



# Europe's New Social Reality

## The case against Universal Basic Income

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This paper is a follow-up to a 2015 report published in partnership with FEPS: The Social Reality of Europe After the Crisis, which can be found here: [http://www.policy-network.net/publications\\_detail.aspx?ID=4915](http://www.policy-network.net/publications_detail.aspx?ID=4915)

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## 1. Introduction

In 2015, the Policy Network report *The Social Reality of Europe After the Crisis* identified the growing social, economic and political divergence between the regions of Europe as one of the most important consequences of the crisis, given the shared challenges of weak economic growth and rising inequality. Since the report's publication, new comparative data suggest that economic recovery remains unevenly distributed across Europe, with particularly low growth in continental, Nordic and southern European countries. Further, despite progress in increasing employment participation, inequality has risen in most EU states since the 2015 report, while poverty levels have barely shifted despite improved labour market performance. In this context, it is unsurprising that left and right populism continues to thrive across Europe, with declining trust in existing democratic institutions. Nowhere has the rejection of the centre and of established political parties been more direct than in the UK, where a majority of voters chose to ignore the advice of the three main political parties by deciding to leave the EU.

Amidst a political environment of stagnating living standards, rising inequality and pessimism towards established political institutions, social democratic parties have struggled to respond with convincing narratives and policy solutions. This has manifested itself in the rise of a new left in Greece and Spain; across north-west Europe, populist radical right parties have honed an appeal to working-class voters in the so-called social democratic 'heartlands'. This is evident in the UK, where many traditionally Labour-supporting areas in northern England voted to back the UK's exit from the EU. Labour's malaise is representative of a wider challenge for European social democracy: how to respond to social and economic changes which make many of its traditional supporters feel 'left behind', while retaining the support of other groups in its historic coalition, namely liberal, urban, middle-class and younger supporters.

In the search for a new strategy for the centre left, a growing number of policy-makers, politicians, academics, campaigners and thinktanks have advocated the introduction of a universal basic income (UBI): an unconditional, regular payment by the state to every citizen. Although a long-standing idea, its supporters argue that UBI enables the left to offer a convincing analysis and persuasive solution to some of the most fundamental challenges in modern societies. These include furthering gender equality by providing all women with independent incomes; enabling people to cope with the threat of unemployment and underemployment arising from automation; improving the quality of jobs by empowering people at work to attain better work-life balance; and addressing intergenerational inequality by providing young people with more economic security and power over their futures.

As an idea, UBI has a powerful allure in the context of profound social and economic disruption, a lack of alternative political visions, and public distrust towards the conventional welfare state. However, this paper poses a question about the extent to which UBI is necessarily the solution to these crises. It asks whether there are effective strategies and policies that could more credibly deal with these challenges. Finally, the report scrutinises the claim that UBI is a panacea for the travails of the centre left in its capacity to tackle the social challenges already identified. The structure of the report is as follows. Chapter 2 reviews recent social and economic trends in Europe since the 2015 report. Chapter 3 outlines the challenges for social democracy and the emergence of UBI as an apparently powerful remedy. Chapter 4 considers how UBI may effectively address some of the most fundamental challenges to European societies. Chapter 5 sets out the social democratic case against UBI and presents a series of policy case studies as alternatives. Chapter 6 draws the arguments together, arguing that a more effective and convincing strategy for the centre left is to strengthen, reform and revitalise welfare states and social policies.

1. Namely, Andrew Duff CONV 234/02, 03-09-02 and Robert Badinter CONV 317/02, 30-09-02.

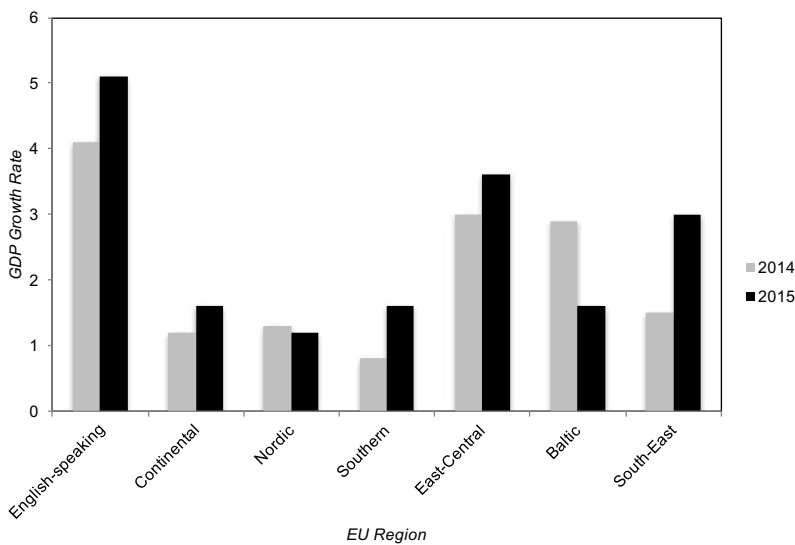
2. A concept now enshrined in Article 48(2) TEU.

## 2. Economic and Social Trends in Europe

### Economies and Labour Markets

The 2015 Social Reality report identified the divergence between Europe’s regions as the most important consequence of the economic crisis. The weak prospect of economic growth was a shared challenge across the EU. Recent data on GDP growth, however, shows that while some countries continue to stagnate, others have been more successful. Relatively high growth has been seen in Ireland, the UK <sup>1</sup> and east-central Europe, while in contrast Baltic, continental, Nordic and southern countries have seen low average growth of between 1.2-1.6 per cent. This is shown in Figure 2.1, demonstrating that a diverse range of states continue to struggle in the aftermath of the crisis.<sup>2</sup>

Figure 2.1 Changes in GDP growth 2014-15

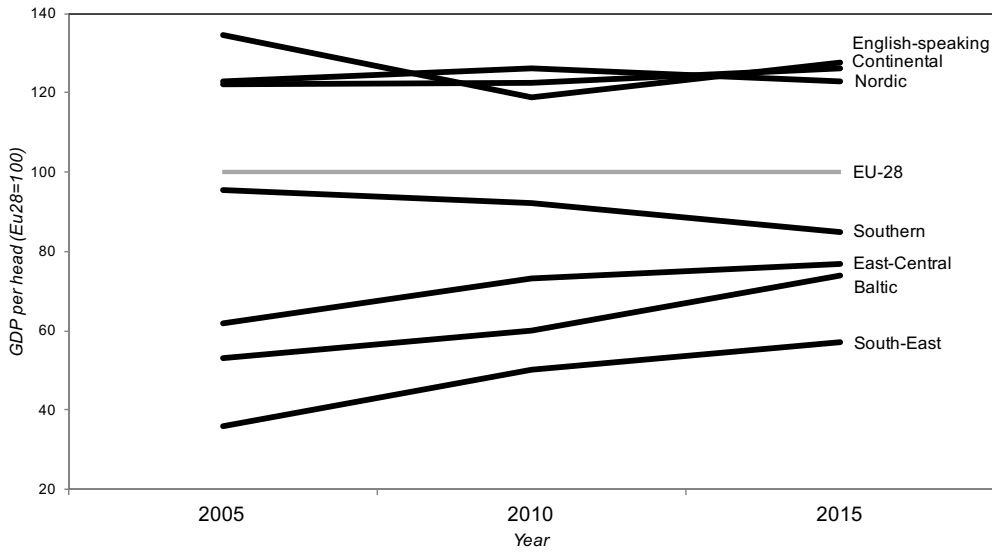


The relative economic success of the east-central region is representative of a broader trend of convergence between east and south Europe. Percentage rises in median incomes between 2013-2014 were largest in the relatively poorer east European countries, including Bulgaria (14.5 per cent), Latvia (13.6 per cent) and Estonia (7.4 per cent). In contrast, median incomes fell during the same time period in Cyprus (-8.2 per cent), Greece (-4.8 per cent) and Spain (-0.4 per cent). The process of convergence is demonstrated in Figure 2.2, which shows GDP per head for each region relative to the EU average. In 2005, GDP per head in south Europe was 96 per cent of the European average; in 2015 this had fell to 85 per cent. Simultaneously, the relative position of the east-central region has improved by 15 per cent, while the Baltic region has climbed 21 per cent closer to the EU average, bringing both regions closer to south Europe.

1. Tilford (2016) however warns that relatively high growth in the UK masks deeper economic problems, including stagnant wages, falling productivity, low skills and weak investment in infrastructure.

2. English-speaking (Ireland; UK); continental (Austria; Belgium; France; Germany; Luxembourg; Netherlands); Nordic (Denmark; Finland; Sweden); southern (Cyprus; Italy; Greece; Malta; Portugal; Spain); east-central (Czech Republic; Hungary; Poland; Slovakia; Slovenia); Baltic (Estonia; Latvia; Lithuania); south-east (Bulgaria; Croatia; Romania).

Figure 2.2 GDP per head by European Union region 2005-15



The deteriorating labour market situation in Europe has been one of the most important social issues of the past five years, with the 2015 report highlighting a schism between high performing countries (predominantly in north-west Europe) and the crisis-hit states. Since that report, two additional years of data show more positive employment trends. Between 2013 and 2015, employment rates increased in every EU country except four, with unemployment declining in 23 states. Although starting from low bases, countries like Portugal, Spain, Ireland and Greece have seen employment growth of over 2 per cent and corresponding falls in joblessness. Employment growth has been weakest in north-west Europe, with rising unemployment in France, Belgium, Luxembourg, Austria and Finland.

Table 2.3 Changes in (1) employment and (2) unemployment rates 2013-15

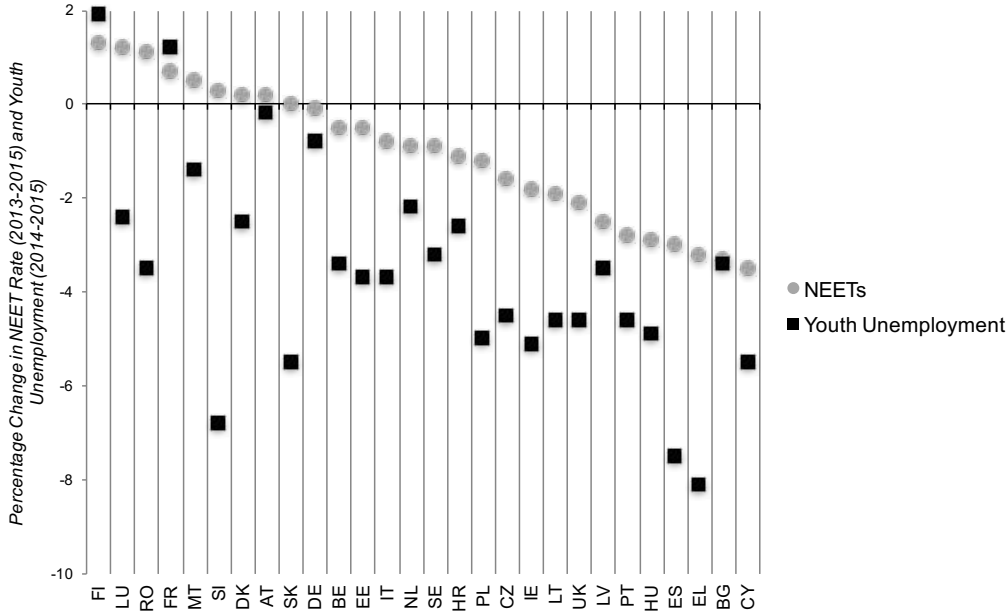
	HU	PT	BG	LT	ES	IE	HR	EE	MT	PL	SK	CZ	UK	EL
(1)	5.9	3.7	3.6	3.5	3.4	3.3	3.3	3.1	3.0	2.9	2.7	2.3	2.1	2.0
(2)	-3.4	-3.8	-3.8	-2.7	-4.0	-3.7	-1.0	-2.4	-1.0	-2.8	-2.7	-1.9	-2.3	-2.6
	SI	RO	DK	IT	CY	DE	SE	NL	LV	FR	BE	LU	AT	FI
(1)	1.9	1.3	0.9	0.8	0.8	0.7	0.7	0.5	0.3	0.1	0.0	-0.2	-0.3	-0.4
(2)	-1.1	-0.3	-0.8	-0.2	-0.8	-0.6	-0.6	-0.4	-2.0	0.1	0.1	0.5	0.3	1.2

Source: Eurostat

The 2015 report also drew attention to a growing generational divide across Europe. The living standards of older people have generally been protected, with rising employment, increased incomes and growing pension expenditure across most countries. Simultaneously, opportunities for young people have tended to deteriorate. Youth unemployment rates are almost universally higher than other age groups and Europe is divided between those with low youth unemployment and NEET rates (such as Austria, Denmark and Germany) and those with high rates (clustered around east and south Europe). Since the previous report, there are tentative signs the generational divide is narrowing. The relative incomes of older people have stagnated or declined in 17 countries, while

youth unemployment and NEET rates have fallen in 26 and 19 countries respectively (see Figure 2.4).

Figure 2.4 Changes in NEET and youth unemployment in EU-28, 2014-15



Overly sanguine conclusions about Europe’s economic and labour market prospects should be qualified however. Youth unemployment rates remain extraordinarily high in some countries and, while youth joblessness is a long-term, structural problem for many EU states, there is overwhelming evidence that in the short term young people continue to suffer disproportionately from the crisis (Bell and Blanchflower, 2011). For example, although it has fallen recently, in 2015 youth unemployment was 50 per cent in Greece, 48 per cent in Spain and 40 per cent in Italy. According to Stiglitz (2016), the stagnant growth and disappointing labour market situation across much of Europe originates in the inherent limitations of the euro and, in particular, its failure to account for Europe’s economic diversity and the lack of accountability within its institutions for growth and employment.

