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CAN A UNIVERSAL BASIC INCOME RESOLVE FUTURE INCOME SECURITY CHALLENGES?

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Universal Basic Income

Flagship reference: van Parijs/Vanderborght (2017)

"Basic Income. A radical proposal for a Free Society and a Sane Economy", Harvard University Press

Universal Basic Income (UBI):

- (1) Individual – cohabitation difficult to confirm***
- (2) Universal – higher take up than of means tested benefits, less bureaucracy***
- (3) Unlimited and obligation free – freedom to say yes to jobs paying less or saying no to bad jobs***

Sane Economy: less/no involuntary unemployment, increasing possibilities of unpaid care work, probably less growth

Ethical justification of an UBI

Van Parijs/Vanderborght (2017):

- **„Distributive justice Not to be misunderstood as aiming to equalize outcomes aims to make less unequal real freedom, possibilities and opportunities“** (p.104+107)
- **Libertarian view of autonomy** of individuals described by Paul Goodman as **„the ability to initiate a task and do it one’s own way, without orders from authorities who do not know the actual problem and the available means“**

Denial of empirical findings that for equal chances you need more than money: no concept of society with mutual help if needed but also obligations

Not fair for able-bodied adults to live from the work of others

Why do we need a UBI? Basic assumptions in UBI literature (1)

1. End of work: massive job losses through digitalisation

- all past prognosis on the „End of Work“ wrong
- substantial increase of employment rates in advanced countries
- hourly productivity growth declining „productivity puzzle“
- many new promising employment fields
- work sharing powerful instrument of employment policy
- but
 - substantial structural change - economic security for many will depend on ALM
 - new forms of precarious work – new forms of regulation needed

Why do we need a UBI? Basic assumptions in UBI literature (II)

2. Negative impact of labor market regulations:

„Where the level of remuneration is and remains firmly protected by MW legislation, collective bargaining and generous unemployment insurance, the result tends to be massive job losses“ (van Parijs/Vanderborgh 2017: 5)

- Ignorance of the empirical findings on the neutral or even positive employment and productivity effects of MW's, CA's, EPL and unemployment insurances
- Countries with high coverage by CA, generous unemployment insurances and strong EPL – economically very successful like SWE or DE because of positive linkages with innovation and investment in education and VET

Why do we need a UBI? Basic assumptions in UBI literature (III)

3. Welfare state critic- WS not inclusive, ineffective, paternalistic means-testing humiliating

WS very different faces:

- Provisions of rights and entitlements which increase individual autonomy
- Social insurances often highly effective (*administration costs of German age insurance 1,4% - in private pension plans 20- 30 %*)
- Investments in people

*But often exclusion of precarious workers, shift from entitlements to bureaucratic means-tested social welfare, low quality of services - **fertile breeding ground for justified WS critic***

Costs of a UBI

Pouring in money for everyone extremely expensive

- costs depend on the level of the UBI
- *van Parijs/Vanderborght* propose to pay around 25% of GDP (2015 USA **1.163 \$**, Switzerland **1.670 CHF** per person)
- German proposals (*Werner/Straubhaar*) **1000 €** = 984 Billion € = 31,4% of GDP (100 Billion higher than present German Social Budget)

How to finance it:

- All proposals: UBI „self-financing“ **by replacing the WS - „not needed anymore“**
- Different views on taxes: flat or progressive income tax (55-65% marginal rate), value added tax
- but **nowhere resilient calculations** – proponents prefer to preach charity

Replacement of the WS

Many unanswered questions:

- Should the whole WS be replaced?
- UBI cannot cover all costs of health, accidents, disability....
- Götz Werner (2017) proposed a „basic health insurance“ – but unclear how „basic“, who pays and who pays for extra expenses of the disabled or in case of care (German health costs in 2015 more than 300 Billion €)
- Should all the „educational elements“ and the „support structures for disadvantaged people“ like child care, youth welfare, retraining of unemployed or refugees be abolished?

If not cost easily add up to 40 to 50 % of the GDP

If **yes: not much remains of the 1000 €** ; people cannot say anymore no to bad jobs and are completely left alone in economic insecurity

Who are the allies in the struggle for an UBI?

Power absent in UBI concepts but needed to get it

- Labor movement will not support deregulation of the LM and abolition of the WS
- Possible allies: neo-liberal parties and parts of the business community who lobby for tax cuts
- Silicon valley CEO's express sympathy with an UBI – also known for tax evasion and their preferences for tax cuts and cheap labour

Probable compromise between UBI proponents and their available allies:

Deregulation of the LM, cuts of the WS, a low and political instable UBI which subsidizes precarious work

Finish PBI not part of the UBI family: Is temporary, targeted on unemployed, some obligations

Temporary experiments are **ex-communicated** by van Parijs/Vanderborgt. They welcome that they „...boost the awareness of the idea ...but..their net effect on real-life reform .. may turn out to be disastrous“ (p.144)

Open questions of the Finish experiment:

- Is a permanent divide between employees with and without PBI acceptable or will all employees receive the PBI?
- The costs when it becomes generalized and unlimited?

The Finish PBI an **interesting (not the first) experiment** to increase incentives to work and reduce bureaucracy

But: The **problem of high marginal tax rates remains** – can only be mitigated

The most promising cousins of UBI

From the same family: universal and individual but not obligation-free

1. **Universal basic income for children:** *Atkinson 2015 - taxable with 65% marginal tax, proposals on minimum pensions....*
2. **Universal citizen's rights:** *universal services like free primary, secondary, tertiary education, free health care*
3. **Universal employee's rights:** *like parental, care or training leaves, grants for education/training*
4. **Equal pay and social protection** *for new forms of work*

Very promising routes

- **increase inclusiveness** of the WS, reduce bureaucracy and increase economic security
- income also for times without work
- targeted and **manageable** costs

Conclusions

- UBI proposals **nicely packed** as a **humane utopia** - systematic lack of details (*because they spoil the UBI narrative?*)
- But turn out to be the **most radical deregulation programme in history** – more radical than Hayek's ideas of a residual WS
- Very costly – might even be **more costly when economy is shrinking** - WS has productive functions
- Political possible outcome opposite to promises: a low UBI in a deregulated world with less **options increased economic insecurity**

But: Some very **promissing cousins** of the UBI which increase economic security and individual autonomy at manageable costs