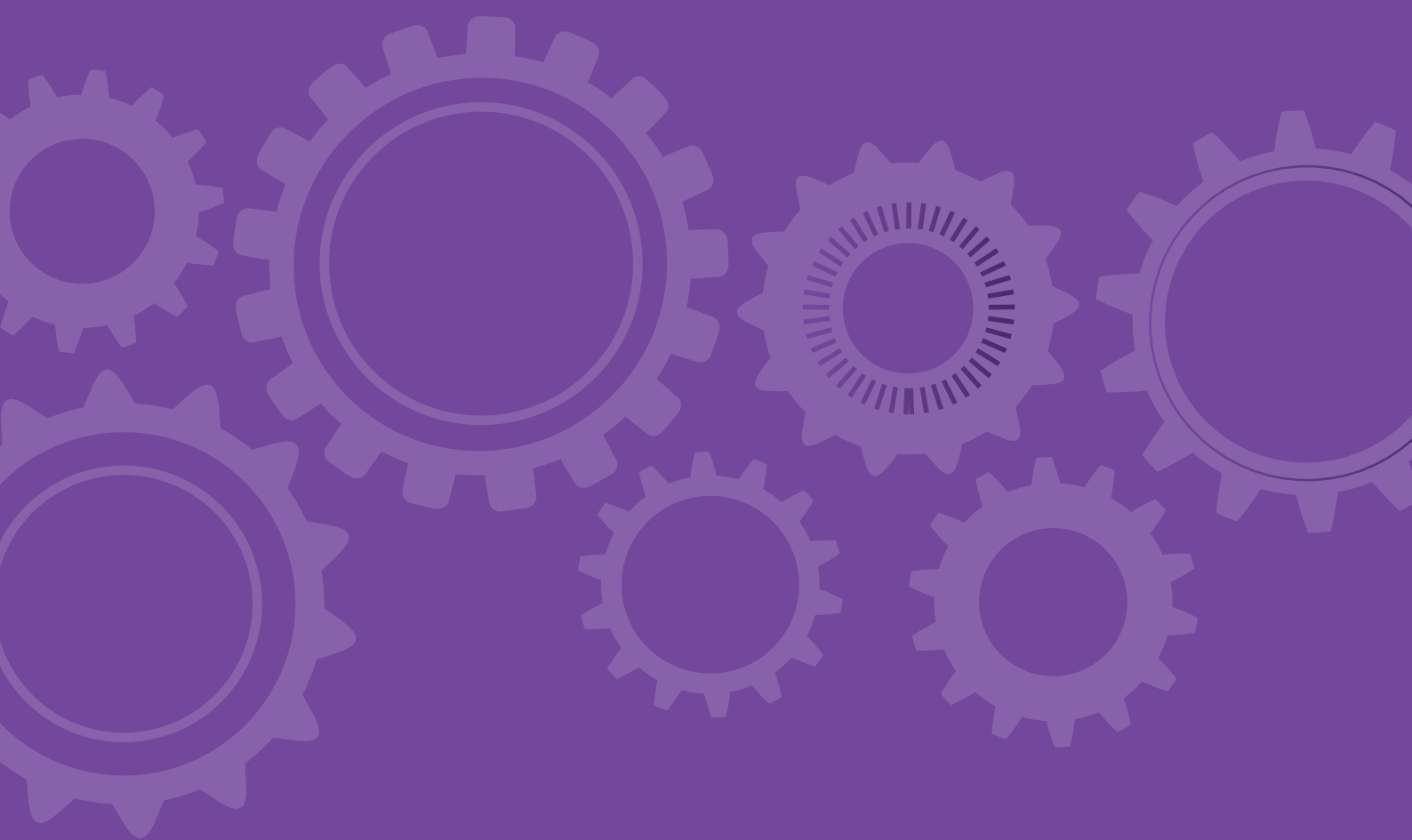


# Basic Income, Employment and Entrepreneurship

*Exploring Basic Income in Scotland*



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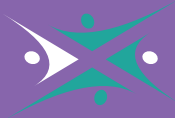


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## Exploring Basic Income in Scotland

Exploring Basic Income in Scotland is a cross-disciplinary project, funded by Scottish Universities Insight Institute, that looked at the implications of a Basic Income for a variety of intersecting issues. The project was led by academics from the Heriot-Watt University, University of Edinburgh and Citizen's Basic Income Network Scotland (CBINS). It united policy makers, practitioners and academics to look at the intersection of a Basic Income with employment and entrepreneurship, housing, care and human rights and equality and the modelling, implementation and evaluation of the policy.



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## INTRODUCTION

The impact on work is central to the conversation about Basic Income. Activities that generate income do not represent the full spectrum of what can be defined as work. Caring for children is work, producing art is work, maintaining a household is work. This is a significant distinction that was taken into account when designing this project. We chose to separate out issues such as care, human rights and equality to examine them individually, including the relevant elements of paid and un-paid work. In this section we will look at the potential impacts of a Basic Income on employment and entrepreneurship, both immediately recognisable as work and usually primary areas of concern and interest when engaging people on the topic of Basic Income.

