

# Universal basic income would fail to cut poverty, says OECD

FT [ft.com/content/82334db2-414d-11e7-9d56-25f963e998b2](https://www.ft.com/content/82334db2-414d-11e7-9d56-25f963e998b2)

28 May  
2017

## Universal basic income

Study concludes that introduction would bring tax rises and less effective support for poor



© Dreamstime

Chris Giles in London

May 28, 2017

79

A universal basic income paid at a flat rate to all citizens would fail to reduce poverty levels in advanced economies and require substantially higher taxes to fund its simplicity, the Organisation for Economic Co-operation and Development has concluded in a detailed study of the idea.

The prospect of swapping existing social support for a basic income has gained traction in countries as diverse as the US, Switzerland and France. Limited trials have started in Finland and the Netherlands although no country has decided fully to take the plunge.

Proponents of basic incomes argue that they would provide security for everyone in society, reduce inequality and provide insurance against robots replacing humans in the labour market.

These claims receive short shrift in the detailed modelling exercise undertaken by the OECD, the Paris-based international organisation that specialises in cross-national comparisons of policy ideas.

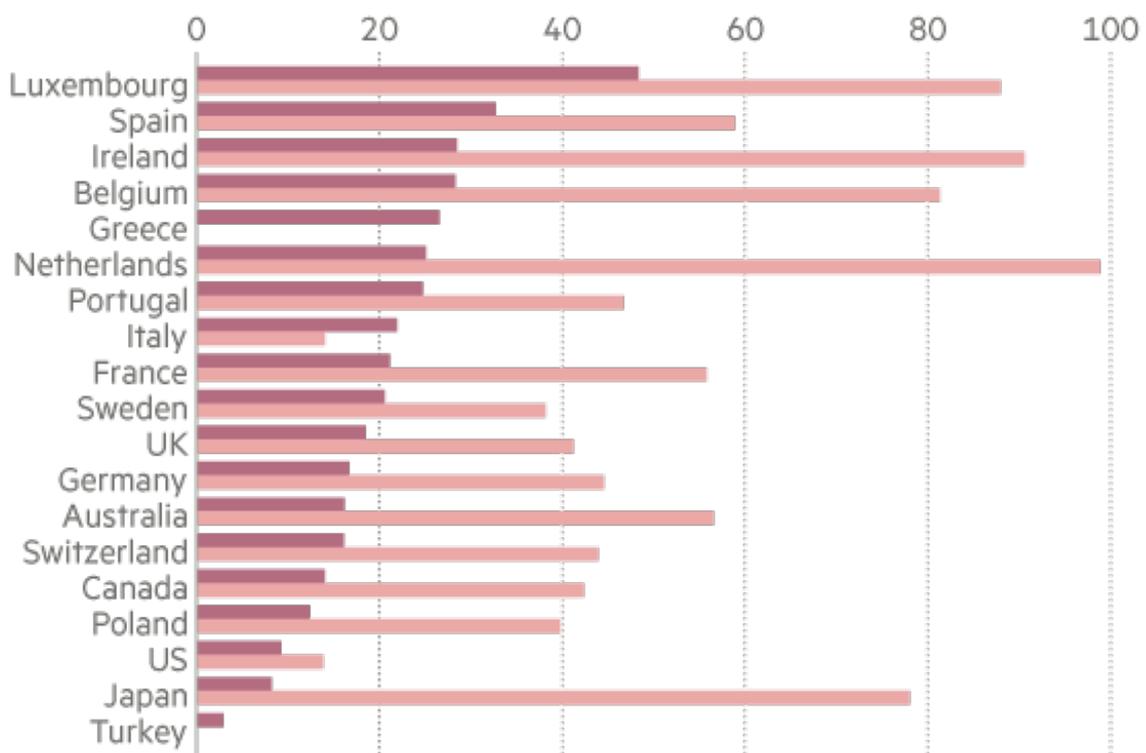
Its modelling shows the simplicity of basic income schemes would come at the cost of a need for large increases in taxation, less effective targeting of support on the poorest and large numbers of gainers and losers.

