

One Basic Way to mitigate the effects of Unemployment

Because most people excluded from the labour market for lengthy periods have few other ways of obtaining income, the structure and style of implementing the system of income support substantially determines the standard of living and degree of security experienced by low income earners. Governments throughout the English speaking western world have imposed means testing, targeted benefits, activity testing¹ and 'mutual obligation' regimes to discourage those without paid work from becoming 'dependent' on the State. These governments are determined to limit the amount of income support so as discourage people remaining on benefits. Ministers often claim they are determined to encourage people to find alternative to 'living on welfare' in order to prevent 'dependency' (Newman 1999). The Australian Government has worked hard to try and ensure there is a financial benefit obtained by people being employed compared with receiving unemployment benefits. These features constitute the *less eligibility* principle.

The principle of less eligibility was an integral part of the poor law administrations England from 1601 until the early 20th. Century was designed to ensure that what ever assistance was provided via the welfare system was less than could be obtained from working *and was provided in a demeaning manner* in order to discourage people applying for welfare relief. The process of determining, who would be assisted and who would be refused, divided applicants for assistance into the worthy and unworthy poor.

An alternative to the existing system of income support is Basic Income. In the opinion of Andre Gorz (1999 p. 85) and Robert Goodin (1992) the introduction of a Basic Income would result in a more equitable sharing of paid work, civil activity and leisure without inhibiting productivity.

This article will examine the way the existing Australian system of income support, with its associated compulsion imposed upon income support recipients, is an inadequate 'solution' to either income needs or employment. The analysis suggests that a Guaranteed Minimum Income would be an improvement but that a universal Basic Income is the most useful approach, which if implemented, is capable of improving the income and employment situation of Australians consigned to the reserve army of labour.

A brief history of the denigration of people who are unemployed

Since at least the 1950s, successive Australian governments have believed that unemployed people, in particular, need to establish their desire and capacity to labour before they will be paid benefits. This was why the unemployment benefit eligibility requirements, since that time, have demanded applicants establish they are "fit, ready and willing to work"(Windschuttle 1981 pp.180-182). Hence the old Department of Social Security joke that "Christ would be refused unemployment benefits because he had a beard, wore sandals and hung round the Cross".

From the end of the Second World War until 1974 unemployment in Australia remained around 1% most of the time (Stilwell 2000). Since then unemployment has dramatically risen here as in most parts of the western world (Rifkin 1994, Omerod 1994, Kelsey 1995, Boreham, Dow & Leet 1999). Associated with the rise in the level of unemployment has been, in the Australian and New Zealand (Bradford 1997) context, a substantial change in the attitude of governments towards those whom government and industry policy excluded from the paid labour force (Boreham, Dow & Leet 1999 Ch. 1). In both countries there has been an increasing determination to prevent people who don't meet the totality of eligibility requirements receiving benefits. The eligibility requirements have simultaneously increased from simply passing activity and means tests to a point where they now include a smorgasbord of 'mutual obligation' requirements.

In 1972 the advent of the Whitlam Government initially heralded a new deal for social security recipients but as the level of unemployment, particularly youth unemployment, rose in Australia so too did the frequency of attacks on unemployed people. Starting with Hayden and Cameron's slurs about 'work shy lion tamers' and 'dole bludgers' (Windschuttle 1981) attacks on unemployed people increased in intensity during the Fraser Government (Tomlinson 1982 Chapter 3). During the Hawke and Keating Governments, Brian Howe, Minister for Social Security, gave expression to negative evaluations of unemployed people through rediscovering their propensity for 'dependency'. This in turn led Professor Bettina Cass (1988), who was heading a review of the Department, to propose extending the work testing of unemployed people to encompass activity testing. This suggestion, in turn, has found recent expression in the 'participation income support' agenda proposed by the McClure Report (Reference Group on Welfare Reform 2000). Jocelyn Newman (1999), the then Minister with responsibility for income support, who commissioned this Report was obsessed with the alleged propensity of poor people to become 'dependent' on the State. The Howard Government's 'work for the dole' and wider 'mutual obligation' agendas are simply an extension and intensification of the regimes of obligation imposed on unemployed people in Australia for the last half century.

