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MYTHS AND REALITIES 2 – ADEQUATE MINIMUM INCOME
INTRODUCTION

Minimum Income provisions are social assistance schemes of last resort. Many European and international declarations, conventions and treaties have set out the human right to incomes at adequacy levels which respect people's human dignity and enable them to experience inclusion in the societies they live in. Both the **UN Declaration on Human Rights 1948** and the **International Covenant on Economic, Social and Cultural Rights 1966** recognise "the **right of everyone to an adequate standard of living** for himself and his family, including adequate food, clothing and housing" (UNDHR Article 25; ICESCR Article 11) and this right was reconfirmed at the World Conference on Human Rights 1993. The **EU Charter of Fundamental Rights** emphasises —

Article II-94(3). In order to combat social exclusion and poverty, the Union recognises and respects the **right to social and housing assistance so as to ensure a decent existence** for all those who lack sufficient resources, in accordance with the rules laid down by Union law and national laws and practices.

Most recently, European Commission Recommendation of 3 October 2008 on the Active Inclusion of people excluded from the labour market (C (2008) 5737) emphasises in its Preamble that —

Council Recommendation 92/441/EEC of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems **remains a reference instrument for Community policy in relation to poverty and social exclusion** and has lost none of its relevance, although **more needs to be done to implement it fully**.

This **1992 Recommendation** (also known as the **Minimum Income Recommendations**) stated —

(2) Whereas respect for human dignity is one of the fundamental rights underlying Community law, as recognised in the Preamble to the Single European Act; (6) ... whereas **the right of the least privileged to sufficient, stable and reliable resources** should therefore be recognised ...1. Hereby recommends Member States: A. to recognise the **basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity** as part of a comprehensive and consistent drive to combat social exclusion... B....according to the following general principles: 3. **every person who does not have access individually or within the household in which he or she lives to sufficient resources is to have access to such right...**

The latest **EC Recommendation** (3 October 2008) calls upon Member States to provide adequate income support which recognises “the individual's **basic right to resources and social assistance sufficient to lead a life that is compatible with human dignity** as part of a comprehensive, consistent drive to combat social exclusion”. It adds that the decision on what resources are needed to lead a life of dignity should be taken on the basis of living standards and prices in each country. The meaning of adequacy varies from one country to another and no single level can apply to the whole of the European Union.

This ***Myths and Realities*** document gives examples of some of the questions and arguments posed by people who believe adequate Minimum Income schemes remove work incentives and that adequate wages are unprofitable for business and damage the national economy. It offers commonsense answers based on evidence from reputable national and international sources, and instead asserts that adequate Minimum Income schemes are feasible without damaging consequences, and that implementing the right to decent income support would reduce the enormous economic and social costs which poverty imposes, not only on people who suffer it but on everyone in society.

1. Higher Minimum Incomes damage work incentives by reducing the gap between social welfare benefits and minimum wages, which promotes idleness and increases unemployment.

The economic crisis shows that what determines if people find employment is not their willingness to work but the demand for their labour. The idea that people freely choose between employment or welfare benefits on the basis of narrow cash calculations is simply an economic theory which is not supported by evidence from the real world. The evidence is that most people who can work want to do so. They try to find employment which pays enough to keep themselves and their families out of poverty, but such work is not offered to millions of people in Europe. In addition, many kinds of valuable work which society needs in order to function are often not paid, including caring for children and others. Many people who cannot enter the paid labour market because of their youth, family responsibilities, disabilities or age, equally need adequate Minimum Income schemes.

Markets have clearly failed to ensure that individual and family incomes, in work as well as out of it, are adequate for a decent life for all who depend on them, enough to enable everybody to be included and respected. Market failure causes poverty which damages people and harms their children and other dependents, and it also creates long-term costs for society and the economy as a whole, such as ill-health and loss of working capacity. In the real world, poverty and its effects become a barrier by making it more difficult for people to find or keep employment. By contrast, decent levels of Minimum Income have positive effects, because they offer the security which allows people to overcome these barriers. Governments must therefore guarantee Minimum Incomes and mobilise *all* resources to ensure social inclusion.

2. If the level of Minimum Income is raised, workers will demand that low wages are also raised, and business enterprises cannot afford to pay more. To be competitive in global markets, we must adapt and reduce the welfare state.

