

**Basic Income and a Public Job Offer:  
Complementary Policies to Reduce Poverty and Unemployment**

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*Abstract*

Unconditional basic income for all citizens, or a public-sector job guarantee (JG), are usually discussed as alternative policies, though the first does not provide the benefits of an earned income and a good job to the ‘precariat’ and un- and under-employed, while the second fails to assist unpaid home carers and self-employed. Furthermore, a JG alone cannot support those who are unable or unwilling to work. We argue here that the only cost-effective policy for comprehensive welfare is a *combination* of a modest basic income with job *offer* by local authorities at less than the minimum wage.

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## *Introduction*

Current and pending problems in most labour markets, such as persistent under-employment, more precarious and non-standard employment, stagnating real wages for the majority, and a perceived, growing threat from automation have revived discussion of the old idea of a universal basic income (BI) – an unconditional payment to all citizens as a basic right – with the first nation-wide pilot study now underway in Finland, following successful trials in developing countries. The fundamental rationale is to provide a minimum standard of living and freedom for all citizens, regardless of their ability and willingness to work. BI may reduce labour supply by some low – wage workers, due to the income effect when recipients have other priorities such as child care, but this would increase social welfare and put upward pressure on (low) wages. For many with low incomes, even a modest BI would provide an alternative safety net to various uncoordinated, current forms of *targeted* social assistance such as job-seeker’s allowance or social credit, which inevitably generate a poverty trap as benefits are withdrawn with increasing earnings.

However, replacing all welfare programmes with BI, as suggested by Murray (2013) would impose immense hardship on some of the poorest. Most proposals would combine BI with some other welfare measures, but neglect the additional benefit of a job guarantee (JG). In the UK combining disability and housing benefits with a modest BI would bring major welfare gains but fail to alleviate the additional misery of persistent, involuntary non-and-under employment. The much less discussed alternative of (local) government as employer of last resort, providing a JG for all, could thus be an important complement to BI. However, a JG would also require minimum standards of attendance and performance, so we shall refer to a *job offer* (JO) by local authorities, or other organisations with public funding, open to all who are able and willing to meet such standards.

The combination with a JO seems to be the only policy which might realise, at relatively low cost, the goals of decent employment for those who seek work, and an end to poverty for all in

developed economies facing a future of increasingly precarious labour markets and even secular stagnation.

Proponents of either BI or JG have usually criticised the alternative policy, and neglected limitations of their own preferred policy (including the need for sanctions to ensure performance in a job ‘guarantee’). Frank (2014) proposed to combine a BI ‘that is far too small to lift an urban family from poverty with an open offer to pay sub-minimum wages to those willing to perform useful tasks in the public sphere’, because a BI above the poverty level would be politically infeasible, even when beneficial to a majority. However, the benefits of combining a modest BI and JG have been neglected by subsequent writers. Here we develop a detailed, general case for the complementarity of these two very different welfare policies, further explain the problems with either on its own, and offer illustrative numerical examples mainly for the UK, and a few comparisons with Germany.

### *1. The future of employment and the failure of targeted welfare*

As automation threatens to accelerate the ‘hollowing out’ of middle classes and demise of even non-routine white-collar jobs, non-standard employment or alternative work arrangements combining low pay with irregular, contingent or on-call work and lack of job security have already proliferated everywhere to create a new ‘precariat’ (Standing, 2014; Temin, 2017). At the same time, forms of under-employment have persisted at much higher levels than official unemployment in most economies, including involuntary self-employment with low and irregular earnings, and part time work, for those unable to find adequate full-time jobs. The OECD (2017a) estimates an average labour underutilisation rate of 15 % of the workforce for 2015, including officially unemployed and discouraged workers no longer searching for jobs. The full-time equivalent (FTE) UK employment rate average is only 60% of the labour force, nearly 10 percentage points below the average for the most successful Nordic economies. The latter in turn

have much lower average working hours per worker than the UK and US as well as among the highest life satisfaction scores (Bruenig, 2017).

In comparison with the OECD average, the FTE employment rate in Britain (GBR) is slightly higher, long term unemployment is slightly lower, and headline unemployment is about half, but this conceals major problems in the labour market. Research by the New Economics Foundation (Wheatley, 2017) shows that only about 60% of workers hold ‘good jobs, which are defined as permanent jobs, or voluntarily temporary, or self-employed earning the Living Wage’ (£8.45 outside London). In other words about 40% are in ‘bad jobs’ with inadequate earnings. Moreover ‘two thirds of Britain’s children in poverty are in working families’. More than half the self-employed earn less than the living wage, while the rise of self-employment and ‘zero hours’ contracts, many of which fail to provide adequate hours, helped to lower unemployment.

