

European Social Forum 2008

Malmö, Sweden

transform-network

*Seminar 19. September 2008
Minimum Income and Minimum Wage*

Basic Income and Minimum Wage a comparison

*An invitation for joining
a cooperative research project
on EU level*

Peter Karl Fleissner, Vienna, Austria

<http://transform.or.at>

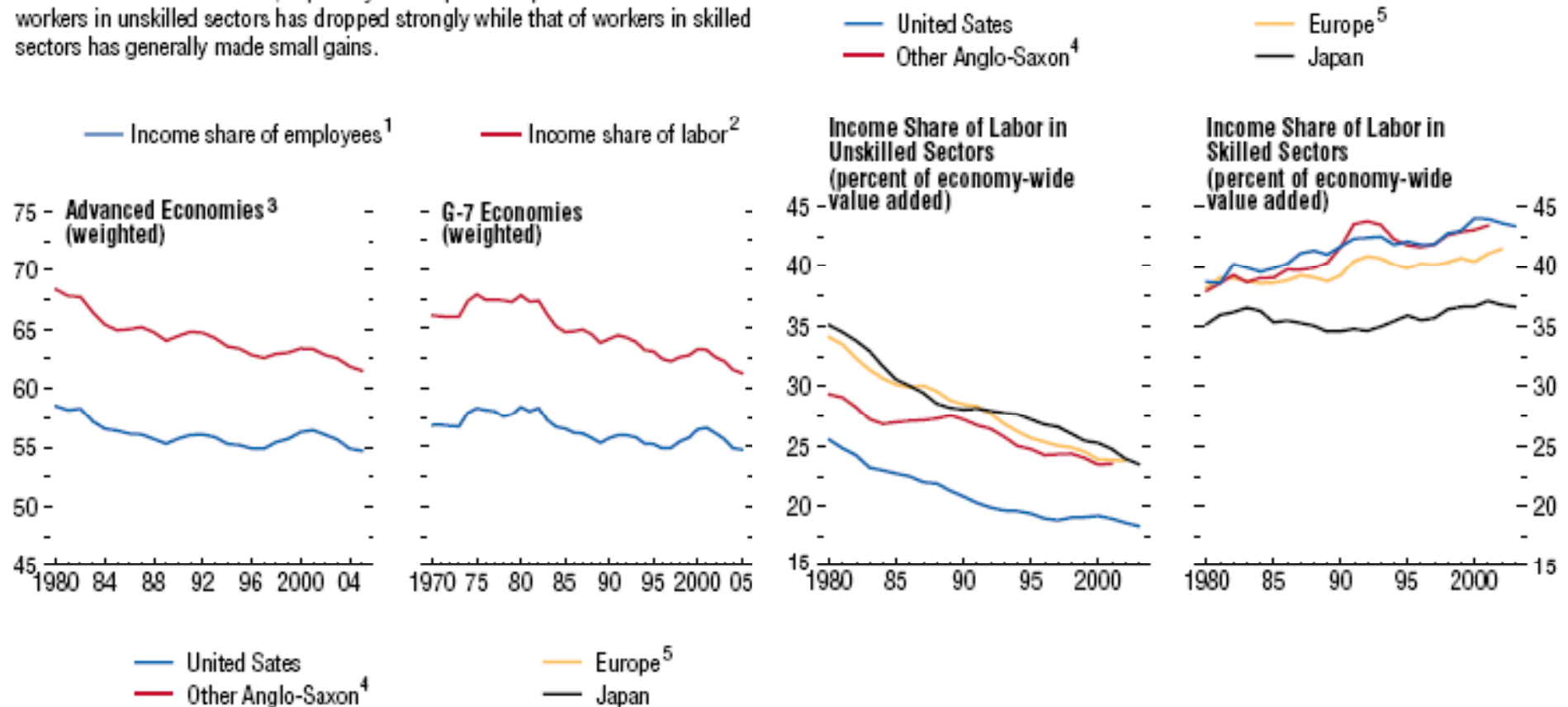
Why such a project?

Basic economic trends

Figure 5.7. Advanced Economies: Labor Income Shares

(Percent of GDP unless otherwise noted)

Over the past two decades, there has been a continued decline in the share of income that accrues to labor, especially in Europe and Japan. The income share of workers in unskilled sectors has dropped strongly while that of workers in skilled sectors has generally made small gains.



Sources: Haver Analytics; International Labor Organization, Labor Statistics Database; OECD, Employment and Labor Market Statistics, National Accounts Statistics, and STAN Industrial Database; United Nations, National Accounts Statistics (2004); and IMF staff calculations.

¹ Income share of employees is the ratio of employees' labor compensation to value added.

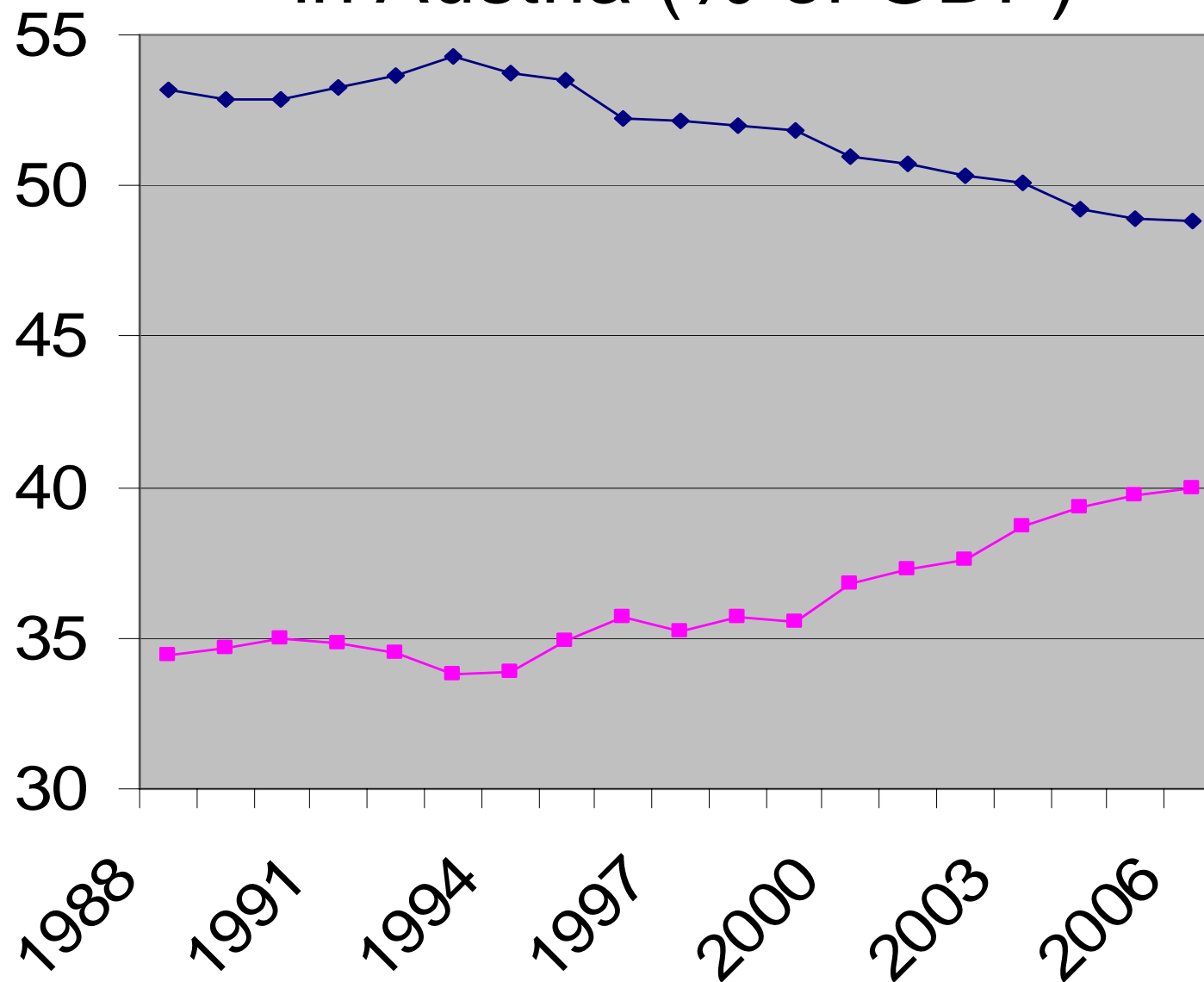
² The income share of labor estimates the share of labor compensation of employees and 'nonemployee' workers in value added.

⁴ Anglo-Saxon economies include Australia, Canada, and the United Kingdom. Australia is excluded from the analysis by skill level due to lack of data.

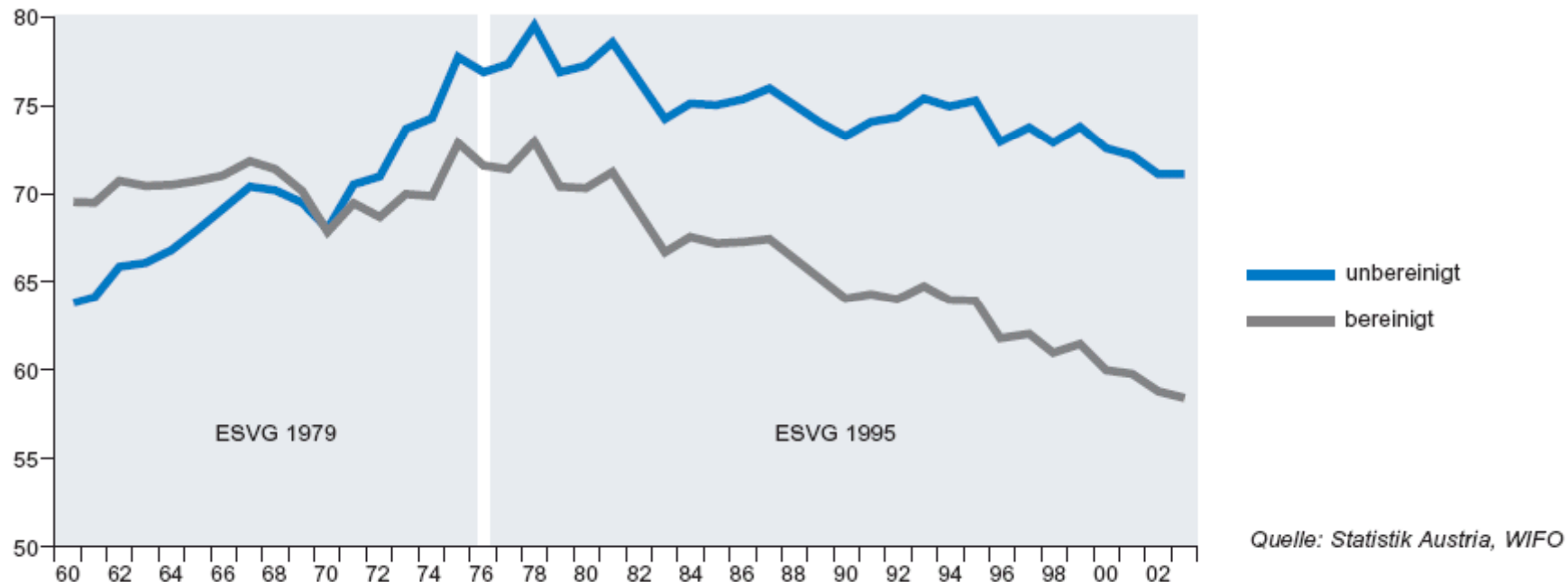
⁵ Europe includes Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, and Sweden. Ireland, the Netherlands, and Spain are excluded from the analysis by skill level due to lack of data.

Source: International Monetary Fund (2007): World Economic Outlook - Spillovers and Cycles in the Global Economy, April 2007. p. 168; free download: <http://www.imf.org/external/pubs/ft/weo/2007/01/index.htm>.

