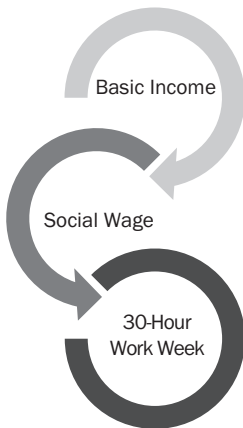

8. Basic Income and Transformative Strategies

Michael Taft

This paper proposes that Basic Income is best placed alongside similarly transformative strategies. Basic Income on its own may be unable to achieve its objectives – not only for reasons of costs, but because it is ideologically contested. However, by integrating it into other strategies, Basic Income can be realised and play an unequivocal role in progressive politics.

1. Basic Income: Overcoming the Limitations

Proponents argue that an unconditional Basic Income (BI) constitutes a profound reform of the welfare state and an extension of real freedom for people to choose what they do with their own time. This is done by breaking the link between work and income.



BI has the potential to remove layers of bureaucracy, notably means-testing, and allows people to pursue activities that are not regarded as part of the social contract but which are crucial to social reproduction; notably, working in the home and care working. Though critics maintain that a BI would induce idleness (the weakest of criticisms) the few experiments in BI show largely the opposite. BI can increase entrepreneurship, a return to education, caring work, etc.³⁸ That BI can also provide leverage to low-skilled and low-paid workers who wouldn't be forced to take the most alienating and exploitative of jobs simply to survive shows that it is capable of becoming a wage-bargaining tool.

³⁸ A journalistic survey can be found here. Basic Income – International Experience, American Herald Tribune: <http://ahtribune.com/economy/942-basic-income-part-ii.html>

Further, BI can be viewed as an extension of the trade unionist and Left tradition of de-commodification strategies. According to Esping-Andersen:³⁹

‘ . . . the extension of rights beyond the narrow terrain of absolute need . . . the upgrading of benefits . . . that permit employees to be paid while pursuing activities other than working, be they child-rearing, family responsibilities, re-education, organizational activities, or even leisure. Such programs are, in spirit, truly decommodifying.’

Many proponents of BI would agree – and maintain an unconditional payment would maximise the decommodifying potential. However, this perspective is not universally shared among supporters of BI, many of whom see the unconditional payment being premised on the abolition or considerable down-sizing of the welfare state. This would require people to engage in market-relations for what has traditionally been part of public markets; individual consumption – albeit, boosted by BI – would replace or partially replace collective consumption.

There are other concerns. Panitch⁴⁰ argues that it is debatable whether a BI could be set at a high enough level to satisfy basic needs and, so, provide real freedom. We can see this from a brief calculation from the Vincentian Partnership’s Minimum Income Standard Calculator. This shows that an income capable of fulfilling basic needs would need to be set at between €219 and €253 per week.⁴¹ However, this does not include housing costs which would drive these figures much higher. A BI set at a lower level would not achieve the freedom it seeks but would still leave people having to resort to the labour market to fund basic needs, never mind needs and wants above that basic level.

There may well be a strong political objection to giving money for people to do nothing; or to higher income groups who don’t need it. Never mind that we already ‘give’ money to both sets, in many cases through tax expenditures. We provide a cash benefit to recipients of unearned income through the operation of thresholds under inheritance and gift taxes. We

³⁹ The Three Worlds of Welfare Capitalism, Gosta Esping-Andersen: <http://isites.harvard.edu/fs/docs/icb.topic1134169.files/Readings%20on%20Social%20Democracy/Esping%20Anderson%20-%20The%20Three%20Worlds%20of%20Welfare%20Capitalism.pdf>

⁴⁰ Vida Panitch, Basic income, decommodification and the welfare state: <http://carleton.ca/philosophy/wp-content/uploads/PSC-proofs1.pdf>

⁴¹ Minimum Income Standard Calculator: <http://www.misc.ie/home>

provide a cash benefit to high income earners through personal tax credits along with a range of secondary reliefs (e.g. private health insurance, pension contributions, etc.). Nearly 12 percent of the income of the 10 percent households in the state comes via social transfers.⁴²

Nonetheless, the political objection (and the manipulation of this argument by opponents of not only BI but general critics of social protection) could be a persistent obstacle to the introduction of BI. We could see a debate mired on these issues for years with little progress.

