

**EAPN CAMPAIGN FOR ADEQUATE MINIMUM INCOME.**

***“ADEQUATE MINIMUM INCOME. EVERYBODY DESERVES A DECENT LIFE”.***

## **MINIMUM INCOME – MYTHS AND REALITIES.**

**December 2007**

In the context of EAPN Minimum Income campaign, EAPN asked John Veit-Wilson to suggest how he would respond to some commonly-heard arguments against the idea of an adequate minimum income for a decent and dignified level of living for all.

John Veit-Wilson is internationally recognised as an expert on this subject and has been involved in its development for many years. You can use these arguments if you want to in implementing your campaign. We hope that they will stimulate discussion within the network and outside it.



Professor John Veit-Wilson is a sociologist at the University of Newcastle upon Tyne, specialising in the social policy of poverty and social exclusion.

He is an Academician, was a founding member of the UK's Child Poverty Action Group in 1965 and has been involved in campaigning and research into the meaning and measures of adequate incomes and the human right to social security for all since then. His book on *Setting Adequacy Standards: how governments define minimum incomes* and other publications can be read in his web page: <http://www.staff.ncl.ac.uk/j.veit-wilson/>

## 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 levels which respect people's human dignity and enable them to experience inclusion in the societies in which they live. Everyone in Europe has the right to a minimum income according to the standards in the following statements.

**United Nations: Universal Declaration on Human Rights 1948; reconfirmed at the World Conference on Human Rights 1993 and the 1966 International Covenant on Economic, Social and Cultural Rights** – Article 25. Everyone has the **right** to a standard of living **adequate** for the health and well-being of himself and his family, including food, clothing, housing and medical care....

**European Council Recommendation of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection schemes** (also known as the *Minimum Income Recommendations*); 92/441/EEC – (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...**

**EU Charter of Fundamental Rights** – 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.

This document gives examples of some of the questions and arguments posed by people who are afraid that adequate minimum incomes would remove the incentive to work and that paying adequate wages would be uneconomic for business and damage the national economy. It puts forward commonsense answers to the objections, based on evidence from reputable national and international sources which show that adequate minimum incomes are feasible without causing damaging consequences, and that implementing the right to decent incomes would reduce the enormous costs which poverty imposes not only on people who suffer it but on the whole of society.

1. **Higher Minimum Income would reduce the incentive to work by reducing the gap between social welfare benefits and minimum wages, and that would promote idleness and increase unemployment.**

The idea that people chose between employment or welfare benefits on the basis of narrow 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, and try to find employment which pays enough to keep themselves and their families out of poverty. There are many kinds of valuable work which society needs in order to function but some of them are not paid, which often includes caring for children and others in society. Many people who cannot enter the paid labour market because of their youth, family responsibilities, disabilities or age, equally need adequate minimum incomes.

Governments aiming for everyone's social inclusion must ensure that individual and family incomes both in or out of work are adequate for a decent life for all those dependent on them, enough to enable everybody to be included and respected. When society fails to provide adequate minimum incomes and leaves some people in poverty, it not only damages them and harms their children and other dependents as well, if they have them, but it 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.

**2. Raising Minimum Income would lead to increased benefit fraud and make the system unmanageable.**

Most of the wrong payments made in social assistance are caused by errors rather than by fraud (evidence from the UK National Audit Office). Many of these errors are made by the administrative staff themselves, because the systems are so complicated that not even the staff can get benefit payments right, and this often leads to claimants getting less than they have a right to, rather than too much. Because of the administrative complications, as well as the lack of available information and advice and the stigma attached to benefits intended only for poor people, many benefits remain unclaimed because people do not know what they are entitled to or are deterred from claiming. Claimants often do not know what is the right information to give when they claim, and many of the errors are made in good faith and not dishonestly.

If there are incentives to unjustified claims for social assistance, it is because claimants have too little money to live on decently. Many existing systems of social assistance are so administratively under-funded that they are not at present managed according to their goals. Higher benefit levels, simpler entitlements and better staffing would all make the systems both more effective in achieving their goals and more efficient in using their resources.

**3. 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, we must adapt and reduce the welfare state.**

Once again, this argument is based on over-simplified economic theory, and the 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. Workers should always be paid wages at decency levels, chiefly because there is a human right to adequate wages for work, but also because where paid employment is available for those able to take it, the principle of social justice requires that the wages for labour market participation should never be less than adequate for decent lives for the employees and their dependents.

