

**POVERTY COMMISSIONS GUARANTEED**

**MINIMUM INCOME PROPOSALS –**

**QUESTIONS AND ISSUES RAISED**

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## P R E F A C E

The ACOSS Guaranteed Minimum Income Task Group prepared the following comments during a period when the possibility of a guaranteed minimum income scheme seemed an immediate one. Because of this, the following paper tends to concentrate on the limitations or inadequacies of the proposed scheme rather than its advantages. Thus while noting the limitations of the specific G.M.I. proposals presented for discussion in the Hen0erscn Poverty Report ACOSS stresses the need for a guaranteed, adequate, minimum income to ensure that everyone in our society be raised above the poverty line. The following criticisms of the proposals recommended by the Poverty Inquiry should not be seen to detract from that basic principle in any way.

It is hoped that this paper will help to provide the discussion and debate regarding the implementation of 'guaranteed minimum income' in Australia.

It is therefore in the context of a continuing belief in the urgent need for effective government action to eliminate poverty that this paper is presented, in the hope that: it will help to stimulate and maintain discussion regarding the implementation of a 'guaranteed minimum income' in Australia.

## I N T R O D U C T I O N

The ACOSS G.M.I. Task Group have critically examined the Poverty Commission proposals for a Guaranteed Income Scheme. The examination was done by attempting to determine how many of the present areas of inadequacy or inconsistency have been resolved by the new income security proposals\*.

However, before examining the details of the proposal, the following comments should be made:

1.1 First, it is worth noting that there are dangers in the vary looseness of the term "guaranteed minimum income". There is no single device which can be named as such, and indeed it may be that the term refers not even to a specific plan but a number of policies that aim at income adequacy throughout the community.

Further, to many people the phrase implies a totally new method for providing income to those whose own income is inadequate, and in this context terms such as negative income tax, tax credit, are often heard. However a 'guaranteed minimum income' is not only something for the future, or necessarily a new or "radical" plan. Indeed it can be claimed that those persons receiving pensions are already given a guaranteed minimum income – but the income that is guaranteed is inadequate for many; subject to an array of undesirable conditions; and allows serious gaps and anomalies in the treatment of one group as compared to another.

Any discussion about guaranteed minimum income must therefore be in an attempt to improve our present social security system and to overcome its present inadequacies.

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\* This was done by evaluating the proposals in the light of the ACOSS report 'Guaranteed Minimum Income – Towards the Development of a Policy', August,

1975, which set out the needs and anomalies in our present social security system. Subsequent references in the text of this paper are to that Report.

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The aim of such a guaranteed minimum income should be to guarantee an adequate income floor to all persons, at the time of need.

1.2 ACQSS strongly supports the need for ensuring that everyone in Australia is guaranteed an adequate minimum income since it is a necessary pre-condition for families to participate more equally in our society. The provision of an adequate minimum income must be seen as a matter of right for all citizens according to need and not to any moral judgement as to why, anyone is placed in poverty.

1.3 The Task Group noted that the Poverty Report saw the need to implement short term changes to the existing arrangements which would not prevent the introduction of a more radical reform in the longer term.

The ACOSS Task Group strongly endorses this attitude and recommend that short term changes must be made since particular needs cannot wait. Examples of immediate changes which should be made include. The introduction of a pension for single fathers, the raising of pension levels to the poverty line, the abolition of the waiting period for pensions and benefits, the introduction of an effective emergency relief system, more adequate assistance in meeting cost for dependants and housing etc. Thus although the following community deal with the longer term reform required in income security, the should not be taken to mean that no other changes should be made while the future blue print of income security for Australia is debated. It is essential that changes are made immediately to overcome the shortcomings of our present social security system\*.

1.4 In the context of this discussion, the following limitation of any G.M.I. proposal, should be noted:

- (a) The task group limited its approach to comparing the Henderson proposals to the existing social security system. The comparison does not, therefore, evaluate whether the Henderson proposal is the best possible solution.

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\* See ACOSS: Interim Statement- Welfare Priorities for the Community wealth Budget 1976/77, for specific details of changes required.