Another argument that could be problematic is the use of BI as a defence mechanism against both the dynamic of new forms of employment but the onward march of automation and the digital revolution that could result in considerable job losses among medium-skilled occupations. However, this defence mechanism could end up entrenching or merely shifting inequality. Henning Meyer argues:

‘If the point of departure is that many jobs might no longer be available so you are not free to choose to work a few hours on top, you are in trouble. In this case a lot of people would be stuck on whatever the basic income level is and the rest, the ones who can still work and benefit disproportionately from productivity gains, would run off with the spoils. As social inequality is relative and not absolute, a UBI would only shift the level rather than help to eradicate inequality.’⁴³

All of the above might be moot in any event, at least for the foreseeable future. The cost of implementing a full BI – at a level that satisfies basic needs – could be so overwhelming and drive up taxation rates so high that it would find little traction in a debate that is dominated by other issues. Housing, health services, education, economic infrastructure; these and more have vital calls on limited resources. BI might seem a luxury when set against these pressing social needs. A recent attempt to model the cost of implementing a full BI in the UK by Howard Reed and Stewart Lansley⁴⁴

⁴² CSO Survey of Income and Living Conditions: <http://www.cso.ie/en/releasesandpublications/er/silc/surveyonincomeandlivingconditions2014/>

⁴³ Henning Meyer, Basic Income Won't Solve Technological Unemployment, Social Europe Journal: <https://www.socialeurope.eu/2016/02/why-a-basic-income-wont-solve-technological-unemployment-but-a-job-guarantee-might/>

⁴⁴ Howard Reed and Stewart Lansley, Universal Basic Income: An Idea Whose Time has Come?: <http://www.compassonline.org.uk/wp-content/uploads/2016/05/UniversalBasicIncomeByCompass-Spreads.pdf>

found that the costs would be prohibitive while there would still be substantial 'losers' in the bottom two deciles. Similar attempts in Ireland show similar high costs.⁴⁵ On this ground alone, BI could be dismissed.

This would be unfortunate for whatever the many obstacles and legitimate objections, BI holds out the promise of at least addressing an inadequate social protection system and intrusive means-testing programmes that create unemployment and income traps with a more accessible universal payment; something that is in keeping with a social democratic model.

Therefore, it might be helpful to step away from the strategic idea that BI must do the heavy-lifting. If we do this, we can see BI as a complement to other strategies which seek similar goals – the provision of greater freedom, social security, a more efficient social protection regime and the ongoing de-commodification of men and women. I will focus on two complementary strategies and return to a BI model that, while falling short of a full payment, can overcome many of the objections listed above; in particular, the issue of cost.

Strategy 1: The 30-Hour Work Week

One of the first demands of the emerging trade union movement 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. It took well into the 20th century before this was implemented in the industrialised countries.

The argument for the 40 hour work week was premised on the idea that people had a right to a free weekend, to have more freedom and autonomy over their lives. It was also based on the idea that productivity gains should be taken by workers through reduced working time rather than pay increases (what was the point of pay increases if, working 60 hours per week, you had little opportunity to spend it). Reduced working time and pay increases were not mutually exclusive but at certain times and in many sectors, reduced working time was prioritised.

⁴⁵ Dr.Michael Collins found that a BI set at the official poverty line (€228 weekly in 2011) would cost over €10 billion to implement after eliminating social protection payments, tax credits and allowances (including pension tax breaks) and administration: http://www.nerinstitute.net/download/pdf/towards_a_bi_tasc_sep_2011_final.pdf

Reduction of working time – to 30 hours per week – is starting to emerge as an issue in the workplace. Workplace stress, commuting times, reduced per unit productivity in extended working hours, work/life balance have all contributed to policy maker, stakeholders and workers taking a new look at what is an age-old demand.

Proponents of reduced working time claim a number of benefits that go beyond the workplace. It is claimed it could help reduce carbon consumption through working lives less dependent on convenience-led consumption; 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.

Reduction of the working week, however, would be economically challenging. In a stylised firm of 50 employees working a full-time week (39 hours), reduction of the working week to 30 hours would require the firm to increase employment by 30 percent to maintain the same level of output. Even if the firm could capture some of the productivity gains from a reduced working week, the employment increase would be significant. Firms in capital-dense sectors – where wages and working conditions are generally higher – would be less impacted but firms in labour-dense sectors would struggle with wage suppression and costs passed on to consumers becoming prevalent. For the public sector, costs would either be passed on to the taxpayer or result in reduced expenditure in other area (opportunity costs).

