

AN AUSTRALIAN GUARANTEED INCOME SCHEME

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## An Australian Guaranteed Income

Over the past half decade Australian economic policy has been adventurous in its departure from full employment and in its tolerance of increases in the inequality of income, but has been remarkable timid in its approach to the reform of social security and the income tax. In this climate a guaranteed income scheme, with its combination of tax reform, social security reform and income equalisation had little chance of a receptive hearing. However as I have pointed out elsewhere (Manning 1981 b p.33) the apparent stability of the present system belies the urgency of the questions that surround it; reform may soon be forced upon us and we should therefore prepare for it by continuing to investigate alternative social security systems including guaranteed income schemes. The purpose of this paper is to make a small contribution to the continuing investigation by updating and adapting the guaranteed income scheme first proposed in the Poverty Inquiry report of 1975. It will be assumed that the reader is familiar with the scheme propounded in Chapter 6 of that report (Commission of Inquiry into Poverty (1975) Vol. 1 pp. 67-87, also Vol. 2 appendix 6); the paper will therefore concentrate on modifying the scheme in response to some of the criticisms made since it was first published, and will describe the changes in incidence which result from these modifications and from changes in the economic environment.

### 1. Modifications to the 1975 Scheme

The two main areas where modifications might improve the political acceptability of the proposals are its character as a social dividend scheme and its provision for the treatment of married couples and their children as income units.

#### (a) A Negative Income Tax

The reasons why the poverty inquiry recommended a social dividend schema rather than a negative income tax (in which the guaranteed income entitlement is offset against tax payable) were largely administrative. Last year I defended the choice of a social dividend scheme in the following terms: first, a negative income tax 'would not be workable in the case of a guaranteed minimum income scheme financed from consumer taxes, and second, it would require the tax and social security authorities ... to keep all citizens under surveillance in order to keep track of the net amount owing... Administrative simplicity would be best served by calculating the net amount owing infrequently – say once a year, with a large payment in settlement, like a tax refund or demand. However, this would be of little help to the person whose private income changed for the worse during the year. A process of application, assessment and income testing would be required for anybody newly entitled to negative tax payments, and only the possibility of an end-of-year settlement would guard against problems of low takeup.' (Manning 1981 c p. 201-2)

None of this need be retracted. However it must be admitted that it would be difficult in the present Australian political climate to change from the existing system to a social dividend scheme by which both taxes and government expenditure would increase considerably. A great deal of effort has been devoted to convincing the public of the supposedly dreadful effects of high taxes and high government expenditure, and the effects of this publicity cannot easily be overcome even by

pointing out that the tax increase necessary to introduce a social dividend scheme would be cancelled out for most families by the new social dividend payments. Again, the change in the proximate source of household receipts, with social dividend payments increasing and the contents of wage packets falling, would change the balance of power between husband and wife in many families, and might also have unpredictable incentive effects. Given these difficulties, and given that the present tax and social security systems even in their current chaos have the basic elements of a negative income tax, there is much to be said for designing a guaranteed income scheme on negative income tax principles. It may then be possible to see whether the inherent problems of such a scheme can be overcome to a sufficient degree for it to form a desirable alternative to the present system. One purpose of this paper, therefore, is to develop the 1975 scheme into a negative income tax.

(b) Income Units or Individuals?

The second area where the 1975 scheme arguably requires substantial modification is in its treatment of married couples. The 1975 scheme was presented in terms of income units, comprising husband, wife and children, or any abbreviation of this unit including single people by themselves and single parent families. Prima facie it did not recognise the independence of married women, and placed too much emphasis on marriage as a determinant of entitlements. In defence against the first of these accusations, it could be pointed out that the prominence of the income unit was more apparent than real. Status as a married person affected guaranteed income entitlements, but had no effect on tax payable which was to be levied at a flat 40 per cent on all private income no matter whether it was received by husband or wife. This, indeed, was one of the attractions of the scheme, for it meant that the tax system could be administered independently of the social dividend payments even to the point where the social dividends were financed out of taxes whose incidence cannot be imputed to individuals, such as a general consumption tax. (Manning 1981 c p. 189). However the decision to modify the 1975 scheme into a negative income tax, in which income guarantees are continuously offset against tax due, brings us back to the question of the treatment of married women. How can entitlements be determined in a way which is equally fair and acceptable to those who are economically independent and those who insist that they prefer to be economically dependent; a way which at the same times does not put stress on the definition of marriage in ways which create inequity between married people and single people living alone or in the company of others?

Even though we are now speaking of a negative income tax, there is no need to shift from the basic design of the 1975 scheme, in which guaranteed income entitlements were offset against a linear income tax. The question of the treatment of marriage therefore remains a problem in the determination of guaranteed income entitlements, the difference being that these will now be offset against tax rather than paid in cash. The 1975 proposals drew two main objections:

- (i) It is unfair to give lower income guarantees to a married couple than to two single people living together as married.
- (ii) It is unfair to give income guarantees of any sort of dependant wives.

The second of these objections sometimes turned out to be an unwillingness to see income guarantees offered to any person who had withdrawn from the workforce, in which case it was contrary to the principle that a minimum income should be available for all (Manning and Saunders 1978 p. 55). More often it was an objection to the granting of income guarantees, such as the present dependent spouse rebate, which may bias a woman's choice between going out to work or not going out to work. This objection is automatically met within the 1975 guaranteed income scheme by the fact that the guarantee stays constant whether or not the woman works.

The unfairness of giving lower income guarantees to married compared to 'as married' people, on the other hand, raises the question as to why lower income guarantees should be made available to married than to single people. Is it because married people share their incomes, or because they share their expenses? If the poverty line for a married couple is less than twice the poverty line for a single person because married people can share expenses, the definition of marriage can reasonably be extended to include all people who live together and share expenses, whether or not they are married. On this argument income guarantees should differentiate between adults who live in single-adult households and all other adults, with a living alone allowance payable to the former. In the present scheme income guarantees will not, as in the 1975 scheme, be set at a higher rate for single people and at a lower individual rate for married people, but at a common rate for all adults with a supplement for those adults who live apart from other adults. This removes marriage as a measure of entitlement.

To this proposal it may be objected that marriage, being a legal contract, is easy to define, whereas living alone is bound to be difficult. However, in present day conditions the attempt to include the de facto married among the married can lead to problems of definition and administration just as difficult as those likely to be encountered in administering separate entitlements for those who live alone.

