



The Failings of Universal Credit

Basic Income: lessons for the UK

Two briefings from Autonomy

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The Failings of Universal Credit: a briefing

There is a growing consensus that Universal Credit (UC) is failing both in its design and implementation, even before it has been rolled out to the majority of UK households that it is intended to reach. An increasing body of evidence indicates it may be failing to deliver its central goals of moving people into work and saving money, and is causing considerable hardship to those who have already started receiving it.

This document condenses these criticisms around four ‘poles’.

Universal Credit: why it is failing

Punitive. UC depends on conditions and sanctions to control recipients’ behaviour, and to ‘activate’ people in their search for work.

Paternalistic. In contrast to stated goals of reducing ‘dependency’, UC is highly interventionist, deploying conditions and sanctions and involving considerable monitoring. It expects claimants to behave according to its in-built, narrow definition of what constitutes ‘good’ behaviour.

Irrational. The design and implementation of UC leads to contradictory or highly problematic outcomes. It does not allow for the complexity of real life; it claims to be ‘like work’ but in fact does not mirror the realities of low-income work; technical issues cause wildly fluctuating payments and bureaucratic complexity for claimants; and it is based on outdated assumptions and norms of how families and households function.

Ineffective. Evidence suggests that not only do UC’s conditions and sanctions fail to deliver the ‘good’ outcomes they are designed to, in some cases they actively stimulate behaviour that is damaging to the claimant.



We demonstrate how the attitudes that have shaped UC, and the majority of Western welfare benefit systems in fact, are underpinned by false, damaging assumptions and narratives about work and unemployment.

In the second part of this paper we discuss how a more universal, less conditional approach could make significant improvements. The discussion draws on some of the key principles of Universal Basic Income (UBI), but is not simply a call to replace UC with a UBI. We seek to explore how the principles of UBI, a universal, unconditional and non-withdrawable benefit, can speak to the specific problems of the UK's current welfare benefit system. If a UBI or a system inspired by it cannot offer the potential of better outcomes than we currently have, the idea will struggle to progress past the ever-growing debates that it is provoking.

Structural issues

1. Punitive: conditionality and sanctions

The UK social security system, and in particular the aspects relating to unemployment, is one built on the ‘something for something’ premise. Benefit recipients are expected to demonstrate behaviours in line with rules and expectations set out by the state in order to receive payments and support. Conditions might include set hours of job-search activity, attending Jobcentre appointments at fixed times, and taking paid employment when offered, regardless of its fit with an individual’s aspirations.

This regime of conditionality is at the heart of welfare reforms implemented under successive governments since the mid-1990s.¹ Conditions and penalties for non-compliance have intensified over time, as politicians’ beliefs in the importance of conditionality have strengthened. Unemployment benefits have always been conditional in that they are reserved for people seeking paid work; however the expansion of behavioural conditions to new groups (e.g. lone parents), the addition of new conditions and the ramping up of penalties for failure to comply with the required behaviours are all features of the evolution of conditionality.

Behavioural conditionality is part of an ‘activation’ model of unemployment benefits, in which claimants must be ‘activated’ in their search for work, and must also be active in exchange for their benefits. It is predicated on the idea that conditionality changes claimants’ behaviour in ‘positive’ ways, making them more likely to seek and enter paid employment.

If conditions are not met, claimants can be penalised through the use of sanctions – the withdrawal or reduction of benefit payments for periods of between four weeks and three years. People receiving Universal Credit (UC), Income Support, Jobseekers’ Allowance and Employment and Support Allowance can all be subject to sanctions, for reasons including being late for an appointment at the Jobcentre, not doing enough to look for work (as assessed by the Jobcentre) or not taking part in an employment support scheme.

¹ See *Workfare States* (Peck, 2001) for the genealogy of this welfare regime.

2. Paternalistic

This model of behavioural control and state definition of ‘right’ and ‘wrong’ in relation to work and benefits is deeply paternalistic. For individuals in the system the state is highly interventionist, with intensive monitoring as well as state-imposed definitions of success and ‘worthy’ activity. This is a reshaping of the role of the state, whereby it sets the boundaries and norms within which individuals must function.

The system also sends confusing and contradictory messages about securing paid employment. On the one hand, it is the overriding focus, and ‘work is the best way out of poverty’ is still the official DWP line.² However, moving into work doesn’t free you from interaction with the Jobcentre, or the threat of benefit sanctions. Universal Credit contains provision to apply conditionality and sanctions to claimants in low-paid employment, which would require people to increase their earnings through working more hours, taking on additional jobs or seeking a promotion in order to avoid being sanctioned. Through in-work conditionality, goes the theory, the low paid are encouraged to reduce their ‘dependency’ on top-ups from UC, and yet are simultaneously bound by conditionality rules and behavioural requirements that limit their freedom.

The implication here is that low pay is a choice made by individuals, and something that could easily be overcome given the right efforts. But evidence shows a multitude of reasons why someone might struggle to earn more, which are not straightforward to address. Aside from the contingencies of the labour market, a lack of relevant skills and qualifications, lack of proficiency in English, need for better understanding of the jobs market, caring responsibilities and

Through in-work conditionality, goes the theory, the low paid are encouraged to reduce their ‘dependency’ on top-ups from UC, and yet are simultaneously bound by conditionality rules and behavioural requirements that limit their freedom.

² Department for Work and Pensions, (2018a), ‘One Million People Lifted out of Absolute Poverty’, Press Release. Available here: <https://www.gov.uk/government/news/one-million-people-lifted-out-of-absolute-poverty>

lack of confidence could all contribute to individuals becoming stuck on low wages.³ A relationship with JobCentre Plus (JCP) based on control and the threat of sanctions has been shown not to be the most effective way to address such issues.

In-work conditionality was tested by the DWP in a Randomised Controlled Trial between 2015 and 2018, and it was found that there was no difference between the hours worked or earnings amongst those who were sanctioned compared to those who were not. Participants in the trial who were highly motivated and had minimal barriers, or who had additional barriers but received personalised interventions from a supportive Work Coach, managed to achieve positive outcomes. Participants who did not receive support with their personal and practical barriers did not achieve positive outcomes to the same extent.⁴ This trial highlights both the need for interventions that respect and respond to individuals' circumstances, and the lack of evidence for sanctions as an effective tool. DWP is currently pausing any further roll-out of in-work conditionality to gather more evidence.

