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WORK AND INCOME GUARANTEES      John Tomlinson

Australian Governments have been so busy learning from the past they have ignored the need to learn for the future. Perhaps, the best example of an Australian Government which has been preoccupied by the past is the Hawke Government.

When Hawke came to power he was determined not to go the way of the last Labor Government. The reform agenda which Whitlam had etched in the minds of Australian progressives was discarded as Hawke and Company reached back to the cold war days of the 1950s for a defence policy, and back to the time of Adam Smith for an economic policy. However, it was in the welfare arena that they really excelled.

Here, Brian Howe, ever mindful of the ultimate distinction between the worthy and unworthy poor, returned us to the thinking of the 1634 Poor Law.

Hawke and Keating were welcomed by Australian people after they tired of Malcolm Fraser's attacks on Medibank and the young unemployed. The squatter from Nareen was created in the stereo-typical born-to-rule mould. Australian progressives bought the line that a Hawke Government would adopt a slow reformist style but that at the end of five years we would see sustainable gains. We have not.

## TARGETTING

In the time that Hawke Inc. has been in power they have succeeded in "cutting social security expenditure as a proportion of Gross Domestic product from 7.1% to 5.7%"[ [1](#)]. That is a substantial part of the 1990 budget surplus. They have even gloated that, latest available figures show that Australia's system of social welfare results in lower expenditure than most other OECD countries. Only three other OECD countries (Portugal, Japan and America) spend less on social expenditure: (health, education, welfare services and income support).[ [2](#)]

The Australian Labor left has been silent in the face of this brutal cutback in funding to the workless. They have been too busy justifying to the workers the Hawke Government's reductions in real wages to worry about those excluded from paid employment.

The ACTU and the Hawke Government have been busy conning the working class that superannuation is the retirement incomes answer. The lie that privatized superannuation will ever provide a secure income to all Australians has been adequately refuted in The Super Tax Rort.[ [3](#)]

Keating has, with the support of the Hawke cabinet, deregulated the economy to allow the corporate in this country to expand our foreign private debt while using the budget surpluses ripped out of income support to pay back our foreign public debt.

This Federal Labor Government now reigns over the meanest regressive income security system Australia has seen for twenty years. This is the legacy of the Left's silence during the last eight years. The Federal ALP's Left faction has been rewarded with having Brian Howe made Deputy Prime Minister, a very small price to pay for the Left's betrayal of the Australian people. So, progressives refer to the ALP Federal Left faction as the left-behind group.

The most important mechanism of the Hawke Government to reduce expenditure on income support payments is targetting. Targetting is a euphemism for restricting payment of income support to only some of those who require it.

There is a way out of the quagmire into which the Hawke Government has led us, and that is to return to universal payments promised by Bill Hayden in 1973 when he was Minister for Social Security in the Whitlam Government.[ [4](#)]

## INCOME GUARANTEES

Blueprints for a Guaranteed Minimum Income Scheme were put forward by the Henderson Poverty Inquiry[ 5] and by the Priorities Review Staff.[ 6] Given the present Federal Labor Government's desire for things past, they might be attracted to guaranteed income proposals because these have an ancient lineage. In 1975, in Berkshire, the Speenhamland system of outdoor relief commenced. The system provided a fixed scale of relief in line with the size of a labourer's family and the price of wheat. Labourers, whose wages were insufficient to support them and their families, were assisted up to a set level.

It was in 1943 that the British liberal economist, Lady Rhys-Williams, was the first modern writer to fully articulate such a proposal.[ 7] Also, given Hawke's desire for things conservative and American, it would please him to know that the doyen of the Chicago school of supply-side economists, Milton Friedman, is also a proponent of such schemes. Friedman claims to have proposed such ideas in 1943 but his first publication of this concept was not until 1962.[ 8]

An income guarantee is universal. The current form of income support provided by the Australian Government depends upon the applicant establishing an eligibility for a particular benefit.