We explored the implications of Basic Income for employment, including part-time and self-employment, and the impact of Basic Income on people's willingness to work, ability to work flexibly and inclination to establish small businesses. To do this we looked at existing theory and evidence behind the interaction of Basic Income, employment and entrepreneurship in the following background paper - written by Iain Cairns - and hosted a facilitated workshop on the topic - attended by policy makers, practitioners and academics with relevant understanding. The insight gathered at this workshop can be found in the following workshop report.

### ⚙️ *Basic Income Definition*

A Basic Income is a periodic cash payment unconditionally delivered to all on an individual basis, without means-test or work requirement.

That is, Basic Income has the following five characteristics:

**Periodic:** it is paid at regular intervals (for example every month), not as a one-off grant.

**Cash payment:** it is paid in an appropriate medium of exchange, allowing those who receive it to decide what they spend it on. It is not, therefore, paid either in kind (such as food or services) or in vouchers dedicated to a specific use.

**Individual:** it is paid on an individual basis—and not, for instance, to households.

**Universal:** it is paid to all, without means test.

**Unconditional:** it is paid without a requirement to work or to demonstrate willingness-to-work.

*Source: Basic Income Earth Network*

## THE FINNISH EXPERIMENT AND UNDERSTANDING THE IMPACT OF BASIC INCOME ON EMPLOYMENT

Since the background paper was written and after the workshop occurred, significant new evidence concerning the impact of a Basic Income on employment has been published by Kela, the Finnish Social Security Authority evaluating the Basic Income experiment that ran in Finland from 1 Jan 2017 – 31 Dec 2018. The experiment looked at the impact of a monthly Basic Income of €560 given to 2000 randomly selected

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unemployed people for the 2 year duration of the experiment. "The primary aim of the Finnish basic income experiment is to study the effects of the basic income on employment and income."<sup>1</sup> Evidence was collected through a register-based study for the experimental group and a control group of 173,000 for whom register data is also collected. A phone survey was conducted towards the end of the experiment for both the experimental group and a control group of 5000 randomly selected unemployed people.

The preliminary results of the experiment were published in February 2019 and included evidence collected using the register-based statistical analysis of the employment effects of the experiment in 2017. "On the basis of an analysis of register data on an annual level, we can say that during the first year of the experiment the recipients of a basic income were no better or worse than the control group at finding employment in the open labour market", says Ohto Kanninen, Research Coordinator at the Labour Institute for Economic Research.<sup>2</sup>

The number of days in employment for the experimental and control groups were similar and the difference negligible, those receiving a Basic Income had an average of 0.5 days more employment during the analysed period. Some of the participants in the experiment engaged in self-employment, when compared to the level of self-employment seen in the control group there was little difference between the two: of the Basic Income recipients 43.70% had earnings or income from self-employment and for the control group it was 42.85%. The total income from self-employment was on average €21 lower for the experimental group (€4,230) than for the control group (€4,251).

This suggests that there is no impact on engaging in employment or self-employment during the first year of receiving a Basic Income of the level provided in this experiment. A clear effect might be expected to take longer than a year and similar experiments are being undertaken in a number of Dutch cities to assess any impacts on participation in work<sup>3</sup>.

The survey results showed that those receiving a Basic Income felt more confident that they would find employment, a key characteristic in successful labour market outcomes according to the employability literature and policy analyses. The Finnish participants were also more often of the opinion that a Basic Income supports their ability to accept a job offer or set up a business when compared to the responses of the control group; again this is consistent with the research on job search and efficient and effective market outcomes.

This evidence could support the assumption that less bureaucracy in claiming social security benefits and the consistent financial support provided by a Basic Income helps people engage in employment and entrepreneurship. It also seems to indicate that the common apprehension about Basic Income causing a drop in engagement with employment is unfounded. Indeed, other things being equal, the reported results and opinions from Finland not only counter the suggestion that people would withdraw from paid work but also that any such tendency is balanced by others

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pursuing different and more productive forms of employment. This new data is key to understanding the interaction of Basic Income, employment and entrepreneurship which is also the aim of this part of our project; these issues are explored in the Briefing Paper below, informed by the economic and other theory and analyses of basic income in the labour market.

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3 See forthcoming edited volume by Lei Delsen on “Empirics in Europe of the unconditional basic income (UBI)” with chapters on basic income experiments across Europe.

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# Background Paper: Basic Income, Employment and Entrepreneurship

by Iain Cairns

## INTRODUCTION

A great deal of the literature on Basic Income (BI) has been focused on its potential impacts on employment (e.g. Atkinson, 1995; Standing, 1992; Van Parijs, 1992<sup>1</sup>). In this scoping paper the main issues regarding BI and employment are outlined. These might be said to concern, firstly, the extent of employment and, secondly, the nature of employment. By the extent of employment it is meant how BI might impact upon incentives and disincentives to work and, as a result, influence the overall amount of paid employment undertaken in a society. Linked to this, as we shall see, are discussions on the moral arguments around paid employment. The nature of employment, on the other hand, refers to the way that the kind of work undertaken in a society might be affected by the implementation of BI. This scoping paper will begin by looking at the main issues relating to BI and its implications for the extent of employment, before addressing BI and the nature of employment. Brief discussion on the implications for the gig economy, self-employment and entrepreneurship is included also.

