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Basic Income versus the Job Guarantee: A Review of the Issues

Basic Income versus the Job Guarantee: A Review of the Issues

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Abstract

Two novel schemes have been advocated to cure the problem of persistent unemployment and income insecurity in developed economies, namely Basic Income and the Job Guarantee. Human rights appear to be protected under a Basic Income system, but its impact on job creation, skill development, the wage structure, investment, employment and living standards is problematic. On the other hand, the Job Guarantee provides economic security to all individuals through access to meaningful work with opportunities for skill acquisition. The Job Guarantee may represent a step in the transition to an unconditional Basic Income, following the ongoing growth of labour productivity and the reassessment of what constitutes work.

Introduction

Despite the upturns of the late 1980s and late 1990s, the unemployment rate in Australia was never restored to its level in the early 1970s, prior to the first oil shock. In addition, there has been an increased fragmentation of employment with a rising share being non-standard. This has been accompanied by a strengthening of the managerial prerogative with respect to the number of and timing of hours of work, via award restructuring and the subsequent introduction of enterprise bargaining, and reduced protection for workers due to the emasculating of matters covered by awards. There has been a long-term increase in the share of part-time employees who seek more hours of work, signifying underemployment. In addition hidden unemployment remains significant with estimates in 2001, averaged until May, being in the order of 276,000 for a (full employment) rate of unemployment of 2 percent (Mitchell 2001). Mitchell (2000a) presents Australian data for 1970-2000, which shows that the failure of public sector employment to grow proportionately with the labour force explains the persistent unemployment.

Most researchers acknowledge that the economic and social costs of sustained high unemployment are substantial (see, for example, Sen 1997a,b; Junankur & Kapuscinski 1992; Watts & Mitchell 2001).

There has also been a long-term increase in wage inequality in Australia (Watts 2001, p. 171). In addition, real wage growth was modest from the early 1980s to the mid-1990s. This translated into a declining wage share (Carlson, Mitchell & Watts 2001).

Thus Australian working men and women are now confronted with increasingly fragmented working arrangements which generate insecurity about the number and

timing of hours of work, the slow growth of real wages, significant wage inequality and persistent high underemployment. These trends in labour market outcomes have also occurred to varying degrees in Britain, Canada and the USA. In addition, despite compensation via the welfare system, poverty and income insecurity remains significant in Australia, particularly in households with no wage earners and many of those reliant on self-employment.

Both the current Howard Coalition Government and the previous Labor Government eschewed the adoption of policies of direct job creation to reduce unemployment. Monetary and fiscal policy has been geared to keeping inflation low and to achieving budget surpluses, respectively. Strong *economic fundamentals* allied with deregulated markets are viewed as both necessary and sufficient for the return to full employment.¹

At the same time unemployment is viewed as an individual rather than a collective problem in Australia. This was epitomised by the introduction of the Work for the Dole scheme at the end of 1997 and the development of mutual obligation in mid-1998 (Burgess et al. 2000).

Despite the Organisation of Economic Cooperation and Development (OECD) Jobs Study (1994), there is increasing scepticism about the capacity of neo-liberal reforms to reduce the high unemployment rates that have prevailed in most OECD economies since the mid-1970s (Watts 1999; Bell 2000).

In Europe an unconditional Basic Income (BI) set at a livable level and paid to all citizens as a means of reducing economic insecurity is now advocated by a number of public policy theorists, such as Van Parijs (2000a) in Belgium, and Fitzpatrick (1999) in the UK, as well as Widerquist (1999) in the USA, Clark and Kavanagh (1996) and Lerner (2000) in Canada and Tomlinson (2000) in Australia.²

Most supporters argue that a BI, will redress the power imbalance in the labour market, lead to a voluntary redistribution of work hours and encourage individuals to adopt creative family and community oriented activities in their leisure time.

On the other hand, researchers in the USA, including Forstater (2000) and Wray (1997, 2000), argue in favour of the government acting as an employer of last resort (ELR), providing jobs at a fixed minimum wage to all those individuals of working age who want them. Mitchell and Watts (2001a) in Australia promote the concept of the Job Guarantee (JG) that is similar in philosophy to the ELR.

In this paper, I wish to assess critically these non-mainstream, interventionist approaches to solving the long-term economic and social problems of persistent unemployment and the absence of income security.

I conclude that the arguments in support of the right of the able-bodied to receive the BI and not engage in paid work are unconvincing. Second, the advocates of a Basic

¹ For a concise statement of the belief that in the long-run full employment will be the outcome of low inflation see Reserve Bank (1996).

