

## **A Support Income System for Australia**

*In this Newsletter we take a brief look at recent social and political developments in Australia, and question whether this is an appropriate time to seek to get the concept of a Support Income System for Australia on to the political agenda. In the following paper we look at some of the reasons why proposals for a support income or basic income have failed to gain political support and the steps necessary to achieve greater community awareness.*

### **Background**

The year 2001 is barely eight weeks old, but already in Australia there have been dramatic developments in the political and social environment. Do they point to a need for some innovation along the lines of universal unconditional income support?

Here is a thumbnail sketch of recent developments relevant to income support policy.

### **Job insecurity**

In the year 2000 the trade union movement tackled the problem of job insecurity for the ever-increasing number of casual workers, successfully obtaining legal support through the Industrial Relations Commission for permanency for casual workers continuously employed for 12 months. This year they have initiated steps to obtain unpaid maternity and paternity leave for these workers, with possible support from some employer groups.

These actions follow changes in the labour market which continue the trends since the 1970's of negative growth in real terms for full time work and positive growth in real terms for part time and casual work. Employment figures, released by the Bureau of Statistics in January for the month of December 2000, reveal that part time and casual employment increased by 51,400 jobs, whereas full time employment decreased by 11,800 jobs. In January 2001 there was a similar pattern of change, but with an overall reduction in total employment. Part time and casual employment increased by 40,600 jobs, whereas full time employment decreased by 44,000 jobs.

Overall, in the two months December and January full time employment decreased by 55,800 jobs and part time and casual employment increased by 92,000 jobs.

It can be said that with a labour market with these growth characteristics, the suitability of the market to meet the employment needs of the labour force can be measured by the extent to which family breadwinners must accept less than full time work. The growth rate in part time and casual employment of the magnitude being realised in Australia today points to the probability that this growth is extending beyond the boundaries of workers content with these conditions to the stage where people requiring full time pay and conditions are faced with the alternative of less than full time work or unemployment. With the pressure from increasing unemployment - the downward trend in the unemployment rate in the year 2000 has been halted and possibly reversed - less than full time work inevitably becomes the preferred option. Overall the number of unemployed and underemployed is increasing.

This change in the labour market highlights the need for some vehicle or process to provide greater support and security for the unemployed and the employed poor. and to ensure a better distribution of the wealth being created by the growing economy. Political leaders make much of their efforts to create wealth - they have little to say about their efforts to distribute this wealth. There is increasing acceptance that the division between the haves and the have-nots is widening, and there also appears to be a growing acceptance of the need for some change in the income support system.

For example, earlier this year the Committee for Economic Development in Australia (CEDA) published a report containing a collection of papers examining recent changes in employment, family structure, home ownership and welfare policy in Australia. In one of these papers, Ian Manning of the National Institute of Economic and Industry Research argues that current welfare policy, relying heavily on targeting and conditional welfare payments, has reached its limits, and that it is time to revisit the concept of a Guaranteed Minimum Income.

(Media Release, CEDA, 18 January 2001)

## **Political impressions**

This year 2001 has also produced possibly the most dramatic community rejection of federal government policies ever with the state elections in Western Australia and Queensland. Despite claims that state elections are fought on state issues there is general acceptance that in these two elections the federal policies of the present Coalition government, and of the previous Hawke-Keating Labor governments, were major issues.

Within the post mortems now under way there is the obvious desire to highlight specific factors which have helped bring about this community reaction, so that specific responses can then be formulated and considered. The message sent to federal politicians, however, is far too broad, and too severe, to be isolated to specific issues.

The dominant factor is that for many years, commencing with the Hawke-Keating governments and continued with greater intensity and purpose by the Howard government, federal politicians have ignored the social impact of economic rationalist policies. Not only have they ignored the community in this way, but they have deliberately treated with contempt and disdain some of those who have suffered most, all apparently in the name of skilled economic management. Through the stated philosophies and utterances of the Prime Minister and the various ministers responsible for key social areas such as education, health, employment, immigration and welfare, impressions have been created including the following.

- a. Welfare policy has been directed towards easing the burden of the taxpayers - not easing the burden of the disadvantaged.
- b. The unemployed are second rate citizens, deserving of conditional income support at a lower rate than age pensioners, subject to arbitrary financial penalties, and labelled as job snobs, dole bludgers, etc.
- c. The private education sector has been favoured in terms of financial support at the expense of the public system.
- d. Those who can afford private health cover have been subsidised (without means test) to the tune of over one billion dollars per annum at the expense of the public health system.
- e. The emphasis in the industrial relations scene has been to strengthen the bargaining position of employers and to reduce the power of employees to unite and bargain collectively - a position strengthened by the large pool of unemployed workers.
- f. Refugees from countries with recognised oppressive regimes who had no hope of leaving those countries except by some illegal method are exposed to long term incarceration in hostile environments.

