
The likelihood of a basic income in Germany

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Abstract The article discusses whether the likelihood of Germany introducing a basic income policy — that is independent of labour market participation — has increased in recent years. A brief description of the main elements of the German welfare state is followed by a critical analysis of more recent developments in guaranteeing a basic income, not least with the 2003 merger of unemployment benefits and social assistance. Since then the resulting fears of downward mobility felt even by the middle classes have reignited the 1980's debate about a basic income. Two models (the “basic income guarantee” and the “solidarity citizen's income”) are used to discuss practical system design problems and the chances of realizing a basic income policy.

Keywords guaranteed income, labour force participation, welfare state, Germany

Guaranteeing a decent livelihood through a life-sustaining income is one of the main tasks of social policy. Over the course of the twentieth century it became clear that a certain decoupling of the market-led production of goods and services and the State-determined distribution of social income and access to social, health and cultural services was consistent both with the needs and values of the general public and with the functional demands of a society heavily based on the division of labour. Gøsta Esping-Andersen called this process “de-commodification”: “De-commodification occurs when a service is rendered as a matter of right, and where a person can maintain a livelihood without reliance on the market” (Esping-Andersen, 1990, pp. 21-22). This relative decoupling of productivity and entitlement to income has repeatedly proved controversial, particularly in the debate about guaranteeing a subsistence minimum income. The accusation that

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social benefits were being “abused” and the expressed need to keep social benefits, or social transfers in general, below the potential earnings level have played an important role on many occasions in the Federal Republic of Germany (hereafter, Germany) and elsewhere. Germany’s social policy has been shaped by the contrast between the focus on wage earners (social insurance) at the national and corporate level and the focus on poverty (welfare, social assistance) at the local level, between industrious workers and the “unworthy” poor (Sachße and Tennstedt, 1998). In recent years, the basic income guarantee debate in Germany has been reoriented by the 2003 “Red-Green” Federal Government’s “Agenda 2010”, under the former Chancellor Gerhard Schröder, and the amalgamation since 2005 of unemployment benefits funded by central government with social assistance funded by local government to form a centrally funded “Unemployment Pay II” (Arbeitslosengeld II) or “social benefit” (known as the Hartz IV reform). This article reconstructs this new situation and also takes a tentative look into the future, discussing the possibilities for a guaranteed, unconditional basic income using the examples of the “basic income guarantee” and the “solidarity citizen’s income”.

Guaranteeing incomes in the German welfare state

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The Basic Law (*Grundgesetz, GG*) refers to Germany as a social federal state and a social state governed by the rule of law (Articles 20 and 28). The Federal Constitutional Court and the Federal Court of Justice have ruled that the welfare state principle requires the State to ensure social justice on the basis of respect for human dignity and the principle of the rule of law. This is largely achieved through a mixture of social “principles”, made concrete through benefits programmes, that represent the three characteristic pillars of the German welfare state: welfare, pensions and social security (Lampert and Althammer, 2004, p. 235). Since 2003, Germany has also been discussing a fourth social principle: citizen’s insurance (*Bürgerversicherung*), which a number of its European neighbours such as Switzerland and the Netherlands have had for some time. A fledgling form of this type of approach had existed in the former German Democratic Republic (Opielka, 2004, pp. 154-155), but after German unification, in 1990, only the West German system was continued (see Table 1 for an overview).

“Welfare” primarily consists of forms of social assistance provided when there is an assessed risk of poverty. Until 31 December, 2004, the social assistance system was governed by the Federal Social Assistance Act (*Bundessozialhilfegesetz, BSHG*), which was replaced on 1 January, 2005, with Social Code II (*Sozialgesetzbuch, SGB*) and Social Code XII. The main features of the welfare system are: its focus on need; it is funded from taxation; it is subordinate to other capital, income and subsistence entitlements; there is a certain repayment obligation; and, under Social Code II, there is a range of sanctions requiring people to find gainful employment.

Table 1. Principles of the German welfare state system

	Welfare	Social security	Pensions	Citizen's insurance
Coverage	Individuals	Compulsory membership	Persons with a special legal entitlement	All citizens (or residents)
Entitlement	According to need, on the basis of subsidiarity	The onset of the insured event	For a specific social status	The onset of the insured event
Contributions	None	Yes, compulsory contributions	Yes, non-monetary "special sacrifice"	Yes, social taxes/taxes
Means-tested	Yes	No	No	No
Branches of insurance	Social assistance / Unemployment Pay II Youth welfare Social re-integration Housing benefit	Statutory old-age pension insurance Accident insurance Unemployment insurance Statutory health insurance Long-term care insurance	War victims' pensions Social compensation Civil service pensions Child benefit Parental allowance Training grant	Nascent form in long-term care insurance benefits
Minimum income guarantee (texts in brackets are proposed reforms)	Social assistance	Basic income support	(Basic income / Citizen's income)	(Basic income guarantee)

Source: Author's illustration.

The “pensions” principle involves the payment of tax-financed compensation for particular sacrifices made for the State (mainly war victims covered by the Federal War Victims’ Pensions Act (*Bundesversorgungsgesetz, BVG*) and supplementary legislation) and for social statuses which the State regards as particularly important, such as for civil servants, although child and parental benefits, the main family policy allowances, also come under this principle, as do training grants (Opielka, 2004, p. 26). These benefits are not dependent on the payment of contributions. Sometimes the pensions principle is divided into compensation and assistance, but this is not discussed here because what is more important is what the benefits have in common sociologically: they are designed to safeguard politically defined statuses.