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- (b) Any proposal will, unfortunately, have to include compromises due to inherent conflict in some of the desirable objectives. An example of this point can be seen in the proposition that 'universal' benefits are desirable because they are least; stigmatising to recipients. However the primary objective of a G.M.I. remains to provide an adequate level of income security to those most in need. With a universal payment this second objective would not be possible without very high financial cost to the community. A second example is the conflict between the importance of standardisation in order to move away from the categorisation of people, and

the need for the scheme to be sensitive to the needs of particular groups and individuals. Will a rationalised simplified scheme meet the needs of specific groups?

Thus "trade-offs" or a ranking of priorities are required when finalising the set of criteria and/or policy to be followed.

- (c) While the general thrust of the Poverty Report recognises that the alleviation of poverty requires far more than just income it is important to stress this in any discussion of income security.

This is particularly so since recent public discussion has tended to place the debate in terms of income or services. An adequate minimum income, while a necessary pre-condition for families to plan and improve their life styles, should not be seen as a panacea in meeting community needs. ACOSS considers that a balance between cash and services will still be required and that one cannot totally substitute one need for the other. A mix of varying quantities of cash and/or services will be required according to the different needs of the individual or family.

The poor will still need other resources and/or services available to them. For example, they need help and information in how to work and use the welfare system and where and how to get services that are available to most other members of the community (e.g. access to credit, child care, legal advice, consumer protection). They also need retraining programs so that they can find employment, credit and debt counselling, housing advice etc. Further, an adequate income guarantee, efficiently administered, will not do away with the need for emergency relief or special benefits, although it should reduce the number of occasions on which they are required.

Special or abnormal circumstances cannot be covered by a scheme or plan which aims to cover all groups on an equal basis.

In particular it should be pointed out that all of the schemes which have been noted so far (including those of Professor Henderson, the Priorities Review Staff, and the R.C.G.A.) have talked in terms of guaranteeing income only at the poverty line even though it is commonly recognised that some people will have special needs and that the poverty line is itself a very austere level\*.

- (d) Guaranteeing a minimum level of income will not eliminate the causes of poverty.

It has already been mentioned that services and many other resources are necessary to help people use their opportunities and to allow them to become active participants in the community.

Further, the guarantee of a minimum income will not resolve all the basic inequalities in our system. Examples of such inequality include the preferential treatment given to a home owner as compared to the person renting a home, the determination of the ability to pay tax on the basis of personal income rather than including non-monetary and non-income components, capital gains, etc.

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\* See "Poverty in Australia", p.13; ACOSS. "Guaranteed Minimum Income—Towards the Development of a Policy". pp. 22-23.

Thus the guaranteeing of a minimum income should not be seen as obviating the need to examine closely the distribution of income and wealth in our society and the causes of such a distribution.

A guaranteed minimum income used in this fashion would merely perpetuate the underlying structural inequalities in our society.

1.5 Finally, having noted these limitations of any G.M.I. proposal ACOSS once again reiterates the need for a guaranteed, adequate, minimum income to 'ensure that everyone in our society is raised above the poverty line. The aim of such redistribution should be: first, to alleviate poverty; second, to promote equity and equality of opportunity in our society.

The following criticisms of the proposal recommended by the' Poverty Inquiry should not be seen to detract from that basic principle in any way.

## 2. THE PROPOSED SCHEME

2.1 The Poverty Report recommends a two tiered guaranteed minimum income scheme; with a higher payment (or minimum income guarantee) to those in categorical groups or permanently disabled; and a lower payment for those working and receiving a wage.

2.2 The scheme provides the same payment; to all income groups according to the category, or tier to which they belong.

2.3 A proportional income tax is proposed and this, combined with the payment, will effectively create a progressive tax rate.

## 3. CATEGORISATION

3.1 The optimum G.M.I. scheme would be one that was able to pay a single payment to all persons, regardless of income or category, and which ensured the alleviation of poverty for all persons.

This, however, is not financially possible. It has been estimated by the Poverty Inquiry that a single tier G.M.I. would require a 50% proportional tax on personal income and it was considered by the Poverty Inquiry that this was not politically feasible. Compromises are therefore required.