What this shows is that a move to a reduced working week is not realisable in the short-term. Experiments are being conducted in private and public workplaces throughout Europe – notably in the Scandinavian countries and the UK.⁴⁶ These are focusing on the productivity dividend that may occur through reduced working hours

There is little by way of concrete proposals for a systemic shift to a reduced working week. Some proposals centre around setting a 30-hour work week for new labour market entrants, or reducing the working week based on age

⁴⁶ David Crouch, Efficiency Up, Turnover Down: Sweden Experiments with the 6-Hour Working Day: <https://www.theguardian.com/world/2015/sep/17/efficiency-up-turnover-down-sweden-experiments-with-six-hour-working-day> and Louise Ridley, This UK Company is Loving It's 6-Hour Working Day: www.huffingtonpost.co.uk/2016/01/07/six-hour-working-day-sweden-uk_n_8928280.html

(e.g. 35 hours for over 50s, 30 hours for over 60s). However, we should be cautious about such proposals as they may create perverse consequences – notably reducing the demand for young labour. This is all the more the case in the absence of co-ordinated collective bargaining.

Nonetheless, the move to a 30-hour working week has a transformative potential. Imagine a three-day weekend every weekend, or a week off each month, or annual holidays up to 10 weeks a year. There is the potential for increased leisure, educational opportunities, and civic participation. A reduced working week shares with BI the potential for more freedom and autonomy for individuals but its implementation will require a supporting strategy.

Strategy 2: The Social Wage

In early 2015 a RTE current affairs programme compared living standards in France and Ireland⁴⁷. 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

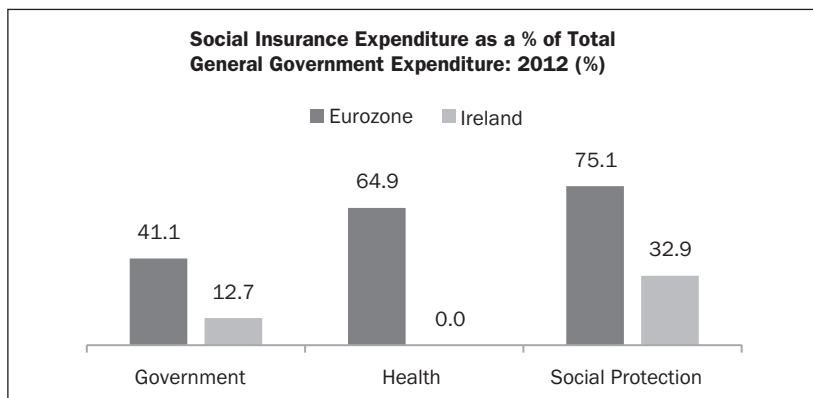
Waiting times for hospital appointments are measured in hours and days rather than weeks and months

The panel praised the French model but doubted people would be willing to pay the taxes needed to provide these services. What they didn't know (or didn't refer to) is that Irish workers already pay a higher level of personal taxation than French workers. So how can the French (and other EU countries) afford this level of social protection and public services? The answer is the Social Wage.

There is a considerable lack of appreciation in the Irish debate over the role of social insurance in the provision of public services and in-work benefits.

⁴⁷ Michael Taft, The French Elephant in the Room: <http://notesonthefront.typepad.com/politiceconomy/2015/02/how-do-eu-countries-manage-to-provide-better-public-services-and-income-supports-than-us-and-are-the-irish-people-willing-to.html>

The reliance in other countries on social insurance expenditure is considerable – with over 40 percent of all government expenditure coming through social insurance funds, rising higher under the health and social protection categories. Ireland with its heavily means-tested regime has much less reliance.⁴⁸



There is a considerable debate over the nature of social insurance. It has been argued that it is a tax; others argue that it is an insurance payment. The Commission on Taxation took a middle course, claiming that employers' social insurance could be both a tax and an insurance contribution.⁴⁹

However, employers' social insurance is also part of an employees' employee compensation. This is the categorisation used by national and international data and national accounts agencies. In political economy discourse, it is described as the 'social wage'. An employees' compensation is divided into (a) the direct wage – that part of the employees' compensation package that is paid directly to the worker; and (b) the social wage – that part of the employees' compensation package that is paid to a social insurance or comparable fund.