All in all, the pace of economic growth remains unevenly distributed across Europe. While Ireland, the UK and most east European states have seen relatively high growth, low growth is the predominant experience in many Eurozone countries, with most southern states failing to achieve the scale of growth required given the magnitude of their recessions. These trends contribute to an ongoing stagnation across much of Europe, as well as the apparently imminent convergence between parts of the east and south.

### Inequality and Poverty

The 2015 report identified rising inequality as a concern across the whole of Europe. This was especially true of the Eurozone, where income inequality has grown significantly since 2005. Trends since 2013 indicate that the situation is deteriorating further. As Table 2.5 shows, between 2013 and 2014-15, inequality increased in 19 countries. Further, the scale with which inequality is rising is

deeper than where it is falling. Among the countries where inequality increased, the average rise in the Gini coefficient was 1.23; where inequality fell, it was just 0.49.

Table 2.5 Change in Inequality (Gini coefficient) 2013-2014/15

LT	RO	EE	CY	UK	SK	BG	NL	DE	ES	IE	DK	CZ	SE
3.3	2.8	2.7	2.4	2.2	1.9	1.6	1.3	1.0	0.9	0.8	0.6	0.5	0.5
BE	LV	AT	PL	SI	HU	EL	MT	PT	FI	IT	HR	FR	LU
0.3	0.2	0.2	0.1	0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.4	-0.7	-0.9	-1.7

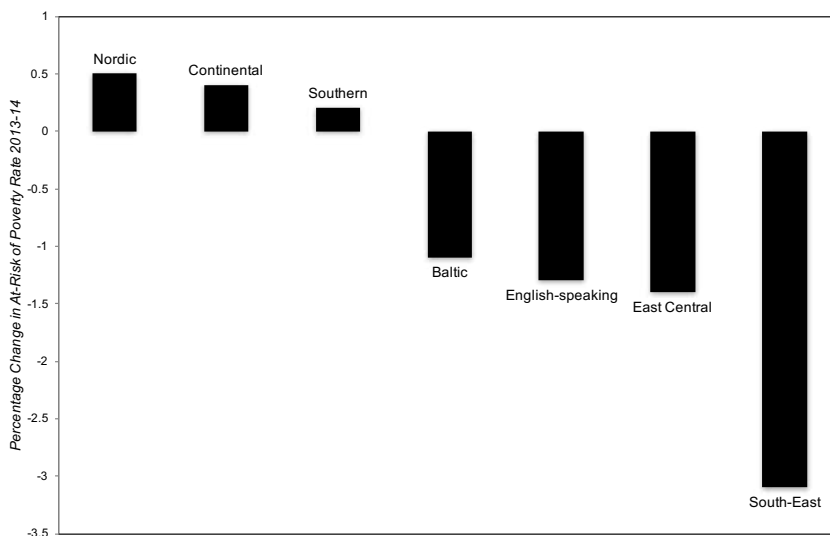
Source: Eurostat

Note: change is for 2013-2015 for all countries except following, where it is for 2013-2014: CZ, DE, EE, IE, FR, HR, IT, CY, LU, MT, PL, SK, SE.

Alongside rising inequality, the 2015 report highlighted increased poverty as a major consequence of the crisis. Since 2009, the number of people in poverty rose year-on-year up to 2013, when there was a slight fall. The most recent data show a continued fall in poverty up to 2014 but of an extremely modest 0.1 per cent. At present, 6 million more people are in poverty compared to 2009. Meeting the Europe 2020 target<sup>3</sup>, which would require moving 24.7 million people out of poverty by 2020, looks improbable.

Some countries however have made more notable progress on tackling poverty. The risk of poverty has fallen in the English-speaking, east-central, Baltic and south-east regions while increasing in Nordic, continental and southern Europe (see Figure 2.6). Poverty trends thus give further support to evidence around the narrowing of the east-south divide. Given labour market improvements, continued increases in poverty and deprivation in Greece and Spain are particularly salient, while rising poverty in continental and Nordic countries should concern policy-makers. Although economic growth and rising employment indicate Europe has entered a tentative phase of economic stability, there are fundamental doubts that this stability is conferring social advantages amid worrying trends towards inequality and poverty.

Figure 2.6 Change in risk of poverty rate by European Union region 2013-14



3. The Europe 2020 strategy was introduced in 2010 as a decade long plan focused on 'smart, sustainable and inclusive growth'. It includes five objectives: (1) employment rates of 75 per cent among working-age adults; (2) investment in research and development of three per cent of GDP; (3) environmental targets related to greenhouse gas emissions, renewable energy and energy efficiency; (4) education targets related to tertiary education (40 per cent) and early school leavers (10 per cent); and (5) 20 million fewer people living in poverty. Member states' progress on the targets is monitored during the European Semester.

## Education and Health

Progress in education was a success identified in the previous report, with the EU taking year-on-year steps towards the two Europe 2020 targets of 40 per cent of 30-34 year-olds completing tertiary education and a 10 per cent early school-leaving rate. Two further years of data since the 2015 report provide strong evidence that the EU is moving quickly towards meeting both education objectives. The number of early school leavers fell from 11.9 per cent to 11 per cent, while those with tertiary education increased by 1.6 percentage points to 38.7 per cent, just short of the 2020 target.

National-level analysis shows only four countries are experiencing falls in the proportion completing tertiary education - Germany, Ireland, Spain and Luxembourg. These countries also fall short of individual country-level targets. Although the EU-wide target is likely to be met by 2020, some countries have larger steps to take in a relatively short period of time. Further, even in more successful countries, the mass expansion of tertiary education should not be evaluated in isolation from other economic and social trends; many of which, as the previous section showed, reflect the growing insecurity of young people across Europe and weaken the potential of tertiary education to act as force for progress (Antonucci, 2016). There are more mixed results since 2013 on early school leavers, with eight countries reporting increased early leaving rates. This could, however, be associated with the improving labour market situation in Europe, with nearly every member state reporting lower youth unemployment.

On health, the previous report observed a deep divide in life expectancy between east and west Europe: a divide that shows little sign of narrowing. Recent life expectancy data show that, despite large life expectancy gains in east-central countries, the four west European regions have seen notable rises since 2013. During the same time period, male life expectancy barely rose in Baltic countries, while male and female life expectancy declined in south-east countries (see Figure 2.7). The difference in health outcomes between east and west Europe is highlighted in Table 2.8, which shows the difference in long-term illness rates between the poorest and richest fifths of the population. Health inequalities are starkest in east European countries, most notably in Latvia. Health inequalities tend to be smallest in south Europe; in Italy for example, there is just a 1.6 per cent difference in long-term illness rates between the richest and poorest fifths. Richer EU countries are not immune from large health inequalities, with notable divides in Belgium, Germany, Finland and the UK.

Figure 2.7 Change in life expectancy by European Union Region, 2013-15

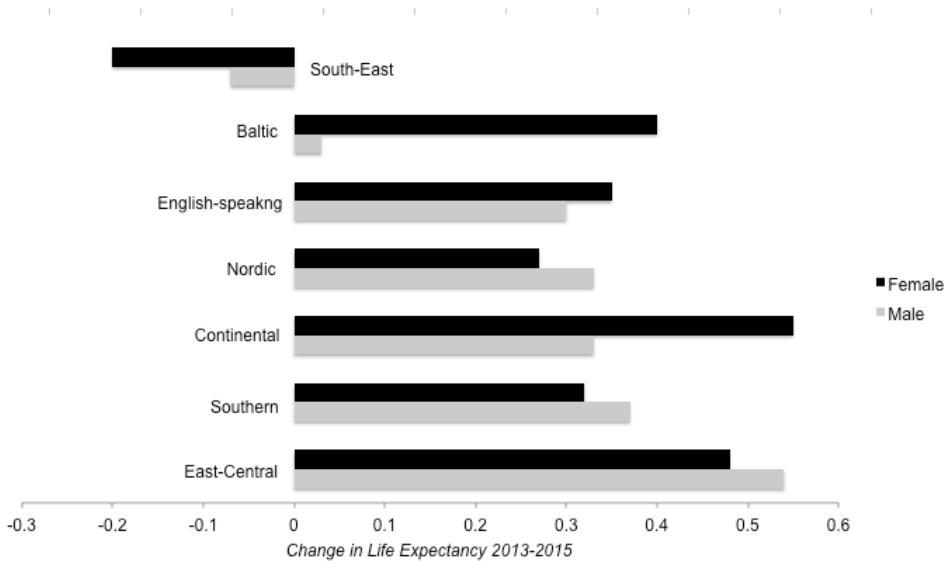




Table 2.8 Percentage Gap in Long-Term Illness Rate Between Richest and Poorest Fifths, 2014

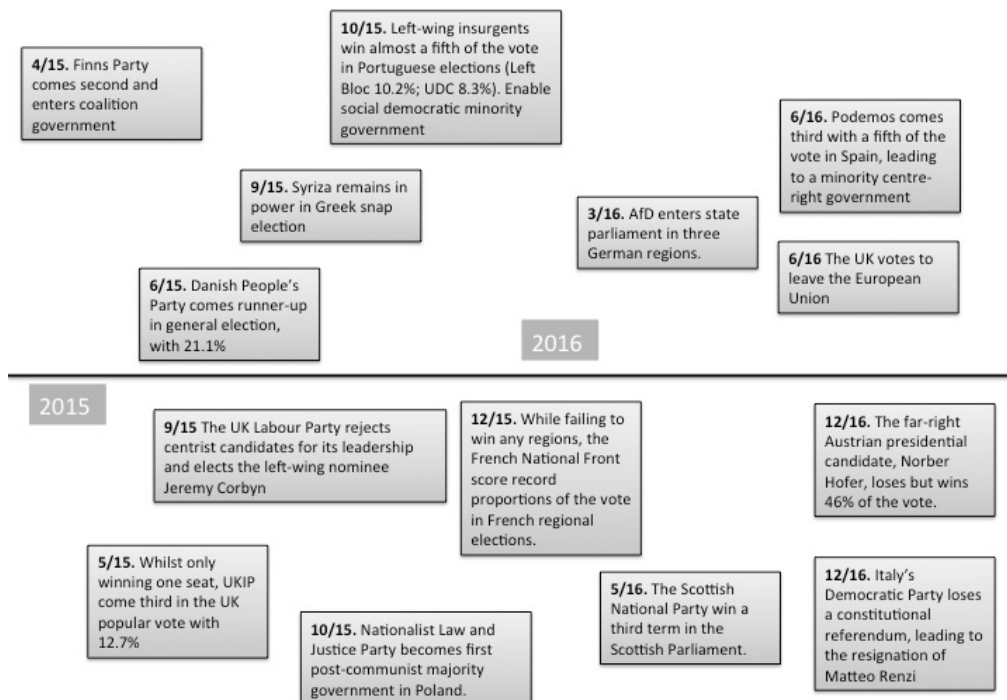
LV	LT	EE	CZ	BE	MT	DE	FI	UK	CY	NL	IE	SI
29.3	26.9	26.9	25.8	20.2	20.1	19.0	18.5	16.5	16.1	15.4	14.2	14.1
SE	PT	SK	AT	DK	PL	FR	BH	HU	LU	EL	ES	IT
12.6	12.4	10.8	10.5	9.3	7.6	7.1	6.7	6.1	5.0	4.4	3.6	1.6

Source: Eurostat

### Politics and Culture

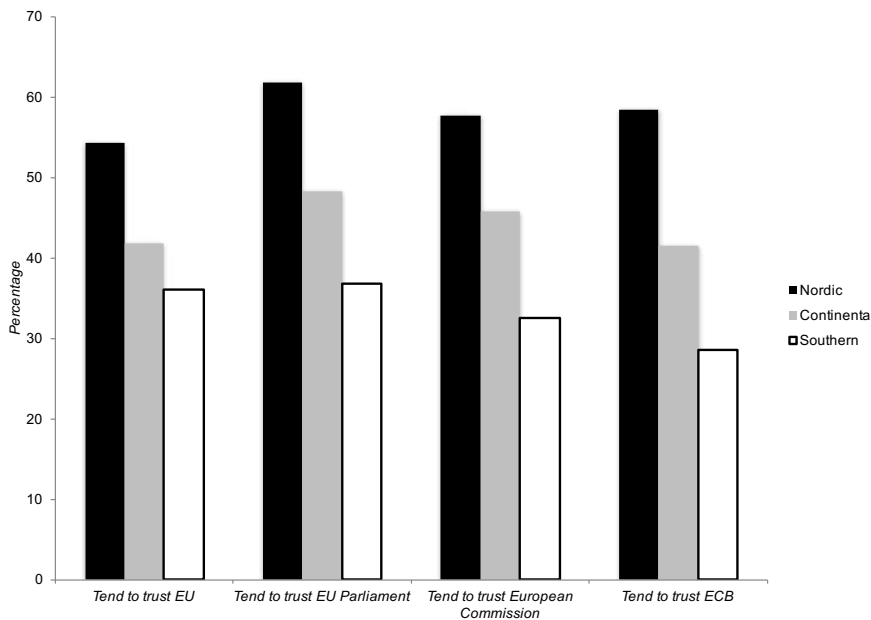
The 2015 Social Reality report argued that economic and social pressures had led to new political and cultural tensions across Europe. These tensions, driven by the expansion of the EU, rising inequality, diverging living standards and government bailouts, manifested themselves in the growth of populism and decline of centrist parties. Since the previous report, populists have continued to have a profound impact on European politics (see Figure 2.9 for a timeline). Left-wing insurgents have taken power in Greece and won significant vote shares in Spain, Portugal and Ireland. Nationalist right-wing parties have gained power in Poland and Finland, and came close to key victories in French regional elections. The weakening of the centre is explicit in the UK, where the Eurosceptic UKIP came third in the 2015 general election, Jeremy Corbyn was elected leader of the Labour party, the Scottish National Party won a third term at Holyrood and a majority of voters opted to leave the EU. Across Europe, coalition politics dominate government make-ups, reflecting the fundamental weaknesses of established centre-right and centre-left parties.

