From the Basic Wage to Basic Income: Work, Unemployment and Justice.  
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During the first couple of decades of the 20th Century, European visitors to this country described the combination of the Arbitration system and the Age and Invalid Pensions [1908] and maternity allowances [1912] as “socialism without doctrines” (Roe 1976, p.4, Kewley 1973 Chapter 2). It was the combination of the 1907 Harvester Judgement that installed the Basic Wage in association with the social security system that constituted the foundation stones of “the workers welfare state” (Castles 1985).

The social security and industrial landscapes of Australia in the first decade of the 21st Century, with its regimes of self provision, breaching, mutual obligation and enterprise bargaining, individual contracts and deregulation (Castles 2001, LHMU 2003), could accurately be described as “doctrines without socialism”.

The best hope of providing income security for both those in employment and those without work is a universal Basic Income. This paper will interrogate the history and the near future of these issues in terms of security/insecurity and justice.

Why start with the Basic Wage and early Social Security provisions.

This paper will first look at the Basic Wage because the 1907 judgement did more than any previous arbitration decision to provide white male workers and their families with a secure income. It is also important to consider the early social security provisions because they provided the first Federal income support payments to some of those who weren’t in work. Each of these forms of income have strong resides in the 21st century. The Indigenous population of Australia is discussed in some detail because, though they constitute only 3% of the total population of this country, they experience inordinate levels of poverty and unemployment. Past and present governments have failed to ensure Indigenous people’s access to a secure income, adequate health services or decent job prospects (Hunter, Kinfu and Taylor 2003).

Grounds for payment
When it comes to deciding whether or not to make a payment to an individual, similar questions occur in both the mode of production and the mode of distribution, namely:

1. Who would we pay?
2. Who won’t we pay?
3. Why would we pay?
4. Why won’t we pay?

When it comes to the Basic Wage there is a myth that the Harvester Judgement meant employers had to pay a living wage to all workers but did not pay non-workers. Employees were paid because they work, whereas non-workers weren’t paid because they didn’t work.

But we did not pay women workers the full Basic Wage. Women were paid only 54-75 % of male Basic Wage for 60 years [Equal Wage Case 1967]. We did not pay Aborigines anything like the full Basic Wage - many we did not pay at all until after the Second World War (Kidd 2003, 1997, Berndt 1961, Rowley 1970, 1971,)
To add insult to injury even when Indigenous workers were in paid employment the bulk of ‘their wages’ were paid to their white ‘protectors’. A significant proportion of such money disappeared. The current “Stolen Wages” campaign is aimed at obtaining some recompense for this (Kidd 2003). The Protection Acts were in place in the Northern Territory and mainland states for the greater part of the last century - in Queensland from 1898 until the mid-1970s.

Again it was 1967 when the Arbitration Commission looked at equal payment for Indigenous workers in Australia. Even after the Commission could no longer justify paying Aboriginal workers less than other employees, there were many downsides experienced [particularly by Aboriginal pastoral workers] (Tomlinson 2003 Ch 6).

Even in 2003 the majority of Aboriginal people living on Indigenous communities don’t have access to employment. As the Minister for Employment and Workplace Relations, Tony Abbott, in 2002 reminded Australians that “without the Community Development Employment Program (an Indigenous ‘work for the dole’ scheme started by the Fraser Government), the unemployment rate in many remote Aboriginal communities would approach 90 per cent.”

Since the earliest days of the colonies young workers have usually been paid less than adult workers. The prime justification offered for such discrimination was that they were learning their trade or occupation. Salary structure of apprenticeships and traineeships reflects such justifications. Young workers today are frequently paid in line with their age rather than their skills. In some forms of work those who are new to the job may well be less efficient than those who have been at it for a longer period. But many of the service industries employ a predominately younger workforce and the efficiency gains made from spending years doing the same tasks are, at best, marginal. There is widespread employer reluctance to accept the idea that a wage/skill parity should replace the current system of youth wages. Such reluctance raises questions about the sincerity of employers’ claims that existing wage differentials are necessary because of skill deficits in younger workers.

