

**AEPF 13**  
17 - 24 MAY 2021



**ASIA EUROPE PEOPLE'S FORUM**  
**SOCIAL JUSTICE WORKING GROUP**

**INCOME SECURITY:  
OPTIONS AND CHOICES**

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**PRESENTED AT AEPF 13**  
**17-24 MAY 2021**



Co-funded by  
the European Union

Responsibility for the information and views set out  
in this publication lies entirely with the authors.

## **Income Security: Options and choices**

### **1. Introduction**

It is crystal clear during the COVID-19 crisis: people need protection, health care, clean water, decent housing and ... income. These services are not available for huge numbers of people all over the world. What happened with the COVID-19 crisis was that all of a sudden their numbers were growing. Too many public services have been privatised in past decades and made unavailable or unaffordable for too many people, no doctors or hospitals, no clean water and soap, no decent housing. In these circumstances, how to protect yourself? How to protect others? Moreover, due to the lockdowns, people lost their jobs, informal and platform workers were unable to earn anything, street vendors went idle ... how then to survive? Where, without the crisis, some poor people were always able to earn something with minor jobs and activities, their needs were largely invisible to those who prefer to not know and not see. Or they were blamed for being poor, for not taking all the 'opportunities' offered to them.

*This is the silver lining of this crisis: no one can pretend anymore to not know and not see. The needs are enormous. People are suffering and all too often, dying, if not from COVID, from hunger.*

In countries with welfare states and/or social protection, unemployment insurances were able to help, up to a certain limit. For people in formal sectors, governments often procured temporary cash grants and different charities offered food. But for all those, mostly in poorer countries, without decent social policies, without protection, people had to go hungry or take enormous health risks with jobs that should not be done during this crisis. According to the International Labour Organisation (ILO) only 29 % of the world's population has adequate social security coverage, more than half lack any coverage at all.

The second 'silver lining' is that while this is a health crisis, it all of a sudden was clear that it is not sufficient to have doctors, medicines or vaccines and hospitals. People also need clean water to wash their hands, they need decent housing in order to respect the lockdowns and physical distancing. They need money to buy food and masks. So, all of a sudden, everything that many scholars and activists had been saying for years – the need for broad social protection and the link with environmental policies, often referred to as the determinants of health – now could be seen in the open.

The campaigns that are under way, such as for the Sustainable Development Goals (SDG), the Social Protection Floors (SPFs) or our own AEPF(Asia Europe People's Forum) Charter for Global Social Protection Rights seem largely insufficient. Social commons, as promoted by Global Social Justice and other social movements, comes closer to what is needed but will also have to be improved.

This is the work that now has to be done urgently.

## *Global thinking*

Global thinking on social policies has changed a lot in these past years, to the extent that it is allowed to speak of a new social paradigm.

While the World Bank put poverty reduction on the international agenda in 1990, it sent a strong message against welfare states and social insurances. Poverty reduction was also supported by the United Nations Programme for Development (UNDP). Ten years later, the World Bank introduced its new thinking on 'social protection' as 'risk management', a task for governments, markets and families. Another ten years passed before a more developed concept of social protection was presented, less based on rights than on privatisation and deregulation.<sup>1</sup>

In the meantime, the ILO had been working on its own concept of social justice, decent work and fundamental labour rights and in 2012 adopted a Recommendation on 'Social Protection Floors'.<sup>2</sup>

Slowly, the problem of inequality also made it to the international agenda and is integrated in the SDGs, as is social protection, though the World Bank solution will not change much to the current distribution of incomes.<sup>3</sup> Regarding these incomes, it is interesting to note that 'income' was totally absent from the World Bank's definition and conceptualisation of poverty in the 1990s. In its excellent participative research '*Voices of the Poor. Can Anyone Hear us?*'<sup>4</sup> its conclusion, after poor people had told they do not have decent wages, good prices for their agricultural produce, too far away doctors and schools, it concluded that 'people do not speak about income' ... Of course, this was the heyday of microloans, Brasil's 'bolsa familia' was largely unknown, income was not considered to be important in a 'multidimensional' poverty approach. The definition you make tells us all about the solution you think of.

The approach to reducing poverty slowly began to change with the 'conditional cash transfers', though they were still not warmly embraced. Migrants' remittances on the other hand were seen as very interesting, and many attempts were made to lay hold of these huge amounts of private money, in vain.

## *What is on offer?*

With neoliberalism being adopted and institutionalized all over the world, the thinking on social protection was changing. While, in Europe, the cradle of welfare states, the objective went from 'safeguarding standards of living' to 'making work pay', in countries with limited histories of social protection, Private Public Partnerships (PPPs) and markets began to play an important role. In Asia, where the financial crisis of 2008/2009 wreaked havoc, the demands for social protection became louder and stronger.

Unfortunately, in the traditional development debate, there was more attention for the topic at the right of the political spectrum than at the left and progressive side. It was mainly economists, such as Joseph Stiglitz and José Antonio Ocampo<sup>5</sup> who started to study the possibilities for more and better social protection. The OECD (Organisation for Economic Cooperation and Development), or publications such as *The Economist* did the same. No one will be surprised it did not go in the direction

of more economic and social rights, however heterodox these economists are. What became clear is that World Bank philosophy prevailed, with a focus on the poor – and the market for those who can afford it – and that social protection became a ‘factor of production’, that is at the service of markets and of the economy. Privatisation and deregulation of labour markets are inherent characteristics of these new policies.<sup>6</sup>

Today, in the third decade of the 21<sup>st</sup> century, all institutional talk is about a ‘new social contract’. This has been on the agenda for a long time now, more particularly at the ILO and the ITUC (International Trade Union Confederation) though its meaning is not always clear. Even the World Bank took over the concept and adapted it to its own philosophy of what is now called ‘risk sharing’, with a ‘subsidised guaranteed social minimum’ of health care, education and social protection, that is ‘basic human capital’. It even speaks of a ‘tapered UBI (Universal Basic Income)’, limited to the lowest incomes and decreasing with the rise of income and consumption.<sup>7</sup>

During the COVID-19 crisis, all international organisations have been pleading for more social protection. A recent article in ‘The Economist’ predicts the demise of ‘outmoded patterns of some welfare spending’, that is for mid-skilled workers. More spending should go to the growing group of vulnerable labour market outsiders who now enjoy very little job and income security. The author also predicts more experimentation with basic income schemes.<sup>8</sup>

A recent book written by Minouche Shafik<sup>9</sup>, Director of the London School of Economics (LSE) is somehow more soft and kind, referring to ethical principles – and not human rights, though it does go in the same direction with all expenditures for ‘risk sharing’ limited to what ‘countries can afford’.

