

Review of participation income: An alternative to basic income for poverty reduction in the digital age (Heikki Hiilamo, 2022)

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The 20th-century social security system, based on the Beveridge Report, fundamentally proposes that unemployment and underemployment should be contingent circumstances, at least for physically capable adults. This approach may have operated relatively smoothly during times of near-full employment. However, as the labour market has become more flexible in recent decades, a growing segment of the population has found itself trapped in a discouraging cycle of precarious employment and meagre income support where participation in the workforce is not sufficient to make a living but also prevents access to welfare benefits. Many, including myself, argue that this paradox can be solved with Basic Income (hereafter referred to as BI) models: regular unconditional cash transfers to every individual within society. One of the principal virtues attributed to BI lies in its potential to enhance both individual autonomy and security by severing the robust connection between the obligation to work and income compensation. If that is the case, might the implementation of mandatory contributions in exchange for benefits, which set Participation Income (hereafter referred to as PI) apart from BI, potentially reduce the positive effects of BI? What if it might function as a subtly devised punitive measure, similar to the existing workfare system? As an advocate for BI, I must confess to harbouring strong preconceptions and initial resistance towards the concept of PI, which has been profoundly altered as I have read *Participation Income: An Alternative to Basic Income for Poverty Reduction in the Digital Age*.

The concept of PI was first introduced by Anthony Barry Atkinson in his article ‘The Case for a Participation Income’ published in 1996. As a prominent Neo-Keynesian economist, Atkinson dedicated his academic career to delving into the intricate web of socio-economic policies, including taxation, social spending, and labour market regulation, all aimed at combating poverty and income inequality. He placed a strong emphasis on the pivotal role of a universal social security system, especially in an environment marked by extreme income disparities that nullify the benefits of equal opportunities. In this context, he endorsed what he called ‘Citizen’s Income’ as a superior alternative to the means-tested benefit system of that era. He argued that means-testing not only led to social exclusion by stigmatising beneficiaries but also proved economically counterproductive by disincentivising individual efforts, thereby perpetuating dependence on government aid. Nonetheless, Atkinson remained sceptical about the feasibility and sustainability of Citizen’s Income, recognising that providing financial support without any obligations could face political resistance and strain the economic viability of the system, especially if a substantial portion of potential contributors ended up as net beneficiaries. Atkinson’s insights revealed that the potential solution to these challenges might lie in conditionality closely tied to the principle of reciprocity. He posited that maintaining such a universal system would necessitate a sense of solidarity, attainable through the assignment of civic contributions. This perspective is still highly relevant in the ongoing discourse on BI, particularly concerning its practicality as a concrete policy option, which requires a critical reassessment of both the role and the substance of conditionality.

Surprisingly, Heikki Hiilamo’s *Participation Income: An Alternative to Basic Income for Poverty Reduction in the Digital Age* makes the first comprehensive examination of PI since Atkinson’s influential work. The book, comprising ten chapters, guides readers on a journey towards a deeper appreciation of why PI deserves serious consideration as a viable alternative to BI. In terms of its thematic structure, the book can be effectively divided into four distinct sections. The first section (Chapters 1–3) provides the crucial social contexts

for understanding the core issues within the debate. In the following section (Chapters 4–5), a rigorous examination of conditionality unfolds within two distinct social security systems: the present workfare models and BI models as its alternative. The third section (Chapters 6–7) highlights the unique position of PI as a key cornerstone in the incremental realisation of BI, while also confronting its critics. Finally, the last section (Chapters 8–10) proposes potential new models of PI, examining their potential impacts and the practical challenges they may entail. The most compelling attribute of Hiilamo's book is his comprehensive comparison of PI with both workfare and BI. This analytic approach allows readers to gain an unbiased understanding of PI. Supported by substantial empirical evidence, Hiilamo effectively argues that PI is not contradictory but, instead, a viable policy option within the broader framework of BI.

In the introductory section of this book, Hiilamo discusses key structural factors that drive significant transformations in the production and distribution of social values. These factors include the proliferation of labour-saving technologies, the escalating climate crisis, and the rising instances of social disruptions such as the COVID-19 pandemic and the Ukraine/Russia conflict. Recognising these factors as collective contributors to increasing societal precariousness promptly calls for the implementation of a universal social security system as a normative imperative. However, it does not inherently produce concrete policy implications. Regarding its sustainability, the overarching objective of such a universal system should extend beyond providing income support for individuals outside the labour market to encompass reintegrating them into socio-economic activities. In this context, Hiilamo's analysis, which focuses on identifying vulnerable sectors and demographic groups along with their specific challenges within the labour market's supply and demand dynamics influenced by the aforementioned factors, leads to a disheartening realisation: while a growing proportion of the population inevitably relies on tax-based social assistance, their reintegration into the workforce is hindered by structural constraints. This predicament implies a central dilemma in crafting the new social security system: the inherent tension between universality and conditionality. Then, how should the system be thoughtfully designed to facilitate the relocation of beneficiaries within the socio-economic sphere, promoting individual senses of social inclusion while ensuring guaranteed income security?

