

The Potential of an Unconditional Basic Income within Social Security Systems in Europe

Comparison of Germany, Sweden and the United
Kingdom

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ABSTRACT – The current social security systems in Europe have not been able to deal with increased traditional and new risks such as unemployment or work-life balance. One suggested solution to this problem has gained more popular and academic support in recent years: the idea of a universal, unconditional basic income (UBI). This study¹, therefore, examines whether and how UBI could support social security systems in the UK, Germany and Sweden in order to achieve their aims and fulfil their functions, and thus to improve insufficient social security.

Since effectiveness and efficiency describe the functionality of social security systems, the study focuses on these two aspects. These aspects will be used to hypothetically discuss expected effects of UBI along with the main aims and functions of key policies in each country in regards to their effectiveness and efficiency.

In comparison with current social security schemes in each country, the study demonstrates that UBI is able to deal better with several traditional and new risks, despite problems with higher expectations and living standards. UBI provides basic needs and will especially pull risk away from people in need. Additionally, it alleviates poverty and fosters social cohesion. These achievements help to improve the effectiveness and efficiency of the social security systems in the UK, Germany and Sweden.

Keywords – Basic income, Welfare, Social Security, Social Risk, Poverty, Social Cohesion.

1. INTRODUCTION

Several publications based on theoretical and normative discussions have argued that UBI would address problems caused by globalisation, individualisation and neo-liberalism. It would provide means to strengthen the individual position of any person to master contemporary challenges (Howard 2005, Jordan 2006, Standing 2002, Van Parijs 1995, 2001). Although the conducted research on UBI has mainly been in favour of UBI, there are also some critiques. Most of them focus on the feasibility and effects on work incentives. These are reasonable concerns and should gain more attention. But there is another aspect that is more vital in respect of social security and that has not been

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addressed appropriately: "The effects of BI on productive and social relations would vary enormously with the set of other measures which accompanied it" (Jordan 2006: 252).

According to this quote, the effects of UBI will vary between countries with different legal and social landscapes. There might be conditions that reverse assumed effects but also conditions that support them. The intention of this paper, therefore, is to explore the potential of UBI to support different European social security systems that they are able to achieve their aims and fulfil their functions more effective and efficient, and thus to improve the currently insufficient social security.

This requires the examination of following questions: What are their aims, objectives and functions? How can effectiveness and efficiency of them be understood? And how may UBI improve their effectiveness and efficiency?

Aims of social security systems rely on different economic, social or political perspectives and are highly dependent on their given priority by the corresponding welfare ideology. While some aims are favoured, other aims are subsidiary. (Walker 2005: 29). Regardless of the preference of aims, most European countries have introduced similar benefits, which are mainly characterised by following aims: alleviation of poverty, income maintenance and replacement, redistribution, promotion of social cohesion, protection against risk, compensation, and behavioural change (Walker 2005).

One aspect that addresses whether these aims, objectives and functions of social security systems are actually converted as planned is the question of effectiveness. Effectiveness relates to the intended ideas of social security. Hence, it has to be addressed whether these aims are achieved by different social security schemes (ibid.: 113-115).

Efficiency is the other aspect. It relates to the performance of a policy itself. Hence, it has to be examined how good these aims are achieved and what side effects have different social security schemes (ibid.). This can be done in relation to following three aspects: targeting, economic and administration (Walker 2005).

Since there is no sufficient empirical data about UBI available, this research is based only on a theoretical and normative discussion. Hence, the focus is on concepts and policies rather than facts.

In regard to the selection of social security systems, it has to be considered that the preference of their aims is highly dependent on their respective welfare type (ibid.). One of the most used typologies is Esping-Andersen's welfare regimes. He distinguishes between liberal, conservative and social democratic welfare regimes. Although it enjoys high academic acceptance, this categorization has been criticised on its functionality and utility. Welfare states are hardly equated to these pure types. They are rather hybrid and difficult to categorize. Despite this shortcoming, it is still reasonable to use them as a basis and guide for an analysis (Arts et al. 2002). The selection of cases will include the United Kingdom, Sweden and Germany. In Esping-Andersen's classification, the United Kingdom belongs to the liberal, Germany to the conservative and Sweden to the social democratic welfare regime.

2. EFFECTIVENESS OF SOCIAL SECURITY SYSTEMS AND UBI

2.1. POVERTY ALLEVIATION

The examination of effective poverty tackling is a complicated task. There is no agreement about the concept of poverty. Many define poverty in relative terms while few prefer absolute terms. In liberal regimes, there is a tendency to define poverty on adequacy and in conservative and social democratic regimes on sufficiency. Walker suggests using adequacy and sufficiency synonymously (Walker 2005: 132) and concludes:

"[A]dequacy refers to the resources necessary for a unit comprising one or more individuals to sustain a specified, usually minimal or modest, standard of living for specified period. In social security discourse, poverty is generally taken to equate with inadequacy, the antonym of adequacy" (ibid.: 135).