Including those in the work-force who are inactive but would like to work, the Joseph Rowntree Foundation (2017) estimates an underemployment rate of 18% in the UK. The JRF and an IPPR (2017) Interim Report recommend many sensible policies to reduce poverty and improve employment and welfare, but with no mention of either BI or JO or their combination, which, as we show below, is a cost-effective and essential complement to standard policies. This would also give workers the bargaining power and resources to demand better jobs.

A recent report estimates 6.8 million unpaid carers in the UK economy, whose work were valued at £132 billion, almost as much as the NHS budget (Valuing Carers, 2015). It will rise rapidly as the population ages and the incidence of chronic conditions such as type-2 diabetes and obesity increases. Home care by local authorities has been cut as part of the Conservative Government’s austerity policy, forcing families to provide more unpaid care themselves, averaging over 1,000 hours p.a.

Meanwhile growth has mainly benefitted the rich, in particular the top 1% in the UK and US. Concern over rising inequality and the failure of ‘trickle down’ economics have fuelled populist movements in many countries (Lastra-Anadon and Muniz, 2017). Labour’s share of GDP has been declining in most industrial economies, while real wages of lower-skilled workers have remained flat or declined. Average real wages in the UK have been declining since 2007, the longest such decline for more than a century (Cooper and Whyte, 2017; Wren-Lewis, 2017). The expected impact of Brexit has likely also helped to end the ‘jobs boom’, with falling employment by the end of 2017. On the other hand, in the near future there will probably be an increasing shortage of low paid service workers in the UK due to Brexit, and the gap may not be easily filled by private sectors without local governments’ support.

Traditional targeted welfare has become increasingly ineffective, with rising rates of child and in-work poverty, as well as long-term un- and under- employment particularly in the UK and US. Increasingly popular in-work benefits for low earners do not help the jobless, including those who have dropped out of the labour market. At the same time, effective marginal tax rates for low and part time earners can be 70-90%, as welfare payments are tapered or withdrawn, a widespread ‘poverty trap’ (IFS, 2010; Cooper and Whyte, 2017).

In Germany, disposable income for the lowest 10% of incomes declined by 8% from 1991 to 2014. The bottom 40% experienced essentially no growth, while the top 10% benefitted from 25% real income growth (DIW, 2017). In the US, median full time male earnings have *declined* since 1972, while the income share of the top 1% has more than doubled to around 20%, an extreme concentration last observed in the 1920s. Wealth inequality is even more extreme, exacerbated by tax havens (Shaxson, 2011; Zucman, 2015), and by growing levels of personal debt of the poor. Thus the poorest half of the German population owned only 1% of total wealth in 2012, compared to 4% in 1993 (Bertelsmann Stiftung, 2017). The debilitating effects of growing inequality on

almost all indicators of social welfare have been documented by Dorling (2017) and Wilkinson and Pickett (2010).

## *2. The return of basic income*

In these circumstances it is perhaps not surprising that the old idea of a universal basic income has recently become the focus of intense interest and discussion. The related ‘negative income tax’ to ensure a minimum income for all had been suggested by Milton Friedman and James Tobin from opposite ends of the political spectrum in the US during 1970s. Similar ideas were espoused earlier in Britain but were then largely forgotten until rising poverty after the financial crash of 2008/9.

However, so far only Finland has introduced a nation-wide pilot BI scheme in 2017, with more planned in Canada, Spain and the Netherlands. The OECD’s new ‘Policy Brief on the Future of Work’ provides a detailed survey of ‘Basic Income as a Policy Option: Can it Work?’ (May, 2017b) covering all OECD countries. Painter and Thoun (2015), Reed and Lansley (2016), Standing (2017), and Torrey (2016) make compelling arguments for a modest BI of around £4,000 p.a. in the UK, with caveats discussed below, leading Van Parijs and Vanderborght (2017) to recognize JG as a supplementary but minor complement.

