

A UBI Pilot for Wales

January 2022



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About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:
www.senedd.wales/SeneddPetitions

Current Committee membership:



**Committee Chair:
Jack Sargeant MS**
Welsh Labour



Luke Fletcher MS
Plaid Cymru



Joel James MS
Welsh Conservatives



Buffy Williams MS
Welsh Labour

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This report sets out the recommendations and conclusions of the Petitions Committee, and provides links to the evidence considered by the Committee in relation to the following petition:

Design a 'Care Leavers Plus' Universal Basic Income pilot that includes a range of people.

We're asking the Welsh Government to design a geographically-based Universal Basic Income (UBI) that includes children, the employed, the unemployed and pensioners, as well as care leavers.

This will allow the Welsh Government and the general public to understand how the policy would impact Wales if it were rolled out tomorrow.

Chair's foreword

In its Programme for Government the Welsh Government has committed to introducing a pilot scheme which will look at the impact of providing a basic income to a group of people.

Earlier this year, supporters of a Universal Basic Income submitted a petition calling for the proposed pilot scheme to be expanded.

What has the Committee done?

As a Committee we decided to consider additional evidence from supporters of UBI in Wales in an attempt to reach conclusions about how the pilot should be conducted and whether – as suggested by the petitioner – there might be benefits to expanding the pilot as currently proposed.

This inquiry has deliberately not sought to take a deep dive in to the philosophical issues at the heart of the debate around UBI – we have restricted ourselves to the issues raised by the petition. Specifically, would there be benefits to expanding the pilot scheme beyond care leavers, and if so, how could this be achieved within the devolution settlement.

Our conclusions

While not all Members of the Committee support UBI, we believe that a wider pilot scheme has the potential to produce richer, more persuasive evidence for future policy makers to consider. This evidence may prove that UBI is an inefficient way to target those in the greatest need – or it may prove my own view that the benefits attributed to other experiments, in terms of wellbeing and economic outcomes, are achievable here in Wales. Either way, there is the potential to provide valuable insights and ensure the debate in Wales can move beyond academic models to a discussion based on real-world experience, and outcomes.

The Welsh Government's plan to target care leavers has merit – improving outcomes for care leavers is an idea that has support across all Members. But Ministers will need to be careful to ensure that a small-scale pilot scheme, featuring a group of people whose circumstances can be atypical, provides robust data about the wider effects of a basic income (or a universal basic income) in Wales.

To that end, evaluation will be key – and we make a number of recommendations relating to the evaluation of the pilot scheme.

We also urge the Welsh Government to make every effort to secure the support of UK Government agencies from the outset of, and throughout the lifetime of, the pilot. Participants in any pilot scheme should be no worse off than if they had not participated. It would undermine the project if participants lost entitlements they currently claim as a direct result of a failure to communicate between the two governments.

What happens next?

The Committee has sent this report to the Welsh Government as they develop their planned pilot scheme. We have also formally requested a response to the issues raised by the petition, and to the recommendations in our report. We would anticipate receiving a response, and a general update on progress of the pilot by March 2022.

The Welsh Affairs Select Committee's report on the Benefit System in Wales will also appear in 2022. They have taken evidence from a wide range of sources relating to a UBI trial in Wales, and will doubtless have an interesting contribution to make.

In April 2022, the Welsh Government's pilot scheme is due to launch. I hope it will be a scheme that marks a step forward in how we think about basic income – and one which provides robust evidence to inform future debate on UBI in Wales.

A handwritten signature in black ink that reads "Jack SARGEANT." The signature is written in a cursive style, with the first name "Jack" in a more fluid script and the surname "SARGEANT" in a slightly more upright, blocky cursive. A horizontal line is drawn underneath the signature, starting from the middle of the first name and extending to the right, ending with a small upward flick.

Jack Sargeant MS
Chair, Petitions Committee

1. Background

This chapter sets out what we understand by Universal Basic Income, the political debate around the issue in Wales, and the challenges posed by the Devolution settlement to create a meaningful pilot in Wales.

What is Universal Basic Income (UBI)?

