



ITUC Economic and Social Policy Brief: Universal Basic Income



ITUC CSI IGB

International Trade Union Confederation

Universal Basic Income

The concept...

Universal basic income refers to **unconditional cash transfers to everyone in a society** regardless of their income, employment status, job search, or other key criteria. The concept differs from traditional forms of social protection, which tend to provide income support or services to people experiencing specific contingencies, i.e., due to unemployment, old age, disability, parenthood etc. Moreover, social protection benefits, particularly those for working age, are often provided conditionally upon one's financial means and/or work-search requirements.

The concept of basic income has been increasingly championed by some academics, policy makers and business leaders¹ as a response to increasing financial insecurity that many workers face due to the increase in temporary, low-paid and atypical forms of work, as well as a response to anticipated job losses due to declining industries, automation and globalisation. The idea of introducing a universal basic income has increasingly gained ground in mainstream political debates and policy discussions.

Some proponents of basic income envisage it as a complete replacement of existing social protection systems. They consider it to be easier and less costly to administrate than multiple benefits and services based on different eligibility criteria. Other supporters believe that basic income would be complementary to most components of existing social protection schemes –it could replace some types of income support benefits (like cash social assistance benefits) while leaving certain types of social insurance and certain categorical benefits intact. This could ensure that everyone has a guaranteed income on which they can live, and then provide additional support to people according to the specific risks that they may face.

Universal basic income has never been rolled out as a national social protection programme, but several pilots have taken place over recent years in both developing and developed contexts. While most of the proponents of basic income envisage the benefit amount to be high enough to cover all essential living costs, most of the pilots tested so far have not provided full income support that would alone guarantee a decent livelihood for the beneficiary, but rather have provided some partial support.

¹ See for instance academics Guy Standing and Philippe van Parijs, 2016 French Presidential Candidate Benoit Hamon, and SpaceX CEO Elon Musk

List of past and ongoing basic income experiments

Ontario, Canada is [currently piloting](#) basic income among randomly selected members in three communities. 4000 single adults will be given a yearly income of C\$16,989, while couples will earn C\$24,027, minus 50% of any income earned from a job. The pilot began in in Spring 2017 and will last 3 years.

In **India** [two basic income pilots](#) were funded by UNICEF, with the Self Employed Women's Association (SEWA) as the coordinator. The study began in 2011 and ran for several months, with the results presented in 2013. The study showed to have positive effects on children's health and nutritional outcomes, school attendance and school performance.

Finland is [trialing a quasi-basic income scheme](#), limited to those who were unemployed. 2,000 Finns have been chosen for a government experiment to provide unemployed people with an unconditional income of 560 euros a month for two years. The trail will finish at the end of 2018, and the government has announced that it will not continue or expand the experiment afterwards. The pilot's full results will be released in 2019 once its impact on participants has been assessed

Namibia ran a [pilot project](#) running from 2008-2009. The pilot showed to have positive outcomes on children's health, reduction of families' debt, reduction of crime, and decrease in overall poverty.

Alaska has had a [longstanding basic income scheme in place](#), though the level of benefit granted is relatively low. Since 1982, everyone who has been officially resident in Alaska for at least six months – currently around 650,000 people – has received a uniform dividend every year, whatever their age and number of years of residence in the State. The dividend stood at around \$300 per person a year in the early years but by 2008 the annual dividends reached \$2069 per person.

Kenya is piloting a [basic income experiment](#) in 40 rural villages. Around 6,000 people will receive, each month for 12 years, get a basic income of a little over \$20 per month.

Barcelona, Spain is [currently testing](#) several potential solutions to address poverty and social exclusion, including unconditional, non-means-tested cash transfers. Around 2000 households overall have been randomly selected to take part in the experiment.

Several municipalities in the **Netherlands** including Utrecht and Tilburg [are experimenting](#) with the conditions attached to social assistance benefits. Starting in April 2017 and lasting for a period of two years, Utrecht is providing a flat sum of 960 euros a month without any work obligations to 250 residents in need of financial assistance. The scheme is not a true basic income scheme in that it is means-tested, but it is similar to a basic income in the sense that work requirements are eliminated.

Some opportunities and risks....

Proponents of basic income have cited some of the following advantages:

- **Improving working conditions:** By providing a guaranteed level of economic security to everyone, workers would be less compelled to accept low-quality, exploitative working conditions.
- **Supporting skills development:** Basic income would also help people develop their skills and competences, as they would have guaranteed level of financial support while taking up education and skill training.
- **Making it easier for people to access support:** A basic income could reach the poor more easily than a means-tested scheme, given the lack of complex eligibility criteria and application processes. It would also do so without stigmatization.
- **Reducing work disincentives:** Some proponents of basic income argue that it could reduce the risk of 'benefit traps' for people to enter work because it can be combined with earnings, unlike many 'safety net' schemes where people can easily get stuck in because benefits are withdrawn when people start earning.
- **Reduced administrative costs for social protection:** A basic income could potentially streamline social protection systems and reduce administrative costs for their operation, as complex processes for dealing

with applications and checking eligibility would not be needed.

