined for the three options are: Option 1 (the Tweak) - £17.7 million, Option 2 (the Top-up) - £22.8 million, Option 3 (the Replacement) - £59.9 million. These are indicative costings based on a range of assumptions and design choices. Some of these assumptions and design choices have a significant impact on the cost of the scheme. For example, interviewing costs are dependent on decisions about the level of incentives, whether some data collection could be web-based, assumptions on recruitment, and whether interviewees are located in the same area or dispersed across the city. Depending on the research design and estimates, the costs for interviewing 8,000 people over the period of the pilot could range from £500,000 to £2.5 million.

The decisions on costings for each proposed pilot are set out below, along with what assumptions have been made. As well as opening up these indicative costings to critique, hopefully this will further illustrate the nature of the pilot proposals. For option 1 (the Tweak) and option 3 (the Replacement) it is recommended the final costing includes detailed modelling of individual level paid employment activity and benefit claims for the sample cohorts.

1. The Tweak

This option would shift all Employment and Support Allowance (ESA) claimants onto the Support Group, and then keep those payments at existing levels regardless of their subsequent activity. The main costs of the pilot are around three areas: the transfer of Work Related Activity Group (WRAG) claimants onto Support Group payment levels; maintaining Support Group ESA payments regardless of activity; interviewing and administration costs for the treatment and control groups.

Figure A1 Total costs for the Tweak.

Cost of transferring WRAG to Support Group	£4,405,194
Cost of maintaining ESA payments	£9,254,852
Cost of interviewing	£2,931,333
Cost of qualitative study	£324,720
Cost of research team	£740,000
Total	£17,656,099

Transfer of WRAG group claimants onto Support Group payment levels

As shown in Figure A2, the Work Related Activity Group comprises 19% of ESA claimants in Sheffield. In the sample, 758 WRAG claimants would be moved onto the Support Group payment of £474.64pm, incurring a cost of around £4.4million over the period of the study.

Figure A2 Estimated number of SG and WRAG claimants and treatment costs²⁵

	Support Group	WRAG	SG %	WRAG %
Sheffield	16714	3910	81%	19%
Sample	3242	758	81%	19%
Current ESA (pm 25yo+)	£475.64	£313.29		
Current sample payments (pm)	£1,538,792	£237,471	87%	13%
Pilot ESA (pm)	£475.64	£475.64		
Pilot sample payments (pm)	£1,538,792	£359,779	81%	19%
Cost of pilot (pm)		£122,309		
Cost of pilot over study				£4,405,194

Payment of Support Group ESA regardless of activity

The movement of claimants off ESA and into work, other benefits, or out of the benefits system but not claiming, over a period of three years, is hard to predict (in addition to the fact that UBI may be expected to change transition rates). These estimates have been extrapolated from the study by Adams et al (2012)²⁶ and data on WCA initial assessment rates and numbers of ESA claimants²⁷. The costs of the pilot are relatively sensitive to the rate of leavers from ESA, as the pilot incurs the full cost of ESA for each person who would have otherwise left the benefit. The analysis of assessments and ESA claimants for Sheffield indicate that for a sample of 4000, around 40 claimants

²⁵ ESA levels from <https://www.gov.uk/employment-support-allowance/what-youll-get>. Support Group and WRAG claimant balance estimated from 2017 figures. Stat-Xplore, 2019. DWP Stat-Xplore (online) <https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml>

²⁶ Adams, L., Oldfield, K. and James, A.S., 2012. Destinations of Jobseeker's Allowance, Income Support and Employment and Support Allowance Leavers 2011. Department for Work and Pensions.

²⁷ Stat-Xplore, 2019. DWP Stat-Xplore (online) <https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml>

would leave ESA each month. In the Adams et al study, 38% of those who left ESA went into paid work. Of other leavers, around half left because they were no longer eligible, with a significant proportion of those claiming another benefit, such as Job Seekers Allowance. Some leavers would also go onto make another claim for ESA, for example because their health had deteriorated or employment situation changed.

It is estimated that, of a sample of 4,000 claimants on a control, 13 per month (468 over the period of the study) would move to other benefits; 23 claimants per month (828 over the study) would have found work or have otherwise left the benefits system; and 4 per month (144 over the study) would return to make another claim for ESA²⁸, see Figure A3. Under the pilot, all these claimants would remain on ESA.