Figure 2.9 Political developments in the European Union 2015-16



Europe’s splintering politics is evident in diverging levels of trust in democratic institutions. The most recent Eurobarometer data show huge inequalities in trust between the Nordic, continental and southern regions. While 83 per cent of people in Nordic countries are satisfied with how democracy works, only 32 per cent are in southern member states. This ‘democratic breach’ in south Europe is further reflected in attitudes to EU organizations. As Figure 2.10 shows, trust levels in the EU and its associated institutions are significantly lower in southern counties compared to Nordic and continental ones.<sup>4</sup> Yet lack of trust does not necessarily translate into a desire for a smaller, less powerful EU. Eurobarometer data show support for further EU enlargement is higher in southern countries (43 per cent) than continental ones (29 per cent). Similarly, while 61 per cent of people in southern countries agree that more decisions should be taken at the EU-level, only 28 per cent of those in Nordic ones do. Overall, trust levels in historically pro-EU countries – such as Austria, France and Luxembourg – have fallen by between 4-10 per cent since 2014, while support for further enlargement fell notably in Poland (-7), Sweden (-6) and Portugal (-4).

Figure 2.10 trust in political institutions: Nordic, continental and southern Europe



**Summary**

The central argument of the 2015 Social Reality report was of a diverging Europe, driven by falling living standards and employment in the south of Europe and apparent stability in the north-west. A review of recent comparative data shows that while growth and labour market opportunities are improving in the south of Europe, this is far from the scale required to close the gap created during the crisis. Further, a long-term perspective appears to show a looming convergence between the east and south of Europe, driven by the former’s rapid growth and the latter’s relative decline.

It would also be misleading to describe a wholly optimistic picture for the richer EU states. In many north-west countries, growth is stubbornly low, inequality is rising and poverty rates are only edging downwards. These trends feed into a range of more specific challenges for European countries to be examined in this report, including persistent gender inequalities, the threats from job automation, quality of life and labour market precariousness. A more immediate and obvious challenge, highlighted in this chapter, is the political instability created by these long- and short-term social problems. And perhaps the most immediate victims of this growing instability are Europe’s social democratic parties, who are seemingly under threat from all ideological directions.

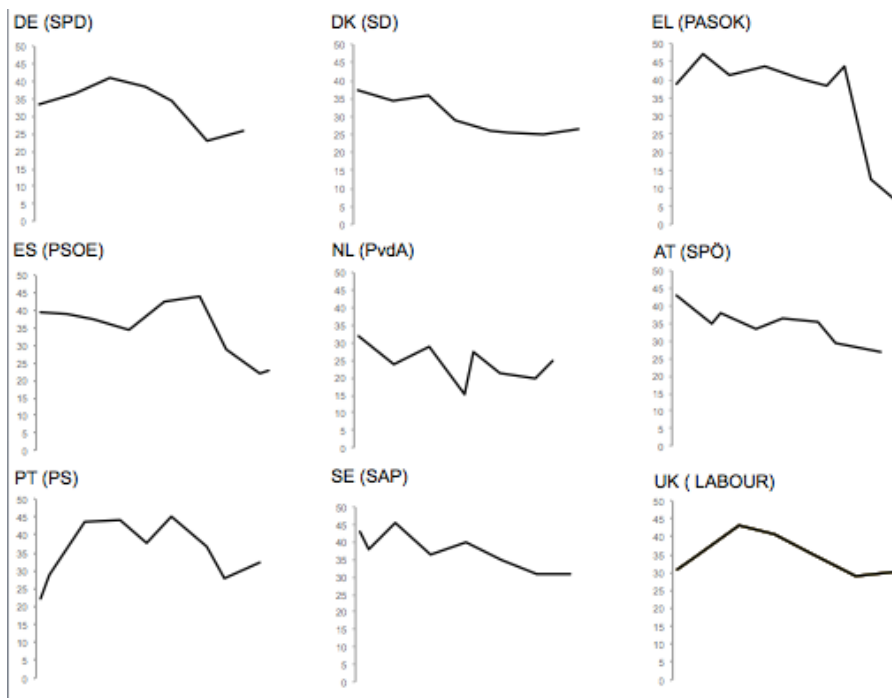
4. Nordic (DK; FI; SE); continental (BE; DE; FR; LU; NL; AT); southern (EL; ES; IT; PT).

### 3. Social Challenges, Social Democracy and the Search for New Ideas

#### The 'Crisis' of the Left

One of the most notable political fall-outs in post-crisis Europe is that social democratic parties are at historically low levels of support. Figure 3.1 shows the share of the popular vote in national elections since the late 1980s/early 1990s for nine of the most influential and successful social democratic parties in Europe during the post-war era.<sup>5</sup> Since the mid-1990s, vote shares have universally declined across all nine parties. This is dramatic in some instances, with PASOK's 44 per cent in 2010 plummeting to 6 per cent in 2015. Even beyond the extreme Greek case, social democratic support has fallen deeply and widely. Labour lost 13 per cent between 1997 and 2015; the Austrian SPÖ shed 16 per cent between 1990 and 2013; and the German SPD fell from a recent high of 41 per cent in 1998 to 26 per cent in 2013. Only three of the nine parties were able to command over 30 per cent of the vote in the most recent elections (PS (32.3); SAP (30.7); Labour (30.5)). Social democrats are seemingly regressing towards an average of a quarter of the vote in many countries.

Figure 3.1 Electoral performance of European centre left parties 1987-2016



That Europe's social democratic parties have had a 'bad crisis' is widely acknowledged. During a major crisis of capitalism, voters tended to trust conservative parties or, alternatively, shift their votes to populists on the left or the right. While social democracy may have been perennially 'in crisis' since the 1970s, there is now a sense that, without major new thinking and a fresh appeal, irreversible decline is underway. Europe's social democratic parties are unlikely to disappear; rather, their 'core vote' will be significantly diminished. Dominant parties do not have an automatic right to go on dominating and when the 'facts' change, so must political parties.

5. Germany (SPD) 1990-2015; Denmark (SD) 1990-2015; Greece (PASOK) 1990-2015; Spain (PSOE) 1989-2016; Netherlands (PvdA) 1989-2012; Austria (SPÖ) 1990-2013; Portugal (PS) 1987-2015; Sweden (SAP) 1988-2014; UK (Labour) 1987-2015.

There are clear short-term explanations for the social democratic malaise. In the UK, Diamond and Radice (2015) identify three immediate causes of Labour's 2015 defeat: leadership credibility, economic distrust, and the perception of Labour as 'out-of-touch' on issues like immigration and the welfare state. More broadly, credibility on the economy and immigration is a European-wide issue for social democrats. Austerity is seen as a job more suited to conservatives, while the rupture between centre-left parties and segments of its traditional base on immigration policy is felt across northern Europe.

Yet throughout the past decade, the more fundamental 'facts' surrounding economies, societies and welfare states have changed. Kelly and Pearce (2016) point to four major long-term changes that have derailed parties of the centre left. First, ageing European societies have increased the centrality of older voters' more conservative-oriented claims in political debates. Second, technological change threatens to transform economies and labour markets. Third, unequal societies are likely to grow even more unequal into the 2020s, challenging the centre left to develop a coherent and persuasive strategy to tackle inequality. Fourth, social democrats must deal with cultural tensions between metropolitan, liberal voters and more conservative, working-class voters.

While Kelly and Pearce identify genuine obstacles, this is not the first time that the left has faced seemingly insurmountable structural challenges. Political, economic and social trends in the 1990s, such as the end of the Cold War and labour market transformations such as deindustrialization and employment flexibility, presented social democrats with huge electoral hurdles. Yet in many countries the centre left had a successful decade: adapting to these trends, revising their arguments and, consequently, winning power.

The solutions for social democratic parties this time however, as the declining vote shares in Figure 3.1 indicate, are far from obvious. Observing the success of the Attlee, Wilson and Blair leaderships in the UK, Kelly and Pearce (2016) lament how "nothing remotely similar is being developed today". New ideas have not been entirely absent: the former Labour leader, Ed Miliband attempted to develop an ambitious narrative around the need to restructure British capitalism. Similarly, new ideas and policies overflow outside formal political parties. These include debates surrounding the revival of the contributory principle (Bell and Gaffney, 2012), a more communitarian social democracy (Cruddas, 2015) and the strategy of 'predistribution' (Chwalisz and Diamond, 2015): creating a more egalitarian pre-market income distribution.

### Universal Basic Income

Amidst the range of proposed solutions, one policy stands out as acquiring new followers and mounting support during the past two years: a universal basic income (UBI). Although present in social policy debates on the left and right for many decades, rising and falling in popularity, UBI has recently emerged as a purported solution to the social democratic crisis. Defined as a universal, unconditional payment by the state to every citizen, UBI has unique advantages over other ideas it competes against: it is simple to understand, radical, wide-ranging in its appeal and supposedly holds the capacity to remedy an extensive list of social and economic ills.

Historically UBI has been restricted to a radical range of views: from those on the left who view it as a way of redistributing commonly held wealth and assets, to radical libertarians striving to prune the size of the state. UBI also has a long-term affinity with anti-work theorists who support a reduction in the social and economic centrality of paid work. Given its diverse and radical provenance, the rise of UBI in more pragmatic political circles, such as the RSA (2014), is surprising. Yet in an age of disruption and transformation, previously radical policies can take on an unexpected persuasion.

In this context, UBI has become increasingly appealing to the centre left despite, as van Parijs (2016) argues, having few historical roots in social democracy. Rather, social democrats have preferred the universal or insurance-based welfare state alongside well-funded public services. Instead of enthusiastically engaging with UBI debates, they have often been hostile in defence of the systems they helped to build. Nevertheless, van Parijs (2016) argues that the scale of social and economic change requires urgent re-thinking:

This [tradition of hostility to UBI] does not exempt social democrats from urgently updating their doctrine in order to better address the demands of our century: a century in which both the desirability and possibility of indefinite growth have lost for good the obviousness social democrats were banking on in the previous century, a century in which full-time life-long waged labour will only be possible and desirable for a minority, a century in which the left cannot let the right monopolize the theme of freedom.

The case for UBI has recently gained momentum in numerous countries. Experiments are currently being undertaken in Utrecht, the Netherlands, and are planned across Finland, where participants will receive unconditional incomes in the region of €600 per month. UBI has also attracted interest in Scotland, where it has been backed by the governing Scottish National Party and where talks have been held in Fife over conducting trials. In Switzerland, a national referendum on basic income was held in June 2016, although it was eventually defeated comfortably. Outside of Europe, in Ontario, Canada, a pilot project is scheduled for 2017, while interest in UBI has attracted enthusiastic support from Silicon Valley.

Given its wide appeal across the political spectrum, the problems that UBI will solve often appear breathtaking in range. Yet the case for UBI on the centre left has been strengthened by some of the social and economic challenges identified in this report and its predecessor. In particular, rising social and economic insecurity across Europe has highlighted the inadequacy of welfare states in providing adequate social security. In the English-speaking welfare states, the benefits system is derided as stigmatizing, punitive and overly complex, while the continental insurance-based systems have been criticized for preserving 'insider' and 'outsider' labour market divisions. Since it is universal and unconditional, UBI could solve these problems, ensuring all citizens have sufficient income without subjection to means tests or sanctions. UBI would also replace what Opielka (2008) calls the "increasing irrelevance of the work-centred welfare state" that characterizes continental European systems.

More specifically, there are four arguments for UBI that are particularly pertinent for its advocates given the nature of the challenges European societies face. These are the arguments that UBI will (a) further gender equality, (b) provide a solution to the labour market disruption that will be caused by automation, (c) will promote better work-life balance and (d) will address intensifying precariousness, especially for young people. The next section of this report examines these four challenges, and the case for UBI, in more depth.

## 4. The Case for Universal Basic Income: Four Arguments

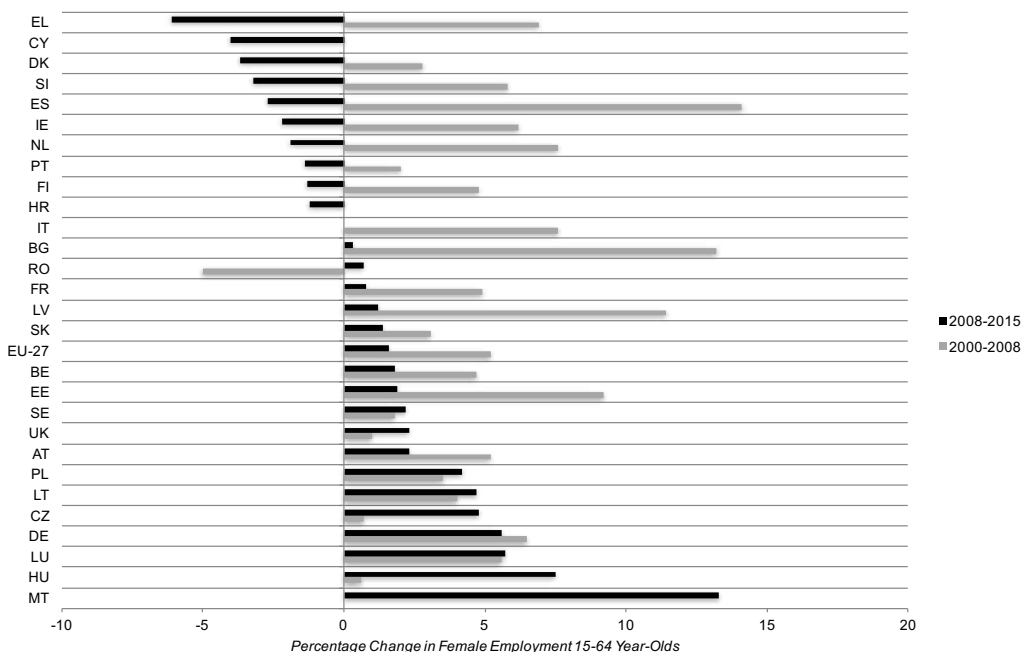
### Gender equality

There is evidence from European-wide measures that gender inequalities have narrowed since the crisis. In 2006 there was a 14.3 per cent difference in the employment rates of men and women; by 2015 this had narrowed to 10.5 per cent. The unemployment gap has also narrowed from 1.4 to 0.2 per cent during the same time period.<sup>6</sup>

Yet rather than representing genuine progress for women, the narrowing of labour market inequalities largely represents the relative worsening of men's position. For example, male employment rates dropped by 2 per cent between 2009 and 2012 and have barely recovered since. One cause of the differential experience of men and women is labour market segregation, with men often over-represented in harder-hit industries such as manufacturing and construction. As Bettio et al (2012) argue, the narrowing of gender inequalities at work represents a 'levelling down' rather than a 'levelling up'.