In developing a working definition of 'living alone' it is helpful to ask why living alone should be relevant to the need for income support, or the ability to pay tax. According to the poverty line equivalence scale this relevance is due to the ability of people who share expenses to reap economies of scale in consumption to household size, arising chiefly from the sharing of housing costs. The inability to share housing costs as the mark of a person who lives alone may be contrasted with the statistical definition of a person who lives alone, namely a person who does not regularly eat with any other people and therefore does not share his or her food costs. To enforce either definition as it stands would sometimes involve an investigation of intra-family financial transactions, and to avoid this and its associated opportunities for subterfuge an operational definition of living alone would have to rest on the absence of other adults permanently resident within the same private self-contained dwelling. As a consequence of this definition a time limit of (say) several months would have to be placed on the period in which a person living alone could entertain guests without losing solitary status.

Further definitions would be necessary to cover those living in non-private dwellings. In the case of institutions like nursing homes there is a precedent: a married pensioner who shifts into such an institution are regarded for pension purposes as a single person, in part recognition of the considerable expense of living

in such homes. This precedent may be extended to give living-alone status to the residents of non-private dwellings generally, or at least to the residents of those types of non-private dwelling where costs of living are high. This leaves the question of boarders and lodgers in private dwellings. The hard-hearted approach would be to deny living-alone status to all such people, while an alternative might be to allow living-alone status to such of them as can prove that their board or (more likely) lodging was an arm's-length transaction.

(c) The Income Unit and Special Categories

In the context of the 1975 guaranteed income scheme the switch from differentiating income guarantees between single and married people to differentiating them according to whether people are living alone or in company raises three further questions. First, in the 1975 scheme one of the favoured categories was the single parent, defined as the man or woman without spouse (whether legal or de facto) who has responsibility for children. In other words, income units with children but only one adult qualified for income guarantees at a higher rate than those with two adults. This favoured category was defined on the same basis as in the present pension system, where the definition causes a great deal of administrative trouble and embarrassment (Commission of Inquiry into Poverty 1975 Vol. 2 p. 5-13). If income unit definitions are to be banished from the determination of income guarantees they should perhaps be banished here also, and the higher guarantee be restricted to living-alone parents.

The basic problem here is that sharp administrative definitions have to be made at some point or points along a cloudy continuum of relative poverty. In such circumstances it helps if entitlements can be increased at several points along the continuum, for then the weight of entitlement hanging upon any particular definition is reduced. Arguing along these lines, one may propose that the income unit definition be retained for the primary identification of single parents, but that full payments should be reserved for those who are living with their children but no other adults.

A further argument for the retention of single parents as a favoured category, rather than limiting full guarantees to living-alone parents, derives from the fact that the general rationale of favoured categories emphasises hindrances to earning a living rather than the expenditure required to attain a particular austere standard of living. It is argued that having sole responsibility for children either prevents a person from going out to work or occasions extra child care costs for those who do go out to work. These hindrances may apply whether or not the single parent is living alone. (Similar arguments may be put on behalf of married women whose husbands work full time, but with less urgency so long as the husbands accept responsibility for the expenses of the family.) Again, it may be argued that restricting categorical status to living-alone parents would create an unhealthy inducement for single parents to live alone, whereas there is no such incentive in a system in which single parents receive a categorical income guarantee plus, where appropriate, a living alone allowance roughly commensurate with the extra costs of so living. However, the category 'single parent' has always been difficult to define with equity in a way that avoids unpleasant administrative inquiries, and this difficulty of definition argues that if a way could be found to prevent single parents from falling into poverty while dispensing with a definition of single parenthood this should be done. So far nobody has suggested a

satisfactory substitute for a definition of single parenthood, and in the present paper the 1975 scheme is updated on the basis that single parents retain their categorical status on the present definition, but that they are only eligible for a living alone allowance if there are no other adults living in the same dwelling.

A second feature of the 1975 scheme called into doubt by the general abandonment of income units in deciding entitlements is the use of these units in determining categorical status. In the 1975 scheme, and in the present social security system, if a breadwinner qualifies, his spouse does too, but not the other way about (Commission of Inquiry into Poverty 1975 vol. 2 app. 4). In line with the individualism of the proposed scheme the automatic qualification of spouses should be dropped. However the needs of dependent spouses should still be met, perhaps by an income-tested supplement akin to unemployment supplement, or perhaps by some form of attendant's allowance. Despite these arguments, the present scheme was costed on the basis that wives would continue to receive pensions when their husbands were eligible. This conservative assumption amounts to allowing the same income guarantees in the revised system, perhaps under a different name.

The third feature of the 1975 scheme called into doubt is the use of an income test on an income unit basis in deciding eligibility for supplementary payments to the unemployed and sick, with the effect that a spouse's income could deprive a person of benefits to which he or she was otherwise entitled. A similar test exists in the present system, and its rationale is that social security money should only be available to people who are experiencing severe hardship due to unemployment. Hardship is not demand to be present when an unemployed person has an income-earning spouse, for that spouse is expected to share his or her income with their partner and children. This argument could still be put under the proposed system, but with less logical consistency in that status within one's income unit no longer influences income guarantees.

To pursue the matter further it is necessary to go back to first principles. By setting the income guarantee at less than the poverty line we assume that people can make up the difference between the guarantee and whatever they need to live on by working or by relying on internal family transfers. Under the present system family transfer- are assumed to take place only between husband, wife and children. Therefore if a single person cannot obtain work he or she may obtain unemployment benefit upon work test. Similarly if a married person cannot obtain work nor rely on his spouse's earnings (shared by assumption) he can receive unemployment benefit upon work test. However, under the revised scheme we have shifted the emphasis in deciding income guarantees from the sharing of income to the sharing of expenses. It would be consonant with this shift if we also discontinued the assumption that income is shared between husband and wife. Taken to an extreme such disregarding of marriage would require us to make full categorical guarantees available to all spouses who do not have their own private income. In a less extreme form it would involve making payments at categorical rate to those whose income sources through both workforce participation and family transfers have failed. The first of these alternatives, that of full categorical guarantees for housewives, has been discussed on the margins of Australian politics over the past few years as a 'housewife's wage' and has been rejected by the majority on grounds of expense. The less extreme alternative has also been discussed, with some emphasis on the administrative problems it would

raise. Given that single parenthood has proved difficult to define in practice, a differentiation between households in which internal sharing is proceeding satisfactorily and those in which it is not would be almost impossible. The willingness of the spouse to work would perhaps be the only available (enigmatic) indicator of failed sharing, in which case the proposal collapses into a suggestion that unemployment supplement should be made available on work test to married people subject to income test on their own private income only.

