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Gwilym, Hefin; Beck, David

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Austerity alive and well in Wales and UBI in intensive care

HEFIN GWILYM

Bangor University, UK

DAVID BECK

University of Salford, UK

Abstract

There have been many Universal Basic Income (UBI) pilots worldwide and a large literature has emerged outlining mostly positive findings but also acknowledging that no government has implemented the policy. In June 2022 the Welsh Government launched the UK's most important UBI pilot to date with young adults who have been looked after by the statutory care system (referred to as 'care leavers'). The pilot would be appraised by an ongoing rigorous evaluation process until 2025 with the results not fully known until 2027. However, even before the results of the evaluation are known, the Welsh Government has decided not to roll out a permanent UBI to care leavers after the pilot ends because of costs. We consider the implications of the Welsh pilot with special focus on continuing austerity and the cost-of-living crisis, and within the context of Welsh Government's commitment to the well-being of future generations. With another UBI-curious government deciding not to adopt it, it further undermines worldwide confidence in UBI as a credible policy.

Keywords

austerity, care leavers, UBI-Curious, welfare, well-being

Corresponding author:

Hefin Gwilym, School of History, Law and Social Sciences, Bangor University, College Road, Bangor, Gwynedd, LL55 2DG, UK.

Email: h.gwilym@bangor.ac.uk

Critical Social Policy 1–10

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Introduction

Wales is one of the four nations of the UK, and it has its own devolved government and elected Senedd (Welsh Parliament). The Senedd was created in 1999 (then known as Welsh Assembly) following the passing of the Government of Wales Act 1998. It has powers to legislate in areas such as health and social care, housing, education, transport, social services, language, and culture (Centre on Constitutional Change, 2024). Crucially, however, it does not have legislative competence over welfare despite having responsibility for tackling poverty. Social Security remains the responsibility of the UK Department of Work and Pensions (DWP) which has led on austerity measures. Wales has a radical political tradition as exemplified by its contribution to the building of the UK welfare state including Lloyd-George's pensions (1911), and Bevan's NHS (1948). More recently Wales has resisted privatisation through policies such as the abolition of the Right-to-Buy in social housing in Wales (Gwilym, 2021). Moreover, Wales has never sent a majority of Conservative MPs to Westminster and every Welsh Government in the Senedd since 1999 has been either a Welsh Labour Government or a Welsh Labour led Government wanting to demonstrate clear red water between Wales and England in social policy.

In the wake of the Covid-19 pandemic and the ensuing cost-of-living crisis, Wales finds itself grappling with the persistent spectre of austerity. Underscored by a decade-long real terms reduction in the Welsh Government's budget, standing at £24 billion in 2023–24, the Welsh Government posits that, had their budget grown in tandem with the economy since 2010, an additional £3 billion could have been allocated to public services and businesses in Wales (Evans, 2023). This budget cut, in real terms, comes at a time when poverty is on the rise due to the pandemic and the ongoing cost of living crisis (Hill et al., 2023). In this article we examine the shortsighted move by the Welsh Government to not take its work on UBI further, particularly considering ongoing austerity, a cost-of-living crisis, and against the backdrop of the Welsh Government's pledge to protect the well-being of future generations. The continuous pressure on the Welsh Government budget and real terms cut in the block grant from Westminster is Welsh Government's justification for jettisoning of UBI for care leavers in 2025 after the current pilot ends due to costs, estimated to be £528 million by 2035 if the UBI was rolled out (Clarke, 2023).

Wales: The promoter of well-being?

