



How would an independent Scotland best utilise a Job Guarantee and Universal Basic Income?



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SUMMARY

This paper considers the role of a Job Guarantee (JG) and a Universal Basic Income (UBI) would play in an independent Scotland.

The effects and causation of unemployment result in superfluous misery on those at the edge of the labour market.

- Scotland's real unemployment stands at over 320,000 people, which disproportionately affects women, the young, the disabled, and ethnic minorities.
- Unemployment has severe consequences for both the individual and social groups. This includes deteriorating mental and physical health for those unemployed, which can lead to social tensions between different groups in our communities.
- Unemployment buffer stocks, austerity and regressive behavioural economic policies from the national government are the largest driving forces creating inequality within Scotland's labour markets.

The JG is key to creating equity and stability within the Scottish labour market and wider economy.

- A JG with a 90% uptake would accept around 290,000 Scots within the programme, whilst generating 37,000 jobs in the private sector due to increased economic activity. The total amount of created jobs would increase Scotland's working age population participation by 10%.
- Based on the 90% uptake, a JG would cost £4 billion a year, which represents 2.2% of Scottish GDP. These costs can vary as the programme self-adjusts based on the status of the wider labour market. Further infrastructure costs could be incurred, depending on what employment communities seek to build locally.
- A JG would set an effective wage floor within the Scottish economy, setting new social standards for firms to meet. It would also create auto-stabilisation of labour flows between the private and public sector.
- Local community strategy and planning plays a key role in a JG. This would increase geographical equity whilst supporting struggling industries that lack financial levers

and resources.

UBI does have potential for an independent Scotland's social security system - but it is not a panacea.

- There is substantial evidence that localised UBI and similar cash-transfer programmes improve citizen's quality of life, including personal health, educational attainment, financial security, and crime reduction.
- Depending on the size of cash transfers, a UBI would reduce poverty between 280,000 to over 900,000 people. This would also reduce child poverty between 80,000 to 250,000 children.
- A low-cost UBI programme would cost an independent Scotland between £20-27 billion a year, with a high-cost programme costing below £60 billion. This represents between 15% to 35% of Scottish GDP.
- Research is noticeably lacking on national scale analysis, in particular the relationship between cash transfer sizes and labour market responses. Based on current UBI modelling, a large-scale cash transfer would severely weaken a new Scottish currency's exchange rate, even if the currency floats within markets.
- UBI may potentially harm immigration as new Scots would face high tax bills without receiving UBI until they've established their residency.
- Whilst most Scottish citizens gain from UBI, certain circumstances mean higher-income families are disproportionately better off, whilst low-income individuals and couples earning below the median wage are made worse off.

Both policies play a vital role to the Wellbeing Economy - but must be implemented in a way that does not sacrifice economic stability.

- A JG's price anchor, self-targeting and counter-cyclical impacts would support a smoother economic transition in the early years of independence, in particular increasing demand for a new Scottish currency and boosting the labour market.

- To enable long-term inclusive growth and stable productive activities, a JG must invest in long-term assets to avoid high turn-over. A JG must accommodate for skills-mismatching by offering on the job training for programme participants.
- A JG must offer a living, socially inclusive wage or above, with the options of full-time and part-time employment. These employment structures would be based on the principles of worker's democracy.
- A low-level BI should be implemented after the full mobilisation of a JG, phased out from low-income households to higher incomes over time. This would allow time for a JG to mitigate any potential drawbacks BI presents, specifically cases of BI forcing families into greater poverty.
- Once established, the Scottish Central Bank should monitor inflation levels and out-put gaps before considering any real term transfer increases. BI payments should be made on a bi-weekly basis to encourage safer consumption.
- The balance of BI transfer sizes and income eligibility should be determined on the success of social factors, such as reducing poverty and inequality.



EFFECTS OF UNEMPLOYMENT: AN EPIDEMIC?

Employment is a requirement to fully participate within society. Yet unemployment is a universal problem that exists in all corners of the globe – and is especially deep-rooted as a societal norm within Western economies. Whilst the causation and effects of unemployment are well documented, no society has fully grasped the social and economic pain its circumstances create.

Unless one escapes unemployment rapidly, unemployment can lead to a harmful cycle of scarring. Unemployment creates unemployability, as job providers most often accept seekers who are already within the labour market, even amongst equally matched candidates on the edge of the same market (Tcherneva, 2019). The longer an individual is unemployed, the less likely they will return to the labour market. It is not in the interest of the private sector to hire those on the edge of the labour market, which are most often marginalised groups.

Job seekers face deep mental health issues due to stress from a lack of social security. This disproportionately affects both old and young working-class men, who are often stuck within a family cycle of generational unemployment

caused by previous recessions (Blakely et al 2003; Gunnel et al 1999; Case & Deaton, 2017). Research from the University of Zurich has revealed that in the years between 2000 to 2011, amongst 63 countries within Europe and the Americas, one in five suicides were linked to unemployment – nine times higher than was previously thought (Nordt et al. 2015). Data for suicide attempts are even higher (Drapeau & McIntosh, 2015).

Deteriorating mental health further results in deteriorating physical health. Decreasing social security and isolation from communities can result in physical inactivity caused by declining self-worth. This isolation has been made worse due to lockdown restrictions during the Covid-19 pandemic (The Health Foundation, 2021). This declining physical health can include backpains, overweight, underweight, breathlessness, coughs, lack of appetite, muscle pains, inflammation and more (Hammarström & Janlert, 2002).

Unemployment can lead to cases of anti-social and violent behaviour. Many communities may face hundreds or thousands of job losses, without direct national or local state support, and in turn blame such circumstances on

immigrants. This behaviour is strongly linked to youth unemployment and extreme right-wing crimes rising across the US and Europe over the last decade (Falk and Zweimuller, 2005; Shihadeh & Flynn 1996; Miller et al 2007; Pauwels, 2021; Tcherneva, 2020).

It is women, the young, disabled, and ethnic minorities who are most likely to become victims of unemployment (UK Government 2021; Scottish Government 2021; Pew Research Centre, 2016). From a Scottish context, when considering those seeking employment and underemployment, Scotland's real unemployment rate stands at over 300,000.

When evaluating these impacts, Tcherneva (2020) suggests that unemployment shows the basic characteristics of a disease. This is down to various factors, primarily 1) a pattern and reoccurrence, 2) the severe impact on individuals and 3) regressive distributional effects on communities. Unemployment spreads within areas economic instability whilst causing severe harm to mass populations around the world. To establish the role of a JG and UBI, we consider the causations of unemployment.



CAUSES OF UNEMPLOYMENT: BEHAVIOURALIST, STRUCTURALIST AND POST-KEYNESIAN ANALYSIS

We adopt three frameworks to understand the full extent of Scotland's labour market challenges. This includes behavioural (problems with individuals) and structuralist (problems with economic structures) and Post-Keynesian Analysis (a macroeconomic perspective).

Behaviouralist analysis has historically been used to blame the unemployed for labour markets not meeting their full potential because of the individual's own characteristics. Therefore, the argument goes that onus is placed on the unemployed to change their behaviour (Mitchell, Wray and Watts 2019). However, by expanding behavioural analysis to consider the employer, service provider and national government, we find job seekers are constantly on the backfoot due to wider policy programmes.

Job seekers are limited by time constraints, resources and knowledge when searching for labour market opportunities. This requires a serious degree of research in a market of high complexity, which leaves many missing out on matching employment with their appropriate skill level (Babcock et al., 2012). Whilst service providers can support clients, long-term training for job seekers is not offered when searching for jobs that match their skill set. Austerity measures implemented by the UK government, including further pressures to "comply" with service provider targets, has

resulted in job seekers becoming increasingly demoralised. As a result, this has caused many to become economically inactive and has even resulted in malnutrition (ERSA, 2015). Further downward pressure is created when considering weak market signals through employer bias. Labour market signals have seen a greater appeal to individuals who are white and male (Bricese and Tan, 2018).

Further research has suggested a climate of distrust between employees and employers has created a psychological barrier when entering work. This often relates to disputes over wages not rising in real terms with inflation (Australian Government, 2017). Other disputes relate to contract inflexibility, which disproportionately places labour market participants with mental or physical health issues, parents, and young people at the edge of the labour market. This results in a greater number of short-term contracts and turn-over rates (Nannicini, 2006). Whilst short-term contracts support workers with transitional periods or briefly expanding their experiences in the labour market, a disproportionate amount harms wider labour market strategies (Huizen, 2014).