Wage and non-wage income in Austria (% of GDP)

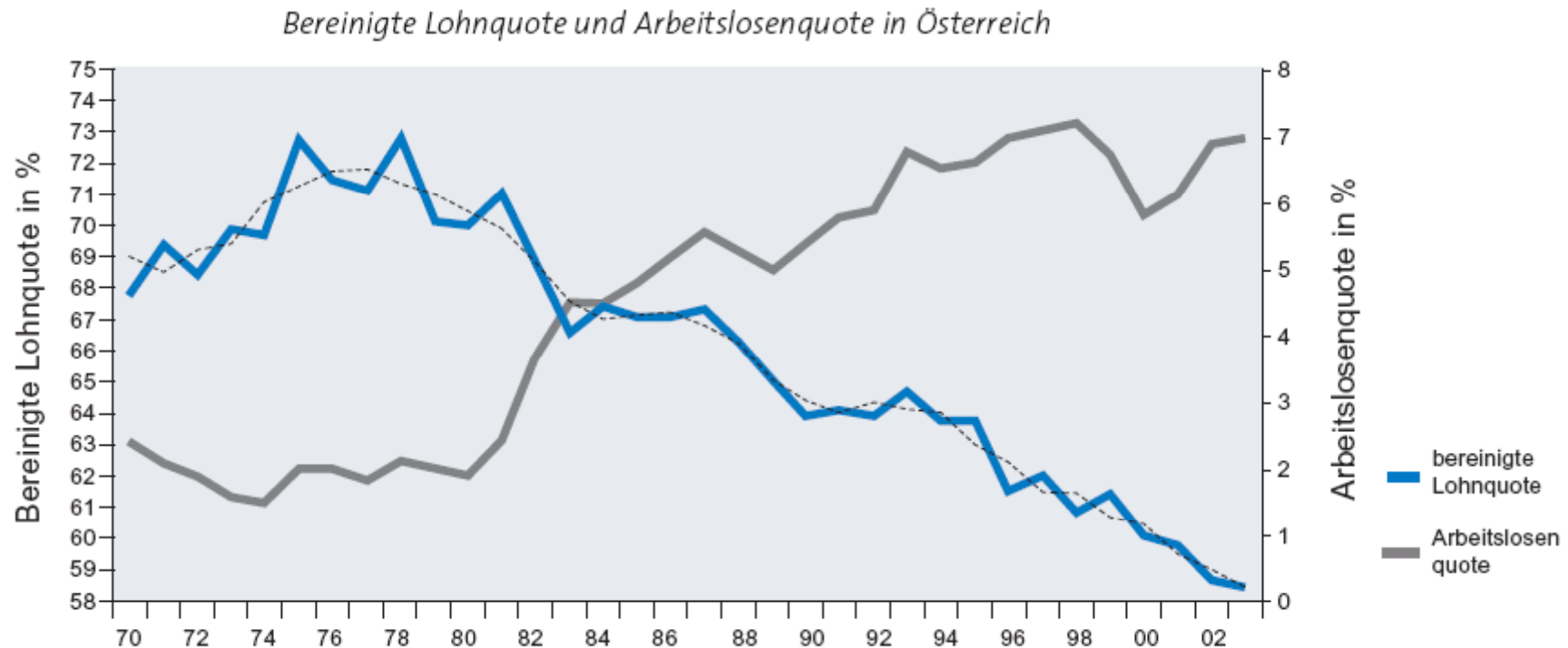


Wage Rate in Austria, in % of National Income



- Source: Bericht über die soziale Lage 2003 – 2004, Bundesministerium für soziale Sicherheit, Generationen und Konsumentenschutz, Wien 2004, S. 258

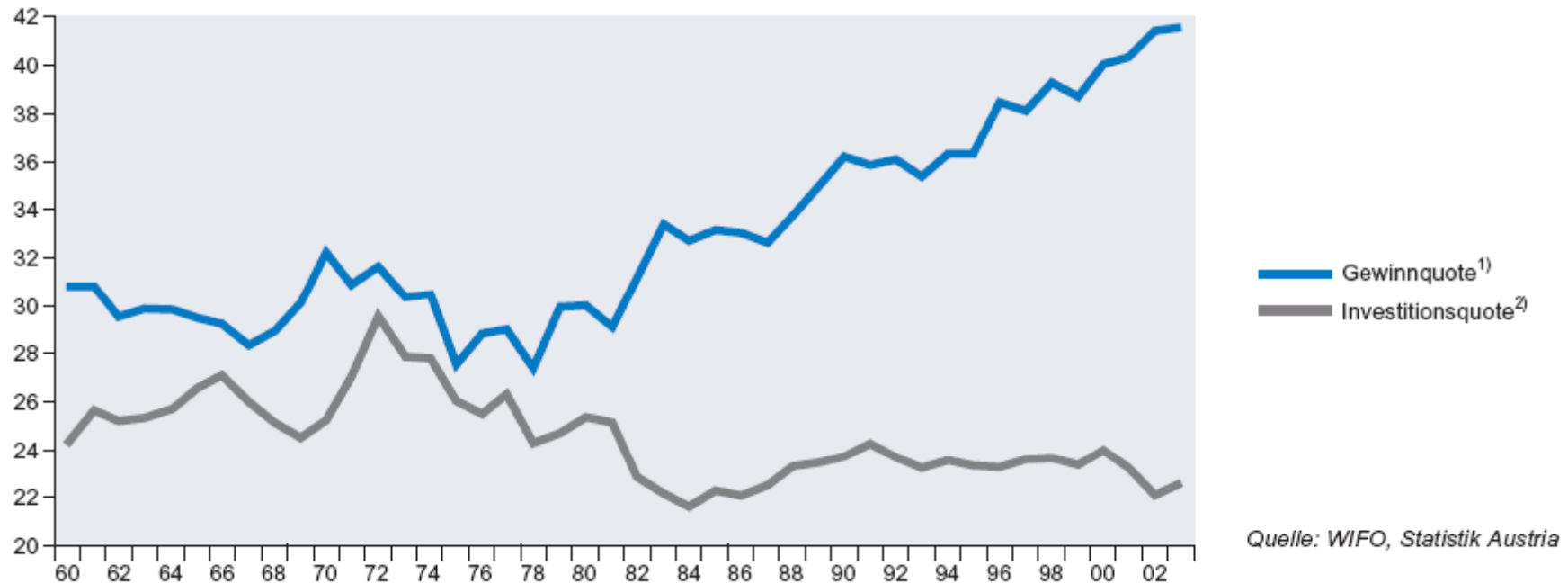
Wage Rate and Unemployment Rate in Austria, in % of National Income



Quelle: WIFO, Statistik Austria

- Source: Bericht über die soziale Lage 2003 – 2004, Bundesministerium für soziale Sicherheit, Generationen und Konsumentenschutz, Wien 2004, S. 260

Profits and Capital Investment in Austria as a Fraction of GDP



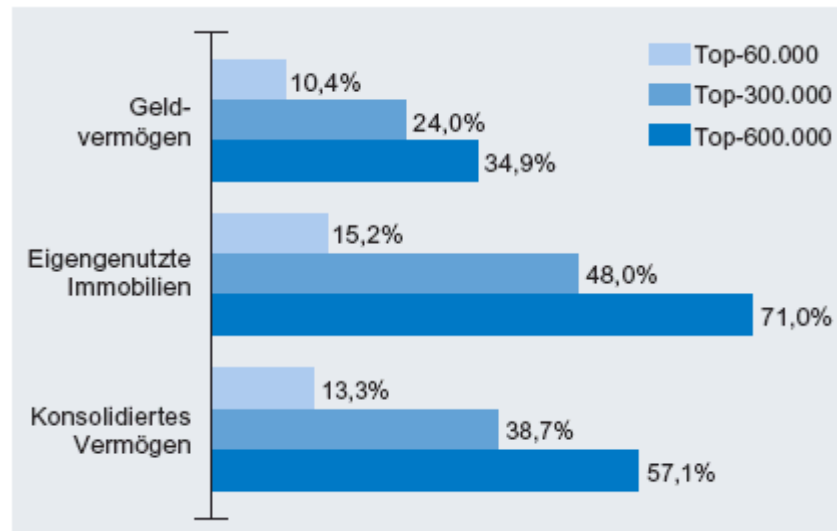
- Source: Bericht über die soziale Lage 2003 – 2004, Bundesministerium für soziale Sicherheit, Generationen und Konsumentenschutz, Wien 2004, S. 263

Poverty in Austria

- *1,044.000 persons in Austria below the threshold of poverty (=60% of median income = EUR 1310 per month per 1 person household)*
- *=13,2% of total population.*
- *The average disposable income of the so defined poor is 1/5 less than the poverty threshold*
- *Quelle: Bericht über die soziale Lage 2003 – 2004, Bundesministerium für soziale Sicherheit, Generationen und Konsumentenschutz, Wien 2004, S. 21*

Property in Austria: Money stocks and privately used houses and flats

Geldvermögen und Immobilien: Konsolidierte Werte 2002,
Anteile der Top-1%, der Top-5% und der Top-10% am
konsolidierten Vermögen



Quelle: Synthesis (eigene Berechnungen)

- Quelle: Bericht über die soziale Lage 2003 – 2004, Bundesministerium für soziale Sicherheit, Generationen und Konsumentenschutz, Wien 2004, S. 245

Unequal development of taxes

- Between 2001 bis 2006: Higher taxes for lower and medium incomes
- Tax on wages: +13%
- Value added tax, taxes on tobacco and petrol +12%, 13% bzw. 27%.

But:

- Corporation tax: - 39%
- Tax on income of self-employed: - 30%

Entwicklung der Verteilung der lohnsteuerpflichtigen Einkommen der Arbeitnehmer/innen
(Unselbstständig Beschäftigte inkl. pragmatisierte Beamte)

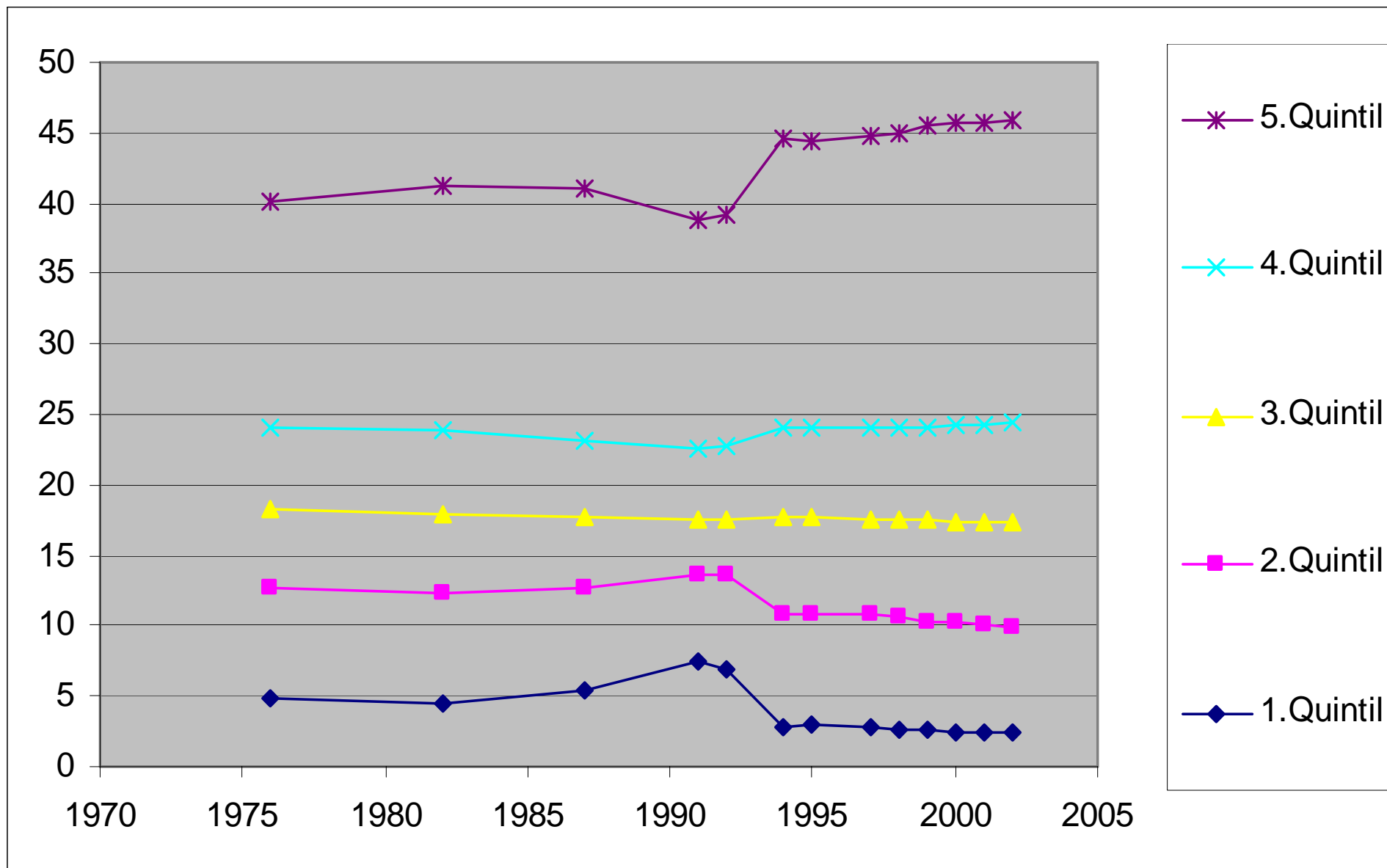
Quintile													
	1976	1982	1987	1991	1992	1994	1995	1997	1998	1999	2000	2001	2002
1. Quintil	4,8	4,5	5,4	7,4	6,9	2,8	2,9	2,8	2,7	2,6	2,5	2,5	2,4
2. Quintil	12,7	12,4	12,7	13,7	13,7	10,8	10,9	10,8	10,6	10,3	10,2	10,0	9,9
3. Quintil	18,3	18,0	17,7	17,5	17,6	17,7	17,7	17,6	17,6	17,5	17,4	17,4	17,4
4. Quintil	24,0	23,9	23,1	22,6	22,7	24,1	24,1	24,1	24,1	24,0	24,2	24,3	24,4
5. Quintil ¹⁾	40,2	41,2	41,0	38,8	39,1	44,6	44,4	44,7	44,9	45,5	45,7	45,8	45,9
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Ginikoeffizient ²⁾													
	1976	1982	1987	1991	1992	1994	1995	1997	1998	1999	2000	2001	2002
Arbeitnehmer/innen insgesamt	0,349	0,364	0,350	0,307	0,313	0,413	0,410	0,417	0,425	0,429	0,433	0,429	0,432