This being said, during the past two decades some interesting evolutions took place at the ILO. Since the adoption of the decent work agenda and the Social Protection Floors Recommendations (2012), the ILO has made some headway to re-enter the development debate. Admittedly the social protection floors are also a minimum, to be defined at the national level, but in the recommendation, there is a clear link with the more ambitious convention 102 on social security<sup>10</sup>. It also states that social protection should be organized based on solidarity and that all relevant stakeholders in society have to be involved in its conception and implementation. Based on this international consensus the ILO manages to convince, slowly but steadily, other international organisations that all too minimalistic visions on social protection are inadequate. But the debate is far from won.

Whatever way you look at it, incomes do play a major role. SPFs are all about income security, next to health care, though they are very limited. At the level of civil society, demands are repeatedly heard for ‘universal basic income’, though a huge semantic confusion is created around them. With the growing success of the platform economy and of GAFA’s (Google, Amazon, Facebook, Apple), demands for decent labour conditions and decent living wages cannot be ignored anymore.

## *AEPF's work on social justice*

It is in this context that the social justice cluster of AEPF decided to focus on income security. Whether we speak of wages, pensions, different allowances, basic incomes, policymakers do have to make a choice and social movements need to know what to demand best.

*The objective of this paper: to present an overview of different possibilities, each with their advantages and problems, so as to make available this knowledge among social movements that will have to make their choice.*

Obviously, we remain loyal to our earlier positions: we do believe a broad social protection remains crucial, that is social insurances, labour law, public services and social assistance for the poor. And we do think this has to be linked to other sectors, such as the environment and the economy as well as to participatory policies so that citizens can have their views included in what is done in their name and for them.

This initial position implies that we will not look at solutions, such as a universal basic income that would need to dismantle social protection and/or public services. UBI will be a topic of serious examination, but always from a progressive perspective, in the context of the social commons we put first. We will, then, not examine the solutions put forward by Mark Zuckerberg and other super-wealthy individuals, ignoring social protection. Their goals are too different from ours.

## *A progressive horizon*

We focus on income security for several reasons. First, there are good arguments to say that in every market economy, poverty is an income deficit. If all the services all people need, from food, health and education to water, energy, communication and culture have to be paid for, it is clear you need an income. If you look at all the many and different 'dimensions' of poverty, it is easy to see that most of them disappear as snow in the sun once people have decent incomes to spend. For sure, some problems may remain, often at the level of social skills, and it is clear people may require help for overcoming them. But basically, once sufficient income is there, a lot of problems are solved.

However, we do not think that giving people a decent income is enough for a society of welfare and wellbeing.

Our first reason for also stressing the importance of social protection, with social security and public services, is that we believe in the importance of societies, of interdependence, of collective rights and of solidarity. It is clear that giving everyone a decent income will help to achieve just that, but it all depends on the way you do it. As we will explain in the next chapters, there is a huge philosophical difference between a universal basic income and a universal dividend, between a conditional cash transfer and between unemployment allowance. All societies, always and everywhere, are based on reciprocity, so it is the way this reciprocity is made clear and is implemented, that can enhance the solidarity and the cohesion of societies. Furthermore, equal and collective rights also enhance the feeling of equality in societies, another element of cohesion.

Our second reason has to do with the social transformation we strive for. We are convinced that social policies do not just have to 'adapt' to a reality that makes people vulnerable, that takes away their livelihoods, their rights and their commons. The major crises of our time are social and environmental.

What we want to make possible is a social policy that contributes to sustainable environments, to clean air and drinking water, to less energy consumption and more biodiversity. That is perfectly possible, as has been explained in Mestrum's book on the social commons<sup>11</sup>. In that way, with coherent obstinacy, social commons can also contribute to a different economic system, to democracy and peace. In other words, social protection, the way we see it, can be a tool for change. It can contribute to the sustainability of people, of societies and of nature, in other words, the sustainability of life.

And thirdly, speaking of health care, unemployment insurances or pensions, it is clear that a collective system of risk pooling is a thousand times more efficient than individual saving systems. It is one more lesson of the COVID-19 crisis: we are interdependent, we need each other and we need a strong public authority to get us out of this crisis.

Fourthly and finally, we should not forget that incomes also function as an economic stimulus, enhancing investment and consumption and thus supporting the jobs and livelihood of others.

We will start our overview with a section on the most often debated proposal today: the Universal Basic Income

The next section will concern a similar but in fact very different proposal: the Universal Basic Dividend.

We will continue with (conditional) cash transfers, guaranteed basic income mechanisms and microcredit.

Finally, we will look at different possibilities for Negative Income Taxes.

And of course, we cannot end this paper without looking 'beyond money' and further explain our priority for public services.

We will obviously not ignore the financial dimension of all these proposals and say a word on necessary tax reforms.



Good political debates start with good definitions so that we all know what we are talking about.

**Box 1 : Words, Words, Words ... What Are We Talking About?**

**Social protection** is usually the overarching/umbrella concept for different social policies. It includes social security, social assistance, public services and labour law. Today, for some international organisations like the World Bank, social protection is more or less synonymous with poverty reduction policies.

**Social security** is a system based on collective insurances against economic and social hazards, such as sickness, unemployment, labour accidents, etc. It usually also includes collective saving systems for old age pensions, child and family allowances, help for disabled people, etc. It is linked to formal labour relations and usually paid for by contributions of workers and employers. Specific mechanisms for the self-employed exist in many countries.