Westminster has taken an increasingly anti-devolution stance particularly since the premiership of Boris Johnson and has continued under Rishi

Sunak, as exemplified by Sunak's refusal to accept a phone call from the Welsh First Minister regarding the loss of 3000 jobs at the Tata Port Talbot steel works in January 2024 (Owen, 2024). It is also known that the intergovernmental relationship between Westminster and the nations including the Joint Ministerial Committee is problematic and characterised by mistrust reflecting a devolution phobia in Westminster (Mullen, 2019). The recent report by the Independent Commission on the Constitutional Future of Wales argued that the current constitutional settlement in Wales is not sustainable and offered three alternatives including the least likely, namely independence (McAllister and Williams, 2024). Moreover, the difficulty of divergence from Westminster in other policy areas such as adult social care has been critiqued recently (Tarrant, 2022). The UK is often portrayed as a single neoliberal state when in fact it's more accurately described as a polity of contestation between internal nations' variants of neoliberalism and the legacy of social democracy with aspirations by devolved governments for more future social democracy and social justice. Even the relationship between Welsh Labour and the UK Labour party exhibits these tensions with the Welsh Government wanting a greater role for the state in organising services while UK Labour is more relaxed about neoliberal mechanisms such as private finance initiatives (PFIs) to build hospitals and schools.

Wales is famous for high and intractable rates of poverty, reflecting long-term consequences of post-industrialisation and higher levels of chronic illnesses, and a relatively weak economy (Price and Leake, 2023; Welsh Government, 2023). In 2023, 21% of Welsh households were living in relative poverty according to Welsh poverty data which are published annually. There's every reason to expect next year's Welsh poverty rate to be higher since it will capture the ongoing cost-of-living crisis and end of the Universal Credit (UC) supplement. Child poverty is particularly acute in Wales, as both Wales and the UK have failed to eliminate child poverty by 2020, a target set by the last UK Labour Government (Elliot, 2021). In fact, evidence from Fitzpatrick et al. (2023) suggests that there are now more children living in poverty than there were before this target was set. Some parts of Wales have the highest levels of destitution in the UK, with areas of Cardiff identified as being the worst of all local authority areas in Wales. Destitution is defined as extreme or deep poverty where people cannot afford at least two basic human needs such as food, clothing and housing over a given period. The need for welfare is greater than ever, as the level of destitution in Wales is three times as high as it was pre-Covid-19 Pandemic (Cardiff University, 2021).

To ameliorate the worst effects of poverty and to effectively poverty-proof the well-being of future generations, the Welsh Government introduced the Well-being of Future Generations Act (Wales) in 2015. This act aims to improve the current socio-economic, socio-cultural, and environmental well-

being of all people in Wales across seven interconnected domains; a prosperous Wales, a healthier Wales, a resilient Wales, a more equal Wales, a Wales of cohesive communities, a Wales that has a vibrant culture and thriving Welsh language, and a globally responsible Wales (Future Generations, 2023). To do this, the act places duties on public bodies to think about the long-term impact of decisions and to act accordingly to maintain and encourage sustainable development. The act has the goal of promoting well-being indicators including healthy personal development, security of family life and accommodation, access to education and training and the right to contribute to society. It's no accident that these resemble the broad goals of the landmark Beveridge Report (1942) and reflect Wales's political tradition of collectivism and a positive role for the state in welfare service provision.

UBI-curious?

Defined by Basic Income Earth Network (BIEN, 2023) the premise of a UBI is that it is recognised by five irreducible areas that cover the elemental position of a UBI: firstly, the payment needs to be periodic, ensuring that it is paid in regular monthly or weekly instalments, and not as a one-off annual payment or grant. Importantly, these regular payments are paid in cash and paid directly into the individual's bank account allowing the individual to have full control over its use. Moreover, these cash payments are to be made universally to everyone, equally and unconditionally, meaning that everyone will receive it with no job-seeking obligations or means-testing. Clearly, a UBI as a policy mechanism, is one that fractures the binary and often punitive approach of means-tested welfare. However, its philosophy is one that cuts across dominant socio-political doctrines; a UBI is collectively organised and socially redistributed (Petersen et al., 2023); the money provides liberty (Fleischer and Lehto, 2019); it facilitates environmentally conscious and sustainable consumption (Howard et al., 2023); and works to dismantle many of the unnecessary wheels of bureaucracy (Graeber, 2019).