In this respect, reason, duration, kind of beneficiary and extent have to be decided to determine an adequate level for tackling poverty. Walker distinguishes between three main ways: First, normative judgement via the creation of budget

standards that are defined by experts as necessary for households. Second, attitudinal assessment. Here, the public's attitudes and opinions are decisive. Third, arbitrary determination according to existing benefit levels, average incomes, etc. Each of these approaches has advantages and disadvantages (ibid.: 131-149). Since UBI should enable a life in dignity according to its definition, it would be possible to use these three main ways to determinate an adequacy or sufficiency standard. It would also be possible to decide it democratically. But since it has to be examined how UBI would affect existing policies that aim for poverty alleviation in relation to effectiveness, it will be assumed that UBI is adequate or sufficient regardless of determination.

Although Germany, Sweden and the UK have been unable to eliminate poverty, they reduced poverty to a lower level than in the past (Galston 2001: 30). The risk of poverty, however, has not significantly been affected by "shifts within the public-private mix" (Seeleib-Kaiser 2008a: 219). Schemes that aim to maintain or tackle this relatively low poverty rate are social assistance schemes, which provide the needy with guaranteed minimum resources, if they are not entitled for other benefits such as unemployment benefits, the duration of these policies is expired, or these benefits are not sufficient. In order to receive minimum resources, a person has to prove her entitlement. In Germany, minimum resources are provided for people who are capable or incapable for work but are members of a household unit that is not able to create sufficient income for their needs. In Sweden, these benefits are an individual right in principle but the whole household situation is considered. In the UK, the individual is in the centre of these benefits. In case of any dependents, there is the possibility of supplements. Conditions for entitlement differ between each country regarding nationality, residence, age, household members, property, income and other benefits, exhaustion of other claims and exemption of resources. The duration of entitlements is unlimited if required conditions are satisfied. But some benefits generally have a limit of 12 months and are subject of new applications in Germany. In each country, however, people in need have actively to participate in

labour market measures such as job search and trainings for example (MISSOC 2012; SSA 2010).

This requirement of active participation in job search and the increased attention to it (Clegg 2008: 151) suggests the well established consensus of work as the main remedy of poverty in each welfare regime (Walker 2005: 34). This assumption is not sufficient for current socio-economic conditions in Europe. Existing unemployment rates, outsourcing to low-wage countries, and technological development indicate the utopia of full employment policies (Koehnen 2007). Furthermore, even if people react to the current work doctrine, they do not have a guarantee that they will earn enough from their wage. Social security schemes, which imply stigmatising, coercive measures, and threats for the social security of individuals and their existence, have to be morally questioned.

UBI, on the contrary, would neither stigmatise, nor include conditions, nor threaten the existence of individuals. UBI would create an environment of high decommodification while it protects against poverty as discussed above. It would protect people from market forces, which even constitute a threat for skilled, flexible and adaptable people (Jordan 2006: 133, 190). This would contradict the liberal welfare ideology of the UK due to it promotes a low level of decommodification. It would not be the market that protects people against poverty but UBI and thus the state. On the other hand, UBI would allow a much higher level of individualism than current schemes in the UK due to UBI provides people with options, responsibility and means to liberate themselves from any form of oppression as will repeatedly and more detailed be argued below. This achievement would not only count for those who are successful on the market or have resources but also for those who are unsuccessful and have no other resources. The often criticised role of poverty as punishment would be prevented (Pasma 2010). In the case of Sweden, UBI would help to achieve these two main goals of decommodification and universal solidarity more easily. Sweden's goal to protect society and individuals against threats by the market would be boosted with these effects. In regard to the conservative welfare regime in Germany, UBI

has the potential of both strengthening and weakening the role of its basis, the family. People would have time and resources to concentrate on their families and relationships. In particular since each family member would gain UBI and could still share costs to minimise their expenses. But they would also have the option to separate themselves from family if they prefer.

2.2. INCOME REPLACEMENT

In order to examine effectiveness of income replacements, effects on level and duration have to be considered. A high level and a long duration might enable a person to keep her chosen lifestyle after they lost their primary income source – in most cases earnings from labour –, but it could also lead to work disincentives. This requires considerations for how long it is reasonable to replace this income and how high it should be. It has also to be answered if the focus should be on individuals or rather households. In the latter case, size and additional income or savings of the household also influence the determination of replacement rates (Walker 2005: 117-120).

Each country has introduced different schemes such as unemployment, sickness, paternity or old-age pension benefits for example in order to respond to different life situations that interrupt people's participation in the labour market. These benefits differ in relation to duration, amount and requirements in each country. Sweden and Germany pay higher attention to attain this aim than the UK (MISSOC 2012; SSA 2010).

