Citizens’ basic income in Scotland: On the road to somewhere

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Abstract
While the economic fragility exposed by Covid-19 has renewed the attention paid to social protection systems and in particular to basic income, the Scottish government had already funded four local authorities – North Ayrshire, City of Edinburgh, Fife and Glasgow – to undertake a feasibility study on the introduction of a Universal Basic Income pilot in Scotland. This article explores the specific Scottish context and rationale for this study, including the factors that led the Scottish government and the local authorities to pursue this approach, as well as the impact of the study on the wider social security debate and policy context in Scotland. Specifically, it takes a critical look at the Steering Committee’s feasibility study, and its two commissioned research components, and explores the financial costings and institutional obstacles identified in taking forward a pilot Universal Basic Income in Scotland. These significant challenges are considered in light of both the limits of devolution and the ongoing debate on independence, as well as the wider implications for progress in social protection in Scotland.

Keywords
Basic income, Scotland, devolution, social security, feasibility

Introduction
The COVID-19 pandemic, by necessity, ushered in a new policy era in which social protection policies were re-invented within a very short time period. Many countries, for example, introduced significant forms of temporary universal income (TUI) payments (e.g. income support measures and cash transfer payments) as part of their emergency responses. More generally, policy makers were forced to
see broad-based income transfers in a new light (Cantillon and Heintz, 2020). These innovative policy actions resulted in renewed focus on the idea of a permanent Universal Basic Income (UBI), especially given the TUI’s evident dramatic impact on poverty and income inequality.1 Discussion of UBI in the media has also been driven by concerns about rising inequality and economic insecurity, especially the increase in the so-called gig economy, zero-hours contracts and precarious employment more generally. While TUI is designed to compensate for and react to some of the loss of livelihood in times of negative shocks and crises, one of the founding principles of UBI is social justice. In particular, UBI is a radical form of social security which provides an unconditional, regular, non-withdrawable safety net for all citizens; UBI is not a temporary response, it is a permanent response and arguably a permanent solution.

UBI has received particular political and public interest over the last decade in Scotland, which has long claimed to be ‘different’ from the rest of the UK and where Scottish political parties have prominently employed the rhetoric of social justice. However, as no country has yet adopted a UBI there remains significant uncertainty about how a fully implemented UBI system would coalesce with a dramatically revised tax and benefit system. This uncertainty is particularly relevant in Scotland where the political context and, in particular the current devolution arrangements, place various significant limits on policy changes in the area of social protection.

Notwithstanding these administrative and political constraints, the Scottish government announced in its 2017 Programme for Government that it would support local authorities in exploring the feasibility of a basic income pilot in Scotland. In May 2018, four local authority councils (City of Edinburgh, Fife, Glasgow City and North Ayrshire) collaboratively prepared and submitted a joint bid for funding to undertake research into the feasibility of a Citizen’s Basic Income (CBI) pilot in Scotland. The bid was successful and the resulting report, Assessing the Feasibility of Citizens’ Basic Income Pilots in Scotland: Final Report (June 2020) (‘Feasibility Study’) – prepared by the Citizens’ Basic Income Feasibility Study Steering Group (‘Steering Group’) – was underpinned by two comprehensive research reports, namely, Exploring the Social Security Implications of a Citizen’s Basic Income Pilot (March 2019) (Shaw and Paterson, ‘CPAG Study’) and Modelling the Economic Impact of a Citizen’s Basic Income in Scotland (May 2020) (University of Strathclyde Fraser of Allander Institute, ‘Modelling Study’).

Regardless of the lukewarm support for a pilot CBI provided in the CPAG Study, owing to the major administrative and legal hurdles and the significant estimated net economic costs identified in the Modelling Study, the Steering Group in the Feasibility Study recommended that a pilot study of CBI in Scotland be undertaken and went on to provide significant pilot design details. However, by the time of the publication of the Final Report, it was clear that the planned CBI pilot was more akin to a quasi-UBI pilot and further, the Scottish government had made it clear that there would be no CBI pilot in Scotland. This article reviews the context of these events, in order to understand these developments and where they sit within the larger political landscape. Specifically, in exploring the Feasibility Study and the two commissioned research reports in detail, the article traces the journey to the quasi UBI recommendation and the apparent change in policy tack by the Scottish government, especially as this decision seems in stark contrast to developments concerning pilot UBIs in Wales, which is also a constituent part of the UK. Finally, it considers the impact of the CBI pilot