Straubhaar (2017a, b) suggests replacing Germany’s generous € 900 billion social security budget and complicated tax system with a €12,000 minimum income for all citizens, and a 50% or 40% flat tax on all incomes and value added. However, several problems with this proposal are not addressed. The high VAT would cause substantial price rises, reducing the real value of the minimum nominal income. A four-person household with an BI of €48,000 and facing a 50% marginal tax would likely drastically reduce labour supply, inciting resentment among the growing single population, and making such a generous NIT unlikely to be acceptable. Adults living alone with disabilities will be worse off. Reliance on indirect taxes to fund public

expenditure would make the tax system more regressive. A more plausible reform might offer a BI of €6,000 p.a. at half the cost, plus a JO below the minimum wage, say €12,000 for full time work. It would keep singles above poverty, and allow additional targeted benefits, to ensure that nobody is worse off.

In the UK, with less than half of German social spending per capita, a BI of around £4,000 p.a. for most adult citizens, possibly less for children and more for elderly (pensioners), could replace some but not all existing cash transfers. This is about the maximum unemployment benefit (job-seeker's allowance), but is less than half the poverty level for an adult living alone. Current cash transfers are spread across the first four income deciles, while the poorest decile pays a higher proportion of income in tax than the richest. However, due to the complexities of current tax and welfare systems, many in the bottom income deciles, particularly those with disabilities, lone parents and those receiving housing benefits, would be substantially *worse off* under such a BI which replaces all targeted benefits. Similar problems are found in other EU states (OECD, 2017b).

Thus, some means tested benefits need to be retained, but importantly, without downgrading many disabilities and reclassifying recipients as employable, which has caused great hardship. Housing benefit also urgently needs improvement to keep up with exorbitant rents and growing shortage of accommodation in SE England. This implies that monitoring of recipients will have to remain, so the simplicity of a 'pure' BI is unattainable. However, BI would replace the repressive and misnamed new 'universal credit', and abolish sanctions to punish unemployment benefit recipients for minor infringements (Patrick, 2017).

Reed and Lansley (2016) and others estimate costs and benefits of such a modest BI. They suggest slightly higher top tax rates, and abolishing the Personal Allowance. Then BI roughly offsets the extra tax liability on the first £12,000 of income, so is 'clawed back' from higher earners, and

most of the gains go to those with lower incomes, while the resulting fiscal surplus could fund still- required, means tested benefits (and the JO discussed below).

One advantage of BI (usually viewed as a potential problem, even by advocates of BI) is the income effect, which tends to reduce labour supply, raising populist fears about ‘subsidising idleness’. On the other hand, mitigation of the ‘poverty trap’ caused by means tested, tapered benefits should encourage greater labour supply by low earners. Particularly in households with multiple job holders, or lone parents, with a high opportunity cost of time at work, the income effect will allow more leisure and parental time for children, with potentially important welfare gains.

Moreover, even if BI reduces some individual labour supply, there is evidence that shorter hours can increase productivity. In fact, extensive studies of lottery winners show quite small reductions in average working time, partly due to more time between jobs and searching, so presumably resulting in better job-worker matches (Cesarini et al, 2016). Furthermore, BI should encourage self-employment and new start-ups with the possibility of further job-creation.

Another aspect of BI which has worried some observers is that BI might allow some workers to accept lower wages for otherwise attractive jobs, and undermine minimum wage legislation. A job offer, discussed below, would put a floor under the total utility from employment, improving on a minimum wage, the benefits of which are often undermined by increased stress or unpaid overtime imposed by employers.

While modest BI would not abolish poverty, particularly for the unemployed living alone, the alternative of a generous BI at, say £8,000 in the UK would require substantially higher taxes. Note that a single adult with an income of £8,500 was at the 10<sup>th</sup> percentile of the 2015/16 UK income distribution, while the median or 50<sup>th</sup> percentile income for a single individual was

£16,800 (DWP, 2017). Thus, doubling our suggested BI would still leave singles well below the standard poverty definition of 60% of median income, or £10,080 for a single adult.

