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# What happens if we pay everyone just to live?

Think universal basic income is a pipe dream? Experiments all over the world are already showing its potential to transform society for the better



**Paid to play?**  
Stephen Wilkes/Getty

By **Hal Hodson**

EACH month, Nathalie Kuskoff repeats the process that ensures her family's security. Her two young children both have chronic illnesses, so their apartment in southern Finland is mostly paid for by the government, which also helps with childcare, medical bills and education. "I get a lot of different social benefits because of my situation – I mean a lot," she says. They come at a price: relentless form-filling.

Most developed economies have some form of welfare state to redistribute wealth from the economically active to those who are unemployed or can't work. People differ about who they think should get what, but few dispute the principle of a basic safety net.

But as Kuskoff and many others find, welfare on the basis of need is a cumbersome, bureaucratic affair. And as automation continues its march, many more of us may find

ourselves caught in its net. This is the background to a radical idea to rejig the way we distribute welfare that has recently been in the headlines: universal basic income.

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At its simplest, the premise is to replace welfare with a contract promising everyone the same money unconditionally, covering basic human needs – food, shelter, clothing – which people can add to by working. Its proponents cite an array of advantages including higher employment, better community cohesion and improved health. Others see it as an excuse to shirk. Now, as the debate rages, several huge social experiments could settle these differences.

Universal basic income has a long history. Thomas Paine, a US founding father, believed that natural resources were a common heritage and that landowners sitting on them should be taxed and the income redistributed. While the idea has never fully materialised, neither has it entirely gone away. In a few corners of the world variants are discreetly part of the furniture. In Alaska, for example, an annual dividend from state oil revenues is paid to citizens each year – a windfall of \$2072 per person in 2015.

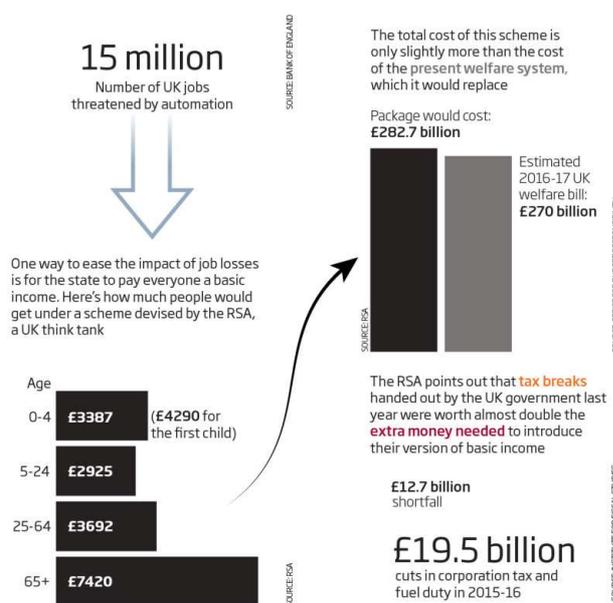
The idea has been gaining adherents across the political spectrum. In the UK, for example, proponents include the left-wing Green party and a right-wing think tank, the Adam Smith Institute. The main opposition Labour party is also toying with the idea. In Canada, testing the approach forms part of the policy platform of the Liberal party, elected to government last year.

### **Licence to laze**

The perceived threat of automation is a timely spur to revisiting universal basic income, but it isn't the only one. First, conventional welfare systems are not just bureaucratic but also costly. Even though basic income pays out more money, it cuts the costs of red tape. Various schemes have been proposed that look affordable, including one last year from the RSA, a UK think tank (see chart). Basic income also promises to eliminate financial disincentives to work that bedevil many welfare systems – under a basic income system, you always earn more if you work.

The most entrenched criticism is that too many would exploit a guaranteed income to sit on their hands, grinding the economy to a halt. There are signs, though, that this is too gloomy a view.

## Basic income



For four years beginning in 1975, the 10,000 citizens of Dauphin in Manitoba, Canada, were guaranteed a basic level of financial security: if their monthly income dropped below a certain level, the government would top it up. Support for this experiment soon dried up, and it was never properly analysed.

Evelyn Forget at the University of Manitoba in Winnipeg recently revisited the experiment, comparing public records from Dauphin with those from similar small towns. Forget found the only groups that spent less time in work during the trial were teenage boys and new mothers. The boys were staying in school rather than bowing to pressure to take agricultural jobs, and the mothers were nursing. What's more, Dauphin had noticeably lower hospitalisation rates and fewer depression-related illnesses.

That was just one small-town trial. But in Alaska, experience suggests that a basic income could help reduce the rising inequality that has been hobbling world economies. Economist Scott Goldsmith at the University of Alaska Anchorage points out that the state is the only one in the US in which the income of the poorest 20 per cent grew faster than that of the top 20 per cent between the 1980s and 2000.