**Social Security**

If we apply the same questions asked in relation to the Basic Wage to social services we find that in relation to payment systems based on categorical eligibility we would get the following answers: “we pay all applicants who can establish they meet the eligibility requirements.” This answer does not address the rights to payment of those who don’t apply even though they might be eligible for payments were they to apply. Clearly there are two hurdles: first application and second proving eligibility. Those who might meet all the requirements but can’t establish they meet all the requirements often find they aren’t paid. Clearly, those who are found not to meet all the eligibility requirements won’t be paid.

When we ask “Why do we pay?” a further answer often proffered is that “people are in need.” This is a particularly interesting answer because it meshes so well with a frequent answer to the last question, “Why don’t we pay”. Namely, “We need to distinguish between the ‘needy’ and the ‘greedy’.” This answer is sometimes expressed in terms of “We need to prevent ‘welfare dependency’ to ‘weed out rorters’ ‘stop dole bludging’ or ‘prevent malingering’.” The architects of the social coalition

This paper will not elaborated upon compelled non-standard work, “welfare to work”, or “workfare” or the like promoted by Lawrence Mead (1997) and others in the United States or David Green (1996) in Britain. I have discussed such schemes in detail elsewhere (Tomlinson 2003 , 2002[a]).

Boston and St John (1998) have established the impossibility of ensuring all who qualify for categorical welfare receive it. They point to the presence of discretion as a major reason. Such discretion is widespread in the present administration of current Centrelink policies (Ziguras, Dufty and Considine 2003, ACOSS 2003, 2002, 2001, Schooneveldt 2002) and impacts most heavily on the most disadvantaged.

Stigma

Whether one wants to go back to some of the classic writers (Polanyi 1945, Piven and Cloward 1971, Jordan 1973, Sennett and Cobb 1973, Waxman 1977) or to move forward to the writings of Standing (2001, 2002) there are similar lessons to draw. Those who want to cut the amount spent on welfare will want to return to the less eligibility provisions of the poor laws to divide the world into the good and the bad, the worthy and the unworthy. Less eligibility reinforces the sense of stigma experienced by those who are forced to rely on welfare. Hence it is likely to discourage many from applying even though they have an entitlement should they have any other alternative. The classic writers have shown that a significant percentage of people choose hunger in preference to welfare. Those who want to ensure that no one goes to sleep hungry will move towards universal provision or at least broad categorical assistance efficiently delivered (Boston and St John 1998, Goodin and Le Grand 1987).

By the early 1970s Australia had come to embrace a progressive European approach to those who found themselves in need of social services and much of the stigma previously associated with receipt of benefits evaporated. There was a significant effort made to improve services to clients, expand eligibility, increase consistency of determinations and decrease poverty from this time under both Labor and Liberal administrations until the late 1980s / early 1990s.

A more jealous husband

The Howard Government’s 1996 election and its determination to win “the culture wars” have seen this nation return to earlier welfare attitudes. There has been a shift towards American welfare values (Standing 2001, Hutton 2002). In recent years the Howard Government has stepped up its dependency rhetoric in a determined effort to delegitimise the claims of many social security recipients. It has coupled this assault on pre-existing entitlements with a rigorous breaching regime designed to enforce
what it alleges are “mutual obligations”. This has created situations very reminiscent of those that the American social critic (Mink 1998 p.35) described when she said:

Across the decades, a principle aim of welfare fixers has been to restore the system's moral levers….Despite their broadsides against 'dependency' welfare reformers have been less concerned that poor single mothers are economically dependent than that they have been dependent on government. They expect that mothers will be dependent but insist that they be dependent on men.

All this is reminiscent of the earlier feminist assault upon the excesses of the imposed obligations of the welfare system when Glassman (1970 pp. 102-103) suggested that the State is capable of becoming “a more jealous husband than the man the woman has left”.

