Chapter VI

GUARANTEED INCOME IN AUSTRALIA

INTRODUCTION

So far this study has dealt with the existing system of income maintenance in Australia, some of its history, structure, methods of distribution and ideological perspectives which have informed welfare practice. The remainder of the thesis focuses on the development of income guarantee schemes and demonstrates how these schemes incorporate and reflect elements from the different ideological positions that have already been discussed.

A number of limited income guarantee schemes are already in existence for particular categories of citizens. Low income families, lone parents and their dependent children, women over the age of 60 and men over the age of 65, blind pensioners, working people with children, orphans, ex-service personnel over the age of 60 years, and people in some other categories, provided they apply, are guaranteed an income. In a less absolute sense, people who can show their level of incapacity is 85 per cent, some students, the bulk of the unemployed and the normally employed but temporarily sick can obtain an income guarantee. People in receipt of superannuation also have an income guaranteed by the state or by corporations. Minimum wage legislation adds to the impression that most Australians are assured some form of regular income. However, there are still many Australians not working who are not guaranteed an income because of their age, residence, race or domestic circumstances.

Since the early 1970s there have been more general guaranteed minimum income schemes have been proposed in Australia. One such scheme was suggested by the Poverty Inquiry established in 1972. The so called Henderson Poverty Inquiry was initiated by the McMahon Liberal-Country Party Government in response to growing concern about the adequacy of existing welfare services. In 1973 the incoming Whitlam Labor Government considerably expanded the staff of the Inquiry. This Poverty Inquiry looked at the entire range of welfare services and needs which existed in Australia and so, in many ways, the history and structure of the welfare system discussed so far provides the historical backdrop to the Poverty Inquiry itself.

In this Chapter, I review the recommendations made by the Henderson Poverty Inquiry on guaranteed minimum income and compare them with alternative suggestions put forward by other contemporaneous inquiries.

In surveying the issue of income guarantees, I pay particular attention to the period of the early and mid-1970s because not only in Australia but also in Britain and the United States of America, this was the high point of the income guarantee debate. In Britain and America conservative governments were promoting the idea of negative income tax. In Australia, the most progressive government in post-war history declared itself in favour of a guaranteed minimum income. There have been American governments since then which have shown interest in negative tax schemes but not since that time has there been the widespread discussion which occurred in the early and mid-1970s.

I conclude the Chapter with an analysis of the relationship between income guarantee means tests and the taxation system. This involves considering a number of technical issues such as the unit of payment and living alone allowances. Meredith Edwards' work in this area provides the focus for much of that analysis.
AUSTRALIAN INCOME GUARANTEE SCHEMES*

The earliest detailed blueprint for a guaranteed minimum income program in Australia was put forward by Professor Henderson in the First Main Report of the Poverty Inquiry(2). Apart from providing all Australians with an income guarantee, the Henderson proposal aimed to link the taxation and social security systems, reduce the emphasis on categories of income maintenance, provide an easily understandable retention rate on earned income, treat those with fluctuating and those with regular income equitably and lighten the administrative burden on both the Taxation and Social Security Departments(3).

The amount of disposable income to be received by a family or individual was to be determined by a simple formula:

"Disposable income = guaranteed minimum + private income
x income retention rate"(4)

Henderson proposed the Australian population was to be divided between those who qualified for a pension, benefit or similar payment, whom Henderson called the "categorical" population and a second group who were not able to establish an entitlement for existing benefits, whom he designated as "non-categorical". Elsewhere in his report Henderson argued for

* See section "Meaning of Terms" in Chapter I.

"extensions to the categories of people favoured as pensioners and beneficiaries, which should mean that no person at risk of poverty will henceforth be denied an income."(5)

He foreshadowed the possibility of paying lower rates of income guarantees to beneficiaries than to pensioners(6) and for establishing an intermediate rate between the categorical rate and the non-categorical rate for those who are partially incapacitated(7). He argued that it might be necessary to pay farmers and the self-employed a lower rate than the base non-categorical rate(8). In both Henderson options - except for individuals living alone - the guaranteed payment would be made to family units rather than paying a guarantee to each person as an individual although he allowed that "payments may even be considered to the older children in their own right."(9).