1. “Universal Basic Income (UBI) is a term used to describe a number of different proposals where the state would provide income for all citizens, without any conditions attached, and regardless of their other resources.”¹
2. While this definition is widely accepted, there is a wide variety of opinions about what form such payments would take. Some argue a UBI should provide enough to live on by itself; others support more limited universal payments, made alongside existing social security systems.

Arguments for and against UBI²

Proponents of UBI argue that a basic income:

- is every citizen’s right, providing security from poverty and improving health and well-being;
- can distribute national income more equitably;
- can reward non-wage labour such as caring;
- gives workers freedom to choose other, perhaps more entrepreneurial, options; and
- is simple and easier to understand than complex social security systems.

¹ The Introduction of Universal Basic Income, House of Commons Library
<https://researchbriefings.files.parliament.uk/documents/CDP-2020-0096/CDP-2020-0096.pdf> (PDF 243KB)

² Extract from Senedd Research article What Might a UBI mean for Wales?, <https://research.senedd.wales/research-articles/what-might-a-universal-basic-income-mean-for-wales/>

However, opponents argue that UBI:

- is extremely costly (with the Minister for Finance and Trefnydd **indicating** a full UBI in Wales could cost between £35-40 billion);
- isn't targeted, so money also goes to those who don't need it;
- represents a significant shift from existing social security systems; and
- can provide a disincentive for people to seek employment.

The UBI debate in Wales

3. On 30 September 2020 the Senedd debated and passed a motion introduced by Jack Sargeant calling for the Welsh Government to establish a UBI Trial in Wales. There were 28 votes in favour, 13 against and 10 abstentions.

4. The motion called on the Welsh Government:

- a. to establish a UBI trial in Wales;
- b. to lobby the UK Government for funding to establish a Wales-wide UBI.

5. Heading into the May 2021 election, the campaign group UBI Lab Wales secured pledges supporting a pilot from 105 candidates (25 of whom were elected), alongside policy commitments in the Plaid Cymru, Welsh Liberal Democrat and Wales Green Party manifestos. Four councils – **in Swansea, Rhondda Cynon-Taf, Cardiff and Gwynedd – also passed motions calling for pilots to take place in their local area.**

6. In June 2021 the UK Parliament's Welsh Affairs Select Committee launched an inquiry in to the Benefits System in Wales. This wide-ranging inquiry will also "explore the potential implications of the Universal Basic Income (UBI) pilot which the Welsh Government intends to undertake."³ The inquiry has already collected a wide range of written and oral evidence and is expected to report in 2022.

7. On 29 November, prior to giving evidence to the Committee, the Future Generations Commissioner for Wales published a report she had commissioned from independent think tank Autonomy entitled **A Future Fit for Wales** (PDF 1.5MB). This 200+ page report looks at

³ <https://committees.parliament.uk/committee/162/welsh-affairs-committee/news/155872/mps-to-consider-benefits-system-in-wales-as-covid19-support-schemes-draw-to-a-close/>

international experiments and how they might offer lessons to Wales, and also sets out two models for a possible pilot scheme – both of which would be considerably more extensive than that currently proposed by the Welsh Government.

The Welsh Government pilot – what we know

8. In October, the First Minister confirmed the pilot would begin in April 2022⁴ and explained that the ongoing work to develop the pilot has been shaped by advice from the Care Leavers Forum and Care in Wales. He said that the pilot will give “valuable information for the future about how the concept of basic income could apply to other groups more widely across the Welsh population.”

9. In public statements the First Minister has taken to calling it a Basic Income pilot. The pilot would run for about three years, will involve around 250 care leavers, be and ‘pitched at the real living wage’.

The Devolution settlement and UBI in Wales

10. Developing an effective pilot that sits within the devolution settlement will not be straightforward. The Minister for Finance and Local Government, Rebecca Evans MS previously said (in her former role as Minister for Finance and Trefnydd) that a UBI trial:

“[...] would not be possible without the active co-operation of the UK Government, and this is because of the interaction of universal basic income with the tax and benefit system.”⁵

11. The principle concern is that without an agreed cross-government approach, any additional money given by the Welsh Government in a pilot scheme could result in participants – particularly those receiving Universal Credit – losing means-tested benefits provided by the UK Government.

