

BASIC INCOME IN A CHANGING IRELAND

INTRODUCTION

This paper looks at the prospect of introducing Basic Income (BI) in Ireland, the policy defined as an individualised universal unconditional payment to all citizens. It argues against it under three headings:

1. The impact of migration into Ireland over the past ten years;
2. A consequent requirement for two parallel systems of taxation;
3. The implications of Ireland's EU membership.

IMMIGRANTS IN THE IRISH LABOUR MARKET

Net migration into Ireland over the past ten years has been the most significant factor in the labour force growth. According to the recently published Economic and Social Research Institute Medium-Term Review the population of the state will increase by around one million over the next seven years from 4.23 million to 5.23 million, primarily due to immigration¹.

Presently around 15 percent of people living in Ireland were born outside the state² and despite the projections of a slow-down in the Irish economy and unemployment rate growth to 6.9 percent by 2011³ some seven out of 10 immigrants are expected to stay⁴.

What, if any, is the state's social responsibility to these individuals and what, if any, are their entitlements to social welfare? What effect would BI have on non-Irish workers in Ireland?

In the National Development Plan 2007-2013 the Irish government does accept some social responsibility for non-citizens by prioritising social inclusion and committing itself at least to the provision of teacher support to children from non-English speaking background.⁵ It does also stress its commitment to equality and fairness in employment.

Supporters of BI argue that it would reward and recognise the value of socially beneficial activity, which is presently not covered by minimum wage. From the definition of BI, however, it follows that while work and voluntary activities of citizens would be rewarded, those of immigrants would not. This would raise a number of questions on the fundamental issue of equality of work.

TAXATION

There are two approaches to the funding of Basic Income. The first advocates higher income tax, possibly as high as 60 percent, while under the second income tax would be abolished with unearned income taxed at a high rate, the precise rate depending on the performance of the economy. The second approach would also require new and additional forms of taxation, such as environmental and green taxes. The difficulty

¹ Tansey, P. (2008) Population could reach pre-Famine 6.5m peak in 25 years. Irish Times, 1 May, p. 3

² OECD Economic Survey of Ireland, 2008

³ Tansey, P. (2008) 3.75% yearly growth predicted in positive view of economy. Irish Times, 14 May, p. 1

⁴ McGee, H. (2008) Most arrivals choose to stay, says report. Irish Times, 1 May, p. 3

⁵ p.240, National Development Plan 2007-2013

with both of these options is that BI would require a parallel system of taxation, one for citizens and the other for immigrants.

Under the first scenario, income tax would go up for everyone employed in the state. The after-tax income of non-Irish employees, however, would be significantly lower as they would not be receiving a BI payment.

The required rate of income tax rate could also have adverse effects on the employment of young Irish workers. In 2006 the youth unemployment rate in Ireland was 8.1 percent, second lowest in the EU, compared to EU average of 17.2 percent⁶. However, according to an earlier report of the Economic and Social Research Institute on Basic Income, single employees under 21 would suffer the greatest financial penalty. They might no longer find it worthwhile to work in such a high tax environment. They may choose to stay longer in education and live with their families. As a consequence, the immediate tax burden on the rest of the population, including non-nationals, would go up.

Generally speaking tax rates should be proportional to the benefits enjoyed by the society as a whole. While workers in Ireland are the lowest taxed in Europe⁷, public services compare poorly to those of Nordic countries or Germany.

Thus, the state would either have to pay BI to immigrant workers as well or introduce a parallel taxation system that would put them on a par with Irish workers in terms of after-tax income.

The second scenario would similarly require a parallel taxation mechanism. In this case, though, an additional new tax would need to be imposed on non-national employees to prevent “welfare tourism”⁸.

EU MEMBERSHIP

Ireland’s membership of the EU makes it subject to the legislation of the Union. The EU guarantees social protection of all citizens irrespective of which member state they reside and work in. The Treaty of Rome establishes that “every citizen of the Union shall have the right to move freely within the territory of the Member States” (Article 18 EC) while Article 39 EC prohibits “any discrimination on grounds of nationality as regards to employment, remuneration and other conditions of work and employment.”

According to Article 42 “the Council shall, acting in accordance with the procedure referred to in Article 251, adopt such measures in the field of social security as are necessary to provide freedom of movement for workers; to this end, it shall make arrangements to secure for migrant workers and their dependants:

- (a) Aggregation, for the purpose of acquiring and retaining the right to benefit and of calculating the amount of benefit, of all periods taken into account under the laws of the several countries;
- (b) Payment of benefits to persons resident in the territories of Member States”

Furthermore, Article 12 EC requires equal treatment of all citizens, even if they are not economically active.

Thus, an argument could be made that BI entitlement be extended to citizens from all EU member states and subsequently to third-country nationals “habitually resident” in

⁶ p. 15 «The Irish Labour Market Review 2006» A FÁS review of Irish labour market trends and policies

⁷Whelan, N. (2008) High earners must pay more income tax. Irish Times, 7 June, p. 16

⁸ p. 49, «The Irish Labour Market Review 2006» A FÁS review of Irish labour market trends and policies

Ireland. Otherwise, restricting entitlements of non-native workers “would be likely to be severely contested in the European Court of Justice”⁹.

CONCLUSION

This paper attempted to demonstrate that the introduction of Basic Income in Ireland would be challenged on the grounds that:

- It differentiates between labour performed by citizens and that performed by non-nationals and is thus an unfair social mechanism;
- It subsequently requires parallel systems of taxation;
- It violates the non-discriminatory norm in EU law and would likely be an impediment to a coordinated European labour market.

In a multicultural state, which is a member of the European Union and subject to EU laws, social welfare is founded on objective criteria applicable equally and fairly to all members of the society, including non-citizens. Under a BI scheme, however, non-nationals would effectively be excluded from social welfare thus challenging the argument that BI would be a fair value of individual's work.

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⁹ p. 49, «The Irish Labour Market Review 2006» A FÁS review of Irish labour market trends and policies