Quelle: Statistik Austria, Lohnsteuerstatistik; WIFO-Berechnungen

Quelle: Bericht über die soziale Lage 2003 – 2004, Bundesministerium für soziale Sicherheit, Generationen und Konsumentenschutz, Wien 2004, S. 266

distribution of income by quintiles in Austria: employees



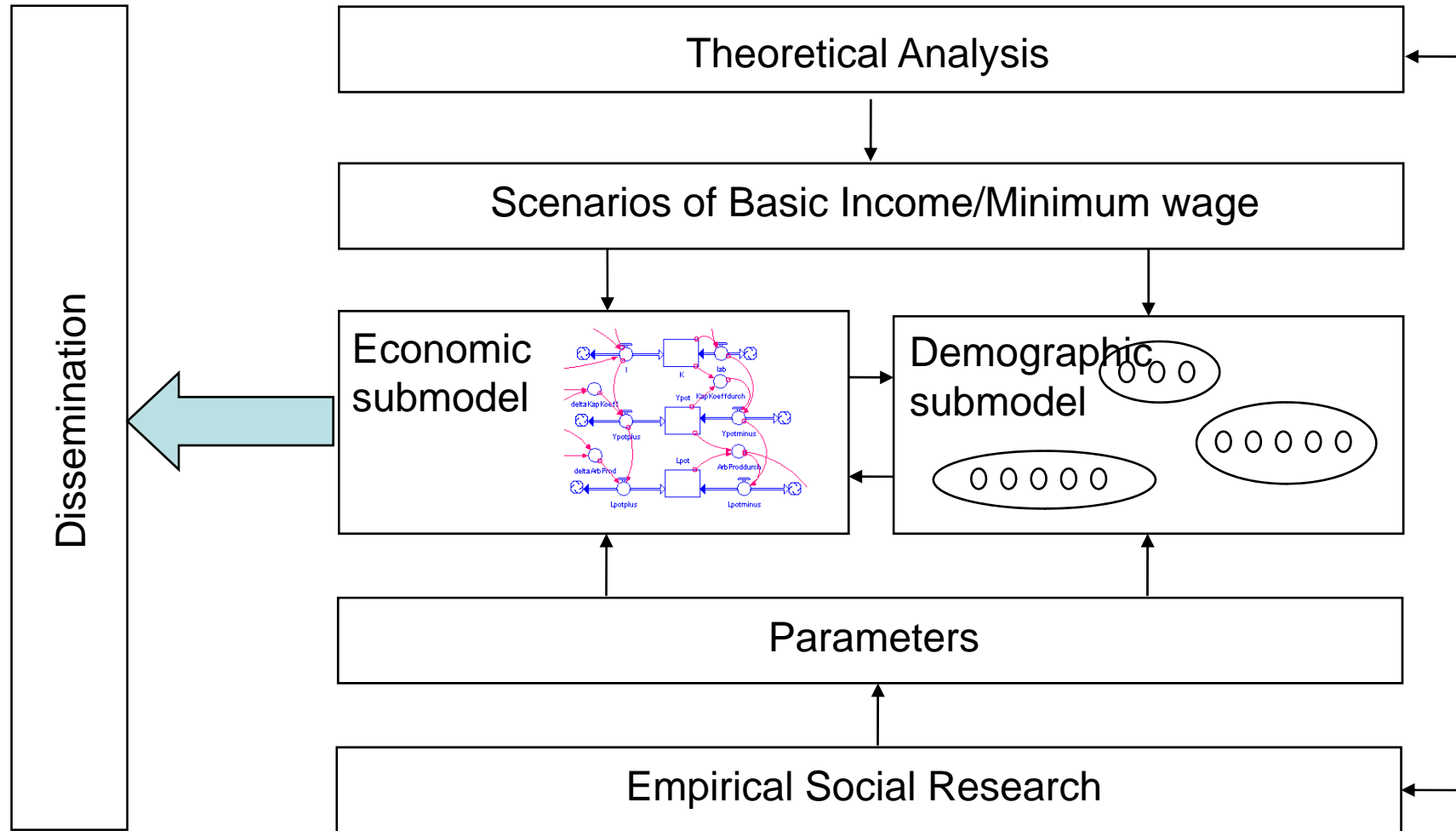
*Proposal for an international
research project:*

*„ Basic Income
and
Minimum Wage“
an international comparison*

Basic elements

- How can the trend of a more and more unequal distribution of income and property in the EU be reverted?
- Two different ways are selected and to be compared:
 - A) minimum wage: based on labour force
 - B) basic income: based on citizens
- Method: Empirical investigation combined with computer simulation

Proposed structure of the research project

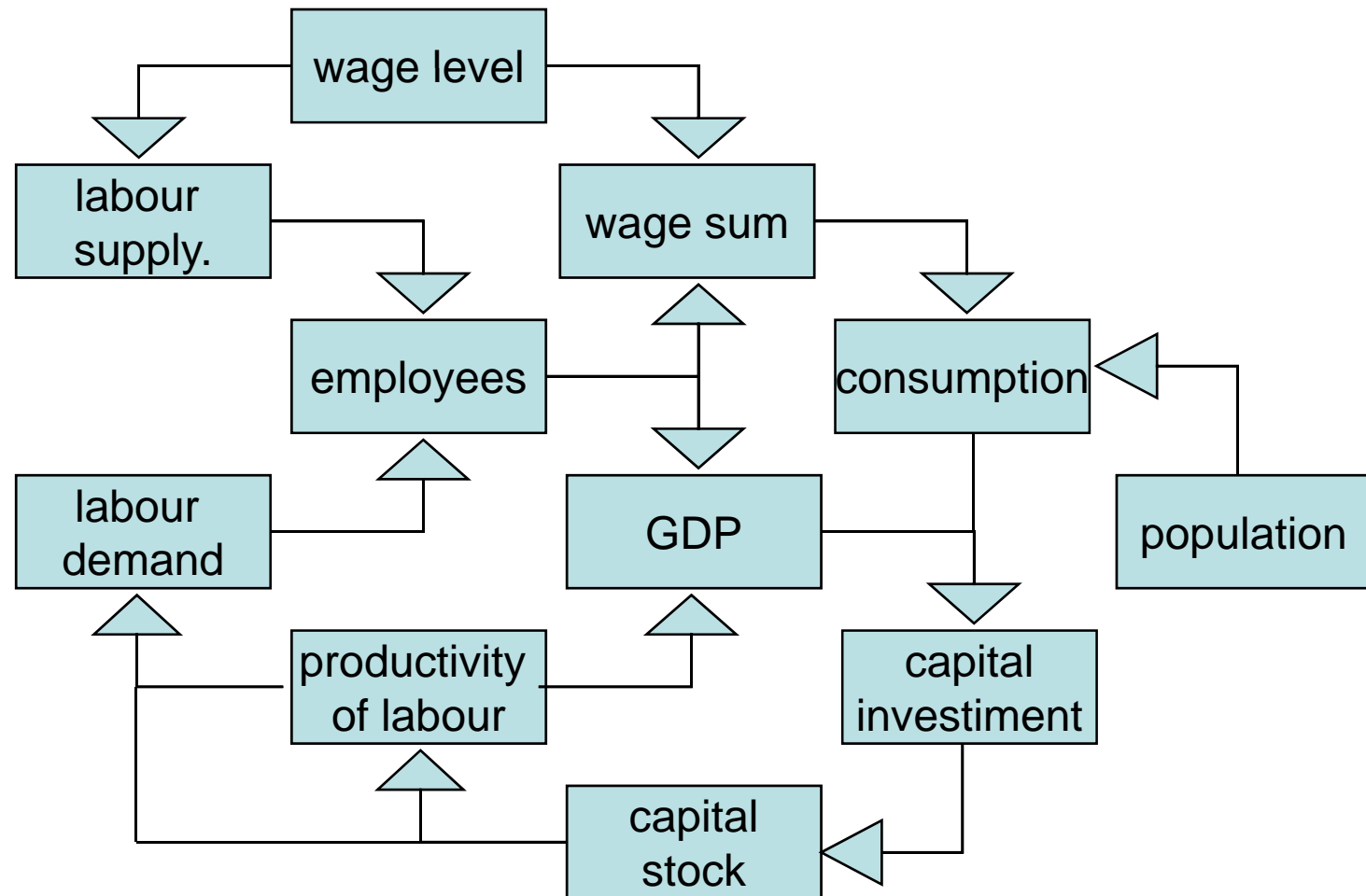


Simulation of possible dynamic effects of the implementation of basic income or minimum wage

