

PERSPECTIVES OF UNIVERSAL MINIMUM WAGE

Emilian M. Dobrescu¹
Edith Mihaela Dobrescu²

Abstract

Our study presents the perspective of using at the universal level of minimum guaranteed wage, as it is currently imagined. World governments assess the possibility for universal base income to replace some of the increasingly complex, costly and inefficient social protection systems. One way to fund universal base income could be through a sovereign fund.

Key words: universal wage, minimum guaranteed wage, economic development

JEL: F62, F63, F65

1. Introduction

A basic universal income would allow people to continue to work, while supporting them to acquire new skills. "Basic income is a kind of symbol of the fact that we believe in your ability and that you can do things that are beneficial to you and therefore to your community," Heikki Hiilamo told the New York Times, professor of social sciences at the University of Helsinki.

Some people do not like the idea that governments provide money in a non-discriminatory way. Others are worried about the fact that a guaranteed income could make it difficult to find people who want unpopular but necessary jobs.

The idea of a universal base income or UBI has first become popular in the technological world, among those in Silicon Valley, and it will become important as automation will replace current jobs with similar ones occupied by robots.

World governments assess the possibility for UBI to replace some of the increasingly complex, costly and inefficient social protection systems. One way to fund UBI could be through a sovereign fund. Another idea is the taxation of "super profits" in different economic sectors. Microsoft founder Bill Gates launched the idea of a robot tax to secure the funds needed to give UBI.

A UBI study shows that giving a monthly 1,000 dollars monthly income to every adult in the US would increase the US economy by 2,500 billion dollar by 2025. According to the study by the Roosevelt Institute, the higher the UBI, the higher the benefits for the economy in question.

2. Project followers

"Introducing a universal base income leads to labor market flexibility," said Karl Widerquist of Georgetown University, a supporter of this type of income. Supporters of the measure believe that basic universal income provides more chances for people to reach a better economic status.

Teivo Teivainen, professor of political science at the University of Helsinki, argues that theoretically, if a basic income, granted without conditions, replaces other benefits, one's life "clearly will become less stressful and free, in a certain sense."

The European Commission wants to introduce a minimum wage for employees and a minimum wage allowance for all EU Member States, says EU executive president Jean-

¹Professor Ph.D., scientific researcher grade I at Institute of National Economy, Romanian Academy, Titular Member of Romanian Academy of Scientistist, email : dobrescu@acad.ro

² Ph D in economics, scientific researcher grade III at Institute of World Economy, Romanian Academy, e-mail: edithdobrescu@gmail.com

Claude Juncker: "We should have a minimum wage across all EU Member States European Union and a minimum unemployment allowance at EU level. The President of the European Commission made these statements in Brussels at a conference on European social rights held on 23 January 2017. Jean-Claude Juncker said that the reform of social policies in the European Union should begin in the Eurozone.

In order to support the reduction of the positions in the sector he is guiding, as a result of the large-scale promotion of robots, technology directors joined earlier this year to advocate the introduction of the UBI. Tesla CEO Elon Musk supports the idea of introducing UBI: "There is a good chance that automation will lead to a universal base income or something of this kind." Marc Benioff, CEO of Salesforce, warned that artificial intelligence created "digital refugees and warned that" there is no clarity "on how to tackle the future problem of job loss. Experts say the tech industry is becoming more aware of the role it will play in this issue, and companies in this industry will not become the center of workers' dissatisfaction.

2.1. Mark Zuckerberg's opinion

All people should benefit from a basic universal income as part of a "new social contract for our generation," Mark Zuckerberg, founder of the world's most popular online social networking site, said. His comments come in the context of rumors that he will run for the US presidency. Zuckerberg said that such an income would allow people to take more risks, try new things knowing they can still afford the basic things they need in everyday life.

Zuckerberg suggested that basic universal income would be part of a "new social contract for our generation." He launched the recommendation during a speech at Harvard University: "We should have a society that measures progress not only by economic indicators like GDP, but also by how many of us have a role that we consider to be significant. We should consider ideas as the basic universal income to give all the space to try new things. We will change jobs often, so we need affordable childcare services to go to work and health services that are not linked to a company. We will all make mistakes, so we need a society less focused on stigmatization. And as technology continues to change, we need to focus more on lifelong learning. And yes, to give everyone the freedom to pursue a goal is cost-free. People like me should bear these costs. "

2.2. The opinions of Nobel Laureates for the economy

The Nobel Prize winner in 2011, Sir Chris Pissarides, supported UBI as a solution to the inequality generated by both globalization and the ascension of robots and artificial intelligence.