A similar conclusion can be reached by comparing the status within the scheme of the wives of pensioners with that of the wives of unemployed breadwinners. If the invalid wives of healthy husbands can (as proposed) receive income guarantees at categorical rate, why not unemployed wives? On the other hand, the continuation of single parents as a favoured category argues the other way. Given that single parents are to be eligible for full categorical income guarantees on the grounds that they do not have anybody to share responsibility for their children, why should unemployed spouses (or for that matter, invalid spouses) receive income guarantees at categorical rate if they can (by assumption) share their husband or wife's income?

Reviewing these arguments, the logic of the scheme seems to require some extension of unemployment supplements to the unemployed spouses of employed breadwinner. The converse of this is that unemployment supplements in respect of dependent wives should be discontinued except where the dependent spouse also passes the work test. On this basis any unemployed person who met the work test would be granted unemployment supplement for his or her self and dependent children (no child of the same parents to be counted twice!) subject to an income test or his or her private income. However since the numbers who would gain entitlement under this proposal, and the numbers who would lose it, are very hard to assess, the present costing assumes that the income unit continues to be used in income testing for supplementary payments to the unemployed and sick.

Though it specified all income guarantees in terms of income units, the 1975 poverty report made several recommendations which tended to reduce the significance of sex in determining categorical status. These recommendations were that the age at which women qualify for age pension should be raised to 65, and that the Class B widow's pension be withdrawn. The present scheme retains these changes. However the scheme recognises that it is not politically possible to withdraw such entitlements by the mere stroke of a pen. Again, in the present state of the labour market, with declining employment opportunities for people of both sexes over 50, these provisions could only be withdrawn without replacement at the cost of causing poverty for some of their present and future recipients. The 1975 report dealt with this by proposing a pre-age pension, which would amount to granting categorical status to persons over 50 in much the same way as for the present invalid pension, but with much greater weight given to the state of the labour market in making the assessment. For purposes of costing the revised scheme it is assured that these changes would not greatly alter the total number of people of categorical status.

## 2. Updating the Modified Scheme

In 1975 the income guarantees under the preferred scheme were set at approximately 106 per cent of the poverty line for persons in favoured categories and

at approximately 62 per cent for others. The levels thus proposed were adapted to the change from income units to living alone allowances by setting the guarantee for an adult living in company at half the rate provided for a married couple in the 1975 rate table. The difference between this rate and the 1975 single rate gave the living alone allowance. The additions for children and single parenthood were left undisturbed.

The Henderson poverty line was retained when updating these entitlements to the present. Though the Henderson line has been criticised in various ways lately (Stanton 1981), it is still suitable for our general purpose which is to illustrate rather than finally recommend. Its adoption was almost inevitable in view of the lack of an alternative line – the investigations of the Social Welfare Policy Secretariat into an Australian equivalence scale had not been published when this paper was written. As recommended in the poverty report the line was updated by average weekly earnings. It is admitted that this is unsatisfactory in theory – the Institute of Applied Economic and Social Research has recognised this and how updates the Henderson poverty line by household disposable income per head – but given that the level of the poverty line as updated by household disposable income a head is not very different from that updated by average weekly earnings this updating is satisfactory for our present illustrative purposes. In any established scheme we would expect the income guarantees to be updated by household disposable income per head, with the implication that if the proportion of private income recipients in the population were to fall, or if the relative level of government expenditure to be financed out of the income tax were to rise, the tax rate would rise and the guarantee level would fall relative to gross domestic product per head.

The 1975 scheme included a surtax on the top 5 per cent of income units, bringing their marginal tax rate to 60 per cent. The intention behind this surtax was to maintain the progressivity of the tax system at the high income end. The poverty inquiry put forward this proposal with some diffidence, as a means of ensuring that the wealthiest taxpayers did not benefit unduly from its proposals. The surtax was retained in the present scheme for the same reason, and once again with the rider that other taxes impinging mainly on the very wealthy might be substituted. However with the reduction in emphasis on income units it would be necessary to impose the surtax on an individual rather than an income unit basis. According to the 1978/9 income survey a surtax on the top 5 per cent of adults by individual income would strike those receiving \$(1978/9) 34G a week, which updated to 1980 by average weekly earnings gives a figure of \$(1980) 419 a week. However by the 1980 tax scale the top marginal rate of 60 per cent applied only to individuals receiving \$663 a week and above. In assessing the revised scheme we have used this limit, rather than update the original poverty inquiry proposal dogmatically.

With these preliminaries over we can derive a table of income guarantees. The rates in table 1 are expressed rather differently from those in the 1975 poverty report, but for married couple income units and for single people living alone they give very similar totals to a simple updating of the poverty inquiry table. One major difference will be observed: whereas the poverty inquiry was coy about the most desirable treatment of young people, the present proposals are quite specific. Given that children, who are assumed to be living en famille, attract an income guarantee of \$14.10 a week, while adults living in company attract \$29.80, what is to happen as a child makes the transition to being an adult? One simple suggestion is that young

people who remain students should continue to be treated as children unless (perhaps) they leave home, while young people who join the workforce should be treated as adults. This, however, offers very little incentive to undertake training. An alternative suggestion, here adopted, is that income guarantees for young people should be increased each birthday from the time they turn 15 to the time they become full adults at 20. These entitlements would be the same for students, apprentices and workers, and could be supplemented where required to support educational expenses or to assist the unemployed. The supplements would be at higher rates for those living alone, and might (as with the present Tertiary Education Allowances) depend in part on the income of a parent or parents.

This treatment of the children of non-categorical parents implies the opposite for the children of categorical parents: the higher guarantee levels of the latter should be phased out with age. Given that the income guarantee for each child of a categorical parent is set at \$24.10, the simplest way to phase it out would be to continue to make it available till that child reached 18, when he or she would qualify for a non-categorical payment of \$24.60. Similarly the higher rates of guarantee for fourth and subsequent children in the same family (\$19.10) could be continued while any such child was 15, but stopped when he or she became eligible for the general 16-year old guarantee of \$19.30.