The income that is to replace is acquired through labour. As this income would always be additional to UBI, it has to be recognised that UBI cannot achieve the aim of income replacement. UBI, therefore, has difficulties to maintain expectations and living-standards that have been achieved through labour. It is not the aim of UBI to replace income and maintain circumstances but to provide means for the basic needs of individuals. UBI would help where these benefits do not provide protection. For instance, each of these benefits has to deal with work disincentives and moral hazards. Conditions have been implemented in the set up of these benefits as a response to them. For instance, in Germany, a

person must be employed for at least 12 months in the last 2 years, in order to qualify him or herself for unemployment insurance benefits. In order to qualify for basic security benefits for jobseekers, there is no qualifying period but means tests. In Sweden, conditions are employment of at least 6 months or at least 480 hours during a consecutive period of 6 months in the last 12 months, and being able and willing to accept a suitable work for at least 3 hours per day and an average of at least 17 hours per week. There are no means tests for beneficiaries. Job seekers in the UK have to contribute with earnings in one of the 2 relevant tax years in order to qualify for benefits. Means tests are only for income-based but not for contribution-based unemployment benefits. In each country, any beneficiary has to be registered as unemployed and has to actively seek work. Otherwise, they have to face sanctions or suspensions (ibid.). If the aim is to replace income and people who gained income through work but do not fulfil these requirements are left out, the effectiveness of these benefits in income replacement is challenged. Particularly if these benefits are provided by the private sector, which has stricter conditions and avoids any risk (Whitfield 2010).

UBI would not provide a compensation for the loss of these incomes of left-out people but it would protect them. It would also enable people to disregard these conditions and drop out of the labour market earlier. It, therefore, might decrease the disincentives of labour refusal. On the other hand, these conditions ignore intrinsic motivations for participation in the labour market. Additionally, current income replacement schemes and their conditions ignore the economic value of non-paid work (Standing 2009: 319). A person might drop out of the labour market due to that she wants to engage herself in voluntary community work but disqualifies herself for income replacement benefits due to absence of requirements. The assumption of insufficient incentives to contribution has to be morally rejected. UBI, on the contrary, is not based on such an assumption. It is based on a positive image of humanity that humans want to participate in and contribute to societies (Pasma 2010: 5; Raventos 2007). UBI, therefore, is not able to replace incomes but it helps to overcome shortcomings in British, German and Swedish income replacement benefit schemes. The situation in each country

regarding replacement of income acquired from labour, however, would be rather the same. For instance, if the liberal idea in the UK aims that people should be forced to rely on the market for such income and thus the British benefit system has stricter conditions, then the liberal idea is still intact in this case.

2.3. COMPENSATION

The situation of compensation is similar to income replacements but targeted people are rather subject of an unexpected loss of their capacity to participate in the labour market, have physical or mental disadvantages or have incurred additional costs. These benefit schemes have to compensate potential income losses, lowered living standards or inability of economic or social participation. They also have to provide any possible further monetary support for additional medicines, care costs or required expenses for building conversions. Despite that this aim holds for many policies, disability benefits are perceived as the main instrument for the provision of compensations (Walker 2005: 120-129).

Germany has introduced partial and total incapacity pensions. These benefits are based on an individual earning points system. In Sweden, incapacity benefits are paid to people with a loss of at least 25% of work capacity. Sweden provides two different compensations: First, guaranteed pensions, which depend on the duration of residence in Sweden, the amount of income-related pension and the degree of incapacity. The highest possible benefit is SEK 8,560 (€938) per month. Second, income-related pensions require an income in Sweden for at least one year. This pension contains 64% of the person's assumed future annual income. The highest possible benefit per month is SEK 26,750 (€2,930). The UK pays compensation benefits to people with at least 20% of work incapacity with an amount of up to GBP 100 (€110) per week. Accumulation with other social security benefits is possible in each country if it is necessary and the necessity can be proved (MISSOC 2012; SSA 2010).

Due to the definition of UBI, the word compensation is difficult to apply. UBI is a right and not a compensation (van Parijs 2001). It, however, can still be investigated how these policies would interact with UBI. In the case of Germany

and Sweden and their income-based system, the situation for UBI is similar to income replacement benefits. Expectations and living standards that could be achieved with income through labour are not possible to replace via UBI. UBI, however, has more potential in the case of the UK and if someone has no work history in Germany and Sweden. Here, advantages and disadvantages of UBI from the discussion about poverty alleviation policies above can be applied because of similar circumstances. For instance, each country has implemented measures to reactivate affected people and has requirements for qualification. The higher guaranteed amount in Sweden and the low benefits in the UK also suggest similar results in regard to decommodification. Additionally, the private market has been criticised for its low potential "to provide actuarially sound and affordable disability insurance for the working-age population as a whole" (Kemp 2008: 167). As it was argued above, this particularly affects the UK. UBI would have the potential to protect affected people. But it has to be recognised that in case required benefits are higher than UBI, the potential of UBI would not be realised.

2.4. RISK PROTECTION

The aims of poverty alleviation, income replacement and compensation include also the aim of risk protection. Social security systems particularly protect people against economic risks. It is reasonable therefore to apply considerations and arguments in regard to effectiveness of these aims at the effectiveness of the protection against risk (Hacker 2008: 5).