**Social insurance** is a way to organize contributory social security measures, where the 'social' indicates it is organized based on solidarity, publicly or commercially, as opposed to individual commercial insurances individuals and families can buy on the private market. This will inevitably influence the fees to be paid, since they will be based on individual characteristics and risk factors. It doesn't allow for redistributive mechanisms either. In short, it takes the "social" out of social security

**Social assistance** is, in western Europe and Scandinavia, a residual system for those who are not active in the labour market or earn too little income and do not receive unemployment allowances or pensions. It is a kind of anti-poverty system that gives beneficiaries an amount of money close to the poverty line. In Third World countries, social assistance is very often limited to a 'safety net', some kind of cash transfer, a limited amount of money that is usually linked to certain conditions.

**Social protection floors** (SPF) is the name given by the ILO to basic social protection that could and should be introduced in all countries for all people in need over the life cycle. It should be based on social solidarity and should include essential healthcare, basic income security for children, giving access to food, education, healthcare and other necessary goods and services, basic income security for those in active age unable to earn sufficient income, as well as basic social pensions.

**Public services** (or social services) are services provided by public authorities, possibly in cooperation with the private sector, in order to meet individual and collective needs of people, such as health care, education, housing, communication, public transport, etc.

**Universal Basic Income** : a cash grant given to all people in society, on a regular basis and totally unconditional.

**Universal Dividend** : a cash grant given to all people in society funded by a common resource, such as export of commodities, a financial transaction tax, etc. It has no relationship at all with any form of social protection and is based on the idea that some resources belong to all.

**Conditional Cash Transfer:** cash grant given to poor people in specific circumstances in order to help them survive when there is no other income or when this income is too limited. It can be accompanied by conditions, such as the schooling of children.

**Negative Income Tax:** Cash grant paid by public authorities when taxable incomes are too limited.

## Box 2: Why we prioritize Social protection

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The dire economic and social crisis we are now in is the consequence of decades of neoliberal austerity policies, with lack of investment in economic and social infrastructure, lack of investment in policies for families, employment, pensions, health and care systems.

Victims of this situation, everywhere, are the most vulnerable people in our societies, informal workers, migrants and asylum seekers, women, children, disabled persons, indigenous people, etc.

Our failing democracies do not help to solve this crisis, on the contrary, they tend to become more repressive and authoritarian.

Add this to the looming environmental crisis with a threatening climate change, and it is difficult to deny the need for fundamental changes in current policies, worldwide.

Our interdependence is crystal clear. Whether we talk of the climate, the COVID-19 virus or poverty and inequality with the consequential migration flows, no one on this planet can consider herself fully autonomous or de-linked from the global framework. The economic globalisation only adds to the various connections between our worlds, in spite of the divergent development levels. We are not all in the same boat, but we are definitely in the same storm.

This is why the Asia Europe People's Forum calls for a fundamental re-thinking of our social protection systems, which we see as transformative. What we mean is that our social policies should not only adapt to the changing world with, e.g. more flexible labour markets, but that we should decide how flexible and in what way this flexibilization will have to happen. We don't have to accept ever more uncertainty and precarious forms of work. It is not because digitalisation makes it technically possible to bypass labour regulations and social protection duties that this is acceptable. We need better social policies and think they can become a tool for change in our economic and political systems.

We see a strengthened and broadened social protection, with social insurances, assistance, labour law and public services as social commons. They are ours, we own them and we should decide on them. In the health sector, it is also undeniable that if you want to focus on prevention instead of on healing, one has to care for the environment, for how our food is produced and for how contamination comes about. Which means we have to look at the productive system.

Equally important is the crucial importance of all care workers whose wages and working conditions should urgently be improved. They are the ones who sustain our societies in the middle of this severe crisis and in everyday life.

We need an enlarged definition of social protection, a democratic and participatory way to design and implement it, as a strategic tool for economic and political change. Social protection should not be at the service of markets, but hinder markets to dominate our societies. This is what the Asia Europe People's Forum stands for, this is how we want to promote social transformation.

To this end, we have drafted a Global Charter for Social Protection Rights, which is not a binding text but an inspirational guidebook for what to defend and promote if one wants to leave the neoliberal straightjacket. We kindly invite you to support it ([www.globalsocialprotectioncharter.eu](http://www.globalsocialprotectioncharter.eu))



## 2. Mechanisms for Income Security

### 2.1. The Universal Basic Income

It is necessary to start our study with the Universal Basic Income (UBI), not only because it is the most spoken of topic in terms of income security, but also because it is income security in its purest form.

As we already mentioned, we will not pay attention here to right-wing solutions, which see UBI as a way to strengthen austerity policies, forget about welfare states, trade unions and industrial relations, forget about all kinds of public social insurances and public services. Neither will we lose time with arguments about people not wanting to work anymore once they receive a guaranteed income. Too many researches have indicated already that the reasons people may be reluctant to enter the labour market, have nothing to do with having an income already. Work indeed is so much more than a material survival mechanism, provided it is meaningful and conditions are fair and just.

However, the fact that UBI can be adopted and promoted by right-wing and/or neoliberal forces tells us something about the ambiguity of the proposal and should enhance all to be extremely cautious before adopting it.

A second preliminary remark is that UBI has a precise definition, it is an unconditional and universal monetary allowance, this means it is given to all, irrespective of income or age. It is necessary to emphasize this, because too many authors today use the concept of UBI to talk about other mechanisms, such as negative income taxes or minimum income mechanisms.<sup>12</sup> For a good and real discussion, we need clear definitions in order to avoid all misunderstandings.

Advocates of UBI have a global association: the Basic Income Earth Network (BIEN).<sup>13</sup>

The main arguments of advocates of UBI are linked to a desire for social and economic transformation. They often start from an ecological point of view, the need for re-examining our economic system, beyond development and GDP (Gross Domestic Product), the need for re-thinking labour relations with shorter working times and the freedom to say 'no' to employment, and going beyond welfare states that are seen as bureaucratic, stigmatizing and unable to solve the poverty problem.

They point to our changing societies and economies, with more and more people in vulnerable positions, without labour rights, outside the formal and regulated labour markets, as well as to failing gender equality and economic independence of women. They also fear that too many jobs may disappear with the digitalisation of economies.

That is why they propose to just give everyone the same amount of money, most often on a monthly basis.