² In this paper, the term Basic Income will be used. Other terminology that is used includes, Guaranteed Income (Wilderquist 1998).

Income typically take a narrow individualistic perspective by viewing the BI as a solution to income security, without recognising the wider labour market, macroeconomic and environmental consequences. On the other hand, the Job Guarantee creates certainty with respect to income and employment and provides the collective means of addressing urgent environmental and social problems.

In the next section of the paper the properties of the two schemes are summarised. We then examine the different underlying conceptualisations of rights and obligations that characterise the two schemes. The economic and environmental implications of BI and JG are contrasted in the following sections. Concluding comments are then presented.

The Two Schemes

Basic income

Van Parijs (2000a) defines basic income as 'an income paid by a political community to all its members on an individual basis, without means test or work requirement', (see also Lerner & Clark 2000; Fitzpatrick 2001). Most advocates recommend that it be paid on a regular basis, rather than as a lumpsum. It replaces other forms of social welfare benefits including unemployment benefits and child allowances and pensions that in a number of countries, such as Britain and Australia, are means tested. Supplements can still be given to those who suffer illness or disability. Lerner and Clark (2000) envisage different rates being paid to the elderly, adults and children.

A full basic income is set at a livable level that is above the poverty line. A partial BI is set below the poverty line with either additional public assistance being available or recipients needing to undertake some paid work.

It is often recommended that BI be financed by a flat tax on all other personal incomes, however, with the elimination of all or most tax deductions in order to widen the tax base (Clark & Kavanagh 1996; Widerquist 1999; Van Parijs 2000a). A revenue-neutral, partial basic income implies a lower marginal rate of tax, but would be less effective in combating poverty (Fitzpatrick 2001, p. 2).

Except for the timing of payments, a negative income tax, of the sort promoted by Friedman (1962) is effectively the same as a BI.³ In the latter BI is paid *ex ante*, and then work income is taxed.⁴ Under the negative income tax, the net amount is paid as a transfer or tax depending on the level of work income. The two schemes differ according to the administration costs (Van Parijs 2000a, pp. 15-16).

A flat tax is not the only method of financing such a scheme. Both a progressive tax on income and alternative taxation regimes (such as an energy, land or natural

³ Freedman (1962) advocated a minimum income based on a negative income tax to counter low wages which provides a symmetry with positive income taxes on higher wages. The negative income tax scheme would preserve individuals' freedom to spend income in the manner that they chose.

⁴ The payment of tax credits *ex post* can influence behaviour. Workers in the USA tend to view the tax credit as a lump sum, rather than as an inducement to increase their supply of labour (Ingles 2001).

resource taxes) or an expanded value added tax and even a new tax instrument, such as a Tobin tax on speculative capital movements, are also advocated. Fitzpatrick (2001) states that the left argue that the unconditional income be funded out of the return generated by collectively owned resources rather than a tax on work income, but governments have been prepared to sell public assets in many Western countries in the last decade. Under the heading 'Financing the schemes', pp. 12-14, we argue that the financing of a BI is not an issue, *per se*.

Van Parijs (2000a) argues that the Basic Income is a universal system which should have a higher take up rate and the absence of any stigma on recipients (see also Fitzpatrick 2001). It embodies equal rights for all and the freedom and security of workers would be increased. The BI would be easy to understand and cheap to administer. It would tackle poverty and unemployment traps, because it would not be withdrawn when people move into employment and/or experience an increase in earnings.

Job guarantee

Mitchell and Watts (2001a) outline the basic features of the Job Guarantee.

- a) **A Buffer Stock of Jobs:** The public sector operates a buffer stock of jobs that expands (declines) when private sector activity declines (expands). These jobs are available to all able-bodied people. The JG fulfills an absorption function to minimise the costs associated with the private sector flux. The number of JG jobs would be less than the current level of (under)employment because the expansion of activity induced by the implementation of the program would lead to an increase in demand for goods and services produced by the private sector through the multiplier effect.
- b) **JG Wage:** To avoid disturbing the private sector wage structure and to ensure the JG is consistent with stable inflation, the JG wage would be the minimum wage. The JG wage may be increased over time in line with economy wide increases in productivity as part of a policy to promote rising private sector wages and productivity.
- c) **The Structure of Incentives:** Using a neo-classical labour/leisure analysis, Mitchell and Watts (2001b) show that, under realistic assumptions about relative rates of pay, (i) the JG option would be preferred to unemployment, if unemployment benefits were zero; (ii) a private sector job would be preferred to a JG job; and (iii) a JG job would be preferred to workfare in which unemployed individuals were required to work for a specified number of hours in exchange for their benefits. Thus an appropriate structure of incentives could be created without upsetting the private wage structure.
- d) **Social Wage:** A wide range of social wage expenditures, including adequate levels of public education, health, child-care and access to legal aid, would supplement JG earnings. The JG policy would not replace the conventional use of fiscal policy to achieve specific social and economic outcomes.
- e) **Family Income Supplements:** The JG is based on individuals. The JG wage (available to all working age people) would be supplemented with benefits reflecting family structure. In contrast to likely legislative changes in Australia

