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Action and Research Centre

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**Pathways to Universal  
Basic Income**

**The case for a Universal  
Basic Opportunity Fund**

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## **About the RSA**

The RSA (Royal Society for the encouragement of Arts, Manufactures and Commerce) believes that everyone should have the freedom and power to turn their ideas into reality – we call this the Power to Create. Through our ideas, research and 28,000-strong Fellowship, we seek to realise a society where creative power is distributed, where concentrations of power are confronted, and where creative values are nurtured. The RSA Action and Research Centre combines practical experimentation with rigorous research to achieve these goals.

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# Introduction

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In the UK, millions of people circle in and out of poverty; are exposed to insecure forms of work; and rely on a welfare system which can seem more intent on punishing than helping. Meanwhile, productivity growth in the UK has been anaemic for more than a decade. The current model of political economy is not working. New and practical thinking is desperately needed.

This report is the third in an RSA series aiming to highlight economic insecurity as a central problem of our time. The first, *Addressing Economic Security*, offers a new way to think about insecurity, defining it as both an economic and psychological state influenced by a range of interrelated factors beyond merely employment status.<sup>1</sup> This approach questions a notion that has underpinned public policy for quarter of a century, namely that there is a cast-iron equation between having a job and economic security. The second report, *Thriving, Striving, or Just About Surviving?*, used this approach to conduct extensive segmentation analysis to reveal the high numbers of British workers in economically insecure situations. It showed that 30 percent of workers face chronic or acute precariousness with 40 percent facing uncertain futures.<sup>2</sup> This report considers a potential way of addressing the problem of economic insecurity.

The central proposition is the creation of a Universal Basic Opportunity Fund (UBOF): an effort to reimagine how society supports people to live meaningful, contributory lives. Its premise is simple: fund every citizen under the age of 55 with a £5,000 opportunity dividend for up to two years, taken at a time of their choosing over the course of a decade. The fund would initially last for ten years, with dependent children also eligible for the payment in the year a parent, or both, were receiving it.

Our intention is to consider how, through capturing asset wealth, the UK can begin to move to a system of support for incomes that genuinely equips citizens to adapt to changes in their lives, whether driven by economic change or personal circumstances. It is intended to encourage a discussion; we do not claim that what is contained here is a blueprint. However, the design principles and funding mechanisms we lay out could allow citizens to make major changes to their lives which they would otherwise be constrained from doing. A low-skilled worker might reduce their working hours to attain skills enabling career progression. The fund could provide the impetus to turn an entrepreneurial idea into a reality. It

1. Shafique, A. (2018) *Addressing Economic Insecurity*. London: RSA. Available at: [www.thersa.org/globalassets/pdfs/reports/rsa-addressing-economic-insecurity.pdf](http://www.thersa.org/globalassets/pdfs/reports/rsa-addressing-economic-insecurity.pdf).

2. Balaram, B. and Wallace-Stephens, F. (2018) *Thriving, striving or just about surviving? Seven portraits of economic security and modern work in the UK*. London: RSA. Available at: [www.thersa.org/globalassets/pdfs/reports/rsa\\_7-portraits-of-modern-work-report.pdf](http://www.thersa.org/globalassets/pdfs/reports/rsa_7-portraits-of-modern-work-report.pdf).



could be the support that enables a carer to be there for a loved one without the need to account for one's caring to the state. We have included a series of illustrative case studies in an appendix to show the difference the payments could make in actual situations.

The UBOF would also constitute an opportunity to experiment with the kind of unconditional social support mechanisms advocated by supporters of the principles underpinning Universal Basic Income (UBI). As described in our 2015 report, *Creative citizen, creative state: the principled case for a Basic Income*, the RSA is among those advocating a full public dialogue and experimentation with UBI. Since we published *Creative citizen, creative state* discussion of UBI has grown at pace, placing it within the mainstream of progressive politics globally. Despite this welcome development, however, in a domestic political climate defined by the uncertainties of Brexit, we recognise that major transformative interventions such as UBI are unlikely in the immediate future. We suggest the UBOF therefore as a more feasible way to realise some of the benefits of UBI immediately – such as the ability to plan and create on the basis of secure income subsistence.

The UBOF could also constitute an important stepping stone in the direction of the UK adopting a full UBI model as the costs and benefits in relation to the current system are better understood. The UBOF should therefore not be considered as an end destination, but as an experimental prologue to an entire re-envisioned social contract between citizen and state, citizen and market, and citizen and citizen where security and creativity are combined rather than in conflict as they too often are in the current system.

Instead of citizens receiving support in a heavily targeted and conditional fashion underpinned by state paternalism, the Universal Basic Opportunity Fund begins the journey towards a system of universal support and trust in human freedom. The contract outlined here is not a libertarian model of small states and individualism, however. Very deliberately, the UBOF is designed as an investment in the creativity, contribution, and caring that should form the backbone of our economy and society.

The UBOF would begin the transition towards a social contract underpinned by civically-oriented Basic Income. A civic Basic Income interlocks with a range of other supports for the individual and households such as training, childcare, housing, and disability support alongside support in the community and from employers of many different types. Its purpose is to enable people to better adapt to changes in their lives, often from external forces such as economic flows and technology, through the creation of a more solid foothold on which to make changes, provide mutual support and care, and try out creative new ideas.

This approach distinguishes the RSA from both critics and advocates who consider Basic Income as a response to, or harbinger of, a post-work future. We advocate for the centrality of good work – often unpaid as in support for the family or one's local community - in individual identity. Done correctly, a civic Basic Income provides people with a basis of economic security from which to find good work, not no work.

At the core of the UBOF idea is a conviction that people seek purpose and - if given the opportunity, freedom, and support to do so - will usually

make the best decisions about their own lives. It does not subscribe to common political characterisations of citizens as lazy or in need of an overly paternalistic state to make decisions on their behalf through means such as strict welfare conditionality. In fact, such a state can impede good decision making as it encourages short-term decision-making, such as finding any work at all rather than good work over the longer-term. The costs of this are paid by individuals, households and society as a whole.

An absence of the kinds of hard conditionality so central to current systems of welfare is a principle of the UBOF. Those that opt to take it - as a choice not an imposition - would therefore be required to abstain from claiming any other government benefit while in receipt of the UBOF, aside from particular needs-based forms of support.<sup>3</sup> By replacing other forms of conditional benefits the UBOF could demonstrate the differential outcomes that arise between conditional and unconditional forms of benefit. In effect, it would be a plausible nationwide experiment into what the impacts of a full UBI might be.

The UBOF would constitute a significant change, and would need to be introduced gradually to ensure administrative success and the establishment of effective support networks and institutions for recipients. Alongside UBOF, the state, civil society and business would have to provide a range of support services from training to advice, to support for entrepreneurship and a range of other supports both financial and personal in nature.

We suggest therefore that the Opportunity Fund begin with a lottery system whereby 25 percent of the adult population receive access to the fund for the first four years, with the rest of the population then introduced gradually as the programme ramps up. This would likely mean that the initial phase of the Opportunity Fund would last in the region of 13 years, to ensure that all recipients were given a ten-year window in which to elect to take their payments.

We estimate the cost of the UBOF to be approximately £14.5bn per annum over 13 years, with the cost each year dependent on how many citizens elected to take the payment and at what point in the year. By way of comparison, the pension triple lock introduced in 2011, where pension increases are protecting the highest increase of earnings, inflation, or 2.5 percent, now costs in excess of £6bn. This policy was targeted at less than 20 percent of the population. The UBOF could benefit up to 70 percent.

We have considered the possibility of a government endowment to seed the fund. This builds on the notional underpinnings of Norway's sovereign wealth fund which is now worth over \$1tn and has historically achieved a 4.1 percent annual return (post inflation and management fees). This level of return would need to be netted off with the cost of government capital to raise an endowment, which is currently 0.5 percent. With these returns and costs, simply by way of illustration, the fund would achieve £7bn per year which would effectively fund the dividends in the early years and go a long way towards funding dividends beyond that.

3. These would include disability support not associated with Employment Support Allowance (ESA), housing benefit and reductions to council tax, and childcare support. Existing spending on adult education and learning, and support for social care and labour market activation would not be affected by UBOF.

The endowment itself could be invested in longer-term projects for public benefit. This could include housing, digital, energy, and transport infrastructure which need patient finance. In so doing, it could improve the UK's physical infrastructure as well as supporting the dividend to help people to invest in their own skills and opportunities.

A longer term UBOF would require a sustainable funding model, options for which would be explored during the initial thirteen year phase. There are a number of potential avenues. These include levies on large corporates (along the lines of the apprenticeship levy), wealth taxes and increased taxes on higher incomes, or an equity levy. Novel ideas such as taxes on the use of common assets (for example the value of data transferred to major tech platforms) or some reimbursement for profits made dependent on public assets should be explored. All of these options are explored in this discussion paper. Essentially this is a model of funding support for citizens that moves away from the income tax and national insurance system and more towards funding via wealth and common assets whose value is as yet uncaptured for the public.

The UBOF could be the first step towards a new model of social security which puts faith in people to make decisions pertaining to the aspirations that they have for their lives. It represents an investment in human potential; measured not just in GDP or productivity growth but in security, fulfilment and wellbeing also. As a practical means of advancing the UK towards a Universal Basic Income system, the UBOF represents a stepping stone – to be enacted now – towards a better way of enabling citizens to live meaningful and contributory lives.

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# Why UBI?

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## UBI: friends and critics

When the RSA published *Creative citizen, creative state: the principled and pragmatic case for a Universal Basic Income* in December 2015, mainstream debate about the policy idea was scant.<sup>4</sup> Since that time, not only has the debate moved increasingly into the mainstream, but a number of experiments into elements of UBI have begun with more in the pipeline, including potentially in Edinburgh, Glasgow, Fife and North Ayrshire. In just the past few months, analysis on UBI has been undertaken by the OECD, the IMF, and the UN Special Rapporteur on Extreme Poverty and Human Rights.<sup>5</sup>

As well as advocates, the growing prominence of UBI has attracted a number of critics. Some like the economist John Kay have argued that a Basic Income would not improve the lives of those most in need, providing more for the middle classes.<sup>6</sup> Others, such as Labour MP, Chuka Umunna, have argued that a Basic Income would serve as a disincentive to working and would be tantamount to society ‘wash[ing] its hands of responsibility for the poor’ in favour of allowing them to subsist on the largesse of the state.<sup>7</sup> This critique is shared by Labour MP, Jon Cruddas, writing with Tom Kibasi.<sup>8</sup> A common criticism across all of the critics of UBI is that it would simply cost too much.