On a country-by-country basis, the scale of progress is more mixed than the EU-level analysis suggests. Although the overall EU female employment rate rose by 1.5 per cent between 2008 and 2015, female labour market participation has slowed down or fallen in many countries since the crisis. Figure 4.1 shows the percentage change in female employment between (a) 2000-2008 and (b) 2008-2015. In the first period, every EU country (with the exception of Romania) saw female employment rise, while in the second, post-crisis period female employment fell in 11 member states. Further, the number of countries achieving a female employment rate of over 65 per cent rose from 2 to 7 up to 2008; since 2008, only 3 additional countries have reached 65 per cent female employment. Although the relative position of women has improved, overall progress in female labour market participation has slowed down in most parts of the EU.

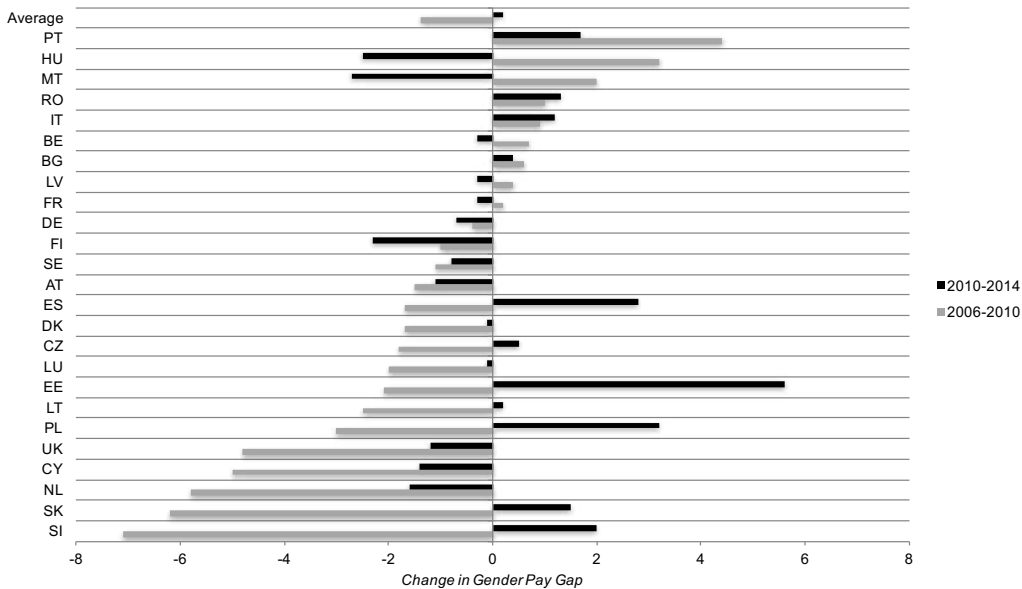
Figure 4.1 Change in female employment in EU-28, 2000-08 and 2008-15



6. In 2006, 71.5 per cent of men were employed compared to 57.2 per cent of women. By 2015 the respective figures were 70.9 per cent for men and 60.4 per cent for women. 7.6 per cent of men were unemployed in 2006 compared to 9 per cent of women. By 2015 9.3 per cent of men were unemployed and 9.5 per cent of women were (Eurostat, 2016).

A similar conclusion can be made in relation to the gender pay gap (see Figure 4.2). The gender pay gap narrowed across the EU between 2006-2010 yet it rose, albeit slowly, between 2010 and 2014. Figure 4.2 shows large falls in the gender pay gap up to 2010 in countries like the Netherlands and the UK. Since 2010 however, fewer countries have achieved reduced gender pay gaps and, where the gap has narrowed, this has been at a significantly lower rate.

Figure 4.2 Change in gender pay gap in EU-28, 2006-10 and 2010-14



Progress has also been stunted in policy interventions that support and promote female employment. The 2002 Barcelona targets set EU-wide benchmarks for the number of children in childcare, with objectives of 33 per cent of under-3s and 90 per cent of those aged 3 up to the mandatory school age in formal childcare arrangements. The rationale behind the Barcelona targets was that a lack of access to formal childcare presents one of the most significant barriers to female labour market participation which is, in turn, a strong protection against child poverty and disadvantage (Mills et al, 2014).

Figure 4.3 <sup>7</sup> shows a country-level analysis of how EU states compare on both Barcelona childcare targets. The horizontal and vertical lines indicate the 33 and 90 per cent thresholds:

- Countries that fall in the top-right quadrant have achieved both targets (Belgium, Denmark, Spain, France, Slovenia and Sweden).
- Countries in the bottom-right quadrant have achieved the 33 per cent under-3 target (Luxembourg, the Netherlands, Portugal and Finland).
- Countries in the top-left quadrant have achieved the 90 per cent over-3 target (Estonia, Italy and Malta).
- Countries in the bottom left quadrant have achieved no targets (Bulgaria, Czech Republic, Germany, Ireland, Greece, Croatia, Cyprus, Latvia, Lithuania, Hungary, Austria, Poland, Slovakia and the UK).

Figure 4.3 EU-28 performance in relation to Barcelona childcare targets, 2014

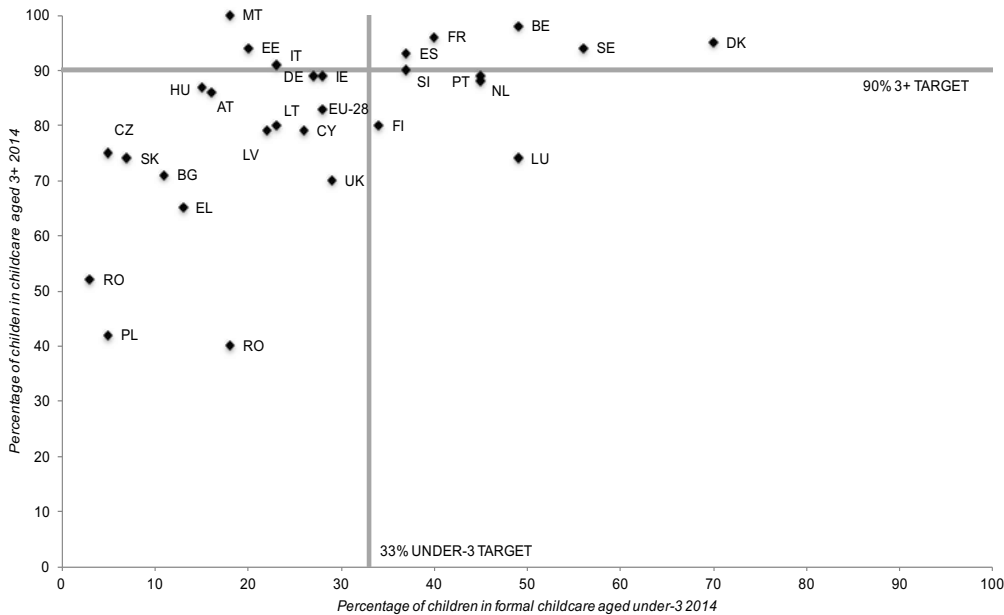


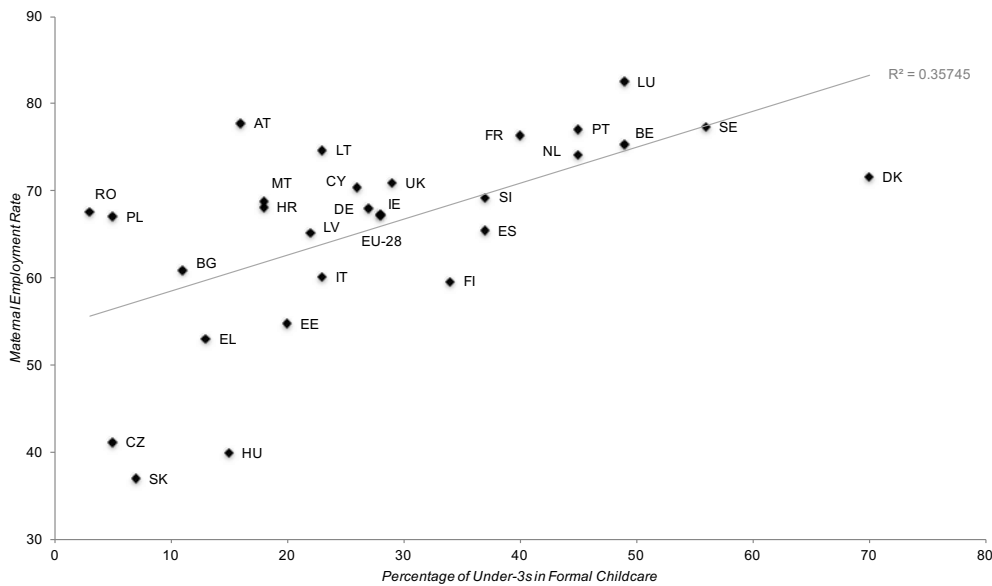
Figure 4.3 demonstrates that a majority of European countries have to take significant strides if they are to meet the Barcelona targets, especially those that fail on both objectives. Further, some countries continue to rely heavily on part-time care. In the Netherlands, although 45 per cent of under-3s are in childcare, only 6 per cent receive over 30 hours per week. Progress has also stalled since the crisis. Between 2008 and 2014, the proportion of under-3s in childcare fell in eight countries, while the number of over-3s in childcare fell in 10.<sup>8</sup> Figure 4.4 demonstrates why the Barcelona targets continue to be so important. Maternal employment is strongly correlated with the proportion of under-3s in formal childcare; countries with high female employment rates tend to be those with the largest proportions of under-3s in formal childcare.

7. Figures include children in formal childcare arrangements between 1 to 30+ hours per week.

8. The proportion of under-3s in childcare fell between 2008-2014 in Denmark (-3), Spain (-1), Italy (-4), Cyprus (-3), the Netherlands (-2), Romania (-6), Finland (-2) and the UK (-6). The proportion of children aged over 3 in childcare fell in Bulgaria (-5), Czech Republic (-4), Denmark (-2), Germany (-1), Greece (-12), Spain (-2), Luxembourg (-3), the Netherlands (-2), Romania (-2) and the UK (-17).



Figure 4.4 EU-28 Maternal employment and percentage of under-3s in formal childcare



This slow progress gives credence to Bettio et al's (2012) view that gender equality measures are predominantly seen as policies for 'good times', and presents a challenge for how gender equality can be genuinely achieved. In this context, the attraction of UBI is fuelled as a remedy for stagnating gender equality. According to some supporters (e.g. Christensen, 2002; McClean, 2016), a universal payment to all citizens could support gender equality by:

- Enhancing incentives for women to enter the labour market and enhancing choice around which jobs to take.
- Recognising the value and contribution of unpaid care work.
- Providing women with more financial independence within the family.
- Promoting a more equal division of care within households.
- Reducing poverty, which would disproportionately benefit women.

Both Christensen (2002) and McClean (2016) argue that UBI could achieve two broad aims for women. First, it could promote equality with men at work by providing greater incentives for women to participate in the labour market. Second, it would equally provide women with more independence outside of work, by guaranteeing a non-labour income, promoting the freedom to care and establishing a more equal balance of household work. UBI could reconcile two long-standing policy objectives, often seen as mutually exclusive: the promotion of female employment and the recognition of care.

Countries that have gone furthest in achieving these dual goals are the Nordic states. Yet, despite progress on employment and the provision of quality care, inequality in household work is still high and the gender pay gaps in Denmark (15.8), Finland (18.0) and Sweden (14.6) are all close to the EU average of 16.1. Standing (2011) additionally argues that women have taken an unequal share of

the growth in precarious jobs, leading to the ‘triple burden’ of childcare, low-paid work and elderly care. These trends lead Christensen (2008) to the conclusion that the policy framework of the Nordic countries – centred on generous parental leave and the provision of affordable, high-quality childcare – is limited and a new solution is required. UBI, which would simultaneously promote more women in paid work and lead to the more equal participation of men in the home, could be this solution.

