

Untitled

This node will contain a number of div.page.

Is Finland's basic universal income a solution to automation, fewer jobs and lower wages?

Both left and right are promoting the idea of a basic wage for everyone, currently on trial, as a solution to the new world of work

[Sonia Sodha](#) • Sunday 19 February 2017 07.00 GMT

[if IE 9]><video style="display: none;"><![endif] [if IE 9]></video><![endif]



Mari Saarenpää with her dog Oiva in Paltamo, Finland. She was randomly selected to take part in the basic income experiment. Photograph: Tuomas Härkönen

When he got the letter after Christmas saying he was entitled to an unconditional income of €560 (£478) a month, Mika Ruusunen couldn't believe his luck. "At first I thought it was a joke. I had to read it many times. I looked for any evidence it might be false."

But the father of two was not the victim of a scam. He has been selected

to take part in an experiment being run by the Finnish government, in which 2,000 unemployed people between the ages of 25 and 58 will receive a guaranteed sum – [a “basic income”](#) – of €560 a month for two years. It replaces their unemployment benefit, but they will continue to receive it whether or not they find work. The government hopes it will encourage the unemployed to take on part-time work without worrying about losing their benefits.

Ruusunen lives in Kangasala, a half-hour bus ride from where we meet in Tampere, the country’s second city, known as the “Manchester of Finland”. Like its namesake, the signs of the 19th-century wealth generated by the industrial revolution are strikingly visible.

Today, the Finnish economy continues to struggle in the wake of the financial crisis, which hit just as communications giant Nokia’s star was starting to wane. This left Ruusunen, who lost his job as a baker two years ago, struggling to find work. He was unemployed when participants for the basic income pilot were randomly selected, but had started a paid IT apprenticeship by the time he got the letter.

“For me, it’s like free money on top of my earnings – it’s a bonus,” he tells me. But he thinks the basic income will make a big difference to others who are unemployed, especially those who are entrepreneurially minded. “If someone wants to start their own business, you don’t get unemployment benefits even if you don’t have any income for six months. You have to have savings, otherwise it’s not possible.”

Juha Järvinen, another participant in the pilot scheme who lives in western [Finland](#), agrees the benefits system holds the unemployed back. He has been unemployed for five years since his business collapsed. “I have done a lot for free – wedding videos, making web pages – because I’ve liked it. But before a basic income I would get into trouble if I got any money for that work.”

[if IE 9]><video style="display: none;"><![endif] [if IE 9]></video><![endif]



Mika Ruusunen skiing in Kangasala, Finland, with his sons Onni and Oiva. He receives the monthly income even though he is now working. Photograph: Konsta Leppänen for the Observer

Finland's experiment is a variation on the idea of a universal basic income: an unconditional income paid by the government to all citizens, whether or not they're in work. The Finns have long been perceived to be

at the cutting edge of social innovation, so this is a fitting setting for the first national experiment of its kind.

But the idea of the basic income has captured a zeitgeist extending far beyond the borders of Scandinavia. Enthusiasts include Silicon Valley's Elon Musk, former Clinton labour secretary Robert Reich, Benoît Hamon, the French socialist presidential candidate, and South Korean presidential candidate Lee Jae-myung. On Friday, Glasgow city council commissioned a feasibility study for its own [basic income pilot](#).

The basic income is a big idea with a pedigree. It owes its roots to Thomas Paine, the 18th-century radical, who in 1797 proposed paying all 21-year-olds a £15 grant funded through a tax on landowners. Since then it has captured the imagination of many a philosopher, but until the past couple of years never gained much political traction beyond the fringes. So what explains the sudden jump this centuries-old idea has made from political fringes to the mainstream?

An idea whose time has come?

There is now a growing band of politicians, entrepreneurs and policy strategists who argue that a basic income could potentially hold the solution to some of the big problems of our time. Some of these new converts have alighted upon the basic income as an answer to our fragmenting welfare state. They point to the increasingly precarious nature of today's labour market for those in low-paid, low-skilled work: growing wage inequality, an increasing number of part-time and temporary jobs, and rogue employers routinely getting away with exploitative practices.