This allows us to view social insurance through consumption: Through the direct wage, employees engage in private or individual consumption.

⁴⁸ Eurostat, General Government Expenditure by Function: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_a_exp&lang=en

⁴⁹ Commission on Taxation Report, 2009: http://researchrepository.ucd.ie/bitstream/handle/10197/1447/Commission_on_Taxation_Report_2009.pdf?sequence=1

Through the social wage, employees are enabled to engage in collective consumption, accessing contingency benefits and public services for free or at-below market rates. Returning to the example above, the French employee (as for employees throughout continental Europe) can access pay-related unemployment, sickness and maternity/paternity benefits; pay-related old age pensions, obviating the need to save through occupational and personal pensions; free or below-market health services including hospital and GP care along with prescription medicine; and strong family benefits.

However, in Ireland, the social wage is weak. The effective social wage in the EU is 20 percent of the direct wage (i.e. employers' social insurance is 20 percent of direct wage). In Ireland the effective rate is 8 percent. Were the Irish social wage raised to average EU levels, it would generate an additional €8 billion for the social insurance fund which could pay for European levels of in-work supports and access to public services (notably health) for free or at below-market rates. A couple of examples will suffice.⁵⁰

- Throughout continental EU countries, employees can avail of sickness benefit through the social wage. This pay-related benefit means that someone on the average wage can receive up to 70 to 80 percent of their pay during their period of illness. Irish sickness benefit is a flat-rate payment so for an average income earner the payment makes up to about 27 percent of their wage.
- Ireland has a flat-rate maternity benefit of €230 per week (or 33 percent of an average wage) while other countries provide more generous benefits. Austria, Denmark, France, Germany, the Netherlands, and Spain all provide 100 percent of previous pay while Belgium and Italy provide 80 percent.

The key point here is that social insurance is capable of mobilising greater resources for employees in certain contingencies than BI, assuming BI replaces social protection payments.

However, there are issues. Social insurance regimes were originally designed and implemented in industrial cultures premised on the permanent, full-

⁵⁰ EU Commission, Mutual Information System on Social Protection: <http://www.missoc.org/MISSOC/index.htm>

time job with a full-time spouse/carer working in the home (in almost all cases, women). This model began to fray with the large-scale entry of women in the labour force, the rise of part-time work and the fragmentation of employment contracts (zero/low-hour contracts, rolled-over temporary contracts, bogus self-employment). It has been put under more pressure by the rising elderly demographic and the fiscal squeeze arising out of the speculation-fuelled crash.

Further, by its very character social insurance benefits those in work even though throughout Europe the employment rate is less than two-thirds.⁵¹ While many countries use universal payments to supplement social insurance (e.g. Child Benefit) there are considerable gaps in the social protection net which, in the Irish case, is supported by means-tested programmes. Esping-Andersen argues that social insurance regimes are potentially conservative:

'In these conservative and strongly 'corporatist' welfare states, the liberal obsession with market efficiency and commodification was never preeminent and, as such, the granting of social rights was hardly ever a seriously contested issue. What predominated was the preservation of status differentials; rights, therefore, were attached to class and status. This corporatism was subsumed under a state edifice perfectly ready to displace the market as provider of welfare . . . On the other hand, the state's emphasis on upholding status differences means that its redistributive impact is negligible.'

While these states have developed strategies to address this conservatism and the changes in the labour market, this has as much led to greater complexity, bureaucracy and reduced benefits as actually spreading the benefits of social insurance. Along with the rising elderly demographic, this has raised questions over the long-term viability of predominantly social insurance regimes.

Nonetheless, the ability of social insurance regimes to mobilise resources for people in times of need instils strong 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.

Strategy 3: Basic Income as the Foundation

The introduction of a reduced working week and a strong social wage has the potential to boost prosperity, security and personal autonomy. However, just as with the introduction of a BI that satisfies basic needs, there are considerable cost considerations. Reductions in the working week would create considerable costs at firm level, with employers attempting to recoup costs through wage suppression. The introduction of a European-style social wage in Ireland would entail substantial increases in employers' social insurance which would mean workers forgoing a significant portion of direct wage increases.