Where income support for unemployed people fits in the Australian social security system

The Howard Government has declared its intention to maintain a social welfare safety net in order to assist all in need through no fault of their own (Howard 1999, 2000, Newman 1999 p. 7). The Australian income support system is currently non-contributory, categorical, selective, and targeted towards categories of beneficiaries on the basis of some presumed 'need'. For instance, 20 year old unemployed people are currently considered to need substantially less income support than are 21 year olds; age pensioners are deemed to require more income support than are long term unemployed people; sickness beneficiaries are required to establish they would, except for a temporary illness, meet the same eligibility requirements as do New Start and Job Search applicants and so forth. From 1941 until 1987 child endowment was a universal payment. Now metamorphosed into family allowances, it too fits the general mould. There is still one payment 'the blind pension', a subcategory of the disability support pension, which is not selective.

Attempting to ascertain the degree of impairment experienced by an individual applicant and then paying those applicants who can establish they have met some predetermined 'level of incapacity to work' is very costly and an extraordinarily inefficient method of providing income support to those with a disability. People with equivalent levels of impairments often have widely different employment histories (Perry 1995 p.29). If the desire is to incorporate into society those who have a disability through encouraging them to labour (or make some other societal contribution), this could be more efficiently achieved through the provision of a universal income guarantee than it would be by persevering with the existing income support arrangements. Australian governments have recognised this in relation to 'blind pensioners' (Jordan 1984, Kewley 1973) but continue to subject others who have severe disabilities to stigmatised, selective, targeted, categorical payments. Robert Goodin (1992 pp.196-197) points out that attempting to determine work capacity by measuring levels of impairment and the adoption of any other unit of payment than the individual creates target inefficiencies. This is so because such tests of eligibility are 'surrogate measures' - they do not *directly* test the things they purport to measure.

The majority of payments made to unemployed people: Job Search, New Start, and Common Youth Allowance are, like the bulk of income support payments in Australia, categorical, means tested and targeted benefits. They currently have associated obligations attached to them compelling unemployed people to participate in training, volunteer for specified activities, Work for the Dole or any other program that Centrelink or the recently Christianised and privatised job search agencies dictate. Centrelink has laid down generalised guidelines as regards to what is 'acceptable' activities for private agencies to demand but considerable discretionary power remains with the agencies. The Reference Group on Welfare Reform (2000) has foreshadowed extending such compulsion to lone parents (whose youngest child is over 13 years) and to some disability support pensioners.

The Reference Group on Welfare Reform (2000) has proposed the current categorical payment system be replaced with one 'working age' payment system (for those who now receive benefits and pensions) which would discriminate between applicants in terms of 'special needs', family composition, participation requirements and other income. This proposal has been criticised for its individualising of entitlements, its complexity and its failure to incorporate all citizens (Tomlinson 2000).

A return to the poor laws

There have been extreme right wing writers (Sullivan 2000, Murray [Charles] 1984, Mead 1986, 1997) who have stoked the fires of 'dependency' rhetoric and thus encouraged the general direction of Australian Government's income support policy. As well, the existing system of income support in Australia has not been without its left critics for failing to efficiently deliver sufficient benefits to those in the most financial need². The categorical / selective approach has drawn criticism here and overseas³. Despite this there continues to be supporters of the current categorical system in Australia (Whiteford 1998). Pixley (1993) and Cass (1988) ardently

promoted the active society approach, at least during the period when Labor was in power.

Governments in Australia, New Zealand, Canada, Britain and the United States consistently suggest they are providing social security in an efficient and accountable manner. They are certainly capable of determining the cost of delivering specific categorical benefits to those recipients who are paid. They can and do calculate how much they 'save' by cutting people off income support when they do not meet the totality of eligibility requirements for any specific benefit. This is *accounting* or *target efficiency*. They seem disinterested in how people who are refused benefits get by, or what social costs are incurred in the wake of decisions to remove income support from such citizens. Target efficiency processes give no measure of how *efficient* the *system* of social security is. The central issues, which should be taken into account, when assessing the efficiency of a social security *system* (as a whole) are not considered.