## THE EXTENT OF EMPLOYMENT AND THE MORAL IMPERATIVE FOR PAID EMPLOYMENT

An often-advanced argument against BI is that it removes an incentive to work, and indeed several recent experimental BI schemes in Finland, Dutch cities and Canada have focused on work incentives especially. The assumption is that if income is provided independently of paid employment fewer would work or individuals would choose to work less, or both. As a consequence, this would jeopardise the total taxable income base from which basic income, and other public services, could be funded. Such arguments question the viability of BI schemes from a macroeconomic perspective. However, how BI might disrupt work incentives is also formulated as a moral argument. It is considered, for example, if it is just that those who fulfil a duty to society by contributing their time and effort through paid employment should have part of the rewards for their labours 'appropriated', through taxation, so that others, who may not choose to contribute in this way, can be supported in 'idleness'. This is often described as the 'free rider problem'. As Elster characterises the moral argument against BI: "It is unfair for able bodied people to live off of the labour of others"<sup>2</sup>.

Proponents of BI contest these arguments in a variety of ways. We can begin with the macroeconomic argument before moving on to the moral argument. The idea that a

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BI would lead to a reduction in total paid labour across an economy is contested in two main ways: first, by considering the inadequacies of the labour market to provide sufficient rewards to make viable certain paid work and, second, by considering the disincentives for paid employment inherent in existing welfare systems.

BI proponents typically accept that if individuals receive an income independent of employment then this will reduce their incentive to perform certain unpleasant jobs (as is discussed later). However, they also point out that labour markets which operate without a basic income are prone to dysfunction. Labour markets do not guarantee wages sufficient to enable employees to enjoy an acceptable existence. As MacKay puts it, "the market clearing rate of pay may, in some cases, actually fall below what is considered essential for even the most minimalistic lifestyle" (2005: 185<sup>3</sup>). These concerns are not purely theoretical. As is evidenced in the 2013 Monitoring Poverty and Social Exclusion report by the Joseph Rowntree Foundation, the majority of those living in poverty in the UK, for the first time from 2011-2012, were from working families (MacInnes et al., 2013<sup>4</sup>), and these rates have worsened since. Developments in workplace automation - and a resultant deskilling in the workplace - may mean that rates of in-work-poverty may increase over time if the issue is unaddressed. BI is proposed as one possible solution for the inadequacies of the labour market. Because an individual would retain their BI even when accepting employment which in itself could not provide an adequate income, workers would be able to "price themselves into jobs"<sup>5</sup>. This would mean that businesses which currently cannot generate sufficient revenue to reward workers adequately enough to encourage them into accepting employment would become viable. According to this reasoning, therefore, BI serves the purpose of both increasing the ability of individuals to accept jobs and the availability of certain jobs, particularly those which if left to labour markets alone would provide inadequate incomes. The potential ability of BI to promote employment in the context of labour market failure has led some authors to suggest that a form of BI, amongst other factors, may be a prerequisite for the return of full employment (e.g. see Gray<sup>6</sup>, 1988 and Meade, 1995<sup>7</sup>).

In contrast to the theoretical disincentives of BI to work, BI proponents often highlight disincentives to work inherent in existing welfare systems, in particular the role of Means Tested Benefits (MTBs) in discouraging work. The argument advanced is that, as MTBs are withdrawn as individuals move into paid employment, the drop in income which results is insufficiently compensated for by the income provided by many low paid or part-time jobs<sup>8</sup>.

This is especially the case when costs associated with employment are factored in, such as travel and childcare. In other words, as a result of MTBs, individuals may find themselves worse off by taking on paid employment. As individuals are able to maintain their BI as they move into paid employment such disincentives are eliminated; unlike with MTBs, with a BI each hour of additional paid employment undertaken increases the income of an individual.

The suspicions that a BI will reduce overall levels of employment are, seen from

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the perspectives outlined above, formulated without adequate reference to the disincentives inherent in existing labour markets and welfare systems. Disincentives which BI is designed to remedy. It might be added that consideration of incentives or disincentives in terms of paid employment here is considered purely in monetary terms. Viewing incentives purely in such terms may mean inadequately considering other motivation for work, such as the role of paid employment in providing purpose, status or meaning in one's life. Viewing incentives as purely monetary may also result in underestimating other motivations to reduce paid employment, such as to improve work-life balance or health concerns. For such reasons, the effects of the implementation of a BI in terms of the overall rate of employment may be more difficult to predict than is often appreciated. Examples of empirical research which offer insights into how employment rates might be impacted by the implementation of BI are few. But, on balance, it can be said these provide some support for the view that BI is unlikely to seriously decrease overall employment rates. For example, analysis of the minimum income guarantee scheme trialled in areas of Canada from 1974 to 1979 (the so called Mincome experiment) shows that:

"The reduction in work effort was modest: about one per cent for men, three per cent for wives, and five per cent for unmarried women" (Hum and Simpson, 2001: 80<sup>9</sup>).