Politically, a more generous BI is unlikely to be feasible in the near future. As argued by de Wispelaere (2016), the popularity of BI may not be sustainable due to often incompatible motives of supporters from opposite ends of the political spectrum. A modest BI combined with a JO is more likely to be achievable than just a generous BI, partly by attenuating widespread opposition to ‘something for nothing’, and importantly because BI alone would fail to provide the widely-recognised and documented, essential second component of psychological well-being for most people (Mitchell and Fazi, 2017), namely ‘dignity of work’. This dignity – the vital importance of meaningful employment for life satisfaction – is *not* provided by many ‘bad’ jobs, and even a modest BI would increase worker bargaining power and their ability to reject such jobs. However, but usually ignored by proponents, a modest BI would thus only ameliorate but not eliminate growing problems of un- and-under-employment as well as poor quality, non-standard employment under progressing automation and globalisation. The alternative of providing free Universal Basic Services (UBS) proposed by the Institute for Global Prosperity (IGP, 2017) also neglects these problems. Thus, we turn to the radical and, we argue, actually complementary policy alternative of a job offer or government as employer of last resort.

### *3. A job guarantee, or a local public work offer?*

Government employment for those unable to find regular work was much discussed during the Great Depression of the 1930s, and put into practice on a limited scale in various ‘New Deal’ programmes in the US and in other contexts elsewhere. However, it was only mobilization for WW2 that finally achieved full employment and ended the Great Depression. In recent years the formerly popular goal of ‘full employment’ has been largely abandoned and indeed becomes difficult to define precisely under modern labour market conditions with the growth of non-

standard employment. Thus the goal should be to eliminate or minimize long-term *involuntary* unemployment (including growing numbers of discouraged workers who have dropped out of the labour market. Shorter spells of non-employment while searching for a new job are of course unavoidable).

Partly for this reason, BI has attracted far more attention than the idea of a JG, though the latter was proposed by a few prominent economists such as Layard (2009/10) after the financial crash (but without BI). Gregg (2009) reviews experience with public job creation programmes in the UK and US, and notes problems with the ‘lock-in’ effect which reduces job-search, and the need for long term training and meaningful work experience. The German ‘1 Euro Jobs’ scheme was supposed to help the long-term unemployed return to regular work by offering work experience for a limited time with pay at only 1 Euro per hour, but had no explicit training programme. This kind of work experience has been found to *reduce* subsequent job chances, but refusal to accept an offer may be sanctioned by reducing long-term social assistance payments known as Hartz IV (Groll, 2016).

In contrast, Atkinson (2015, p.140) argues that an important component of policy should be government ‘offering guaranteed public employment at the minimum wage to those who seek it.’ He also favours a ‘participation income’, which is BI with conditionality – a requirement for recipients to engage in some socially useful activity. This might increase political acceptability, but also raises serious issues about the definition and enforcement of the threshold for ‘socially useful’. Painter and Thoung (2015) and Dalzell (2017) also propose adding a JG to BI.

While public work programmes have often been successful, they are generally limited in scope and hence not directly comparable with a JO, a policy which, like BI, has never been implemented on a national scale. Tcherneva (2012) reviews the successful Argentinian *Plan Jefes*, a form of local JO in response to crisis. In the US, Harvey (2012, 1989), Mitchell and Muysken (2008) and

Tcherneva and Wray (2005) made early cases for JG and public work for full employment. Mitchell and Fazi (2017), Paul et al (2017) and Spross (2017) recently argue that a generous JG paying at least \$23,000 p.a. and rising to about \$30,000 p.a. at the hourly ‘living wage’ of \$15 (twice the federal minimum wage), would eliminate poverty and unemployment and cost only a small fraction of a generous BI. Paul et al (2017) suggest 14 million jobs could be created at a total cost of nearly \$800 billion p.a., but this obviously utopian plan offers little detail on the jobs and has other problems (*Vox*, 2017).

In particular, proponents of a JG do not address the problems of work incentives, support for those unwilling to work, and resulting job loss in the private sector. Spross (2017) argues that the point of a generous JG ‘is to wipe out low-pay private employment’, but this can only be a long-term goal. He notes that BI could usefully complement a JO but offers no details. The combination of modest BI and low-pay JO discussed below would be far less disruptive, and also facilitate self-employment with generally greater autonomy and job – satisfaction, which would not be directly helped by a JO alone (Alvarez and Sinde-Cantona, 2014).

As Keynesians have frequently pointed out, major fiscal expansion is urgently needed for several reasons. Public infrastructure and other investment has been neglected in most advanced economies, long before the financial crisis of 2008/9, and massive investment in renewable energy and efficiency is essential to avert catastrophic climate change, which could also help to approach ‘full employment’ with a ‘Green new deal’, as proposed by The Green New Deal Group (2008). The large fiscal multiplier in economies with under-utilised resources (including under-employment) is now recognised by the IMF, and would dramatically reduce the final cost of these investments (Tily, 2017). Such a programme could have generated rapid recovery from the crash, in contrast to ‘quantitative easing’ which mainly benefitted the rich by inflating asset prices, with little effect on under-employment and most wages. Additional spending on BI and a JO programme would also imply a fiscal stimulus, and lower ultimate cost.