12. In the long term, the implementation of a UBI in Wales would be far easier if the administration of welfare were devolved.

UBI around the world

13. Several other countries have explored options for implementing UBI through a pilot study.

⁴ Record of Proceedings, Welsh Parliament, 19 October 2021, Para 83

<https://record.senedd.wales/Plenary/12457#C382219>

⁵ Rebecca Evans MS, Record of Proceedings, Welsh Parliament, 30 September 2020, para 326.

14. A Basic Income Experiment was undertaken in **Finland** between 2017-2018. 2,000 unemployed people aged 25-58 received a monthly payment of €560. The experiment found that employment effects were small, but recipients were “more satisfied with their lives and experienced less mental strain” and had “a more positive perception of their economic welfare”.

15. Pilots have been conducted in several states in California, and in July 2021 California lawmakers **approved** a state-funded guaranteed income programme which enables states and counties to apply for funding from **a \$35 million pool** to support pilots which gives priority to young people who have left the care system and pregnant mothers. The pilot will last for five years. Under the plans, local officials can decide on the payments, which are thought to range from \$500 to \$1,000. There will be no rules on how people spend the payment.

16. An extensive feasibility study in Scotland concluded that trialling a Citizens Basic Income (CBI) would be desirable – but impossible without the cooperation of all levels of government.

“This research has determined it is not currently feasible for any one level of government alone to deliver a pilot model of a CBI as described by the Steering Group. There would be substantive and complex legislative, technical and delivery changes required to ensure that a CBI interacts with the existing social security system in a way that avoids detriment to those on benefits and lowest incomes.”⁶

17. Witnesses told the committee that Wales should consider the Scottish study due to it being the country most like Wales – in terms of its relationship with the UK.

⁶ www.basicincome.scot/_data/assets/pdf_file/0025/175372/Draft-Final-CBI-Feasibility_Exec-Summary-June-2020.pdf (PDF 1.1MB) Page 3

2. The petition and the work of the committee

This chapter details the journey of the petition, and the work of the Committee to explore how to take the petition forward.

About the petition

18. The petition was opened in August 2021, and collected 1,051 signatures. It closed on 2 November 2021.

19. The Committee decided to take evidence and produce a short report before the end of 2021 with a view to influencing the Welsh Government's proposed pilot scheme. To accelerate its work, the Committee has not written to the Welsh Government seeking a response to the issues raised in the petition (as would normally happen).

20. The evidence sessions took place on 15 November 2021 (Panel 1), and 29 November 2021 (Panels 2 and 3). A list of participants can be found in Annex A. The Committee is grateful to all those who gave evidence, which helped shape our discussion and conclusions.

3. Conclusions and recommendations

This chapter sets out the Committee's conclusions and recommendations to the Welsh Government.

Care Leavers

21. A basic income pilot for care leavers – as currently proposed by the Welsh Government – will provide valuable feedback on the potential of such a scheme to improve the support to a group which faces significant challenges.

22. However, a three year pilot of only 250 people will offer limited information. And applying a basic income only to care leavers, will tell us little about universal basic income.

23. A larger sample size would offer more robust results, and ensure a greater diversity among recipients.

24. Witnesses were clear that for the pilot to be effective. Payments must be guaranteed, unconditional, and paid to the individual (not the household). This latter point was particularly important for empowering women.

Recommendation 1. The Welsh Government should consider increasing the size of the pilot scheme to provide more robust data. This could be done by adding additional groups (as suggested in the petition).

Recommendation 2. An effective pilot scheme for care leavers should include care leavers from as diverse as possible a range of backgrounds, locations and circumstances.

Recommendation 3. Payments must be guaranteed, unconditional, and paid to the individual (not the household).

Role of the UK Government

25. Any attempt to expand the pilot – as suggested in the petition being considered – would require the cooperation of UK Government in the form of Department of Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC). The Scottish Government's feasibility study makes this clear.

