

Basic Income and Transformative Strategies

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Ledger Sheet Approach

- When Basic Income (BI) is discussed it is not unusual to use a ledger sheet approach – list potential credits and debits to assess the balance of benefit.
- Problem: many of the claimed credits and debits are contestable. For instance, it is claimed BI would reduce inequality, given the strong redistributive effect towards the low-income groups.
- However, if – as Piketty shows – the historical logic of capitalism generates greater returns to capital (expressed as $r > g$), then we might find BI providing a once-off impact only, while the underlying logic of inequality generation is maintained.
- Second, the income-equality effect could be off-set by a decline in public services and social insurance supports given that many models would pay for BI by eliminating social insurance and commodifying services.

Ledger Sheet Approach

- It is often argued that BI could have dis-incentivising effects on labour market activity. In many cases this is code for *'give people loads of money and they will stop working'*.
- However, while not conclusive, limited experiments In Manitoba, Namibia, India (to name a few) show the opposite: people respond by generating economic activity through business start-ups, return/continue in education, care for family members – with measurable and positive impacts on mental health, skill development and even political activity.
- Again, critics point to the impact of automation and the risk that BI could re-inforce the separation between 'insiders' (people with jobs) and 'outsiders' (people without jobs) with BI being reduced to a social analgesic for the latter. However, none of this can be taken as certain as the impact and extent of automation is unknown.

Nominal and Opportunity Costs

- A major objection to BI is the cost. Micheál Collins (NERI, UCD), - based on social protection, poverty line and minimum expenditure – finds BI costs could range from €35 to €64 billion, funded by flat-rate income tax from 44 to 88 percent. Social Justice Ireland finds the cost close to €40 billion, funded by a flat-rate income tax of 45 percent.
- A recent attempt to model the cost of a full BI in the UK by Howard Reed and Stewart Lansley found that the costs would be prohibitive while there would still be substantial 'losers' in the bottom two deciles.
- Opportunity costs are potentially high. Spending on public services needs to increase by over €10 billion per year to reach the EU-15 average while investment needs to rise by nearly €5 billion to reach long-term average. BI costs could crowd this out.
- There could be considerable dead-weight costs. If BI is principally seen as an anti-poverty policy, then reducing at-risk poverty and deprivation rates could be achieved at considerably less cost than BI (though BI is more than just an anti-poverty measure).

The Challenge of Systemic Breaks

- Probably the biggest objection to be overcome by proponents of BI is the very reason proponents argue for BI – that it would involve a transformation, or a *systemic break*, in the way we engage in jobs, work, social activity, etc.
- With such a systemic-break, it is difficult to foresee the consequences - which is why they are in many cases externally imposed (e.g. war, natural disasters, etc.). This is compounded by the difficulty in undoing systemic-breaks that result in harmful effects. In the case of Irish Water or the High Court rulings on Joint Labour Committees these policies and developments were easily reversed – largely because it was relatively unproblematic from a systemic perspective (whatever about particular political fall-outs).
- The same cannot be said of BI which would entail numerous systemic changes in tax, social protection and labour market practices. If, after, a period of time the 'experiment' did not work, it would be difficult to unwind in a timely and cost-efficient manner.

Towards a Feasible BI

- None of the above gainsays BI. BI has the potential to advance economic freedom, social security, personal autonomy and the de-commodification of labour. However, we must debate how this can be implemented without
 - undermining social protection and commodifying services,
 - introducing labour market distortions and disincentives,
 - contributing to insider/outsider relationships in the 4th digital revolution,
 - imposing onerous costs on the state/Exchequer
 - And (most of all) requiring people to commit to a systemic change in which so many outcomes are unknown and which reversing would be highly costly
- This calls for feasible transitional strategies. But more: is it possible or even necessary for BI to do all the heavy lifting to achieve the potential outlined above. Would it not be better to partner BI or create dynamic relationships with similar transformative strategies that seek to advance the same freedoms and securities? This would unequivocally position BI within the progressive sphere – as opposed to a more conservative evolution where the social state is degraded.
- I look at two such strategies which has similar aims as BI.

