



The **UK** in a **Changing Europe**

Universal Basic Services

Jonathan Portes

King's College London & UKandEU

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UKandEU.ac.uk



How did we get here?

- Sharp rise in earnings inequality beginning in 1970s in most developed countries
- Translating into greater income inequality in 1980s and 1990s especially US, UK..
- Countered with higher benefit spending and public services in 2000s
- But since financial crisis this approach has stalled..
- Recent labour market developments: precarious work, job insecurity, low productivity

Looking forward: impacts technological and demographic change

- High levels of low-waged, low-skilled employment
- Low levels of job security and career development;
- High levels of “churn” for those in low-skilled employment
- Potential vulnerability of medium/high skilled workers in some sectors.
- Continued high levels of earnings inequality
- Difficulties in financing welfare state on current model
- Demographic pressures

Options

- Accommodation: back to the 1980s
- Redistribution: back to the 2000s
- Basic income. Simplifies and improves incentives, and removes work-related conditionality. But
 - expensive,
 - tradeoffs remain,
 - doesn't address disability or housing costs
 - Politically difficult/unsustainable

UBS: Rationale for providing public services

- Externalities and spillovers
- Economies of scale and scope
- Imperfect information, moral hazard, myopic decision making
- Common culture, citizenship and values

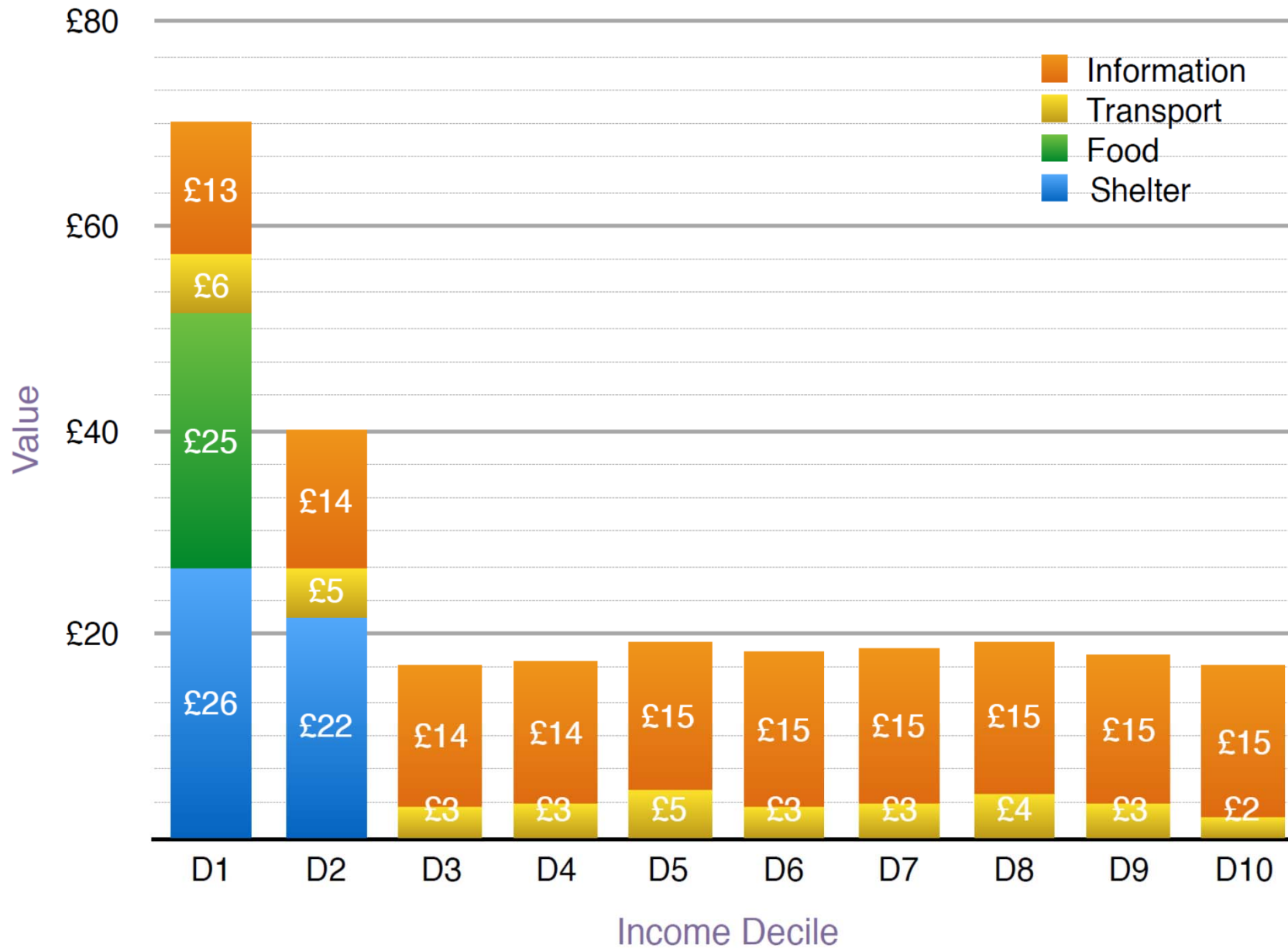
More broadly: role of the state is to ensure every citizen has the ability to participate fully in society: the “capabilities” approach.

(New) elements of UBS in UK

- Transport: extending “freedom pass” for local public transport
- Information: basic mobile, internet, and license fee
- Food: one-third of meals for the 2.2 million people experiencing “food insecurity”
- Shelter: 1.5 million new social housing units

Both progressive and affordable (2.3% of GDP, £42 billion – could reduce personal allowance to £4K)

Weekly Value per Household - Averaged across decile





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