The History of Income Insecurity: There is an alternative.

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Abstract
Australia has never succeeded in ensuring all its permanent residents had access to a secure income. In 2003, many people are living in poverty (ACOSS 2003). The Government could guarantee every person sufficient income to lift them above the Henderson Poverty Line instead it prefers to be preoccupied with what it quaintly calls ‘welfare dependency’.

This paper will examine the various ways Australian Governments have sought to supply reliable incomes to its citizens, the reasons such policies have not delivered security and outline alternative approaches that would ensure that no Australian permanent resident lived in poverty.

Pre-Federation
Prior to Federation the various Australian colonies organised their own welfare services and relied heavily on voluntary charities, particularly those which were church based; some states provided substantial subsidies to such agencies (Kewley 1977, Ch.1, Dickey 1981, Chs. 1-4, Kennedy 1982 Chs.1-4, Campbell 1976, Cairns,1976). There were some income support and other welfare policies emerging in the colonies which were quite advanced and there was the emergence of the trade union movement (Cairn 1976). This, not inconsequential point, is important to remember because the States continued to play a vital role in income support welfare policies for many years.

During the Second World War, with the Commonwealth taking a far greater role in income tax collection, the states began to withdraw from their income support programs as they were taken over by the Commonwealth. But the States maintained some income support functions well into the 1970s (Client Power Groups in Brisbane 1975,Tomlinson 1975) and have maintained responsibility for much of the health, education, child and disability policies to this day.

A brief look at the Australian welfare state.
Professor Frank Castles (1985) said that the Australian Welfare State emerged as a result of a combination of industrial award provisions and the social welfare, health and educational systems. In his February 2001 article in Eureka Street he claimed the welfare state has been constantly eroded since the mid 1980s.

The Harvester Judgment in the Arbitration Court in 1907 set a minimum basic wage. This minimum wage judgment was designed to support a man, his wife and 3 kids. Women got 60% of the minimum wage and this continued for 60 years.

The Federal Income support system started with age and disability pensions legislation in 1908. The Department of the Treasury paid and administered pensions until 1927. There were no Federal unemployment payments but several state governments provided some relief schemes. The 1930s brought the Depression during which male unemployment was over 30 percent. In the 1930s most States had the Susso – a ‘work for the dole’ scheme.

Chain Gang
Work for the dole
well "Bless my soul"
what an interesting idea.
You would have thought
that someone ought
to have thought
of that
before this year.
Didn't they try to do it in 1929?
Wasn't it then the susso scheme?
When men had to leave their families
to go the great out back?
It was the stamp of feet
on the dusty street,
which ensured that they would eat.
The Susso was what it was called
and civilised folks were quite appalled
that men were forced from town to town,
with a swag on their back
and an old corn sack,
as they headed for the great out back.
They have a scheme just like it
for those who are born black;
they work from home,
aren't forced to roam,
'cause they live in the great out back.
Of course we only pay a pittance,
a charitable remittance,
but what do you expect in the country
when you live so far from town.
The one good thing I have to say
is the Government has promised it will pay
three dollars an hour for a twenty hour week.
Now that's the going rate.
Dole bludgers don't be late!!!
It will only apply to the young,
and of course the rural poor,
and the run down areas of cities
where unemployment is a running sore.

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During the Second World War widows’ pensions and child endowment were introduced. The Commonwealth brought together its Social Security legislation in 1947 with unemployment, sickness and special benefits, child endowment, maternity allowance, age, invalid and widows pensions (Kewley 1977).
By the 1950s the Arbitration Commission in most awards made provision for workers compensation, sick pay, long service leave and other occupational benefits. In 1967 it held equal wage cases for women and Aborigines. The Aboriginal wage determination was hedged around with slow worker provisions and many Aborigines were run off pastoral properties by white pastoralists in the wake of this 1967 judgment.
In the 1940s Australian born Asians were included in the social security system.
City based Aborigines and Torres Strait Islanders were included in social security system by early 1960s. Indigenous people living in rural and remote areas excluded until early 1970s and even then many did not receive social security. Many remote regions were substantially ignored. In the mid 1970s in some remote Indigenous communities the Community Development Employment Program (CDEP), a form of ‘work for the dole’ paid at about social security rates, was instigated (Coombs 1994, pp. 80-84, Tomlinson 2001 Ch.6).