Why should those workers earning the lowest incomes have to carry the burden of keeping the national economy secure for the benefit of the whole of society? If raising their earnings to decency levels has economic consequences, the costs of work which benefits society should be carried by those with the greatest resources to bear them, not by those with the least. If enterprises really cannot afford decency level wages for those who earn the least, then it is right that those who earn more than the least should contribute (through taxation on incomes and profits) to the resources of the welfare state which enable governments to support children and mothers, and 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.

4. **Higher minimum wages are not practicable in the globalised world where our economy is in competition with countries in which some workers are paid only a few euros a month. Higher minimum wage rates would foster economic decline and business relocation.**

What may be good wages in Asia are poverty wages in Europe. The comparison is a mistake because European workers live here and not there. A large part of the lowest paid jobs in Europe are those which cannot be exported to other countries because they are in agriculture, food production and the service sectors. Those who consume the goods and services must pay the proper price which includes decent wages and conditions for the workers.

The question of economic competitiveness is complicated. It is not simply a matter of comparing wage rates in cash terms. Many of the comparisons which businesses make are not based on the costs of decent wages and production in different countries, but on complex artificial calculations of the prices at which they trade goods and services. These calculations are made to depress the wages in producing countries (for example, the wages for agricultural production) and reduce the taxes paid by trading enterprises in order to increase profits. Artificial pricing practices cannot be used as a basis for claiming that wages are uneconomic in Europe. In a globalised economy, standards must be levelled up and not down. Europe's standards of decent pay and working conditions should stand as an example of good practice for others to follow.

5. **Higher Minimum Income at adequacy levels for decent lives is a fantasy. The reality is that EU governments cannot afford it because public budgets are already unbalanced and vulnerable to future demands from pension systems.**

There is no evidence that a decency level of minimum incomes cannot be afforded by governments, provided that they budget for the necessary taxes from those who have higher incomes and from profitable enterprises. Governments have a duty to ensure 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 international evidence shows that it is not social costs which are unbalancing budgets, and the costs of pension schemes which benefit mainly better-off people in society should not be used as an excuse to keep the lowest paid workers 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?**

Children should indeed be set a good example by working adults, 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. The best example children can be set is to see everyone in society making the contribution they are capable of, but this is hard in a society which does not guarantee every willing adult a decently paid job, and which sets the greatest aspirations on winning enough money by gambling or inheritance not to have to work. What sort of example is set by modern western societies which idolise the celebrities and rich people who display their wealth and live

comfortable lives without making a contribution to society by hard sweated work, as poor children's parents have to do, or even by paying their fair share of taxes on their wealth? 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 and secure work which is their human right.

- 7. Higher Minimum Income payable without time limits would encourage benefit dependency by claimants in poverty. People would lose their ability to manage their own resources and would not venture to try earning a living instead of relying on public welfare.**

There is no evidence that adequate social assistance benefits foster dependency or incompetence. The best and fairest test of a person's willingness to work is the offer of a secure and decently paid job. 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 limited periods for which social assistance is paid. Governments which want to get people into work must ensure that there are enough decently-paid and secure jobs at the levels of skill which people can offer, with good quality training and proper child care for those who need it. It is cruel to punish unemployed people and their families and children by withdrawing benefits when no suitable adequately-paid jobs are offered to them.

Everyone in society is dependent on others; interdependency is the basis of all social life, everywhere and at all times. Better-off and rich people are dependent on low-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 an income paid for through taxes is equally or even more dependent on the other people in society who pay 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 poor people.

- 8. Raising the level of Minimum Income 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 itself based on an individualistic philosophy fearful of an inclusive society in which community solidarity itself ensures that no family goes without the resources needed to take a full part.

- 9. Giving higher Minimum Income to people is humiliating: it suggests a lack of confidence in their capacity to take responsibility for their lives and to act autonomously. In any case, poverty is not only about money, and adequate incomes 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 to be respected by it. In modern marketised and consumerist societies, money is the most important resource everyone needs if they are to be autonomous and

accepted 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 who do have sufficient resources and who do not understand the problem. The problem of poverty is not hidden when everyone has enough money not to be poor – it is abolished. The other human problems which anyone right across society may experience 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 be able 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 expenditure priorities. It is as true today as it was when the poverty research pioneer Benjamin Seebohm Rowntree wrote it in 1923, that those who criticise poor people for wasteful spending “would not like to see their own households condemned to such an iron regime as the thrift they recommend would involve”.