No Need For Basic Income: Five Policies To Deal With The Threat Of Technological Unemployment

socialeurope.eu/2017/03/no-need-basic-income-five-policies-deal-threat-technological-unemployment/

Henning Meyer 27/03/2017

Henning Meyer

The potential threat of technological unemployment is one of the most hotly debated economic issues of our times: in boardrooms and trade union offices but also increasingly amongst policy-makers. The catch-all term 'digital' may have been added to numerous political concepts in recent years but beyond such branding there has been very little debate of substance about what a comprehensive policy response to this threat should be. We do not know whether some of the more sombre predictions about large-scale job losses will materialize but we do know that governments and others need to be prepared if and when substantial labor market shifts occur.

The revived idea of a Universal Basic Income (UBI) is the cornerstone of the limited policy discussion under way. The idea is, of course, not new but has had numerous incarnations over many decades and been presented as a solution for quite different problems. The one that concerns us here is simply whether the UBI could be a solution for large-scale technological unemployment or temporary labor market dislocations that could result from accelerated technological change. When examining the issue in detail it becomes clear that a basic income would not solve many of the key issues. There are several reasons for this.

The first is that basic income in effect reduces the value of work to mere income. I know that many people disagree with this argument but that is how I see it. Making a living is of course a critical element associated with work but social aspects are also crucial. The social value that work provides is an essential source of self-esteem and gives people a structure to their lives and role in society.

There is also the danger of scarring effects. If people leave the labor market and live on the basic income for a prolonged period their chances of re-entering that market become very slim. Accelerated technological change is likely to make existing skills obsolete ever more quickly so it would be quite easy to lose the ability to work and remain stuck on basic income quasi-permanently.

This point in turn raises the question of inequality. Paying people a basic income would not remove the fundamental problem that in the digital economy some people will do extraordinarily well and many others find themselves left behind. One oft-heard argument is that if people want more money than basic income provides they can just work a few days. If the problem is technological unemployment, however, this option is simply removed as the large-scale loss of jobs renders it unviable. The digital economy would thus produce a new underclass stuck at basic income level and an economic elite that would reap the greatest benefits; it would also be largely free of social responsibility for those left behind as ideas for funding basic income usually rest on flat taxes and the abolition of public welfare provisions.

A universal version of the basic income would also represent a bad allocation of scarce resources. Whether it is paid out directly or provided as some form of tax credit, it is very unlikely that all of the funds that would be paid to people who actually do not need it can be claimed back via reformed tax systems if you take the allocation of existing tax systems as a benchmark. And why should a universal payment be a good solution for a specific problem?

Finally, there might be some thorny issues about when immigrants would qualify for the basic income and, in the case of Europe, how such a system would be compatible with the European Union's freedom of movement and non-discrimination rules. In many countries, moreover, it would not be easy at all to abolish current pension systems – also an effect of basic income – as these embrace strict legal entitlements.

For all these reasons, the basic income does not look like a suitable policy response to the threat of technological unemployment. What could work instead? A policy agenda based on the following five cornerstones could be a more comprehensive and adaptive solution.

First, education systems clearly need to adapt more to new economic realities than they have so far. Education should be less about memorizing/retaining information and more focused on turning that information into knowledge as well as teaching transferable creative, analytical and social skills. Technical skills might become obsolete very quickly but the ability to be creative, adapt and engage in continuous learning will always remain valuable.

Second, if there is large-scale technological unemployment, re-allocating the remaining work should be a first step. It might not be the 15-hour work week that John Maynard Keynes envisaged for his grandchildren but where possible such a policy would make sense and be a first re-balancing tool.

Third, public policy-makers should be thinking about job guarantee schemes that would complement the normal labor market. Guaranteeing paid activity in this way would kick in when traditional jobs are lost; it would keep people active and able to use their skills. If governments acted as an 'employer of last resort' this would avert scarring effects and could actively promote up-skilling if, as it should be, requalification/retraining were a core element of the guaranteed activity.

As such a scheme would in effect decouple the payment for an activity from its content it creates an additional public policy tool to incentivize socially beneficial activities. A job guarantee could, for instance, be effectively used to upgrade the health and care sectors, where on current demographic trends more human labor is required in the future. It could also be used to fund sports and other cultural activities locally and thus strengthen social cohesion in communities.

Such a job guarantee system would be managed through a variety of different intermediaries and governance institutions. It is not about introducing a planned economy. The idea is premised on the assumption that even if traditional jobs disappear or there are times of transitional unemployment we as human beings will not run out of ideas as to what kind of socially beneficial activity we could actively engage in.

The fourth cornerstone then addresses how to finance such a scheme. It is surely worthwhile to rethink taxation, including how the tax base can be broadened, but in the end this might be either insufficient, distortionary or both. If we really end up in a world in which most of the work is done by robots the fundamental question is: who owns the robots?

This leads us to the fifth and final point: democratizing capital ownership. If the robot-owners are the winners in this brave new digital world then as many people as possible should have ownership stakes. This can work at both the individual and the macro level. At company level, models such as the 'workers share' could spread ownership amongst employees so workers individually become less reliant on income from wages. At the macro level special purpose financial vehicles could be created to re-socialize capital returns. These could be sovereign investment funds that would work along the lines of university endowments or sovereign wealth funds and create new public revenue streams that could then be used to help fund the job guarantee.

The core idea of the basic income is based on a libertarian view of society. Implementing it would individualize many aspects of our daily lives that are currently organized collectively. The policy mix proposed above, on the other hand, would not just provide effective protection against the potential downsides of the digital revolution but at the same time create tools to strengthen communities and reduce inequality.

The debate about how to respond to the digital revolution in policy terms will be one of the crucial discussions in the years to come. Basic income is just one – and highly problematic for the reasons outlined here. There are

also other ways to address this issue.