State governments still looked after single mothers until 1973/4 when Labor’s Bill Hayden introduced supporting mothers benefit. In 1977 Liberal Senator Margaret Guilfoyle introduced supporting parents, thus providing for children being cared for by a lone father. By early 1980s there were 1500 different forms of government provided income support payments (Joint Committee of Public Accounts 1983). In 1975 Professor Ronald Henderson brought down the first main report of the Poverty Inquiry in which he argued for the introduction of a two-tiered Guaranteed Minimum Income.

In 1986 with Brian Howe as a Hawke Government Minister of Social Security Australia began to witness its first significant cutbacks in public provision. Though he spoke frequently about social justice when he did so I got the impression that he envisaged social justice as a stand-alone policy connected to nothing else. How else does one explain:

- his widespread promotion of “welfare dependency” and reciprocal responsibility;
- the fact that when ever he amalgamated two social welfare payments he reduced the payment for all to the lowest amount paid in either category,
- the social security cut backs through increased targeting,
- the imposition on migrants of a six month wait before they became eligible for social security benefits, and
- his crack down on the unemployed particularly the young unemployed through the false start of Newstart?

Howard’s policy has further weakened the social security system through:

- the compulsion of ‘mutual obligation’ and his ‘social coalition’,
- his accelerated cutbacks in social provision, for example his abolition of 16-18 year old people’s unemployment benefit and its replacement with his oh so common youth allowance – with its ‘work for the dole’ tyranny.
- The severe expansion of social security surveillance and breaching regimes have threatened the security of all recipients (Goodin 2001, Kinnear 2000, Schooneveld t 2002).
- Howard has imposed upon migrants a 2 years waiting period for social security eligibility and has imposed significant limitation upon the conditions and payments to recently arrived refugees holding temporary protection visas.

The high point of income support policies was between 1980 and 1988 during that period young homeless persons allowance and family income support policies had been added and the social wage had been expanded under the accord agreed to by the Labor Government and the trade union movement. Still income security was not guaranteed to all Australians.

“From the Poor Law to Poor Laws”

“ The Poor Law was not so much intended to help the unfortunate as to stigmatise the self-confessed failures of society (Professor Hobsbawm cite d by Higgins 1982
p.202).” In Australia from, at least, the mid 19th Century there was an increasing rejection of the British poor law system (Roe 1977 p.4-5). Yet in colonial Victoria according to Kennedy (1982)
The bourgeois myth that the poor were most unlikely to be deserving justified harsh inquiry procedures. The myth justified niggardly and irregular doles; it justified humiliating terms on which relief was offered; and it justified the policy of forcing ‘objects of charity’ back onto the labour market…, often to do the worst jobs at the lowest rate of pay (p.54).
This prescription for income support policies has a remarkable resonance in current Howard Government social security policies of ‘mutual obligation’, ‘participation income’ and ‘work for the dole’.
From the early days of the Australian colonies there was a rejection of the British Poor Law system of workhouses, which Higgins (1982) aptly described when he said:
The workhouse, the true shrine of the work ethic, was a sort of concentration camp in which were incarcerated and held up as an example, those who admitted their inutility to capital –the sick, the mad, the handicapped, the unemployed –and in which conditions were even more monstrous than in the factories (p. 202).
The consolidation of the social security provisions in the 1947 Act made a significant contribution to the development of the Australian welfare state. By the early 1970s the main planks of what was to be a fairly comprehensive system of income support -‘a safety net’- were in place. Yet there was emerging a consolidated critique that the ‘safety net was full of holes’. Enthusiasm was growing for universal systems of income support predominantly amongst left wing academics.
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A review of the present Government’s policies in relation to ‘mutual obligation’ (Howard 1999) and the ‘social coalition’ (Howard 2000) which takes account Polanyi’s classic 1945 text, Henriquez (1979) and the recent work by Goodin (2001), Kinnear (2000), Hammer (2002), Schooneveldt (2002) and Tomlinson (2002 [a]) would lead to the conclusion that there is a continuity between the social attitudes towards welfare assistance which informed the 1601 Poor Laws in Britain and those driving the Howard Government’s social welfare policies at the present time.
The essential reason permanent residents of Australia have never been able to feel secure in the belief that they will have an income is that Australian Governments have relied upon a combination of the capitalist labour market and a categorical welfare system (rather than universal provision) to supply income to citizens. The increasingly precarious, part-time and casualised nature of work coupled with cutbacks and increased targeting of the categorical benefits system underpinned with increased surveillance and breaching has significantly increased uncertainty in recent years. All categorical systems exclude some people from eligibility (Boston and St. John
This is the old worthy/unworthy debate, which has underpinned the poor law system since 1601. The enforced ‘mutual obligation’ is part and parcel of the ‘less eligibility’ process that has been integral in all poor law administrations. The principle of less eligibility was an integral part of the poor law administrations England from 1601 until the early 20th Century was designed to ensure that whatever assistance was provided via the welfare system was less than could be obtained from working and was provided in a demeaning manner in order to discourage people applying for welfare relief. The process of determining, who would be assisted and who would be refused, divided applicants for assistance into the worthy and unworthy poor. Receipt of categorical payments depend on discretionary judgements being made in favour of the applicant. Taxpayers may pay for the benefit but it is conceived of as a charity rather than an entitlement of permanent residence. Though the workhouse system of indoor relief of Victorian England has not been re-established here ‘work for the dole’ is (at least at the conceptual level) the exact equivalent of the 1834 Poor Law out door relief system.

