

# A state-guaranteed basic income for all is becoming a necessity

By Carl Mortished

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Imagine that your employer suffered an unforeseen financial calamity and announced on Friday evening that there was no money to meet the payroll – would you turn up to work on Monday? You might hope that the crisis would blow over but in the absence of good news would you still be doing your job the following week?

Any boss who relies on the goodwill of his staff would do well to toy with this apocalyptic scenario. Yet, in Finland, they are going much further in testing the durability of the human work ethic. Kela, the Finnish social insurance institution, is drawing up plans for a scheme to pay €800 (\$1,150) a month to every Finn, regardless of employment or wealth. The guaranteed payment, or basic income, would cost the state €2-billion and would replace all existing social security benefits.

Switzerland will vote next year in a nationwide referendum on a proposal for an unconditional basic income and the Dutch are toying with the idea; the City of Utrecht is sponsoring a social experiment, paying groups of welfare recipients a monthly sum of about €1,000. For each group, different conditions will be attached to the payment – some will be paid, regardless of employment, others will have their basic income cut back according to other income, and so on.

The purpose of the Dutch experiment is to find out how a state-guaranteed income would affect behaviour, in relation to work, leisure and family life. Opponents of basic income, including the Swiss parliament, which gave it a huge thumbs-down, worry that it will destroy the incentive to work and in the words of one right-wing Swiss MP, it would throw “a bomb into the heart of our society and economy.”

And it’s not just conservatives who oppose it; the concept of basic income requires that it replaces all other government handouts. It is the ultimate social contract – your citizenship is worth so many dollars per month, no more, no less. Many Swiss socialists and greens voiced their opposition to the initiative.

Still, even if their politicians are telling the Swiss to vote “no,” the electorate is surprisingly warm to the idea. An online poll conducted by Tagesanzeiger, a Swiss paper, showed 49 per cent in favour, 40 per cent opposed while 8 per cent would accept it at a level below the proposed income of 2,500 Swiss francs (\$3,307) per month.

Affordability is clearly an issue for each country that considers adopting a basic-income system. At the heart of the debate over its merits, however, is an argument about fairness and the purpose of work. A universal handout that created a nation of sofa surfers would clearly destroy the economy. Yet, a scheme that gave individuals, in particular the young and the middle-aged to-elderly, enough security to take a financial or career risk would have both economic and social value. Basic income could provide a financial cushion to help a young person start a new business or invest in a new skill or it might allow an older person or young mother the freedom to cut working hours in order to invest time in family, voluntary or community work.

Few governments have tried this, but to Canada’s credit, the most extensive experiment in basic income took place in Dauphin, Man. Between 1974 and 1979, the federal and provincial governments sponsored a scheme, Mincome, which paid a universal stipend to families. There is disagreement over

the outcome and, strangely, no government report was ever published after the scheme was scrapped as recession hit Canada.

A Canadian economist, Evelyn Forget, who has conducted an analysis of the data, reckons that only teenagers and young mothers significantly reduced their working hours under Mincome. The former took advantage to avoid the burden of supporting their families and more teenagers graduated from school. Young mothers chose to stay at home with their babies and, interestingly, hospital visits dropped by 9 per cent during the Mincome period.

Getting basic income right must, in part, be about getting the right basic income and, unfortunately, that may be an exercise in trial and error. Pitch it too high and it becomes a pension which dampens initiative and, ultimately, is unaffordable. Pitch it too low and it fails as an income, leading to frantic calls for more benefits for the very poor.

Some governments, notably the British, are going in the opposite direction. George Osborne, the Chancellor of the Exchequer, is mired in a parliamentary squabble over his plans to cut tax credits, a form of negative income tax that delivers extra cash to people on low pay and with young children. His preferred alternative has been to insist that employers shoulder more of the burden and he has substantially boosted the minimum wage, provoking huge outcry from small business owners.

The answer must be that we need both: a thriving, modern, technologically-sophisticated society needs to be a higher-wage society and one in which the social contract allows citizens to move in and out of employment with relative ease and little fear. The corollary of basic income has to be less employment protection – in other words, if the state will keep you while not working, you must accept a dynamic market, one in which employers can hire without fearing the ultimate cost of firing.

We may need to move in this direction quickly – the possibility of large-scale employment attrition as technology replaces jobs in manufacturing, transport and even the professions is already upon us. At the same time, demographic transition will create huge demands for workers elsewhere in the economy. We worry that our children may not have the right skills to cope but the truth is that our skills may become redundant even before our children are old enough to work.

The solution is to maximize opportunities for employment, and basic income can be a useful tool for both employers and employees. It can give a stimulus to enterprise while offering security to those who need it, and thereby manage the transition to more fluid relationships. The French have a word for this employment anxiety, *precarité*. In a precarious world, a basic income may become a necessity, not an option.