3.2 There are two different approaches available as to how payments are to be related to need. While these approaches may not be mutually exclusive, the approach taken will tend to shape the proposals accordingly.

The two different approaches as to where payments should be directed are:

- (a) according to specific income levels; or

(b) directed towards specific groups or categories, such as the aged, widows, etc. This is referred to in the Poverty Report as the "disability" or "categorised" group.

The Poverty Inquiry's proposals chose the latter approach.

The report states "while we lean towards this principle (pure income principle) we still consider that concessions should be made to the "disability" approach, giving priority in income support for those who are hindered in providing for themselves on the labour market". (page 73).

3.3 The following groups can be identified in the proposed G.M.I. scheme with differential treatment given to each;

- (a) Permanent "disability" group: guaranteed a universal payment of 100% of the poverty line (minimal proposal); or 106% of the poverty line (preferred proposal). Taxation is at 40% proportional tax.
- (b) Temporary disability group. This group covers those who are presently receiving unemployment and sickness benefits. This group is guaranteed a payment of 100% of the poverty line (minimal proposal); or 106% (preferred proposal).

This group is taxed at 100% proportional tax on any earned income.

- (c) Those who do not fall into these groups. They are 'non-categorised' and it is assumed they will be working. This group will receive a universal payment of 50% of the poverty line (minimal proposal); or a payment of 62% of the poverty line (preferred proposal). Tax is at the rate of 40% proportional tax (i.e. retention rate).

(d) Special groups.

- those with higher incomes – these people will pay a surtax.
- married couples who are both working – these people will receive some tax relief.
- pensioners and students – additional means tested amounts are available.
- partially disabled – part rate pensions will be provided.

Thus, while the categories under the new scheme are some-what different from those currently existing, if the purpose of the G.M.I. proposal is to remove categorisation, this has not been achieved.

3.4 ACOSS sees the following difficulties arising out of, this classification by grouping and/or disability.

- (a) It is extremely difficult to define a set of categories which does not; result in either major gaps or overlaps in coverage (or both). Both situations create inequities and inefficiencies e.g. the part time worker.
- (b) Some people don't fit into a category permanently or perhaps change their status frequently and therefore may move in and out of the "categorical" group e.g. the widow who may remarry, or those who are in and out of work.
- (c) An incentive may exist for people from a non-categorical group to get into a categorical group because they would then receive a higher payment. This will of course depend on the level of wages that it is possible for such persons to earn.

Further, if lone parents are defined as "categorical" then there would be a possible incentive for intact family units to break up.

- (d) Administrative problems may occur in the transfer from one category to another e.g. in and out of work.
- (e) The differential treatment between the 'disability' group and the working group still allows the imposition of moral and value judgements as to who is "the more deserving". The distinction between the 'deserving and 'non-deserving' poor is extremely difficult to justify on any objective grounds. The distinction further creates a stigmatisation of certain groups.
- (f) An anomaly occurs in that the position of a person in a 'permanent disability category' who is able to work would be better off than the counterpart in a non-categorised group. For example, the widow who has no dependant children and can readily work would be in a far better position than the widow who is unable to work, and also than the single woman who is able to work (and would be in the 'non-categorised' group).

Further, people who are wealthy but fall within one of the categories will nevertheless receive the more advantageous minimum income payment. For example, two disabled people, one of whom has no other means and the other substantial means, will be treated alike under the new proposal. In particular it is noted that the abolition of the means test for "categorical" groups has meant that they may be in a far better position than the "non-categorical" groups.

The implication is that it is still putting the working poor at a considerable disadvantage to the non-working poor.

- (g) The non-means tested nature of the payment necessitates a high break-even point (and cost). For example, one proposal provides categorical payments of \$40 with 40% proportional tax. If a

person had a private income of \$120, the tax would be \$48 giving a total income of \$112.

- (h) The "logical sequence" of income retention rates claimed by the Poverty Report in its proposals is destroyed by the zero retention rate over a certain range of income for those people who at present receive sickness or unemployment benefits (see point 3.3(c)) and by the additional means tested payments for students and pensioners which are tapered away at 20c reduction for each dollar of income.

