



WORKING PAPER

Basic income: trade-offs and bottom lines

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The Brotherhood of St Laurence is a non-government, community-based organisation concerned with social justice. Based in Melbourne, but with programs and services throughout Australia, the Brotherhood is working for a better deal for disadvantaged people. It undertakes research, service development and delivery, and advocacy, with the objective of addressing unmet needs and translating learning into new policies, programs and practices for implementation by government and others. For more information visit www.bsl.org.au.

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PREFACE

In 2016, Professor Brian Howe, University of Melbourne academic and former Deputy Prime Minister and Minister for Social Security in the Hawke Labor Government, recognised the opportunity to celebrate the 50 plus year legacy of Professor Ronald Henderson, the inaugural director of the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne. Professor Henderson led the National Poverty Inquiry (1972–1975), which resulted in the Henderson Poverty Line as well as a proposal for a Basic Income. The crucial role of social security in mitigating the negative impact of poverty was also considered in the poverty inquiry.

Professor Howe, together with Professor Shelley Mallett, General Manager of the Brotherhood of St Laurence's Research and Policy Centre, and the Melbourne Institute have partnered in a program of activities throughout 2016 and 2017 that honour Professor Henderson's work on poverty, social security and basic income.

This working paper was commissioned by the partners to review existing proposals and trials of basic income and inform discussion of the strengths and weaknesses of basic income approaches, especially in relation to income adequacy. Further papers on basic income will be developed by a range of authors as part of the Henderson Program.

SUMMARY

In the fifty years since the National Inquiry into Poverty (1968–1975) led by Professor Ronald Henderson, Australia, like other OECD countries, has experienced technological as well as political, social, economic and demographic change (World Economic Forum 2016). The gap between the rich and the poor has widened, with overall income inequality in Australia rising since the mid-1990s. These shifts are propelled by and are driving significant changes in the composition of the labour market, with underemployment emerging as a significant issue.

Questions are surfacing in public debate about the nature and extent of future employment and the capacity of employment to deliver economic security for key groups in the population. This coincides with increased political concern about current and projected welfare expenditure, and a renewed focus on the purpose, scope and adequacy of social security.

In this context there is renewed interest in examining the place of guaranteed minimum income or basic income approaches.

Basic income proposals vary in the degree to which they are ambitious or pragmatic. While more visionary versions of basic income policies could potentially contribute to a just, fair and compassionate society, their implementation will face significant difficulty because of political concerns about affordability and ideological concerns about conditionality and mutual obligations. More pragmatic approaches to basic income proposals tend to suggest a trade-off between adequacy and affordability: they include phased approaches, partial income supplements, targeted payments or conditional payments. Paradoxically, these proposals risk being counterproductive, contributing to an erosion of social welfare and diverting attention from broader issues that affect economic security.

This paper critically examines the purpose and intent of key basic income proposals and trials. It then proposes a nine-dimension framework, expanded from the framework of De Wispelaere and Stirton (2004), for assessing basic income policies, especially their capacity to underpin economic security.



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Key objectives of basic income policies

From a review of trials and proposals in the 1960s and 1970s, but especially in the last two decades, the paper identifies three common objectives of basic income policies:

- provision of basic levels of economic security to reduce inequality and promote solidarity, in the face of technological and environmental change
- simplification of social security systems, reduction of administrative costs, and addressing of tax inequities
- reduction of stigma through universal, unconditional benefits.

The weight given to these objectives varies depending on the social and economic context, political perspectives and the emphasis given to different aspects of policy design and implementation.

Modified framework for assessing basic income policies

De Wispelaere and Stirton (2004) identify seven dimensions to enable an assessment of different basic income policy approaches:

- **Universality** refers to scope of the coverage included in the policy.
- **Individuality** describes the focus of basic income policies on individuals rather than households.
- **Conditionality** denotes the extent to which conditions to access or maintain eligibility are placed on payments.
- **Uniformity** refers to the extent to which similar levels of benefit are available to different individuals.
- **Frequency/duration** relates to how many times and how often payments are made.
- **Modality** concerns the particular form of income transfer, whether cash or in kind or in the form of public or private goods.
- **Adequacy** concerns the extent to which the payment provides an adequate income to meet basic needs.

We modify their list with two additional dimensions: affordability and equity.

- **Affordability** is an assessment of a government's capacity to pay for the proposed basic income.
- **Equity**. Because needs differ, uniform payments may have unequal consequences; for this reason equity is an important consideration.

These nine dimensions are useful in identifying both the key aims of the various proposals and the extent to which the proposals could achieve them. The literature about basic income policies, experiments and trials emphasises different aspects of basic income. Interestingly, recent proposals tend to focus on simplicity and affordability. In contrast, past proposals such as the Guaranteed Income proposal developed in Australia by Professor Ronald Henderson through the National Inquiry into Poverty (1968–1975) emphasised adequacy.

Review of recent basic income proposals and trials

Using these dimensions, the paper reviews three recent basic income policy proposals from the United Kingdom and Switzerland, and four trials from Finland, the Netherlands, Canada and USA. All include trade-offs between the dimensions. These trade-offs are informed by political judgements about what is desirable or feasible and by social, cultural and economic considerations. For example, the Atkinson participation payment proposal explicitly trades off adequacy and affordability.

Table 1 (overleaf) summarises the key aspects of the proposals and trials.

Table 1

Recent basic income proposals and trials at a glance

Dimension	Proposals			
	Atkinson participation payment	Swiss referendum	UK Fabians Proposal 1	UK Fabians Proposal 2
Universality	Yes – see uniformity	All citizens	Individuals in work and earning above a minimal amount would be eligible for a single uniform credit	Adults in or out of work aged under 65
Individuality	Paid to individuals	Paid to individuals	Paid to individuals	Paid to individuals
Conditionality	Requires ‘participation’ except for incapacitated	Unconditional	Need to be in work	No conditions except that existing means tested benefits would continue.
Uniformity	Full payment for 18+, modified payment for children, additional payments for disability etc.	Full payment for adults, modified payment for children	Single uniform payment, level yet to be determined	Single uniform payment, level yet to be determined
Frequency/ Duration	Weekly	Single payment	Not yet determined, but a yearly payment would increase simplicity	Not yet determined
Modality	Cash*	Cash*	Tax allowances expanded to universal tax credits that act as a small supplementary income for those in work	Credit paid as cash through tax system, with tax allowances converted to credits.
Adequacy	Supplement rather than replacement of other income support payments	‘The basic income must enable the whole population to live a dignified life and to participate in public life’.	A small basic income to supplement private income	Aims to increase adequacy of current means-tested benefits by paying the tax credit on top of them.
Affordability	Trade-off between adequacy and affordability	‘The law will determine the funding and level of the basic income’	More modest proposal is a first step	Will require large increases in expenditure
Equity	Provides a social safety net	Not considered	To ensure that higher income earners do not benefit, the tax credits can be made a part of total income and paid back through the tax system	Large increase in payments for the poorest households

Note: In this table ‘cash’ refers to direct payments.

Trials

Finland	Netherlands	Ontario, Canada	Y Combinator, Silicon Valley, USA
2000 individuals aged 25–58, who are currently receiving social security benefits	600–900 people receiving social security payments (voluntary participation)	People aged 18–65 years, in poverty Rural, urban, First Nations	100 families in Oakland
Paid to individuals	Paid to individuals or couples	Paid to individuals	Paid to individuals
No means testing of private income or tapering of benefits for trial participants.	Depends on group	Unconditional	Unconditional
Uniform payment	Differs according to group	Differs according to group	Yes
Monthly for two years	Monthly for two years	Monthly for three years	Monthly, 6-12 month
Cash*	Cash*	Cash*	Cash*
Partial payment only	Partial payment only	Aims to supplement income to bring up to adequate minimum level	Aims to supplement income
Aims to test impact of partial payment on work (dis)incentives	Not discussed	Aim to identify costs and savings of approach	To be determined: aims to foster entrepreneurship
Not considered: main focus is work (dis)incentive	Not considered: main focus is work (dis)incentive	Aim to increase income of those in poverty	n/a

Possible implications for the Australian context

Social security in Australia is highly targeted and increasingly conditional. Currently, active labour market policies focus on getting people into jobs and off income support, despite increased underemployment and a changed labour market. Working age payments remain extremely low and are increasingly conditional upon meeting mutual obligations and, in this context, considerations of adequacy are ignored.

It is evident that social security needs to be re-imagined, but as Henderson pointed out, 'it would be unwise to make suggestions without a lively appreciation of the strengths of the existing provisions' (Australian Government Commission of Inquiry into Poverty 1975 p.67). To guard against unintended consequences it is important to consider the intersections of any basic income proposal with other policies and assess possible equity impacts. Importantly, impacts on gender equity need to be assessed to avoid entrenching gendered roles and potentially undermining women's economic security.

