Universal Basic Income:
New Avenues in Social Welfare Policy

Group Work Report
Basic Income and Youth

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In the wake of the upcoming basic income experiment there has been wide public debate about how basic income would potentially influence young people, and whether they should be excluded from the experiment and also in general from receiving basic income. Some have expressed concerns that an unconditional public transfer could possibly create disincentives to work and study among young people, and thus make them more passive (Ahonen, 2016; Kopra, 2007). On the other hand, others have brought up counter-arguments, which hold that young people in fact value work and are motivated to work (Allianssi, 2016). In general basic income has been suggested to increase incentives to work, which raises the question, why would young people behave any differently from the rest of the population? Thus, one central question posed in this group work was whether there is any evidence to support such concerns. In this group work young people are defined as under 25 years of age.

The aim of this group work was to scrutinize how basic income would potentially influence social inclusion of young people, focusing especially on employment. The question has been approached by critically assessing various arguments that oppose the inclusion of young people as recipients of basic income through reviewing previous literature and our own reflection.
Would basic income make young people passive?

Several arguments have been presented against the inclusion of young people as recipients of basic income. The main concern surrounds the idea that basic income might make young people less active and less likely to be fully included in the society (see Kopra 2007, 88–89). Even political supporters of basic income such as the Greens (2014) and professor of public policy Heikki Hiilamo (Suomenmaa 20.1.2015) have voiced concerns over its impact on the youngest recipients, suggesting that some type of societal participation should be required of the young recipients of basic income. The definition of social inclusion that such concerns are typically based on is inclusion through either paid employment or education, although Hiilamo also mentions voluntary work and other less formal activities. These concerns beg the question, is there some evidence that indicates that young people would become passive as basic income recipients, contrary to other age groups? Is there something unique about youth and young people?

When thinking about what makes the youth a unique time in people’s lives, one defining characteristic is given by the many transitions a person experiences during that time period. Youth is the time for huge personal growth and all the new responsibilities that come with learning to live as a full-fledged member of society. But for many young people these transitions are not that easy or they don’t go as has been planned on a personal or in a more general level. And for these unexpected or difficult circumstances numerous different kinds of public services have been introduced to help those in need. And these different services, be they for example forms of subsidies or services in the employment agency, are crafted and shaped in the continuously changing political and official discourses and spheres. The common understanding seems to be that it is wise to invest in the education of the youth in order to get a more skilled workforce to compete in the globalized economy (Winthrop et al, 2013, 1-2). Education has also been thought to give protection against unemployment and seen as a key factor in relocating to new job descriptions, but this process has also been questioned (Mastomäki & Stenhäll, 2014, 12-13).

Thus, youth constitutes a critical period in one's life that has significant implications on one's future, as young people make important decisions with regard to their education, future profession, relationships and parenthood. Youth is about trying to find one's place in the
society, and is characterised by a multitude of important decisions and changes that considerably shape one's future. (Salmela-Aro, 2011) Moreover, young people have also less life experience than older people and some of them are still searching for their identity, which may influence their decision-making. Nevertheless, it still does not provide proof that young people would be any less active than other age groups in case basic income was introduced.

One reason behind the concerns has been the high youth unemployment rate: in March 2016 youth (15-24 years) unemployment rate was 20.7% compared to the general unemployment rate of 10.1%. It is noteworthy that it is challenging to assess youth unemployment as the labour market status of young people changes frequently between education, work and unemployment. Unemployment rate represents only one static snapshot in time, and a young person may become classified as unemployed even if most of the year she/he was a full-time student (Asplund & Vanhala, 2013). For example, in 2011 approximately 60% of young people who were classified as unemployed were actually students. Thus, it has been criticized that statistics may significantly overestimate youth unemployment. In addition, unemployment of young people is commonly short-term. Finland has a relatively low number of long-term unemployed among young people, as only 4% had been unemployed for over one year in 2011. (Larja, 2013) Finally, high youth unemployment rate does not tell anything about the reasons behind it - whether it is a question about shortage in labour supply or demand. Youth barometers ever since the 1994 paint a picture of highly motivated youth with regard to attitudes towards work and education. Young people value work and education. (Myllyniemi, 2013) Thus, critical scrutiny of youth unemployment rate does not render support to concerns about 'passive youth'.

A more comprehensive measure of social exclusion is the NEET-indicator, which shows the proportion of young people who are outside of employment, education and military service. Nevertheless, NEET-indicator is not a very accurate measurement of social exclusion either as those who belong under the category of NEET (Not in Employment, Education or Training) constitute an extremely heterogeneous group. Not all of them are at risk of social exclusion as the category involves also those who are caring for their children at home, those preparing for entrance exams and those in a transition phase. In fact, it is very common for young people to go through a NEET-phase in their life. (Larja, Törmäkangas, Merikukka, Ristikari,
Gissler & Paananen, 2016) In Finland 14.6% of young people between 20-24 years of age were classified as NEET in 2014, which was lower than the EU average 18% (Eurostat, n.d.). Nevertheless, as discussed above, not all of them are at risk of social exclusion. Larja et al (2016) investigated the birth cohort 1987 and discovered that a considerable proportion of NEET youth experienced only one NEET-period (44%). They also found out that the longer and more NEET-periods a young person experiences, the greater the risk of mental health problems, criminal acts and reliance on income support becomes.

