



## WHAT COMES AFTER?

BEYOND4.0 supports an inclusive European future via examining the impact of Industry4.0 and the Digital disruption on the future of jobs, business models and welfare.

# POLICY BRIEF

November 2022, Policy Brief #7

## Participation Income as a Model for a Future Social Assistance Scheme

**BEYOND4.0** supports the delivery of an inclusive future of decent work and decent lives for EU citizens. This Policy Briefing focuses on a Participation Income (PI) as a future social assistance scheme. Drawing on the existing evidence base, it outlines the rise in interest in Universal Basic Income, the problems with UBI and how PI offers an alternative. It then makes several policy recommendations to support the introduction of PI:

- Unconditional schemes (e.g., universal basic income) carry significant risks for labour market participation and sustainability of welfare states.
- Social security schemes can be improved to meet with future challenges in Europe without sacrificing conditionality.
- Participation income with a low-key condition to contribute to the community in exchange for social security benefit would promote inclusion and reduce any stigma attached to current means-tested social transfers.
- A participation income model should be developed as a top-up to existing social assistance benefits while allowing the potential beneficiaries to co-create criteria for fulfilling the participation condition.

### Background to Policy Brief #7

Funded by the Horizon 2020 programme, BEYOND4.0 examines the impact of new digital technologies on the future of jobs, business models and welfare in the European Union (EU). It aims to support the delivery of an inclusive European future that provides decent work and decent lives for EU citizens.

Despite enormous advances in technology and the accumulation of (financial) wealth, millions of people in high-income countries still suffer from unemployment, under-employment and lack of means to have a decent standard of life. These problems are predicted to intensify with the adoption of new digital technologies, including automation and robotization. Recently, universal basic income (UBI) has become a popular policy idea to reform social security systems in keeping with the future needs of automatized and robotized economies. However, UBI has a fundamental weakness which can set welfare states into a downward spiral. Participation income is an alternative option that would rectify the inherent problem in UBI while still offering a more productive alternative to existing social assistance schemes.

## Introduction: The Rise of UBI

A series of social assistance schemes have been implemented without significant reductions in levels of poverty reduction in European countries. Technological change will most likely increase job displacements, with low-educated workers taking the hardest hit. Policies are needed that promote human capital investment, especially amongst the long-term unemployed and young people not in education, employment and training.

After the Global Financial Crisis of 2008, discussion around and enthusiasm for UBI quickly grew. Politicians and business elites – including Elon Musk and Mark Zuckerberg – took an interest in UBI as a remedy against projected mass employment resulting from technological change. Since 2020, the economic fallout from the COVID-19 pandemic encouraged many governments to implement emergency basic income (EBI). UBI advocates hope that EBI offers an opportunity to transition towards more permanent UBI schemes.

Given the lack of ideas to reform social assistance schemes among high-income countries, enthusiasm for UBI appears as a fresh new start. Giving free money to everyone, without any strings attached, provides its supporters with a compelling vision for a future without poverty. The aim is to realize a ‘full activity’ society in which no one suffers from a lack of means and is free to pursue their ambitions and put their free time to good use.

## The Pitfalls of UBI

UBI schemes may give people the freedom to decide whether to participate in the job market or contribute to society by performing some other type of activity that may be useful to society at large. However, UBI type of policy will not be stable if many people minimize their time spent in formal paid employment or socially beneficial activities.



Unconditional social assistance benefits could also provoke the long-term unemployed and those outside the labour markets to withdraw from the community and never explore their full potential as community members. Dropping benefit conditionality would abdicate governments’ responsibility to support social integration. People would be left alone to struggle with their problems. Risk groups would include young people with no secondary education, low-educated women with childcare responsibilities and those with reduced work capacity.

Previous experiments in the US and Canada demonstrate a risk that UBI would allow people to opt-out of employment. Despite substantial improvement in work incentives the Finnish basic income experiment did not increase employment. A decline in the employment rate would have troubling consequences for the tax base required to pay for welfare programmes and other government functions.

