Interview. ‘There is a world of difference between a modest income to which you are entitled no matter what and one to which you or your employer are only entitled to if you accept to be pushed into a lousy job and which you lose if you decide to quit it.’

Five Star ‘citizenship income’ will create a poverty trap, Van Parijs says

written by Roberto Ciccarelli

IL MANIFESTO ROME

We recently spoke with Philippe Van Parijs, the famous Belgian philosopher and basic income proponent. He said Italy needs a radical counter-proposal to the Five Stars’ so-called “citizenship income.” The current measure could be transformed into a “partial basic income,” he said. “One must get ready with the more radical idea of an unconditional basic income.”

The Italian government wants to create an unemployment benefit linked to free work up to 16 hours a week, to compulsory training and to incentives for companies who recruit unemployed people. Is it correct to describe this as a “citizenship income”?

The expression reddito di cittadinanza is misleading insofar as it suggests that it is a universal benefit paid to every citizen, rather than a means-tested benefit restricted to poor households. Our European welfare states consist of two main components of varying sizes. Social insurance, funded by social security contributions, is meant to cover various risks run by workers, including involuntary unemployment. Social assistance, funded by general taxation, is meant to improve the material situation of poor households. In the decades since the World War II, many countries systematized much of the social assistance component into a general means-tested and work-tested guaranteed minimum income scheme. The previous Italian government’s reddito di inclusione and the current government’s reddito di cittadinanza are social assistance schemes of this sort, the second at a far higher level than the first one.
Why then does the government use this expression: “citizenship income”?

In some of Beppe Grillo’s early formulations, there were explicit references to a “reddito di cittadinanza, anche universale” and a vibrant critique of “assistenzialismo.” When it became clear that all the Five Stars would proposing was an — admittedly ambitious — social assistance scheme, I presume that its leaders found it politically convenient to retain an expression that suggested a radical difference with the reddito di inclusione.

Up to 16 hours per week of public works for municipalities. Is there a country that has introduced a similar level of conditionality in the provision of a minimum income?

Availability for suitable work, whether provided by the municipality or by any other public or private employer is a widespread condition in social assistance schemes. Making the right to a benefit dependent on actual work for the municipalities that grant the benefit was a practice in the harshest period of the English Poor Laws. I doubt that any viable scheme actually implements a provision of this sort. As the managers of the Poor Laws found out, it turns out to be very costly to get poorly skilled and poorly motivated workers to perform unpaid work.

What do you think about the obligation imposed by the government to accept within six months at least one job offer 100 km from their city of residence, 250 km within 12 months, and in any location if no job is offered within 18 months?

I am not surprised. The Lega must have suspected that in the absence of such a clause, its Northern voters would be subsidizing Southern idlers and black market workers. Thanks to this clause, it can at least pretend that the scheme will serve to address shortages in the Northern labor market.

What do you think of the government’s sanctions against false statements about the financial situation of the poor: up to six years in prison?

No social assistance scheme can work without some sanctions. But no punishment of social fraud by the poor is acceptable if it is harsher than the punishment of tax fraud by the rich. And as “social fraud” in some sense is unavoidable wherever the informal economy plays a significant
role, harsh sanctions are a recipe for a society whose most vulnerable members are permanently terrified by the risk of being denounced.

What do you think about the exclusion from this measure of non-EU foreigners who have been living in Italy for less than 10 years?

No social assistance scheme can be viable without either closed borders or a waiting period. The right of EU citizens to the benefits of the general social assistance schemes that exist in other countries is subjected to a prior legal residence condition of five years. This waiting period could be shortened and there is no decisive argument for making it longer for non-EU citizens.

The government will provide a grant to companies that take on a beneficiary of citizenship income. The sooner the company hires, the greater its profit. What do you think of the transformation of the minimum income, which should be considered as a fundamental social right, into an incentive for entrepreneurs?

Like Germany’s so-called Hartz IV scheme, the reddito di cittadinanza will operate in this way as a subsidy to low-skilled employment, without any guarantee that the employer will help the employee acquire new skills. Using public subsidies to support low-productivity activities can make sense, but only if they provide useful training, not if they come down to making lousy jobs profitable.

Will this workfare system create a new bureaucracy that deals with the placement of the unemployed and disciplining the poor?