and the current workfare scheme in the USA, there would no pressure on single parents to seek employment.

- f) **'Loose' Full Employment:** The JG policy introduces 'loose full employment' because: (i) the demand pressures would be less than if the unemployed were fully employed at market wages in the private sector; and (ii) there is no disruption to the relative wage structure of the private sector.
- g) **Inflation Control:** The JG wage provides an in-built inflation control mechanism (Mitchell 1998, 2000b).
- h) **The JG is not a more elaborate form of Workfare:** Workfare does not provide secure employment with conditions consistent with community norms with respect to non-wage benefits. Workfare does not ensure stable living incomes are provided to workers. Under workfare, the State extracts a contribution from the unemployed in exchange for their welfare payments. The State, however, takes no responsibility for the failure of the economy to generate enough full-time permanent jobs. In the JG, the state takes this responsibility and employees receive minimum wages and conditions.⁵
- i) **Unemployment Benefits:** The unemployment benefits scheme would be scrapped with the associated administrative infrastructure being used for JG operations. Mutual obligation for the unemployed would be redefined because the receipt of income would be conditional on taking a JG job. Those people of working age who were unable to work due to disability etc would receive a benefit.
- j) **Administration:** The JG would be financed federally with the operational focus being Local Government. Local administration and coordination would ensure that the JG program led to the creation of meaningful, value-adding employment.
- k) **Type of Jobs:** The JG workers would participate in many community-based, socially useful activities, including urban renewal projects, personal assistance to pensioners, and environmental schemes, such as reforestation, sand dune stabilisation, river valley and erosion control. The buffer stock of labour would however fluctuate with private sector activity and the design of JG jobs and functions would have to reflect this. In setting priorities for the design of JG jobs in response to perceived environmental and social needs, it may be decided that more permanent public sector jobs should be created at the usual levels of wages and conditions to maintain critical mass and avoid labour shortages in a private sector upturn. This may well be appropriate in countries such as Australia, where the public sector has been significantly cut in the last decade. Again the required number of minimum wage JG jobs would be reduced.

On the other hand, an indiscriminate Keynesian expansion that achieves full employment, via the creation of normal public sector jobs, creates considerable

⁵ Atkinson (1996) advocates a participation income which requires a social contribution via part-time or full-time waged employment or self-employment, or participation in education, training, or job search, or the home care of children or elderly or regular voluntary work in recognised associations.

inflexibility in that the ebb and flow of the private sector cannot be readily accommodated (Forstater 2000).

Citizenship: Its Rights and Obligations

Basic income

Van Parijs (2000b) supports a BI due to his real-libertarian conception of justice. All members of society should be formally free, with a well-enforced structure of property rights that includes the ownership of each by herself, but also integral to the concept is the real value of those rights, measured by the resources the person has at her command to exploit her liberty. The distribution of resources should offer the greatest possible real opportunity to those with least opportunities, subject to everyone's formal freedom being respected. He claims that a BI set at the highest sustainable level satisfies this ideal.

On the other hand, Galston (2000) notes that Rawls presents his conception of political community as a system of social cooperation. Social justice is 'the fair organization of such a cooperative venture and fair allocation of its joint products'. Galston (2000) argues that reciprocity should be a necessary condition for social justice. Further, while an unconditional BI favours those subject to undeserved luck, in addition to the voluntarily unemployed, he suggests that contribution should be the basis of distribution (see also Phelps 2000). While the BI is assumed to be universal there may still be a stigma attached to someone of working age who chooses not to engage in paid work. Rightly or wrongly social status and feelings of self worth are attached to the paid work that people undertake.