The exit option from employment or other contributions to society would also breach the reciprocity norm, which is essential for maintaining the legitimacy of any welfare state. UBI can undermine the legitimacy of public provisions since there is no opportunity for UBI recipients to reciprocate the assistance. Indeed, a major criticism towards UBI centres on the principle of reciprocity, which is that it undercuts solidarity: a quintessential condition for any government-run social insurance and social assistance schemes.

Social protection schemes are based on an efficiency rationale, with which there are large gains to be reaped from pooling risks. Since participation is mandatory, reciprocity calls on those who enjoy protection to have a corresponding obligation to make a productive contribution in return. Solidarity is maintained through trust in people not to misuse the system. Perceptions of free riding might erode trust and solidarity, leading to downward pressure on social protection spending. It could also jeopardize welfare states' ability to maintain quality in essential public services such as healthcare, education and care of the elderly.

## An Alternative: Participation Income

The frenzy around UBI has left one competing policy idea almost unnoticed. That is Participation Income (PI), a policy idea first introduced by the British economist Anthony Atkinson in 1996. In simple

terms, PI is similar to a UBI scheme, with the exception that individuals have to do something in exchange for the money they receive. That 'something' is the main characteristic of PI, namely the participation criterion. What makes PI different from most other social security schemes is the fact that the criterion goes beyond traditional labour market participation. With PI, participation can include voluntary work, care work or even eco-social activities such as gardening and recycling.

The PI would allow the recipients to engage in a reciprocal relationship with society in the same way as, for example, people in paid work. Previous research has shown that the long-term unemployed and those outside the labour force often face multiple barriers to full-time employment. Active Labour Market Policies

focusing on quick exits from welfare to work fail to recognize individual vulnerabilities and the preconditions of human capital development for employment. Language courses can help to reduce functional illiteracy and thus increase employability. Part-time education can help young mothers and fathers gain access to job training. In many cases, the claimants know best what activities they are capable of and what activities would help them to get ahead with their lives. PI would expand the scope of the activities.



## Conclusion

Participation income would free marginalized people from sanctions and dead-end activation programs. Instead, people would be recognized for their contribution to the community. Since the participation condition is set at the individual level, the scheme would dramatically reduce means-testing. PI would continue enforcing reciprocity. Most importantly, PI has intrinsic value for recipients in supporting self-respect, cognitive development, and purposeful socialization.



## Policy Implications and Recommendations

Atkinson's original PI suffers from three major weaknesses. First, if PI is paid to everyone, the eligibility must be determined for every person in the population. Second, if PI is paid as conditional social assistance, people who do not fulfil the participation condition will be left without any financial support. Third, if the list of activities fulfilling participation conditions were imposed upon people, they would remain in a subordinate position as in current social assistance programmes.

Paying PI for a large majority of the population while excluding a small minority would be a nightmarish endeavour with unsustainable administrative costs. The original PI model, therefore, needs to be revised so that payment would be available only to a targeted group of low-income people, i.e. people who currently rely on social assistance. In short, the revised PI model (targeted participation model) is based on the idea that universality is not necessary for a future social assistance scheme, while individuality is.

Fulfilling the participation condition should be based on a co-created list instead of a predetermined list. Allowing co-creation of activity lists would engage the claimants in the process of developing activities that would contribute to their own lives and the life of the community around them. It is important to note that automation, digitalization and artificial intelligence are not only threats to social protection and welfare states. They also provide social security systems with new untapped opportunities for co-creating participation options. However, the supporting infrastructure needs to function when it comes to participation activities; for example, full-day childcare in day-care centres, kindergartens, and schools must be ensured.

The critics of PI maintain that failing to fulfil the participation condition would leave people with no benefits. To avoid this problem, a guaranteed minimum income (conditional or unconditional) must be implemented before any PI scheme. Once guaranteed minimum income is in place PI would be paid as a "top-up". This participation model can be called a partial participation income. The PI "top-up" would be an individual benefit that would be disregarded in granting other benefits. Receiving a PI would be an extra benefit; losing it could not be considered a sanction.

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- A participation income model should be developed as a top-up to existing social assistance benefits while allowing the potential beneficiaries to co-create criteria for fulfilling the participation condition.

## Some Useful readings

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## Project Identity

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