By recommendation of the poverty inquiry the merged means test of 1961, which included a property component, was in 1976 changed into a plain income test applicable to all pensions. The pension definition of income became similar to the income tax definition, thus giving effect to the principle of equal treatment of rich and poor which lay behind the poverty inquiry recommendation. However this change has since been criticised by the low tax lobby, which has been campaigning for the reintroduction of some form of asset means test for pensioners on the grounds that people who have circumvented the income test by converting their wealth into a form that does not produce tax-definition income are not in need of government financial support (e.g. AIDA Bulletin No. 327, March 1981 p.5). Those who put this a t often fail to note that it applies with equal logic to the ability to pay income tax, and that people who cir t tax by various asset manipulations should by the same token be caught and mach to pay more. The argument thus raises the question as to whether the poverty inquiry recommenced rightly: perhaps it should have recommended that the income definition used in the merged means test be extended to the income tax, rather than the other way about. Though there may be considerable administrative hazards in applying the merged means test definition to the affairs of the rich and the self-employed, the proposal would have considerable merit on grounds of equity. However the inclusion of a wealth component in the income tax would undoubtedly be opposed by the rich – even those among the rich who would be benefited by the change – and by tax administrators and lawyers for whom it would mean too great a sacrifice of mental capital. Standing by the principle that the same law should apply to the rich and the poor we therefore maintain that a similar definition of income should be applied at all levels of income, and reluctantly propose that that definition should be as at present, modified wherever possible to reduce avoidance and evasion. The present guaranteed income scheme is based on the assumption of no major change in the definition of income, and the assessment of it later in this paper uses figures based on the tax commissioner's current definitions.

As in the 1975 scheme all Australian citizens would be eligible for income guarantees, and all would be liable to a linear income tax on their private income. In order to calculate the tax rate, having specified the income guarantees, it is now necessary to find the population entitled to each level of guarantee, and the total amount of private income to be taxed. The most recent year for which the necessary information is available is financial 1978/9, hence Table 2. To the average population in that year a small addition (0.2 per cent) was made to allow for the suspected excess of Australians temporarily overseas over foreigners temporarily in Australia. The age distribution of the population then gave the number of people aged 65 and over; the number aged under 15, the number in the individual teenage years and the number of adults.

An estimate of the number of wives of aged people was derived from Social Security publications, as was the estimate of the number of invalid pensioners including wives. The estimate of the number of single parents was derived from the 1978/9 income survey, while takeup of the proposed pre-aged pension was estimated to be approximately equal to the present number of non-wife female age pensioners under 65 plus the number of Class B widows. The average number of adult unemployment, sickness and special beneficiaries was estimated from current social security returns, and increased a little to allow for improved takeup. The number of children of single parents was estimated from the income survey; the number of children of invalid and age pensioners from social security records, and the number of children of beneficiaries from surveys of beneficiaries conducted by the Department of Social Security. The number of fourth and subsequent children in the same family was estimated from child endowment returns, with a small deduction to reduce double counting of those aged 15 and above.

To calculate the number of living alone allowances the number of single person households was estimated from various sources. The 1976 Census gave 4.8 per cent of the total population as living in single-person households: this would include wives whose husbands were temporarily absent but exclude single parents living with their children. This was, however, an increase on 1971 when the proportion was 3.9 per cent. More helpfully, the 1975/76 household expenditure survey yielded an estimate that 5 per cent of the population lives in single-adult households. This is broadly consonant with the census estimate. Supporting data from the household expenditure survey enabled the number of aged people living alone to be estimated, and also the number of single parents living without other adults in the household. The number of other people eligible for categorical guarantees who would in addition be eligible for living alone allowances was estimated from these figures plus an estimate from the census of the number of aged people living in non-private dwellings. The residual of single-person households plus those in non-private dwellings was assumed to be the number of non-categorical people eligible for living-alone allowances.

From these estimates and from the table of income guarantees (1978/9 rates) it was possible to estimate the total amount of income guarantee entitlements at \$(1978/9) 19 006 million.

The total income reported in the 1978/9 income survey was \$71 500 million. Income for this survey was defined in similar terms to the taxation definition, but the amount reported was much greater – the taxation records give total taxable income for the year of \$58 700 million. A small part of the excess may have been due to greater

honesty when faced by a Bureau of Statistics interviewer rather than the Taxation Commissioner, but much of it was due to the Commissioner's disregard of income too low to attract income taxation. Many of these were social security incomes, which would be replaced by income guarantees under the new system and become non-taxable. It may be estimated from social security returns that \$7 700 million was paid out in cash social security pensions, benefits and allowances in 1978/9. Subtracting this from total income according to the income survey gives total private income of approximately \$64 000 million, still somewhat in excess of the tax commissioner's figure. It has been assumed that this excess would become taxable under the new scheme, partly through the taxability of private incomes under the present tax threshold, and partly through steps taken to counter evasion and avoidance. In addition it was estimated that \$1 223 million of the income of high-income individuals would be liable to the surtax necessary to bring their marginal tax rate up to 60 per cent.

The final figure needed for an assessment of the proposed scheme is the amount of income tax revenue in 1978/9 which was devoted to purposes of government other than the social security payments which would be replaced by income guarantees. Total income tax revenue from individuals in 1978/9 was \$12 084 million, and social security benefits to be replaced (including repatriation benefits and educational schemes) totalled \$7 700 million leaving a contribution from income tax to the other purposes of government of \$5 066 million. Adding the income guarantees and dividing by total income this implied a tax rate of 37.6 percent, assuming that the various incentives in the scheme cancelled out so that private income would have been the same had the scheme been implemented as it was without it. Adopting a tax rate of 38 per cent would give surplus funds of approximately \$250 million, to which should be added the proceeds of the 22 per cent surtax on incomes above \$(1978/9) 540 a week, estimated at \$270 million. (As in the 1975 assessment the proceeds of imposing high marginal tax rates on the rich are not very great.) These extra funds give some leeway for further outgoings, such as extra student allowances or continuing repatriation payments.

A further modification to the scheme which would require a small amount of extra funds would be a change to the conditions of unemployment and sickness supplement to bring them into line with the present semi-tapered income test on these benefits. The 1975 scheme followed the then existing system by imposing a 100 per cent income test on these payments, but the income test for unemployment and sickness benefits has since been eased by introducing a zone through which the benefit tapers away at 50 cents for each extra dollar of private income. The effect of this provision within the existing system has been to make it technically possible for beneficiaries with families to receive more than the minimum wage by way of earnings and part benefit. If this is acceptable within the existing system we see no reason why it should not be carried forward into the new, and propose that unemployment supplement be reduced by 31 cents for each extra dollar of private income in the range from \$(1980) 20 to \$70, thence by 62 cents in the dollar. Coupled with the 38 per cent tax on all private income this gives total tax rates of 38 per cent up to \$20, 69 per cent thence to \$70, and 100 per cent income test to the point at which the entitlement to supplement is extinguished, beyond which the tax rate reverts to 38 per cent. This arrangement closely mimics the present system, though admittedly the intermediate rate of 69 per cent is higher than the present 50 per cent.

This may not, however, be too noticeable since the effect is still to reduce the increase in disposable income to half the generally prevalent rate.