Figure A3 Estimated per month leavers from ESA within sample

Leaving destination	Leavers per month	Current payments	Pilot payments	Single month cost
To other benefits	13	£3,225.86	£6,170.36	
Making another ESA claim	4	£1,259.82	£1,898.57	
To work or out of system	23	£0.00	£10,916.79	
Total leavers	40	£4,479.00	£18,985.71	£14,506.71

The cumulative payments grow as the difference between the control and treatment group increase. So for the first month the projected cost of the tweak would be just over £14,500. For the second month, the calculation assumes most of this cost remains and another cohort of leavers is added to the cost, and so on. Using this method of approximation, the final cost over 36 months is calculated to be £9.25 million.

This costing does not take into account Enhanced Disability Premium (EDP) or Severe Disability Premiums (SDP), means testing due to savings or earnings, or movement between the WRAG and Support Group. It assumes people claiming are 25 or over. The transfer to Universal Credit (UC) will have significant impact upon projected costs, in particular because the level of payments under UC for the Support Group are significantly higher, whilst EDP and SDP payments are no longer paid. ESA is used for this costing because a greater body of evidence exists on claimant movements.

²⁸ Paid for that month at the lower rate - the costing assumes all these claims would be successful and these claimants would then move to the full rate

Interviewing costs for the treatment and control groups

For this pilot, interviewees will be assumed to not be within the same community. For the treatment group, it is assumed that participation will not require an incentive. For the control group, an average incentive of £10 per interviewee per wave is assumed. Over the period of the pilot, seven survey interviews (waves) will be carried out. It is assumed that these will be carried out in person (CAPI), over the telephone (CATI), or via a web-form (CASI). For the first wave, it is assumed that the interview will be in person, with telephone follow-up of non-respondents. For subsequent waves, a mixed-mode approach would be used, with higher incentives available for households completing via CASI. It is assumed the use of a mixed-methods approach will achieve savings of around 15% on interviewing costs²⁹.

Figure A4 Interviewing costs for pilot 1

	Per interviewee		Full study	
	Recruitment and administration	Interviewing	Recruitment and administration	Interviewing
Control	£25	£371	£100,000	£1,484,667
Sample	£25	£312	£100,000	£1,246,667
Total	£50	£683	£200,000	£2,731,333
Grand total				£2,931,333

The qualitative study is costed here as essentially being the costs for two full-time qualitative researchers working on the study for a period of four years, plus incentives paid to participants in the qualitative study. This cost is estimated to be £325,000.

The research programme will also require management and administration for the duration of the study. This is estimated as a cost of a further £740,000.

²⁹ Bianchi et al caution against applying these findings without context. The mixed method saving has been assumed to be 15%. See Bianchi, A., Biffignandi, S. and Lynn, P., 2016. *Web-CAPI sequential mixed mode design in a longitudinal survey: effects on participation rates, sample composition and costs* (No. 2016-08). Understanding Society at the Institute for Social and Economic Research.

Pilot 2. The Top-up

The Top-up model is relatively easy to cost with regards to payments to recipients. For a sample of 4,000 people, receiving £1,560 per year, the total cost of payments within the trial will be £18,720,000. The costs for the qualitative study, management and administration are assumed to be the same as for pilot 1, see Figure A5.

Figure A5 Total costs for the Top-up

Cost of UBI payments	£18,720,000
Cost of interviewing	£3,046,667
Cost of qualitative study	£324,720
Cost of research team	£740,000
Total	£22,831,387

Whilst interviewing of the control in this pilot will be similar to pilot 1, there is assumed to be a greater cost due to greater difficulty in recruiting suitable control households, see Figure A6. There is assumed to be a significant saving in CAPI interviewing due to interviewees being located within the same geographic area and within households, though this would be reduced by the savings already due to the use of mixed-method interviewing. The estimated cost of interviewing is similar to Pilot 1, at just over £3 million.

Figure A6 Interviewing costs for the Top-up

	Per interviewee		Full study	
	Recruitment and administration	Interviewing	Recruitment and administration	Interviewing
Control	£85	£371	£340,000	£1,484,667
Sample	£25	£281	£100,000	£1,122,000
Total	£110	£652	£440,000	£2,606,667
Grand total				£3,046,667

Pilot 3. The Replacement

The costs for the Replacement are difficult to estimate because the net cost will vary depending on people's position in relation to both benefits and taxation, in addition to their age and whether they have children or are disabled (see Figure A8). The total cost of the study is therefore nearly £60 million, see Figure A7.

