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Parental Income and Basic Income

Why Familyship matters Citizenship

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Thirty years ago the famous sociologist Talcott Parsons took a view on the future of the modern family, whereas „the family as foundation of the solidarity-influence system (of society; M.O.) will develop towards the direction of a voluntary association“. Speaking clearly this would mean the „tendency to let marriage become more or less a purely personal and voluntary relation (...) More problematically but nevertheless extremely interesting is the tendency, to bring the children into a status of members of a voluntary association much earlier and more distinct than ever“ (Parsons 1970, 205).

Thirty years later, the sociologist Anthony Giddens in his well known book „The Third Way“ takes a similar look at the modern family as having fulfilled Parsons‘ premises. Giddens argues in favor of the „democratic family“ as a matter of fact. “There can be no route back to the traditional family as it is ordinarily understood” (Giddens 2000, p. 46). Individual choice and societal solidarity can be tied within family life (cf. Giddens 1999, p. 111).

But the family of individuals and the democratic family are not necessarily the same. You can imagine a group of individuals who join a hierarchical organization because of religious, charismatic or sexual reasons and who sacrifice liberty for a hopeful heaven of security. But citizenship in the modern sense comes with democracy, although one knows that real democracy always comes with imperfection.

Democracy is the social way to guarantee liberty in the public sphere. To take part of democracy, members of a democratic community are entitled to the right to vote. Citizenship comes with the vote. But some members of democratic societies have been excluded from the vote for a long time. Until about hundred years ago adult but poor men joined citizenry. Some years later adult women followed. But up to now children are still excluded from the democratic process.

In his intriguing book “Children, Family, and Reform” Stein Ringen argued, that children, who are not entitled to vote, are also weak in organization. But much worse, their parents, who think about them when they vote, “are a minority in the electorate and have many other interests than those of children to think about” (Ringen 1997, p. 4). In spite of many efforts to recognize children’s rights, i.e. in the UN Convention on the Rights of the Child, “the interests of children are terribly poorly represented in the electorate. If democracy is a system of equal rights for citizens, which it is, there is a remaining democratic deficit caused by the exclusion of children and the non-representation of their interests.” (ibid.)

Showing an impressive array of data Ringen argues that within the past twenty years children did not participate in the immense prosperity of the western industrialized societies. Comparisons showed a growing disparity in well-being between children and the elderly, much worse, a disproportionate relative deprivation among children. The reasons are political: “Government could eliminate the problem overnight by increasing transfers to (needy) families with children, for which purpose all industrial democracies have the machinery in place. Generally, affluent democracies have instituted social security systems which give elderly a standard of living roughly on a par with that of the population average. The same societies have, however not instituted ‘social security for children’ which would allow families to give their children, the second large group of dependents in society besides the elderly, an even level standard of living” (ibid., p. 7).

Why do modern welfare states lack a social security for children? There are two reasons: Most welfare states are based on a work centered social insurance system (of the so-called Bismarckian type). Such a system favors the elderly and esp. those elderly who have been fully integrated within the labor market. And secondly, connected: there is up to now few legitimization for social security which is bound on citizenship as such. But a social security for children will always be a basic income type of social security (i.e. a basic pension or a universal child benefit), because children cannot build on a past job record.

We could show that children are weak citizens. When they are weak citizens within public life, one may expect that their citizenship within the family may be at least vulnerable. We know that in this respect women come close to the children. Their public as well as their private status is fragile, too. Their participation within the labor market, esp. within higher career, within public offices and politics is weak. They earn less money for equivalent work, they reach less parliamentary seats and fewer CEO’s. One can say: There are two weak citizens in families, women (esp. mothers) and children. Men resp. fathers may have problems, too, but not democratic ones.

In order to achieve democracy at all and democracy within the families there are good reasons to include mothers and children fully into citizenry. One way could be to extend social security to children and mothers resp. parents. We will follow this path to fulfill democracy for families. You can imagine two options:

- a basic income for children or
- a basic income for parents (or both).

In the remaining paper I will argue in favor of a basic income for parents, called a “Parental Income” or - as we call it in Germany - a “Child Care Salary” (or “Erziehungsgehalt”). Two years ago we have published a study called “Erziehungsgehalt 2000”, which has been translated and published into English in 1999 (cf. Leipert/Opielka 1999). I will outline the main aspects of this proposal. Later on we will discuss why such a parental income contributes to a universal basic income and why it promotes full citizenship within familyship, and vice versa.