If *the efficiency of the entire system* was being calculated, it would be necessary to consider whether:

- any of the people excluded from the social security system were without other forms of income support,
- any people who have an entitlement to income support fail to receive payment,
- those who are confined to low levels of income support consider the system of income support meets their basic needs,
- the social security system treats all permanent residents justly,
- the human rights of all residents are protected (or even enhanced),
- the system removes all obstacles to inclusion of people with a disability,
- all genders, ages and ethnic groups are treated equally or equitably,
- city and country people are treated equitably, and
- the system of income support provides sufficient security to recipients so as to allow them to contribute to society in ways with which they are comfortable?

The ideological underpinnings of the present Australian Government's approach have been succinctly enunciated by Howard (1999, 2000). They amount to an amalgam of individual liberal economic policy and conservative social policy. The central features of the conservative position, in the twentieth century, are:

- support for *traditional values*, such as the family,
- the importance of *work*,
- *sexual restraint*,
- the sanctity of *private property*, and
- the *belief in the inherent imperfection of human beings*.

In income support terms these principles are incorporated in the following manner:

- the family is the accepted unit of payment and the presumption is that if one member of family is without income other members of the family will support them,
- activity testing and other mutual obligations imposed on recipients underline the importance of work,

- the assumption imbedded in the family means test is that if an unemployed person is in or commences a bona fide domestic relationship with another person the State assumes that the other person will support them,
- the importance of private property is a hegemonic value in capitalist relations; in income support systems it is used to justify the limited amount of redistribution from the more affluent. In a communal system the emphasis would be on a greater sharing of the common wealth, and
- the attachment to imperfection is played out in the extensive compliance mechanisms (Nolan 1997) and the imposition of mutual obligation.

The liberal position is notable for its reliance upon:

- individualism,
- freedom,
- self-help,
- constitutionalism,
- property,
- progress, and
- the free play of market forces (Tomlinson 1989 ch. 5).

From the liberal position the Howard Government takes the importance of the individual and the free play of market forces which it overlays on its general conservative social orientation. Hugh Stretton (1996) and others (Goodin 1988 p. 7) see in the imposition of individualised obligation and eligibility determinations a return to the charity system of the poor laws so aptly described by Polanyi (1945).

Generalised income guarantees

In a recent 12 month period in Australia 200,000 recipients of income support have been breached by Centrelink (ACOSS 2000). Income *insecurity* is a constant preoccupation of citizens surviving on low incomes. It is not possible to accurately measure the actual number of poor people who are unable to obtain income support in Australia. However what is obvious to me, after 35 years of experience in the welfare industry, is that the number of people who were breached by Centrelink in the last 12 months are but the tip of the iceberg. These 200,000 people at least got to be paid for awhile. There are recently arrived migrants who have to wait two years before becoming eligible for payment. There are many homeless people who can't establish their eligibility for any benefit. There are people who have combinations of social, psychological, intellectual or physical disabilities: they are incapable of proving to the satisfaction of Centrelink that they are incapacitated enough for a disability pension nor well enough to get an unemployment benefit. There are the discouraged unemployed. There are those who drift into a life of street prostitution or petty crime because they can find no way to obtain income support. There are people who live with employed people and the system conveniently assumes they'll be adequately supported. There are many young people who are deemed, by the system, to be dependent on their parents, who may or may not be in a position to maintain them or who may even be unwilling to support them. It has long been recognised that the Australian social welfare safety net has huge holes through which many fall.

Categorical, selective, targeted welfare payments which exist in Britain, Canada, Australia, New Zealand and the United States have not succeeded in abolishing Beveridge's five giants of 'squalor, want, ignorance, disease and idleness' (Timmins, 1995). The modern welfare state, in the countries mentioned, does not guarantee all permanent residents a secure income. Each of these countries has toyed with the idea of introducing generalised income guarantees for all permanent residents. Such partial income guarantees which have been installed have had eligibility requirements attached to them which demand either proven incapacity to labour, work willingness or some socially approved basis for not working (such as sole parenting or age). Many forms of generalised income guarantees have been suggested including: Guaranteed Minimum Income (GMI), Negative Income Tax (NIT) and Basic Income.