Basic income is 'not a panacea' (Standing 2017). As a standalone policy response, it does not fully address issues of adequacy and simplification of social security. Nor can it provide the definitive response to the disruptive effects of technology and climate change. As Marston (2016, p. 158) points out, 'other social policies will need to be developed to augment basic income in terms of carbon-neutral forms of health care, transport, and housing'. Nevertheless, some basic income proposals and policies do show promise. Proposals differ in emphasis and the extent to which they recognise the intersections with other policies that can positively impact, if not fully address, issues of adequacy and inequality. These differences are crucial and will need to be teased out in the analysis of current trials and the design of prospective trials.



To guard against unintended consequences it is important to consider the intersections of any basic income proposal with other policies and assess possible equity impacts.

1 INTRODUCTION

Renewed interest in guaranteed minimum income or basic income (basic income) policies in Australia and elsewhere coincides with political concern about the aggregate level of welfare expenditure, and a renewed focus on the adequacy of social security for addressing poverty and economic insecurity. This is evident in the flurry of literature (Cercelaru 2016; De Wispelaere 2016; Living Wage Commission 2016; Mays, Marston & Tomlinson 2016; McFarland 2016; Rankin 2016; The Green Institute 2016; Tomlinson 2016). This interest is reflected in a range of new basic income proposals and trials since the early 2000s.

Basic income policies are diverse. However, they generally propose the provision of minimum income to people regardless of employment status.

Advocates of more ambitious, universal versions of basic income claim that they could contribute to a more equitable society, ensuring all people have access to an adequate income. But these proposals also face staunch opposition. Much of this centres on two issues: feasibility, notably affordability of the schemes, and deep concerns that they will erode work incentives and run counter to contemporary conditional forms of social security.

Not all basic income proposals are comprehensive. More pragmatic proposals tend to trade-off income adequacy for scheme affordability: typically they suggest phased approaches, partial income supplements, and targeted or conditional payments. While partial schemes may benefit target populations, critics argue that they risk being counterproductive, undermining their original purpose by eroding the scope of social security. And by focusing unduly on individual behaviour or narrow target populations they risk diverting attention from broader structural issues such as wages and macroeconomic policy that affect economic security.

With the renewed interest in basic income policies it is timely to carefully assess existing proposals, noting their purpose, scope, risks and opportunities. Our focus here

is on the proposals and trials in Europe, the USA, Canada and Australia, particularly in the 21st century. We selected these trials and proposals as more likely than others, such as India's basic income experiment in 2011 or Kenya's basic income proposal, to offer policy insights relevant to Australia, as they were not financed with foreign aid (Tomlinson 2012; Standing 2013).

Structure of the paper

In this paper, first we sketch the context for renewed interest in basic income policies. We then outline several 20th century basic income proposals and trials, to provide an important foundation for the assessment of 21st century proposals and trials in Europe, the USA and Canada. Drawing on our review of basic income proposals, trials and relevant literature, we identify three objectives that basic income proposals have sought to address. Next, we adapt De Wispelaere and Stirton's (2004) 'many faces of basic income' framework to examine four recent trials from Finland, the Netherlands, Canada, and the United States, and three recent proposals from Switzerland and the United Kingdom. We argue that a multidimensional perspective is needed when considering basic income policy proposals and the extent to which they are likely to contribute to greater economic security and reduce poverty. We argue that attention needs to be paid to the interconnected factors such as taxation, housing, employment and other such policies that affect economic security and wellbeing. In basic income policy proposals trade-offs are inevitable and need to be made explicit. We conclude with cautious optimism for the future, acknowledging that change is needed but recognising that basic income is not a panacea, as Standing (2017) has observed.

A note about terms

Several terms are used in the literature to refer to different approaches to ensuring income (re)distribution and a guaranteed basic level of income. These terms include universal basic income (De Wispelaere & Stirton 2004; Van Parijs 1991), a basic income guarantee (Lewis, Pressman & Widerquist 2005), guaranteed minimum income (Commission of Inquiry into Poverty 1975b; Manning 1981), guaranteed annual income (Anderson & Block 1993; Hum & Simpson 1993a), citizens' income (Atkinson 2016) and a demogrant (Le Grand 2003). These terms reflect approaches that differ in ambition, scope and focus.

In this paper we use the term 'basic income' as a general term to include the full range of approaches.

2 THE REVIVAL OF INTEREST IN BASIC INCOME POLICIES

The National Inquiry into Poverty (1968-1975) is the most extensive examination of the composition and extent of poverty and inequality in Australia to date (Social Welfare Policy Secretariat 1981). The inquiry drew attention to poverty in Australia in the 1960s and 1970s (Trembath 2008a) through its efforts to measure poverty and identify the role of the social security system in mitigating its effects.

The inquiry was led by Professor Ronald Henderson, the founding director of the Institute of Applied Economic and Social Research at the University of Melbourne. The community-based, not-for-profit organisation the Brotherhood of St Laurence also played a significant role, publicly advocating and mobilising support for this work and its findings (Trembath 2008b).

Now, over fifty years since the Henderson Inquiry, there is renewed interest in understanding poverty and interrogating the role of social security in addressing it, especially through basic income approaches.

This interest comes at a time when, despite years of sustained economic growth, poverty persists in Australia. At 13% the nation's income poverty rate¹ is above the OECD average of 11% (OECD 2016b). The Poverty in Australia 2016 report found that in 2014, 2.99 million or 13.3% of the population in Australia lived in poverty (ACOSS & SPRC UNSW 2016). At the same time, over half (57.3%) of people living below the poverty line relied on social security as their main form of income, according to ACOSS. Moreover, the gap between the rich and the poor is widening, with overall income inequality in Australia rising since the mid-1990s (ABS 2015; Fletcher & Guttmann 2013; OECD 2015b;

Senate Community Affairs Reference Committee 2014). Household debt is also increasing (Phillips & Taylor 2015) and housing affordability is deteriorating, with an increasing proportion of people locked out of home ownership (Hall & Thomas 2016).

While persistent poverty and rising inequality have led to renewed interest in basic income, changes to the nature, meaning and distribution of work are also fuelling this interest. Australia, like other OECD countries, is grappling with technological as well as political, social, economic and demographic change (World Economic Forum 2016). The labour market is changing, with shifts from manufacturing to service jobs (Wilkins & Wooden 2014, p. 423), increasing growth in part-time rather than full-time jobs and a rise in casual and short-term contract employment (ABS 2016). Underemployment has now overtaken unemployment (ABS 2016) and wages are also stagnating.

These changes affect the economic security of individuals and households, particularly those on low incomes. Among these low-income populations, some groups are disproportionately affected. For example, income poverty is particularly acute for those on income support and especially those on unemployment benefits. In 2017, Newstart Allowance for a single person with no children is \$528.70 per fortnight (Centrelink 2017). This compares with the Henderson Poverty line for a single person without children: \$1053.54 (including housing) or \$709.02 (other than housing per fortnight) as at June quarter 2016 (Melbourne Institute of Applied Economic and Social Research 2016). Explaining the payment rates, the Commonwealth Government's National Commission of Audit (2014) stated that, 'the rate of unemployment benefit attempts to balance adequacy of support for people who are unemployed with the incentive for them to seek work and the cost to the Commonwealth'. However, many have challenged the success of this balancing act, asserting that unemployment benefits in contemporary Australia are failing the adequacy test (OECD 2016a).

¹ Measured at 50% of median equivalised disposable earnings

At the time of the Poverty Inquiry, Australia's social security system had a reputation for being both efficient and effective in ensuring basic economic security for those most in need. As noted in the Henderson report (Commission of Inquiry into Poverty 1975b, p. 76), when considering recommendations for reform:

... it would be unwise to make suggestions without a lively appreciation of the strengths of the existing provisions. By and large they provide for a transfer of income from those who have enough to those who otherwise would have little, with very few extraneous flows of funds. The system is remarkably free of the insurance complications which encourage such extraneous flows elsewhere. It covers nearly all people who are at risk of poverty and, while its basic rate of pension may not be as high as it should, the income retention rates allowed are for the most part as generous as any overseas. There is every reason to think carefully before abandoning these advantages.