Of course, there could be a countervailing process which would mitigate these costs. Employers would benefit from increased hourly productivity while many employers would find firm based benefits would fall in costs as increased social insurance benefits 'socialise' costs across all firms (e.g. sick pay social insurance would replace much of the costs of firm-based sick benefits). Further, increases in in-work support would increase consumer spending – a boost for firms reliant on domestic demand. Still, there is no ignoring the cost impact.

This is where Basic Income can play a significant role – not to do all the heavy-lifting but to facilitate the introduction of the 30-hour work week and a higher social wage, while providing its own benefits. To do this in the first instance, we need only introduce a 'Partial' or 'Feasible' Basic Income – one that would:

‘... 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.’⁵²

For a partial Basic Income (PBI) the principles would

- Be compatible with the fiscal space
- Accept the need for prioritising public services
- Be implementable within the current tax / social protection regime

⁵¹ Employment rate refers to the proportion of all working age people who are employed. Eurostat: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ifsa_ergan&lang=en

⁵² Reed and Lansley

An important political consideration is that a PBI would be presented as a stand-alone proposal. It can begin to fulfil the potential of full BI and win popular support without demanding that people support a full BI. Nor do those arguing for a PBI need to argue for a reduced working week and stronger social wage. It stands or falls on its own merit; but if it stands it could be a vital tool in achieving other transformative social goals.

The following proposal attempts to marry those principles and political consideration:

- Personal tax credits (single, married, PAYE and the new self-employed credits) would be transformed 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 income taxation.

This PBI would not affect those fully in the income tax net or those reliant on social protection (it would be absorbed in social protection payments). It would be a redistributive mechanism to the low-paid, part-time and casual workers whose income is below the income tax threshold or who find themselves falling through particular holes in the current social protection net. In essence, this would be a refundable tax credit as proposed by Social Justice Ireland with a minimum earnings level before the PBI becomes operative. The following provides a small example of how it would work.

Transforming Personal Tax Credits into a Partial Basic Income (€)			
	Average Earner (€36,000)	Part-time Low-Paid (€13,000)	Casual Worker (26 Weeks at Minimum Wage)
Loss of Personal Credits / Increased Taxation	3,300	2,600	1,856
Partial Basic Income	3,300	3,300	3,300
Net Gain	0	700	1,444

This stylised calculation shows that the sole beneficiaries of transforming personal tax credits into a PBI would be low-income earners. This

emphasises its redistributive potential. There are other beneficiaries however. Below we highlight two:

- **Caring in the Home:** currently, a person may avail of a home carer's tax credit if they earn less than €7,200 and a single person's tax credit through their spouse's income. Both credits are only available to married couples and civil partners. In addition, many low-income households cannot avail of all the credits as their income is too low. A PBI would eliminate these income and marital status conditions while ensuring that all households, regardless of income, were provided with an equal payment.
- **Student Maintenance Grants:** The current maintenance grant regime is means-tested. Households with total gross income of more than €40,000 are ineligible for full maintenance grants while those above €46,000 are ineligible for partial grants. The average gross household income is €56,000. A targeted PBI would provide more income to students than the current grant regime (save for the special non-adjacent rate).

It is beyond the scope of this paper to estimate the cost of introducing a PBI, especially without access to CSO micro-data. Reliance on headline Revenue Commissioner⁵³ and Department of Social Protection⁵⁴ data can only provide broad brush-stroke estimates. If, in the first phase of introducing a PBI, a minimum income threshold could be used this would allow a PBI to act as a refundable tax credit. If the threshold was initially set at €5,000 the potential cost could be €1.5 billion.⁵⁵ This is considerably less than the proposed tax cuts under the current Programme for Government.

The Exchequer would benefit from savings beyond just the abolition of personal tax credits (since these would be transformed into direct payments). There would be reduced expenditure on student maintenance grants, Family Income Supplement, earnings disregards for means-test programmes (e.g. part-time work on Jobseekers' Allowance, Carers'

⁵³ Revenue Commissioners Income Distribution Statistics: <http://www.cso.ie/px/pxeirestat/psnr/rv01/DATABASE/rv01/Income%20Tax%20and%20Corporation%20Tax%20Distribution%20Statistics/Income%20Tax%20and%20Corporation%20Tax%20Distribution%20Statistics.asp>

⁵⁴ Department of Social Protection, Annual Statistics: <http://www.welfare.ie/en/Pages/Annual-SWS-Statistical-Information-Report-2015.aspx>

⁵⁵ Discussions with researchers from Social Justice Ireland suggest that the cost would be less based on their estimates of the cost of a refundable tax credit to a threshold of €14,000.

