Income Insecurity: The Basic Income Alternative

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Preface

This book draws on many traditions: sociology, anthropology, history, moral philosophy, political science, public administration and the human services. It is concerned to present practical suggestions for the future. Whilst recognising that affordability is an important component in the implementation of any policy, this book is not an economic analysis of the Australian income support system. I believe the reason the current Australian system of income support exists, rather than a system embodying an unconditional universal Basic Income, has little to do with economic viability. The current income support system prevails because it is supported by values and ideologies which are held and enforced by the powerful.

This book sets out to examine the nature and manner of delivery of the system of income support available in Australia. It does this by examining the essence of the structure of Australian society. Drawing on the analysis of these structures it attempts to describe the ways in which the ideologies deriving from and underpinning these structures impact upon and shape the system of income support. Then it surveys the impact on less affluent Australians which arise from the way the income support system is constructed.

The concept of ‘need’ is analysed. The manner in which prevailing ideologies control whilst simultaneously supplying benefits is considered. These two complimentary processes are examined in relation to the types of income support provided to people who are unemployed, live in the country, are Indigenous or who have a disability.

For instance, Australian Government ministers frequently claim that the system of income support ‘assist all in need through no fault of their own’. However, when it comes to unemployment benefits not all unemployed people are assisted, not even all poor unemployed people are helped. Unemployed people with few assets and little income can be refused payment on the basis they are deemed ‘dependent’ on another person (parent or spouse). They might be refused because they have failed to establish they are fit able and available for work. Under the Howard Government unemployed people were not paid until they had met their ‘mutual obligation’.

When it comes to disability payments, each applicant has to establish they are unfit or unable to work. Since the Howard Government they must also show if they weren’t unfit they would be willing to labour. They too must establish they have limited means and are not dependant on others for financial support.

This book examines what it is in Australian society which has led to the adoption of a complex system of categorical benefits in preference to putting in place a universal benefit system.

This book asserts that the income support system is broke and needs fixing. It further argues that the hegemonic ideas which informed the creation of the Australian welfare state (and the income support system in particular) are an inadequate basis from which to revamp the income support system in the 21st Century. It canvasses the history of attempts to introduce generalised income guarantees here and in some overseas countries.
The final Chapter considers alternatives to the existing system of income support concentrating upon the possibilities which a fully universal unconditional Basic Income would provide. If freedom, security and productivity are the desired outcomes of a modern welfare state then this book argues that a Basic Income is the most efficient way to achieve it.
1 Introduction
Introduction - Income Insecurity

From 1908 until the mid 1980s the Australian income support system steadily expanded in terms of its comprehensiveness, amount of expenditure and adequacy of the levels of payment. Since that time the system of income support has been diminished in a number of regards. Contemporaneously there has been an increase in insecure employment, a widening of the gap between rich and poor, an erosion of the welfare state, an attack on the arbitration award system and an attempt to make working conditions 'more flexible' through individual contracts, expanding casualisation and the proliferation of less than full time employment.

Coupled with this rising uncertainty has been an increasingly unequal distribution of income. Australia is now a less egalitarian society than at any other period of its history (Henderson 1975, Social Welfare Policy Secretariat 1981, Manning 1985, Fincher & Niewenhuysen 1998, Australian Centre for Industrial Relations Research and Training 1999, Ch. 4). Poverty, and particularly child poverty (as measured by the Henderson Poverty Line), is becoming a more widespread phenomena than at any time since the Henderson Poverty Inquiry reported in 1975 (Harding & Szukalska 2000). More than a 800,000 children are being raised in homes where no parent works (Reference Group on Welfare Reform 2000[a], p6).

We are integrated into a world market place. The ideologies which inform that particular form of commodification impact here. Many have attempted to account for welfare service cutbacks and increasingly deregulated industrial conditions in terms of globalisation and 'economic rationalism'. This book will not ignore such explanations but will attempt to look beyond these imported impacts in order to provide a more detailed account of what is happening in Australia.

The onslaught of economic fundamentalists and global free traders have no doubt played a role in the creation of modern day Australia; however the policy directions taken in this country have been substantially moulded by the nature of Australian society itself. The features of Australian society which have played a most significant role in determining the course of recent social welfare and industrial history have been:

- the way Australian society is structured,
- the ideologies which lie behind such structures,
- the history of this nation,
- the history of ideas, and
- developing hegemonic ideas.

All of these features arose out of and are enmeshed in the material conditions prevailing at specific times in our past. They continue either as residues or as dominant components in current policies and attitudes.