There are two important points to take from here. Firstly, a critical inspection of youth unemployment and NEET-statistics indicates that majority of young people are in education or employment. Therefore it is questioned whether the decision concerning inclusion of young people as recipients of basic income should be based on a minority of young people who struggle. Secondly, as a prolonged NEET-status is associated with increased risk of mental health problems and criminal record, it is highly unlikely that conditionality of benefits would anyway solve these problems. It seems more that social services are required to support these young people. Perhaps under a system of basic income, more resources could be channelled towards these kinds of services if money can be saved as a result of decrease in bureaucracy.

**Youth and activation**

In addition, concerns about negative impact of unconditionality of basic income can also be questioned from the point of view that sanctions have not anyway proved to be efficient when it comes to young people. Currently Finns under the age of 25 are required to apply into further education or actively search for employment in order to receive unemployment benefits. The latter includes a sanction specifically designed to activate the youth: if a person under 25 fails to apply for work or for employment, their minimum welfare benefit may be cut by 40 per cent. The argument is that if such benefits are replaced even partially by basic income, there will be less incentive to find one’s first job or go into further education. Some base this argument on the presumption that financial incentives guide people’s behaviour; some are concerned about the ideological message that income based on no individual effort
would send to the youth. Some argue that if a youngster has to report to the authorities about whether they have applied for a job or a spot in an educational institution, those who have not done so can be more easily identified by the authorities. This helps to spot those who might be at risk of becoming socially excluded, which in turn enables activation policies to be directed at them in order to help them in finding employment or education.

The most recent project of activation policy directed at the youth has been Youth Guarantee. This model was created to increase the willingness of the private sector employers to hire young people by paying the businesses state subsidies. It was designed to ease the cooperation between different branches of administrative sectors and the main idea was to offer a job, a study place, a work try-out or a place at a workshop for every person under the age of 25 or every recently graduated person under the age of 30. However, the impact of the project turned out as far less significant than expected (Hämäläinen, Hämäläinen & Tuomala 2014). This is not surprising as according to international research, activation policies directed at the youth have not been particularly effective (Card, Kluve & Weber 2010, 3). Additionally, the previously described under-25 sanctions of the minimum welfare benefit system have not been proven to result in more young people applying for further education. The sanctions mostly had a negative impact on the youth in the most difficult life situations and researchers consider the sanctions system a failure. (Palola, Hannikainen-Ingman & Karjalainen 2012.) The study (ibid) identified the lack of actual opportunities for engaging in employment or education as the biggest obstacle for youth striving for employment or education. 15-29-year-old Finns value work highly (Pyöriä & Ojala 2016), which makes the youth unlikely to drop out of work even if basic income is introduced. It can thus be stated that basic income would most likely not worsen the situation of most young people as the current compulsory activation and sanctioning policies have not been particularly effective.

Like said before, activation policies towards youth is a quite difficult task. Are sanctions the right way to activate youth or should it be more supportive for example giving the youth more personalised counseling, already in elementary school and at college level? One important question is also which things are considered as activation. Is it only job or school related or should we broaden our view on it? In terms of basic income volunteer work for example could be seen as a good alternative to be considered as societal participation. The participation
income model as proposed by Tony Atkinson (1996) was seen by our group as a poor compromise between basic income and the workfare models used now.

There are many different activation ways. As discussed before the effectiveness of current sanction-based activation can be questioned. When the main idea is to help people to get employed and to prevent social exclusion activation just for the sake of activation is not reasonable. Especially among those being activated some means may seem less meaningful. One example is courses you should participate in when you have been without a job for a certain time. One problem with these courses is that for a young person they may feel more frustrating than activating in a society where there is systematic unemployment and just not enough jobs for everyone. In an interview-based study a young person said that these courses seem a bit vain when they really wanted was to get a job. The interviewed said that the same time you spend in the course could be used to actually find a job. (Aaltonen, Berg & Ikäheimo 2015, 82.)

One big issue with work based activation is the actual effects on the youth’s employment. There have also been concerns about the effects on the labour market in general. It has been suggested that in fact these kinds of policies could decrease the number of permanent jobs. There is also a risk that employers could take advantage of this by using almost free labour force to reduce expenses. (Pulkka 2015.) Activation has lead people into short-term and low-paid jobs (Karjalainen 2013, 209). Short-sighted solutions are not the right way especially in case of youth who has most of their working career ahead. For example on-the-job learning has been criticised for that you rarely get employed permanently after the period and that it does not make it any easier to find a job. On-the-job learning can be seen as an example of utilization said above. They are cheap workers for enterprises who are not willing to pay and hire the youth after the period. (Aaltonen, Berg & Ikäheimo 2015, 83.)