It was illustrated that the UK provides less benefits and for a shorter duration and under stricter conditions than Germany and Sweden. Additionally, the UK uses private insurances more intensely and these insurances have problems to cover people's needs. These conditions of low decommodification together with increased rivalry in market societies (Layard 2005) have often been criticised as trigger or intensifier of risk (Hacker 2008; Jordan 2006).

Germany and particularly Sweden achieve a higher level of decommodification. But a higher competition on the labour market is also part of

people's challenges in these two countries nowadays. This development and the fact that conditions for the entitlement of benefits are connected with labour market performance create higher economic and social risks of downward mobility and other disadvantages (Scherschel et al. 2012).

UBI, on the contrary, does not have this connection to the labour market. People would not depend on available jobs and their performance on the labour market. Above elaborated arguments about the desirability of UBI in relation to risk protection, therefore, are reasonable. UBI has the potential to protect people against 'traditional risks' such as poverty. Furthermore, it also has the advantage to be able to protect against 'new risks' such as work-life balance. But in two cases problems would occur. First, in cases where a higher income is necessary as in the above discussed case of disabilities for instance. UBI would insufficiently protect against the risk of illness if expenses are higher than UBI. Second, in cases a person wants to have or maintain a higher living standard but does not find an opportunity for this. UBI cannot protect against unfulfilled expectations beyond it. This second case, however, is mainly covered by income maintenance policies such as unemployment benefits.

In this regard, UBI provides a better effectiveness in risk protection in cases of basic needs. It is better as a protection against risks such as of poverty or other threats of well-being. Additionally, it can protect people whose lifestyle is not according to the lifelong working history dogma of current social security schemes such as volunteer workers, caretakers, artists, lone parents, etc. On the other hand, current social security benefits more effectively cover higher expectations or additional needs. It is therefore reasonable to argue that UBI and current policies in each country complement each other in risk protection.

2.5. REDISTRIBUTION

There are four different kinds of redistribution: vertical, horizontal, lifetime and territorial redistribution. Their preference depends on the type of welfare state. In order to examine if these four kinds are achieved effectively, it is

necessary to define beneficiaries, mechanisms and financial sources of policies. Additionally, an examination requires a counterfactual (Walker 2005: 149-174).

The counterfactual would be UBI, but due to the fact that details about financing of UBI are neither clarified yet nor are the aim of this research, it cannot be applied here. In order to have vertical redistribution, money that is used for UBI would need to move between groups with different incomes. For horizontal redistribution, money would need to be transferred between groups with different needs. Territorial redistribution requires transactions between people in different geographic areas, and life-time redistribution would need intrapersonal transfers. It is difficult to forecast what kind of transfer UBI would include. In particular as each of them is possible. There is, however, evidence "that the lower the degree of targeting at low-income groups, the greater the redistribution (Korpi et al. 1998: 667). Since UBI includes all income groups, it is reasonable to argue that a higher redistribution could be achieved.

Redistribution also addresses inequality in societies. Sweden achieves a higher equality among its citizens than Germany or particularly the UK due to higher redistribution (Korpi et al. 1998). But as it was illustrated above, inequality has increased everywhere in Europe and UBI offers a way to close this equality gap.

This argument requires the consideration of an important distinction between equality of outcomes and equality of opportunity. The former is rather the aim of social democratic regimes. Liberal and conservative regimes rather aim for the latter (Walker 2005: 34). According to the set up of UBI, UBI would offer rather equality of opportunity than equality of outcome. It, therefore, would correspond to the ideological foundation in Germany and the UK.

Equality of opportunity as only principle has been criticised as insufficient to compensate injustices and that further measures are required to attain equality of outcome (Fitzpatrick 2001: 26). But UBI does not contradict this claim. UBI could always be supplemented with additional policies and taxes to create equality of outcome. As it has already been argued, it requires such policies in order to generate a higher effectiveness in other social security areas.

2.6. SOCIAL COHESION

As it was demonstrated, each country uses several conditions for the entitlement of benefits. These conditions often aim to legitimate the support of taxpayers who mainly finance the social security systems due to the concern that unjustified benefits diminish this support and would cause "tax revolutions" (Korpi et al. 1998: 682). In particular in liberal welfare regimes, this argumentation has found endorsement (Walker 2005: 37). The higher utilization of means-tests in the UK is a good example for this predominant opinion there.

These conditions, however, are selective. They exclude people from an economical and social secure participation (Standing 2009: 306). They split social groups and place them opposed to each other in a competitive environment. While some people in need of benefits are entitled, other people who would also be in need are not entitled but have to support these others through their taxes (Korpi et al. 1998: 663). It, therefore, is difficult to argue that such an environment creates social cohesion.

Research on equality has demonstrated that this argument for targeting specific social groups is not justified. There is empirical evidence that universal benefits are better than selective programmes in fostering social solidarity due to "encompassing institutions pool risks and resources of all citizens and thus create converging definitions of interest" (Korpi et al. 1998).