Retaining the tradition of radicalism in Welsh social policy making and addressing the high levels of poverty and social inequality experienced by care leavers across Wales, the Welsh Government in 2022 announced that it intended to pilot a support programme of Basic Income (Welsh Government's preferred term) for those leaving the care system (Welsh Government, 2022). Working with care leavers and aiming to provide financial support to young people as they transition into adult life, the trial runs until May 2025 and will be evaluated in stages up to 2027 by the Children's Social Care Research and Development Centre (CASCADE) in Cardiff University. It pays each of the 635 recipients £1600 per month (£1280 after tax), and it was open to anyone leaving care and turning 18

between July 2022 and June 2023. In accordance with the principles of UBI, the payment is unconditional and does not affect their eligibility for other benefits or services, or indeed employment. Thus, as we can see, the current trial in Wales has many tenets of a UBI insofar as it is paid in cash, individually and periodically, and that it is paid unconditionally to those care leavers involved in the pilot. Clearly where it falls short of a real UBI pilot is that it is not paid to all citizens of Wales (Universally). No real UBI pilot has ever existed since they have all involved a narrow section of the population explaining why the Welsh pilot is viewed as consistent with UBI pilots reported in academic literature and why the authors also regard it as an UBI pilot. In this article we are concerned about the Welsh Government's genuine commitment to a UBI and the well-being of future generations following its decision to discontinue with the payment to care leavers from 2025.

The announcement by the Welsh Government not to pursue UBI for care leavers after the end of the current pilot because of costs is proof that austerity post-Covid-19 is alive and well in the UK. It is unfortunate that the Welsh Government decided the fate of UBI for care leavers based on cost alone, rather than the evidence which will not be available until the findings of an evaluation are published after 2025. Moreover, this raises the question of the deradicalisation of the clear red water approach in Wales and brings Wales closer to the Westminster neoliberal approach to welfare and in line with the UK Labour Party which is UBI-sceptic (Labour Party, 2019). The evaluation would have determined the impact of UBI on income, health, education, employment, housing, and social relationships, policy areas which become major markers for the outcome of those leaving care. A recent Welsh Government report (2021) argues that care leavers are less likely to do well at school or attend further and higher education, are more likely to have greater health and housing needs, more likely to become involved in substance misuse, and are at significant risk of encountering the criminal justice system (Welsh Government, 2021). The move towards giving all care leavers in Wales a UBI was one aimed at lifting this group out of poverty and transforming their potential future outcomes, and one that hoped to inform future policy and practice on supporting care leavers.

As has been evidenced by Beck (2020), being in poverty is expensive. Describing the term as a '*poverty premium*' American Sociologist, Caplovitz (1967) adequately illustrated how the position of being poor also means being forced to pay more for the same goods and services than those who are not poor. We still see this happening across modern society, for example where the cost of car insurance is a postcode lottery, or where the use of pre-payment gas and electricity meters simply means that one is trusted less by one's provider and therefore need to pay in advance and at a higher rate (Beck, 2020). Moreover, and as argued by Power and Raphael (2018), when examined against a social determinants of health framework - assessing

living and working conditions, e.g., income, employment and working environment, housing, and food security - care leavers tend to experience higher levels of poverty premium and adverse health outcomes. Sinfield (2019) argues that preventing poverty now is greatly strengthened by the gains made to individuals, the family and to society, and avoids the very substantial costs of poverty remediation. Therefore, we argue that the imprudence of the Welsh Government in not continuing to make UBI payments in support of care leavers fails to secure their future health and well-being and is a decision that will certainly off-set the potential for poverty reduction in the future (Beck et al., 2024).

With one eye on the Well-being of Future Generations Act (Wales) 2015, the Welsh Government's decision to discontinue future UBI payments with care leavers seemingly does not reflect a commitment to supporting the long-term future well-being of those leaving care. With a second eye on the Well-being of Future Generations Act, a UBI needs to be understood exactly for what it is - a long-term policy, much like those proposed by Beveridge in the 1940s that saw the introduction of the social security system that was mostly universal and non-means-tested. A UBI, much like the education system, is a policy that invests in people now, for their future well-being, it is therefore one that reflects long-term policy making.