In practice, conditionality serves as a vital tool for deliberately shaping behaviours that align with societal values while addressing the issue of free-riding. During the era of neoliberalism, discussions surrounding conditionality primarily revolved around work-related obligations, assuming that they would provide both positive and negative incentives to benefit claimers. Hiilamo examines how conditionality has historically been implemented in both workfare programmes, where it serves as a sanction, and active labour market policies, where it acts as a driver for enhancing employability. Although the effectiveness of those programmes for activating recipients varies significantly depending on contexts, numerous empirical researches verify a general statement that recipients do not tend to remain with the benefit for extended durations once they secure available employment. However, what role does conditionality truly play here? Is what matters the motivation to work or structurally limited employability? If the latter is the case, would they rather not suffer from deepening dependency and poverty due to the existence of that conditionality?

Hiilamo places particular emphasis on the Finnish BI experiment among various other BI experiments, as it was designed to explicitly investigate whether the unemployed would actively seek employment without sanctions or obligations. A comparison between the experimental group and the control group under the original unemployment benefit system revealed only marginal disparities in job-seeking behaviours, suggesting that conditionality has little impact on the motivation to work. Furthermore, qualitative studies that explore the role of conditionality in the experiences of long-term unemployed

individuals indicate that when there is a misalignment between their motivation and the attainable conditions, conditionality tends to worsen feelings of deprivation and anxiety regarding benefit loss. These findings elucidate the rationale behind the strong emphasis BI advocates place on its unconditionality. Under the faith that individuals are most capable of understanding their interests and options, they contend that the key to activating recipients lies in simply ensuring individual autonomy with unconditional financial support. This approach also benefits individuals with limited employability, enabling them to engage in diverse activities that may not be monetarily compensated in the market system but possess significant societal values.


The intrinsic nature of unconditionality, however, introduces complexities when attempting to predict its actual effects, given that individual responses remain entirely voluntary. As previously mentioned, recipients of assistance generally accept obligations attached to benefits as long as these obligations align with their desired life paths. Then, the central issue at hand may not pertain to whether conditionality should be mandatory or optional, but rather how conditionality criteria should be defined to address the needs of both individuals and society. While workfare and BI are typically seen as opposing approaches to conditionality, they both impose restrictions on the range of conditions related to labour market participation. Hiilamo highlights the distinctiveness of PI in the discourse surrounding social security systems, as it integrates the necessity of conditionality derived from liberal ideology with the universality embedded in BI. PI suggests that such compatibility can be achieved through the refinement of its conditionality criteria, facilitating expanding entitlements within the social assistance framework to encompass individuals who have contributed to society as caregivers, volunteers, and even students.

Hiilamo's analysis is commendable for its recognition of the limitations and challenges in PI. He acknowledges the criticisms related to its complex implementation, specifically the difficulties in defining, measuring, documenting, and monitoring social participation. These challenges impose administrative burdens and create confusion among beneficiaries. In essence, the dual objective of PI, encouraging social contributions and providing universal payments, presents a fundamental dilemma: Strengthening the contributory aspect might risk it functioning as quasi-welfare, whereas prioritising universal payments could make it a costly quasi-BI. He also does not have a magical solution to resolve this dilemma, but his proactive engagement with counterarguments from diverse perspectives offers readers a valuable opportunity to cultivate a well-rounded and balanced understanding of the issue.

While PI has received less attention than BI due to its ambiguous position, the book's concluding chapters explore various PI models developed to address societal needs. These models illustrate how conditionality criteria can be purposefully adapted to encourage recipients to engage in civic service and ecological activities. The book also analyses PI experiments in the Netherlands, Germany, Denmark, and Finland, examining their goals, target demographics, mechanisms, and outcomes. Despite its diversity, it is possible to distil three policy implications from those experiments for the effective design of PI schemes: Firstly, a profiling system should be established to address the diverse needs of heterogeneous individuals. Secondly, recipients should be able to actively engage in the formation of conditionality criteria, thereby nurturing a sense of ownership over their participation. Lastly, cooperation and collaboration under municipal authorities are essential for appropriately assigning individual contributors to socially required fields.

At the beginning of this review, I expressed my reservations regarding the concept of PI based on its exclusive focus on labour market engagement, a perspective I regard less favourable in comparison to BI. Heikki Hiilamo's book, *Participation Income: An Alternative to Basic Income for Poverty Reduction in the Digital Age*, did not change my mind but made me realise that conditionality does not inherently weaken but can instead strengthen the

overarching principle of universalism. This recognition holds the potential to provide invaluable insights that could facilitate a more nuanced and constructive discourse aimed at realising feasible BI schemes. Upon reading this book, I look forward to further studies that delve deeper into precise design frameworks capable of addressing specific issues within distinct contextual settings, coupled with an in-depth examination of the associated funding mechanisms.

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