UBI is also based on this universal principle. It is reasonable to argue, therefore, that these arguments also apply to UBI. As mentioned above, UBI would enable people to more easily involve themselves in volunteer, care or community work, or strengthen their social relations such as families or friendships. This interaction creates social capital and thus trustworthiness and social solidarity (Jordan 2006: 194-195).

Sweden and Germany would therefore profit from UBI according to their welfare ideologies. If liberty is accepted as common good and thus as basis for social cohesion in the liberal welfare state of the UK, then a similar positive conclusion can be drawn. As it was discussed above, UBI provides people with

basic needs and enables people to live independently and according to their individual ideals.

In addition, there is the argument that ex-post security is based on charity or fear while ex-ante is based on "compassion and a broad concept of social solidarity" (Standing 2009: 305). The implementation of UBI would be an indicator of already existing social solidarity and would further foster it.

2.7. BEHAVIOURAL CHANGE

Current social security policies are often criticised as paternalistic. They would have stricter behavioural controls, more directive activation programs (Clegg 2008: 151) and use poverty as "an appropriate punishment" (Pasma 2010: 5). That these controls and programs are used in each country could be illustrated above and will further be outlined below. These instruments, however, ignore that "fear, feelings of powerlessness, low self-esteem, lack of resources, poorly designed government policies and programs, addiction, past or present abuse, mental illness, and physical disabilities can all overwhelm and immobilize a person" (ibid.: 6). Insecurity makes people more vulnerable to morally wrong decisions and intolerant (Standing 2009: 302, 309).

Since UBI is unconditional, it would not have such paternalistic attributes. It would encourage and empower people and provide them with basic resources. UBI would enable people to participate in the public life and to engage themselves in their social and political environment. It would also promote more tolerance for minorities and trust in other people due to that trust is highly dependent on the possibility of influence (Jordan 2006; Saunders 2005; Standing 2009).

Resources and their distribution are mainly controlled by few (Jordan 2006: 145). This circumstance enables exclusive groups to control others who depend on these resources and the decisions of those in power. UBI would help to emancipate oneself from this dependency and to create an environment where they could protect themselves against any unwanted control by others (Standing 2009: 301). It would help people to achieve more self-control in their lives. UBI,

therefore, would challenge existing power structures. Instead of being controlled, UBI would enable people to control those in power as people could spend more time in politics and could not be forced to engage in unwanted labour participation. It would also help disadvantaged people against paternalism and oppression in families (Alstott 2001).

In this respect, UBI would make it more difficult for policy makers in the UK, Germany and Sweden to change behaviour of people with threats and punishment and forces them to change their policies to more positive encouraging and motivating attributes. It would help people to build solidarity in their families and communities, and to liberate themselves from any unwanted oppression.

3. EFFICIENCY OF SOCIAL SECURITY SYSTEMS AND UBI

3.1. TARGET EFFICIENCY

Target efficiency can be divided into internal and external targeting efficiency. The former refers to the relation between target and recipient population. The latter refers to the relation between populations in need and recipient populations. Both can be divided in horizontal and vertical efficiency. For instance, horizontal targeting efficiency means "the proportion of the target population in receipt of benefits" (Walker 2005: 180), and vertical targeting efficiency "the proportion of benefit recipients who are actually eligible" (ibid.: 181). In order to achieve a high internal targeting efficiency, problems with mismatches in target populations, instabilities of circumstances, fraud and abuse, administrative errors and measurement errors have to be addressed. A high external targeting efficiency requires adequate benefit levels and coverage, and a decrease in obstacles for people in need to claim benefits (ibid.: 180-200).

Whether a social security policy includes or excludes individuals from entitlements depends on the policy's setting. Any policy has some qualifying conditions, which range from legal status, relatives, residence, tax contribution, work history, incapacity for work, age, result of means-tests, to willingness to participate in the labour market and others. They have an impact on target and needy population and thus on internal and external targeting efficiency. For

instance, unemployment benefits as were demonstrated in the foregoing chapter. If a person has worked or contributed less than required years or fails to qualify in another criterion, she has the possibility to apply for guarantee minimum resources in each case. Nevertheless, if the aim is to maintain income, these people would be excluded from unemployment insurance benefits. They are not included in the target population and horizontal internal targeting efficiency would suffer according to its definition above. On the other hand, as it was recognized above, these qualifying conditions aim to challenge frauds and abuses. They have the priority to keep vertical internal targeting efficiency as high as possible. Both result in lower opportunity costs and higher cost effectiveness (ibid.). In case of an implemented UBI, nothing would change in both internal targeting types due to the setting of UBI. UBI does not replace these policies except of minimum resource policies. But in this case, the concept of target efficiency is hardly to apply as UBI is a right for every individual as it was demonstrated above. There is no target population in that sense. Either everyone is a target or no one in particular. But, if the target population should be defined as those people who would face poverty if there is no UBI, in case of an implemented UBI, then vertical internal targeting efficiency would be low and horizontal internal targeting efficiency would be maximised as every person and every potential poor person would receive UBI. It, therefore, would also result in higher opportunity costs and lesser cost effectiveness. The money that is used for people who are not potentially poor could be used for other objectives.

