

Basic Income versus Minimum Income Guarantee

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I would like to share with you today a number of thoughts on the subject of a “basic income” versus a “minimum income guarantee”. I will begin by defining the two terms, setting out what they have in common and what separates them. Then I will examine the fundamental criticisms of a minimum income guarantee. Finally, I will address the advantages of a basic income (UBI strong) compared to a minimum income guarantee.

1. Minimum income guarantee and basic income: common features and differences

a) Common features

Minimum income guarantees and basic income have a number of features in common:

They are both tax-funded, monetary transfers from the community to people. These transfer payments are not dependent on the recipient having made social-security contributions prior to receiving them, as is, for example, the case in traditional social insurance systems.

Both also differ from traditional social insurance systems in terms of the amount transferred, or fundamental entitlement, which is the same for all recipients. By contrast, the level of individual transfer payments from social insurance funds (for example, pensions from general pension insurance or unemployment benefit from unemployment insurance) depend on the amount and duration of the social security contributions made by the recipient for that specific form of insurance (pension, unemployment).

In other words, minimum income guarantees and basic income are monetary transfers which move away from the quid pro quo-based logic of the traditional insurance principle, which is still predominant in some European countries with a conservative welfare regime¹ (Germany and Austria, for example). Given that, in traditional forms of social insurance, social security contributions are levied on an individual’s income from paid employment, it is possible to describe both minimum income guarantees and basic income as a weak decoupling of transfer payments

from paid employment. Entitlement to a transfer payment and its level are independent of previous paid employment and the level of previous income from paid employment.

Another feature which minimum income guarantees and basic income can have in common is the amount transferred: specifically, when a minimum income guarantee and a basic income are intended to be high enough to secure the recipient's livelihood and ability to participate in society.

From now on, when I refer to minimum income guarantees or basic income, I am only referring to regular transfer payments, not one-off monetary transfers.

b) Differences between a minimum income guarantee and a basic income

Before I go on, I should note that the distinctions I make relate to minimum income guarantees and basic income in their purest forms. Systems which are a hybrid of the two are also possible.

Minimum income guarantees, firstly, involve payments made only to those in need. This means that a genuine entitlement only exists when people can submit proof that they are in need (poverty; lack of or inadequate income). Means testing is carried out before the payment is made. A bureaucracy responsible for administering the payments examines applicants' monetary and non-monetary income and assets. Secondly, the needy are generally not entitled to the transfer payment as individuals; instead it is the family or household of the person concerned which is considered. Consequently, the means testing applies to the entire family or household of the person in need.

Thirdly, minimum income guarantees are usually conditional on the recipient's willingness to take on paid employment and/or can only be received if the recipient performs a service in return (by performing work, carrying out and providing evidence of certain activities, or what is referred to as 'participating in overcoming need', etc).

Minimum income guarantees are welfare benefits. They developed in Europe from welfare measures to support the poor.

I would like to make two introductory comments regarding the definition of basic income:

1. I use the term 'basic income', or BI, as a synonym of 'unconditional basic income', or UBI.
2. The definition provided here is based on the definition and statutes of Netzwerk Grundeinkommen, the German Basic Income Network (a member of the Basic Income Earth Network – BIEN).

Basic income is a transfer payment which, firstly, is not means-tested; secondly, is individually guaranteed; and thirdly is paid to an individual by the community without an obligation for the individual to engage in wage and salary employment (strong decoupling from paid employment) or perform another service in return – and, fourthly, is an amount which secures the individual's livelihood and enables them to participate in society (UBI strong²). For Germany, this fourth criterion would be met by a net basic income of 800 to 1000 euros per month (plus free health insurance for those with no additional sources of income). This fourth criterion regarding the level of the basic income – which is based on the German poverty threshold as defined by EU standards – goes beyond BIEN's consensus on basic income. For Netzwerk Grundeinkommen, the fourth criterion is the result of the painful experience of supposed 'reforms' in Germany which sought – and achieved – a deterioration in the social situation of many groups in society. Netzwerk Grundeinkommen therefore explicitly incorporated in its statutes, in addition to the fourth criterion relating to a basic income, the following passage: "A basic income aims to contribute to eradicating poverty and social want, to increasing personal freedoms and to making lasting a improvement to each individual's opportunities for development and the social and cultural situation of the community."³ This seeks to draw a clear line between the idea of a basic income and its misuse for political projects to cut social services.

It should also be noted, regarding the fourth criterion, that a basic-income-style transfer which does not secure livelihoods and the ability to participate in society⁴ in fact runs counter to several guiding principles of a basic income: a low basic income, also known as a "partial basic income", firstly forces individuals to engage in paid employment in order to survive and to avoid exclusion from society. Or, secondly, it

means a continued dependence on bureaucratic transfer systems to top up the low basic-income-style payment in cases of proven need. In addition, thirdly, it prevents the positive effects of a basic income: those who receive a partial basic income are neither in a position to say no to poor employment conditions, nor to say yes, without concern for material considerations, to participation in the shaping of employment conditions. This is also the case regarding partnerships and interpersonal relationships. Infringing the fourth criterion of a basic income means, in reality, a situation of economic need which prevents the individual gain in freedom offered by a basic income.

