



UNIVERSAL BASIC INCOME

A UNION PERSPECTIVE

POLITICAL OVERVIEW (Extracted from Full Report)

**FRIEDRICH
EBERT**

STIFTUNG

NEW
ECONOMICS
FOUNDATION

 **PSI**
PUBLIC
SERVICES
INTERNATIONAL

UNIVERSAL BASIC INCOME

A UNION PERSPECTIVE

THIS POLITICAL OVERVIEW IS THE EXTRACTED SUMMARY OF A FULL REPORT: Universal Basic Income - A Report for Unions

Access the full version online; <https://tinyurl.com/y3tl3lx4>

Written by Anna Coote and Edanur Yazici, New Economics Foundation.

NEF is a British think-tank that aims to help build a "new economy where people are really in control". The Foundation was founded in 1986 by the leaders of The Other Economic Summit (TOES) with the aim of working for a "new model of wealth creation, based on equality, diversity and economic stability". The Foundation has around forty employees mainly based in London and is active at a range of different levels. Its programmes include work on housing, reform of the financial system, the future of work, democracy and devolution and climate and environment.

About the publisher

Public Services International (PSI) is a global trade union federation representing 20 million working women and men who deliver vital public services in 154 countries. PSI champions human rights, advocates for social justice and promotes universal access to quality public services. PSI works with the United Nations system and in partnership with labour, civil society and other organisations [www.world-psi.org].

This Report was made possible thanks to funding from the Friedrich-Ebert-Stiftung.

The Friedrich-Ebert-Stiftung (FES) is the oldest political foundation in Germany with a rich tradition in social democracy dating back to its foundation in 1925. The foundation owes its formation and its mission to the political legacy of its namesake Friedrich Ebert, the first democratically elected German President.

Political Overview

By Rosa Pavanelli, General Secretary, Public Services International

Rising inequality, precarious work and fundamental changes to the structure of the global economy are unleashing new and powerful political forces around the globe. Many, such as the trend to scapegoat migrants, women's rights and the workers movement are driving decades of social and economic progress into reverse. In such circumstance proponents of Universal Basic Income (UBI) offer a new and seemingly positive solution. Why would progressives not support concepts such as universality and provision of minimum income guarantees?

Yet many trade unionists and progressives feel deeply uncomfortable with the idea and have avoided the debate potentially missing opportunities to promote our solutions and allowing ourselves to be framed as irrelevant to modern political movements.

This guide is designed to allow trade unionists to confidently engage in the debate so we can promote our solutions, build new allies and continue to be relevant to workers across the world. At the heart of the critique of UBIs contained in this brief is the failure of the most basic principle of progressive tax and expenditure, which can be summarised as "from each according to their ability, to each according to their need".

Whereas universal benefits such as healthcare or unemployment payments are provided to all who need it, UBI is provided to all regardless of need. Inevitably it is not enough to help those in severe need but is a generous gift to the wealthy who don't need it. It is the expenditure equivalent of a flat tax and as such is regressive. But the consequences are more than a question of principle.

The estimates of funds required to provide a UBI at anything other than token levels are well in excess of the entire welfare budget of most countries. If we were able to build the political movement required to raise the massive extra funds would we chose to return so much of it to the wealthiest, or would it be better spent on targeted measures to reduce inequality and help the neediest?

What's more such schemes require the total current public welfare budget to be used. Do we really want to stop all existing targeted programs such as public housing, public subsidies to childcare, public transport and public health to redistribute these funds equally to billionaires?

"UBI is the expenditure equivalent of a flat tax and as such is regressive."

And this raises other practical political issues. With a UBI in place many have argued that the states obligations to welfare will have been met. That people would then be free to use the money as they best need – free from government interference.

With such a large increase in public spending required to fund a UBI it would certainly prompt those who prefer market solutions to public provision with powerful arguments to cut what targeted welfare spending might remain.

Arguments put by proponents of UBI to counter these questions usually involve targeting of payments, or combination with other needs-based welfare entitlements. However, as this report notes, models of UBI that are universal and sufficient are not affordable, and models that are affordable are not universal.