3. Irrational

There are many aspects of the design and implementation of UC that appear irrational and unable to accommodate the realities of people's lives. One of its stated aims is to prepare people for work by being 'like work', but not only is it actually quite unlike work, for most claimants this 'preparation' is largely unnecessary. Built-in delays, fluctuating payments and ongoing complexity make crucial budgeting hugely difficult, and debt a real risk.

3.1 Blind to real life

The idea that welfare conditionality will trigger 'positive' behaviours is predicated, in part, on the notion that we are rational economic actors, always willing and able to make fully informed decisions that maximise our individual economic benefit. Under this model, benefit claimants, faced with losing money if they are sanctioned, will choose to comply with all the rules, thereby avoiding losing money. But the economically rational actor is a theoretical construct, with only partial bearing on reality. The failings of the model have been demonstrated through many behavioural economics experiments; real lives are complex and messy (see Ariely, 2008 for examples).

No one's lived reality follows a fixed pattern, and everyone's life is constituted by a mixture of commitments, responsibilities, hopes and aspirations; someone unemployed

³ Learning & Work Institute, (2017), *Evaluation of the Skills Escalator Pilot*. Leicester.

⁴ Department for Work and Pensions, (2018b), 'Universal Credit: In-Work Progression Randomised Controlled Trial, Findings from quantitative survey and qualitative research'.

or on a low income is no different. The UC regime of conditions and sanctions assumes that lives are predictable and stable, and can be shaped to fit into the UC system, and that people will be able to absorb and manage any issues in their lives in order that they not interfere with fulfilling their benefit requirements.⁵ Complexity, emotions and aspirations play no part in this model; all must be subsumed to the goal of entering paid work.

Ruth Patrick describes the tensions between trying to fulfil Jobcentre requirements with other responsibilities such as parenting, and the lack of recognition in the system that individuals might place greater value on, for example, their role as a parent than that of a jobseeker.⁶ Other blindspots include: requiring homeless people to undertake full-time job searching online, when they only have access to the internet a few hours a week at a library; sanctioning people for missing appointments when they do not have sufficient funds to pay for travel, or because their JCP appointment clashed with a job interview.⁷ These common instances all smack of a system with little regard for fairness, or flexibility.

3.2 Divorced from real work and real families

UC claims to prepare claimants better for work by being 'like work': having a contract between jobseeker and JCP and having tasks to complete in return for payment of benefits are meant to mimic the employee/ employer relationship, thereby increasing their chances of gaining paid work. Not only is this contrary to evidence (the Welfare Conditionality 2018 study found compliance with such rules encouraged futile and counterproductive activity, and superficial behaviour change in order to avoid sanctions), it is unrealistic and patronising. Employers can't withhold several weeks' salary if someone turns up late or misses a single meeting; equally, being sanctioned for failing to work more hours in a low-paid job wouldn't mirror the world of work.⁸

The broad-brush portrayal of claimants of unemployment benefits as work-shy and in need of an artificial 'experience' of work through claiming UC isn't supported by the evidence. Nearly 40% of low paid workers experience a period of unemployment over a 4-year period,⁹ and in the period 2010-15 75% of JSA claimants received the benefit for less than 1 year.¹⁰ The relentless focus on job entry rather than job quality means

⁵ Wright, S, (2012), 'Welfare-to-work, Agency and Personal Responsibility', *Journal of Social Policy*, 41:2, 309-328.⁴Department for Work and Pensions, (2018b), 'Universal Credit: In-Work Progression Randomised Controlled Trial, Findings from quantitative survey and qualitative research'.

⁶ Patrick, R, (2014), 'Working on Welfare: Findings from a Qualitative Longitudinal Study Into the Lived Experiences of Welfare Reform in the UK', *Journal of Social Policy*, 43:4, 705-725

⁷ Reeve, K, (2017), 'Welfare conditionality, benefit sanctions and homelessness in the UK: ending the 'something for nothing culture' or punishing the poor?', *Journal of Poverty and Social Justice*, 25:1, 65-78.

⁸ Millar, J, and Bennett, F, (2017), 'Universal Credit: Assumptions, Contradictions and Virtual Reality', *Social Policy and Society*, 16:2, 169-182.

⁹ Joseph Rowntree Foundation, (2015), *The Low-Pay, No-Pay Cycle*, London: JRF

¹⁰ Department for Work and Pensions (2016)

many people become trapped in a cycle of poor quality work and unemployment, in our increasingly flexiblised labour market.¹¹ This is not a significant, static cohort of unemployed people who have never and will never work, who do not understand what paid work entails, or who need to be manipulated into it through unrealistic proxies.

Evidence also shows a significant gap between how UC is designed and how low income families manage their money. Delays are purposefully built into the system and are meant to mimic what it's like to be in paid work. The autumn 2018 budget announced reductions in waiting times from a minimum of five weeks to three, but this is still out of line with many people's experiences of work: around half of people earning under £10,000 a year are paid weekly.¹² The reduction in waiting period also only applies to those who will be migrated onto UC from existing benefits, not new claimants, for whom longer waiting times will still apply. There are many examples of the hardship and destitution caused by the current five week wait, and the longer delays that up to 20% of claimants experience. Whilst the majority of claims are paid within this five weeks, DWP official figures show some claims are still unpaid eight weeks after they were due.¹³

UC payments are made to a household rather than to individuals, seemingly based on an outdated vision of households operating on a (man's) single income. This is hardly reflective of most modern households: in nearly three-quarters of two-parent families both parents are in paid work; in 45% of these families both parents work full time.¹⁴ The financial freedom offered to women through participation in the labour market is potentially removed by UC, if UC payments are made into a male partner's bank account. This is regressive in any case, but particularly in cases of abusive relationships, the abused partner, usually the woman, would have no means of achieving an independent income. Making a claim for split payments could leave her open to further abuse. Scotland has already decided to shift to making split payments automatically.¹⁵ Amber Rudd announced in early 2019 that UC payments will be made to the 'main carer' in households, which could go some way to addressing these problems, although how it would work in households without children is unclear, and the fact remains that making a single payment to any household is not a reflection of modern lifestyles or relationships.¹⁶

¹¹ Social Security Advisory Committee, (2007), 'Patterns of employment, benefit eligibility and the rights and responsibilities agenda', Occasional Paper No. 4; McTier, A, and McGregor, A, (2017), 'Influence of work-welfare cycling and labour market segmentation on employment histories of young long-term unemployed', Glasgow: University of Glasgow.