Henderson recognised that it would be the responsibility of governments to determine variables such as the income retention rate, the level of the guarantee, the number of categories retained and therefore the total amount provided to citizens as an income guarantee(10). He suggested two outlines which the government might adopt which he termed the "minimum" and "preferred" options. The minimum option included an income retention rate of 65 cents in the dollar (that is a withdrawal rate of 35 per cent), guarantee for categorical income units at the poverty line (with a slight increase for pensioner couples to avoid making them worse off than under the existing system) and guarantees for non-categorical units at half the poverty line. The preferred option had a 60 per cent income retention rate, a guarantee of 106 per cent of the poverty line for categorical income units (plus some additional help for pensioner couples); the guarantee for non-categorical income units would start at 62 per cent of the at-home poverty line and rise to 71 per cent of that line for a seven child family(11).

The major differences between the two options related to income retention rates and the generosity of base line payments. Either scheme, had it been implemented, would have ensured that all Australians had an entitlement to minimum levels of income.

The system of progressive taxation current in the 1970s would have been abolished and replaced by a proportional tax on all private income. The administration of Social Security income maintenance and Taxation would have been combined within the one body. Henderson considered abolishing all the different categories within the system of income support but decided against it on
the grounds that a simple guarantee of income at the poverty line for all would result in a 50 per cent taxation rate which he felt was not politically acceptable(12).

The Henderson proposals fit in with many aspects of the existing social welfare system in Australia: they were expressed in the form of a demogrant, social rights, flat rate non-contributory scheme.

It is necessary to look at these proposals to determine whether they were capable of doing what Henderson claimed for them and were in line with the above aims which he set out to achieve through the schemes. Henderson himself concluded that substantially they were(13).

**Henderson's Income Proposals: Potential Difficulties**

In political terms the essential strength of Henderson's income guarantee proposals is that they grew out of and retained the essence of the existing social welfare system. They were in every sense a reform of that system. His suggestions for a guaranteed minimum income would make the income maintenance system more humane, less categorical and more comprehensive. Apart from the failure to tackle poverty in a systematic manner, the basic weakness in the proposals was that they failed to come to terms with the need to dismantle the existing system and restructure it in a way which would have facilitated the complete integration of the income maintenance and taxation systems.

Henderson wanted to link Social Security and Taxation functions because doing so stresses the unity between incoming and outgoing government expenditure; it would have provided a guaranteed income and a logical basis for income retention rates. The logic of the retention rate was compromised by Henderson because he intended continuing to provide existing fringe benefits to some categorical people(14).

A recent study conducted by the Department of Social Security revealed that the "value" of fringe benefits varied between states, and that country people got less than did city people(15). The study also discovered other inequalities which stemmed from factors such as personality and awareness of benefit conditions(16). The study found that to obtain fringe benefits was considered very important by many recipients who considered it added to their sense of security(17). In 1981 the maximum value of fringe benefits was between $97 and $27 per week(18). Since the introduction of Medicare, there would be some lowering of the higher figure.

Were a guaranteed minimum income to be introduced along the lines of the Henderson proposal, some changes would need to be made to the present means tested fringe benefit system in order to enhance equity.

It would be possible to convert the fringe benefits into a cash equivalent, abolish the fringe benefits, extend the benefits to all at or below a set income level, or continue to provide them to particular categories of people without the imposition of an extra means test. The first option would be most equitable because many who currently receive fringe benefits have virtually identical financial situations to those who are refused the benefits.

Henderson's programs would reduce but not abolish advantages accruing to people with fluctuating incomes as compared with those in stable employment. The scheme would not "markedly disadvantage" taxpayers compared with present tax arrangements except for married couples, both of whom work. Henderson made special allowance for them(19).