Another policy instrument for reducing unemployment which was widely practiced in the early 1930s in the Great Depression in the US, is work-sharing by working time regulation (LaJeunesse, 2011). Though often disparaged by economists, work-sharing was remarkably successful in Germany after the financial crash in 2007/8. Though GDP fell by nearly 7%, one of the largest declines in the OECD, average hours of work were reduced by about 3% mainly through short weeks, with lost wages largely replaced by unemployment benefits, while unemployment only rose by 0.5%, much less than in the US (Arico and Stein, 2012). The goal of ‘full employment’ should thus certainly include work sharing through reduction of standard work weeks as in Nordic economies, part time work opportunities for all, including skilled workers, as in the Netherlands, and meaningful sanctions for employers who try to cut costs by demanding unpaid overtime.

A large public sector providing employment with good conditions, flexible work time and at least the minimum wage would put pressure on private sector employers to match these terms, and is indeed essential to provide the high levels of public services, including affordable child and elderly care, that only the Nordics currently provide, and must be funded by higher taxes on high earners (Partanen, 2016). The public sector should of course provide training for all who need it, and offer opportunities for those with various degrees of partial disability.

However even such a large public sector is not the same as a JO for all who seek work, since some workers may still be unable to find adequate jobs as automation and globalisation continue to undermine traditional employment, particularly in the declining middle class. Even in the early post-war decades when un- and under-employment were low and usually short term, some long-term unemployment and poverty still existed.

There would obviously be substitutability between a large Nordic-type public sector and the need for a JO, which is currently much greater in the UK and US with their underfunded public services, weak welfare provisions and long hours, low wages for most, and under-employment for many.

Moreover even some Nordic economies face very high unemployment (particularly in Denmark and Finland and mainly due to macroeconomic policy errors), rising (though still relatively low) poverty rates, and very high participation tax rates for entering employment.

An unqualified JG literally implies a right to be ‘employed’ and paid, but no reciprocal obligation on employees to perform tasks to any required standard, a problem which proponents have generally neglected. The critical but essentially favourable review by Roth (2017) does mention the need for sanctions. An absence of any sanctions would provide a strong incentive for shirking, so wage cuts for missed hours or targets, or (temporary) suspension of those unwilling to work effectively, would have to be in place. This is not workfare since BI is unconditional, but only a qualified JG, or job *offer* (JO) for those who are able and *willing* to work, would be feasible.

A JO at a wage well below the legal minimum following Frank (2014), would greatly increase the bargaining power of labour even when unions remain weak, and establish an effective ‘floor’ under wages and working conditions for those in low-paid and precarious employment, but maintain an incentive to seek regular work. As shown below, combining BI and JO could replace ineffective minimum wage legislation. A very generous JG without sanctions as proposed by Paul et al (2017) and Spross (2017) could not ensure work performance, and would discredit the programme, destroy many marginal jobs where employers couldn’t match JG conditions, and also lead to substantial price rises.

Too large a take-up of JOs might exceed the scope for useful local public employment, and lead to direct competition with the private sector. JOs are obviously of primary relevance for the long term jobless including discouraged workers no longer in the labour force, usually a small share of those in temporary and search unemployment between jobs, so Standing’s (2017) claim that most JG advocates ‘ignore the fact that market economies need some unemployment to function’ does not apply here.

While some may be critical of low wage public employment, there should be broad agreement that such workers need to be offered career and wage progression opportunities. Lack of training and progression has been a major failing of ‘direct job creation’ in Germany, ‘1 Euro Jobs’ and other ‘workfare’ schemes (Eichhorst, 2015). These opportunities will require careful and sensitive management because rewarding short-term productivity in service provision, e.g. for the most vulnerable and elderly, may lead to neglect of other aspects of caring activities. These include simply taking the time to listen to the concerns and worries of those who suffer from loneliness and disability. Since lack of social interaction is a major cause of ill-health and unhappiness, efforts to provide such interaction will also generate long term material benefits in the form of reduced health care costs.

