PARTICIPATION INCOME: a policy proposal.

Author: Rebecca Belochi
Publication date: 06-07-2020
Our New Economy
TABLE OF CONTENTS

THANKS 4

FOREWORD 4

EXECUTIVE SUMMARY 5

INTRODUCTION 9

CHAPTER 1: THE NEED FOR CHANGE. 13
   I. First trend: Outdated social policies. 14
      A. Policies schemes relying on means-testing fail to properly tackle poverty and inequalities. 14
      B. Universal measures and earning-related benefits as an alternative. 16
   II. Second trend: automation and digitalisation. 19
      A. Automation and digitalisation will increasingly substitute human labour. 19
      B. Automation and digitalisation will also have a broader effect on the labour market by affecting the set of skills individuals are expected to master. 21
   III. Third trend: questioning the traditional underlying values of society. 23
      A. Work-centrality is questioned as the meaning of being unemployed changes. 23
      B. Society doesn’t reflect the new concerns of citizens today, need to accommodate new measures of development etc. 24

CHAPTER 2: STRATEGIC ELEMENTS FOR POLICY MAKING. 29
   I. The different roles and objectives of welfares States, as well existing reform proposals, can help understand the current context for policy makers. 30
      A. The different types of welfare States. 30
      B. … and the current experiments and reforms. 31
   II. A brief introduction of Participation Income. 33
      A. Participation Income: the result of a lifelong reflection on poverty and inequalities. 33
      1. … initially defined as … 33
      2. … and differently appreciated by academics. 34
   III. The strategic elements of Participation Income for policy making. 35
      A. Defining Participation. 35
      1. What provides the basis for eligibility? 35
      2. What makes the participation requirement strategically relevant for policy makers? 36
      B. Decide on compensation. 37
      1. Strategically determining the compensation level. 37
      2. Strategically developing the allocation method. 38
      C. Verification process. 39
      1. The strategical trade-off between reciprocity and costs. 39
      2. A few thoughts on organising the verification process… 39
      3. General observations and comments. 40

CHAPTER 3: A DIGITAL PARTICIPATION INCOME SCHEME, OR INTERPRETATION OF THE FRAMEWORK. 41
   I. A digital Participation Income scheme, how it can work. 42
      A. The basic idea: a new digital system. 42
      1. Defining participation, allocation method, and remuneration … 42
      2. .. through a central digital system. 43
      B. Operationalising the administrative process: (registration and verification). 44
      1. A unique and secure digital identity...
2. ... key in operationalising the verification process...
3. ... respecting reciprocity in the verification process...
4. ... and coordinate the distribution of PI benefits.
C. Key takeaways.

II. The advantages of a digital Participation Income scheme.
A. A digitally operated Participation Income scheme can contribute to revive academic discussions, promote a new considerations of PI, and effectively support new research regarding its potential for welfare reform.
B. Successfully transitioning to a digital society can prove to be beneficial to all stakeholders through potential costs savings and even value creation.
   1. What is the potential of this proposal in terms of savings?
   2. What is the potential of this proposal for value creation?
C. A digital PI scheme allows policy makers to focus more on social cohesion and on bringing people together, a key aspect to prepare for the future.
   1. How can Participation Income be a solution to the outdated character of most social security schemes today?
   2. How can Participation Income be an answer to the dilemma in the near future of increased automation and digitalisation processes?
   3. How does Participation Income provide a solution to the work-centrality and economic measure questions, as well as provide a unique way to allow policy making to focus on bringing individuals together?

III. The potential challenges to implementation.
A. Ensure a sufficiently enabling environment for a successful digital transition.
   1. Appropriate and existing digital infrastructure.
   2. Trust in government.
   3. Political and legal factors.
B. Data as the main policy concern.
   1. Policy makers need to ensure strong data protection through cyber security measures.
   2. Governments will also need to address privacy concerns.
   3. Finally, policy makers need to employ all means necessary to mitigate the risk of misuse and abuses.
C. Specific challenges tied to the operationalisation of an online Participation Income platform.
   1. Ensure a smooth and inclusive transition.
   2. The underlying technology faces its own challenges.

CONCLUSION
THANKS

A brief personal note is needed to acknowledge the help and express my gratitude towards all the people that have made the publishing of this paper a reality.

First of all, I would like to particularly thank Dr. D. Damsma from the University of Amsterdam, my bachelor’s thesis supervisor, without whom I would have never endeavoured to pursue the topic of Participation Income outside the scope of my studies. I am also very grateful to all of Our New Economy’s board members, for giving me the unique opportunity to research the potential of Participation Income for welfare reform. Very special thanks to Joris Tieleman, who always knew how to support me and challenge me to do my best.

Many more individuals contributed in various meaningful ways to this project. I am very thankful for all the genuine conversations and exchanges I could have with so many people during different workshops but also email correspondences. To name only a few, I would like to thank Marja Pelzer and her team from the municipality of The Hague, Marcel van Druenen and the whole Divosa team, Nico de Smith from Dorcas, and Jack Tanner for his very much needed support regarding the possibilities blockchain technology can provide.

FOREWORD

As this paper is written, the consequences of the COVID-19 pandemic are being felt globally. The world is standing still. Unable to plan for the future, many people experience uncertainty and fear to an oftentimes unprecedented extent. While health concerns prevail, economic and social factors are also central to the management of this crisis.

Individuals fear losing their jobs, unemployment is rising and many more jobs only hold by the thread of government support. As of the 20th of May 2020, the International Monetary Fund reports nine trillion USD in fiscal support measures have been allocated by governments worldwide in response to the virus. Moreover, lockdowns have been adopted in almost every country. These often resulted in solitary living and loneliness for many individuals.

At the same time, communities have witnessed a great surge in solidarity and feeling of togetherness. From the many expressions of support and gratefulness for health professionals to the various benevolent activities undertaken locally, individuals support each other.

The COVID-19 pandemic only reinforces the arguments presented in this paper. The time to redefine the role of the State to better protect its citizens is now. Governments have already started to recognise the serious threat this pandemic poses to social cohesion and equality. However, temporarily extending current social security policies is a necessary but insufficient fix. More than ever do policy makers have the possibility to turn a crisis into an opportunity. The argument for budgetary caution has become a matter of priority, not feasibility. As trillions are spent with less concern for the skyrocketing levels of public debts, welfare reforms such as Participation Income merit careful consideration. They can help to more efficiently allocate public spending to fight inequality and poverty in times of crisis but also in the long run.
EXECUTIVE SUMMARY

This paper aims to introduce Participation Income as a viable candidate for welfare reform. The need for State actors to re-think how social policies are organised is strong. The reduction of inequality and poverty has become a common objective for world leaders and international organisations. But what has really been achieved? While rising income levels in developing countries contributed to decreasing inequality globally, at national level and particularly in the case of advanced economies, inequalities are rapidly increasing\(^1\). The relationship between growth and inequality is complex and its analysis remains controversial. Nevertheless, higher levels of inequality have been found to negatively impact social cohesion and even affect political outcomes. Moreover, if economic concerns can leave room for discussion on the effects and justifications of inequality, morally, persisting inequalities cannot be defended.

Many proposals aim to reform the organisation of welfare states today and claim to better address equality and poverty concerns. One of them is Universal Basic Income (UBI). A universal and unconditional redistributive policy. The ability of UBI to fight inequalities is potentially strong and is being investigated all over the world. Nevertheless, its unconditionality also constitutes its main weakness, particularly in terms of political support. In response to this dilemma, Sir Professor Anthony Atkinson presented Participation Income (PI) as the result of his realistic political outlook but also strong belief current welfare systems are unable to tackle inequality and poverty effectively. This paper wishes to go in more detail regarding how exactly Participation Income can be seen as a strong candidate for welfare reform. The various rising opportunities to reconsider the organisation of welfare today are presented in the first part of this paper. Thereafter, PI’s strategic advantages and difficulties will be analysed in light of the current policy context. Finally, the last part of this paper presents a first draft proposal to implement Participation Income.

1. The need for change.

This paper’s first chapter addresses the need to rethink welfare. It does so by identifying three trends that will inevitably pose challenges for the State and citizens in the future: the outdated character of current means-tested benefits, the rise of automation and digital processes, and the shift in public opinion regarding policy action priorities.

Most welfare systems today are outdated and unfit to protect individuals effectively against poverty and inequality. This is mostly explained by the fact that they rely on means-tested benefits and outdated mechanisms of redistribution. Means-testing, or the method of prioritising the redistribution to households whose means are below a set level, has proven to lead to counter-productive effects by sustaining the poverty-trap, discouraging savings, relying on a costly and complex administration, and stigmatising the reception of benefits. These effects in turn lead to lower take-up rates and lower social cohesion. The unfit character of means-testing is only reinforced when compared to universal and earnings-related measures which secures benefits for all citizens proportionally to their income levels and secure better redistributive effects.

Additionally, the increased use of automation and digitalisation processes will dramatically change 21st century’s way of living. They also bring about new significant challenges for States and individuals. Initially, automation and digitalisation processes will increasingly substitute

\(^1\) For detailed referencing, please refer to the corresponding chapters in the full paper.
human labour and consequently pose a risk to social cohesion. Labour market polarisation is already increasingly noticeable today. As more occupations become susceptible to automation, more individuals will have to transition into new jobs and policy makers will have to draft appropriate reforms to support this shift. Moreover, the disruption ahead will do more than substitute human labour for computer programs and machines. It will also deeply affect the skills individuals need to acquire and the occupations they engage in as they will increasingly need to be able to work alongside machines. This will require investments in education and trainings, but also the ability to find new ways to differentiate human labour from the one of machines. Automation and digitalisation will have significant effects both in terms of re-adjusting individuals’ skills to meet labour market’s needs and possibly transition to new occupational categories. Policy makers need to objectively evaluate whether current welfare and workfare systems can support the challenging transition ahead.

Finally, the changes in the public opinion’s perception of policy action priorities also give new grounds to rethink welfare organisation. First, the current perception of work and its value in society can be questioned. Given the rising threat digitalisation and automation first pose for many employment categories, the stigma associated with receiving benefits becomes even more inappropriate. Moreover, public opinion increasingly raises concerns for the protection of the environment or the persisting levels of inequalities. The urgency of climate change as well as the persisting failure of governments to reduce unemployment and inequalities provide legitimate grounds to suggest governments should investigate new models of developments and measurement metrics. Ultimately, the recognition of the development of new needs of citizens and how they will affect the organisation of society is essential.

2. **Strategic Elements for policy making.**
The second chapter focuses on how Participation Income contributes to the policy making debate. First by establishing the context in which PI should be evaluated and thereafter by providing the main elements that policy makers need to consider to draft a comprehensive reform.

The different types of welfare states derive from the different evaluations of the responsibility of States towards their citizens. Generally speaking, the interpretations range from being restricted to targeted poverty relief for the most vulnerable to more far reaching considerations of supportive and protective measures. The extent of state involvement can greatly vary, however nowadays, welfare states typically focus on supporting their citizens in a broad range of situations such as youth, old age, sickness, or unemployment. The different objectives of welfare States translate into different means of actions which eventually explain the many different organisations of support around the world.

Still, no typical welfare organisation was able to secure unanimous support and many reform proposals have been presented over time. An often-discussed alternative to most current welfare organisations is Universal Basic Income (UBI). Recently, an experiment carried out in Finland tied UBI to better measures of wellbeing. It however failed to measure any effect, positive or negative, on incentivising recipients to find employment. Hence, even though UBI has promising potential to improve wellbeing and social cohesion, political reality, even in a country as progressive as Finland in terms of social security policies, sets the provision of an incentive to participate as an essential aspect for a realistic reform proposal.
This leads to the consideration of Participation Income and its strategic advantage for policy makers. For Atkinson, «questioning welfare is a legitimate part of economics». His proposal of Participation Income derives from his critique of means-tested benefits as well as his realistic outlook on the chances schemes such as Universal Basic Income stand politically. To ensure the continuity of an incentive for individuals to participate in the economy, and therefore effectively secure public opinion’s and political support, individuals eligible for PI should satisfy a genuine participation requirement. Simultaneously, the formulation of this requirement is very flexible and broad, allowing to place PI close to universal measures such as UBI in terms of pool of beneficiaries. In that sense, Atkinson suggests eligibility should go beyond individuals traditionally involved in the labour market and should also include «those engaging in approved forms of education or training, those caring for young, elderly or disable, and even those undertaking approved forms of voluntary work».

Participation Income was differently appreciated by other academics and policy makers. The point that bears most weight in rejecting it as a feasible alternative for welfare reform in the past is its suggested heavy reliance on administrative procedures, making it a costly and politically-unattractive alternative. While a very relevant addition to the debate, this paper believes previous objections do not give grounds to reject PI all together. This become particularly true when analysing the potential of PI in light of recent technological developments as chapter three suggests.

Several advantages can be found in drafting a PI reform as it is, even with an increase in administrative costs, but they have to be balanced with other possible hurdles to implementation. Participation Income’s differentiating feature and key strategic advantage lies in the definition of the participation requirement. Shifting eligibility from an economic condition to the fulfilment of a participation requirement, PI enhances social cohesion by erasing the stigma usually associated with benefits. Moreover, policy makers can define socially valuable activities as they see fit, allowing to expressively commit a policy to certain State objectives, but also providing a new incentivising tool for policy makers. The compensation level and organisation of the verification process will also require careful consideration as they can offer different answers to varying policy objectives. They are therefore also critical in the elaboration of a coherent scheme. Finally, country specificities evidently will strongly affect decision making regarding PI. Budgetary constraints are expected to influence the extend of activities the State wishes to recognise. The level of compensation is similarly dependent on budgetary concerns but also the national pre-existing organisation of social measures. Moreover, public opinion on matters such as privacy and reporting are very likely to influence decision-making regarding the verification process. Policy makers will have to find the right balance between all the elements to draft a Participation Income scheme that is appropriate in light of national priorities, social, and economic values.

3. A digital Participation Income scheme.

This paper’s last chapter lays out the specifics of its suggestion to re-think social security schemes thanks to Participation Income. It especially tries to accommodate a broad definition of the participation requirement with the previously related costs concerns by operating PI digitally. By providing all citizens with a digital identity, all activity reporting regarding the participatory requirement could be done online. A significant part of the verification process could therefore also be conducted through digital means, in this case using blockchain technology and smart algorithms. This would allow to reduce administrative costs while maintaining human involvement in the administration when necessary.
In addition to providing an effective solution to develop a broad participation income scheme without incurring astronomical costs, this proposal has several advantages. Digital identification means have already been found to hold potential for value creation both for citizens and the State. Moreover, digitally operating PI allows to highlight its other distinctive feature: its ability to bring individuals together and thus to reinforce social cohesion. Understandably, this proposal faces significant challenges mostly tied to privacy concerns and data management, but also linked to ensure a smooth and inclusive transition for all citizens and address some dilemmas new technologies such as blockchain can face.

Overall, this proposal should be evaluated as a first draft and not a final version. Many of the elements mentioned require expertise far outside the scope of this paper. Moreover, many factors that will drive decision-making are dependent on national considerations. This proposal is thus presented in the hope that it will spark new discussions on Participation Income and inspire experts in their relevant fields to take it a step further. Finally, this paper will not be able to stress the ability of Participation Income to meet a variety of policy objectives thanks to its versatility enough. Hence, the proposal presented in chapter three represents only one of the many possible ways PI may be introduced in the future. Therefore, whilst this paper sees new technologies such as blockchain or digital identification means as valuable additions to a PI scheme, they are not irreversibly tied to it.
INTRODUCTION

It is disturbingly easy to forget about the persisting inequalities that mark society when the media report the first commercial rocket trip to the moon is scheduled for 2023\(^2\), or that driverless cars will become standard soon enough. It becomes easy to look past the fact that, every year, 100 million people worldwide are pushed into poverty because they have to pay out-of-pocket for healthcare\(^3\). Forget, that 26 people own the same as the 3.8 billion people who make up the poorest half of humanity\(^4\). Overlook the fact that in current conditions, it may take up to 202 years to close the economic gender gap worldwide\(^5\). To top it all, when education is put forward as a key component to fight inequalities, UNICEF reports in 2018 that one in every five child in the age between 6 and 17 years old is out of school\(^6\). In short, the prospects are not good.

However, inequalities aren’t a new concept. Researchers have traced evidence of economic disparities back 11,000 years, a time where social inequality was already a part of two cultures: the Mesopotamian Ubaid and Egyptian Badarian. The Greeks had a name for it: « Pleonexia », or the overreaching desire for more than one’s share as the result of being in a situation of inequality\(^7\).

Today, every international organisation, research institute, or government, has established the reduction of inequalities as a priority and allocates significant funding and efforts to bring about means of mitigation. « Reduced inequalities » (or Goal 10) constitutes one of the seventeen Sustainable Development Goals agreed upon by all 193 United Nations’ member States to establish a « global blueprint for dignity, peace and prosperity for people and the planet, now and in the future »\(^8\). Even organisations and institutes initially driven by monetary or trade objectives have expressed their commitment to the reduction of inequalities. Indeed, beyond the social and ethical concerns tied to inequalities, fluctuating levels of inequality appear to diversely affect growth. To improve understanding of inequalities and their effects on society and the economy, the European Commission in collaboration with the French Development Agency initiated the « Research Facility on Inequalities ». Funded to the tune of 4 million euros, it aims to support 22 research projects on inequalities. The International Monetary Fund (IMF), originally set up to support the establishment of an international monetary system and maintain global stability, published a series of working papers and reports focused on operationalising inequality issues. Sadly, inequality is the new hot topic.

Described as « the challenge of our time » by former US President Barack Obama in 2013\(^9\), growing inequalities and the lack of upwards mobility understandably are central to many political debates. But is inequality really increasing? Globally, inequality has actually been declining over the past decades through the rising incomes of large emerging market economies, mainly China and India\(^10\). Nevertheless, the concerns of the former leader of one

\(^8\) [https://sustainabledevelopment.un.org/?menu=1300](https://sustainabledevelopment.un.org/?menu=1300)
\(^9\) [https://www.washingtonpost.com/politics/running-transcript-president-obamas-december-4remarks-on-the-economy/2013/12/04/7ec51ba-5cf-11e3-be07-006c7762666d_story.html](https://www.washingtonpost.com/politics/running-transcript-president-obamas-december-4remarks-on-the-economy/2013/12/04/7ec51ba-5cf-11e3-be07-006c7762666d_story.html)
of the most powerful economies are not unfounded: income inequalities in most advanced economies have been increasing and the forces behind this movement vary across time and regions\textsuperscript{11}. In his book « Capital in the Twenty-First Century », the economist Thomas Piketty brought Inequality back in the centre of public debates. By expressing it arrhythmically and supporting his claim with the meticulous presentation of data patterns analysis, Piketty warns inequalities are unequivocally rapidly increasing\textsuperscript{12}.