Within advanced economies, most job providers work within a competitive labour market framework. Whilst this framework was intended to maximise efficiency between seekers and providers, it instead has resulted in

a serious lack of data sharing. This harms the portfolios and opportunities for job seekers, further pushing them to the edge of the labour market (Rosenkranz, S. et al, 2017; Bricese and Tan, 2018). Overall behavioural factors are illustrated in figures 1 and 2.

A key component structuralists identify is the shift within the dynamic economy. With technological development, particularly with the development of Green New Deals around the world, old skills are left behind whilst new skills are in quick demand. Therefore, there will be a consistent group of workers unable to seek new labour market opportunities due to a lack of education and training. Even if most of these workers are trained, very few opportunities remain open to them (Mitchell, Wray and Watts, 2019).

The environmental structure of the labour market is too vast to ultimately overcome supply and demand issues. On the supply side issues can arise from skills mismatch; still leading to unemployment even when jobs are available. For a significant number of people, the mechanism that is meant to link supply and demand may not work effectively for them as an individual. For example, the availability and cost of flexible childcare can have a significant impact on people's opportunity to participate in the labour market (Bosworth 1992; CEDEFOP 2010; Gambin et al 2016).

Inflation targeting has played a major role in the creation of unemployment. National governments over the last forty years have deployed an unemployment buffer stock – creating a natural rate of unemployment. This is more commonly referred to as the non-accelerating inflation rate of unemployment (NAIRU). This policy is controlled through fiscal spending reductions and tight monetary operations (Kelton 2020; Tcherneva 2020). By placing emphasis on microeconomic changes, rather than a focus on aggregate demand, various policy packages are implemented including privatisation, deregulation, and government welfare reductions. The decrease in investment and the decline of workers skills allows for less future growth in comparison to increased economic activity within the domestic economy. (Mitchell, Wray & Watts 2019).

By combining sources of unemployment

through behaviouralist, structuralist and Post-Keynesian perspectives, this paints a whole policy package deemed the “Full Employability Framework”. This framework is made up of three pillars; market-based goals (inflation targeting, tight fiscal spending, compliance programmes), ameliorate market outcomes (deregulation, welfare-to-work, high earner tax benefits), and no natural citizens rights within markets (privatisation, individuals must improve their own characteristics, outsourcing public assets) (Klosse & Muysken, 2016; Mitchell and Muysken, 2008).

The policy values and macroeconomic analysis of the Full Employability Framework faces various drawbacks. First, this framework assumes that the government has no responsibility to ensure there is enough labour market opportunities for the domestic population. This is incorrect, as we further consider obligations agreed by the international community. Secondly, this framework also ignores the state's role in inhibiting aggregate demand, which in turn creates unemployment.

Policy Values and Instrumental Goals

UBI and a JG are policies that lift the basic rights of the citizens, as other policy institutions such as Scottish Education, the Scottish National Health Service, the welfare state, and criminal justice. Therefore, whilst both policies will be analysed for their macroeconomic impacts, neither policy should be expected to pay its own way (Alcott, 2013). Rather, this paper sets out three policy values: equity, cost-effectiveness, and human dignity. Whilst both policies share almost identical values, they are fundamentally different. UBI exists as a social security programme to provision for market failures, aiming to provide a better living standard. Rather than provision, the JG is a more directed macroeconomic policy that targets real unemployment and redefines work (Archibald and Sweden, 2020; Ehnts, 2019). Therefore, the primary instrumental goal of UBI would be to lift Scottish citizens out of poverty, whilst the JG's primary goal would be to reach full employment. This is not to say that both policies would not overlap in their goals – rather both may compliment the other.

Equity – The value of equity has been various policy expansions for over the last two decades. From a legislative basis, the Scotland Act

(1998) began major foundations of eliminating inequality, which can be summarised by the act itself by “the prevention, elimination or regulation of discrimination between persons on grounds of sex or marital status, on racial grounds, or on grounds of disability, age, sexual orientation, language or social origin, or of other personal attributes, including beliefs or opinions, such as religious beliefs or political opinions.”

Equality legislation was further developed by the Equality Act 2010 (Scottish Specific Duties 2012), which specifies further actions bodies may take to support equality. This includes building good social relations to all groups, whilst building opportunity that is equal for all individuals within a work/social environment. All bodies under this act must also encourage participation to disenfranchised groups where their participation is noticeably low. In the context of the labour market, encouragement and participation is a dead end if labour continually surpasses job opportunities.

Further to legislation, governing bodies are also guided by the Scottish Government’s National Performance Framework (NPF). The NPF presents three pillars that must be met for government policy to be deemed successful in supporting equality initiatives – purpose, values, and outcomes. The purpose, whilst self-evidently based on equality, specifically mentions the importance of “economic, environmental and social progress” (Scottish Government, 2021).

For outcomes to be successful it cannot simply be from self-set targets made by the Scottish Government, but rather that any result reflects the aspiration of programme participants. The NPF gives specific mention to the United Nations Sustainable Goals to support tracking and progression of promoting equality for all.

Cost-Effectiveness - Policy researchers have typically opted for “efficiency” as a policy value when analysing potential outcomes (Dunn, 2017; Mintrom, 2012; Weimer and Vining, 2017). This can include various definitions, most notably allocative efficiency (improving the lives of many without making the lives of others worse off) and productive efficiency (the delivery of a service at the lowest unit cost). Productive efficiency is naturally the most

common used definition when analysing policy, however this often comes with compromising values and potentially goals. Services that follow this definition will attempt to lock out service users who are either unproductive or are seen to be too difficult to work with. If this paper is to consider UBI and a JG as a service that upholds citizens basic rights, then it should not operate to minimise costs. Rather, “cost-effectiveness” allows policy comparison between the JG and UBI without compromising values (Spicker, 2019).

Human Dignity – The most fundamental policy value is one in which the citizen is respected by both their peers and the state. Within a Scottish policy framework this is best explored through the Scottish Government’s participation in the Wellbeing Economy Governments (WEGo) – a group of nations researching and developing policy around the Wellbeing Economy. Launched in 2018, the Scottish Government has began developing measures that look beyond GDP data with economic advisor Professor Joseph Stiglitz.

What are the main priorities to protect the wellbeing of Scottish citizens? When understanding how to utilise a JG and a UBI, policy implementation must include the following factors (Advisory Group on Economic Recovery, 2020):

- Policies must mitigate the consequences of scarring, due to causing long-term mental and physical health problems.
- IT and STEM skills should be developed with job seekers to allow equal access to future market opportunities.
- Promote Wellbeing at work and encourage social relations with colleagues to create a friendly environment.

By promoting values that fit with the Wellbeing Economy, both the JG and UBI could offer human dignity where the current labour market is severely lacking.