An income guarantee provides income support irrespective of the social circumstances in which people find themselves. In its purest form it would make no distinction between single and married people, take no account of the age or locality of a person and ignore race and gender. It would make no distinction between workers and the unemployed, nor would it take into its deliberation a person's willingness, or otherwise, to work. An income guarantee is designed only to provide a basic secure income to citizens in inverse relation to any other income they have. The only moral imperative which an income guarantee imposes on recipients is that the Government has the duty to provide to all individuals cash in inverse proportion to other income they have.

An income guarantee need not interfere in any way with other social policies that governments or agencies might have to alter the social and cultural behaviour of individuals. However, an income guarantee removes from the government and other agencies the power to force compliance through starvation and homelessness.

If the Government wanted to encourage those not currently engaged in education or paid employment to undertake programmes to enhance the prospects of their obtaining paid employment, then it would have to provide access to such programmes in a way which appealed to the unemployed. That way may be by offering extra money to participants, other inducements such as free child care, or just by providing educational programmes which people wanted to attend.

Tens of thousands of young Australians failed to get places in TAFE and University courses in 1991. There are already too few places open to those who want voluntarily to enter courses. Compulsion would seem unnecessary. The recession has halved the number of apprenticeships offered by Australian industry. It is more than a reasonable assumption that those who normally would have got apprenticeships would have them up had they been available. Opposing the tying of income support to labour market programmes does not mean opposing expanded programmes.

As income guarantee would not of itself do anything to support the formation, maintenance or break-up of families. However, if it were paid to individuals it would encourage individuals to live together because of the subsequent savings in housing costs. The current categorical income support system in this country can cause the break-up of family life. In situations where the prime breadwinner has been refused New Start or Job Search Allowances, the other family members are forced to leave the home to obtain some other form of social security payment.

The eligibility rules which underlie, and perhaps are the rationale for providing the current categorical income support payments, exist to ensure the unworthy or undeserving do not obtain an advantage over the worthy. We are so concerned to ensure that the state does not pay a 'dole bludger' \$150 a week to lie on the sand at Bondi Beach that we are prepared to ignore the Bonds, Skases, Herscus, Spalvins, Elliots and their imitators ripping of billions of dollars in tax scams.

What we should be trying to put in place is a system which ensures that every individual is provided with a guaranteed minimum income, sufficient to sustain her or him, while at the same time ensuring that everybody pays the appropriate level of tax for their income, however derived. It may well take many years before we will ever develop an equitable tax collection system, but this does not justify procrastination in ridding the income support system of its gross inequalities and inequities.

There is no justification for discriminating, in terms of basic income support, against some people on the basis of age, marital status, degree of disability, race or locality. Yet, all these features are imbedded in the existing social security system! There is no justification for continuing to allow vast discretion to Commonwealth Employment Service officers to determine ether or not an individual will be provided with basic income support.

The confusing array of the 120-odd income support programmes paid by the Commonwealth are riddled with inconsistencies, discriminate unfairly and are barely understood by those who administer them, let alone those who receive them. They provide little or no certainty to recipients and they are neither socially just nor rational. We must work to replace them with a consistent, understandable system which, if not equitable, treats people equally in terms of their other available income.

We could then work on the tax inequalities and inconsistencies. We could abolish the dependent spouse rebate with all its inadequacies and gender stupidities without disadvantaging the 40-60 per cent of families who receive this payment because of the disability or lack of job opportunities for the non-working spouse.

A commitment to a rational, fair income guarantee system is totally compatible with a desire to make the tax system equitable. The main advantage of adopting the concept of a guaranteed income is that it creates a solid foundation for formulating income policy. It also provides a discrete conceptual tool which will allow policy forums the opportunity to work on the particular issues at hand, e.g. employment, disability, job creation, education, without getting dragged into peripheral debates.