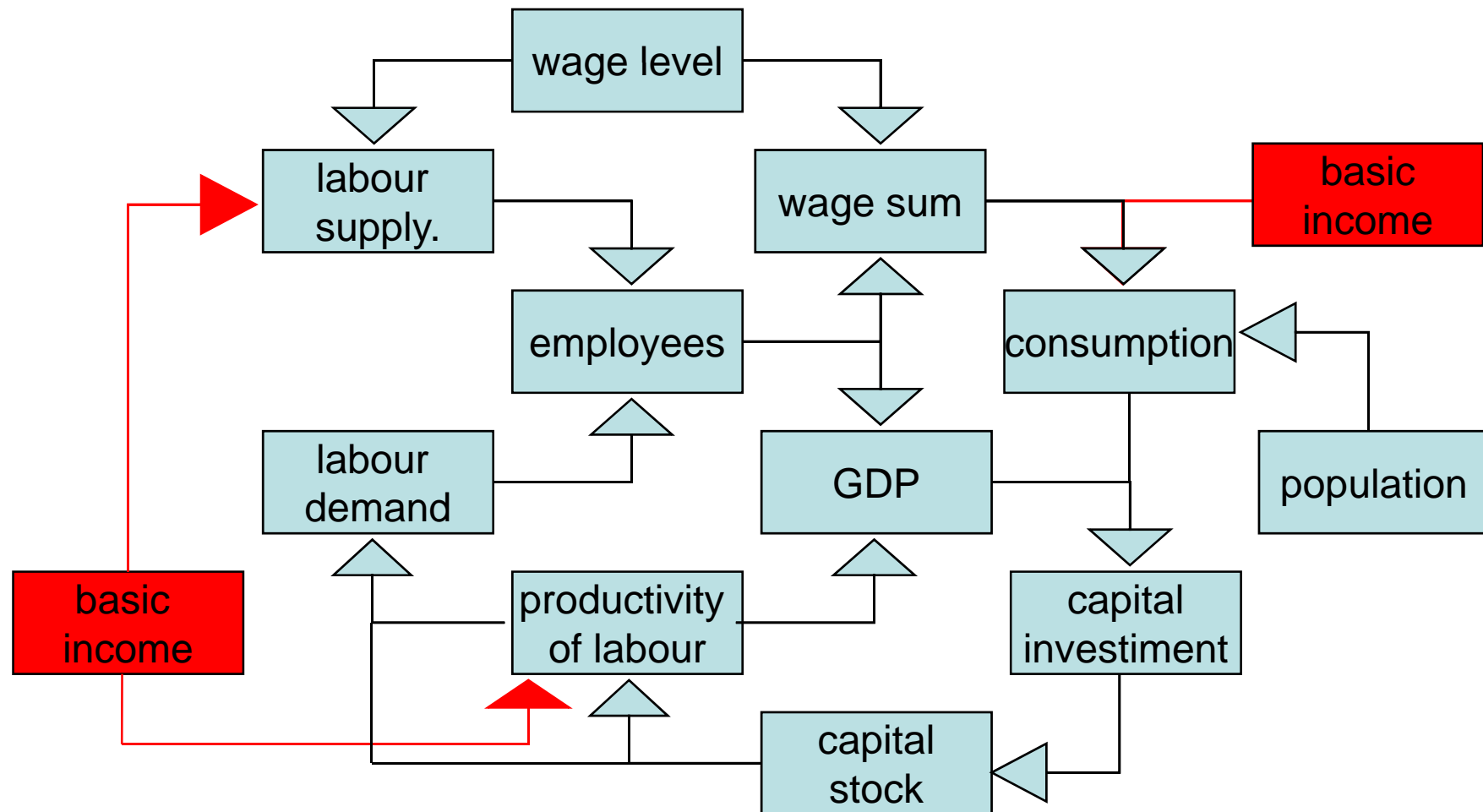
Simulation Methods

- Static models
 - *for one fixed point in time*
- Dynamic models
 - *analyze the effects of a measure over time*
- Aggregate models
 - *are based on high level indicators (e.g. population, consumption GDP etc.)*
 - *and can be easier constructed, but offer a rough and approximative picture of reality*
- Agent based Models
 - *are based on the choices of individuals or subjects*
 - *can only be built with higher effort, but allow a more detailed picture of reality.*

Simplified relations in a national economy



Possible direct effects of a basic income (simplified)



Simulation of the dynamic effects of the introduction of a basic income in Austria

Version 1: financed out of profits

Version 2: financed via negative income tax

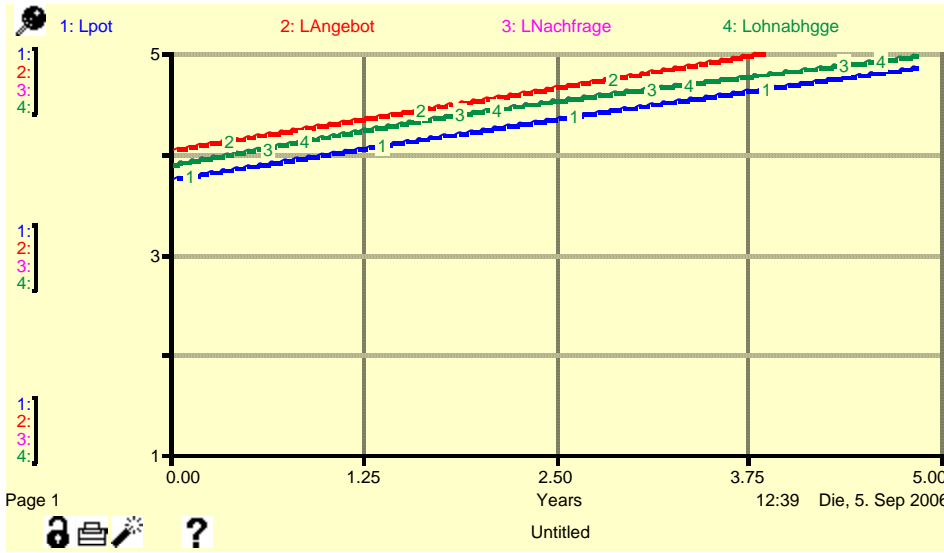
Three assumptions about the direct effects

A1: the higher the relative basic income the less people will be willing to work in

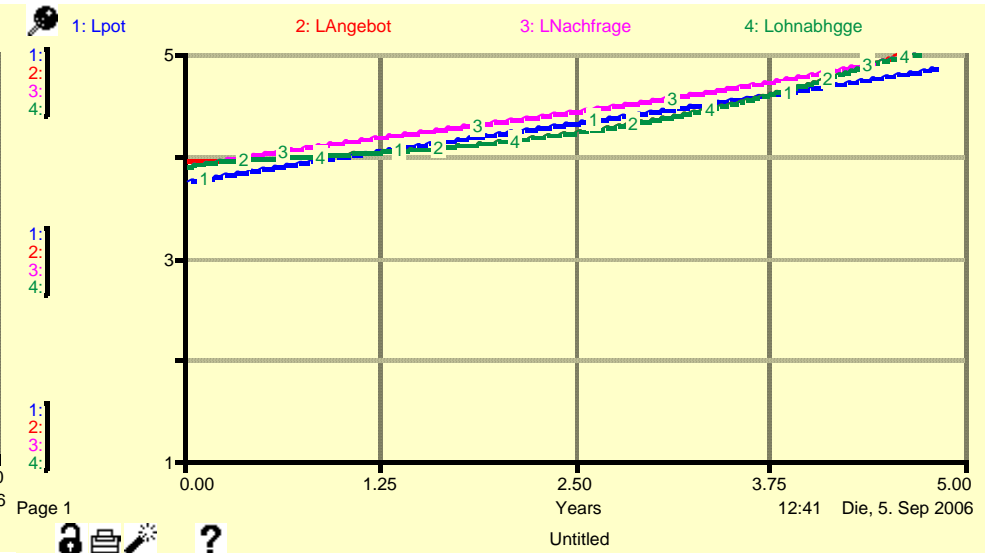
A2: the higher the additional wage the more people will work

