

COMMENTARY

# Basic incomes and the dynamics of wealth accumulation, individual development, and employment opportunities

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Hüffmeier and Zacher (2021) present a needed introduction of *basic income* (BI) proposals to the industrial, work, and organizational psychology (IWOP) literature. We agree with them that income policy discussions are ones in which our field should be involved, as they have implications for our research and practice. One reason for our needed involvement in such a discussion lies in the broader need to critically examine our role in larger societal systems and our contribution to them (e.g., Lefkowitz, 2017; Olenick & Bradburn, 2019; Rosenthal, 2021). In this brief comment, we would like to discuss how BI and other income policies that are directed at poverty reduction would intersect with our field's role in long-term wealth accumulation and disparities through a dynamic feedback process. This process directly addresses two reasons that Hüffmeier and Zacher list for increased interest in BI: poverty and wealth inequalities. Although they specifically mention gender inequalities, we will focus on ethnic and racial inequalities in wealth accumulation to expand this discussion and connect it to exemplar research from the psychological literature that examines the relationships between wealth factors and the development of organizationally relevant predictors. We present an initial model of the dynamic system governing wealth inequalities that illustrates one way that our science and practice intersect with that system and explicate ethical, business, and research-related reasons for why BI and other income policy proposals should be of interest to our field.

## The dynamics of inequality

Inequality can be conceived of as the product of a dynamic system that we will call the wealth and employment dynamic feedback system. This system contains, at its heart, a positive feedback loop that creates an “engine of inequality” (e.g., Franzini & Pianta, 2016), where wealth begets opportunities for the further accumulation of wealth through access to resources, markets, and power, which in turn begets more wealth (e.g., Piketty, 2014). The elements of this engine feed into each other and reinforce the behavior of the system over time and thereby drive higher level observable outcomes (DeShon, 2012; Dishop et al., 2020) such as wealth inequality. Specifically, *wealth and power* self-reinforces through economic influences such as favorable policies and access to higher yield savings vehicles (e.g., Piketty, 2014). Furthermore, *wealth and power* provide access to *social and educational opportunities*, such as better schools and social circles, which generate social capital, which affect the rate at which *wealth and power* can be converted into *knowledge, skills, abilities, and other characteristics* (KSAOs). Those KSAOs can then be converted into *wealth and power* through exchange of labor for wages. At that point, the cycle starts again as the system reinforces itself both for individuals and across generations. Given the focus of IWOP on using KSAOs for

implementing employee selection systems, in the present discussion we are particularly interested in the development of those KSAOs through access to beneficial educational and social resources and how we use those KSAOs for selection.

IWO psychologists directly interact with this dynamic system where we influence the rate at which those KSAOs can be converted into wealth by the provision of employment. That rate depends on the choices of KSAOs that are focused on in selection (Hough *et al.*, 2001), our measurement of them (Sackett *et al.*, 2001; Schmitt & Quinn, 2010), and how we combine them (De Corte *et al.*, 2007; Finch *et al.*, 2009; Hatrup *et al.*, 1997; Sackett & Ellingson 1997), all of which have been thoroughly discussed in our literature as affecting adverse impact and group selection rates. This is important because differential rates of selection between any two groups based on those choices will have effects on the downstream mechanisms according to the dynamic system that we describe. Therefore, choices in selection system design and implementation influence differential group accumulation of wealth within this dynamic system because those choices affect the rates at which KSAOs can be converted into wealth.

### Research on this dynamic system

Although our field has over 100 years of history studying the link between KSAOs and their role in accessing the job market (Ployhart *et al.*, 2017), we pay less attention to the dynamics of the rest of our described system. Other social scientists have been extensively investigating effects that are associated with the feedback loops that are inherent in this dynamic system, and we should do more to join them. For example, some time ago Bourdieu (1984) recognized that upper class households had access to education, technology, and guidance that improved their job prospects over those from lower class households, partially due to their exposure to beneficial interests, norms, and practices. Duncan *et al.* (1998) showed that parental income during early adolescence affects educational achievement, especially for children from low-income households. Connecting such experiences to personality development, in a recent volume of *Developmental Psychology*, a group of researchers reported tests of dynamic models of intergenerational investments in education and their effects on the development of conscientiousness in the next generation and future incomes. This research reports that parental income predicts future parental investments, both materially and psychologically, which, in turn, predicts adolescent conscientiousness and educational attainment, which, in turn, predicts future income for the adolescent (Conger *et al.*, 2021; Donnellan *et al.*, 2021).