In 1943 Lady Rhys-Williams provided the first book dealing with the concept of a GMI, she expanded on this concept in 1965. Professor Ronald Henderson (1975 ch. 6) incorporated Rhys-Williams' ideas into the Poverty Inquiry's Main Report. Henderson suggested that the GMI take the form of a means tested social demogrant paid to families. Other writers (eg. Tomlinson 1989 ch. 4) have argued that the individual should be the unit of income in order to avoid the problem of inequitable intra-family income distribution. One of the earliest writers most closely associated with the idea of NIT is Milton Friedman (1968). Friedman variously advocated annual income tax adjustment or far more frequent pro rata payments to help struggling workers cope with downturns in income. He saw the taxation system as the vehicle by which distribution of positive and negative taxes would achieve assistance for the least affluent. Essentially the total tax paid would be proportional to earned income – for those who had no income they would receive an income guarantee from the federal government. Those who had some income would under a NIT receive from the government the income guarantee less the amount of tax due on their earned income. A universal Basic Income would be paid to all permanent residents of a country at a flat rate irrespective of their income or assets.

The major difference between a GMI or a NIT and Basic Income is that the first two are *selective* and Basic Income is *universal*. Proponents of NIT and GMI argue that it would cost the State less to introduce their models compared with a Basic Income. It is true that government outlays would be lower under NIT and GMI; but the actual drain on the budget bottom line of an unconditional Basic Income (because of increased tax compliance and ease of administration) might not be much greater than with other forms of income guarantees (Van Parijs 2000 pp. 8-9).

The history of Australia's flirtation with income guarantees has been described elsewhere⁴. The essential advantage deriving out of a GMI or a NIT, compared with categorical income support, is that 'it provides an income floor below which no one falls without imposing a ceiling beyond which no-one rises' (Rhys-Williams 1965 p.163).

An unconditional GMI or NIT, paid to each individual, would at least ensure that no permanent resident would be without an entitlement to a base income. This provides some limited security for those facing unemployment. But because NIT and GMI schemes are selective, unemployed people may not be able to calculate how their cash

in hand income will be affected by part time or even low wage full time work. The existing categorical system of income support, because of combined income support withdrawal and income tax rates, exposes people, who exceed the income free level, to effective marginal tax rates of between 60 and 200% for each additional dollar earned. This has to be compared with a 47% income tax rate for incomes over \$60,000. The fact that a Government sees such a situation as unremarkable stems from the belief that the poor need to be compelled but the rich need to be encouraged.

I do not draw attention to this inequitable treatment of income, between those reliant on the income support system and those who derive their livelihood from other sources, to support the ill-informed assertion that decent income support payments inhibit work willingness. I do this to argue that the people who are the most marginal to the productive process are unnecessarily disadvantaged by the confusing multiple withdrawal rates which occur when people are working and receiving categorical selective benefits. Few workers regard the income advantage derived from working as the *sole* reason for engaging in employment. Financial advantage is but one factor influencing job choice. If a worker is unaware of the real financial impact of employment, or confused about the financial impact then the perceived financial satisfaction derived from employment will be lessened.

The actual decision to seek or accept work will depend on many factors - of which the financial aspect is only one. The only large scale experiment, in Australia, of what happens *in practice* when low income *earners are provided with an income guarantee sufficient to sustain them* took place in Melbourne from the mid to late 1970s. When Professor Connie Benn headed the Brotherhood of St Lawrence's ARC Project, she instituted a GMI experiment and found that bread winners from low income families continued to work or actively seek work even when their families would have been as financially well off had they simply relied upon the GMI provided by the Brotherhood (Benn 1981, Liffman 1978, Salmon 1974).

The fear that generous categorical payments create work disincentives because the financial margin between working and living on benefits is insufficient to make people want to work derives out of the *public choice* perception of human behaviour. It ignores the entire sociology of work research and assumes that the poor have to be compelled if they are to be productive. In reality most beneficiaries have only the vaguest idea of how the tax and social security combined withdrawal rates operate. It is true that economists who examine the issue appreciate that most categorical combined tax/benefit withdrawal rates are so high that they create a financial disincentive to part-time work. Governments cognisant of such policy insights respond by compelling people to take part-time work by threatening loss of all benefits unless recipients are prepared to take any work available. This is a very inefficient way to construct social policy. With a Basic Income there is always a financial incentive to work- the withdrawal rate is the tax rate - and is, as a result, known and easily calculated.

