The RSA Emergency Basic Income scheme: Cash now for the self-employed

Authors: Anthony Painter, Alan Lockey, Fabian Wallace-Stephens

This is part of the RSA’s series of short policy briefings on how to respond to the coronavirus now and build bridges to a better future as part of the recovery. For more information, see here.

Introduction
The government has announced that self-employed workers will be able to access a scheme similar to their plans for the employed, granting them 80% of recent earnings. RSA analysis finds that this does not go far enough, and calls for a basic income to ease the burden on those suffering from economic insecurity.

Key points:

1. The self-employed need emergency cash now. The government’s plan for the self-employed is slow, bureaucratic, and will take months to have an impact.
2. A body of evidence exists which suggests that a basic income could reduce poverty and inequality. We are calling for an immediate cash grant of £1,500 per individual, with £100 subsequent weekly payments for the next three months.
3. On top of a basic income, statutory sick pay should be doubled and available to all those whose income is primarily from self-employment.
4. The lowest-paid three-quarters of the self-employed would benefit from the RSA scheme. The RSA scheme most benefits self-employed workers earning beneath £20,000 when compared with an 80% income replacement scheme.

Scheme details

- Cash grants through self-assessment tax systems of £1,500 per individual then £100 per week for the next three months for those with income through self-employed work (e.g. does not include those who self-assess for property or investment income). The recipient would have to declare that self-employment was their primary source of income.
- Past modelling has shown this Basic Income approach reduces poverty and inequality. It also means that recipients can get cash quickly which is critical as we see, for example, construction workers continuing to work against advice, including from the Mayor of London.
- We note that almost one in four self-employed workers were already living in relative poverty before the coronavirus crisis according to the the Institute for Fiscal Studies (IFS). The RSA scheme most benefits self-employed workers earning beneath £20,000 (illustrated below) when compared with an 80% income replacement scheme.
- Individuals could still claim Universal Credit on top which doubles the weekly amount after five weeks. They can still claim housing costs on top. This is in addition to the
changes to Universal Credit already announced by the Chancellor such as removal of minimum income floor. All conditionality should be removed.

- We estimate that a single individual who loses all their income as a result of Coronavirus will receive £4,250 over three months, the equivalent to £17k on an annualised basis and 80% of £21,250.

- Three-quarters of the self-employed benefit from the RSA scheme over an 80 percent scheme and it is the lowest paid three-quarters.

- This scheme allows the self-employed to continue to receive income unlike the employment protection scheme announced by the Government last week – in which workers have to lose all your work and income to qualify for the scheme. As self-employed workers are able to go back to work following self-isolation, or as work becomes available, they could do so with the RSA emergency scheme. This is a major advantage. While the PAYE scheme discourages work, this scheme encourages it without workers feeling they must place their health and the health of others at risk.

- Child benefit should be increased to £50 per week per child for all families for three months initially.

- In the RSA scheme, which we have modelled on the conservative case of a lone worker, families would benefit considerably more as they claim the child element of Universal Credit and benefit from increased child benefit.

- Statutory sick pay should be doubled and available to all those whose income is primarily from self-employment.

- As there are still some outside the system, funds would be given to local authorities and large charities to support those vulnerable beyond tax and benefits systems.

- The estimated cost of these measures is £9 billion. One option for Government would be that some of that cost could be clawed back from higher earners over a period of time by treating the payment as an advance on tax and national insurance personal allowances.

- Work with the insurance industry, unions, professional associations, and worker support initiatives to create a portable benefits platform for gig workers.
Projected impact of the scheme

The distributional impacts of the RSA scheme as compared with an 80% income replacement with a cap of £30,000 gross income scheme is illustrated below:

Figure 1: Impacts of RSA scheme and Government's proposal by self-employment income bands, HMRC Survey of Personal Incomes, RSA Calculations. Numbers of workers are in ‘000s). Calculations are for a single worker household without children. Assumes zero earnings.

Our worry is that basing grants on 80% of average earnings over three years or even one will throw up too many anomalies given the changeable nature of year-to-year earnings of this segment of the workforce. This would leave some with very low incomes short, and may also prove to be too slow and bureaucratic. It will also discourage some who are fit and healthy from returning to work. The RSA scheme encourages work without placing the individual’s health and the health of others in jeopardy.

However, if the Government does take the 80% route, we would support it on the basis that it is action and that is needed now, as no route is perfect. There is a simpler, fairer and more direct way of acting under the RSA proposals using the self-assessment and Universal Credit systems.

Under the RSA’s proposals, which contain many of the key elements of a basic income, in the first month a single self-employed person would see a one-off payment of £1,500 plus £450, followed by £450 in months two and three, on top of Universal Credit and housing costs. Their
main source of income would have to be from self-employed work (and therefore would not include landlords, for instance). Families would receive more through Universal Credit and a proposed increase of child benefit to £50pw.

This would throw a much-needed lifeline to the self-employed suffering right now, with economic security working hand-in-hand with universal healthcare to protect our vital public services.

This approach would get money to the self-employed and gig workers fast, so they could stop work if they need to. It would benefit more than 80 percent of the lowest earning self-employed now at a level at least as generous as the employment protection scheme that PAYE workers can benefit from. All self-employed would receive the emergency Basic Income element and these means self-employed earning below the median wage enjoy as much protection as the Government’s employment protection scheme for PAYE workers. They would also still be able to work and receive top-up income if they were healthy and able to do so.

Annex

Figure 1: Impacts of RSA scheme and Government’s proposal by self-employment income bands, HMRC Survey of Personal Incomes, RSA Calculations. Numbers of workers are in ‘000s. Calculations are for a single worker household without children. Assumes zero earnings.

<table>
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<th>Self-employed income band</th>
<th>Number of self-employed workers (without employment income)</th>
<th>Average income across 3 months</th>
<th>80% model income across 3 months capped at £30K</th>
<th>80% replacement rates</th>
<th>RSA model 3 monthly income</th>
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For further information, contact: Fabian Wallace-Stephens. fabian.wallace-
stephens@rsa.org.uk