

GUARANTEED MINIMUM INCOME FOR ALL

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Readers of this book are more than likely to share disappointment about the social deficits of European integration as much as the hope that the EU will not stay as it is. The overwhelming bulk of them will probably then spontaneously back a proposal to make available cross-border aid for building up a system of guaranteed minimum income in the poorest member states.

But here I want to talk about something more specific. That a measure is desirable does not mean by a long chalk making it a top political priority. Does not everything coming under the heading 'social Europe' already figure in the trade union or other progressive lexicon of demands? An additional element on creating a fund for building up minimum income guarantees would go unnoticed. No, I want to look at something else. There are plenty of demands, very few concrete plans. My proposal is to make the provision of cross-border aids for building poverty-proof guaranteed minimum incomes a core project for the

coming years. My concern in what follows is to differentiate this initiative from other potential projects that revolve around the social dimension of European integration. But first, let's turn to the substance of the proposal.

A SOCIAL PROJECT FOR THE EU

A guaranteed minimum income is the bottom layer of social security systems. It comes into play when not only no income can be earned but no other welfare benefit takes effect. Its goal is the avoidance of extreme poverty. EU member states differ hugely in the way they adopt this target. Research literature but also the European Commission's 'social scoreboard' provides good insights. What emerges is that countries where guaranteed minimum incomes quite clearly fail to provide poverty-proof levels of benefit almost always fall within the group of poorer member states in southern and eastern Europe. N.B. here we always have in mind *relative* avoidance of poverty, i.e. poverty thresholds linked to local standards of living.

The project would consist of supplementing the structural funds (under Article 175 of the Treaty on the Functioning of the EU, TFEU) with a program to help the poorer countries close the most glaring poverty gaps. This could take the form of a new, sixth structural fund or a new program within the European Social Fund that in the 2014-2020 funding period amounts to roughly €83 billion. If a country falls below a certain standard of living and defines it as an existential minimum that it wishes to guarantee in future then it should be able to call upon financial support from the fund. Any funding should be limited to a defined basic level of poverty avoidance, say – in a

first stage – guaranteeing 40% of the country's median income (a moderate target). The targeted allocation of resources must be ensured and controlled. Beyond that there is, however, no need for conditions, above all no extraneous conditions such as implementing structural reforms in other areas than minimum income guarantee.

Perfect plans for the project are not lying hidden in a drawer. But planning and discussion should not start from scratch. A useful starting point could be the work of the team around the economist and former Belgian labour minister Frank Vandembroucke and the German-language expert report of the lawyer Thorsten Kingreen as well as that of the political scientist Benjamin Benz (Kingreen's dates from 2017, Benz's from 2019).

WITHIN THE EUROPEAN STRUCTURE OF REMITS

Many ideas and demands in the European policy programs of progressive parties and union bodies address guaranteed minimum incomes. Usually, the issue at stake is the definition of minimum standards that all should meet. The project put forward here differs in that it sidelines provision underpinned by sanctions in favor of a fair offer that can be called upon by the poorer countries and, hopefully, will be so but not compulsorily. The aim is to support, not punish. If one were merely to aim at obligations one might then, in any successful outcome, take countries failing to make the necessary provisions to the European Court of Justice. But that would mean taking no cognizance of the difficulties poorer countries face in financing the closing of poverty gaps. The absence of a generous welfare state, and this is a clear finding of comparative welfare state

research, is *at the very least* as much the outcome of economic backwardness as the result of lack of political will.

Putting aside a binding one-size-fits-all legal framework does, however, have another advantage: the power of European bodies to agree upon provisions for guaranteed minimum incomes rests on uncertain foundations. The reason for this is that Article 153 TFEU does indeed allow in principle for directives in the social area. Thorsten Kingreen argues that it depends on the concept of worker laid down whether this includes basic incomes for the elderly and those with reduced earning capacity. But probably not included in applying the concept of worker as set out in welfare law rather than labour law are the basic benefits for subsistence living which in Germany are regulated under paragraphs 27ff of the social security statute book XII. If one wants to approve a European competence for minimum standards in social benefits one would have to interpret these as measures to promote vocational integration (under Art 153 Para 1h TFEU). Benjamin Benz suggests proceeding on these lines. But, in EU law, that is at the very least an uncertain plan.

Is it not inappropriately 'legalistic' to be guided in identifying feasible routes to a more social Europe by the EU's internal competence structure. Should one not proceed more courageously, i.e. mobilize politically first of all and then look to see what works legally? I'd like to resist this idea. That's because this brings the risk of a purely symbolic policy that pulls the wool over people's eyes. A good example of this is the debate about an EU directive on minimum wages. The demand for it is spelled out in speeches and election manifestos. But the EU's internal competence structure does not allow for concluding

such a directive. Article 153 Para 5 TFEU explicitly rules that out. This treatment of 'social Europe' is cynical as is the treatment of potential voters.