Outline of a Parental Income

The “Child-Care Salary 2000” is designed to draw the contours of a social reform in which child-care work is effectively up-graded (cf. *ibid.*, pp. 27ff.). The idea is based on society giving monetary acknowledgement to child-care work by means of a child-care salary which is comparable to the income which could be earned on the labor market within the first years of the youngest child. Some elements of the concept are presented as alternative versions to stimulate public discussion and not to get prematurely stuck on technical details.

The child-care salary consists of two core elements:

- the "Child-care salary I", a monetary payment of DM 2,000 (resp. 1000 Euro) per month for the first and DM 1,000 (resp. 500 Euro) for all further children until the age of 7 (that is until they go to school, on average - in Germany - until they are 6 ½ years old); it is to be implemented in two phases: in the first phase for child-care providers whose youngest child is between 0 and 3 years old; in the second phase step by step for child-care providers with children between 4 and 7 years old. The child-care salary I is examined in two versions: as a child-care salary independent of or dependent on time spent in gainful employment. The possibility of planning a "child-care voucher" for attending child-care facilities outside the home alongside a reduced cash payment from when the children reach nursery school age is also presented. The child-care salary is subject to taxation, although no social security contributions will be charged.

- For the time after both phases of the child-care salary I have been implemented, the "Child-care salary II" should be paid as a social policy vision for child-care providers whose youngest child is more than 7 years old. Two versions are examined here: the first an income dependent child-care salary II. Another version open to discussion is an income independent child-care salary II, the level of which is reduced. *It would be best possible to realize either version in the context of a reform in the direction of providing general basic security or a basic income.*

The introduction of a child-care salary should be a constituent part of restructuring the welfare state which relieves the factor work from making contributions, which distributes the costs of social insurance in solidarity and calls upon the older generation more than before.

Today all emphasis must be placed on getting acknowledgement of child-care work carried out for the time until children start school (approx. at 7 years of age). This means that realization of the first two phases of the proposed Child-Care Salary 2000 has first priority. However, child-care work is still necessary after a child has reached 7 years of age, not least demonstrated clearly by the demand for day-care facilities and all-day schools. Providing the necessity of supporting family work attains more political recognition, we propose the introduction of a "Child-care salary II" as a *third phase* with two options:

- the *1st option*: a child-care salary II dependent on income in the shape of "negative income tax" for child-care providers;
- the *2nd option*: a fixed amount reduced compared to child-care salary I which could also be introduced in several smaller steps if necessary (e.g. 7 to 12, 12 to 16, 16 to 18 being the age of the youngest child). It would also be possible in the shape of a "time account".

The payment for a child-care provider with three children under 8 years old should reach the average income received in gainful employment (pre-tax after the social security contributions have been subtracted) because as a general rule, it is not possible to enter into gainful employment with three children of this age. With one child, part-time work is possible, with two children it is very difficult, with three children (of this age) it is practically impossible (alternatively, professional or other educational staff has to be employed). Thus the opportunity costs increase as the number of children increase.

The size of the payment is calculated as follows: DM 1,000 per child is added to a basic rate of DM 1,000. Simplified, the basic rate corresponds to the basic needs of the child-care provider, the rate per child covers the basic needs of the first child and all further children. (The "first" child of each couple or single parent is always the respective youngest child).

Diagram 1: Child-care salary 2000 (Leipert/Opielka 1999)

Age of the children	1st Child		2nd Child and further children	
0 to 3 years	DM 2,000 p.m.		each DM 1,000 p.m.	
independent of time in gainful employment				
PHASE 1				
4 to 7 years	DM 1,400 Payment	DM 600 possibly child-care voucher	DM 400 Payment	DM 600 possibly child-care voucher
independent of time in gainful employment				
PHASE 2				
8 to 17 years old	DM 1,400 p.m.		each DM 600 p.m.	
income dependent				
from 18 years old	DM 1,400 p.m.		--	
income dependent				
BASIC SECURITY				

Single parents receive a supplement of 15% on the amounts for the first child and further children

The acknowledgement of the service work must take the needs which arise from carrying out the service work into consideration as otherwise the service work is not really being acknowledged: the first child as a general rule creates a wave of expenses (cost of living, opportunity costs of giving up gainful employment etc.) which must be taken into consideration when assessing the level of payment for the child-care work. The child-care salary combined with child benefits and housing allowances should ensure a subsistence level i.e. at least correspond to today's level of social assistance benefits. Thus with just one child, a salary is paid which may be low but ensures subsistence, as the (flat rate) child-care service work carried out is decisive for determining the child-care salary.