The structural features which determine the shape of social life in Australia especially gender, age and class have been extensively canvassed. This analysis will draw on that body of knowledge but will concentrate upon race, locality and the way people with disabilities are treated.

At the very time when Australia is economically more successful than at any other period of its post invasion history, more and more Australians are experiencing greater personal income
insecurity. I suggest that increasing income insecurity is the least socially optimal and only one of a smorgasbord of options from which Australians might choose. The aim of this book is to outline an alternative approach to the provision of income maintenance in this country - that of a universal basic income.

**Purpose of book.**

There are many connections between employment and income support in Australia and this has been so since the first decade following Federation. The recent decreases in income support entitlements are linked with broader cutbacks in the social wage, and attacks on award provisions and the system of Arbitration.

The increasing insecurity experienced by those in paid employment is matched by the increasing uncertainty of people who are excluded from the labour market as to whether they will be granted or denied access to income support payments. Despite this growing insecurity for waged and unwaged citizens, governments of all persuasions have been able to maintain in the public mind a division between ‘work’ and ‘welfare’. By dividing the working class along such lines, governments have succeeded in forestalling working class solidarity. Even while the Hawke Labor Government, through its Accord with the Australian Council of Trade Unions (ACTU), was convincing unions to trade off wages for increments in the social wage, it was reinforcing the divide between those in work and those on welfare. This was particularly so after Senator Don Grimes relinquished the Social Security portfolio. Ministers attempted to present their policies in a way that distinguished between:

- productive/unproductive citizens,
- active/nonactive labour market participants,
- 'self funded retirees'/pensioners
- 'dependent'/non-dependent recipients of income support, and
- workers/'dole bludgers'.

The division between workers and welfare recipients is becoming more and more tenuous. Security of employment is decreasing for many. Government payments in respect of children (of workers and non-workers) are being made to the majority of families. From 1941 until mid way through Hawke's term in office Child Endowment was paid to all families with children under the age of 16 years. The social wage continues to be an important part of most Australians’ well being.

The post 1985 period has seen an unprecedented push towards private as opposed to public provision of income support, education and more recently health. Pushing Australian workers into compulsory privatised superannuation led to creation of the myth of the 'self funded retiree' as the saviour of an Australia in which non-productive older citizens were shortly to reach plague proportions. Such myths fly in the face of statistics, commonsense and decent policy analysis (Lateline, 6/7/1999, McCallum & Geisehart 1996, Spillman & Lubitz 2000).

From the mid 1980s governments have set out to refurbish industrial and income support systems allegedly in order to better equip Australia to cope with the pressures they perceived as arising from the global market place. Keating's(1986) 'Banana Republic' interview in which he warned
that unless the labour market was freed up the national economy would collapse and Howard's (1999) Australia Unlimited Roundtable speech in which he detailed the philosophical underpinnings of his economic liberalist and social conservatism doctrines are but two examples.

Often the rationale provided for retaining or removing particular payments are at odds with what actually occurs. In recent times, particularly with regard to the contraction or cancellation of particular benefits, the rationale given, for example 'promotion of equity', bares little relationship to outcomes for beneficiaries and is often in conflict with the stated ideological base of powerful ministers. Three examples of this are the amalgamation of the Aboriginal Benefit Study Scheme (Abstudy into Austudy); the Common Youth Allowance which resulted in the diminution or cancellation of payments to 46,000 18 to 20 year olds (Horin, 1998, p.10); increased waiting times, firstly for 6 months now 2 years, for migrants applying for social security have been justified as promoting equity between Indigenous and non-Indigenous Australians, encouraging the young to remain in education and ensuring the young and newly arrived Australians exhibit their 'mutual responsibility' to this nation. There have been explicit denials that such policies are driven by patriarchy, racism or ageism.

Professor Francis Castles in 1985, and again in 1994, described the welfare system in Australia as a 'workers welfare state' by which he meant that it was a welfare system which acknowledged the reliance by most Australians on 'work' rather than on 'welfare' in their attempts to escape poverty. He also alluded to the range of eligibility requirements for social welfare benefits which demand a prior connection with the labour market or a preparedness to take work if available. He was also pointing to the importance of the Arbitration Commission as an instrument by which the wellbeing of many workers and their families was safeguarded. More recently he noted a significant, gradual but relentless diminution in the entitlement of citizens to access a base level of income support has marked the period since the mid-1980s (Castles 2001 pp. 29-31).