Those who remember the 1975 scheme may be surprised that the general tax rate in the updated scheme is only 38 per cent, as against 40 per cent in 1975. We have been so conditioned by complaints against increasing income taxes that a reduction in the tax rate is almost unbelievable. The fall in the rate necessary to finance a guaranteed minimum income scheme derives from several factors:

1. Between 1973 and 1978/9 there was virtually no change in the contribution from income tax revenue to government activity other than social security once this is expressed as a proportion of household income. (The tax rate necessary for this purpose would in both years have been a little under 6 per cent.) So much for the outrageously bloated government sector.
2. However it is true that between 1973 and 1978/9 income taxes increased as a proportion of gross household income. This increase was necessary to finance increased social security outlays, brought about mainly (but not entirely) by the increase in unemployment (including increased take-up of invalid and single parents' pensions) (Manning 1981a). This increase is reflected in the guaranteed income scheme by an increase in the proportion of income guarantees going to the categorical groups to total income guarantees.
3. The increase in guarantees to categorical groups is however counterbalanced by a decrease in the guarantees for children (owing to low reproduction rates the proportion of children in the population has fallen) and is further offset by the introduction of living alone allowances in lieu of full single rate income guarantees for all single-adult income units. This latter modification, resulting in lower guarantees for single people who live in company, is responsible for a reduction of about 2 percentage points in the tax rate, implying that a straight 1975 scheme updated to 1978/9 would have required a 40 per cent tax rate as before.

Were the tax rate in the guaranteed income scheme raised to 40 per cent, as in 1975, a sum of approximately \$(1978/9) 1 250 million would be raised, which would be substantial enough to make quite major changes in entitlements. New schemes could be inaugurated, such as increased retraining allowances, unemployment benefits for spouses, or a considerable increase in child care services. Alternatively income guarantees could be increased across the board by 6.5 per cent.

### 3. The Incidence of the Modified Scheme

The redistribution effected by the proposals can be assessed, as for the 1975 scheme, by calculating private income and the resulting disposable income under the proposals, and comparing these with the existing system (See Table 3). The calculations were made for the rates that would have applied in November 1980, on the assumption that a scheme which balanced financially in 1978/9 would still balance in 1980. The incidence comparisons are shown on an income unit basis, even though the new system would reduce the emphasis on income units. This is done because the existing social security system uses income units throughout, and the tax system also recognises them through the dependent spouse rebate and the possibility of income

splitting. As with the calculation of the required tax rate, these incidence comparisons assume that the distribution of private income is not changed by responses to the incentives present in the new scheme.

Under the new scheme the main people who would gain would be all those on very low incomes except single childless pensioners living in company. Particularly generous increases in disposable income would flow to pensioners with children. Families with children would also gain at virtually all family sizes and levels of income. On the other hand single childless people living in company (including single pensioners living with others) would suffer a fall in their disposable incomes, as would childless two-earner couples at most levels of income. These relative reductions would also apply to childless couples who at present practice income splitting. Young childless people with jobs, particularly those living in company, would also experience a reduction in disposable income compared with the present system, balanced by increases for those who at present are studying, or unemployed, or serving apprenticeships on low wages. The chances are thus much as envisaged in the poverty report, with the benefits of the new system going particularly to the poor and to families with children.

One change which may cause concern is the relative reduction in the disposable income of single childless pensioners living in company, brought about by the switch from an income unit to a living alone basis for deciding basic guarantees. The people affected would typically be widows or widowers living with their adult children. In view of the sharing of expenses likely to occur in such circumstances this change should be regarded as adjusting for present advantages rather than imposing an unjustified burden.

It should also be pointed out that the reductions in disposable income which would be the lot of income-splitting married couples are the simple consequence of treating them as two individuals, each entitled to an income guarantee as a single person living in company. Given the linear tax schedule, it does not matter (except at surtax levels) whether one partner or the other receives any income; neither guarantee entitlement nor tax liability is affected. There is no longer any tax advantage in splitting income between couples, or tax disadvantage in not splitting it, nor is there any question that the wife is a separate unit.

Comparing the present incidence tables with those attached to the poverty report (Commission of Inquiry into Poverty Vol. 2 Appendix 6) the general impression is that the proposed scheme is a less radical change vis a vis the present system than the original poverty inquiry scheme would have been had it been implemented in 1973. Peter Saunders has recently claimed that the existing system has over the past six years evolved towards a guaranteed income scheme of poverty inquiry type, and these calculations bear him out (Saunders 1981, p. 27).

A more detailed comparison between the 1975 scheme and the current proposal can be made by examining the tax position of people at different levels of private income in relation to average weekly earnings. Table 4 makes this comparison for a single person not eligible for pension. The average tax rate gives the difference between disposable income and private income as a percentage of the latter for both the present and the proposed systems. Under the guaranteed income schemes this

different is equal to the amount of tax levied by the linear tax rate less the income guarantee, while for the present system it can be read directly from the tax schedule.

The differences between the present system as it is applied in 1973 and the current system are in themselves interesting. It can be seen that though people with very low private incomes are no longer liable to income tax, the proportion of private income exacted from all others has increased, particularly from those with private income: somewhat below average weekly earnings. This has been brought about by the simplification of the marginal tax rate into three steps, with the 32 per cent rate applying to the majority of taxpayers.

Given that the 1975 guaranteed income scheme was updated by average weekly earnings it is not surprising to find that the tax rates applying to a single person living alone under the proposed system in 1978/9 would have been almost the same as in 1973. (The main difference arises because the linear tax rate fell from 40 to 38 per cent.) However the lower income guarantees for single people living in company are reflected in higher average tax rates for this group. Even so the gap between the new scheme and the present system for people in this group is less than it was in 1973, while for single people living alone it has almost disappeared. The main difference is that the marginal rate of 38 per cent is higher than the existing marginal rate of 32 per cent for people with incomes up to 118 per cent of average weekly earnings; it is thence lower than the existing marginal rate of 46 per cent until the surtax is reached at the same level as at present.

From tables of incidence like these it is usual to hazard some guess as to possible labour supply responses. First, income effects. People eligible for a lower average tax rate under the new scheme can achieve their disposable income targets with less work. Given that the effect of the scheme is to reduce average tax rates on poor people and on those with children, the effect may be some reduction in workforce participation and in hours worked by pensioners and by the mothers of children. On the other hand, the higher tax rates on single people living in company and on childless couples provide an income incentive to work more, which may be quite strong since many such young people have savings targets in view, e.g. to meet the deposit on a house.