The adoption of a universal income guarantee designed to provide basic income support for all Australians, will not prevent individuals and agencies promoting

special extra payments for services which are designed to assist people experiencing particular disabilities. When it comes to disability, the existence of an income guarantee providing everyone with the basic income necessary to live makes it easier to develop policies for providing services or cash which help people cope with the extra costs of their disability. At present the debate about disability payments is very confused essentially because there 'has never been, in the Australian context, a proper working through of the distinction between income support and additional payments meant to compensate for disability or disadvantage.

Given the imperfections of human assessment of others' needs, it is not possible to develop programmes which will equitably deal with disadvantage, but it is possible to deal equally with people experiencing disadvantage, but it is possible to deal equally with people experiencing disadvantage.

Essentially, the implementation of an income guarantee does not of itself change any of the other welfare programmes which are in place. It has become clear during the last 10 years, no welfare programme is safe from cuts in government funding, nothing is sacrosanct. The rise of dry economics has presented the welfare industry with its greatest challenge. No longer can welfare service providers hope to get away with a collection of motherhood statements about the need for any particular service. Dry economics challenges even the basic tenets of social services as we understand them. Unless we can, with intense intellectual integrity, maintain and expand income security programmes and welfare services, we are in danger of losing much of the safety net which has been put in place over the last 50 years. The time when we could with some degree of success appeal to Christian or social values as a justification for the retention or expansion of programmes has long gone. The logic we need to employ in the last decade of the 20th century has to be consistent and it has to be apparent to those who have inherited the top Treasury jobs.

Policy changes usually occur when intellectual and peak agency leaders combine to research thoroughly a policy option and then pressure politicians to make the changes. This has not happened in the income maintenance arena.

The welfare industry like much of the rest of Australian industry is fearful of change. It is saddled with much outdated equipment, conceptually inward looking and long overdue for a total overhaul. We must place ourselves in a position where we can be participants in that change. If we do not, then the change will be imposed on the welfare industry and on the clients by those very powerful forces which deregulated the banks, floated the dollar and brought us the recession we had to have.

The income security system we now have is not God-given. The 4000 pages of manuals which underpin the Social Security legislation were not received by some Moses. The overlaps and gaps in income support provided within and between departments are not immutable. Now is the time when we must address these issues in a concerted way so that we can create an income support system which is rational, affordable and treats people equally regardless of age, gender, marital status, race or location. It must provide incentives to earn income and remove disincentives to gaining education and skills. In this way we will have created a basis to develop the clever country.

## MONETARIST ECONOMICS

The monetarists and supply-siders who now infest the senior levels of the Commonwealth Public Service in unprecedented numbers[ 9] rely on market forces to be the final arbiter of economic, political and moral questions. They spend their day mouthing platitudes about level playing fields, efficiency, productivity, the user-pays principle and the need to expose Australians to the chill winds of international market forces. They are oblivious to the fact that the existing inequalities of wealth and power make a nonsense of talk of level playing fields. They do not ask what costs flow from their proposed 'efficiencies'. It matters little to them what we produce as long as there is a market for the product; guns and heroin are better sellers than wool and butter.

Because monetarists ignore half of the economic equation, the mode of distribution, we are seeing an imposition of the loser-pays principle." The less you have, the less you are going to get and the greater will be the determination of the rich that you will pay dearly for it. Monetarists suggest that tax on luxury cars should be reduced so all car purchasers are treated equally, and by the same principle, both rich and poor should pay the full costs of their hospitalisation and schooling.

In response to those who would argue that provision of basic income support, education, health and other social services should be provided universally, supply-side analysts simply claim that such considerations are externalities. They say that if the citizens accept wholeheartedly the monetarist agenda, the country as a whole will become richer and the needs of the poor will be handled through the process of the trickle-down effect. They are oblivious to the fact that any incontinent's thighs are always wetter than his feet.

They are promoting a libertarian economic scenario in which the freedom to exploit everyone is the only imperative. Any suggestion that economic efficiency gains have to be judged against social outcomes is condemned on the grounds that it is an interference, a brake on liberty.