This grim reality collides with an increasingly punitive welfare state. Our welfare system was originally designed as a contributory system of unemployment insurance, in which workers put in during the good times, and took out during temporary periods of unemployment. But a big chunk of welfare spending now goes on permanently supporting people in jobs that don't pay enough to support their families. As the contributory principle has been eroded, politicians have sought to create a new sense of legitimacy by loading the system with sanctions that dock jobseeker benefits for minor transgressions.

Anthony Painter, a director at the RSA thinktank, paints a picture that will be familiar to viewers of Ken Loach's film, *I, Daniel Blake*. "You are late for a jobcentre appointment – so you get a sanction. You're on a college course the jobcentre doesn't think appropriate, so you get a sanction. Your benefits are paid late, so you face debt, rent arrears and the food bank. That's the reality for millions on low or no pay – they are surrounded by tripwires with little chance of escape."

Painter thinks a universal basic income of just under £4,000 a year could change all that. By itself, it wouldn't be enough to take someone out of poverty, but it could give them the flexibility to retrain or the breathing room to wait to take a job that has prospects rather than being forced into taking the first vacancy that comes along.

The Finnish government shares Painter's thinking. "The social security system has become complex over time, and needs simplification," Pirkko Mattila, the minister for social affairs and health, tells me. She hopes participants in the Finnish pilot will find it easier to take short-term jobs and start their own businesses.

Marjukka Turunen, the civil servant implementing the pilot, points to the bureaucracy and uncertainty involved in declaring temporary income. "If you have a part-time job you have to apply for your benefit every four weeks," she says. "You might have lots of different employers, and you'll need to wait to get payslips from all of them. Then it takes another one or two weeks to process your payment. You don't know how much you'll get and when, which means you can't plan ahead."

A second set of basic income converts articulate a grander case, grounded not so much in the breakdown of the current welfare state, but in a world where the rise of robots means many of us will no longer have to work. We will be free to enjoy lives of leisure – but without work, we will all need a source of income.

This view has become fashionable in the wake of a series of headline-grabbing estimates about the proportion of jobs susceptible to automation. In 2013 Carl Frey and Michael Osborne at the Oxford Martin School predicted that [47% of jobs in the US were at risk of being automated](#) "relatively soon, perhaps the next decade or two". They foresaw innovations such as driverless technology replacing jobs such as driving a taxi, road haulage and dispatch driving.

These predictions have led some mainstream thinkers, such as Robert Reich, to warn that a future bereft of jobs may be looming. "Imagine a little gadget called an i-Everything," [Reich wrote](#) last September. "This little machine will be able to do everything you want and give you everything you need." He argued that, with fewer jobs, resources will need to be redistributed from those who own the technology of the future to the rest of us who want to buy it. According to Reich, a universal basic income "will almost certainly be part of the answer".

In some quarters, then, a basic income is developing a reputation as the aspirin of the public policy world: a wonder drug that fixes multiple problems, from issues with the benefits system to replacing the jobs some argue will disappear from our lives. What's the catch?

Who will pay for a universal basic income?

The most obvious one is expense: it's not cheap to pay every citizen an unconditional income. Even incremental proposals cost sums that would raise eyebrows in Whitehall. Painter estimates his proposal for a basic annual income of just under £4,000 would cost around £18bn a year, and that's after scrapping the personal tax allowance to help pay for it. That's the equivalent of a [3p rise](#) in the basic rate of income tax. The state would still need to keep paying housing and disability benefits on top of that. Make it more generous, and the costs escalate rapidly.

The expense is only a problem as long as the public are reluctant to pay for it. Polling that shows support for the idea of a basic income – one poll in Europe suggested [64% of adults back the idea](#) – invariably fails to ask voters whether they would be prepared to countenance the sort of tax levels needed to fund it. A basic income would therefore require a fundamental shift in our politics: leaders who are comfortable advocating unpopular tax rises. A proposal for an undetermined level of basic income was [rejected by 78% of Swiss voters](#) in a referendum last year, although that may partly be explained by the fact that campaigners were calling for a very generous income level of £1,765 a month.