¹² Millar, J, and Bennett, F, (2017).

¹³ Department for Work and Pensions, (2018d), Universal Credit Statistical Ad Hoc: Length of Payment Delays for New Claims to Universal Credit.

¹⁴ Office for National Statistics (2018).

¹⁵ See Select Committee report for details: <https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/1166/116607.htm>

¹⁶ Rudd, A, (2019), 'Universal Credit: personal welfare', speech delivered 11 Jan 2019, transcript available online: <https://www.gov.uk/government/speeches/universal-credit-personal-welfare>

3.3 Increasing complexity

Despite one of the core purposes of UC being to simplify the benefits system, it remains bureaucratic, and places complex demands on claimants which can easily lead to mistakes being made, and even more delays than are already built into the system. The technicalities of the payment system mean claimants can experience wildly fluctuating monthly payments, making budgeting extremely difficult, and increasing the likelihood of needing emergency payments, short-term loans or reliance on foodbanks. These problems, caused by a payment system that has trouble accounting for people being paid on different days each month, were the subject of a successful legal challenge.¹⁷

Giving evidence at the Commons Work and Pensions Committee, single parents spoke about the complexity of trying to organise childcare payments, and of an antiquated system which required them to visit JCP offices in person to hand over paper copies of receipts.¹⁸ Citizens Advice research found significant numbers of potential UC claimants struggling to complete applications, missing deadlines and not being able to provide the evidence required by DWP, all leading to delays, failed claims and people falling into debt.¹⁹

As well as not necessarily reducing complexity, combining multiple benefits into one single UC payment also means that if payment is delayed or withheld an individual or family might have no income at all. Previously, with separate benefit payments, if one benefit was held up there would likely have been at least one other payment still coming into the household. Combined with any income from paid employment, very possibly paid weekly, this represented a more secure income stream. It also allowed for more detailed budgeting, often on a weekly basis, which has been shown to be the norm when living on a low income.²⁰ This has become much harder under the combined UC regime.

The methods and assumptions underpinning the core principles of UC are on shaky ground. Its key principles of saving money, moving more people into work, and delivering value for money, are all unproven, and according to the National Audit Office it may never be possible to evidence these claims.²¹

¹⁷ Bulman, M, (2019), *Single mothers win landmark universal credit battle with government in High Court*, *The Independent*, available online: <https://www.independent.co.uk/news/uk/home-news/single-mothers-universal-credit-high-court-child-benefits-family-dwp-amber-rudd-a8722566.html>

¹⁸ See select committee report for details: <https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2017/universal-credit-childcare-costs-17-19/>.

¹⁹ Citizens Advice (2018), 'Making a Universal Credit Claim'. Citizens Advice. Available here: <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/welfare-policy-research-surveys-and-consultation-responses/welfare-policy-research/making-a-universal-credit-claim/>

²⁰ Summers, KE, (2018), *Money and meaning: how working-age social security recipients understand and use their money*, London: Centre for Analysis of Social Exclusion, LSE.

²¹ National Audit Office, (2018), *Rolling out Universal Credit*, HC1123, Session 2017-19.

4. Ineffective: sanctions fail to deliver

There is scant evidence to support the UC model of behaviour change, motivated by conditions and sanctions. A five-year study found that not only does welfare conditionality fail to drive people to find sustained, good quality work, for a significant minority of people it actively stimulates negative behaviours, leading to substantially worse outcomes, including increased poverty, crime and worsening health.²² For the minority in the study who did find some paid work, the most common pattern was cycling between short-term insecure work and unemployment. Sanctions did not improve motivation to work, and in some cases pushed people further away from work, as they triggered disengagement with the benefits system.

The evaluation of the DWP's in-work progression trial, which tested different types and intensities of in-work conditions, found that the threat of sanctions motivated people to comply with the requirements placed on them, but did not improve motivation or ability to progress and earn more. In addition, sanctions were found to negatively impact the relationship between the participants and their Work Coaches; the quality of this relationship impacted on participants' experience of the trial and their motivation to progress.²³

The National Audit Office (2016) found that not only was sanctions policy based on limited and mixed evidence of its impacts from international research, the DWP was not using its own data to evaluate the impacts of sanctions or the unintended consequences, and was blocking external research into the impacts.

4.1 UC does not significantly address poverty and unemployment

When first designed, UC included work allowances for all claimants; amounts that claimants were allowed to earn through paid employment which would not affect the level of UC they received. This was one of the ways in which UC was meant to ensure that no-one in work would be worse off than being on benefits: the so-called 'benefit trap' which is inherent in many benefit systems when combined with low paid, insecure work. However, significant reductions in the UC budget have undermined its original intention to "make work pay". For many claimants work allowances were removed, or reduced, in 2015. The autumn 2018 budget has restored some work allowances for some claimants, however a single claimant without dependent children still qualifies for no work allowance.

²² *Welfare Conditionality*, (2018), 'Final findings report: Welfare Conditionality Project 2013-2018', York: University of York. Available here: <http://www.welfareconditionality.ac.uk/publications/final-findings-report/>

²³ *Department for Work and Pensions*, (2018c), *Universal Credit: In-Work Progression Randomised Controlled Trial: Impact Assessment*, Research report 966.

Any earnings above the work allowance, if it exists, result in a ‘taper’, a reduction of UC by 63p for every pound earned.²⁴ This is effectively a 63% tax rate on the lowest paid in society. Arguments against higher taxes for the wealthiest cite the disincentives they would foster regarding the will to work or earn more; in the case of the UC taper, it would appear that the same rationale does not apply. Coupled with tapering of Council Tax Support, and earnings deductions through NI and income tax, for some claimants the marginal tax rate ends up at over 80%. The removal of work allowances and the taper strongly undermine the promise of UC to make work pay, and the incentive to work more hours or seek higher paid work.