While the analysis is certainly correct, the question is whether the solution of the UBI is the best one.<sup>14</sup>

First of all, if the point is to give everyone income security, is it necessary to give money to those who have more than enough of it already? If you want to solve poverty, do you have to give money to the rich? Recuperating through taxes is a beautiful idea, were it not that in almost all countries, and certainly in the South, rich people do not pay taxes. Impossible then to claim anything back and this would certainly lead to a feeling of gross injustice in society.

Secondly, doubts arise about the elimination of 'bureaucracy' in welfare states. It is obvious for all that some people in society need more than others, people may be disabled, may have more medical costs than others because they are old, so it is clear that the same amount for all may equally, in the end, be very unjust. You will need civil servants to find out who needs what and why, which weakens the argument about 'bureaucracy'.

The point of labour markets and the power to 'say no' needs more explanation. Yes, work should be re-defined, we should not only care about formal employment but also about informal labour and all the unpaid work, mainly in the hands of women. We should also value the huge amount of voluntary work that is done in society, mostly at community level. Again, the analysis is correct. But should people be free to refuse any kind of work and go, as Van Parys put it, surfing in Malibu day after day?<sup>15</sup> Do we not live in society, which means we all have responsibility for this society and the work that is socially necessary, should that not be shared by all? Most probably, this means working time can be shortened drastically, so there will be much time left, for all, to go surfing, or cycling or reading a book. But some work should be done, by all. Also, for community work or for artistic activities, it certainly is not the individual who can judge whether his/her work has any value. Only society can give value to work and collectively decide on what is needed.

As for the enhanced power workers would have in demanding correct working conditions and pay, all depends on where the borders are drawn for the UBI experiment. If we continue to live in a world with lots of migrants and asylum seekers, it is obvious they will, at arrival, not enjoy the UBI and be available on the labour market at any wage offered, thus seriously hampering the 'power' of other workers.

A third problem for labour markets is that obviously, employers will be able to lower wages when their workers have a UBI at any rate. Here, we may refer to the very famous example of Speenhamland, brilliantly described by Karl Polanyi<sup>16</sup>. Precisely because workers got an allowance from local government so as not to fall into poverty, employers were able to keep wages very low and workers did not feel the need to organise and fight for a fair pay. This problem is inherent to wage subsidies. A UBI also exempts employers from any responsibility to contribute to the social protection of their workers.

Gender equality and economic independence is another delicate matter. It is clear that the huge amount of unpaid domestic labour women are doing would be valued somehow if a UBI could be awarded. But does this not mean that women will be discouraged to enter the labour market, a space for potential emancipation much more important than the home?

As for public services, such as health care and education, it all depends on what is left of them. In many countries in the South and North, they were privatised, and many people are just unable to afford them. Giving people some money so they do have access to a doctor, a school or drinking water, may come down to indirect subsidies to the companies delivering the service. And if prices go up, the UBI may be largely insufficient.

Finally, it is obvious that the adequacy of the UBI solution will depend on the amount paid. Giving a UBI to the whole population, at a level allowing for a life in dignity, let us say at the poverty line, is extremely expensive. The World Bank and the International Monetary Fund (IMF)<sup>17</sup> came to the conclusion that it was not affordable. The ILO calculated that if one wants to respect the fundamental standards of the ILO, the level of the UBI had to be rather high.<sup>18</sup> Major scholars, such as Van Parijs, and activists such as Rutger Bregman<sup>19</sup>, lowered their expectations because they were not affordable, in any country. Politicians who promised in their election programme a UBI, such as Benoît Hamon in France in 2017 or Andrew Young in New York in 2020 and now, did the same<sup>20</sup>. A real UBI is unaffordable in combination with basic social services such as health care and education. Or it has to be reduced to such a low level that no one can survive on it, the promised 'freedom' vanishes and people will then have to go to the labour market and get some kind of 'mini-job'. This takes us back to our starting point and that cannot be the objective.

There is one other argument that is quite important for all those who honestly believe in the importance of social protection and income security. I here refer to the false and impossible promise of 'unconditionality'. This has never ever existed, anywhere. All societies are based on reciprocity, this is what makes and shapes our societies. Breaking this rule is destroying societies and it would be irresponsible to contribute to such a development. The second reason is linked to this. Our welfare states, however imperfect they are, are based on solidarity of all with all. They are based on horizontal and structural solidarity confirming and strengthening our interdependence. That is what a 'social contract' is about. Universal Basic Income is based on a vertical solidarity from the State to the citizen, and another citizen and another citizen. In this is revealed its fundamental liberal and individualistic ideology.

It is not a coincidence, then, that UBI's do not exist and have only existed in the past in two very limited and short-lived cases, Iran and Mongolia<sup>21</sup>. All other 'pilots' and proposals concern other forms of basic income that are much more compatible with a full-fledged social protection and public services. We will turn to them in the next sections.

## **2.2. The Universal Basic Dividend**

The mechanism that comes closest to the UBI is the Universal Basic Dividend. It is also based on an equal amount of cash for all citizens or residents of a geographical entity, but has no bearing at all with any dimension of social protection since it is not funded through tax money.

The inspiration for the idea can be found with Thomas Paine and his 'Agrarian Justice' of 1795:  
*"It is a position not to be controverted that the earth, in its natural, cultivated state was, and ever would have continued to be, the common property of the human race. In that state every man would have been born to property. He would have been a joint life proprietor with rest in the property of the soil, and in all its natural productions, vegetable and animal.*

*But the earth in its natural state, as before said, is capable of supporting but a small number of inhabitants compared with what it is capable of doing in a cultivated state. And as it is impossible to separate the improvement made by cultivation from the earth itself, upon which that improvement is*

*made, the idea of landed property arose from that parable connection; but it is nevertheless true, that it is the value of the improvement, only, and not the earth itself, that is individual property.*

*Every proprietor, therefore, of cultivated lands, owes to the community a ground-rent (for I know of no better term to express the idea) for the land which he holds; and it is from this ground-rent that the fund proposed in this plan is to issue.”<sup>22</sup>*