James Browne and Herwig Immervoll, authors of the report, say that basic incomes at a meaningful level “would require tax rises as well as reductions in existing benefits and would often not be an effective tool for reducing income poverty”.

## At current spending levels, a basic income would be well below the poverty line

Non-elderly benefit spending per capita and social assistance level for a single person as a percentage of the poverty line, 2013

- Per-capita benefit spending
- Social assistance benefit level (single-person household)



Source: OECD

FT

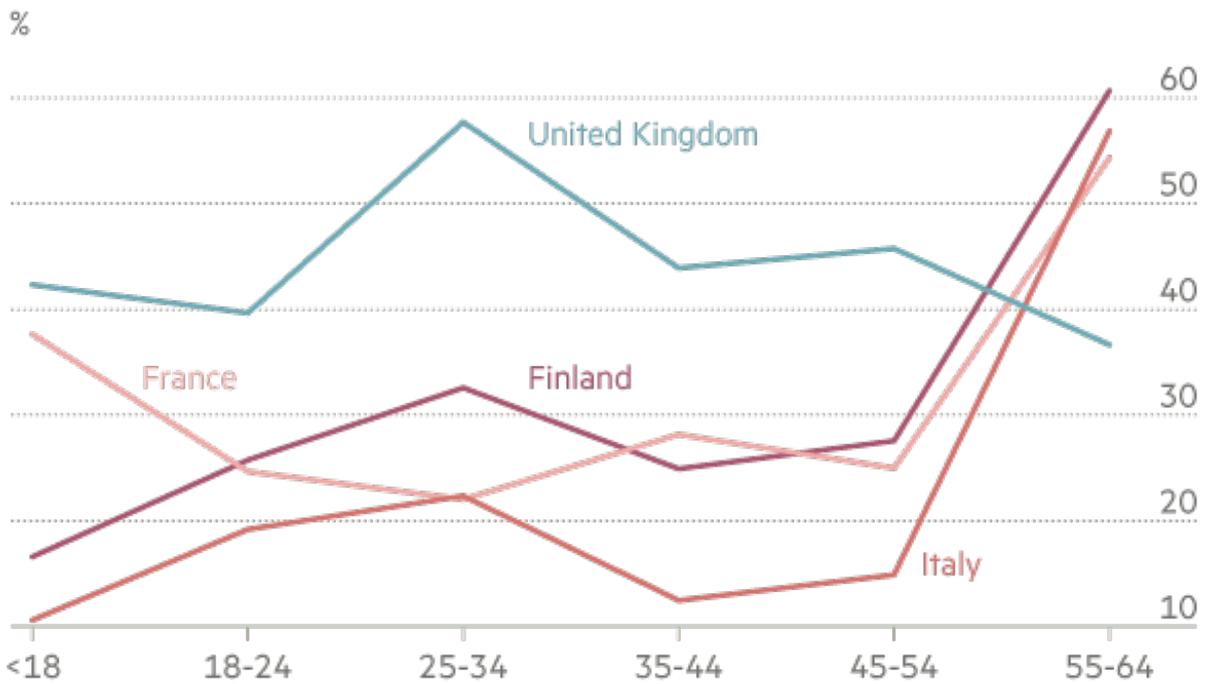
The study noted that social security systems in advanced economies vary greatly with some much more targeted on the poor than others. Social insurance systems, which pay out according to contribution histories, often provide significant incomes to higher-income groups, particularly in countries such as Italy with significant early retirement.

But if these varying systems and tax-free allowances in income tax systems were replaced by a single payment to all individuals under pension age, the OECD found that payments per person would be far below the level necessary to raise their living

standards above the national poverty line in all countries. Spreading out payments to people currently not entitled would lead to very low levels of income.

If instead a basic income were paid at the level of minimum guaranteed income in that country, higher taxes would generally be needed.

### Share of losers if benefits are replaced with a modest basic income by age



Source: OECD

FT

“Large tax-revenue changes are needed to finance a basic income at meaningful levels,” the report concluded. “Tax burdens would go up for most people as a result, further increasing tax-to-GDP ratios that are currently already high in the OECD area.”