Some have worried that BI may discourage low-wage women from participating in formal job markets. On the other hand, there are many traditionally-but not exclusively-female occupations, including some in self-employment and part time or non-standard employment, with relatively low productivity and earnings, and little security, but which are nevertheless socially valuable and provide job-satisfaction. In combination with BI to compensate for low pay and insecurity, such occupations may offer more job-satisfaction for some (both men and women) than JOs, which can only offer a limited range of tasks to minimise costs and direct competition with the private sector.

In particular, over 6 million unpaid home-careers, mostly women, would be major beneficiaries from BI, but difficult to employ formally with a JO (though they should certainly be supported by JO services). Indeed, all women who work at home (including child carers) would gain a measure of independence from partners and spouses with BI. Some of them should gain from a JO as well. Therefore, several large groups, likely to grow with the trend towards more non-standard employment, automation, and aging population, would benefit from a combination of BI and a JO.

#### 4. BI+JO

In spite of the limitations of either BI or JO on their own, the benefits of combining these two complementary policies are rarely mentioned— notable exceptions are Atkinson (2015), Frank (2014), Painter and Thoung (2015), Dalzell (2017) and Spross (2017), but these authors offer little discussion of the details. Only the combination, together with improved housing and disability benefits, could bring most workless people into employment and above the poverty level without major tax rises, as we show in the following UK example.

This does not deny that major tax reform and redistribution is urgently needed on equity grounds, as Atkinson (2015), Diamond and Saez (2011), Stiglitz (2013) and other prominent economists have emphasised. In the UK, progressive taxes on capital gains and housing services are essential, in place of highly regressive council and other taxes, but there are advantages to separating these issues as far as possible and concentrating initially on the most politically feasible.

It would clearly be difficult for one country in the EU to introduce such a BI plus JO scheme without attracting large inflows from other member states, so eligibility restrictions to native citizens and long-term residents would be required for local pilot schemes, which in turn would be needed to attain broad political support, before nation-wide implementation.

BI pioneers Van Parijs and Vanderborght (2017, p.48) admit that guaranteed employment and training might ‘operate as modest complements’ to BI, which they convincingly argue is essential to avoid the coercive workfare implications of a JG as the sole safety net for the unemployed. By contrast, Standing (2017) *only* considers the workfare implications of a JG on its own, and neglects complementarity with BI.

Chadi and Hetschko (2017) show that satisfaction with income from benefits such as unemployment insurance is much lower than satisfaction from earned income, even when

controlling for income magnitude, confirming the well-known stigma of involuntary unemployment, which is only partially compensated by more free time. A modest BI in place of some targeted benefits would improve welfare, but is unlikely to remove the stigma of unemployment and cannot ensure that the satisfaction of regular employment is denied to no-one. A few people might indeed rely on a modest BI to choose casual, untaxed work or housework, instead of taking up a JO. However, the existence of JOs does provide a form of insurance against the failing attraction or feasibility of alternative life styles.

A JO with training and career progression would have many more advantages for the long term workless, which are usually ignored by BI advocates. Precisely because BI is unconditional, an *additional* JO does not have any workfare implications, though it does offer less freedom to some than a generous BI, as in Straubhaar's (2017 a, b) proposal discussed above. Most BI proponents do realise that this can only be a long-term goal, politically infeasible in the foreseeable future, so some targeted housing and incapacity benefits are still needed, though they could be partially replaced by a JO.

We consider a simple example for the UK. The National Living Wage (NLW) which replaces the minimum wage, will be about £9 per hour in 2020, and is assumed to provide 'full time' pre-tax earnings of £16,000. This implies 1,778 hours, annual 'full time', say 47 weeks of 37.8 hours, higher than the official 'full time' average, classified as over 30 hours a week. To simplify we only consider annual earnings henceforth. We assume pre-tax BI of £6,000 p.a., (with more for pensioners to match current state pensions, and possibly less for children), and a basic tax rate of 33.3% (just above 32% for existing NIC and 20% basic rate income tax, chosen to simplify numbers) on *all* income, including BI, up to the threshold for the next higher rate (currently £45,000 for the 40% rate), so dropping the Personal Allowance. Some higher earners would thus be pushed into higher rate bands, including those currently earning between £41,000 and £45,000.