Guy Standing uses the same thinking when he says : “A basic income is also a recognition of our collective social and ecological inheritance, the true source of wealth. Indeed, the wealth and income of all of us are due far more to the efforts and achievements of past generations than to what we do ourselves. But we do not know whose ancestors contributed more to our wealth. If society allows for private inheritance of private wealth, then we should allow for social inheritance in the form of a social dividend or basic income.”<sup>23</sup> In this however, the odd thing would be to pay current money, not taking it from past money and wealth, since the inheritance referred to is immaterial or is privatised. Also, while wealth has indeed grown from one generation to another, natural capital has seriously diminished.<sup>24</sup> This is also the problem Van Parijs already pointed at in his first book on ‘Justice’: in order to give everyone real equal opportunities, one should have to prohibit private inheritance, which the author thinks is unjust and impossible.<sup>25</sup>

Apart from land, countries may have huge reserves of natural resources, be it petrol or lithium or forests or rare earth or whatever. These natural resources clearly belong to everyone. One might even say they belong not only to the citizens of the country which has them in its subsoil, but to all people living on this planet. If these resources are extracted – up to a certain limit – profits should not only go to governments or to corporations, but part might be distributed to the population, as a dividend on this really existing wealth.

This is what the government of Alaska decided to do, by creating a ‘Permanent Fund’ with 25 % of the oil revenues. Since 1982, a dividend is paid to those citizens who apply, who are residents of Alaska and who have no criminal convictions. The amount paid is not stable, since it varies with incomes, and it is not enough to meet basic needs. It is a supplement to existing incomes but is not related in any way to social protection.<sup>26</sup>

The idea was also behind the energy and food subsidy reform system in Iran in 2011. Subsidies were replaced by a cash transfer to almost the whole population, but when the oil revenues started to dwindle, the universality of the system was abandoned.

Mongolia is another example where, due to the mining boom in the early 2000s, a Human Development Fund was created with the objective of collecting and evenly redistributing the resources. But again, when prices of commodities plummeted, the system disappeared.

A last and less important example is the Eastern Band of Cherokee Nation in the U.S., where since 1997 casino profits are distributed to tribal members. Macau introduced a similar system in 2014, a ‘Wealth Partaking Scheme’ for its permanent residents, on a yearly basis.<sup>27</sup>

Today, a Universal Basic Dividend is promoted by Diem25, the Democracy in Europe Movement of Greek economist and politician Yanis Varoufakis.

This Universal Basic Dividend will allow European citizens to have a fair share of the benefits of increasing digitalization and automation. Shares of profits, resulting from Initial Public Offerings (IPOs) and capital increases, will be transferred to the European Equity Depository (EED) and distributed proportionally to every citizen of the European Union. This payment is modelled on the unconditional oil dividend, through which each year the citizens of Alaska and Norway share in the profits of the extraction of their local natural resources. The Universal Citizen Dividend is not a tax grant but a dividend, which is designed to exist side-by-side with the welfare systems of today.<sup>28</sup>

In his 'Capital and Ideology' Thomas Piketty also proposes a kind of dividend: he proposes to give all young people of 25 years old an amount equal to 60 % of the mean wealth of adults, which could be considered an inheritance for all.<sup>29</sup>

The idea of the dividend is that all citizens have shares in the national or global wealth.

Hinging between a classical UBI and a Universal Dividend is a proposal by Brazilian journalist Antonio Martins. Considering that money is created 'out of thin air' and readily available to save banks and corporations, he wants money to be distributed to all people, in the same way. Doing this would mean that 'socially produced wealth would be shared between all'.<sup>30</sup>

Whether this is feasible is another question. The current 'quantitative easing' of central banks does indeed create money out of thin air, but it is accompanied by debt titles and one day, this debt will have to be paid. Furthermore one can wonder if this 'money out of thin air' can be considered 'socially produced wealth'. An the third problem might be that in this system, nothing changes, apart from the fact that people will have money to spend and revitalize the economy. But the system remains intact, which may not be the best solution.

### **2.3. Cash transfers**

Some mechanisms that are often called 'Universal Basic Income' or just 'Basic Income' do in fact fundamentally differ from it, precisely because they are not universal and they are not unconditional.

Current systems of conditional Cash Transfers (CCT) were started in Mexico and Brasil.

In Mexico the programme 'Progresá' started in 1997 and changed its name into 'Oportunidades' in 2001. These allowances were seriously criticized for being paternalistic and 'clientelistic' and in fact changed with every 'sexenio', the six-year mandate of the country's President.

In Brazil this program started with specific programmes for education and 'Bolsa Familia' started in 2003 under President Lula da Silva. Both nation-wide programmes were meant for poor families. The targeting was both geographical and by means-testing. In Brazil the programme soon reached 11 million families or a total of 46 million people. It drastically reduced poverty and even inequality, also because it was accompanied by other structural public programmes, such as school meals and transport. At this moment, this programme is being dismantled.

When the success of these programmes started to be known, the World Bank also joined these efforts and lots of pilot projects started in African and Asian countries, such as Bangladesh, Pakistan, Indonesia. Philippines also implemented one of the wide CCT programs in Southeast Asia, if not in Asia. This became a centerpiece program for poverty reduction of President Benigno Aquino (2010), and has been continued until now. In fact, this is being expanded and institutionalized with the recent passage of law on Pantawid Pamilyang Pilipino Program (4Ps).

Most of these pilot projects are narrowly targeted and often only concern education. Many countries had several parallel programmes for different target groups.

These cash transfers can be considered 'basic incomes', but they are not universal. They only concern the poor, and are never enough to meet basic needs. As already mentioned, they do require some type of means-testing.

In some cases, these cash transfers are said to be 'universal', because they concern entire villages. The best known case is the one in Namibia, where in the informal settlers community of Otjivero 930 people got a monthly allowance, from 2007 to 2009. Many other similar 'pilots' have been organised in India, always in villages where the entire population was poor, which of course is another form of 'targeting'.

Calling this a UBI and using it as an example to promote UBI in wealthy countries is of course biased reasoning.

The 'pilots' organised in several wealthy countries, such as Finland or Holland are certainly not UBIs but cash transfers for poor or unemployed people. Many of them were said to be unsustainable and were stopped after their trial period.

In fact, these safety-net programmes are a substitute for unemployment allowances or for the poverty assistance most wealthy countries have.