The analysis of the effects of inequality on growth and the deriving redistributive policies has been source of much controversy amongst academics and policy makers. While some still support the view that inequalities can benefit economic growth by providing an incentive to work harder or by rewarding risk taking and entrepreneurship\textsuperscript{13}, the assumption that the pursuit of growth is harmed by concerns for inclusiveness and the reduction of inequalities is now predominantly refuted. Berg et al. (2014) for instance, established with statistical significance that lower net levels of inequality are strongly correlated with faster and more durable growth. Simultaneously, they also find evidence that redistributive policies only have a minimal impact on growth should there be one. One may then argue that concerns to correct inequalities may very well serve both equity and growth. Considerations for inequalities however, go beyond the question of whether redistribution is backed through pro-growth evidence. Whilst the links between inequality and growth are complex, increasing inequalities also impact social cohesion, key public sectors in terms of addressing inequalities such as education and health, and have been proven to diminish the State’s ability to face economic shocks and sustain growth\textsuperscript{14}. Individuals living in countries with higher levels of inequality\textsuperscript{15}, reportedly suffer more from various problems ranging from worse general health and life expectancy levels to more violence and poorer career prospects for the disadvantaged classes of society\textsuperscript{16}. Finally, researchers have increasingly investigated the relationships between inequalities and political outcomes. In fact, evidence suggests countries with high levels of inequality are more likely to be vulnerable to rising populist views\textsuperscript{17}.

If inequalities so clearly impact growth and society as a whole, what has been done so far? Countless studies have been published and policy recommendations from prominent institutions have been produced. But how many governments practically picked up on them? Inequalities within countries have been on the rise, particularly in the case of developed economies. For most OECD countries, rising inequality is not a phenomenon limited to times of economic crisis but persist throughout time, suggesting an inequal structure in society may be a concept deeply embedded in most economic structures\textsuperscript{18}. Recommendations on how to best tackle inequalities vary, depending on the rhetoric tied to why inequalities need to be reduced. While institutions such as the OECD or the IFM focus on the effects of inequalities on the economy and growth, generally focusing their recommendations on fiscal issues such as reallocations of public spending, labour market regulations or taxation; inequalities can also be addressed from the perspective that they embody an inherently unjust society.

\textsuperscript{11} Idem.
\textsuperscript{15} measured through income inequality
\textsuperscript{16} Wilkinson, R., & Pickett, K. (2010). The spirit level. Why equality is better for everyone.
\textsuperscript{18} OECD. Publishing. (2015). In it together: Why less inequality benefits all. OECD publishing.
Economic theory can still lead to some controversy on how inequalities affect growth. However, justice-based arguments regarding the unethical aspect of inequalities unequivocally settle debates and reinforce the urgent need to tackle inequalities. In this line of thought, several proposals came to light, including Universal Basic Income (UBI) which gained a lot of attention in recent years. Put simply, UBI is an income support scheme aimed at reaching as many individuals as possible through its universal and unconditional character. UBI supporters argue that its simplicity enables governments to efficiently tackle poverty and inequality without the usually high-level of bureaucracy associated with other income support schemes. An IMF study reports that, should a UBI scheme be set at 25% of median per capita income, the fiscal cost would range from three to seven percent of GDP, for developing and advanced economies respectively. Additionally, they report that the effect on inequality would be substantial in all countries, measured by an average reduction of the Gini coefficient of five points\(^{19}\). Several experiments have also been initiated by governments in the hope to see an improvement of welfare measures and a reduction of bureaucracy. The preliminary results report of an experiment mandated by the Finish government indicate that whilst the data set shows significant improvements in indicators relating to health and stress levels, it provides no grounds to argue that UBI recipients had a stronger incentive to seek employment\(^{20}\). These results support the case several critics of UBI have already made theoretically: the unconditionality of the scheme makes it difficult for governments to ensure a sufficiently high incentive is maintained for individuals to seek employment opportunities or other forms of involvement in society.

All welfare reforms have in common the intention to reduce inequalities. In fact, this is an important distinction. Whilst trying to determine an acceptable level of inequality in society, and develop policies accordingly, might prove to be a challenging and divisive issue, reducing inequalities is a task for which one could reasonably assume almost unanimous political support. This reasoning is what brought Sir Professor Anthony Atkinson to develop his proposal of Participation Income (PI). He was well known for his commitment to welfare economics. His dedication to researching and promoting the reduction of inequality and poverty significantly contributed to the debate on income distribution and the role of the welfare State.

Atkinson’s efforts to promote policy making and the reconsideration of means-tested welfare models is best exemplified through his Participation Income (PI) proposal\(^{21}\). Even though it remained relatively unnoticed when first published, current shifts in the perceptions of inequalities and the role of the State in fighting poverty created momentum for proposals such as PI to gain attention. Currently, Universal Basic Income mainly benefited from it. Nevertheless, UBI has also been met with criticism regarding the moral hazard issues that derive from its unconditional character. More simply, individuals working for a living do not want to enable others to receive benefits without any obligations. Those in support of UBI claim only very few individuals will follow this path, and the majority will participate through other means to society, making free riders a small price to pay.

Atkinson’s argumentation in favour of Participation Income is based on his beliefs universal and individual welfare measures are essential to combat poverty. However, in contrast to UBI, his proposal also derives from the realistic view that unconditional schemes enjoy few

\(^{19}\) Monitor, I. F. (2017). Tackling Inequality. International Monetary Fund, October.


supporters. He anticipated the small chances Universal Basic Income stands politically. Participation Income therefore embodies his critique of the current welfare systems as well as represents a realistic outlook on what reforms and proposals stand a chance politically and in practice. Similarly to UBI, Participation Income is a universal and individuals redistributive policy that allocates periodic cash payments from the State to its citizens. The significant difference between the two is PI’s conditionality. Indeed, cash benefits are conditional on individuals’ participation in socially valuable activities that can defined in many ways. Nevertheless, PI should not simply be seen as a « more feasible » or « realistic » alternative to UBI. It also holds characteristics that make it a viable proposal on its own.

Atkinson’s work leads us to the goal of this paper: to offer an initial analysis of Participation Income’s potential for welfare reform. At first, PI can appear as an easy fix for many of the challenges welfare States face. But PI’s simplicity can quickly lead to increasingly complex implications when thinking of its implementation. Few papers have attempted to offer a comprehensive overview of PI’s potential for welfare reform. This paper takes upon itself to offer a first attempt at re-thinking welfare and raise awareness around PI to enable concrete policy making. Participation Income deserves a chance to be considered as a viable social reform. The potential benefits and achievements linked to it overweight quick dismissals.

For this paper to be understood properly, the reader should keep in mind that its objective is not to put PI forward in any situation at any cost. Just like any other policy, Participation Income might be more attractive for a certain type of administration depending on many other factors such as budgetary constraints or public opinion for instance. Therefore, the overarching intention of this paper is to provide an introduction and increase awareness of Participation Income in general, as well as sharing its draft proposal to implement PI. The judgement of fitness and effectiveness of PI as a social policy in a national context is left to the discretion of the informed reader.

In this paper, the analysis of whether there is case to support the implementation of a Participation Income scheme will first be based on three pillars: the current failure of most welfare systems to efficiently tackle poverty and inequalities, the challenges that the technological developments of the twenty-first century pose in the short- and long-term, and the opportunity PI presents to re-think the values that organise societies. These will be analysed in the first chapter. Thereafter, PI will also be evaluated in the context of other social policies and objectives of welfare states in chapter two. It will also focus on the strategic advantages and possible dilemmas tied to the formulation of a PI scheme for policy makers. Finally, chapter three will present this paper’s draft proposal to operationalise PI in order to maximise benefits while mitigating the disadvantages presented in the previous chapter.
CHAPTER 1: THE NEED FOR CHANGE.

This chapter focuses on the different factors that ultimately will lead to re-consider not only the role and objectives of social policies, but also the role of societies’ organisational pillars. It addresses the already established but also emerging trends that have an influence on the present and future of welfare and give rise to new needs for citizens. Amongst the many changes and developments the world has seen so far, this paper will focus on the three it argues are most relevant with regards to the development of welfare states. The first more established perspective to argue in favour of re-thinking welfare and social security programs is linked to the current unfit mechanisms they rely upon such as means-testing and targeted measures. In addition to already existing dilemmas, this paper also touches upon the emerging trends that hold many promises for the future but also come with challenges. One will question the organisation of the labour market and thus workfare systems through the rise of automation and artificial intelligence, whilst the other challenges the traditional view of the role of the State through new considerations of definitions of economic activity and objectives.

The focus here is set on providing a good overview of the origins of these factors, how they will potentially affect the different aspects of individuals’ lives and how they provide the grounds to think differently about welfare and the organisation of society as a whole. Hence, the need to rethink social security schemes does not come from personal convictions but rather it is justified by unfit decisions made in the past, progress, and the emergence of new trends. In this situation, Participation Income’s case is only secondary. The goal is to present the range of rising challenges and support the re-evaluation of most welfare systems today.
I. First trend: Outdated social policies.
Most welfare systems today are outdated and unfit to support individuals effectively against poverty and inequality. This is mostly explained by the fact that they rely on means-tested benefits and on outdated targeted mechanisms of redistribution. States should focus on implementing universal earning-related benefits for better redistributive effects.

A. Policies schemes relying on means-testing fail to properly tackle poverty and inequalities.

Social policies can be developed for different objectives, but they are usually guided by the goals of reducing inequalities and fighting poverty. Mean-tested systems organise the redistribution of benefits according to the condition that a household’s « means », i.e. level of income and capital, are below a set level considered critical. In other words, the allocation of benefits based on means-testing can be compared to an « all or nothing » strategy. Such systems were set up with good intentions, namely making sure that individuals requiring the State’s support the most are also receiving it first. Nevertheless, means-testing gives way to many shortcomings, some of which brought the economist Atkinson to develop Participation Income in the first place. These range from sustaining the poverty trap or discouraging savings, to requiring a complicated bureaucracy leading to high costs and a stigmatisation of benefits recipients.

Setting a limit to receive means-tested benefits usually results from an arbitrary process that risks generating perverse incentives for individuals. Indeed, if means-testing applies on households and thus is not an individual policy, it creates a strong incentive for any other adult household member to leave employment, or refuse an opportunity, to remain below poverty line and continue receiving state support. This is known as the welfare- or poverty- trap. Additionally, means-testing can also discourage savings. From a certain point, marginal savings can lead to ineligibility for income support later on which creates a moral hazard issue. Individuals in a certain income range thus do not have the incentive to seek higher-paid employment opportunities to help sustain a higher savings rate.

Welfare systems relying on means-testing have lower take-up rates than universal systems do, which partly explain why they fail at targeting poverty efficiently. Means-testing can be the source of complicated bureaucracy and administration that affect both the State and individuals. Indeed, a means-testing procedure requires to set up an administration able to verify the eligibility of individuals that are receiving benefits. This results in high administrative costs which weight in States’ budgets. Besides its costs, the more intricate the system is, the higher the chance that individuals entitled to receive benefits do not. The high levels of intrusion required to verify one’s eligibility constitutes a first risk at crowding out potential recipients wanting to protect their privacy. The second risk lies in such systems failing to include all

22 If the level of means of a household is above the one defined by policy makers, that household is not entitled to receiving any benefits. On the other hand, if the means of a household are below the set level, then that household is eligible to receive benefits.
individual due to the complexity of the procedures. This can lead citizens to doubt their eligibility and not engage in the process at all.

Finally, the process of means-testing often results in stigmatising benefits and the individuals that receive them. Indeed, means-testing has a much subtler deep-rooted influence on society’s perception of solidarity and reasoning for providing support. Categorising individuals amongst those supporting the systems and «the supported» leads to a clear differential treatment justified by the inherent precarious situation individuals are in. For lack of better words: « *public discussion of social policy in selective system often become a question of what the well-adjusted majority should do about “the others”, i.e., the socially marginalized minority » *24. This creates a stigmatisation of the benefits they receive. Especially in western countries, individual responsibility and self-sufficiency are key in valuing an individual’s status. This mentality in turn assimilates receiving social benefits to a personal failure25. This issue is familiar to many states currently attempting to re-thinking their welfare systems. France is a good example. As much as 30% of French citizens do not claim or receive social benefits26, partly because of shame and a feeling of not deserving support27. President Emmanuel Macron, has voiced his intentions to fight this mentality and addressed the need to fight stigmates around « assistanat »28.

**Overview of means-testing’s advantages and challenges.**

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constrains public expenses.</td>
<td>Creates a perverse incentive (poverty trap)</td>
</tr>
<tr>
<td>Redistribution to those most in need.</td>
<td>Discourages savings</td>
</tr>
<tr>
<td></td>
<td>Complicated bureaucracy and administration:</td>
</tr>
<tr>
<td></td>
<td>- High operationalisation costs.</td>
</tr>
<tr>
<td></td>
<td>- Low take-up rate.</td>
</tr>
<tr>
<td></td>
<td>Stigmatisation of benefits.</td>
</tr>
</tbody>
</table>

To conclude, means-testing, whilst coming from good intentions, has many flaws affecting both the State and its citizens. However, if means-testing proves to be an inefficient course of action, what can policy makers consider as an alternative that allows for better targeting of poverty and inequalities but also better management of public expenditures?

---

26 Called RSA : Revenu de Solidarité Active.
B. Universal measures and earning-related benefits as an alternative.

A general belief amongst policy makers regarding redistributive measures is that targeted policies work more efficiently to reduce inequality and poverty than universal ones. However, there are better ways to ensure efficient redistributive effects. « Benefits meant exclusively for the poor often end up being poor benefits »\(^{29}\). This sums up much of the research done on the topic of targeted social policies. Indeed, if policy makers are concerned with fighting poverty and inequalities efficiently, they should consider universal measures as they tend to have better redistributive effects\(^{30}\). Moreover, their implementation, unlike general beliefs that it is unpopular with public opinion, is for the most part dependent on politicians’ willingness to take up the challenge.

The epitome of research on universal measures compared to targeted ones brought to light the most efficient way for States to fight inequalities and effectively redistribute monetary compensation: universal and earnings-related benefits\(^{31}\).

Universal benefits can effectively remediate to several shortcomings of organising the distribution of benefits based on means-testing. Universality simply implies benefits should be accessible to all citizens. In the context of organising distribution, allocating benefits universally means all households, regardless of their level of means, should receive a form of State compensation. As all citizens become beneficiaries, universally allocating benefits diminishes the perverse incentive not to work usually associated with the poverty trap\(^{32}\). Additionally, a universal welfare scheme inherently fights the stigmatisation of receiving State supports as all citizens are recipients. The division of society between those supporting the system and « the supported » was given as one of the main drawbacks of means-testing, which along with complex administrative procedures also explained lower take up rates. Finally, means-testing could also give rise to demand for private insurance for households whose means are above the poverty line, which undermines the purpose of a welfare state and further deepens inequalities. By making benefits universal, States would likely reduce demand for private insurance.

In addition to universally distributing State benefits, research suggests States should make benefits earnings-related. Put simply, the level of benefits is adjusted for each individual according to their income level. Therefore, whilst all citizens are entitled to receiving State support thanks to its universal character, not all will receive the same amount. Universally distributing benefits with no consideration for income levels can represent a very significant expenditure for States, especially given current usually highly constrained budgets.

\(^{32}\) A consequence of means-tested procedures as set out in part I.A.
and debt levels. Therefore, including an earnings-related measure can help ensure funding goes first to those most in need whilst maintaining universal coverage. Additionally, universal earnings-related benefits can help promote a better perception of taxation and public spending in the eye of public opinion. Tax revenue is understandably a significant source of financing for social policies. Should benefits become universal and earnings-related, one may argue it can give grounds to increase taxation as State spending is likely to increase in comparison to a means-tested system. This comes from the assumption that individuals may be more willing to pay higher levels of taxes to support the system, given that this increase is combined with an increase in the pool of beneficiaries. In that line of thought, a recent report of the OECD published in 2019\textsuperscript{33} investigated the needs and dissatisfaction of OECD countries’ citizens regarding social policies. It found that whilst OECD countries spend, on average, 20% of their GDP on social policies there is an overall dissatisfaction of citizens regarding the measures in place. The governments’ ability to provide a good income safety net is largely questioned, with only 25% of respondents agreeing with the fact that the government would provide their family with adequate income support in the case of income loss due to unemployment or becoming a parent. This percentage decreases to 20% in case of income loss due to illness, disability, or old age. Moreover, the report highlights issues in the judged fairness of policies, with 59% of respondents feeling they do not receive a fair share of public benefits given the taxes and social contributions they pay. Finally, regarding the support of universal benefits and their financing: 75% of respondents in the high-income category are in favour of more public support. From these respondents, 40% declared being willing to pay more in exchange for better social policies. The idea of increasing taxes can frighten policy makers. However, if taxes are seen as a source of individual benefit by citizens, it remains a relatively low-risk measure governments need to be willing to take to fight inequalities and poverty efficiently.

### Table 2: Overview of different redistributive mechanisms.

<table>
<thead>
<tr>
<th></th>
<th>Condition</th>
<th>Compensation level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Means-tested</strong></td>
<td>Citizens must prove their need for support and live below the set poverty line.</td>
<td>Distributed per household.</td>
</tr>
<tr>
<td><strong>Earnings-related</strong></td>
<td>Level of other existing sources of income.</td>
<td>Proportional to level of other sources of income, individually distributed.</td>
</tr>
<tr>
<td><strong>Universal</strong></td>
<td>Intended for all citizens. No targeted group for restricted eligibility.</td>
<td>Individually distributed.</td>
</tr>
</tbody>
</table>

To conclude, current social policies would clearly benefit from extending their pool of beneficiaries and embrace universal but earnings-related redistribution mechanisms. Both research and public opinion appear to support such a shift. Understandably, specific research and studies need to be realised at national level to enable informed decision making. Nevertheless, the public opinion’s support for the idea is growing and the ability to initiate change appears to be dependent of the political will of policy makers.