If the conditions are taken seriously and implemented with a minimum of rigor, the bureaucratic cost of placing, monitoring and sanctioning is bound to be phenomenal, with more money ending up spent on the wages of the controllers than on the benefits of the controlled. Therefore, we cannot expect a rigorous implementation. And in its absence, arbitrariness will prevail, and clientelism will thrive.

The Minister of Labor and Development Luigi Di Maio (Five Star Movement) presented it as a “welfare revolution.” In what sense should this expression be understood? Is it a more equal and universal welfare or a punitive turn of welfare toward what is called workfare?

In the Italian context, the reddito di inclusione was a small revolution. Italy finally joined the set of developed countries with a general minimum
income scheme. The scheme was neither individual, nor universal, nor obligation-free. But it was nonetheless, in my view, an important step forward. Relative to the reddito di inclusione, the reddito di cittadinanza was not a revolution: the basic structure was maintained. But it was a significant reform, both because it increased substantially the benefit level and because it strengthened its conditionality. At first sight, its greater generosity should be cheered. But it creates a very high risk of a serious backlash. As the reddito di cittadinanza is not universal but means-tested, declared earnings from other sources are deducted from it. Consequently working for a net monthly declared income of less than €780 makes no financial sense. In poorer parts of the country, this amounts to destroying economic incentives for much (declared) part-time work and modest self-employment, with a repressive and costly bureaucracy expected to reduce the economic damage.

Germany, England and France are some of the European countries where a workfare based on a minimum income system has existed for years. Many researchers have criticized this measure because it has created a “poverty trap.” What is that?

It is precisely what I just illustrated: with a means-tested scheme, i.e. a scheme that restricted benefits to households below some income threshold, many poor people are stuck in poverty because their attempt to get out of it by earning some modest income is “rewarded” by a corresponding reduction of their benefits. This applies to obligation-free welfare schemes as well as to workfare schemes, i.e. schemes that impose more or less ruthlessly on all able-bodied claimants an obligation to be available for work. Workfare is precisely a way of trying to make poor people work despite the poverty trap.

Does Italy risk the same “poverty trap”? 

Definitely, particularly because of its regional differences. Compared to other countries, the level of benefit is very high relative to GDP per capita in the South of the country.

What is the difference between the basic income, the “citizenship income” and the workfare system?

Unlike the reddito di cittadinanza, the basic income is strictly individual (i.e. not household-based), universal (i.e. not means-tested) and obligation-free (i.e. not work-tested).
In Italy, the need for a basic income has not yet been fully understood. And the confusion of the current government has not helped at all. Can you explain it?

The terminological choice certainly did not help. A basic income is sometimes called “citizen’s income” in the UK or “citizen’s wage” in Scandinavian countries. But more fundamentally, the confusion is easy to understand in a country that has not had the experience of a conditional minimum income scheme for a significant time. A basic income is precisely offered as a solution to the problems such a scheme creates. It is only when you’ve had a broad public debate on basic income in contrast to existing conditional social assistance that you can expect a fairly clear understanding of the difference between them among more than a small fraction of the population. This has been the case, for example in Switzerland thanks to the June 2016 referendum, in France thanks to Benoît Hamon’s presidential campaign in 2016-2017 and in Finland thanks to the 2017-2018 experiment.

Let us assume that the Italian workfare system comes into force. How can it be reformed in the way you have described in the reference book you have written with Yannick Vanderborght, *Basic Income*?

For the immediate future, we advocate a “partial basic income,” i.e. an individual, universal and obligation-free basic income but at a lower level than the reddito di cittadinanza. Above this absolutely secure floor, some people would be entitled to conditional social assistance top ups, the level of which could vary across the country, and of course also to earnings-related social insurance benefits. The poverty trap would not be abolished, but it would be significantly reduced. And the benefit could be used by people as a subsidy helping them into waged employment or self-employment. But in terms of bargaining power and emancipatory potential, there is a world of difference between a modest income to which you are entitled no matter what and one to which you or your employer are only entitled to if you accept to be pushed into a lousy job and which you lose if you decide to quit it. A general means-tested and work-tested guaranteed minimum income is a step forward that must not be dismissed too easily. But one must get ready with the more radical idea of an unconditional basic income in order to turn the backlash the current reddito di cittadinanza is likely to trigger into a further step in the direction of a free society and a sane economy.