Another Nobel Prize winner, Daniel McFadden, supported unconditional income as a solution to tackle poverty.

2.3. The project critics

The European Parliament rejected at the beginning of 2017 the proposals for introducing a universal income.

Olli Kärkkäinen, economist at Nordea, is a critic of the project. He argues that other allowances for the unemployed, such as housing, are not eliminated to see if the basic income will really be an incentive to look for a job. Kärkkäinen looks forward to seeing how "people's choices will be affected by unconditional benefits."

3. The project experiments

3.1 The american experiment

In Silicon Valley, California, the idea of introducing a minimum basic income for each household is popular. Proposals vary, but have a common basic idea. As robots and algorithms become more intelligent, they will replace a larger proportion of the workforce. By charging the robots, the money would be needed to retrain the workers or provide them with a basic income.

The unequal distribution of revenue is a problem now and can become an even more serious problem because of automation. The rich will become even richer without workers.

Capital released from labor pressures means not only the end of paid work but also salaries. And without wages, workers lose their only access to wealth and the main source of social power. As long as the employee can control production, he can stop it. Strikes are still the most effective force tool the worker has. A fully automated economy will make employees not only useless but also powerless. Meanwhile, robotic capital will allow the elite to completely separate from society.

3.2 The Finnish experiment

Since January 2017 Finland has been running a pilot project on minimizing incomes for the unemployed, with the main purpose of helping them find a job. And other states are thinking about this solution. The idea is not new, with both supporters and critics.

Thus, under the project, 2,000 unemployed receive monthly 560 euros for two years. The difference from unemployment benefits is that there are no restrictions or conditions to be met. Thus, the unemployed will not have to prove that they are looking for a job and the money will be paid regardless of other income that a non-full-time person has. The Finnish authorities hope the initiative will improve the quality of life, reduce the unemployment rate and create new jobs.

At the same time, the Finnish Government is studying how the project helps the unemployed to find a job. "The experiment will be conducted in 2017 and 2018, and its goal is to see whether basic income can be used to reform social security," the Finnish Ministry of Social Affairs and Health said in a statement, "The main purpose of the income experiment is related to employment. The experiment aims to find out if the basic income promotes employment. "

The 2,000 unemployed were randomly selected and did not have the choice whether to participate in the project or not, but receive the monthly money. If it will successful, the experiment could lead to the introduction of a basic income for several Finns. Currently, the unemployment rate is relatively high in Finland, but few unemployed are looking for work, for fear of losing their social benefits.

According to a poll, most Finns support the idea of a universal base income, but would like it to be 1,000 euros per month instead of 560 euros. When they were told that the difference from 560 to 1,000 euros would mean raising taxes, the respondents changed their minds.

3.3 A potential French experiment

Benoit Hamon won the Socialist Party's primary election by proposing a basic income for everyone, an idea that the whole opposition characterizes as unrealistic and costly. But the promise was not to the liking of the socialist voters, who turned back the party leaders.

The basic commitment of the former education minister, 49-year-old, would amount to introducing a minimum monthly income of 750 euros per month for all citizens. He says such a payment will contribute to poverty reduction and would cover a decrease in the number of jobs due to the gradual automation of the economy. Responding to cost critics, Hamon says a tax on industrial robots could help pay this kind of income.

According to a study conducted by OFCE, an economic research division linked to the Sciences Po Institute of Political Science, the measure would cost 480 billion euros a year in France, equal to 22 percent of GDP, in a country where taxes are already 45% of economic output. Of the 35 rich countries monitored by the OECD, only in Denmark is the tax rate higher. A separate study by the Institut Montaigne estimates the costs of Hamon's plan at 349 billion euros per year.

And the chances of implementing such an idea are very low: polls indicate that Hamon would be in fourth or fifth place and would be eliminated in the first round of presidential

elections. The socialist voters did not, however, think. Hamon won the most votes in the first round and defeated former Prime Minister Manuel Valls in the final round of January 29, 2017. In the final debate, Valls said Hamon made promises "impossible and impossible to fund".