The truth is that on the basis of available data, it is difficult to compare a theoretical policy idea with existing systems. For example, the IMF concludes that in the UK and France, UBI would be inferior to existing systems in targeting poverty and inequality. However, their analysis notes that they are unable to take into account the impact of UBI on economic security and the consequent behavioural effects of such impacts. It also does not consider the behavioural impacts and long-term consequences of targeting and conditionality. For example, it is difficult to reconcile

4. Painter, A., and Thoung, C. (2015) *Creative citizen, creative state: the principled and pragmatic case for a Universal Basic Income*. London: RSA. Available at: [medium.com/rsa-reports/creative-citizen-creative-state-a3cef3f25775](https://medium.com/rsa-reports/creative-citizen-creative-state-a3cef3f25775).

5. IMF Fiscal Monitor (2017) *Tackling Inequality*. International Monetary Fund. Available at: [www.imf.org/en/Publications/FM/Issues/2017/10/05/fiscal-monitor-october-2017](http://www.imf.org/en/Publications/FM/Issues/2017/10/05/fiscal-monitor-october-2017); OECD (2017) *Basic income as a policy option: Can it add up?* Policy Brief on the Future of Work, OECD Publishing: Paris. Available at: [www.oecd.org/els/emp/Basic-Income-Policy-Option-2017.pdf](http://www.oecd.org/els/emp/Basic-Income-Policy-Option-2017.pdf); Alston, P. (2017) *Report of the Special Rapporteur on extreme poverty and human rights*. United Nations Office of the High Commissioner. Available at: [www.ohchr.org/EN/Issues/Poverty/Pages/AnnualReports.aspx](http://www.ohchr.org/EN/Issues/Poverty/Pages/AnnualReports.aspx).

6. Kay, J. (2017) ‘The Basics of Basic Income’. *Intereconomics*, 52 (2), pp. 69-74. Available at: [archive.intereconomics.eu/year/2017/2/the-basics-of-basic-income/](http://archive.intereconomics.eu/year/2017/2/the-basics-of-basic-income/)

7. Edwards, P. (2017) ‘Chuka Umunna lays into left-wingers’ plan for universal basic income’. LabourList. Available at: [labourlist.org/2017/11/chuka-umunna-lays-into-far-lefts-plan-for-a-universal-basic-income/](http://labourlist.org/2017/11/chuka-umunna-lays-into-far-lefts-plan-for-a-universal-basic-income/)

8. Cruddas, J. and Kibasi, T. (2016) ‘A universal basic mistake’. *Prospect*. Available at: [www.prospectmagazine.co.uk/features/a-universal-basic-mistake](http://www.prospectmagazine.co.uk/features/a-universal-basic-mistake).



welfare efficiency calculations with the declining number of unemployed who claim out of work benefits and the growth in use of emergency support such as food banks in the last decade.<sup>9</sup>

The unaccounted for behavioural mechanism – a contribution to a sense of security – is precisely why some, including the authors of this paper, see UBI as an interesting policy proposal and the current system as so flawed. Economic modelling of the nature undertaken hitherto does not account for behavioural change and is, therefore, far from sufficient alone. And behavioural impacts are precisely where the real debate is located; only through trials and experimentation can we get an initial sense of what these impacts could be.

The common criticism that UBI would lead to large scale withdrawal from the labour market is similarly without strong basis.<sup>10</sup> While the long-term impact of Basic Income is impossible to discern with certainty, the impacts of a range of multi-year experiments in North America and the developing world do not support the conclusion that there would be significant withdrawal from the labour market. Withdrawal from the labour market in these experiments, other than amongst particular groups such as young men staying on at college or mothers of very young children, was rare. There was some small reduction in weekly hours within experiments – but these were correlated with higher rates of payment while the benefits in terms of health, education, family life, crime and substance addiction were significant and common across all experiments.<sup>11</sup> Capturing this range of factors emphasises the need for good system design and high quality experiments. The caricature of ‘free money making people lazy’ should be treated with scepticism on the basis of available evidence.

The reasons why the United Kingdom should consider experimenting with a UBI as part of a wider reassessment of the current social contract – including a failed housing system - are multifarious. Economic insecurity, persistent wage stagnation, the burden of housing costs and families cycling in and out of poverty have become hallmarks of a failing social contract between state, society and market. The post-war contract was predicated on the equation of job security equalling economic security. By the 2000s, an extensive system of tax credits had been introduced together with employment increasing interventions. The employment rate is at record levels yet, despite this, the changing nature of work and the economy has meant that even if the state rows hard against market generated insecurity (and it has done so decreasingly in the ‘austerity’ of recent years), the situation seems to improve little. An approach that puts more power in the hands of individuals and families should be explored. UBI - a regular, unconditional payment made on an individual basis to each citizen – can be the bedrock of a new system that provides people with the power, security, and tools to create fulfilling lives.

9. See Shafique, Op. Cit., p.42.

10. Sodha, S. (2017) ‘Universal basic income is no panacea for us – and Labour shouldn’t back it’. *The Guardian*. Available at: [www.theguardian.com/commentisfree/2017/dec/18/universal-income-no-panacea-labour](http://www.theguardian.com/commentisfree/2017/dec/18/universal-income-no-panacea-labour).

11. Marinescu, I. (2017) *No Strings Attached: The Behavioural Effects of U.S. Unconditional Cash Transfer Programs*. Roosevelt Institute. Available at: [www.marinescu.eu/Marinescu\\_UBI\\_review\\_2017.pdf](http://www.marinescu.eu/Marinescu_UBI_review_2017.pdf).

The following sections outline the central reasons why now is the time to begin thinking seriously about transitioning to a UBI system.

### 1. A dysfunctional political economy

It is a timely moment to consider new ideas. The difficulties thrown up by the roll-out of Universal Credit (UC) have highlighted a welfare system unfit for purpose. It is important to recognise that the vulnerable situations into which UC recipients have been pushed are not simply teething problems that will subside; they are consciously designed into the system. Our welfare society produces insecurity by design, not accident.

By, for example, requiring recipients to provide detailed information on their circumstances every month, UC places the burden of complexity on the individual rather than the system. Additionally, the imposition of new conditionality measures for in-work UC recipients produces unnecessary stress for those attempting to find financial stability. The requirement for in-work UC recipients to earn the equivalent of minimum wage at full-time hours, for example, places an undue burden on single parents with children of secondary school age without easy access to childcare. Intended as incentives, these features actually produce feelings of insecurity, impairing an individual's ability to think creatively about the optimum way to improve their situation.

For these reasons, we do not accept the description applied by the IMF to the UK's welfare system as 'well-functioning'.<sup>12</sup> Indeed, we would suggest that it is well-functioning in model only. The reality is that Universal Credit and the remainder of the welfare system too often exacerbates economic insecurity - which we define as the ability of an individual to thrive and financially survive even in the face of economic risks.

Universal Credit - even with the adjustments made in November 2017 - works in harmony with a wider political economy in the UK predicated on insecurity. Those in low paid work are often not supported by productive relationships between employers and trade unions, now greatly diminished. Similarly, opportunities to acquire skills to provide a surer footing at work are too seldom available for those stuck in low pay, low productivity employment. UK employers' record on investing in continuing vocational training is close to half that of the average of our European counterparts.<sup>13</sup> Finally, as discussed, those out of work are subject to the anxiety that one misstep will render them disqualified from benefits.

As the RSA's Atif Shafique has explained, economic insecurity is "just as important as poverty, inequality and poor social mobility in understanding the challenges faced by families in Britain today. But it does not receive the same level of policy attention."<sup>14</sup> As demonstrated by the following statistics, economic resilience to any unanticipated financial shock are worryingly low for large parts of the population:

12. IMF Fiscal Monitor, Op. Cit., p.19.

13. Dromey, J. and McNeil, C. (2017) *Skills 2030: Why the adult skills system is failing to build an economy that works for everyone*. Institute for Public Policy Research. Available at: [www.ippr.org/files/publications/pdf/skills-2030\\_Feb2017.pdf?noredirect=1](http://www.ippr.org/files/publications/pdf/skills-2030_Feb2017.pdf?noredirect=1).

14. Shafique, Op. Cit.

- Unsecured consumer debt amassed by British households is projected to reach 47 percent of household income by 2021, eclipsing the pre-crisis level of 45 percent of income in 2007.<sup>15</sup>
- RSA data released in January 2018 reveals that 41 percent of the working population had accessible savings of less than £1000.<sup>16</sup>

As Shafiqe points out, the knowledge of being just one bad piece of luck away from economic peril can create significant harm. Studies suggest, for example, that economic insecurity directly contributes to, or is closely associated with, major health problems such as obesity, depression and anxiety, and risky or harmful behaviours such as substance misuse.<sup>17</sup> While the extent of a person's susceptibility to the psychological impacts of economic insecurity is dependent on other factors, the harm being perpetrated by a political economy predicated on insecurity must not be overlooked.<sup>18</sup>

Much could be learned from Denmark's 'flexicurity' model. Here, employers have agency to hire and fire employees, but workers are entitled to up to 90 percent of their previous salary as they search for jobs, and are supported by a generous training regime co-designed with unions. The result is that a quarter of Danes in the private sector switch jobs every year, arguably leading to better job matching.<sup>19</sup> Conditionality is a part of the Danish approach but it is embedded in a system that provides much stronger wage support and training, underpinned by social partnership. By contrast, the UK's system layers conditionality on top of both in and out of work insecurity. One could describe this as 'flexinsecurity' as opposed to Danish-style flexicurity. In this context, a UBI could provide one means of 'security' balanced against a 'flexible' labour market balancing job creation better with individual agency and security.