A3: the higher the additional wage the higher labour productivity



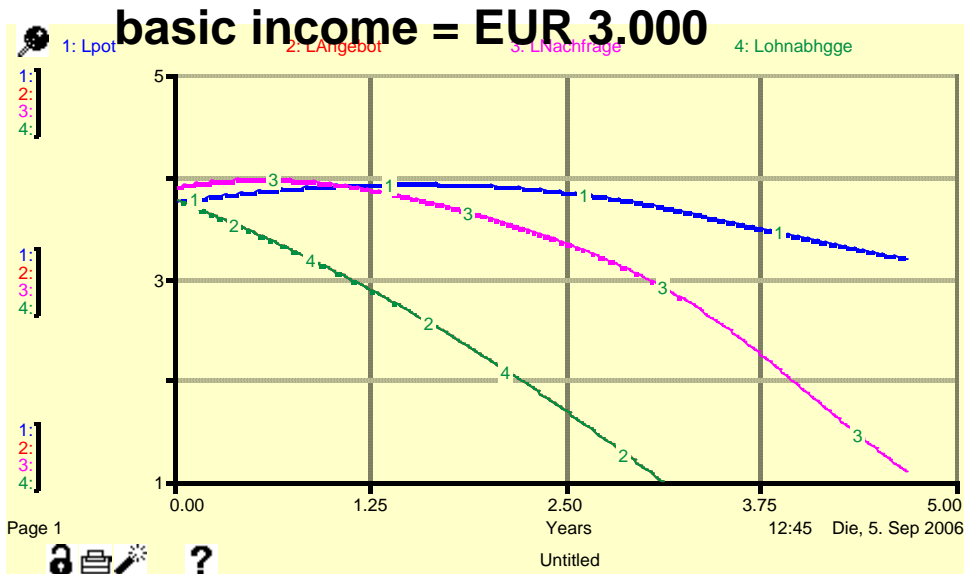


No basic income

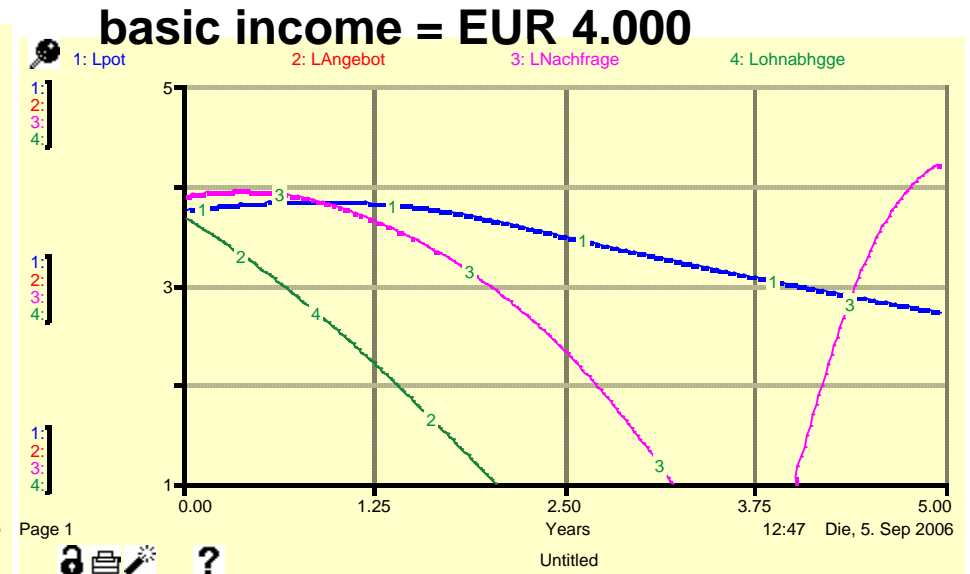


**annual (!) basic income =
EUR 1.000**

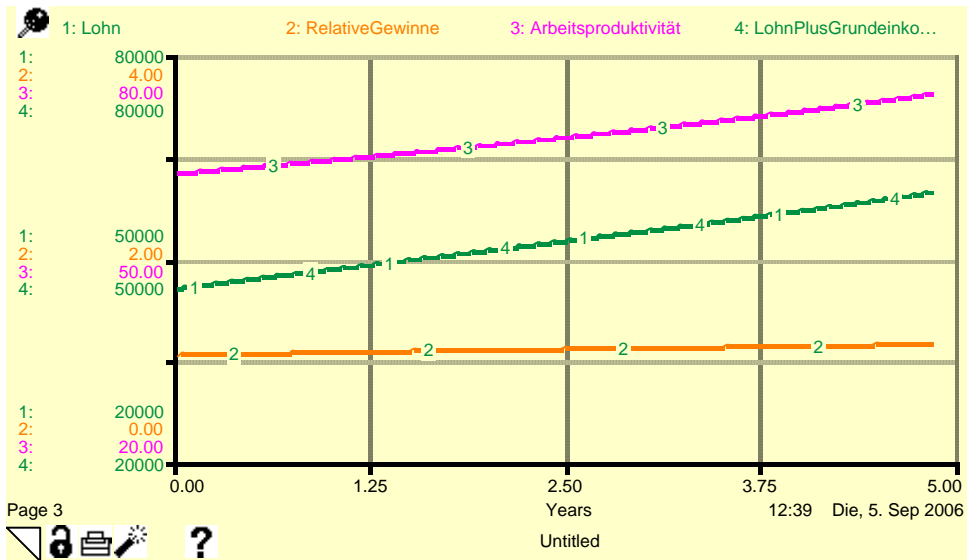
Labour market



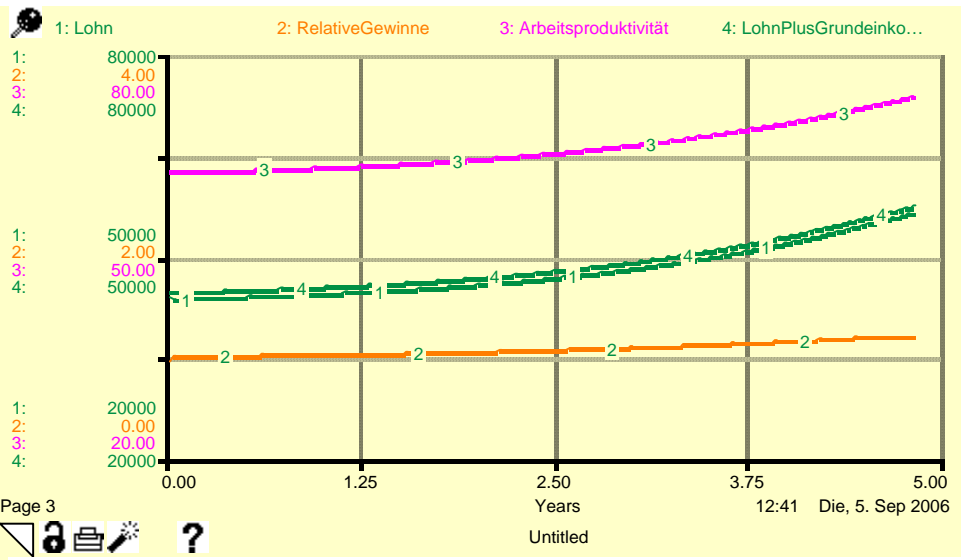
basic income = EUR 3.000



basic income = EUR 4.000



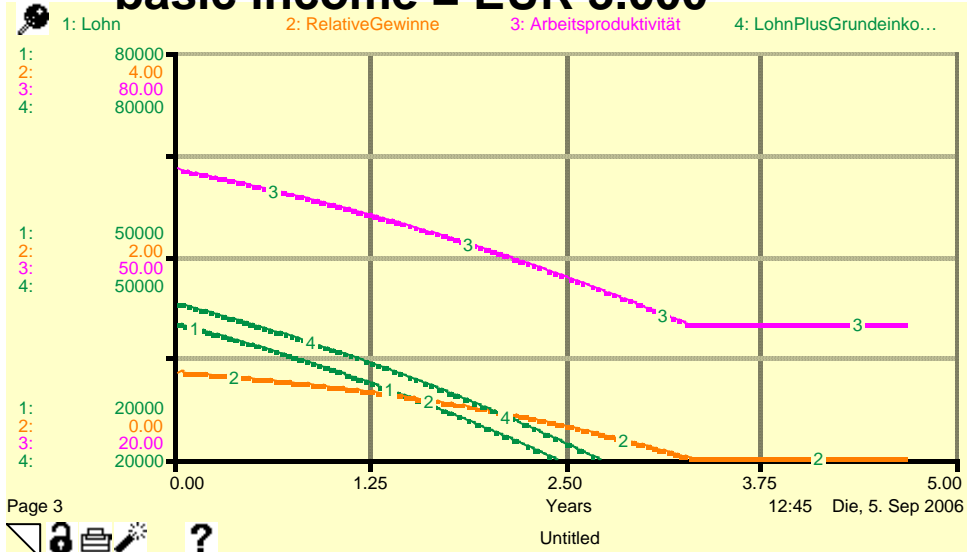
no basic income



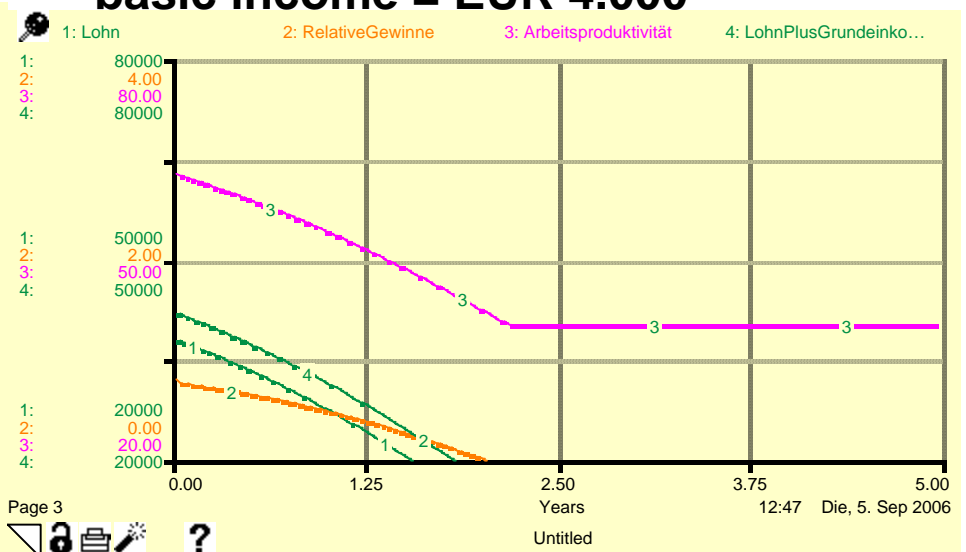
basic income = EUR 1.000

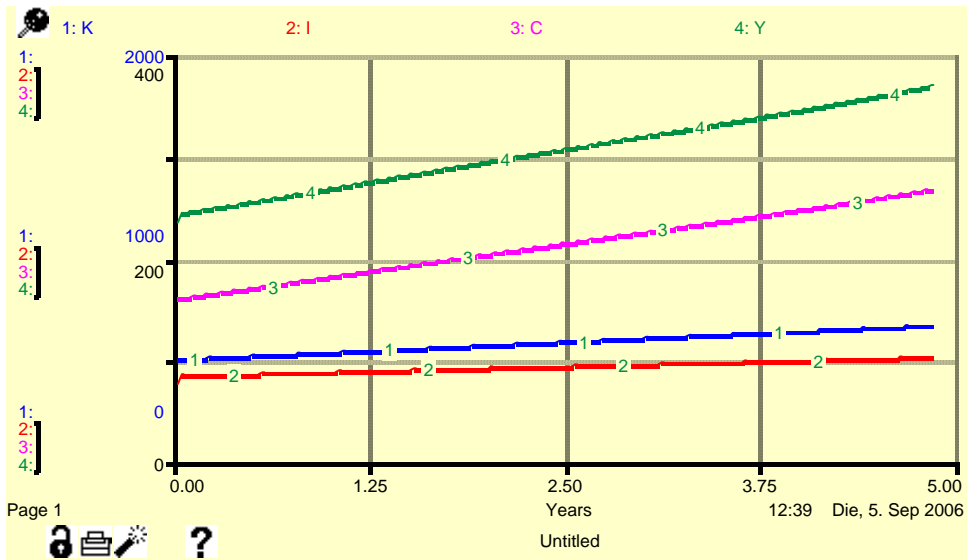
Wages, profits, productivity of labour

basic income = EUR 3.000

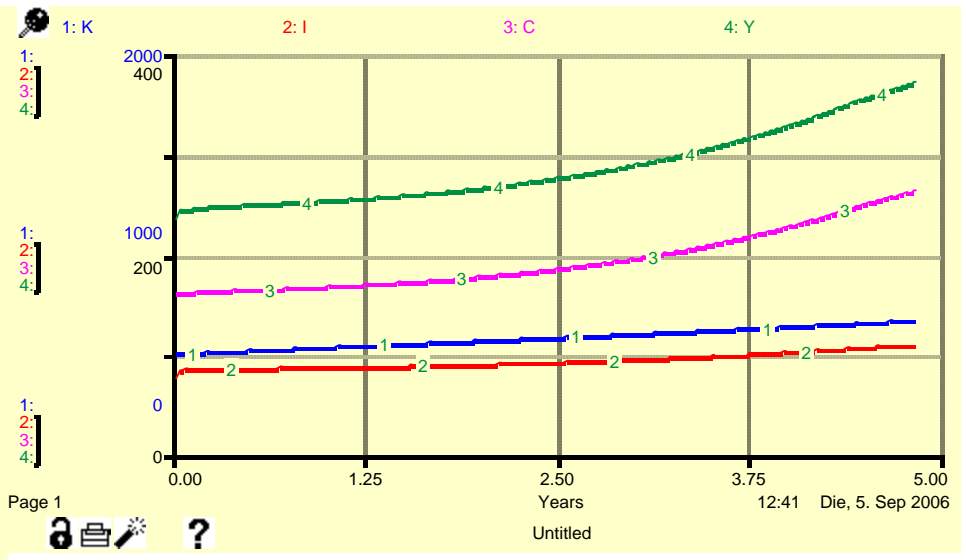


basic income = EUR 4.000





no basic income

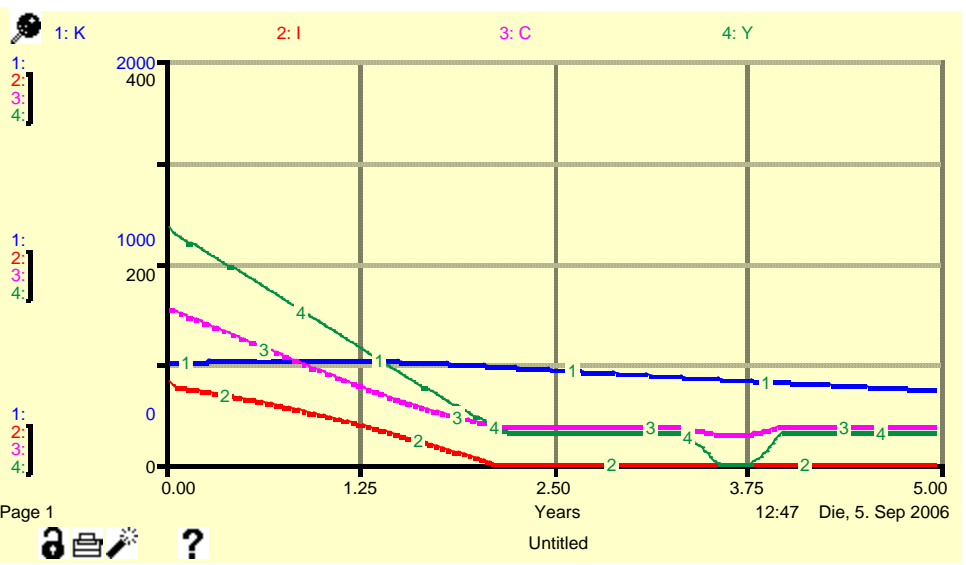
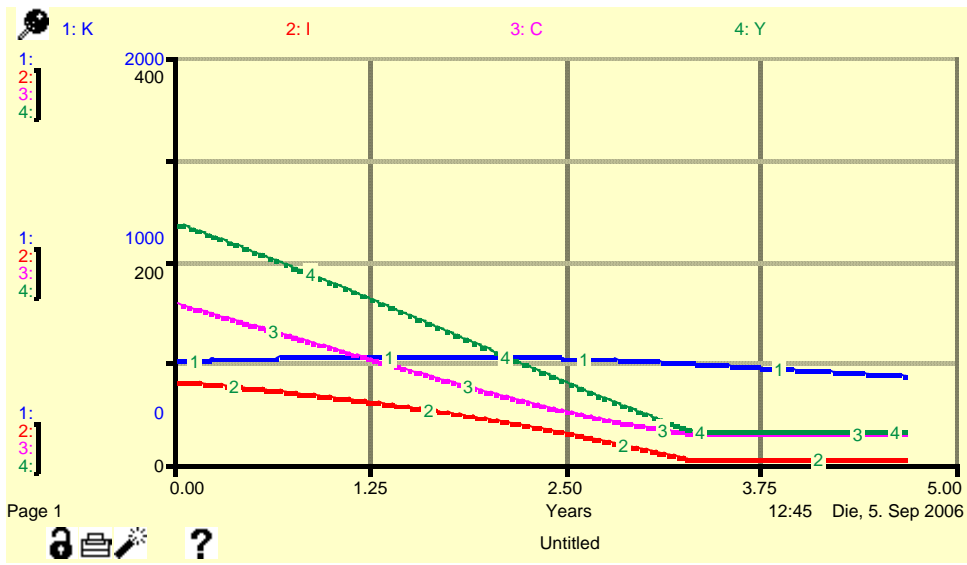