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1. For example, the one-off payment of €100 to all those aged 18 or older in Serbia had a positive impact on containing the expansion of poverty and significantly reduced the Gini coefficient (see ILO/EBRD, 2021). Similarly, the American Rescue Plan (and especially the advanced refundable child tax credit) dramatically reduced US poverty rates in 2021 (see Deparle, 2021; Wheaton et al., 2021).
debate in light of both the limits of devolution and the ongoing debate on independence, as well as the wider implications for the progress of social protection in Scotland.

The section ‘Scottish Context’ provides an overview of the Scottish context in terms of devolved social security powers. In particular, we establish the political context in which to understand ongoing developments within devolution and the perceived limits to legislation, given that the majority of key powers over benefits remain in Westminster. The section ‘Scottish feasibility study and economic modelling of Scottish CBI’ reviews some of the details of the modelling exercises in the Modelling Study and highlights the influence of these exercises/simulations against various aspects of the Feasibility Study’s recommended design and the broader UBI debate in Scotland. The next section, ‘Legislative and administrative limits’, reviews the CPAG Study, discusses the extent to which a CBI is possible within the Scottish context and outlines the substantial challenges facing the institutional arrangements for a CBI pilot. Finally, the Conclusions discuss the options open to Scotland now that the Scottish government has ruled out a CBI pilot on the basis that it is impractical without UK government support and active participation.

We conclude that, at the very least, the recent Scottish CBI experience has re-invigorated political discussions about UBI, quasi-UBI (e.g. Negative Income Tax (NIT)) and alternatives such as a minimum income guarantee (MIG), as well as highlighting the issue of the feasibility and desirability of the associated legislative change. Indeed, the decision to not proceed with the CBI Pilot also raises the question as to whether the recent Scottish CBI pilot experience has been used to strengthen the Scottish government’s case for a second independence referendum and ultimately Scottish independence.

### Scottish context

The administration of social security in Scotland is complex, currently operating at three different levels of government – Central (UK), Devolved/National (Scotland) and Local – through councils which deliver social security payments under rules set by both the UK and Scottish parliaments and also have some of their own (local) discretionary powers in providing financial support. While the devolution settlement gives the Scottish parliament the power to legislate in a wide range of areas, the majority of key powers over benefits remain in Westminster and are administered through either the Department of Work and Pensions (DWP) or HM Revenue and Customs (HMRC).

Devolution offered the potential for different institutional arrangements, and from 1999 onwards, the new administrations in Scotland, Wales and Northern Ireland began to develop policy in certain key areas, including health, social care and education policy (Mooney and Wright, 2009). Over the past two decades the role of the Labour Party as the largest party in the Scottish parliament has been gradually taken over by the Scottish National Party (SNP). In contrast, the Conservative (and Unionist) Party has done significantly better than the Labour Party and other parties in recent elections to the Westminster (UK) parliament; the SNP’s role in the UK parliament is limited by the size of the Scottish population (about 5.5 million) relative to the population of England (about 56 million). As a result of this growing divergence between the compositions of the UK and Scottish parliaments, the election of a SNP-led Scottish government in the May 2007 Scottish elections provided renewed impetus for policy divergence from Westminster. The ongoing debate around independence also increased the pressure on Scotland to diverge from the rest of the UK, especially from England.2

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2. The vote against Brexit in Scotland in June 2016 (62% No) can be contrasted with the vote in favour of Brexit in England and Wales (both 53% Yes).
Indeed, the ability to transform the social security system was ‘clearly signalled’ by the Scottish government as a major part of their case for independence (Spicker, 2015: 20). The Scottish government’s agenda includes an overhauled welfare state and an inclusive growth strategy which represents a departure from general UK policy. For example, the Scottish government covers the cost of social care provision for those assessed as needing personal and nursing care, regardless of income, assets, or marital or civil partner status, although a contribution is sought from those living in residential care homes. Similarly, all NHS prescriptions are free in Wales, Scotland and Northern Ireland but not in England. Likewise, income tax rates in Scotland, in contrast to the devolved administrations in both Wales and NI, have diverged (somewhat) from the UK; the Scottish government has introduced two new tax bands for lower earners, and increased tax rates for higher earners. The overall effect is that those earning less than around £27,000 pay less tax in Scotland, while those earning above that amount pay more tax in Scotland.