The “social security” principle covers life’s traditional risks. Entitlement to benefits is primarily based on waged employment and benefits are mainly cash benefits, replacing earned income (e.g. old-age pensions, sickness benefits, unemployment benefits) and thus designed to guarantee the same standard of living as before the onset of the insured contingency. The “social security” principle, which dates back to Bismarck and his social legislation, is seen as a specifically German achievement and is characterised by wage-related contributions, equal funding by employers and workers and equivalence between contributions and benefits (Lampert and Althammer, 2004, p. 237).

The principle of “citizen’s insurance”, as an egalitarian way of extending social security (based conventionally on waged employment) to all citizens, is a recent addition to the German political debate on reform. It was first discussed as an alternative to wage-based funding of statutory health insurance in the 2003 report by the “Sustainable Funding for Social Security Systems” Committee, also known as the “Rürup Committee” after its chairman Bert Rürup (Federal Ministry of Health and Social Security, 2003, p. 149). The principle was introduced in nascent form, without being publicly perceived as an extension of the system, with regards to benefits provided under the long-term care insurance scheme. The long-term care insurance scheme provides for those with statutory or private insurance to receive identical benefits even though they may have paid different contributions (based on earned income under the statutory scheme, or fixed contributions for private contributors). The proposed principle of citizen’s insurance is mainly based on corresponding schemes in Switzerland’s AHV (*Alters und Hinterlassenenversicherung*) pensions insurance, including for the various branches of income security (Opielka, 2005a; Strengmann-Kuhn, 2007). Citizen’s insurance schemes are usually funded from quasi-tax contributions, also referred to as social taxes.

Table 1 gives a comparative illustration of the key principles of German social policy. It also shows how a minimum income is or may be guaranteed under these principles: welfare provides social assistance; social security has (means-tested) basic income support, since 2003 under the statutory pensions insurance scheme,

and since 2005 under the unemployment insurance scheme (Unemployment Pay II / “Hartz IV”); under the pensions principle a general basic income would be possible, such as in the form of a social dividend or a negative income tax; and lastly, it would also be conceivable to design a citizen’s insurance scheme as a basic income guarantee. These reform options are described in more detail below.

Given the combination of welfare, pensions and social security principles, and with its emphasis placed on social insurance, the German welfare state may be classified as a “conservative” welfare state arrangement, distinguishable from the Anglo-Saxon “liberal” type and the Scandinavian “social democratic” type. This differentiation was introduced by Esping-Andersen (1990) with his typology of the “three worlds of welfare capitalism” (for an overview, see Arts and Gelissen, 2002). A fourth type, “guarantism”, has recently been proposed with reference to Switzerland (Opielka, 2004; Opielka, 2005a; Carigiet and Opielka, 2006).

Esping-Andersen counted Germany as a prototype conservative (corporatist) welfare state because the system is characterised by the maintenance of different statuses with class- and status-related rights. The focus is on the family and household system. De-commodifying social rights (i.e. social rights that are independent of the labour market) tend to be more marginal, and the market is less obviously a generator of welfare. This German conservative type of regime was long seen as a successful model, but the (Bismarckian) linkage of social security and a person’s status, or more precisely of their gainful employment status, which was once celebrated as one of Germany’s best exports, has now become a problem. The imbalance between supply and demand in the labour market, which has been growing for more than 30 years, and the erosion of the “normal employment relationship” (Mückenberger, 1990) have placed an enormous financial burden on the German social security system. Many observers see the gradual decoupling of social security from the labour market as a consequence of modernisation (Alber, 2002; Vobruba, 2006). The German model of “Rhine capitalism”, which focuses on balancing capital and labour and on stabilising the traditional “normal family” and the male breadwinner model on which it is based (Pfau-Effinger, 2004), is facing a considerable crisis of legitimacy and, concomitantly, putting pressure on politicians.

The crisis in guaranteeing minimum income

Since 2003, there has been a heated political debate about the future of Germany’s welfare state model. The political elites have become embroiled in talk of modernisation, which has exposed the welfare state to severe criticism, mainly about affordability, cost-efficiency and its inability to solve problems. The welfare state has now been restructured under the slogan of “activation” and the associated maxim of “carrot and stick” (“*Fördern und Fordern*”). Since the 1990s, both these terms have become central concepts in the western transformation of the welfare state (Gilbert,

2002). The political idea behind them is to cut down the scale and range of public goods and limit State, and also association- and community-based, corporate distribution mechanisms in favour of market-led controls, which are seen as superior (Opielka, 2003, pp. 543-544). With this concept, individuals are required to organise their lives in line with the market (Lessenich, 2003).