Today, however, the commitment to social protection and adequacy that underpinned the social security system fifty years ago has been eroded in the face of budgetary pressures and narrow 'work first' approaches to economic security. Described as the most targeted and conditional system in the OECD, Australia's social security system has also been characterised as complex and unwieldy (DSS 2014) and ineffective in protecting the most disadvantaged. As Whiteford (2016) observes, 'the main policy agenda in Australia – and many other OECD countries – for working-age people receiving social security payments is usually described as "activation"'. As he points out, successful active labour market programs require economic growth. Elsewhere, he also argues income support policies are yet to acknowledge that paid employment has changed (Whiteford 2017). There is growing consensus that without job creation and economic development, active labour market policies and programs further marginalise the most vulnerable rather than enabling economic and social security.

In this context, it is timely to evoke the Henderson legacy and examine whether and how basic income policies could contribute to an Australia free of poverty and 'a fair, compassionate and just society where all have the opportunity to fully participate in social, civic and economic life, create and share prosperity and treat each other with dignity and respect' (Brotherhood of St Laurence 2014, p. 2).

Quick facts

Income poverty rate

13%

Australia

11%

OECD average

Poverty in Australia 2016 report



of the population in Australia, or

2.99 million

people lived in poverty

57.3%

of people living below the poverty line
relied on social security as their main
form of income

3 LEARNING FROM THE LIMITATIONS OF PAST TRIALS

The idea of a basic income has a long history, at least since the proposals of Thomas More in the 16th century (More 1516). It is beyond the scope of this paper to review this history (for an overview see BIEN 2017 and Tomlinson 2002).

In the 1960s and 1970s, poverty was ‘rediscovered’ (Mendes 2017). Political and research interest in poverty and how to tackle it saw the development of basic income trials and policy proposals in North America and Australia.

Early this century, interest in basic income was renewed (ILO 2004; Watts 2002). Recently, this interest has been reflected in a flurry of reports, proposals and trials (Lansley & Reed 2016; Mays, Marston & Tomlinson 2016; Oltermann 2016; Simpson & Stevens 2016; Altman 2016b; Demos Helsinki 2016; Matthews 2015; The Green Institute 2016).

While very limited, the earlier proposals and trials of the 1960s and 1970s—particularly in the United States, Canada and Australia—serve to highlight the key elements of basic income approaches that must be considered in the design, implementation and evaluation of subsequent proposals in the 21st century.

Importantly, they also underline the integral role of poverty measures in determining the rate of basic income payments. Almost all of the proposals and trials used poverty line measures as the reference point for determining payments. As such, the proposals were founded on the idea that a certain level of income is required for a person or household to sustain their basic human needs. Once a person or household falls below this level they are said to experience poverty.

As Ruth Lister (2004) points out, the concept, definitions and measurements of poverty are contested and confused. While it is common to refer to absolute and relative definitions of poverty, these definitions overlap.

Absolute poverty is often defined in terms of severe deprivation of basic human needs and services including food, clean water, sanitation facilities, health, shelter and information (see, for example, Mack 2016). How it is measured depends on the social, cultural and political

context. Some measurements of absolute poverty are narrow. For example, the Orshansky Poverty Line in the United States of America is based on an estimate of the income required to provide a household with a low-cost food plan that is assessed to provide adequate nutrition (Ruggles 2008).

The relative approach to defining and measuring poverty accommodates changes in standards of living and enables an assessment of inequality. Relative definitions of poverty set poverty at a percentage of defined income levels. In Australia, 50% or 60% of the median income (or income minus housing costs) is often used (ACOSS & SPRC UNSW 2016; Saunders, Wong & Bradbury 2016)

Broader definitions and measurements of poverty encompass an assessment of the minimum income required to afford essential items and activities to participate in society (Social Welfare Policy Secretariat 1981). For example, Peter Townsend’s (1979) measurement of essential items included food, shelter, clothing, fuel and light, house amenities, the immediate environment of the home, family support, recreation, education, security of work and social relations. The Joseph Rowntree Foundation (JRF) adopts a similarly broad definition: it is based on public opinion of what different households require for an adequate standard of living, and updated yearly to reflect changing public perceptions (Davis et al. 2016). Individual perceptions of minimum standards of living are largely based on personal experience and circumstances. This means that someone who has a high income will have fundamentally different ideas about what is essential compared to someone who may struggle to afford basic rent, food and clothing (Social Welfare Policy Secretariat 1981). For this reason, the JRF minimum income standards draws on consensus from focus groups with people ‘from a mixture of socio-economic backgrounds’ (Davis et al. 2016 p.4).

The foundational assumptions about how to assess poverty and income adequacy remain contested, as do basic income policies. Yet more recent policy proposals tend not to consider adequacy as a key dimension.

Below we consider key American, Canadian and Australian trials and proposals, drawing on the grey and peer reviewed literature. We focus on these examples, because, as Hum and Simpson (1993 S266) put it, ‘they encapsulate an entire generation of thinking about income maintenance possibilities and social reform’.

Basic income experiments in USA and Canada

In the US and Canada five experimental trials of basic income were conducted between 1968 and 1980:

- the New Jersey Graduated Work Incentive Experiment (1968–1972).
- the Rural Income Maintenance Experiment (1970–1972)
- the Seattle/ Denver Income Maintenance Experiment (1970–1980, although it had been planned to run until 1990)
- the Gary Income Maintenance Experiment (1971–1974)
- the Manitoba Basic Annual Income Experiment (Mincome. Canada) (1975–1978).

Overview of US and Canadian experiments

The US experiments were part of the ‘war on poverty’ instigated by President Lyndon Johnson in 1964. They were funded by the federal Office of Economic Opportunity and Department of Health, Education and Welfare.

The Canadian trial was influenced by the US trials, and the Canadian political context and concern about how to rationalise the social security system and alleviate poverty in urban and regional contexts. It was funded jointly by the Canadian federal and Manitoba state governments.

None of the trials was designed to test universal approaches to basic income. Rather, each experiment aimed to test the impact of a basic income on work incentives and hours worked and to examine the cost of basic income and assess the impact on measures of general wellbeing (Hum & Simpson 1993a; b; Widerquist 2005). Subsequent analyses have examined the impact of basic income on health, family formation and fertility, and ‘human and other capital accumulation’ (Forget 2011, p. 4).

Each trial was established as a social science experiment, with a treatment group and a control group (who remained on the existing social security system) to which participants were randomly assigned (Hum & Simpson 1993b; Widerquist 2005). Hum and Simpson (1993) provide an excellent overview of the political and academic drivers of these experiments, which were complex and at times conflicting and affected the design and implementation of the experiments.

All five trials targeted households of different types, rather than individuals, and the samples were selected from specific populations in each location. Widerquist (2005) notes that few childless households were represented in the studies.

No conditions were placed on the payments made in any of the trials. All provided cash payments, which were tailored to different household types. Except for the Mincome trial in Canada where payments were monthly, no information about payment frequency in the trials is available. Across the trials, the period for which participants received payments varied from two to nine years.

The guaranteed income varied for each study; in four cases, the guaranteed income was a percentage of the poverty line (varying widely from 50% to 150%). The Manitoba study, by contrast, tested guarantee levels in dollar amounts rather than relative to the poverty line. Different marginal tax rates were used to examine impacts.

Table 2 (overleaf) summarises the key features of the six trials that we have considered.



The studies ‘encapsulate an entire generation of thinking about income maintenance possibilities and social reform’.

Table 2

Basic income experiments in USA and Canada 1968–1980

Experiment	Location	Period of study	Actual period of payment	Sample size: initial (final)
The New Jersey Graduated Work Incentive Experiment (NJ)	New Jersey and Pennsylvania	1968–1972	3 years	1216 (983)
The Rural Income-Maintenance Experiment (RIME)	North Carolina and Iowa	1970–1972	2 years	809 (729)
The Seattle/Denver Income-Maintenance Experiments (SIME/DIME)	Denver and Seattle	1970–1976 (some to 1980)	9 years (20)*	4800
The Gary, Indiana Experiment	Gary, Indiana	1971–1974	3 years	1799 (967)
The Manitoba Basic Annual Income Experiment	Winnipeg and Dauphin, Manitoba	1974–1978	3 years	1300
Brotherhood of St Laurence (BSL) Family Action Project Guaranteed Minimum Income trial	Fitzroy, Melbourne, Victoria	1972–1975	3 years	60

Note:

*Later permission was granted to extend the experiment to 20 years for a small group but the study ceased in 1980.