Then the NLW worker with BI has net income of £14,652, and BI is essentially ‘clawed back’ from higher earners, while lower earners will be better off and no longer face the very high effective marginal tax rates of the ‘poverty trap’. Assume full time pre-tax JO earnings of £12,000. Combining BI with the JO, and 33.3% basic tax, leaves total net income of £12,000 p.a. for a full time single adult JO worker, well above the poverty level of £10,080 for a single adult, especially when combined with housing benefits. But this is also well below the NLW worker’s £14,652, and so maintains an incentive to seek regular work.

For a brief look at budget implications, total cash transfers in the UK for 2014/15 were £258 billion. With £108 billion for pension unchanged, and additional revenue of £80 – 90 billion from abolishing the personal income tax allowance, this leaves £230 – 240 billion. A net BI of £3,000 for 9 million children under 12, and £4,000 for the remaining 44 million non-pensioners add up to £203 billion, leaving a surplus of nearly £40 billion, to finance JOs and remaining necessary social benefits such as incapacity and housing. Of course, the current crisis in the NHS, with substantially lower – and declining – real per capita funding compared to many EU countries, as well as decades of neglected infrastructure investment, all imply an urgent need for substantially greater public spending. In contrast to widespread misunderstandings, this does not initially require higher tax rates, because a money-financed fiscal expansion will generate higher growth and greater tax revenue as long as there are underutilised resources in the economy, with little risk of additional inflation.

Net BI at £4,000 p.a. is roughly equivalent to the maximum job seeker’s allowance, so means tested housing and disability benefits would still be needed. A household with two unemployed adults and two young children would still be below the poverty line of £21,000 for this class of household with only £14,000 net basic income, but above poverty after adding £8,000 net JO earnings for one adult, and perhaps additional housing benefits (DWP, 2017).

Under the current system with 20% tax rate on income over £11,500, and employee NIC (national insurance contribution) at 12% of income over £8,000 p.a., our full time NLW worker is left with £14,140, which is less than the £14,652 obtained above with BI+JO. Someone earning £8,000 with no tax or NIC currently, would in our model with BI and 33.3% tax on all income gain £1,324 in disposable net income, and someone earning £6,000 currently would gain £2,000. Some such workers may also benefit from choosing (slightly) shorter hours with more time for family and leisure, and thus enjoy additional well-being.

Note that a moderate increase in the JO from £8,000 to, say, £10,000 net for full time work would provide £14,000 with BI, almost the same as £14,140 with the NLW under current taxation. Thus BI+JO could *replace* minimum wage and NLW legislation by providing a similar income and utility floor under the package of pay, hours and working conditions that regular employers could offer, assuming (obviously essential) good JO working conditions, something that a minimum wage or a modest BI alone could not achieve. Since regular employment offers a much wider choice of occupations than JOs, it would remain the preferred choice for most even if wages were lower in some cases but total utility matched or exceeded that of BI+JO.

Our proposed 33.3% tax on all income below the higher rate threshold, combined with the BI, might induce some marginal workers, particularly those below current tax thresholds to work less or remain at home and thus provide better care for dependent children or elderly relatives. This would probably increase welfare, and also work opportunities for the otherwise under- or unemployed, since aggregate demand should be maintained by the BI, or even augmented, as the redistribution raises incomes of those with a higher propensity to spend on consumption. A lower basic tax could be funded by higher taxes on the wealthy, including a land value tax and capital gains tax, again perhaps a long-term goal.

As mentioned earlier, all this is unlikely to reduce total employment significantly due to the substitution effect. The biggest unknown in this proposal is the resulting number of JO employees, which depends crucially on the magnitude and success of other employment and fiscal policies such as a 'green new deal'. There is also possible substitutability for JO workers to contribute to 'green' or infrastructure investment under the proper supervision, in a form of apprenticeship.

The long term unemployed, about 30% of all unemployed in the UK, are obvious candidates for full time JOs, as are discouraged workers no longer looking for work, while many under-employed could benefit from part time JOs. No doubt some will choose casual or housework or even idleness with BI, rather than a JO, raising uncertainty about final uptake. For example, 1.5 million full time equivalent JO workers (likely to be spread among many more part timers) would initially cost £12 billion in net wages, plus administrative and other costs. However, this extra expenditure would be offset by lower benefit payments, and generate higher incomes and tax receipts by the Keynesian multiplier effect, so little or no extra taxation would be required. Since they would mainly supply personal services, capital costs would be low. Provision of urgently needed services will alleviate widespread misery, and saves long term health care costs as fewer patients will need treatment and hospitalisation.