1. Reducing the Working Week

- One of the first trade union demands was to limit the working week. In 1866 the International Workingmen's Association called for a 40 hour work week – a radical demand at a time of 60 hour working weeks.
- This was premised on the idea that people had a right to more free time for themselves. It was also based on the idea that productivity gains could be taken through reduced working time as well as pay increases.
- Reduction of working time – to 30 hours per week – is becoming an issue again. Workplace stress, commuting times, reduced per unit productivity in extended working hours, work/life balance, mental health means that policy maker, stakeholders and workers are taking a new look at an age-old demand.
- Proponents claim a number of benefits that go beyond the workplace: help reduce carbon consumption through less dependence on convenience-led life-styles; foster the potential for greater gender equality – in particular, through greater sharing of caring duties; and promote a greater sharing of work hours in the economy, leading to lower unemployment and under-employment levels. There are a number of experiments throughout Europe being conducted in public and private sector workplaces – however, many of these are researching productivity gains arising from a better work/life balance.

1. Reducing the Working Week

- This will be economically challenging. An average firm would require a 30 percent employment increase to maintain output. Capital-dense sectors would be less impacted but labour-dense sectors would struggle with wage suppression and costs passed on to consumers. For the public sector, costs would be passed on to the taxpayer or result in reduced expenditure in other areas. Reducing the working week is not realisable in the short-term.
- There are few concrete proposals for reducing working week. Some propose a 30-hour work week for new labour market entrants, or based on age (e.g. 35 hours for over 50s, 30 hours for over 60s). However, this could create perverse consequences (e.g. reducing demand for young labour). This is all the more the case in the absence of co-ordinated collective bargaining.
- Nonetheless, imagine a three-day weekend every weekend, or a week off each month, or annual holidays up to 10 weeks a year. There is potential for increased leisure, educational opportunities, and civic participation. A reduced working week shares with BI the potential for more personal freedom and labour de-commodification. But implementation will require a supporting strategy.

2. Social Insurance

- In early 2015 RTE compared living standards in France and Ireland . In France:
 - Childcare and early childhood education is free and universal
 - GP visits cost only €7
 - Unemployed workers receive 80% of their wage in benefit which lasted over a year
 - Hospital waiting times are measured in hours and days rather than weeks and months
- The panel praised the French model but doubted people here would be willing to pay the necessary taxes . However, Irish workers pay higher personal taxes than French workers. So how can the French (and other EU countries) afford all this? The Social Wage.
- Little appreciation here of the role of social insurance in the provision of public services and in-work benefits. In Europe over 40 percent of government expenditure comes through social insurance. Ireland with its heavily means-tested regime has much less reliance.
- Employer's social insurance is not a tax - it is part of employees' compensation: hence social wage (as opposed to direct wage paid to the employee). Through the social wage, employees engage in collective consumption, accessing benefits and public services for free or at-below market rates: pay-related unemployment, sickness and maternity benefits; pay-related old age pensions (obviating the need for private pensions); free healthcare at the point of use and strong family benefits.

2. Social Insurance

- The Irish social wage is weak; therefore, we don't have these benefits and protection. Were the Irish social wage raised to average EU levels, it would generate an additional €8 billion.
- The key point is that through benefits and collective consumption social insurance can mobilise greater resources for people in certain contingencies than BI. However, there are issues.
- Social insurance originated in industrial cultures and began to fray as women entered the workforce, part-time work rose and employment contracts fragmented. It has been put under more pressure by the rising elderly demographic and the current fiscal squeeze.
- Social insurance benefits those in work. Many countries use universal payments to supplement social insurance (e.g. Child Benefit) but there are considerable gaps in the social protection net.
- Social insurance's corporatism displaced the market as welfare provider but, on the hand, upheld status differences, minimising the redistributive impact. .
- Attempts to address this conservatism and labour market changes has often lead to greater complexity, bureaucracy and reduced benefits.
- Nonetheless, the ability of social insurance regimes to mobilise resources for people in times of need creates social security – a security that BI also promises. However, the cost to employers (and employees through limited direct wage increases) would be considerable. To Europeanise the Irish social insurance system will require, like a reduced working week, a supporting strategy.