Some forms of income support

Participation Income

Participation Income, sometimes referred to as active labour market policies, is very widespread in the present Australian system of income support. Essentially participation income means if you don’t participate then you are refused assistance. Participation income is a euphemism for the chance to impose an obligation on people who receive government or government-subsidised payments coupled with the paternalistic belief that imposed obligations will assist the recipient to improve their life. Many researchers have described the philosophical underpinnings of participation income as unethical (Kinnear 2000, Goodin 2001, Hammer 2002, Tomlinson 2002[a], [b]) because the only choice offered to welfare recipients is comply or starve. The practical outcomes for those who are breached are socially disastrous (ACOSS 2003, 2002, 2001, Schooneveldt 2002, Ziguras, Dufty and Considine 2003). Evidence is emerging from the United States suggesting that having one’s social security reduced or removed creates increased health difficulties for children of beneficiaries who are breached (Cook, Frank, Berkowitz, Black, Casey, Cutts, Meyers, Zaldivar, Skalicky, Levenson and Heeren 2002).

Professor Robert Goodin (2001 p.198) makes the point that:

If we seriously believe that work is good for you and that it is the state’s legitimate role to force you to do it, then we would have no grounds for confining our paternalism to the poor. Paternalistically speaking, it would be equally important to make the rich work too.

Guy Standing, Director of the Socio-Economic Security Programme of the International Labour Organisation, notes that governments around the world are increasingly using social policy terms to convey false or misleading ideas. He wrote:

The notion of active labour market policy is equally disingenuous. Who could possibly favour being passive if one could be active? The word ‘active’ seems virile and strong, whereas its opposite, ‘passive’, suggests laziness, and lack of initiative. In fact, usually active policy is little more than having the state telling people what they must do in order to receive some moderate state benefit, directing them to training or job schemes. By contrast, the much derided passive policy entails giving funds to individuals or families with minimal conditions, leaving them to make choices about how to conduct their
lives and allocate resources. It could more fairly be described as liberating (Standing 2001 p. 14 [italics in original]).

**The Job Guarantee**

A job guarantee can only exist when a government is prepared to commit itself to becoming an employer of last resort. In the last thirty years there have been two forms of limited job guarantee provided by Australian governments. The first in the 1970s, under the Whitlam Labor Government, was the Regional Employment Development Scheme, colloquially named the Red Scheme; and the second was the job offer, after 18 months unemployment, under the Keating Labor’s *Working Nation* package in the mid 1990s. The Centre for Full Employment and Equity (at the University of Newcastle) is promoting the most detailed current Australian proposal for a job guarantee (Mitchell, Cowling and Watts 2003, see also Watts 2002).

Those who are available and capable of doing the work on offer under the job guarantee will be assisted by such a scheme. But the reasons that prevent those who cannot find suitable child care, those who have a disability and those who are discouraged from seeking work under the present employment regime will also prevent them taking up a job under the job guarantee, unless such issues are addressed by the architects of the job guarantee or potential employers.

There is nothing incompatible with making such accommodations under a Job Guarantee program, however deciding who is “disabled” and who is “malingering” creates similar bureaucratic discretionary power as occurs in categorical systems.

**Negative Income Tax, Tax Credits, Guaranteed Minimum Income**

Major difficulties in terms of determination/fairness are embedded in each of these systems of income distribution/redistribution. What’s more, the difficulties in relation to fair outcomes, in terms of poverty traps, determination/discretion/discrimination, allocative and redistribution aspects of each of these systems face many questions of a similar nature to those in categorical social security systems. One possible improvement of these systems over categorical income support is that the *discretion* of bureaucrats to consider social features is more limited in Negative Income Tax, Tax Credit and Guaranteed Minimum Income schemes. Each of these schemes is discussed in detail elsewhere (Tomlinson, Harrington and Schooneveldt 2003).

**What is a Basic Income?**

A full Basic Income is a universal payment paid to each permanent resident, *as an individual*, irrespective of their personal or social circumstances.

The idea of a universal Basic Income is not new. The first fully elaborated book-length Basic Income proposal, in the English language, was written by Dennis Milner in 1920. Walter Van Trier (1995) provides a comprehensive account of the history of that proposal and competing ideas for improving the system of income support.

In order to ensure that no-one supported by the present social security system is disadvantaged by the change from social security to Basic Income, the adult rate of
the Basic Income would need to be at the single (living alone) age pension rate. This rate would be maintained as at present by indexation with full-time average weekly earnings. The rate of payment for children will be dependant upon what other income support payments remain after the introduction of a Basic Income (Tomlinson, Harrington and Schooneveldt 2003).