In countries with some kind of welfare states, unemployment allowances are part and parcel of social security. It is an insurance system to which both workers and employers contribute and has worked remarkably well as long as 'full employment' was almost accomplished. Since the introduction of neoliberal policies, more flexibility and higher unemployment, governments and employers are trying to limit these systems, by putting a brake on maximum allowances, limiting the duration of them and making conditions more severe.

Outside of social security, for the informal sectors or for those whose rights to unemployment have been exhausted, movements in the European Union have been campaigning for years to have a European 'guaranteed minimum income', a system most countries have, but very badly organised and most often not high enough to give people a life in dignity.<sup>31</sup> The European Union has a legal base for working on a framework directive on guaranteed minimum incomes and the anti-poverty network has been campaigning for it for many years, unfortunately with little success.



This guaranteed minimum income is unconditional and looks as the best alternative for a real UBI. If problems with bureaucracy, stigmatisation and targeting can be solved, which should not be too difficult once a serious and decent administration with new technologies is put into place, this can be perfectly feasible next to a social security system, funded by workers and employers.

Targeting is indeed the most serious problem these cash transfer systems are faced with, in the North as well as in the South.

In a research on 38 social protection schemes in 23 low and middle-income countries, using different types of means-testing, the most effective was found to be Brazil's Bolsa Familia, though it still excluded 44 % of its intended recipients. The worst was a Rwandan programme, Vision 2020, based on community targeting. Its exclusion error was 97 %! Out of 25 programmes 12 had exclusion errors above 70 % and 5 above 90 %.<sup>32</sup>

As for more wealthy countries, means-testing is in all cases a very stigmatizing exercise, delving into people's private lives which inevitably leads to arbitrary decisions.

Whatever way one looks at it, cash transfers may be theoretically good solutions, financially more sustainable than real UBIs, but if they are seen as mere safety-nets, insufficient to guarantee a decent way of living and based on means-testing, they can never offer good solutions.

Other questions that have to be looked at when examining these mechanisms in the South is that they are often funded through foreign aid, which is far from stable and sustainable. Also, in many poor countries, the amounts are often just enough to pay for the privatised services that formerly were provided by governments, and, in the same way as with UBIs, can be seen as indirect subsidies for the corporations.

Cash transfers certainly can help to reduce poverty, but in order to be considered as sustainable and acceptable, they have to be based on efficient administrations, provide high amounts of money so as to afford for a decent way of living, and not be based on targeting. Modern information technology offers ample possibilities for seeing when someone is falling out of the labour market and provide speedily monetary compensations, be it with unemployment allowances or with unconditional cash transfers.

Unconditional cash transfers certainly are a much better solution than the once highly praised micro-loans. This overly hyped 'solution for the poor' was started in 1983, in Bangladesh, with the Grameen Bank, founded by Muhammad Yunus. Small amounts were lent to poor women collectives and recovery rates were tremendously high. Yunus even received the Nobel Peace Prize in 2006. However, many researchers soon found out that the positive consequences of these loans were rather limited and often caused more harm than good for the poorest.<sup>33</sup>

Today, the hype is over, and highly profitable micro-credits can be catalogued as neoliberal poverty reduction, in the same way as Prahalad's solution to sell goods in mini-packages to the poor.<sup>34</sup>

## 2.4. Negative Income Tax

Negative Income Tax (NIT) is the next mechanism all too often called 'basic income'. The best known example of it took place in Dauphin, Canada.

The reason why it is often seen as a UBI is that all citizens or residents may indeed receive the same amount of money or nothing at all to begin with. In the first case, at the end of the year, tax authorities will check whether your income was not too high to receive the allowance, and if it is, they will add this amount to the taxes to be paid.

It can also work the other way round, if no allowances are paid at all. If, at the end of the year, it seems you did not earn enough for a decent way of life, tax authorities will pay you the difference. Hence 'negative' taxes, instead of paying to them, you receive from them.

The World Bank is right when it states that *"UBI and NIT may, under certain conditions, be similar in net effect. If UBI were to be paid for via progressive and universal personal income taxation, then NIT and UBI are analytically equivalent ... Reducing benefits as income rises directly through means testing as in the NIT, versus indirectly through progressive income tax rates in a UBI, is analytically the same as far as disposable income is concerned. In both cases the decision about balancing the steepness of the taper and the break-even point would be taken in the tax code. The key difference is that NIT is focused on taxing and transferring less, and UBI on taxing and transferring more"*<sup>35</sup>

Best known is Canada's Mincome scheme in Manitoba: running over 1975–79, it covered 1,300 households in the cities of Winnipeg and Dauphin. All town residents were eligible for guaranteed annual income payments for three years. This Mincome participation, so it seems, did not produce social stigma. The social meaning of Mincome was sufficiently powerful that even participants with particularly negative attitudes toward government assistance felt able to collect Mincome payments without a sense of contradiction. By obscuring the distinctions between the "deserving" and "undeserving" poor, universalistic income maintenance programs may weaken social stigmatization and strengthen program sustainability.<sup>36</sup>

This is the reason why many consider the Dauphin experience a real UBI, though its limited universality and its inherent tax limitation do oblige us to put it in a different category.

The problems with this system are twofold. First, it does imply, one way or another, control on incomes. Via the tax system, it certainly is possible to avoid any stigmatization, but it does suppose this tax system is fair and applicable to all. In the U.S. an 'Earned Income Tax Credit' is applied, with fairly good results. Second, it can be compared to some kind of income subsidy with the ensuing problems of the Speenhamland already mentioned. Employers will not be encouraged to raise wages and workers will not be motivated to fight for higher wages since at any rate, governments are going to compensate for any income deficit.

The advantage of the system is that it will at any rate be a lot cheaper than the UBI.

### 3. Beyond Money and Income

Many international organisations have been proposing some kind of income support since the beginning of the COVID-19 crisis. UNDP, for instance, proposes a 'temporary UBI'.<sup>37</sup>

Others focus on unemployment allowances, social pensions, child allowances, help for persons with disabilities, all mechanisms that are usually included in any social security system and certainly have to be defended.

Here, in this last section, we want to take a look at two other mechanisms to provide people throughout the life cycle an opportunity for a decent life: jobs and public services.