Similarly, a recent study of the BI scheme in Alaska, which has been in operation since 1976 and is on-going, found that while some individuals work less in paid employment others work more. The authors conclude that:

"Overall, our results suggest that a universal and permanent cash transfer does not significantly decrease aggregate employment" (2018: n.p.<sup>10</sup>).

Such experiments are typically small in scale (as in the case of Canada) or involve only very small sums as BIs (as in Alaska). Unfortunately, therefore, the extent to which findings from these can be generalised in order to draw conclusions about proposals for more ambitious BI schemes, designed for wholesale social security system reform, is debateable.

Even if we are to conclude that the threat of BI to the overall hours served in paid employment is overstated this does not address arguments against BI on moral grounds, i.e. that some individuals may take advantage of BI in order to live off of the fruits of others' labour: the so-called 'free rider problem'. Van Parijs responds to the free rider argument against BI. He points out, for example, that to address free riding, an economic system would have to be envisaged in which rewards are "strictly proportional to work effort". But he contends that this is an impossibility. He writes:

"How should hours of work be made comparable? (Should one hour of effort-intensive work be equivalent to one hour of relaxed work, one hour of dangerous work to one hour of safe work, one hour of useless work to one hour of useful work, one hour of pathetically inefficient work to one hour of highly productive work?)"

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Van Parijs, 2015, 110-111<sup>11</sup>)

Moreover, he is dismissive of the idea that “workers are the creators of the whole product”. He gives the following example: “the fact that unequally fertile soil makes workers unequally productive”. From this perspective the wealth of a society is not best conceptualised as the sum total of individual effort. Instead it is better viewed, as Hutchinson et al. propose, as “based on the common inheritance of the body of cultural knowledge and natural resources handed on from generation to generation” (2002: 146). In this sense, then, we are all free riders on the environment and the efforts of others, past and present, in ways which can never meaningfully be quantified.

As rewards cannot be “strictly proportional to work effort” an alternative proposal offered by Van Parijs is that rewards be “positively affected by [...] work”. BI is “perfectly consistent” with this more realistic proposal. Indeed, as is clear in the above discussion of MTBs vs. BI, BI is more consistent with the aspiration that rewards be positively affected by work than is the alternative, and current, system of MTBs.

Building on these more theoretical foundations, proponents of BI stress how widespread free riding can be considered to be in modern societies. As Miller points out:

“many [...] people who are perceived as ‘free riders’ [today] are doing activities that are valuable to society, but are invisible - particularly care and community work”

In other words, many individuals who are not in paid employment are in fact providing vital social services without which our societies would fail to function at an acceptable level. For example, as feminist proponents of BI stress, the starkest example of free riding in modern societies relates to childcare (McKay, 2005). Childcare can be understood as an activity upon which all else in society ultimately depends. This work is disproportionately undertaken unpaid by women within households. In this context, a basic income provides a minimum reward for socially useful work such as childcare, work which currently may have no financial rewards but considerable financial costs. Such observations turn the free rider argument on its head. Instead of BI portending an era of free riding, it is contemporary society which can be understood as particularly dependent on the appropriation of the rewards of the work of others. By ensuring that a least a

### Key insights - The extent of employment and the moral imperative for paid employment

Basic Income is proposed as one possible solution for the inadequacies of the labour market

Unlike with means tested benefits, with a Basic Income each hour of additional paid employment undertaken increases the income of an individual.

Basic Income ensures that the substantial contribution made by those providing socially essential unpaid work is recognised and (to some extent) rewarded.

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minimal reward is available to all individuals, BI therefore ensures that the substantial contribution made by those providing socially essential unpaid work is recognised and (to some extent) rewarded.

## THE NATURE OF EMPLOYMENT

“The intriguing consequence of the basic income is that it would put the worker in the same position as the capitalist: it gives him/her independent means.” (Walter, 1989: 108 in McKay, 2005, 186)

Proponents of BI contend that the implementation of BI would increase the bargaining power of individuals in labour markets and within the workplace, allowing, in the words of Van Parijs, “the less advantaged to discriminate between attractive or promising and lousy jobs” (2004: 17). It has been proposed that the consequences of this may be several (see, e.g., Miller, 2017). For example, it would be expected that the wages associated with unpleasant, or ‘drudge jobs’, would have to increase so that sufficient numbers could be enticed into taking them. Also, to both entice and retain employees, one might expect improvements in work place conditions. This might include a reduced working week, improved work benefits, perks or training, enhanced parental rights, improved worker participation in management or workplace democracy, etc. Such changes have the potential to improve work-life balance and reduce absenteeism and work-related stress. Moreover, if a BI was to lead to a reduction in hours worked one would expect an increase in productivity as evidence suggests that reduced working hours have a positive effect on the productivity of workers (Golden, 2011). A BI therefore implies various knock-on effects for an economy more generally.