Figure 1: Labour Market Audit with Bottlenecks

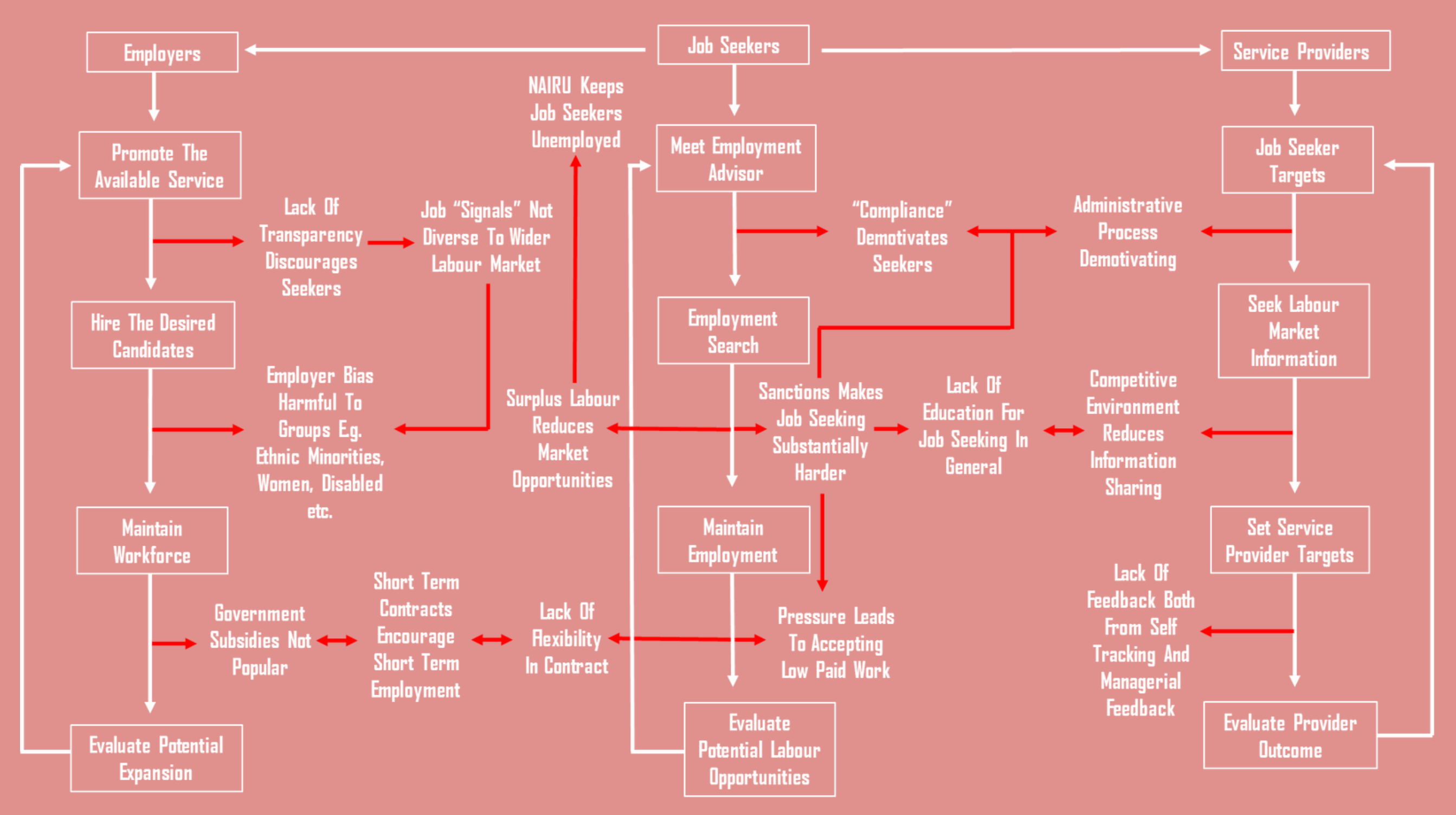
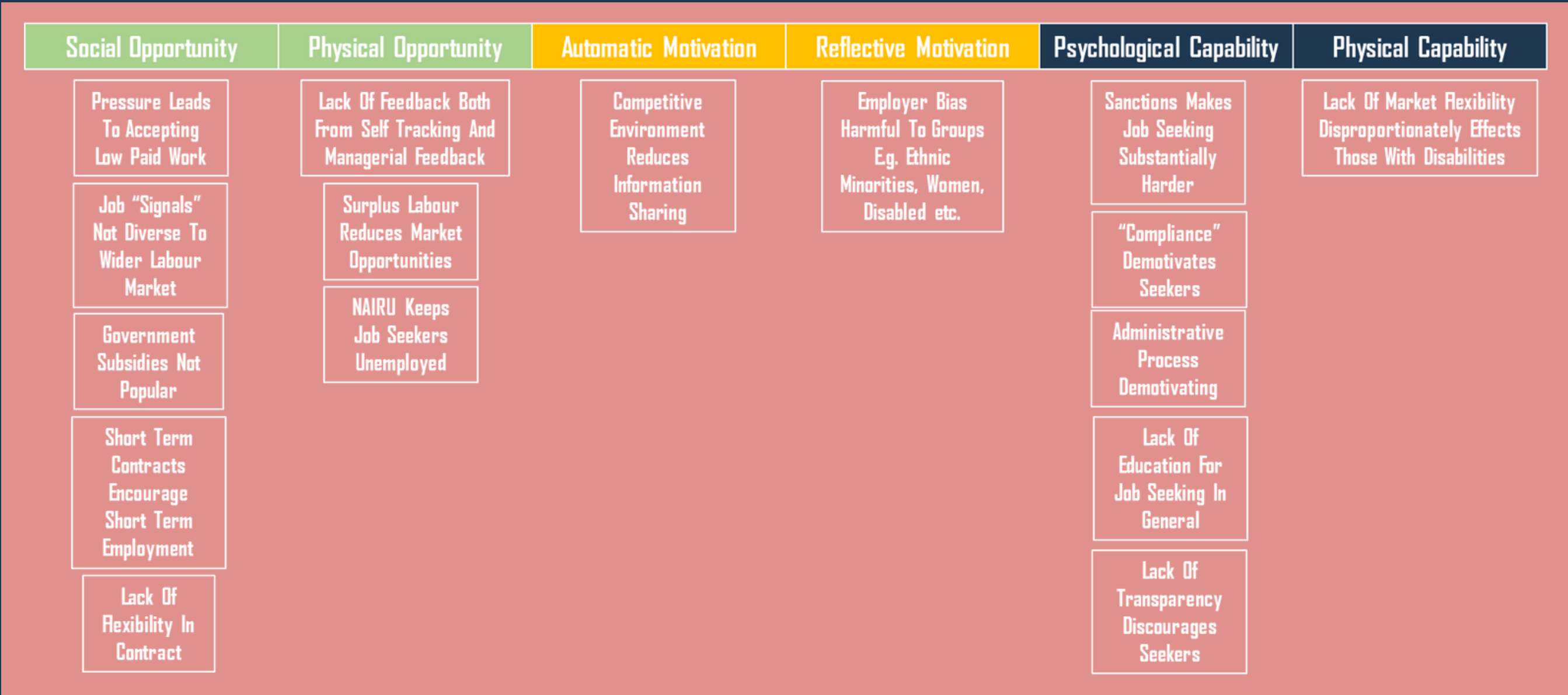


Figure 2: COM-B Behavioural Model - Unemployment



Note: The COM-B model (Michie et al, 2011) observes behavioural patterns of individuals when engaging with policy processes. Each factor is defined as follows:

Social Opportunity - Opportunity that involves people or organisations (culture and social norms).

Physical Opportunity - Physical parts of the environment being utilised (structure, finance and resources).

Automatic Motivation - Habitual and/or instinctive motives within the process.

Reflective Motivation - Conscious thought through the process (plans and evaluations)

Psychological Capability - A person's mental capability to engage with the process.

Physical Capability - A person's physical capability to engage with the process.

As shown in figure 1, there is intense overlap between various bottlenecks. This is also true for behaviour factors in the COM-B model. An in-depth analysis of these overlaps is beyond the scope of this paper but should be open to further research.

Full Employment, Poverty and Skills

Full employment within the realm of public policy has become blurred due to various definitions purposed by conservatives and neo-Keynesians. Whilst conservatives have typically tied full employment to conditions (such as stable inflation), neo-Keynesians more recently have assumed full employment to be a specific target of below 5%, still tied to the NAIRU framework (Krugman, 2009; Harvey, 2014). In recent months with increasing global inflation, former US treasury secretary Larry Summers has suggested that unemployment must rise to 7.5% in order to create labour market and price stability. Specific targets have most often taken precedence over the policy of ensuring employment is readily available for anyone who is wishing to seek it. The lack of clarity over the definition of full employment has meant academics have struggled to sufficiently analyse and promote the policy. Alternatively, supporters of full employment view the policy as synonymous with “the right to work” or “employment for all”, popularly advocated by the Black Lives Matter and other social justice groups (Black Lives Matter, 2016; Harvey, 2014). Therefore, the achievement of full employment through the Job Guarantee is the right of any Scottish citizen to secure employment.

To secure Scottish citizens the right to work, four dimensions must be considered – quantitative, qualitative, distributive, and scope (Harvey, 2007; 2014). The quantitative requires that enough jobs are made available in the Scottish labour market to allow seekers the free choice of work. Qualitative dimension creates socially inclusive working conditions, such as a living and socially inclusive wage within safe working conditions. All workers must have equal access to any JG programme, which represents the distributive dimension. Finally, those who have typically used their labour within non-waged sectors are entitled to rights of their waged workers. The scope dimension seeks to recognise labour that is typically ignored within economic data and the private sector. Further to this, any Scottish JG programme should also offer opportunities within a citizen’s community, whilst allowing them the platform to shape what this employment would be. These opportunities should offer both part-time and full-time employment, with no restrictions as to how often participants remain within the JG programme (Archibald and Sweden, 2020).