The replacing of the existing progressive tax structure with a proportional income tax would on the face of it appear to advantage the more affluent. He did, however, propose a 5 per cent tax surcharge for incomes over $240 per week as at August 1973(20). Henderson's arguments in favour of a proportional income tax were based on assumed work disincentive effects and the ease of implementation of the tax system. All the same, his proposals do nothing to come to terms with tax avoidance and evasion techniques by which the affluent in this country currently escape paying anything approaching a fair percentage of their income tax(21).
Whether the introduction of Henderson's proposals would lighten the administrative load of Social Security and Taxation would depend on a range of considerations such as how many supplementary payments, tax concessions, and other special categories would be added to the base scheme. Henderson himself suggested several and it is highly likely that people like Eric Ristrom from the Taxpayers Associations, agencies such as pensioner organisations, ex-service organisations, and other powerful lobby groups would have wanted to have special clauses added so as to advantage their membership.

Dividing the population into categorical and non-categorical groups and providing the categorical group with a guaranteed income equal to or better than the poverty line but only guaranteeing an income of somewhere between 50 and 71 per cent of the poverty line for the non-categorical group would significantly affect the "emphasis placed on special categories in determination of entitlements and obligations". Specifically, it would increase the desire of non-categorical people to become classed as categorical. Because it does not guarantee the non-categorical group an income at or above the poverty line it cannot claim to provide income levels "such that Australians do not find themselves in poverty".

Henderson's desire to extend the eligibility coverage of existing categories to groups of people not currently included stopped far short of including wives or husbands whose spouse, or children whose parents inadequately support them. Henderson, whilst recognising that intra-family transfers are sometimes insufficient, offered no alternative. As a result, his proposals presumed that if there is an obligation to support other family members then this will be done, or if it is not done then the inadequately supported family members will move out and set up independent income units thus qualifying for support in their own right. Recent work dealing with intra-family income transfers would seem to give the lie to both assumptions(22).

The Henderson proposals would have increased the take-up rates compared with the existing Social Security system because of their greater coverage and more general eligibility categories but some people would still not apply(23). But the retention of the distinction between those who would have qualified for pensions or benefits and others, plus the adoption of the family as the unit of income led the Australian historian, William Martin, to point out that "a true GMI scheme does not examine the reasons for income loss, it has no necessary place for a normatively based view of family finance"(24). He questions whether the Inquiry was clear in its objectives: he feels that the Inquiry concentrated on poverty alleviation rather than addressing the more difficult question of equity in income maintenance policies(25).

Negative Income Tax

At about the same time as the Henderson Inquiry, another investigation of income guarantees took place. This was conducted by the Priorities Review Staff. Their plan set out to introduce a negative income tax or tax credit scheme(26). The Priorities Review Staff proposed a two tiered system - like the Henderson scheme - which treated pensioners and beneficiaries more favourably than those currently ineligible for payments. They made the exception of those who, apart from the means test, would qualify(27). This would have included in the higher tier the unemployed, the sick, the elderly and invalids whose income from other sources was greater than existing means tests but less than their proposed cut off point for their income guarantee. Those currently ineligible for benefit or pension, on other than income grounds, would receive a tax credit at a rate of 55 per cent of the poverty line (working) as set by the Poverty Inquiry and eligible people would receive a tax credit of 100 per cent of the poverty line (non-working)(28).

They suggested a proportional tax on all income of 43 per cent for prime earners where as second earner would have a proportional tax of 33 per cent applied to them(29). Increasing levels
of surtax of 5 per cent for those over $17,000 - $20,000 rising to 25 per cent for those over $58,000(30). The unit of payment adopted by the Priorities Review Staff was the family.

The Priorities Review Staff considered their scheme might be extended to incorporate several other programs, apart from Social Security, such as educational, housing, and employment restructuring, within the tax credit scheme(31). In an Appendix they set out to mesh their negative income tax proposal with another new proposal the Woodhouse National Compensation Scheme(32).