The child-care salary should be adapted annually to correspond with the development of the cost of living. As an option for the future, it would be worth considering whether the child-care salary should also participate in the productivity growth of the whole economy. The continual adaptation of the child-care salary to avoid its gradual devaluation gains particular importance

when taking the German experience of the "parental benefit" into consideration. The parental benefit has nominally remained constant since its introduction in 1986 (DM 600 per month.) Even if just the purchasing power of the time at which it was introduced was restored, today (2000) you would reach an amount of little more than DM 800 per month.

It will be necessary to discuss whether the additional amount (for every further child) should have an upper limit. From the individual perspective of ensuring a minimum standard of living, a child-care salary can be seen as an earnings-replacement benefit for the respective service work input. From society's point of view, the positive external effects which result from the respective family could be put in contrast to this (the "output"). The service work of bringing up children and the build-up of human assets associated with this would thus be remunerated as a public good and in this case 5 children would be more than 3. In practice however this question of "putting a lid" on the additional amount would hardly come into question as long as the period of eligibility per child is limited to 3 or 7 years.

The level of the child-care salary I is also affected by whether it is dependent on gainful employment which is carried out at the same time a child-care work or not. In the study both versions are examined which have advantages and disadvantages.

In the second phase of introduction, the child-care salary for children between 4 and 7 years old could be split into a reduced cash amount (approx. DM 1,400 per month) and a partial amount (approx. DM 600 p.m.) in the shape of a "*child-care voucher*" to be cashed in at recognized educational institutions outside the home.

After the child-care salary I has been introduced up to the 7th year of the youngest child's life, a child-care salary II is also to be introduced in a third phase for bringing up children who are more than 7 years old. The child-care salary II is proposed in 2 versions, as an income dependent payment lying above the level of social assistance benefits - in the technical form of a "negative income tax" - and as an amount which is independent of income but is significantly reduced in comparison to child-care salary I.

As of the end of the 7th year of the (youngest) child's life, the child-care salary should depend on the available household income (Basis of assessment according to income tax scale; however the income tax scale today only takes one child's tax-free amount into account which is - at least until now - significantly below the average costs of children's upkeep). Children are only taken into consideration within the meaning of the tax law. For children with their own income there is no entitlement to child-care salary II. Income in the sense of the income tax law (income from gainful employment, income from property etc.) is credited at 50% on the entitlement to child-

care salary II after subtracting the social insurance contributions. The spouse/partner spending more time in gainful employment will receive a tax-free amount which is the same as the basic amount minus 20% household savings. In this configuration as a *negative income tax*, participation in the employment system is encouraged (activation) as income earned in addition is not weighed down with massive marginal tax rates which is the case today in social assistance benefits or payments made due to unemployment.

To determine the child-care salary II which is dependent on income (as of 8 years old) the point of view of need is weighted more heavily, as the aim here above all is material security when taking on a life with children which poses a double risk (Opportunity costs of reducing the amount of time spent in gainful employment as well as upkeep obligations). The portion related to the needs of the child-care provider remains roughly constant (approx. DM 1,000) where as the supplements relating to the children are reduced corresponding to the school and educational system mainly financed by the state.

Until the youngest child reaches 18 years old, the basic amount and additional amounts are paid, depending on the number of children under 18 years old. With several children some of who are younger and some of who are older than 8, entitlement to child-care salary I and income dependent child-care salary II exists. Due to the dependence on income, in these cases, entitlement to child-care salary II will only occur in households with other income which is minimal. Subsequently, a permanent entitlement to the basic amount of DM 1,400 p.m. will then exist until of pensionable age. The configuration with the basic security for parents as negative income tax makes it clear that it is not a matter of passive acceptance of permanent lack of income. The political normative reason for long-term security is about securing an *earned* safety cushion for child-care providers which at the same time also contributes towards activation. This also requires a labor market policy which through qualification etc. makes it easier for parents to enter into gainful employment again after the family phase.