It should be noted further that the "logical sequence" may also be destroyed by taxes, and means tested benefits of state and local government.

Thus the argument for the simplicity of the universal tax credit and proportional tax is weakened.

- (i) The two-tiered guaranteed minimum income proposal retains the nexus between work and income security. Similarly, a very low G.M.I. also retains this nexus.

ACOSS considers that one of the advantages of a G.M.I. proposal should be its role in reducing the importance of this nexus\*.

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\* See: ACOSS, "Guaranteed Minimum Income - Towards the Development of a Policy", pp. 31-34.

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It is feared that without a means test to determine eligibility for benefits greater emphasis will be placed on the work test since the categories will have to be defined from a different perspective. There are a number of reasons why people may be non-earning and, in the past, the work test has been shown to be an arbitrary and insensitive method of determining eligibility.

3.5 In contrast to the Poverty Report ACOSS recommends that the payments of benefits and/or pensions should be made on the basis of economic need rather than in relationship, or other such circumstances\*\*.

Because of limited resources and cost constraints, an income security policy should be directed towards the lower income groups to provide help to those who need it most. This principle is reinforced by the urgency of raising the standards of social security benefits and other services for people in poverty while minimising the increase in total expenditure. Further, overseas experience has shown that with limited resources it is highly unlikely that a non-means tested benefit will be raised to an adequate level and stringent means tested benefits have had to be imposed for supplementary benefits for the lower income groups.

3.6 One of the major disadvantages raised in regard to the categorical approach is the possible stigmatisation involved. It is noted however, that the degree of stigmatisation will depend on how punitive the means test is.

It should be noted further that payments directed to certain categories of people or disability groups will also carry with them certain value judgements and/or stigmas according to the nature of the conditions. It is unclear as to what investigation and administrative arrangements will be required under the proposed scheme in moving from the non-categorised group to the categorical group; or in receiving any additional payments.

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\*\* ACOSS, Guaranteed Minimum Income – Towards the Development of a Policy pp. 26-28.

It was also noted in the ACOSS report that convenience, general atmosphere and attitudes given at the point of delivery are important elements leading to “stigmatisation”. In some cases it has been found that the counter staff are antagonistic with little understanding of human relations. Delivery of service however is not discussed in the Poverty Report proposals\*.

3.7 However, two problems remain if the option of directing payments according to income levels is chosen. They are: a) “take-up” i.e. ensuring that those eligible for pension receive them; b) the administrative procedures for achieving this “selectivity” according to income.

#### 4. TAXATION AND MEANS TESTS

4.1 It is noted that although the proposed scheme was not means tested the net effect of the proportional tax and tax credit is redistributive towards the low income groups. It could be argued therefore that the end result is the same as a means tested scheme.

4.2 Whether the disability or the income approach of directing money to need is chosen (3.2), there are 2 means by which the distribution of money to the target groups can be achieved.

The Poverty Inquiry's proposal relies on taxation, related to the G.M.I. payments, as a means of directing money to those who need it most. The other more conventional method which could be used to direct money to those most in need is the imposition of the means test.

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\* The Delivery of service and recommendations are discussed in: ACOSS, Participation, Dec. 1975, ACOSS. *op. cit.* August 1975.

The following advantages and disadvantages can be seen in the two methods:

(a) Income Test

The advantages of employing an income test are seen to be that:

- available funds are solely directed towards welfare goals.

- Cheques are only sent out to people in need and therefore fewer recipients are involved.
- The flow of funds through the public sector is less. Thus taxes can be kept at a lower level and less disincentives occur rising out of higher income tax rates.

Thus this method can be said to be the most direct, immediate and economical.

The disadvantages of the system are:

- some people may be disinclined to apply for benefits because application is required (the take-up problem).
- the increased administration required by the test.
- there may be stigmatising elements.
- there could be a lack of integration between this scheme and the taxation scheme.
- the difficulty of measuring income in short periods.

#### (b) Through the Taxation System

The advantages of employing this method are seen to be:

- it reduces the possible stigmatisation.
- everybody is assured of some income.
- reduces administration in regard to regular reconciliation; and payments to recipients.