A COMPARISON OF THE PRIORITIES REVIEW STAFF AND HENDERSON PROPOSALS

The main intention of both the Henderson and Priorities Review Staff proposals was to rationalise the existing categorical system of payments, to integrate the income tax and Social Security systems, and to cater for those poor people who had received little or no governmental assistance because they were unable to fit into the existing eligibility categories. Whilst the Priorities Review Staff accepted that there may well be a need to maintain a number of supplementary welfare programs to service those who are not adequately assisted by existing programs, their clear desire was to limit or abolish as many supplementary programs as possible. The Poverty Inquiry on the other hand wanted to put in place a guaranteed minimum income and increase services available to the poor.

Like the Poverty Inquiry, the Priorities Review Staff scheme would have provided a logical retention rate for earned income, and reduced but not abolished advantages accruing to people with fluctuating incomes compared with those in stable employment. The positive tax structure suggested was midway between the existing progressive tax arrangements and Henderson's proportional tax suggestion.

Like the Henderson Report, the Priorities Review Staff scheme adopted the family as the unit of payment and divided the population into those currently eligible and those not receiving a Social Security or like benefit.

The Priorities Review Staff were more determined than Henderson to do away with many existing income maintenance and service programs and would, in the long run, have resulted in administrative savings compared with the existing system.

A number of commentators reflecting upon both the Priorities Review Staff and the Henderson proposals have linked their discussions of these schemes to other proposals such as those raised by the National Superannuation Scheme (Hancock)(33) and/or the National Compensation Scheme (Woodhouse)(34). Because some related issues, particularly work disincentive, are discussed by the Asprey Inquiry into Taxation this report has also at times been raised in the resulting discussions(35).

HANCOCK'S NATIONAL SUPERANNUATION AND WOODHOUSE'S NATIONAL COMPENSATION SCHEMES

The Woodhouse Inquiry (1974) was requested to design a comprehensive income support system for injured, disabled and sick people. The Hancock Inquiry (1976) was asked to design a national superannuation scheme which could be implemented following the abolition of the Age Pension means test. Both these reports were roughly contemporaneous with the Priorities Review Staff and the Poverty Inquiry reports, both aimed to provide income support to substantial sections of the Australian people who relied on Social Security or workers or road accident compensation.
**Woodhouse Scheme**

The essential features of the Woodhouse report were a proposal for a scheme which would ensure that in the case of injury or sickness, a benefit would be paid at 85 per cent of the previous wage up to a maximum of $425 per week. Non-earners were to receive $42.50 per week. Low income earners were to be paid at 100 per cent of the minimum wage. The scheme was intended to do away with the high costs of administering existing compensation programs (workers and road accident), the excessive time delays before settlement, and the concept of fault which allowed some people to get windfall settlements and others nothing.(36). It was intended to fund the proposal by a 2 per cent levy on wages and self employed people's income, a petrol tax of 10¢ per gallon, and a further $370 million from general revenue (this was the amount then being spent on Invalid Pensions and Sickness Benefits Staff and the Poverty Inquiry stressed the necessity of ).(37).

**Hancock Scheme**

The Hancock Committee, unlike other commissions discussed here, failed to agree in its final report and presented a majority and a minority report.

The essential features of the Hancock Report (majority) were: a pension for all over the age of 65 years, set at a rate of 25 per cent of average weekly earnings, with a means tested supplement raising the income to 30 per cent of average weekly earnings for those without other forms of additional income. Others would receive the base payment plus a purchased pension dependent on contributions, in this case no means test would apply to the base payment. The proposal was to be funded by an extra income tax levy of 5 per cent of income in excess of 30 per cent of average weekly earnings. Those whose income was less than 30 per cent of average weekly earnings would not have contributed.

