The Main Report of the Poverty Inquiry was published in April 1975. It made many suggestions for improving the lot of the poorest Australians. The majority of those suggestions consisted of plans to extend the existing welfare system in terms of both amount and coverage. Amongst the many recommendations which have been implemented are the introduction of the Supporting Parents Benefit; a Zone Allowance for isolated areas; the conversion of tax deductions into increased Family Allowances; increased income relief for poor farmers; the extension of home help services; the liberalisation of the Supplementary Assistance means test and the setting up of a federal emergency assistance program. But other suggestions have not been adopted, and of these the most notable was the recommendation to introduce a guaranteed minimum income (GMI).

The political obstacles to any form of universal income guarantee are different from impediments in the way of most other social welfare policy changes in Australia. Because universal income guarantees would involve a major restructuring of the welfare and tax systems, it could not be tacked on to the existing system of welfare delivery as was the Family Income Supplement. It would necessitate an increase in government outlays (most of which would be recouped through the income tax system). It would remove the concept of charity and replace it with a rights orientated approach to income maintenance. It would abolish the worker/welfare recipient divide in a way which the Family Income Supplement could have done, but failed to do because of the low take-up rate.

Income guarantees herald the possibility of a major redistribution downwards. A universal program would affect everyone; it is a move in the direction of promoting equality in a most inequitable society. The scope of changes required is bound to create, in the transition period, considerable debate.

Whilst governments maintain the myth of the stereotypical nuclear family with its presumed equitable intra-family transfer of income, they can avoid addressing the frequent inequalities which are prevalent inside families. If governments were to accept that massive intra-family inequalities often occur, they would be forced to recognise that, if equity or equality was the intended goal of social welfare policy, it would be necessary to create policy based around the individual, rather than the family.

IDEOLOGICAL BARRIERS

Certain ideological or political incompatibilities can be found to exist between parts of conservative, liberal, social democratic and Marxist perspectives on the one hand, and truly universal income guarantees on the other. Only in relation to conservative thought is the disjunction judged to be of central importance. That is, no obstacles, by
their very nature, present to other than conservative ideologues a compelling reason to reject the concept of a guaranteed income to all citizens.

Income guarantees are a move in the direction of promoting equality in a most inequitable society.

Universal income guarantees are tailor-made for social democrats but provide some difficulties for liberals. There was a recognition that both the Australian Labor Party and the Liberal-National Parties have come to be considerably influenced by monetarist economic policies in their decision-making in relation to other parts of the economy. Universal income guarantees are ideally suited to such a form of economic analysis in that they constitute a deregulation of the relations of distribution.

OTHER BARRIERS
If there are only peripheral objections to universal income guarantees which can be located in the articulated philosophies of liberals and social democrats, then it may be that the substantial obstacles are located within or associated with racism, ageism, urbanism or patriarchy. Were this found to be the case, then it would help explain the seeming contradiction presented by the fact that writers from the far right such as Friedman, through liberals like Galbraith, Tobin and Theobald, to Marxists such as Westerguard, all support the concept of universal income guarantees and the fact that such guarantees have also been supported by conservative political leaders such as Nixon and Heath as well as by the Australian social democratic leader, Gough Whitlam.

Whatever past institutional racist impediments to the introduction of universal income guarantees existed, these are fast disappearing in Australia as migrant inflows are decreasing and the overwhelming majority of migrants and Aborigines are either becoming part of the workforce or are already covered by existing social welfare payments.

Urbanism, with its concentration on the supply of goods and services to city dwellers, is starting to be confronted by both Labor and Liberal-National Party governments. This has been in part due to the recognition that in the past there has been a failure to deliver welfare services in the more remote areas of Australia and also as a result of the unprecedented political unrest amongst rural producers in the 1980s. This rural neglect represents a lack of knowledge about the needs of rural communities rather than a positive determination to discriminate against country people. As such it does not, of itself, constitute an insurmountable obstacle to the extension of universal income guarantees.