This argument, too, is based on over-simplified economic theory, but evidence shows that higher levels of minimum wages are compatible in EU member states with high growth and stable economies, and with lower levels of inequality and better welfare states. Minimum Income schemes must never be less than adequate to meet the human right to social inclusion. But there must be a positive hierarchy so that minimum wages are higher than Minimum Income levels, not only because of the human right to adequate wages for work, but also because social justice requires that labour market participation is rewarded at more than the minimum, to offer decent living standards to workers and their families.

Comparing wages globally is a mistake because what may be good wages in Asia are poverty wages in Europe, and European workers live here and not there. Many low paid jobs in Europe cannot be exported to other countries because they are in agriculture, food production and the service sectors. In a globalised economy, standards must be levelled up and not down. If enterprises really cannot afford above-poverty wages for those who earn less, then those who consume the goods and services must pay a proper price to include decent wages and conditions for workers.

Why should workers earning the lowest incomes have to carry the burden of keeping the national economy secure to benefit the whole of society including the better-off? If raising the lowest earnings to decency levels has economic consequences, the cost of work which benefits society should be carried by those with the greatest resources to bear them, not by those with the least. It is right that those who earn more should contribute (through taxation on their incomes and profits) to the welfare state's resources which enable governments to support children and mothers, and to pay for free education and health services and other benefits which raise the living standards of the lowest income households to and above the decency level for social inclusion.

3. In the current global crisis it is better for the economy to support business enterprises and employment on a large scale rather than spending it on individuals.

The economic crisis in money markets and global trade is forcing even more people into unemployment and poverty. Support for business does not help if the money is invested abroad and fails to create jobs in our own countries. It is individual people who experience poverty and social exclusion, not businesses, and it is individuals who have rights to adequate Minimum Income schemes. The best way of helping business at a time of economic depression is to increase the buying power of people experiencing poverty, because they will spend their extra money instead of saving it, thus increasing economic demand and therefore employment. Adequate Minimum Income schemes and higher minimum wages will not only lift millions out of poverty, but will also help to lift the European economy out of depression.

4. Higher Minimum Income schemes would lead to increased benefit fraud and make the system unmanageable.

The real problem is not benefit abuse but low take-up. Many more people experiencing poverty and exclusion do not get the benefits they are entitled to than make false claims. Social assistance is often not easily accessible and many people experiencing poverty cannot claim their rights. If there are incentives to fraud it is because claimants have too little money to live on decently. People often do not know what they are entitled to and find it hard to claim, or are even deterred from applying by administrative difficulties. Many mistakes by claimants are made in good faith and not dishonestly. Most of the wrong

payments made in social assistance are not caused by fraud but by errors (evidence from the UK National Audit Office). Many of these mistakes are made by administrators themselves using systems so complicated that not even the staff can get benefit payments right. This often leads to claimants getting less than their entitlements rather than too much.

Many existing systems of social assistance are so under-funded that they cannot be managed properly. Higher benefits, simpler entitlements and better staffing are all needed to make social assistance systems more effective in achieving goals and more efficient in using resources. And the cost of such problems to wider society must be kept in proportion – in the UK, over 15 times as much money is lost through tax avoidance by rich people than is lost by benefit fraud by the poorest.

5. EU governments cannot afford adequate Minimum Income schemes during the economic crisis because budgets are already unbalanced by debt and vulnerable to demands for repayment and economic revival.

Even in the economic crisis, there is no evidence that adequate Minimum Income schemes cannot be afforded by governments, many of which pay out much greater sums to rescue banks and businesses, provided that they budget for the necessary taxes from those who have higher incomes and from profitable enterprises. Tax burdens in some EU countries are grossly unbalanced; people in poverty pay proportionately more than rich people do. Governments have a duty to ensure that burdens are shared fairly and that everyone has the resources to be included in society, whether richer people want to afford that or not.

The question is in whose interests governments draw up their budgets – the whole population or only richer people? The economic crisis shows that it is not social costs which unbalance budgets, and the costs of rescuing banks, businesses and pension schemes to benefit mainly better-off people must not be used as an excuse to keep low-paid workers and other people in poverty.

6. Children should be raised in a working environment. What example are they set by seeing their parents living comfortable lives without making the effort of contributing to society?

