

Minimum income, minimum allowances and basic income in Europe

October 2011

Contents

1. Definitions
 - 1.1. Similarities between minimum allowances and basic income
 - 1.2. Differences between minimum allowances and basic income
 - 1.3. The human right to social security, participation and basic income
2. Resolutions of the European Parliament on minimum income and basic income
 - 2.1. 2008: Calls on the Commission to examine
 - 2.2. 2010: Calls on the Commission to prepare an initiative / Calls on the Commission and the EU Member States to examine
3. Securing livelihoods and participation in society – transfer payment must exceed the at-risk-of-poverty threshold
 - 3.1. Proposition and grounds
 - 3.2. At-risk-of-poverty threshold according to European standard
4. Steps and political interventions to introduce a basic income in Europe

1. Definitions

1.1. Similarities between minimum allowances and basic income

Minimum income can be an overarching term for minimum allowances and basic income. However, minimum income can also often be used in a narrower sense, referring only to minimum allowances (cf., e.g. Point 2).

Minimum incomes are financed by taxes or through duties. Entitlement is not dependent on prior contribution or tax payments. They *should* secure livelihoods and facilitate (minimum) social participation.

Note: BIEN does not define basic income as a transfer payment that secures livelihoods and facilitates social participation. In contrast, the basic income networks in Germany and Austria, for example, define basic income as a transfer payment that secures livelihoods and facilitates social participation. BIEN Switzerland defines basic income as an income sufficient to lead a dignified life and cover basic needs (see also Appendix 1).

Minimum allowances have developed from poverty assistance; other systems of minimum income such as education grants, parental allowance, child allowance, etc. are more recent forms of providing security for certain living, family and participative situations. They can be means-tested or not, and the amount can depend on an individual's prior working income.

In contrast to a minimum income, statutory social security systems that are bound to the principles of equivalence, participation and compensation are financed by the social security contributions of workers (employees), and the companies that employ them (employers). It must be taken into account that, in practice, the contributions are deducted from the employee's total gross wage. Entitlement to social security benefits and the amount of these benefits is based on previous contributions.

1.2 Differences between minimum allowances and basic income (see also Appendix 1)

The entitlement to minimum allowances (also often called basic allowances, basic security, social security, basic minimum, social assistance) is designed as an individual legal right (the individual as carrier of fundamental rights)¹. However, the actual payments are generally not only based on the individual's own income and assets, but also on the income and assets of the entire family/household, i.e. on the economic situation of the family/household members. An individual's situation is reviewed by a social administration (social-administrative means-testing).

Basic income, on the other hand, guarantees entitlement irrespective of the economic situation of the individual or the family/household members (individual guarantee, no social-administrative means-testing). Everyone is entitled to a basic income, not just those in need of support.

Minimum allowances do not just refer to transfer payments based on the means of an individual family or household, i.e. conditional on need (poverty). They are also usually conditional on a willingness to work and the obligation (enforcement) to accept gainful employment or to fulfil other obligations (such as assistance/reporting obligations, agreeing to vocational or training measures, etc.). Basic income is unconditional in this respect.

For the supporters of the criterion that says a basic income should be at "a level that secures livelihoods and participation", unconditional means more than just the formal rejection of obligations to take up gainful employment. It is also about achieving real independence from employment income by ensuring a sufficiently high level of basic income (extensive decommodification on an individual level).

Partial basic incomes, i.e. transfer payments that do not secure livelihoods or social participation, do not achieve this independence unless they are topped up with further means-tested transfers which are not tied to any obligations. However, these

¹ In some European countries, this basic legal entitlement is not very well developed or not fulfilled at all.

necessary top-ups would do little to solve the disadvantages of means-tested transfer systems (division of society into those who receive transfers and those who do not, including all the social consequences, stigmatisation and discrimination resulting from this division, right up to concealed poverty – i.e. non-take-up).

Summary:

Minimum allowances are not granted individually, they are means-tested and conditional on a willingness or obligation to take up paid employment, and/or on other obligations. In practice, they neither prevent income poverty nor secure livelihoods or (minimum) social participation.

Basic incomes are granted to everyone. They are not means-tested and are not subject to the obligation (enforcement) to take up paid employment, or to any other obligation. They are of an amount that secures livelihood and social participation.