Farrelly (1999) provides three Rawlsian objections to the BI in a theory of social justice. First, he challenges Van Parijs' claim that leisure is not a primary good, where a primary good is one that 'every rational man is presumed to want'. The set of primary goods underpins Rawls' concept of social justice. Van Parijs does not include leisure because it would create a bias towards those who work hard. Farrelly (1999, pp. 287-88) argues that this is merely question begging and notes that there has been a long-standing campaign to reduce the length of the working day in many countries.⁶ Also the inclusion of leisure would support an argument for a conditional income for those whose low hourly wages require them to work excessive hours to achieve an acceptable income level.

Second, Farrelly (1999, p. 284) argues that Van Parijs undermines the Rawlsian conception of democratic citizenship. He notes that the concept of justice enables the able-bodied, who do not wish to work, say surfers, to free-ride on those who choose to work. Free-riding is counter to the fundamental moral consideration which underpins both socialism and capitalism. Van Parijs asserts that by giving up their claim on a job these surfers allow others to access the scarce job market. Farrelly (1999) rejects this argument stating that this treatment of the voluntarily unemployed undermines the responsibilities required of just citizens (see also Lipietz 1992).

⁶ The French 35 hour week law is a case in point.

Farrelly (1999, p. 290) claims that Van Parijs' argument collapses if policies are introduced to overcome the unemployment problem. He cites microeconomic policies, including reduced working time and employment subsidies, but also the implementation of the JG would undermine Van Parijs' argument. In private correspondence, Widerquist challenges this perspective stating that Van Parijs' argument is not solely reliant on there being unemployment. It depends on some jobs being more desirable than others and the labour market not performing the matching function effectively. He states that Van Parijs' argument only collapses if the labour market is perfectly fair, so everyone was paid exactly what s/he contributed and everyone was able to work as much as they wanted in order to generate income.

With the introduction of an unconditional BI and its associated increased freedom of choice, it is argued that workers would have meaningful choices and be able to veto bad jobs, thereby forcing a restructuring of jobs and improved matching, so that quality jobs would be available to more workers. A permanently fully employed economy via the JG could more effectively reduce discriminatory practices by employers and force the restructuring of jobs.

Finally Farrelly (1999) states that Van Parijs' ideal of real freedom for all does not offer a theory of justice that could fulfil a diverse list of primary goods that Rawls stipulates, in particular self-respect. In advocating a BI in the context of real libertarianism, Van Parijs rejects policies designed to provide workers with the option of meaningful work⁷ and denies those who are unwilling to work the conditions for autonomy. The decision to be non-productive in the paid work sense through neglecting education, training and work experience, has long term repercussions for career opportunities.

While it could be claimed that individuals should be left to make rational choices about training and work, education until a certain age is still compulsory, so the question is not about compulsion, *per se*, but rather at what age individuals should be considered responsible for their own decisions. As noted, even though the BI is universal, there may well be a stigma attached to someone of working age who chooses not to engage in paid work.

Farrelly (1999) notes that Rawls advocates a diverse set of arrangements, including society taking on the role of employer of last resort. He is critical of advocating a simple solution to what is a very complex societal problem.

Job guarantee

Drawing on Tool (1997, p. 6), Burgess and Mitchell (1998) note that there are two ways in which a right to employment can be established:

- a) To assert a natural right along the lines of the doctrine of natural rights which dominated the thinkers of previous eras.
- b) To use factual experience and analysis of outcomes derived from these experiences. This is a pragmatic, instrumentalist approach.

⁷ Van Parijs (1995, p. 91) claims that such policies 'amount to using scarce resources in a discriminatory way, with a bias towards those with a stronger preference for being employed' quoted in Farrelly (1999, p. 290).

Burgess and Mitchell (1998) adopt the latter approach in arguing that governments are violating the right to work (Article 23 of the Universal Declaration of Human Rights⁸), by refusing to eliminate unemployment via the appropriate use of budget deficits. They note that unemployment is incompatible with fundamental human rights in that unemployed workers are denied access to the major source of income for the working age population. Their ability to participate in markets to satisfy their minimum requirements of clothing, food and housing is restricted. As long as employment is not considered to be a human right, a portion of the community will be excluded from effective economic participation.

The exclusion of those who are unable to participate in the labour market by virtue of age, infirmity and caring responsibilities used to be recognised by the provision of safety net protection (Burgess & Mitchell 1998). But the unemployed, and to a lesser extent carers, no longer enjoy unqualified protection with the introduction of activity tests in many countries, and time limits on the lifetime receipt of welfare benefits in the USA. Without social transfers they have to depend upon savings, family transfers or black economy activities in order to sustain minimum living standards.