26. The Welsh Government's Counsel General confirmed that it has opened discussions with other bodies.

*"I can tell you that there have been a variety of discussions with counterparts, that an approach has been to the DWP. I don't know what the response is, but that will obviously be shared when we have more information on that. But you're absolutely right: in order to make progress in this matter, those who hold other levers of power in this area are the ones who really have to seriously engage with us as well."*⁷

27. Staff of the Department of Work and Pensions (DWP) confirmed to the Welsh Affairs Select Committee on 8 December, that advice had been provided, and a formal response to a request from the Welsh Government was being drafted.

28. At the same meeting DWP Minister David Rutley said:

*"I have followed with interest some of the other witnesses that have come to the Select Committee on this particular point about UBI. To me, I just think it is not the best approach; it is not that well-judged."*⁸

29. The Committee believes every effort should be made in attempting to secure cooperation from UK Government agencies.

Recommendation 4. The pilot will be richer and produce more robust evidence if all relevant agencies are engaged in the enterprise. The Welsh Government should make every effort to persuade UK Government departments to support the widest possible pilot scheme.

Evaluation

30. An effective and thorough evaluation regime will be vital to ensuring that the data produced can be understood and influence future work in this area.

31. Winning the trust of care leavers taking part in the pilot (and in any control group) will be essential part of the evaluation process, to ensure that they are willing to share their experiences in full, both during the experiment and at its conclusion. This might well be easier if the

⁷ Mick Antoniw MS, Record of Proceedings, Senedd, 24 November 2021
<https://record.senedd.wales/Plenary/12498#C390141>

⁸ David Rutley, MP, Minister for Welfare Delivery, Department for Work and Pensions, Welsh Affairs Select Committee transcript Q252, 8 December 2021. <https://committees.parliament.uk/oralevidence/3175/html/>

evaluation team are not part of the government, and are able to build long term relationships with participants.

32. During our discussion, the Committee has heard a lot about the potential costs of UBI. There is much less data relating to savings that might be generated. It is vital that the evaluation process also attempts to capture these.

33. The Welsh Government's pilot should be designed to impartially uncover evidence about the effectiveness of basic income schemes, it should include qualitative and quantitative research that captures positive and negative consequences, and include a robust cost-benefit analysis, including any indirect savings from reduced pressure on other services. The evaluation of the pilot will be key to delivering credible evidence to support the claims made by supporters and critics of UBI alike.

34. The impacts of any pilot should go beyond simple economic measures, and must – at a minimum – also include health outcomes.

Recommendation 5. The evaluation of the pilot should:

- be conducted by independent experts, with experience of working with care leavers and/or young people from similar backgrounds.
- include a control group.
- be on-going during the pilot, and at the end of the three year scheme. There would also be merit in including an option in the evaluation contract for longer term follow-up of what happens to participants in the longer term.
- attempt to capture any indirect savings (or costs) accruing as a result of the pilot.
- Consider all seven Wellbeing Goals – specifically including mental health in the A Healthier Wales goal.

4. Further reading

The documents below provided further evidence considered by the Committee in drafting this report.

A Future Fit for Wales – basic income for all (PDF 1.5MB)

Autonomy, November 2021

A Basic Income to Improve Population Health and Well-being in Wales?

Public Health Wales, June 2021

Final Report on the feasibility of Scottish Citizens' Basic Income pilots (PDF 2.1MB)

Citizens' Basic Income Feasibility Study Steering Group, June 2020

Annex A: List of oral evidence sessions.

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the Committee's website.

Date	Name and Organisation
15 November 2021	Jonathan Rhys Williams, Lead Petitioner/UBI Lab Wales
29 November 2021	Will Stronge, Director of Research, Autonomy Sophie Howe, Future Generations Commissioner for Wales
29 November 2021	Lydia Godden⁹, Women's Equality Network (WEN) Wales Ewan Hilton Platform, CEO James Radcliffe Platform, Head of Public Affairs

⁹ Lydia Godden was invited on behalf of WEN Wales. She is also the co-founder of UBI Lab Youth and UBI Lab Womxn and member of UBI Lab Wales.