Ageism is undoubtably the most obvious impediment to the introduction of a truly universal income guarantee. At one end of the spectrum are children and teenagers and at the other are the elderly, Teenagers who have not found jobs are evaluated far less highly than are the old who are generally seen to have earn a "decent" pension during their past working lives. Because the young are paid at a lower rate than adults in the workplace, it is highly likely that a lower level of income guarantee would be offered the young.
But perhaps the greatest obstacle to the introduction of a GMI is that used by patriarchy with its assumptions about dependence of spouses and children.

**Patriarchy and the Unions**
The conservative view of appropriate family structure relies on the man the house to provide sustenance for his wife and children. This idea of family life has been compromised by the introduction of Child Endowment (now Family Allowance), Family Income Supplement and other social welfare payments made to families. Underlying all such payments is the concept of the state taking some responsibility for the upkeep of children and even spouses. A GMI would go some way towards ensuring, as John Ruskin advocated in the middle of the nineteenth century, "the first duty of the state is to see that every child born therein shall be well housed, clothed, fed and educated till it attains the age of discretion."

Another feature which needs to be taken into account is the mechanisms which men might use to articulate opposition to income guarantees in a politically sensible manner. The trade union movement has been used throughout this century to promote patriarchal working class views and is still the most likely organised force capable of articulating the opposition of Australian men who want to oppose income guarantees being paid to individuals as the basic unit, even though its attitudes have softened in the past ten years.

However, it might not become involved as a protagonist. Much would depend on how the issue of the income guarantee was seen, if it was seen as a welfare issue independent of industrial matters then it is likely that general acceptance would follow after initial suspicion. The money would be seen to be going in the main to support the needy, the old, widows, children, the "genuine" unemployed, the sick, etc. Unions covering low paid and regular part-time workers would be conscious of the help that a negative tax or guaranteed minimum income would be to their members. The presence of the Family Income Supplement has alerted the more progressive unions to the need to ensure that their membership is informed of its availability and they have come to recognise that the division between workers and welfare recipients is narrowed by such provisions.

If the payment of income guarantees was made in the social dividend mould this would also increase union acceptance because it, would be seen that everyone was treated equally. The fact that the payment was income tested would increase the perception of equality of treatment and the poverty-alleviating aspect of income guarantees would be obvious to all.

However, if the unions perceived the issue as intimately tied up with industrial conditions, or even if the debate concentrated over much on redistribution rather than welfare, then the unions might well become heavily involved. This would not automatically mean they would be opposed but it would create a situation in which opposition was likely at least from those unions whose members are in receipt of the average wage or better, and therefore least likely to need the provisions of the income guarantee.

Were the income guarantee perceived as a replacement for widespread minimum wage legislation or workers compensation or even superannuation provisions, then this would cause these unions to be at least very wary and most likely opposed.
Clearly, it would be easier to get a family-based income guarantee adopted than it would to install one which used the individual as the unit of payment – but the latter approach is not impossible. Only an individually paid income guarantee has the capacity to address existing inequalities within families.

**THE LIKELIHOOD OF CHANGE**

There has been a continuing rationalisation of levels of assistance of the many benefits and pensions supplied by the Commonwealth Government. As payments, and the fringe benefits associated with them become more equal, the logic of the categorical approach is undermined. The next step in such developments would be to make all benefits and pensions payable at exactly the same rate with exactly the same means test applying.

But this would still not herald the introduction of a universal income guarantee. What it would do is underline the fact that some people (those poor who have a current eligibility for a benefit or pension) are considered worthy of assistance and those who do not qualify are deemed unworthy. The ideology of less eligibility would still inform such a welfare benefits structure.

A universal income guarantee will only become a reality when the Australian Government finally comes to accept a pure economic definition of individual need – "a person has an entitlement for assistance provided his or her income is below a certain point". Such a shift in emphasis would require the Government to do away with the idea of assistance being provided on the basis of some social need, which has been used to both limit the amount and quality of welfare services and to legitimise considerable inequalities in wealth and incomes.

When most Australians speak about the welfare system, they call it the social welfare system. This is not just an insignificant naming process but recognition of the social features embodied in the eligibility requirements, the aims of the relief measures, and the values which they see underlying the entire distributional mode.

The Hawke Labor Government has made many moves to deregulate the productive sector of the economy and has explained its actions in terms of economic pragmatism. Economic rationalism would suggest that deregulation of the distribution system would be compatible with such an approach.