Basic Income as Partner

- A reduced working week and higher social wage holds out a similar promise as BI – greater freedom, social security, personal autonomy and the de-commodification of labour (if only partially).
- Basic Income has the potential to partner and bolster these strategies, making them realisable.
- It can reduce the costs of the social wage as social insurance benefits would be paid as a supplement to BI.
- For a reduced working week it can bring about compensation flexibility in order to reduce firm costs. This is not 'labour market flexibility' which seeks to depress wages and working conditions. Rather, like the social wage, workers forgo a portion of direct income increases to maximise income supports and public goods – or fewer hours.
- However, this begs the question – if BI would help make a reduced working week and a higher social wage feasible, how do we make BI feasible.

BI in a Time of Scarce Resources

- In the short-medium term, there is little fiscal space for increased expenditure without significant tax rises. While the Government nominally has €11 billion over the next five years, the Fiscal Council has claimed it is much less due to demographic demands and inflation.
- The recent budget shows that current spending (public services, social protection) will increase by €6.7 billion. However, after inflation, this figure falls towards one to two billion. Spending within the fiscal space will barely keep pace with inflation.
- These figures could now be revised downwards with Brexit.
- The urgent need for higher investment in economic and social infrastructure, and the high cost of implementing BI, should lead us to consider the conclusion that Reed and Lansley made when modelling the introduction of BI in the UK:
 - *' . . . reach a compromise between the affordability of the scheme and a rate of payment that is big enough to make a non-trivial impact on the income distribution.'*

A 'Stop-and-Review' Strategy

- A Partial Basic Income (PBI) could do just that – be affordable but make a non-trivial impact on income distribution. A PBI would:
 - Be compatible with the fiscal space
 - Accept the need for prioritising public services
 - Eschew a systemic break and be implementable within the current tax / social protection regime
- A PBI could be presented as a stand-alone proposal. It can begin to fulfil the potential of BI and win popular support without demanding that people support a full BI. Transitioning to a more extensive BI could be partially based on the success of PBI.
- Further, this could allow for continuous 'stop-and-review' phases during the implementation of BI which could be empirically analysed and debated – something that is not possible now; and something which may win more support for BI.

PBI: Reforming Tax Credits

- One way a PBI could be introduced initially would be to convert personal tax credits (single, married, PAYE and the new self-employed credits) into a direct payment to all adults. The full credits amount to a cash value of €3,300 per year, or €63.29 per week. This would eliminate the tax credit and expose all earnings to taxation.
- This PBI would not affect those fully in the income tax net or those reliant on social protection (it would be absorbed in payments) . It would be a redistributive mechanism to the low-paid, part-time and casual workers whose income is below the income tax threshold (though it could have wider benefits as we will see). In essence, this would be a refundable tax credit
- It may be necessary to establish a minimum earnings level before the PBI becomes operative.

Sample Impact: Single Person

	Average Earner (€36,000)	Low-Paid (€13,000)	Casual Worker (26 Weeks at Minimum Wage: €9,275)
Loss of Tax Credits / Increased Taxation	3,300	2,600	1,856
PBI	3,300	3,300	3,300
Net Gain	0	700	1,444

There are many people caught between or fall outside the tax and social protection system. Some may be categorised as a dependent in the current tax system or reliant on payments which are means-tested against the spouses' / partners' income. PBI would start to provide recognition (though not full monetary autonomy) to people carrying out important social work or in education. This can begin to reduce reliance on means-testing.

Example: Students and Means-Testing

- In many BI models, young people do not receive the full payment to incentivise remaining in education. In PBI, payments could be made for students – who are not eligible for social protection payments because they are not available for work.
- The current maintenance grant regime is means-tested and discriminates against average and below-average income households. Households with total income of more than €40,000 are ineligible for full maintenance grants while those above €46,000 are ineligible for partial grants. Average household income is €56,000 with 70 percent of households below this amount.
- A PBI would cut through all this and provide a payment to all students that exceeds the current maintenance grant regime in all ten categories bar one. This is one example of addressing a group that falls outside the system or making them dependent on someone else's income. It is also an example of absorbing current costs into a universal system.