The influence of these wealth dynamics is that great wealth inequality can arise over time, and has in many modern societies (Piketty, 2014). In the United States, a clear example of such differences exists in that minority groups have vastly less accumulated wealth than the White majority. Data show that the average White family holds about 10 times as much wealth as the average Black family in America (McIntosh *et al.*, 2020). When examining income, the gap is not as large but still staggering as White families earn a median income of about \$70,000 to the median income of \$41,000 for Black families (Szapiro, 2020). This disparity leads to major differences in the developmental opportunities that are available to Black and White families, particularly with respect to education (Kendi, 2019; Reardon, *et al.* 2019; Piketty, 2014), but also undoubtedly access to socializing experiences linked to the KSAOs that are often included in selection systems. In other words, not only are educational credentials and conscientiousness affected, important skills can be developed that affect job prospects. One example lies in the very way individuals search for jobs, as Fang and Saks (2020) recently found that job seekers from lower class backgrounds employ less advantageous job search strategies than their higher class peers and argue this is at least partially due to the levels of social capital they that have accumulated through their experiences and social ties. Relatedly, DiTomaso (2013) argues that the social networks of Black individuals provide them

with less employment opportunities due to a prevalence of favoritism among employers. It is not hard to see how improved social opportunities could improve those networks and how those opportunities are related to wealth. Further, Deiner et al. (2002) detailed how dispositional affect influences future job outcomes, including income and unemployment, and how affect is in part a function of parental income. Thus, individuals with wealthy parents tend to be more cheerful and have greater job prospects due to that cheeriness.

Such relationships suggest a dynamic system as described above where parental wealth allows for the provision of social and educational resources, which help children develop the KSAOs that match requirements for various jobs, which later help them attain good paying jobs and start the cycle anew. As IWO psychologists, we most directly intersect with this system at the point of employment opportunities, where the systems we develop and implement serve as gatekeepers for such jobs, selecting individuals on conscientiousness, educational backgrounds, and similar characteristics. Through all of this, our field implicitly adopts the assumption of modern capitalistic societies that those who most deserve a position should get it. IWOP designs selection systems based on the perceived requirements and desirable attributes for a position and then we select the people who, in a sense, earn that position by obtaining the right combination of KSAOs according to our job analysis and validation work. Our choices though are agnostic as to how individuals come to possess the characteristics we on which select. This represents an important issue because a true meritocracy assumes that these characteristics are under the control of the individual, but a clear limit to the meritocratic economic system in which we partake is that they are not, at least not completely (Piketty, 2020; Sandel, 2020). KSAOs such as conscientiousness, educational credentials, and social connections are in part dependent on the wealth of one's parents and not under the control of the target individual. This becomes problematic for IWOP when we adopt the meritocratic assumption. To better understand the effects of such assumptions and violations of them for our work as a field, we need to better understand our connection with societal dynamics such as how wealth affects the development of KSAOs over time and across generations. Investigating such relationships and questioning our own assumptions should include research and policy advocacy to reduce inequality that results from that system and advocating for policies connected to this system that would influence its outcomes. As a field, we can do this through the *Society for Industrial and Organizational Psychology's* Government Relations Advocacy Team, as well as personal research, dissemination, and support; BI represents one such potential policy.

### **The potential of basic income and why IWOP should care**

Overall, why should we as IWO psychologists care about the potential of BI? Using the wealth dynamic system we explicated, BI represents an intervention that affects the flow of money to individual wealth from outside sources through a change in economic policy. That inflow to the wealth system will have downstream effects on the outcomes of the system over time, such as increasing the ability to pay for important educational and social experiences where valued KSAOs can be obtained. Furthermore, although everyone would receive a payment under BI, the payment will likely make a greater difference for those at the low end of the income continuum because it would represent a greater percentage increase for them than those with already higher incomes, at least regarding their immediate access to resources. Such improvements also matter more for individual outcomes for low-income families than for high-income families (e.g., Duncan et al., 1998). Given that BI could help low-income families more, and in the United States Black families are overrepresented among the lower class (Kendi, 2019), BI could also provide a greater effect for such historically disadvantaged groups. Based on our model, such benefits are also likely to have downstream effects that will affect us as IWO psychologists. Here, we outline three initial possibilities.