Now experiments are afoot to test such effects more exactly. One, in Finland, is one of the grandest social experiments ever conceived, says social scientist Jurgen De Wispelaere at the University of Tampere. "There's nothing like it happening anywhere." Starting next year, as many as 10,000 Finns will get a no-strings-attached monthly income of €600 for two years. That sum is designed to guarantee subsistence, says Ville-Veikko Pulkka of Finland's social insurance department Kansaneläkelaitos (Kela), covering housing, food and services like water and electricity.

Kela will publish the full trial design in November, but the point is to test whether a basic income gets more people working. "Removing disincentives to joining the labour force is the key task given to us by government," says Pulkka. The ideal is to give people a platform to enter the labour market on their own terms.

In Finland, that taps into a well-anchored social principle called universalism: that the same services and education should be available to everyone. "At some level, people

want to believe in this system,” says Pulkka. Kuskoff would certainly be interested in participating. “Getting the money without all the paperwork sounds like heaven,” she says.

Reducing bureaucracy is the driver of a similar large-scale experiment kicking off in the Netherlands next year. It started when the Dutch government passed a law giving municipalities the responsibility for administering welfare. Their staff balked at taking on the job of continually vetting welfare applicants as the central government had been doing. “People realised this was going to do their heads in and they needed to change it,” says De Wispelaere.

Nineteen municipalities are now changing how they administer welfare payments, says Sjir Hoeijmakers, who is coordinating the experiments. Each will test different supposed benefits of a basic income like those Forget flagged in Dauphin. In Eindhoven, for example, the focus is on whether the changes help build strong neighbourhoods, while other municipalities are concentrating on randomised controlled trials to determine how individuals fare. A certain amount of freeloading is expected, says De Wispelaere: “In any policy you have good and bad. We want to know how many people move to the couch, and then compare the positive effects.”

Private companies are also getting in on the act. Y Combinator, a venture capital firm with stakes in the taxi app Uber, has announced that it will run a basic income experiment, with a pilot phase slated to begin in Oakland, California.

The most important arguments in favour of basic income are about improved health and well-being, says Louise Haagh, a social economist at the University of York, UK. These too are now coming under more scrutiny. For example, a study of 1000 children by Kimberly Noble of Columbia University in New York found a strong positive correlation between family income and brain development. One theory is that families with a secure income can focus extra resources on their children. “But with purely correlational data we can’t say which way the arrow is pointing,” says Noble.

To find out, she is now running an experiment in which 1000 low-income mothers across the US will receive a basic income for three years. One group will receive a nominal \$20 a month, the other \$333. Noble’s focus is on brain development, not economics, but a pilot study in New York in which money was handed out on trackable, prepaid debit cards suggested freeloading wasn’t a problem: of 1100 transactions, most of the money went on groceries. Just three happened at a liquor store.



basic income: poor people receive a guaranteed income from the government, middle earners aren't taxed, while the rich are.

It sounds fairer, but could have a significant disadvantage, as the work of Silvia Avram at the University of Essex, UK, hints. She recently asked people to perform a tedious task to earn money under different taxation models. The participants were divided into two groups. One group started with a lump sum that was reduced as they earned – much as would happen under a negative income tax – while the others were taxed as they earned. Both groups ended up with the same money for a given amount of work, but the first group was far quicker to quit the task, suggesting that a well-documented human tendency to loss aversion was kicking in: we are wired to place more importance on minimising losses on what we already have than realising gains of the same value.



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For Anthony Painter, director of policy and strategy at the RSA, and author of its report on how basic income could work in the UK, it is an indication that negative income tax wouldn't be as effective at getting people into work as a basic income. Painter and others also think a basic income could benefit society in other ways, freeing up people to look after older relatives and children, or to pursue creative and innovative work that traditionally pays less, like music, arts and invention.

Such supposed whole-society benefits aren't easy to test objectively, and that might be the most crucial point. If the referendum on basic income that took place in Switzerland on 5 June is any indication, basic income has a long way to go to gain public acceptance. During the debate, triggered when a group of citizens collected more than the necessary 100,000 signatures for a vote on such constitutional change, no political party endorsed the idea: it was widely seen as indulging shirkers. In the end, 77 per cent of voters rejected it.

However, basic-income campaigners were celebrating that evening, saying their objective was to get people talking. The conversation continues. Maybe the mark of ultimate success for the proponents of universal income, says Hoeijmakers, will be if at parties the unfashionable question "what do you do?" morphs into: "why do you do?"

*This article appeared in print under the headline "All play and no work"*

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