It's not just the expense: critics warn that a universal basic income is unlikely to deliver the benefits its advocates claim. "The current [benefits] system is draconian, but it doesn't need to be," points out Declan Gaffney, an expert on social security who recently gave evidence to the Commons work and pensions select committee on basic income. "It would be disingenuous to use its problems as a bully pulpit for basic income." He has also highlighted the risk that removing the obligation for those on benefits to look for work might encourage some people to drift into [long-term worklessness](#).

More fundamentally, many labour market economists have challenged the notion that robots will steal our jobs. Jobs have disappeared throughout history as a result of technological advance: you would be hard-pressed to find many washerwomen since washing machines became ubiquitous. But the economy has always created new jobs to replace the ones that disappear.

Predictions about the end of work are hardly new. In 1891, Oscar Wilde wrote about a world where machines did all the work in his essay [The Soul of Man Under Socialism](#). John Maynard Keynes predicted back in the 1930s that technology would allow us all to cut down to a [15-hour working week](#).

"I'm old enough to remember exactly the same arguments about the end of work being made 30 years ago – then it was about de-industrialisation,

now it is about automation,” says Gaffney. “The lesson from that period is not that we should pay people to stay out of the labour market. It is don’t park people when they lose their jobs. If you expect large-scale job destruction, you need to put policies in place to support people into new jobs. That didn’t happen in the 1980s to the extent it should. As a result, a lot of people who lost jobs never worked again.”

Peter Nolan, professor of work at Leicester University and director of the Centre for Sustainable Work and Employment Futures, says the end-of-work thesis is based on unrealistic assumptions about the private sector. “Many predictions about the number of jobs that will be automated in coming years are based on what’s technologically possible, not evidence about the extent to which and how companies will choose to deploy technology,” he says.

“It’s wrong to move straight from talking about automation to the need for a basic income, without talking about what is happening in the workplace and how we address that. Our work has produced quite a significant body of evidence that some industries are combining advances in technology with degraded work and conditions.”

He points to several examples of sectors where the end-of-work thesis simply isn’t playing out. In the logistics sector, companies are using technology not to replace warehouse staff and couriers, but to put them under increasing surveillance to control their working patterns, reducing employee autonomy, skill and dignity. Wrist-based technology allows bosses to monitor activity minute-by-minute, including bathroom breaks. In the East Midlands, garment manufacturing has, after a long period of decline and moving production abroad, started to grow again. But Nolan’s centre found that three-quarters of these jobs pay around £3 an hour, less than half the minimum wage. As a result of a lack of minimum wage enforcement, companies in the UK are, under the radar, returning to the sweatshop-style labour of the past. Nolan argues that we should be focusing on properly enforcing minimum wage legislation and improving employment conditions through regulation.

Some argue there is even a risk a basic income could facilitate this sort of exploitation. Unscrupulous employers might further embrace precarious employment models, in the knowledge that everyone is getting a basic income to tide them over. This is what worries Antti Jauhiainen, the founder of Parecon Finland, a radical economic thinktank in Helsinki. “I think CEOs in the Silicon Valley tech industry recognise a basic income could be good for them because it would allow a platform like Uber to keep payments to drivers low,” he says.

And why is Silicon Valley fronting up the case for a basic income while

some of its biggest success stories – Apple and Facebook – go to all lengths necessary to massively reduce their tax bills? It’s hard not to feel that in doing so the tech sector is passing the buck on to the state while ignoring its own responsibilities to the societies from which it profits.

Jauhiainen is a supporter of basic income in principle. But he thinks it is significant the Finnish pilot has been introduced by a centre-right government that has embraced austerity. “In the current political climate, it could turn bad,” he says.

The Finnish left are divided on the pilot: some see it as a step in the right direction towards a universal basic income. But [Finnish unions have historically opposed it](#), fearing it will eat into their collective bargaining power, and that it may be a way for the right to scrap minimum-wage requirements.

These fears that the basic income could be used as a tool for the right’s own ends are far from baseless. American libertarians such as Charles Murray have long argued that a basic income could be used to do away with the welfare state altogether. In Britain, the way in which Conservative chancellors have steadily delivered tax cuts that disproportionately help more affluent families, while cutting the means-tested benefits relied on by those in the greatest financial need, should sound a note of caution.

Is basic income an idea that can save the left?