Poverty is better defined due to the work of the Scottish Government and Poverty Truth Commission. Whilst poverty is mostly determined by a household’s low income compared to the average family in Scotland. However, the line in which poverty is crossed is different for different households. For example, a single parent with two children is considered living in poverty if earning below £15,200 a year, whilst a couple with two children as considered living in poverty if earning below £20,500 a year (Scottish Government, 2016). This paper also rejects classical skill terminology which suggests there is a hierarchy of skills (e.g. low skilled versus high skilled). Rather, this paper holds the view that skills are relative differences in demand for different labour market sectors. This largely rests on factors around conditions of labour markets, programmes of government and the development of technology (Rathelot and Rens, 2017).

International Commitments

The Scottish Government taking an active role in creating an inclusive labour market is not just an obligation to be met domestically, but one which meets international standards. Most notably, the United Nation’s Universal Declaration of Human Rights cemented the right to employment in Article 23, which states:

“Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.” (United Nations, 1948)

Whilst other policies aim to mitigate the damages of unemployment, it is the role of the JG to uphold the specific right to work. In this context, government mitigation or free-market models are not sufficient to support basic human rights.

Further to this, building an inclusive labour market is of interest of the European Union (EU). The EU Commission’s 2008 recommendations to support those at the edge of the labour market specifically included three pillars: income support, access to quality social services and inclusivity in labour markets. EU member states are inclined to mix various policies from these pillars – with some interpreting the first pillar as a form of UBI, minimum income, or negative income tax, and the third pillar as some form of employer of last resort (Klosse & Muysken, 2016). Whilst the EU

Commission does not directly address the causation of inequalities within the labour market, and still uses elements of the Full Employability Framework, it is clear the principles can lead to a full employment policy model.

The Job Guarantee

The JG is a programme that offers all citizens willing to work a guaranteed wage and employment. The policy concept originates from the US civil rights movement, that specifically of America's first black women economist Sadie Alexander (Banks, 2008). Its modern policy design is expanded from Modern Monetary Theory (MMT), designed by Mitchell, Mosler and Wray (1998). Notable examples include Argentina's Plan Jefes de Hogar, the Swedish Rehn–Meidner model and India's National Rural Employment Guarantee. Despite the differences between the three economies, all showed similar results with declining poverty, labour market inclusivity, high satisfaction, declining household debt, and economic growth (Kaboub, 2007; Tcherneva and Wray, 2005; Esping-Andersen, 1990). The basic design for developed countries designates the government to fund and oversee the programme, whilst local government and non-profit bodies would act as employers. Whilst designs are similar, often there is different emphasis between economists and academics on the main principles and objectives of the JG (Mitchell, 1998; Wray, 1998; Tcherneva, 2020; Zygmuntowski et al, 2020; Archibald and Sweden, 2020). We outline these principles below.

Price Stability and Wage Floor – The JG represents one of MMT's major pillars on price stability: the state is the monopoly issuer of the currency, and therefore sets the price (Mosler, 2020; Levey, 2020). Governments issue currency to purchase labour (through the JG) and in return accepts currency in the form of taxation. Currency within private hands then flows through the private sector where prices are set. Whilst the private sector deals with relative prices, government spending through the JG sets the overall price level. This allows the state to have strong influence through private markets and would be a strong stabiliser during and after the transition of Scotland becoming an independent country. Further, the JG sets new social standards for employers to meet. Therefore, the JG sets a

wage floor, which the private sector must either match or surpass to attract labour towards the private sector. This was evident in JG models from Argentina (Tcherneva and Wray, 2005) and Sweden (Esping-Andersen, 1990).

Counter-Cyclical – The JG hires the first to be fired and the last to be hired within labour markets at a living wage. Therefore, there is no direct competition between the JG and the private sector. Instead, the JG works in a counter-cyclical manner. When wages and opportunities are growing in the private sector, the JG will shrink over time. When the private sector faces a recession, workers who are let go can be automatically supported by the JG. This creates an employment "Buffer Stock" effect and allows the JG to be anti-inflationary (Archibald and Sweden, 2020; Mitchell, 1998; Godin, 2014; Paul, Darity, and Hamilton, 2018).

Automatic-Stabiliser – In line with the JG working in a counter-cyclical manner, it allows government budgets to auto-adjust to match the climate of the labour market and wider economy. If the Scottish labour market sees continued stability, with a flow of workers from the JG to private sector, government spending will decrease. If there is a flow of workers from the private sector to the JG, created from a recession or other factors, then government spending increases. Therefore, the JG allows spending to specifically target economic instability (Archibald and Sweden, 2020; Romanchuk, 2020; Mitchell, 2000; Mosler, 1998).

Self-Targeting and Low Cost – The JG specifically targets areas in the labour market which are underutilised. The JG allows the use of labour, education, infrastructure, technology, and natural resources to be used in a manner to support local communities (Romanchuk, 2020). Due to the nature of the current labour market to discriminate and disproportionately harm vulnerable groups, the JG would primarily aim to support them. Further, the infrastructure for a JG already exists through various governmental public bodies to support unemployment, such as Jobcentre Plus. A JG would only require the expansion of current government resources. The total cost for a JG for developed countries would range between 1-3% of GDP (Wray, 2018; Tcherneva, 2020). From a Scottish perspective, the JG would be an expansion of the Scottish Government's Youth

Guarantee.

Scottish Job Guarantee Programme Model

Whilst principles and concepts for a Scottish JGP have been discussed in length, no specific model has yet been proposed. Therefore, this paper will propose a basic-cost model for a Scottish JG. To align costs with previously proposed existing UBI proposals, whilst noting irregular labour market disruptions with Covid-19 and inflation, our model will use pre-pandemic labour market and social security data. Future research should determine any long-term impacts Covid-19 would have on labour markets and its effect on a Scottish JG.

This paper's model combines unemployment and underemployment to capture an accurate rate, looking at Scots above the age of 16. Each JG participant would be entitled to equal or above the real living wage, which based on pre-pandemic data is £9.30 (Living Wage Foundation, 2020). For this paper's model, we propose a wage of £9.50 that offers unemployment of up to 37.5 hours per week.

Basic unemployment levels before the Covid-19 pandemic sat at 96,000 (Scottish Government Regional Labour Market Statistics, 2019) whereas underemployment sat at 211,200. This paper will assume a lower bound of a 90% uptake in underemployed participants, estimating a total of 190,000 participants. We would expect overall participation within the JG to be 286,000 individuals over ten years.

The JG would have minimal impact on social security and no individual benefit would be expected to be scrapped to help "pay for" the programme. We estimate a £172 million reduction in spending on the Job Seekers allowance (Scottish Government, 2018). Furthermore, the additional economic stimulus created by the JG will spill over into and increase employment in the private sector. This could see an additional 37,100 jobs created (Levy Economics Institute, 2018). This leads to a total of 323,000 jobs created both directly and indirectly from the JG.

When considering total job creation, this would increase Scotland's working age population (16-64) participating in the labour market by 10%, from 2,663,900 people to 2,987,000 (Labour Market Survey, 2019). This could further increase if seekers from economically inactive groups (such as students or "other") decide

to seek flexible employment to support their circumstances.

There would be an improvement in local government budgeting through raising incomes and increased macroeconomic activity. The results suggest that tax revenue and national insurance from JG employees would come to £588.6 million. When considering the wider economic activity, along with the increase in tax revenue we would expect an additional £687.6m increase in GDP (IPPR, 2017). This is based on existing values of Gross Value Added (GVA) in Scotland and previous works on a JGP by different institutions (SPICe, 2017).

Infrastructure already exists for administering the JG. We estimate that the JG will increase the overall costs by around 5%. With all the above factors considered, the estimated cost of the JG is £4.06 billion, which is 2.2% of Scotland's GDP. The projected increases in economic activity would increase GDP by 0.38% (GERS, 2019). We predict that this would increase and decrease on the basis of the performance of the private and public economy. What is key to economic stability is to provide a price anchor, which the JGP creates.

Finally, Scottish labour market intervention strategies must be designed to continuously benefit local communities. Over the last 20 years market interventions have shifted from localised initiatives that have been managed by the third sector, to national contracts given to large private international companies. Profits within these initiatives have stayed with private companies, instead of returning to local communities that have carried out most of the groundwork.