*The Taylor Review of Modern Working Practices* has suggested this way forward: with an employment model that affords both flexibility and security to not just employers but to ordinary people too. As well as a more productive labour market, this model offers an important means of tackling a growing spectre of economic insecurity.<sup>20</sup>

As the UN Special Rapporteur on Extreme Poverty and Human Rights has concluded:

“Economic insecurity represents a fundamental threat to all human rights. It calls for the rights to work, social security, and an adequate standard of

15. Inman, P. and Barr, C. (2017) 'Britain's debt timebomb: The UK's debt crisis –in figures'. *The Guardian*. Available at: [www.theguardian.com/business/2017/sep/18/uk-debt-crisis-credit-cards-car-loans](http://www.theguardian.com/business/2017/sep/18/uk-debt-crisis-credit-cards-car-loans).

16. Balaram and Wallace-Stephens, Op. Cit., p.8.

17. Kopasker, D., Montagna, C. and Bender, K. (2016) *Economic Insecurity as a Socioeconomic Determinant of Mental Health*. Paper prepared for the 34th International Association of Research in Income and Wealth. Available at: [www.iariw.org/dresden/kopasker.pdf](http://www.iariw.org/dresden/kopasker.pdf); Chou, E.Y., Parmar, B.L. and Galinsky, A.D. (2016) 'Economic Insecurity Increases Physical Pain'. *Psychological Science*. Available at: [www.ncbi.nlm.nih.gov/pubmed/26893293](http://www.ncbi.nlm.nih.gov/pubmed/26893293).

18. Knowledge of one's ability to access financial support from family members could, for example, reduce susceptibility to stress associated with economic insecurity.

19. Johal, S. and Thirgood, J. (2016) *Working Without a Net*. Mowat Centre. Available at: [mowatcentre.ca/working-without-a-net/](http://mowatcentre.ca/working-without-a-net/)

20. Taylor, M. (2017) *Good Work: The Taylor Review of Modern Working Practices*. Department for Business, Energy and Industrial Strategy. Available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf).

living to be accorded prominence on the human rights agenda. Linked to this is the need to acknowledge the central role of the State, of fair and progressive fiscal policies, and of redistributive justice. Most importantly, the debates over social protection floors and Basic Income [our emphasis] need to be brought together. They have thus far been kept largely separate, in a counterproductive and ultimately self-defeating way.<sup>21</sup>

We agree. It is now critical that the conversation in the UK and elsewhere moves beyond debates about welfare into a discussion about economic security and support for the majority who require some support to adapt and grow in an environment of continuous and significant economic and social change.

## 2. Pay, poverty and productivity

A status-quo of low-paid, low-skilled, and low productivity work is producing a British economy characterised by stagnant wage growth and limited routes for progression.

Low-paid work is increasingly defined by precariousness and insecurity. Over 30 percent of UK individuals experience poverty in any four year period.<sup>22</sup> The Joseph Rowntree Foundation reports that 55 percent of families living in poverty have at least one parent working, showing the old assumption that employment insulates from poverty to be no longer valid.<sup>23</sup> Alongside a rapid expansion of zero hours and agency based contracts since 2008<sup>24</sup>, there have been indications of similar shifts towards insecurity for those in more traditional work. The British Social Attitudes Survey, for instance, has shown that between 2005 and 2015 the percentage of ‘routine and semi-routine’ workers who felt they had job security fell by 11 percent.<sup>25</sup> Recent RSA survey data suggests that 28 percent of all workers feel less secure in their jobs than they did five years ago, which is all the more remarkable considering that five years ago the UK was in the early stages of emerging from recession.<sup>26</sup>

Some of this trend could in part have been driven by a growing use of particular technologies in the workplace: more observation of workers, less variety of tasks and greater fear of automation among workers. A quarter of the workforce reports a lack of autonomy of work, in part due

21. Alston, Op. Cit., p.2.

22. ONS (2017) ‘Persistent poverty in the UK and EU: 2015’. Office of National Statistics. Available at: [www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2014](http://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2014).

23. Tinson, A. et al. (2016) *Monitoring Poverty and Social Exclusion 2016*. Joseph Rowntree Foundation. Available at: <https://www.jrf.org.uk/report/monitoring-poverty-and-social-exclusion-2016>.

24. ONS (2017) ‘Contracts that do not guarantee a minimum number of hours: September 2017’. Office for National Statistics. Available at: [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/contractsthatdonotguaranteeaminimumnumberofhours/september2017](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/contractsthatdonotguaranteeaminimumnumberofhours/september2017). It should be recognised that many on zero hours contracts are content with being on a zero hours contract. While still insecure, for some – such as many students – the flexibility and autonomy afforded by zero hours arrangements makes the reduced job security a welcome trade-off. See Taylor, M., *Good Work*, p.25.

25. McKay, S. and Simpson, I. (2016) *British Social Attitudes Survey 33: Work*. National Centre for Social Research. Available at: [bsa.natcen.ac.uk/media/39061/bsa33\\_work.pdf](http://bsa.natcen.ac.uk/media/39061/bsa33_work.pdf).

26. Balaram and Wallace-Stephens, Op. Cit., p.8.

to the introduction of new technologies in the workplace.<sup>27</sup> This is underscored by a further finding by the British Social Attitudes survey showing that the percentage of routine and semi-routine workers reporting that they were ‘not free to decide how my daily work is organised’ increased from 42 to 57 percent between 2005 and 2015.<sup>28</sup>

A UBI could provide people with options to progress out of work that is increasingly defined by insecurity and intrusive control from above. Rather than an unrelenting battle with the stress of insecure work and an intrusive welfare state, a Basic Income could provide the financial breathing space to permit thoughts of career changes and progression as well as additional bargaining power with current employers.

There is a sound economic rationale behind inducing a more mobile labour market to aide better skills matching and thus improved productivity. A recent OECD report showed that of 19 high income countries, Great Britain had the highest percentage of employees with skills underutilised, comprising 35 percent of the workforce.<sup>29</sup> Self-reporting paints an even starker picture: 51 percent of UK employees report that their skills are being underutilised, among the highest levels in the EU. This compares to 33 percent in France, 36 percent in Netherlands, 37 percent in Sweden, 38 percent in Denmark and 45 percent in Germany.<sup>30</sup> Quite simply, the UK is doing badly at getting the right people into the right jobs.<sup>31</sup>

It is well documented that the UK’s productivity growth is poor, with output per worker currently sitting only just above the rate prior to the 2008 financial crisis.<sup>32</sup> The period between 2007 and 2017 produced Britain’s worst 10-year period for productivity growth since 1822, with knock-on effects on pay growth, which is set to be the lowest this decade for 210 years.<sup>33</sup> Many of the skills that Britain needs to unblock its productivity problem are already there; a UBI could provide the means through which to unlock them by providing a safety net of security with which people could find work commensurate to their skillset, not just the first job going that will pay the rent or mortgage.

### 3. Technology

It is essential that we equip people with the means to prepare for impacts that automation and artificial intelligence (AI) may have on the labour market, often the subject of undue hyperbole concerning job

27. Ibid.

28. Ibid.

29. McGowan, M. A. and Andrews, D. (2015) *Labour Market Mismatch and Labour Productivity: Evidence from PIAAC Data*. The Future of productivity: Main Background Papers. OECD, p.42. Available at: [www.oecd.org/eco/growth/Labour-Market-Mismatch-and-Labour-Productivity-Evidence-from-PIAAC-Data.pdf](http://www.oecd.org/eco/growth/Labour-Market-Mismatch-and-Labour-Productivity-Evidence-from-PIAAC-Data.pdf)

30. ‘Skills under-utilisation’ [online maps and graphs]. Skills Panorama. Available at: [skillspanorama.cedefop.europa.eu/en/indicators/skills-under-utilisation](http://skillspanorama.cedefop.europa.eu/en/indicators/skills-under-utilisation)

31. Dellot, B. and Wallace-Stephens, F. (2017) *The Age of Automation: Artificial intelligence, robotics and the future of low-skilled work*. London: RSA, p.63. Available at: [www.thersa.org/globalassets/pdfs/reports/rsa\\_the-age-of-automation-report.pdf](http://www.thersa.org/globalassets/pdfs/reports/rsa_the-age-of-automation-report.pdf).

32. ONS (2018) ‘Time series: Output per Worker: Whole Economy SA’. Office for National Statistics. Available at: [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/timeseries/a4ym/prdy](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/timeseries/a4ym/prdy).

33. Resolution Foundation (2017) ‘Public and family finances squeezes extended well into the 2020s by grim Budget forecasts’ [press release]. Resolution Foundation. Available at: [www.resolutionfoundation.org/media/press-releases/public-and-family-finances-squeezes-extended-well-into-the-2020s-by-grim-budget-forecasts/](http://www.resolutionfoundation.org/media/press-releases/public-and-family-finances-squeezes-extended-well-into-the-2020s-by-grim-budget-forecasts/)



obsolescence. There are very good reasons to promote automation; it can enhance our capabilities in a range of fields, dramatically boost productivity growth and free people from unfulfilling work. A recent RSA report has indeed advocated for the UK to speed up its adoption of automation technologies, adopting a human-centred approach to technology in order to deliver wide social benefits.<sup>34</sup>

As the report recognises, “AI and robotics, if deployed on a large scale, would result in both losers and winners. Some geographic areas, demographic groups, occupations and sectors would be hit harder than others.”<sup>35</sup> Realising a human-centred automation is a major challenge, and will require new interventions to assist those in occupations most likely to change. While in the medium term we do not see the aggregate impacts on employment from AI that many have forecast, we do see a challenge of skewed impacts, and that is why people need to be given the support that enables them to adapt; to learn, try new ideas, move to a new job, assume caring responsibilities without facing the insecurity of the welfare system as currently configured.

