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Abstract

Basic Income and Minimum Wages - Temporary or Permanent Complements?

While in many countries compulsory minimum wages have been normal for decades, this is a highly controversial issue in Germany. Trade unions are fighting for it against the employers' side.

For many Basic Income (BI) proponents the topic is simply redundant. Obviously, minimum wages (MW) would only be helpful for those who have a full-time job, whereas BI would have a much wider impact. If BI were achieved, they argue, no MW would be necessary because existential security would be granted for all people.

However, many German BI concepts focus on how to achieve BI. As long as only a partial BI were implemented, particularly a BI below the poverty line, MW would be necessary to secure the existence and participation for those employed in the low-wage sector. Thus, MW are regarded as a temporary bridging tool on the way to a BI society.

However, these views are flawed because they only consider the situation of the individual, not the economy in total. On a macroeconomic level, abstaining from MW would mean wage dumping as well as subsidising employers. The state is not responsible for financing part of the employers' wage bill in the low-wage section. It should be expected from employers that they fully cover the cost of value creation by all of their employees. Labour must be paid according to its performance for the firm. MW make sure that the achievements of all employees are acknowledged appropriately. At a time when social standards are permanently deteriorating, MW introduce an element of stability in labour relations.

Simultaneously, at the macroeconomic level, well-paid jobs are a prerequisite for the viability of any BI financing.

Hence, minimum wages should be introduced not only as a temporary measure but as a permanent element of a society based on Basic Income.