This model assumes all workers who participate within the programme are employed full-time. This is unlikely to be the case and will depend on the wider nature of the labour market and wider government policies. Further, scrapping legacy JSA does not consider Universal Credit payments related to unemployment. There is little data determining UC payments in relation to unemployment. This could significantly reduce costs when running a Scottish JGP. However, any JGP model that involves decision making processes, from either community councils or through co-operatives, could result in larger community projects with an increase in infrastructure demand. Therefore, this could increase infrastructure costs. Whilst there a

Figure 3: Summary of a Scottish JG Model (2018/2019)

	Cost		Return
96,000 Unemployed Participants	£1.5 billion	Scrapping Jobseeker’s Allowance	£172 million
190,000 Underemployed Participants	£3.07 billion	Increased Tax Returns and National Insurance	£588.6 million
Increased Infrastructure Costs	£164 million		
Total Costs		£4.06 billion	
Total Cost % of GDP		2.2%	

limitations to determine a precise cost, most studies suggest that JG operating in developed economies cost between 1-3% of GDP. For Scottish 2022 Q2 GDP figures, this would be an estimate of £1.7 billion to £5.4 billion.

Employment Structures

It is not enough for the state to offer employment at the point of need. Any JG model must consider the limitations within the structure of private firms. Most private firms within Scotland are typically separated between the owner, manager and worker, or typically a mixture of the two former actors. Any Scottish JG should instead model itself on the principles of worker’s democracy. A democratic job structure has various models, including worker cooperatives (one member one vote), worker shares (owning part of a private firm), and worker representation (workers represented on firm boards). These models will vary in the size of worker representation and hierarchies, but all share the same democratic principles. These principles compliment that of the JG, in particular the ability for local communities to have a say in the employment they seek.

Whilst democratic job structures vary, they produce similar and positive results for employees and wider labour markets. Democratic job structures stabilise the flow of labour within markets, as workers are less likely to leave both voluntarily (Blasi et al, 2016) and involuntarily (Pencavel et al, 2016; Burdin and Dean, 2009). Because of worker representation on boards or within ownership, this decreases inequality within workspaces (Burdin, 2015) and has resulted in increased trust within work environments and employers (Sabatini et al, 2013). Democratic job structures also result in workers putting in greater effort within workspaces (Melizzo et al, 2014) and increased business survivability (Murray, 2011; Stringham and Lee, 2011; Burdin, 2014; Monteiro and Stewart, 2015). Most notably, firms with democratic job structures see similar productivity and investment of that of highly centralised and non-democratic firms (Fakhfakh et al, 2011; Straume, 2018; Maietta and Sena, 2008).

Not only should local communities within a JG shape employment, and in result their local economies, but also decide the model of

worker's democracy. Certain models will benefit certain communities based on their population sizes and resources.

Further Considerations

Previous JG models have placed greater emphasis on job transitioning between various markets and environments or have relied heavily on cooperation with private interest groups looking to increase profit margins. For example, The Alloa Initiative showed the benefits of guaranteed employment and satisfaction of job seekers, but this was largely dependent on the private sector to create these opportunities and work with local councils. Further, the Alloa Initiative would not offer further employment guarantees after employees had left their roles and did not allow job seekers to choose a wide range of labour market opportunities that might best suit their skills (McQuaid, Lindsay, and Greig, 2005). For any JG model to be effective, it must offer continuous services for guaranteed employment. This requires any model creating long-term assets to be effective – prioritising opportunities that allow for long-term contracts, whilst still offering short-term and part-time contracts for those who seek it (Sturgess, 2016).

Whilst the service of a JG would support basic unemployment, it does not necessarily guarantee that seekers will match with opportunities that match their skill level. Workers may also wish to accept labour market opportunities that do not match their skillset. To avoid these mismatches, a JG must offer on the job training to participants who wish to expand their skillset and take on new opportunities. This allows for a more highly skilled workforce in Scotland's labour markets and would save training and transition costs for those who later enter private labour markets.

Critics have suggested that regardless of the effectiveness of a JG, any model would create a large degree of stigma. By targeting a certain population at the edge of the labour market, this could create regressive market signals and could possibly discourage participation within the programme. This is not just unique to a JG, but also other fiscal transfer and subsidy programmes (Nunn, O'Donnell, and Shambaugh, 2018). Whilst this makes sense in theory, this is not apparent in various case studies of both older employment guarantee programmes or modern JG models (Archibald and Sweden,

2020; Tcherneva, 2020). Further, participants would have direct say on local economic outcomes based on employment opportunities of their preference. This not only encourages market participation, but also democratic participation.

The most cited critique of the JG is the potential danger for a wage-price spiral, either because of increasing demands from labour, capacity constraints within the programme or because of the structure of the wider economy (Sawyer, 2003). This is often compared to the wage-spiral of the 1970s that only increased poverty and income inequality. However, the comparison to the 1970s is largely too simplistic, due to the wider global context of the US's declining exchange rate, Keynesian policy shifts and Monetarist organisation (Archibald, 2021). Further, modelling (as well as case studies) has continuously found that, compared to current and Keynesian Demand Spur models, the JG sees the Gini coefficient decrease (Godin, 2014).

Universal Basic Income

UBI is the unconditional financial transfer from government bodies to domestic citizens. Whilst various UBI models have been discussed as far back as the 16th century, it was first popularised by British academic Bertrand Russell in 1920 by combining the principles of socialism and anarchism. This would later be considered by the Beveridge Committee in 1945, led by Rhys-Williams who would later propose the first negative-income tax model (Fitzpatrick, 1999; Sloman, 2015). Whilst there are large variations of localised case studies, no state has yet implemented a national model. Notable case studies include Finland's Kela programme, Alaska's Permanent Fund, Kenya's Unconditional Cash Transfer and Canada's MINCOME. The outcomes for UBI case studies share almost universal results which are generally positive, including increased mental and physical health, declining poverty, declining crime rates, and a slight decrease in labour market activity (Robins, 1985; Prescott et al, 1986; Forget, 2011; Calnitsky, 2016; Haushofer and Shapiro, 2016; Kangas et al, 2020). It is worth noting that a reduction in labour market activities (from full-time to part-time) has often resulted in individuals seeking further education or parents spending further time with family. UBI has a wide degree of principles due to the varying designs, localised case studies and support from a range of political

and economic schools of thought. This paper will touch on the main principles.

Individualism – The lack of social security often leaves individuals trapped through various social and economic conditions they cannot escape from. This could be from detrimental family situations, exploitative work environments and the inability to access higher education. However, a UBI programme would reduce private debt risks and support individuals transferring from their current conditions. Further, a UBI allows individuals to move forward with self-employment or wider business plans. If an individual works within a regressive or abusive labour market, UBI payments allow for a smoother transition to other opportunities (Parijs, 1998; Dalzell, 2017)

Better Administration – The UK welfare system is arguably one of the most complicated and hierarchal systems in the developed world. This often leaves many falling through the social safety net, whilst inadequately supporting those who need further assistance. Further, the administration process for means-testing benefits is often three times as expensive as universal benefits (McKay and Sullivan, 2014). A universal model reduces the net-cost of administration whilst reducing the amount of claimants falling through the system. This is because there is less risk for human error or the process to implement sanctions on individuals. Further, this also decreases the chance of fraud (Dalzell, 2017).

Automation – One of the defining characteristics of modern productivity is the increase in automation, which UBI advocates argue results in technological unemployment. When looking at employment through a competitive market framework, automation is an almost perfect substitute for humans. Automation allows for greater productivity levels to any human whilst requiring no income or sleep. The result is increasing unemployment and lower wages for people. UBI advocates argue that it should be for the state to place high taxes on capital and then redistribute the income through a UBI programme (Ford, 2009; Kaplan and Haenlein, 2019)

Moral Design – Means-tested benefits creates a cultural framework of the “them versus us”, specifically for those who receive benefits and those who do not. The stigma surrounding this culture

often discourages many of those entitled to benefits to step forward. Further, this also encourages those who don’t receive benefits to lobby for benefit reductions for claimants because they are deemed undeserving (Goodin and LeGrand, 1987; Korpi and Palme, 1998). However, a universal benefit that all citizens receive is more likely to be accepted by the population. By basing a benefit as a universal basic right, it is harder to lobby for its removal (Parijs, 1992).

Scottish Universal Basic Income Models

Various UBI models have already been proposed by policy and economic think-tanks for Scotland. This paper will consider three in-depth models from the Fraser of Allander Institute (2020), Reform Scotland (2016;2020), and Common Weal (2017).

Fraser of Allander Institute (FAI) – The FAI presents the most detailed and expansive model for Scotland implementing both a low-cost (£27 billion) and high-cost (£58 billion) UBI programme.

