

The Future of Unemployment: A Normative Analysis

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I. INTRODUCTION

(1) Partly as a result of technical change, we are witnessing a sizeable reduction in the demand for low skilled labour, and an increase in demand for high skilled labour. Several risks are associated with this trend:

Risk 1: This is likely to increase the inequality between high and low skilled employees.

Risk 2: It is likely to produce unemployment.

Risk 3: These trends will affect the ease with which employees can spend time with, and care for, their families.

(2) In this presentation, I'll offer some thoughts on how policymakers should respond to Risks 1 and 2. This question is important not only because lousy jobs and unemployment blight the lives of their victims in many ways, often very severely, but also because these consequences are distributed widely (though not evenly) throughout the population.

II. BASIC INCOME

(3) One response to this risk is to provide individuals with a basic income -- that is, a cash income paid by government, at a uniform level and at regular intervals, to each adult member of society. The proposal has two distinctive features:

Universality: Individuals' entitlement to basic income is universal, rather than means-tested.

Unconditionality: Individuals' entitlement to basic income is unconditional, rather than conditional upon exhibiting a willingness to find paid employment.

(4) Though defenders of basic income have a range of arguments in their arsenal, I focus on only two. First, there are:

Occupational Arguments: These arguments appeal to the potential of basic income to improve individuals' occupational opportunities.

(5) Basic income aims to achieve this:

- (i) by increasing employees' bargaining power;
- (ii) by enabling them to accept paid employment that would otherwise be financially unsustainable; and
- (iii) by removing the unemployment trap.

(6) Second, there are:

Inheritance Arguments: These arguments appeal to the potential of basic income to disperse fairly certain benefits that would otherwise be monopolised.

On this view, 'the taxes that fund basic income are not levies on what was created out of nothing by today's producers, they are fees to be paid by these producers for the privilege of using for their personal benefit what we have collectively received'.¹

(7) Risks 1 and 2 strengthen inheritance arguments in two ways:

- (i) as technology develops, so too our common inheritance increases; and
- (ii) as the labour market polarises, high skilled workers will monopolise a larger share of this inheritance.

III. THE EXPLOITATION OBJECTION

(8) One famous line of criticism against this proposal is as follows:

The Exploitation Objection: Basic income wrongfully permits 'the lazy' to free-ride off of the productive efforts of 'the industrious'.

Some defend this objection by invoking the principle of *reciprocity* -- the idea that those who the benefits of social cooperation have a corresponding duty to make a productive contribution in return, if they are able to do so.

(9) As evidence in support of the principle of reciprocity, we might appeal to the common-sense intuition that, when my wife benefits from me cleaning our apartment, she thereby incurs a corresponding duty to make a contribution in return, say, by cooking dinner. If she refuses to do so, then she acts wrongly.

(10) In order to assess the exploitation objection, we must recall the two arguments in defence of basic income that I mentioned above: occupational arguments and inheritance arguments. But, this creates difficulties for the exploitation objection, since neither of these is obviously vulnerable to the objection.

Reply 1: What animates occupational arguments is a concern to improve individuals' occupational opportunities, not a concern to protect the rights of individuals not to contribute.

Reply 2: What animates inheritance arguments is a concern to give each individual her fair share of our collective inheritance. It is implausible to maintain that individuals' rights to this inheritance should be conditional upon exhibiting a willingness to find paid employment.

¹ Philippe Van Parijs and Yannick Vanderborght, *Basic Income: A Radical Proposal for a Free Society and a Sane Economy* (Cambridge, MA.: Harvard University Press, 2017), p. 107.

(11) Additionally, we can offer two more general replies to the exploitation objection:

Reply 3: There is a distinction between making a productive contribution and having paid employment. Even if basic income should be conditional upon the former, this does not show that it should be conditional upon the latter.

Reply 4: Proponents of basic income can acknowledge a duty to make a productive contribution. They maintain only that whether individuals discharge this duty should not determine whether or not they are entitled to basic income.

(12) On these bases, we must reject the exploitation objection. But, this is not the end of the story, since, even if the exploitation objection fails, it may still make a difference that *it is widely believed*. This is because the popularity of the objection affects the political feasibility of basic income, especially in comparison with alternative policies, including those I'll describe in section V.