Once again, the COVID-19 crisis has taught us how important it is to have, at any moment in the life cycle, enough resources to lead a decent way of life. It is not even necessary to speak of poverty, though it cannot be repeated enough, in every market economy, poverty is in the very first place an income deficit. People in government, at whatever level, claiming they want to solve the poverty problem, have to provide incomes.

If, at the same time, they can provide jobs and public services, it would be easier to solve the poverty problem. That is why it is crucial to also mention these other non-monetary elements in a paper on income security.

While jobs may be an easy way out of poverty, it is not necessarily the case. Too many companies and employers only offer badly paid part-time jobs that keep people at the margins of society. If you have an extremely flexible job or a zero-hour contract, you may still live in poverty. Some governments oblige receivers of allowances to do some kind of 'social' job they cannot freely choose. Others do guarantee jobs, such as the example in India, for people in destitution. India is the only country with a full scale rural employment programme (MGNREGA), offering 100 days of work per year in rural areas. It includes around 25 % of rural households, mainly women, though not all who apply do indeed get work.<sup>38</sup>

As for public works programmes, they are very popular all over the world, in rich as well as in poor countries, they are one of the most 'popular' social assistance programmes. They can have very different objectives, from public works themselves, building infrastructure or creating employment and income. It was also frequently mentioned in the early poverty reduction documents of the World Bank, as a way to find the cheapest possible labour through a system of self-targeting, with the reasoning that those who do not really need it will not apply.

At the level of the European Union a 'youth guarantee' has been introduced in 2013, recommending governments to make *'a good-quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed if leaving formal education'*.<sup>39</sup>

The case for public services is even more important. Income is a crucial element in life, but it is not always the best and exclusive way to create a better world with better lives.

If the objective is social transformation, to change economies and societies, away from capitalism and neoliberalism, it is clear a full range of public services can do so much more than cash.

By taking some basic essentials out of the commodity sphere, people do not have to use their hard-earned cash on them. Also, people might have a decent income, but not necessarily access to high quality education or transport. Asking governments to provide these services will do a lot more than just provide money.

It also will help to tackle inequality and enhance environmental policies. They can have a huge redistributive effect and offer better value for money than individual cash.<sup>40</sup>

In a study some years ago Global Prosperity<sup>41</sup> calculated that in the end it is about the best use of public money, basic services offering better value for societal use. Basic services offer collective solutions for collective problems, while a UBI offers an individual solution for the same collective problems. The seven services Global Prosperity has looked at, health care, education, legal services, shelter, food, transport and information, also will be much cheaper to offer than a full UBI. Unexpectedly, it is also the solution preferred by Public Services International (PSI).<sup>42</sup> Basic public services bolster the public good.

#### **4. How to pay?**

Whatever solution is chosen, from UBI to public services, the cost will be high. But there is almost a general consensus that a real UBI at a level allowing for a decent way of life, combined with social protection, is financially not sustainable.

Readers will understand that the World Bank, the IMF or the ILO and even the major advocates of basic income such as Philippe Van Parijs and Rutger Bregman cannot be accused of only making '*back-of-the-envelope calculations*'. Yet, they all come to the conclusion that indeed a UBI at the level of at least the poverty line, that is an income allowing for a more or less decent living, is far too expensive and would require far too high taxes.

*"In conclusion, financing a non-budget-neutral UBI in a fiscally sustainable way would represent a substantial, and for low-income countries with high poverty incidence daunting challenge. Even in countries with lower poverty incidence...a UBI would require... both significant savings in other spending programs and increases in income and consumption taxes. This in turn would significantly complicate the political economy of introducing a UBI ..."*<sup>43</sup>

*"If it were set at 25 percent of median per capita income, the fiscal cost would be about 6–7 percent of GDP in advanced economies and 3–4 percent in emerging markets and developing economies."*<sup>44</sup>

*"If we consider that children were to receive half the benefit of an adult person, the cost of UBI would range from 17.9 per cent of GDP in Middle East and North Africa to about 25 per cent of GDP in Asia, Europe and Latin America - the lion's dent share being in Sub-Saharan Africa where a UBI would cost 50.3 per cent of GDP. .... A UBI at a lower level, in order to become budget neutral and thus well below the poverty line, cannot be in conformity with ILO standards."*<sup>45</sup>

Philippe Van Parijs and Rutger Bregman both come to the same conclusion and decide it is therefore better to not make the basic income universal but to limit it to the people who need it. A very wise conclusion, but unfortunately for them, it also undermines their claims on the new freedom people would gain with a basic income.<sup>46</sup>

The argument that there is more than enough money available in this world is correct. The amount hidden in tax havens was estimated at around 20 to 30 trillion US\$ by the Tax Justice Network, while countries are losing a total of over \$427 billion in tax each year to international corporate tax abuse and private tax evasion.<sup>47</sup> But no one knows how and when we can get hold of that money. 'Taxing the rich', 'taxing back' and 'eco-taxes' are all very positive ideas that can be supported, but they either will not be enough or they are not for tomorrow. These demands have to be encouraged and once achieved we will see what they mean and how much basic income we can pay from it or how it can be used for better health care.

All other solutions, from the dividend to guaranteed minimum incomes, cash transfers and public services are perfectly feasible once there is a political willingness to find the money.

For the Social Protection Floors promoted by the ILO, Isabel Ortiz gave a clear overview of how they can be funded, because fiscal space does exist, even in the poorest countries.<sup>48</sup> We have added our comments to her proposals:

1. **Increasing tax revenues** including progressive income/wealth taxation and corporate taxes, also to the financial sector. There are very big differences in the amount of domestic taxes being raised, even between countries in a similar economic situation, as is shown in their Tax/GDP ratios. There is a destructive competition going on between countries to lower, most notably, corporate taxes. Based on false presumption that this would lead to more investment. Countries like Mongolia, Zambia, Bolivia, Brazil (FTT) prove it is possible to increase tax revenue for social spending.
2. **Fighting illicit financial flows.** Eliminating illicit financial flows would generate substantial financial resources, Even according to the IMF, up to 10 % of global GDP is lost in tax havens.<sup>49</sup> Much more efforts have to be done to fighting against tax evasion, to end bank secrecy and tax havens, to address tax avoidance by multinational corporations, to tackle base erosion and profit shifting (BEPS) through transfer pricing, to end money laundering and trade false-invoicing.
3. **Increasing social security coverage** (eg Argentina, Tunisia, Uruguay), including people in the informal economy who have a contributory capacity **and formalizing work by providing** good contracts and wages. Another element is making sure employers effectively pay due social contributions for their workers.
4. **Restructuring/managing debt** (eg Ecuador, Iceland, Iraq); given high sovereign debt levels, important to promote debt forgiveness/relief