#### **4. A step towards Universal Basic Income**

In short, in the face of economic, social and technological challenges, the UBOF is designed to create a strong platform of freedom and security through which people can build a better life for themselves and their communities. It offers a gradual, practical and principled way to move towards a full UBI in future, while claiming some of its benefits so sorely needed now.

It is important to note here that, in opposition to those who see in Basic Income a route to a post-work world, we advocate Basic Income as one of the institutions supporting good work: that which is fairly remunerated, respected, providing of purpose and with scope for progression. Work is important above and beyond pay; it contributes to identity, embeds us in human relationships and provides purpose and development. Configured wisely, Basic Income and good work go hand-in-hand.

However, political will and questions of funding mean that a decent Basic Income sufficient to meet people’s needs is difficult to achieve in the short-term. What’s more, Basic Income would constitute a major shift in conceptions of the state’s role, and require a suite of other new institutions alongside to maximise its success; a revamped lifelong learning model among them. Developing these interventions will take time.

Progressing to a Basic Income model sufficient to the challenges outlined is therefore a long-term project and will necessitate further thinking. As critics have pointed out, an unanswered question is how a UBI could be funded. Many models proposed so far have either relied too heavily on funding through the income tax system alone or do not adequately remove the current disempowering system of welfare and tax credits or risk losses to those on very low pay compared to the current system.

Realistically, Basic Income will not be introduced wholesale overnight; rather it will consist of a series of steps through which impact and sustainable financing models can be assessed. The UBOF represents one of

34. Dellot and Wallace-Stephens, Op. Cit.

35. Ibid, p.9.

these steps, and offers time for a range of potential funding options for a full UBI to be explored. These might involve the following (albeit this is not exhaustive):

- **Introduce a Wealth Tax:** A modest increase on the taxes of the wealthiest in our society could generate substantial income to put towards a Basic Income. The National Institute for Economic and Social Research has assessed that a tax of 1.2 percent on net assets over £700,000 per year would generate £43bn annually for the Exchequer.<sup>36</sup> With concerns over societal inequality persistent some form of wealth tax may also win favour as a redistributive mechanism. More work is needed, however, on how this could be most effectively implemented to address concerns around capital flight – for example, whether it would be levied on all assets, property or in the form of inheritance tax could have significant impacts on its receipts.
- **Create a Sovereign Wealth Fund (SWF):** Various countries around the world, including Norway and New Zealand, have set up SWFs. As defined by Stewart Lansley, these are ‘collectively held funds, socially owned, established initially by the state from the pooling of existing or new resources, and used for the wider benefit of society.’<sup>37</sup> By borrowing around £200bn at historically low interest rates the government could establish a fund, potentially able to pay itself back through economic growth engendered by investment in human capability from the fund. The returns for these funds are way above current interest base rates. For example, Norway’s fund has enjoyed an annual return of 4.1 percent since inception.<sup>38</sup> SWFs are attracting increasing attention from various standpoints. In November 2017, Tristan Hanson and Eric Lonergan of M&G Investments outlined the case for a British SWF, arguing that the government should take the opportunity to invest in a substantial programme of economic growth by issuing government bonds while interest rates are low.<sup>39</sup> While Hanson and Lonergan don’t advocate for a UBOF or UBI, an SWF could be used to fund it.
- **Introduce levies on company assets:** IPPR’s Mathew Lawrence has advocated for the introduction of a ‘scrip tax’, whereby companies with a certain level of assets would be required to

36. Farmer, R. (2017) ‘Monday’s Macro Memo: “Tax Reform: A Proposal for the Chancellor”’. National Institute of Economic and Social Research. Available at: [www.niesr.ac.uk/blog/mondays-macro-memo-tax-reform-proposal-chancellor](http://www.niesr.ac.uk/blog/mondays-macro-memo-tax-reform-proposal-chancellor).

37. Lansley, S. (2015) *Tackling the power of capital: The role of social wealth funds*. Compass. Available at: [www.compassonline.org.uk/wp-content/uploads/2015/06/Lansley-TP-81.pdf](http://www.compassonline.org.uk/wp-content/uploads/2015/06/Lansley-TP-81.pdf); Lansley, S. (2017) ‘Reversing the inequality spiral: Citizens’ wealth funds’. *Institute for Public Policy Research Progressive Review*, pp.137-146. See also Cummine, A. (2016) *Citizens’ Wealth: Why (and How) Sovereign Funds Should be Managed by the People for the People*. London: Yale University Press.

38. Barker, S (2017) Norwegian sovereign wealth fund records its best first-half return. *Pensions & Investments*. Available at: [www.pionline.com/article/20170822/ONLINE/170829955/norwegian-sovereign-wealth-fund-records-its-best-first-half-return](http://www.pionline.com/article/20170822/ONLINE/170829955/norwegian-sovereign-wealth-fund-records-its-best-first-half-return).

39. Hanson, T. and Lonergan, E. (2017) ‘Time for a UK sovereign wealth fund’. *Financial Times*. Available at: [ftalphaville.ft.com/2017/11/23/2196091/guest-post-time-for-a-uk-sovereign-wealth-fund/](http://ftalphaville.ft.com/2017/11/23/2196091/guest-post-time-for-a-uk-sovereign-wealth-fund/)

issue some of that equity into a government fund in the form of shares.<sup>40</sup> While Lawrence suggests that this should apply only in certain circumstances, such as major private mergers, it could also be applied as a type of levy in the vein of the recently introduced apprenticeships levy. In this framing, the levy might apply to FTSE 350 companies and capped to 5 percent of equity. An intervention of this kind could mobilise some of the vast deposits of capital held by major corporations.

- **Introduce taxes on transfer of data assets:** A final option that the government should consider exploring is the introduction of some form of tax on usage of public data or the transfer of data assets to tech platforms and others. Companies such as Amazon, Facebook and Apple generate considerable profit from UK residents' data, and options should be explored for how some of this could be reclaimed for public benefit. While new models of valuing data usage would have to be developed, this would be a response to the realities of a digital, data-driven age.

The UBOF represents one step in this potentially far longer process towards a full Basic Income. We should not wait to secure the benefits of Basic Income; the pace of change in a globalised, digitalised world can already be unpredictable.<sup>41</sup> Downsides for particular groups are already becoming apparent. The Opportunity Fund secures some of the benefits of Basic Income now, but also signals a progression toward a sustainable model of a full Basic Income.

40. Lawrence, M. (2014) *Definancialisation: A Democratic Reformation of Finance*. Institute for Public Policy Research. Available at: [www.ippr.org/files/publications/pdf/definancialisation\\_Sep2014.pdf](http://www.ippr.org/files/publications/pdf/definancialisation_Sep2014.pdf).

41. Acemoglu, D., and Restrepo, P. (2017) 'The Race Between Machine and Man: Implications of Technology for Growth, Factor Shares and Employment'. NBER Working Paper No. 22252. Available at: [www.nber.org/papers/w22252](http://www.nber.org/papers/w22252)

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# Anticipated impacts

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Evidence from elsewhere suggests that if given the means and freedom to make changes to their lives, people are far from lazy.<sup>42</sup> Early results concerning the large cash transfer programme run by GiveDirectly in Kenya and Uganda show numerous examples of recipients using the payments for useful purposes, such as starting a business or expanding an existing one.<sup>43</sup> Similarly, 72 percent of Alaska Permanent Fund Dividend recipients report using their income for useful things, including education or repayment of prior debt.<sup>44</sup> In a 1970s Basic Income experiment in Dauphin, Manitoba, a slight reduction in working hours by recipients was accounted for by use of the income to access educational opportunities, care for relatives and to shift to more manageable working hours among those who were overworked.<sup>45</sup> While the UK context is admittedly different, these results offer encouragement that recipients would use the Opportunity Fund to make positive interventions in their lives.

The UBOF provides a mechanism with which to test further these already known impacts of key Basic Income principles, such as unconditionality and regularity. Its major strength is the opportunity it provides for people to exercise control and autonomy over their lives by providing a modicum of financial security.

The Fund is however not merely a stop-gap on the road to a full Basic Income. It is a policy entirely justifiable on its own merits. From an assessment of existing literature on unconditional cash transfers and more, we believe that the instigation of a UBOF could offer the following impacts:

## Greater freedom

For many citizens receiving payments made on a monthly basis up to a total of £5,000 per year could be the catalyst to making major positive changes to their lives. For those on low incomes in particular, the burdens of essential expenditures on rent, mortgages, dependents, food and more make entertaining a change of path or even job a frightening or even impossible proposition. While £15,000 for a family of three is not enough to provide economic security in the long-term (with housing and other support on top as needed), it could provide an escape route to those that

42. Banerjee, A. et al. (2015) 'Debunking the Stereotype of the Lazy Welfare Recipient: Evidence from Cash Transfer Programs Worldwide'. MIT Economics. Available at: [economics.mit.edu/files/10861](https://economics.mit.edu/files/10861).

43. GiveDirectly (2016) 'Basic Income – What's it like: Raw Responses' [spreadsheet]. Give Directly. Available at: [docs.google.com/spreadsheets/d/1umh464Da62x6gY5zuEzLYa4Q2Fii9igW78CQhVrGTtU/edit#gid=1770330013](https://docs.google.com/spreadsheets/d/1umh464Da62x6gY5zuEzLYa4Q2Fii9igW78CQhVrGTtU/edit#gid=1770330013).

44. Isenberg, T.J. (2017) 'What a New Survey from Alaska Can Teach Us about Public Support for Basic Income'. Economic Security Project. Available at: [medium.com/economicsecproj/what-a-new-survey-from-alaska-can-teach-us-about-public-support-for-basic-income-ccd0c3c16b42](https://medium.com/economicsecproj/what-a-new-survey-from-alaska-can-teach-us-about-public-support-for-basic-income-ccd0c3c16b42).

45. Calnitsky, D. and Latner, J. P. (2017) 'Basic Income in a Small Town: Understanding the Elusive Effects on Work'. *Social Problems*.

currently feel trapped in unfulfilling work yet unable to make changes due to their financial obligations.