The Scotland Act 2016 and social security powers

Following the failed 2014 independence referendum (55.3% No, 44.7% Yes), the Smith Commission was set up to deliver more financial, welfare and taxation powers to the Scottish government. The Scotland Act 2016 gave Scottish ministers powers over some benefits within the UK social security system, with the Social Security (Scotland) Act 2018 setting the framework for this new system. This devolution of certain benefits within the social security system, albeit limited, offered the opportunity for potential progressive reform of social security policy. Specifically, the legal changes extended the list of exemptions to the general reservation of responsibility for social security to the UK parliament in the Scotland Act 1998. Most of the exceptions relate to specific types of benefits for disabled people and carers, powers to provide help with maternity, funeral and heating expenses, and payments to people in need. Cantillon and Kirk (2020) demonstrate that more ambitious changes made to the Carer’s Allowance by the Scottish government would impact significantly the lives of the relevant sub-group, albeit without having a significant impact on measures of poverty or inequality at the national level.

From the point of view of a CBI pilot, the most relevant areas of devolved social security powers are those which allow Scottish ministers to provide financial support to particular groups (e.g. to those in education via the education maintenance allowance or to care leavers who cannot access mainstream social security benefits) or to top up reserved/UK benefits (Exemption 5), as well as to create new benefits (Exemption 10) funded from the Scottish budget that do not stray into areas of reserved law other than social security itself. A key exception to this, however, is in regard to pensions. The section below entitled ‘Legislative and administrative limits’ explores the extent to which these powers might be considered as a vehicle to deliver a meaningful Scottish CBI pilot.

Scottish feasibility study and economic modelling of Scottish CBI

In order to inform the details of any recommended CBI pilot, the Steering Group commissioned research to model the introduction of a Scottish CBI. While conducting theoretical modelling of CBI exercises is not the same as running an actual CBI pilot, there are some advantages. For example, the exercise can be run on a larger, and more representative, sample basis. In contrast to the CBI pilot, the desktop theoretical modelling exercise can also adjust income tax rates upwards in order to ensure that the exercise is self-financing; in contrast, a CBI pilot study
would involve a significant (net) cost (of over £175m in terms of the subsequently recommended approach). The modelling exercises also explicitly incorporated empirical estimates of both the likely real-world microeconomic (e.g. labour supply) and macroeconomic (e.g. demand-side and wage re-negotiation) responses but acknowledged that it was/is very difficult to estimate non-marginal responses associated with non-marginal/radical change.

Three policy options were considered: (a) a low-level CBI (similar to current benefit levels but based on the individual as the appropriate CBI recipient unit); (b) a high-level CBI (similar to the minimum income standard); and (c) a non-CBI option which focused on very small tweaks to the current system, with these tweaks targeted directly at reducing child poverty. For the two CBIs, various income-related benefits were eliminated but the (means-tested) benefits associated with disability, housing, childcare and limited capability for work were retained. Most attention was paid to the low-level CBI option in the Modelling Study.

The modelling exercises were conducted at a number of levels or stages. The initial direct static (‘Stage 1’) effect assumes no labour supply, demand-side or wage re-negotiation reactions to the introduction of a CBI and the associated increases in income tax rates. This microsimulation modelling exercise is carried out using the Institute for Public Policy Research (IPPR) Tax-Benefit model, with the unit of analysis being the benefit unit (which may or may not be an individual). Two CBIs were analysed: a low-level CBI (where, for example, those aged from 25 to the State Pension Age receive £57.90 per week and those at or above the State Pension Age receive £163 per week), and a high-level CBI (where, for example, those aged 16 to the State Pension Age receive £213.59 and those at or above the State Pension Age receive £195.90). Interestingly, and as mentioned above, the authors did not resist the temptation to introduce a third (non-CBI) option, one that made some small changes to the Universal Credit comparator, with the changes designed to target child poverty directly.