Substitution effects are generally assumed to depend on marginal tax rates. The scheme reduces the marginal rate for people currently paying 46 per cent that is those on incomes rather above average weekly earnings. It also considerably reduces the marginal tax rates on pensioners other than those currently eligible for payments free of means test and those eligible for unemployment and sickness supplement. At present the combined effect of the income test, the income tax and the taxability of pensions is that virtually all pensioners face a range of private income in which the current marginal tax rate is virtually 100 per cent. This region occurs at around the level of the minimum wage, and is perhaps the best disincentive the government could devise towards full time work by people eligible for pensions. Its reduction to 38 per cent would correct this disincentive. The increased work effort that may be induced by these lower marginal rates would of course be counterbalanced by reduced effort from workers experiencing increased marginal rates, and there is little to say whether the overall effect would be a greater supply of labour or smaller supply.

#### 4. Running a Negative Income Tax

Virtually all that has been written in this paper so far could be applied equally to a guaranteed income scheme organised on social dividend lines or to a scheme run as a negative income tax. We have already expressed the opinion that a social dividend scheme would be preferable on administrative grounds, but that the negative income tax version would be politically more realistic. We are therefore obliged to suggest how the scheme could be run as a negative income tax.

The principle of a negative income tax is that income guarantees and the exactions of the linear income tax should be offset, and any balance paid. In the present instance, if a taxpayer's income guarantee is less than 38 per cent of his or her private income, he or she would have to pay income tax to the government calculated by taking 38 per cent of private income and subtracting the guarantee. For such people income guarantees become identical with the tax rebates allowed in the present system. The main differences would be on one side that the guarantees will be larger than current rebates, and on the other that the one linear tax rate of 38 per cent would replace the present schedule in which zero rates gives way to 32 per cent and then 46 per cent. Conversely people whose income guarantee was greater than 38 per cent of their private income would be eligible for net payments from the government, equal to the guarantee less 38 per cent of their private income. Once again the position would be similar to that of pensioners under the present system, save that the complicated compound effects and very high marginal tax rates which arise as the pension tapers away and income tax tapers in, would be replaced by a single rate of 38 cents payment reduction for every extra dollar of private income.

Such are the principles of a negative income tax. The problem in administering it is that private incomes fluctuate. This problem is not too severe if the balance owing is calculated infrequently, say once a year as under the existing income tax. However infrequent calculation poses two problems: for the government it makes it hard to collect taxes, since at the time of demand people may have no ready cash; while for those entitled to payments from the government it raises the question as to how life is to be financed while waiting a year for the pension to arrive. Under the present system these drawbacks are met by pay-as-you-earn and provisional tax and by fortnightly payments under the pension system subject to nominally continuous income testing, the whole outcome being reviewed once a year through the annual taxation returns. For a negative income tax something like this compromise would have to apply, since a system that balanced amounts owing every fortnight or so would be very costly to run. It is therefore proposed that only net payments either to or from the government should be made where possible, but that where this would be too costly a social dividend element should be admitted as it already is in the existing system with family allowances and pensions free of income test.

In the case of individuals whose income guarantee is consistently less than 38 per cent of their private income no problem arises. The guarantee can be administered as a tax rebate, and offset against income tax as at present. The administrative difference from the present system would be negligible both for pay-as-you-earn and provisional taxpayers. Special consideration need apply only to those whose income guarantees are greater than 38 per cent of private income.

Such people may be divided into several classes.

(a) People eligible for income support at categorical (pensioner) rates

The pension categories are defined on the grounds that people within them are hindered in earning private incomes. Objectively this is true: there are not many old people or widows or invalids with private incomes so high that 30 per cent of those incomes would exceed their full categorical rates of income guarantee. Even so many people in the favoured categories have private incomes and would thus be liable to tax, which by negative income tax principles should be offset against their income guarantee.

Administratively the simplest answer in this case would be to pay all categorical income guarantees free of income test, and tax all private income received by people in the favoured categories at 38 per cent, without any further rebate. This social dividend solution would be seen to meet the aims of those who want to abolish the means test, not only in effect (the final position of the people concerned is the same as it would be under a negative income tax in which tax and guarantees were offset) but in actual cash flows. However it would involve payments both ways between the government and people in the favoured categories, and those concerned to minimise such flows would like to see these offset.

Under the present system the final balance of debit and credit between the government and a pensioner taxpayer is achieved in a very complicated fashion. Social security payments are made subject to income test and further subject to the deduction of tax in a manner akin to PAYE. Earnings are subject to PAYE and asset incomes to provisional tax, and both affect the pension via the income test. The final outcome for any year is determined by an end of year assessment. Under the proposed negative income tax it would be possible for provisional tax to be offset against the guaranteed income and likewise possible for pensioners with steady jobs to pay their taxes by a reduction in the pension rather than by PAYE. However casual employment would probably best be met by the continuation of full pension and the exaction of 38 per cent PAYE on earned income.

(b) Married Women without Children (non-categorical)

Before considering what should be done where children are present in the family, we take the simpler case of a married couple without any dependent children (meaning children who are not regarded as independent people for income guarantee purposes.) Under the present system such wives are treated in the tax system either as independent persons or as a spouse's dependent on their husbands and for whom the husband obtains a rebate. Under the proposed system marriage does not affect the entitlement to an income guarantee or the liability to tax. Taking this disregard of marriage to an administrative stage, it is arguable that husbands should not be able to receive rebates for their wife's income guarantee even if she has no tax liability of her own against which it can be rebated. In the language of the present system this would imply the abolition of the dependent spouse rebate and its replacement with an income guarantee which could either be offset against the tax on the wife's own

private income or, if greater than 38 per cent of the wife's private income, claimed every so often (and at least once yearly) as a payment from the government.

In that a significant proportion of Australian married women are not in the paid workforce, while many more are in it to a limited extent such that 38 per cent of their private incomes would be less than their income guarantee as individuals, this proposal would involve considerable payments to women and thus would have elements of a social dividend rather than a negative income tax scheme. On the introduction of the scheme there would therefore be a substantial transfer from the pay packets of men with dependent wives to those wives in their own right a transfer which may not be approved by the men concerned nor even by all their wives. This being the case it would seem better to offer a number of alternatives to suit the circumstances of different married couples. These could be:

- (i) That when both husband and wife have private incomes such that their income guarantees are less than 38 per cent of their private income, in each case taken individually, then the income guarantee of the wife should be offset against 38 per cent of her private income and that of the husband should be offset against 38 per cent of his private income, and the balance paid as income tax by each of them.
- (ii) That if 38 per cent of the income of one partner is too small to offset against the income guarantee of that partner, while the other partner has an excess, then the whole or part of the income guarantee can with mutual agreement be transferred to that partner with the excess of tax liability over personal income guarantee.
- (iii) However if one partner is not at work and therefore has no tax liability against which the guarantee can be offset, yet he or she satisfies a work test, his or her income guarantee should be payable fortnightly in cash. This should be done whether or not an income-unit based income test prevents the payment of supplementary work-tested benefits. In such cases the guarantee would not be available for offset against the other partner's tax.
- (iv) If none of these conditions are satisfied and at the end of the financial year the whole of the income guarantee has neither been offset against the person's or spouse's tax or paid subject to work test, it should be paid as a lump sum similar to a tax refund. In order to ensure that this end of year assessment is properly carried out it would be required that both husband and wife submit tax returns even if he had claimed her income guarantee against his PAYE instalments.