Figure A7 Total costs for the Replacement

Cost of UBI payments	£55,730,340
Cost of interviewing	£3,046,667
Cost of qualitative study	£324,720
Cost of research team	£740,000
Total	£59,872,006

This pilot will vary payments according to the levels of additional direct taxation participants would be liable for under such a UBI model. The level of additional taxation required to fund this UBI scheme has been extrapolated from work carried out by Martinelli (2017)³⁰, projected to be an additional twenty percentage points on the basic, higher and additional rates of income tax, see Figure A9.

Participants with gross earnings of over around £25,000 would be net contributors to the scheme, see Figure A10. For this reason, they would not receive a UBI payment under the pilot. Around 15% of participants in a deprived area would not be eligible for any payment at the start of the scheme. Figure A11 shows that once annual income rises, net UBI payments would fall off quite steeply in the pilot.

Whilst the level of UBI in this model is set at £6,000 per year, the actual amount adults would get depends on the level of compensatory premiums due to their circumstances. For working adults the actual average would be around £8,200 per year, including child premiums. For non-working adults, including people who are disabled or elderly, the average would be around £10,750. Within a deprived area, and taking into account existing tax and benefit payments, the net average UBI payment under the pilot scheme would be around £4,600 per year. Across a sample of 4,000 people, this equates to a cost over three years of $4,000 \times £4,600 \times 3 = £55$ million.

³⁰ Martinelli, L., 2017. *The fiscal and distributional implications of alternative universal basic income schemes in the UK*. IPR Working Paper, Institute for Policy Research, University of Bath.

The interviewing, qualitative study, and management costs are assumed to be the same as in Pilot 2.

This costing is based on benefit claim levels and earnings estimates for six deprived neighbourhoods (at LSOA level) in Sheffield³¹. It includes estimates for JSA, ESA, Working Tax Credits, Pension Credit, and Child Benefit³². It does not adjust for means-tested or work-related ESA. It does not make any assumptions about movement in benefits or earnings over the period of the study.

Figure A8 Current benefits and weekly UBI payments

	Current			Pilot		
	Child	Adult	Elderly	Child	Adult	Elderly
Standard rate	£67	£73	£156	£109	£115	£198
Disabled	£59	£36	£36	£59	£36	£36
Severely disabled	£24	£77	£77	£24	£77	£77

Figure A9 Current and model Income Tax and National Insurance Contributions (NICs)

	Current		Pilot	
	Tax rate	Threshold	Tax rate	Threshold
Basic Income Tax	20%	£11850	40%	£0
Higher Rate Income Tax	40%	£46350	60%	£46350
Additional Rate Income Tax	45%	£150000	65%	£150000
Lower rate NICs	12%	£8424	12%	£0
Higher rate NICs	2%	£46350	-	-

³¹ LSOAs: E01007947, E01007977, E01008011, E01008065, E01008084, E01033271

³² Data from Stat-Xplore, 2019. DWP Stat-Xplore (online)
<https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml>

Figure A10 Net income after proposed tax and UBI compared to current net income after Income Tax, NICs and benefits, by gross income