Focus	Selected characteristics of participants	Minimum income level(s) as percentage of poverty line	Marginal tax rates
Urban population	Black, white and Latino two-parent families in urban areas with a male head aged 18–58 and income below 150% of the poverty line	50%	30%
		75%	50%
		100%	70%
		125%	
Rural populations	Two-parent families and female-headed households in rural areas with income below 150% of poverty line	50%	30%
		75%	50%
		100%	70%
Mixed urban populations	Black, white, and Latino families with at least one dependant and incomes below \$11,000 for single parents, \$13,000 for two parent families	75%	50%
		126%	70%
		148%	80%
Single parents	Black households, primarily female-headed, head aged 18–58, income below 240% of poverty line	75%	40%
		100%	60%
	Families with head younger than 58 and income below \$13,000 for a family of four	60% of Canada's low income cut-off \$3800, \$4800, and \$5800 (depending on size of family)	35% 50% 75%
Urban population	Low-income families	Income supplement based on minimum wage designed to bring families up to poverty line. Payments varied according to number of dependants, other income and housing costs	n/a

Learning from the limitations of past trials *continued*

Findings of US and Canadian experiments

Numerous articles have been published about these trials (see Widerquist 2005 for an overview) with many offering extensive critiques of the scope and focus of the basic income policies proposed, the implementation of the experiments, the scale and methodological limitations of the evaluations and their capacity to yield interpretable results. For example, these critiques highlight the non-random selection of participants (Hum & Simpson 1993b), as well as variations in basic income and marginal tax rates, which reduce the statistical reliability of the results (Widerquist, 2005).

Evidence from the experiments is inconclusive. Funding for the Canadian study was withdrawn before detailed analysis could be done, but the data were made available to researchers for subsequent analyses, which focused on different outcomes such as health (Forget 2011). Because of the small sample sizes in the US trials researchers often average the results of the four basic income experiments across the United States, limiting the ability to isolate specific findings. As Widerquist (2005) notes, the variable basic income levels, marginal tax rates, regions, short time frames, size and characteristics of the selected population make it difficult to infer clear implications for broader scale policy and to predict the long-term impacts. For instance, it would be difficult to estimate how much a basic income would cost at a national level based on the smaller regions of the trials (Hum 1981). The variety of different basic income guarantee levels and marginal tax rates also makes it hard to extrapolate the effects of work incentives to the national level.

The inconclusive results of these experiments led Widerquist (2005) to comment that 'It would be very easy to spin the results' positively or negatively depending on political perspective, and suggests that these experiments prove nothing more than 'that a basic guaranteed income is financially feasible at the cost of certain side effects that people with differing political beliefs may take to be desirable or disastrous' (pp. 68–9).

Basic income initiatives in Australia

Poverty Inquiry proposal

Basic income approaches were also proposed and trialled in Australia during the 1970s. The Henderson poverty line and a guaranteed minimum income were two key recommendations of the Commission of Inquiry into Poverty (1975a).

The idea of adequacy was central to the Henderson poverty line, which sought to identify the point below which different household types would experience poverty.² Adequacy also underpinned the proposal for an unconditional guaranteed minimum income, which would ensure that no-one in Australia experienced poverty (Commission of Inquiry into Poverty 1975a).

Brotherhood of St Laurence Family Centre Project

In 1972 the Brotherhood took up the idea of a guaranteed minimum income articulated in the Poverty Inquiry. Seeking new approaches to empower poor people, it proposed a trial of basic income as part of its flagship Family Action Centre project (1972–1975). This trial aimed to examine the best method to provide adequate financial resources to low-income families. It represents the first and only (albeit incomplete) trial of basic income in Australia to date.

The Family Centre Project focused on 60 low-income families, most of whom used Brotherhood of St Laurence services. The participants included some sole parents, couples with children, some who were employed, and they had varied housing. Weekly unconditional cash payments were provided directly to the female head of the house over a period of three years. Consistent with the fundamental objective to provide adequate income, payments were based on the Henderson poverty line and adjusted according to income from other sources, the number of dependants in each household, and housing costs (for detail about how this the payment was calculated see Liffman & Salmon 1975 pp.29–43). In 1975 the income supplements ceased (Gilley 1990).

Like the trials in the US and Canada, the Brotherhood of St Laurence trial had methodological and analytical limitations. Participants were not randomly selected, and there was no comparison group (Benn 1977). The short

2 See <http://melbourneinstitute.unimelb.edu.au/research-programs/labour-economics-and-social-policy/henderson-poverty-line> for more detail about how the poverty line is calculated

duration of the project also made it difficult to determine the longer term effects because the participants knew they would only be receiving payments for limited time.

Despite these limitations, there were some suggestive findings. Apart from increasing financial security and reducing financial stress, the Family Centre had an important impact on gender relations. Retrospective research on participants' perspectives reported that women believed that paying women rather than men led to greater autonomy for women, and a more effective use of income for the family, as many women claimed their partners often wasted their social security payments. Because they did not have to constantly report their financial circumstances and expenditure to the government, the basic income gave the participants more autonomy and freedom. The project did not aim to measure the impact of basic income on work incentives and the poverty trap, so there was no evidence in relation to these issues (Gilley 1990).

Conflicting and converging motivations

Arguably the trials in the USA, Canada and Australia reveal more about how not to design, implement and evaluate basic income experiments than they do about how to develop and test the efficacy of these approaches. They point to the challenges of social policy experiments where, as Hum and Simpson (1993: 269) point out, academic research and political motivations both converge and conflict.

In the next section, we draw on our review of the literature, consideration of these earlier experiments and more recent proposals to identify three key aims common to most—but not all—basic income proposals. The weight that is given to each aim depends on the social, economic and political context and the political orientation of the proposal.

“

These experiments prove nothing more than ‘that a basic guaranteed income is financially feasible at the cost of certain side effects that people with differing political beliefs may take to be desirable or disastrous’.

4 DESIRED PURPOSES OF BASIC INCOME POLICIES

Our brief review of the six trials in the 1970s in the USA, Canada and Australia shows that basic income policy proposals differ considerably but have some features in common. Each has developed in a different social economic and political context for particular purposes. Proposals range from the pragmatic to more aspirational.

To assess and compare the differing approaches it is critical to first understand what the proposals seek to address. From our review of relevant literature, past experience and current proposals, we identify three broad objectives of basic income policy trials and proposals and consider each in turn:

- 1 Provision of basic economic security
- 2 Reform and simplification of social security systems
- 3 Reduction of stigma through universal unconditional benefits.

Provision of basic economic security to reduce inequality and promote solidarity

Renewed interest in basic income stems in part from mounting concern about growing in-work poverty and inequality (Gans 2014; Mays, Marston & Tomlinson 2016; Robeyns 2001a; Standing 2013b). Some policy scholars advocate universal basic income policies as an effective tool to reduce inequality, increase economic security and foster social solidarity (Colombino et al. 2010; Forget 2011; Gregory & Horton 2009; Harrop 2016; Koistinen & Perkio 2014; Simpson & Stevens 2016). Reflecting their concern with economic security, these scholars and advocates focus – to a greater or lesser extent – on the role basic income policies can play in relation to:

- pay and conditions
- participation in the labour market
- gender relations
- the impacts of technological and environmental change.

Uncertain impacts on pay and conditions

Scholars debate the impact of basic income policies on pay and conditions. Some argue that basic income policies could enhance the protection of pay and working conditions. For example, Standing (2011, 2013b) argues that a basic income could enable workers to avoid stagnant wages and entrapment in poor quality jobs. This argument assumes that the basic income is initially set at a reasonable level and then indexed in some way. Standing also claims that basic income has the potential to create social solidarity: it could provide people, regardless of their work status, with a stronger base on which to bargain or strike and thus reverse the growth of poor quality work and conditions. Furthermore, he argues that the economic security provided by basic income policies could allow individuals greater freedom to pursue individual economic aims and choice of employment.

However, others warn that basic income policies could have the opposite effect: by guaranteeing a minimum income, the government would effectively provide employers with a wage subsidy and this could lead to an erosion of wages and conditions (Lewis, Pressman & Widerquist 2005; Wiseman 1990). This critique underlines the need to consider basic income policies in relation to other policies such as minimum wage rates.

Uncertain impact on (dis)incentives to work

The relationship between work and basic income is also contested in the literature. High effective marginal tax rates can trap people in poverty. The rate at which income support decreases as people move into work (the taper rate) can create work disincentives, trapping people in poverty between social security and low-paid work (Atkinson 2015).

Some scholars, such as Van Parijs (2013), argue that a basic income would increase work incentives by allowing participants to retain more of their social security benefits and wage income. However, as Rankin (2016) notes, many opponents argue that a basic income would encourage idleness and reduce incentives to work, which could lead to the erosion of people's work-related skills, to social isolation and to associated health issues (Productivity Commission 2016; Tcherneva 2013; Watts 2002).

Others focus on the relationship between paid work and revenue. For example, Standing (2017) and others argue that basic income will foster investment in communities and entrepreneurship, generating additional tax revenue for governments. But others like Tcherneva (2013) question how the government will raise enough revenue to finance an adequate minimum income if a basic income replaces the need for paid work.