basic income = EUR 1.000

GDP, consumption, investment and und capital stock

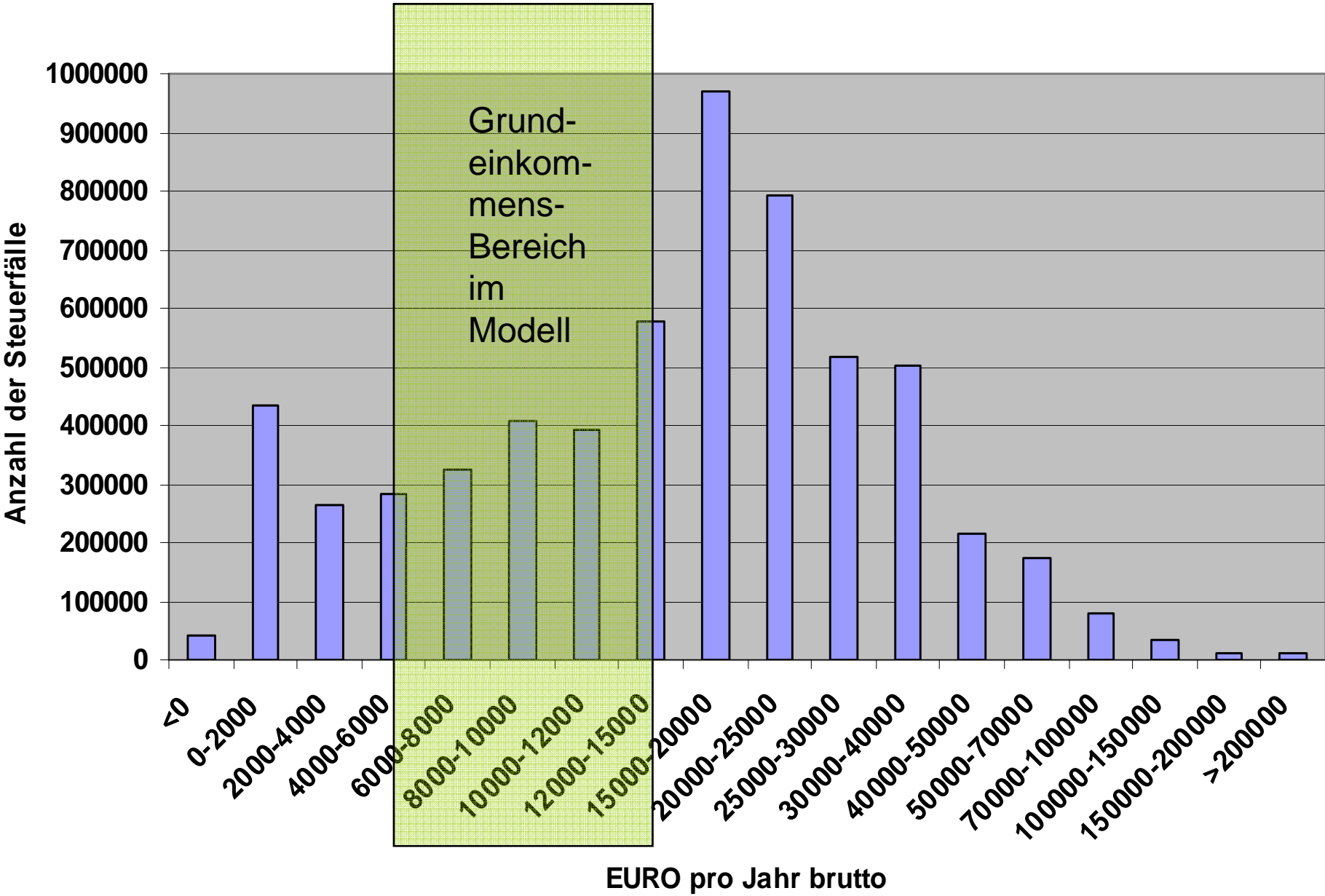
basic income = EUR 3.000

basic income = EUR 4.000



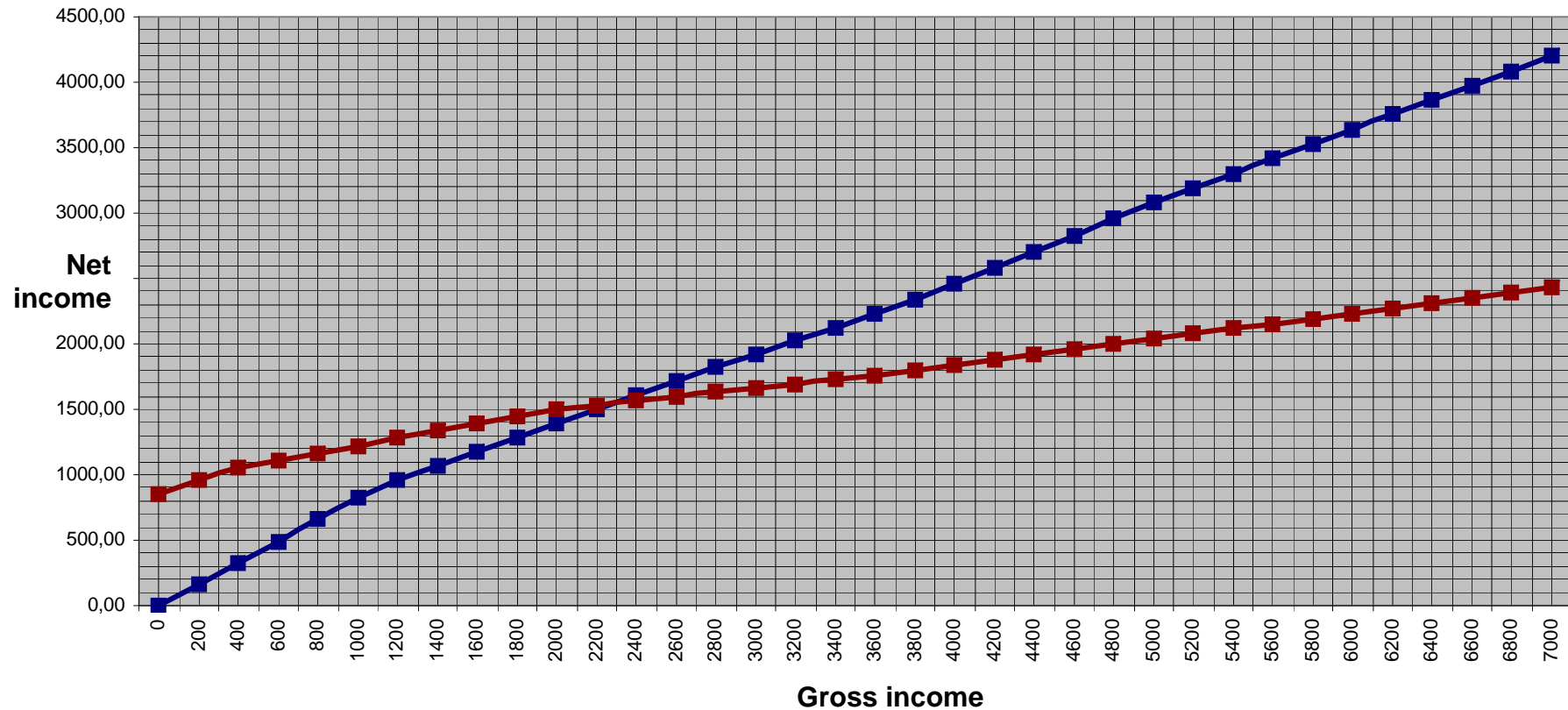
*Simulation of the effects
of basic income
financed by negative income tax
(proposal by an Austrian attac-
working group on „basic income“)*

Einkommensverteilung Österreich 2002

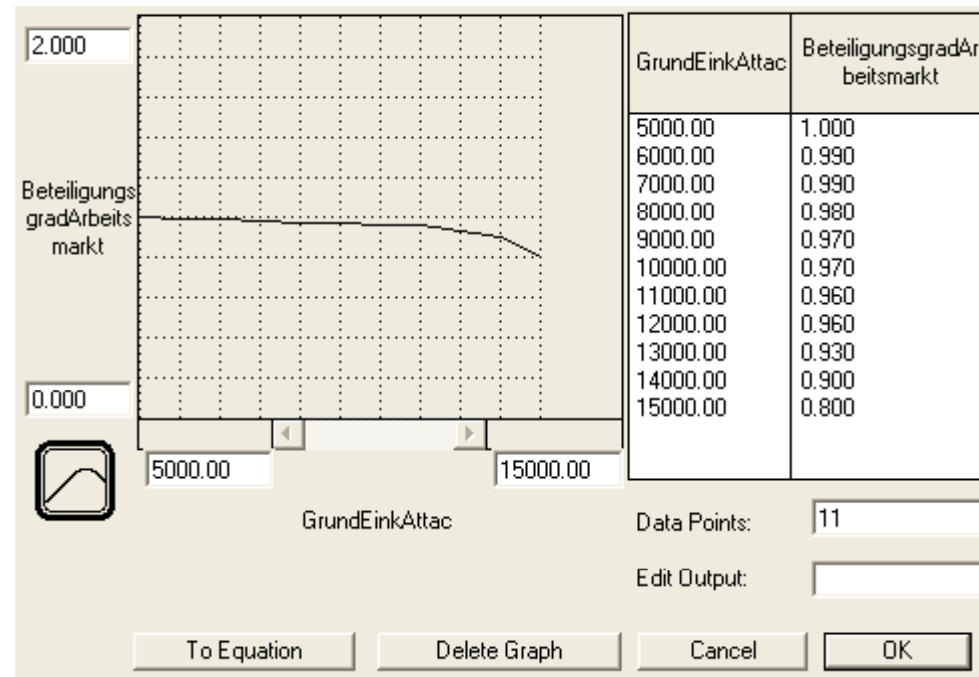


Direct effects of basic income in Austria (negative income tax)

Monthly income in EUR **with** and **without** basic income



Assumed relation between annual amount of basic income and participation in the labour market

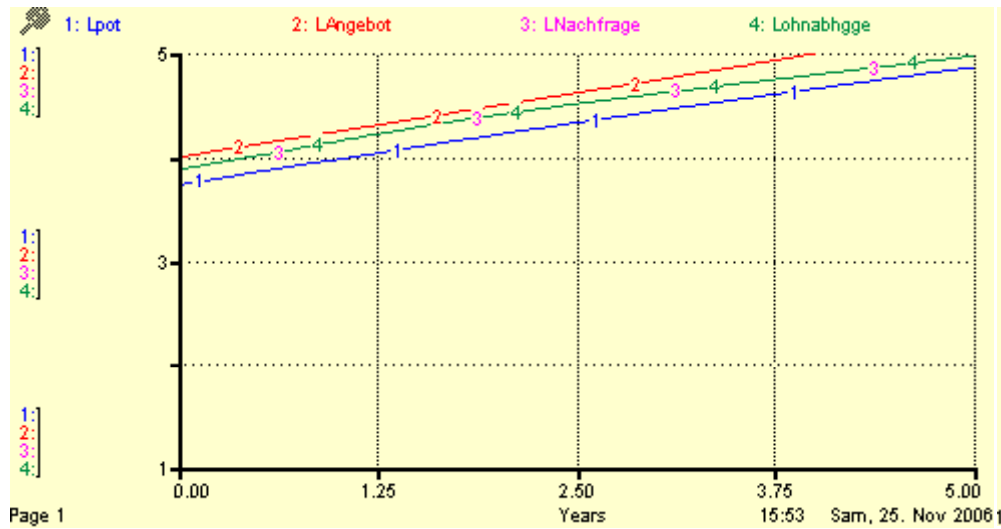


- Up to a basic income of 5000 EUR: 100% participation**
- At a basic income of 10000 EUR: 97% participation**
- At a basic income of 12000 EUR: 96% participation**
- At a basic income of 14000 EUR: 90% participation**