If UC continues to roll out in its current form, and this is by no means a certainty as awareness and discomfort with its problems grows, there stand to be winners and losers. As more households transition onto UC, and there are millions due to do so over the next few years, the differences in outcomes for different types of claimants become clearer. Some will have the chance to access ‘transitional protection’, which in theory means they won’t be paid less than they would have received on legacy benefits. However the extensive list of caveats means many won’t actually be protected: for example those living in temporary accommodation won’t be eligible, nor will people that make a mistake on their first UC claim and have to start again. In addition, any change in circumstances, for example a partner joining or leaving a household, will cause transitional protection to cease.²⁵ Many more won’t be offered transitional protection at all. Some households will gain. The Resolution Foundation estimates that despite some positive changes in the autumn 2018 budget, more working families will lose out on UC compared to receiving legacy benefits.²⁶

The focus of UC (and the DWP) on paid work as the ultimate goal for unemployed claimants appears to almost wilfully ignore the significant growth of in-work poverty. Simply entering employment is no guarantee that an individual or household will move out of poverty; the focus on ‘work first’ means the system doesn’t take account of job quality or sustainability, just that a job exists. Low wages, unpredictable hours, short-term contracts and cycling in and out of low paid work are all factors in undoing the link between paid employment and moving out of poverty; in fact, the majority of households in poverty in the UK now contain at least one working adult.²⁷

²⁴ See DWP regulations: <https://www.gov.uk/government/publications/universal-credit-work-allowances/universal-credit-work-allowances#universal-credit-earnings-taper-rate>

²⁵ Child Poverty Action Group, (2018), ‘Universal credit: who gains, who loses, and how does transitional protection really work?’, available online: <http://www.cpag.org.uk/content/universal-credit-who-gains-who-loses-and-how-does-transitional-protection-really-work>

²⁶ Resolution Foundation, (2018a), ‘Back in credit? Universal Credit after Budget 2018’. London: Resolution Foundation.

²⁷ Hick, R, and Lanau, A, (2017), *In-Work Poverty in the UK: Problem, policy analysis and platform for action*, Cardiff: Cardiff University.

Ideological foundations and narratives of work

Underpinning these structural issues, and permeating the whole system, are specific ideological foundations and narratives about work, unemployment and welfare. They have shaped how we think and talk about the unemployed and paid work, and are indivisible from the functioning of the system in its current form.

“Lazy shirkers”

The characterisation of the unemployed as lazy, shirking responsibility, cheating the system, and in need of behavioural change, is one of the strongest narratives set up by both the functioning of the system, and the discourses surrounding it. Terms such as ‘welfare dependency’, and ‘culture of worklessness’ are contrasted with ‘hard-working families’ and ‘strivers’, and serve to set up the unemployed as ‘other’ to the rest of society, with a different, and undesirable, set of aspirations and behaviours.

These narratives derive from ideology, not evidence. In fact, research shows that benefit recipients hold the same values and beliefs about work as the rest of society.²⁸ A significant proportion of benefit recipients repeatedly cycle in and out of work; to imagine that they also change their attitudes and behaviours every time they move between work and unemployment is nonsensical to say the least. Surviving on a low income and adhering to benefit conditions takes perseverance, time and energy, in sharp contrast to the trope of lazy benefit cheats.²⁹

This deeply embedded narrative, which has grown in influence since the 1990s and is broadly unchallenged by any political party, portrays the unemployed as a group which needs to be coerced into changing its behaviour, as it is their behaviour alone that has led to their being out of work.³⁰ The blame for, and burden of, unemployment is constructed as the fault of the individual, who is encouraged by both the structural functioning and the rhetoric of the system to see themselves as the site of failure, and an isolated individual who must work independently to secure paid employment.

²⁸ Whitworth, A, and Carter, E, (2014), *Welfare-to-Work Reform, Power and Inequality: From Governance to Governmentalities*, *Journal of Contemporary European Studies*, 22:2, 104-117 ²⁶ Resolution Foundation, (2018a), ‘Back in credit? Universal Credit after Budget 2018’. London: Resolution Foundation.

²⁹ Patrick, R, (2014).

³⁰ Newman, I, (2011), ‘Work as a route out of poverty: a critical evaluation of the UK welfare to work policy’, *Policy Studies*, 32:2, 91-108.

Self-reliance and an acceptance of risk as an inescapable part of the process of job-seeking are presented as the natural state of things, regardless of inequalities, deprivations or external factors.³¹ The risk of failure and the burden of accountability are shifted entirely from government to individuals.

Individuals' shoulders

By individualising blame, the state takes no responsibility, and structural issues such as failure of local labour markets, or the high cost of childcare, are kept separate, and can be addressed - or not - without disrupting the unemployment narrative. The focus is firmly on the supply side, the need to ensure the readiness of unemployed individuals to take up paid work, rather than the demand side; what jobs are on offer, at what rates of pay and conditions, how does local infrastructure support or block people from entering work, etc.. Any restarting of in-work conditionality would reinforce the individualisation of responsibility; low paid workers deemed 'dependent' on benefits who must find ways to earn more. The prevalence of low paid jobs and flexibilization of the workforce are erased from this equation, and employers face no sanctions for creating jobs that do not pay enough to live a decent life.

This individualisation also captures the shift away from a universal right to welfare to a conditional and responsibility-based model. Whilst some aspects of the welfare state, such as the NHS and school-age education, remain free and accessible to all, others, particularly those related to paid work, have become increasingly conditional, and any sense of a right to unemployment benefits has ostensibly dissolved. Individualisation also ignores the interdependencies and relationships which shape, govern and help, or hinder, our actions. Seeking and entering paid work cannot be achieved by one person (the applicant) acting entirely alone; their aspirations and decisions are shaped by any number of people around them, and the process of securing a job requires, at the very least, interaction with, and decision-making by, an employer.³² Agency is not solely on the part of the individual, and they cannot control all variables and everyone involved in the process of job-seeking.