It has also been suggested that, because a BI would facilitate a situation in which more people would be able to survive without devoting the bulk of their time to paid employment, individuals would be freer to devote time and energy to learning and training (ibid). Enhancing one’s skills in such a way would serve to both improve individuals’ prospects in labour markets and could also potentially lead to an up-skilling in the labour market in general. A more skilled labour force would have implications for productivity in the economy as a whole. Studies of BI initiatives in India which ran between 2011-2013 concluded there were signs of increased productivity for those in receipt of a BI (Davala et al. 2015 in Miller: 73).

As is touched upon in the preceding section on BI and the extent of employment, a BI has potential implications for the creation of forms of employment which are currently unviable. Viewed negatively this means the creation of more low paid, seasonal or flexible work. A BI might then be considered as an expensive subsidy to employers, enabling them to drive wages down. But, considered in the context of BI’s theoretical capacity to increase the bargaining power of workers, the prospect of BI becomes more positive; the viability of low paid work is ensured only if workers are able to derive value from it which compensates them for the low pay (otherwise they would withhold their labour until wages increase). Workers may derive value

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from such work for a variety of reasons. First, they may feel that they are contributing something to society, for example through community work or in caring roles. An increase in voluntary work and in the caring professions is therefore predicted from the implementation of BI. Second, individuals may view the experience and training they will receive in a role as enabling them to advance their careers; with BI many low paid jobs would be viable only as stepping stones to more financially rewarding roles. Third, a BI may enable individuals to act on creative aspirations which may be difficult to realise without working independently and in the absence of the kinds of supervision associated with formal employment. This suggests stimulation for the arts and crafts industries and self-employment. It also implies the increased prevalence of all kinds of microbusiness which currently do not exist as they could not under current conditions provide returns sufficient for individuals to secure an adequate existence. Moreover, it suggests the possibility that some will take advantage of the BI to establish businesses which, while in the short term may not provide significant returns, may have long term benefit. As McKay writes:

“The granting of unconditional income guarantees provides the pre-requisite financial security required in taking ‘economic risks’. Hence, a favourable environment is created for engaging in entrepreneurial activity” (2005, 176).

BI literature has largely neglected the potential impacts of BI on self-employment and entrepreneurship. But there is some anecdotal evidence which suggests potential developments which a BI might stimulate. Stories emerging from the ongoing Finnish BI pilot study serve to illustrate. The Guardian newspaper reported on an unemployed man named Järvinen who was selected to be a subject of the Finnish BI experiment. The article stated that prior to the trial:

“the Finnish equivalent of the jobcentre was always on his case about job applications and training. Ideas flow out of Järvinen as easily as water from a tap, yet he could exercise none of his initiative for fear of arousing bureaucratic scrutiny.<sup>12</sup>”

After he began receiving the BI:

“His liberation came in the lack of conditions attached to the money. [...] he [now] makes shaman drums that sell for up to €900” (ibid).

The article explains that Järvinen

“was trapped in a “humiliating” system that gave him barely enough to feed himself, while refusing him even a glimmer of a hope of fulfilment” (ibid).

Recent research on self-employment and poverty in Scotland (Galloway et al., 2016) drawing on evidence from various sources and based on official Government data reveals many self-employed workers earn less than the national minimum wage, and it is estimated that over three-quarters are in income poverty. Further, the self-employed are not entitled to statutory sick pay, maternity or paternity pay, paid holidays, training support, and, will be reliant on the state and their own savings in retirement. As with the employed workforce, but with these additional costs of

living, there are reasons to expect and to examine whether and how a basic income would improve the living standards of the poorest in the community.

For nascent entrepreneurs, several blogs by economists have argued for the strong advantages offered by BI for start-up enterprises and this is complemented by support from some of the world's most wealthy entrepreneurs<sup>13</sup>.

In summary, proponents of BI attribute all kinds of benefits to the policy in terms of its impact on the nature of employment. They attribute to BI a potential increase in labour market bargaining power, especially to those least advantaged, with its implications for improved wages, working conditions and productivity. They attribute to BI a potential expansion in caring roles, 'stepping stone' modes of employment, and in arts, crafts and creative industries. There is also speculation about the extent to which BI might translate into increased self-employment and entrepreneurial activity. It should be concluded, however, that because of the absence of any implementation of BI on a permanent basis at the national level the benefits or drawbacks of such a scheme remain largely theoretical. Until a significant BI scheme is implemented BI's impacts will remain contestable and so the current workshops present the opportunity to explore some of these issues.

## Key insights - The nature of employment

Studies of initiatives in India which ran between 2011-2013 concluded there were signs of increased productivity for those in receipt of a Basic Income

It has been suggested that a Basic Income would facilitate a situation in which more people would be able to survive without devoting the bulk of their time to paid employment

A BI might then be considered as an expensive subsidy to employers, enabling them to drive wages down

Literature has largely neglected the potential impacts of Basic Income on self-employment and entrepreneurship.