Choose an Alternative
There are many alternatives to the compelled, constrained, mean minded, narrowly targeted income support policies which started under Labor in the mid 1980s and have been exacerbated by the present Government. Many may feel we’re come too far down this slippery slope of self-provision to even regain the heights we once reached but together young and old, Indigenous and non-Indigenous, male and female Australians can reinstate pre-existing welfare provisions. Better still, we might decide to improve upon the best of our past income support policies.

If anyone doubts that we can turn the ship around then I would urge you to read Jane Kelsey’s 1995 seminal work on the failure of economic fundamentalism in Aotearoa (New Zealand), Sue Bradford’s 1996 “Daring to Dream a New Tomorrow: An Unemployed Response to a decade of Structural Adjustment in Aotearoa, New Zealand.” and to look at the way the Labour Government in Aotearoa has dumped the social welfare policies of previous conservative Labour and National Governments (The Jobs Letter).

We don’t have to follow the prescription outlined in Hayek (1944) The Road to Serfdom. There are far more useful ways to proceed if we set out to learn the lessons from Frank Stilwell’s (2002) carefully argued Political Economy: The Contest of Economic Ideas, the first six chapters of Lindy Edwards’ (2002) entertainingly written How to Argue with an Economist, Bob Ellis’ (1998) hilarious First Abolish the Customer: 202 Arguments Against Economic Rationalism, Will Hutton’s (2002) The World We’re In, and Goodin, Heady, Muffels and Dirven’s The Real Worlds of Welfare Capitalism (1999). Thus armed we can then set out to change the world.

Charity or Universal provision
To end the handout mentality, which surrounds social security in Australia, we require at a minimum a move to universal entitlement and preferably universal provision of an income sufficient to sustain each permanent resident, for example a universal Basic Income.

The question as to whether to have categorical charity style welfare or Universal welfare provision is by no means a new debate in Australia (Mendes 2003, Dickey 1980, Ch. 4, Cairns 1976, Kewley 1977, Kinnear 2000, Tomlinson 1989). Perhaps one sub-question, which has had insufficient discussion, is whether it is possible to have a categorical system that might provide a secure income for all.
Boston and St. John (1998) have set out a cogent argument that it is not possible to provide categorical benefits in a manner that ensures that even all who have an entitlement will receive it –let alone those specifically excluded by eligibility policy. All the Howard Government Ministers who have entered this debate seem incapable of moving beyond the argument that welfare recipients need to be divided between the “needy and the greedy”. They are content to assume that all “the needy” get paid. Many of the researchers attached to Centre for Full Employment and Equity (see CofFE website) argue strongly for a job guarantee (that is for Government to become an employer of last resort) rather than simply providing a secure income. In a current CofFE poll visitors to that website have voted 52% in favour of that proposal and only 28% in favour of a guaranteed income without any eligibility requirements. Providing a job guarantee would provide a secure income for all people who have the capacity and the desire to work but it would do little for many who on account of illness, incapacity, child minding difficulties or other reasons were unavailable for employment. There is nothing incompatible with the idea of combining these two programs and I have argued for both a universal Basic Income and a job guarantee Tomlinson 2002[b].