The difference between basic/minimum allowances and basic income is a typological one. Also under political debate are minimum allowances that are only partially means-tested and not conditional on the willingness to work, on being forced to take up paid employment or on fulfilling some other obligation. An example of this is the sanction-free, individual minimum allowance proposed by The Left Party in Germany. There are also basic-income-style transfer payments that are not conditional on taking up paid employment but that are conditional on fulfilling another obligation such as spending a certain number of hours in education, doing community work and/or household, family or care work. The model of the German Catholic Youth Federation (BDJK) provides one example of this.

1.3 The human right to social security, participation and basic income

Proposition: Minimum incomes (minimum allowances) that are means-tested and tied to other conditions do not secure the human right to a life free of fear and need, to social security, and to social participation. This is only possible with a basic income (as well as free access to infrastructures and services).

Grounds:

- Those entitled to transfer payments conditional on means-testing and other obligations are a minority in a political community. The majority, who do not receive social transfers, are in a position at any time to reduce the level of minimum allowances and to make the conditions of entitlement stricter. Reductions in the level of transfer payments lead to (further) poverty. Stricter conditions exclude even more people from receiving the payments. But in the case of a basic income, the majority (who are also entitled to the basic income) would harm themselves if they reduced the level of payments or introduced conditions.
- Dividing society in those who receive transfer payments and those who do not provides a breeding ground for debates on abuse and envy, which further divides that society. This in turn leads to the abovementioned efforts to reduce the level of transfer payments and to introduce stricter conditions on entitlement.
- Means-tested transfer systems lead to concealed poverty (non-take-up), because means-testing generally results in stigmatisation (admitting one is needy, i.e. poor) and discrimination (means-testing digs deep into an individual's private sphere). Concealed poverty means living on an income that does not secure one's livelihood or make social participation possible, or being dependent on voluntary services of third parties.
- Sanctions and cuts in benefits due to poor conduct with regard to fulfilling the necessary obligations also lead to living on an income that does not secure one's livelihood or make social participation possible, or to being dependent on the voluntary services of third parties.²

A basic income precludes (to a large extent) these grounds for violating human rights.

² Cf. Ronald Blaschke: *Denk'mal Grundeinkommen! Geschichte, Fragen und Antworten einer Idee*, in: Ronald Blaschke, Adeline Otto, Norbert Schepers (eds.): *Grundeinkommen. Geschichte – Modelle – Debatten*, Berlin 2010: p. 32 ff.

2. Resolutions of the European Parliament on minimum incomes and basic incomes

2.1 2008: Calls on the European Commission to examine

European Parliament resolution of **9 October 2008** on promoting social inclusion and combating poverty, including child poverty, in the EU ([2008/2034\(INI\)](#)) on the basis of the report of Germany's MEP Gabi Zimmer (GUE / NGL, The Left Party Germany), approved in the European Parliament with a majority of 540 votes to 57 (32 votes withheld).

"The European Parliament

"7. Agrees with the Commission that social assistance in most Member States is already below a level which makes poverty a risk; insists that the central objective of income support schemes must be to lift people out of poverty and enable them to live in dignity; calls on the Commission to examine whether an unconditional basic income for all could be an effective tool for combating poverty; [...]"

Note: The chapter about basic income has been proposed by MEP Sepp Kusstatscher (Group of the Greens/European Free Alliance, Greens Italy).

"12. Calls on the Council to agree an EU target for minimum income schemes and contributory replacement income schemes of providing income support of at least 60% of national median equalised income and, further, to agree a timetable for achieving this target in all Member States; [...]"

= at-risk-of-poverty threshold according to European standard

"40. [...] calls on the Member States to agree on minimum wage legislation as an integral element of active inclusion; [...]"

2.2 2010: Calls on the Commission to prepare an initiative / Calls on the Commission and the EU Member States to examine

The European Parliament resolution of **20 October 2010** on the role of minimum income in combating poverty and promoting an inclusive society in Europe ([2010/2039\(INI\)](#)) on the basis of the report of the Portuguese MEP Ilda Figueiredo (GUE / NGL, Portugal's Communist Party), approved in the European Parliament with a majority of 437 votes to 162.

"The European Parliament

"J. [...] whereas an individualised right to a poverty-preventing minimum income should not be conditional on employment-related contributions, [...]"

"X. whereas the role of social protection systems is to ensure the level of social cohesion needed for development guaranteeing social inclusion and mitigating the social repercussions of the financial crisis, which implies a national poverty-preventing individually guaranteed minimum income, [...]"