An alternative version to the income dependent child-care salary II which should be examined is *a child-care salary II which is independent of income* and, for example, consists of payments which are 50% less than those in child-care salary I; it has not yet been decided if this should last until the 12th, 16th or 18th year of the youngest child's life. With payments of this size, the aim of providing a subsistence level with the child-care salary alone would only be met to a limited extent (in connection possibly with housing allowance and the child benefits) which would also be a contribution towards avoiding long-term "welfare mothers". This version could be viewed as "Partial Basic Income" for parents. It is not the aim of the child-care salary to drive women in

particular to the edge of society. Quite the opposite, active participation of men and women in all areas of society - child-care work as well as gainful employment - should be encouraged.

Conclusions

Let us draw a conclusion. Our starting point was the question whether the community system family could become fully integrated into modern democratic society, whether familyship should enter citizenship. We have argued that one of the main obstacles hindering the two “weak citizens” within family - the children and the women as mothers - from reaching a full share of prosperity is the lack of a social security for children as well as for parents. We have argued further that such a security system must be modeled according to a basic income type because the continental type of a wage centered, “Bismarckian” social insurance does not fit for children and parenting.

The model of a full basic income for children we did not refuse,- on the contrary, the extension of the current “Kindergeld” or similar universal benefits for children is on the political agenda and should be -, but we concentrated on our proposal of a parental income or “child-care salary”. We presented and discussed two versions of the parental income. A Basic Income type - without means test, but to be positively taxed - and a version with means test - a Negative Income Tax type - esp. the so called Child Care Salary II. Both versions belong together. To go even a further step by argument: the introduction of a basic income system - esp. as a negative income tax - may enhance public welfare more than a pure parental income at least within a society which has not yet brought full economic rights for women and which tends to drive well-skilled women out of labor market.

There are good reasons for a benefit, which brings children and families into the political and economical light of society. Following Stein Ringen the promotion of democratic rights for children is a must for modern democracies. It should include, too, the right to vote for children, but so that their vote was administered on their behalf by their parents. Ringen takes a strong argument: “The solution is not ideal since there can be no presumption that parents and children always have common interests and since also mothers will be inclined to protect their own interests, and have every right to do so. But real democracies are not perfect and do not require ideal solutions. If the best is not possible, the second best may do and be better than an original situation that is already identified as unsatisfactory. It is not ideal to go beyond the principle of one person, one vote by allowing some persons to control several votes, but this could still be an acceptable way of extending the vote to the remaining 25 per cent of citizenry which would

otherwise continue to be excluded from basic democratic power and representation.” (Ringen 1997, pp. 7f.)

The vote is the money of politics. And public benefits are the democratic money for those people who take care for society outside the market sphere. In an article on Third Way Politics within family policy Helen Wilkinson point out, that “there has been an unhealthy polarisation between liberals who affirm individualism, and trend to take a relativistic view of family values and structures, and conservatives who talk a lot about values but neglect household economics. The result? A policy impasse. Yet we have been presented the false choice. Problems being experienced by families today are rooted both in economic stress (whether of time or money) and in family disintegration. Any progressive family policy must address both these issues or it will fail.” (Wilkinson 1998, p. 112). A parental income - as part of a basic income strategy - is a necessary cornerstone of a communitarian policy, although up to now communitarian theorists like Amitai Etzioni are quite reluctant towards social security reforms (cf. Etzioni 1996). Starting a basic income for parents could be viewed as being a part of a “non-productivist” social policy (cf. Offe 1992), a social policy which respects the citizenship of those members of society whose participation in the labor market is a reduced one, at least for a certain period of their life course. In the real world of the modern welfare states this may more realistic than some people imagine: for more than one hundred years the trade unions (at least in Germany and some other countries) fought for the concept of a “family wage”. Since the “postmodern” capitalism tries to flexibilize labor market and social security the concept of family wage came under pressure and will eventually not survive. A parental income (as a first step of a basic income for all) could be helpful for all parties: for the trade unions, who win new options on their battlefield; for the employers, who actually pay for some of the families of their employees but not for others; and for the families, who win real economic resources aside labor market income.

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