A key aim of the earlier US and Canadian basic income experiments was to test the impact on work incentives. As Widerquist (2005) observes, these experiments looked at the behaviour of workers, but did not analyse how it was affected by the labour market context or employer behaviour. In short, they measured the supply response but not the demand response. Perhaps more importantly, the experiments did not define an 'acceptable' reduction in workforce participation, and could not be evaluated in direct response to this aim.

Nevertheless, results from these experimental studies showed small reductions in hours for wives and single-headed female families (Hum & Simpson 1993a, 1993b; Robins & West 1980). And all of the studies found that secondary earners had 'more time for household production, particularly staying home with newborns' (Forget 2011, p. 6). Evans (2009) argues that this small reduction in working hours was a key benefit of the basic income for single mothers, increasing flexibility and choice for sharing care, education and paid employment. In a similar manner the results point to the advantages of a secure and universal income source in improving health and especially mental health (Forget 2011).

Economic security, gender and unpaid work

In arguing the case for basic income, some scholars have attempted to decouple income and work. For example, Standing (2013b) argues that basic income policies enable productive (unpaid) work such as caring. He argues that rather than eradicating poverty, a key aim of basic income policies is to provide people with 'basic security ... It is for handling the issue of insecurity' (Standing 2017).

Atkinson (2015) also recognises the role of basic income in promoting important and productive unpaid activities. His 'participation income' is a conditional basic income payment, as citizens only receive it if they engage in productive activities and contributions such as caring, studying or volunteering. This is to ensure that individuals engage and contribute to society rather than becoming idle. In a similar way, Painter and Thoung (2015) argue that basic income could encourage creative endeavours.

This emphasis on unpaid productive work raises the question of gender and basic income. Until recently, basic income policy proposals were 'gender blind' but there is increasing acknowledgement of the opportunities and risks of basic income proposals from a gender equity perspective (Robeyns 2001a). Schulz (2017) highlights the contribution that a feminist perspective and a gender analysis bring to discussion about basic income. She argues that universal unconditional basic income policies hold the promise of mitigating the care penalty that women continue to experience. Here the care penalty (England & Folbre 1999) is understood as the economic costs that accumulate across women's lives due to reproduction and their responsibility for unpaid caring work that compromise their ability to earn.

Some feminist proponents of basic income argue that these policies enable a reinterpretation and revaluing of work, potentially reducing gender inequality (McLean 2016; Van Parijs 2013; Zelleke 2008). However, others perceive a risk that basic income policies could entrench gender inequality and care regimes unless there is additional reform in terms of affordable quality child care, flexible work and so on (for a good discussion of the issues see Bergmann 2008 ; Robeyns 2001b).

Mitigation of negative social and economic impacts of technological and environmental change

Basic income approaches have also been proposed as a means of addressing the effects of unemployment and underemployment associated with technological and environmental change.

Technological change and automation increase productivity, but there is growing concern about resulting job losses. Estimates of the impact of technology on employment vary, from 9 per cent of existing jobs (Arntz, Gregory & Zierahn 2016) to 47 per cent of jobs in the United States of America (Frey & Osborne 2013). For example, two Australian studies have estimated the percentage of jobs that are vulnerable to automation at 40 per cent (CEDA 2015) and 44 per cent (Edmonds & Bradley 2015). Others assert that the idea that all jobs will be fully automated in the near future seems exaggerated (Arntz, Gregory & Zierahn 2016). They point out that new technology has always threatened traditional industries and that the impact of digitisation and automation is difficult to predict.

Desired purposes of basic income policies *continued*

Basic income policies could also act as a wage stabiliser, creating income security as technology undermines secure work and predictable income, according to some advocates (Standing 2013b). Not only can basic income provide security for individuals and households but also some argue that a basic income is necessary to ensure adequate consumer demand to generate tax receipts for governments to provide services and social security (Crocker 2014). There is also some suggestion that the economic stability afforded by basic income policies would enable people to become entrepreneurial during this time of rapid technological change (Painter & Thong 2015).

Of course not all scholars regard basic income as a solution to job losses resulting from technological change. Some argue that a job guarantee—typically where government directly creates jobs—is a more effective policy option to create economic security than a basic income (Harvey 2012; Watts 2002). Tcherneva (2013) claims that a job guarantee could transform the nature of jobs, providing more meaningful work for people, better individual choices and more environmentally friendly employment, whereas a basic income disconnects income and jobs. He argues that job guarantees can further ensure workplace entitlements are upheld including sick leave and superannuation that are being eroded with insecure work.

More radically, Srnicek and Williams (2015) argue that basic income is a means to embrace the unemployment and underemployment that may result from full automation. In this anticipated ‘post work future’ they argue that basic income could free people from drudgery and increase wealth. To uphold living standards, citizens would receive a generous unconditional basic income from government. By providing an income separate from work, such a society would liberate people from the demands of unsatisfying work.

Marston (2016, p. 158) considers the role of basic income in the context of environmental challenges, especially climate change. As he puts it, ‘the climate change crisis can be seen as a catalyst for redefining what a “good society” looks like’. This might require substantial changes to current policies, including the development of sovereign funds such as the Permanent Fund in Alaska (Alaska Department of Revenue Permanent Fund Dividend Division 2017), or as Standing (2017) suggests, rolling back subsidies for fossil fuels to help to fund basic income.

Reform and simplification of social security systems

Basic income policies have also been proposed as a means to reform and simplify social security systems regarded as unduly complex, resource-intensive and saddled with burdensome, costly administration (Atkinson 2015; Bryan 2005; Dalrymple & Duffy 2013).

However, proposals that seek to simplify the social security system and make administrative savings differ markedly in their perspective and purpose. For example, proposals from proponents of neoliberal economic and social policies tend to approach simplification as a means of dismantling or reducing the welfare state and promoting individual freedom, responsibility and independence. Proposals based on socially progressive ideas emphasise simplified social security models that increase universal provision as a means of reducing inequality and stigma (Arthur 2016; Pereira 2014).

The Henderson Inquiry basic income proposal is an example that combined progressive ambition with promotion of a simpler social welfare system. The proposal aimed to achieve simplicity, adequacy and equity through savings from simpler administration that used a proportional tax. In this proposal everyone would receive a basic income but higher income earners would pay back the guaranteed minimum income in tax and a high income surtax.

In determining the rate of the basic income, Henderson proposed categorical and non-categorical payments for income units, distinguishing between those who could supplement their incomes and those who could not. Categorical referred to aged pensioners and people with disabilities, who in Henderson’s terms were categorically in need of basic income. Non-categorical referred to those who were able to supplement their incomes. Categorical payments were set at 106% of the poverty line and non-categorical payments at 62%, along with a 40% flat tax and high income surtax. While having categorical and non-categorical payments would reduce the cost of the proposal, it still relies on extensive means testing and raises distinctions between the deserving and non-deserving (Commission of Inquiry into Poverty 1975).³

³ As Tomlinson (2016) notes while there was support for the Henderson Inquiry recommendations, a counter proposition was developed by a group of Australian Finance and Treasury officials, drawing on Milton Friedman’s Negative Income Tax model. When the Whitlam Labor government was replaced by the Fraser Coalition government in late 1975, the Henderson guaranteed minimum income recommendations were shelved.

In 1982, US economist Milton Friedman (1982) proposed a negative income tax as a means to simplify the social security system. Under Friedman's proposal, individuals would be guaranteed a basic income through the tax system. As Allen (1993) explains: 'Instead of tax liabilities varying positively with income according to a tax rate schedule, benefits would vary inversely with income according to a negative tax rate (or benefit-reduction) schedule'. Friedman (1982) argued that there would be no need for the complex array of subsidies, means testing, conditions, healthcare and other social security programs. Of course, the level at which a negative income tax is set is important if it is to enable income security.

More recently, a proposal was made in 2006 for a negative income tax to provide \$10,000 to each individual over 21 to reduce the growing cost of US social security and abolish the welfare system (Murray 2006). Proponents argued that this basic income combined with a low-wage job could provide economic security. However, critics note that this form of basic income does not guarantee economic security for all low-wage workers, because of their varying circumstances, and, importantly, is unlikely to provide economic security for those who cannot work (The Atlantic 2006). It also risks creating disincentives for employers to improve the wages and conditions of low-paid workers. Furthermore, as Hum (1981) points out, the welfare system is complex because it works with people in diverse circumstances and with differing needs.