The fact that such arguments (about lesser eligibility, the poor's fecklessness, the associated need for coercion and the importance of increasing the huge differentials in income between the owning and labouring classes) are a nonsense, does not make them any less valued by current Government ministers. John Kenneth Galbraith

ridiculed such arguments by pointing out that "It always boils down to the highly improbable case that the rich are not working because they have too little income and the poor because they have too much" [cited in Boreham, Dow & Leet (1999) p.104]. Recently the newly elected New Zealand Labour / Alliance Government with the active support of the Greens has moved to slowly dismantle much of the compulsion infrastructure in their conservative predecessors income support system (*The Jobs Letter* 2000, 27th March p.3).

Basic Income

From 1918 until 1922 Dennis Milner, Mabel Milner & Bernard Pickard campaigned for the introduction of a Basic Income (Van Trier 1995 Part 1). Eighty years ago Dennis Milner (1920) was the first British person to articulate a fully elaborated (book length) Basic Income proposal. He wanted to ensure the inadequacies of the British Poor Law system were overcome, to enhance national productivity, and to provide a more equitable base from which workers might negotiate wages (Van Trier 1995 Part 1). Many of the issues dealt with in the present article are synonymous with those which preoccupied the Milners and Pickard. Milner did not see the introduction of a Basic Income as the be all and end all just one step on the way to a better life for all citizens.

With a Basic Income, because it is a universal payment, people are always advantaged by any extra income obtained. The withdrawal rate is the income tax rate making the cash in hand situation easier to calculate than a combined tax and income support withdrawal rate.

The concept of less eligibility has been imposed on applicants for welfare assistance by conservatives since the days of the Elizabethan poor law resulting in a process which suggests that unless welfare benefits are paid at a lower rate than would be obtained from paid jobs then work disincentives will occur. Such thinking continues to dominate policy debates in Australia, New Zealand, Britain, Canada and the United States. This, when coupled with the economic fundamentalist mind set (which suggests that minimum wage legislation makes it increasingly difficult for employers to afford to provide jobs for the least skilled) has two impacts; minimum wages are kept low and so, subsequently, are benefit levels.

Stepen Bell in the final chapter of *The Unemployment Crisis in Australia* suggest that: In effect, those at the lower end are being asked to fund jobs growth through wage reductions with rising inequality as a key outcome. The implication is that societies confronted by the new economy, if they wish to retain some semblance of civility, must now confront distributional issues head on (Bell 2000 p.253)".

He subsequently suggests "The problem with guaranteed minimum income schemes is that they perpetuate the post war residual welfarist model of income maintenance and run a strong risk of creating a dependent and marginalised subgroup of 'recipients' vulnerable to the politics of downward envy (p.268)". He cites only Pixley (1993) and Latham 1998 p. 203) in support of this assertion. Latham's analysis in relation to universal income guarantees and dependency is refuted by many including Watts (1999, Tomlinson & Bleasdale 1999/2000). Pixley (1993) is has also drawn similar

severe criticism (Watts 1995[a], [b], 1994, Tomlinson 1995). To the extent that a GMI or a NIT is selective; it means that payments go only to the poor rather than to all citizens. There are traces of welfare thinking and the potential for some envy embedded in both GMI and NIT, but if that was a major concern both 'difficulties' can be abolished by choosing a universal Basic Income, paid to each individual, as the form of income guarantee. Bell (2000) does not consider the possibility of a Basic Income.

Van Parijs (1992[b] p.229) claims that because a Basic Income is paid, irrespective of all other sources of income, it can be used by those who desire work as a wage subsidy; yet, because it provides sufficient income on which to live, it does not compel any potential worker to work under conditions which that worker finds unacceptable.

Basic incomes have the capacity to provide a wage subsidy to employers because some of the wages which employers have to pay in order to sustain workers are paid for by the State. This was recognised by Milner as early as 1920. Such a phenomenon is not unique to Basic Income it occurs with regard to many aspects of the social wage. For instance, Kewley (1980; pp 90-95) notes Child Endowment was seen in the 1940s as replacing part of the Basic Wage.