UBI also meets many of the criteria defined in the Social Services and Well-being (Wales) Act 2014, that places a legal framework for social services to be provided for people who need care and support. This act sets a statutory duty around well-being issues such as improved mental and physical health. With reference to evidence from pilot studies, we argue that UBI meets the criteria for well-being. Indeed, we argue that UBI meets more of these criteria than any other single policy can.

Conclusion

A truer reflection of the real cost of rolling out a UBI with care leavers would not be known until the evaluation of the pilot is completed in 2027; thus, coming to a premature decision might discount the long-term benefits of UBI in terms of health and social spending, and consequently, resulting in actual savings over the medium to long-term. Moreover, evidence from other pilot studies suggests that if the UBI is properly funded, for example through a progressive taxation system and government borrowing, a UBI becomes affordable (Reed et al., 2023). Maybe it's time for Wales to address the elephant in the room and have a serious national debate about further devolution of powers from Westminster that would allow it to chart its own course on social security. The willingness to raise income taxes to pay for a UBI for care leavers could then set a precedent. Income tax raising

is a power that the Welsh Government has but has never used. A simple one penny increase in the rate of income tax in Wales would raise £220 m per annum, more than enough to fund the UBI for care leavers (Hayward, 2022). This might be supported by the people of Wales since anti-welfare attitudes in the UK have declined in recent years (Academy of Social Sciences, 2024). The Welsh Government should pause on any final decision not to roll out UBI for care leavers and reflect on not just its own pilot findings, but also the findings from other worldwide UBI pilots, the intersections of which have all shown positive results. Otherwise, Wales is perceived as a victim of Westminster neoliberal economic hegemony and austerity.

Certain things about UBI have become almost uncontested because of years of pilots. It is now clear, on the balance of probabilities, that UBI brings positive benefits into the lives of ordinary people who have participated in the trials (van Parijs, 2013). Findings from most pilots say that participants' physical and mental health improves after receiving the monthly non-means-tested cash transfer from the state (Reed and Lansley, 2016; Johnson et al., 2021; Patel and Kariel, 2021). Likewise, the trials tell us that recipients use UBI wisely, investing in their education and training, buying healthier and better food, paying-off debts (West et al., 2021), or setting up a small business are typical examples (Hamilton et al., 2021). Few people waste UBI on drugs and alcohol and other negative behaviours the pilot results suggest. The trials have also enabled other possibilities such as supporting artists and musicians not to mention lifting recipients out of poverty.

It is ironic that the Welsh Government has legislated for the future well-being of its population but recently decided to end UBI for care leavers in 2025 when evaluation results might, and probably will, show that the policy is very effective at improving the lives of these vulnerable young people. As we have argued, a UBI addresses the socioeconomic factors that lead to poor health and saves the country a lot of money in the future if these young people are able to stand on their own two feet. This is why we conclude that to effectively tackle poverty and austerity in Wales, and to preserve the reputation of the Welsh Government as radical and reforming, it should continue its work on UBI. As we have identified, a UBI as an effective long-term social policy, risks being undermined as yet another government resorts to political short-termism without maintaining an eye on the big picture, and its commitment to the well-being of future generations.

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Author biographies

Hefin Gwilym has published on poverty and welfare policy in peer-reviewed academic journals. He has co-edited a book on social policy in Wales and contributed chapters to volumes on social work in Wales. Amongst his teaching areas are poverty and housing policy. Recent publications have appeared in *Social Policy and Society* and the co-authored book by Gwilym and Williams, *Social Policy for Welfare Practice in Wales* (British Association of Social Workers, 2021)

David Beck specialises in food poverty and Universal Basic Income (UBI). His work examines the politicisation of food banks, the lived experience of food insecurity, and the impact of welfare policies on food provision, and how a UBI could revolutionise this system. He is a regular contributor to policymaking in Westminster and the Senedd, with evidence submitted to select committees and APPGs. Recent publications have appeared in *Social Policy & Administration* and the co-authored *Researching Poverty and Austerity* (Routledge, 2023).