A low-income model was costed through the abolishment of means-tested benefits, Carers Allowance and Child Benefit (£4 billion), a reduction in the the state pension by the amount of each pensioner’s UBI payment (£6.3 billion) and abolishing Personal Allowance for income tax (£9 billion). To make up for £7 billion shortfall, the FAI proposes an 8% increase of all income tax bands. These costings are similar to that for the FAI high-cost proposal, except income tax would increase by 39% on bands one, two and five, 44% on band four, and finally 49% on band three.

On a low-income model, the FAI estimates a reduction of people in poverty (baseline of 21%) by around 280,000 (5.4%) and a reduction of children in poverty by 90,000 (9%). The high-income model had a substantially stronger effect, with a reduction of people in poverty by 910,000 (17.3%) and a reduction of children poverty by 250,000 (25%).

Reform Scotland – The model proposed by Reform Scotland, whilst less detailed, has been the most cited by politicians and offers the lowest costs compared to the three models. Reform Scotland propose all adults would receive an annual payment of £5,200 and children below the age of 16 would receive an annual payment of £2,600. The total cost for

Figure 4: Summary of Scottish UBI Models

Think-Tank	Gross Cost	Net Cost
Fraser of Allander Institute (Low-Cost UBI)	£26.7 billion	£0.1 billion
Fraser of Allander Institute (High-Cost UBI)	£57.8 billion	£0.0 billion
Reform Scotland	£20.4 billion	£2.06 billion
Common Weal	£24.5 billion	£7.780 billion

Figure 5: FAI Weekly UBI Values (2019/2020)

Age Band	Low-Cost UBI	High-Cost UBI
0 to 15	£84.54	£120.48
16 to 19	£84.54	£213.59
20 to 24	£57.90	£213.59
25 to Below State Pension	£73.10	£213.59
State Pension and Above	£163.00	£195.90

Figure 6: Common Weal’s Annual and Weekly UBI Values (2016/2017)

Age Band	Annual Payments	Weekly Payments	Cost
0 to 15	£3,484.50	£67.01	£3.592 Billion
16 to 64	£3,801.50	£73.10	£12.757 Billion
65+	£8,091.50	£155.60	£7.953 Billion
Running Costs (1%)			£243 Million
Net Annual Cost			£24.546 Billion

such a proposal would be £20.4 billion a year. The authors of the report suggest savings from scrapping certain benefits (£3.6 billion), scrapping personal allowance (£5.2 billion), merging National Insurance and Income Tax (£4.01 billion) and, similar to the FAI, raising income tax on all bands by 8%. This would mean the starting rate of income tax would take 39p for every penny earned. This totals to £18.34 billion and leaves the net cost to £2.06 billion a year.

According to Reform Scotland, all those earning an income between £5,000 to £26,000 would be net beneficiaries. These benefits would be scaled upwards, with higher earners being worse off. For example, an individual earning £12,000 a year would be better off by £1,152.80, whilst a top earner with £100,000 per year would be worse off by £11,726.20.

Common Weal – The Common Weal UBI model is considered as a wider part of reforming Scottish social security, but still offers an in-depth look into their proposals. Common Weal takes a pricing level approach from the Institute of Policy Research (IPR), whereby UBI payments would approximately match that of the benefits it replaces, whilst retaining certain means-testing benefits (such as disability payments) for specific circumstances.

By scrapping the State Pension, Child Benefit, Child Tax Credit, Job Seekers Allowance and other benefits, approximately £16.6 billion is saved, leaving Common Weal's UBI model with a net cost of £7.780 billion. Common Weal consider various proposals from the IPR, including a mix of National Insurance set at a flat 12%, income tax bands increasing to 28%, 48% and 52% (prior to the devolution of Income Tax), withdrawing personal allowance and a flat income tax of 33% across all rates. These rates and proposals would vary, depending on Scotland's tax base.

The net-impact of these proposals (excluding a flat income tax of 33%) would see all individuals earning between £11,000 to £30,000, more than 70% of earners, being net beneficiaries. This would be roughly proportional to the level of income earned, with an individual earning £11,800 gaining an extra £1,011 a year, whilst an individual earning £159,000 a year would be set to lose £12,188.

Further Considerations

Whilst UBI lifts a significant percentage of people out of poverty, circumstances exist where certain households on lower incomes are likely to lose out, whilst higher income households disproportionately benefit. When considering UBI modelling from Reform Scotland, an individual worker earning below £20k a year would only see a benefit increase of under £100 a year, whilst those earning £25k would be £315 worse off. For higher-income households with children, they would see a benefit increase of over £3,000 a year (PPRG, 2020). Similar findings were found within the FAI's model. For example, a low-income couple with one child would be worse off, due to losing their Universal Credit and paying more in income tax. Meanwhile a higher-income couple with three children would effectively earn five UBI incomes and be a net beneficiary, despite income tax increases (FAI, 2020). There is no opt-out of UBI, therefore the state would be forcing certain low-income families into increased poverty or limited changes, unless a means-tested system was offered to support those falling through the programmes security net.

The UBI viewpoint of technological unemployment is not sufficiently backed up by data. Economic data indicates that every time there has been technological growth, labour demand has increased, and there is little evidence to suggest automation in the 21st century will increase unemployment (Lonergan & Blyth, 2020). Further data from the EU indicates that compensation towards employees has flatlined overall. However, it is worth noting this data also saw labour remuneration increase in countries such as Sweden, Germany, Austria, France, Estonia and Bulgaria (Dachs, 2018).

Who would be applicable for UBI transfers? There have been various suggestions that a UBI model should apply based on various tests around citizenship, residency, educational attendance, and criminal background (Ackermann and Alstott, 2004). However, these suggestions undermine the main principle of UBI of removing the “deserving” versus the “undeserving”. Any “test” for those to be applicable for UBI also undermines the secondary pillar of “simplicity”, which would increase costs through further means-testing. Further to the above concerns, immigrants

coming to Scotland may not be eligible to UBI payments but will immediately face a massive tax burden. This would be an incredible disincentive for immigration and not align with the Scottish Government's more inclusive approach to foreign policy (PPRG, 2020).

The most frequent concern for UBI models is the level of cost, which range between 15-35% of GDP. In the context of Scotland becoming independent, a high-cost model would place a substantial strain on a new Scottish currency's exchange rate, especially if productivity does not match the level of spending to support UBI. Many UBI advocates argue for a phased-in period, either by age, income or geography, to mitigate any macroeconomic disruptions (Standing, 2017). Analysis further suggests a high-cost universal roll-out could create regressive redistributive factors. The Marginal Propensity to Consume metric suggests higher income individuals and households can use their increased income to invest in shares, stocks and real estate. This could further raise prices in certain markets and lock-out lower income households. There also exists the risk of private employers cutting wages and increasing prices in response to citizens receiving a guaranteed income (Cowling, Mitchell & Watts, 2006; Tcherneva, 2018).

This leaves open the option for partial schemes by removing "universal" to create a Basic Income model. However, this would reduce the positive factors around health, education, productivity, and poverty reduction to a degree (Martinelli, 2017). Further, the removal of benefits to reduce net costs can have regressive consequences. Benefits apply to a wide range of circumstances and therefore cannot be done within the same terms. Therefore, a Basic Income scheme risks falling into the same traps as Universal Credit (Pinker, 2018).

Finally, the response to the UBI transfers size and frequency is key to understanding what level of UBI is cost-effective. Due to the range of case studies on UBI models from varying macroeconomic contexts, it is difficult to model or analyse responses to cash transfers on a national level. Only 7% of case studies on UBI have considered the impact on the level between different transfer sizes, and therefore requires substantial more research (JFI, 2020). There is more data on the frequency of payments of UBI. Based off analysis that looks

at consumption, bi-weekly or monthly payments are most likely to support smoother consumption, in particular with maintaining a healthy food supply (Haushofer and Shapiro, 2016; Riccio and Miller, 2016; Dorsett, 2019; Guettabi et al, 2019). Transfer payments made on annual or bi-annual periods are more likely to encourage the consumption of durables, which does little to support households with savings or credit restraints (Aldangady et al, 2016).