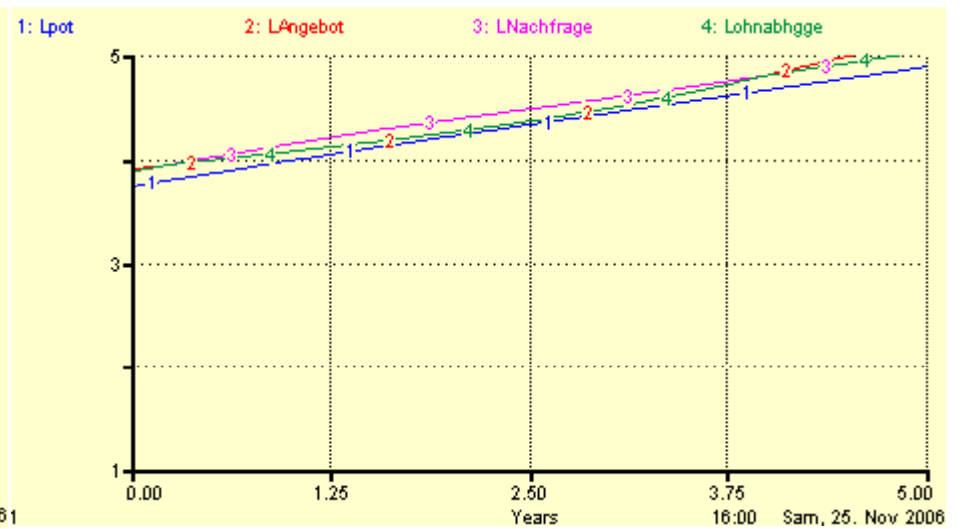
*Simulation of the effects
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To simulation





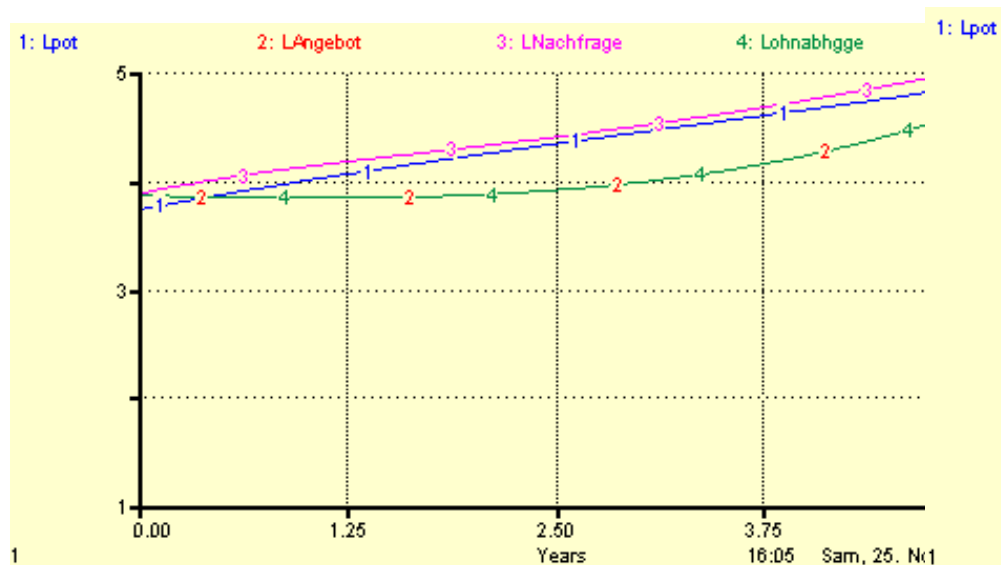
No basic income



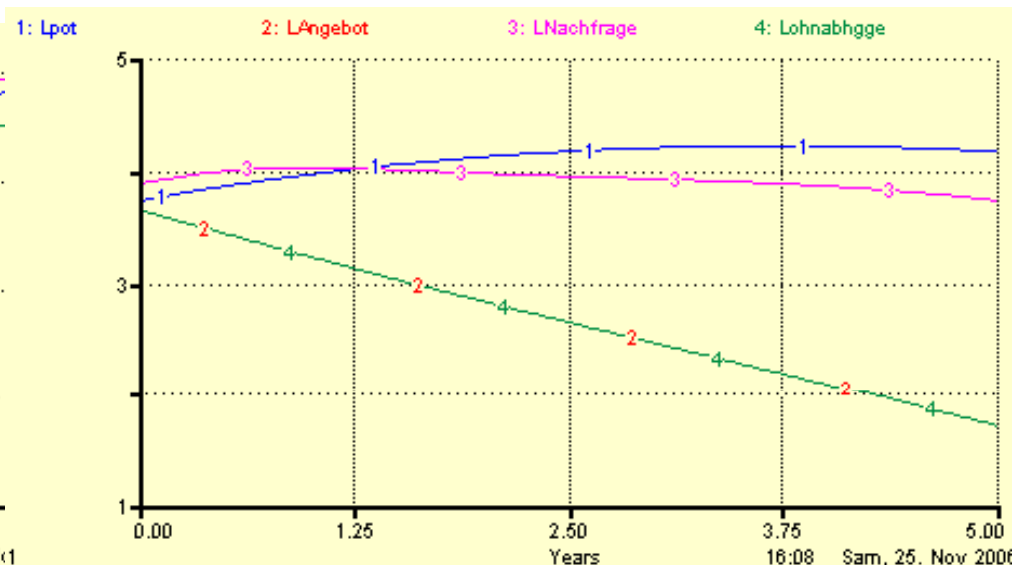
**annual (!) basic income =
EUR 10.000**

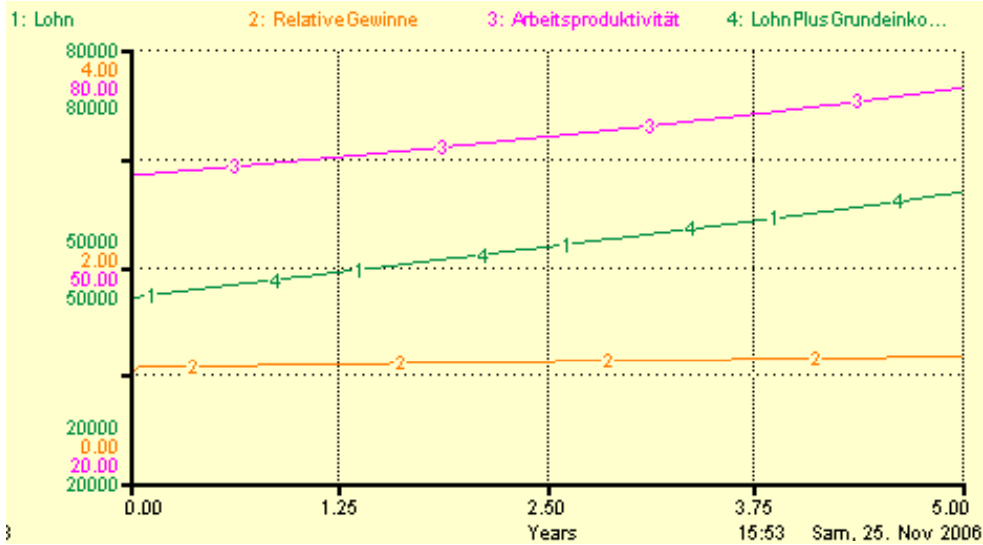
Labour market

basic income = EUR 12.000

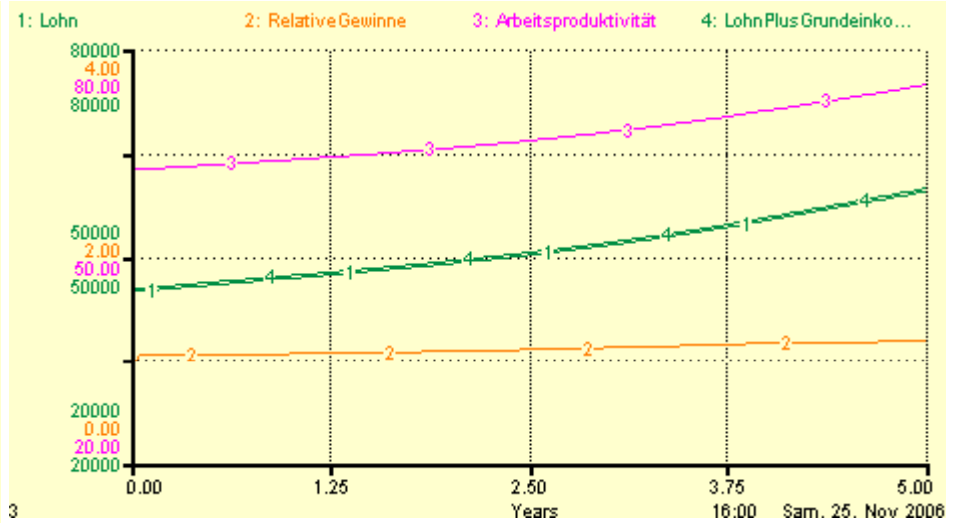


basic income = EUR 14.000





No basic income

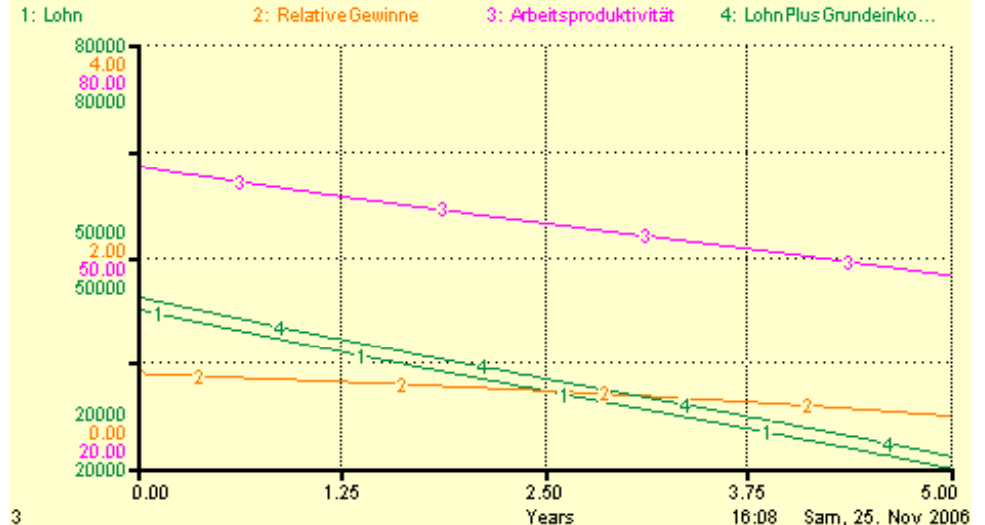
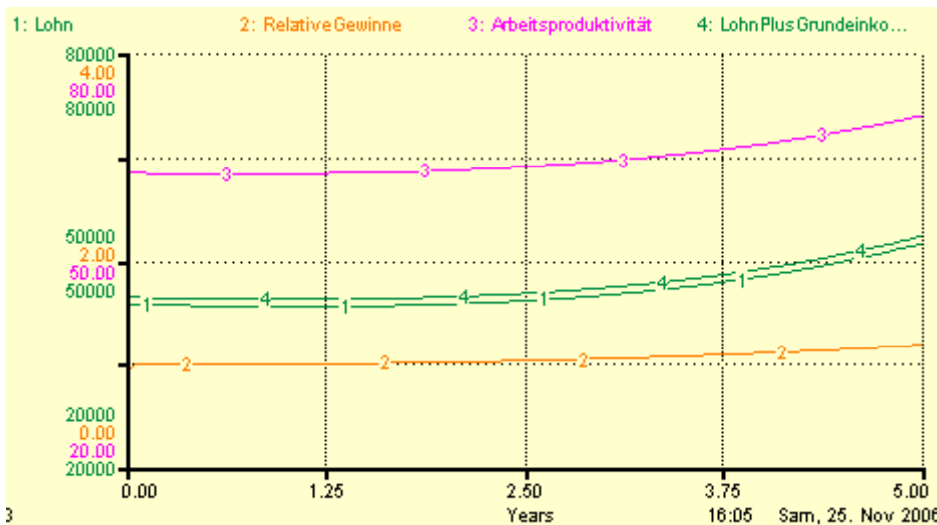