The Harvester Judgement in 1907 established a basic wage (a form of minimum wage) which guaranteed a salary for men sufficient to maintain 'a man, a wife and three children'. Since then white Australian working men have had a degree of wage protection. The Arbitration Commission took another 60 years to extend to women and Indigenous workers the concept of equal pay for equal work. In practice, because of the gender segmented nature of employment Australian women still, on average, receive lower wages than men (ABS 2000. Cat 6302.0, ABS 2000 Cat 6304.0).

The extension of equal pay provisions to Indigenous workers, begun in 1967, is not complete mainly because of the heavy reliance on the Community Development Employment Program (CDEP). In the mid 1970s the CDEP scheme replaced training allowances paid on missions and settlements and continues to exist in Indigenous communities. It is a form of 'working for the dole'. The Arbitration Commissions 1967 judgement was hedged around with slow worker provisions designed to placate the pastoral industry in particular. The decision to grant equal pay was not a unilateral blessing. It resulted in many pastoralists in the Northern Territory and Western Australia sacking and then evicting from cattle stations thousands of Indigenous workers whose families had worked in the industry for generations as a way of maintaining a link with their traditional lands. Howard's ten point plan amendments to the Native Title
legislation, in the wake of the High Court's Wik decision has allowed pastoralists to seek to deny native title rights to the descendants of these station hands on the basis that their connection with their traditional land is discontinuous.

The features which structure Australian society are class, gender, race, age, locality and the manner in which we treat those who experience disability. The political ideologies which underpin Australian governments are predominately an amalgam conservative, liberal and social democracy. The Australian welfare state is as influenced by these structural features and associated prevailing political ideologies as much as any other sector of Australian society.

Because Australian politicians frequently claim the welfare system has been set up in order to assist ‘all who find themselves in need through no fault of their own’ the way in which ‘need’ is interpreted by those who construct the system of income support is thoroughly examined in Chapter 2. The analysis of ‘need’ inexorably leads, in Chapter 3, to an investigation of the impact political ideologies have had in shaping the system of income support in Australia. The analysis in these chapters is then applied to an examination of the impact of the existing income support system on:
- those experiencing unemployment,
- people living in non-urban locations,
- citizens of Aboriginal and Torres Strait Islander descent, and
- people living with a disability.

Chapter 8 of the book contends that it is a lack of trust of fellow permanent residents of this country which underpins the determination to maintain the existing categorical system of income support. Chapter 9 is devoted to an examination of the history of efforts to introduce generalised income guarantees in Britain the United States of America and Australia. The final Chapter considers alternatives to the existing system of income support concentrating upon the possibilities which a fully universal unconditional Basic Income would provide. It is argued that the introduction of an unconditional universal Basic Income would enhance citizenship and boost productivity.

The absence of security of income, whether that income is derived from one's own exertion, from the State, or on the basis of one's relationship with another, creates problems for the individual and for society. The overwhelming majority of Australian permanent residents of working age derive the bulk of their income from employment. Increasingly many workers are having their income topped up through government social welfare provisions and those 'self funded' retirees (whose income exceeds the means/assets limits for the pension) receive substantial tax concessions. The welfare state is undergoing a significant change. However, despite the best endeavours of those who would abolish it, it continues to exist. In the face of increasing income uncertainty some form of welfare state has the potential to become even more important in 21st century Australia than it has been during the last 100 years.

This book reflects upon the history of income maintenance. Comparisons will be made between what is happening in Australia with parallel developments in other parts of the world. It will outline and advocate the introduction of an alternative system of income support - namely a Universal Basic Income. Such a system would provide each Australian adult permanent resident,
irrespective of their income or assets, with a guaranteed minimum income at about the level of the single age pension rate. This payment would have no eligibility restrictions beyond the requirement to establish the applicant is a permanent resident. There may need to be a separate rate struck for children, but any child not in the custody of at least one of his or her natural or adoptive parents would receive the adult rate. The payment would be made to each individual irrespective of whether they live alone, with a partner, with children or in any other form of relationship.

The introduction of an unconditional Basic Income would increase feelings of security among waged and unwaged residents because it would ensure an income safety net through which no permanent resident would fall.

The concept of a Basic Income may be new to many Australians but is one which is widely discussed in continental Europe, Canada and New Zealand. A not dissimilar concept - that of a Guaranteed Minimum Income - was recommended by the Henderson Poverty Inquiry in its main report in 1975. Every Labor Minister from Hayden (1975) to Baldwin (1995) is on record as supporting the introduction of a Guaranteed Minimum Income in principle. Various income guarantee schemes have been promoted since at least 1795 with the Speenhamland in England (Polanyi 1945). Even the doyen of economic fundamentalism, Milton Friedman (1962) suggested the United States of America adopt a form of income guarantee - Negative Income Tax. Legislation to introduce such a form of income guarantee was passed in the House of Representatives only to be rejected in the Senate during the Nixon Administration (Moynihan 1973 p. 3).