## Automation

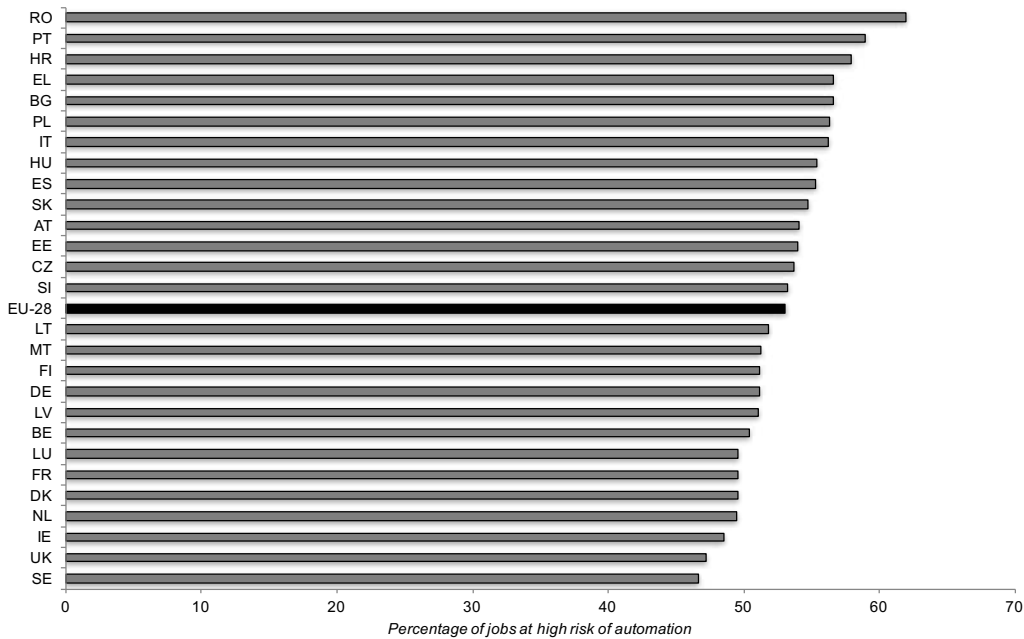
A second challenge facing European societies is the potential for technological change – namely work automation – to disrupt labour markets and threaten the very institution of paid employment. Debates around automation have raged since the start of the Industrial Revolution, as the Luddites smashed new machines in their workplaces. Yet the vast majority of people have continued to be employed despite the emergence of more labour saving technologies. This leads some (e.g. Autor, 2015) to argue that present concerns with automation are, as in the past, exaggerated, and that new technology may well replace existing jobs but ultimately create replacement industries that demand new skills.

For others however (e.g. Brynjolfsson and McAfee, 2014) the argument is that this time is different. A large part of their contention is that automation now threatens a much wider range of jobs than it has historically, advancing beyond the routine and into occupations requiring previously ‘machine-proof’ skills. These concerns are supported by recent studies, such as Frey and Osborne’s (2013), which argue that jobs will only be immune from automation if they combine different elements of tasks that require perception, manipulation and/or creative and social intelligence. In analysing 702 jobs in the US labour market, Frey and Osborne conclude that as many as 47 per cent of occupations are at a ‘high risk’ of automation, meaning a 70 per cent or more chance they will be automated in the future. While psychologists and dentists have a less than 1 per cent chance of being replaced by technology, there is an over a 90 per cent chance that retail sales workers, paralegals and cashiers will be.

Applying Frey and Osborne’s (2014) methodology to European labour markets, the thinktank Bruegel (Bowles, 2014) finds an even more daunting future in the EU, with an estimation that 53 per cent of EU jobs are at a high risk of automation.<sup>9</sup> This analysis is especially concerning for less economically advanced EU countries, where the higher reliance on low-skilled occupations increases the risk of automation, such as in Romania (61.9 per cent) and Portugal (58.9 per cent). Northern EU states are at a significantly lower risk; nevertheless, the Bruegel estimates put the lowest risks of automation at, a still high, 46.7 per cent in Sweden and 47.2 per cent in the UK.

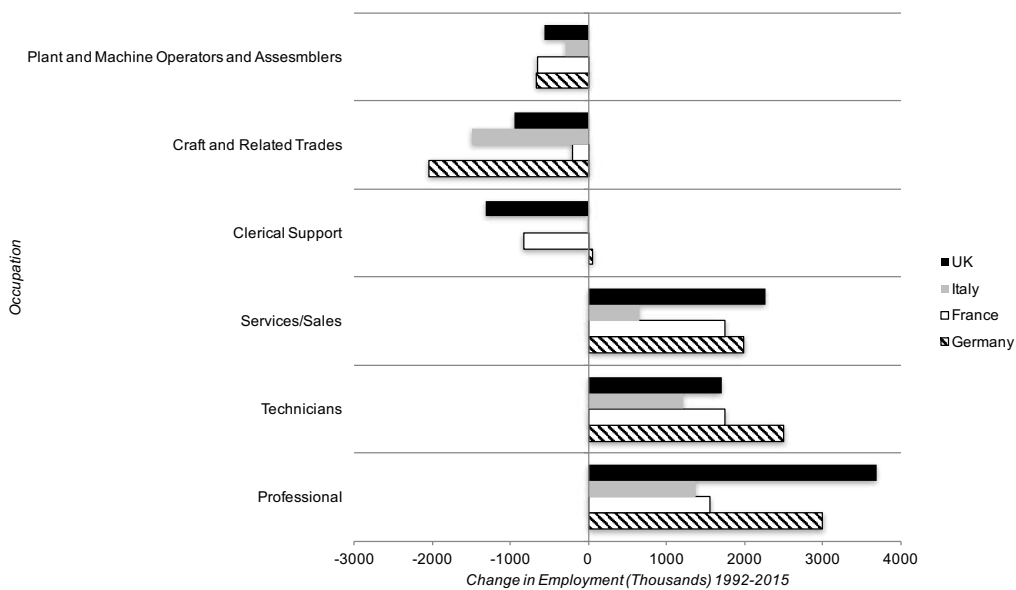
9. No data provided for Cyprus.

Figure 4.5 Jobs at risk of automation in EU-28



Beyond predictions, Brynolfsson and McAfee (2014) argue there is already hard evidence that automation is affecting labour market conditions. They cite rising inequalities across many advanced economies as evidence that automation is taking root; since more wealth can be created with fewer workers, there are greater rewards for those at the top. Additionally, changes in the occupational structure of labour markets are also cited as evidence for the impact of automation. Figure 4.6 shows the change in employment across six occupational sectors between 1992 and 2015 for the EU's four largest economies. Employment growth was universal across professional, technical and service occupations, while either stagnant or falling in clerical, craft and plant/machine operating occupations.

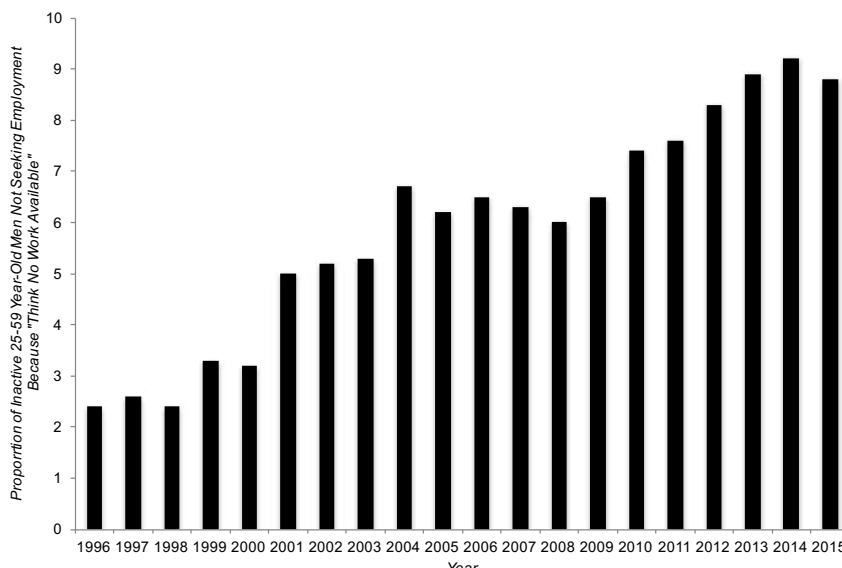
Figure 4.6 Change in employment 1992-2015, selected occupational sectors and countries



This is important vis-à-vis automation, as Figure 4.6 illustrates the growth in non-routine occupations, found in both cognitive (e.g. healthcare, education, science) and non-cognitive jobs (e.g. care services). Similarly, routine occupations that are both cognitive (e.g. clerical) and non-cognitive (e.g. construction) have been in decline across the four major EU economies. Although a range of factors, such as offshoring, explains the decline in routine occupations, one other plausible determinant is automation (Dvorkin, 2016). This is because, as Frey and Osborne (2013) argue, jobs that require explicitly human, non-routinized skills are far more immune to automation compared to those that do not. Hence, it is unsurprising that more routine jobs have been in such steady decline.

Thompson (2015) cites three further reasons why automation is already having labour market effects. First, there is a weakening association between employment and economic growth. In Karabarbounis and Neiman’s (2014) influential study, the authors argue this is made possible because companies have automated so many positions; hence, economic growth can be maintained despite fewer workers. Second, unemployment and inactivity has been steadily increasing among groups that are more likely to be affected by automation. This is illustrated in Figure 4.7, which shows large increases in the number of inactive men in the EU-15 who explain their inactivity because they think ‘no work is available’.<sup>10</sup> In 1996, just 2.4 per cent of men were inactive because they thought no work was available; by 2015, this had more than trebled to 8.8 per cent. Although a large part of this increase occurred after the crisis, employment pessimism among inactive men was rising significantly in the early 2000s. Third, Thompson (2015) argues that unlike in the past, emerging technology will be so sufficiently advanced that it will be able to encroach on hitherto unimaginable areas of work.

Figure 4.7 Male economic inactivity rates in EU-15, 1996-2015



As with gender inequalities, UBI is advocated as a solution to the potential labour market disruption associated with automation. While few seriously argue that all jobs will disappear, or that many in the short-term will feel the effects of automation, there is a growing body of evidence and expectation that advances in automation will exacerbate technological unemployment. This will create, as Corlett (2016: 3) describes, a “bleak future [with] an ever-growing group of have-nots, [and] with profound consequences for over-burdened welfare states”. For many people, the role that work will play in their lives could be marginal; jobs may become an uncommon, periodic part of life or, more dramatically, there will be no expectation of work at all.

10. Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the UK.

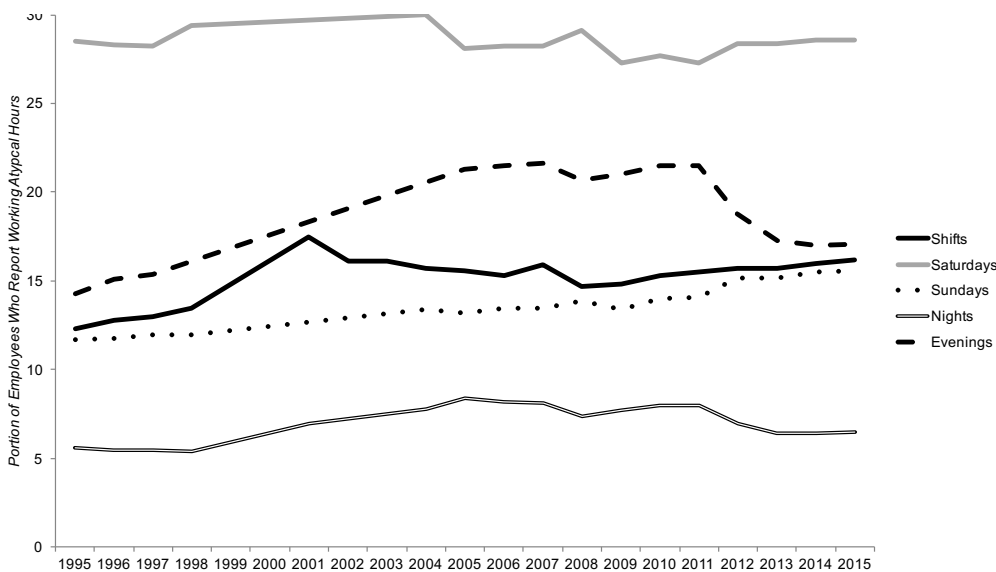
There are three reasons why UBI is cited as a tonic to this 'bleak future'. First, in a society where unemployment is consistently higher and more commonly experienced, UBI provides a means to maintain demand and consumption, something that a means-tested and punitive social security system would not. Second, UBI would give people a platform of security with which to train for and find new forms of non-automated work as they emerge; if people are going to be required to switch jobs more regularly, UBI eases the pain of ever-increasing labour market flexibility (Painter and Thoun, 2015: 9). Third, as many forms of work disappear, UBI will enable people to choose paths that are defined by non-work activities: it will ease the transition into a 'post-work' society. In this sense, UBI is an alternative to any attempt at suspending technological advances to preserve existing labour market arrangements.

**Work-life balance**

A third important challenge affecting European societies is the struggle for many citizens to strike a balance between work and private life. This is important for numerous reasons. Demographic changes have increased caring pressures for many people, both for older relatives as a result of ageing, and for children as a consequence of rising female employment. Better 'work-life balance' is also advocated by environmentalists as a way of challenging assumptions about constant growth and mass production. Finally, despite consistent falls in full-time working hours, trends across many European labour markets work against improvements in work-life balance, such as lower job security and heightened expectations of flexibility. Skidelsky and Skidelsky (2012) argue that a major challenge for rich countries is to enable their citizens to rediscover the 'good life'. This will involve a shift away from the obsession with work and economic growth and policies that enable a better balance with family, education, care, leisure and creativity.