These are but some of the impressions created by successive governments. They are impressions of non-caring governments more intent on creating a surplus than on serving the community as a whole. Paul Kelly, International Editor of The Australian newspaper, describes the present government as *mean and uncaring*. (The Australian, 21 February, p.13)

And these impressions are reinforced by the realisation that the benefits of economic growth, of globalisation, and of technological change, are not flowing to the whole of the community. The divide between the rich and the poor is growing, This divide is not only being cultivated by government policies, but industries are advised to take it into account in future marketing policy. Robert Gottlieb, economic commentator and adviser, states: *Divide between haves, have-nots and have-lots - With society stratifying more and more on income lines, marketing strategies must change*. (The Australian, 27 December 2000, p.15)

## **Other Issues**

There are, however, more fundamental issues which are seen to contribute to this inequitable sharing of the nation's wealth. Issues such as superannuation and the GST.

### **Superannuation.**

Occupational superannuation was introduced by the Keating government with the support of the Australian

Democrats and the trade union movement. Like many other income support systems such as means tested income support, occupational superannuation can have a social benefit in the perfect world with full employment based on full time employment. In the current economic environment, however, there is no such world. Superannuation thus becomes, and in Australia today it has become another benefit for the rich.

Superannuation means nothing to the unemployed - means very little to the underemployed and low income earners who are denied the spending power of their compulsory contributions with very little return - means nothing to the small business operator working on minimal margins and very small turnover - means nothing to the farmer who is not in a position to enjoy the economies of scale - means nothing to the shopkeepers and entrepreneurs in country areas devastated by the loss of services and facilities, and who not only lose their livelihood but also their mobility as the capital value of the homes and businesses fall - means nothing to the school leavers who see only a future of unemployment and underemployment.

On the other hand superannuation means a lot to those who can afford to save via the taxation concessions financed by all taxpayers, and means a lot more to politicians via direct contributions determined by the politicians themselves and financed by all taxpayers.

One of the justifications for occupational superannuation is the future savings in welfare expenditure on age pensions, but this was eroded last year with amendments to the tapering of the means test raising the level of allowable income for pension benefit entitlement.

### **Goods and Services Tax (GST)**

The GST is a form of regressive taxation which aggravates rather than alleviates the present day inequities in distribution of economic wealth, and again reinforces in the eyes of the community the uncaring attitude of the Coalition government and the Australian Democrats who combined to ensure the introduction, albeit with the removal of food from the tax.

There is now a growing realisation of the damage this taxation measure has caused to the lifestyle of many in the community through the higher cost of sporting, recreational and cultural activities, and of services such as power, gas, petrol, telephone and insurance. Retirees and low income earners are especially affected.

There is also the effect on small business, including sporting and recreational clubs. It is a simple matter of economic principle that an increase in price reduces demand, and many businesses, clubs and organisations are suffering from the impact of the tax. On top of this is the administrative burden of the quarterly business statements.

To cap it all, providing income tax relief which inevitable favours those with higher incomes and taxation reinforces the community view that however you describe it there has been an increase in regressive taxation to compensate for a reduction in progressive taxation. And the ultimate non-caring approach is the tax on a tax created by applying the petrol excise tax to the increase in petrol prices attributable to the introduction of the GST.

### **Other factors**

Overall, there is a community concern that political parties care more for economic outcomes than social outcomes, and this is being reinforced by respective claims by both major parties of their greater skills as economic managers. The present government is endeavouring to support their claim by reference to their demonstrated ability to maintain a surplus each year, despite some difficult economic times. What must be overcome, however, is the impression gained by many in the community that these surpluses have been achieved by savings in key social areas such as education, health and welfare. The government may be able to respond to these claims, but there is also now the knowledge of the significant contribution towards these surpluses arising from the failure of respective governments to honour their obligation to maintain a specified level of funding on roads. So much for the notion of mutual responsibility!

It now seems that all political parties are more concerned with their own welfare than with the welfare of the nation. Despite the inevitable similarities in some of their policies, the community is led to believe that the parties are not only entirely different, but that the parties are virtually "at war". In the eyes of the government the opposition is the enemy, and vice versa. And the politicians themselves are so imbued with their own importance that they are more concerned with looking after themselves rather than looking after the community - hence the

"preference issue" which so coloured both state elections.

### **Income support policy**

So where does a proposal for universal, unconditional income support fit in with the present political scenario?

There is no doubt that such an income support system can help provide greater financial and job security and help achieve a greater sharing of the available work amongst the whole of the labour force. There is no doubt also that the system will help achieve a more equitable sharing of national income - it has been described, for example, as a system in which all Australian citizens would become shareholders in Australia. And if introduced with bi-partisan support it could help break down the intense feelings between parties. If the system can help achieve these objectives, why is it that universal, unconditional income support is not on the political agenda?

This will be examined in the paper "Introducing a Support Income System" which will follow this newsletter.

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[To Following Newsletter](#) [To Previous Newsletter](#)

[Back to Home Page](#)