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COMMENT

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Debate: "Basic Income and Employment in Developing Countries"

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**Basic Income, Occupational Freedom
and Antipoverty Policy***

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The articles in this Debate make a strong case for converting means-tested cash grants into unconditional rights to subsistence. The result would be a basic foundation for agency-guided development through an immediate check on absolute poverty and on exploitative work. A basic income's wider impact on work is far less straightforward, however. In my view, it is overdrawn in the present Debate in a way that reflects on broader problems in the treatment of occupational freedom. The trouble is that the same instability and weak institutions that, in recent years, have restricted access to stable and meaningful work also limit basic income (BI) as a redistributive tool. Failure to perceive these developmental aspects of occupational freedom as being wider problems of relative poverty and state regulation has exaggerated projections about BI's employment effects. For Seekings (2007), in this Debate, a pragmatic case exists for BI in the chronic nature of unemployment and poverty. The remaining three articles however make wider claims about raised levels of employment and

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economic development that are more difficult to sustain. The argument here centres on a critique of the moral hazard assumption in respect to an implied laziness of the assisted poor. But BI discourse needs to consider the wider context in which the moral hazard argument – the resistance to regulation within the realm of exchange (Chang, 2002; Haagh, 2002) – matters to occupational freedom.

Ironically the projections about raised employment effects from BI grants mirror the confident case made for individual responsibility in mainstream antipoverty policy and a recent priority that has been placed in this discourse on compensatory tools. Entailed in this is the World Bank's acknowledgement of cash grants expansion as semipermanent, its support of basic assets as business collateral (World Bank, 2005, p. 82), and a parallel recognition of the market-enhancing roles of income support ("flexicurity") in neoliberal thinking (*The Economist*, 2006). These herald a new intellectual capitulation as to the structural inequalities of deregulated capitalism, and alongside this a more permanent abandonment of ideas of stable work and social cohesion such as characterised the Bank's earlier promotion of unemployment insurance.

On these matters, BI discourse in general and on development in particular has surprisingly little to say. The argument that sees BI as a means to developing businesses and boosting employment has a wider resonance in a fairly voluntaristic interpretation of the prospects for individual mobility, given basic assets, within a particular deregulated form of global capitalism, and the "dislocations that go hand in hand with it" (Van der Veen and Van Parijs, 2006, p. 10). This general acceptance of economic institutions in their current form, for example, appears to be at the root of the dismissal of Rawls's conception of (relatively) "lasting social positions" as a plausible interpretation of occupational freedom.

But this perspective offers an overly hasty dismissal of the interests individuals have in occupational stability and overdraws their power to shape it. The more enhanced mobility of capital (relative to labour) is a key source both of global and intrastate inequality and of unstable or weak institutions of ownership over human resources. These processes threaten BI's localised effect on empowerment.

The evidence suggests that individuals are motivated to work through long-term lines of activity that BI does not secure in itself. For example, personal growth through contiguous activities was valued as the most important aspect of working life by a majority (75 percent) in a survey of job-seekers with middle-range schooling in São Paulo, Brazil. A more pronounced preference for "an

activity one likes at the time" in the slums (38 percent compared with 4 percent in the city) was shaped by inaccessibility of reasonably stable employment (Haagh, 2007). This data broadly accords with research in hedonic psychology that relates well-being to "the [process of] attaining control over economic and personal aspects of life" (Peterson, 2003, p. 288). In fact, the same surveys just mentioned showed a greater incentive effect from income support among groups that had been working in more secure and occupation-specific activities. From this, then, emerges a greater sense of autonomy where expectations are stabilised through multiple sources. This demands that we reflect more carefully on the relationship between BI and other institutions of governance. For example, it is necessary on this basis to qualify the effects on enterprise of income grants which the Haarmanns (2007) project – because, while BI grants provide a stable subsistence, they do not secure an environment of stable returns on investment, in either dependent employment or individual enterprise.

At issue here is a wider tendency in the BI literature to emphasize distributive issues regarding individual talent and will-power relative to the role of institutions in diminishing such differences and in shaping incentives. The economic and sociological evidence suggests that work behaviour is strongly pattern-based. Individuals return to their employers and occupations even under weak regulation or crisis (Camargo, 1996). A core line of BI defence is, of course, to dampen the insecurity involved in this process (Standing, 2002), especially in developing countries. But it is important to conceptualise opportunity itself as a source of security. An opportunity that is merely fleeting hardly deserves the name. That is why opportunities for step-wise progression – or developmental freedom – must be central to occupational choice, and why predicting that BI itself will create more occupations (Williams, 2006, p. 4) is too institutionally and temporally vague.