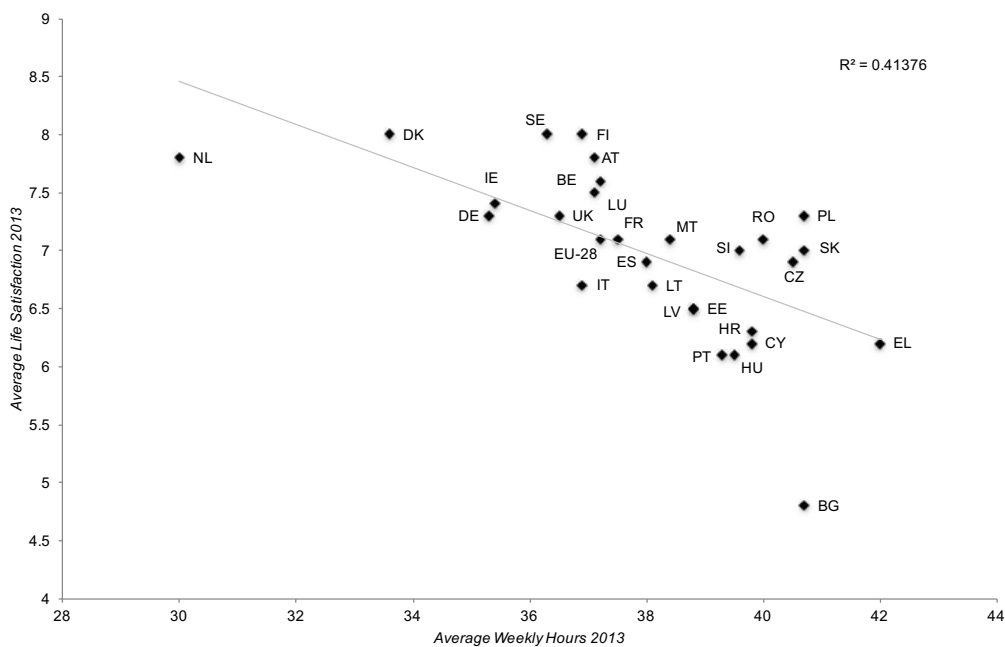
One method of tracking changes in work-life balance is the extent to which people are working in what would traditionally be considered leisure or family time: shifts, weekends, evenings and night. While atypical working hours may suit some people (e.g. students), for others they can represent the only available working arrangements given available opportunities. While there have been minimal changes in the proportion of EU citizens working Saturdays and nights since the mid-1990s, Figure 4.8 shows notable increases in those working shifts, Sundays and evenings. This suggests that a by-product of labour market flexibility is in the increased expectation on some employees to work unsocial hours.

Figure 4.8 A-typical working hours, EU citizens 1995-2015



Furthermore, attitudinal data indicates that dissatisfaction with work-life balance is a significant minority issue. In 2014, 19 per cent of 2014 Eurobarometer respondents said they were ‘dissatisfied with working hours’. From these respondents, the main reasons for dissatisfaction were the demands made by work, including excessive hours (48 per cent), shift work (28 per cent) and lack of control over working hours (28 per cent). Only 8 per cent of those dissatisfied stated they wanted more hours of work. Young people and the self-employed most commonly mentioned excessive working hours, a worrying trend given the rise in self-employment in some countries.<sup>11</sup> More specifically, a quarter of 2014 Eurobarometer respondents were dissatisfied with the work-life balance provided by their job. The most dissatisfied age group were 25-39 year-olds, the group most likely to have small children, where over a third (38 per cent) reported that their employers offered no flexible working arrangements. How much people work appears to be related to how happy they are; Figure 4.9 shows that people tend to be more satisfied with their lives in countries where they work fewer hours on average.

Figure 4.9 Life satisfaction and average weekly hours among EU citizens, 2013



UBI has long been advocated as a policy to give people more power and autonomy outside of work. It is most commonly associated with the post-work left, who see the reduction – or even disappearance – of paid work as emancipatory (Frayne, 2015; Srnicek and Williams, 2015). Yet these kinds of arguments have now moved into mainstream policy analysis. The influential RSA report *Creative Citizen, Creative State: The Principled and Pragmatic Case for a Universal Basic Income*, puts work-life balance as a key justification in its argument. The report’s authors (Painter and Thoung, 2015) argue that a modest UBI of £3692 per year (£71 per week) for 25-64 year-olds has capacity to give people more control, power and autonomy over their lives outside of work. One reason for this is the influence UBI could have on spurring individual creativity. In a labour market situation where fewer people have access to careers that provide space for autonomy, as well as jobs that are more demanding on people’s time, Painter and Thoung argue that UBI could empower people to choose more creative and fulfilling paths, such as education, volunteering or entrepreneurship.

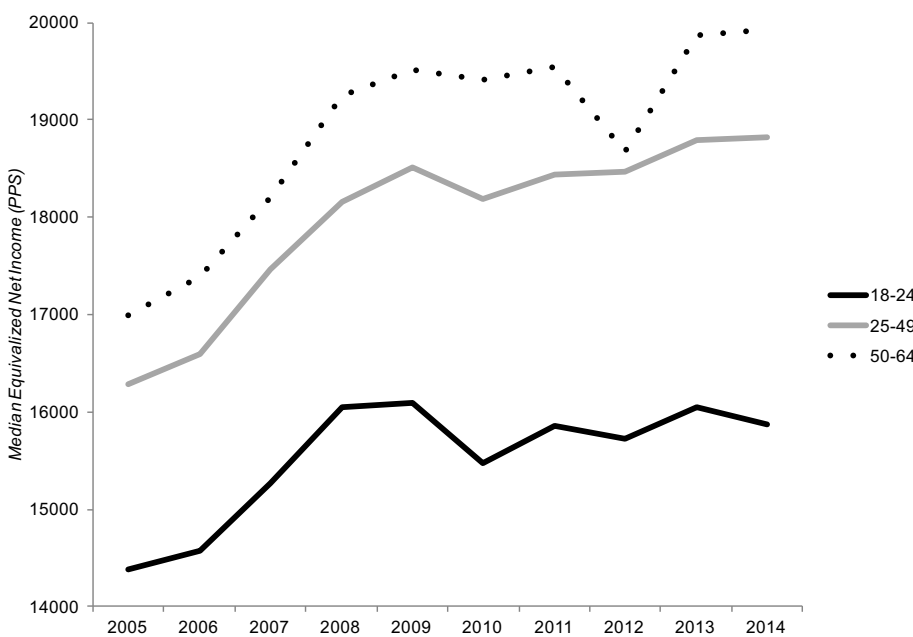
11. Some countries have seen significant shifts in the number of people becoming self-employed. In the UK for example, the number of self-employed people increased from 3m in 2000 to 4.1m in 2015.

A second reason relates to demographic pressures that lead to conflicts between work and private life. Painter and Thoun (2015: 11) argue that with UBI, people would be empowered to “take time off, reduce their hours, or take short career breaks to care for an elderly, disabled or otherwise vulnerable person”. This contrasts favourably with the existing system of carers’ benefits, which is overly bureaucratic, complex and, as such, under-claimed. Children with families would also receive additional payments, making it easier to balance the competing demands of work and parenthood. Responding to objections that focus on the lack of contribution inherent to UBI, Painter and Thoun argue that their examples of creativity and care show that UBI could spur valuable forms of social contribution, “defined beyond narrow cash terms”.

### Youth precariousness

A final challenge facing European societies is intensified precariousness for young people (Sage, 2016). As the previous Social Reality report showed, youth unemployment rates are almost universally and significantly higher than rates for other groups. Further, young people’s post-crisis incomes have recovered more slowly compared to other age groups. Figure 4.10 shows median incomes for 18-24, 25-49 and 50-64 year-olds in the EU-15 between 2005 and 2014. While all age groups suffered income losses post-2007, the recovery has been markedly slower for 18-24 year-olds. In 2005, there was a 2609 (PPS <sup>12</sup>) gap between the oldest and youngest age groups; by 2014 this had expanded to 4065 (PPS).

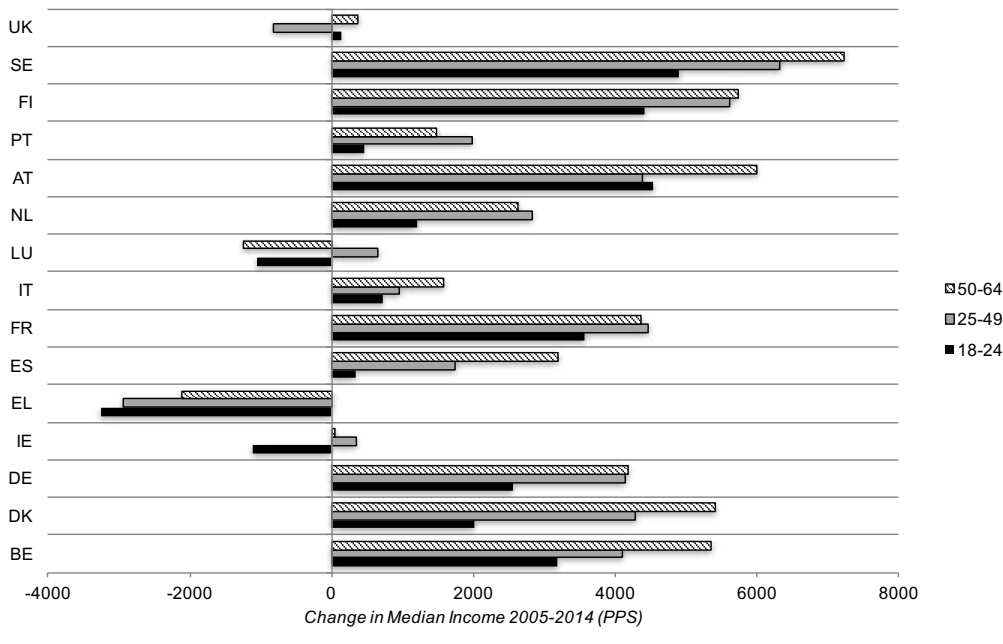
Figure 4.10 EU-15 Median incomes by age group, 2005-14



Further, as Figure 4.11 shows, this pattern holds for nearly every country in the EU-15. Although some countries (e.g. Greece and Ireland) have experienced falling or stagnant incomes and others (e.g. Belgium and Sweden) have enjoyed large income growth across age groups, in most countries older groups have done better than younger ones irrespective of the broader income trend. Thus in Greece income fell for all age groups but most sharply for young people, while in Sweden there were significant rises for all but much larger ones for 50-64 year-olds (PPS 7231) compared to 18-24 year-olds (PPS 4901).

12. Purchasing power standard (PPS): an artificial currency used to adjust for different price levels between countries.

Figure 4.11 Change in median income by age group in EU-15, 2005-14



The sociologist Guy Standing (2011) places young people at the centre of what he describes as a new social class: the ‘precariat’. While young people have always begun their working lives with a degree of uncertainty, Standing argues that insecurity often stretches way beyond what should be considered reasonable. The increasing number of young people – burdened by debt, falling real incomes and rising housing costs – choosing to live with family is testament to growing youth precariousness. In the UK, the number of 20-34 year-olds living with parents rose by over half a million since 2008 (ONS, 2016), while similar trends have occurred throughout Europe.<sup>13</sup>

The potential for UBI, in contrast to existing welfare state arrangements, to tackle poverty, social exclusion and precariousness among young people is a further argument employed by supporters. Standing (2014) argues that for young members of the ‘precariat’ - excluded from secure jobs - traditional welfare states and in-work benefits offer little hope for securing adequate incomes. Post-war welfare systems, often linked to contributions, would be ‘folly’ for young people cycling in between poorly-paid jobs. This links to the Skidelsky (2016) argument for UBI: that the two pillars which historically guaranteed sufficient incomes for most people – work and welfare – no longer do. In these ‘liquid’ economic conditions, UBI would empower young people with more economic security and increased autonomy over the jobs they choose. For Standing, UBI is part of a new welfare paradigm: one more realistically aligned to the reality of globalization and the aspirations of young people than conventional welfare states.

13. For example, between 2006 and 2015, the number of 20-29 year-olds living at home increased in: Belgium (4.1 per cent), Denmark, (1.9 per cent), Spain, (7.4 per cent), the Netherlands (3.7 per cent) and Portugal (5.5 per cent) (Eurostat, 2016).



## 5. The Case Against Universal Basic Income

Supporters of UBI point to four structural challenges that confront European societies: reducing gender inequalities, managing the disruptions threatened by job automation, enabling people to better balance work and private life and dealing with the increased precariousness many young people face. It is important to note that this list is far from exhaustive. As argued above, the scope of problems that UBI can allegedly solve is wide in scope, and there is not the space here to examine every stated goal of UBI. Rather, the argument of the report is that, given the evidence and trends cited above, these four challenges are where the case for UBI is strongest.

As social democratic parties and progressives face up to these challenges, and consider the potential of UBI as a solution, its potential ought to be seriously interrogated. Despite claims by some that it constitutes a pragmatic reform of the welfare state, it can equally be seen as a major restructuring of tax and social security, requiring a reorientation of public attitudes and as having the potential to cause significant behavioural change. To test UBI's potential, three questions are posed in this report. First, could the agenda win public support? Second, would it have a transformative impact on the problems its supporters identify and seek to change? And third, what would the impact of UBI be on existing and alternative programmes? This chapter examines the potential of UBI when set against these three key tests.

### Public Support

Even to UBI's most ardent supporters, it is clear that the UBI proposal will only succeed following a serious political and public debate. This is partly due to the significant cost of UBI and the requirement to convince people of the desirability of higher taxes and a larger state. Hirsch (2015) estimates that even by abolishing most existing benefits, an extra £34 billion would need to be raised each year. UBI would involve, as Hirsch (2015: 14) argues, a "very different tax settlement to the present one".

There are two further reasons why winning a public debate on UBI will be difficult. The first is that for many people, a fundamental principle of welfare state provision is deservingness (Van Oorschot, 2006) which, in turn, is tied to notions of contribution and reciprocity: a 'something-for-something' society. Need is also a key principle of deservingness: that benefits and services should, to some extent, be targeted at those who require them the most. In the UK, people are far more likely to support extra social security spending for pensioners, children and disabled people compared to groups like the unemployed (Baumberg, 2015). Arguably, this is because these groups satisfy the core criteria of deservingness – contribution and/or need – more so than the unemployed.