In order for the three options to be cost-neutral, the Scottish income tax rates (currently set at 19%, 20%, 21%, 41% and 46%) had to be increased. Although the CBI schemes have an advantage over the non-CBI scheme in that the two CBI options allow for the elimination/reduction of various expenditures (e.g. elimination of the basic personal tax allowance/expenditure as well as significant reductions in various means-tested benefits), the two CBI options still required large increases in the income tax rates (to 27%, 28%, 29%, 49% and 54% for the low CBI and to 58%, 59%, 70%, 85% and 85% for the high CBI) compared to the third non-CBI option (to 19%, 20%, 21%, 47% and 52%). In particular, while all three options involved a net cost of essentially zero, the third option reached this zero via small increases in social expenditure (targeted at child poverty) of approximately £1b and offsetting increases in income tax receipts of approximately £1b, while the first two (CBI) options required very significant increases in income tax (approximately £7.2b for the low CBI and approximately £38.3b for the high CBI) in order to part-fund the required very substantial increases in social expenditure.

The zero behavioural responses assumption in Stage 1, while unrealistic, provided useful indicative results. The next stage of the modelling exercise (‘Stage 2’) began by estimating the likely labour supply responses (i.e. to the increased income tax rates as well as to the CBI itself). Stage 2

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3. The top three tax rates of 70%, 85% and 85% for the high CBI are very high, although very high rates on very high incomes in the UK, the USA as well as many other countries was the norm in the 1970s. It is jarring that under the high CBI the 70% rate would apply to (annual) income between £12,445 and £30,930 and the 85% rates would apply to all income above £30,930. In addition, it is noted that employees would also face non-trivial rates of National Insurance Contributions (NICs) (e.g. over 10%) on certain ranges of income.
then attempted to incorporate the likely macroeconomic demand and supply-side effects on the economy. This was done by using Fraser of Allander Institute’s General Computable Equilibrium (GCE) model of the Scottish economy. The demand-side effects stemmed from the redistribution of resources from richer to poorer deciles and the subsequent likely changes in demand, as richer and poorer deciles differ in their preferences. The authors found relatively small demand-side (GCE) effects. The supply-side effects stemmed from incorporating the workforce’s overall (supply-side) responses to the changed incentives (income taxes), for example the impact of the previously estimated labour supply responses to the significantly lower net wage rate as well as the likely subsequent cost-push inflation driven by likely increased (nominal and real) wage demands. These supply-side responses were estimated to lead to significant negative effects on the macroeconomy, for example GDP and employment. The final level of the modelling exercises (‘Stage 3’) revisited Stage 1 but adjusted for the dynamic macroeconomic effects.

The low-level CBI had various positive effects, whether or not there was an attempt to incorporate estimated macroeconomic responses. For example, the poverty rate (initially at 21.6%) was reduced by 5.4 percentage points (1.14m to 0.86m in absolute numbers) whereas the child poverty rate (initially at 28%) was reduced by 9 percentage points (0.27m to 0.18m in absolute numbers). When the various estimates of macroeconomic responses were added, these effects were reduced to 3.3 and 6 percentage points, respectively.4

In contrast, under the third option – the Universal Credit Comparator – the poverty rate was reduced by 3.2 percentage points (1.14m to 0.97m in absolute numbers) and the child poverty rate was reduced by 10 percentage points (0.27m to 0.17m in absolute numbers). No macroeconomic responses were estimated for the third option in the Modelling Study, at least partly because the required changes in the income tax rates were significantly smaller for the much more targeted third option than those required even under the low-CBI option. Using the standard metric of gross cost per person (per child) lifted out of poverty, the low-level CBI cost £139k (£293k) while the high-level CBI cost £87k (£235k) and the third (non-CBI) option cost £15k ($10k). The more targeted third option performed very well, in relative terms, using this metric; it was much more efficient. However, the CBI options performed very well against the non-CBI option if the metric is reductions in inequality.