Despite the continuing attachment which many Australians have for a conservative/liberal view of the poor, their attraction to conservative views about the role of the family, their limited understanding of their own racism and ageism, their failure to look at the needs of people living in rural areas and their circumscribed attitudes towards gender relations, there are signs of change.

Apart from the rationalisation of levels of benefit payments, there are other alterations to the Australian political system which could be seen to be a move in the direction of introducing universal income guarantees. One of particular interest is the split off from the Department of Social Security of its subsidy programs, emergency assistance section, and other areas which deal with services into a new Department of Community Services. This reorganisation would make any future move to amalgamate the Taxation and Social Security Departments easier. Before such a move could solve the problem of unifying the positive and negative tax functions of the government, the 127 different income maintenance payments would have to be rationalised,
There have also been considerable changes in the breadth of groups covered by Social Security provisions during the last forty years. Many Aborigines, migrants and unmarried lone parents were specifically excluded when the Social Security Act of 1947 was proclaimed. But they are now included in the 127 different income maintenance programs mentioned above.

We have already seen the introduction of lone parent payments, irrespective of marital status, but we still retain the Widows Pension. The Sex Discrimination Act is intended by the Hawke Government to be extended in its coverage and, were it to include the Social Security Act, then such an alteration would necessitate the adoption of the individual as the unit of payment, the standardisation of the age at which Aged Pensions are paid, and a general streamlining which would involve the abolition of at least some categories of benefits and their replacement by more general ones. This would remove the gaps in cover for the last remaining large group excluded from the provisions of the Social Security Act – those deemed dependent on a spouse.

The extent to which a GMI has the potential to move Australia towards a guaranteed adequate income should not unduly worry liberals and conservatives. A GMI can and should be seen as a step in this direction, but it is a very small step. There is nothing inherent in the Henderson type proposal which necessarily means further developments will occur. Any development towards a guaranteed adequate income would necessitate a major change in the direction of prevailing ideologies.

The forces which are arraigned against a guaranteed adequate income would be strengthened by the installation of a GMI in the sense that they would be able to point to the GMI as an adequate, economic, rational, humane response to welfare needs. They could adopt Lady Rhys-Williams’ point, arguing that they had provided a line below which no-one fell and could "justifiably" oppose imposing a ceiling above which no-one could rise.

The social background for an alteration in income maintenance policy has been prepared through other changes such as the more humane response to those in economic need; the revolution in attitudes towards women and Aborigines, rural militancy, and the presentation of their real economic needs by youth and pensioner organisations.

Yet the movement in social attitudes has not been unidirectional. The Liberal Party’s commitment to deregulation and privatisation, the mining lobby’s anti-Aboriginal campaigns, and the attacks by business interests on the union movement, are attempting to push Australia towards a more conservative future.

CONCLUSION

Though there are no insurmountable impediments to the introduction of universal income guarantees within the articulated tenets of a range of political ideologies, there are other ideological impediments affecting the holders of quite diverse political views which constitute important obstacles. These arise out of discrimination based on gender, race, age and locality and can be identified in current and past Australian income maintenance policy and practice.

The techniques on which the welfare system relies in delivering welfare payments include a complex and inadequate safety net, dependency (in both its actual and
implied forms), work incentives, selectivity, categorical payments and the individualised assessment of needs. These techniques are designed to directly control the workless and, indirectly, those in the workforce. It ensures the atomisation of the least affluent, the control of the underclasses and support of the status quo in relation to wealth and income distribution.

That is, the control of the workless and workers acknowledged by poor law administrators in the nineteenth century as a necessary part of the system of welfare relief is still very much a part of current income maintenance policy. This practice and ideology of less eligibility has links going back to the earliest days of welfare relief and, at the moment, constitutes a major obstacle to the installation of universal income guarantees.

While "need" for such a mechanism to control the workless and workers has disappeared or is disappearing, (witness the Supporting Parents Benefit and Sex Discrimination Act), the power of such ideologies (because they pervade most, if not all, aspects of our lives) is still great and as such will need to be confronted by a widespread information campaign before there will be a general acceptance of universal income guarantees.