There are contradictory messages within the narratives of unemployment and benefits. On the one hand, claimants and participants are told that they must accept personal responsibility for their position, and that the system is helping them move towards self-reliance, freedom and independence.

³¹ Whitworth, A, and Carter, E, (2014).

³² Wright, S, (2012)

On the other, they are subject to strict controls and monitoring, and their freedom to choose, to undertake self-directed activity or to strive for something other than paid work are all removed.

“Success”

What ‘counts’ as success within the conditionality system is highly exclusive and selective. The terms under which someone unemployed can be said to have ‘succeeded’ within the current system are not of their own making, but determined by the state and the market. Other valuable activity, such as parenting or volunteering, is side-lined by the insistence on paid work as the only route to being a valuable citizen, rather than a lazy benefit claimant.³³ Similarly, frontline workers in JCP and employment support providers must work within the rules dictated by the system, entailing that their own freedom to perhaps be flexible with the rules and develop creative solutions is also curtailed.³⁴

This paternalistic insistence on a singular model of success and good, ‘active’ citizenship further confuses the messaging around independence and responsibility, and undermines any real freedom and choice for the individual to set their own terms and plot their own path.³⁵

³³ Patrick, R, (2014)

³⁴ Whitworth, A, and Carter, E, (2014)

³⁵ *Ibid.*



Basic Income: lessons for the UK

A Universal Basic Income (UBI) as an alternative model of welfare benefits is much debated, and the subject of a growing number of trials worldwide. The core principles of UBI are: universality, paid to everyone in society; unconditionality, with no means-testing or any form of conditions for eligibility; regularity, a regular cash payment to individuals, with no restrictions on how it is spent; and non-withdrawable, it is not withdrawn when recipients earn additional income and would be considered to be a right. A UBI which adheres to all of these principles can be termed paradigmatic;¹ the implementation of a UBI-based policy is likely to modify at least some of these principles.

Advocates see UBI as a solution to poverty, unemployment, malfunctioning welfare systems and many more deeply entrenched social problems. The idea of UBI has grown significantly in popularity in recent years, with an almost equal surge in criticism and dismissal of it as a viable policy.

¹ De Wispelaere, J, and Stirton, L, (2011), *The administrative efficiency of basic income*, *Policy and Politics*, 39 (1), 115-132.

International UBI trials

Several countries have recently, or are currently, testing policies derived from the idea of UBI, although none are testing a paradigmatic version, one which abides by all of the core principles.

- **Ontario.** A targeted trial, involving working age people on low incomes that focused on addressing poverty. It was premised on a recognition that current social assistance programmes are ineffective at addressing unemployment and poverty. No employment conditions were attached to receipt of the cash, but there is a 50% marginal deduction for incomes over \$17,000. Ended early after a change in political administration.²
- **Barcelona.** This trial is targeted at the poorest in one of the most deprived neighbourhoods of the city. A minority of participants will receive benefit entirely unconditionally; some conditionality remains for some recipients, and withdrawal of benefits is still in place if earnings increase.³
- **Finland.** This trial ran from January 2017 until December 2018. It focused on working age people on unemployment benefits. The basic income was unconditional, with no employment conditions attached, and was not withdrawn if the participant earned additional income. It was also premised on the recognition that the existing unemployment /social assistance system is out of date and ineffective.⁴
- **Netherlands.** Here there have been a mix of different trials in several municipalities. They are mainly focused on testing the effects of different levels of conditionality on employment outcomes for unemployed participants. There is a recognition on the part of municipalities of the failure of existing systems to effectively support the unemployed into work.⁵
- **Give Directly in Kenya.** This is a large-scale, long-term trial in rural Kenya. It is looking at a whole range of outcomes involving economic status, time use, and gender relations.⁶
- **Y Combinator.** Funded by start-up investor Y Combinator this study plans to launch a full study in 2019, following a very small pilot and feasibility study. Monthly cash transfers of \$1000 will be made to 1000 participants in two US states. It is premised on a concern with poverty and failure of existing systems.⁷
- **Mississippi.** This programme, the Magnolia Mothers Trust, is a very targeted, small programme for black mothers. It involves giving \$1000 cash on a monthly basis, no strings attached, for 12 months. It is aiming to address entrenched poverty and the 'punitive' existing social support system.⁸
- **Stockton, CA.** This is a city-led trial, focused on poverty, inequality and the changing labour market. Launched in early 2019, it pays an unconditional income with no work requirements.⁹

² More information: <https://www.ontario.ca/page/ontario-basic-income-pilot>

³ More information: <https://youngfoundation.org/inequalitydynamics/rethinking-welfare-basic-income-barcelona-beyond/>

⁴ Kangas, O., Jauhiainen, S., Simanainen, M. and Ylikännö, M. (eds.), (2019), *The basic income experiment in Finland*, available online: <http://julkaisut.valtioneuvosto.fi/handle/10024/161361>

⁵ Schouten, S. (2018), *Baby Steps on the Road to a Basic Income*, *Green European Journal*, available online: <https://www.greeneuropeanjournal.eu/baby-steps-on-the-road-to-a-basic-income/>

⁶ More information is available here: <https://www.givedirectly.org/basic-income>

⁷ More information on the Y Combinator proposal can be found here: <https://static1.squarespace.com/static/599c23b2e6f2e1aeb8d35ec6/t/59c3188c4c326da3497c355f/1505958039366/YCR-Basic-Income-Proposal.pdf>

⁸ Springboard Opportunities, 'Introducing the Magnolia Mothers Trust'. Available here: <http://springboardto.org/index.php/blog/story/introducing-the-magnolia-mothers-trust>

⁹ SEED, 'Our Vision for SEED', 2018. Available here: https://static1.squarespace.com/static/59d55793268b96ccff4ff70e/t/5bfc32db032be4911026b12d/1543254764860/SEED+Discussion+Paper+Updated+11_26_18.pdf

Common to many is a recognition that existing welfare systems, and particularly aspects relating to unemployment, low incomes and poverty, are ineffective, outdated and in some cases punitive. A 2017 study looking at the circumstances in which several of the trials listed above came about, and the main political and social drivers behind them, identified a common dissatisfaction with social security and welfare systems:¹⁰

“... we are now confronted with a [social assistance] scheme that we believe to be ineffective because [of] its large bureaucratic burden, it only creates distrust” (welfare expert, Netherlands)

“... social assistance is not leading to good outcomes” (Basic income advocate, Ontario)

“... this is different, this is not social assistance... it’s about a whole new way of treating people” (Civil Servant, Ontario)

“... [the] unemployment benefit system is made in the 1960s and 70s, it’s based on the idea of the world at that time” (Civil Servant, Finland)

“... our system is not encouraging people to take on part-time work [or] self-employment, and also we have the incentive trap... you might end up with less money in your hands” (Civil Servant, Finland)

“... the current social security system is very inadequate and doesn’t actually help people, it tends to hinder them” (Basic income advocate, Scotland)

Can UBI provide the basis for a better approach?