Reducing stigma through universal, unconditional benefits

Some advocates of basic income emphasise its role in reducing the stigma and discrimination associated with claiming income support. They argue that complex paperwork and online systems, detailed assessment processes and onerous conditions associated with income support payments can deter some of those experiencing poverty and disadvantage from claiming their entitlements (Atkinson 2015; Gregory & Horton 2009). For example, Atkinson (2015) argues that a basic income with universal coverage would reduce the stigma of receiving social security and simplify the system by reducing conditionality and means testing. However, as De Wispelaere and Stirton (2012) point out, simplifying the income support system does not automatically deliver cost savings. The cost of ensuring that everyone receives their entitlements may counter any potential cost savings from a simplified system.

Some scholars also argue that universal basic income policies protect against spending cuts because they create broader political support (Gregory & Horton 2009; Harrop 2016). Of course, universal policies need broad support in the first place.

The weight that proposals and trials give to each of these three aims reflects the economic, social and political contexts. The 20th century proposals and trials gave greater weight to issues of adequacy and equity, whereas more recent proposals and trials emphasise simplifying the welfare system and affordability. In the following section we draw on and adapt De Wispelaere and Stirton's framework to make sense of the more recent basic income trials and proposals.



The 20th century proposals and trials gave greater weight to issues of adequacy and equity, whereas more recent proposals and trials emphasise simplifying the welfare system and affordability.

5 MAKING SENSE OF BASIC INCOME TRIALS AND PROPOSALS

The design and proposed implementation of basic income policies affect their potential to achieve their aims and be transformational. De Wispelaere and Stirton (2004) identify seven dimensions to enable an assessment of different basic income policy approaches. We add two dimensions to their framework: affordability and equity

Universality refers to scope of the basic income coverage. The term suggests that universal policies apply to the whole population; however in practice 'universal' benefits tend to be restricted to specific groups, such as citizens or those of 'working age' or 'pension age'.

Individuality describes the focus of basic income policies on individuals rather than households. This individual focus reduces concerns about equity between household types and about intra-household power relations and distribution.

Conditionality denotes the extent to which conditions to access or maintain eligibility are placed on payments. As De Wispelaere and Stirton (2004) point out, a feature of basic income policies is that they purport to be unconditional, or if there are conditions these do not compromise the principle of universality.

Uniformity refers to the extent to which similar levels of benefit are available to different individuals. De Wispelaere and Stirton (2004) argue that distinguishing uniformity from conditionality is important as it allows room to advocate uniform payments for certain groups, such as pensioners or children. They argue that this provides the opportunity to implement basic income 'via the back door' (p. 269).

Frequency/duration relates to how often and how many payments are made. For example, payments may be one-off, weekly, fortnightly or monthly and there may also be time limits on how long the payments can be received.

Modality concerns the form of income transfer – whether cash or in kind or in the public or private goods. De Wispelaere and Stirton (2004) highlight the importance of considering how well basic income policies are integrated with existing policies and programs

Adequacy refers to a level of income that is considered adequate. De Wispelaere and Stirton (2004) point out that a universal income need not be basic, and could be more or less generous. The assessment of adequacy often depends on the conceptualisation of 'basic' needs, which are often understood in terms of poverty or deprivation, so it is important to consider how poverty is defined and measured.

To these seven dimensions we add two more factors that are important to consider: affordability and equity.

Affordability of any policy is, to some extent, a political consideration and depends on the government's budget priorities. Often lack of affordability is taken as a given and so remains unquestioned. By adding this dimension we seek to make the political decisions about expenditure more visible. Concerns about affordability often mean that basic income proposals are phased or partial. A broader perspective recognises opportunities for reform beyond narrowly defined welfare expenditure. For example, Tomlinson (2012, p. 245) has argued that 'inordinate superannuation tax concessions provided to higher paid workers is a more obvious cause of higher income tax rates than the provision of a poverty-line benefits to those without other income'. In the Australian context, generous taxation concessions for superannuation and relatively low taxes paid by mining companies have been clearly identified as ripe for reform (Treasury 2010), but no government has effectively tackled these issues to date

Equity. Because needs differ, uniform payments may have unequal consequences; however uniform payments may be equitable, if there are equitable tax arrangements. There is disagreement about whether universal or targeted benefits are more equitable. Some scholars argue that conditional social security benefits allow more resources to reach those who require the most support. For example, Stiglitz argues that in fiscally restrained times targeting social security to those on the lowest incomes is more important than a basic income set at a low rate (Stiglitz cited in Sheffield 2016).

Applying the framework

A framework incorporating these nine dimensions is useful in identifying the key aims of the various proposals and trials and their prospects of achieving their aims.

First we consider three recent proposals:

- Switzerland referendum on basic income proposal 2016
- UK Fabians' universal tax credit proposal 2016
- Atkinson's participation income proposal 2015

We then consider four current trials:

- Partial basic income trial, Finland 2017–2018
- Utrecht trial, Netherlands 2016–2017
- Y Combinator, Silicon Valley partial basic income trial, US 2017
- Ontario trial, Canada 2016.

We selected these examples as more likely than others, such as India's basic income experiment in 2011 or Kenya's basic income proposal, to offer policy insights relevant to the Australian context, as they were not financed with foreign aid (Murray & Pateman 2012; Standing 2013a).

They are presented in chronological order to show the change over time reflecting different social, economic and political contexts.

Recent basic income proposals

Atkinson's participation income proposal, United Kingdom 2015

Description: British economics scholar, Anthony Atkinson (1996; 2015) has proposed a national basic income called 'participation income' that would become part of the income and taxation system.

Aims: The participation income trial aims to challenge the idea that the only useful work is paid work, strengthen existing social protection systems, reduce stigma and simplify the existing social security system in the United Kingdom.

Reducing the stigma of the current social security model is the overarching policy objective, to be achieved by universalising social security, because everyone would be eligible who works or engages in productive unpaid activities. Atkinson claims this would counter the humiliation and stigma associated with current income support. He argues that universal payments would also

ensure that all citizens have an interest in maintaining and improving the social security system.

Universality: All individuals over the age of 18 would receive the full payment. For those with higher incomes, the participation income would be recovered through the tax system. Pensioners would be able to choose the aged pension rather than the participation income. Atkinson (2015) also promotes a universal child benefit to replace the existing means-tested child benefit.

Individuality: The participation income is paid to individuals.

Conditionality: Atkinson's participation income would be conditional on participation in socially beneficial activities such as caring roles, education or volunteering. Under his proposal, those who are idle, apart from those who are incapacitated, would not receive participation income. In this sense, his proposal is conditional. Basic income would replace existing means tested payments and personal tax allowances would be abolished. Atkinson (1996; 2015) argues that his proposal would increase work incentives by reducing the poverty trap and reduce administration costs. The participation payment's overarching aim is to replace strict means testing and punitive active labour market and work for the dole schemes with activities that are beneficial to the individual and broader society.

Uniformity: All adults over the age of 18 receive the full payment; each child under 18 receives a smaller weekly payment. For those with a disability and others who cannot work due to illness, injury or old age the basic income would be supplemented with additional payments.

Frequency/ duration and modality: Weekly cash payments are made, as a supplement to other social security payments.

Adequacy: The participation income level is not specified, but is assumed to be more generous than current levels.

Affordability: The participation income proposal responds to the trade-off between affordability and adequacy. Atkinson argues that the PI would supplement rather than replace other benefits. Furthermore, because eligibility is based on categories of participation or non-participation, the number of people on means-tested benefits would reduce.

Equity: Universal social security provides a safety net to social security recipients and low income earners. However, there are some concerns about the impact of such a proposal on people who are unable to participate in productive unpaid activities. Much would depend on how these were defined.

Making sense of basic income trials and proposals *continued*

Switzerland Unconditional basic income proposal (rejected at 2016 referendum)

Description: In June 2016, a national referendum in Switzerland was held to seek approval to implement an unconditional basic income for all citizens. The proposal was rejected.

Aims: The basic income proposal had multiple aims. It sought to help people to meet their basic needs, increase economic security, reduce the fluctuations in the employment market due to an increase in insecure work, reduce the stigma associated with social security, simplify the social security system and support gender equality (Cercelaru 2016).

Universality: All Swiss citizens would be eligible.

Individuality: Payments to be made to individuals.

Conditionality: Unconditional.

Uniformity: Supporters of the proposal suggested a monthly income of CHF 2,500 for adults and also CHF 625 for each child.

Frequency/duration and modality: Monthly

Adequacy: Proposed payment would meet all 'basic needs'. As with the proposed trial in Finland (see below) this seems a relatively small payment. The average annual wage in Switzerland in 2015 was CHF 85,422, or just over CHF 7,100 per month (BBC 2016).

Affordability: The proposal lacked details, but broadly as it would offset insecure and low-paid work and simplify the welfare system, it would be cost neutral.