Focusing in more detail on the low-level CBI, as the Modelling Study did, it was possible to estimate the long-run effects (Stage 2) on important macroeconomic variables, under various assumptions (e.g. no migration vs. migration). GDP was estimated to fall by 4.4% relevant to the counterfactual of no policy change with a no migration assumption, but to fall by 15.2% if migration was incorporated. Similarly, employment was estimated to fall by 5% with a no migration assumption but by 16.4% if migration was allowed.5 These predicted falls relative to the counterfactual do not

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4. The high-level CBI had very significant Stage 1 effects albeit at high costs in terms of increased income tax rates. The poverty rate was reduced by 17.3 percentage points (1.14m to 0.23m in absolute numbers) and the child poverty rate was reduced by 25 percentage points (0.27m to 0.02m in absolute numbers). The Modelling Study’s implicit position appears to be that these very encouraging estimates must not be taken seriously as there would be very significant negative macroeconomic effects.

5. In all cases, it was assumed that workers take their own – separate to market wage – CBI into account when bargaining; this is a significant deviation from the conventional approach to modelling wage bargaining. Should the conventional assumption be adopted (i.e. workers focus on their post-tax wage), then GDP declines by 8.8% as opposed to by 4.4% and employment declines by 9.7% as opposed to by 5%. These revised estimates retain the assumption of no migration.
mean that there would be decreases in GDP and employment in the real world, but they do mean that any rises would be lower than they would have been in the counterfactual.

From a microeconomics perspective, UBI generally finances the introduction of a universal and unconditional income (which in itself leads to an income effect which increases the demand for leisure and hence reduces the supply of labour) with significant increases in income tax rates, that is significant reductions in the net wage rates, which leads to both a substitution effect and an income effect, with the former leading to a reduction in labour supply and the latter leading to a decrease in the demand for leisure and hence an increase in the supply of labour (Gentilini et al, 2020). Overall, the Modelling Study’s estimated labour supply responses – which were derived from various real-world studies – demonstrated that the two decreases in labour supply in practice can be expected to significantly outweigh the one increase in labour supply; indeed, the income effect(s) are almost inevitably smaller than the substitution effect in the empirical literature.6

The Modelling Study did note that some societal-level changes could be introduced alongside a CBI so as to dampen the expected (significantly negative) macroeconomic effects. A new social contract type arrangement could include new centralised wage bargaining, different and/or new sources of tax revenues (which would allow the required increases in the income tax rates to be reduced somewhat), wage/price restraints and new incentives to increase productivity. Indeed, any increases in health outcomes and well-being associated with the introduction of the CBI might also be expected to increase productivity. However, to the extent that some of these changes are used to mitigate the likely negative macroeconomic effects of the introduction of a CBI, at least some of these changes could also be used to mitigate the costs associated with the introduction of alternative policy proposals. Notwithstanding this point, the introduction of a CBI would represent a profound social policy change – especially when compared with policy alternatives that tinker with the current system – and it is possible that such a profound social change would be accompanied by, and indeed might only be possible with, a unique social contract or agreement wherein the average person commits to work more than their narrow individual incentives might indicate in return for the substantial reduction in inequality associated with the introduction of a CBI.

Feasibility study7

Independently of whether or not there was going to be a Scottish CBI pilot, the modelling exercises in themselves provided much food for thought, but it is also clear that they heavily influenced details associated with the Feasibility Study’s key recommendation, namely, the micro details of the recommended CBI pilot study. The recommended CBI pilot was to last for three years and it was to be preceded by a one-year period of preparation/groundwork. The CBI pilot was to adhere to many UBI principles but it was recognised that the (likely to be mandatory) CBI would have to operate alongside some existing social security arrangements so as to ensure that no participant suffered financial detriment. In addition, it was accepted that the up-front CBI would be (at least in theory) taxable, that is

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6. Not surprisingly, the high-CBI option led to significantly greater negative responses than the low-CBI option in this regard. Indeed, it seems very reasonable to expect that an income tax rate of 85% on all annual income above £30,930 would have an overall significantly negative effect on labour supply. In addition, but outside the scope of the Modelling Study’s remit, it would seem very reasonable to expect significant increases in tax avoidance and evasion activities, which perhaps ironically might significantly dampen the initial negative effect on labour supply.

7. The Feasibility Study also reviews evidence on public opinion towards BI and notes the existence of a net positive level of support for CBI across Scottish local authorities, the UK and Europe.
the CBI/quasi-UBI pilot was in practice to be more akin to a NIT. This key aspect of the recommended CBI pilot appears to have been in response to the scale of the estimated negative macroeconomic effects associated with the non-taxable CBI in the Modelling Study.