Overall, acknowledging the inherent injustice and flaws attached to a means-tested benefits system is essential for both the state and citizens. Realising what values current systems promote then allows to prioritise the right ones for future reform drafting. Shifting from means-testing to universal earning-related schemes allows to prioritise solidarity and fight inequalities more effectively. The decision is in the hand of policy makers as public opinion appears to positively evaluate such a change. Nevertheless, when thinking of societal change, not only do current issues matter but the challenges ahead also need to be considered. The fourth industrial revolution, as Klaus Schwab named it, will bring many benefits and opportunities at the cost of potential serious disruptions for society and the economy that will need to be addressed.
II. Second trend: automation and digitalisation.

Increased use of automation and digitalisation processes, which includes the rise of artificial intelligence, will dramatically change 21st century’s way of living. Expected to improve the quality of life of citizens and lead to productivity gains for businesses, automation and digitalisation made the headlines. However, along with their promises they do bring challenges, especially when thinking of the labour market and the expected set of skills of individuals. Too often has policy making «systematically under-appreciated the human impact of rapid economic change in the priorities of national policies»\(^{34}\). Hence, this time, States should particularly focus on drafting reforms intending at mitigating the effects of increased use of automation and digitalisation and enable its citizens to embrace change so that they do not fear it.

It is important, before discussing this topic any further, to mention that this paper does not intend to paint progress as a threat, as it essentially characterises human evolution and history. In fact, the relationship between labour and technology is not necessarily negative: «technology destroys jobs but not work»\(^{35}\). Hence, along with the potential for improvement that increased use of automation and digitalisation hold, they also raise the need to think of means to adapt.

A. Automation and digitalisation will increasingly substitute human labour.

Automation and digitalisation processes will increasingly substitute human labour and consequently pose a risk to social cohesion. This needs to be acknowledged by policy makers today. The effects of human labour substitution will already be felt in the short term and any possible negative effects for individuals should be mitigated.

The first trend policy makers need to be aware of is the effect automation already has on labour markets and society today. Labour market polarisation becomes increasingly noticeable. Indeed, employment opportunities for high-income cognitive jobs and low-income manual jobs are growing. On the other hand, demand for middle income routine jobs constantly decreases\(^{36,37}\). In other words, «there’s never been a worse time to be a worker with only ordinary skills and abilities to offer, because computers, robots, and other digital technologies are acquiring these skills and abilities at an extraordinary rate»\(^{38}\).

\(^{34}\) World Economic Forum (April 2019). Globalization 4.0: Shaping a new global architecture in the age of the fourth industrial revolution. A call for engagement. (White paper).
The effect of polarisation raises concerns for States to be able to maintain social cohesion. As of 2020, polarisation reportedly removed 7 million middle-skill jobs from the labour market in 16 European countries and the United States\textsuperscript{39}. As Schwab emphasised when discussing the profound and systemic changes ahead, States need to focus on maintaining social cohesion and integrate individuals in the process «the extent to which society embraces technological innovation is a major determinant of progress […] and it is essential that citizens see the long-term benefits»\textsuperscript{40}. Lynda Gratton similarly argues that anticipating the changes ahead, especially in the case of the labour market, is crucial in mitigating the risk of «increased fragmentation, isolation and exclusion in society»\textsuperscript{41}. Innovations and developments linked to automation and digitalisation will thus have a non-negligible impact on the labour market and by extend also influence the foundations of living harmoniously in society.

Additionally, the increased application of automation and digitalisation also question the organisation of the labour market in the close future. Indeed, much research has proven that automation will inevitably increasingly substitute human labour. Policy makers need to address the challenges that will derive from this shift. Whilst it is true that automation is expected to create new job opportunities in the long run, its first felt consequence will be unemployment. In the United States for instance, 47% of total employment is at risk of automation within a decade or two\textsuperscript{42}. World-wide, between 3 to 14 percent of the labour force is estimated of being at risk, which implies 75 to 375 million people will have to change occupational categories by 2030. This is due to the fact that 60% of occupations are linked to activities of which at least 30% could potentially be automated by 2030\textsuperscript{43}.

Albeit the technologies at the source of these shifts is relatively new, the awareness of such a scenario developing isn’t. The economist Keynes had foreseen such events as early as the 1930s. He depicted a situation in which unemployment will rise «due to our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labor»\textsuperscript{44}. Looking back, this is not the first time States were faced with significant shifts in labour occupation due to the introduction of new technologies. For instance, in 1800, 75% of the labour force of the United States was employed in the agricultural sector. With the discovery of new means to productivity, the proportion of individuals involved in the agricultural sector went down to 2.5% by 2000\textsuperscript{45}. This transition occurred relatively smoothly, proof that by creating the right policies to target challenges States can mitigate the effects of


\textsuperscript{40} Schwab, K. (2017). The fourth industrial revolution. Currency.


such transitions. Whether or not automation’s and digitalisation’s disruptions are of comparable scope to previous ones is debatable. Nevertheless, policy makers should be aware that they can significantly influence how the effects of the transitions will be felt by citizens.

To conclude, it is clear that the organisation of society and labour markets will change as the use of automation and digitalisation processes increases. Policy makers need to develop short term schemes to mitigate the effects of the transition ahead. Additionally, States risk being confronted to unemployment issues if labour substitution turns out to be smaller than the capitalisation rate\textsuperscript{46, 47}. Therefore, beyond mitigating the effects of the transition, policy makers also need to provide citizens with the necessary tools to embrace the new opportunity that lie ahead of them. A first step in that direction is updating their set of skills.

\textbf{B. Automation and digitalisation will also have a broader effect on the labour market by affecting the set of skills individuals are expected to master.}

The disruption ahead will do more than substitute human labour for computer programs and machines. It will also deeply affect the skills individuals need to acquire and the occupations they engage in as they will increasingly need to be able to work alongside machines. This will require investments in education and trainings, but also the recognition of new needs to differentiate human labour from machines.

The first aspect changing due to the introduction of automated and digitalised processes is the set of skills individuals are expected to master to enter the labour market. This is relevant for individuals involved in a process supported by machines and individuals engaging in types of work outside of the realm of machines.

For those working alongside machines, the transition ahead will require higher education levels and more trainings. The Future of Jobs Report\textsuperscript{48} gives training, or « reskilling », as an imperative to sustain employment. It shows that the majority of employers surveyed expect the skills required to perform most jobs will have significantly shifted by 2022.

Additionally, individuals not working alongside machines will have to invest in skills that differentiate them from the capabilities of machines. Social and emotional intelligence will be key competencies, particularly for high cognitive types of employments less-likely to be automated. It should be underlined that the division of individuals working alongside machines and those differentiating their work from machines poses a risk of increasing job polarisation and income level differences even further.

Secondly, beyond affecting individual’s skills, the transition ahead will also affect the nature of the work individuals engage in. This will require individuals to sometimes change occupational category, as machines will take over most of human labour in certain categories.

\textsuperscript{46} Capitalization effect: rate at which demand for new goods and services increases creating new employment opportunities and growth.

\textsuperscript{47} Schwab, K. (2017). The fourth industrial revolution (p. 36). The world economic forum.

This implies that as the labour force will need to adjust to the new needs of the market, the transition period will translate in a variably long period of unemployment. Policy makers need to focus on accompanying individuals properly by addressing both the need to develop new skills as mentioned above, but also prepare for longer periods of change and mitigate its effects through well-designed workfare schemes.

Consequently, forecasts give variably long periods of transition for individuals and policy makers to address. One possibility is that this period is simply characterised by a short-term frictional unemployment bringing a downwards pressure on wages as low skilled labour is replaced by machines. Particularly for countries with relatively inflexible labour markets, policy makers need to consider updating their regulations to allow market mechanisms to take place and avoid longer unemployment periods. Another possibility is the creation of many new jobs linked to new technologies driving up employment and offsetting the job destruction caused by automation\textsuperscript{49}.

What scenario turns into reality is in the hands of governments, which need to make the right decisions in terms of development strategy but also regulation of labour markets developed hand in hand with new social policies\textsuperscript{50}.

To conclude, automation and digitalisation will have significant effects both in terms of re-adjusting individuals’ skills to meet labour market’s needs and possibly transition to new occupational categories. Policy makers need to objectively evaluate whether current welfare and workfare systems can support the challenging transition ahead. A thorough analysis of labour markets and regulations should enable to foresee country-specific challenges and support the development of appropriate reforms and policy schemes. Elements to evaluate their effectiveness and added-value to current systems can be effects on growth, productivity and unemployment. Nevertheless, policy makers should also focus on the effect of new reforms and policy schemes on social inclusion and the development of a harmonious society.

\textit{Industry disruptions as automation, digitalisation, and artificial intelligence will undoubtedly affect every individual’s life. Their improvement of quality of life and productivity levels should promote their positive evaluation by public opinion. Their benefits should nevertheless not diminish the challenges they will initiate. Increased use of automation and digitalisation processes directly affect labour market organisation as well as impact societies’ unity by contributing to the divisive processes of polarisation. Policy makers should focus on accommodating the challenging transition ahead in the best possible way and mitigate its negative effects for all economic actors. The anticipation of the shifts ahead also leads to questioning the organisation of society as a whole and the values it promotes. Some argue they are outdated and the disruptions caused by new technologies should incentivise policy makers to broaden the scope of their reform.}


III. Third trend: questioning the traditional underlying values of society.
A less straight-forward and subtle new trend policy makers need to become aware of is the questioning of how society is currently organised. In fact, the acknowledgment of the transition new technologies will impose on society in the future also lead to questioning its organisation, particularly regarding the value associated with work. Additionally, shifts in individuals’ needs and wants can be observed as recent generations feel new priorities should be set in how society is driven and managed. Recognising these shifts would provide policy makers with the opportunity to accommodate future needs in today’s decision making, to achieve a more fit-to-its-population’s-needs organisation of society.

A. Work-centrality is questioned as the meaning of being unemployed changes.

The direct and relatively short-term consequences of increased automation and processes involving new technologies have been discussed in the previous section. A subtler but nonetheless significant aspect tied to the transition to come has been left out and will be addressed now. Beyond re-organising labour markets and redefining the set of skills required from individuals, new technologies also uphold a social question: what meaning will work bear in the future? Current perception of work and the place it holds in society is bound to change. Policy makers should acknowledge the shift in mentality and attempt to accommodate it to offer a more fit-to-its-population’s-needs organisation of society.

First, it is important to establish how work has been perceived until now. In the case of developed countries, populations’ material needs are for a majority covered. The struggle for existence has become an abstract concept. But if modern societies assure survival and basic needs, then what will drive individuals’ motivation for action? And can they evolve accordingly? Will the current very much work-centred organisation of society and individuals’ life suffice to be fulfilling and meaningful?

The economist Keynes argued in the 1930s that individual’s never-ending quest for wealth and status through economic means will end simultaneously with the increase of productivity. He expected that, as the middle class’ income level increases, rising productivity would allow them to decrease working hours to dedicate more time to leisure and family. A luxury reserved to high society at the time. Whilst his prediction did not entirely come true, Keynes did raise an essential question for societies today: should the pursuit of economic means, in societies where basic needs are no worry, really be the goal of all individuals? Is wealth the only determinant of living « the good life »?

The development of the modern work-ethic since the 20th century has shifted society’s perception of work simply as means-to-an-end towards becoming an end in itself. The Skidelsky authors established individuals’ pursuit of money for money as one of the reasons why Keynes’ prediction only partially realised. In that environment, unemployment is perceived as a result of one’s shortcomings. As an individual of working age, being supported

through benefits is stigmatised, particularly in a means-testing system, and is assimilated with personal failure.

Secondly, policy makers need to be aware of possible changes in perception of work in the future. Particularly when thinking of the developments and uses of automations and digitalisation, it doesn’t seem far-fetched to argue society’s values associated to work and unemployment will have to change. Even if it is only for the time of a transition adaptation period, employment opportunities will be restricted and not all individuals, regardless of their dedication and motivation, will be able to occupy a full-time working position. This goes beyond the questioning of the motivation behind individuals wanting to work. Will society still label it as the result of own personal failures?

Already in 1980, sociologist André Gorz’s argumentation on the reduction of work centrality in individuals’ lives being already underway and « the manner in which it is to be managed constituting the central political issue of the coming decade » resonates with today’s existentialist questions54.

To conclude, the inherent need society and individuals are supposed to hold for employment and work-centred lives has been questioned many times, until a degree rejecting the need to work all together55. Given that digitalisation’s threat on jobs and current welfare systems failure are very real challenges, the organisation of society and its values is a longer-term challenge that needs to be addressed. However, society’s re-structuration goes beyond questioning the meaning of work. It also involves re-defining the role of the State and what goals it should pursue.

B. **Society doesn’t reflect the new concerns of citizens today, need to accommodate new measures of development etc.**

Work represents a significant part of every person’s life. The development of overarching issues such as the threat climate change poses to humanity’s future or persisting inequalities, citizens increasingly push their attention and concerns beyond their daily routine. Overall, citizen’s disillusion in democracy and political institutions can clearly be identified. Globally, 54% of citizens in a democratic system believe their voice doesn’t have an impact on political decisions whilst 64% think their government doesn’t act in their interest56. However, exceptionally, disillusion in the practice of democracy didn’t result in a disengagement of citizens. On the contrary, political participation has consistently increased for all regions except

---

for Middle East and Africa. A good example of that is the highest voting rate achieved in 20 years for the European Parliamentary Election with 50.2% participation in the second largest democratic system in the world. Hence, it can be said that citizens’ involvement grows can voice their concerns and criticism in a more efficient manner. Overall, they call for a re-evaluation of the role of the State and its actions, especially in the domains of the protection of the environment and fighting inequalities.

The first issue gathering momentum from citizen’s is the protection of the environment. It has become a dominating and pressing issue. Many individuals require more action from their respective government both at national and international level to set up an efficient global governance and promote collective action. An IPSOS study reported that, across 27 countries, citizens rank climate change as the top environmental issue. Similarly, an investigation launched by the European Commission regarding citizens’ support for climate action found that 92% of EU citizens see climate change as a serious problem.

Therefore, States have to re-evaluate their current trade and development practices to incorporate environmental concerns in their decision making. The latest Paris agreement reached during the COP21 embodies States’ acknowledgment of the urgency to address the issue of climate change. It has however been widely criticised for its non-binding character, which already led significant polluters to draw out of the agreement. Slowly, some governments attempt to make their commitment to the environmental cause stronger. For instance, France stated it would not engage in new trade agreements with countries not committing to their engagements within the Paris agreement. Similarly, at European level, trade is increasingly used as a tool to promote climate change mitigation efforts. Agreements reached between the European Union and Canada as well as Japan included a clause on respecting engagements taken towards the protection of the environment. But climate change mitigation goes beyond the issue of trade. Whilst public opinion is clearly expressing its concerns, policies are still too slow to reflect this shift in mentalities. Institutional actors need to become more aware of the new expectations set for the role of the State and drive change accordingly.

---

62 Agreement between the European Union and Japan for an economic partnership, chapter 16 : Trade and Sustainable Development.
A second issue that leads to re-evaluation of society’s organisation today is the persistence of inequalities. It should guide government action to effectively draft reforms. Indeed, poverty and inequalities rank amongst the main worries of the world’s citizens in 2019. Citizens’ disillusion with the practice of democratic institutions is clearly expressed through the democracy index model developed by the economist intelligence unit. It reports the consistently lowest ranking category is «functioning of government» with low scores for transparency, accountability, and corruption. Tied to the risk of increased automation and digitalisation of increasing income polarisation, governments have even more of an incentive to develop new policy schemes tackling these issues.

The rising issue of inequalities is a concern for policy makers in terms of justice principles and economic development.

Inequality can be considered as originating from both individual effort and circumstance. Effort is entirely dependent on individuals’ own decisions whilst circumstance is beyond their own control. Hence, in the pursuit of establishing a fairer society, policy makers should focus on diminishing the arbitrary effect circumstances can have so that all individuals have a chance to achieve the same outcome assuming equal levels of effort. In that sense, governments must consider a public policy that «beyond redistributing income also provides every individual with the same initial conditions without modifying the economic incentives to maximise effort».

Two initial factors can explain variations in inequalities of opportunity across European countries: lower school drop outs and longer-term employment. Both are associated with higher levels of inequality of opportunity.

Beyond promoting a fairer society, pursuing the reduction of inequalities of opportunity also positively affects economic growth. Indeed, a clear mediation link has been established between income inequality and economic growth through equality of opportunity also referred to as intergenerational mobility. Overall, reducing inequalities has a positive effect on growth. If targeting specifically equal opportunities for all citizens, policy makers can hope to achieve a more stable growth. Three elements appear to be critical in doing so through structural reforms that encourage investment in human capital, reduce barriers to the labor markets, and promote equitable access to financing.

Hence, there are several ways to articulate the need for policy makers to target inequalities of opportunity. However different, whether they play on justice values or economic goals, they allow to answer the call of citizens for a more equal society.

Finally, another significant concern of citizens is tied to unemployment, it ranks right after inequalities in the world’s top worries reported by the IPSOS institute. This point is particularly relevant when considering the traditional definition of work.

Indeed, many citizens already engage in activities but they are not recognised by States which represents a missed opportunity for both parties. Globally, 75% of unpaid care work is

63 Ipsos Public Affairs. (March 2019). What Worries the World?.
67 Idem.
68 Ipsos Public Affairs. (March 2019). What Worries the World?.
undertaken by women, this adds up to 10 trillion dollars worth of output per year or 13% of the global GDP\(^69\). As a compensation for lost jobs to automation and digitalisation, a McKinsey study includes the inclusion in traditional labour markets previously unpaid work, mainly domestic and care work which could amount from 50 to 90 million jobs globally\(^70\). Clearly, the non-inclusion of domestic work in the economic model is a consequent loss for governments and state both in terms of labour force but also unaccounted growth opportunities.

Similarly, whilst about a billion people volunteer their time each year through public, non-profit or for-profit organisations, or directly for friends and neighbours\(^71\), the economic impact of their actions is not recognised by States since they are not monetised and thus not included in GDP calculations. In a speech addressed to the Society of Business Economists\(^72\), Andrew Haldane, Executive Director and Chief Economist of the Bank of England, voices his intention to demonstrate the potential broad social benefits deriving from volunteering. He differentiates formal volunteering, « done through groups, clubs or organisations and typically easier to measure », from informal volunteering « done through any arrangement and often much harder to capture ». Reporting results of the Office for National Statistics study, Haldane shows formal volunteering in the UK alone represents 24 billion pounds worth of output whilst informal volunteering represents another 19 billion pounds of output in 2014.