5. **Aid and transfers.** Currently less than 1 per cent of global development aid is being invested in social protection. The latest available figures from the OECD show that only around 2 billion a year (on a total of more than 500 billion) is spent for social protection. Therefore a large coalition of civil society organizations is advocating a new Global Fund for Social Protection. It is important that such a fund will also reflect key principles of social protection, rights and solidarity based, comprehensive, guaranteeing adequate allowances and services during the whole life cycle.
6. Tapping into **fiscal and foreign exchange reserves** (eg Chile, Norway)
7. **Adopting a more accommodative macroeconomic framework** (e.g. tolerance to some inflation, fiscal deficit)
8. If **re-allocating public expenditures** focus on replacing high-cost and low- social-impact expenditures (eg. defense - Costa Rica, Thailand)

[At international level: **9. Issuing new Special Drawing Rights (SDRs)** or some equivalent fiat money at the United Nations].

These different alternatives must be discussed openly in a **national public dialogue** with stakeholders including unions and civil society, decisions should not be taken behind closed doors.

It is important to know that in wealthy European countries, such as France, or Germany and Denmark, between 28 and 32 % of GDP is spent on social protection, including health. In Asia and the Pacific, it is only 11,4 % and in Africa not more than 8,1 %!<sup>50</sup>

## 5. Conclusions

In theory income security is meant to give people, all people, sufficient resources to live a life in dignity, whether they are active on the labour market or not. In practice, most solutions on offer are meant to solve the old problem of poverty. It is an important reason to not only look at incomes, but to also consider social protection and public services. They are both meant to *prevent* poverty, rather than the end-of-the-pipe solution of 'reducing' poverty after we let the system cause it.

As the social justice cluster of AEPF has said and repeated, all social policies should start from the needs of people, needs that, in spite of geographical, historical and social differences are remarkably the same. And because of this sameness of needs in a context of economic and social differences, we all have the same rights, in order to achieve the same satisfaction of needs.

In trying to assess the different mechanisms for giving income security to all, one of the main dividing lines will be the desire for social transformation. For some, social systems will only have to adapt to the changing economic and social circumstances, for others they will have to contribute to these changes, one way or another. The point is excellently illustrated by the flexibilization of labour markets. This movement is hard to stop but it doesn't have to be accepted as a given. Even when a proportion of young people prefer to be flexible and work when they have time and want to work, the report of the Commission on the Future of Work (ILO) indicated that workers' primary concern is more security



in employment and the report reaffirms the importance of labour protection, starting from the first minute of employment.<sup>51</sup> How this flexibilization happens and what working conditions, pay and social protection are offered to workers is another question, one that should not be decided by markets or employers.

The other point is that social protection is potentially transformative, by which we mean that in the crisis circumstances of today, we should use it for positive change. We are perfectly able to not only enhance environmental policies – through social protection<sup>52</sup> – but also to enhance individual and collective freedom, emphasizing our interdependence which was so clear during the crisis.

Question is what will happen to our social systems? As Claus Offe rightly stated, capitalism wants to get rid of social protection, but at the same time it knows that it needs social protection to survive.<sup>53</sup> All the international organisations, such as the World Bank, IMF and the OECD now pleading for a 'New social contract' are promoting that part of social protection that capitalism needs, and getting rid of what is considered too costly. That is why all proposals go in the direction of a 'basic social protection' with a guaranteed minimum income. If this were to happen, it would, on the one hand, be a tremendous progress for millions of workers in many low- and middle income countries, but it would also be a tremendous regression for workers who are effectively covered with comprehensive social protection, closing the horizon for all, in South and North.

The objective of this whole exercise then is not social justice, it is not social citizenship, it is not protection of people against the whims of the market. Once again, what will happen, is that many responsibilities of corporations are shifted to governments who will use citizens' tax money to pay for a guaranteed minimum.

That is why we want to end this paper with two recommendations.

One, it is absolutely necessary to go beyond 'poverty'. As Riccardo Petrella has stressed, poverty should be made illegal. And we can ban poverty if we stop to produce it. That is why we need social protection with public services and income security, above the poverty level.

Second, it is very important to carefully reflect on the basic principles of social security, that is the contributions of workers and employers to a common insurance fund for sickness, unemployment, accidents and pensions. If one follows the World Bank, the contributory system, that made workers and employers the owners of social protection systems is bound to disappear. This would inevitably take away power from workers and make them entirely dependent on States, governments and budgets. The mandatory contributions system would be reduced to its minimum and would only be meant for consumption-smoothing, not for redistribution. To separate social protection from work is a very dangerous road to go. Workers will not have to address their demands to their bosses or employers, but to their governments that, in today's authoritarian and 'austeritarian' regimes, make use of strong repressive mechanisms.

Welfare states surely have to be 'modernized', social assistance surely has to be de-stigmatized and de-bureaucratized, modern technology can help, but the objective should remain to develop solidarity and to give workers more (participatory) power.

Finally, whatever system people choose, the crucial point is our interdependence. That is why, in spite of its philosophical limits, the title of Minouch Shafik's book is so very well chosen: 'What we owe each other'. We are one humankind, we have exactly the same needs, we are interdependent, we need each other and we can help each other. It is what emancipation is about. This is the most crucial lesson of the current crisis.

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- <sup>52</sup> Mestrum, F., 'What about Monsanto? Reflections on the future of work, transformative social protection and systemic change' in *Global Social Justice*, <http://www.globalsocialjustice.eu/index.php/research-84309/1161-what-about-monsanto-reflections-on-the-future-of-work-transformative-social-protection-and-systemic-change>.
- <sup>53</sup> Offe, C., (ed. By Keane, J.), 1984, *Contradictions of the Welfare State*, London, Hutchinson & Co, p. 153.