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## **Spain takes timid step to basic income, but must go further**

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The Spanish government has moved in a good direction in introducing the ingreso mínimo vital (IMV). But it will soon find it must go much further. The scheme risks being a failure because the government has not been courageous enough, even though the Minister of Inclusion has indicated that the scheme will be permanent, rather than just an emergency measure.

In a pandemic, a principle that must be kept in mind is that if any group is left vulnerable, all of society will remain vulnerable. In that context, the government must plan for a second or even third wave of illnesses, in which covid-19 deaths and covid-induced ‘excess deaths’ will further scar both society and the economy for years to come. So, it is vital to prepare by giving everybody increased financial resilience. Build a defensive system for tomorrow.

What the government has done is introduce what social policy specialists call a minimum income scheme, not a basic income. To non-specialists, that might sound like playing with words. But the difference is enormous.

The IMV promises between 461 and 1,015 euros per month per household, counting those aged 21 to 65 only, and depending on the number of people in the household and the number of children and elderly. To qualify for the IMV benefit, average income of any household with two or more members must have been under 450 euros a month during 2019.

All this means that at best about 850,000 households, or about 2.5 million people, will benefit, if *all* those entitled to it apply and all receive it, which is extremely unlikely. There are about 11 million Spaniards with income below the official poverty line. So, only a minority will gain, even if last year’s income was a fair guide to today’s, which is also very unlikely. Is this a scheme that one should expect from a progressive government?

With a minimum income scheme, the government determines who is to receive the payment according to their income and the value of their assets. In other words, it is ‘targeted’ on those deemed to be poor. At first glance, that sounds reasonable. With a basic income scheme, everybody (or all legal residents) receive the payment as a citizenship right. At first glance, that sounds wasteful and unfair. But the extra income can be taxed back from the rich, and the administrative costs are much lower.

An irony is that extensive international research shows that a basic income scheme, with supplements for those with disabilities, is more progressive than a minimum income, that is, it reduces inequality and helps the vulnerable more effectively and efficiently.

This point is important in the horrific context of the coronavirus pandemic and the oncoming economic slump. To reiterate, if any substantial group is left vulnerable and impoverished, then

the whole of society will be left vulnerable, because the marginalised and disadvantaged will continue to have a high probability of contracting the disease or other illnesses, which will leave everybody exposed to a high risk of contracting them. Gestures will not work.

So, why are schemes like the IMV flawed? First, they have high *exclusion errors*, that is, a high proportion of those for whom the benefit is intended do not obtain it. If the bureaucracy applies a threshold income above which someone cannot obtain the benefit, they must introduce tests of their means, their income and value of their assets. Bureaucrats must ask numerous questions or even visit people's homes. The process can be intimidating and stigmatising. None of us like to be shown up as poor or as a social failure. Many proud people do not apply, or withdraw when questioning becomes personal. That does not mean they are not poor or vulnerable.

Another failing is that in the sort of crisis faced in 2020, incomes fluctuate from week to week. If the bureaucrats interviewed them in one week, their income might be just over the threshold for qualification. In the next week, they could have no income at all. Thus means-testing is bound to be unfair in times of economic turmoil. With the IMV, it is absurd to use last year's income as a guide to this year's.

This leads to a crucial point in the design of social policy in a time of pandemic slump. The principal objective should be to impart *resilience*, that is, strength to withstand and recover from a shock to the personal system and a shock to society. Every government minister should put on their office wall that advice, '*It's resilience, stupid!*'

Another failing of minimum income schemes is the most well-known. It creates, automatically, what is known as a *poverty trap*. If a benefit is given only to those who are poor, then anybody who tries to become non-poor is penalised by loss of the benefit. This creates a *moral hazard*, that is, it is a disincentive to take a low-wage job, because the person loses almost as much as they gain from the job. It also creates an *immoral hazard*, that is, because a person knows he or she would lose the benefit, they would not declare the earned income, driving more people into the shadow economy.

In most such schemes, the problem is intensified by a *precarity trap*. Because a person must apply for a benefit, that takes time, perhaps weeks. So, if someone has an offer of a short-term casual job, not only would they face the poverty trap but also would be worried that if they took the job they would soon be back needing the benefit, and having to wait without any income. This will not apply to the IMV, but it is a danger if the government is drawn to continue down the road of means-testing.

With the IMV, another poverty trap arises, because it is a sudden decline in income that creates the biggest shock. People need financial help based on recent shocks, so as to service debts and have time to adjust spending and commitments. Determining access by last year's income leaves people exposed to unanticipated shocks. There is no resilience built into the scheme.

Then there is the fact that the IMV is based on the household unit, not the individual, unlike a basic income system. Household size and composition change all the time, making it hard to adjust the payments under a minimum income scheme.

We have seen in experiments that individual basic income improves women's status and bargaining power. One sad consequence of the pandemic and shutdown is a big increase in domestic violence in many countries. When women have their own basic income, they are more able to escape from abusive relationships, whereas if dependent on the household 'head', they feel trapped.

There is something else that should concern both parties in the government. In other countries, minimum income schemes based on means-testing has eroded social solidarity, playing into the hands of the political right. Conservatives develop a rhetoric claiming that the majority are paying for a minority, who are 'lazy' or 'cheating'. This leads to more policing, more exclusion errors, more 'sanctions', and demonisation of 'the poor'. These outcomes can be predicted with as much confidence as one predicts night follows day. By contrast, a basic income system increases social solidarity.

Finally, a means-tested scheme is expensive to administer. The government should be bold in moving to give every Spaniard a basic income, in which to have resilience and the capacity to emerge from the horror with a new social contract. It is, potentially, a transformative moment. Do they have the courage to grasp it?

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