

Universal Basic Income

Pt 2- Why would we introduce a UBI – or not?

Why would we introduce a UBI?

To address complexities

Introducing a UBI offers a key opportunity to reduce the costs that the complexity of our current system generates. In parenting circles, the complexity of transfers such as Working for Families have become known as “Working for Families Maths”, as new parents struggle to work out what they are entitled to. Other areas of complexity include:

- the accommodation supplement and the constant dance of which payment zone people fall within
- the coming changes to flow through of child support to carers on the Sole Parent Benefit
- the on-going reporting and worrying about changes to the income received and the flow-on effect
- the complexity of administering the system is immense, the mental cost of those accessing and living within the system, even the financial cost of advisors / advocates for those receiving support

All of this costs us. Completely removing this system and paying people what they need is a huge opportunity that should not be discounted.

We already know how to do this. In our current Budget, roughly 43.4 billion, nearly 40%, relates to social security. Of that, nearly 50% relates to superannuation. A UBI of a similar cost, extended to all in a similar way, alleviates all the same issues that ensure New Zealanders are committed to a universal superannuation.

To lift economic and wellbeing indicators

As an overarching and non-means-tested measure, a UBI may also offer a simple solution to many issues within the socioeconomic structure of Aotearoa. Evidence from two international trials shows a large, statistically significant drop in general poverty and child poverty, a key focus for the current government and many charities and organisations across the country. Crucially, it also showed a large reduction in income inequality within the studied population (Martinelli, 2017).

Dauphin, a small city in Manitoba Canada, is home to one of the world’s most representative and long running UBI experiments. Over time, significant upward shifts in positive markers, such as school enrolment, were noted

More widely, any opportunity to reduce systemic inequity should be fiscally welcomed. An economy cannot function if the people within it cease to function based on poor health and wellbeing. Preliminary data from the Canadian experiment above showed a reduction in both negative mental health indicators and doctors’ visits. In a country that subsidises much of the health system, it is imperative that the potential benefits of this for the taxpayer are known.

Positive outcomes from UBI studies align to similar studies where low-income families receive additional income. Overwhelmingly, the evidence shows positive outcomes for children. A US-based multi-University team is seeing improved infant brain development ([here](#)). Other studies reinforce what those in the community sector already know – when given more money, families spend it on their children ([here](#)).

Wider social impacts are seen in an [Indian experiment](#) that demonstrated numerous significant benefits including:

- Increased productive work
- Reduced child labour
- Increased productivity and self-employment
- Improved child nutrition

To generate greater work freedoms

A further potential benefit of the UBI system is that it affords people more freedom to choose their profession/working environment. If an individual is paid enough to live, they have more freedom to leave poor employment situations, change careers, step out of employment to care for loved ones, or commit to needs in their community. With our aging population, this flexibility becomes increasingly relevant.

Why wouldn't we introduce a UBI?

Paying for it

The most significant weakness in the makeup of a UBI system is determining how to pay for it. Capital gains taxes, wealth taxes or simply increasing the tax take remain widely unpopular, predominantly among those who would be taxed but for whom the UBI would only be a small percentage of their income. There would need to be substantial public education as to the benefit of a UBI model, including the wider flow-on effects on the economy, and the reduction of social costs such as illness, health inequity and crime. As previously mentioned, the reframing of what it means to be a beneficiary, the right to the dignity of life, and social collective responsibility, would be key in getting this across the line.

In this sense, any serious proposals for UBIs would not provide for a liveable income, rather be a universal lump sum alongside a main benefit. Rashbrooke proposes an alternative: namely a Guaranteed Minimum Income – also known as a Negative Income Tax.

Universality unneeded

Further, many would argue that the universality of a UBI is unnecessary, and that targeting is more effective. We agree, in terms of overall affordability of such a scheme, except, we have been targeting for nearly a century, and it costs more to administer than it helps. Of course, one option would be to ramp up the already effective payroll giving systems, mirror social schemes that allow the donation of the superannuation payments for those who do not rely on them, or a right to return or refuse the income. There is a myriad of other options within this that could be implemented instead of arguing that some people don't need the UBI. Many more people would welcome the additional income than would be turning it down.

A disincentive to work

Opponents of UBIs point to the disincentivising aspect of 'free money', a throwback to Reaganism, welfare queens and a neo-liberal focus on the absolute value of paid work. The reality is that a UBI would provide a minimum sum necessary to cover the very basic of living costs. Anything additional, luxurious, or outside the norm will require paid work. In addition, as every economist knows, an added injection of cash into the local economy has the potential to create jobs and sustain local businesses. This is particularly true in times of economic downturn. A cash incentive has been a frequent election promise of Governments through the GFC, and across the pandemic. Further, cash received by the lower socioeconomic strata is, generally, immediately spent on essential goods and services. Relieving the pressure of paying for the essentials on those in lower income brackets does not mean they won't still aspire for the income levels and associated freedoms that come alongside increased income. It will only allow them the freedom to pursue these in a meaningful and healthy way.

Fuel for inflation

The more acute current risk is inflationary pressure. As it seems unlikely that the scheme would start tomorrow, and as a result any commencement becomes an issue of timing. A cash injection, as mentioned above, may result in significant and important spending on everyday essentials. However, this leaves open the option for businesses to raise prices and rents, negating the benefits. Despite these concerns, extra money in people's pockets as relief for COVID-19 related issues did not directly cause inflation in 2020-2021 and has had a debatable role in the inflation being experienced worldwide in 2022. A recent case study in Kenya highlights the flow on benefits to communities ([Here](#))

UBI or not, inaction is the greater wrong

From the perspective of NZCCSS, the real threat is not doing anything at all. Or worse, continuing what we are doing and expecting different outcomes. We see the current system failing so many across the nation – inaction in this area, or persisting with the minor tweaks we are seeing from successive governments, will not fix the wealth inequality dividing our nation. We know that a UBI may not be the answer, but we are looking hard, and always keen to hear from others who are also looking.