Most existing forms of government-provided social security would be abolished and replaced by the Basic Income. Payments made to meet specific needs, such as allowances paid in respect of caring for a child with a disability, would not be abolished because they are designed to compensate for a specific disadvantage or the extra costs associated with experiencing a disability or both.

**Macroeconomic impacts.**

It is worth noting that the introduction of a Negative Income Tax, Tax Credit, Guaranteed Minimum Income, Job Guarantee or a Basic Income scheme would have considerable macroeconomic consequences. Each of these schemes would transfer considerable income to poorer sections of society and would most likely increase consumer spending. As poorer people save less of the money they obtain than do rich people there would be a net boost to the economy.

The extent of that boost to the economy would depend on the generosity of the payments involved, the extent of universalism of the payment and the income tax rate. Clearly the most universal payment, such as a Basic Income, would transfer income to more poor people than would a Job Guarantee, which would only increase the amount of income obtained by those who accept the Job Guarantee. A Job Guarantee may result in substantially increased production (depending on how it was designed) that might have economic multiplier effects, which a Basic Income would not necessarily create. Some of the stimulus to the economy might be dampened by the rate of income tax imposed as a part of the introduction of any of these schemes. The Government in Ireland believes that it can afford a Basic Income with an income tax rate of 43 percent (Healy and Reynolds 2002, Tomlinson, Harrington and Schooneveldt 2003).

**How secure is the system of income support in your country?**

In Australia the system of social security is paid for out of consolidated revenue raised from all forms of taxes and charges levied by the Federal Government. Some people have the idea that the taxes they pay throughout their lives is used to pay their age pension when they retire, or their unemployment benefit when they get the sack, or their disability support pension should they become disabled. But their money that Joe Blogs pays in taxes does not sit around somewhere in the Federal Capital slowly gathering dust until Joe become old, unemployed or disabled. Monies that come in to the Federal coffers in 2002/2003 pay for the social services provided by the Federal Government in 2003. There are no earmarked taxes from which social services are paid. During the 1940s and 1950s there was a Welfare Fund but the Menzies Government abolished it in the early 1960s (Smith 1993 pp. 54-55). The taxes raised today pay the social services today.
In Europe government controlled social insurance funds ensure the majority of full time workers against major income loss in the event of non-voluntary unemployment. But again, the bulk of money paid out to unemployed workers in 2003 is raised by workers’ contributions to “unemployed insurance” in 2002/2003, though some money may be drawn from existing insurance reserves.

Most Australians in work are, apart from paying their taxes, required to pay into private superannuation. The major players in the insurance industry control such funds. Claims are in substantial part paid out of reserves. At least 10% of superannuation funds are as safe as the shareholdings in the, now bankrupt, insurance company HIH. Paying into privatised superannuation funds is as fulfilling as becoming a late joiner in a pyramid selling scheme: “Amway your way to happiness”. There is no guarantee that the majority of contributors to privatised superannuation schemes will receive anything like a reasonable return on their investment. Many will not recoup the monies they paid in and a significant number may not get any money from their superannuation on retirement (Hayes 2002 p.1). The majority of superannuation funds lost money in 2001/2 and the majority of “non-industry” funds lost money in 2002/3.

If private superannuation schemes were such a brilliant idea the politicians would insist that their government guaranteed superannuation funds were transferred to the private sector. The unions were sold a pup when they agreed to trade off salary increases for an expansion in the social wage. Privatised superannuation was just a part of that trade-off. I warned about the insecurity of privatised superannuation over a decade ago (ACTCOSS 1991). Howard has dismantled much of the social wage the Hawke/Keating Governments offered the unions as a trade-off for reducing their wage demands. Medicare is no longer universal, there have been cutbacks in social security provision, the Arbitration Commission, like many other industrial safeguards, has been placed on a tight leash. The industrial landscape is now dominated by individualised work contracts, enterprise bargaining agreements and deregulation in increasingly casualised, part-time and precarious employment (LHMU 2003).

Employment is the most common way of avoiding poverty; yet, it is a decreasing option for many who find themselves marginalised in the labour market. There has always been a reserve army of labour but these days its ranks are swelled by those recently compelled by more stringent enforcement regimes of activity testing, “mutual obligation” and “participation income”. At the same time, more and more people are working full-time and living in poverty as a result of “workfare”, traineeships and such like employment options.