This restructuring of the welfare state — from market correction to activation — aims to put market principles in the broadest sense into practice, and is contrary to the traditional German concept of the welfare state as a guarantee and a reliable safety net for its citizens in times of need. It goes hand-in-hand with demands that the rights of the individual must no longer be “overemphasised” at the expense of duties to the community; instead these duties must be “reinvigorated” in order to activate citizens generally and clients of the welfare state more specifically. When given a positive spin, the idea is that people are already motivated and ready to help themselves, and this motivation simply needs to be activated or triggered. There are often suspicions, however, that the metaphor of activation is being used to bring about the further dismantling of protective welfare state rights that “should protect the individual from the pressures and risks of the market” (Trube and Wohlfahrt, 2004, p. 2).

A typical example of this “transformation of the welfare state” (Gilbert, 2002) is the “Hartz” legislation, and particularly “Hartz IV” (Kaltenborn, Knorr and Schiwarov, 2006). In his government statement of 14 March, 2003, (Federal Government, 2003) the then Federal Chancellor, Gerhard Schröder, described this transformation very succinctly: “We will cut back State benefits, encourage personal responsibility and demand a greater contribution from every individual”.

In the aftermath of a jobs scandal at what used to be the Federal Employment Office (*Bundesanstalt für Arbeit*), wherein the Office had greatly overestimated the success of State-run initiatives to help unemployed people back into work, the Red-Green Government set up a commission in the Spring of 2002, chaired by the then director of personnel at Volkswagen, Dr Peter Hartz. The commission produced a report in August of the same year — immediately prior to the elections to the lower house of the Federal parliament (*Bundestag*) — entitled “Modern services on the labour market”, in which it recommended a comprehensive package of measures in 13 “innovation modules” (Hartz-Kommission, 2002). In December 2002, the Hartz I and II packages of legislation were adopted, followed by Hartz III and IV in December 2003. Hartz I and II introduced “grants for entrepreneurs” (*Ich-AGs*) and “mini-jobs” to combat undeclared employment. Staff services agencies (*Personalserviceagenturen, PSAs*) were designed to help people return to the labour market more quickly, to provide a one-stop shop for the conversion of employment exchanges and welfare centres into job centres, and to allow better data matching (Kaltenborn and Schiwarov, 2006). As part of the “carrot and stick” approach, stricter tax credits and rules on the reasonable expectation to actively seek

employment were also introduced that brought about considerable cuts in unemployment benefits. Hartz III restructured the public employment service and simplified certain aspects of the employment promotion legislation in Social Code III. Hartz IV finally completed the amalgamation of unemployment benefits and social security benefits. Implemented as Social Code II since 1 January, 2005, it has regulated, in the form of Unemployment Pay II (*Arbeitslosengeld II, ALG II*), basic income support for job-seekers who have been unemployed for more than a year and social benefits for their non-earning dependants. It replaced the Federal Social Assistance Act (*Bundessozialhilfegesetz, BSHG*), which was in force until 31 December, 2004, and which now, as Social Code XII, only applies to unemployed persons who are long-term or permanently incapacitated. All three systems are, as welfare benefits, need oriented and thus differ from the traditional system of unemployment insurance (*ALG I*), providing coverage against the risk of unemployment based on the previous wage (see Table 2).

The introduction of Social Code II marked the end of the system of unemployment assistance. Whereas up to 31 December, 2004, the level of benefit was determined by previous earnings, it is now linked to the normal social assistance rates with an additional lump-sum payment for one-off benefits mainly for clothing, furniture and renovation work (under the Federal Social Assistance Act these were determined on a case-by-case basis according to need). The Unemployment Pay II for the first (adult) member of a household receiving joint benefits is €347 (since 1 July, 2007) (In July 2007, €1.00 = US\$1.36 approx.). Rent and heating costs, up to the value of the amounts actually incurred, are also paid where appropriate. Before claiming Unemployment Pay II, a person who is long-term unemployed (which includes most benefit recipients) must first draw down and live off declared personal savings. Anyone who is unable to manage with the lump-sum payment is given benefits in kind. There is no supplementary social assistance. If the unemployed person is in a marital or quasi-marital relationship, he or she must first rely on the support of his or her partner, and only thereafter will public benefits be paid. This restricted access to benefits is combined with stricter rules regarding the reasonable expectation to take action to reduce neediness, which are applied under threat of sanction. Thus, for instance, Unemployment Pay II recipients may also have to take poorly paid part-time jobs or mini-jobs. If they refuse, their Unemployment Pay II may be reduced by up to 30 per cent. Young adults may even have all their unemployment benefits withdrawn and be limited to benefits in kind. Moreover, since 1 July, 2006, the entitlement of young adults is subordinate to their parents' obligation to provide maintenance.

The details of these specific reforms, and also of reforms taken as a whole, reveal the change of paradigm and illustrate clearly the new socio-political approach. There is a move away from the previous German model of social security and its goal of securing the insured's standard of living. Instead, an attempt is now being

Table 2. Social security system covering unemployment and need in Germany (since 2005)

Type of benefit	Unemployment Pay I	Unemployment Pay II	Social allowance	Social assistance
Social system	Social security	Welfare	Welfare	Welfare
Funding	Social insurance contributions	Taxation	Taxation	Taxation
Duration	A maximum of 12 months (for persons older than age 55, a maximum of 18 months); thereafter, Unemployment Pay II	Unlimited (but an obligation to take action to end neediness)	Unlimited	Unlimited (if assessed as incapacitated)
Covered persons	Unemployed persons (who satisfy the qualifying conditions)	Unemployed persons aged 15-65 who are fit for work	Dependants of an Unemployment Pay II recipient who are deemed incapable of work	Long-term or permanently incapacitated

Source: Author's illustration.

made, through reducing spending on benefits and increasing pressure to actively seek employment, to ensure that beneficiaries are placed in some sort of work.