Providing people with roughly two and a half months' worth of income in addition to housing support could be the helping hand that many need: to leave an existing job to provide time to look for a better one<sup>46</sup>, or to undertake a vital piece of training to re-enter the workforce at a higher level. For others, one or more payments of £5000 could constitute the seed fund for a business idea not yet realised due to financial constraints.

In short, the UBOF could provide a baseline of security permitting people to take risks that they would not otherwise be able to take.

### **Opportunity to change path**

We live in a world of rapid change, where economic volatility, technology and global connectivity have meant that change is a constant. Individuals should also be able to transition into different forms of work – the days of entering a job on leaving school and staying there until you retired are long gone (if, indeed, they ever really existed for the majority). Instead, individuals are expected to be able to adapt and evolve to a changing labour market, to be able to respond to new opportunities as they arise.

Worryingly, the expectation that people be adaptable within the labour market comes at a time when funding for further education has undergone a series of funding cuts. As automation gathers pace it primarily will be those in low-skilled work expected to change course despite often being the least well equipped to do so. A recent report from the World Economic Forum called for mass programmes of re-skilling to cope with anticipated technological disruption and displacement of work. Alongside funding for re-skilling, they call for stronger systems of income support whilst re-skilling is taking place to make it feasible. UKOF is designed to do precisely this alongside other interventions such as widening the application of the Apprenticeship Levy to wider up-skilling.<sup>47</sup>

The Fund would provide a means to support participants with these changes. It is important that the Fund remains unconditional to enable individuals and households to make choices best aligned with their needs; however, it could be utilised in a way that provided additional support for areas of national need (ie a top up payment for those retraining in areas of skill shortage). The recent introduction in France of personal training accounts could provide a good model for this, allocating funding to those taking accredited training courses approved and valued by the state and employers to fill particular areas of need.<sup>48</sup>

46. Ibid. In their paper *Basic Income in a Small Town: The Elusive Effects on Work*, David Calnitsky and Jonathan Latner carry out a fine grained study of labour market response to the Dauphin, Manitoba basic income experiment of the 1970s. The overall reduction in work hours was small - a result replicated by others - with the researchers identifying increased time spent between jobs in order to find good work, rather than simply taking the first available position, as one key reason for this.

47. World Economic Forum (2018) *Towards a Reskilling Revolution: A Future of Jobs for All*. World Economic Forum. Available at: [www3.weforum.org/docs/WEF\\_FOW\\_Reskilling\\_Revolution.pdf](http://www3.weforum.org/docs/WEF_FOW_Reskilling_Revolution.pdf).

48. EPALE (2017) 'The Personal Activity Account Comes into Force in France. Electronic Platform for Adult Learning in Europe. Available at: [ec.europa.eu/epale/en/content/personal-activity-account-comes-force-france](http://ec.europa.eu/epale/en/content/personal-activity-account-comes-force-france).



### Better health and wellbeing

The UBOF could alleviate some of the insecurity experienced by those in low-paid work. It could also, as described above, provide a route away from the kinds of low-paid, insecure work associated with poor wellbeing. Previous Basic Income type initiatives or experiments have suggested a link between unconditional payments and positive health outcomes. A minimum income experiment conducted during the 1970s in Dauphin, Canada found that an unconditional income resulted in a statistically significant reduction in physician contacts related to mental health as well as fewer hospital admissions for “accident and injury.” Mental health diagnoses in Dauphin also fell. Once the experiment ended however, these public health benefits evaporated.<sup>49</sup>

Similarly striking results occurred in North Carolina during the 1990s, where a longitudinal study traced the impacts of an unconditional \$4,000 per year casino dividend paid to Cherokee families.<sup>50</sup> Children whose families received the payments showed significantly better emotional and behavioural health by age 16 relative to their non-tribal peers, who did not receive payments. Parents also reported that the drug and alcohol intake of their partners decreased after the payments began. These reported changes among adults were uncontrolled observations, but the researchers noted no other major policy changes during the study.

While the link between income inequality and bad health outcomes has been well established,<sup>51</sup> the actual mechanism driving this is little understood. Shafir and Mullainathan describe a process of cognitive ‘bandwidth scarcity’ whereby scarcity of resources impedes sound decision making with clear potential for negative health outcomes.<sup>52</sup> The complexity of the welfare system as currently configured, with its tripwires of arbitrary conditions and punitive sanctions, can result in high levels of stress driving bad health outcomes. Similarly research has indicated that the stress associated with being in low-paid, insecure work may have more damaging health impacts than actually losing employment. Lack of certainty over income and personal agency is understandably stressful, producing a range of negative effects from unhealthy lifestyle choices in the short run and conditions such as higher blood pressure longer term.<sup>53</sup>

Significant portions of working population live precarious lives, in a position where one life event (illness, unemployment, changes in mortgage or living costs) would be enough to severely undermine their wellbeing. Ability to take part in the Fund as necessary, particularly after initial bedding-in stages have been completed, would provide individuals with a knowledge that they had an alternative source of income available

49. Forget E.L. (2011) ‘The Health Effects of a Canadian Guaranteed Annual Income Field Experiment’. *Canadian Public Policy* 37, 3. Available at: [www.utpjournals.press/doi/full/10.3138/cpp.37.3.283](http://www.utpjournals.press/doi/full/10.3138/cpp.37.3.283)

50. Akee R. et al. (2015) ‘How does household income affect child personality traits and behaviors?’ NBER working paper No 21562.

51. Pickett, K. and Wilkinson, R. (2011) *The Spirit Level: Why More Equal Societies Almost Always Do Better*. London: Bloomsbury Press.

52. Mullainathan, S. and Shafir, E. (2013) *Scarcity, Why Having Too Little Means So Much*. Time Books.

53. Khazan, O. (2017) ‘Is Any Job Really Better Than No Job?’. *The Atlantic*. Available at: [www.theatlantic.com/health/archive/2017/08/is-any-job-really-better-than-no-job/537969/](http://www.theatlantic.com/health/archive/2017/08/is-any-job-really-better-than-no-job/537969/)

when required. This can create improved wellbeing (precariousness being a clear contributor to reduced physical and mental wellbeing), and greater resilience for individuals in responding to shocks. According to RSA-commissioned data, 32 percent of a representative survey of UK workers have accessible savings less than £500 and 41 percent have less than £1,000.<sup>54</sup>

A further health and wellbeing benefit that the UBOF could address relates to caring. Carers Trust reports that there are currently around seven million people with caring responsibilities in the UK, with one in eight workers being a carer. Of those carers not working, a fifth have given up work and therefore income to become a carer.<sup>55</sup> The UBOF could provide support for people to fulfil their duties towards loved ones at crucial moments, perhaps even taking time off work to do so. As well as a better quality of life for the person being cared for, the financial support available through the payment could prove invaluable at relieving stress caused by a need to juggle caring responsibilities with generating an income. This also will help the UK more effectively meet its wider care needs, ie not just through relatively expensive state services.

### **Economic impacts**

A status quo of low-paid, low-skill work is a key factor in the UK's poor productivity growth rate. This is further compounded by a diminishing commitment among employers to providing training, which contributes to overemployment and unfilled vacancies. Recent statistics detail the decline since 2000 of numbers of employees taking training courses or working towards some kind of qualification.<sup>56</sup>

The UBOF potentially provides an opportunity to reverse these trends, by offering recipients the means with which to upskill themselves and thus offer more value at the workplace, which should ultimately drive up productivity. It is entirely plausible that an investment in people along the lines of the UBOF would be good for business and good for economic growth. It could kickstart a cyclical process whereby economic growth produced by a more skilled and fulfilled workforce could drive up living standards, producing a healthier and happier workforce able to push further economic growth. While the initial debt taken on by the government to fund the UBOF is significant, a potential impact through induced economic growth could stand to make it a sensible long-term investment as opposed to a costly expenditure.

Arguably, with the right support, the UBOF could support wider innovation strategies, at the margin at least, by providing the means through which creative citizens could invest in starting a business, developing prototypes or developing skills. By tapping into some of the creative potential that we believe to be inherent in every human being, again the

54. Balaram and Wallace-Stephens, Op. Cit.

55. Carers Trust (2015) 'Key facts about carers and the people they care for, Carers Trust. Available at: [carers.org/key-facts-about-carers-and-people-they-care](https://www.carers.org/key-facts-about-carers-and-people-they-care).

56. Bursnall, M. and Speckesser, S. (2017) 'Investment in adult skills is decreasing in the UK –here's why we should be worried'. National Institute of Economic and Social Research. Available at: [www.niesr.ac.uk/blog/investment-adult-skills-decreasing-uk---here-s-why-we-should-be-worried](http://www.niesr.ac.uk/blog/investment-adult-skills-decreasing-uk---here-s-why-we-should-be-worried).

UBOF could potentially prove to be a savvy piece of financial investment, on top of all of its other benefits. As Box 1 below details, the Enterprise Allowance Scheme introduced by Margaret Thatcher's government in 1982 shared parallels with the UBOF, with positive economic impacts.

### **Box 1: The Enterprise Allowance Scheme**

The Enterprise Allowance Scheme, which started in 1982 and ran for almost ten years, offered those of working age an allowance of £40 a week to start a business, available for up to one year. Recipients had to have been unemployed for at least eight weeks and have savings or loans of at least £1,000. At its peak, over 100,000 people enrolled each year and over the course of the scheme the total number of participants added up to 3.7 percent of the unemployed population. The EAS is credited with helping 325,000 people become self-employed, and was fundamental in making possible and speeding up the founding of start-ups, according to participant testimonies.

Eighteen months after enrolment, 65 percent of all original applicants had set up and were still employed in their business and over a fifth of these new business owners employed other people, not enrolled in the scheme. Contemporaneous figures from the World Bank say that for every 100 successful EAS participants, 64 additional jobs were created. This happened at a comparatively tiny cost to the taxpayer. For each job created under the EAS scheme, including participants and any resulting employees, the government spent £1,729 - equivalent to about a year's worth of JSA back in the 1980s. In 2017 GBP, that's approximately £4,650 per new job created. There are some parallels between the structure of the Enterprise Allowance Scheme and UBOF.