Equity: The proposal lacked sufficient detail to assess implications for equity.

UK Fabians universal tax credit proposals 2016

Description: In the United Kingdom, successive governments have increased tax credits for individuals and couples, while at the same time social security has been cut back (Harrop 2016). In 2013–14, tax credits for the top 20% of income earners reached £9,400 per person, almost equalling the £10,200 in social security payments per person in the bottom 20% (Harrop 2016).

The UK government aims to replace the working tax credit and six means-tested benefits and tax credits with a universal tax credit by 2017 (Gregory & Horton 2009; Harrop 2016). The working tax credit is paid only to those who do paid work and are on low incomes and is subject to conditions.

The Fabians outlined two proposals in response to these changes to social security, with the first acting as a base from which to develop a more generous basic income (Harrop 2016). **Table 3** (opposite) outlines the two proposals.

Current basic income trials

Trial in Finland 2017

Description: On 1 January 2017, Finland began a two-year, partial basic income trial. This comes at a time of growth in insecure work, relatively high unemployment, and some concern about possible disincentive effects of the unemployment insurance payments, which are set at 55% of replacement wage (Esser et al. 2013; Statistics Finland 2017).

Aims: The partial basic income aims to reform the social security system so that it can adapt to the rapidly changing labour market.

The trial has two related objectives. It seeks to simplify social security by streamlining benefits and reducing bureaucracy. It also aims to reduce the poverty trap by increasing work incentives, allowing people to receive both unemployment insurance and private income, acting as a way to supplement wages, especially for those in insecure and intermittent employment (Kela Social Insurance Institution 2017).

Universality: The trial is restricted to 2000 individuals aged 25–58, who were in receipt of 'labour market subsidy or basic unemployment allowance in November 2016 for some other reason than a temporary layoff' (Kela Social Insurance Institution 2017)

Individuality: Paid to individuals rather than families.

Table 3

Fabians' basic income proposals

	Proposal 1	Proposal 2
Aims	Direct resources to those on the lowest incomes to reduce poverty	Direct resources to those on the lowest incomes to reduce poverty. Extend tax credits to all aged under 65 in or out of work, to unify the tax and social security systems.
Universality	Individuals in work and earning above a minimal amount would be eligible.	All in or out of work under 65
Individuality	Payment to individuals	Payment to individuals
Conditionality	Need to be in work	No conditions except that existing means-tested benefits would continue
Uniformity	Single, uniform payment, level yet to be determined	Single, uniform payment, level yet to be determined
Frequency/duration	Not yet determined, but a yearly payment would increase simplicity	Not yet determined
Modality	Existing tax allowances expanded to universal tax credits that act as a small basic income for those in work	The credit would be paid as cash through tax system, with tax allowances converted to credits.
Adequacy	Rather than providing an adequate income the proposal seeks to provide a small supplement to private income.	The aim is to increase adequacy of current means-tested social security benefits by paying the tax credit on top of them.
Affordability	Proposal 1 was designed as a more affordable first step	Would require large increases in expenditure (Harrop 2016)
Equity	To ensure that higher income earners do not benefit, the tax credits would be made a part of total income and paid back through the tax system.	Large increase in payments for the poorest households (Harrop 2016)

Conditionality: There is no means testing of private income or tapering of benefits for participants in the trial. This contrasts with other, non-trial social security recipients who can only earn €300 per month before their benefits are reduced.

Uniformity, frequency and modality: There will be a single uniform cash payment for all recipients of €560 (equivalent to approximately AUD795 as at January 2017) provided monthly over two years.

Adequacy: The monthly payment of €560 is not designed to provide an adequate income in Finland, where the average monthly wage is around 3,400 (OECD Stat 2017). To the extent that average wages indicate average living costs, a

uniform cash payment set at such a low level appears to provide a large incentive to find paid employment. With no means test on their private income, low income recipients will be able to maximise earnings.

Affordability: This was a key concern in the design of this trial. A basic income that would enable a decent standard of living was seen as too expensive by the government.

Equity: Some commentators have expressed concern that findings from this trial could be used to increase conditionality in Finland (Demos Helsinki 2016).

Making sense of basic income trials and proposals *continued*

Trial in Utrecht, Netherlands 2017

Description: In 2017 the Utrecht province planned to begin a two-year basic income trial among social assistance recipients. Similar trials were planned for other Dutch cities such as Wageningen, Tilburg, Groningen and Nijmegen. The implementation of this trial (as described below) is now in doubt (June 2017).

Aims: This trial aims to determine ways to encourage social assistance recipients to be active participants in society through increasing their engagement in paid employment and thereby reducing dependency on social security.

At least three related objectives for the trial have been articulated. First, the study seeks to understand which current and alternative social security rules are most effective in encouraging people to find a job or do voluntary work. Second, it seeks to understand the impact of these rules on health, debt and the claimants' satisfaction with their own situation. Third, it seeks to examine the impact of incentives and conditionality (City of Utrecht 2016).

Universality: The trial will recruit 600–900 volunteers from people who have been receiving social assistance from the municipality of Utrecht for at least six months. Participants will be randomly allocated to six groups:

- Group 1 – Control Group. This group will receive social security under the current rules, which include applying for jobs, with a monthly cash payment of €972.70 for a single person or €1389.57 for a couple.
- Group 2 receive the same payments as Group 1 but without obligation to apply for jobs.
- Group 3 receive the same payments as Group 2 but with 'more guidance and ... more contact moments with the municipality'.
- Group 4 receive the same payments as Group 2 and can earn €125 per month on top of this if they undertake an activity that has been selected by the municipality.
- Group 5 receive the same payments as Group 2, but can lose the €125 per month bonus if they do not undertake an activity that has been selected by the municipality.
- Group 6 Basic Income Option receive the same payments as Group 2 but can also earn up to €199 per month extra. For married couples this is €142.

Individuality: Paid to single individuals or couples

Conditionality: Conditions vary according to trial group.

Uniformity, frequency and modality: Same basic, monthly cash payment with varying conditions and add-on payments according to trial group.

Adequacy: The basic income level is set at around 25 per cent of the average monthly wage, which was €3865 in the Netherlands in 2015 (OECD 2015a).

Affordability: Not discussed

Equity: The trial does not explicitly address equity issues.

Trial in Ontario, Canada 2017–18

Description: Consultations in relation to a basic income pilot were under way in early 2017 (Ministry of Community and Social Services 2017). They are based on a discussion paper authored by Conservative senator Hugh Segal (2016)⁴.

The discussion paper recommends that the trial should focus on testing a basic income by replacing unemployment and disability payments with a form of a negative income tax or refundable tax credit. To test the impacts, a randomised control trial (RCT) will be conducted in a major urban neighbourhood/community.

Aims: The proposal aims to understand and measure 'the extent to which basic income can improve the health status, labour market outcomes, and real-term life prospects of Ontarians who live in poverty' (Segal 2016).

In addition to this core aim, the proposal also seeks to give more freedom to welfare recipients to make life decisions.

Universality: Sample of individuals aged 18 to 65 living in poverty. It is proposed that areas with a high concentration of individuals living in poverty will also be included as 'saturation sites', in order to investigate the community-level impacts of a basic income. Sites in southern and northern Ontario location are suggested, as well as a site chosen and planned in close collaboration with First Nations communities.

Individuality: Provided to individuals

Conditionality: The payment would not have conditions related to financial assets, work-related income or labour force participation.

⁴ The details of the proposed trial are yet to be finalised at the time of writing, and will depend to some extent on the results of the consultation.

Uniformity, frequency/ duration and modality: Monthly cash payments for a minimum of three years at different treatment levels of Basic Income (starting at 75 per cent of Canada's Low Income Measure (LIM)⁵) and different tax rates on income earned on top of the basic income. This is intended to test and identify how different parameters and combination of parameters can reduce poverty, while not discouraging people from improving their incomes through labour force participation. According to Segal (2016), the trial should not test replacing the whole welfare system with a single payment.

Adequacy: The tax credit would lift income support from 45 per cent to 75 per cent of the LIM. This means that recipients could claim a minimum of approximately CAD1320 per month, non-taxable. To increase work incentives, they could keep partial additional income earned from participation in the labour market. People with disabilities will receive an additional monthly sum of at least CAD500.

Affordability: The trial should determine the costs and savings from the experiment.

Equity: An increase in base payments for the poorest citizens.