Therefore, policy makers should consider broadening the definition of work to try to compensate the failure of current workfare systems as well as benefit from the greater economic activity that will derive from doing so. The two examples of care work and volunteering demonstrate the significance of activities that are traditionally not recognised by States and represent a shortfall for both citizens and the State.

The urgency of climate change as well as the persisting failure of governments to reduce unemployment and inequalities provide legitimate grounds to suggest governments should investigate new models of developments and measurement metrics. Economic models need to evolve to be able to incorporate the consequence of every action on the protection of the environment. Additionally, it appears care work, volunteering and other non-monetised activities, represent a great loss for States in terms of economic output but also mainly in recognising and maximising the benefits of activities that positively impact societies and enable a broader definition of economic activity. Economists have traditionally defined the failure of economic systems to account for these positive outcomes as positive externalities. In other words: a beneficial consequence of individuals actions not accounted for through economic transactions. The United Nations, in close collaboration with welfare economist Amartya Sen, have since 1990 focused on developing the Human Development Index, and Reports, based on three main components: education, life longevity, and command over resources needed for a decent way of living. It represents an attempt to measure individual’s quality of life and offer an alternative to traditional standards of measure for international comparison such as Gross

---


72 In London in 2014.
Domestic Product (GDP). Since then, a study mandated by former French president Nicolas Sarkozy has set an unprecedented interest of governments and policy makers in measuring more than economic activity, namely population’s well-being in an attempt to foster efficient reforms and policies. In May 2019, New Zealand has become the first developed country to translate interest into action. It officially committed to prioritising citizen’s well-being over short term economic output by developing a wellbeing budget and new policy making directives. Hence, New Zealand is a prime example of how States need to change their policy making to respond to the increasing concerns for the protection of the environment as well as promoting a fairer society in the public eye. States are incentivised to pursue new measurement metrics.

To conclude, overall, the recognition of the development of new needs of citizens and how they will affect the organisation of society is essential. In that way, policy makers can make sure to draft reforms and policy schemes that reflect the needs and wants of their population. Recognising the importance of issues such as the protection of the environment, reducing inequalities, and re-consider what the meaning of being unemployed really is, constitute a good step forward. Additionally, acknowledging the rise of new issues also goes hand in hand with accepting the limits current methods of measurement have to adapt. In that sense, GDP is an outdated measure of economic activity and development, and only makes the case to incorporate new variables. Both academics and policy makers need to act and develop daring and innovative reforms to broaden economic activity and attempt to reshape how individuals think of society and their obligations.

---

CHAPTER 2: STRATEGIC ELEMENTS FOR POLICY MAKING.

The urgency to re-think the organisation of most social policies and re-evaluate the role of a welfare state has hopefully now been established. Even though concerns can be shared unanimously, when it comes to identifying the appropriate method of action, opinions can diverge significantly.

Both academics and individuals working in the field of policy making tried to develop comprehensive research and proposals aimed at tackling inequalities and re-think the role of the welfare state. Most readers will be familiar with the concept of Universal Basic Income (UBI). It has been put forward by many as a solution to the challenges of the welfare state but also as a way to address the changing needs of society. Another opposing approach to reforming would be to re-think workfare systems. But this relies on the assumption that full-employment is an achievable target for most governments.

This chapter aims to introduce a new way to approach society’s future challenges and current welfare shortcomings. Participation Income (PI) is not a new concept, it was in fact already discussed in 1996. This chapter intends to showcase how it is a relevant addition to the current debate regarding social policies and provide a new perspective on how to re-organise welfare and society. After providing a brief overview of the different roles welfare states have taken on across different countries and the results of ongoing experiments tied to new proposals, this chapter will focus on analysing how PI can contribute to the debate.

In the objective to enable practitioners and policy makers to envision how PI could help them achieve their policy goals, an analysis of the elements that make up PI will also be provided. Indeed, even though Participation Income has been extensively discussed in the academic sphere, few have attempted to lay out how it could concretely be implemented. At the same time, this paper is aware of the specificity of policy making. Therefore, the objective will not be to provide readers with a « one fits all » proposal. Instead, this paper hopes to broaden policy makers’ vision of what social policies can look like as well as emphasise that there is no right or wrong way to interpret PI to accommodate country specific needs. The final aim being to provide policy makers with the relevant information to make informed decisions regarding how to draft a coherent policy scheme.
I. The different roles and objectives of welfare States, as well existing reform proposals, can help understand the current context for policy makers.

A. The different types of welfare States.

The different types of welfare States derive from the different evaluations of the responsibility of States towards their citizens. Generally speaking, the interpretations range from being restricted to targeted poverty relief for the most vulnerable to more far reaching considerations of supportive and protective measures. The certainty of aging and the risk of illness provide the strongest case for State protection and also represent the basis of most welfare schemes. The extent of state involvement can greatly vary, Sen for instance argues States should not only focus on the provision of resources but also the ability of individuals to achieve a desired outcome is: States should ensure « basic capabilities » but also the support of elderly typically represents pensions schemes and the protection of individuals in sickness can be healthcare. The extent to which states address all of these concerns varies.

Welfare states thus can differ in their objectives. These effectively affect the organisation of the state to provide support. The sociologist Esping-Andersen identified three types of welfare regimes. Liberal regimes are based on means-tested assistance to target specific groups of the population. The United States’ or United Kingdom’s approach to social policy can be considered good applications of this regime. At the opposite side of the spectrum, social democratic regimes are universal and the role of the State goes beyond the provision of minimal needs. Typically, northern European countries are given as the best application example. Lastly, conservative regimes identify somewhere in the middle, usually more extensive than liberal regimes, the provision of help remains more separated from the State than universal schemes by tending to be more articulated around the traditional concept of familial structures. Germany or France are representative examples.

The different understandings of the role of the State towards citizens thus translate into different means of action for governments and explain the constitution of a multitude of different welfare schemes around the world. Rothstein for example focused his analysis, referred to as theory of contingent consent, on welfare regimes as « social dilemmas » to understand the different implementations of social measures in initially similar countries. On the other hand, Korpi and Palme used the different existing types of institutional structures to identify the best measures to reduce poverty and inequalities. They found that a universal and earnings-related distribution of benefits is most effective in reaching that objective.

---

81 Whether the goals of a social policy are just, or substantive justice argument, constitutes a first element of analysis, even though it is ideologically driven. Two additional elements, procedural justice and the just distribution of burdens, focus on the administration of the welfare state and how assistance is organised.
83 Referred to by the authors as “encompassing model”, details on its advantages can be found in CH1, Part I. B of this paper.
Many other academics have investigated the justifications behind the different types of welfare regimes or tried to determine which model is the most effective. It is far out of the expertise of this paper to speak to all of them and provide a comprehensive overview. This short section should thus be seen as a humble attempt to give a brief introduction of the different forms of welfare States, the interpretations of the role of the State that justify these regimes as well as their organisation, to enable better informed policy-making in the context of Participation Income.

B. … and the current experiments and reforms.

It was just established that the types of welfare systems can vary greatly. Nevertheless, despite their differences, most Welfare States have in common their willingness to improve regardless of whether it is driven by costs and efficiency concerns or the ambition to achieve better measures of equality and inclusivity. A well-known alternative to the current organisation of welfare is Universal Basic Income (UBI). Put simply, it stands for an unconditional and universal distribution of cash benefits. There are many valid reasons to consider UBI for welfare reform. Ease of administration and simplicity make up the strongest arguments in its favour. As enthusiasm for Universal Basic Income grew, so did research interests and several initiatives have been launched to investigate its potential empirically. A few of them will be briefly presented and discussed here as they speak to the global increasing interest of policy makers and public opinion for daring reforms, until now embodied by UBI. A recent experiment led in Finland is particularly relevant to compare Universal Basic Income and Participation Income and pertains to the relevance of this paper’s proposal. Finally, a report issued by the Dutch government exemplifies efforts to reconcile inclusive benefit schemes and budgetary concerns.

In total, around 23 experiments have been or are being conducted on basic income worldwide. Two of them is carried out in Kenya, where a 30 million USD project is investigating the long- and short-term effects of universal and unconditional cash transfer on alleviating poverty, and in Germany, where a crowdfunded initiative researches the effects on individuals that receive 1,000 euros per month with no conditions. The most recent and large-scale UBI experiment is being carried out by Finland at the time this paper is written. The finish government commissioned a small-scale research to investigate basic income’s potential as part of its political program engagements. Two thousand individuals were randomly selected to receive a partial basic income of 560 euros a month over 2 years. All participants were unemployed. Preliminary results indicate significant improvement in well-being as participants showed more confidence in the future and reported less problems associated with stress or health. However, regarding the initial query of the government: namely whether basic income could incite more active participation, the study reports no statistically significant improvements on participants’ incentive to work. Even though they are not final, the preliminary results give a good indication of the duality involved in the debate around UBI. On the one hand, it is a policy that could greatly improve the quality of life of many individuals. On the other, political reality seems to show that even in a country as progressive as Sweden in terms of social security policies, providing an incentive to participate remains an essential aspect of any alternative proposal.

85 https://www.givedirectly.org/ubi-study/.
86 https://www.mein-grundeinkommen.de.
Recently, the Dutch government has issued a report very relevant in demonstrating the willingness of some State to find ways to improve existing social security structures by taking into consideration both costs and inclusivity concerns. In some aspect, it is also very much along the lines of the Participation Income idea of Atkinson which will be discussed in the next part of this chapter. The report « Broad Social Reconsideration », originally « Brede Maatschappelijke Heroverwegingen », was drafted at the request of the government to receive concrete reform proposals for social security schemes. More importantly, the explicit intention of the government was to find new means to improve social cohesion and ensure no one is left behind. The propositions in the report are quite extensive and focus on many aspects touching on an individual’s wellbeing. The first proposition for instance, aims at efficiently reducing homelessness, which the paper identifies as often the result of high levels of debt. Focusing on recognising the high level of stress that results from financial distress, the proposal lays out a mechanism to address debts and provide sufficient economic assistance. This proposal’s most extensive measure proposes to widen the definition of participation beyond traditional labour market participation. In this way, the government would take preventive measures against illiteracy, delinquency, or loneliness by recognising the social value of cultural or sportive activities for example. The special character of this report also lies in its attention for budget restrictions. All proposals are tied to straight-forward budgetary implications. Moreover, maybe for the first time, cost concerns explicitly do not prevail on wellbeing concerns and the State is able to equally address the wellbeing consequences of poverty and inequality, as the reduction of their measure themselves.

Evidently, there is much to be said on welfare states, both academically and empirically. Universal Basic Income has been widely discussed and researched, seen as the best universal social security scheme. In fact, many governments have considered UBI in somewhat different forms over the years to attempt to reform their own welfare policies. However, a persisting concern of governments seems to be the provision of an incentives for individuals to work, in the case of Finland, or at least participate in the economy, in the case of the Netherlands. Participation Income is a proposal that focuses on maintaining the incentive to work while addressing the failures of certain forms of state support. This will be presented in more detail in the following part of this chapter.

II. A brief introduction of Participation Income.

Until now, this paper did not provide a clear introduction of Participation Income. This was done with the intention to first establish the need to re-think welfare separately from PI. Understanding the pressing issues societies will have to face in the near future and the current organisation of state intervention is essential from a general perspective. It becomes even more relevant in the context of PI to better grasp its added value to the debates and its drawbacks. This section will therefore give a short introduction to Participation Income, particularly as it was first thought of by Sir Professor Anthony Atkinson, and how the idea was received academically. A more policy-oriented analysis of Participation Income will be provided in the following section.

A. Participation Income: the result of a lifelong reflection on poverty and inequalities.

Sir Professor Anthony Barry Atkinson dedicated his career to public economics and improving the understanding of inequality and income distribution. He was able to do so his whole life through the rich literature he produced but also the Journal of Public Economics he created and his commitment to teaching. For Atkinson, “questioning welfare is a legitimate part of economics.” Consequently, Participation Income was the result of his critical analysis of the United Kingdom’s social security system. The introduction of PI dates back to 1996, but Atkinson did not fail to include PI in his list of proposals for courses of action to reduce inequalities presented in his last book “Inequality” published in 2017.

1. ... initially defined as ...

Participation Income is first a reaction to the flaws of means-testing: «Means-testing is economically inefficient, provides an incomplete safety net, and takes social policy backwards.» Atkinson argues policies that rely on them tend to sustain a vicious circle of poverty instead of providing individuals with the adequate support and incentives to succeed on their own. Another enduring insight is Atkinson’s realistic outlook on the political feasibility of unconditional income support schemes. Citizens’ income schemes were at the time of the paper, and possibly still today, more popular policy alternatives. Participation Income was an opportunity for political compromise and a chance to achieve a better organisation of welfare.

Atkinson’s idea was structured as follows. PI should be an individual and universal measure. More importantly, it would also be conditional on individuals’ participation. The participation criterion could be variably defined, in Atkinson’s view it should extend to any activity that can be seen as a social contribution. In other words, individuals participating in the labour market would not be the only ones eligible for compensation, but also «those engaging in approved forms of education or training, those caring for young, elderly or disable, and even those undertaking approved forms of voluntary work.»

90 2009, p. 791, Economics as a moral science.
The conditionality of benefits based on a socially valuable activity is the distinguishing feature of Participation Income. It allows to comply with the idea of reciprocity, which plays an important role in the consideration of PI for policy makers and public opinion. Put simply, reciprocity is the mutually beneficial exchange of similar advantages\(^93\). In the context of welfare, based on Rawls’ «Difference Principle»\(^94\), the analogy of the «Malibu Surfer problem» quickly became central in the debate opposing conditional and unconditional benefits\(^95\). Participation Income satisfies reciprocity because individuals are expected to participate in exchange for perceiving benefits.

It is also worth mentioning that Atkinson carefully distinguishes the notion of citizenship and eligibility for State support. Additionally, in an effort to keep social insurance as inclusive as possible, Atkinson advances Participation Income would be more productive as a complement to social insurance schemes, especially for fiscal competition reasons between governments in the European context.

2. ... and differently appreciated by academics.

Academic interest for PI remained relatively limited. At the time this paper is written, less than 10 research articles could be found focusing explicitly on Participation Income. The exact reasons for this remain unclear.

Most of the attention given to PI was tied to administrative concerns. Indeed, PI can easily appear very daunting in terms of administrative procedures. This point was extensively and rigorously addressed by Professors De Wispelaere and Stirton\(^96\). Their argumentation mainly focuses on the argument that the ability for Participation Income to facilitate political compromise is only superficial and that its inherent administrative choices will inevitably lead to a failed reform attempt.

Some authors focused on the potential of Participation Income to provide States new means to allocate state resources by targeting explicit policy objectives. Professor Perez-Munoz for example defends the idea that PI should be seen as a new form of civic service program\(^97\). PI would then prove particularly useful in focusing on social needs not satisfied through traditional market mechanisms. Additionally, Professors Hiilamo and Komp focused on identifying ways in which certain elements of PI are already part of social policy\(^98\). Their work analyses Finnish, Danish, German and Dutch welfare systems and provides details on how each

\(^93\) https://dictionary.cambridge.org/dictionary/english/reciprocity.


\(^95\) Including:


\(^96\) The two main works on PI are:


government expressed their policy priorities ranging from the recognition of caregiving or volunteering activities to reintegration of the long-term unemployed.

Finally, Professor Zelleke focused on PI from a gendered perspective. Indeed, she argues that PI imposes a disproportionate burden on women, especially when compared to other reforms such as Universal Basic Income. As women often have the responsibility of caregiving in a household, an occupation that could be recognised in a PI scheme, in addition to being disproportionately represented in lower income categories and lower wealth distribution, they are particularly affected by PI’s selective conditionality.

Overall, Participation Income is the product of a lifelong reflection on how to best tackle inequality and make public action more efficient. Academics have analysed PI from various angles and raised relevant points that contributed to advance the debate. It led to this paper, which hopefully will spark further academic but also policy making interests and research. The following part of this chapter will be dedicated to address in more detail the elements making up PI that are essential to consider for policy making.

III. The strategic elements of Participation Income for policy making.
This section will lay out the critical consideration tied to the elaboration of a Participation Income scheme. Many, if not all, of the elements addressed here remain dependent on a country’s economic and financial situation but also political and cultural factors, which will surely weight in policy maker’s decision making. Therefore, only general suggestions can be issued here. Moreover, this paper decided to focus on the strategic aspect of the elements that compose PI to demonstrate its relevance for welfare reform. More specifically, the participation requirement, the compensation method, verification process, as well as general comments will be addressed here. Eventually, their analysis will provide the basis for the presentation of this paper’s proposal presented in the next chapter.

A. Defining Participation.
Defining the participation is the key to successfully construct a Participation Income scheme. The basis of eligibility has to be carefully thought through. Defining what is socially valuable gives great freedom and flexibility to policy makers to set up a scheme fitting their objectives, but it is also tied to many challenges. Failure in coming up with an easily enforceable and actionable definition will inevitably adversely affect any ambition to set up a Participation Income scheme.

1. What provides the basis for eligibility?
The definition of the participation criterion actually pertains to the notion of eligibility. Traditionally, when trying to frame their offer of support, welfare states tied benefits to citizenship or the recognition of a “poverty line”, as seen for means-tested benefits, dictating which individuals should be entitled to receive help. In short, policy makers need a way to clarify who is eligible to receive benefits.

In the case of Participation Income, eligibility shifts from economic condition to the satisfaction of a participation requirement. Following the reciprocity argument, the activities that individuals engage in should be beneficial to society, as PI is funded by tax revenue. Policy makers then need to determine what activities they decide to identify as socially valuable.

2. What makes the participation requirement strategically relevant for policy makers?

The main advantage in defining the participation requirement lies in the broad interpretation of what socially valuable activities can be. This gives policy makers a lot of freedom to draft a policy that will fit their needs and objectives.

PI can be developed in an inclusive manner, closer to universal and unconditional schemes, or more restrictively, closer to workfare, depending on the formulation of the participation requirement.