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# Workshop Report: Employment and Entrepreneurship

by Cleo Goodman

## INTRODUCTION

This workshop started with a look at the aims and objectives of the session. We'd set out to explore the implications of a Basic Income on employment, including part-time and self-employment, and the impact of Basic Income on people's willingness to work, ability to work flexibly and inclination to establish small businesses.

Our first speaker was Mark Hooper, founder of IndyCube, who provided insight into the experience of the self-employed and that of an employer. We also heard from Annie Miller, Economist and Basic Income advocate, about work incentives.

Those attending the session, and the organisations they represent, all had relevant insight into Basic Income, employment and entrepreneurship from a variety of angles.

Who?	Why?
GalGael Trust  Charity and social enterprise that help people learn woodworking and boat making skills	The GalGael trust describe themselves as a working community. They provide insight into work incentives beyond paid employment and the impact of "upskilling" on people and their engagement with employment and entrepreneurship.
IndyCube  Provide coworking spaces and a benefits package for freelancers that includes legal support	IndyCube support self-employed people in a variety of ways and have a good understanding of their needs, they were able to represent these at the session.
Paul Spicker  Writer and commentator on social policy, Emeritus Professor of Public Policy Robert Gordon University	Paul has an in depth understanding of social policy that can be applied to the discussions about Basic Income. A critical sceptic of Basic Income and author of several of this project's background papers.
Scottish Government  The Scottish Government is the devolved government for Scotland responsible for the economy, education, health, justice, rural affairs, housing, environment, equal opportunities, consumer advocacy and advice, transport and taxation.	Scottish Government are involved in the feasibility work looking at a Basic Income experiment in Scotland. Their remit of responsibilities makes them a key partner in any work looking at a Basic Income in the Scottish context.

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<p>Annie Miller</p> <p>Economist and co-founder of Citizen's Income Trust and Citizen's Basic Income Network Scotland</p>	<p>Annie provides insight into the economic aspects of Basic Income and the global Basic Income movement and debate drawing from her experience looking at the topics over the last 30 years.</p>
<p>Women's Enterprise Scotland</p> <p>Support women in starting and growing their businesses.</p>	<p>Women's Enterprise Scotland were able to represent the perspective of entrepreneurs, particularly female entrepreneurs.</p>
<p>Firstport</p> <p>Social enterprise support system founded to support social entrepreneurs</p>	<p>Firstport have a good understanding of entrepreneurs, the process of starting a business and the third sector landscape in Scotland and they brought this to the discussion.</p>
<p>North Ayrshire Council</p> <p>Local government of the unitary authority of North Ayrshire, one of 32 unitary authorities in Scotland</p>	<p>North Ayrshire Council is one of 4 councils involved in the work looking at the feasibility of a Basic Income experiment in Scotland. Local authorities in Scotland provide a range of public services, including, social care and economic development, therefore local government is a key partner in any work looking at a Basic Income in the Scottish context.</p>
<p>Scottish Council for Development and Industry (SCDI)</p> <p>Independent membership network focused on developing inclusive economic growth and communities</p>	<p>SCDI represent a cross-section of the private, public and social economy sectors and were able to give an impression of a range of perspectives in those sectors.</p>
<p>Jay Wiggan</p> <p>Lecturer in Social Policy and Programme Director of MSc Policy Studies at the University of Edinburgh</p>	<p>Jay's research concentrates on the politics of active labour market policy and the governance of public employment services and social security administration, he applied this insight to the conversation.</p>

Throughout the session we attempted to identify the key issues for entrepreneurs, employees and the self-employed and the barriers to engaging in employment and becoming self-employed or starting a business. Once highlighted we discussed how these issues might be impacted by a Basic Income. The following is an overview of the conversations during the session.

## EMPLOYMENT

Automation is predicted to be a key factor in the future of employment and of course this was mentioned during the discussions. New technology can complete

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tasks currently done by people, replacing jobs without replacing income. It can be argued that new types of jobs will be created, alleviating the impact on the workforce and preventing mass unemployment. Basic Income has the potential to alleviate the impact of automation in both cases, either through supporting people through periods of retraining for newly created vocations or during times of unemployment due to disappearing and redundant skills and positions.

It is unclear what the impact of a Basic Income would be on work incentives. There is much evidence that suggests more income from social security leads to a greater engagement with the workforce<sup>1</sup>. It is likely that a Basic Income would cause concern for businesses regarding the cost of labour. If everyone's income was supplemented, then there could be less incentive to engage with unpleasant or unskilled work that is currently delivered by people on relatively low wages. Many business models are dependent on this work being delivered for minimal cost, if wages were driven up it is possible that these businesses would suffer.

Unfortunately, there were no representatives of trade unions present for this discussion, so we are missing their perspective on the potential impact of a Basic Income on employment. This insight is one we are keen to gather in the work following on from this project. Notably, a composite motion was passed at the 2018 annual congress of the STUC supporting the development and introduction of a basic income in Scotland.