Alleviation of Severe Deprivation

- There are two other payments that, if converted to a PBI, could bring particular benefit to single parents and those experiencing disability.
- Single parents in work receive an additional tax credit of €1,650 – on top of personal tax credits available to everyone else. Single parents reliant on social protection do not get a special payment.
- If the Single Parents tax credit was converted to a PBI and extended to all single parents – in addition to normal tax credits/SP payments – then all single parents would benefit. This is crucial given the high level of deprivation among single parents (over 60 percent).
- Similarly, there is tax credit for those suffering from blindness: €1,650. And, similarly, there is no additional payment for blind people reliant on social protection.
- Converting this credit to a PBI and extending it to all regardless of work status would have a similar positive impact on a group that disproportionately suffers from deprivation.
- This could be extended this to all those suffering a disability and move us towards a '*cost of disability*' payment – an additional payment above current SP payments and tax credits.

Cost of a PBI

- Difficult to accurately cost this PBI proposal without access to CSO micro-data. Relying on Revenue Commissioner data can estimate a *maximum* cost. Much of the data contains old age pensioners (as those with occupational pensions are included) along with social insurance beneficiaries and potential duplications between Schedule D and E (part-time self-employed with part-time PAYE job).
- On my own conservative estimate the cost would be a maximum of €1.5 to €2 billion.
- However, I have been advised by researchers associated with Social Justice Ireland, that the cost would be much less based on their own estimates of tax refunds.
- Another reading is a straight-forward estimate of adult numbers, cost of payments and estimates of savings (eliminating tax credits and reduction in social protection payments. This crude approach shows a similar number has that based on the Revenue data.
- It would be helpful if an organisation or group of academic activists launched a research project into a PBI with full costings and the knock-on implications for groups in the tax/social protection system. Further, it would be helpful to run this through SWITCH or similar models to assess the distributional impact of such a measure.
- From this type of work we could make a stronger case for a feasible BI.

Partial Basic Income: What It Is and Isn't

- A Partial Basic Income can achieve many things:
 - Rationalise some of the complex inter-actions between tax and social protection
 - Direct income support to the lowest earning and particularly disadvantaged groups
 - Create income floors where none currently exists
 - Partially limit means-testing
- A Partial Basic Income, however, is still limited:
 - It does not provide an independent income
 - It is not an anti-poverty policy (except where it is combined with other payments)
 - It does not end means-testing or adult dependency
 - It is not, in the first instance, universal (PBI would be absorbed into social protection payments)

Getting the Dots to Work for Each Other

- A PBI is a transitional strategy – and does not require people to fully buy-into BI. It is intended to address current issues pragmatically and win support on the basis of common sense. If PBI is successful, then a deepening of the common sense of BI is likely to stand a better chance of winning support.
- Nor does raising the issues of a reduced working week and social insurance require those who support one to support all. However, it is clear that there is a co-incidence of values and social goals behind all three strategies. The inter-action between the three may come from shared values, it may come from pragmatism.
- For instance, I am a strong supporter of social insurance. And I know that one way to implement that is through BI as it would reduce the increases needed in social insurance. I may make no other claims on behalf of BI except that it helps realise my goal.
- Or, I am a strong supporter of a reduced working week and I realise that a BI could introduce the flexibility needed to achieve that.

BI and Inter-Connected Progressive Policies

- Utilitarian? Maybe - so much of politics is. However, this is probably different.
- Because these progressive strategies, each in their own way, form part of an emancipatory narrative; each speaking about a better way to live: with more freedom, security and autonomy.
- By working together, even if our own fields of work appear only tangentially related, we are not only capable of achieving our goals; we may find new opportunities, new solutions.
- Activists should work together, not to create a perfect system, but a better one that can make concrete that emancipatory narrative and vindicate ordinary aspirations today into something better tomorrow.