The idea of a modern Basic Income is different from that of the basic wage. A Basic Income is paid by the State as a right of citizenship/residence. A basic wage is paid by the employer for work undertaken. There is at least an historical echo between a basic wage and income guarantee concepts. The Speenhamland Scheme of 1795 guaranteed farm labourers sufficient grain to feed their families irrespective of the farm owners capacity to pay for work done. There the parish picked up the tab. Under a basic wage the boss had to pay the worker but the Arbitration Court set the rate.

In the Australian and British context the Speenhamland experiment is important because it came to have important negative consequences for workers who found the minimum rate set by the Speenhamland magistrates became the going rate of payment for the majority of farm labourers (Polanyi 1945, pp.99-107). Since the 1834 Poor Laws in Britain and in Australia since Federation a firm rhetorical distinction has been made between 'work' and 'welfare'.

In reality the differentiation between welfare and work has not always been so clear cut. The various make work (Sussu programs) of the 1930s depression, Whitlam’s Regional Employment Development scheme (RED), the Community Development Employment Program (CDEP), and the Howard Government’s 'Work for the Dole' programs all confuse the work/welfare distinction. All of these schemes have elements of ‘reciprocal obligation’ or ‘mutual obligation’. The major distinction between these two like sounding terms is that in relation to ‘reciprocal obligation’ the State accepts some responsibility to assist the individual to obtain employment. In the case of Working Nation (Australian Government 1994) the State belatedly became an
employer of last resort, albeit for a limited period. With ‘mutual obligation’ just paying the income support seems to be the major contribution the unemployed can expect from the State.

Implicit and explicit in such programs as ‘Work for the Dole’ is the imperative of less eligibility. The concept of 'less eligibility' has been a remarkably tenacious idea in English speaking countries. Its lineage reaches back into the middle ages and probably to the time when clans came together to create larger permanent social formations. Since the 17th century, in England, it has meant the level of assistance provided through relief must be less than the amount which can be obtained through work. The recurring themes of work incentives, poverty traps, restricting benefit levels and prolonging the duration of 'dependency' are present day examples of the less eligibility debate. Little has changed in such debates since the early part of the 19th century. Except now, in an attempt appear ‘scientific’, elaborate econometric models, with their embedded conservative assumptions, are coupled with a vast array of aggregated labour market statistics in order to "draw a mathematically precise line from an unwarranted assumption to a foregone conclusion." (anon. cited in Bowles 1993 p.64). The ideological nature of these assumptions will be examined in Chapter 3.

Associated with the distinction between work and welfare and deriving out of the Elizabethan Poor Law's determination to insist that 'less eligibility' should drive the system of welfare distribution, has been the concept of the ‘worthy’ and the ‘unworthy’. This distinction sees the ‘worthy’ as people who can’t work and the ‘unworthy’ as people who won't.

The worthy person must establish they are unable to work ‘through no fault of their own’. Of course, fault like beauty, is in the eye of the beholder. Migrants who arrived after the Labor Government passed laws which delayed their entitlement to social welfare for six months - later extended by the Howard Government to two years- are clearly at fault, presumably they should have arrived earlier.

It is possible to hear Australian politicians justifying the confusing and inadequate array of income support and social wage provisions on the basis that they assist 'all in need through no fault of their own'. They support the current partial patchwork of limited and targeted benefits on the basis that they 'target the needy not the greedy' (Shanahan 2000 p. 1).

The effect, if not the intent, of targeted income support programs is the maintenance of the Poor Law distinction between the deserving and undeserving poor. Such a distinction is then used to 'justify' the State’s failure to ensure all permanent residents without other means are provided with at least modest levels of income support. The continuance of the work/welfare divide, dependency rhetoric and the use of a generally unspecified concept of 'need' are added to these left over vestiges of the Poor Law. This results in a mystification which has so far in Australia prevented the citizenry from demanding at a minimum a fully comprehensive income support safety net for all permanent residents.

This book intends to lay bare such features of Australian society as will allow readers to see the disadvantages of the present categorical system of income support, to gain an understanding of alternative ways of conceiving of the needs of fellow Australians and to set out an argument in support of a Basic Income as a way of increasing the income security of all permanent residents.
On the way obstacles, both pragmatic and ideological, to the introduction of Basic Income will be examined.

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