The definition that Atkinson gave for example, identifies pursuing an education, caretaking and volunteering activities as socially valuable and thus effectively extends the pool of potential recipients far beyond the one of traditional social security schemes. To put this in perspective, in France for example, the number of people pursuing a higher education degree in 2018 alone amounts to 2.6 million students\textsuperscript{100}. On the other hand, policy makers could restrict the definition of socially valuable activities to focus the distribution of benefits to a particular group. It is possible to hypothesise that policy makers may want to prioritise the recognition of volunteering activities in the economy\textsuperscript{101}, and allocate benefits to « individuals undertaking approved forms of volunteering activities ».

The definition of the participation requirement can therefore also become an opportunity for policy makers to show their commitment to pursue specific objectives. Recognising an activity as socially beneficial is an implicit way to express its priority for the government.

A good illustration would be to see Participation Income as a pledge to protect the planet. Currently, governments are increasingly looking for means to commit to that objective. The Paris Agreement\textsuperscript{102}, which frames global efforts to mitigate the effects of climate change and reduce greenhouse gas emissions, currently counts 180 signatories. In this context, Participation Income should be seen by governments as an opportunity to take their commitment a step further. Governments can define socially beneficial activities as « any activity that translates into a measurable reduction of green hours gas emissions » for example\textsuperscript{103}.

Moreover, the attribution of decisional power in the process of identifying socially beneficial activities is also strategically relevant.

Especially in the case of Participation Income, decision making does not necessarily need to be a centralised process. In general, should a PI scheme be drafted with the intention to support the undertaking of a specific activity, such as studying for example, a centralised decision-making process is sufficient. Moreover, it is also usually put forward as an economically and

\textsuperscript{100} https://www.statista.com/statistics/779600/number-of-higher-education-students-schools-france/#statisticContainer.

\textsuperscript{101} As addressed in Chapter 1, this would allow to broaden the definition of economic measure to activities sometimes difficult to measure.


\textsuperscript{103} It should be noted at this point that the feasibility of operationalising such a definition is not disregarded. This paper’s proposal presented in chapter 3 lays out a suggestion regarding the organisation of administrative procedures that can allow a broad definition of activities.
administratively efficient solution. However, in other situations, it can often times fail to take into account the diversity of social and economic challenges throughout the territory and fail to answer individual needs expressed at local level. If policy makers wish to use PI as a tool to allow individuals to express their needs more freely, or better address the failures of current systems, a local decision-making process is necessary.

In that sense, policy makers should recognise local governments are often time better informed to draft participation requirements, or identify what activities that individuals can engage in would be truly socially beneficial for the community. If one takes the example of a government’s commitment to the protection of the planet, via the overarching definition of socially beneficial activity as « any activity that translates into a measurable reduction of green hours gas emissions », local governments may be able to better translate a broad objective of carbon emission’s reduction into tree planting initiatives or supporting circular economy projects.

Additionally, defining the participation criterion may become an incentivising tool for policy makers. The explanation is similar to State’s ability to commit to an objective. Eligibility can be formulated such as to answer a need currently not met by other public services or the market. For example, the insufficient number of care homes is a problem many countries share. This can lead to overcrowded facilities, which eventually administer care of lesser quality. In this context, to counter the lack of placement opportunities in facilities, policy makers could recognise care-taking as part of the activities that fall under a PI scheme.

Finally, the malleability of the participation criterion to the advantage of policy makers does require to find a balance between the formulation of the definition and its operationalisation. When evaluating policy design, it would be useful to keep in mind the importance of transparency, accessibility, and congruence. Indeed, for an administration to be able to enforce reciprocity and ensure the respect of the defined participation requirement, policy makers will have to clearly identify what socially valuable activities are and draft an actionable definition.

B. Decide on compensation.

Determining the appropriate method for the disbursement of benefits as well as as their level is also important for policy makers to consider. Decision making should be focused on the recipients’ perspective. The negative effects of means-tested benefits, initially coming from policy makers good intentions, show how policy objectives and their implementations can sometimes be difficult to align.

1. Strategically determining the compensation level.

The main interrogation regarding the compensation level focuses on whether benefits should be set at subsistence level. In other words, if PI compensation would allow recipients to afford the basic necessities to live a decent life.

---

104 For a more in-depth analysis, this is a point that was also investigated by Perez-Muñoz in: Pérez-Muñoz, C. (2016). A defence of participation income. Journal of Public Policy, 36(2), 169–193. He argues PI should be designed as a civil service program to answers needs that market mechanisms traditionally fail to answer.

Determining the compensation level is intertwined with a country’s broader organisation of welfare and government budget. Indeed, if PI is designed as complement to existing social measures, it is likely that most individuals will not rely only on PI benefits. The level of compensation then does not have to be as high as if PI was the only income support scheme in place.

Additionally, it seems relatively straight-forward that any policy proposal is subject to budget constraints. To ensure best redistributive effects and better reduction of inequalities, policymakers should consider making compensation earnings-related. This implies all individuals would be entitled to receive benefits even though the amount would change along a scale proportionately to citizens’ individual income and capital levels. Nevertheless, this would also require significant administrative power. A less administrative-heavy solution could then be to equally distribute compensation to all eligible recipients.

2. **Strategically developing the allocation method.**

Defining the allocation method is very dependent to what extent the participation criterion is enforceable, and what level of administrative resources can be dedicated to operationalise Participation Income.

With regards to the compensation base, policymakers can decide to allocate benefits on a defined minimum time commitment per day/week/month to approved activities. This time commitment can vary on whether PI is seen as a unique source of income support, or as a complement to individuals’ main source of income. For example, if PI is also allocated to individuals who are employed (socially beneficially activities can include traditional forms of employment), the required time commitment will have to take into account that most individuals already work around 40 hours a week. On the other hand, if PI is mainly intended for unemployed individuals, the time commitment can be revised to be equivalent to one of a full-time job for example. Moreover, it is important to underline that the definition of the minimum time commitment should be done in light of the incentives it generates. Setting a minimum of 15 hours of commitment per week implies individuals may lack the incentive to spend more time engaging in socially valuable activities if compensation is fixed, even after the minimum of hours is reached.

Moreover, different methods can be considered to distribute benefits. All have to be considered within a comprehensive policy proposal in combination with how participation is defined and how compliance is ensured. In addition to the traditional monthly allocation, another arrangement can be grants. For example, PI could be distributed as a one-time project funding. Upon presentation of the societal value of a project to a group of experts, appropriate funding could be allocated as Participation Income revenue. This option would even allow to consider the possibility to provide advice and council in complement to monetary compensation.

Overall, regardless of the different options policymakers decide to choose regarding how to allocate PI benefits, one key principle should always be respected. Particularly in the case of income support schemes, individuals suffer a great deal from uncertainty. Variable compensations would then be at the disadvantage of recipients. Policy makers should prefer distribution methods than allow for a predictable occurrence and level of compensation.
C. Verification process.

The monitoring and supervision of individuals’ activities is essential to ensure the respect of the reciprocity principle. One of PI’s advantages lies in its ability for political compromise which mainly rests on reciprocity. Therefore, policy makers need to ensure a good verification system is established to mitigate the risk of fraud. However, the verification of certain activities can prove to be difficult and may result in high administrative costs. An suggested solution to this dilemma will be presented in more detail in chapter 3.

1. The strategical trade-off between reciprocity and costs.

The challenge for policy makers lies in finding an effective way to verify the information individuals provide regarding their engagement. Depending on the definition of the participation requirement, this may require complex administrative procedures that have a certain cost.

Some activities are easier to monitor than others. Occupations such as studying or working for example can easily be verified based on existing welfare organisation. The submission of a certificate of enrolment or an employment contract could be seen as a relatively straightforward and sufficient way to attest of an individual’s engagement. However, one of Participation Income’s advantages lies in its ability to recognise occupations that are not as easily taken into account in the current economy such as care-taking or volunteering. This also makes them more difficult to verify and will accordingly increase administrative costs. The proportion of activities that require more complex verification procedures of course depends on the formulation of the participation criterion.

Moreover, assuming all activities individuals engage in can be verified and administrative costs are not a hindrance, policy makers also have to take into account individuals’ right to privacy. Logically, shifting eligibility requirements from an economic measure, such as level of income, to socially valuable activities does imply the government will be more informed on how individuals decide to spend their time. A level of income for instance does not reveal much besides a person’s category of employment. However, volunteering activities for instance reveal much more on an individual’s personal commitments and beliefs. Therefore, the verification process can quickly become intrusive.

2. A few thoughts on organising the verification process...

As the importance of reciprocity is established, policy makers will have to find ways to limit the cost of a robust verification process.

A first option that policy makers may want to consider is to substitute a potentially very costly systematic verification system for a randomised process. The need to verify individuals’ engagements is essentially caused by the fraudulent behaviour of a small amount of people. Some may argue the costs of a big administration are not justified in light of the relatively small number of individuals that will attempt to cheat the system. Nevertheless, this minority has a strong impact on public opinion and political support. A possible compromise to reduce costs but maintain a protection against fraud could be to organise random verification of individuals activity statements.

In addition to random administrative controls, policy makers could also consider to reinforce individuals’ incentive to report truthfully. This can be done through fines and other penalties.
Nevertheless, this paper should mention that as the primary goal of PI remains to tackle inequalities and poverty, submitting recipients to more financial distress may not be the appropriate response.

Finally, another cost-friendly alternative may be to unconditionally distribute PI for a limited amount of time, after which individuals would have to submit evidence of their involvement in socially beneficial activities as defined by the government. If they are successful, the allocation of PI will continue, otherwise individuals could have to choose between renouncing to PI or finding new activities that comply with the government’s definition.

3. General observations and comments.
This paper considers the evaluation of specific financing plans too country specific to be presented here. Nevertheless, it recognises its importance of addressing it to some extent. First, this paper would like to refer to a very detailed report of the Dutch government regarding possible reform schemes involving concepts close to Participation Income[^106]. The rigorous evaluation of the costs and financing opportunities of each proposal is exemplary and can provide a first example to interested parties. In short, financing solutions include clearly identifying where cost increases originate and see what restrictions can be initiated elsewhere to maintain a balanced budget. Otherwise, should additional expenses lead to budgetary deficit, an objective analysis of the justifications for those costs needs to be provided.

More practically, as it was already addressed in chapter one, this paper would suggest to organise PI around the « encompassing model ». Indeed, making benefits universal may help justify an increase in tax collection and earnings-related secures better redistributive effects to reduce inequalities efficiently.

Lastly, this paper would like to briefly present an idea to preserve intrinsic motives of individuals and further strengthen PI’s potential for building communities. In a discussion with policy makers on the disproportionate burden PI might impose on individuals that are dependent on State support[^107], the idea to allow participants to waive their right to compensation emerged. In that context, all individuals could use PI as a platform to engage in socially meaningful activities, regardless of their employment situation. Those who participate only for intrinsic purposes, and do not wish to receive state compensation, can decide to waive their right to compensation knowing it will be used to finance the remuneration of another participant.

To conclude, the aim of this chapter was to introduce its reader to the current organisation of welfare schemes in general and existing reform proposals. Thereafter, Participation Income was presented both in terms of broad academic consideration and within a policy making context. Part III attempted to identify the strategic value of PI for policy makers but also the many trade-offs associated with the elaboration of an actionable reform proposal. The following chapter will present this paper’s suggestion to operate PI digitally.

[^107]: Even if PI is universal, individuals with a high-income employment may not find PI an attractive way to participate meaningfully to society through other activities due to the fact that the monetary incentive negatively affects their intrinsic motives for participation. Only individuals that are dependent on state support would then go through the administrative process of requesting PI, making PI’s administrative complexity a problem disproportionately imposed on the most vulnerable individuals.
CHAPTER 3: A DIGITAL PARTICIPATION INCOME SCHEME, OR INTERPRETATION OF THE FRAMEWORK.

The key strategic elements for policy makers to consider when thinking of Participation Income have been laid out. This chapter’s proposal should be seen as a concrete example of how to interpret the framework presented in chapter two and address the main points of criticism until now associated with Participation Income.

When evaluating PI, most critics have been directed to its heavy reliance on administrative procedures in order to safeguard reciprocity, which in turns leads to high costs. Nevertheless, in light of recent technological advancements, this paper defends the view that this argument does not hold anymore. In fact, this paper argues operating Participation Income digitally via an online platform makes it relevant again for welfare reform by potentially reducing administrative costs, generating value for all stakeholders and reinforcing social cohesion.

The details of this paper’s digital PI proposal will now be presented. Its analysis will follow the framework presented in chapter two. An analysis of the potential benefits and challenges will follow. Overall, this chapter’s intention is to raise awareness around PI for policy making again and support new constructive discussion on the topic.
I. A digital Participation Income scheme, how it can work.

As the previous chapters extensively examined, Participation Income faces several shortcomings tied to its implementation. The point that probably held the most weight in rejecting PI all together was its inability to uphold reciprocity through enforcing a serious verification process, without either defining participation too restrictively, essentially making it very similar to current workfare systems; or incurring significant administrative costs, making more inclusive and easier-to-set-up alternatives such as Universal Basic Income more attractive. The arguably only superficial attractivity of PI in this case is best examined by academics Stirton and De Wispelaere\textsuperscript{108}.

However, it is precisely this point that this chapter intends to show becomes negligible when pairing Participation Income with the promises of new technologies, including blockchain. The use of « promise » here is a careful choice as these new developments come with their own set of challenges. Before going into any further detail, it should be duly noted that the goal of this chapter is to demonstrate Participation Income’s potential when drafted to be as inclusive as possible. While PI can also be attractive for policy makers as a welfare reform of « smaller-scale », with a more restricted pool of potential beneficiaries, this paper was keen to showcase PI’s potential if set up in a very broad manner. An option that until now was not considered feasible and that yet holds most promises for individuals and the organisation of society as a whole.

The subsequent sections of this chapter will provide a first analysis of the advantages and drawbacks of associating Participation Income and digital means. How, in theory, blockchain and other new digital developments would allow to solve the dilemma Participation Income traditionally poses is addressed now. The basic idea will first be simply described to focus on the potential achievements. Thereafter, this section will go into more detail in terms of operationalisation.

Finally, it is important to point out that this chapter would not have been able to offer a realistic overview of the discussed new technologies to its readers without the generous and kind help of Jack Tanner, blockchain software developer, which this paper would like to acknowledge and use this opportunity to reiterate its thanks.

A. The basic idea: a new digital system.

The use of blockchain and other advancements in the digital field are key in enabling a non-restricted formulation of the participation criterion as well as maintaining a relatively simple oversight of the overall process. Essentially, both the State and citizens would use a single digital platform to organise participation nationally.

1. Defining participation, allocation method, and remuneration ...

The definition of the participation criterion is solely up to States. The significant advantage of operating PI through a digital system is that it alleviates constraints for policy makers in defining the participation criterion based on administrative costs concerns. Hence, here, the decision-making process is unaltered from what has been described in chapter 2, with the

difference that policy makers are free to mould Participation Income into a scheme that fits the needs of a specific community, or country the country as a whole, without having to face the trade-off of restrictions or higher costs.

For the purposes of demonstration of this paper’s framework and to simplify the analysis, the variables that make up a Participation Income scheme are chosen in advance to provide the reader with a concrete example. This simultaneously will allow to showcase PI’s new-found potential to become a far-reaching and daring proposal.

➢ Defining participation:
Participation, or eligibility for compensation, is here defined very broadly. A possible way to formulate the participation criterion, as seen in chapter 2, can be «An activity should be considered socially beneficial if it answers the need expressed by a citizen, an organisation, or society in general». This definition gives a lot of freedom to citizens to express their needs, and should be seen as a unique opportunity for policy makers to effectively set up a reform able to answer the most pressing societal challenges. Its operationalisation would, until now, probably be considered unfeasible all together, but also particularly with regards to the likely consequent increase in administrative costs or concerns regarding privacy. As it was mentioned at the beginning of this chapter, the choice to define participation in such a broad manner is intentional and simply a suggestion. Policy makers are evidently free to pursue a digital operationalisation of PI to reap potential benefits without formulating participation as broadly.

➢ Allocation method:
The allocation of Participation Income is based on the weekly hourly engagement of citizens, which they should report themselves. The compensation is at the charge of the State. Furthermore, the digital system can allow for the amount each individual receives to be means-adjusted. This can be based on a previously defined set of requested financial information, which can be variably extensive depending on policy makers’ intentions.

➢ Monitoring and supervision:
Finally, the monitoring process rests upon a vouching process that includes the two or more individuals, or sometimes individuals and an organisation, that were involved in the same activity. Put simply, if one citizen reports having helped another by providing fiscal counselling for instance, the individual that has received the help will have to validate the activity in the system.

The possibility to include organisations in the reporting process derives from the willingness to accommodate a broad range of engagement opportunities for individuals and rethink the organisation of the public sector deeply. As an example, local governments could identify the need for a conservation initiative of the neighbouring forest, and use PI as a platform to reach interested individuals and organise local efforts better. Another possibility would be to allow certain types of privately-held organisations, such as small charitable organisations, to access the platform as well. In that way, individuals wishing to dedicate their free time to support a good cause could find local projects via PI and receive a compensation.

2. .. through a central digital system.
The digitally operated system relies on individuals reporting their own engagement and vouching for each other. This is then all administered through an online platform. Several
possible verification procedures will be discussed now. Upon validation of the reported activity, individuals’ remuneration can then be automatically arranged.

In this set up, it follows that the role of the State is essentially focused on determining the range of activities considered socially beneficial and on providing the funds necessary for compensations to be allocated. Hence, government action can be focused on areas of social policies that actually matter and it is not hindered by administrative concerns.

B. Operationalising the administrative process: (registration and verification).

1. A unique and secure digital identity...

Securing an enforceable piece of identification is key for individuals to access government services and participate in the economic and political life of a country. Despite its importance, worldwide, an estimated 1 billion people still live without an official proof of identity\(^\text{109}\). More troubling even, is the fact that 50% of women in low income countries still do not possess an ID\(^\text{110}\), when « providing a legal identity for all » is a goal\(^\text{111}\) recognised by all UN member States for 2030.

The search for new means of identification is thus driven both by its crucial aspect in facilitating economic and social participation, as well as its potential to fight inequalities particularly in developing countries. To that end, the concept of a digital identity is not new. The creation of digital processes to secure identification has been put forward as an efficient way to remedy the failures in providing an identity to all and promote inclusive growth\(^\text{112}\). Today, about 161 countries have some form of ID system using digital technologies\(^\text{113}\). The use of digital identity schemes can however vary greatly: starting with the goal to serve as identification only, or only partly allow access limited services, and possibly evolving into a multipurpose digital ID enabling access to a broad range of online services\(^\text{114}\). Beyond their intentions, the state of the existing schemes is also very diverse, as the table below put together by the McKinsey Global Institute illustrates\(^\text{115}\).