But more interesting for the research problem than internal, is external targeting efficiency. While internal focuses on targets, external targeting efficiency focuses on population in need. Regardless if a person is a target or not, she can always be in need of benefits. Additionally, there is no guarantee that a targeted person receives benefits as much as this person would need, as it was discussed above. For instance in case of unemployment insurance schemes, Germany provides beneficiaries with children with 67 per cent of net earnings and beneficiaries without children with 60 per cent. In Sweden, beneficiaries receive 80 per cent of their earnings for the first 200 days and 70 per cent for the next 100

days. The UK's contribution-based benefits contain GBP ~67 (~€75) per week for beneficiaries older than 24 years and GBP ~53 (~€59) per week for younger people. Income-based benefits vary according to income, age and household circumstance (MISSOC 2012; SSA 2010). This example illustrates that these benefits rates are very universal. In case of Germany and Sweden, a person with a very low income might have serious problems to survive with only 67/60 or 80 per cent of her former income. In the case of the UK it is more extreme. The UK does not distinguish between different individual situations. Only age is a determinant for two different rates for contribution-based benefits. It is in this case difficult to argue that different kinds of needs are covered. Especially when the low level of these benefits is considered that a person can expect. A person has the option to apply for income-based benefits, but they require means-tests. Instead of perceiving security, individuals face a higher risk here (Hacker 2008).

UBI, in contrast, would always guarantee an adequate sum that is paid regardless of any condition and would help to meet basic needs at least. It would be exaggerated to argue that UBI can cover any need of individuals. But in case that there are individual requirements that are higher than the amount UBI could cover, affected people could always count on their UBI at least in contrast to gaining nothing if they fail to prove their demand on benefits. In particular, due to that there also are problems with definitions of conditions. For instance, in case of disability insurances, medical tests are required for a beneficiary to prove if she is incapable to work and thus entitled for benefits. Despite the discriminating aspects, this requirement contains two other problems: First, as types of work and their requirements vary; a person might be incapable for some types of work but not for others. Second, it is impossible to prove every inability (Kemp 2008: 165). Errors in administration or measurement, thus, cannot be precluded. The more means-tests are part of policies, the more errors can be expected. It, therefore, is reasonable to assume that UBI would help to stem these errors and help policies to gain a high horizontal external targeting efficiency despite a negative impact on vertical external targeting efficiency. It would be easier for policies in each country to address the population in need. Since the UK applies more means-tests

than the other two countries, this can be expected more in the case of the UK as Sweden and Germany have already an advantage here. It, however, has to be stressed that the result might be that the cost effectiveness might be less. On the other hand, there are higher social benefits due to less social risk and discrimination. This makes it reasonable to invest in UBI and keeps its opportunity costs low in this regard.

Additionally, different settings of policies also affect target efficiency. There can be differences in provision, finance and regulation of social security policies. In particular the UK has seen a decline in direct state provision and "moves towards 'market provision'" combined with "an overall increase of regulation in many areas" (Powell 2008: 28). The state responsibility might not be reduced with these shifts (ibid.: 31), but it implies another problem that affects the potential of UBI. Dexter Whitfield stresses in his analysis of Public Private Partnerships (PPP) that "the UK leads the world in the privatisation of public services and use of PPPs for infrastructure" (Whitfield 2010: 149). A list of services includes also those relevant for social security. He concludes that many of these privatised programs do not keep their promises regarding fairness, equality and quality. Peter A. Kemp (2008) also criticises the capacity of the private market to provide required insurances due to adverse selection and moral hazard. A state faces similar problems as mentioned above but is not tied to market rules as companies. Individuals who appear as a potential risk for insurance companies are either ignored by these companies, or the companies increases their costs or transfer back the risk to the state (Kemp 2008: 166; Whitfield 2010: 243). In either case, individuals face the risk to be excluded from the population of recipients. UBI has again the potential to stem this risk and lift social benefits, but it will depend on the amount of UBI how much risk UBI could be able to cover.

3.2. ECONOMIC EFFICIENCY

The other aspect, economic efficiency, refers to effects of social security schemes on a society's economy. It has often been argued that social security has a

negative impact on economies. It reduces work and saving incentives. The former leads to an increase of benefit dependency and lower employment rates. The latter leads to low rates of saving and levels of investments. In both cases, economic growth is negatively affected (Murray 1984). Although this assumption still finds support, it is also challenged. Social security can positively affect rational decision-making, productivity, health or social distress in times of economic crises. This negative assumption, however, brings up the important point of incentives for economic efficiency. Any social security policy creates incentives or disincentives. The latter harms economies and thus economic efficiency of social security systems. Three main forms of disincentives are unemployment, poverty or saving traps. Poverty traps mean a person ends in poverty, although she has accepted a job instead of benefits, but the money acquired through that job is lower than the benefits were. Saving traps mean when existing savings of a person negatively affects her entitlement for benefits. Unemployment traps refer to a situation where an individual only improves a little of his or her financial situation with extra labour. An individual may not perceive labour as useful and prefer her beneficiary status. In order to avoid these traps, factors such as benefit dependency, duration of benefits, the level of reservation wages, and the social environment of an individual, but also behaviour directed measurements for the response on disincentives such as conditionality, means-tests and activation programs need to be considered (Walker 2005: 201-228).