Unions in the UK are much more enthusiastic, perhaps because they have less to lose than their Finnish counterparts which have retained greater collective bargaining power. Becca Kirkpatrick is a community organiser and chairs Unison’s West Midlands community branch. One reason she is attracted to a basic income is because of her own experience as a part-time carer. “If I had a basic income, I could invest a lot more into supporting my younger sister, who is disabled,” she says.

[if IE 9]><video style="display: none;"><![endif] [if IE 9]></video><![endif]



Community and union organiser Becca Kirkpatrick says a basic income would help her in her role as a part-time carer for her sister.

Kirkpatrick won her branch's backing for the idea, and Unison West Midlands is asking candidates for West Midlands mayor to [commit to piloting a basic income](#).

Nikki Dancey, branch secretary for the GMB in Berkshire and North Hampshire, is another grassroots union member involved in the campaign. "A basic income could offer enough financial security to encourage workers to stand up for themselves at work, strengthening the union movement," she says.

The basic income has now been endorsed by the [TUC, the GMB and Unite](#). "The left and the unions have taken a hammering in recent years, and what we need now is a big win. Universal basic income has the potential to be that win," says Dancey.

Others on the left agree. John McDonnell, Labour's shadow chancellor, has previously made welcoming noises about a basic income. Earlier this month he [announced](#) he was setting up a working group to look at the idea. Since it lost power in 2010, the Labour party has been in search of an answer to the de-industrialisation, growing wage inequality and economic insecurity that proved fertile territory for the Brexit campaign. Ed Miliband's responsible capitalism was roundly rejected by voters at the ballot box in 2015. Perhaps, then, it is worth trying something new. Jon Cruddas, the MP for Dagenham and Rainham, is a passionate

dissenter. I spoke to him last year for a [Radio 4 programme](#) on the basic income. “I don’t see [Sports Direct owner] Mike Ashley moving into a post-work world or automating his mass factories in the West and East Midlands,” he said. “Where is the evidence of this? We’re seeing more and more degraded work.”

Cruddas worries that basic income risks distracting the left from its age-old mission to improve the quality of work. “The left has not resolved the question of giving people a genuine voice at work so as to enact a more dignified workplace.

“But that does not mean you absolve yourself for trying to find the answers to this by embracing a form of futurology that owes more to Arthur C Clarke than Karl Marx. I see this as an abdication of the political struggle across the left. I find that tragic.”

Cruddas is surely right that any account of the intertwined struggle for economic and political power seems missing from these new left accounts that advocate for a basic income on the basis of the end of work. It’s hard to envisage the robot owners of the future paying the rest of us a basic income when today’s tech giants do everything in their power to avoid paying tax. Ditch the idea that work should pay decently, and what remains for the left? There’s no contest between the science fiction of Arthur C Clarke and the class struggle of Karl Marx: the left abandons Marx at its peril.

For Mika Ruusunen in Tampere, though, a basic income helps him make sense of our changing world. “We now have more freelancing, part-time jobs and people with multiple jobs than ever before,” he says. “I see a basic income as a natural reaction to our changing economic culture.” But, given divisions on the left in the UK, and a lack of interest from politicians of the right, basic income-supporting trade unionists such as Becca Kirkpatrick could face a long fight ahead.

NO-STRINGS CASH – FROM PRINCIPLE TO PRACTICE

The idea of the universal basic income is that the government pays every adult citizen the basic cost of living. It doesn’t matter if you’re rich or poor, in work or unemployed – everyone gets the same amount. There are no strings attached.

After years spent on the margins of political thought, the universal basic income has, over the past year, gained traction among mainstream thinktanks and some in the Labour party. It has also been backed by Silicon Valley, including, last week, Tesla founder [Elon Musk](#).

[if IE 9]><video style="display: none;"><![endif] [if IE 9]></video><![endif]



Tesla founder Elon Musk is behind the idea of a universal basic income. Photograph: Evan Vucci/AP

Trials of UBI are taking place around the world, including in the Netherlands, Italy and Finland. In the UK, the Scottish government is considering pilot schemes in Glasgow and Fife.

Supporters of UBI say that as technology changes the world of work, the current benefits system is becoming irrelevant. A universal basic income could, they argue, protect the increasing numbers working in an insecure labour market and moving between zero-hours contracts and part-time jobs.