BASIC INCOME 23.01.2018 | Anke Hassel

Basic income's biggest losers

A guaranteed income costs money. And it's women and migrants who'll foot the bill

Read this article in German / Russian

It's a tempting idea: everyone receives a monthly pay packet from the state that covers their basic needs – no strings attached. Advocates of this idea, known as 'universal basic income' (UBI), believe it will revolutionise the way we live. It means we can spend more time exercising and having fun, and less time glued to our office chairs. Can it really work?

As things stand, we don't know much about what UBI would look like in practice. The various trials of the system have been limited in scope.

In the US and Canada, some states and councils experimented with negative income tax in the 1970s. Over a three-year period, participants received a guaranteed income at the subsistence level. Some, but not all, of their additional earned income was taxed. The aim was to see whether the participants' working habits would change.

It turned out the families who received the negative income tax did far less work than the control group. Men's working hours fell by up to eight per cent, while paid work dropped by 55 per cent among married women who were not the main breadwinner.

Employment patterns changed: paid employment declined and periods of unemployment grew. While some young recipients used the time to resume their studies, the trials showed no increase in wages as a result of higher qualifications. A similar project was launched in Finland last year. The results are yet to be published. 30 years on from the North American trial, any new experiment are likely to yield similar results.

Part of the thinking behind the UBI is that people should not have to accept the first job that comes their way. Periods of paid unemployment

would enable them to hunt around for something better. But when people do less work, it has a huge knock-on effect on society – especially for women.

We hear a lot about the gender pay gap, the gender pensions gap, as well as the many unpaid hours women put into housework and caring for family, relative to men. We also know women face widespread discrimination in the labour market.

In my own country, Germany, the proportion of women in the labour market is above the OECD average. But in terms of the volume of paid work they do, German female employees trail their international counterparts. The situation is compounded by tax rules which reward couples in which one partner earns a great deal and the other earns very little.

A universal basic income would encourage more women stay at home, and others to reduce their hours further. It would have a less marked effect on men, thus widening the gender pay gap. For women with few qualifications, the UBI would be an obvious alternative to a poorly-paid part-time job, while highly-qualified women would carrying on working much as before.

Another group at the sharp end of UBI is migrants. Immigration is currently at its highest level in Germany since just after the Second World War. Integrating migrants and refugees will be the biggest challenge to face German society in the next decade. Without the tools to help them settle, there's a danger migrants could form 'parallel' societies that rarely interact with the German-born population.

To foster social integration, it's really important that lots of immigrants go to work and that their children attend nursery school from an early age

The labour market is a key driver of both social and economic integration. Along with schools and universities, the main place where people from different ethnic and religious backgrounds meet each other is at work.

We don't generally get to choose our colleagues. At work, we get to know people we would never otherwise meet. To foster social integration, it's really important that lots of immigrants go to work and that their children attend nursery school from an early age.

Likewise, to move up the economic ladder, migrants need jobs. It takes 15

years for the employment rate of asylum seekers to reach that of other migrants. This was the experience of refugees fleeing the Balkans civil war.

In per-capita terms, far more foreigners are on social and unemployment benefits than Germans. For a whole host of reasons – lack of qualifications, inadequate language skills and difficult living conditions – it's hard to integrate migrants into the labour market.

As with women, offering immigrants and refugees an unconditional basic income would have some serious knock-on effects. Employment rates would rise more slowly. Women in particular would face pressure to stay at home rather than go to work. This would adversely affect their children's performance at school, while their own language acquisition and social mobility would suffer.

Instead of achieving its stated aim of greater social justice, a universal basic income would marginalise those groups that already struggle to get a good job – women and migrants.

There are other options. Rather than forking out huge sums for UBI, governments should invest in education, social care, health, housing and infrastructure – services that make a real difference to people's lives.



Anke Hassel
Berlin

Anke Hassel is Professor of Public Policy at the Hertie School of Governance and Academic Director of the Hans Böckler Foundation's Institute of Economic and Social Research (WSI). Her research centres on the institutional foundations of business systems, labour rights and corporate social responsibility. Hassel is also a faculty member at the Berlin Graduate School for Transnational Studies and was Senior Visiting Fellow at the European Institute of the London School of Economics and Political Science (LSE).