Each country has implemented these responses. In particular, means-tests and activation programs have gained more attention by governments in recent years (Clegg 2008: 151). Sweden, and also Germany, use them less extensive than the UK does. While Sweden and Germany do not have means-tests for their old-age and family benefits, the UK has them for some of its benefits here. For instance, tax-financed pension credits for people over age 60 or birth and adoption grants. The UK and Germany also use means-tests for some of their unemployment benefits as mentioned above and for some long-term care benefits, such as for social care or social assistance. All countries, however, have implemented several means-related conditions for the entitlement of guaranteed

minimum resources if the duration of other policies is expired or their benefits are not sufficient. These means-related conditions differ in respect to property, movable assets, income and other benefits, exhaustion of other claims, and exemption of resources (MISSOC 2012; SSA 2010).

With UBI, these means-related conditions for minimum resources would be obsolete in all three countries as UBI would provide individuals with them. UBI, therefore, would reduce the need for means-tests and caused stigma by these tests. There is no guarantee that governments waive to use means-tests for other policies. As mentioned above, the UK uses them to some extent in other areas and Germany to a lesser extent. It, however, can be assumed, that the situation improves even in these cases. Currently, people in need do not have any decent options. They either accept their stigmatisation and discrimination by these requirements of benefits, or any paid work even if this work has bad conditions or is low-paid (Jordan 2006: 79). UBI, in contrast, would enable people to have a choice between an application for additional benefits, employment regardless of payment or working conditions, or to avoid both of them (Standing 65: 309).

Other areas such as family benefits can also illustrate the potential of UBI for possible disincentives to work. No country has any variation with income for child benefits. But additional child tax credits and child care allowance in the UK, and child-raising allowance in Germany depend on the parent's income (MISSOC 2012; SSA 2010). Similar is the situation in other policy areas such as maternity/paternity for instance. In these cases it is possible for people to gain fewer benefits if they earn too much. According to the disincentive theory, these people would aim to earn less or nothing in order to qualify for potential benefits. Whether this would actually happen is questionable. But since it affects economic efficiency, it is noteworthy to address. UBI, however, would not directly affect these disincentives, as they are not created by UBI but by these benefits. But as children would also receive UBI, it is reasonable to assume that some people would not apply for these benefits in order to avoid income-tests or other bureaucratic obstacles. Their social costs would be too high. These people would not respond to disincentives but waive these benefits.

As it was demonstrated above, all these conditions can create employment, poverty or saving traps and therefore affect economic efficiency of social security policies. In the current systems, people have to be aware about accumulation of earnings from labour if they apply for unemployment benefits for instance. While Germany and the UK allow them such earnings, it is not possible in Sweden. In Germany, additional income also has a negative impact on the amount of entitlement (MISSOC 2012; SSA 2010). People, thus, face the risk to earn enough money to disqualify them for benefits but not enough for their survival. Additionally, income through labour can only have the same level as out-of-work benefits and therefore can create disincentives to work because of high opportunity costs. Here the situation is similar to other disincentives as demonstrated above. UBI would keep opportunity costs low. Their income would be additional and it not possible to be in an unemployment trap.

UBI would also change the situation in regard to poverty traps due to that income through labour would be additional. Furthermore, there is the argument that schemes for people in poverty motivate people near to poverty to become poor in order to qualify for these schemes (Standing 2009: 306). UBI would put a brake to such motivation as everyone receives UBI and there is nothing someone has to qualify for it. No one would be motivated to act against her desire to participate in and contribute to a society as conditional welfare can do (ibid.: 309).

The situation in regard to saving traps would probably not be affected. Although each country takes savings into account for the entitlement of minimum resources, this requirement can be ignored in this case as UBI would make the existence of these benefits redundant. The countries that use savings as a condition are Germany and the UK. In Germany, savings can hinder people from getting unemployment benefits in some cases. In the UK, it affects their income-based unemployment schemes or pension credits (MISSOC 2012; SSA 2010). UBI may make it easier to create savings, but it would not affect this situation. Saving traps, therefore, would neither be reduced nor eliminated in cases of other policies than guaranteed minimum resource schemes.