The modifications inevitably required amount to arguments for more investment, and further reform, of the welfare state – valuable contributions to public debate but well short of the claims of UBI. It is one of the unfortunate mirages of UBI, as clear from the evidence and trials outlined in this report, that UBI can mean all things to all people. But the closer you get to it the more it seems to recede.

A further, and significant point for trade unionists, is the assumptions UBI proponents make about technological change and the effect on workers. The argument that technology will inevitably lead to less work, more precarious forms and rising inequality is deeply based on the assumption that technology is not within human control.

In fact, technology is owned by people and can be regulated by government if we chose. Work is not disappearing – there are shortages of paid carers and health care workers, amongst others, across the globe. And precarious work can be ended at any time with appropriate laws. What is missing is the political will to control technology, and work, for the benefit of the population. In this regard UBI is a capitulation to deregulation and exploitation, not a solution to it.

None-the-less questions raised by the UBI debate are important for trade unionists and progressives. We must not alienate the majority of UBI proponents who genuinely seek to build political power to tackle inequality, support the welfare state, deal with precarious work and fund public services.

To the extent that the UBI debate is built on answering these questions it is a debate that we must be engaged in as it provides us with opportunities to put our case for workers' rights and quality public services as essential planks to dealing with rising inequality.

This union briefing provides the extracted evidence and arguments trade unionists need to be able to take those opportunities by confidently engaging in this growing debate.

KEY FINDINGS

The case for 'universal basic income' (UBI), has gathered momentum in recent years. Essentially, it promotes the idea of making regular, unconditional cash payments to all individuals, regardless of income or status. Many trade unions have taken an interest in this and some have begun to support it. Advocates for UBI see it as a way of tackling serious problems that face working people and their organisations around the world, including the rise of automation and rapidly changing labour markets, deepening poverty, widening inequalities and a growing sense of powerlessness.

The Full Report from which this Briefing is derived considers arguments for and against UBI and examines what can be learned from efforts to realise it in practice. It describes different meanings and versions of UBI, reasons why people are attracted to the idea, likely costs of implementing UBI, arguments against it, practical trials in poor, middle-income and rich countries, and what evidence they yield. It briefly describes a range of alternative policies for tackling today's urgent challenges and ends by concluding that UBI is unlikely to fulfill the claims that progressive advocates make for it and that there are more effective ways of tackling the problems they seek to address.

Meanings and versions of UBI

The idea of UBI is interpreted very widely. Practical experiences of regular cash payments to individuals in different countries and localities, which are claimed by some to be versions of UBI, come in many different forms. These include any combination of:

- how often payments are made
- how much is paid
- where the money comes from
- who gets it - what conditions are attached
- how payments relate to other forms of social protection.

UBI is best understood as a patchwork of possibilities rather than a single idea or policy. It can mean almost anything to anyone, with one consistent theme: UBI is about giving money to people for the purpose of solving social and/or economic problems. This is an important starting point for unions who may be considering whether to support something called 'UBI' because while in general unions will tend to support proposals for redistribution of wealth and increased welfare payments based on need, the ambiguity of many models requires us to ask: what version is under consideration and in what context?

WHY DO PEOPLE WANT UBI?

Supporters of the idea of UBI fall into three broad and overlapping categories:

- **Those who want to alleviate poverty, reduce inequalities and reform inadequate social protection systems.**
- **Those who want to enable people to flourish in an automated future, including those seeking to increase workers' pay and conditions, and their power in the workplace.**
- **Those who see basic income as a route to radical transformation, who can be found at both ends of the political spectrum.**

Trade union supporters can fall into all three categories. They should be aware of other political motivations and interests that may not coincide with their own.

HOW MUCH WOULD UBI COST?

The cost of making regular, unconditional cash payments to all individuals in all or part of any country will be very large in all cases. Exactly how large will depend on how much is paid, to whom, for how long and whether this is sufficient to live on. Costs will inevitably be higher where there are higher standards of living so that "sufficiency" costs more.

The International Labour Office (ILO) has calculated the costs of UBI in 130 countries, finding that "for most world regions, the average costs, are in the range from 20 to 30 per cent of GDP."