\(^{110}\) Idem.

\(^{111}\) “By 2030, provide legal identity for all, including birth registration” counts as the target 9 of the UN Sustainable Development Goal number 16 named “Promote peaceful and inclusive societies”. For more information: https://sustainabledevelopment.un.org/sdg16.


What would a digital identity mean within the scope of this paper?

Put simply, a digital identity is a means for citizens to prove their identity through digital channels to access online services. Constructing a secure and reliable digital identification process can be based on multiple credential technologies. To that end, policy makers can for example opt to rely on individuals’ biometrics, but also physical cards or mobile systems as it is illustrated in the chart below.

---


Overall, the need for governments and public institutions to consider digital IDs is driven by societal, but also economic, political, and technological factors. From a societal perspective for example, public services need to accommodate the connected and digital habits of citizens tied to the wave of globalisation, but they also need to be aware of the need to establish clear regulations in order to protect citizens and frame the use of personal data. Similarly, policy makers will face similar evolving needs and have to issue new guidelines in the economic, political, or technological sector. Moreover, digital identification systems can have sizeable benefits, which should only increase policy makers’ willingness to be open to the idea. The benefits will be addressed in more detail in link with the analysis of the advantages of operating PI digitally in part II of this chapter. More efficient management of social programs and welfare distribution is a first one.

Digital identification processes can take many forms. It is important for governments to keep country-specific needs in mind. India, for instance, launched the largest digital identity program which provides around 1.3 billion citizens with a digital identification based on their biometrics. The use of iris scans and fingerprints was justified by the intention of the government to secure the distribution of social benefits and tackle the cases of abuse and fraud occurring within the programs.

On the other hand, the Estonian success story derives from the government’s dedication to become the first fully digitally operating country, or “e-nation”. Today, Estonians can access a wide range of government services from voting to filing taxes. Estonia’s digital journey made it the centre of attention in the matter. Citizens learned to appreciate the new means to engage in civil and economic life, as 67% of Estonians use their digital ID regularly and around 47% voted online for the last elections of 2019. However, these accomplishments also raised many questions. The issuance of Estonian “e-residency” for example undermines traditional concepts associated with nationality and identity.

All in all, it is clear that the suggestion of this paper to count on the introduction of a digital identity for citizens is not far out of reach. Much to the contrary in fact, it rests on the assumption that governments will be engaging in new reforms to re-think public services to be in line with their time and societal development. As it was demonstrated before, how exactly the digital identity is set up is very country-specific. Henceforth, this section will not deal with the introduction of a digital identity framework in such detail. The reader should thus simply remain aware that digital identities are operational and a reality. The set-up of Participation Income through an online platform, and digitally operated, in this case entirely rests on the assumption that every citizen is provided with a digital identity.

2. ... key in operationalising the verification process...

---

First, the digital identity of all citizens included in the PI scheme should be tied to an online profile which will register all the necessary personal information required to operate the system. How much information can be used and how the registration of individuals will influence the verification process is discussed now.

Within the verification process, smart algorithms can be programmed to flag suspicious activity reporting and thus fight fraud. Put very simply, an algorithm is a step by step defined procedure to process given inputs and reach a desired outcome. Similarly, to a baking recipe, all instructions are clearly laid out to successfully lead to a desired outcome. For this PI proposal, algorithms would thus be tasked to analyse the information tied to an individual’s profile and digital identity, and compare it with the activities he or she reports in order to receive PI compensation.

Whilst an in-depth detailed analysis of how smart algorithms can be put in place is far out of the expertise of this paper, the following simple statements hold. Within the realm of computer sciences, algorithms have been paired with developments in artificial intelligence and subsequently machine learning. This made algorithms “smarter”, more efficient. In link with operating participation income, this can be particularly interesting as this implies algorithms could learn from previously wrongfully flagged profiles to optimise their recognition/verification pattern. Thus, over time, algorithms can increase their accuracy in predicting whether an individual is likely to wrongfully have reported an activity on the platform with the same amount of information at their disposal.

For algorithms to be effective, they need to be provided with enough information to cross-reference it with the activities individuals report. The extent of information that has to be disclosed is at the discretion of policy makers.

A first non-intrusive disclosure level could include residency for instance. A piece of information usually already at the disposal of local governments for instance. In this case, algorithms could compare a citizens’ place of residency with the location in which reported activities occur. It would then be relatively easy to flag an individual’s reporting of a week of charity work with an association based in one city when the individual indicated living 200 kilometres from there.

A more advanced, and therefore also more intrusive, level of verification could also require the disclosure of an individual’s qualifications for example. In that way, a person that studied mathematics at university is less likely to be flagged by an algorithm than an art student if both report tutoring mathematics to high-school students.

The possibilities to operate algorithms are endless and only limited by how much information policy makers believe is necessary to disclose. It is also important to mention smart algorithms could work with probabilities. Therefore, when an individual with no “disclosed” link to mathematics reports to offer tutoring in that field to high school students, the activity should not immediately be flagged as « wrong » but rather « relatively unlikely » algorithms. The probability level that should lead to an activity being flagged then should be pre-defined in the algorithms’ programs. Moreover, algorithms could also base their reporting mechanism on more than one activity reporting at a time, all in the hope to diminish wrongful suspicion and increase accuracy over time.

Of course, flags raised by smart algorithms in the systems should not be the last step of the verification process. Eventually, reported profiles should be subjected to human verification and interaction. The integration of algorithms in the whole process is both based on efficiency and cost reduction concerns. They would allow to significantly decrease the cost burden of
running a digitally operated participation income platform and thus offers a legitimate alternative to the rejection of PI’s for its supposed high costs.

3. ... respecting reciprocity in the verification process...

Individuals’ identity, through their online profile, is also tied to a blockchain ledger where all the participation of a same individual is referenced. In short, blockchain can be compared to a list of records: a distributed ledger storing immutable data permanently. Blockchain represents a very safe way to store data, as the probability of anyone being able to alter the records is very (very) low. This also means it is practically impossible to change any referenced data once it is recorded in the blockchain.

Another aspect tied to blockchain is the possibility to configuration it publicly. This would imply any information recorded on it, in this case reported activities, is available for anyone else in the system to see. These features, unique to public blockchains, enable users to create a digital reputation incentive for individuals. If the activities individuals report are public and cannot be modified, it creates a high incentive for individuals to report truthfully.

Paired with the verification process of smart algorithms, one’s digital identity can be included in the information available to algorithms for analysis. In theory, this would imply that algorithms could differentiate, when identifying suspicious profiles, between an individual that never wrongfully reported an activity and another that might have already been reported for it. This would strengthen even further the incentive for PI beneficiaries to tell the truth and allow individuals’ reporting to become more reliable.

The use of a citizen’s « digital reputation » can be used at different degrees in the verification process. Once again, the extent of its use remains at the discretion of policy makers. A simple first step, as described previously, is to include the possible occurrence of wrongful reporting in the data available to smart algorithms to analyse an individuals’ activity reporting. Pushing this intuition a bit further, if through the verification process an individual has been found to try cheating the system several times, this would negatively impact his or her reputation, and smart algorithms could be programmed, to tie the outcome of their analysis to human supervision directly (as the likelihood of fraud increases).

The important piece of information to remember is that blockchain is a key component for running PI digitally because it will enable the creation of a digital reputation tied to every individual’s digital identity.

Digital reputation can potentially be pushed even further within social gamification features relevant for Participation Income. Gamification was developed to enhance user engagement on online platforms. It became a part of marketing strategies, using game-like mechanics. It can be relevant for the verification process as well. At first, it might appear as a strange concept to associate with government institutions and policy making. But the consideration of gamification for policy making is not new. Stephen Goldsmith\footnote{\url{https://datasmart.ash.harvard.edu/about/stephen-goldsmith.}} for example, argued for the consideration of gamification processes for policy making. At local level, many platforms have already emerged to attempt to improve citizen-
institutions relationships. « SeeClickFix » for instance is a digital platform aiming to improve communication between individuals and their local government125.

To help Participation Income be effective digitally, gamification elements can be used to improve citizen engagement and the verification process. Put very simply, the process would « gamify » individual’s digital reputation.

The initial idea is that two or more individuals involved in the same activity can vouch for each other. For example, let’s assume tutoring high-school students is an activity recognised as socially beneficial by the State and thus eligible for PI compensation. To receive his or her benefits, the tutor should make sure he or she reports his or her participation on the PI platform and that the student (or in this case the parents) vouches for it. Gamification can easily be taken further and it will be up to policy makers to judge how much they wish to make use of it. The vouching process could be extended to more than the individuals directly involved in the activity. Indeed, individuals that are able to witness the execution of the reported activity without being directly involved themselves may be very relevant to set up the verification process. Taking the same example of support after school, the teacher of the student that may have recommended the tutoring in the first place could provide a useful confirmation that the activity is taking place. In that sense, in theory, any individual could decide to include their statement in an activity’s reporting. This possibility would possibly improve the online verification process. Initially, because all individuals included in the process are still driven by an incentive to keep their digital reputation intact. This same incentive can be taken a step further by adding a notion of « reliability » of a person’s vouching for another’s activity in the smart algorithms’ verification process. Simply put, if a person’s digital reputation, or online record of truthful reporting, is « high », activities they report would be less likely to be flagged in the online verification process. This can prove very valuable to account for activities otherwise difficult to monitor such as care work or volunteering, but such measures also have to be considered with precaution126, particularly with regards to privacy concerns.

4. .... and coordinate the distribution of PI benefits.

To demonstrate how far a digitally operated platform can go in terms of autonomy, this paper has one more addition to the role a unique and secure digital identity could play in operationalising an online PI platform. Policy makers could opt to automatically arrange the transfer of benefits from the State to citizens. This can be achieved through smart contracts tied to blockchain technology.

A smart contract can be defined as an auto-enforcing software program. The MIT technology review gives it as a “computer program used to automate unstoppable money transfers between users according to agreed-upon conditions”127. Therefore, a smart contract is nothing more than a tool to automatically enforce an agreement, the same way a lawyer or another third party would usually do.

In the case of operating participation income, smart contracts could be used to secure the allocation of social benefits from governments to citizens. The contract would consist of a pre-

---

126 These will be addressed in detail in part III of this chapter.
determined number of hours reported by the individual on the blockchain platform and a condition of approval upon completion of the verification process to initiate the transfer.

In this set up, one could imagine the possibility that if the activities reported by citizens do not raise any suspicions through the algorithm verification process, compensation could be immediately arranged through smart contracts. This would alleviate the need for human involvement in the process, a resource that could then be focused on verifying possible suspicious profiles instead. This would enable efficiency gains for governments and greatly simplify the application procedures for citizens.

C. Key takeaways.

The possibilities presented in this section may appear overwhelming at first. To sum up the main contributions discussed in this section, in the hope to ensure a good first understanding not impeded by technicalities, the key takeaways of this proposals are discussed here. The details of operationalising PI digitally quickly engage complex and technical knowledge\textsuperscript{128}. However, the achieved result remains simple: an online platform, operated mainly by digital means, through which individuals can report the socially beneficial activities they have been engaging in and receive compensation on the basis of a participation income scheme.

Logically, the creation of a digital identity for all citizens that will serve to create an online profile is the first essential step. It is crucial that citizen’s digital identity remains secure, consent-driven, and unique.

This section continues with the layout of a first draft for an actionable Participation Income scheme. The digital set up allows for the participation criterion to be formulated very broadly and offers a lot of flexibility to policy makers. The monitoring process essentially rests on a digital system with the goal to enable significant cost reduction, particularly in terms of administration for the government.

The extent to which the digital system is involved in the operationalisation of a Participation Income scheme can vary. This section presented the different levels this scheme relies on digital processes and the varying extends to which they can be integrated in the procedure. Blockchain technology is key for this proposal. It is central in ensuring a secure and trustworthy authentication platform for digital identities. Additionally, blockchain allows the reporting mechanisms for individuals to run smoothly. It acts as an immutable ledger to record the activities individuals reportedly engage in. This is a very important feature as it creates a strong incentive for individuals to report their activities truthfully, referred to as «digital reputation» in this paper.

In addition to blockchain, another important development to operationalise Participation Income digitally are smart algorithms. They are particularly relevant for the monitoring and verification process. A smart algorithm can flag a reported activity that may appear suspicious in light of the information at its disposal. Additionally, developments in machine learning and artificial intelligence can make algorithms «smarter», or more efficient, without increasing the amount of information at their disposal. Evidently, all final decisional power should remain.

\textsuperscript{128} Knowledge which this paper does not sufficiently dives into, a point which will hopefully bring academics and practitioners in the relevant fields to undertake the challenge and go into further detail.
with human administrators. Nevertheless, partially relying on smart algorithms would save a considerable amount of time and money for administrations.

Finally, tied to the possibility to use blockchain and smart algorithms to operate PI digitally, are several opportunities for policy makers to develop the process further. These options are only mentioned quickly as their implication both in terms of technical execution as well as political ramifications would require a detailed country-specific analysis out of the scope of this paper: to produce a comprehensive first general draft proposal supporting the reconsideration of Participation Income as potential welfare reform.

In link with the compensation process, blockchain can allow to run smart contracts. These self-initiating contracts could automatically arrange the compensation of individuals in light of the level of activity they reported without the need for government intervention.

Additionally, policy makers will be faced with many options when considering the role of smart algorithms. A straight forward dilemma will be the amount of information policy makers will require individuals to disclose both in terms of the activities they engage in as well as private information tied to their digital identity. The greater amount of information available to smart algorithms, the greater their level of accuracy in flagging suspicious reporting. Nevertheless, this comes at a cost of greater intrusion in individuals’ private lives which needs to be taken into consideration.\textsuperscript{129}

Moreover, policy makers will also have close to endless possibilities when considering methods to increase incentives for truthful reporting and greater accuracy in the verification process. A particular aspect mentioned above was the gamification of individuals’ digital reputation. As individuals vouch for each other’s involvement in an activity, a first step may be to include the possibility for more individuals to validate an activity so as to decrease the likelihood of fraud. Another simple step policy-makers may decide to take would be to include a consideration for the digital reputation of an individual amongst the information at the disposal of smart algorithms. These could thus more reliably flag a reported activity, for example, if it emanates from an individual that has been identified as abusing the system previously. The deriving possibilities are close to endless.\textsuperscript{130}

To conclude, the intricacies of operationalising a digital Participation Income scheme should not overshadow the simplicity of the outcome: an inclusive and cost-efficient welfare reform. To avert any quick dismissals, and underline the realistic character of this proposal, this paper attempted to foresee the most discernible hurdles to implementation. Nevertheless, the implications of some of the above-mentioned constructions, such as the creation of a digital ID or the use of blockchain technology, go far beyond the expertise of this paper. The aspiration with this proposal is thus to serve as a blueprint to further promote the debate on welfare reform through Participation Income in general, redefine PI as a viable candidate though this specific proposal, and encourage more research by experts in all relevant fields. To further explore the potential benefits and challenges tied to this proposal, the sections II and III of this chapter will respectively evaluate the attractiveness of this proposal as well as its expected difficulties.

\textsuperscript{129} This is a point addressed in more detail in part III of this chapter.

\textsuperscript{130} It is also worth mentioning, even though no tangible evidence supports this statement, that this paper believes it is likely the more significant the weight of digital reputation plays in the verification process, the lower the need will be for actionable sanctions (should there be any) as the incentives for truthful reporting will be high enough to discourage most (if not all) attempts at fraudulent behaviour.
II. The advantages of a digital Participation Income scheme.

A. A digitally operated Participation Income scheme can contribute to revive academic discussions, promote a new considerations of PI, and effectively support new research regarding its potential for welfare reform.

When the economist and researcher Professor Sir Anthony Atkinson first published on his new idea: Participation Income\textsuperscript{131}, he was met with much criticism and few encouragements. The new welfare proposal was quickly categorised as overly complex and unrealistic. Today’s technologies and new developments however, allow to shed a new light on Participation Income and on the points raised by critics. The objective of this paper remains to defend PI as a valid welfare reform in general. Nevertheless, academic rejection could potentially be considered a key factor in policy maker’s lack of interest in PI. This section aims to lay out exactly how the digital PI proposal can answer the points raised by academic critics and promote new discussions around PI’s potential for welfare reform.

The main obstacle to the consideration of Participation Income for policy making, in this paper’s view, has been for the most part explained by the lack of academic support. In general, when evaluating welfare reforms, PI was usually portrayed as a complex and costly alternative, particularly in comparison to Universal Basic Income (UBI). The most adamant critics of Participation Income, who have played a central role in identifying PI’s weaknesses are Doctors Jurgen De Wispelaere and Lindsay Stirton. Their detailed analysis\textsuperscript{132} advances the claim that PI’s inherent administrative weakness inevitably leads to political instability; eventually shifting the perception of PI from the promise of a perfect compromise to the worst possible outcome for policy makers. This paper’s focus is not to specifically participate in the academic debate. Nevertheless, addressing the points raised academically regarding PI’s limited ability to stand on its own as a viable proposal may correct the current dead-end reputation too easily attributed to PI, spark new research interests, and initiate constructive debates on PI’s newly found relevance for policy making and deriving new challenges.

The authors De Wispelaere and Stirton provided a rigorous and detailed analysis of Participation Income and its shortcomings. They were of course not the only academics that focused on PI and published relevant contributions to the debate\textsuperscript{133}. De Wispelaere’s and Stirton’s analysis bears the most weight in rejecting PI. This is explained by the extensive and meticulous character of their analysis in comparison to others as well as the strength of their main argument. The authors’ argumentation of PI’s administrative weakness has in fact until


\textsuperscript{132} For future reference:

\textsuperscript{133} Such as:
now not been met with a counter-proposal able to shift the debate to other possible concerns. PI’s administrative weakness is a point this paper’s proposal particularly attempts to accommodate.