"Z. [...] whereas such minimum income schemes play a relevant role in redistributing wealth and ensuring solidarity and social justice and, especially in times of crisis, they play a counter cyclical role by providing additional resources to strengthen demand and consumption in the internal market, [...]"

"3. Demands that real progress be made on the adequacy of minimum income schemes, so as to be capable of lifting every child, adult and older person out of poverty and delivering on their right to have a decent living; [...]"

"15. Takes the view that adequate minimum income schemes must set minimum incomes at a level equivalent to at least 60% of median income in the Member State concerned; [...]"

= at-risk-of-poverty threshold according to the European standard

"21. Takes the view that the Commission should study the impact which a legislative proposal it might submit concerning the introduction of an adequate minimum income at European level would have in each Member State; suggests, in particular, that any such study should examine the difference between the adequate minimum income and the minimum wage in the Member State concerned and the implications for jobseekers of the introduction of an adequate minimum income; [...]"

"23. Stresses that investment in minimum income schemes constitutes a key element in the prevention and reduction of poverty, that even in times of crisis, minimum income schemes should not be regarded as a cost factor but as a core element in combating the crisis, and that early investments to combat poverty bring a major return in reducing long-term costs for society; [...]"

"34. Believes that the various experiments with minimum incomes and with a guaranteed basic income for everyone, accompanied by additional social integration and protection measures, show that these are effective ways of combating poverty and social exclusion and providing a decent life for all; therefore calls on the Commission to prepare an initiative to support further experiments in the Member States, taking into account and promoting best practices, and ensuring various individually guaranteed poverty-preventing adequate minimum and basic income models as a means of fighting to eradicate poverty and guarantee social justice and equal opportunities for every individual whose need can be established on the basis of the relevant regional yardstick, in keeping with the subsidiarity principle, and without calling into question the specific situations in each Member State; [...]"

"35. Emphasises that an adequate minimum income is fundamental to a dignified life and that without an adequate minimum income and a stake in society individuals cannot develop their potential to the full and participate in the democratic shaping of society; stresses, in addition, that the fact that people earn a living wage serves to boost the economy and thus safeguard prosperity; [...]"

"39. Stresses the need to adopt rules on insurance so as to establish a link between the minimum pension paid and the corresponding poverty threshold; [...]"

"40. Criticises Member States where minimum income schemes do not meet the relative poverty threshold; reaffirms its demand to Member States to remedy this situation as soon as possible; [...]"

"44. Calls on the Commission and the EU Member States to examine how different models of unconditional and poverty-precluding basic incomes for all could contribute to social, cultural and political inclusion, taking especially into account their non-stigmatising character and their ability to prevent cases of concealed poverty; [...]"

The sections on the unconditional basic income were proposed by MEPs from the Group of the Greens / European Free Alliance and by basic income networks / attack groups from Austria and Germany.

3. Securing livelihood and social participation – transfer payments must exceed the at-risk-of-poverty threshold

3.1 Proposition and grounds

One possible option to determine the level of a basic income that adequately secures a person's livelihood and (minimum) social participation is to base it on an income that exceeds the at-risk-of-poverty threshold (European standard). This refers to the concept of relative income poverty: "The poor shall be taken to mean persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State in which they live." (European Commission)

Grounds for this proposition:

- The at-risk-of-poverty threshold is EU-wide and is recognised as the minimum amount for a minimum income by the European Parliament (cf. Point 2).
- Minimum incomes, just like basic incomes, of this amount play a major role in redistributing wealth. It is a well-known fact that the distribution of individual resources is progressing to an ever-increasing degree to the detriment of the lower and middle strata of society.

- A basic income of the amount specified would also promote respect for the human right to work (the right to the possibility of earning a living from freely chosen or accepted employment), as only those who live free from poverty can chose employment freely.

However, there are certain methodological problems in using the at-risk-of-poverty threshold to determine the level of a transfer payment that should secure livelihood and (minimum) social participation: a) The at-risk-of-poverty threshold for those living alone is a fictional amount (calculated by an equivalence weighting of household incomes); b) The at-risk-of-poverty threshold could shift upwards following the introduction of an adequate minimum/basic income – depending on the structure of the redistribution (change in median yes or no?). In the medium term, therefore, alternative methods of determining the level of payment that secures livelihood and social participation should also be used (basket of goods, minimum income survey, etc.).