3.4 The Italian experiment

In Italy, populists also see UBI as a solution to poverty reduction. In Italy, unemployment has exceeded 11% of the active labor force and the number of people living at or below the poverty level has almost tripled since 2006 to 4.7 million in 2016, or about 8% of the population, according to the statistics agency Istat. The five-star populist movement "imposed the idea on the national political scene and the main parties are bound to get involved," says Giorgio Freddi, a political science professor at Bologna University.

From January 1, 2018, guaranteed income of up to 490 euro per month is given to families with over five members. Families with juvenile children, pregnant women and the unemployed aged over 50 have priority. Families with incomes below 6,000 euros per year and property with a total value of less than 20,000 euros are eligible.

Granting the minimum guaranteed income does not expressly require that the beneficiaries be of Italian nationality, so that Romanians will also be able to receive the help provided by the Italian government. To be eligible, Romanians should have a long-term residence permit, which can be obtained after five years of residence in Italy.

Minimum income is granted for up to 18 months. The new form, called Revenue Inclusion (REI), will replace Active Inclusive Support (SIA), a social benefit in force since September 2016. REI can be granted to those who earn income but is not compatible with any type unemployment benefits.

According to an Italian news agency ANSA, the new anti-poverty measure will benefit about 400,000 families or 1.8 million people. The number of poor families in Italy has grown since the beginning of the 2008 financial crisis. Compared to 7.3% of poor in 2009, it reached 11.6% in 2014, when the EU average was 8.9%, according to a European Commission report of July 2017.

In 2016, according to the Italian National Institute of Statistics, 1.6 million families were living in absolute poverty, with a total of 4.7 million members, or 7.9% of Italy's population of 60 million.

3.5 How is the Romanian experiment understood?

According to the Romanian Government, in March 2017, 248,477 romanians benefited from the guaranteed minimum income in the whole country, with the total amount borne from the state budget of almost 70 million Ron (about 18 million euros), and at the level of the whole year the amount amounts to about 216 million Ron.

In the last decade of April 2017, Calin Popescu Tariceanu announced without a discussion in the governing coalition in advance that he claims total elimination of the minimum guaranteed income because it is "an invitation to no labor", the leader of the ALDE being a direct blow to PSD electorate.

5. Conclusion

Several specialists from several countries have been lately talking about introducing a minimum guaranteed monthly income for the citizens of the countries concerned, provided by that state to meet the minimum living requirements for the citizens of that country. This is done without any thorough preliminary studies about the effects of such a measure, but also with the fact that the literature related to the subject is not unitary, and those who studied the field have different views on the subject. Our study presents the concepts, theory and practice of minimum guaranteed income, as it is currently imagined. Romania has to offer such a guaranteed minimum monthly income, which is misunderstood by those who receive it but, above all, politicians ...

Bibliografie

1. Deeming, C. (2017). Defining minimum income (and living) standards in Europe: Methodological issues and policy debates. *Social Policy and Society*, 16(1), 33-48.
2. Davis, A., & Padley, M. (2017). What the minimum income standard tells us about living standards in the United Kingdom. Emerald Publishing Ltd.
3. Frazer, H., & Marlier, E. (2016). Minimum Income Schemes in Europe. *A study of*.
4. Lalioti, V. (2016). The curious case of the guaranteed minimum income (GMI): Highlighting Greek 'exceptionalism' in a Southern European context. *Journal of European Social Policy*, 26(1), 80-93.
5. Yamada, H., & Yamada, H. (2016). Evidence of the likely negative effect of the introduction of the minimum wage on the least skilled and poor through "labor-labor" substitution. *International Journal of Development Issues*, 15(1), 21-34.
6. Padley, M., & Hirsch, D. (2017). A Minimum Income Standard for the UK in 2017.
7. Reeves, A., McKee, M., Mackenbach, J., Whitehead, M., & Stuckler, D. (2017). Introduction of a National Minimum Wage Reduced Depressive Symptoms in Low-Wage Workers: A Quasi-Natural Experiment in the UK. *Health economics*, 26(5), 639-655.