The argument of De Wispelaere and Stirton unfolds as follows. Participation Income’s apparent potential to bridge political differences among policy makers and ultimately lead to a unanimously supported proposals is in reality non-existent. The political instability, which the authors argue surrounds a PI schemes, derives from its administrative weaknesses best exemplified by a “Trilemma”. As the name indicates, it rests on three elements that are impossible to simultaneously satisfy, effectively showcasing PI’s weaknesses in each case. The trilemma rests on the following equally important requirements: «PI must remain substantively inclusive», «Recipients must satisfy a genuine participation requirement» and «Economic and human costs must remain low». The argument of De Wispelaere and Stirton is anchored in the fact that any attempt to satisfy two out of the three requirements results in failure to also respect the third. All three consequent administrative failures are then analysed from the perspective of policy makers, and the deriving compromises are then reasoned to lead to political instability in different ways and thus result in failure to implement PI.

Following the author’s logic, it is not realistic to assume PI can be both inclusive and cost efficient, while also enforcing a genuine participation requirement. The alternative to PI’s failure to comply to all three requirements is presented as the «Ironclad Administration». Simply put, this version of PI’s implementation fails to use administrative resources in moderation and results in a very costly scheme. The high costs associated with this scheme then would lead to political discord. More importantly, the authors pin point that the resulting poor efficiency makes PI the least attractive policy alternative to current systems. Policy makers would be better off considering a Universal Basic Income scheme, whose universal character allows very sparse use of administration.

This paper’s view is that a digital Participation Income scheme can be the answer to operating an «Ironclad Administration» without its costs. Policy makers can for the first time consider the possibility of respecting all three requirements of the trilemma. Astronomical administrative costs can be avoided thanks to the online operationalisation of the entire process. The formulation of a broad participation criteria without disregarding the need to respect reciprocity is possible thanks to the creation of a digital reputation incentive via blockchain technology. Moreover, the varying degrees in which smart algorithms can be integrated can further contribute to reduce administrative costs tied to the verification process by decreasing the workload of human administrators. PI then changes from being the worst-outcome to potentially the best possible one. PI can fully benefit from its potential for unanimous political support and represents a viable policy consideration. Moreover, UBI’s argued superiority in terms of simple administrability becomes only relative.

134 It is worth mentioning that: In his last book, Inequalities, Atkinson addresses the point raised by the two authors. He refutes the scale of the said increase in administrative costs tied to operating PI and defends the view to accept possible increased costs if they lead to better social protection schemes. The disagreement between the two parties then becomes a confrontation of beliefs on the centrality of cost-efficiency in evaluating a policy and does not offer a real alternative solution.


137 Idem.
Whilst a digital PI scheme in terms of academic concerns appears promising, there are evidently many points that will require additional research. The development of a digital platform and the transition to digital identities for all citizens is likely to cost more money than it will save in the very short run. It is also very country-specific. The cost argument can thus be defended with reason but not certainty. Additionally, whilst the use of new technologies such as blockchain and smart algorithms effectively offer a solution to the administrative overload issue and costs concerns, their human costs still has to be rigorously evaluated. The potential for unnecessary or too high intrusion in individuals’ private life is a real possibility and correct mitigations measures need to be drafted by experts in the relevant fields. Nevertheless, even though this first draft proposal is far from offering all the solutions, it does offer a first counter’ proposal to the argued unfeasibility of PI. It also provides a new base from which all relevant stakeholders can re-think welfare reforms and policy making.

B. Successfully transitioning to a digital society can prove to be beneficial to all stakeholders through potential costs savings and even value creation.

Successfully organising the digital transition necessary to this chapter’s proposal holds many promises. Re-arranging a society around digital identities and an administration operated online is no easy task but can prove very rewarding for all stakeholders. For the State, its citizens and the private sector, a digital PI scheme can enable costs reductions and even create value in some cases.

Understandably, the potential savings or gains associated to the discussed digital transition are very country specific. The values discussed in this section should thus be taken only as indicators of a possible trend and not absolutes. Different economic development levels for one greatly influence the required initial State-investment to achieve a viable reform. Developing economies may require higher levels of public expenditures to achieve an initial digital operationalisation when, in the same logic of return on investment, more mature economies with existing digital infrastructure will have to seek higher degrees of digital integration to pursue its benefits. Moreover, beyond state considerations, this section aims to demonstrate that this proposal can prove to be valuable for other relevant stakeholders such as individuals and the private sector.

1. What is the potential of this proposal in terms of savings?

The primary advantage of considering this paper’s digital PI scheme lies in its potential for cost reduction as well as time savings. The public sector will greatly benefit from the discussed cost contractions. Reducing the weight of administering any social security program in a State’s budget is always a desirable outcome. It becomes essential in the context of this paper, and of Participation Income, as the previous section exemplified. Additionally, the potential for savings also extends to individuals and the businesses.

➢ Potential savings and cost reduction for the government.

For governments, potential savings are tied to changes in terms of administration. The initial weakness of Participation Income lied in its heavy reliance on a complex administrative system

---


139 Chapter 3, part II, section 1.
to satisfy reciprocity while formulating the participation criterion inclusively. A digital platform can potentially significantly reduce the costs associated to administering PI. This is explained by the reduced resources needed to perform administrative tasks, and the platform’s increased efficiency.

The savings incurred when operating PI through a digital platform as is suggested in this paper can first be explained by a decreasing minimal level of resources required to operate a State’s administration. These derive both from characteristics specific to digital identities and this paper’s proposal.

The World Bank found that « reduced administrative costs » constitute one of three sources of savings for the public sector in link with the introduction of digital identities. The « most advanced digital society in the world », Estonia, provides much insights in potential savings. Indeed, Estonia claims it achieved to develop into a fully functioning country without incurring « the high costs of the bureaucracy of developed democracies ».

For instance, the Estonian government was able to save the equivalent of 800 years of working time only by facilitating online data exchange procedures. Clearly, the case of Estonia testifies to the already significant decrease in administrative resources use associated with the digital identity, which by extend that can also be associated to this paper’s proposal.

As part I of the chapter laid out, most of the verification process for the digital PI scheme is done online. Individuals report their activities online via blockchain technology and an initial verification procedure is launched thanks to individuals’ reciprocal vouching and smart algorithms flagging process. Therefore, the need for human involvement is shifted to the administrative functions policy makers clearly identify as too complex to be undertaken by automated processes and artificial intelligence. Let there be no room for misunderstanding: human administrators remain critical to a digitally operated Participation Income scheme. However, the administrators’ workload in this setting is re-focused on more specific tasks. For example, this proposal suggested administrators are only concretely involved in the verification of « flagged » reports, previously identified by smart algorithms. Moreover, the possibility to conduct random checks would also be contingent on human action. Consequently, in comparison to the workload currently impeded on administrators in most social security programs, a digital PI would significantly decrease minimal human capital requirements to efficiently run an administration.

Overall, in addition to the expected savings tied to the introduction of digital identities, one can only reasonably argue that operating PI as suggested in this paper will not increase administrative costs for governments and may even decrease them.

Additionally, the potential savings from a digital PI can also be explained by higher efficiency. Indeed, by allowing the administration to run more efficiently, further cost reductions can be observed tied specifically to both digital identifications measures and this paper’s proposal.

The introduction and use of digital identities on its own has been linked to non-negligible cost reductions and savings. Digital identification systems have been associated with higher productivity, costs savings and fraud reduction for public institutions. By mitigating fraudulent behaviours alone, digital IDs could potentially save up to 1.6 trillion USD.

141 According to Wired.Uk., article can be found at: https://www.wired.co.uk/article/digital-estonia.
annually. The implementation of digital IDs has already proven to increase efficiency in public administrations in New Zealand by facilitating government agency exchanges and eliminating redundant procedures. The Estonian government reported that an online government set up has made decision-making about ten times more effective. Moreover, the initiation of digital signatures for e-services since 2002, via safe digital identification methods, has been approximated to save up the equivalent of 2% of GDP each year, reinforcing Estonia’s claim of being a « hassle free »

Government savings from efficiency can also be specifically tied to this paper’s proposal. The very simple definition of what a government defines as a socially beneficial activity in this proposal comes down to « answering an expressed request for help »; in other words, the system rewards a situation in which the supply of help meets demand. Therefore, the digital PI scheme in essence allows to become more efficient in addressing the needs of the population and in the allocation of administrative resources. This would prove to be particularly refreshing in comparison to most current welfare systems that suffer from overly complex and difficult to understand guidelines and regulations.

➢ Potential for individuals and the private sector.
A digital Participation Income scheme can also be beneficial for individuals and businesses. In this case, cost reductions are mainly a consequence of time savings and facilitation to do business.

A system based on digital identities enables savings for individuals mainly through time saving. Indeed, the amount of time individuals spend on administrative procedures can be easily reduced thanks to an authentic and unique digital identity to access online public services. For example, the EU-wide implementation of the Once and Only Initiative (OOI) is expected to reduce citizens’ time spent on administrative procedures by 855,000 hours annually. Making government services accessible online could potentially save up to 110 Billion of hours for individuals worldwide. This is mainly achieved by reduced frictions in interactions with governments and businesses. Estonia, has made 99% of its public services accessible online at any time. This allows for online voting procedures alone to account for 11,000 working days saved per elections for citizens. Additionally, completing administrative procedures has also become much more efficient for both individuals and businesses. Considering the Estonian case again, 95% of Estonians spend only 3 minutes filing their tax declarations online, and establishing a new business only takes 3 hours. The increase in trust in online operations generated through the use of a secure and authentic digital ID can be particularly beneficial for the private sectors as well. At EU level, the OOI is expected to save businesses up to 11 Billion of euros each year. Since the

---

147 From: https://e-estonia.com/solutions/e-governance/
150 ID4D Findex study, from https://id4d.worldbank.org/global-dataset.
introduction of a unique digital identifier to facilitate interactions with government agencies, businesses operating in New Zealand are expected to save up to 60 million of USD each year.\(^\text{154}\)

2. What is the potential of this proposal for value creation?

In addition to potential savings, the introduction of a digitally operated PI scheme can also be a source of value creation expressed both in economic and non-economic terms. Similarly, to the distribution of cost savings, the potential of this paper’s proposal for value creation is shared between the public and private sector as well as individuals.

The potential for value creation in the case of government actors has been clearly identified in relation to digital identities. In the case of mature economies, extending digital ID coverage could unlock economic value equivalent to 3% of GDP by 2030.\(^\text{155}\) The decision to pursue a digital transition thus makes economic sense. Beyond economic concerns, if carefully constructed\(^\text{156}\), digital identity schemes can facilitate trust between citizens and the government.\(^\text{157}\) This is a particularly relevant point as currently only 43% of OECD countries’ citizens trust their government and the rate is dropping.\(^\text{158}\) Estonia has already proven that digital identification schemes and online government services can lead to a better relationship between the government and citizens, as 71% of all online government services’ users claim to be satisfied with public e-services.

Additionally, a digital ID also originates value for other stakeholders. In general terms, the already established gains in efficiency and time management discussed above inevitably also lead to greater employment and productivity, beneficial to both businesses and individuals. Moreover, by facilitating online trust and recognition, digital IDs also benefit individuals in their role of consumers as they get access to a wider range of services. Economically, at least 50% of economic value generated by the introduction and use of digital identification methods is expected to benefit individuals, the remaining half is expected to be equally split between the private and public sector.\(^\text{159}\) Finally, digital IDs can also create value through non-quantifiable factors. Indeed, digital identification can support better protection of human rights, more transparency, or better access to healthcare for instance.\(^\text{160}\) Since 2008, Estonia is facilitating a central data based for all the healthcare information of its citizens. It can ensure faster diagnostics based on reliable and quickly accessible information. It also proves advantageous to arrange reimbursements automatically by insurances.\(^\text{161}\) Lastly, a point worth developing is the potential for increased civic participation. Estonia reports that around 30% of its citizens vote online from 116 countries.\(^\text{162}\) Possibly even more important is the fact that,


\(^\text{156}\) A point that will be addressed in detail in the following section.


\(^\text{160}\) Idem.

\(^\text{161}\) From: https://e-estonia.com/e-health-estonian-digital-solutions-for-europe/

\(^\text{162}\) From: https://e-estonia.com/solutions/e-governance/e-voting/
from these online voters, 20% reported that they would not have exerted the effort to travel to a physical voting ballot\textsuperscript{163}.

C. A digital PI scheme allows policy makers to focus more on social cohesion and on bringing people together, a key aspect to prepare for the future.

Finally, this section intends to discuss the unique advantage of this paper’s proposal; namely its ability to refocus the debate on creating communities and a better society. Indeed, a digital PI scheme as presented in this chapter could become an effective tool for governments and policy makers to actively prepare societies for the future. This paper already pointed out the rising need for policy makers to rethink current social security policies due their outdated character, but also because of the trends of increased automation and questioning of citizens’ priorities that may significantly disrupt societal organisation\textsuperscript{164}. Additionally, this paper goes one step further by supporting the claim that PI is likely to be more effective in tackling the discussed issues than other far-reaching social security schemes such as Universal Basic Income for example. Finally, the last distinguishing feature in favour of PI is its emphasis on enabling stronger communities. In other words, PI has the ability to bring people together in a meaningful way.

1. How can Participation Income be a solution to the outdated character of most social security schemes today?

Chapter one pointed out in detail the non-negligible issues related to most welfare systems today that require policy makers to start drafting reforms. The degree of dependence on means-testing, as well as targeted mechanism, varies for every State, but it has been established that better redistributive policies can be put in place with stronger chances at reducing inequalities and poverty. In many ways, Participation Income becomes a relevant alternative. This paper will also compare its value with another popular welfare reform, Universal Basic Income (UBI).

As means-testing was proven to negatively affect a State’s capacity to efficiently reduce poverty, one could easily jump to the conclusion to make all social benefits universal without consideration for any forms of participative requirement. Certain countries already have universal measures in place, such as Canada or France. However, the proportion of universal measures varies and, in some cases, a complete switch to universality could be a big step and significantly impact a State’s finances. In this case, UBI can appear to be a more attractive policy option. It’s universal and unconditional character would also significantly simplify otherwise usually complex administrative procedures. Therefore, introducing UBI should be seen as a better way to tackle inequalities and poverty than most social policies based on means-tested mechanisms. However, UBI lacks one non-negligible option that sets Participation Income apart: the ability to include earnings-related mechanisms in the allocation of benefits. Given that UBI is unconditional and universal, its advantage lies in the fact that it would rely

\textsuperscript{163} McKinsey 2019 / check exact phrasing.
\textsuperscript{164} See Chapter 1.
very little on administrations. However, in comparison to Participation Income, it can explain why UBI may be less effective in fighting inequalities. Indeed, given than PI still requires some extend of administrative procedures linked to individuals’ participation, it allows to simultaneously adjust the allocation of benefits to possible other sources of income or earnings. As chapter one established that earnings-related universal benefits are the best way to fight inequalities and poverty, one can reasonably conclude that Participation Income is a better candidate for welfare reform than Unconditional Universal Basic Income in this particular feature.

2. **How can Participation Income be an answer to the dilemma in the near future of increased automation and digitalisation processes?**

The second trend identified in chapter one was the increase use of automation and digitalisation processes. The ability of a given country to embrace the changes ahead will very much influence its stance in the global economy. Additionally, States need to find the right tools to effectively protect, prepare and empower their citizens. This paper is of the opinion that policy makers need to recognise the need to change the way societies are presently organised. Policy making proposals and reforms based on this trend need to be daring to match the exceptional character of the changes ahead. The next paragraph will evaluate how Participation Income and Universal Basic Income compare for the task.

When thinking of the impact new technologies, automation and digitalisation processes will have on the labour market and education in the coming years, UBI is a relevant candidate. It would enable to compensate and recognise the temporary, but nonetheless complicated, situation many individuals working in the manufacturing (and other automation-susceptible) industry are in and offers a better alternative to most of the currently too restrictive and overly complicated unemployment policies and other social security schemes. In this context however, Participation Income appears as a better choice. Its main characteristic constitutes its greatest advantage: the definition of the participation criterion. It can be defined according to States’ objectives. In the case of technological change and automation, PI can be designed to give direction and support individuals through the transition period better. For example, a PI scheme could be developed to focus more on individuals holding a job in industries more exposed to the risks of automation. Another option would be to allocate PI for activities involving skills and knowledge States identify as key to a successful digital transition. Individuals could potentially also receive PI in exchange for undertaking trainings or education programs meant to help them develop much needed IT skills for the future.

These few suggestions attest of Participation Income’s malleability. It is a feature that is very relevant as governments may want to remain some level of control over the activities individuals engage in to ensure the country is equipped to mitigate the challenges associated with digitalisation and automation processes but also ensure the ability to fully grasp their benefits. UBI might help mitigate the effects of losing a job in the short run. However, its unconditional character fails to provide States with the opportunity to actively drive the transition and ensure individuals prepare correctly. Participation income thus could be the best
available policy option to properly address and attempt to mitigate the effects of the transition period to come due to increase automation and digitalisation.

3. How does Participation Income provide a solution to the work-centrality and economic measure questions, as well as provide a unique way to allow policy making to focus on bringing individuals together?

Finally, chapter one also argues that the technological changes ahead will inevitably lead to a re-organisation of society. This is turn gives grounds to reconsider traditional values that have until now structured individuals’ lives and priorities. States may want to accommodate these shifts and ensure the organisation of society is representative of its time and of the new needs of citizens. This involves a reconsideration of work-centrality and the development of a broader definition of economic activity. Again, Participation Income and Universal Basic Income both offer viable solution to this concern.

In the case of redefining work-centrality, UBI and PI both appear as viable options. Both enable a broader consideration of societal values and diminish the central role of work in defining one’s « place » in society. In fact, UBI in this context can be seen as a « liberating » reform, enabling individuals to free-themselves from the constraint of work, arguments close to the post-productivism movement in support of UBI\textsuperscript{165}. In short, UBI perfectly complies with the goal to enable individuals to more freely dedicate their time and commit to a cause that is meaningful to them, without revenue concerns. However, when thinking of broadening the definition of economic activity, Universal Basic Income does very little. Participation income on the other hand, facilitates both a broader economic activity and the diminution of work-centrality. Indeed, as it has been established before, PI enables a new process to recognise until now disregarded activities such as care work or volunteering. This is key in broadening the definition of economic activity and measuring a country’s development in a new, more inclusive, way. Moreover, depending on the government’s definition of participation, Participation Income can also promote more freedom for individuals in choosing how they occupy their time.