Burgess and Mitchell (1998) maintain that the right to work in the form of paid full-time (or fractional) employment should be guaranteed by the State and be legally enforceable in the same way as other rights.⁹ They suggest that citizens should have a choice as to the type of work undertaken, be paid at adult minimum rates, and be accorded the rights and conditions that are associated with full-time employment (or pro-rata in the event of part-time employment). Holiday and sickness benefits, a safe workplace and protection against unfair dismissal should be included. Workers who exercise this right may use these guaranteed jobs as a stepping-stone towards higher paid market employment.

The key question is whether the inalienable human right should be the receipt of income, without requirement of employment, or whether the fundamental right should be to paid employment. Consistent with Farrelly (1999), Burgess and Mitchell (1998) note that those not engaging in paid work are not accorded the status attached to employment because they make no contribution to market activity; the barometer of worth in a market economy. They also have no opportunity for long-term career advancement and are stigmatised. This violates basic concepts of community participation and citizenship.

Widerquist and Lewis (1997) argue that public employment (JG) is a vast improvement over other strategies and, like a BI, acts as an automatic stabiliser and eliminates many sources of poverty. They applaud the fact that JG creates a reciprocal moral obligation rather than a one-sided moral obligation, associated with a no work,

⁸ Article 23 of the Universal Declaration of Human Rights states that: 'Everyone has the right to work, to free choice of employment, to just and favorable conditions of work and to protection against unemployment'. Furthermore, 'everyone ... has the right to equal pay for equal work', along with 'remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection'.

⁹ Burgess and Mitchell (1998) point out that in most industrialised nations there is extensive legislation and common law governing employment and employment rights, but the unemployed are not subject to similar protections.

no income scenario, but they object to the absence of financial assistance for workers who choose not to engage in paid work. The authors also argue that the government can exploit these workers if the conditional (JG) income is set too low. This is true, but equally a low, partial BI would have little impact on the bargaining power of low wage employees and would not provide a wider, meaningful set of choices to workers with respect to the distribution of their time between paid work, leisure and voluntary activities.

Widerquist (1999, p. 400) rejects a conditional guaranteed income linked to a work requirement because he argues that external asset owners are not obliged to work, so that the scheme falls short of reciprocity. The response that nobody is forced to work under the BI scheme is a curious one, because it ignores the macroeconomic reality that a high percentage of the working age population must work to sustain current living standards. This raises the question as to the level of the BI.

The Economic Consequences

Financing the schemes

Widerquist and Lewis (1997) claim that there is no guarantee that an individual subject to a conditional income makes better use of her time than someone with a BI. This argument is highly dubious because JG jobs are not designed to be make-work, so in terms of 'bang for a buck' a conditional income linked to a job is likely to be superior to an unconditional BI which permits individuals to engage in both voluntary and leisure time activities. The authors are implying that, under a BI, the identification and response to unmet social and environmental needs through voluntary activities is superior to a collective solution via the creation of well resourced JG jobs under the auspices of regional or local governments, but 'funded' at the federal level. Unpaid volunteers are unlikely to have the expertise to be able to set national priorities with respect to say resolving environmental problems. National and regional governments also have the expertise in their permanent workforces to supervise these projects. Widerquist and Lewis (1997) ask whether the workshy would be fired for poor performance. The increased supervision would impose increased cost, but would also lower productivity and create antagonism.

Van Parijs (2000a) is reluctant to impose a flat tax with the BI because the low and high paid are then subject to the same marginal tax rate.¹⁰ In Australia, at least, many researchers note that there is a high effective marginal tax rate (EMTR) for some people on categorical selective benefits who are subject to multiple withdrawal rates (Tomlinson 2000). With an average unemployment to vacancy ratio of 11 to 1 since 1975, the extent of the disincentive effect cannot be really tested. If the EMTR of the low paid is reduced then the tax burden must be shifted towards higher income earners under revenue neutrality. Dawkins et al. (1998) estimated that the introduction of a basic income so that social security recipients were no worse off required a

¹⁰ Van Parijs (2000a, pp. 14-15) appears to take the view that the more productive, better paid workers require incentives, via lower marginal tax rates, whereas this is not required for low paid workers who are more dependent on the BI.

marginal tax rate of 57 percent under revenue neutrality. Orthodox theorists would be concerned about the impact of the high marginal tax rate on the incentive to work.

While advocates of the BI generally aim to achieve revenue neutrality, supporters of the JG acknowledge that the budget deficit must increase and decrease in response to private sector fluctuations to maintain full employment. Watts and Mitchell (2000b, 2001) provide detailed estimates of a JG program in Australia to achieve 2 per cent unemployment and remove underemployment. Using figures for 1999, quarter 4, they find that the net annual budgetary costs lie between \$5.5 and \$6.4 billion.