BUT WE DO HAVE THE 'PILLAR'?

But has not the situation changed since the solemn proclamation of the European Pillar of Social Rights in November 2017? This seems to state clearly a European right to and competence for guaranteed minimum incomes in declaring under Principle 14: 'Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services.' No, not at all. For the goals described in the 'Pillar' have nothing to do with the transfer of new competences to the EU. The competences of the EU law-maker have not changed one iota with the 'Pillar.'

Unfortunately, there is no evidence either that EU bodies would, in the light of the 'Pillar', now construe the existing regulations, viz budgetary provisions or basic freedoms, in a heightened manner. Please remember that the Italian government has recently put into law precisely what the 'Pillar' prescribes under Principle 14: it introduced for the first time a universal minimum income and, indeed, at a level of €780 from 1 April 2019. Just under 1.5 million families are due to enjoy the new benefits. That was a big step and, undoubtedly, fiscally challenging with annual costs estimated at €7-8 billion. Should not the EU authorities in threatening sanctions for breaches of the budgetary rules have taken into account that the Italians are giving practical effect to a social right defined in the 'Pillar'?

There was no evidence of that. The proclamation of the 'Pillar' made no difference – to anything. The social democratic and trade union sermons could have done with a bit less sanctimonious talk about this smokescreen.

Back to the powers to conclude EU directives. Demands for a 'social Europe' that, upon closer examination, fail to meet competence norms can easily accumulate. They cost nothing and hurt nobody because they do fill a rhetorical space but with no guarantee they can or will be implemented. That way, they guarantee disappointments that, whenever they're triggered, are projected against the European Project as a whole. If fighting poverty in Europe is to be more than pure rhetoric then it must pursue paths that are truly navigable.

REDISTRIBUTION IN THE RIGHT DIRECTION

The plan goes together with redistribution among countries. It's easy to proclaim one's readiness for cross-border solidarity but hard to put it into practice. Now and then, such as with calls for EU fiscal transfers on the lines of the German federal states' financial equalisation scheme, ordinary Europeans' readiness to endorse redistribution is painted in far too optimistic colors.

The required funds for financial aids in creating guaranteed minimum income schemes are certainly more manageable than those that would have to be deployed across the entire continent in any European financial equalisation scheme. One would be free, first and foremost, to choose its volume. It could be started with the precise amount upon which EU member states, the net contributors in front rank of course, can agree initially. The hope would of course be that this amount would

be big enough to make the poorer countries an offer that is so attractive that they cannot simply dismiss it frivolously. A starting point might be to examine scrupulously what funds would be required to remove the risk of poverty below the 40% threshold in the poorer EU member states and then assume a 50-50 division of monies between the EU structural funds and the target countries. Calculations by the Vandebroucke team suggest that the necessary transfers would be manageable.

But, most of all, it would be guaranteed that these would indeed be transfers from richer to poorer countries. The counter-model to the required cross-border redistribution based on the principle of solidarity set out here is redistribution on the insurance principle. This is the basis for the idea of a European Unemployment Reinsurance Scheme. In the current debate this is given a good chance just because it promises neutral redistributive effects: this group of member states benefits and pays this time, that group the next but, over the long run, there are no givers and takers.

In the short- to medium-term, however, this neutrality cannot be set in stone. Just imagine that the German export model so prone to arousing external irritation were to become played out, squeezed to death for example by a Chinese economic collapse that hopefully never happens. Nowhere in the EU would unemployment leap so quickly and so powerfully as in Germany. Under the insurance principle Germany would become from now on the main taker from the jointly built-up reinsurance fund in a way that would mean redistribution from countries such as Greece and Romania to Germany. Whether that would be acceptable on those terms is a big question-mark.

Cross-border redistribution between EU countries with very different standards of living must for the foreseeable future, in my view, be compatible with the solidarity principle, the solidarity of the richer with the poorer. Certainly, the readiness for such redistribution can be over-played. But opinion polls suggest that we should at least assume a certain willingness to entertain such redistribution. The project would put it to a new test in practice. What matters here is that the test would probably not be passed when it comes to redistributions in the 'wrong' direction. So, the project for cross-border aids for fighting poverty in weaker economies is not only superior to the idea of a European minimum wage but also to the plan for an EU Unemployment Reinsurance Scheme – given its target accuracy, feasibility in EU law and exemplary capacity for stability.

THE FUTURE OF EU STRUCTURAL POLICIES

The project for funding guaranteed minimum incomes comes within the current debate on the future of EU cohesion policy. The balance-sheet of this policy has always been mixed but right now caution is very much the order of the day. Structural policy is at risk of going astray.