The minority report opposed this on the grounds that it placed a high burden on low income earners. It recommended a pension without means test for all over 65 years of age along similar lines to the existing Age Pension with means tested supplementary benefits available. It was to be paid out of general revenue.

**A CRITICAL COMPARISON OF THE VARIOUS AUSTRALIAN INCOME SCHEMES**

The diversity of approaches to income maintenance adopted by these various inquiries arose from the fact that they were set up to investigate different terms of reference(38). A common feature emerges in each of the proposals under discussion: they were all critical of the existing social welfare approach to income maintenance. Henderson and the Priorities Review Staff aimed to restructure the entire welfare relief system by introducing generalised income guarantees. Hancock and Woodhouse attempted to alter only a part of the income maintenance structure, raising questions about meshing, coverage and overall costs.

Both the Woodhouse and Hancock proposals, whilst they considerably extended benefits to people not at the time provided with income maintenance cover, still left gaps in services. They were forms of categorical payments; the Hancock scheme guaranteed an income for the elderly - but this was already done by the Age Pension; the Woodhouse scheme would have rationalised worker's and road accident compensation, Sickness Benefit and Invalid Pension programs, but would still have left many of those who did not fit into the existing categorised welfare system without cover. The Woodhouse Report and the majority report of the Hancock committee both extended the inequalities of the employment situation into the post work phase of people's lives.

Henderson himself rejects the recommendations of both the Woodhouse and Hancock Inquiries on equity grounds, he quotes the words of the Minority Report of the Hancock Inquiry to establish his case:
"Benefits payable under the scheme (Hancock) in 1977 would require an estimated 5.1 per cent of Gross Domestic Product. This may be contrasted with the 2.0 per cent required to finance the aged pension system in 1974-75. (39)

Only the Henderson or Priorities Review Staff suggestions had the potential to ensure every Australian is guaranteed an income. Whilst neither Henderson's nor the Priorities Review Staff schemes would have resulted in equal distribution or equitable distribution to all - because they were set at such low levels of income guarantee and they persevered with a modified form of categorical payments - they came much closer to equitable distribution than either Woodhouse or Hancock.

SOCIAL SECURITY AND TAXATION - THE UNIT OF INCOME

Both the Priorities Review amalgamating the taxation and income maintenance provisions. Many writers have pointed to inequities which currently exist within the Australian Social Security system and between the Social Security and Taxation systems because of the differing unit of payment adopted.

Their criticism relates specifically to the use of the family as an income unit in one policy area and the use of the individual as the unit of income in another.

Henderson considered the adoption of the individual as the income unit for his guaranteed minimum income proposal but rejected it on the grounds that to do so would increase the tax rate in his minimum scheme to 44 per cent. He thought this would be politically unacceptable. The Priorities Review Staff adopted the family as their income unit for similar reasons. Such a problem exists overseas as well; Richard Titmuss was the first to emphasise this point and demonstrate it conclusively in his Essays on the Welfare State (1958)(40).

In 1975, the then Minister for Social Security, Bill Hayden, addressed the issue of the appropriate income and tax unit. He asked "How does one treat a single individual who by himself might appear to have a low income, but in fact lives in a commune and shares a high standard of living with his friends?"(41) Certainly any of the arguments which have been used to justify the adoption of the household or the family apply, at least in part to such a situation.

At the same conference, John Harper, who described himself as "a very old fashioned conservative"(42) in putting the case for the adoption of the individual as the appropriate unit said "marriage would not be discouraged and poor persons could economise by sharing households without a financial penalty", but he went on to conclude that the family would be the most likely unit to be adopted(43). The extra cost of paying poor people individually would, he suggested, cause governments to base any income guarantee on the family unit(44).

Several writers have suggested that the household rather than the family should be the unit although acknowledging that the problem of deciding who is a member of a household is of the same order of deciding who constitutes a family. A considerable body of knowledge about the difficulties of such decisions is currently being provided by the Administrative Appeals Tribunal rulings on the issue of what constitutes a defacto relationship.