For those like the unemployed, who often fall short of people's perceptions of deservingness, there is an equally strong expectation that they should provide evidence of searching for work in order to qualify for benefits. In 2011, the British Social Attitudes (BSA) survey asked respondents what should happen to an unemployed person who fails to prove they are actively searching for work. Only 6 per cent of respondents stated that benefits should not be affected. 54 per cent stated that benefits should be reduced, with 40 per cent stating they should be stopped completely. Entitlement to the benefits is strongly related to perceptions of desert, demonstrated via contribution, need or work effort.

The second reason relates to attitudes to work: namely, the belief in the importance of work as a social institution, and that a key function of welfare should be to promote employment. One explanation for the unpopularity of unemployment benefits is the widespread belief that they

discourage work. Since the early 2000s, over half of respondents to the BSA series have stated that unemployment benefits are ‘too high and discourage work’ (Baumberg, 2015). Across Europe, support of work as an institution remains a strong majority view. According to World Values Survey data, Europeans are overwhelmingly likely to believe that work is important in life, while significant numbers would consider it a ‘bad thing’ if less importance was placed on work in the future.<sup>14</sup>

These are three significant challenges for UBI in terms of its capacity to win public support. First, can UBI convince people of such a significant increase in public spending and taxation? Second, does it comply with public opinion on deservingness and the welfare state? And third, does it accord with social norms on work? Crucially, there are strong arguments that UBI fails on all three counts.

### ***Public support for higher spending***

One positive for supporters of UBI is that many people are not overtly hostile to higher taxes being used to fund more services. In the UK, around a third or more of BSA respondents consistently state agreement with increasing taxes to spend more on the welfare state. Support for lower taxes to finance a smaller welfare state is an overwhelmingly minority position in the UK, with no more than 9 per cent of people ever agreeing with this option since 1983. This position is broadly repeated across Europe, with most countries favouring, albeit only slightly, higher taxes and better funded services.<sup>15</sup>

There are however two question marks around whether this kind of sentiment could be exploited in support of UBI. The first is that in post-crisis Europe, with its slow economic growth and relatively high unemployment, the freedom for social democratic parties to propose large new spending projects is limited. In countries like the UK, the centre left continues to be punished for the perception that over-spending contributed to the crisis. Where the centre left is in power, as in France, austerity policies have not been avoided. While there is a sizeable anti-austerity movement across Europe, in most countries it has failed to make significant inroads into mainstream public opinion. There may be a time when public mood shifts towards an abandonment of austerity and the need for more spending, but is not obvious that this time is now.

The second question mark is around the relationship between support for higher spending and actual behaviour. This has been strongly noted in the UK, where the public show a desire for ‘Scandinavian social policies with American taxes’. In the UK, support for higher taxes and spending soared in the late 1980s and early 1990s to over 60 per cent of the population, yet a Conservative majority was comfortably returned in 1992. More recently, the UK electorate has elected Conservative-led governments committed to austerity, despite over 80 per cent support for either maintaining or increasing present spending and service levels and only minority support for lower taxes and lower spending. When confronted with a real choice around paying higher taxes, it is far from the case that general principles translate into real voting behaviour. This is deeply problematic for UBI.

### ***Deservingness and the welfare state***

Second, numerous critics point to the incompatibility of UBI with social norms surrounding public spending and welfare provision. In particular, where there is support for higher spending, this tends to be concentrated on specific forms of spending that comply with norms around which groups of people should receive which kinds of benefits. As Diamond and Lodge (2013) argue, support for public spending is strongest in relation to ‘traditional’ welfare state institutions, like education, healthcare and pensions. Public support is far weaker in relation to policies designed to tackle ‘new social risks’, like gender inequality and labour market change. Further, support for

14. Belief that work is very/rather important in life: CY (92%), EE (82%), DE (80%), NL (79%), PL (89%), RO (90%), SI (88%), ES (85%), SE (85%). Belief that it would be a bad thing for less importance to be placed on work in the future: CY (40%), EE (58%), DE (38%), NL (27%), PL (52%), RO (72%), SI (68%), ES (47%), SE (36%). All data from World Values Survey wave 2010-2014.

15. The European Social Survey (ESS) 2008 wave asks respondents whether governments should increase taxes and spend more on social benefits and services or decrease taxes and spend less. Fifteen countries show a preference for more spending on average (BE, CH, CY, CZ, DK, EE, EL, ES, FI, IE, NL, NO, SE, SI, UK), while only eight show a preference for less on average (BG, DE, HR, HU, LV, PL, PT, RO).

extra spending remains tightly wedded to policies linked to either need or contribution. Support for more universalistic principles is often significantly lower, while many support the reduction of benefits for those with higher incomes. In this context, UBI may be best placed to succeed where welfare norms are more strongly tied to universalistic principles, as in the Nordic countries. Where claims to welfare are primarily seen as emerging from contribution or need, there is less chance of winning the debate.

### ***Social norms around work***

Third, while some supporters claim UBI would increase labour market incentives, there is a real possibility that an unconditional UBI would increase unemployment for some groups. Gaffney (2015) uses the example of lone parents who, prior to the extension of conditionality in 2008, received a guaranteed, unconditional income, with tax credits acting as an incentive to find work. This is how a UBI would essentially work: acting as a guaranteed income and as an incentive to work. In the case of lone parents however, employment growth only increased significantly after the imposition of work obligations in 2008. Gaffney argues that this shows how 'making work pay' was insufficient, on its own, to raise employment. Without conditionality, some lone parents forewent employment despite good economic incentives to work.

Further, from the small number of studies of basic income type programmes and trials, similar conclusions can be made to Gaffney's lone parent example. Evelyn Forget (2008) argues that guaranteed income programmes, when trialled in parts of Canada and the US in the 1970s, showed significant, downward effects on the working hours of secondary earners. Given the well-known and consistent effects of unemployment on health and well-being (see McKee-Ryan et al., 2005), the prospect that UBI might increase worklessness should not be taken lightly.

Beyond any hypothesized labour supply effects, there should also be concerns around the moral messages that UBI omits around the value of work and how these could be interpreted by the public. As, although some supporters highlight improved work incentives (Lansley and Reed, 2016), others celebrate UBI because it could reduce the numbers in work, and see UBI as a means to a future with far less work. For Cruddas and Kibasi (2016), this is the root of UBI's problems; it would sanction lifestyles of non-work and of non-contribution. Whether worklessness actually increased en masse or not is, in this analysis, irrelevant; UBI legitimises worklessness as a life choice that, for Cruddas and Kibasi, is "antithetical to the values of most British people, who believe in work; in the dignity that comes with self-sufficiency; in the pride that comes up with purposeful activity". For these reasons, the likelihood of UBI acquiring significant levels of public support remains slim and, as such, declaring support for UBI is a major political risk.

### **Transformative Potential**

Supporters of UBI commonly cite its transformative potential as one of its major advantages. Yet there is a simultaneous case to be made that it does not seek to be transformative enough: that it offers people the way society is – unequal and precarious – with added compensation. For someone with an insecure job, cycling between low-paid work and unemployment and living in poor housing, UBI offers little substantive change to their circumstances. It would do little to offer them significantly greater power over their lives; it would not offer them better conditions and more autonomy at work. UBI is open to the accusation that it sees present inequalities in power and economic structures as inevitable and, as Navarro (2016) argues, leaves such structures 'untouched'. Cruddas (Analysis, 2016) claims it is a defeatist proposal, absolving governments of constructing solutions to and politically contesting the social problems its supporters identify. The limited

potential of UBI to seriously transform society can clearly be seen in three of the four areas identified above.

### ***Gender inequality***

The argument that UBI is insufficiently transformative is particularly compelling from a gendered perspective. One of UBI's proposed strengths is its neutrality; it does not seek to impose a vision of the good life, instead leaving it for individuals to choose their own ends. Yet in a society that is not neutral, most obviously on gender grounds, UBI will not be neutral either. People's behaviour, decisions and choices will continue to be structured by existing inequalities, institutions and social norms. This is Robeyns' (2001) powerful critique of basic income. If UBI is implemented in a context of gendered inequalities – such as 'gender-related constraints on choice' and the 'gender division of labour' – it will do little to tackle these problems and most likely reinforce them. The constraints on free and autonomous choice for women, argues Robeyns, are so ingrained, multi-faceted and complex that UBI alone cannot solve them and would, arguably, embed inequalities further.

This translates into two particular concerns for feminist critics of UBI. First, a UBI could lead to more women dropping out of the labour market or reducing their number of hours at work. McLean (2016), despite supporting UBI on gender equality grounds, recognizes the potential dilemma that women, who have generally weaker attachment to employment, will have larger incentives than men to reduce the number of hours they work. Second, in conjunction with its downward labour market effects, UBI could cement gendered social norms around care and domestic work. As women would be more likely to reduce their labour market participation, they would simultaneously be more likely to take on added domestic duties. Robeyns (2001) argues that these effects could damage all women, even those whose labour market behaviour remains unchanged, as wider social norms around the behaviour of men and women are reinforced. UBI could weaken hard-fought and long-term advances in gender equality on two fronts: at home and at work.

Forget's (2011) study of MINCOME, the Canadian basic income scheme trialled in Manitoba in the 1970s, provides evidence for both these claims: that female employment rates could suffer under any guaranteed income scheme and that gendered norms around care could be reinforced. In Manitoba, the number of working hours fell by 13 per cent because two groups tended to reduce their working hours: (a) adolescents, who were more likely to stay on in education and (b) secondary earners, most likely to be married women. Importantly, this was especially the case for women with children and new-borns, who used UBI to extend maternity leave. In the Canadian experiments, women not only worked less but also cared more. Forget notes how these trends were replicated in the US guaranteed income trials around the same time: secondary, predominantly female, earners reduced their working hours and spent more time at home.

The evidence from Canada and the US exemplifies the main critique of UBI from a gendered perspective. This is not to say it is inevitable that UBI would have downward pressures on female employment. Rather, that in a labour market context where women are dominant among secondary household earners, the evidence from North America - that secondary earners are the most likely to reduce their working hours in favour of more domestic work when in receipt of a UBI - is problematic for its claims to target gender inequality. UBI may not eradicate existing inequalities but, rather, entrench them: both at home and at work.

## **Automation**

UBI is also vulnerable to the contention it would insufficiently address the fall-out from automation. First, UBI would not confront the labour market inequalities that would arise from a more automated labour market. A more automated labour market could consist of three groups: (a) high-skilled, high-waged non-automated workers (e.g. doctors), (b) low-skilled, low-waged non-automated workers (e.g. carers) and (c) routine workers now unemployed. As Cruddas and Kibasi (2016) argue, as a solution to these inequalities, UBI is weak and even counter-productive. It would leave these inequalities in tact, creating an uneasy, fragile social division between those with jobs and those compensated for technological unemployment via UBI.

Second, UBI offers no specific direction or platform for the losers from automation. Even if many types of occupation are automated in the coming decades, not all jobs will be and employment as an institution will persist. Any 'post-work' future is a long way ahead, and so the losers from automation will continue to be subjected to social norms and pressures around paid work. While paid work retains this social value and importance, those without it will likely experience worklessness in much the same way the unemployed do today: social isolation, poor health and low wellbeing. Supporters of UBI foresee an unleashing of creativity and meaning, but while paid work persists, UBI offers only compensation for the losers of automation, not a social transformation in attitudes and beliefs around paid work.

Third, UBI does not address questions around the ownership of technology. This is crucial; as the previous section argued, the ownership of new technologies is often cited as a driving force behind rising inequality. UBI is a redistributive, compensatory response to the unequal labour market and economic outcomes arising from new technologies, not a challenge to the ownership of these technologies. This is the reason, Tarnoff (2016) argues, why so many tech entrepreneurs are keen on the idea of UBI; through subsidies, it enables people to survive the era of automation while sidestepping critical questions of ownership.

## **Precariousness**

Finally, there are deep doubts about the potential of UBI to hold back the spread of precariousness, especially for young people. Ikebe (2016) makes this point, arguing that a modest UBI – or a 'non-liveable basic income' – would have minimally transformative effects. Existing models of UBI are, in a desire to demonstrate affordability and viability, understandably modest. But the amounts cited – in the region of £70 per week – would continue to leave people powerfully reliant on the labour market. Critically, UBI offers no solution of transforming the labour market. On the contrary, it could give license to employers to offer lower wages and less secure conditions; the burden and expectation for employers to provide a decent wage would be weakened if everyone had another source of income.

A further problem is that precariousness is not only about a lack of money. As Navarro contends, precariousness is also about the absence of control and power over one's life and the demand for the provision of opportunities and choices to escape precarious circumstances. UBI alone does not provide such opportunities for the 'precariat' to escape insecurity and poverty. As Navarro (2016) argues, to believe UBI is the solution to the growth of precariousness is to "ignore the active causes of the deterioration of the labour market, causes that remain untouched with UBI measures". As with gender inequality and automation, UBI could fail to transform the root causes of the problems its advocates identify: acting at best as a form of compensation and at worst as an enforcer of existing inequalities.