This continuing discrimination coupled with conservatism, constitutes the main ideological obstacles to the introduction of universal income guarantees.

John Tomlinson

GMI Revisited

This is an edited version of a paper given by Peter Saunders of the Social Welfare Research Centre, University of New South Wales at the ACOSS Congress, September 1987

The main income support recommendations made by the Commission of Inquiry into Poverty were intended to improve the adequacy of payments, to enhance equity in the tax-transfer system, to improve co-ordination between income support and income tax arrangements, and to simplify administrative procedures.

Many of these recommendations – notably the replacement of tax rebates by family allowance cash grants and the extension of supporting mother's benefit to supporting fathers – were implemented in the years following release of the Report. As a framework for reform of the Australian income support system, the analysis in Chapter Five of Poverty in Australia was an important contribution and it had a significant impact. Many of its arguments are as convincing (indeed, relevant!) today as they were twelve years ago.

However, the Poverty Commission saw these proposed improvements as a step towards implementation of its main income support recommendation, the introduction of a guaranteed minimum income (GMI) scheme. A central feature of its proposed scheme was the complete integration of income support and income tax arrangements. The GMI payments would be universal and automatic, with a flat rate
income tax designed to maintain an income-tested system by clawing back payments from those with private incomes.

Such a scheme had much to recommend it in the Australian context. The tradition of income tested income support provisions, combined with the non-existence of social insurance contributions and associated earnings-related benefit entitlements provided an ideal environment for the introduction of an integrated income related tax-transfer mechanism of the GNI type.

Considerations of cost prevented the Poverty Commission from recommending a full non-categorical GMI scheme which would set the GMI payments for all above the poverty line. The tax rate required to finance such a scheme was estimated to be about 50 per cent. The GMI proposal preferred by the Commission was a two-tiered arrangement, with a lower GMI payment for those not eligible for pension or benefit, and a poverty line payment for those in the eligible categories. This scheme thus maintained the principle of categorisation and the implied eligibility tests required to administer it. The tax rate implied by this two-tier proposal was 40 per cent.

Despite the Poverty Commission’s support for GMI and the existence of a system which facilitated its introduction the proposal has not featured subsequently in the income support reform debate in Australia. I have been unable, for example, to find even a passing reference to GMI in any of the documents produced to date by the current Social Security Review. Indeed, the three identified areas for focus of that Review – income support for families with children, social security and workforce issues, and income support for the aged – combined with the Review process itself, effectively served to eliminate consideration of GMI proposals from its deliberations.

One of the major reasons for the disappearance of GMI from the policy agenda is, paradoxically, the successful implementation of many of the Poverty Commission’s proposals to improve the existing income support system. In the last ten years, the income support system has shifted away somewhat from the simplified and rationalised vision contained in Chapter Five of Poverty in Australia. This is no doubt due to the continued budgetary restraint and fiscal policy climate of the last decade, combined with the length and severity of economic recession. These economic developments have implications for the financing and consequences of GMI schemes.

**FINANCING GMI**

As they are normally proposed, GMI schemes are self-financing in the sense that the tax rate is set so as to raise sufficient revenue to finance the GMI payments at the desired level. The total cost of the GMI payment is equal to the product of the number of people receiving it and the average GMI payment level. If the GMI payment is specified as a proportion of average income, then the tax rate is simply equal to the ratio of the GMI payment to average income. Thus if the GMI is set at 40 per cent of average income, the required tax rate will be 40 per cent, and so on.

In this simple GMI scheme, the breakeven income level is equal to average income. A person on average income will receive a proportion of their income as GMI payment and pay the same proportion of their income in tax to finance the scheme. For those with incomes above the average, tax payments exceed GMI payments, while the reverse occurs for those with below average incomes. Thus the scheme redistributes income from the former to the latter, the extent of redistribution depending upon the tax rate, or the ratio of the GMI payment to average income.
The above simple relationships become more complex once it is acknowledged that the income tax system must also finance other government activities. In this case, the overall tax rate is equal to the sum of the rate required to finance the GMI payments and that required to finance other activities. This was what led the Poverty Commission to reject the full non-categorical GMI proposal in favour of a two-tier system. Under the two-tier proposal the tax rate depends upon the level of the lower GMI payment paid to everyone, the extra payment made to those in favoured categories and the proportion of the population in the categorical group. If 20 per cent of the population are in this group, a tax rate of 30 per cent will finance the two-tier scheme.