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# The model

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In today's prices, we estimate the maximum net cost of an opportunity dividend to be around £14.5bn per annum on average spread over ten or more years should there be full take-up. The real cost is likely to be below this. The annual cost will depend on uptake from year to year. This net cost is the difference between:

- Total costs of providing a £5,000 annual payment for two years to those under 55: £462bn
- Total savings from removing selected benefits, tax reliefs and allowances while these people receive the dividend: £273bn

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**Table 1: Total costs and savings of the opportunity dividend**

	£bn
Costs: £5,000 per year for two years for all aged 0-54 years	-462
Savings: Benefits	+86
Savings: Tax reliefs	+187
Shortfall (net cost)	-189

We estimate the costs based on the Office for National Statistics' mid-2016 population estimates:<sup>57</sup>

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**Table 2: Estimated costs**

Age group	Population mid-2016 (m)	Opportunity dividend of £5,000 per year	
		One year	Two years
0-54	46.2	231	462
55-64	7.6	-	-
65+	11.8	-	-
Total	65.6	231	461

Total costs over the period may vary from the above because of future inflation and population growth. We expect the value of the dividend to increase in line with inflation but revenues (from taxes and savings on

57. ONS (2017) 'Population Estimates for UK, England and Wales, Scotland and Northern Ireland: mid-2016'. Office of National Statistics. Available at: [www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2016](http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2016).

benefits etc) to grow similarly. With respect to population growth, most of the future growth is projected for the 55+ age group, who in this particular model would not be eligible for the opportunity dividend. This age group is projected to be 20 percent larger in ten years' time, whereas the increase for those aged under 55 is less than one percent.<sup>58,59</sup> In real terms, the opportunity dividend is unlikely to differ markedly from the above.

Savings come from the removal of the following for individuals in years in which they draw an opportunity dividend:

- Benefits: Child Benefit, Tax Credits, Jobseeker's Allowance, Income Support
- Tax reliefs: the Personal Allowance and, for National Insurance (NI) contributions, the primary threshold, lower profits limit and reduced contributions for the self-employed

We calculate benefits savings using figures from the Office for Budget Responsibility, combining projected expenditure for 2016-17 with estimates of average spending by age (from 2010-11):<sup>60</sup>

**Table 3: Estimated savings on benefits**

	Savings (£bn)		Share of savings on 0-54 (%)
	0-54	All ages	
Child benefit	12	12	100
Personal Tax Credits (Child, Working)	27	29	94
Jobseeker's Allowance	2	3	92
Income Support	2	2	97
<b>Total</b>	<b>43</b>	<b>45</b>	<b>96</b>

Two years of such savings contributes £86bn towards the cost of the opportunity dividend.

This model repurposes tax reliefs. Effectively, it turns the cash value of full Income Tax and National Insurance reliefs into a component of the opportunity dividend. This full cash sum is then available on a universal basis (ie not only in full to those earning over the Personal Allowance threshold which, at time of writing, was £11,500). Therefore, Income Tax and National Insurance allowances would not be available during the period of dividend receipt as to keep them in place would, in effect, be double-counting. HMRC publishes estimates of the costs of various tax reliefs as well as a breakdown of taxpayers by age group. Combining

58. ONS (2015) 'National Population Projections: 2014-based Statistical Bulletin'. Office of National Statistics. Available at: [www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2015-10-29](http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2015-10-29).

59. Between 2016 and 2026.

60. OBR (2016) 'Welfare trends report, October 2016'. Office for Budget Responsibility. Available at: [budgetresponsibility.org.uk/wtr/welfare-trends-report-october-2016/](http://budgetresponsibility.org.uk/wtr/welfare-trends-report-october-2016/)



these figures, we estimate the following annual savings in exchange for the opportunity dividend based on 2016-17 cost estimates.<sup>61,62.</sup>

**Table 4: Estimated savings on Tax Reliefs**

	Savings (£bn)		Share of savings on 0-54 (%)
	0-54	All ages	
Personal Allowance	68	97	70
Primary Threshold	19	24	80
Lower Profit's Limit	2	2	80
Reduced self-employed contributions	4	5	80
<b>Total</b>	<b>93</b>	<b>129</b>	<b>72</b>

The assumed shares in the rightmost column of the table are calculated as follows from 2014-15 HMRC figures:

- Across all ages, those under 55 accounted for about 70 percent of Income Tax revenues, which we use to split the savings from the Personal Allowance<sup>63</sup>.
- Of those aged under 65 (ie required to pay National Insurance contributions), those under 55 accounted for 80 percent of the population of taxpayers, which we use to split savings related to National Insurance

Two years of such savings contributes £187bn towards the cost of the opportunity dividend. The uncertainty associated with the savings from tax reliefs is high relative to the other calculations. This is largely because of the reliance on survey estimates and the likelihood that the range of incomes in each age group is large. In line with the rest of our analysis, which uses administrative/aggregate data, we have used the £97bn from HMRC/OBR for the 2016-17 cost of the personal allowance on the basis that these are the sums which those who have responsibility for managing public finances have adopted. On the face of it, this is substantially higher than that from a study that uses the IPPR microsimulation model.<sup>64</sup> However, correspondence with IPPR modellers highlights a difference in the treatment of the tax bands after removing the personal allowance. In that study, removal of the Personal Allowance is accompanied by a corresponding expansion of the basic rate tax band.

61. HMRC (2017) 'Principal tax reliefs'. HMRC. Available at: [www.gov.uk/government/statistics/main-tax-expenditures-and-structural-reliefs](http://www.gov.uk/government/statistics/main-tax-expenditures-and-structural-reliefs).

62. Table 3.2 ('Distribution of median and mean income and tax by age range and gender, 2014-15') of (2017) 'Personal incomes statistics: tables 3.1 to 3.11 for the tax year 2014 to 2015'. HMRC. Available at: [www.gov.uk/government/statistics/personal-incomes-statistics-tables-31-to-311-for-the-tax-year-2014-to-2015](http://www.gov.uk/government/statistics/personal-incomes-statistics-tables-31-to-311-for-the-tax-year-2014-to-2015).

63. The share is not much different under alternative calculations that try to account for larger losses for those that pay (or would pay) the higher rate of income tax in the absence of the personal allowance.

64. Martinelli, L. (2017) 'The fiscal and distributional implications of alternative Universal Basic Income schemes in the UK'. *Institute for Policy Research working paper*. Available at: [www.bath.ac.uk/publications/the-fiscal-and-distributional-implications-of-alternative-universal-basic-income-schemes-in-the-uk/](http://www.bath.ac.uk/publications/the-fiscal-and-distributional-implications-of-alternative-universal-basic-income-schemes-in-the-uk/)

While £14.5bn per year is substantial, when placed in the context of other government policy decisions of late it is a significant but far from unprecedented change. The IFS has estimated, for example, that the planned reductions in corporation tax from 28 percent in 2010 to 17 percent in 2020 will cost the exchequer at least £16.5bn per year in the short-to-medium term (but perhaps less in the longer term).<sup>65</sup> An increase in levels of Corporation Tax back to the mid-20s percentage-wise alone could therefore go a long way towards funding the UBOF and increases less than that could fund some of the intervention alongside the other revenue-raising measures detailed in the previous section.

One option for funding is to create a Norway-style sovereign wealth fund. This could be funded out of a government endowment which raises capital through the gilt markets and transfers the capital to sit in the account of the Universal Basic Opportunity Fund (so a negative balance on government accounts would be balanced by a positive asset in the fund). Obviously, this would have to be executed over time and congruent with government gilt market operations. Norway's fund is currently worth in excess of \$1tn and has historically returned 4.1 percent post inflation and management fees.<sup>66</sup> This model would mean that interest on government debt would have to be covered by the Fund so nominal interest would also have to be netted off. By way of illustration, if the return were 4.1 percent and the interest 0.5 percent then the annual 'profit' for the fund would be £7bn. Of course, these calculations are highly sensitive to returns and interest rates.<sup>67</sup> Nonetheless, alongside corporate equity and other funding sources that the fund could acquire in the model outlined here, this could help move the fund towards self-sustainability over the period of its operation.

The fund would have its investment goals established by government. This could include high return global investments and domestic investments for public benefit, such as in housing, digital, energy, and transport infrastructure which need patient finance. In so doing, it could improve the UK's physical infrastructure as well as supporting the dividend to help people to invest in their own skills and opportunities.

### **High-income earners disincentive**

An important factor that would likely reduce the overall cost of the UBOF is the disincentives to accessing it for high earners, due to the subsequent removal of tax reliefs. As well potential ramifications for expenditure, this could also provide an answer to anticipated critiques of non-targeting.

65. Miller, H. (2017) 'Briefing Note: What's been happening to corporation tax?'. Institute for Fiscal Studies. Available at: [www.ifs.org.uk/publications/9207](http://www.ifs.org.uk/publications/9207).

66. Kottasová, I. (2017) 'This pension fund is now worth \$1,000,000,000,000'. *CNN Money*. Available at: [money.cnn.com/2017/09/19/investing/norway-pension-fund-trillion-dollars/index.html](http://money.cnn.com/2017/09/19/investing/norway-pension-fund-trillion-dollars/index.html). Also, Norges Bank Investment Management (2017). Available at: [www.nbim.no/en/the-fund/return-on-the-fund/](http://www.nbim.no/en/the-fund/return-on-the-fund/)

67. The fund would have to be independently managed to secure a sustainable return, albeit on the basis of an investment strategy and ethos as defined by government and overseen by a multi-stakeholder board. We note issues with the treatment of assets in national accounts and there may have to be reforms to accounting standards to align the UK more closely with international practice. We also note there could be issues around fundability of the debt in gilt markets. However, recent debt releases have been massively over-subscribed which suggests extremely strong demand despite the current deficit and debt levels.