Policy Recommendations

Based on the above modelling, case studies and principles, we conclude that the JG meets the necessary policy goals and values, whilst UBI meets most of them. Both policies are designed to uplift the most vulnerable groups within labour markets and social security programmes, with case studies showing the clear benefits brought to individuals and wider society. None of the policies would breach equality legislation. The JG and UBI support efforts made by the Scottish Government to develop a Wellbeing-Economy. Both the JG and UBI reduces unemployment scarring, mental/physical health issues and socialisation, whilst the JG allows for the development of skills within a constantly changing labour market. Where both policies diverge is cost-effectiveness. The JG has the potential to lift thousands from poverty at one-fifth of the cost for a low-income UBI. To reduce net-costs for UBI, models have often heavily reduced already existing benefits, but this in turn risks individuals in certain circumstances falling into deeper poverty. This same problem also applies after tax adjustments, as seen within Reform Scotland and the FAI models. Whilst local case studies show the social and economic benefits of UBI, these benefits are heavily undermined once national costs are considered.

Assuming the two-year transition period for independence begins from the end of 2023 (Sustainable Growth Commission, 2018), we recommend JG bodies be established in this time to be ready between 2025-2026. We further recommend that a low-cost Basic Income model be developed during this time, but not implemented until 2028-2029. A low-cost BI should allow the JG to create labour market stability in the years after independence, with a gradual phase in once currency exchange rate fluctuations have eased. We outline our recommendations below.

Job Guarantee Recommendations

Based on the above evidence and principles, we recommend the following bodies are created to deliver a JGP:

Scottish Employment Agency – The direction of a JGP will be directed by the Scottish Employment Agency (SEA). SEA will ensure key targets are met within the programme, whilst managing available national infrastructure and wider resources available to provide for JGP participants. SEA will work with Regional Employment Networks (REN) coordinating data on the flow of labour and resources. In gathering this data, SEA would be responsible for liaising with local councils, Third Sector groups, the NHS, and academic bodies (such as the Training and Employment Research Unit at Glasgow University), ensuring environmental, community and people-orientated objectives are met.

Regional Employment Networks - The REN will service the needs of the communities within their region. It will consist of teams of specialists who develop and support the performances of the JGP. Liaising closely with local government, groups, and authorities with a stake in the design and delivery of proposed services within their regional constituency, the REN would coordinate and support the JGP system. In particular, the REN would also work with Local Employment Services (LES) to monitor and evaluate their objectives. Furthermore, the REN would be responsible for the regional data collection and market labour analysis, feeding back to the SEA to make more effective decisions. From this research, the RENs would determine the projected skill formation requirements for their region. The REN would organise with local communities to establish the JGP primary infrastructure of that will employ workers and allocates work. Budgets for services will be negotiated with local authorities based on estimates of the numbers of jobs to be created and in conformance with labour/capital ratios established by the Scottish Employment Agency. The REN boundaries would be in line with the current 14 Scottish NHS Boards.

Local Employment Service – Much of the infrastructure required for a JGP already exists through Job Centres. Therefore, a Local Employment Service (LES) will restructure

these centres to apply JGP objectives. The primary objective for an LES will be to operate a community jobs reserve, in which jobs are supplied on short notice to those seeking it. Each LES will be made up of auditors, researchers, counsellors, job developers, IT and ancillary staff that would continuously operate the JGP in each locality. It is important that teams of specialists also include third sector and education groups. These groups will be vital for guiding young people towards consistent and valuable career advice, creating a long-term benefit for the younger participants. For example, third sector organisations such as Young Scot could promote new opportunities to young people under the JGP. Through this engagement, vital feedback from young JGP participants can be collected. Close communication to RENs will be vital to expand job opportunities for those searching beyond their local areas. All LES branches will continue to offer private sector opportunities for those who seek it. Importantly, LES bodies will host community councils and wider assemblies for local communities to discuss and develop plans for job opportunities of their choice with experts from REN through participatory budgeting.

Basic Income Recommendations

Based on the above evidence and principles, we recommend the following design choices to deliver a BI:

Phased In, Welfare Retention & Tax Rates – No UBI model should push families or individuals into financially poorer situations from a policy they have no escape from. Therefore, we recommend a phasing in of BI payments, starting with low-income households whilst gradually expanding to higher incomes. Phasing in BI will allow civil servants to deal with specialised cases of households losing income from its implementation. To minimise such circumstances, we recommend that most of the welfare state is retained. Further, we suggest a progressive tax rates by increasing income tax on all bands, that will increase the purchasing power of lower earners and reduce the purchasing power of higher earners. These rates and their implementation should be evaluated closer to the time of launching a BI.

Payment Size and Frequency – Whilst “cost” is not a barrier, the size of BI payments may result in wider macroeconomic challenges. Therefore,

we suggest a low-cost model is adopted in beginning phase of implementing BI. This should be followed with the Scottish Central Bank monitoring inflation levels and out-put gaps. Increased BI payments should follow only if conditions allow it. We suggest that a cap on payments when the Scottish Central Bank establishes potential inflationary dangers. The payments of any BI model should be made on a bi-weekly basis to encourage healthier consumption through durable goods, as opposed to monthly or annual payments which encourage spending on non-durable goods.

Eligibility – Despite the academic debate on eligibility, we suggest all residents within low-income brackets should be entitled to a BI. This would avoid creating financial barriers for vulnerable immigrants coming to Scotland. This would allow alternative policies to encourage immigration, further increasing Scotland's labour force and economic out-put. Payments should include residents with a minimum term of residency in Scotland, whilst other support mechanisms are created for those who are missed by the social security programme. This paper rejects the notion of immigrants subsisting off the Scottish welfare state. The balance of expanding BI to higher income brackets and the transfer payment size should be determined on the success of social factors (e.g. poverty reduction) and labour market flows.

Whilst a universal model is admirable in principle, further research and policy solutions must be advanced in order to address the concerns raised in this paper.

Ethical Considerations

To consider various ethical points around a JG and BI, this paper shall refer to the FORGOOD framework (Lades and Delaney, 2020) to identify factors such as fairness, openness, respect, goals, opinions, options, and delegation.

Fairness - Do the policies have undesired redistributive effects?

Both a JG and BI have positive redistributive effects through social and economic factors, in particular with engagement. UBI has various risks through national implementation, the moderate expansion of a BI allows for any undesired effects to be mitigated.

Openness - Is the policy open or manipulative?

The JG and BI are both transparent in their objectives and processes. Therefore both policies are progressively open.

Respect – Does the policy respect people's autonomy, dignity, freedom of choice and privacy?

The JG is entirely voluntarily and expands already existing opportunities for people. The ethical standards of employment offered is greater than current market opportunities. A BI is not voluntary, but expands an individual's autonomy through greater social security and purchasing power. BI payments are entirely at the discretion of recipients. Therefore both policies are respectful.

Goals – Does the behavioural policy serve good and legitimate goals?

Both policies aim to reduce the economic and social burdens of unemployment and ineffective social security. These goals are shared by many policy makers across the developed world. Therefore the goal is legitimate.

Opinions – Do people accept the means and ends of the behavioural policy?

JG participants will be able to express their views through their LES, whilst also being allowed to unionise and build democratic work places. Similar types of programmes are almost universally popular. BI is similarly popular because of the means and ends of the policy. Further, recipients will be able to express their experiences of BI and further improvement through its gradual expansion, determining its national outlook.

Options – Do better policies exist and are they warranted?

No current policies exist that deliver the size and quality of change a JG and BI offer. A JG develops and improves upon already existing policies and case studies. A BI does not replace the majority of supporting benefits, but importantly offers greater social security in comparison to Universal Credit.

Delegation – Do the policy makers have the right and the ability to implement either policy?

Both the JG and BI would be implemented by national government, thus the correct legal advice, protocols, and policy engagement would be followed. Policy makers would not infringe on the rights of other interest groups or actors through a JG and BI. Due to already existing case studies, there is little evidence to suggest policy makers would overstretch their authority.

Spending, Borrowing & Unemployment

Mainstream economists and opponents of independence have suggested that austerity measures and increased borrowing would be inevitable, since Scotland lacks the sufficient tax returns to pay for public spending. This would result in Scottish unemployment increasing whilst reducing economic output (MacDonald, 2022). One report in particular suggested that Scottish unemployment would increase by 250,000 (Marsh, 2023). The basis of these claims are false, generally from a misunderstanding of accounting within modern monetary systems and policy flexibility.

For context, the Government Expenditure and Revenues Report 2021/2022 showed Scotland had a government deficit of £23.7 billion, which is the equivalent to 12.3% of GDP. In contrast, the UK's deficit sat at 6.1%. Overall Scottish expenditure was the equivalent to £17,793 per head of population, compared to the UK with £15,830 per head. In terms of tax returns, Scots raised £13,463 per head of population. This is in comparison to the rest of the UK with £13,684. If the shift away from Covid-19 spending continues, then Scotland may return to historic deficit levels around the £15 billion (roughly 8% of GDP).