The proportion in the categorical group has increased considerably since the time that the Poverty Commission costed its GMI proposals. Despite a fall in recent years, social security pensioners and beneficiaries increased from 10.6 per cent of the population in 1973 to 17.8 per cent in 1986, a relative increase of 68 per cent.

This increase largely reflects the increase in unemployment since 1973. Furthermore, the reliance on income tax as a source of revenue to finance other Commonwealth activities has also increased over the period. For these reasons, the tax rate required to finance even a two-tier categorical GMI scheme would now exceed the 40 per cent estimated by the Poverty Commission in 1973. Recalling that recent tax policies have reflected the political judgment that income tax rates should be lowered, particularly at the top end, it is not implausible that the tax rate now required to finance a two-tier GMI scheme would be close to, if not in excess of, the current top marginal rate of 49 per cent. Thus, while tax policy is attempting to flatten marginal tax rates from the top down, the GMI scheme would in effect flatten them from the bottom up!

Because GMI schemes are designed with a tax rate sufficient to cover all guaranteed income payments, they are self-financing in the sense that there is no net impact on the budget deficit. They do, however, have a major impact on the overall levels of government expenditure and taxation, and are thus not revenue neutral in the conventional sense. Government expenditure increases for two reasons: first because the categorical GMI payments are normally set above prevailing pension and benefit rates; and second because the lower-tier payments extend coverage of the income support system. Combined with a linear tax schedule, income redistribution occurs in favour of those at the bottom of the income distribution and, depending upon the GMI payment level and thus the tax rate, also to those at the top of the income distribution.

There is a danger here that proponents of GMI may suffer from a form of fiscal illusion, favouring the scheme precisely because it is not revenue neutral, because it raises taxes to finance higher income support payments and extended coverage. It is easy to favour such an arrangement in principle, but does it have any practical relevance given the politics and economics of current budgetary policies? Proponents of GMI need to pose (and answer) the question of why it is that the population will be any more willing to finance an expansion of income support provisions under a GMI than they are prepared to finance under existing arrangements.

Relevant comparisons of GMI schemes thus need to be made within a revenue neutral, rather than a deficit neutral, context. This is, however, an extremely difficult comparison to make, precisely because the fundamental principle of GMI – the
extension of income support to all as an automatic right of citizenship – necessarily implies a radical and costly departure from the existing income support system.

Despite this difficulty, it is worthwhile exploring what a revenue neutral GMI scheme might look like. There is a sense in which the current system can be conceptualised as a two-tier GMI scheme in which the lower tier payment is equal to zero. Under this arrangement, however, the social security and tax systems are not fully integrated, as they would be under the GMI.

INTEGRATION

One straightforward means of achieving integration would be to simply abolish the social security income test, leaving the tax system to clawback payments from pensioners and beneficiaries with private income. (Consistent treatment might also suggest an extension of the assets test to all citizens in the form of a wealth tax or some variant thereof.) Poverty traps would be eliminated, although the cost of this income test relaxation would be substantial and some increase in taxation would thus be required.

But this proposal is unlikely to find much favour among the proponents of GMI. Neither, incidentally, would the Poverty Commission itself have seen it as a priority, since they argued that "...maintenance and increase of the basic pension rate (has) priority over easing the means test" (Poverty in Australia, p.57). More generally, problems would remain because of the different definitions of unit for tax and income support, while pensions and benefits would still be taxable. Finally, there would be no concept of a universal right to a guaranteed income, a central feature of GMI proposals.

The GMI concept requires freeing all income support payments from tax, combined with a lower tier GMI payment which is positive. It thus inevitably involves large additional revenues to finance it. In effect, this extra revenue is obtained through abolition of the tax threshold, which is cashed-out to pay the lower tier GMI payments. Once the tax threshold is removed, the need for a separate social security income test also disappears, since the tax system now operates from the first dollar of private income. This would almost certainly imply some easing of the present income test (again particularly for beneficiaries), although the current free income zone would also be removed. Combined with the linear income tax, the GMI scheme thus involves some shuffling of effective marginal tax rates within the income distribution, particularly at the lower end.