Viewed optimistically, this workfare approach also brings with it opportunities, since the reduction in State-funded benefits (economic and legal intervention) (Kaufmann, 2002) is accompanied by a wider range of social services (pedagogic interventions) designed to promote integration in the primary labour market (Federal Employment Agency, 2005, Section 4). These services are mainly aimed at the traditional welfare state clients; in other words, the long-term unemployed. Hartz IV created a separate range of instruments especially for this group, known under the heading of “case management”. The term itself is not actually used in the wording of the legislation, but its strategic significance is stressed in the explanatory statement: “In order to overcome the need for assistance as quickly as possible, integration benefits must be tailored towards those requiring assistance who are capable of working. Case management will therefore be a core element of the new benefits. Case management focuses on the specific needs of the person concerned; on this basis a personal plan is then drawn up with the active participation of the person concerned” (Federal Employment Agency, 2005; Federal Parliament, 2003, p. 44)

Case managers are responsible for the case management. They each take care of up to 75 benefit applicants who are assessed fit for work, and allocate benefits according to an “integration plan” following individual profiling. Case management too is geared towards the principle of activation into gainful employment, which means that obstacles to placement in employment must be identified and eliminated; not least since the long-term unemployed tend to bring a lot of these obstacles with them. In a survey of unemployed social assistance recipients, for instance, it was found that only “42 per cent have no other major problems (such as health problems, addictions, debts, a criminal record or housing problems) apart from being unemployed, but 25 per cent have two or more” (Reis, 2005, p. 12). Such problems are an obstacle to placement in employment, so successful case management should be more about eliminating some of these obstacles rather than the rapid integration of benefits recipients into employment. This focus on pedagogic forms of welfare state intervention, which could potentially create so many opportunities, has had a lukewarm reception in practice, however. It is still not clear which concepts and practices should be considered a compulsory part of case management (ibid, p. 10).

In working with traditional “problem group” social pedagogic clients (addicts, the homeless, those with mental illnesses and young people) who are difficult to place in employment, longer-lasting support processes are needed. The aim of these support processes is to re-establish the focus on gainful employment — the co-operation, motivation and activity — that was actually a prerequisite with previous concepts. However, these processes require a lot of manpower and are not guaranteed to succeed. Social Code II nevertheless demands results, which must be

reported regularly in an “integration statement” (Federal Employment Agency, 2005, Section 54). The fear, however, is that the “pressure to provide cheap compulsory labour” (Trube and Wohlfahrt, 2004, p. 8) will increase without the underlying social problems ever being tackled seriously. We can already see the first indications of this, since the status of “job opportunities in the secondary labour market” (Federal Employment Agency, 2005, Section 16-3) — referred to publicly as “one euro jobs” — has clearly been upgraded since 2005. In addition, the long-term unemployed are being looked after either by teams from employment agencies and local government (who were previously responsible for social assistance) or by one of the 69 local authority bodies (*Optionskommunen*) not including the Federal Employment Agency. Academic evaluation shows that, up to now, both forms of organization have been “muted in their activation and placement work” (Kaltenborn and Schiwarov, 2006, p. 8).

The problem with the potentially “activating” approach probably lies in its central basic assumption that there is a mismatch on the labour market, with the unemployed not quite suitable for the jobs available or difficult to place successfully, and therefore needing to be given appropriate support. However, under the present economic conditions and with a structural jobs deficit of about seven million, the *obligation* to do any form of reasonably expected work, assuming that the sole intention is labour market integration, seems fairly inappropriate both socially and for the purposes of the labour market itself. This is where the question of a guaranteed income without having to work comes in.

The new debate on basic income

The debate about a guaranteed basic income not linked to gainful employment started as early as the 1980s in (West) Germany. The titles of two edited collections from the period indicated the two themes that have been the focus of the debate ever since: *Befreiung von falscher Arbeit* [Liberation from false work] was the title of a volume edited by Thomas Schmid (1984), while *Das garantierte Grundeinkommen. Entwicklung und Perspektiven einer Forderung* [The demand for a guaranteed basic income: Development and prospects] (Opielka and Vobruba, 1986) was the other. The first theme suggests that the labour market should no longer be regarded as the central institution of income distribution. A basic income would reduce the need for individuals to engage involuntarily in certain forms of arduous or unhealthy employment, would give the concept of work a broader definition and would enable the problem of unemployment to be tackled at its roots. The second theme has more to do with social policy: basic income would place the “social democracy” of the welfare state on the solid foundations of basic social rights. The demand for a basic income would then be a political demand on the same level as the demand for universal and equal suffrage at the start of the twentieth century.