As seen in the first half of this paper, these concerns are also pertinent to the UK context. There is a growing consensus that a UBI could be a solution, or at least that it should be trialled to see if it delivers on its promises. Here we discuss how a system drawing on the principles of UBI could address the concerns presented in section one of this two-part briefing. In particular we focus on the implications of a less conditional, more universal system of cash payments and how it could address many of the current failures of UC.

It is important to note that we are not presenting a fully costed proposal, or explicitly addressing issues of funding and affordability.¹¹ Rather we are focusing on using the

¹⁰ Dent, A, (2017), *From Utopia to Implementation: How Basic Income has progressed from radical idea to legitimate policy solution*, University of Bristol, available online: <https://basicincome.org/news/2018/03/ann/>

¹¹ Lansley, S and Reed, H, (2019), *A basic income for all: from desirability to feasibility*, London: Compass.

principles of UBI to inform a more progressive welfare benefit system. The principles discussed do not necessarily need to be implemented together in a full UBI-type model; even taken individually they would, we believe, offer significant improvements on UC.

A UBI is far from a universal panacea: a full UBI or a system drawing on its principles would bring its own challenges and potential drawbacks, but, we argue, could provide a basis on which to design a significantly more effective and humane UK social security system.

The paper frames UBI and its core principles as a welfare-related policy; there are of course other potential benefits of a UBI, such as poverty alleviation, equality and environmental impact and so on. It has the potential, we might say, of being a ‘multi-dividend’ policy.

Not Punitive but Supportive

One of the most critical differences between the current system and one drawing on UBI principles is the question of conditionality. An unconditional system would be paid with no conditions attached, and it could not be withdrawn if a recipient behaved in ways the state disagreed with. Some of the current trials, as outlined above, retain elements of conditionality or means-testing, others are paying a fully unconditional benefit. The exact eligibility criteria and conditions of any system drawing on UBI principles will depend on politicians’ and policymakers’ goals, and the wider policy and fiscal environment in which it operates.

Even if a full UBI was not introduced, a system without conditionality would be a significant change from the current position. Given the mounting evidence of hardship caused by UC sanctions, and failure of UC conditionality to trigger the ‘positive’ behaviours required, it is not unreasonable to suggest that a reversal of this principle would bring about better outcomes.

Evidence shows that stress and poverty affect our ability to make decisions, and to make positive, constructive plans for our futures.¹² Poverty has an impact on not only cognitive performance but also our ability to act in ways that benefit us in the long, rather than short term, and our ability to cope in difficult situations.¹³ An unconditional system would remove significant levels of stress from the experience of receiving benefits, and offer far more certainty in income levels. Anecdotal evidence from the Finnish UBI trial shows recipients suffering less stress through being freed from the bureaucracy and control of the mainstream benefit system, and a new sense of freedom to envisage and

¹² Mullainathan, S and Shafir, E, (2013), *Scarcity: Why Having Too Little Means So Much*, Penguin, London.

¹³ Joseph Rowntree Foundation, (2017), *How poverty affects people’s decision-making processes*, London: JRF.

take action to create their own future.

An unconditional system, without the threat of punishment or losing income, could reduce the risk of disengagement from the system and from associated employment support. The Dutch trials, whilst not strictly UBI experiments, are focused on this issue: whether more, or less, conditionality, and more, or less, unconditional support, is most effective at helping people into work.

Enabling freedom

An unconditional welfare payment promises freedom in many dimensions, and it is perhaps this aspect of UBI that attracts most interest and support from a broad range of political positions.

Receiving a regular, guaranteed income without threat of withdrawal through sanctions, or over 60% tapering rates, would confer a level of income security and therefore financial freedom not currently enjoyed by UC recipients, or many people in low paid and insecure work. While the likelihood in the short to medium-term of a UK unconditional benefit paid at a level sufficient to cover all costs of living is extremely low, the stability of a secure income floor below which no-one can fall and which cannot be taken away, would be a powerful enabler.

A regular income makes it easier to budget, plan ahead, and deal with debts. Research shows that those on a low income, even with what could be considered a 'steady job' (i.e. not a zero-hours or casual contract) are more likely to experience income fluctuations.¹⁴ Reducing money-related stress and anxiety frees up time and energy to focus on other, more constructive things.

Receiving an unconditional payment, free of any conditions or controls also frees recipients from attempts by the state to control behaviour. By uncoupling eligibility for social security payments from state-defined measures of good behaviour and good citizenship, greater freedom is offered to make one's own decisions and choose one's own direction and goals. As previously discussed, in a heavily-conditional system like UC, sanctions and control stifle choice for recipients, deny the complexity of real lives, and actually go against its stated aim of building independence. An unconditional system would place trust in its recipients, and give them agency to shape their own lives.

¹⁴ Resolution Foundation, (2018b), *Irregular payments: assessing the breadth and depth of month to month earnings volatility*. London: Resolution Foundation.

A key principle of UBI is that it is paid to individuals, not households. A UK system that adopted this principle would not only overcome the serious risks relating to domestic abuse inherent in a household-based payment, but could also confer a significant level of economic freedom for adults (normally women) who currently deliver unpaid labour in the home and who can be dependent on a partner's income. It would provide financial recognition and a level of autonomy for those whose work looking after home and children is not currently recognised.¹⁵

In the more libertarian conceptions of UBI, it would replace some, if not all, other aspects of social security and perhaps the welfare state as a whole. For some, this is the ultimate freedom, to sink or swim based entirely on one's own efforts with no interference (or support) from government. This is a crucial choice in the design of any policy derived from UBI or its principles: whether it is a replacement for or complement to other aspects of the system.