3.2 At-risk-of-poverty threshold according to the European standard

Source: EU-SILC (European Union Statistics on Income and Living Conditions, income year 2008, from: Life in Europe 2009;
http://www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/EN/Presse/pm/2011/01/PD11__031__634,templateId=renderPrint.psml)

Preliminary Comment 1:

The collection and evaluation of the EU-SILC statistics was not done in accordance with the Canberra Group recommendation, which says that things like income gains from owner-occupied housing must be taken into account in the calculation of incomes. **This means that the at-risk-of-poverty threshold should actually be higher.**

Preliminary Comment 2:

At-risk-of-poverty thresholds are net levels (after deduction of tax and social security contributions). **That means that a basic income level derived from the at-risk-of-poverty threshold does not include costs for health insurance / healthcare.**

EU-SILC results for European countries, income year 2008, at-risk-of-poverty threshold, nominal value (people living alone, annual income), adequate minimum/basic income (per month, excluding costs for health/long-term care insurance, etc.), in euros.

At-risk-of-poverty threshold / adequate basic income 2008 (!)

Austria (AT)	11,931 / over 994
Belgium (BE)	11,588 / over 966
Bulgaria (BG)	1,697 / over 141
Cyprus (CY)	10,459 / over 872
Czech Republic (CZ)	4,377 / over 365
Denmark (DK)	14,960 / over 1,246
Estonia (EE)	3,725 / over 310
Germany (DE)	11,151 / over 929
Finland (FI)	12,577 / over 1048
France (FR)	11,856 / over 988
Greece (GR)	6,897 / over 575
Hungary (HU)	2,844 / over 237
Ireland (IE)	13,467 / over 1,122
Italy (IT)	9,382 / over 782
Latvia (LV)	3,284 / over 274
Lithuania (LT)	2,889 / over 241
Luxemburg (LU)	19,059 / over 1,588
Malta (MT)	5,960 / over 497
Netherlands (NL)	12,094 / over 1,008
Poland (PL)	3,058 / over 255
Portugal (PT)	4,969 / over 414
Romania (RO)	1,297 / over 108
Slovakia (SK)	3,403 / over 284
Slovenia (SI)	7,118 / over 593
Spain (ES)	7,980 / over 665
Sweden (SE)	12,749 / over 1,062
United Kingdom (UK)	9,754 / over 813

For information purposes:

Iceland (IS)	13,417 / over 1,118
Norway (NO)	20,332 / over 1,694
Switzerland (CH)	17,586 / over 1,466

4. Steps and political interventions to introduce a basic income in Europe

- Politically reinforcing the character of minimum incomes as a fundamental right in Europe: discussion and political decisions on minimum standards for minimum incomes – the aforementioned poverty-precluding level, individual entitlement, and the rejection of benefit cuts or sanctions as punishments for failing to meet obligations
- Implementing the decisions of the European Parliament on basic income
- Holding political discussions on vertical and horizontal steps to introduce a basic income in European countries – in line with national circumstances³
- Drawing up national basic income concepts and holding a political discourse on them in the respective countries.

This requires closer networking and coordination of political actors within the respective countries and throughout Europe.

The Citizens' Initiative for Basic Income in Europe would be a suitable platform for this.

³ The vertical concept is based on introducing a basic income into the existing social transfer systems and universalising the systems to either replace or support them. The horizontal concept is based on, e.g. a step-by-step approach that introduces a basic income or basic-income-style transfer payments in stages, either according to life phase or target group, e.g. child basic income, securing higher education through non-means-tested and non-repayable transfer benefits, sanction-free basic/minimum allowances, unconditional and non-means-tested transfer payments for career breaks, and basic or guaranteed pensions.

Appendix 1

BIEN – three criteria:

Basic income: "It is being paid to individuals rather than households; it is paid irrespective of any income from other sources; it is paid without requiring the performance of any work or the willingness to accept a job if offered."

Short version: "Granted to all on an individual basis, without means test or work requirement".

E.g. Netzwerk Grundeinkommen, Germany's national basic income network (similar to Netzwerk Grundeinkommen und sozialer Zusammenhalt in Austria) – four criteria:

Netzwerk Grundeinkommen Germany:

"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 or perform another service in return – and, fourthly, is an amount which secures the individual's livelihood and enables them to participate in society (BI strong)."

Partial basic income

"A basic-income-style transfer, which does not secure livelihoods and the ability to participate in society, runs in fact 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."