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A Comparative Note on 'Guaranteed Annual Income'

SHIRLEY HORNE

Canadian Income Security, referred to in Reuben Baetz's article, is based on three general types of provision: social insurance, which is mainly earnings-related with regard to contributions and benefits and which covers old age, disability, widowhood and unemployment; universal provisions, covering all the population in certain categories such as old age security and family allowances; and social assistance, a comprehensive welfare provision with a needs test. The social insurance and universal provisions are federally administered programmes, while social assistance is provided under a co-operative arrangement between the Federal government and the provinces.

By comparison, Australian income security measures are largely of a social-assistance character and are subject to means test, although three provisions—child endowment, blind pensions and maternity allowances—are universal in their application. Practically all Australian income security is financed out of general taxation and comes from Consolidated Revenue, and nearly all is federally provided and uniform throughout the Commonwealth.

In view of these basic differences in the structure of income security, the adoption of guaranteed income or negative income tax presents some different aspects in Australia from those in Canada. In the first place, the means-tested Social Service pensions and benefits in Australia go much further than many of the Canadian provisions towards meeting Baetz's first criterion or principle in providing 'most help to those who need it most'. However, the gradual liberalization of the means test, especially the introduction of the tapered means test in 1969, has weakened this position.

As to the criteria of equability, many of those involved in social welfare in Australia recognize that in some ways a negative income tax provision would appear to be fairer than the present provisions based on means tests. The latter's apparent penalty on thrift may not, however, be as real on closer examination. Those who receive benefits because of a lack of other resources may have contributed toward their

Shirley Horne is a Lecturer in the Department of Social Studies, University of Melbourne, and Chairman of the Economic Factors and Social Welfare Committee of The Australian Council of Social Service (ACOSS).

benefits through sales tax, excise, etc., on their previous expenditure items. Those who do not receive social benefits may in fact have received earlier advantage from tax deductions for life insurance, superannuation, education, and the like. What constitutes equity in such a situation may be much more difficult to establish than is often assumed.

Although social assistance is a method more often used in Australia than in Canada—and it should therefore, according to Baetz, tend to destroy rather than enhance human dignity—the history of income security in Australia, and the precise way in which it is provided, minimizes this effect.

Australia has practically no experience of a poor law, and hence the stigma that often attaches to means tests in other countries is largely absent. In addition, the conditions of eligibility for pensions and benefits are laid down in the Social Services Act, and hence there is more impression of benefits being a right than a charity. The growing proportion of the eligible population covered for the age pension, and the fact that the chief criticism of the means test comes from those unable to benefit because of excess means, substantiates that the present Australian provisions constitute little threat to human dignity. The main threat to human dignity in Australian income security comes from the inadequacy of rates of benefit for those without other resources—that is, the guaranteed minimum—and there is no certainty, as Baetz indicates, that an adequate minimum will be fixed even if a negative income tax were instituted. Adequate benefits, incidentally, would also mean economic advantage to the community in more sales tax to the Treasury, higher volume of business, and so forth,

So far as incentives to work and income security are concerned, what Baetz calls the 'all or nothing at all' practice of reducing benefits dollar for dollar of earnings or income does not apply to Australian pensions. It does, however, apply to unemployment and sickness benefits, where the alternative might be more significant. In both pensions and benefits there is also a certain allowable income which is not included for means test purposes. These clearly give incentives to work, but they are nonetheless opposed to the other principle of giving 'most help to those who need it most'. It may well be, moreover, that incentives such as the provision of education, training and other non-monetary benefits are of equal or greater importance.

The fact that the precise conditions of eligibility are laid down in the Social Services Act means that 'the rules of the game', as Baetz calls them, are known and that the system is more one in which the right to benefit is on the basis of 'an objectively administered system'.

The introduction of a right of appeal would, however, enhance the present system.

As Australian Social Service benefits are financed largely from taxation, this means that more does 'come out of the pockets of the "haves"' via income redistribution to help the 'have nots' than in Canada. Because Australian Social Service benefits are somewhat more federally administered than are Canadian, there appears less inequity between persons living in different areas as to income security. Nevertheless, variations in the supplementary income security provisions of the States, and especially in accompanying welfare services, highlight a similar need for better co-ordination in Australia.

This country, unlike Canada, has no integrated Commonwealth-wide Assistance Scheme to meet the needs of those for whom average needs-based benefits are inadequate. However, since Australian Social Service benefits are of an assistance rather than an insurance type, similar provisions are not altogether absent. A feature of both the guaranteed income and the Canadian social assistance plan, which Australia might well consider, is the removal of categorization of social service beneficiaries. Much administrative time must be taken up in Australian income security in placing those on benefit into compartments according to whether they are sick, aged, invalid, and so on. Some of those in need do not fit into any such compartment, and they either are not provided for at all or are less adequately provided for under Special Benefit. It seems feasible, incidentally, that a broad social assistance programme could be built up by the extension of Commonwealth-State co-operation along the lines of the States Grants (Deserted Wives) Act.

One major reason for Australia adopting a guaranteed income, effected through negative income taxation, would be the greater recognition this gives to the status of Social Services. These should no longer be regarded as residual provisions but as an integrated part of overall community planning and services.

In general, it is clear that there are a number of desirable modifications in Australian income security suggested by a consideration of Baetz's paper. It may well be, however, that the present Australian provisions could be varied to make them more effective instruments of a guaranteed income policy without adopting the more radical change involved in negative income taxation,