Gross costs can be reduced by paying smaller amounts to each individual or introducing conditions so that fewer people get paid, but these changes limit the potential of UBI to realise many of the aims of its supporters: for example, a small payment will not be sufficient and a conditional payment will not be universal; neither variation is likely to provide a route to radical transformation. Both are probably better understood in the context of progressive welfare reform rather than support for UBI.

"A small payment will not be sufficient and a conditional payment will not be universal; neither variation is likely to provide a route to radical transformation."

Costs may be offset by abolishing other welfare benefits or tax allowances, by raising existing tax rates or by introducing new taxes, for example on unearned income.

Net costs nevertheless remain high. For example, micro-simulations for full, or nearly full UBI schemes in the UK suggest they would increase welfare spending by more than two-thirds; calculations for a UBI scheme for India, paid at just below subsistence level, would cost around 5% of GDP. Unions will need to consider the practical and political implications of paying for UBI, the associated trade-offs, and whether it is financially realistic as well as politically and economically feasible.

As campaigns for UBI have gathered momentum, more people in policy and academic circles have critically appraised it. They mainly address the idea of UBI, and claims made for it, set against the possible implications of putting it into practice - drawing more on simulations than on lessons from practical trials (see page 9).



WHAT ARGUMENTS ARE RAISED AGAINST UBI?

- **UBI can entrench low pay and precarious work.**

It will not improve workers' pay and conditions, or their bargaining power.

- **The sums don't add up**

An affordable UBI is inadequate and an adequate UBI is unaffordable.

- **The trade-offs are unacceptable**

Paying for it by abolishing other forms of social protection would exacerbate inequalities; it would make those without work poorer and would benefit the very rich. Even if funds can be raised, money spent on UBI cannot be spent on important causes, such as quality public services, industrial strategy, renewable energies and carbon reduction.

- **It is not a route to effective welfare reform**

If implemented alongside tax increases on land, wealth and corporations - as some progressives advocate for - it would create a powerful new tax engine to pull along a tiny cart; a targeted social security system will always be more efficient and equitable.

- **It is diversionary**

It could drain the political energies and funds of progressives from more important causes such as the living wage, boosting trade unionism, more and better public services, radical change in housing policy, policies to reduce working time and investment in sustainable infrastructure.

- **It is an individualist solution to a shared set of problems:**

progressives will look for other solutions, based on solidarity, reciprocity and collective action.

- **It supports consumer capitalism**

helping people have more access to consumption without altering anything about how production is organised; it is not an alternative to neoliberalism, but an ideological capitulation to it.

- **It is a lazy utopian remedy**

It fails to address issues of class, economic ownership and the productive capacity of the economy.

HOW HAS THE IDEA BEEN TESTED IN PRACTICE?

In the Expanded Report, fourteen practical schemes are briefly described, selected because they have been referred to as examples of UBI and/or cited as “evidence” of how UBI can work in practice. They include past, present and prospective trials in poorer, middle-income and richer countries:

- In poorer countries: completed trials in Madya Pradesh, India and Zomba, Malawi; current scheme in Kenya.
- In middle-income country: three current schemes in Brazil
- In richer countries: completed trials in in Manitoba, Canada and New Jersey USA; current schemes in Alaska, USA, Finland and the Netherlands; prospective trials in Switzerland, California USA and Scotland.

WHAT CAN BE LEARNED FROM THESE SCHEMES?

The schemes vary enormously in purpose, type, scale and funding source, as well as in their political and economic context. Claims that any of these practical schemes provide “evidence” that “proves” the case for UBI are fanciful. Key lessons are as follows:

■ **Evidence is severely limited**

There is no robust evidence relating to UBI defined as unconditional, regular cash payments to individuals regardless of income or status. The schemes have seldom lasted long enough to test viability over more than a few years. We can learn very little about how local trials might be scaled up to country level, or about their political and economic consequences, including impacts on employment, trade and investment. Most trials are conditional, mainly targeted on low-income groups, so they offer little or no evidence about the costs or effects of universal schemes.