The removal of the Personal Income Tax Allowance (PITA) means that a basic rate of 20 percent will need to be paid on all income below the higher earnings threshold for income tax. For those earning over £11,500, this means £2,300 per year, or £4,600 over a two-year period (duration of UBOF payments). In line with the elimination of the PITA, the higher rate of tax would kick in earlier - say, at £33,500 rather than £45,000 or a decrease of the limit by £11,500 (figures are slightly different in Scotland). The payment here should be equivalent - if earning over the higher band limit - to the cost from removing the PITA (tax goes from 20 percent to 40 percent for a range of £11,500).

It should be noted that those earning over £100,000 have their Personal Allowance reduced by £1 for every £2 earned over this threshold. As a result, PITA can fall to zero when earnings hit £123,000. For these earners, the higher rate of tax will still kick in earlier, so the £4,600 cost still applies.

The removal of the primary earnings threshold, below which people do not pay National Insurance contributions, again means that NI must be paid on all income. The threshold is £8,160 per year, and a basic rate of 12 percent must be paid on this. This equals £972 per year, or £1,958 over two years.

Together therefore the removal of tax accounts for £6,558 over a two-year period for those earning in the top tax bracket. Although opting to take the dividend would constitute an income of £3,442 for those earning in the top tax bracket, the relative reduction would lead some to opt not to take the dividend thus reducing the cost. In fact, when taken with the process to claim the sum outlined above, the non-take-up amongst higher rate taxpayers is likely to be considerable.

A further option that could be explored should it be decided that high earners should be further disincentivised from accessing the UBOF would be to retain the aforementioned changes to Income Tax brackets and NI contributions until the full value of the UBOF is paid back. In this way, the UBOF would function for higher earners in a similar way to how student loans operate presently. Essentially, the UBOF would offer those in a high income bracket the opportunity to borrow money from the government at a relatively high rate of interest, leaving little incentive, if any, for them to take it. Such an approach would reduce the overall cost of the UBOF, but may risk negating some of the stigma reduction arguments posed by proponents of universality.

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# Administering the Fund

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The manner in which the fund would be administered to recipients is of particular importance. It is vital that recipients be given support to empower them to make the most of their UBOF dividend. While we believe - as supported by results from other conditional cash transfer and Basic Income experiments - that when provided with the means to do so, people overwhelmingly make positive decisions, it is also true that support may help people to make best use of the payment.

For this reason we would like to explore the concept of ‘labelled cash transfers’, an approach to providing citizens with an income which – while still unconditional – is administered in such a way as to support recipients to define (non-binding but explicit) intentions and goals for how they use the dividend. This act of explicit labelling has been shown to be effective in other contexts. For instance, a recent study of labelled cash transfers intended for use on children’s education in Morocco found labelling was seemingly more effective at delivering positive educational outcomes than cash transfers with strict conditions.<sup>68</sup> While not requiring children’s school attendance, by administering the payment through headmasters and suggesting that it be used for education it seems that the transfer was able to encourage the growth of a sentiment among rural Moroccan communities that education was a worthwhile time and monetary investment for their children. The problem with hard conditionality is that the loss of agency and potential for stigma has meant many of those whose families could most benefit from support disengage from the process. Labelling, in contrast, reduces this level of disengagement whilst still emphasising the purpose of support.

By adopting a similar model, the UBOF could assist recipients to develop their own personalised purposes for the payment. Rather than allow a politicised and misleading ‘money for nothing’ discourse to develop, a labelled cash transfer model would support recipients to use the money for some form of betterment, whether that be personal, for their family, for others, or for the community at large.

In line with this approach, the payment could be administered through a range of accredited organisations, which could be local authorities, schools, colleges, advisory services such as the Citizen’s Advice Bureau (CAB) or the National Careers Service (NCS), and accredited employers and trade unions (all subject to a code of conduct). Often, these accredited organisations would be civil society based as opposed to direct government agencies, in order to avoid the alienating effect that a direct government distribution model might have for some communities and individuals.

68. Benhassine, N. et al. (2014) ‘Turning a Shove into a Nudge? A “Labelled Cash Transfer” for Education’. Available at: [web.stanford.edu/~pdupas/Morocco\\_Tayssir\\_LCT.pdf](http://web.stanford.edu/~pdupas/Morocco_Tayssir_LCT.pdf).

Upon applying for the payment, the citizen would meet with a representative from one of these accredited organisations, in order to support the recipient to consider how they intend to use the money. While receipt of the payment would not be conditional on the content of the conversation, the act of defining an expressed purpose could, as the Moroccan example suggests, play an important role in developing an individual sense of commitment, purpose and agency. If coupled with ongoing opportunities to access advice and support (again through the likes of the CAB), this show of faith from the state in the ability of citizens to make decisions in their best interests could reverse the damaging impacts of welfare stigma associated with the current welfare system.

It is important that the advisory meeting be just one element of the role of accredited organisations, who would also offer guidance and support for those considering whether and when to access the UBOF, and for those in receipt of it. As much as possible these organisations should be integrated into communities, with the meeting to formally begin accessing the UBOF as just one interaction in a longer relationship. The organisations would of course need support to perform these roles, but this would be a worthwhile investment to effectively support UBOF recipients.

We recognise that for many advocates of UBI the introduction of some form of conditionality – albeit soft conditionality - will represent a major drawback. Yet the time-limited nature of the UBOF means that recipients may require more support in deciding when to access it and how best to use it. The regularity of payment, drastically reduced conditionality and the non-punitive nature of the UBOF remain aligned to many philosophical underpinnings of UBI and a pathway towards full UBI.

The requirement to access the fund through an accredited organisation could also act as a disincentive to collect the payment at the beginning of the ten-year eligibility period in order to invest it. This, of course, would run contrary to the intended purpose of the fund to provide citizens with an opportunity to make changes to their lives or contribute to their communities. This process of reflection and social commitment in addition to the fact that by accepting the payment, individuals would be forgoing Personal Tax Allowances and income-related benefits (and paying additional tax in the case of higher rate tax payers) provides a significant barrier to gaming the system. And, as we have seen in Alaska, these types of dividends without stringent conditions attached, are generally put to good use, often being used to improve the asset position of the family, pay down heavy and burdensome debt or investing in the individual or family's future.

Alongside the opportunity fund, the government should simultaneously assess whether a full Basic Income would be desirable. By conducting a series of Basic Income experiments such as that currently being undertaken by Finland, a better evidential base can be developed from which to assess a variety of impacts that a Basic Income could have. The recent announcement by the Scottish Government that it will look to support feasibility studies into potential experiments in Glasgow, Edinburgh, Fife and North Ayrshire is a productive step, and should be mirrored by Westminster.

The conversation around Basic Income should not occur exclusively in a government and thinktank bubble. Basic Income is an idea which could

profoundly alter conceptions of work, our obligations to one another and relationship to the state. It is only right therefore that it be widely discussed. This is a challenge that all involved in the Basic Income debate should look to confront, by seeking out unlikely conversations, novel alliances and engagements with audiences and organisations beyond our typical comfort zone. These conversations are richer if practical and based on the expectation of action. So it is also a call for the government to support this conversation; entertaining the idea of a UBOF would be an excellent place to start.



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# Conclusion

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At a time in which new ideas are sorely needed, the Universal Basic Opportunity Fund provides the basis for a revised and enlightened social contract underpinning a modern notion of citizenship. This is a progressive form of citizenship that believes in the ability of people - when adequately supported - to fulfil their potential, make a societal contribution, and live meaningful lives. By providing people with a better basis of security, the UBOF can better support people to participate fully in society, for the enrichment of all.

The UBOF is an ambitious effort to re-envisage the relationship between citizen and state, emphasising trust in people as opposed to a default of suspicion as is the case currently. It also represents a practical step and valuable experiment on the possible road towards a more permanent Universal Basic Income model. It is an opportunity to demonstrate that when it comes to life decisions the best people to decide are the people themselves, when properly supported to do so.

Yet the UBOF should not be a standalone measure. Rather, it should be one element of a range of innovative government interventions seeking to reconceptualise social support mechanisms for a new context in a society that faces technological and economic change with economic insecurity already at intolerable levels. Place-based UBI experiments, as currently being explored amongst other options by Scottish local authorities, should be supported by government as a means of testing other aspects of UBI alongside the UBOF.

Similarly, a reconfigured model of welfare must come with a transformed provision of lifelong learning. While we do not predict that automation will lead to mass job losses, it seems inevitable that the labour market will be reconfigured and require many to adapt.<sup>69</sup> A strong system and culture of lifelong learning must be developed. Those who see the UBOF as a means to retrain must have good opportunities to do so. Other interventions such as stronger mechanisms for sectoral coordination, childcare provision, and better protections and supports for key groups of workers such as the self-employed, as recommended in recent RSA reports, will also be vital.

In contrast to some, often libertarian, advocates who envisage UBI as the harbinger of a drastically reduced state, in our model the UBOF consists just one aspect of a reconceptualised state. And nor do we see UBI as a means of replacing work as some 'post-work' and futurist accounts have done. We should make investments in technology and continue to embrace the welcome return of industrial strategy as means to drive economic and productivity growth. It is also imperative that we confront

69. See Dellot and Wallace-Stephens Op. Cit. for the RSA's analysis on the likely impacts of automation.

social challenges with new civic innovations, such as mechanisms to support the growing numbers of carers associated with an ageing population.

As with UBI, there are aspects of the UBOF that will appeal to all major British political parties. Those of the left are likely to be attracted to the unconditional economic security and investment in people offered by the UBOF, whereas the right will see liberal conceptions of individual agency enshrined in the UBOF as preferable to state paternalism. It is our hope that this common interest can generate cross-party momentum to introduce the UBOF.

The UBOF is an intervention designed to address an increasingly concerning reality of people cycling in and out of poverty, being subject to employment and financial insecurity and without adequate opportunities to reconfigure their lives as they wish. The risk of not taking concerted action to address these trends is further growth of disenchantment and anger among those who feel ignored or left behind. If not confronted, forces including automation could become hugely divisive social, economic and political forces further entrenching a dangerous societal schism between those who have security and those who have insecurity. This is not merely a vision of a dystopian future. In many respects it is already in train and requires action now.