In the UK context this could mean doing away with JobCentre Plus (JCP) and any forms of employment support in their current form. Alternatively, an unconditional and/or universal payment could run alongside employment support provision, in a voluntary and collaborative rather than punitive relationship. Freedom does not have to mean being left entirely to your own devices.

A reformed JCP offer, stripped of conditionality and sanctions, could still have a place in a new system, however the effort and time needed to overcome negative attitudes towards JCP, and to build positive relationships with individuals who have suffered as a result of conditionality and sanctions may be prohibitive. Employment support is already delivered by a wide range of other organisations, including local authorities, charities and social housing providers; this could perhaps become the basis of a national employment support service based on trust, choice and cooperation.

Rational: designed to work

Take-up rates of some income-related benefits, such as pension credit and housing benefit, are below 100%, and are set to continue to decrease, meaning eligible people are missing out on thousands of pounds a year, thus having a direct impact on poverty.¹⁶ Reasons for non-take-up of benefits are complex, but can include complexity of rules and systems, lack of awareness of what is available, and the stigma of receiving benefits. How the full rollout of UC will impact on take-up remains to be seen, and DWP does not publish any data on UC take-up rates whilst legacy benefits are still in place.

¹⁵ Critics claim that a basic income could also reinforce the idea that women should stay in the home; the idea being that with their unpaid labour now being paid, should women be happy with their lot and not seek to build their own careers and identity outside the home? As ever, whether certain forms of work will be unequally gendered will come down to framing as well as social relations more broadly.

¹⁶ Source: Department for Work and Pensions, (2018e), *Income-Related Benefits: Estimates of Take-up*, Official Statistics.

In theory UC is meant to increase take-up by reducing complexity, however there is already evidence of significant problems with applying for UC.¹⁷ As a digital-by-default benefit, some cohorts may struggle to make a successful claim, for example those without access to a computer, or with low levels of IT literacy.

By contrast, a new, fully universal benefit would of course have universal eligibility, and would therefore be far more likely to reach everyone in society, although significant efforts would still need to be made to move towards universal financial inclusion, ensuring everyone had and could use a basic bank account for example. And it would be naïve to suggest that any new benefit system could be set up with no hitches, no IT failures and no administrative problems. Numerous complex decisions would still need to be made on the design of the system, staff needed to assess eligibility (even if ‘universal’, decisions would be needed on issues such as duration of UK residency needed to be eligible). Equally the status of UK citizens living abroad would need to be clarified, and systems set up accordingly to make the payments. To suggest that a new universal system would save significant amounts in administration costs is an attractive idea, but can’t be relied on solely as justification for its introduction, and in reality might be more complex than on paper.

If delivered as a single payment, a new unconditional, universal system would run the same risk as UC of plunging households into crisis if there were delays or problems with payment. It would therefore need to be designed without the in-built delays of UC, so as to not leave people with no income for a period of weeks. Because a UBI-derived system would not be underpinned by the UC imperative to be ‘like work’, no in-built delays would be needed on these grounds. If it was also to be supplemented for some people with additional housing payments, disability allowances etc., and these payments were processed separately, many households could maintain some form of income if one failed or was held up.

Rational: reducing complexity

A universal, unconditional system would have an inherent simplicity: it would have no complex eligibility rules, no monthly recalculations, no means-testing and no danger of being reduced or withdrawn unexpectedly. Because it is not withdrawn or altered in response to changing circumstances, it provides a stable and reliable base on which to build, a fixed point in the complex reality of people’s lives. There would be no state-defined ‘positive’ or ‘negative’ behaviours which could have an impact on an

¹⁷ Citizens Advice, (2018), *Making a Universal Credit Claim*. Citizens Advice. Available here: <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/welfare-policy-research-surveys-and-consultation-responses/welfare-policy-research/making-a-universal-credit-claim/>

unconditional system, so recipients would be freed up to prioritise what is important to them, without having to manage the conflicts and compromises generated by the existing system.

A system based on a paradigmatic UBI would be paid at a flat rate, with no means testing to ascertain a recipient's level of need. Calculating this rate would need to be approached carefully to avoid repeating the forthcoming UC transition in which millions are set to lose hundreds of pounds a month; any new system must not lead to people's incomes reducing overall. The complexity of setting a rate that meets this requirement and is also affordable should not be underestimated.¹⁸

In setting the rate of a new payment it would also be necessary to grapple with some fundamental questions: should it cover housing costs, payments for child support, amounts to take account of additional needs, for example disability? As soon as these questions are raised, the idea of a totally flat rate and non means-tested benefit becomes problematic. Housing costs vary enormously based on geography and household size, and there are questions as to in-kind benefits that are linked to existing payments, such as free school meals. Ways to identify eligibility (however universal) and to administer their delivery would still be needed, adding specific layers of complexity to the simplicity of the pure idea of a universal, unconditional payment. However, it is feasible that many of these additional elements could exist alongside a core universal, unconditional element, meaning an element of stability and reliability is always maintained.

Effective: supporting work and making it pay

The impact of receiving an unconditional benefit on motivation and financial incentives to continue, or enter, paid employment is one of its most oft-cited potential drawbacks. Receiving 'money for nothing', goes the argument, would simply encourage people to drop out of the labour market, put their feet up and contribute nothing to society. This is the same rationale that underpins the existing conditional UC system, that without external compulsion, people would simply give up and drop out.

However, the existing evidence suggests otherwise. Historical studies, such as the Mincome experiment in Canada in the 1970s, tend to show either a neutral or positive impact of UBI-like policies on paid employment. An analysis of 16 historical UBI trials shows no significant impact on the likelihood of participants to undertake paid work.¹⁹

¹⁸ See Lansley, S. and Reed, H., 'A basic income for all: from desirability to feasibility', London: Compass. 2019. Available here: <http://www.compassonline.org.uk/basic-income-for-all/>

¹⁹ Forget, EL, (2011), 'The Town with no Poverty, Using Health Administration Data to Revisit Outcomes of a Canadian Guaranteed Annual Income Field Experiment' University of Manitoba, Canada. Gilbert, R, Murphy, NA and Stepka, A, (2018), 'Would a Basic Income Guarantee Reduce the Motivation to Work? An analysis of Labor Responses in 16 Trial Programs.' California: Loyola Marymount University.