In Indigenous communities a form of “work for the dole” the Community Development Employment program (CDEP) has been operating since 1977 (Coombs1994 pp.162-170). In many communities real unemployment levels are in the order of 80 to 90% once the CDEP is recognised as a form of welfare rather than an employment option. Underdevelopment, disillusion and poverty are a common consequence in many Indigenous communities (Tomlinson 2003 Ch. 6). If CDEP is the answer then we are asking the wrong question. Like workfare and “work for the dole” programs in the wider community CDEP can’t help people escape poverty for the very reason that in such remote areas there are few, if any, full time award rates jobs available (Borland, Gregory and Sheehan citied in Cowling, Mitchell and Watts
2003 pp.2-3). People on the CDEP are paid at poverty line levels and in the absence of alternative income sources that is where they remain.

Social security and social insurance systems in many parts of Europe, in Australia and elsewhere have, as a result of the neo-liberal onslaught, been increasingly targeted, eligibility conditions tightened, obligations added and stigma increased (Standing 2001, Hutton 2002, Handler 2002).

No form of social provision can absolutely ensure security, or even consistency, over time. Governments change and subsequently alter entitlements. This is increasingly happening in Europe with limitations on the conditions of entitlement for unemployment insurance (Standing 2001). Even so, government provision of income support has to be substantially more secure than private provision partly because it is capable of spreading the risk (that there will not be funds available to pay income support) over an entire population. Universal Basic Income schemes are more secure than categorical social security because every one gets the payment so everyone has at least some interest in maintaining the value of the payment (Le Grand and Goodin 1987).

**An interesting dilemma**

Much of the literature dealing with the concept of Basic Income notes that a Basic Income severs the nexus between income and work. A recent Centre for Full Employment and Equity Working Paper (Cowling, Mitchell and Watts 2003), which sets out to compare the virtues of a Job Guarantee with a Basic Income, was entitled “The right to work versus the right to income”. This paper argues that a full employment strategy, beyond generating sufficient hours of work to satisfy the preferences of the labour force, requires that full employment: “not threaten the distribution of real income”, “have inflation control mechanisms built in”, be accessible to the “disadvantaged” and “must not violate the social attitudes towards work and non-work” (pp. 8-9): a very conservative agenda indeed.

The social prescription explicit in the current participation income system in England (Atkinson 2002) has a lot in common with the present Australian participation income system. Both governments coerce unemployed worker to accept any available work. Neither of them guarantees a job to those eager to work as does a job guarantee. A Job guarantee, which refuses to pay income support to those who wont accept available jobs on offer, shares features with the present Australian Government’s breaching of those they deem to have failed to meet their “mutual obligations”.

Australia has experienced the captains of industry gaining disproportionate rewards - the ratio between Chief Executive Officers’ salaries and those of workers has risen from 3 times workers’ salaries in the 1970s to 74 times workers’ salaries – (Shields, O’Donnell and O’Brien 2003). It is disconcerting to find job guarantee advocates arguing that the job guarantee should “not threaten the (existing) distribution of real income”. In Australia in 2003, where John Howard has imposed his very own form of “mutual obligation” on unemployed people and is moving to envelop lone parents and those with disabilities in similar compelled activities, I would have thought it important that progressive advocates use every opportunity to question the current “social attitudes towards work and non-work”.
Hopefully, this country might adopt measures that would usher in what Claus Offe (1992) calls “non-productivist” social policies, or what the feminist writer Sibyl Schwarzenbach (2002) describes as “reproductive” social policies and thereby end 400 year long obsession with a Lockean production model so that civil and individual satisfaction might be placed in advance of the production of things.

One of the prime motivations that I felt was driving Cowling, Mitchell and Watts’ (2003) paper was the need to ensure that all who wanted paid employment were provided with the opportunity to obtain it. If I am interpreting the motivations of the authors correctly, this suggestion itself confronts a widely held view about work and non-work in Australia. Namely, employers choose which and how many employees they want to work for them and that those potential workers who are surplus to demand should find other ways of surviving.