Of course working adults can set a good example to children, but this is not done only through paid employment. Society must also recognise and value the unpaid work of caring for children, the next generation of workers, and for those who can no longer work. What example do governments set children who see their parents paid poverty wages in precarious jobs, or lose employment through no fault of their own, when governments do not guarantee every adult a decently paid job or adequate Minimum Income schemes if they lose it?

The best example for children is to see everyone in society given the opportunity to make the contribution they are capable of, but European social values encourage the aspiration of gaining enough money by gambling or inheritance not to have to work. What sort of example is set by modern western societies which idolise celebrities and rich people displaying their wealth and living comfortable lives without making a contribution to society by hard sweated work (as poor children's parents do) or even paying their fair share of taxes? As long as we tolerate that kind of society, we must not punish children by pushing them into poverty because their parents have not been offered the decently paid secure work which is their human right.

7. Higher Minimum Incomes payable without time limits encourages benefit dependency by claimants in poverty because it deters them from seeking paid work and damages their ability to live within their own resources.

There is no evidence that adequate Minimum Income schemes foster dependency or incompetence. Paying social assistance for only limited periods, as in USA, has greatly increased poverty among families with children there, because the needs of children last longer than the duration of social assistance payments. The economic crisis means there are not enough paid jobs for those who want them, so making social assistance time-limited and conditional on taking precarious employment at poverty wages prevents proper family resource management. It is cruel to punish unemployed people and their families and children by withdrawing benefits when no decent adequately-paid jobs are available. Governments who want to prevent long term unemployment and abolish poverty must offer

enough decently-paid and secure jobs at the levels of skill which people have, with good quality training and proper child care for those who need it.

Everyone is dependent on others; interdependency is the meaning of society, everywhere and at all times. Better-off and rich people are dependent on lower-paid people to do the dirty work for them. It is ignorant to claim that only social assistance recipients are 'dependent' when everyone right across society to the very top who depends on income paid out of taxes is equally dependent on those who pay the taxes. In some EU countries, the people on the lowest incomes pay more in direct and indirect taxes as a proportion of their incomes than do people in the highest income groups, so better-off people are dependent for their comfortable lives on the taxes paid by poorer people.

8. Raising the level of Minimum Incomes would destroy what remains of family responsibility and community solidarity, and foster the development of an individualistic society.

There is no evidence whatsoever, anywhere or at any time, that adequate household incomes for all undermine family and community responsibility or solidarity or foster an individualistic society. If there were any truth in the idea, then all western industrial societies where the majority of the population already have adequate incomes would have collapsed a long time ago. The statement is based on individualistic ideology fearful of the challenge of inclusive society where community solidarity itself ensures that no family goes without the resources needed to take a full part.

9. Giving higher Minimum Incomes to people in poverty is humiliating, suggesting they cannot take responsibility for their lives. In any case, poverty is not only about money, and adequate minimum income schemes do not solve the problem of poverty but simply hide it.

No one can exercise responsibility for their lives if they lack the necessary resources to act freely and autonomously. Poverty means not having the resources needed to take a full part in one's society and be respected by it. In modern marketised and consumerist societies, money is by far the most important resource everyone must have for autonomy and inclusion in all the many aspects of life which matter. It is deeply humiliating to people in poverty to be lectured on how to live decently by people with sufficient resources, who do not

understand the difficulties. The problem of poverty is not hidden when everyone has enough money to buy themselves out of poverty – *it is abolished*. The many other human problems which anyone may experience, rich or poor, will of course remain when poverty is abolished, but they need other remedies.

10. People do not spend their hard-earned incomes in the same way as they spend money given to them. People living on benefits often spend their money illogically, for instance by giving their children expensive presents. Higher welfare benefits may not be used in an efficient manner.

In modern commercialised and marketised democratic society, “freedom to spend is part of essential freedom” (William Beveridge, 1942). Nobody, neither rich nor poor, likes to be told how to spend their money, and all parents want to do the best for their children, even by sacrificing their own comfort to ensure that children have nice presents like better-off children get. What is logical for one person may not be logical for another, but people who have enough money to buy both necessities and luxuries must never criticise those who do not have enough, but who choose to bring some light into their and their children’s lives by a different set of spending priorities. It is as true today as it was in 1923, when the poverty research pioneer Benjamin Seebohm Rowntree wrote that those who criticise people in poverty for wasteful spending “would not like to see their own households condemned to such an iron regime as the thrift they recommend would involve”.