## HAWKE'S SOCIAL POLICIES

Monetarist economists are at their most eloquent when they use their limited conceptual tools to criticise the failure of command economies in Eastern Europe where the centralised oppression of the workforce has led to neither economic nor social advancement of the working class.

Yet, it is monetarist economists who are in the forefront of imposing the exceptionally regressive targeted social welfare system on those Australians who find themselves excluded from the paid workforce by the policies of those very monetarists. There is nothing in the current Job Search and New Start programmes for the competitiveness or efficiency of those unlucky enough to find themselves at the mercy of this most caring of Labor Governments. Participants, many of whom have been excluded from University or TAFE courses by the lack of places, will be forced to engage in 5-week mickey mouse courses to 'enhance their prospects of gaining employment'. There seems a total failure on the part of the architects of such programmes to realise that

skilling programmes, in the absence of a decent basic education, provide, at best, a very short term relief from unemployment.

The New Start programme imposes on the jobless the centralised command economy thinking utilised by the dictators of Eastern Europe. There is no understanding of the proposition that to follow their own creative bent, to engage in mainstream educational programmes or to establish their own programmes for fulfillment that we would be creating the, potential for future advancement.

An alternative would be for the Government to become an employer of last resort. So far, the Federal Labor Government has shown no inclination to develop or improve on job creation schemes such as the Community Employment Programme of Fraser or the Regional Employment Program of Whitlam. The Hawke Government has cut back on job creation and job training to a point where we are now spending less in these areas than we were under the Fraser Government in 1981-83.

This is so despite the fact that the lowest level of unemployment in the 1980s and '90s is higher than the highest level of unemployment during the 1970s[ [11](#)] (Australian Society June 1991). The Hawke Government learnt nothing from the demise of New Zealand Labour. It has simply replicated the ideal launching pad for a monetarist attack on the working class by a repressive Hewson-led Liberal/National Party Government in 1993.[ [12](#)] Without massive job creation there will not be enough paid employment, and no amount of training and counselling is going to create jobs for Job Search and New Start participants.

It would seem that the present Federal Labor Party does not have the intellectual wherewithal to put in place a job creation programme capable of absorbing the ten or so per cent of the labour force currently without paid employment. This is a pity because there are plenty of things which we could do in this country to invest in our future. The provision of universal child care would provide work for educators, child carers, builders, etc. The upgrading of our nonroad transport infrastructure and a massive tree planting of salt resistant vegetation are huge programmes which would invest in our future and improve our quality of life. There are numerous small projects which could provide socially meaningful employment.

There is, however, a real alternative open to the Federal ALP and one which is compatible with extending freedom without interfering with market forces. The first step would be to abolish all the existing income support schemes and replace them with a guaranteed minimum income. The next step would be to develop a tax regime capable of extracting tax from those who are currently able to avoid it. The third step would be to expand the educational places available in order to maximise the creative potential of the employed and of those Australians currently outside of the paid workforce. The last step would be to trust the citizens to maximise their creative potential. This would be the hardest step for the Federal ALP because they find it much easier to rule in the People's name rather than in the peoples interest--`but if the people lead then the leaders will follow'.

Where these steps taken we would find that the alternative productive process which already exists in places like Maleny with its series of community (for profit) enterprises would proliferate. The provision of an income guarantee rather than some

restrictive job search allowance would provide a basic income without interfering with people's desire to be socially productive. Citizens would be able to get on with such projects rather than having to fulfil some meaningless obligation placed on them by the Commonwealth Employment Service.

Aboriginal people would be able to pursue their economic development in ways which they deem culturally appropriate without having to convince some visiting pukka sahib who then has to convince head office which then has to convince the minister.

Some people would not make anything of the opportunity which a guaranteed minimum income provides. They would continue to line up outside CES offices with dejected looks waiting for someone to offer them a job.

Some people would drift to communes in the country, and, once there, some would be very productive and some would not. But their mental health might well be better there than when they were forced into a city they did not want to live in, and attend a CES office where staff were forced to carry out repressive acts against the unemployed in order to retain their own jobs.

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