Interestingly, the Final Report and the central recommendation(s) pitch the purpose of the CBI pilot as being to examine the effectiveness of the CBI/UBI in the reduction of poverty in Scotland. In contrast, the earlier work of the four authorities had stressed both reduction in poverty and tackling inequality. As such, it is clear that the Feasibility Study was flexible in terms of being prepared to make arguably fundamental adjustments to the standard characteristics of a ‘pure’ UBI. Notwithstanding the presence of these compromises, the recommended CBI pilot was certainly not under-ambitious in scale, in that two treatment groups were proposed, with the high-level CBI going to at least 2500 individuals in one locality and a low-level CBI going to at least 14,600 individuals in another locality.

The Feasibility Study (particularly in Section 10) also recognised explicitly the possibility that the CBI pilot would not proceed in the short to medium term and highlighted future programmes that could be viewed as being complementary, or alternatives, to the CBI pilot. For example, the economic modelling of the Scottish CBI could be further refined and/or alternative interventions could be modelled. Given the likely reality that at least some benefits would remain in Scotland even if a UBI were to be introduced, further review of policy interactions is also recommended. In addition, various ethical issues (e.g. mandatory participation in a CBI pilot) would need to be further explored and further public engagement work would need to be undertaken, especially as the introduction of even a quasi-UBI would represent a radical social policy change. In retrospect at least, it seems strange that the Feasibility Study did not offer to scale back the size of the two treatment groups and/or eliminate one of these groups.

Legislative and administrative limits

This section reviews the CPAG Study, which focused on the social security implications of a Scottish CBI pilot and addressed the potential financial loss for some individuals/households in such a scheme. This issue brings us back inevitably to the complexities of the current devolution arrangements highlighted in the ‘Scottish Context’ section, but also highlights the Feasibility Study’s decision to acknowledge and draw upon the contents of the CPAG Study while sidestepping the implication of that study, namely, that it would be essentially impossible to implement the proposed comprehensive Scottish CBI pilot.

In contrast to Scotland, Wales (also a constituent part of the UK) appears close to launching a three-year quasi-UBI trial. The administrative and affordability obstacles highlighted by the recent Scottish experience have been recognised in Wales but the Welsh First Minister in particular appears very keen to negotiate and find ways around these difficulties. As part of this negotiation process, it appears that the resulting quasi-UBI trial will be targeted at only about 250 young adults leaving care; as such, there will inevitably be those who will highlight the likely very limited nature of the resultant information (e.g. small scale, excessively targeted) for UBI more generally.8

8. Ireland also appears ready to initiate a three-year quasi-UBI trial aimed at approximately 2000 self-employed artists/performers in the events sector. While much larger than the Welsh planned trial, the Irish planned trial is also highly targeted (i.e. non-representative).
Crucially, Wales appears content to work with a small targeted quasi-UBI trial, whereas the Feasibility Study was insistent on a large, representative study with two targeted groups/policies.

In Scotland, those entitled are currently able to claim a range of means-tested benefits and non-means-tested benefits and a key question relates to whether the CBI would be intended to be a complete or partial replacement of these existing benefits. For a pilot, and especially one under a devolved administrative arrangement, there are considerable practical difficulties. Setting up a benefit-replacement CBI could only be achieved through complex changes to a range of Acts and regulations which are mainly the responsibility of UK government departments. On the other hand, only partially removing benefits could impact on participants in ways which extend beyond the life of the pilot, as in the case of benefits which provide national insurance credits required for future entitlement to state pension and other contributory benefits. Another concern arises over ‘conditionality’, which refers to the requirement to be looking for paid work. UBI/CBI (and the planned CBI pilot) are not conditional, whereas conditionality is a feature of working-age means-tested benefits and enforced with systems of associated sanctions. Finally, there are other forms of support outside the formal narrow social security system which would further complicate the introduction of a CBI/CBI pilot. Local authorities bear the responsibility, with significant discretion, for much of this wider support including for example, various care services, fostering and adoption allowances and support for care leavers. In other instances, for example child maintenance, this wider support is the responsibility of the UK government.

The CPAG Study identified four routes by which a CBI pilot might be achieved. These are:

(a) Centrally delivered by the UK government;
(b) Scottish government delivery though its non-social security powers;
(c) Local authorities through discretionary financial support; and,
(d) Delivered through a charitable trust.