Our example of 1.5 million FTEs compares with just over 1 million FTEs currently employed in UK social services. These services are so overstretched that already over a million people are not getting help needed to remain in their own homes. Their care home accommodation would cost around £45 billion, but is not available as the number of care homes is declining, due to underfunding! In the meantime, overcrowded hospitals have to retain patients without home care (Collinson, 2016).

Doubling current social services personnel might be a reasonable medium-term goal in the face of growing demand. Helping the elderly to remain in their own homes so long as possible and

reducing the need for costly home care accommodation would yield substantial financial returns as well as welfare gains. Supporting the many unpaid and overburdened home-carers would be another important task for expanded services with additional JO workers.

Many job seekers (especially women) who have raised children but have little formal qualification for regular employment, would be well suited for these caring tasks that multiply with aging populations, including help with housework, shopping, transportation and many other tasks which do not require qualified nursing skills. Expanding urgently needed nursery and day care at low cost to help working parents would be desirable. However, some without formal qualifications or skills could also supply many important services for the growing number of elderly and infirm, including transport, simple gardening, and dog walking, which are far beyond the capacity of currently overstretched social services. The low JO wage would encourage labour–capital substitution, countering the prevailing tendency. Many of the service generate direct benefits to private households and could be charged with low fees. Then JO workers are actually paid jointly by the government and private customers. This will lower the total cost of JO and also create a potential long-term partnership between the public and local councils.

Unskilled job seekers could also work on repairing and maintaining roads, parks, public buildings, conservation areas and other local public goods, with appropriate organisation and supervision, and help to meet seasonal demand in agriculture, tourism and other areas. Frank (2014) suggests also “removing graffiti from public places; painting government buildings; recycling newspapers and aluminium and glass containers”. There is an urgent need for more energy efficient homes, and insulation and upgrading of older houses, so the construction sector should expand employment, including apprentice/helper positions, learning on-the-job under supervision, with the incentive of progression to higher pay and more skilled work. Some of these tasks are currently undertaken by EU migrant workers, so alternatives will be required after Brexit. The government

support will be needed for necessary training, as well as extra financial rewards to make such jobs sufficiently attractive to natives.

Comprehensive training would be an important part of JO schemes, best implemented by local authorities, but with funding from central government to redistribute income from wealthy to poorer areas with high under-employment. It would obviously be necessary to integrate and coordinate JO systems with local social and other services. This would facilitate promotion of the most proficient JO workers to higher pay grades in the regular services, while maintaining continuity of care and other personal relations without disruptive job changes. Thus in contrast to previous public job creation schemes (Eichhorst, 2015; Gregg, 1998), success of our proposal should not be measured in terms of transitions into private sector employment, but rather by quality of services provided, and by progression to higher skill and pay levels within the same area of public service provision.

Local job and community centres could be developed to coordinate JOs and match supply with demand. It will be important to prioritise useful JO activity and avoid ‘make work’ tasks which would bring the programme into disrepute. Local ‘bottlenecks’ may arise for various reasons, such as inadequate funding for all JO applicants, and then JO rationing may be required, with means-tested priority for the poorest households. On the other hand, demand for JO services may exceed supply in some areas, so JO worker mobility may be required, as well as priorities for those with the most urgent care needs. Local pilot of BI + JO schemes are surely needed to develop new organisational and managerial skills and experience for local authorities in these uncharted areas, and gain public acceptance.

## *5. Conclusions*

A BI could replace some but not all existing cash transfers, and provide much needed support for the growing numbers in non-standard employment, and unpaid home carers, without the coercive

sanctions which often accompany targeted or conditional welfare benefits. A little noticed benefit of BI is that it should encourage work sharing by (slightly) reducing desired working time for many employees. On the other hand, only a JO with appropriate training can provide employment in satisfactory jobs for all who are willing and able to work, which is a major component of life satisfaction. Thus, even with fiscal expansion in place of austerity, a combination of these two measures remains the most effective policy to end long-term unemployment, the insecurity of non-standard employment and the injustice of unpaid or failing home care, fragile safety nets and frequent sanctions.

These ideas may seem utopian today, but fundamental change requires well-designed, clear aspirations, however remote from current practice they may seem. The combination of successful, small scale trials and the many growing strains discussed above – aging, automation, globalisation, inequality, non-standard and under-employment – may yet generate radical change and avert social breakdown.

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