Monetary Accounting

Mainstream economists maintain the belief that there are three sources of income for a national government: taxation, bond issuance, and money creation. This is a framework commonly known as (TAB)S - taxation and borrowing precede spending. This framework suggests that a government's budget is like that of a household or private business. For the government to increase spending it would need to increase taxes and/or sell more bonds.

This framework is a mischaracterisation for countries that are monetarily sovereign. An updated and accurate framework for monetary accounting would be S(TAB) – spending precedes taxation and borrowing (Kelton, 2020). This framework describes how modern day governments credit currency into relevant bank accounts first, which is then followed by taxation and borrowing. Government fiscal surpluses are not accumulated over time, but rather spending arises from central banks each day/week with a cash balance of zero. With this accounting in mind, national governments have often bypassed self-imposed fiscal rule in order to respond to crisis, such as the 2008 Great Finance Crisis and Covid-19.

In-depth research has analysed these operations and approaches, such as in the US (Kelton, 1998; Tymoigne, 2014), the Philippines, Singapore, the People's Republic of China (Felipe and Fullwiler, 2021), Canada (Lavoie, 2019), Denmark (Voldsgaard Ruge 2018), and the UK (Pantelopoulos and Watt, 2021; Berkley, Tye, and Wilson, 2021; GIMMS, 2023).

Therefore, government spending is not constrained by taxation or bonds, as all spending is newly created. To further demonstrate this point, we shall break down the UK's exchequer model based on research by the UCL Institute for Innovation and Public Purpose (Berkley et al, 2022) and the Gower Initiative of Modern Money Studies (Berkley, Tye, and Wilson, 2021).

Government spending starts off in the UK parliament, where our politicians debate the allocating of money between each government department. Every government department holds their own account called a "Resource Account" with the Government Banking Service (GBS), where they receive their allocation of "Exchequer credits". These credits represent how much each department can spend, so are neither commercial bank money nor central bank reserves. Exchequer credits are a ledger balance internal to HM Government.

After parliament has legislated its spending plans, HM Treasury is subsequently authorized to requisition sums of money from the Comptroller and Auditor General (C&AG). The C&AG will scrutinize HM Treasury's requisitions and then contact the Bank of

England to credit government departments – writing off the exchequer credits.

The Bankers' Automated Clearing System (BACS) are then contacted by the GBS to provide banking transmission services. The government department's Resource Account acts just like a normal bank account. The government department will present its payment requirements to its GBS bank, which are then submitted into the BACS system for clearing and settlement.

The Bank of England then issues funds from the Consolidated Fund to credit the GBS Supply Account. Importantly, the Consolidated Fund begins each business day with a zero balance. No funds are drawn upon, as instead it goes overdrawn as the Bank of England extends intra-day credit. This credit is Bank of England Money - public money.

When settlement is required for payments, the GBS Supply Account feeds sums of Bank of England money into the GBS Drawing Account. Therefore, the GBS Drawing Accounting has a money balance to settle any required payments. After three days from the BACS submission, the clearing and settlement of the government payments occurs by both the GBS Resource Accounts of the government departments whilst the GBS Drawing Account is marked down. At the same time, Reserve Accounts at commercial banks held at the Bank of England and commercial bank deposit accounts of customers are marked up.

The Scottish government has its own Consolidated Fund Account within the GBS. Spending mechanisms for the Scottish government's account is like that of other government departments, except its allocation of credit is determined by the Barnett Formula. Post-independence, Scotland could adopt a similar accounting model to that of the UK and other monetary sovereign countries, instead of operating as a government department under devolution. In doing so, an independent Scotland would not need to implement austerity measures and increase unemployment

Some mainstream critics have attempted to refute the above accounting with the citation of a Freedom of Information release by HM Revenue and Customs, which states: "the majority of tax revenue collected is passed

directly to the Bank of England then onto HM Treasury. HMRC do however move some money directly to fund the NHS and to the Department of Education to fund Student loans."

Mainstream critics conclude that because National Insurance is used to fund the NHS, the government therefore accepts bank liabilities for the payment of taxes.

All government receipts enter Exchequer accounts at the Bank of England. This is the same for both tax and National Insurance payments. When entering these accounts they are not commercial bank money or any other type of asset. Instead all receipts are public money. Once tax enters these Exchequer accounts, it is then legally mandated to enter the Consolidated Fund.

The difference between tax and National Insurance payments is that National Insurance is not legally mandated to be surrendered to the Consolidated Fund. Instead, it is transferred to the Debt Management Account at the Bank of England. However, all spending related to National Insurance provisions from the Debt Management Account is through the Consolidated Fund. This is public money from the Bank of England and not commercial bank deposits. Therefore spending via the National Insurance Fund are future claims for the Consolidated Fund.

Whilst the above shows tax is not required for spend *per se*, it still plays a vital part within our economic system. Progressive taxation policy must be set at the conditions which allow sustainable economic development, removing the excess currency which may cause negative economic, social, and political consequences. Taxation should also be set at conditions which promote the redistribution of wealth and creates continuous demand for the domestic currency. An example of this is a wealth tax, which alone would see a return of £3.3 billion (Reed, 2022).

Currently Scotland's tax-to-GDP ratio stands around 38% (£73 billion/£192 billion). This is lower compared to Scotland's Nordic neighbours and other European countries such as France and Italy, who sit between 42% to 46%. Assuming an independent Scotland wanted to mirror a similar ratio, then the

country could see increased tax returns between £3 billion to £6 billion. Excluding offshore revenue, this would take Scotland's tax-to-GDP at 42%, so to match similar proposed tax returns with north sea revenue Scottish tax-to-GDP would need to be around 46% to 50%. A 50% ratio would put Scotland equal to that of Norway. Further tax returns would also be accumulated by better developing mechanisms to tackle tax abuse and functional administration (Murphy, 2017).

A monetary and fiscal sovereign Scotland, considering the above accounting analysis, would not need to implement austerity and increase unemployment.

Interest Rate Policy

Mainstream economists take a market fundamentalist approach when analysing interest rates for an independent Scotland and the effect it would have in increasing unemployment. Mainstream analysis argues that unless markets place confidence within the state, taking into account various factors such as fiscal balance, holders of Scottish bonds can sell of their assets to place downward pressure of security prices and put a premium on interest rates (MacDonald, 2022; Marsh, 2023). In-depth analysis of central banking operations and security trading are beyond the scope of this paper, so we shall offer a brief summary. Whilst there are deviations around interest, governments and central banks have indirect control over rates.

Central banks set the overnight interest rate on deposits, which is typically announced a few times a year. The yield of a bond is equal to the average of short-term rates over a bond's lifetime. Various case studies show the consistency of short-term rates reflecting central bank rates, and similarly with longer rates between five to ten years (Wray, 2015; Romanchuk, 2016; Mitchell, Wray and Watts, 2019; Fullwiler, 2020; Kelton 2020). This is true even with debt being held by bond holders in the foreign sector.

For bond vigilantes who attempt to increase the rate, governments can refuse to sell to them - especially since the government and central bank regulate the primary market (Wray, 2012). Central banks have the option to directly purchase bonds from the government in order

to further push bond yields to zero. This was the case of Japan in 2019 when it sold ¥6.9 trillion worth of bonds directly to the Bank of Japan.

An independent Scotland's interest rate is a policy variable that is determined by monetary levers. The suggestion that interest rates would inevitably increase because of market forces, and thus increasing unemployment, is based on false pretences.

Further comments on inflation and exchange rates, both Scotland specifically and general analysis, can be found at Modern Money Scotland, Paloni (2022), and Harvey (2009, 2023).

Conclusion

The policy recommendations put forward in this paper are just the first steps for an independent Scotland to tackle prevalent problems such as low pay, economic instability, dysfunctional social security systems, declining democratic accountability and the neglect of basic human rights. The current UK economic model is a destructive one, that results in both vulnerable and working people being told they are undesired in the communities they participate in.

Our analysis shows that not only can vulnerable and working people participate in the economies they live in, but that their very participation is key to building an inclusive, decentralised, and prosperous labour market. Even those who cannot directly participate in traditional manners can live with dignity and safety with a modern day welfare system.

For this vision to become a reality, it will require the Scottish parliament to obtain the full powers of a normal independent country - in particular controlling levers over fiscal and monetary policy. From this, an independent Scotland can lead the way out of the current cost-of-living crisis and bring needed stability to the country's communities.

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