This first option would require the UK government, with full power to legislate for any changes to benefits, to either run a CBI pilot itself or agree to do so on behalf of the Scottish parliament. The CPAG Study immediately ruled this out on the grounds that there is no indication that it is a practicable option. As evidence of UK disinclination, it quotes the Minister for Employment in 2016 arguing that ‘UBI does not properly take into account individual needs and that it would markedly increase inequality. Universal credit is the right system for the United Kingdom’ (CPAG, p.8)

The fourth option, for delivery of CBI payments through a charitable trust, seems more straightforward, but significant issues and difficulties arise in relation to CBI payments and their link with universal credit, which brings us back to Westminster and the Department for Work and Pensions and the same conclusion as above. Therefore, possible implementation is limited to the second and third options, where existing powers in either national or local government could be used to deliver a CBI pilot in Scotland. However, as the following discussion illustrates, these two options are also restricted and arguably non-workable.

As indicated in the earlier ‘Scottish Context’ section, the Scottish government under the current devolution arrangements has the powers to top up any UK benefit and to create new benefits. While Exemption 5 allows for any payment of a reserved benefit to be ‘topped up’ in Scotland, the difficulty with the use of this power in order to conduct a CBI pilot is that it would necessarily restrict the pilot to those receiving a UK benefit. Most working-age adults in Scotland (or the UK more generally), for example, do not receive any social security benefits that could be topped up. Further, even if the CBI pilot was restricted to those on benefits, their circumstances and
entitlements could change during the course of the study, complicating matters considerably. Exemption 10 gives the Scottish government the power to create benefits in areas of devolved responsibility. One difficulty in using this power to deliver a CBI payment is that there is an explicit bar in the Scotland Act 1998 against creating new pensions. This would rule out an increased CBI for older people if eligibility for the higher amount were based on having reached pension age. Another difficulty is the Scottish government’s own restriction, on the basis of enhanced level of parliamentary scrutiny, which limits the creation of new benefits to primary legislation. From the point of view of a CBI pilot, passing the required legislation would add a significant amount of time to any deployment. On the other hand, it is not an explicit requirement of Exemption 10 that benefits are created using new primary legislation, which would suggest that it would be possible for the Scottish government to administer and fund a CBI pilot without any new legislation underpinning it. However, even leaving aside the issue of the necessity, or not, of enacting legislation and the delay that this would entail, a separate and more fundamental difficulty with both Exemptions 5 and 10 is the explicit restriction on the ability to use these Exemptions to offset the effects of conditionality in reserved benefits. As discussed earlier, conditionality undermines the basic premise of CBI.

Another possible vehicle to deliver a CBI pilot could be use of the powers allowing local government to take action to enhance the well-being of people in their area, including the provision of financial support to children and adults in financial need by social work departments. While legislation is already in place to allow the exercise of these powers, the terms of the Exemptions restrict their use to cases of defined need. For example, resources can only be used to make ‘occasional’ payments in cases of immediate short-term need. Amending the terms of the devolved legislation governing the use of these powers by local authorities would again require primary legislation to be passed by the Scottish parliament, which would delay any implementation of a CBI pilot.

Finally, the current devolution arrangements also give the Scottish parliament the power to provide financial support to particular groups. For example, the education maintenance allowance is an allowance payable to some young people in education or as financial support to care leavers who cannot access mainstream social security benefits (Education (Scotland) Act 1980). While these powers might allow the CBI pilot to be targeted at particular groups of the population, the fact that it is not universal again contravenes a basic characteristic of UBI/CBI. However, this is a compromise that Wales and Ireland appear willing to make.

The CPAG study’s overall assessment with respect to a comprehensive CBI pilot is that: the necessary primary legislation and regulation changes would be complex, time-consuming and costly; that the full collaboration of the DWP and HMRC would be required; and that reducing the scale or scope of a CBI pilot, while reducing some of these barriers, would not provide a true test of a universal, unconditional CBI. It concludes in its consideration of the four options available for delivering a CBI pilot that considerable commitment from the UK Government to make the necessary legislative, technical and procedural changes would not only be required but would be very unlikely to be forthcoming.