The disadvantages of the system are:

- more administration in-as-much as everyone receives payment.
- flow of funds through public sector is greater.
- possible conflict between taxation and social security goals.

While social security provides money for these in need, the taxation system is concerned with government revenue raising. Thus preference given to economic management may destroy the redistribution of income planning (e.g. by a change in the tax schedule).

4.3 Thus trade offs are involved. In the final analysis, the advantages probably lie with redistribution through the tax system if it can be assured that the basic guarantee is adequate to alleviate poverty. The following questions, however, still remain:

- Can the payment of funds be sufficiently “selective” or redistributive to eliminate the need for categorisation according to group or disability?
- Will the welfare priority be sufficiently safeguarded and maintained if income security is attained through the taxation system?

4.4 In conclusion, ACOSS recommends that the payment of pensions and benefits should be made on the basis of economic need and that such monies should be directed to persons on that basis. It has been found that various methods of payment and administration may achieve this aim. It is recommended that research and pilot projects should examine those methods of payment further.

It is recommended further that the payment of pensions according to category or other groupings should be eliminated. The reasons for this will be expanded further when looking at the administration of the proposed scheme.

## 5. ADMINISTRATION

5.1 There is very little information as to how the proposed guaranteed minimum income system will be administered:

The administrative details of the scheme are of extreme importance since much of what might be theoretically acceptable could founder on the fairly normal problems associated with large scale administrative procedures. Indeed many of the major problems and anomalies which must be overcome in the present social security system are of an administrative nature. For example, the importance of administrative features in “stigmatisation” were noted earlier.

It does not necessarily follow that the proposals for a guaranteed minimum income would deal with problems of rigidity and delays associated with the massive bureaucratic operation any better than the current system is able to.

It appears that the proposed scheme could perpetuate many of the problems of the existing system. It is of extreme importance, therefore, that the administrative details of the scheme are discussed and spelt out.

5.2 In looking at the groupings the following general administrative questions are raised:

- What are the mechanics of moving from one category to another? How responsive will the system be? What time delays will be involved? Are discretionary payments to be a feature of the system?
- What criteria and administrative procedures are to be made for the additional “benefits given to particular groups, e.g. students and aged persons”.

- What economic unit is to be used? For example, in the case of tertiary students, is the income of parents to be taken into account when determining eligibility for the means tested benefit, or are they regarded as a separate economic unit?

5.3 The ACOSS report (Page 11) stated that cash should be available at the time of need. For the low income earner in particular, it is important that the payment should be received at the time of need. It is extremely unlikely that low income earners will have any savings to rely on.

The Poverty Inquiry's scheme partially overcomes this problem by ensuring that everyone will be guaranteed at least 50% of the poverty line. The speed at which higher income is available to persons who move into the categorical group will depend upon the administrative procedures, about which there is some lack of detail.

It is recommended by ACOSS that it is preferable to allow the social security system to run the risk of temporary small overpayments rather than to cause hardship by delays in payments. The overpayments could be recouped at a later date.

5.4 It was noted in the ACOSS report (Page 34) that for the lowest income group, the frequency of payments is of equal importance to the adequacy of benefits.

The proposed schema proposes that payments should be made on the same basis as child endowment (12 weekly). It is considered that this does not meet needs as they arise. It is noted further that the British tax credit proposal may provide a more suitable model, in that it gives people money the week they needed it. Payment could be made through employers or through local agencies such as the Department of Social Security, Commonwealth Employment Service, Medibank branches, and possibly banks. It is noted that it would appear to be necessary to develop a centralised record system in which a person's social security and tax number would be linked.

It is noted that the majority of the population would not require these payments weekly. It is recommended that an option be built into the system, as to whether people wished to be paid weekly, monthly, or quarterly.

5.5 The ACOSS report recommended that it should not be assumed that households will pool their income.

The Poverty Report (Page 74) suggests that money be directed to different family members. This recognises the need but does not detail the means.