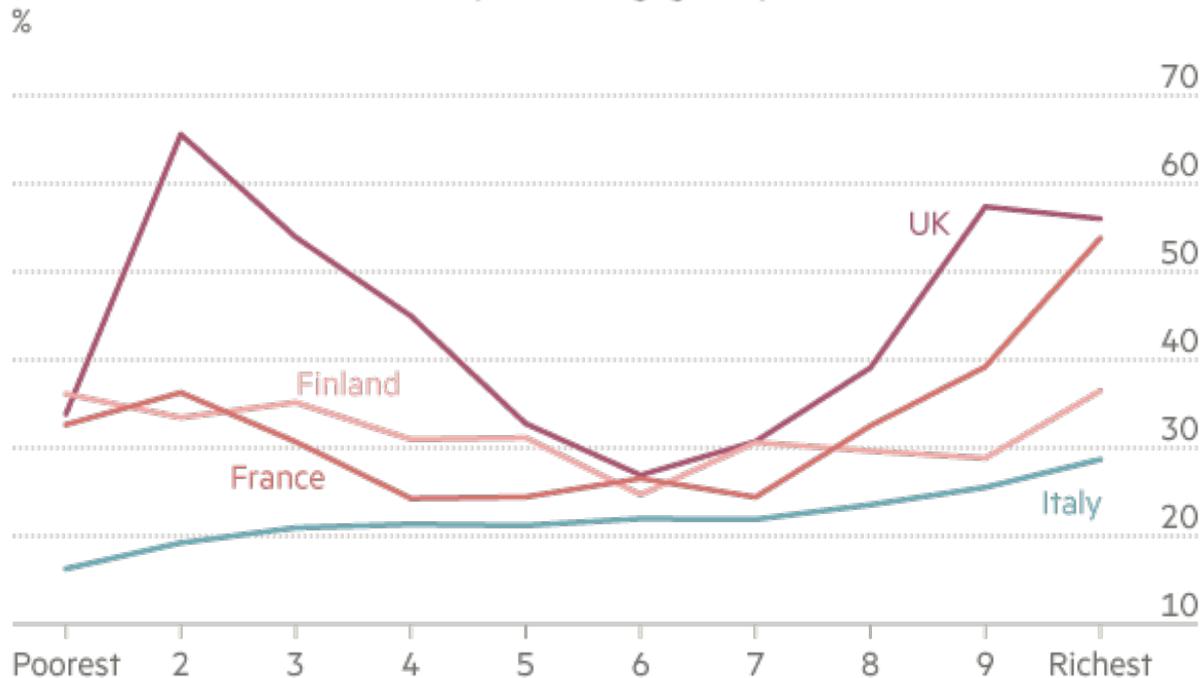
Italy and Finland were outliers among OECD countries. In both countries, a basic income paid at the level of the country’s existing guaranteed minimum income would result in national budget savings rather than costs.

Because everyone would receive a guaranteed payment, there would also be many gainers and losers, the OECD calculations find, with gainers across the income distribution depending on how social security systems work.

With a basic income less clearly targeted on poor families, poverty levels would rise in the UK, France and Finland and would be unchanged in Italy — the four countries studied in detail in the report.

The authors also expressed concern that the right to a basic income would undermine the incentives to work because it would “sever links between carefully balanced rights and responsibilities of job seekers”.

## Share of losers if benefits are replaced with a modest basic income, by earning group



Source: OECD

FT

Get alerts on Universal basic income when a new story is published

[Copyright](#) The Financial Times Limited 2019. All rights reserved.

[Reuse this content \(opens in new window\)](#)

[Information about Topic Tracker](#)

## Follow the topics in this article

Markets data delayed by at least 15 minutes. © THE FINANCIAL TIMES LTD 2019. FT and 'Financial Times' are trademarks of The Financial Times Ltd.

The Financial Times and its journalism are subject to a self-regulation regime under the [FT Editorial Code of Practice](#).