The critics of the JG approach point to financial constraints that they allege would arise from higher budget deficits. Recent years have been marked by the vigorous pursuit of budget surpluses in many countries, including the USA and Australia. One of the most damaging analogies in economics, however, is the alleged equivalence between the household budget and the government budget. A household must finance its spending, *ex ante*, whereas the government spends first and never has to worry about financing. Government spending is desired by the private sector because it brings the resources (fiat money), which the private sector requires to fulfill its legal taxation obligations. The household cannot impose any such obligations. The government has to spend to provide the money to the private sector to pay its taxes, to allow the private sector to save, and to maintain transaction balances (Mitchell & Watts 2001a). The budget relationship is an *ex post* identity, so financing is not a constraint. As the monopoly supplier of high-powered money, the official currency, through the Treasury, the Government has no need to acquire its own currency through taxation or bond issue. It may choose to issue bonds, however, to soak up liquidity in the banking system and support its target overnight interest rate (Mitchell & Watts 2001a).

Orthodox economists assert that either deficits are inflationary, if financed by high-powered money (debt monetisation), or they squeeze private sector spending, if financed by debt issue (see, for example, Ott & Ott 1965). There are two flaws in this argument: (a) the link between monetary growth and inflation is not well established, and (b) the concept of debt monetisation (money creation) is an inaccurate depiction of the issue of high-powered money. We show that the negative connotations of budget deficits fail to meet the test of logic and empirical scrutiny (Mitchell & Watts 2001a). Thus neither the BI nor the JG is necessarily limited in its scope by financing considerations.

Employment and wages

Van Parijs (2000a) points out that under a Basic Income scheme, the securing of a job does not interfere with the entitlement, as long as the marginal tax rate on income from work is less than 100 percent, so that low wage earners can take risks with jobs. By contrast, many anti-poverty programs in the USA, such as TANF, food stamps, unemployment insurance and even public housing, are hard to qualify for so that a cycle of welfare dependency is created through a reluctance to take paid work (Widerquist & Lewis 1997). Thus both poverty and unemployment traps would be undermined, and, if the basic income were set at an adequate level, the worst poverty would be overcome by this integration of tax and benefit systems. (This is particularly important in the USA where there is a higher incidence of low wage employment and

limited social welfare provisions, except for Food Stamps and the EITC, see Ingles, 2001; Clark and Kavanagh, 1996).

Van Parijs (2000a) claims that the strength of the BI proposal is based on the combination of the no-work test and the no-means test. The tax structure provides the incentive to undertake work, despite the absence of the work test (see also Widerquist & Lewis 1997:34). But the absence of the work test also means that workers are not forced to take poorly paid, insecure jobs with no career opportunities to supplement their unconditional incomes. Thus the weakest participants in the labour market have increased bargaining power, as compared to a scheme of work conditional, guaranteed income. This is alleged to shift the balance of power in favour of workers and lead to an improvement of wages and conditions in marginal jobs, many of which will be non-standard.

Widerquist and Lewis (1997, pp. 35-36) note that 10 percent of Americans work full-time but are below the poverty line. Many low waged Americans have a strong commitment to work because, even before restrictions were imposed on accessing public assistance, most recipients were off public assistance within 3 years. Thus the impact of BI on labour supply would be low.

On the other hand, Gorz and Lerner claim that the provision of a secure subsistence income will lead to less connection to formal work. This hypothesis ignores the observation that the overall labour force participation rate has been rising in most countries and the majority of consumers appear to be pursuing more material intensive lifestyles. The overall participation rate in Australia has risen from 61.9 percent in February 1986 to 74.8 percent in May 2000, although in part, this reflects the desire to undertake part-time work.

In Australia, the percentage of families with one or more dependants, which have both parents employed rose from 42.1 percent to 44 percent between February 1988 and February 1998, suggesting that families are seeking to increase real income.¹¹

Average real wages have stagnated in countries, including Australia and the USA, which could have contributed to the rising participation rate amongst women. Many two-income families with both partners working full-time have high incomes with a greater correlation of partners' incomes now with the increased participation of women in post-school education, their higher labour market participation and increased hours of work. It is unlikely either that this pattern of labour market behaviour was motivated by the desire for even greater income security than in the past or that participation would inevitably diminish under a BI.¹² People are attracted to high incomes and career opportunities. Thus it is not evident that the provision of a BI would lead to a significant shift away from market to non-market activities.