## 6. ADEQUACY OF COVER

6.1 Adequacy of benefit must be the primary objective in any guaranteed minimum income scheme.

6.2 A major deficiency of the present social security system is that it fails to meet the needs of those who are employed on low wages. In particular the wage system does not take into account the size of the family.

The proposed scheme is a major improvement in that it ensures that everyone will be guaranteed at least 50% of the poverty line (minimal proposal). However, the proposed scheme assumes that everyone on the lower support level is getting at least the minimum wage. This is not true. The income guarantee has not provided for those persons who can work only one or two days a week or who have especially heavy commitments and who are earning a low wage. This group will still be left in poverty.

The following examples indicate the extent of this problem:

- Information from the Family Centre Project showed that the average weekly income for the men, derived from their major source of income was \$27.03 for the 87 week period, February 1973 to October 1974\*.
- For a single adult the (at home) poverty line is \$33.40, (August 1973), thus under the minimal proposal all those earning less than approximately \$25-\$30 will be left in poverty.

The National Survey of Income (1973) shows that there were 22,000 single working males, and 59,000 single working females who earned less than \$30 in a week.

For a married couple with 2 children and one income earner the poverty line in August 1973 was \$62.70. Thus, under the minimal proposal such families earning less than approximately \$50 per week would be left in poverty. The income survey showed that 3,000 families were in this position.

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\* Brotherhood of St. Laurence, Research Family Centre Project. The No-Collar Workers, August 1975, p. 22

6.3 Another group which appears to be inadequately provided for are those who become unemployed or who move in and out of employment.

Most families can afford to be on the universally provided lower payment during the period of transition (to the categorised group) by relying on savings. However, large families and low income families may not have savings to fall back onto.

The following figures from the Brotherhood of St. Laurence+, illustrate the number of times members of the family centre changed their job status and therefore their probable 'category'. Comparison of the behaviour of these men, from the Family Centre Project, with their working counterparts in the population indicates that the men are more mobile than average but nevertheless they do typify a group in the community about whom we are concerned.

| No. of Jobs | A.B.S. (x)<br>Survey<br>% | No. | F.C.P. (xx)<br>1973/74<br>% | No.   | F.C.P. (xx)<br>1974/75<br>% |
|-------------|---------------------------|-----|-----------------------------|-------|-----------------------------|
| 1           | 84.3                      | 13  | 54.2                        | 12    | 57.1                        |
| 2           | 12.2                      | 2   | 8.3                         | 2     | 9.5                         |
| 3           | 2.3                       | 2   | 8.3                         | 3     | 14.3                        |
| 4           | 0.5                       | 4   | 16.7                        | 2     | 9.5                         |
| 5           | 0.2                       | 1   | 4.2                         | 1     | 4.3                         |
| 6           | 0.4                       | 2   | 8.3                         | 1     | 4.8                         |
| Total       | 100.0                     | 24  | 100.0                       | 21xxx | 100.0                       |

(x) 1972 Australian Bureau of Statistics Sample (as reported in Labour Mobility Nov. 1972).

(xx) Family Centre Project Sample;

(xxx) 4 Men held no jobs.

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"Brotherhood of St. Laurence, The No-Collar Worker, p. 15.

The high mobility of men like those at the Family Centre must be of concern to those trying to devise a G.M.I. scheme – both because of their low average income, and because of their frequent job change\*. Once again the administrative procedures for such change are of utmost importance. Such procedures have not- been adequately dealt with in the Poverty Inquiry proposals.

6.4 It is noted that in setting the Poverty Line the additions (or weighting) for children do not take account of the age of the child, and the associated changing costs of children. All the evidence suggests that the costs of maintaining a child increases with the age of the child. Cover which may be adequate when children are young will cease to be adequate as the children grow Up.

6.5 ACOSS supports the notion that the minimum income guarantee should be linked formally with some socio-economic indicator that ensures that the position of social security beneficiaries, relative to other income recipients, should not deteriorates over time.

However, the linking of the minimum income guarantee with average weekly earnings has serious problems – especially in a period of inflation when average wage earners are faced with in-creased rates of taxation. It is noted in particular that movements in average weekly nett (i.e. post tax) earnings are much closer to the C.P.I. than gross earnings.