1. *Basic income may affect the nature of applicant pools in the future.* An improvement in educational access, which greater financial resources would provide, to those who currently do not have them should result in a talent pool that is, on average, deeper than it is currently. All things being equal, deeper talent pools for positions allow organizations to be more selective and more likely to find the right person for open positions and thereby improve the organization's long-term prospects for success. This result would seem counterintuitive to critics of BI who believe that individuals would stop working without the incentive to do so, as that belief implies that the talent pool will shrink as individuals choose to drop out of the labor force. However, we agree with Hüffmeier and Zacher (2021) that this is unlikely to be the case, as research generally does not support the idea that vast amounts of people would stop working all together, at least not permanently. Instead, individuals may take the added freedom to pursue educational advancements that would otherwise be out of their reach and improve their skills. This improvement could prove critical as we look toward the future of work and its reliance on technology and the increase in KSAOs that are required to operate that technology (e.g., Susskind, 2020). As organizations face the increasingly complex global environment that comes with improving technology, their access to a highly skilled workforce will be essential, and BI could help improve that access.
2. *Basic income may help us reduce differential selection rates between social groups.* Adverse impact on its own has implications for organizations for multiple reasons, including opening the organization to potential legal challenges to their selection systems, and related decreases in diversity can have negative consequences for creativity, adaptability, and other performance outcomes (e.g., Bell et al., 2011; van Dijk et al., 2012). IWO psychologists have long been interested in adverse impact and have sought ways to reduce it (e.g., Arthur et al., 2013; Outtz, 2010). A more thorough understanding of adverse impact would include an accounting for its origins in the social dynamics that drive the development of the relevant KSAOs that can create it. Building on our discussion, a possible increase in educational accessibility following the introduction of BI could *possibly* disproportionately benefit Black Americans. This would also then possibly provide a greater improvement in relevant KSAOs among Black applicants, thereby increasing the number of qualified Black applicants for open positions. Such improvement could reduce adverse impact because adverse impact depends in part on the makeup of the applicant pool, with it being critical that applicants from underrepresented groups are qualified instead of merely increasing their numbers (Newman & Lyon, 2009). Overall, these potential effects mean that both individuals and organizations may benefit from BI.
3. *Basic income may lead to improvements in selection predictors.* A less obvious potential effect of implementing BI may be the eventual change in what we know about our available predictors in selection. This might happen in several ways, although all are driven by the potential changes in the applicant pool. A more diverse applicant pool and subsequent improvements in workforce diversity may reveal nuances of what may contribute to organizational performance that are not currently known. That is, the available range of data points that are available on life experiences, work histories, interests, and more may expand with more diverse applicant pools, and evaluating connections to job performance may provide us with insights for improving prediction. This could occur for similar reasons as the diversification of research pools broadens our knowledge of psychological phenomena (e.g., Rad et al., 2018). Greater diversity might also lead to changes in what aspects of performance are noted and rewarded, and changes in criteria may have a significant effect on predictor choices, predictor combinations, and selection system validity (Hatstrup et al., 1997; Hatstrup & Roberts, 2010). Also, we might be able to better understand the conditions under which adverse impact is likely to occur for various predictors. Levels of observed adverse impact can be heavily influenced by the number of minority applicants in a pool, especially when

the overall applicant pool is small because wild swings in selection rates can occur with relatively few changes in acceptances and rejections when numbers are small (Collins & Morris, 2008; Morris, 2001).

## Conclusion

In conclusion, we agree with Hüffmeier and Zacher (2021) on the importance of IWOP getting involved with policy discussions and research on the effects of BI. As they write, there are many potential effects of BI that would be of interest to the IWOP community, including potential effects on work–life balance, training opportunities, motivation, and job satisfaction, just to name a few others. In this commentary, we build on their work to highlight how our field interacts with the systems that affect wealth generation. We describe the potential positive effects of BI on wealth inequality and IWOP, but we also must *caution* that when engaging complex dynamic systems, such as we described here, interventions do not *always* result in desired outcomes. In fact, interventions can backfire in unexpected ways as they propagate through the system. Such unknowns further reinforce the need for studying such systems to advance our understanding of them and their effects on both our field and society at large. Thus, we urge IWO psychologists to take special interest in policies that intersect with those systems and strive to understand not only how they would influence our work but also how they may affect our own influence on society.

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