Some secondary income earners, particularly women and teenagers, may withdraw from the labour market, if a BI is introduced. Some secondary, and even primary, earners may try to reduce hours of work by undertaking part-time and casual work to supplement their Basic Incomes. Unless the BI is very generous, so that a significant

¹¹ Over the same period, the percentage of families with no parent working rose from 13.1 to 16.2.

¹² Some two income families may work more hours than they would otherwise choose.

number of part-time workers choose voluntarily not to engage in paid work, there could be an increase in the supply of part-time workers which could even strengthen the hand of employers in a segmented labour market. Also employers are likely to be able to exploit the large implicit subsidy by reducing wages and conditions. Thus there is likely to be a growth of low wage, low productivity jobs which employers have no incentive to restructure through new investment. Consequently the growth in average living standards would decline, along with investment and skill development.

The impact on aggregate consumption of the introduction of a BI under revenue neutrality is unclear. We shall assume that a flat rate income tax is imposed. First higher income earners suffer higher levels of tax, but whether this translates into lower consumption depends on whether the increased tax rate is absorbed in lower saving. Lower income earners and the unemployed enjoy higher post tax incomes *ceteris paribus*, but some employees may reduce hours of work, without sacrificing their post-tax level of income. Low-income earners tend to have a higher propensity to consume than high-income earners. The overall impact on consumption is likely to be relatively small. Unless any increase in consumption was met by higher aggregate hours of work, the country's material needs would be increasingly met via imports with consequential effects for the exchange rate.

The introduction of the BI could lead to an export led recovery, due to the increased labour flexibility and lower per unit labour costs, which would also counter the tendency for hours of work to decrease. These macroeconomic changes might lead to a realignment of wage relativities, but rates of underutilisation of labour in many countries are high, so the impact on relativities may be small.

The Environment

Introduction

Many Greens argue that full employment with all workers able to secure full time employment, if they so choose, is neither desirable nor sustainable, given the type of employment that is currently available (Fitzpatrick 2001). Although an increasing percentage of part-time workers seek increased hours of work in Australia, there is a large cohort who want part-time employment. Typically the solution to poverty and unemployment is faster economic growth and hence higher employment which is usually at the expense of the environment. On the other hand, a zero sum income redistribution and slower (unregulated) growth reduces the additional damage to the environment.

Greens seek sustainability but also social justice. Accordingly a BI has some appeal because it is alleged to undercut the employment ethic and to challenge the productivist assumptions which legitimate that ethic (Fitzpatrick 2001, p. 3). Consequently some ecologists support the BI because it entices people out of employment so that there is a slower rate of economic growth. The key question is the extent that the imposition of an adequate BI reduces the rate of economic growth under revenue neutrality. This must entail a slower growth of demand and hence hours worked, and not merely a redistribution of hours (Fitzpatrick 2001, p. 2).

Mellor (1992) suggests that the introduction of a BI could reinforce existing values, assumptions and habits, with recipients simply treating the BI as a lump sum gain in income with a minimal effect on hours worked due to the desire to sustain or even increase consumption expenditure (see also Ingles 2001). Dobson (2000) notes the contradiction between the anti-materialism of Green thought and the proposal to finance the BI out of the revenue generated from taxing workers.

Lifestyle choices under a BI

With the link between work and income being loosened under a BI, the analytical focus tends to be on the liberating effect on workers with respect to their choice of work hours and thus the potential for the redistribution of working hours without the loss of post-tax income. The achievement of a Green society, which would necessarily be associated with a slow down of the growth rate of GDP and improved environmental outcomes, would require a rejection of the consumerist mentality. This would entail a massive change in public consciousness as well as institutional change.

Some writers are confident that the change in consciousness will occur. Lerner and Clark (2000) emphasise the increase in labour market flexibility that arises from the introduction of a BI. The BI is viewed as the *quid pro quo* for the insecurity imposed on workers by employers. Lerner (2000) argues that workers benefit through enhanced career choices, the opportunity for sabbaticals and flexitime etc (see also Fitzpatrick 2001, p. 2). She suggests that education can assume the important major role in the development of human potential. The improved choices about lifestyle would foster a shift from materialism and consumerism. Non-market activities, such as parenting, care-giving, volunteerism and philanthropy would be re-evaluated. More time could be spent with families and involvement with communities. Employment opportunities could be shared with some workers choosing reduced hours and other taking sabbaticals etc. Thus Lerner (2000) is enthusiastic about the BI because workers have more freedom to develop interests and activities outside of waged work (Fitzpatrick 2001). Lerner and Clark (2000) quote Gorz who argues that individual, collective, private and public activities now can develop without necessarily being profitable. Gorz does acknowledge that a minimum income is a necessary but not sufficient condition for social participation (Fitzpatrick 2001, p. 5). Again Lerner and other writers tend to focus on the changed circumstances at an individual level and their possible impact on individual behaviour, and ignore the macroeconomic impact.