The Finnish trial has also initially concluded that the basic income trial had very little effect on recipients' employment statuses.²⁰ Motivation to undertake paid work goes beyond simply the financial, and it appears that an unconditional benefit would not act as a significant disincentive on its own.

An unconditional system would have no need for UC-style work allowances: anything earned on top of the payment would be kept by the individual, so an immediate increase in income would be enjoyed by anyone moving into work, or finding a better paid job. Few credible, short to medium-term models of UBI-like policies propose setting it at a rate high enough to live on comfortably, nor would this sort of level be affordable in any reasonable tax scenario. In-built work incentives therefore do exist through both the likely low level of payment, as well as the absence of a sharp cliff-edge of withdrawal once earnings rise, unlike UC's 63% taper rate.

Depending on the funding source of a universal and/or unconditional payment, withdrawal through taxation may still occur, but likely at a much lower rate than the UC taper.²¹ For example the RSA UBI model is based on abolition of the personal tax allowance to fund the payments, but the tax rate would be set at 30% - less than half the UC taper. If funded by a sovereign wealth fund, or taxes on data or carbon, taxation on individual recipients could be even lower, and therefore work incentives further improved.

Rather than requiring unemployed people to spend the equivalent of full-time hours in fruitless and unproductive searching for jobs, or participating in employability activities which add nothing to their chances of finding work, unconditional benefits would free up mental capacity and time to focus on productive job searching and the assessing of life options.²² A UBI-influenced system doesn't have to be one which totally leaves people entirely to their own devices; it could, and should, be part of a bigger package of employment support which is shaped by evidence of what really works.

A paradigmatic UBI, or a system based on UBI, would not aim to mirror or replicate the world of paid work, unlike UC. There is no intrinsic 'position' on work within the paradigmatic UBI: it is not of itself designed to trigger any particular behaviour related to paid work, what's important is the freedom that it offers. In experimentation and implementation of course, policy-makers and politicians may pursue UBI-like policies because they believe they will lead to better employment outcomes than existing systems, and may frame UBI-like policies as primarily about work, as in the

²⁰ Kangas et al (2019)

²¹ RSA (2015)

²² Welfare Conditionality (2018)

Netherlands for example.²³ A new unconditional benefit in the UK could exist alongside work, both paid and unpaid, as a supplement and an enabler, making low paid work more sustainable and secure, providing recompense for unpaid work, and making volunteering, artistic endeavours and many other activities more viable.

Whilst it is unlikely that a payment of sufficient value to entirely eradicate poverty would ever be affordable in the short to medium-term, it could be a significant contributor to reducing in-work poverty by making it financially easier to navigate low pay, unpredictable hours, and cycling in and out of work. With a stable base level of income provided by an unconditional payment, fluctuations in earned income are more easily borne, and a level of financial security not available under the current system could be achieved.

Instead of punishing people on low pay with the threat of sanctions, an unconditional system could underpin real progress towards career progression, by removing some of the financial risk of re-training for example, or alleviating stress and anxiety and allowing people to focus on longer term plans. Of course there is also the risk, as with existing in-work benefits, that an unconditional payment acts as a top-up to already low wages, subsidising poorly paid, poor quality employment, and reinforcing and allowing the worst aspects of the changing world of work to go unchecked. For this reason, any new system would need to be one part of a wider policy programme to address low pay and in-work poverty, and would need to work in tandem with revised minimum wage policy.

Ideological and Narrative Shift

A universal, unconditional system would represent a major shift in the ideological underpinning of UK social security. Rather than aiming to change behaviour in a coercive way through conditions and sanctions, supporters of UBI and related policies hope that it would change behaviours through giving people real freedom and choices. Genuine self-reliance, built on a system free of penalties and strict behavioural monitoring, could be possible. It could support individuals to pursue their own definitions of success, and routes to 'valuable' citizenship other than solely through paid employment would be more possible.

It would involve a significant disruption in the narratives of welfare dependency. The framing of unemployed benefit claimants as lazy and shirking responsibility is undermined by an unconditional, universal payment, because it does not differentiate between 'deserving' and 'undeserving' recipients, and does not depend on people doing

²³ Carnegie Trust (2019)

the 'right' thing in order to be worthy of receiving an income. Thus, unconditionality presents one of the major challenges in ever introducing such a universal benefits system in the UK, while also providing a potential weapon to combat it in the long-term. The strength of the existing narratives and shift needed in political and public opinion to unpick them cannot be underestimated. However, an incremental approach, with elements of universality and unconditionality introduced over time, could itself trigger a shift in perception, and public opinion may 'catch up' when positive effects are seen.

A universal and unconditional benefit could go a long way to undoing the 'othering' of the unemployed and benefit recipients. It would be a radical and significant strengthening of universalism in the welfare state. Although access to some universal services still exists, we only use them when we need them, so the impact on our lives and our conception of universality may be limited. The impact of a payment made automatically to all citizens could be as important symbolically as it is practically. The universalism would mean the system could not be used to create or amplify difference between those in paid work and those not; everyone in society would be treated the same, without the judgment that is inherent in UC.

Whether a universal and unconditional system would also be part of restoring balance to the apportioning of blame and risk relating to unemployment is perhaps more complex. The financial risk of unemployment and poverty would be lessened by a guaranteed and non-withdrawable payment, but it would not necessarily undo the wider assumptions that responsibility for being out of work and finding a new job lie entirely at the feet of the unemployed individual. Whilst someone could not be sanctioned for failing to enter paid work, it does not necessarily follow that any new payment would go hand in hand with a more effective, humane or evidence-based model of employment support. The impact of a new model of benefits on, for example, the functioning of local labour markets or economic growth - major factors in the availability of (good) work - remain to be seen.

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