An argument could be mounted that to the extent to which employers utilise Basic Income's potential to lower wages (because workers may be inclined to see the Basic Income as a replacement for part of the income they require in order to live) could lead employers to be disinclined to raise labour productivity through new investment. On the other hand employers organisations frequently argue that wage increases inhibit companies' capacity to invest in new technology because too much of the financial resources available to a company are directed towards satisfying the demands of labour. The entire mystification of 'trickle down economic development' is based on the assumption that if more financial resources are directed away from labour to Capital then the rich will invest in new productive processes and wealth will eventually trickle down to the poor. Once a Basic Income is in place the decision to increase output via improved equipment or increased employment or some combination of each will, as now, be up to the individual employers. Which ever direction is taken Van Parijs (1992[b] p.229) makes the important point that "Whereas a rising means-tested benefit makes it increasingly difficult for unskilled people to find a job, a rising basic income makes it increasingly feasible".

With the qualification that there may be some jobs offered in any country which are so unsafe and poorly remunerated that no one in their right mind would take them- forcing people to take such jobs by threatening the removal of benefits is unconscionable. If the intention of those who promote categorical benefits which demand work readiness is to force workers to take all available jobs then this aim might more efficiently be achieved through a Basic Income than by the enforcement of less eligibility. The inordinate invasion of privacy in the lives of applicants for unemployment benefits, the imposition of 'mutual obligation' and other stigmatising practices all have to be paid for by governments out of permanent residents' taxes. If the aim is to ensure that all job vacancies are filled, the provision of an unconditional Basic Income has the capacity to do that without compulsion. This would be both just and efficient.

What economic effect would a Basic Income have?

It is not possible to speak with certainty how a Basic Income would affect any particular country. However the way the Basic Income was constructed would be important. The form of Basic Income which in my view would be the most socially optimal would be as outlined by Van Parijs (2000) and Goodin (1992). Interestingly such proposals are, in essence, remarkably like Milner's (1920) original proposition. This is an unconditional, universal, flat rate benefit paid to all permanent residents in their own right, as an individual, irrespective of any financial or social consideration. In order for it be politically acceptable it would need to be paid at a rate at least the equivalent of the current single age pension. In the short term it may be necessary to pay children living in the family home a lower rate than would be received by adults. The social, economic and political impacts have been discussed at length on the BIEN and NZUBI web sites. My reading of the material on these sites and the arguments in texts referred to here leads me to believe that no untoward economic impacts would result from the introduction of a Basic Income along the lines suggested here.

What is clear, however, as Van Parijs (1992[b] p.229) points out, that because means tested benefits create financial disincentives to taking up low paid and particularly part time employment and Basic Income does not there would be increased take up of the jobs which were available. The increased consumption of staple necessities arising from the distribution of income downwards would lead to increased national production to meet that need. These features would all increase the demand for labour thus contributing to lower levels of unemployment.

Life with a Basic Income

World wide the major problem facing advanced economies is too many workers chasing too few private sector jobs (partly as a result of the economic fundamentalist success in drastically cutting the number of public service jobs) (Rifkin 1994, Omerod 1994, Gorz 1999, Boreham, Dow & Leet 1999, Stilwell 2000). Stigmatised, selective, targeted, categorical welfare payments coupled with 'mutual obligation' and other compelled activity scenarios are tackling a problem - the trouble is that they are tackling the *wrong problem*.

A Basic Income, because it provides a known financial advantage for every extra dollar earned, abolishes both poverty traps and work disincentives (Lerner, Clark & Needham 1999 pp. 20-21). Gorz (1999 p.85) claims "The *universal, unconditional* grant of a basic income is, therefore...the best instrument for redistributing both paid work and unpaid activities as widely as possible [*italics in original*]."

It seems an absurd proposition that economic fundamentalists and the current conservative Coalition Government claim the mode of production has to be deregulated for the sake of 'efficiency' but that the system of welfare redistribution should be increasingly regulated. The existing targeted categorical income support system will, if the Howard Government remains in office, move towards a charity style of benefit determination. Professor Francis Castles suggests "the McClure Report will complete the process of tearing down the edifice of Australia's distinctive

welfare state. What will remain will be a system of mean, discretionary and moralistically charged benefits, wholly inappropriate to an advanced democratic nation.” (2001 p.29) The Minister who commissioned the McClure Report is on record as saying "Simply providing payments to everyone who fits into a particular category fails to recognise the different capacities and potential people have to contribute to their own future (Newman 1999 p. 9)." Such ways of assessing eligibility result in a very inefficient method of benefit delivery because of:

- the intrusive nature of enquiries which need to be made,
- the degree of detail required to be ascertained, and
- the multiple variables which need to be taken into account in such a process.