Going beyond these four criteria for a basic income, there is a fifth which merits discussion: if the term “unconditional” is taken seriously, a basic income should be strictly universal in nature. This means it is unacceptable to restrict entitlement to the basic income to citizens or persons of a specific nationality. If a basic income is unconditional, no conditions can be placed on entitlement to the payments – including membership of a specific group of people. This is also prohibited by the basic income’s human rights aspect. The sole condition is membership of the human race. This fifth criterion in defining the concept of a basic income is also enshrined in the statutes of Netzwerk Grundeinkommen: “Netzwerk Grundeinkommen brings together individuals, organisations and initiatives with the aim of introducing an unconditional basic income for all people.”⁵ Discussions about the introduction of a basic income at global and national or regional level are on the rise. Discussions about various means of implementing a basic income as a global social right are also taking place in Germany. By contrast, neo-fascist groups in Germany are also trying to abuse the idea of basic income for their own ends: their slogan of “a basic income for Germans” is a perversion of the humanist, democratic and human rights principles of the concept of a basic income, and must be combated.

A strong definition of basic income (UBI strong) thus has five components: the basic income is a transfer payment guaranteed to all individuals without means testing and without an obligation to engage in paid employment or perform another service in return, in an amount which secures their livelihood and ability to participate in society.

In general, a distinction can be made between two different forms of basic income: A 'social dividend' (or genuine basic income) is paid in full before any tax assessment takes place. The same amount is in principle paid to all, although differences may exist between different age groups.

By contrast, in the case of a 'negative income tax' (non-genuine basic income), the amount to which individuals are entitled – which is the same for everyone – is used to offset their tax liability prior to payment. In other words, the basic income is only paid after the tax liability has been offset. The amount of basic income actually paid can therefore range from zero to the full amount. In other words, in the case of the negative income tax, a de facto form of means testing is carried out by the tax office, in the form of tax offsetting. From both a socio-psychological and administrative perspective, the negative income tax is the less effective of the two forms of basic income, because the amount actually paid out is unequal, depending on individuals' tax liabilities. The principle of equal entitlement for all is obscured by the process of using the basic income to offset tax liabilities. In addition, variations in income must be taken into account by recalculating tax liabilities and the level of basic income. This bureaucracy can only be prevented if the average tax liability from the previous year is used to calculate the amount of basic income paid out to each individual, meaning that a flat-rate basic income is calculated until the next tax assessment. This, however, makes the negative income tax very similar to a social dividend. The social dividend, on the other hand, has the disadvantage that initially a large amount of money must be raised to finance the payment to everyone in society, which only subsequently will be refinanced via tax revenue.

I would like to make one more comment regarding the negative income tax: it is also used in several countries (for example, the United States and the UK) to top up the income of specific groups – for example families and people with low income from paid employment – via tax credits. This form of fiscal support, at taxpayers' expense, for companies which pay low wages is rightly criticised by many. In addition, there are transfer systems in the form of a negative income tax where, instead of the individual's tax liability being assessed, a tax unit is assessed (for example, a married couple might be assessed jointly). It is evident that certain forms of income tax do not meet several of the criteria to be considered a basic income.

2. Fundamental criticisms of minimum income guarantees

Fundamental criticisms of minimum income guarantees can be made on three levels:

a) Bureaucracy: Conditional, means-tested transfer payment systems generally require a high level of bureaucratic control and review.

b) Impact on society and related problems (dependency-charity relationship, social division, tyranny of the majority, low wages/“combi-wages”⁶, a focus on the market instead of people’s needs, a failure to combat poverty)

1. Conditional, means-tested transfer payment systems result in relationships of dependency and charity within society. Recipients are made dependent on the charity of taxpayers, who transfer a portion of their income to the poor and needy.
2. Minimum income guarantees produce an institutional division of society into the haves and the have-nots. This encourages debates in terms of ‘envy’ and ‘freeloaders’. These in turn frequently lead to further cuts in social services.
3. The dependency-charity relationship is exacerbated by the fact that the have-nots are outnumbered by the haves. This can consolidate tyrannies of the majority (in the form of purely quantitative majorities).
4. Further problems exist, however: the level of the minimum income guarantee has to be below the level of minimum or collectively agreed wages; otherwise, many people in paid employment and their families or household members would be included in the discriminatory and stigmatising system of the minimum income guarantee. The minimum income guarantee would then function as a comprehensive “combi-wage”, using taxpayers’ money to subsidise companies which pay low wages.
5. If this “combi-wage” trap is to be avoided, the minimum income guarantee cannot be set by focusing on what people genuinely need to secure their livelihoods and participate in society (needs-oriented), but will in fact be set at a level below the highest possible minimum or collectively agreed wage (market-oriented; unemployment trap).
6. If, however, it is politically impossible to achieve wages which secure livelihoods and the ability to participate in society, this means that the level of the minimum income guarantee must also be below the level required to secure livelihoods and the

ability to participate in society. This would be a clear violation of the human right to social security and participation in society.

