

Basic Income NZ Submission to the Productivity Commission

February 2020

This submission is from Basic Income New Zealand (Inc.), an organisation established to promote Basic Income in New Zealand. Basic Income New Zealand, is an affiliated member of the Basic Income Earth Network (BIEN).

While you reject a Universal Basic Income on cost grounds, we argue that a Basic Income, rather than a Universal Basic Income, is a cost-efficient way to guarantee people an income floor while increasing productivity. A Basic Income will provide resilience to unexpected economic shocks and the changes arising during the transition to a carbon-neutral economy in just 30 years.

The most efficient, cost effective, and just way to guarantee a minimum income floor at minimal cost is through a Basic Income combined with a uniform tax on all other income. The same income objectives can be achieved by other means, such as a negative income tax for those on lower incomes with progressively higher tax rates as incomes increase, in conjunction with benefits for those not in work, or by a means tested benefit for all that reduces as other income increases. However, the alternatives all involve high administration costs and are thus less efficient.

While Basic Income New Zealand is neutral on the exact values of both a Basic Income and the tax rates or tax system required to fund a Basic Income, the combination of a Basic Income with a uniform tax will require minimal additional funding if the value of the Basic Income is kept to a moderate level in line with that paid as a Jobseeker Support, and provide a fair and efficient way to address the rising inequality of opportunity. A Basic Income will simplify the benefit system by replacing or partially replacing many existing benefit payments and eliminating associated administration costs.

With the introduction of a Basic Income, the extra benefits required to maintain the living standards of the disabled or those needing similar extra financial aid will be maintained. We think a dignified life should be standard by which a minimum income is measured.

Benefits of a Basic Income include [Benefits]:

- Give people financial security.
- Allow people to take time to train or get further education.
- Allow people to innovate and start small businesses.
- Give workers a stronger voice in the workplace.
- Allow people to move to areas where housing is more affordable.
- Improve the mental health and well-being of the population.
- Provide protection from the worst effects of a recession.
- Stimulate the economy from the bottom up.
- Remove the punitive sanctions that confuse and disincentivise benefit claimants.

- Simplify and lower the cost of the benefit system.
- Reduce or eliminate tax avoidance and benefit fraud.
- Save taxes in not having to hire staff to monitor and prosecute “benefit cheats”.

Above all, a Basic Income eliminates the lost productivity that occurs when people are unable to reach their full potential when they are dogged by financial insecurity. Fear is a drain on human resources and does not goad people to working harder as some claim. as many would falsely claim.

You have rejected considering a Universal Basic Income on grounds of cost. We would, however, argue that a basic income, that guarantees an income floor, would be cost-effective and lead to increased productivity as well as providing resilience in the population for economic shocks that may arise unexpectedly and the difficult changes required for us to reach a carbon-neutral economy in just 30 years.

There are various ways to provide an unconditional minimum income, for example, a negative income tax that returns money through Inland Revenue to people who fall below a set limit or a progressive tax to claw back BI payments from high-income earners. Basic Income New Zealand is neutral on the type and funding of a basic income but believe it is the fairest and efficient way to address the rising inequality of opportunity in the country.

Such a basic income would not affect the extra benefits required to maintain the living standards of the disabled or those needing similar extra financial aid. We think a dignified life should be standard by which a minimum income is measured.

Benefits:

- It would give people financial security.
- Allow people to take time to train or get further education.
- Allow people to innovate and start small businesses.
- Give workers a stronger voice in the workplace.
- Allow people to move to areas where housing is more affordable.
- Improve the mental health and well-being of the population.
- It would provide protection from the worst effects of a recession.
- It would provide a way for the government to stimulate the economy from the bottom up.
- Remove the punitive sanctions that confuse and disincentivise benefit claimants.
- Save taxes in not having to hire staff to monitor and prosecute “benefit cheats”.

Above all, the lost to productivity when people are unable to reach their full potential when they are dogged by financial insecurity. Fear is a drain on human resources and not a goad to working harder as many would falsely claim.