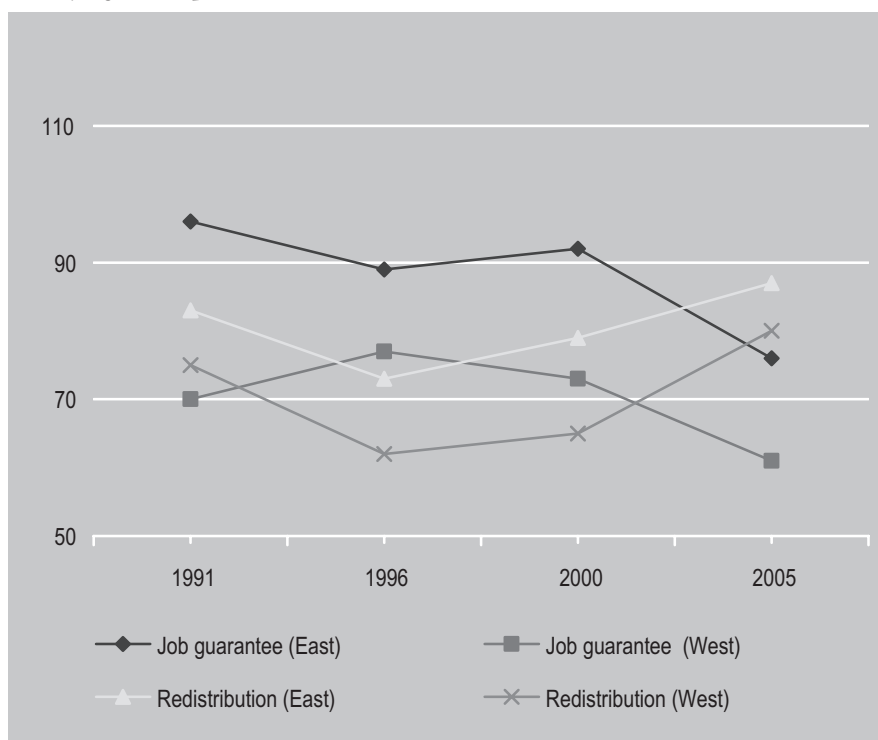
Over the last 20 years countless publications discussing the idea of a basic income have appeared, a whole series of cost calculations have been made, a basic income or “*Bürgergeld*” has been discussed in practically every political camp, and an international (Basic Income Earth Network, 2008) and a German (Netzwerk Grundeinkommen, 2008) basic income network have been founded.

The likelihood of a basic income in Germany is a question that cannot be answered just by referring to the academic debate, however (for more information, see: Vobruba, 2006; Opielka and Strengmann-Kuhn, 2007). One point of view looks at political acceptance and viability, while another considers whether practical reform proposals are realistic. Let us first consider the question of what the public thinks of a basic income. We can get an indirect idea of this from a study carried out by a group of researchers led by Wolfgang Glatzer at Frankfurt University for the Federal Ministries of Employment and Health, on “Attitudes to the welfare state” (Krömmelbein and Nüchter, 2006). This, in conjunction with data from the “International Social Justice Project” (Humboldt University of Berlin, 2008), clearly shows the contrast between the focus on individualist (“neoliberal”) concepts of fairness promoted by the political and economic elite and their associates in the media and the public’s attitudes towards the welfare state (Figure 1).

In the 18 years since German unification the number of men and women in eastern and western Germany agreeing with the view that “the State” should be responsible for full employment has declined, even though the percentage is still high (eastern: 76 per cent; western: 61 per cent). However, the percentage of those in favour of redistribution for the sake of generally guaranteeing people a material livelihood has clearly risen (eastern: 87 per cent; western: 80 per cent). Taken together, these data could be interpreted as suggesting that there might be a majority in favour of a basic income that is not linked to work and, as such, is unconditional. In 2007, the leisure researcher Horst W. Opaschowski conducted a survey entitled “Minimex” specifically on acceptance of a basic income, in which he proposed a “subsistence payment” of €580 and gave the results of a representative survey in support of this (Opaschowski, 2007). Depending on the question, between 61 and 84 per cent of respondents in his survey voted for a guaranteed basic income with clear incentives for earning additional income through work. Despite certain questions about the methods used in this survey, it does suggest that an affordable basic income is very widely accepted. This could also have something to do with the fact that the idea of a basic income is seen as an updated form of social security in a situation where there is an increased fear of downward social mobility. There are also striking empirical findings on this subject too.

Germans almost universally upgraded their subjective class categorisation between 1993 and 2002, as Table 3 shows. This can hardly be explained by objective class membership and variations in this, since the corresponding socio-economic shifts during this period were marginal. The trend between 2002 and 2004 —

Figure 1. Egalitarian concepts of fairness in Germany (Responses “quite agree / entirely agree”, in per cent)



Job guarantee: “The State should provide a job for everyone who wants to work.”

Redistribution: “The main thing is that people should have what they need to live, even if this means redistribution.”

Source: International Social Justice Project (ISJP) panel for 1991-2000, “Attitudes to the welfare state” project for 2005, cited in Krömmelbein and Nüchter (2006, p. 2).

precisely the period of the Red-Green Government’s “Agenda 2010” — is even more remarkable: the subjective perception of upward mobility gave way to a perceived movement downwards.