What has been proposed here is one possible pathway towards a UBI embedded in civic support and good work. Faced with an insecure future for many, the UK will need ambitious ideas. We hope that the Universal Basic Opportunity Fund will be one of them.

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# Appendix 1

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The case studies below are fictionalised accounts that consider what the basic opportunity dividend might mean in a number of real life situations (adapted from *Thriving, striving, or just about surviving? Seven portraits of economic security and modern work in the UK*<sup>70</sup>).

## **Flexi-worker - Martin, 44**

Martin left his job in the public sector around three and a half years ago to start his own business as a self-employed photographer. When Martin was first starting out on his own, he and his partner suffered the loss of their first baby soon after childbirth, which made him more aware of the safety net he had given up when he transitioned away from being an employee.

It was at this point that he decided to take his basic opportunity dividend. There would have been no paid parental or compassionate leave without it and he couldn't afford to take time out, so would have had to return to work straight away. However, the £5000 each that he and his partner were able to draw down have given them breathing space and enabled Martin to build his business through a difficult time. He now anticipates using the second tranche to fund some targeted marketing to help secure a less volatile income from the business and may even see whether he can train an apprentice to build his business further as a result. The support he was able access through the Universal Basic Opportunity Fund helped them get over a trauma and put their household finances on a more stable setting - paying more in tax in the process.

## **Steady Stater - Kathryn, 35**

Kathryn has been working in local government for the past 19 years. Kathryn's job on a day-to-day basis involves making calls to follow up with local residents who are in arrears, to work out a way of collecting the council tax owed. While these calls are routine, every day feels different because her interactions with residents will vary. Kathryn regularly feels a sense of accomplishment, especially when she is able to make contact with residents that have been difficult to reach and to support them onto repayment plans.

Recently, the Council has become a verified provider of the opportunity dividend. And it has linked the payment to a 'work security' scheme. To residents struggling with their rent, she can help them claim the basic opportunity dividend, take them off Universal Credit temporarily, provide them with access to support for basic skills needed in more secure work sectors including care work, and give them some breathing space. Support

<sup>70</sup>. Balaram, B. and Wallace-Stephens, F. (2018) Op. Cit. Available at: [www.thersa.org/globalassets/pdfs/reports/rsa\\_7-portraits-of-modern-work-report.pdf](http://www.thersa.org/globalassets/pdfs/reports/rsa_7-portraits-of-modern-work-report.pdf).

of £5000 per member of a household per year for up to two years in ten makes skills development, the management of household finances and obtaining more regular hours on decent pay more likely. It's a helping hand as Kathryn sees it.

### **Striver - Adam, 23**

After finishing his A-levels, Adam decided to find a job rather than go to university or college. He first started working in a bank, progressing from frontline roles in customer service to an analyst of mobile banking. Around two and a half years ago, he began working for a railway company managing trains. He was drawn to the job because of the employment benefits and opportunity to travel for work.

While he's not worried about job security right now, he recognises it may be an issue in future. "I don't think any job is secure. I don't worry about it on a daily basis, but it is in the back of my mind that this job won't be around forever." Adam reckons that automation will affect his industry within the next decade. He comes across a level 4 transportation planning apprenticeship. The pay is quite a bit lower than what he's on now and probably too much of a stretch. However, he phones up to enquire about it anyway and is reminded that the Basic Opportunity Fund can help support him while he trains. It makes the difference - just a few extra grand a year for a couple of years, and though it's a three year apprenticeship, that makes it doable as far as Adam is concerned.

### **High Flyer - Alan, mid-40s**

Alan works for a small business specialising in computer sales. He was attracted to the job because of the financial incentive and the opportunity to travel. Alan enjoys a high degree of autonomy in his job, which he values more at this stage in his career. To Alan, having autonomy in work means having independence. "It means deciding what I get to do, which jobs I want to take on, and which contracts and relationships. It's about having choice."

Alan decides that it's time to set up on his own despite the fact that he is supported in his current role. He goes to see a local business adviser who discusses how Alan can use the Basic Opportunity Fund as venture capital - to support his family during an inevitable decline of earnings for a couple of years. The financial support also comes with business advice and support funded by the local LEP (local enterprise partnership). Alan knows that he'll have to pay a bit more tax as a higher rate tax payer once the two years is up until the basic opportunity dividend is paid back - much like he had to do to pay back his student loans. He's fine with that. This support makes all the difference while he's building his new business from the ground up.

### **Chronically Precarious – Kafui, 34**

Kafui works for a clothing and jewellery store in one of London's busy train stations. She has been a sales associate at the store for the past six years, but has been working in retail for much longer. While studying for a degree in pharmaceutical science, she first held a job as a carer but turned to retail in the hopes that it would be easier to balance with school. Kafui is on a permanent contract, and is paid an hourly wage of £8.30. There are no bonuses or commissions for sales, and staff are expected to

regularly purchase discounted clothing to wear to work in an attempt to attract customers.

She looks to balance her hours alongside responsibilities for caring for her child. However, this flexibility and reduced income leaves her struggling to pay the bills, and carrying worries over the economic security of her family. As the sole breadwinner she is responsible for all income, and so variances in her wages can have a huge impact.

Kafui has decided to take her opportunity dividend in order to take up the chance to pursue a Masters. This would allow her to seek new opportunities within the pharmaceutical industry, particularly as her daughter is getting older. She can continue to work at the store during her studies, with the dividend providing her with greater security and flexibility during that period, allowing to her blend studying with fewer hours and more time to fulfil her childcare responsibilities. She sees she dividend period enabling her to transition into a higher earning position, with benefits for her and her family in terms of economic security and mental wellbeing.

### **Acutely Precarious – Polly, 23**

As a care worker, Polly rises early to make it to her first call at 7am. She helps clients wash, dress and take their medication in the mornings and then squeezes in some paperwork before heading home for a break at noon. She eats her dinner and then returns for a second shift from 4pm to 10pm, although she'll often clock out later. She has been in the job for a year and a half and feels passionate about the work.

Polly is recognised for doing her job well; she has been asked to train new recruits and has been given the opportunity to undertake a paid NVQ in health and social care. However, when asked if she plans to progress, Polly responded, "I don't see myself staying for long enough to want a promotion. We are under-staffed and underpaid." She is on a minimum wage and is the sole breadwinner; her partner is waiting for a disability living allowance, but is unsure if it will be granted, so they rely on her income to make a living.

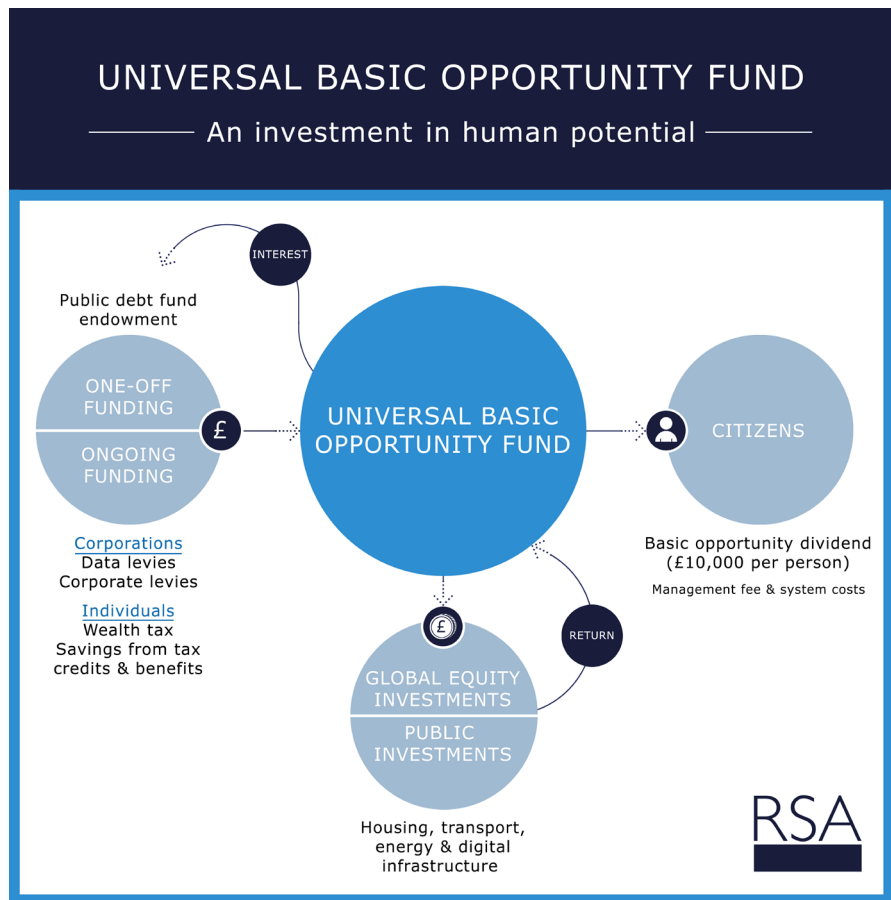
When Polly is at work, she is required to complete her calls, and thus her tasks, within a certain amount of time. She finds that the time constraints are unrealistic, however, and often finishes late. There isn't enough support from management, nor respect for her time.

Polly is not concerned about job security because the company cannot afford to let anyone go. Yet, job security does not mean economic security for Polly.

Polly uses her opportunity dividend to provide her with basic security as she looks to find a new workplace that is more rewarding, supportive and economically secure. It helps give her support to look for better conditions in her current workplace, with less fear that she will suffer economically. The dividend also allows her additional finances while she completes her NVQ, and support while her partner waits for the decision on their disability allowance. The dividend can smooth the transition process into a new workplace where her skills are better recognised and rewarded, and give her the confidence to make use of what she has achieved in her career and studies. She expects to make a greater contribution, with less stress and earn more in the process.

# Appendix 2

Fig. 1: Universal Basic Opportunity Fund model.





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