Meredith Edwards in a paper given at the 1983 ANZAAS Conference looked at the "major inefficiencies and inequalities as well as administrative complexities which result from the current treatment of the income unit" for Social Security purposes(45). When taxation treatment of these same units is considered as well, then other unplanned outcomes are obvious*.

*There are many examples of poverty plateaux and poverty traps provided by high marginal tax rates. One example is that of a married unemployment beneficiary without children who has the same disposable income whether he or she has a private income of $70 or $150 per week.(46)
For instance,

"a taxpayer with a defacto spouse is considered 'single' for the purposes of the dependent spouse rebate, but is at the same time considered to be 'married' for the purposes of the sole parent rebate ... long term unemployment and sickness beneficiaries with a defacto spouse and no children ... receive the married rate of benefit, but they are unable to claim the dependent spouse rebate."(47)

The differing treatments applying to similar units in the tax and social security arrangements are further complicated by other means tests in other areas of social welfare. These add to inequalities and lead to withdrawals of income and services at extraordinarily high marginal tax rates, often in excess of 100 per cent(48).

Meredith Edwards has devoted considerable attention to this question and the associated issues, particularly as they affect women. She attacked both the Poverty Inquiry and the Priorities Review Staff reports for their treatment of women. Issues which she raised were:

1. that a married couple achieve economies by living together compared with single people living separately, but these economies are not significantly different from those achieved by any group of individuals living together;
2. that by not taking account of child care costs before applying the marginal tax rate, the unemployed spouse is discouraged from working;
3. that failure to pay a non-working spouse the income guarantee assumes and enforces dependence; and
4. that if a unit other than the individual is to be adopted it should be the household rather than the family (49).

These criticisms were made in 1976. In 1983 she returned to these questions(50) and attempted to find a way to install the individual as the unit of payment but found that such an adoption would create financial difficulties for lone parents and dependent wives if the existing Social Security system were to be maintained. Her preferred option at that time, 1983, was to substantially increase payments to dependent children(51).

A major problem which would occur were the income maintenance system moved towards the type of dependent child payment suggested by Edwards is that it creates or at least has the capacity to create an increased sense of dependency of the "caring" parent on his or her children. This sometimes occurs to a debilitating extent with Widow Pensioners and, until 1987, Supporting Parent Beneficiaries as the youngest child turns 16 or (in the case of a student) 25 years of age, leaves home or is removed from the home. The group Women in Search (52) was formed to attempt to find a solution to income maintenance and emotional problems which such a dependency promotes.

Saunders, an Australian economist, accepted the argument about the work disincentive effects on married women put by Edwards and noted that the Asprey Committee felt that to include defacto relationships as part of a "family" for tax purposes would be impossible to enforce without "an unacceptable invasion of privacy"(53). He therefore suggested that consideration needed to be given to adopting the individual as the unit for both tax and income maintenance purposes (54). Saunders pointed out that the adoption of the individual as the tax and income maintenance unit would increase the total tax collected because there would not be any special allowance for the lowest earner in a two earner family(55).

Saunders' way around the objection of increased cost was to reject the Henderson suggestion in relation to married couples which he considered too generous - he opted to pay people living single a living alone allowance(56).
Edwards has looked at the need for a living alone allowance in detail. She based her analysis mainly on the work of Manning and Saunders(57) but also on the Myers and Hancock Inquiries(58). She accepted "there would be the administrative difficulty of obtaining an operational definition of what constitutes 'living alone'"(59). She considered that "Without a total change in income unit definition, a LAA would not, by itself, eliminate the difficulties entailed in administering the cohabitation rule"(60).

The proposal to introduce a living alone allowance is likely to experience all the problems which the bona fide domestic relationship rulings experienced; and the extra one that it extends the problem from simply investigating intra-family transfers to intra-household transfers.