(c) Married Women with Children

In the present system married women with children are treated the same as those without save that in respect of dependent children and students they receive family allowances. The proposed system raises two questions:

- (i) Who should be entitled to the income guarantee for dependent children, father or mother? (On an income unit basis it makes no difference, but the difference to internal finances within the income unit may be substantial.) Continuing the

present system would imply giving the guarantees to the mother, but making them available to the father would more often mean that they could be offset against tax due. The present system of family allowances generates considerable public support (though never enough to have the allowances indexed) so their straight abrogation as payments to the mother is not likely. It may be that they should therefore be added entirely to the mother's income guarantee, or maybe that they should be split evenly between both parents. In any event the four options listed under women without children should apply.

- (ii) What arrangements should be made as children become independent? Currently for family allowance purposes any person under 16, or any student aged 16 and under 25 with limited private income, is regarded as a dependent and allowances are paid to his or her parents (generally the mother), while any person with an independent private income is an independent person for tax purposes. The retention of the concept of adult dependent students would be inconsistent with the guaranteed income scheme it is only retained in the present system to avoid giving non-work- tested entitlements directly to young people. However when people are aged 15, 16 or 17 there is room for argument. A possible solution, congruent with the present system, would be to make income guarantees for people aged 15, 16 or 17 ordinarily available to the parents (as above) subject to their being available independently to any 15, 16 or 17 year old who becomes a tertiary student., or who has private income such that 38 per cent of that private income is equal to or greater than his or her income guarantee (which can then be rebated against tax) or otherwise to any person in the age group by mutual agreement between the person and his or her parents.
- (d) Unemployed and sick breadwinners

In the general specification of the schema it was proposed that unemployed breadwinners upon satisfying a work test and sick breadwinners upon doctor's certificates should be eligible for an income-tested supplement to their basic income guarantee. The definition of a breadwinner might or might not include second income earners within an income unit: logically the abandonment of income unit as a definition in determining entitlements implies that it would but other considerations might recommend the retention of income units in this context.

Given that the scheme proposes the retention of work testing and doctor's certificates a process of application for unemployment and sickness supplement not unlike the present would be required. Successful application would entitle the beneficiary not only to the income-tested supplement but also to the regular fortnightly payment in cash of any income guarantees to which he or she was entitled. Payments to the unemployed would thus be made up of two parts: income guarantees, paid in cash, and the supplement. At the end of the year the income guarantees received in this manner would have to be declared on the tax return, along with any which had been offset against tax liabilities accrued during the year, and taken into account in determining the balance due to or from the government. This raises the question whether the supplement also should be eligible against tax. The difficulty in treating the supplement as (in effect) a no interest loan against future income guarantees arises when people are unemployed for any length of time. Re-entry to the

workforce would then deprive them of their income guarantees until they had made up for the time spent unemployed – a substantial disincentive to re-entry. It would therefore be better to regard the supplement as a temporary transfer to categorical status, and make it tax free.

The proposal that unemployment and sickness benefits be administered much as at present is not meant to imply approval of current administrative rules and practices. These have been the subject of various reports and arguments, and the scope for greater liberality has been pointed out many times (e.g. Myers 1977). In costing the present scheme we have allowed for an increase in the takeup of unemployment and sickness benefits, and for the abolition of waiting periods (Commission of Inquiry into Poverty 1975 p. 55). The integration of the income tax and social security systems which is part of a negative income tax should make this more manageable, in that any overpayments can be recouped against future income guarantees. Taking the same point further, it would be possible and helpful to include provision for emergency grants within the framework of the negative income tax. Such a proposal was included in the poverty inquiry guaranteed income scheme and is equally desirable as a component of the present negative income tax (Commission of Inquiry into Poverty 1975 p. 57.)

#### (e) Students

Students attending recognised courses, be they tertiary students, people undergoing refresher courses, rehabilitation or retraining, or secondary students aged 18 and over (or younger on agreement) would be eligible to receive their income guarantees as regular cash payments. In addition, subject to further tests of eligibility, they could receive training allowances.

It is often stated that training allowances should be made as loans, in view of the likely increases in subsequent income of their recipients. If they are made as strict loans those students who do not succeed in increasing their incomes as expected can have difficulties in repaying them, whereas if they are to be recouped against actual private income after the end of the training period the incentive effects can be as for the recoupment of unemployment allowances. Again, it may be argued that the external benefits of education justify non-repayable grants. Perhaps the fairest way to recoup education costs from successful graduates would be to add a percentage point or two to the tax rate of people possessing costly qualifications. However this would spoil the simplicity of the linear tax schedule, which is no crime in itself but would lead to scope for avoidance and entail extra administrative costs. Accordingly training allowances should be treated like unemployment supplements as temporary transfers to categorical status, and be not taxable.

#### (f) General

All adult permanent residents of Australia would be required to submit annual tax returns, as would any non-residents whose Australian income is taxed at present. These returns would assess total private income as at present, and would include a declaration of PAYE and provisional tax payments to the government and any income guarantee payments received in cash from it. The net amount owing would then be calculated, and made good by a tax refund or a tax demand as at present. It will be

noted that two forms would be required from married couples even when by arrangement all income guarantees were offset against the breadwinner's income.

This provision would have the effect that: people who did not come under any of the headings (a) to (e) above; i.e. were not students or unemployed or sick, were not pensionable, and had not offset their income guarantees against their own or their husband's tax liabilities, would receive their income guarantees as an annual payment akin to a tax refund. Provided that no more than a limited number of housewives exercise the option to wait till the end of the year to receive their income guarantees personally the total number of people entitled to net payments from the government who have to wait till the end of the year to receive them should not be excessively large.