At the time of writing (April 2019) things remain in flux but some new points of direction can be perceived. First, general spending cuts seem to be on the cards. On 2 May 2018 the Commission set out its draft for the multi-annual financial framework for 2021-2027. The financial plans foresee spending cuts within cohesion policy of the order of 10%, within the social fund of around 7%. Second, the structural funds should be tied much more closely to the macro-economic conditionali-

ties of the European Semester. In concrete terms that means: if you don't implement recommended structural reforms or fail to meet budget targets you'll suffer reductions in the monies you requested.

Things become even more confusing, third, if we think through the debate on the eurozone budget. On 21 February 2019 France and Germany published a joint proposal for creating a new 'budgetary instrument of the eurozone'. The proposal left far more in the dark than in the light. But it was obvious: this was not about a tool of macro-economic policy. Rather, efforts in carrying out structural reforms are to be 'rewarded'. This is not a million miles from the Commission's conceptions about the future shape of cohesion policy. We are obviously going through a rededication of the purposes of the structural policy arm of the EU. The task in future will be much more about leveraging the EU's sanctions-underpinned requirements within the European Semester. Among the pursued structural reforms therein lies frequently, as is well known, greater labour market flexibility.

Structural policy should not degenerate into a further Trojan Horse for liberalization in the name of competitiveness. If you want to block this route then it's not enough to advocate a return to the *status quo ante*. A unique, progressive vision about the future of EU structural policy is the order of the day. Welfare systems are 'structures' in the best sense of the word and structural policy has always directly pursued social goals (even if now and then somewhat prematurely added to EU social policy). Support for member states' policy programs for fighting poverty could form one such vision.

CHALLENGES OF EU FREEDOM OF MOVEMENT

But why should this project be communicable in the more prosperous north of the EU? No question that aids for building up guaranteed minimum incomes schemes would be, as we have seen, an expression of intra-EU solidarity. But not only that. In a Europe that's growing together any failure to fight poverty in the poorer countries always has knock-on effects in the richer ones. Above all, these can be seen in intra-EU poverty migration.

Let's be clear that with the western Balkan states new accession candidates are waiting at the door that are once again significantly poorer than the current poorest EU member states, Bulgaria and Romania. Their entry is just a question of time and new waves of poverty migration are already scheduled. Germany will be one of the preferred target countries because it comes with a special combination of pull-factors: It has a comparatively high standard of living, a comparatively generous welfare state that *inter alia* guarantees wage subsidies and, at the same time, a labor market with what is by now a very large low-paid sector in which poorly-qualified emigrants get a better reception than on the Danish labour market, say.

Today, and for the foreseeable future, the EU can be characterized by a substantial gap in living standards, a welfare state organised and financed on decentralised lines and, via EU legislation, highly effectively protected free movement of people. All these parameters will remain pretty well unaltered for the medium term. The richer countries will therefore have to reckon with more poverty-driven economic migration. The only issue can be to keep this economic migration within manageable limits for the target countries. If one wants to do this then

one will have to help prevent the poorest in poor countries from facing the abyss – there is no other way. These connections can be brought home to people in countries such as Germany.

These deliberations also suggest a time-frame within which the first reform stages should ideally be completed: before the next round of accessions. The time for reaching an understanding on the initial targets, on the other hand, is now, before the conclusion of the negotiations on the next multi-annual financial framework that otherwise – against all precedents – would still have to be settled after its term of validity had started.

OUTLOOK

The devil is in the detail. Numerous questions would need to be cleared up before one can even begin to create an aid program for building guaranteed minimum income schemes in poorer EU member states. A few of them might be mentioned as examples. What if a small number of countries – or just one – refused to join the funding? Should one let the project fail or might a structure outwith the EU budget be imaginable? How exactly should the required co-financing from the target countries fit into the debt/deficit rules of the EU and eurozone? Might, for example, there be a joint guarantee for corresponding shares of fresh indebtedness of countries so as to avoid any punishment by the financial markets? And what if poorer countries simply cannot afford their own contribution – is there then nothing to be had for them from the new structural pot?

Moreover, where exactly should one place the country-specific prosperity threshold below which aids should be granted and should it be a fixed or sliding threshold? How precise can and

should the requirements for allocating funds be? A particularly pronounced devil in the detail seems to me to lurk in the following questions. Should aids really only be granted for *extra* efforts? What about the poorer countries that already do a lot comparatively in terms of fighting poverty (take Hungary for example) – should previous effort go unrewarded? If no, that would substantially inflate the necessary transfers. If yes, – would that outcome not then amount to a reward for previous failures in fighting poverty?

These are all challenging questions. But they can be solved given the political will. It would be erroneous to expect big and rapid steps forward. The problems of fighting poverty are too complex for that, the affected countries too heterogeneous and distributive questions too explosive. Be that as it may: developing a European framework for basic income made it as a target into the coalition agreement of 2018 reached by the German government. The latter should use its EU council presidency scheduled for the second half of 2020 to sound out the options and undertake the first steps. It is surely worthwhile supporting it emphatically in this regard.

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