As already explained, the two-tier GMI scheme described above retains the principle of categorisation embodied in the current system. To the extent that such categorisation reflects different needs among disadvantaged groups, this can be seen as more equitable than a scheme in which categorisation is abandoned entirely. It would also have a considerably less detrimental effect on incentives to work than a scheme which imposed no eligibility test other than the rights of citizenship. Under the two-tier scheme, eligibility for the higher level of payment would be subject to a work-test, or other eligibility criteria such as old age or invalidity. The lower payment level would not be work-tested and its effect on the incentive to work would depend on the level at which the payment was set.
The scheme would also have other effects on incentives to work. For many of those pensioners and beneficiaries who currently work part-time, the abolition of the free income zone would be of more financial significance than the lowering of their effective marginal tax rate. Against this, their pension or benefit would be freed from tax, so that the net impact on their financial position is uncertain, although many of those with lowest incomes would most probably be worse off than currently.

For those in full-time work, the incentive effects of a two-tier GMI scheme would vary according to the level of private income. However, even if in aggregate the higher tax payments exactly offset the lower tier GMI so that there would be no net income effect, there would still be a substitution effect associated with the overall increase in marginal tax rates, thus producing a disincentive effect. This is an important point, because even though the overall redistributive effect of a GMI scheme depends on the net outcome of both the GMI payment and the associated tax rate, the disincentive effect depends upon the gross rate of tax, which is relevant to decisions at the margin.

These proposals serve to illustrate one final and fundamental aspect of all GMI proposals. This is that they do not avoid the basic conflicts and tensions between competing objectives which any system of income support must inevitably face. More emphasis is given in GMI schemes to the goal of simplicity, but while this has much to recommend it, it is achieved at the cost of sharpening the tensions between equity and efficiency objectives.

It would be foolish to argue that the current Australian social security system does not have its deficiencies. But it has shown a quite remarkable degree of resilience during a decade of major economic and social change, and in an environment where expenditure restraint has increased the conflicts between competing income support policy objectives. Of major significance in this context has been the enormous pressures placed on the system by the high level and persistence of unemployment since the mid-seventies.

None of the fundamental challenges currently confronting income support policy will be resolved by the introduction of a GMI scheme. Indeed, some of them would be exacerbated by its introduction. The concept of a GMI is appealing to many who champion the cause of the disadvantaged, and for them its failure to make any headway on the policy agenda may well signify a paradise lost. For others, it may continue to burn as a guiding light, but the problem with continued gazing towards the heavens is that one can get distracted from the very real problems faced down here on earth.

Peter Saunders
The views expressed in this article are not necessarily those of the General Committee of ACTCOSS. The Executive Committee wishes to disassociate itself from such a careless rendition of ideological diatribe. The Social Justice Task Force members do not hold such opinions. None in the Housing Task Force considers the ideas implicit in the analysis are an adequate reflection of their position on such matters. The Employment Task Force ceased to exist, due to the increase in unemployment, so it was not possible to incorporate its members’ comments.

Most members of the Mental Health Task Force feel you’d have to be mad to articulate such thoughts. All members of the Alcohol and Drug Task Force considered that whilst the inherent thesis bore some vague connection with reality, that there was contained within the kernel of the argument elements more in keeping with the ramblings encountered in detoxification clinics.

Several external committees of ACTCOSS were firmly of the opinion that none of the basic conceptualisations were founded in fact. In so far as the ideas proffered by the treatise, contributed anything, none of them warranted serious consideration.

This article was circulated prior to publication to a number of government departments and statutory bodies. There was almost universal condemnation of the methods used to obtain information, the statistical regime employed and the general approach taken.

The author and ghost writer both wish to remain anonymous. The editor of this newsletter was unavailable for comment. Other staff have taken out an injunction restraining the author from associating them with the offending material.

Member agencies approached by the author were totally unable to ascertain any merit contained in the main body of the text but saw in the disclaimer preceding the analysis some glimmer of circumspection.