Another worry from the social welfare point of view concerns take-up of benefits. The annual assessment provides a safeguard here in that the position of each individual is reviewed each year. However the system provides no automatic mechanism by which people who become eligible for categorical income guarantees, or become eligible for supplements, can be guaranteed to receive them at the time of eligibility. In some cases retrospective payments may be possible (e.g. age, widowhood) but in others eligibility depends on proof at the time. The annual review is therefore some improvement on the present system of application, in that entitlements are regularly checked, but it does not make them completely automatic.

A further administrative point concerns the way in which the tasks outlined should be divided between different administrations. Under a social dividend scheme it was proposed that the payment of income guarantees by social dividends should be the job of one department, while another department should administer the proportional income tax or its revenue equivalent. The present proposals are obviously more complex in administration, and even if the social security and income tax authorities are to be kept separate would require enhanced co-operation between them. Even so the task of determining income guarantees, and the task of administering supplementary payments, would be kept separate from the task of balancing income guarantees against the linear tax and collecting or disbursing the sums involved.

## 5. Conclusion

The task of this paper has been to update the 1975 poverty inquiry guaranteed income scheme, modifying it in the process to replace the distinction between married and single people with a distinction between people who live in the company of other adults and those who live without such company. Suggestions were also made as to how the scheme could be administered on a negative income tax rather than a social dividend basis.

Changes in demography and in the labour market since 1973 have made the updated scheme more attractive vis a vis the present system than it was then. Again changes to the social security and income tax systems have reduced the jump from the present system to the proposed. However that jump would still be worth making: poverty level incomes would be raised and poverty traps removed by the straightening of the tax schedule (except for unemployment supplement). At all levels of private income

net taxation would be more in accordance with the ability to pay. All this could be done without abandoning the Australian commitment to an individual basis for income tax, and without frightening people with the large gross flows involved in a social dividend scheme.

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Table 1  
Proposed Income Guarantees

	1978/9 \$/wk	Nov. 1980 \$/wk
Categorical		
Adults	46.80	58.40
Guardian's Allowance	1.00	1.30
Children each	19.20	24.10
Living alone allowance	10.60	15.60
Non- Categorical		
Persons aged 15	13.60	16.70
“ “ 16	15.70	19.30
“ “ 17	17.70	21.90
“ “ 18	19.80	24.60
“ “ 19	21.80	27.20
Adults	23.90	29.80
1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> children each	11.50	14.10
4 <sup>th</sup> and subsequent children each	13.50	19.10

Living alone allowance 9.70 12.00

Table 2 Total Income Guarantee Entitlements 1978/9

	Persons Entitled '000	Rate \$ p.a.	Total \$m p.a.
<b>CATEGORICAL</b>			
Adults - Aged	1352		
Wives of Aged	124		
Invalid including wives	265	2343	5749
Single parents	218		
Sick, special	44		
Unemployed adults	177		
Others including wives	183		
Guardian's Allowance	218	52	11
Children of Categorical adults	550	1000	550
Living alone allowances	750	553	415
<b>NON CATEGORICAL</b>			
Persons aged 15	2494		176
Persons aged 16	261		212
Persons aged 17	258		238
Persons aged 18	254		261
Persons aged 19	251		285
Adults	7069		8743
1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> children	2910		1746
4 <sup>th</sup> and subsequent children	190		133
Living alone allowances	800		401
<b>TOTAL</b>			<u>19020</u>
Required for other purposes of government			<u>5066</u>
			<u>24086</u>

Source: see text

Table 3 Incidence of the present and proposed system by private income and income unit type, November 1980

NON-CATEGORICAL

Private Income \$/wk	Single		Married Couple						
	Alone	in Company	No Children	Two Children	Four Children				
			One earner	Wife earns ¼	Equal Splitting	one earner	equal earner	one earner	equal earner
			Proposed Disposable Income (\$/wk)						
0		29.80							

	41.80			59.60		87.80		121.00	
50	72.80	60.80		90.60		118.80		152.00	
100	103.80	91.80		121.60		149.80		183.00	
150	134.80	122.80		152.60		190.80		214.00	
200	165.80	153.80		183.60		211.80		245.00	
250	196.80	184.80		214.60		242.80		276.00	
350	258.80	246.80		276.60		304.80		338.00	
500	351.80	339.80		369.60		397.80		431.00	
800	507.70	495.70	525.50	555.60	555.60	553.70	583.80	586.90	617.00
	Proposed/ Present (%)								
0	-	-	-	-	-	-	-	-	-
50	146	122	181	181	181	203	203	213	213
100	112	99	122	122	122	138	138	151	151
150	106	97	107	104	102	126	120	131	125
200	103	96	104	101	99	115	109	124	118
250	101	95	102	99	98	111	106	119	119
350	99	95	100	96	96	107	103	114	109
500	103	100	104	96	95	109	100	114	105
800	105	102	105	100	97	109	100	113	104

Table 3 (con't)

CATEGORICAL

Private Income \$/wk	Single no children				Single		Couple	
	alone		in company		Two Children		No children	
	present pension Income tested	present pension not income tested	present pension income tested	present pension not tested	alone	in company	present pension income tested	present pension not income tested

Proposed disposable income (\$/wk)

0	74.00		58.40		123.50	107.90		116.80
50	105.00		89.40		154.50	138.90		147.80
100	136.00		120.40		185.50	169.90		178.80
150	167.00		151.40		216.50	200.90		209.80
200	198.00		182.40		247.50	231.90		240.80
250	229.00		213.40		278.50	262.90		271.80
350	291.00		275.40		340.50	324.90		353.80
500	384.00		368.40		433.50	417.90		426.80
800	539.90		524.30		589.40	573.80		612.80*

Proposed/ Present (%)

0	115	115	91	91	123	107	109	109
50	114	112	97	95	114	102	99	99
100	124	106	110	94	116	106	106	101
150	132	103	119	94	119	111	113	98

200	123	101	113	93	136	127	119	100
250	118	100	109	93	130	123	124	98
350	111	101	106	96	122	116	116	96
500	113	104	108	100	118	116	110	95
800	112	107	108	104	117	114	107	99

\* assumes some splitting

Private Income	1973				1980				
	Current System		Poverty inquiry scheme		Current System		proposed scheme average		
% of AWE	average	marginal	average	marginal	average	marginal	living alone	living in company	marginal
25	6	13	-20	40	0	0	-22	-4	38
50	9	22	10	40	14	32	9	17	38
75	13	30	20	40	20	32	18	24	38
AWE	16	36	25	40	23	32	24	27	38
150	20	42	30	40	29	46	28	31	38
200	26	48	32	40	33	46	31	33	38