Critics of basic income are however concerned about:

- **The potential for subsidising low-paid and low quality jobs:** there is a concern that basic income would require that we accept that labour income no longer serve as the primary source of income responsible for workers to live a decent life. While basic income could reduce workers’ financial dependency on their employer, it could also reduce the responsibility for the employer to adequately support his or her employee and could lead to further popularising precarious and low-paid forms of work.
- **The possibility of undermining existing social protection systems:** This of course depends on whether basic income would complement or replace any or all existing forms of social protection. If basic income is such an alternative, certain groups that would no longer receive the dedicated support that they might need – such as large families who benefit from family benefits, or people with disabilities, who benefit from disability benefits. It might also reduce the effectiveness of some services and active labour market measures, which are often linked to income support benefits such as unemployment benefits. If basic income is a *complement* to existing social protection schemes, then governments might need to be concerned about the costs.
- **Practical/financing difficulties that could arise from such a scheme.** Even though such a scheme might not be very administratively costly since there would be no application process or eligibility criteria, the overall costs might still be high, as it would cover the entire population- especially if such a scheme is set at a high-enough level to ensure decent living standards. [Some estimations](#) on the costs of a basic income have suggested that it could be financed on a budget-neutral basis, while [other](#) estimations suggest that a basic income could require more than double current social expenditures. The ILO has estimated that basic income set at the level of the poverty line could cost over 100% of GDP for certain countries. Financing an adequate universal basic income scheme might therefore not be practically feasible for some countries. For others countries, governments might need to completely review existing financing models for social protection in order to ensure that it would be funded in a fair and progressive way. It might also require major efforts to limit tax evasion, which so far many governments have shown incapable of effectively doing.

- **Regressive distributional impacts:** Social protection has historically been an important tool for income redistribution and reducing inequality, by helping to cushion the incomes of those earning the least in our societies. Basic income could instead benefit the upper and middle-class to the same degree as those with the lowest incomes– when those earning less might benefit from additional financial support, such as through social assistance benefits. OECD estimations suggest that a basic income scheme might tilt some groups out of poverty but push others into poverty, and even lead to an increase of poverty for some countries.² Possible adverse distributional impacts would however depend on the level of the basic income benefit as well as the progressivity of taxation.
- **The disappearance of the stabilising effect of unemployment benefits:** Unemployment benefits can stabilise aggregate demand during economic downturns by providing income replacement to those who lose their jobs. A universal basic income might cancel out this stabilising function, likely leading to greater fluctuations in aggregate demand during crises.

In summary....

Potential Cons (-)	Potential Pros (+)
Potential for subsidizing low paid, low quality jobs	Reducing the risk of accepting low quality, exploitative working conditions
Possibility for undermining existing social protection systems	Supporting people to develop their skills and competences
Regressive distributional impacts	Improving access to income support and reducing stigma
Financing difficulties	Lowering the risk of ‘benefit traps’
Reducing automatic stabilisers during economic downturns	Streamlining social protection schemes and reducing administrative costs

² OECD (2017) [Basic income as a policy option: Can it add up?](#)

The ITUC's view on universal basic income versus social protection...

At this stage, the ITUC has neither endorsed nor opposed the concept of universal basic income. It has however encouraged further testing in order to understand more the real risks and opportunities that this concept presents. Moreover, the ITUC remains committed to addressing attacks on freedom of association, collective bargaining, and decent work that are driving the discussions on basic income in the first place, as well as supporting the development of adequate, comprehensive social protection systems.

The ITUC has been continuously calling on governments to:

- **Guarantee decent work conditions**, including through adequate minimum living wages, adequate occupational health and safety, reasonable working hours, job security, and respect for freedom of association and collective bargaining – in line with international labour standards.
- **Ensure adequate, comprehensive social protection** - in line with ILO Convention 102 on Social Security and Recommendation 202 on Social Protection Floors – that ensure universal income guarantees for children, those in old age, and those out of work. Unions are calling for social protection floors to be established in those countries that do not already have them.
- **Promote the preservation and portability of social protection entitlements** - such as pensions, unemployment benefits, paid educational leave, and health insurance –for workers during their transition between jobs
- **Invest in education, training and life-long learning opportunities** in order to match workers' skills to a changing labour market. Support quality apprenticeships and ensure that re-skilling and training measures for those out of work are accompanied by adequate financial support, such as through education subsidies and training benefits.
- **Ensure a just transition** for workers affected by major labour market transformations, such as automation, digitalization and the transition to the low-carbon economy. This requires that governments undertake labour market needs analyses and labour market planning, with close involvement of social partners, to properly anticipate, prepare and invest in addressing these transformations. This requires putting in place adequate compensation for these workers, redeployment measures where possible, universal and portable social protection, and accessible skill training and lifelong learning.

- **Promote access to quality employment** through sound labour market planning, together with social partners, and establishing employment guarantees where needed.

In short, the ITUC rejects the idea that increasing unemployment and precarious employment are inevitable, and that only basic income is able to effectively address these problems. Unions will continue to fight for and negotiate a better future of work.

Further Reading and useful links...

Basic Income Earth Network (BIEN) [website](#)

ILO Working Paper (2018) [Universal Basic Income proposals in light of ILO standards: Key issues and global costing](#)

ITUC (2014) [Social Protection: Key to a fair society](#)

L20 (2018) [The case for wage-led growth](#)

OECD (2017) [Basic Income as a Policy Option](#)

Standing, Guy (2017) [Basic Income: And How We Can Make it Happen](#). Penguin Books.

Van Parijs, Philippe and Vanderborght, Yannick (2017) [Basic Income: A Radical Proposal for a Free Society and a Sane Economy](#). Harvard University Press.

The Rights Track Podcast (2017) Workers Rights: [A Question of Basic Income?](#) Interview with Evelyn Astor from ITUC.