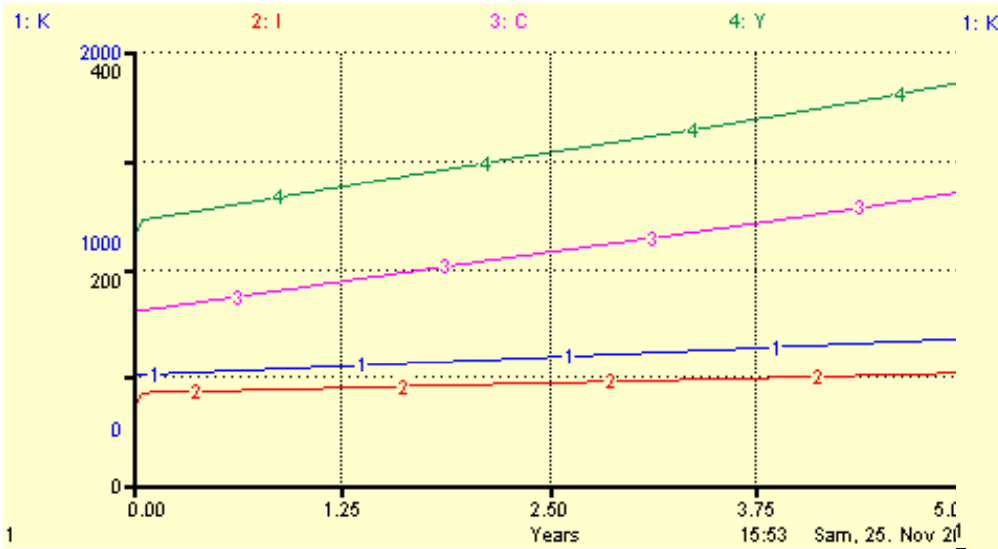
**annual (!) basic income =
EUR 10.000**

Wages, profits, productivity of labour

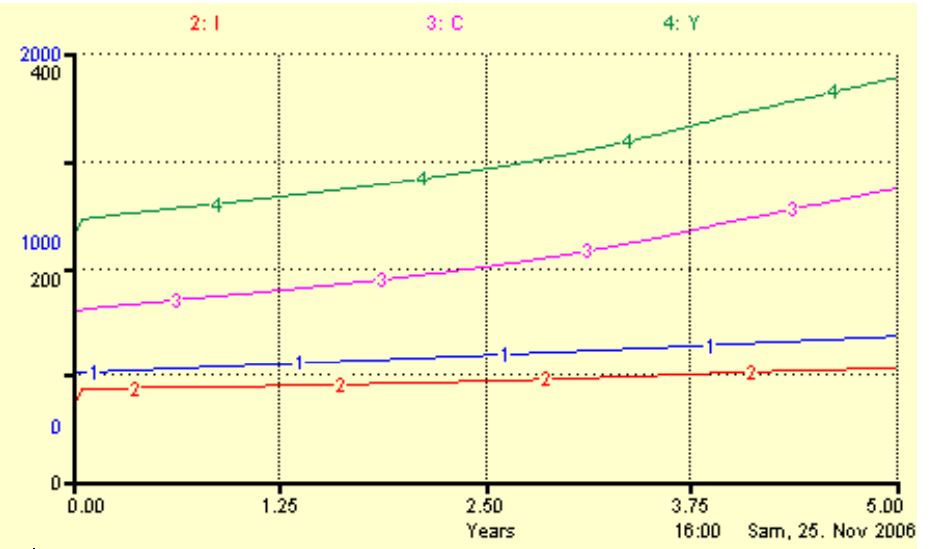
basic income = EUR 12.000

basic income = EUR 14.000





No basic income

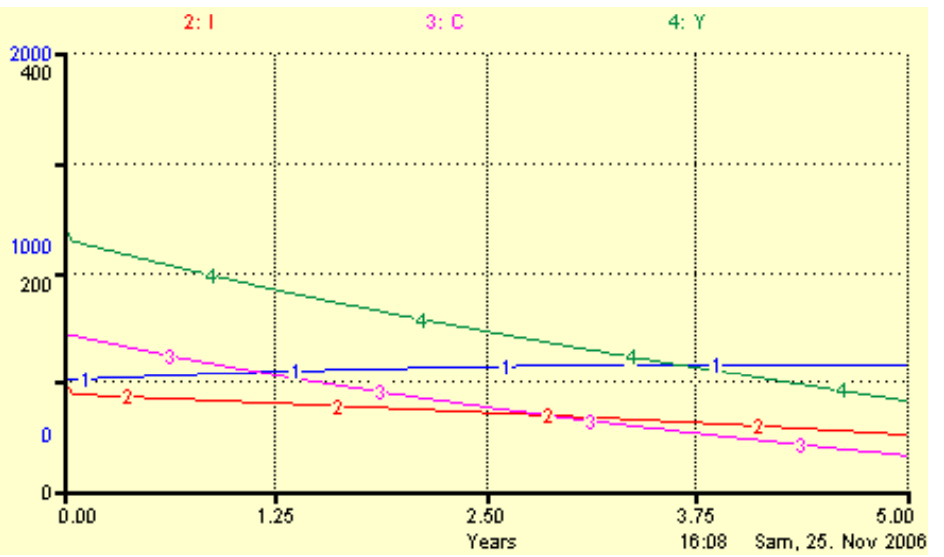
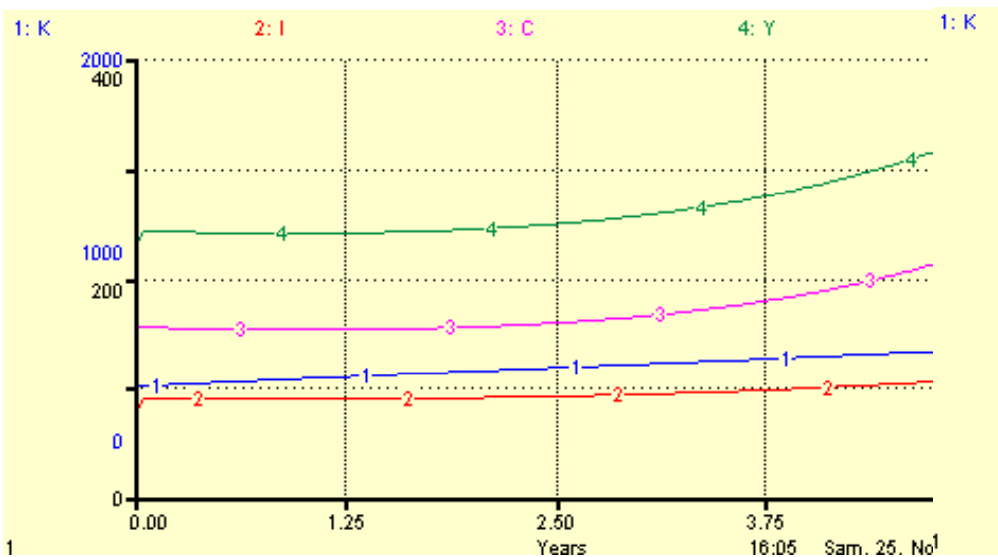


**annual (!) basic income =
EUR 10.000**

GDP, consumption, investment and und capital stock

basic income = EUR 12.000

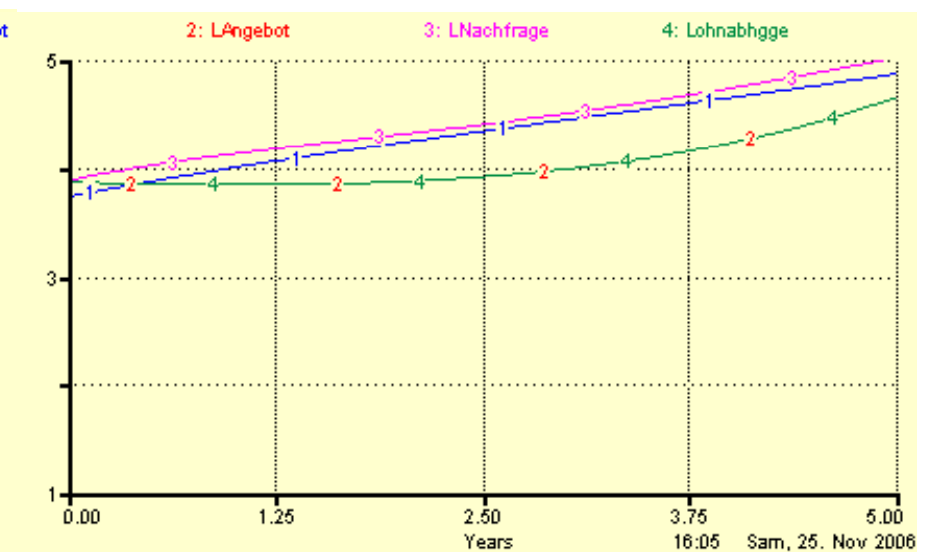
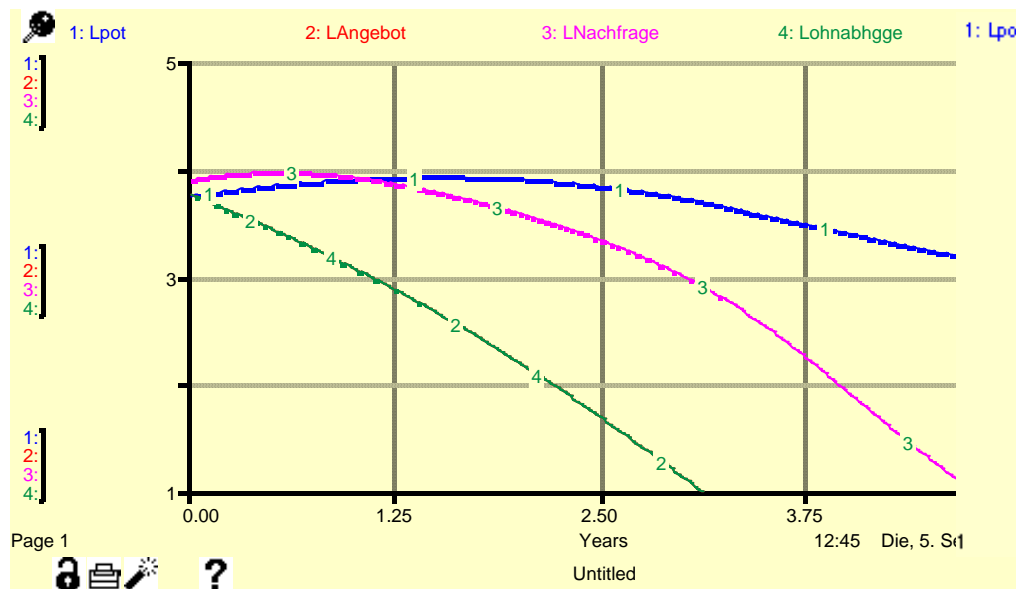
basic income = EUR 14.000



First simulation results in comparison labor potential, labor supply, labor demand, actual labor

Scenario 1:
Basic Income financed out of profits
EUR 3000 per year

Scenario 2:
Basic Income financed by
Negative Income Tax
EUR 12000 per year



Page 1

Conclusion

- A basic income which is financed via negative income tax, is economically feasible (the political question is not tackled here!)
- A basic income which is financed out of profits under capitaloistic conditions will lead to economic contraction
- More investigations are needed to get a clearer picture of the behaviour of the people under various types of basic income =>

*If you would like to participate in
the project on*

*„ Basic Income
and
Minimum Wage“
an international comparison*

please contact me via