c) Violation of human rights⁷

1. Minimum income guarantees always impose discriminatory and stigmatising conditions, rules, checks and scrutiny on those in need. This is an important reason why minimum income guarantees are not taken up by some of those in need, despite a legal entitlement. In Germany, we call this phenomenon “hidden poverty”. Thirty per cent of those in Germany who are able to work and are eligible for benefits under the minimum income guarantee do not claim them. As a result, due to the structure of the transfer payment system – for institutional reasons, in other words – the human right to social security and participation in society is not respected.

2. Minimum income guarantees that involve an obligation to work violate the human right to “work which he freely chooses or accepts”⁸ and the prohibition against forcing people to carry out work, for example by threatening them with penalties (prohibition of forced labour).⁹ Work which someone is forced to carry out to avoid the penalty of social benefits being cut or even withdrawn entirely is not freely chosen or voluntary.

3. Social transfer payments which are withheld from the needy in whole or in part due to non-fulfilment of any kind of legally enshrined condition (for example willingness to work or accept a job, or other conditions) violate, as in the case of hidden poverty, the human right to social security and participation in society.

3. The advantages of the basic income (UBI strong) compared to minimum income guarantees

Compared to these criticisms and problems of a minimum income guarantee, the basic income has the following advantages, which counter the criticisms and largely eliminate the problems:

Regarding chapter 2 a): Basic incomes abolish all socio-administrative bureaucracy for securing people’s livelihoods and ability to participate in society in monetary terms.

Regarding chapter 2 b): People's poverty and need is just one justification for a basic income. But it does eliminate poverty in a radical way while respecting human rights. However, the basic income is also justified by other human-rights concerns (freedom, human dignity, prohibition of forced labour) and by each individual's entitlement to share in our natural resources and cultural heritage. Taken together, this decisively weakens the dependency-charity relationship. As each individual is entitled to the basic income, the risk of a social divide is countered and a tyranny of the majority prevented. As other sources of income can be earned in addition to the basic income, the problems resulting from the market orientation of minimum income guarantees and their "combi-wage" traps are largely eliminated. In combination with minimum and collectively agreed wages, basic incomes effectively prevent unwanted "combi-wage" effects.

Regarding chapter 2 c): A basic income radically eliminates hidden poverty and income poverty in general. The right to work which has been freely chosen is largely achieved (most effectively when instruments to redistribute paid employment are implemented alongside the basic income). People can no longer be forced to work due to economic need and social exclusion resulting from the total or partial withdrawal of social benefits.

In closing I would like to emphasise again that the advantages of the basic income compared to minimum income guarantees exist only if the basic income is available to all at a level which genuinely secures individuals' livelihoods and ability to participate in society (fourth criterion relating to basic income, UBI strong). Partial basic incomes (low, basic-income-style transfer payments, PBI) are unable to eliminate the fundamental problems of minimum income guarantees!

¹ Cf. the typology of European welfare regimes in Gøsta Esping-Anderson: *The three worlds of welfare capitalism*. Princeton 1990.

² According to this definition, a basic income = unconditional basic income (UBI); a basic income which is sufficient to secure an individual's livelihood and allow them to participate in society = UBI strong.

³ Cf. <http://www.grundeinkommen.de/ueber-uns> (German only).

⁴ This refers to a partial basic income (PBI).

⁵ Cf. <http://www.grundeinkommen.de/ueber-uns> (German only).

⁶ “Combi-wages” are defined as a combination of low wages supplemented by state benefits, for example in the form of social transfer payments.

⁷ From a development policy perspective, the Human Rights Director of the FoodFirst Information & Action Network (FIAN), Rolf Künemann, has written a publication expressing criticism on human-rights grounds of means-tested and conditional transfer systems. Cf. Rolf Künemann: *Basic food income – option or obligation?* 2005; <http://www.fian.org/fileadmin/media/publications/Basic-food-income-option-or-obligation-2005.pdf>

⁸ International Covenant on Economic, Social and Cultural Rights, Article 6, 1 (1966): “The States Parties to the present Covenant recognize the right to work, which includes the right of everyone to the opportunity to gain his living by work which he freely chooses or accepts ...”

⁹ International Covenant on Civil and Political Rights, Article 8, 3 (1966): “No one shall be required to perform forced or compulsory labour.” Forced Labour Convention (Convention 29, 1930), International Labour Organization, Article 2, 1: “For the purposes of this Convention the term forced or compulsory labour shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.”