The acceptance of less stable societies as a source of defence for BI may also underestimate the influence of distinct capitalist trajectories on occupational freedom. Comparative research suggests that occupational deregulation is a central factor in countries with lower levels of social mobility (Jännti et al., 2006; Bourguignon, 2004), and a greater reliance on passive security (Haagh, 2006). Indeed, deregulation of work is the core reason for the falling returns to middle-range schooling in Latin America, a trend that undercuts the present antipoverty strategy based on raised education and cash grants. In this context a BI will help revitalise local (especially informal) economies. But the real autonomy and development options of local communities, and individuals' freedoms to join or leave them, depend on a more balanced distribution of property rights in

stability and mobility between the factors of production, both nationally and globally.

In question, therefore, is not the poor's entrepreneurial drive, but the pre-existence of other institutions of ownership over work and resources. In rural and semi-urban contexts this entails the public or cooperative organisation of supply chains, outlets, training, equipment and infrastructure that are standardly accepted as being vital to successful land reforms and micro-enterprise in developing countries. In fact, to properly safeguard subsistence, and to guarantee equal occupational choice, it is important that support for certain lines of business should be organised as a separate source of economic security, or public domain, as in Stiglitz's (2002, p. 54) example of public insurance for chicks in Morocco. In other words, if BI is really to have the "limited liability" business-enhancing function now standardly forecast, it is essential that its practical use is not confused with a business function: the essence of limited liability law is precisely to separate the risk of subsistence and enterprise.

Equally, I am sceptical about how far a BI can sustain the level of employment and raise competitiveness in urban contexts through low-quality, low-paid jobs as discussed by Rodríguez Enríquez (2007). Here the question of how a BI will affect existing institutions of social protection and social inclusion, which Suplicy (2007) raises at the end of his article, deserves careful analysis. A medium- and high-skill equilibrium strategy that also enhances the choice and developmental aspects of occupational freedom would require more concerted long-term investment in regional industries and in social development (sanitation, irrigation, literacy, education and health). This conforms with the rise of professions (along with artisanal or technical trades) to which young people surveyed in São Paulo aspired. At stake here is also the likelihood of a future BI at a sufficiently generous level to have an impact on employment and wages. Creating a set of broad-based professions is important to this kind of substantive reform because, arguably, the necessary political will depends on a high level of social cohesion and institutionalised politics. Hence, a current tendency to institutionalise a separate welfare system for the poor (Lloyd-Sherlock, 2006) is a worrisome indicator of the economic erosion of this social consensus and portends the "lock-in" of a potential BI grant (at a low level) as a trade-off for welfare retrenchment.

This trade-off introduces an important tension in BI reform, because the projected effects on occupational freedoms depend on more than the functional separation of work and income security (Standing, 2000, p. 36). The two other requirements of occupational freedom are freely available welfare and the

guarantee of protected work. All three mechanisms are necessary to diminish the distribution of advantage through luck, innate powers, and unbounded sacrifice. A case in point is the critical question of child care raised by Rodríguez Enríquez (2007). One concern is that by treating child care as an individual expense, a BI becomes itself a tool for perpetuating the unpalatable trade-offs that individuals (especially women) have to make under a work-fare system between working life, family life, and leisure. This pattern is especially detrimental to equal occupational freedom (between men and women) in developing countries where the shorter time span of women's fertility is reflected in a strong association between women's economic opportunity and family size.

In conclusion, the difficulty facing the BI agenda in developing countries is the infertile climate for other economic and social reforms needed to make BI anything more than a compensatory policy. The requisite reforms conflict with noninterventionism in several ways: in welfare – by presupposing a long-term commitment of resources and personnel that is at odds with short-term outsourcing; in micro or regional development – through mechanisms of public subsidy and insurance (Chang, 2002); and in labour markets – by regulating professions, work-time and care. Note that this need in the development process to favour certain industries, occupations, and regions poses similar problems in both liberal and market-neutral conceptions of formal equality, which demands that BI discourse engages more directly with difficult questions about legitimate ways of governing long-term development. In other words, it is difficult to think of a “thinly political” conception of governance that is compatible with occupational freedom. Either way, the distinction between absolute and relative poverty, or between individual agency and patterned choice, cannot be too rigidly drawn: Inequalities of income, and other economic conditions, always breed poverty in a new form. This is especially true in developing countries, where one can easily overestimate the effect of a BI on occupational freedoms beyond the alleviation of absolute poverty.

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