The idea of a basic income has been discussed in academic circles and initially among the Greens and their supporters since the 1980s. The debate was interrupted by German unification, though it carried on in many other countries. The fact that it is gaining renewed momentum is probably due to fear of downward mobility even among the middle classes, and to the perception of a “cut-off precariat” (Müller-Hilmer, 2006). In the eyes of its advocates, the idea of a basic income is the antithesis to social division and exclusion. It assumes that every individual counts, no matter what he or she does, and it thus stands for a programme of basic social rights.

The “activation” element, institutionalised in practice by the Red-Green Government as a “carrot and stick” policy, combined the liberal idea of performance-related

Table 3. Subjective class categorisation 1993, 2002 and 2004

	1993	2002	2004
<i>Eastern Germany</i>			
Upper-middle class; Upper class	2	7	3
Middle class	40	51	39
Working class	59	42	57
<i>Western Germany</i>			
Upper-middle class; Upper class	14	14	10
Middle class	58	61	54
Working class	29	25	37

Sources: Federal Statistical Office, 2004, p. 612; 2006, p. 594.

distributive justice and market regulation with the conservative idea of need-led distributive justice and community regulation. The entrepreneur and media-friendly advocate of basic income Götz W. Werner put it controversially: “Hartz IV is nothing better than State bullying and its effects on those concerned can only be compared to open prison” (Werner, 2007, p. 91). The programme launched by President Clinton in the United States in 1996 “to end welfare as we know it”, a “workfare not welfare” policy, relies on the repressive momentum of the obligation to find gainful employment, even though such employment is not accessible to millions of people (Handler and Babcock, 2006). “Activation” and “workfare” are cultural concepts that assume that social transfer recipients basically do not want to work, and therefore need to be educated by the State and its agencies.

It therefore came as no surprise that early in 2005 a “Citizen’s Income Committee” in the liberal FDP (*Freie Demokratische Partei*), chaired by the (now) Deputy Prime Minister of North Rhine-Westphalia, Andreas Pinkwart, proposed a basic income that would be guaranteed to all citizens in the form of a Negative Income Tax, irrespective of their employment status. The public in Germany were surprised, however, when in the summer of 2006 the CDU (*Christlich Demokratische Union*) Prime Minister of Thuringia, Dieter Althaus, put forward the idea of a “solidarity citizen’s income” that was more differentiated than the FDP model (Opielka and Strengmann-Kuhn, 2007). He argued that politicians should simply trust citizens to handle a basic income responsibly, and this was the only way that citizens could be expected to trust politicians too. We will now use these two models — the proposals for a “basic income guarantee” and for a “solidarity citizen’s income” — to illustrate the basic income debate that has raged in Germany since 2005. While the basic income guarantee further develops the systems architecture of the German

Table 4. *Basic income guarantee (BIG) model — benefits and contributions*

Type of benefits	Benefits	Contributions (% of all income)
Pensions	€768-€1,536	10.0
Bridging pension supplement	—	2.0
Unemployment benefit	€640-€1,280	1.5
Childcare allowance	€640-€1,280	0.5
Child benefit	€160 per child (plus a supplement of up to €160)	2.0
Sickness benefit	€640-€1,280	0.2
Training allowance	€640 (of which 50% is a loan)	0.3
Basic income support	€640 (of which 50% is a loan)	1.0
Total BIG contribution (on income according to income tax, without income threshold/"social tax")		17.5

Source: Opielka, 2004, p. 258.

welfare state, the citizen's income model would fundamentally change this architecture.

The "basic income guarantee" model

The idea of a "basic income guarantee" could be a suitably pragmatic step (Opielka, 2005b). Every citizen pays a contribution in the form of a flat-rate, non-progressive "social tax" on his or her taxable income, without an income threshold and without the option of offsetting this "social tax" against negative income. Calculations using the total "national income" in the system of national accounts as the determining amount¹ showed that a contribution of 17.5 per cent is enough to finance all the cash benefits provided by the German welfare state if, as in the AHV basic state pension scheme in Switzerland, the level of benefit is between one and two times the basic income (see Table 4). If health insurance was also similarly funded as a citizen's insurance — a contribution of around 7.5 per cent would suffice (like in Austria, say) — then (progressive) income tax could be cut to a maximum of 25 per cent.

1. For a detailed description, see Opielka (2004 and 2005b). In Opielka and Strengmann-Kuhn (2007), problems arise with these assumptions in the calculations, in that national income also includes the income of corporations previously subject only to corporation tax.

The advantage with this model is that the German tradition of social insurance would not be interrupted, unlike with a basic income financed solely from taxation, such as the “*Bürgergeld*”, “Negative Income Tax” or the “social dividend”. It would, however, be updated, since all citizens would now be participating. What might be seen as the disadvantage with this model, however, is that while a basic income guarantee pledges everyone a basic income, anyone not wanting to enter the labour market — and who does not have young children to bring up and is not a student, incapacitated, disabled or an elder — receives only a partial basic income, a “student grant for all”, in which, as with the current student training grant, half of the amount is paid as a loan. Instead of the “one euro jobs”, which many people think have a discriminatory ring, the loan part of the payment need not be repaid by those undertaking charitable or community work. Given the current background of increasingly flexible and insecure wage employment, an instrument would be created allowing people gradually to take on other sorts of work in addition to, or instead of, gainful employment. With a basic income guarantee anyone registering as unemployed receives an amount of between one and two times the basic income for an unlimited period, without income-testing and without a loan portion. Society remains responsible for access to gainful employment, but a combination of basic income and earned income is seen as an opportunity rather than a problem.