In summary, it seems clear that the Feasibility Study could have recommended: (a) a comprehensive CBI pilot that could not in practice be implemented; or, (b) a targeted quasi-UBI, arguably like Wales, that could perhaps be implemented. The Steering Group opted for the former.

Conclusions

UBI is a concept that keeps coming around but arguably does not really go anywhere. Despite the impressive persistence of the idea, apparent widespread public support, multiple microsimulations,
many quasi-UBI pilots and even the existence of a small number of quasi-national quasi-UBI schemes, no country has yet adopted a UBI. Is it then a case of parading Utopia and going nowhere? In the case of Scotland, at least, we think not.

In purely political terms, the Scottish government, in arguing that they are unable to proceed with a CBI pilot under the current devolution arrangements, has arguably bolstered their case for the necessity of another independence referendum, and perhaps even for Scottish independence itself. At least arguably, a significant reason for not proceeding with a comprehensive CBI pilot was the emerging estimated net economic cost of a Scottish CBI. However, the Scottish government did not need to use this argument, as the Steering Group did not propose a suitably scaled-back version of a quasi-CBI that would have been administratively feasible without Westminster approval. In particular, the Steering Group could have proposed modified options along the lines of the pilot being proposed in either Wales (to carers) or in the Republic of Ireland (to artists). Such modified proposals would surely have placed more of a decision burden on the Scottish government.

In terms of social security debates, the Scottish government’s negative response to the Feasibility Study’s central recommendation may also be a case of Scotland coming to a suitable conclusion but also clarifying and learning a great deal on the journey. In particular, for many proponents of UBI the fundamental goal is significantly greater equality in the distribution of resources and a fairer and more just society more generally. Arguably the Scottish Feasibility Study and, in particular, its two underpinning studies have shown that a UBI may not be a practical or even effective route to such a destination. In particular, a fair, or even a significantly fairer, society would require radical institutional, political and policy changes including in the education, health and legal systems (Baker et al. 2009). Even a fairer return to labour would need radical changes in relation to progressivity in the tax system, including property tax, minimum wage legislation, the role of trade unions and maximum ratios between the highest and lowest paid employees (Piketty, 2021).

Even more narrowly within the tax and social security system, the Feasibility Study has helped to clarify the debate on ways to achieve a fairer outcome. The results of the modelling exercises in the Modelling Study in particular appear to support the emerging consensus that a Minimum Income Guarantee (MIG) should be a key policy instrument in Scotland. Clearly a MIG is not the same as a UBI as it does not provide an income for everyone irrespective of income and individual needs. As a MIG is a means-tested payment specifically targeted at those on low incomes, it matches neither the universal nor the unconditional elements of a UBI and would therefore be regarded as insufficient by those advocating a pure UBI. A MIG is generally understood to refer to an assurance that everyone will receive a minimum level of income that enables them to live a dignified life, and this can be met through an appropriate combination of employment, provision of services, tax relief and social security benefits. It relies upon the establishment of a Minimum Income Standard to determine the income threshold that people should not fall below (Scottish Government 2021).

During the 2021 national elections in Scotland, a number of the political parties included references to the development of a Scottish MIG. The SNP manifesto contained a commitment to start

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9. One could argue that the Scottish government might be somewhat relieved that should it achieve an independence vote, it would not be placed in a position where it would be under pressure to commit to move from a successful CBI pilot to a comprehensive (but funded) CBI.
work in the current Parliament to provide a MIG for all, and likewise both the Scottish Labour Party
and the Scottish Green Party manifestos pledged that they would seek to secure a Minimum Income
Standard and use social security top-up powers to increase the incomes of anyone living below this
level. Since their election the Scottish Government has established a MIG Steering Group, whose
primary purpose is to define a MIG for Scotland and to identify and prioritise action for further
development and testing during the course of the current Parliament so as to support the delivery
of a MIG within current devolved powers. As such, the overall Scottish CBI pilot experience
did have a significant impact on policy development and public debate; we do not think that this
would have happened to the same extent, or as quickly, without the UBI/CBI pilot debate,
perhaps combined with the COVID-19 experience.

We conclude that despite not pursuing the CBI pilot, Scotland is on the road to somewhere, and
that – as Wilde (1892) put it – progress is the realization of Utopias.

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