An examination of the preoccupation with employment and, particularly, the work income nexus reveals that this work income nexus is linked to a wider ideological debate. This nexus is a metaphor for a far broader collection of social preoccupations about desert. One might ask is it work or income that is the just desert?

Certainly the implementation of a fully universal Basic Income would succeed in relegating to the dustbin of history the work income nexus but it would do much more. It would sever the connection (at least in relation to fundamental income support) between income and worth. Those Basic Income advocates from Milner (1920) through to more recent supporters (Van Parijs 1997, Lerner, Clark and Needham 1999, Murray 1997, George 2002, Handler 2002, Standing 2002, Tomlinson 2003 ) have set out to erase the stigma-inducing stain of the poor laws’ system of less eligibility with its distinction between who is worthy and who is unworthy.

Basic Income advocates are not unmindful of the necessity to produce sufficient goods and services so as to develop the capacity to pay all, including those who don’t directly add to productive capacity, an income sufficient to sustain them. Milner (1920) specifically addressed the issue of those, whom he indelicately termed, “slackers” (in Chapter 6) and inefficient workers in Chapter 3. Like most, if not all, Basic Income advocates he did not think that work disincentives created by the presence of a Basic Income were likely to cause widespread work avoidance or productivity problems. It is interesting how many “participation income” proponents (Atkinson 2002), “job guarantee” supporters (Cowling, Mitchell and Watts 2003), “tax credits” for workers supporters (Phelps 2000) are troubled by the spectre of Philippe Van Parijs’ (1997) “free loading surfers”. Such an analysis drives the Howard Government’s preoccupation with “welfare dependency” and “mutual obligation”. Joel Handler (2002) points out that these concerns can be traced back to the possibility enshrined in the 1348 Labourers Act that welfare relief might assist “sturdy beggars”. Concepts such as “mutual obligation”, “participation income” and the “deserving/undeserving” dichotomy have a very long history indeed.

The fact that arguments (about “welfare dependency”, lesser eligibility, the poor's fecklessness, the associated need for coercion and the importance of increasing the huge differentials in income between the owning and labouring classes) are a
nonsense, does not make them any less valued. John Kenneth Galbraith ridiculed such arguments by pointing out "It always boils down to the highly improbable case that the rich are not working because they have too little income and the poor because they have too much (Cited in Boreham, Dow & Leet 1999 p.104)".

It is one thing to assume that work is such an unmitigated blessing that governments have a duty to provide the opportunity to work to all those without employment. But proponents of participation income (Howard 1999, Newman 1999, McClure 2000) engage in an interesting twist of logic. They suggest that when governments are incapable of providing, or unwilling to provide, the opportunity to work to all those without employment but are prepared to pay a social security benefit then those who are not able to find suitable employment have an obligation to accept any available employment or to make some other government approved contribution in return for this pittance. This is a transfer of obligation from the government to the unemployed individual. There is nothing mutual about such “mutual obligation”.

Cowling, Mitchell and Watts’ (2003) paper seems to be asserting that if Government were to provide a guaranteed job that those who claim unemployed benefits must accept such an offer. At last years’ conference I argued that once a Basic Income was in place, a sensible additional social wage component would be to supplement the Basic Income scheme with a job guarantee scheme (Tomlinson 2002[b]). Then there would be income for all, as well as work for all who wanted it. Under such a system, people could not be coerced to work on the threat of starvation (Goodin 2001).

If there is going to be a significant effort to provide jobs for all who want paid work, then many of those jobs will be in the educational, community, education and welfare sectors, as was suggested by Langmore and Quiggin (1994). In each of these sectors, the prime requirement of any worker is that they are committed to serving the interests of their clients. Coerced workers could not be usefully employed in such sectors.

Conclusion

The increasingly casualised and precarious nature of employment means that it alone cannot be relied upon as a way to ensure an income above the poverty line. The increasingly targeted social security system with expanded breaching and imposed obligations has removed any security from the social welfare safety net. Private provision, whether by unemployment insurance, superannuation, or employment, cannot ensure income security for the bulk of the population. A job guarantee cannot, on its own, ensure that all are lifted beyond poverty. Only a fully universal Basic Income is capable of ensuring that all permanent residents are provided with an income above the poverty line.

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