In this respect, as UBI is better able to eliminate unemployment and poverty traps than existing schemes in each country, it has the potential keep opportunity costs low and make social security policies more economically efficient. This would not apply to any policy to the same extent, but for key policies such as unemployment benefits. Since UBI would particularly abolish or at least soothe the negative impacts of means-test, it is reasonable to argue that UBI has more potential in the UK and Germany than in Sweden. Both the UK and Germany – the former to a greater extent – use means-test much more than Sweden. Sweden's policies profit from their universal characteristic and lower level of de-commodification. In particular, the latter is important for security as success in a market system benefits from possessing assets (Jordan 2006: 135). UBI would enable such assets. This is even more important if increased shifts toward market provision and shortcomings in privatised programs in the UK, as demonstrated above, are considered. Sweden's efficiency, nevertheless, would also profit from UBI due to UBI's effects on poverty and employment traps.

Additionally, there is evidence that activation programs fail what they promise. They have achieved neither reintegration into the labour market nor social inclusion. On the contrary, they have caused unsecure and poorly paid jobs (Scherschel et al. 2012). These programs could also become obsolete with UBI. Investments in these programs could be saved and used for other projects. Cost effectiveness, therefore, could improve.

It, however, cannot be denied that UBI could create disincentives to work as other policies. This is often the subject of discussions as it was mentioned above. But although results from the pilot project in Namibia are difficult to apply here, first findings suggest that UBI can stimulate economies (MISSOC 2012; SSA 2010). Furthermore, volunteer and care work would profit from UBI as mentioned above. This would also foster social efficiency due to their potential for social capital. In this case, however, it has to be recognised that the discourse of work needs to change. Otherwise, volunteer and care work will continue to be insufficiently recognized in regard to their economic and social value, as demonstrated above.

3.3. ADMINISTRATIVE EFFICIENCY

The third aspect, administrative efficiency, is about delivering benefits and services. On the one hand, these benefits have to be delivered in order to attain above mentioned aims with maximised usage of resources. On the other hand, these aims have to be attained at minimised costs. This requires correct and timely transfers, maximised usage of existing resources and respectful and appropriate treatment of beneficiaries. In order to achieve high administrative efficiency, three tasks have to be fulfilled. First, it has to be guaranteed that the performance on intermediate outcomes and objectives is maximised. These outcomes contain tasks such as efficient processing of applications, quick response, correct entitlement, user efficiency, communication and interaction, and reduction of fraud. Second, qualified personnel and appropriate technical equipment have to be provided. For instance, poorly trained personnel may have problems to perform the presented tasks properly. On the other hand, overqualified personnel may absorb resources that could be used somewhere else. Third, it requires performance management that creates accountability and transparency. This happens on the basis of internally and externally defined criteria. Although externally defined criteria are not very established yet, there are cross-country comparisons based on definitions of international agencies such as the ILO (Walker 2005: 229–253).

UBI would have several advantages in comparison to existing benefits schemes in regard to administration (Raventos 2007: 119; Standing 2002: 212, 217). First, nobody would have to apply for it and thus no one would have to prove if a person is member of a scheme or in need. Second, as every person gets the same amount each month, it would not take the same effort to deliver UBI accurately, adequately and in time. Third, UBI could be transferred automatically. No one would be in a situation where she is treated disrespectfully. This would avoid any stigmatisation from administrative personnel. Fourth, since UBI is a right for everyone, measures against fraud are not necessary. Fifth, sophisticated technology and a high number of qualified personnel could be avoided due to the first five points. Sixth and last, accountability and transparency would also be high. It would be very easy to control if someone has received her UBI.

UBI would not affect other social security schemes explicitly. These schemes would still be executed with the same performance as nowadays. They would be run with the same cost effectiveness, social efficiency and opportunity costs. But due to that UBI would replace guaranteed minimum resource schemes, it would positively affect the general administrative efficiency in each country. Each country uses means-tests in order to prove the entitlement for these benefits (MISSOC 2012; SSA 2010). Means-tests are more expensive than other routes of entitlement. They require more resources and a high level of performance in order to be effective (Walker 2005: 252). These resources could be saved with UBI and help to reduce both economic and opportunity costs. Additionally, as mentioned above, means-tests are often perceived as a stigmatisation of beneficiaries. Social benefits attained through social security entitlements suffer from means-tests (ibid.: 197). UBI, which does not require means-tests, would therefore help to reduce social costs of individuals.

4. CONCLUSION

The study found that social security systems in the UK, Germany and Sweden would profit from UBI in order to achieve their aim. Current social security schemes use several requirements that limit their outcome. UBI does not have these limitations and it has to be concluded that UBI would improve the effectiveness and efficiency of the social security systems in the UK, Germany and Sweden. It would help them to achieve their aims and fulfil their functions better. This would count less for income replacement and compensation, and not at all for behavioural changes and paternalistic functions, but for all others, such as poverty alleviation, risk protection and social cohesion. In regards to effectiveness, this would particularly apply to Sweden, since UBI would address its two welfare characteristics of high decommodification and universal solidarity. In the case of the UK, the result is controversial. UBI would positively affect the potential for individual prosperity, but it would challenge the ideal of low decommodification regarding basic needs. In regards to efficiency, the UK would profit most here since its current conditions provide less social security. Sweden

would profit less but due to their above mentioned limitations it would be still profit.

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