Given that Germany was the mother of the welfare state, and many countries have, since the early twentieth century, followed the Bismarckian model of social insurance centred on waged employment, it might now be seen as Germany’s responsibility to develop an up-to-date new welfare state model. This new model might be called “guarantistic” (Opielka, 2004). The welfare state guarantees a subsistence minimum income and up to double this figure. Anyone wanting more than that must insure themselves either individually or communally, such as through company or multi-company agreements. In Switzerland the AHV pension insurance, now based on the eleventh referendum (the AHV referendum), applies this principle in practice: all citizens pay 10.1 per cent of their total taxable income and are guaranteed to receive a basic subsistence-level pension (sometimes with an AHV supplement) or up to twice that amount (Carigiet and Opielka, 2006). This sort of universalistic (guarantistic) scheme takes account of demographic trends and is therefore consistently stable, and also allows people to add on a wide range of company and individual top-up insurance products (Queisser and Vittas, 2000). As happened in Switzerland in the 1970s and 1980s, social insurance based on paid employment can be developed in this direction.

The “solidarity citizen’s income” model

The solidarity citizen’s income, the brainchild of the Christian Democratic politician Dieter Althaus, is, in technical financial terms, equivalent to a “negative income

tax” (for further details, see Opielka and Strengmann-Kuhn, 2007). People with an income below a certain amount, known as the “transfer limit” of €1,600 per month, are paid in addition to their income (if they have any) an amount equivalent to at least the higher citizen’s income as “negative” tax. They are thus net recipients. People with an income greater than the transfer limit receive the lower citizen’s income. This is deducted from the tax they owe and reduces their tax burden. They are thus net payers.

With this model it is proposed that there should be different rates of tax for net payers and net recipients. The rate for those with income below the transfer limit should be 50 per cent while the rate for those with income above should be 25 per cent. The (negative) tax rate of 50 per cent ultimately represents a transfer withdrawal rate by which the supplementary allowance on the gross income is reduced, and is well below the current tax credits with Unemployment Pay II. Payment of positive tax starts only above the transfer limit. The tax rate limit is then 25 per cent, with the average tax rate starting at zero per cent and rising with increasing income to the 25 per cent maximum. To ensure that there is a universal tax tariff, the citizen’s income for net payers has to be half that for net recipients. The amounts proposed for the “higher” and “lower” citizen’s incomes are either €800 and €400 or €600 and €300 per month. The first option, referred to as *Basic Model 1*, includes a health premium of €200 per month for sickness and care insurance. With a citizen’s income of €600 and €300 a month healthcare has to be financed in some other way. In the funding study for the solidarity citizen’s income model (Opielka and Strengmann-Kuhn, 2007), it is assumed that this will happen through a health tax or health contribution, and is referred to as *Basic Model 2*. Children receive a citizen’s income of €300 per month, plus an additional health premium of €200 per month, as in *Basic Model 1*. Althaus looked at both models and came down in favour of *Basic Model 1*.

The study examined whether and, if so, how the citizen’s income could be financed from income tax with these two basic models, and what role is played by supplementary forms of funding for sickness and care insurance (e.g. payroll tax, social tax). It must be borne in mind that the solidarity citizen’s income produces considerable savings in benefits previously funded from taxation, many of which are no longer necessary. As discussed in detail in the study’s report (Opielka and Strengmann-Kuhn, 2007), the total potential savings are estimated at just over €200 billion per year.

Then again, a number of benefits in kind and services that were previously funded from contributions would have to be tax funded once the solidarity citizen’s income was introduced, such as active labour market measures or rehabilitation benefits under pensions insurance. This additional tax funding requirement is estimated at around €10 billion. Overall the total volume of savings would be between €5 billion and €15 billion per year more than previous revenue from wages tax and income tax (including the solidarity supplement).

On a more detailed level, there are plans for some interesting additions to the Althaus model of “solidarity citizen’s income”, such as, following Switzerland’s lead, a supplementary retirement pension of up to twice the basic income, and a pension supplement that secures existing pension entitlements (funded through a payroll tax, following the Austrian example), or a “citizen’s income supplement” for particular situations such as disability, above-average housing costs or for single parents. What is particularly interesting is the mixture of pragmatism and idealism: on the one hand, the solidarity citizen’s income is intended to create a “genuine” labour market, because anyone and everyone can opt either for or against gainful employment, part-time work is worthwhile, and voluntary commitments such as periods in education and training are permitted. Wage differentiation in the lower income brackets no longer leads to poverty. On the other hand, the idea of taking responsibility for oneself is an idealistic one: some people will not succeed, but the vast majority will probably find it encouraging.