Y Combinator Silicon Valley (US) partial basic income trial 2017–18

Description: Y Combinator is a venture capital firm that provides funding for start-up companies in Silicon Valley. Its research arm, YC Research, is undertaking research on basic income policies⁶. An initial short-term pilot will take place in Oakland, California (Y Combinator 2014). The trial is a response to the risks and potential opportunities of technological unemployment and technological change. It is based on the idea that the most creative people in society are those with economic security (Sadowski 2016). This pilot will prepare the research framework for a future five-year trial by Y Combinator (Altman 2016b).

Aims: The 6–12 month pilot aims to test basic income as a policy response to technological structural unemployment and to increase economic security for people to encourage them to become more entrepreneurial (Coren 2016).

It seeks to explore what people do when they have economic security and free time. For instance, do they play video games or do they create new ideas (Altman 2016a)?

Universality: 100 families from a range of different socioeconomic backgrounds from Oakland, California, a location chosen due to its high levels of economic inequality and social diversity (Altman 2016b).

Individuality: Payment provided to individuals

Uniformity, frequency and modality: Monthly cash payments of \$1000 to \$2000

Conditionality: Unconditional

Adequacy: The goal is to provide an income supplement rather than replace an adequate income, as the average wage in the US in 2015 was over USD 4,890 per month (OECD Stat 2017).

Affordability: Early cost estimates point to around USD1.5 million for a year (Farivar 2016).

Equity: This is not a key consideration of the pilot.

Common features and differences of the trials and proposal

The recent basic income proposals and trials are limited in scope. Like the trials in the 1970s, most of the recent or current trials are relatively small and place based. Common concerns in both periods relate to incentives or disincentives to work and simplifying income support systems.

Unlike the past trials, the recent trials tend to focus on basic income for individuals rather than households, which is important for equity—especially gender equity. However, gender is not explicitly considered in these proposals. On the other hand, in contrast to the trials and proposals of last century, adequacy of basic income is not a primary concern.

Table 4 (overleaf) summarises the key dimensions of the more recent proposals and trials.

⁵ In Canada, LIM is a fixed percentage (50%) of median adjusted household income, where 'adjusted' indicates that household needs are taken into account. See <http://www.statcan.gc.ca/pub/75f0002m/2012002/lim-mfr-eng.htm>

⁶ <https://blog.ycombinator.com/yc-research/>

Table 4

Recent basic income proposals and trials at a glance

Dimension	Proposals			
	Atkinson participation payment	Swiss referendum	UK Fabians Proposal 1	UK Fabians Proposal 2
Universality	Yes – see uniformity	All citizens	Individuals in work and earning above a minimal amount would be eligible for a single uniform credit	Adults in or out of work aged under 65
Individuality	Paid to individuals	Paid to individuals	Paid to individuals	Paid to individuals
Conditionality	Requires ‘participation’ except for incapacitated	Unconditional	Need to be in work	No conditions except that existing means tested benefits would continue.
Uniformity	Full payment for 18+, modified payment for children, additional payments for disability etc.	Full payment for adults, modified payment for children	Single uniform payment, level yet to be determined	Single uniform payment, level yet to be determined
Frequency/ Duration	Weekly	Single payment	Not yet determined, but a yearly payment would increase simplicity	Not yet determined
Modality	Cash*	Cash*	Tax allowances expanded to universal tax credits that act as a small supplementary income for those in work	Credit paid as cash through tax system, with tax allowances converted to credits.
Adequacy	Supplement rather than replacement of other income support payments	‘The basic income must enable the whole population to live a dignified life and to participate in public life’.	A small basic income to supplement private income	Aims to increase adequacy of current means-tested benefits by paying the tax credit on top of them.
Affordability	Trade-off between adequacy and affordability	‘The law will determine the funding and level of the basic income’	More modest proposal is a first step	Will require large increases in expenditure
Equity	Provides a social safety net	Not considered	To ensure that higher income earners do not benefit, the tax credits can be made a part of total income and paid back through the tax system	Large increase in payments for the poorest households

Note: In this table ‘cash’ refers to direct payments.

Trials

Finland	Netherlands	Ontario, Canada	Y Combinator, Silicon Valley, USA
2000 individuals aged 25–58, who are currently receiving social security benefits	600–900 people receiving social security payments (voluntary participation)	People aged 18–65 years, in poverty Rural, urban, First Nations	100 families in Oakland
Paid to individuals	Paid to individuals or couples	Paid to individuals	Paid to individuals
No means testing of private income or tapering of benefits for trial participants.	Depends on group	Unconditional	Unconditional
Uniform payment	Differs according to group	Differs according to group	Yes
Monthly for two years	Monthly for two years	Monthly for three years	Monthly, 6-12 month
Cash*	Cash*	Cash*	Cash*
Partial payment only	Partial payment only	Aims to supplement income to bring up to adequate minimum level	Aims to supplement income
Aims to test impact of partial payment on work (dis)incentives	Not discussed	Aim to identify costs and savings of approach	To be determined: aims to foster entrepreneurship
Not considered: main focus is work (dis)incentive	Not considered: main focus is work (dis)incentive	Aim to increase income of those in poverty	n/a

6 TRADE-OFFS AND BOTTOM LINES

Basic income policies have been enthusiastically promoted by some conservative and progressive politicians, scholars and advocates in Europe, Canada the US and Australia as well as some developing countries. But basic income is 'not a panacea' (Standing 2017).

All of the reviewed proposals and trials include trade-offs between different the dimensions. These trade-offs are informed by political judgements about what is feasible or palatable and by social, cultural and economic considerations. For example, the Atkinson participation payment proposal explicitly trades off adequacy and affordability.

To assess the efficacy of different basic income approaches, and whether they promote equity, justice and compassion, analyses must be considered, precise and alert to both the intended and unintended consequences that can arise in implementation. In short, it is important to consider not only the extent to which basic income proposals alleviate poverty, but also how they enable or constrain equitable access to quality housing and transport, food, health care and education and opportunities for social as well as economic participation.

Of course, there may need to be some trade-offs, but poor outcomes need to be avoided. This requires careful analysis of proposals within their own terms and in comparison to other proposals. The framework proposed by De Wispelaere and Stirton (2004) with the additional dimensions of affordability and equity is useful for these purposes.

Furthermore, social policies need to be understood in context – socially, politically, economically and culturally. What works in Finland is unlikely to work in exactly the same way in Australia.

We also need to consider the interrelationships between basic income and other policies. These policy intersections can affect the capacity of basic income proposals to achieve their particular objectives.

The economic security and inclusive employment framework developed by Bowman and van Kooy (2016) helps to make these interconnections visible. That framework recognises that economic security is inextricably connected to the other domains of inclusive employment, social infrastructure and social equity. They argue that to be effective policies designed to promote economic security must consider the intersections with these domains and their elements.

For example, adequate social security policies contribute to economic security as do financial inclusion, appropriate regulation and protection, and progressive tax and transfers. In this way, the framework 'enables a sharp focus on a particular policy domain or sub-domain while keeping adjacent domains and contributing factors in view' (Bowman & van Kooy 2016 p.6).

Importantly, Bowman and van Kooy's framework has a clear focus on social outcomes – 'a fair just and compassionate society'. This focus can get lost when considering basic income proposals. Discussion tends to be aspirational and visionary, lacking detail, or pragmatic, with the risk of losing sight of desired social outcomes.

The nine dimensions of universality, individuality, conditionality, uniformity, frequency/ duration, modality, adequacy, affordability and equity, that we have discussed, are useful to assess basic income proposals. But broader frameworks such as Bowman and van Kooy's (2016) are also needed to keep the bigger picture in sight. For the Brotherhood of St Laurence, the bottom line is a 'fair compassionate and just society' (Brotherhood of St Laurence 2014).

7 CONCLUSION: PROCEED WITH CAUTION

Social security in Australia is highly targeted and increasingly conditional. Currently, little policy attention is given to adequacy.

In trying to find budgetary savings, decrease reliance on the government for economic security, and incentivise people into work, Australian governments continue to more narrowly target eligibility for social security payments and impose stringent conditions. The increasing imposition of conditionality has made the system more complex and unwieldy, and income support policies are yet to acknowledge that paid employment has changed (Whiteford 2017). Worryingly, given the extremely low levels of payments, the current government has considered cutting payment levels, ignoring considerations of adequacy.

It is evident that social security needs to be re-imagined, but as Henderson pointed out, 'it would be unwise to make suggestions without a lively appreciation of the strengths of the existing provisions'.

Our review of past and more recent proposals and trials of basic income shows that as, as De Wispelaere and Stirton (2004 p. 266) say, 'the devil is in the detail'. The idea of a basic income to alleviate poverty and enable economic security, respond to technological change and environmental challenges is undoubtedly attractive, but there can be unintended consequences. Careful consideration of the detail of any proposal is required, within the context of broader issues and the intersecting domains and policies.

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