If proportional rates are adopted, as recommended by the Poverty Report, movements in either gross or nett weekly earnings will yield the same index. In the ACQSS report it was suggested that such adjustments should be made quarterly in line with post-tax (or disposable income from) average weekly earnings for a man with a wife and two children.

## 7. CO-ORDINATION WITH OTHER SCHEMES

7.1 The planned incorporation of educational allowances into the proposed O.M.I. scheme is welcomed as a move towards the rationalisation of G.M.I. with other schemes and provisions.

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\* "See A. Jordan: Long Term Unemployed People Under Conditions of Full Employment, and B.S.L. No-Collar Workers.

(Page 79, Poverty Report). It is not clear however, which of the educational allowances these refer to.

It would appear, further, that attention still needs to be given to how the proposed B.M.I. scheme relates to other provisions which affect the income security of the individual. For example, allowances; TEAS, NEAT, structural adjustment assistance; taxation concession; and other income security proposals, e.g. Woodhouse proposals.

It is noted that rationalisation and/or consistency does not necessarily mean that benefit sub-systems need take exactly the same form; rather, the various sub-systems take should differ for accepted rational reasons and for clearly defined purposes.

It is assumed that this problem of co-ordination will be one of the terms of reference of the interdepartmental committee on Income Security.

## 8. CONCLUSION

8.1 It is difficult to evaluate the effect of the operation of the Poverty Inquiry's scheme and whether it would be an improvement on present arrangements. In particular the administrative details of the scheme have not been spelt out and because of this the following criteria outlined in the ACOSS report cannot be evaluated+.

- whether the scheme is administratively efficient;
- the flexibility and responsiveness of the scheme;
- the regularity and frequency of payments;
- the availability of information which can be easily understood by the public.

8.2 The primary objective of any guaranteed minimum income scheme must be to provide an adequate income for all persons. It appears that the proposed scheme may not meet this criterion: (a) for people working part-time or far low wages; (b) during periods of transition from one category to another. However, the guarantee of a credit of 50% of the poverty line to the working poor is a major improvement. It is noted further that the guarantee may not adequately reflect the changing costs of children of different ages.

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\* ACOSS, op. cit., p. 39.

8.3 The basic premise upon which the scheme is based appears to be universal payments to all income groups, and categorisation of people according to work status and category group. ACOSS disagrees with this approach. While it is claimed that the principle of universality will lessen the stigmatisation of any scheme, ACOSS considers that the criterion of "selectivity" according to income levels and adequacy of benefits is of more importance, given the financial and political constraints on the amount of redistribution which is possible, and the priority which must be given to the poorest groups in the community.

It is also considered that the categorisation of people still involves some degree of stigmatisation and an incentive for people to be in one group rather than another. ACOSS claims that unless eligibility is based on economic need alone, any other system of categorisation will involve moral and implicit value judgements.

It is not clear, therefore, whether the proposed scheme will enhance human dignity anymore than the existing arrangements.

8.4 Finally, ACOSG recommends that there be continued discussion, research, and investigation of guaranteed minimum income proposals which reform the taxation and/or social security system. It is a governmental responsibility to do this.

Some opportunity for undertaking pilot schemes and projects should be explored to test the effectiveness and implication of such proposals.

The importance of the administrative features of any scheme have been stressed in this statement. It is recommended that there should be investigation and study of the existing administrative procedures, and a testing of different administrative methods (e.g. in checking for eligibility, and payments). By studying the existing problems we would be on far better ground for reform.

1. A.C.O.S.S.: "Guaranteed Minimum Income Towards the Development of a Policy"; August 1975.
2. A.C.O.S.S.: "ParticipACTION", December 1975.
3. A.C.O.S.S.: "Interim Statement: Welfare Priorities for the Commonwealth Budget 1976/77.
- 4; Brotherhood of St. Laurence, Research Family Centre Project, "The No-Collar Workers", August 1975.
5. Commission of Inquiry into Poverty : "Poverty in Australia"; (Chairman, Professor R. F. Henderson); April 1975.
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