The main problem in such determinations is that of the diversity of arrangements which exist in the structure of finances of people living under the same roof. It can be everything from a totally equal financial contribution, sharing of household duties, and sleeping together, to one where no contribution is expected from a person because of some family obligation or through an act of altruism on the part of those who pay for the house.

A guaranteed minimum income paid to individuals would ensure the married were not disadvantaged compared with the unmarried - it would encourage, by providing a financial incentive, family formation and stability - but would not of itself enforce any particular view of appropriate morality. As mentioned in Chapter IV, it would allow family members who felt continued cohabitation was intolerable to leave and set up on their own or in co-operation with others. Thus the selection of the individual as the unit increases freedom, diversity and individualism, all of which are central liberal values.

CHILDREN

The provision of income maintenance for children is an issue which has to some extent been avoided in the Social Security system by including them as part of the family income. Prime Minister Hawke has recently announced that no Australian child will live in poverty by 1990. If a decision were made to adopt the individual as the unit of payment then the treatment of children becomes a central issue because of the implications this has for what had previously been the family income.

The current cost of maintaining a child in an institution is frequently in excess of $500 a week. The state could not afford to pay for all children at this rate. The Institute of Family Studies regularly updates estimates of the cost of keeping a child in the family home. They have argued that the older a child the greater the cost(61). The Department of Social Security has accepted this argument in recent times by installing a higher rate of payment for older children in its Family Allowance Supplement.

Instead of including children as part of the family income package, one alternative under an income guarantee would be to pay children at the same rate as adults but to charge them for some services, such as education and child care, which are at the moment free or heavily subsidised.

Another alternative would be to set a rate of payment for children who live in the family home. There could be differential rates according to the age of the child. Those children or young people who live away from the family could be paid the adult rate. This is more in line with the existing system but would raise the concern that some families would swap each other's children in order to increase the total income available. There would be other boundary issues where children shifted between parents in cases of dissolved relationships, or where they lived with relatives.

Which ever choice was made by the government of the day, there are no equity arguments which could be mounted to support paying young people living independently of their families a rate of income guarantee less that the adult rate.
CONCLUDING COMMENTS

From the foregoing descriptions of proposed guaranteed minimum income schemes, it can be seen that they go some considerable way towards creating a fair income distribution in this country compared with the existing categorical system of welfare payments. Both the Henderson and Priorities Review Staff suggestions would simplify income maintenance delivery and increase the rate of take-up in Australia. They both envisage amalgamating the positive and negative taxation arrangements within one department. Both would attempt to do something for the working poor as well as the workless.

However, both proposals have continued to divide the working class into those who can establish eligibility for any of the pre-existing worthy categories and those who cannot. Neither scheme addressed the problem of intra-family dependency (or alleged dependency) in any useful way(62). So, if either program were implemented, it would leave intact existing patriarchal relationships. The maintenance of the family as the unit of welfare and in some forms of taxation reinforces patriarchal arrangements.

The adoption of the individual as the unit of payment was rejected by Henderson and the Priorities Review Staff on the grounds of cost. The idea of paying a living alone allowance was reviewed but it would appear to have associated with it most of the difficulties which determinations of who is and who is not sharing a "bona fide domestic relationship" experience.

From the discussion of the existing taxation and welfare mechanisms it is apparent that if more equitable approaches are to be implemented further consideration will need to be given to the issue of the appropriate unit of payment and taxation. But whatever action is taken in relation to meshing the taxation and welfare services available to Australians, an effort needs to be made to sort out the inequities which exist within each system. The taxation and Social Security systems' adoption of differing approaches to common law marriages, legal marriages and other forms of relationships will need to be rectified before a fair system of income maintenance can be installed. The welfare system is riddled with inconsistencies, some of which have been detailed in this and earlier Chapters: the taxation system also treats some people inconsistently.

What is apparent from this Chapter is that any government intending to introduce an income guarantee in Australia would not be able to do so in a satisfactory manner by tinkering with the edges of the social welfare and taxation processes, but would have to engage in a major restructuring of both systems.