Different kinds of youth need different kinds of activation. Youth without job or school isn’t a homogeneous group that should be treated in one way. Some may need more help and guidance when others don’t. (Aaltonen, Berg & Ikäheimo 2015, 125-127.) With basic income it could be possible that the resources in activation could be used and focused better than now offered through the savings gained when costly bureaucracy can be cut because of the simplification of organizations offered by the basic income. It could also help to improve our
activation services. If more time and money could be spend with creating more individual plans and services the outcome could be more effective in long terms.

Thus, there are many problems associated with activation, and the system of sanctions has not succeeded in activating young people as intended. Therefore it is perhaps time to try an unconditional approach.

**In what ways could basic income potentially support social inclusion of youth?**

Given that young people value work and education, and there seems to be no indication suggesting that they would suddenly become passive if granted basic income, we will now turn to discuss how basic income could potentially encourage and support social inclusion of young people. According to Ilpo Lahtinen (1992, 100–103) basic income would most likely improve the situation of the youth. Firstly, it would increase the independence of a young person from their parents and reduce the impact of their socioeconomic background. Secondly, it would encourage more youngsters to apply for education if the universal benefit would be higher than the currently very small student benefits (Lahtinen 1992, 100–103).

Universal basic income has also been suggested to increase the collective bargaining power of the labor force in labor markets, especially in the low-paid segments where a lot of young people are working due to their inexperience, and along it would bring the notion of a society that creates wealth collectively. (Varoufakis, 2016.) On the other hand the increased bargaining power in labor markets can be seen as a double-edged sword. While basic income has been hoped to increase incentives to work one could also argue that when sufficient income level is secured, low-paid working would not seem desirable to accept. Finnish Left Alliance congresswoman Anna Kontula referred to this conversation in an interview in Voima-magazine stating that behind these assumptions always lies the different views on how we see the human nature and how in her opinion a healthy human being is always an active one (Lahtinen, 2016).

Moreover, there has been a lot of discussion regarding the structural change in labor markets in addition to the changes technology brings. Public discussion has revolved around the idea
that job insecurity is increasing and universal basic income has been offered as a part of the solution for the ongoing tendency towards these more insecure labor markets. Claims about increasing insecurity have also been questioned (Ojala & Pyöriä, 2016.). Whether the structural change is occurring or not, it is important to consider that it is commonly young people who undertake atypical and insecure jobs, such as temporary work, part-time work, zero-hour contract work and agency work. For example, a considerable proportion of temporary workers are young people (Okkonen, 2009). Basic income has been frequently suggested to provide support especially for atypical workers, and thus for many young people. By providing a baseline income, basic income could make it easier to build a decent income even with part-time work as to a certain extent salary will accumulate on top of basic income (Soininvaara, 2015). Basic income could also make receiving temporary work or part-time work easier by solving some of the bureaucracy and welfare traps created by the current social security system. Currently receiving temporary or part-time work is not always profitable when compared to unemployment due to reduction in social benefits coupled with taxation, thus creating a welfare trap. In addition, especially atypical workers may have difficulties in estimating their future income when applying for benefits. This sometimes leads into them having to pay back the benefits retrospectively, which may hit persons with low-income hard. There occur also delays in receiving benefits. Basic income could solve these bureaucracy traps, thus meeting the demands of atypical workers better and in a more flexible manner. However, solving the welfare traps discussed earlier is more complex. Basic income could potentially be part of the solution, but not automatically, as solving the welfare traps depends on the highly complex interaction between taxation, basic income and other social benefits. (Honkanen & Kangas, 2016). All in all, basic income could potentially meet the demands of atypical workers better by offering a more flexible support system for frequently changing labour market status of atypical workers. Nevertheless, it is of course necessary note here that many young people already have such a baseline income in the form of student allowance, but not all of them.
Conclusion

The aim of this group work was to scrutinize how basic income would potentially influence social inclusion of young people especially with regard to work. We were interested in whether basic income would make young people somehow less active, as many have voiced such concerns. We found no evidence to support these concerns. Young people seem to value work and education highly (Myllyniemi, 2013). Majority of young people enter the labour market successfully and long-term unemployment among them is relatively low (Larja, 2013). In addition, sanctioning has not succeeded as hoped when it comes to activation of young people, but it has in fact had a negative impact on those with difficult situations in life (Palola, Hannikainen-Ingman & Karjalainen 2012). Thus, contrary to prevalent concerns voiced about the possible negative impact of basic income on youth, we suggest that it might in fact support social inclusion of young people with regard to work and education. Firstly, it could reduce the impact of socioeconomic background of young people as they could be economically less dependent on their parents. Basic income could also encourage a higher number of young people to study as it would most probably constitute a higher benefit than the current student benefits (Lahtinen 1992, 100–103). Moreover, youth is characterised by school-to-school and school-to-work transitions and basic income could potentially help to smooth these transitions. Finally, many young people also work in atypical jobs, including temporary work, and basic income could provide security especially for these kinds of jobs by solving bureaucracy traps of the current social security system, and by being potentially part of the solution of dismantling some of the current welfare traps.
References


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