In Australia arguments have been mounted for a two-tiered Guaranteed Minimum Income (Henderson 1975 Ch. 6) or a single Guaranteed Minimum Income (Tomlinson 1989) essentially the thinking has centred around the political feasibility of introducing a welfare style guaranteed safety net. Arguments have been mounted for a Negative Income Tax and Tax Credits schemes in Australia have mainly come from right wing economists and a less generous than fully universal Basic Income proposals (McDonald 1995, Tomlinson 2001). I will conclude by providing a brief history of Basic Income in Australia.

**Summary**

The concept of Basic Income in Australia is at one level a recent arrival in this country at another level it can be seen to have evolved out of the Trade Union and welfare activists’ struggles to improve upon the conditions of the working class. The division between the worthy and unworthy, integral to the British Poor Law system, has been part of the welfare traditions here since the earliest times. The British Trade Union tradition influenced the struggle here for an arbitration system that might provide increased security for workers from want, exploitation, and insecurity. Throughout most of the 20th Century the system of welfare income provision became more widespread, generous and comprehensive. But with the exception of the 1947 consolidation of social security legislation, there was little effort made to conceive of it as a unified system of income support. The first serious attempt to cut back on the comprehensive nature of income support began under the Hawke Labor Government and has proceeded apace under the Howard Coalition Government.

**Australian Income Guarantees.**

Overseas writers have significantly influenced the development of the Basic Income debate in Australia. In particular the British Liberal economist Lady Rhys-Williams 1943 book called *Something to look forward to*. Lady Rhys-Williams' aim was “To provide a floor below which no one could fall without imposing a ceiling beyond which no one could rise.” The economic fundamentalist writer Milton Friedman claims that year also as the time during which he developed his ideas on his form of income guarantee (the Negative Income Tax) but it took him a further 18 years before he published his ideas. Though there was some minor acknowledgement of Dennis
Milner’s (1920) important book on Basic Income his ideas have not until recent times received the attention of Australian researchers and then mainly due to Walter Van Trier’s (1995) research.

In 1975 Professor Ronald Henderson in the Main Report of the Poverty Inquiry, borrowing heavily on Lady Rhys-Williams’ ideas, advocated a Guaranteed Minimum Income for Australia. There had been some earlier articles written about the need for income guarantees in Australia which can be found on this site. Bill Hayden the Minister for Social Security and subsequently a Treasurer in the Whitlam Labor Government essentially endorsed the idea put forward by Professor Henderson. Also in 1975, a group of Australian Finance and Treasury officials using the collective name, Priorities Review Staff, put up a counter proposal to Henderson. It was to the right wing economic fundamentalist Milton Friedman’s Negative Income Tax model they turned. The dismissal of that Government effectively ended Federal Government support for generalised income guarantees.

Throughout the period 1975 to the present some social welfare activists and academics continued to advocate general income guarantees. Initially promoting a Guaranteed Minimum Income and subsequently a Basic Income [Watts (1984, 1995), Tomlinson (1989, 2001), McDonald (1995) VCOSS and Good Shepherd (1995)]. There have also been economists promoting Tax Credit and Negative Tax schemes such as ‘The Five Economists letter to the Prime Minister, 28th October 1998’ Dawkins (1999).

The major overseas academic influences impinging upon the history of income guarantees in recent years have been scholars associated with the Basic Income European Network BIEN, the Universal Basic Income New Zealand web sites: notably Van Parijs, Standing, Gortz and Goodin. The last of these authors is currently researching in Australia. There has also been some input from Learner, Clark and Needham (1999).

Now

In recent years there has been renewed interest in Basic Income. The idea has yet to blossom but the tree is alive and the buds have formed. The renewed interest may be substantially due to the intractability of widespread unemployment, the increasing casualised and precarious nature of work, the adoption of economic fundamentalist economic policy and the imposition of ‘mutual obligation’ upon social security recipients. The last Labor and the present Liberal Governments have substantially reduced certainty in the social security system. Those in the Basic Income campaign want to see the introduction of a universal income guarantee and expanded social wage provisions. The Australian Government’s prescription for what it terms “welfare reform” is enforced obligation, highly targeted benefits and tighter surveillance of recipients. The major point of difference is the degree to which each side wishes their income guarantee to ape the welfare income support system with its various categories of payment and means test or instead argue that income support should be in the form of a truly universal payment to all as a right of citizenship/permanent residence.

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