Allowance where one spouse is working). Not only would a PBI begin to limit the extent of means-tested programmes (though it couldn't eliminate them altogether), it would also increase indirect tax revenue as a result of focusing on consumption-intensive income groups.

But let us be clear about the limitations of PBI. It can 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; and partially limit means-testing. Most importantly, it is clearly affordable. However, it does not provide an independent income capable of satisfying basic needs; it is not an anti-poverty policy (in the first instance it would be absorbed into social protection payments) and it does not end means-testing or adult dependency.

If the introduction of BI is dependent on an all-at-once strategy, it may never succeed. There are too many questions that can't or won't be answered until implemented. Then, it might be too late or expensive to correct any deficits. A PBI, however, is part of a broader-based strategy – and a policy that does not require people to 'buy-into' BI (not fully anyway). 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 – especially in its ability to leverage other transformative strategies - is likely to stand a better chance of winning support.

4. A Road Map: Connecting Radical Utopias and Practical Solutions

A utopia only remains utopian when it is abstracted without connection to where we are today. However, once we put in place a road map, no matter how long that road may be, we begin to convert no-place into a concrete space here. This allows us to focus the debate on whether it is, in principle, a good idea? Would society be better off with this or without? That puts the debate on a different plane.

The inter-related strategies each have their own challenges and require different strategies.

A reduction of the working week may require conducting experiments in the public and private sector, with willing firms participating and subsidised to ensure no loss of income through pilot projects. Ex-ante, continuous and ex-post analysis would be conducted, focused on a range of topics from employee-impact, productivity, firm performance, etc. involving employee and employer representatives. In addition, reduction of working time could be introduced on an age-related basis; for instance, a phased reduction in working time for over 60s.

An increase in the social wage could be phased in, starting with a higher employers' PRSI for income in excess of €100,000 with a gradual reduction in the threshold over time. This would focus the increased cost in the first instance in these firms that can better absorb it while beginning to roll out the benefits (e.g. pay-related maternity benefit, subsidised prescription medicine). It would also allow firms a number of years to plan for the impact.

Following an exhaustive cost-benefit analysis, the PBI could be introduced as outlined above and be gradually increased consistent with fiscal and economic capacity.

The PBI could become instrumental in the introduction of both a reduced working week and a higher social wage. A PBI could, when gradually expanded, facilitate wage flexibility that would cushion firm costs. A PBI could also reduce the pressures on the social insurance fund which, again, would reduce costs for employees and employers (and the self-employed who should be brought fully into the social insurance regime).

However, such inter-related steps would need to be carefully co-ordinated. This requires evidence-based policy formulation, a social consensus to build social trust, and the full and equal participation of all stake-holders. It is difficult to foresee how all this could be put in place where market-processes rule and certain market forces are privileged. But that is true for so much of what makes for a civilised life: housing, healthcare, education.

While we should be cautious about reading too much into happiness polls, or polls that assess policy preferences 10 to 20 years down the line, they can be provocative. The Future of Ireland⁵⁶ polled people about their forward-

⁵⁶ The Future of Ireland, OMD, 2015: http://www.futureofireland.ie/uploads/files/article_1/files/The_Future_of_Ireland.pdf

looking social wish-list and, in particular, asking what are the 'key ingredients of happiness'. At the top of the list was 'free universal health care'. At the bottom of the list were 'the ability to become rich' and a 'free market'. Interestingly, 'work-life balance' and 'financial security' featured at the top, along with 'free universal education'. It is these ingredients of happiness that an inter-related strategy of working-time reduction (work-life balance) and the social wage and BI (financial security) can address. That free health and education also features reinforces the social and collective character of what makes for happiness.

This is the new terrain that we can work in. In so many big and little ways people are trying to express the desire that they no longer want to be treated like a commodity, something to be bought and sold like a chair. To vindicate that desire requires connect-the-dots thinking, policy innovation, alliance-building and social persuasion. But if we do that, the future is not only progressive; it can now become increasingly possible.