IV. THE SUSTAINABILITY OBJECTION

(13) Proponents of basic income disagree about the level at which it should be set. Leading proponents maintain that this should be around one quarter of current GDP per capita, meaning about \$910 (£675) per month in the United Kingdom; about \$1,100 in the USA; and about \$320 in Brazil.

(14) This gives rise to a second objection, which runs as follows:

The Sustainability Objection: Basic income is economically unsustainable.

(15) One version of this objection is as follows:

The Inflation Objection: Basic income is economically unsustainable, because of the inflationary pressure that the policy will generate.

(16) In reply, whilst we can expect some *local* inflationary pressure, the proposal cannot be expected to generate any *overall* inflationary pressure. This is because the proposal involves merely redistributing purchasing power, rather than money creation.

(17) A more serious version of this objection is as follows:

The Labour Supply Objection: Basic income is economically unsustainable, because the policy will reduce material incentives to find paid employment. In turn, this will shrink the tax base used to fund the proposal.

(18) In reply, we note two reasons for believing that a significant portion of basic income may be self-financing:

Reply 1: The scheme replaces lower social benefits, and so the funds currently used for these schemes can be re-directed.

Reply 2: Being universal, and so not involving means-testing, the scheme is administratively simpler than existing arrangements, and so cheaper to run.

The extent to which these replies speak against the labour supply objection will vary according to (i) the level of basic income that is to be funded, and (ii) on the size and structure of existing benefits.

(19) In addition to these, there is a more general reply:

Reply 3: Not all forms of taxation equally reduce material incentives to find paid employment, and we should be open to the idea that some forms of taxation will render the proposal economically sustainable.

(20) In support of this, we can note that proponents of basic income regularly appeal to the use of a range of taxes, some of which may not reduce labour supply:

- (i) income or wealth tax;
- (ii) consumption tax; or
- (iii) capital tax, and, in particular, inheritance tax.

V. THE EMPLOYMENT OBJECTION

(21) Our final objection is as follows:

The Employment Objection: Rather than use tax revenue to fund basic income, governments should instead use these resources to drive job creation, and, more specifically, to increase the supply of valuable employment opportunities.

(22) This objection comes in two varieties:

The Strong Employment Objection: Rather than use tax revenue to fund *any* basic income, governments should instead use *all* of these resources to drive job creation.

The Weak Employment Objection: Rather than use tax revenue to fund a *maximal* basic income, governments should instead use *some* of these resources to drive job creation.

Whereas the strong employment objection aims to establish a case against basic income, the weak employment objection is consistent with such a policy.

(23) Proponents of the employment objection can concede that the introduction of a basic income is likely to have some positive effects on the supply of valuable employment opportunities (as noted by defenders of occupational arguments). Despite this, the fact remains that there may be alternative policies that are *even more effective* in increasing the supply of particular kinds of employment opportunities. For example, we might:

- (i) subsidise various consumer choices that produce positive externalities on the supply of labour;
- (ii) invest in adult education and retraining;
- (iii) invest in labour-intensive industries; or
- (iv) enact a job guarantee scheme, whereby the state serves as an employer of last resort;

(24) Of course, we might endorse some combination of (i)-(iv). And, indeed, we might even pursue these in combination with basic income. What's significant, though, is that this would be affordable only if we were to lower the level at which we set basic income.

(25) The Employment Objection is connected to The Exploitation Objection and The Sustainability Objection, such that the latter two would seem to have less force against those who believe governments should drive job creation than those who defend basic income.

(26) There are two kinds of arguments in support of the employment objection. First:

Consumer Arguments: Rather than use tax revenue to fund basic income, governments should instead use these resources to drive job creation, *since this benefits consumers.*

(27) This argument appeals to two premises:

- (i) markets will under-supply a variety of consumption goods; and
- (ii) policymakers can remedy this under-supply through job creation.

(28) Second:

Employee Arguments: Rather than use tax revenue to fund basic income, governments should instead use these resources to drive job creation, *since this benefits employees.*

(29) Proponents of this argument must flesh out the ways in which employment -- and, in particular, certain kinds of employment -- benefits employees. Candidates include:

- (i) income;
- (ii) self-realization;
- (iii) self-respect; and
- (iv) community.

The weight that we attach to each of these considerations determines the bundles of policies that we should adopt.