Implicit in the material from this and each of the foregoing Chapters is the suggestion that a major overhaul is long overdue. A restructuring of both the positive and negative tax structures would allow the possibility of a positive tax system which ensured that the more affluent paid a fair percentage of their income in tax and equally importantly abolished the gross inequities within the welfare system. A reconstituted income maintenance system would not necessarily be dependent upon enforcing patriarchal dependency and existing race and class relationships. It could be a system which would attempt to supply benefits equally to rural and urban people irrespective of age or gender. But to do this would necessitate the introduction of an income guarantee which completely integrated the tax and welfare systems.
FOOTNOTES TO CHAPTER VI

(1) Hayden, B. "The social objectives and principles of a guaranteed minimum income scheme", in Smith, P. (ed) Seminar on Guaranteed Minimum Income, ACOSS, Sydney, 1975, p.6


(3) Henderson, R. op cit Vol I, p.70
(4) loc cit.
(5) ibid, Vol I, p.67. See also pp.30-32.
(6) ibid, Vol I, p.85
(7) ibid, Vol I, p.80
(8) loc cit.
(9) ibid, Vol I, p.74
(10) ibid, Vol I, p.75
(11) ibid, Vol I, pp.75-76
(12) ibid, Vol I, p.74
(13) ibid, Vol I, pp.80-83

(15) Social Welfare Policy Secretariat, Pensioner Fringe Benefits: Their Range, Cost and Value, Department of Social Security, Canberra, 1984
(16) ibid, p.29
(17) ibid,
(18) ibid, Chapter 6, particularly pp.133-145
(19) Henderson, R. Poverty in Australia, Vol I, op cit, pp.78-79
(20) ibid, Vol I, p.78

(22) Edwards, M. "The income unit in the social security system", op cit.
(25) ibid, p.194
(27) ibid, p.29
(28) ibid, pp.29-30.
(29) ibid, p.30
(30) ibid, p.34
(31) ibid, p.33
Woodhouse, A. Compensation and Rehabilitation in Australia, Australian Government, Canberra, 1974, Vol 1. Appendix 3

Hancock, K. A National Superannuation Scheme for Australia, Australian Government, Canberra, 1976.

Woodhouse, A. op cit.


Manning, I. "Social security and the future", The Australian Economic Review, No 53, 1st Quarter 1981, p.30 points out that 85% of third party motor vehicle insurance payments were absorbed in legal and administration costs in the Australian Capital Territory.

Woodhouse, A. op cit, p.260

Manning, I. "Social security and the future", op cit. p.31


Harper, J. op cit, p.35


Harper, J. "Level of guaranteed minimum income", Seminar on Guaranteed Minimum Income, op cit, p.33


Titmuss, R. Essays on the Welfare State, op cit. See also, Westergaard, J. and Resler, H. op cit, p.64 Footnote No.4


Edwards, M. "The income unit in the Social Security system" op cit, pp.5-15. See also Podger, A., Raymond, J. and Jackson, W. "Relationship between Australian Social Security and personal taxation systems" in Mendelsohn, R. Social Welfare Finance: Selected Paper, op cit. The TEAS income assessment period is from 1 January to 30 December in any one year unlike Unemployment Benefit which has a weekly income assessment period. As a consequence a student who undertakes employment in August might find him or herself owing in excess of $2,000 at the end of the year despite having stopped the TEAS payment in August.


ibid, p.13. See also Commonwealth of Australia Senate Hansard, 4.12.85, pp.2890-92


ibid, p.7

Personal communication with Helen Creed, Community Worker involved with the group at the time of its inauguration.

Saunders, P. "Henderson's guaranteed minimum income scheme", op cit, p.108

ibid, pp.108-109

ibid, p.109

loc cit.
(59) Edwards, M. "The individual as the income unit of Social Security policy", op cit. p.17
(60) loc cit.