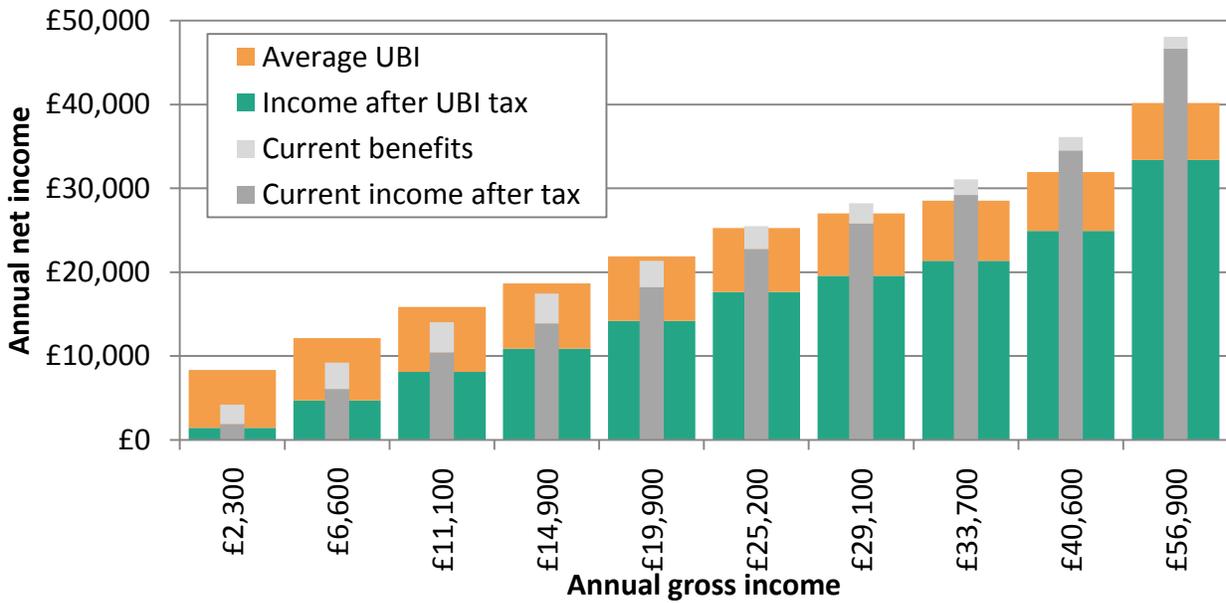
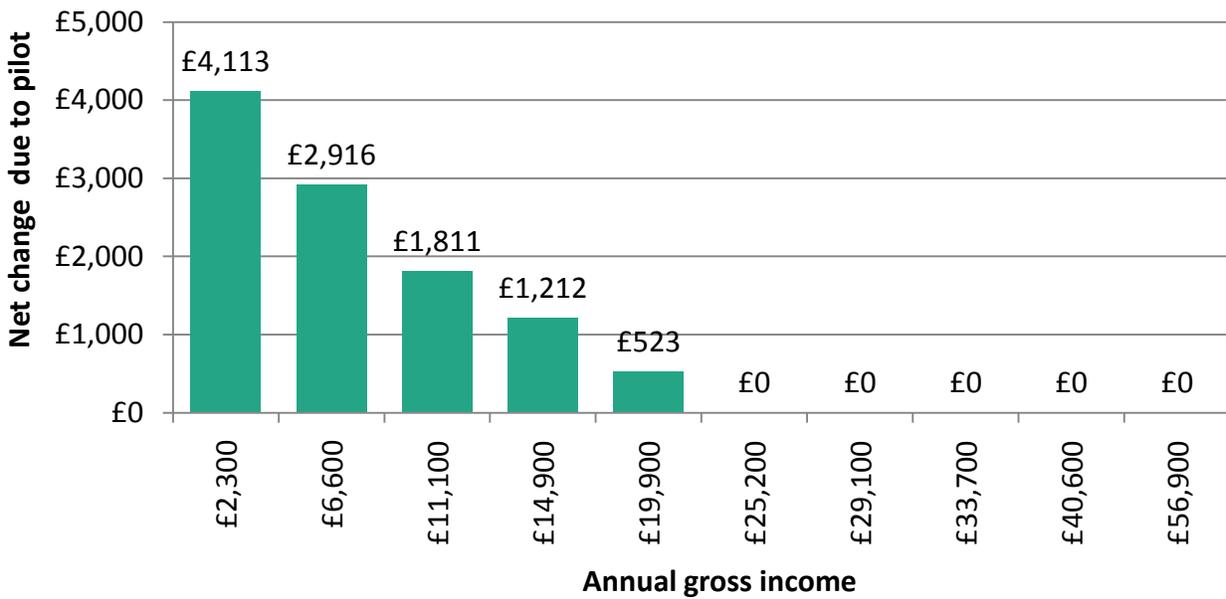


Figure A11 Projected change in annual income due to pilot, by gross income (net losers from scheme do not contribute)



UBI LAB Sheffield is a collaboration between researchers, social justice organisations and campaigners within Sheffield. The key aims of UBI LAB Sheffield are to pilot a Universal Basic Income within the city, encourage debate around social support, and create a movement for change.

For more information:



hello@ubilabsheffield.org



ubilabsheffield.org



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