### Key insights - Employment

Basic Income has the potential to alleviate the impact of automation

## COWORKING, FREELANCERS' RIGHTS AND BUILDING AN ORGANISATION FIT FOR THE FUTURE

Our first speaker was Mark Hooper, founder of IndyCube who provide coworking spaces and a membership benefits package. The package includes invoice factoring, legal advice, HR support and discounts on insurance amongst other things. Mark told us the story of opening the first IndyCube coworking space in 2010. They replicated the model they'd developed in Cardiff in other spaces in Wales then in England. After 6 years IndyCube converted to a co-operative encouraging their members to demonstrate a "commitment to cooperation and to help drive forward equality for the self-employed in the UK"<sup>1</sup>. They became aware of the significant impact that unpaid invoices had on freelancers and this is what led to the development of their membership benefits package. Mark said he was keen to see an experiment designed to look at the impact of a Basic Income on the self-employed.

IndyCube also have an innovative approach to their staffing model aiming to build an organisation "fit for the future". Mark referenced the high levels of in work poverty<sup>2</sup> as proof that work is not the way out of poverty and he is keen to see significant change in the way we distribute income to address this. IndyCube pay all of their employees the same salary, they also work a 4-day week but receive 5-days' pay.

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They call this a Basic Income; however, based on the widely accepted definition this is not a Basic Income: it is not unconditional, universal or non-withdrawable. However, they use the term to encourage conversation about Basic Income and the role it could play in the future of work. The role of the employer in funding a Basic Income is a not often discussed, but very interesting, concept.

## SELF-EMPLOYMENT AND FLEXIBLE WORKING

In recent years self-employment has risen to a 40-year high<sup>3</sup>, the rise in freelance and part time work has been popularly termed the gig economy. The motivations for self-employment were discussed and it was suggested that, for some, self-employment provides flexibility and choice that being an employee, particularly a full-time employee, does not. It was also noted that the self employed are twice as likely to have a sight impairment or mental health issue, which suggests self-employment is more suited to certain minority groups than traditional employment.

However, there are also a variety of barriers and downsides to self-employment. Amongst the issues suggested as barriers to self-employment were culture, confidence and the precarity of income. The GalGael Trust are a working community based in Glasgow, they teach a variety of skills including boat building and woodworking. It was said that very few people who learn these skills use them to enter self-employment due to the lack of security it provides. UK data, however, suggest that many are willing to accept lower incomes in self-employment compared with employment because of the freedom and autonomy gained from working for yourself<sup>4</sup>; a basic income reduces the risk and precariousness of making the transition to becoming an entrepreneur.

The income lost through unpaid invoices and the unpaid time invested in chasing these payments can be seen as a downside to self-employment. It was suggested that there is a tendency for the self-employed to work longer hours than they may otherwise, due to the challenges of finding paid freelance work, and finding work necessitates that one projects an image of themselves as busy and successful to inspire confidence in potential clients. The various unpaid administrative aspects of sustaining self-employment disincentivise people from spending time advocating for the rights of freelancers, in traditional employment this is the role of the union. It can be difficult to assess the needs and challenges of the self-employed community due to this.

### Key insights - self-employment

In recent years self-employment has risen to a 40 year high

It was suggested that the consistency and certainty of a Basic Income could encourage people, that otherwise would not, to engage in self-employment. Also, that a Basic Income would support the self-employed through periods with little paid work would acknowledge the unpaid administrative work required to sustain a freelance career and provide such workers with more time to chase unpaid

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invoices and explore their rights.

Flexible working was also discussed. It was suggested that a Basic Income would encourage more engagement in flexible, part-time work which could support those engaged in unpaid work such as caring, creative pursuits or volunteering.

## ENTREPRENEURSHIP

The possibility of a Basic Income encouraging entrepreneurship was discussed. In 2014, 5 out of every 10 new jobs were created by those going into business for themselves<sup>5</sup>. However, there are many risks for entrepreneurs, 77% live in poverty<sup>6</sup>. Starting a business is not an easy route to a secure income.

However, despite the challenges, starting a business is an aspiration held by many and there are countless organisations in Scotland that exist to support the entrepreneurial journey. This saw £650,000 invested in Entrepreneurial Scotland in 2018. First Minister Nicola Sturgeon said: "In recent years, we've [Scottish Government] placed a heavy emphasis on encouraging more people to be entrepreneurs – to set up new businesses and social enterprises and for the government itself to be more entrepreneurial."<sup>6</sup> Entrepreneurship and small business is seen to be a significant part of Scotland's economic future.

It was suggested that a Basic Income would open up opportunities for entrepreneurship to people who would otherwise not have access to them. The security of a guaranteed income could allow people to invest their time in starting a business and this could lead to a higher number of small, local businesses. A Basic Income could support an increased amount of time spent on self-guided learning and formal education and training. It could also allow people to spend more time on creative pursuits. Allowing people to spend more time pursuing their passions and developing the related skills could also lead to more people founding small businesses. Although these new businesses may appear less 'productive', their retention of incomes within the local community could boost the local and Scottish economies through multiplier and supply chain effects, raising the sustainable level of activities.