If Greens are to support the BI, then they must argue that BI channels growth in ecologically friendly directions. This can only take place if there is reduced throughout and/or a change in production techniques.

Offe (1993) suggests that a BI could remove some of the productivist pressures so that targeted and selective environmental policies could be introduced leading to the termination of some forms of production. A good example in Australia would be the acceptance of the closure of timber mills in regional areas once the environmental issues could be separated from the means of sustaining regional communities.

Anderson (1996) argues that the activities and lifestyle associated with ecological lifestyle are not necessarily encouraged by a full BI. He advocates a small unconditional BI and a citizen's wage for activity outside the labour market that is

socially useful and environmentally friendly and also the promotion of the third sector, which is not organised around the state or the market.

Thus the belief that a BI brings about changes in behaviour compatible with a Green economy is founded on an act of faith. Even if individuals chose to adopt less materialist lifestyles, there is no guarantee that uncoordinated individualistic behaviour will lead to the promotion of coordinated and coherent voluntary activities that address pressing environmental problems. Van Parijs 'version of liberalism is too individualistic to the detriment of the common good' (Farrelly 1999, p. 291).

JG and the environment

The JG proposal will assist in changing the composition of final output towards environmentally sustainable activities, which are unlikely to be undertaken by traditional private sector firms. A JG job should be offered as long as it increases the Genuine Progress Indicator (see the Australian work of Watts & Mitchell 2000a). Future policy must consider environmental risk factors and threshold effects in the use of natural capital. A risk-averse attitude is wise (Zarsky 1996, p. 172). Indiscriminate (Keynesian) expansion fails because it does not address the need for risk aversion. It is not increased demand *per se* that is necessary but increased demand in certain areas of activity (Mitchell & Watts 2001a).

Forstater (2001) outlines a wide range of environmental tasks that could be available under a JG program and are not motivated by the pursuit of profit.

These programs will be designed to reflect the environmental imperatives and will be located to reflect local assimilative capacities. These jobs cannot be construed as unskilled. Indeed some may be incorporated into the public sector stock of permanent employment.

Conclusion

The two interventionist programs outlined in this paper both acknowledge that there are chronic problems of income insecurity and underemployment in a number of Western economies. The neo-liberal response based on supply side reform and tight monetary and fiscal policy has been unsuccessful.

BI is an individualist rather than collectivist solution to income inequality and income insecurity in the sense that the economic outcomes depend on individual choices about employment, consumption and leisure time activities against the backdrop of the BI. Some advocates of the BI, including Lerner (2000), assume that through unpaid activities, individual and community initiatives will spontaneously meet the pressing social and environmental needs of society.

System/macroeconomic effects, in particular the impact of a BI on consumption, production and hence aggregate employment, are ignored. At best, the impact on consumption of the introduction of a BI is likely to be small and hence aggregate hours of paid work will remain more or less unchanged.

On the other hand, the JG program provides certainty with respect to employment and income and thus addresses the issue of poverty. It is a collectivist solution in that the government assumes direct responsibility for employment and income generation, as well as the identification of social and environmental ills. The government remains subject to the political process.

In contrast to the BI, the long-term career possibilities of all prospective employees are enhanced under the JG. The expertise of local councils, state and federal governments can be exploited to address the backlog of environmental and social issues that need to be addressed which are the product of the withdrawal of the state. This is not to decry the role of voluntarism in social, cultural and environmental activities, but a sustained, coherent program is required to meet unmet economic, social and environmental needs over the foreseeable future. For this reason, it can be argued that individuals have an obligation to participate in work.

Van Parijs (2000c) acknowledges that a conditional income (JG) may represent a step in the transition to an unconditional BI, following the reassessment of what constitutes work. He notes that a rigid participation income scheme risks opening up 'a nightmarish scenario of an enormous bureaucracy entrusted with arbitrary monitoring powers'. The adoption of an unconditional BI is possible in the future, given rising labour productivity and falling hours of paid work, but the question remains as to whether the needs identified above will be met through an expanded role for voluntarism.

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