It is a return to a time before categorical benefits were introduced. It has all the difficulties associated with categorical benefit determination plus the additional equity problem that there is no standard measure against which to assess the fairness of any decision. It would be a very expensive method of determining eligibility. It could not guarantee fair determinations. It is simply inefficient.

Conclusion

Efficiency⁵ arguments which can and should be mounted in support of an unconditional Basic Income include the following:

- A Basic Income requires the least interference in the lives of citizens.
- It supplies all permanent residents with equal assistance.
- It is the most inclusive form of income support payment and the most secure, thus enhancing citizenship.
- It provides sufficient income to allow the possibility that people will explore their creative capacity.
- It removes many of the obstacles to a reinvigoration of the industrial, technical and computing infrastructure⁶.
- It allows the State a fuller understanding of the impact of its other social wage policies.

However, a Basic Income is just that⁷ - an unconditional universal income guarantee. It delivers an income floor without interfering with productivity⁸. Its withdrawal rate on earned income is easily understandable as compared with the combined income tax and benefit withdrawal rate of selective systems such as GMI or NIT. It is a vast improvement on categorical selective social services. It is an advance on all social insurance and private provision schemes which invariably result in the 'individualisation of risk' (Lerner, Clark & Needham 1999 p. 11) and as a result create a 'do it yourself welfare state' (Klein & Millar cited in Page 1998 p.307).

End Notes

1 Nowadays activity testing has come to be seen as part of the range of 'mutual obligations' imposed on unemployed people. It needs to be remembered that willingness and preparedness to work was the sole non-economic eligibility requirement.

2 See for example Tulloch 1979, Watts [Rob] 1995 [a], 1999, Perry 1995, VCOSS & Good Shepherd 1995, Baldwin 1995, Stilwell 1999, 2000, Tomlinson 1989.

3 Of particular relevance here are the following writers: Stretton 1996, Gorz 1995, 1999, Rankin 1997, 1998, Ritchie 1997, Bradford 1997, McDonald 1995, Standing 1999, Lerner, Clark & Needham 1999, Murray [Michael] 1997, Boston, Danziel, & St. John 1998, Goodin 1988, 1992, Goodin & Le Grand 1987, Goodin, Headey, Muffels & Driven 1999, Page & Silburn 1998 Van Parijs 1992 [a], 2000, BIEN web site, NZUBI web site.

4 Comprehensive accounts are provided by Tomlinson 1989, Tomlinson & Lincoln 1995, Watts [Rob] 1984, 1995 [a], Tulloch 1979, Kewley 1973, Henderson 1975 Vol. 1 Ch. 6 & Vol. 2 Appendix 6, Priorities Review Staff 1975.

5 The term “efficiency” has been used throughout this paper to imply a somewhat broader meaning than least cost / accounting efficiency. Some writers prefer the term “social efficiency” or in the case of Langmore & Quiggan (1994) “social effectiveness”. The meaning with which I have imbued the term “efficiency” is by no means unmindful of cost implications but does incorporate, in addition, the concept of social effectiveness.

6 The main reasons a Basic Income removes obstacles to the reinvigoration of the industrial, technical and computing infrastructure is that unions and workers would have less to fear from the introduction of new technology. Under the existing categorical benefit system in Australia displaced workers often have no income from the State for many months, and in some cases years, because of means and asset tests which apply. Under systems which have social insurance against unemployment or privatised unemployment insurance the length of payment of benefit is time limited. The other feature of Basic Income which is not implicit in other forms of social support is that the level of Basic Income would in large part be determined by a country's capacity to produce. Hence every permanent resident has a vested interest in increasing national output (Milner 1920 ch.6).

7 It is presumed that a Basic Income would replace the bulk of the income support payments currently made to age, lone parent, disability and service pensioners, those who receive unemployment, sickness and Austudy benefits. However many of the health, educational and community services which are now provided would need to remain in place.

8 A basic Income has the capacity to free the creative capacity of workers and owners. This is likely to enhance productivity because, as Milner (1920 p. 81) realised “there is no way of compelling willing work, which is the only efficient work.” Many an inventor and innovator has frequently been forced to stay in waged work rather than develop their ideas until such time as they could find sufficient resources to survive whilst pursuing their invention.

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