### Key insights - entrepreneurship

The security of a guaranteed income could allow people to invest their time in starting a business

## WILLINGNESS TO WORK

The impact of a Basic Income on people's willingness to engage with paid employment are unclear and there is currently little experimental evidence to provide insight. Although the results of the Finnish Basic Income experiment indicate no impact on engagement with employment during the first year of receiving a Basic Income, this does not give us any information about people's behaviour in the long term.

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A major focus of Basic Income experiments, pilots and models concerns work incentives and participation. Annie Miller of CBINS offered an introduction to these issues with a technical presentation on the economic theory underpinning economists' considerations and analyses. The conclusions from her paper are consistent with the international research and reports based on cross-national European databases and from the OECD<sup>7</sup>. The conclusions are that, for lower income groups especially, Basic Income offers strong incentives to work rather than to withdraw from the labour market. The findings of the Finnish experiment supported this with no suggestions that recipients of Basic Income there reduced their job search or acceptance activities. Particularly where there the overall introduction of a Basic Income scheme was budgetary neutral, those on higher incomes – often time poor because of modern work practices – would be in a better position to pursue improved work-life balance. Caring, volunteering, leisure and other non-employment activities would be encouraged with working couples better able to organise their respective contributions and interests to their mutual benefit.

A common argument against a Basic Income is the “free rider problem” described in Iain Cairns' essay in the previous section. This was not a concern voiced by any of the attendees of the workshop, again consistent with the previous literature on experiments and analyses of labour market activity generally.

We discussed the theoretical impact of a Basic Income on engagement with the labour market. A guaranteed income could give people bargaining power, allowing them to prioritise the use of their time based on their needs and desires rather than being pushed into employment to survive. This freedom of choice could necessitate the increase of wages to attract people to certain jobs. However, it was also noted that the implications of Basic Income go beyond what it means for businesses interacting with the labour market and the economy. The impact of a Basic Income on individuals could be profound, allowing people to choose what they do with their time and which types of work they engage with, whether that be paid or unpaid. This could transform the dynamic of employment and this transformation would not be without controversy or complications, despite the potential benefits. This makes the concept of a Basic Income as much a political discussion as one about social security and this is being taken into account during the work looking at the feasibility of a Basic Income experiment in Scotland.

### Key insights - willingness to work

The implications of Basic Income go beyond what it means for businesses interacting with the labour market and the economy

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## BASIC INCOME, EMPLOYMENT AND ENTREPRENEURSHIP SUMMARY

### POTENTIAL BENEFITS

- Increased engagement with flexible, part time and freelance work
- Increased entrepreneurship
- People more able to accept desirable low-paid or unpaying work
- Creation of desirable and stepping-stone jobs on lower wages
- Alleviation of the impact of automation
- Removal of the work disincentives of means tested benefits that make up the current welfare system
- Improved working conditions including a shorter work week
- Wages and work conditions of unpleasant jobs improved to make engaging with them worthwhile
- Improved work-life balance
- Increased self-guided learning and engagement with education and training
- Increased engagement with creative pursuits

### CONCERNS

- The impact of a Basic Income on engagement with employment is difficult to predict and plan for
- Basic Income reduces the financial incentive to work
- Automation may not reduce the number of available jobs
- Economic models are not always representative of reality so any modelling of impact of Basic Income on the labour market is not necessarily accurate
- For the cost of implementing a Basic Income, alternative policies related to Employment and Entrepreneurship may be more effective in producing the potential benefits
- Basic Income could radically change the labour market and the political implications of this are unknown
- If a Basic Income drives up wages this may put a financial strain on some businesses

### KEY QUESTIONS

*The answers to these questions can only be provided by long term analysis of the impacts of a full Basic Income. The questions consider outcomes that operate on different time scales, for some evidence could be collected on a short term basis during a Basic Income pilot, others are medium or long term outcomes that would require a longer duration of data collection to evidence. They are roughly in order of the time scale required for assessment but this depends heavily on the specific experimental criteria.*

*The Basic Income Steering Group facilitating the feasibility study in Scotland use the following categories for outcome timeframes: short term: 2-3 year pilot period, medium term: 4-10 year and longer term: 10-20 years.*

- How does engagement with employment compare for people on means tested benefits in comparison to people receiving a Basic Income?
- What impact would a Basic Income have on self-motivated development of skills?
  - Would more people engage in formal education?
  - Would more people engage with formal training?
  - Would people spend more time on self-guided education?
  - Would people spend more time on creative pursuits?
- What impact would a Basic Income have on entrepreneurship?
  - Would more people be inclined to start a business?
  - Would more people start businesses?
  - Would there be an impact on the business landscape?
- What impact would a Basic Income have on the self-employed?
  - Would more people engage with self-employment?
  - How would it improve the professional experience and well-being of the self-employed?
- What impact would a Basic Income have on employees?
  - Would engagement with certain types of vocation or role change?
  - Would more people engage with part-time or flexible work?
  - Would people's well-being improve as a result of changes to their employment?
  - Would work outputs of employees be impacted?
- What impact would a Basic Income have on jobs?
  - Would wages change?
  - Would jobs change?
  - Would working conditions change?

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