■ **Context really matters**

In a poor country where there is little or no existing social protection, a cash payment scheme can play a very different role from one in a developed country with an established welfare state. There are also big differences between both poorer and richer countries, so that it is impossible to read across from one scheme in one country to anticipate how something similar might work elsewhere.

- **In poor countries cash payments are used as a development tool.**
 Instead of giving aid to national governments or local agencies, money goes straight to individuals. There is some evidence that this approach has positive effects in some settings. If the beneficiary has nothing to start with, even a very small cash payment can make a huge difference. However, this is rarely evaluated against alternative uses of the funds such as for public goods, including schools, roads or a safe water supply. There is no evidence about how long the aid can (or should) be maintained, or how far it can be extended beyond the trial areas. There are some signs that positive effects can fade soon after payments cease.
- **Recipients don't fritter away the payments.**
 There is no evidence that people spend the money on tobacco or alcohol. In poor countries they are more likely to spend it on healthcare, education or micro-enterprise. These findings have important implications for broader welfare reform debates.
- **UBI alone cannot build long-term economic self-sufficiency.**
 Small injections of cash, even if regular and unconditional, will not be enough. People must also be able to control what happens to them, to have structures for shared decision-making and access to essential resources.
- **It would be self-defeating to use basic income schemes to justify rolling back the state or dismantling public services.**
 Without the "social wage" provided by collective services, cash payments cannot lift people out of poverty or improve their prospects for the future. Where services have been severely squeezed by austerity policies, there is a risk of UBI exacerbating that trend rather than rectifying it – offering to replace a collective system with individual money payments.
- **If emancipation is the goal, not just 'inclusion' or reduction of poverty, UBI is not the answer**
 If cash payments become the preferred tool for social protection, there is a serious risk of crowding out efforts to build collaborative, sustainable services and infrastructure – and setting a pattern for future development that promotes commodification rather than emancipation.
- **There is no evidence that UBI is an effective way of reforming welfare systems in richer countries.**
 The main barriers are the vast costs of maintaining UBI alongside high quality public services and top-up measures to meet specific needs, and the difficulty of winning political support for meeting those costs

- **UBI can help women and reduce gender inequalities but may also have negative impacts.**

There is some evidence that women receiving basic income in poor countries are more likely than non-recipients to have a say in household and financial decisions, and benefit disproportionately in terms of education, nutrition, health and finding paid work. In richer countries, receiving cash payments has enabled some women to choose not to seek paid work, usually where they have caring responsibilities. Whether this is genuinely liberating for women, or traps them in domestic roles and limits their opportunities, depends on a wide range of other factors.

- **Funding for cash-payment schemes comes from different sources.**

Most often, it comes from development agencies or charities in poorer countries, and from taxation in richer countries.

- **Power lies with the funder.**

People receiving cash payments funded through development agencies or charities have little or no power to influence terms and conditions, including how long payments continue or how widely they are spread. Where payments are funded through taxation, this amounts to a single and extremely powerful lever in the hands of the state, making recipients especially vulnerable to changes in cash transfer policies.

CONCLUSIONS

- **Making cash payments to individuals to increase their purchasing power in a free-market economy is not a viable route to solving problems caused or exacerbated by neoliberal market economics.**
- **There is no evidence that any version of UBI can be affordable, inclusive, sufficient and sustainable at the same time**
- **There is no evidence that UBI will help to increase the bargaining power of workers and trade unions or solve problems of low pay and precarious work.**
- **Rapidly changing labour markets, inadequate welfare systems, poverty, inequality and powerlessness are complex problems that call for complex changes on many levels: there is no “silver bullet” of the kind that UBI is often claimed to be.**
- **The campaign for UBI threatens to divert political energies – as well as funds – from more important causes.**
- **It is necessary and possible to raise funds to bring greater security, opportunity and power to all people, but the money needed to pay for an adequate UBI scheme would be better spent on reforming social protection systems, and building more and better-quality public services.**
- **Many (although not all) proponents of UBI see it as a means to fix problems that unions care about. Thus, the UBI debate creates important opportunities for unions to advocate for quality public services, progressive labour and welfare reform.**
- **However, unions should be careful when intervening in these debates that they do not unnecessarily alienate those proponents of UBI who are potential allies.**