Whether a basic income is affordable depends on the form it takes. The “basic income guarantee” model following the example of Switzerland’s AHV pension insurance, which guarantees everyone a basic income of between one and two times the subsistence minimum, would be funded from a social tax of 17.5 per cent on all incomes (supplemented by a similarly funded citizen’s health insurance, with a contribution of 7.5 per cent). The proposal for a “solidarity citizen’s income” also appears to be affordable if a few changes are made. It seems that, depending on political preference, with a transfer withdrawal rate of 80 per cent and a top tax rate of 35 per cent, or even with a transfer withdrawal rate of 70 per cent and a top tax rate of 40 per cent, both the citizen’s income and the health premium are affordable cost-neutral in the orders of magnitude mentioned. These tax rates sound relatively high compared with the original proposal (transfer withdrawal rate of 50 per cent and tax rate of 25 per cent), but it must be borne in mind that today in Germany the maximum rate of taxes and workers’ social insurance contributions for an employee is up to 50 per cent, and the marginal tax rate is 70 per cent. It has been shown that the simulated tax rates for all income groups are well below the current level of tax and social security contributions (Opielka and Strengmann-Kuhn, 2007).

The basic income debate in Germany: The outlook

The two basic income models described in detail here — the basic income guarantee and the solidarity citizen’s income — form part of a lively debate on a root-and-branch reform of income security in the German welfare state. Table 5 compares the main proposals in the form of a synopsis. What is striking is that the debate has now been taken up across the political spectrum — conservative, liberal, green and left-wing — and is attracting considerable attention from the media. Even the Social

Table 5. *Synopsis of basic income models being debated in Germany*

Distinguishing features	Solidarity citizen's income (Dieter Althaus)	Thomas Straubhaar	Basic income guaranteee (Michael Opielka)	Götz Werner	"Green basic income support"	Left Party basic income working group	FDP "citizen's income"
Based on social dividend or negative income tax?	Negative income tax / Social dividend	Social dividend	Social dividend	Social dividend	Social dividend	Social dividend	Negative income tax
Funding	Income tax "transfer limit" model	Fiat-rate income tax with value added tax (VAT) increased to 25%	Social security tax	Value added tax (VAT)	Fiat-rate income tax	Basic income levy (35%), income tax and social levies	Income tax
Amount received (adults)	€ 600, plus € 200 health premium in some cases	€ 650 to € 800	The minimum is equal to the Unemployment Pay II level	Short-term: Equal to the Unemployment Pay II level; Long-term: Up to € 1,500	€ 500	€ 950	Equal to the Unemployment Pay II level
Partial or full basic income	(Almost) full basic income	Full basic income	The full amount is paid to incapacitated persons, the unemployed, pensioners and parents; otherwise, a partial basic income (50%) plus a loan (50%)	Full basic income	Partial basic income	Full basic income	Full basic income
Amount received (children)	€ 300, plus € 200 health premium in some cases	Same level as for adults	Child benefit plus supplement	Slightly lower than for adults	NA	€ 475	NA
Unit of assessment (household/ individual)	Individual	Individual	Individual	Individual	Individual	Individual	Individual
Institutional form	Income tax law	Income tax law	Citizen's insurance	Net clear	Income tax law	Probably income tax law	Income tax law
Additional financial social benefits?	Supplementary pension and citizen's income supplement	None, apart from offsetting in health insurance	The maximum is equal to twice the basic income (like the Swiss AHV)	Probably none	Supplement for pensioners and housing allowances	Most will continue to be paid	NA
Additional (social) health insurance?	Health premium (as a surcharge on citizen's income) or health tax	Compulsory insurance with tax-funded social offsetting	Citizen's insurance	Not clear	Tax-funded	Citizen's insurance	Compulsory private health insurance

Source: Opielka and Stengmann-Kuhn 2007, p. 132.

Democratic Party, which has always been extremely reticent on this topic, is now organising conferences and policy debates on basic income reforms.

Questions about funding are always also questions about values: what is fair? Who gets what and why? Should the welfare state continue to focus on gainful employment, or should citizen status and basic social rights determine its structure? A basic income for all militates against social divisions and the exclusion of those apparently surplus to requirements. Talking about “benefit agencies” only sounds inclusive and encouraging if the concept of benefit is not too narrowly defined, and if every benefit is worthwhile, even for those with family commitments and engaged in voluntary work. The large-scale experiments with a “negative income tax” carried out in the United States between 1968 and 1980 with varying degrees of success showed that labour market participation was reduced for only a few groups, predominantly single mothers with more than one child (Widerquist, 2005). The repeated fears that a basic income would jeopardise the operation of the labour market appear to be giving way in Germany to the opposite view: only with a basic income can there be a “real” labour market.

The idea of basic income suggests the need for root-and-branch reform of the welfare state. But it is entirely conceivable to use the idea of an income guarantee that does not depend on gainful employment as a normative model for the modular reform of parts of the social security system, such as old-age provision in the form of a basic pension, unemployment benefit, parental benefit, child benefit and income tax (Strengmann-Kuhn, 2007). A modular, incremental reform strategy could also reduce fears about basic income reforms, such as that the consequent individualisation of social security will lead to the disappearance of maintenance obligations or that a general minimum income level will be gradually reduced because of bottlenecks in public finances.

Is a basic income possible in Germany? Given Germany’s history and its pioneering role in social policy, one could argue that there are few other countries where the idea of a basic income, once accepted, would be implemented so thoroughly and be applied in such a technically perfect and legally reliable manner. It is not seriously possible for social scientists to predict whether a basic income will be introduced in Germany. However, the clashes and discussions described in this paper, particularly since 2003, suggest that the chances have improved.

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