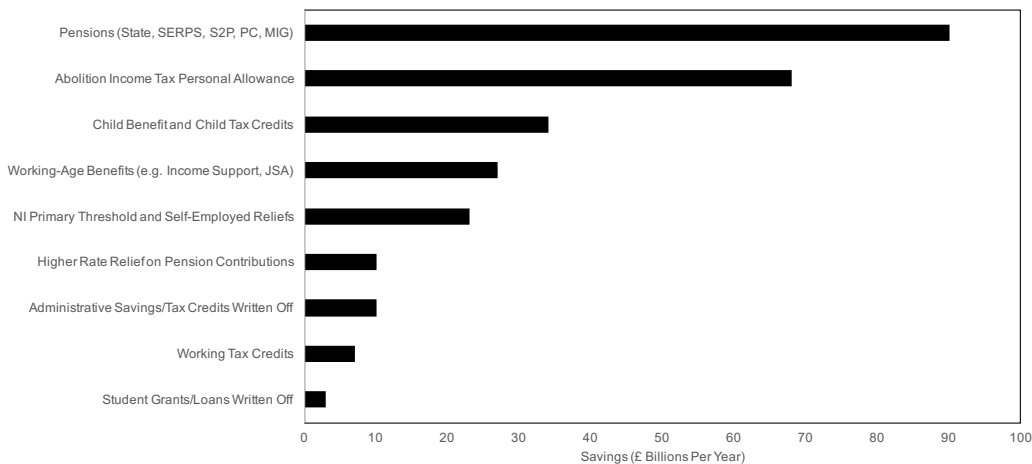
## Impact on Existing and Alternative Programmes

The third and final argument against UBI concerns its potential impact on existing and alternative social policies. This argument can be reduced to two prime contentions. First, the introduction of UBI would likely leave less expenditure, as well as less public will, for maintaining and expanding existing social policies and developing new ones. Second, this smaller scope for policy expansion and development is problematic; alternatives to UBI have a more credible and evidence-based foundation with which to tackle the same social problems UBI hopes to. This section sets out these two arguments, before offering plausible policy alternatives to UBI.

### *Impact on Existing and Alternative Social Policies*

One of the most profound concerns around UBI is the impact it could have on diminishing the scope of existing social policies and the potential for new programmes. Most modest models of UBI – which offer guaranteed payments at relatively low levels – account for the withdrawal of many existing benefits and allowances, often with the exception of housing and disability payments. As Figure 5.1 shows, the RSA's model – drawing upon prior work by the Citizen's Income Trust – proposes the abolition £272 billion worth of existing UK programmes and allowances. Thus in order to finance a very modest UBI, many existing structures of the welfare state would still have to be swept away.

Figure 5.1 RSA proposed welfare savings with introduction of basic income



As well as necessitating the abolition of many existing welfare payments, there is the prospect that UBI could eventually lead to the dismantling of further welfare state institutions. This is an objective of some liberal and conservative UBI supporters, who see UBI as a long-term means of diminishing the ambition of the state and the scope of social programmes. The conservative sociologist Charles Murray (2008) sees UBI as a “replacement for the welfare state”, while more market-oriented advocates envision a future where people use UBI to ‘purchase’ goods presently provided by the state: healthcare, education, pensions, unemployment insurance, childcare and so on.

Even if UBI failed to lead to the marketization of existing public services, there is the further risk that its introduction would make it more difficult to introduce new policies and expand on existing ones. UBI would be an extremely costly policy, limiting the funding available for other policy areas, while the necessity of raising taxes may dampen public appetite for further increases in public spending

to expand services. This weakened potential for social policy expansion is especially problematic in countries where gaping holes in provision exist, such as in childcare, elderly care, disability support and housing provision. As long as such holes remain, it is unclear whether UBI would be the best use of the spoils in a hypothetical victory around the desirability of raising taxes to improve services.

UBI thus leads to three social policy risks: first, existing social programmes and benefits are rolled back to finance basic income; second, services are marketized under the logic that UBI should and could be used to purchase them; third, the political will and public feasibility for more expansive, generous and new social policies, arguably better placed to tackle social problems, is weakened. While supporters of basic income may warn against such scenarios, it is unclear how existing social policies and potential future ones could be protected in the hands of governments intent on rolling them back.

### *Policy Alternatives*

The third social policy risk identified above – the limited scope for new programmes – is arguably the most dangerous one. As an alternative to UBI, the social problems and inequalities identified in this report could equally, and arguably more effectively, be tackled by explicitly designed and explicitly targeted social policies. On its own, UBI constitutes a significant risk: it aims to achieve a wide range of objectives via a single intervention. This yields a further, uniquely political danger: that any failure will set its proponents back for decades, while leaving inequalities unchanged.

A powerful, alternative social policy strategy is to strengthen, reform and expand social policy structures and welfare states. Supporters of UBI are right to contend that a basic income is not mutually exclusive to other forms of social policy expansion; yet for the reasons outlined above, it is unlikely that UBI could be introduced alongside other major reforms of the welfare state. There is thus a choice to be made between basic income or alternative social policy reforms.

This is the influential case made by the American economist Barbara Bergmann (2004), who argues that most governments do not have the capacity to provide both a UBI and a generous welfare state. Given this dilemma, the debate hinges on whether UBI or expanded social policies should be prioritized. Bergmann is clear that the latter option is the preferable one for progressives, given the success of the more advanced Nordic welfare states in meeting a wide range of human needs. Further, many welfare states presently fail to provide high-quality services, like childcare and training, essential to meeting such needs. With a UBI, people who currently lack access to these services would continue to go without.

Consequently, the first aim for societies with weaker welfare states and less developed services should be to establish more effective and generous welfare policies that meet human needs. To do otherwise, argues Bergmann, is to put the ‘cart before the horse’. Bergman also argues that expanding existing social policy structures is more politically feasible than introducing an entirely new, expensive and untested basic income programme. A more generous welfare state trumps UBI on these three counts: (a) efficacy in reducing inequalities, (b) meeting human needs and (c) the probability of winning public support.

Still, the capacity to introduce more generous social policies is not only about winning support for greater public investment. A more pressing question is how to fund generous interventions in an age of low economic growth, an age that Larry Summers has argued is defined by the rebirth of ‘secular stagnation’. In these difficult economic conditions, social democrats will have to explore how to generate alternative sources of revenue, such as taxation of capital and land, as well as new methods for achieving social protection. In that context, asset-based welfare – in which citizens

are supported by the state to build up assets in the form, for example, of child development funds, savings investments, and housing – warrant more serious attention.

Progressives in Europe's more insecure, unequal societies have, however, been particularly drawn towards the basic income proposal. Motivated by the impact of austerity and cuts to benefits and public services in already weak welfare states, a basic income offers the prospect of a speedy road to a better society. Yet broader social policy should not become a lost cause for the centre left and there are plausible, alternative policies to a UBI that are outlined below. While not as elegant or seductive, as a basic income, they are based on recognition of UBI's limitations, and the pitfalls of trusting in a single, simple solution to a complex set of economic and social challenges.

### **Policy 1 – Gender Equality at Work and at Home**

While UBI is backed by some supporters as one solution to gender inequality, it has been strongly critiqued by feminist critics as having the potential to damage some of the progress made in recent decades. Robeyns (2001) argues that basic income could lead to women working fewer hours, with low-paid women the most likely to withdraw from employment altogether. This could roll back the gains made by women in the labour market and reinforce gender stereotypes at home and at work.

Robeyns (2001) proceeds to argue that alternative social policy measures are essential in order to effectively tackle gender inequalities. Existing policies, in place in some countries and absent in others, are proven successes in narrowing gender inequalities. A key example is well-funded childcare. Bergmann (2004) argues that many countries have inadequate childcare provision and investing in childcare is a more attractive proposal than introducing UBI. In some countries, childcare costs remain prohibitively high; a barrier that prevents many women from returning to full-time employment or paid work altogether. Countries that provide more affordable childcare tend to see more mothers return to work after giving birth.

Yet when it comes to narrowing gender inequalities, it is equally important for social policies to focus on the home as well as the workplace. This is why Sweden's reforms of parental leave, in which both parents are given non-transferable, three-month periods of paid leave, are so important. While Sweden once experienced the same inequalities as many other countries – with mothers doing the vast majority of childcare – the introduction of non-transferable periods of paid parental leave has transformed the division of labour in the home (Duvander et al, 2005). While mothers still do the majority of early childcare, Swedish fathers take on average 96 days of leave to spend with young children. Countries like the UK have introduced shared parental leave, yet without the financial incentives inherent to the Swedish model, very few fathers have taken this option. Policy reforms around affordable childcare and well-funded shared parental leave could work towards the narrowing of gender inequalities in the domestic sphere and in the labour market. Basic income, meanwhile, could achieve neither.



## Policy 2 – New Activation Models in an Age of Automation

UBI is proposed by some as a mechanism for dealing with the potential unemployment caused by the mass automation of jobs. This is in the sense of either enabling people to enjoy a minimum standard of living outside the labour market or to ease the transition between jobs, which could become more common. Sam Bowman of the Adam Smith Institute argues that UBI would be a means of compensating for and easing the economic disruptions caused by more frequent bouts of unemployment (Analysis, 2016).

There are however alternative strategies for dealing with technological unemployment that could more effectively empower people to cope with a more turbulent labour market. Such an approach was typical of the post-war Swedish Rehn-Meidner model, where companies that failed to keep up with wage rises were allowed to fail. Unemployed workers were compensated in the form of active labour market programmes (ALMPs), through which they would be retrained into more productive sectors of the labour market.

It is plausible to imagine a Rehn-Meidner model for the age of automation, in which the losers from technological unemployment are offered high quality retraining programmes in order to equip them with new, in-demand skills. Coupling effective, better-designed ALMPs with unemployment insurance would achieve dual objectives: economic security and human capital development. Alternatively, UBI offers security but has no aim of promoting the development of new skills, all at a higher relative cost than more investment in ALMPs.

The basis of this argument is that automation will not eliminate demand for all skills. According to Corlett (2016), routineness is strongly associated with lost working hours in recent decades and thus retraining people, so they have non-routine skills, is a plausible solution. Automation will redefine, not remove, the kinds of skills workers need to supply: in all likelihood towards cognitive, social, caring and creative skills. This provides an opportunity for active labour market programmes, as well as educational policy (Meyer, 2015), to be reformed around the provision of in-demand skills and anticipated future ones (Duell et al, 2016).

Finally, much of the reality and impact of automation continues to rest in the realm of prediction. Corlett (2016) suggests the risks are exaggerated, arguing that the impact of automation on an economy like the UK's could be limited due to the diversity of skills across the labour market. It will be more prudent for governments to respond as the situation becomes clearer, rather than pre-empt scenarios that may not come to pass.

### Policy 3 – Power Over Work

A principle argument made by the RSA (Painter and Thoun, 2015) in favour of UBI is its capacity to give people greater freedoms outside of work: to care, create and learn. This is a worthy objective given the intensified demands felt by many in work and the increasing necessity of balancing work with care. Yet despite the growing demands of work, employment continues to be associated with good health, wellbeing and a sense of identity and purpose. Rather than enabling people to abandon paid work altogether, and lose the benefits work can bring about, an alternative solution is to more effectively empower people to balance work with life, leisure and care. Making this balance more viable for people could also avoid a potential social conflict: between those who use UBI to leave the labour market and those who continue to work.

In this light, Meyer (2015) advocates the ‘reallocation’ of work: incentivizing people to work fewer hours and encouraging the division of jobs among a greater number of people, giving individuals greater freedom and more time outside the labour market. More radically, a shorter working week is surely only as ‘utopian’ as the five-day working week once seemed. Recent, well-publicized experiments in Sweden with six-hour working days demonstrate the political feasibility of reducing working hours.

In the short-term, Bell and Gaffney’s (2012) proposal for ‘time credits’, based on a Belgian social policy, offers a more achievable strategy for promoting work-life balance. In return for higher social insurance payments, people would gain the entitlement to take paid periods of leave from work with the right to return to their jobs. Such sabbaticals could be used to fulfil a range of different needs: caring for young children and elderly relatives, further education or simply recharging away from work. Time credits would provide people with the flexibility to exit the labour market, while maintaining their connection to paid work.

## 6. Conclusions

The member states of the European Union face some of the most profound challenges of the post-war era. With the exception of a handful of countries, the legacy of the economic crisis persists in the form of weak economic growth, high youth unemployment, and rising inequality. This legacy, along with increasingly explicit continental imbalances and public concern over immigration, has plunged the EU into a state of political anxiety and disruption. Political earthquakes – like Brexit, Syriza and the rise of a nationalist, populist right across much of northern Europe – have ended the old certainties of the post-war political order. Europe's progressive parties have been the biggest losers from these earthquakes and, in many countries, face a battle to survive, let alone win.

In this climate of political and social disruption, advocates of an old idea, universal basic income, have argued it is a model solution for the new times of uncertainty. Supporters of a basic income ask the right questions in many instances. What can be done to redress the rise of precarious work and economic insecurity? How will governments respond to the potential hollowing out of the labour market as the automation of work intensifies? How can equality between men and women be achieved at both work and at home? And in an age of uncertainty, how can the welfare state deliver a greater sense of autonomy, freedom and choice?

Yet although these are questions that need to, and should be, addressed, it is not clear that UBI is the answer. The idea of an unconditional income, paid to all irrespective of means, contradicts many people's notions of deservingness, and who should get what and why. And as the economic competence of the centre left is questioned throughout Europe, a policy that requires significant additional expenditure is unlikely to restore social democracy's economic reputation. There are also serious question marks over whether a basic income is best placed to reverse the problems its supporters identify or whether it would merely compensate, or at worst cement, the inequalities it seeks to correct.

At a time when few have ready solutions to the deep-seated problems facing European societies, and when the left appears to be in a political crisis like no other, the attraction of a basic income as a totemic policy idea is obvious. Yet while the idea may have found its' time, we are not convinced that the basic income proposal addresses the economic and social challenges facing European societies. Alternative policies for the left exist that have a stronger claim to both winning public support, and transforming our societies and economies for the long-term. But this is merely the start of the challenge facing social democratic and centre-left parties. They must not only arm themselves with policy solutions, but also construct a persuasive political narrative that understands – and is equipped to respond to – the new problems and challenges facing European societies in the new century.

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