In this case, the real distinguishing feature of PI lies in its ability to foster a more united and inclusive society. This paper argues Participation Income can support the development of a real feeling of community, which can be explained by its respect of the reciprocity principle. Unlike any other social policy, PI can incentivise individuals to become an active part of society and help each other. Indeed, eligibility is not driven by lack of means, but rather can be redefined around the value of a given participation to society as whole. This alone provides grounds to argue PI supports a more positive view of society and brings people together. Additionally, the definition of the participation criteria can bring people together even further. The ultimate means to that is the definition used in the proposal discussed in this chapter: « An activity should be considered socially beneficial if it answers the need expressed by a citizen, an

\textsuperscript{165} Parijs, P. V. (1997). Real freedom for all: What (if anything) can justify capitalism?. OUP Catalogue.
organisation, or society in general ». Ultimately, PI can make social measures more human, more relatable, more genuine.

In this line of thought, this paper would like to shortly present the potential for even stronger community building when PI is operated digitally. In fact, digital identities can blur the lines of defining national identity. As online operations and individuals’ connectedness increases, national borders matter less and national identity is redefined\textsuperscript{166}. In 2016, a survey investigating individuals’ feelings on citizenship found that 49\% reported identifying themselves as global over national citizens\textsuperscript{167}. This provides a unique opportunity in combination with PI’s eligibility criterion being distinct from citizenship and instead focused on engaging in socially valuable activities. At European level, the integration of migrants and refugees is failing, they are particularly vulnerable to discrimination and marginalisation\textsuperscript{168}. A digital Participation Income could prove to be a great way to support the integration of migrants and refugees. Moreover, their participation in socially valuable activities through PI, may be an effective tool in fighting discrimination and marginalisation as they become a part of the community.

In short, PI brings human values to the forefront of policy concerns. Beyond rethinking work-centrality in society and allowing to better measurement of economic activity, in combination with a digital platform, it enables to even redefine the meaning citizenship and focus on bringing individuals together.

To conclude this part of the chapter, there is definitely an added value to operating Participation Income digitally. The provision of an online platform to run administrative procedures digitally provides a viable answer to the points raised by academics pertaining to PI’s heavy reliance on administration and deriving high operating costs. Additionally, this paper’s proposal also derives its value from its potential for cost savings and even value creation for governments and other stakeholders. Lastly, this paper was keen to demonstrate PI’s potential in bringing individuals together and creating a feeling of community, which is particularly increased when digitally organised. Nevertheless, the advantages of operating Participation Income digitally need to be weighed against possible significant challenges. These will be addressed in the following section.

III. The potential challenges to implementation.

Like any policy proposal, the discussed Participation Income scheme comes with its set of challenges and pivotal considerations policy makers need to be aware of. Some of them derive from « traditional » concerns tied to the formulation and evaluation of any social security scheme. Additionally, new challenges arise, particularly as a consequence of the unique way this proposal suggests to operationalise Participation Income. Traditional concerns and challenges that usually surround a reform proposal are very relevant and evidently play a key role in the formulation of a sound and solid reform. They do not however represent the primary focus of this paper. Alternatively, this paper will focus on the challenges tied to the innovative aspects of this proposal. It is indisputable that most, if not all, points that will be discussed in this section remain very country-specific. Particularly when touching upon matters of privacy or trust, the acceptance or rejection of the policy derives mainly from cultural factors embedded in a nation’s culture. A detailed analysis would inevitably become country-specific and therefore defeat the goal of this paper: to speak to a broad range of policy makers and stakeholders. Hence, the focus here will be to provide a comprehensive overview of potential hurdles to implementation and challenges. It will remain in the hands of policy makers to assess the points this paper puts forward in light of their own situation, and judge whether the benefits of a digital scheme outweigh the potential challenges.

A. Ensure a sufficiently enabling environment for a successful digital transition.

Any State willing to review its social security policies can legitimately consider a digital Participation Income scheme as welfare reform. As it was previously mentioned, depending on the level of economic development, the value for States but also individuals and businesses to transition to PI can vary. This was explained by the required initial public investments necessary to set up PI but also the extend of digital integration required for administrative procedures to achieve higher efficiency. However, regardless of economic development, some elements can be identified as facilitating a successful digital transition and implementation of this paper’s digital Participation Income proposal.

1. Appropriate and existing digital infrastructure.

The provision of public services online first understandably depends on the existence of pre-existing and appropriate digital infrastructure. Internet access is an indispensable element. Additionally, depending on the credentials technologies and authentication frameworks governments decide to implement for digital identities, other factors such as the level of smartphone penetration in society or an existing reliable electricity network are also essential. These elements can sometime seem as givens. To put things back in perspective, in 2019 in France, 10% of consumers still do not enjoy internet of minimal quality, among which about 400,000 have no access to internet at all169. Similarly, even though the number of individuals possessing a mobile phone in France is steadily increasing and reached 95% in 2019, only 77% of them own a smartphone170. To ensure a digital PI scheme is inclusive and doesn’t have the adverse effect of leaving people behind, States also need to ensure all individuals are able to

---

use and operate an online platform effectively. This starts with a carefully designed transition period. Estonia for example, identified IT development as a national priority since 1994, including computer skills in schools’ curriculums since 1996\textsuperscript{171}.

2. \textit{Trust in government.}

The level of trust in the government constitutes another essential aspect of an enabling environment for digital identity schemes and operating Participation Income digitally. Governments should focus on "building faith in their ability to adeptly navigate a fast-changing world, and act as sound steward as of individuals’ resources"\textsuperscript{172}. Even though governments are found among the institutions individuals trust the most with their personal data\textsuperscript{173}, the level of trust place with them in general is decreasing. Only 42\% of OECD countries’ citizens trust their national government\textsuperscript{174}. Moreover, as the table below shows, trust levels vary greatly across countries reaching as high as 70\% in Luxembourg and as low as 10\% in Greece.

![Graph showing confidence in national government in 2016 and its change since 2007](http://dx.doi.org/10.1787/88893353606)

3. \textit{Political and legal factors.}

Another element closely correlated to how much citizens will trust their government, and by extension determine the success of a digital PI scheme, is an extensive political and legal framework. A Deloitte report\textsuperscript{175} gives federated political systems as a barrier to the successful implementation of digital identity schemes. Indeed, some countries work with decentralised government structure that can potentially lead to the development of multiple digital

\textsuperscript{171} https://e-estonia.com.
identification systems. Until 2017, Australia counted over 30 different digital identity portals which would lead to an inefficient administration and redundant procedures for individuals. Additionally, the acceptance of digital identification and the provision of public services online is also dependent on a comprehensive legal framework. First, digital identities must be provided with legal recognition, protection, and responsibility. At European level, the Electronic Identification Authentication and Trust Services, or eIDAS, is a regulation intending to establish regional standards for digital IDs and electronic transactions. It is part of the EU wide effort to create the Digital Single Market, further reinforced in 2017 by the Tallinn Declaration.

An enabling environment is the essential first condition to fulfil before policy makers consider a digital Participation Income scheme. However, to avoid any room for misuse or abuse, substantial reflection has to be dedicated to possible data concerns.

B. Data as the main policy concern
This paper will not be able to stress the importance of data management enough. It undoubtedly represents the most significant challenge when thinking of the consequences of a digitally operated PI scheme. The first concern for policy makers is related data protection and cyber security. Additionally, governments will have to be considerate regarding privacy concerns and very rigorous in their efforts to mitigate risks of misuse.

1. Policy makers need to ensure strong data protection through cyber security measures. The protection of individuals’ personal information should be policy makers’ absolute priority when developing a digital Participation Income scheme. Many incidents over the past years testify of the value of individuals’ private data, formally referred to as Personally Identifiable Information (PII), to hackers and other individuals with malicious intends. In 2015, the sensitive data, including fingerprints, of about 5.6 million public employees of the US Office of Personnel Management was stolen. It remains one of the most significant data breaches in the public sector.

Additionally, cyber-crime is costly. By 2021, cyber-crime damage costs are expected to reach as high as 6 trillion USD annually. Data protection laws need to be strengthened and clarified. At European level, the General Data Protection Regulation (GDPR) increasingly protects the use of individual personal data in online activities.

When figuring out data protection, particularly when thinking of administrating Participation Income, Estonia constitutes a good example. During its transition to a digitally administered government, Estonia was the victim of several cyber-attacks. In 2007, governments’ websites were taken offline, threatening the continuity of access to public services. To remedy to the

---

183 For a detailed analysis, refer to OECD’s report: Embracing innovation in government global trends 2018, pp. 42-44.
potential weakness of its « paperless governance », and protect the digital database it so heavily relies upon, the Estonian government introduced the first of its kind « data embassy » in Luxembourg. Effectively extending the scope of diplomatic relations to the online world, Estonia came up with an innovative solution to reinforce the safety of critical data and ensure the continuity of public services.

With time, as more and more data is bound to be generated online, governments will have to think of new ways to ensure its protection and mitigate cyber risk. However, in addition to protection concerns, policy makers need to be aware of privacy considerations tied to data management.

2. Governments will also need to address privacy concerns.

In 2017, the United States’ Supreme Court ruled that « The right to privacy is an element of human dignity ». In the EU, the GDPR provisions the « Right to be forgotten », after a European Court of Justice’s ruling on the superiority of individuals’ fundamental right to privacy in comparison to economic interest. From then on, personal data can be collected and processed, but also must be possible to erase.

There definitely is a consensus on the need to protect and reinforce individuals’ right to privacy online. When developing digital identification schemes and the online reporting platform to operate PI digitally, policy makers need to ensure participants always remain in control of their data. Additionally, all data capture and processing should be transparent and consent driven.

If policy makers achieve to implement a clear governance framework, communicate in all transparency on the data treatment procedures and can certify that privacy is appropriately protected, they might succeed in earning the trust of individuals (consequently also increasing the use of the system) and reinforcing the belief that the government is able to protect them. This is a very important point as digital identity and online platforms are particularly vulnerable to be developed with bad intentions.

3. Finally, policy makers need to employ all means necessary to mitigate the risk of misuse and abuses.

The collection and processing of PPI is vulnerable to misuse. Governments may use their access to personal data to gain political control over their electorate or social control over marginalised groups through surveillance or access restrictions. This vulnerability only reiterates the importance to carefully design digital platforms focusing on transparency and accountability. The World Bank’s « Identification For Development » principles for digital identification’s governance go further and suggest « enforcing legal and trust frameworks through independent oversight and adjudication of grievances ». To conclude, this section clearly established that when thinking of developing Participation Income online, priority should be given to data management concerns. The safekeeping of

186 https://gdpr.eu/right-to-be-forgotten/.
187 https://epic.org/privacy/right-to-be-forgotten/.
189 Idem.
personal data and the respect of privacy are essential elements for a successful digital transition. They are also key in ensuring citizens continue to have trust in their government’s ability to protect them. Additionally, policy makers but also public opinion should remain aware of the risk of misuse when elaborating policies around personal data. Finally, if correctly set up, digital integration models can even be seen as privacy enhancing\textsuperscript{191}.

C. Specific challenges tied to the operationalisation of an online Participation Income platform.

Finally, every section of this chapter focused on elements directly or indirectly linked to the operationalisation of a digital Participation Income scheme. However, two elements merit to be shortly addressed separately in this section.

1. \textit{Ensure a smooth and inclusive transition.}

First, the transition from any current welfare system to the one presented in this paper would represent an immense change in organisation for all stakeholders. Therefore, policy makers should carefully consider all components of a digital Participation Income scheme to ensure a smooth and inclusive transition.

As section III.A.1 already underlined, a solid national digital infrastructure is essential to secure an enabling environment and achieve a successful digital transition. Nevertheless, good internet coverage and smartphone penetration on their own are not enough. Reporting the activities one engages in online and oversee the entire compensation process through digital means requires strong IT skills which not all individuals possess. Policy makers will have to find solution to ensure all individuals are provided with the necessary support to fully benefit from the transition to a PI scheme.

Moreover, as section III.A.2 presented, it is essential that any digital identification platform remains consent-driven. Hence, individuals have a right to refuse to take part in a Participation Income scheme operated online. Governments will have to accommodate for that right and ensure those who are not willing, or unable, to take part in PI online do not end up entirely excluded from the process.

2. \textit{The underlying technology faces its own challenges.}

Additionally, it is worth noting that at the moment, blockchain remains a new and thus still developing technology. While its characteristics of an immutable and decentralised ledger made it very attractive to operationalise PI digitally, it does still face certain challenges in terms of implementation.

In some aspects, blockchain technology is still young. It continues to face significant implementation challenges such as interoperability, scalability, usability, security, and data rights\textsuperscript{192}. Going into more detail would be far out of the expertise of this paper.

Nevertheless, one aspect is directly linked to this paper’s proposal, namely data rights. Indeed, currently blockchain’s main challenge to implementation remains regulations. This is particularly true at European level. The use of public blockchain, as suggested in this paper’s


proposal to create an incentive for truthful reporting, is non-compliant with the European GDPR and more specifically the «right to be forgotten». Public blockchains are decentralised and are fully public. This implies that any individual can have access to the data of another. The immutable and permanent character of such blockchains therefore goes against the right of individuals to be in control of their data and initiate its suppression if need be as the GDPR directs. Nevertheless, this poses a dilemma as these characteristics also provide the base of individuals’ digital reputation, incentivising truthful reporting.

Relatively recently however, new developments led to the creation of private blockchains. These can be very suited for institutional use as they rely on one single highly trusted entity, which in this case can be the government. Private blockchains hold several advantages over public ones\(^\text{193}\). They can allow the government to oversee all processes and easily change rules or alter transactions. More importantly, in link with EU regulations, read-permissions can be issued allowing for more privacy. Nevertheless, a private blockchain does diminish the values that initially drove decentralised processes in the beginning, namely freedom, neutrality, and openness. There are also many possibilities to combine public and private blockchains to achieve GDPR compliance\(^\text{194}\) that are out of the expertise of this paper but worth investigating.

All in all, policy makers should be aware that regulation will significantly influence their decision making regarding the development of PI. However, from the perspective of individuals this a good thing as strong regulations ensure higher level of protection.


\(^{194}\) The Ethereum Blog for example gives the possibility of privately administering smart contracts on a public blockchain or layer public and private blockchains to achieve such compromises.
CONCLUSION

As the first chapter hopefully established, recent developments led to a critically opportune time for policy makers, but also society as a whole, to get behind change and challenge the status quo. The failed attempts of most social policies to reduce poverty and inequality make the backbone of this questioning. Organising the distribution of benefits around means-testing was shown to adversely affect welfare recipients. Its efficacy is even more compromised when put in perspective with universal earnings-related measures. Additionally, the rising opportunities the applications of new technologies present for many supply chains as well as the democratisation of automation will inevitably affect the organisation of labour markets and individuals. In both the short- and long-run, policy makers will have to find new ways to adapt to ensure that the exciting new possibilities that derive from innovation do not leave anyone behind. Finally, the first chapter also addresses wider societal questions that will affect how welfare measures should be developed. As the tendency to question the meaning of work grows, the role of the welfare State evolves and governments should also aim to accommodate pressing concerns of citizens such as the protection of the environment or the persistence of inequalities.

Hence, this paper initially focuses on general trends and establishes the need for States to consider new measures to address them effectively. To better understand Participation Income’s and put it in perspective to the current organisation of welfare, the second chapter briefly reflects on actual welfare typologies and how the different understandings of the role of States towards their citizens translate into different means of action. Other existing alternatives to the current organisation of social security schemes are also briefly addressed, including Universal Basic Income. Thereafter, Participation Income is formally introduced as Sir Professor Anthony Barry Atkinson initially developed it, but also in light of the academic debate that surrounds it. Finally, the last part of the second chapter provides a more applied analysis of Participation Income. The elements that make up Participation Income are analysed from the perspective of policy making, which leads to recognise its unique ability to respect reciprocity and provide enough flexibility to policy makers when drafting the participative requirement. These attractive features however do have to be balanced with operationalisation concerns. Indeed, increasing the range of occupations the State recognises as socially beneficial will go hand in hand with increasing difficulty to safeguard reciprocity effectively.

The last chapter offers a suggestion on how to solve this issue. Even though this paper also stands behind the value of more restricted Participation Income schemes, it wishes to showcase via this proposal, PI’s potential to be largely inclusive and cost efficient. In that objective, this paper suggests policy makers rely on digital identification mechanisms and new technologies
to organise administrative procedures online. This proposal has the potential to significantly reduce the high costs otherwise associated with the State recognising a wide range of socially beneficial activities. Perhaps more importantly, in suggesting the use of new technologies such as blockchain and smart algorithms, this paper identifies a uniquely fitting solution to ensure the respect of reciprocity.

Overall, the intention behind this paper was to increase awareness of Participation Income in general, and spark new research interests and discussions. Participation Income can be an effective and attractive reform for policy makers, especially given the rising challenges governments will face in the short- and long-term. It has become increasingly relevant thanks to its flexibility in terms of formulation for policy makers as well as its emphasis on inclusiveness, community, and the redefinition of what economic participation can mean for individuals. Nevertheless, it is also important to mention this paper cannot speak in definitive terms. Many of the elements discussed, especially tied to this paper’s proposal, remain country-specific and will require in-depth national analysis. Additionally, this paper took on the challenge to present a multidisciplinary approach to the dilemmas Participation Income may face, which inherently implies some of the topics addressed are beyond the scope of expertise of this paper. There are also many implications tied to this paper’s proposal that have not been sufficiently analysed here. For instance, the construction of a more democratic and politically-oriented European Union is an entirely separate issue and a significant challenge on its own, but Participation Income could be seen as a means to increase citizen’s identification to the EU while also potentially benefitting from better redistributive effects regarding inequalities. Additionally, economic theory may support researching the potential crowding out effect of Participation Income depending on the activities that States recognise as socially beneficial. Similarly, a microeconomic perspective may help identify the intrinsic and extrinsic implications of individuals’ motives in taking part in Participation Income. These make up just a few suggestions experts in relevant fields may want to explore to contribute to a comprehensive evaluation of PI as a welfare reform.

Finally, Participation Income’s ability to fight inequalities and poverty, as well as to bring people together and redefine the meaning of work has unequivocally been established. Change is now entirely in the hands of governments, by being open to new solutions and willing to challenge the status quo. Even though the trends and facts discussed in this paper should be sufficient on their own to motivate serious consideration of Participation Income, the COVID-19 crisis only reinforces the need for governments to consider strong mitigating measures and protect their citizens. In the context of this crisis, PI may represent an opportunity to allocate government spending in a more effective way. It is long overdue for policy makers to make an opportunity out of a crisis. Sadly, there may have never been a better time to consider Participation Income for welfare reform.