

# Universal Income Support

## *Benefits of Universal Income Support Free of Means Test.*

### Chapter 6

Earlier, in chapter four, seven areas were highlighted where a system of universal income support free of means test could make a significant contribution to the welfare of the community, with the conclusion: *It is difficult to think of any social problem which would not be alleviated to some extent by the introduction of a universal system of income support provided free of means test.*

The intention now is to look at some of the specific social problems facing Australia today and to see whether this claim can be justified, and how such a system can make a contribution. Before doing so, however, it will be useful to consider a comment made in the OASIS-Australia Newsletter of 11 August:

*The potential for further social good is possibly the greatest single justification for universal income support, and is the feature which distinguishes it most clearly from all other systems including the present collection of means tested benefits. Means tested income support is a last line of support and leads to welfare dependency, whereas universal income support free of means test can be seen as a springboard for further action.*

Income support is at the heart of any welfare system. If the welfare system is to play a more active role in alleviating social problems then the income support system must be capable of helping in this role.

Means tested income support will not provide this help. Means tested income support is not designed to provide this help, for it cannot encourage or provide an incentive for people to cease to become reliant on the support. The system is a passive provider of help, a provider of the last resort. The primary objective of a means tested system of income support is to provide relief for those in need - it will do nothing towards helping remove the cause of the need. Means tested income support is intended to create a "safety net" - a concept much loved by politicians. A safety net may save people when they fall, but it does nothing to help prevent people falling.

If means testing of the income support is to be retained, then the ability of the welfare system to help alleviate social problems is extremely limited. Reform of the welfare system can only be achieved through extensions of the conditions of eligibility to embrace additional financial incentives and penalties, leaving the entire system open to political decision making.

This was the outcome of the review process initiated by Labor government in the late 1980's, culminating in conditional income support and the introduction of labour market reforms introduced or endorsed in the White Paper "Working Nation" presented in 1994. This White Paper was primarily concerned with how to deal with the victims of continuing high unemployment, not how to reduce the number of victims through job creation or a more equitable sharing of the available work. An unemployment rate of 6 per cent was put forward as a possible, realistic target.

This is also the likely outcome of the review process currently under way, and following the same path. The report of the Reference Group, the "McClure Report", is recommending political change to achieve political or ideological objectives. Six years on, it seems that the review of the welfare system, and presumably the eventual White

Paper, will once again be concerned with how to deal with the victims of continuing high unemployment, not how to reduce unemployment or to achieve a more equitable sharing of the available work. And an unemployment rate of 6 per cent (by implication the natural rate of unemployment in the view of the Reserve Bank) will once again be the target. Any differences between the reforms proposed in the two reviews will be ideological. The 1994 paper, for example recommended labour market reforms under the banner of "active benefits". The 2000 paper, if it follows the McClure report, will recommend extension of the work for the dole program under the banner of mutual obligation, but with a new slogan "participation support".

If the objective of any review of the welfare system is to initiate reforms which will help alleviate social problems, then the reform process should start with the income support system to ensure that it is capable of helping achieve this objective.

If the objective is also to initiate reform which is, and which will remain free of political or ideological considerations, then the reform process should also look once again to the income support system to ensure it is free of these considerations.

A system of universal income support free of means test meets these requirements.

This is a system which contains the capability to unilaterally help alleviate a wide range of social problems. This is a system which has this capability, quite independent of any supporting actions or legislation.

This is a system which is not politically or ideologically driven. The support incomes are unconditional, and this characteristic alone frees the system from any political or ideological pressures. This system engenders freedom and self-determination, whereas politically or ideologically driven systems, whether from the political left or right, support conformity and regulation.

### **Special features of universal income support**

What are the special features or attributes which determine that a system of universal income support can unilaterally help promote or initiate actions to alleviate social problems, i.e. *to act as a springboard for further action?*

Without doubt the feature that contributes most to this ability is the lifelong financial security of the universal income support. Taking as an example the proposal for a Support Income for Australia, this financial security is provided by an individual income which is free of tax, free of means test and for an adult sufficient to maintain a basic standard of living. This is a level of financial security which is simply not achievable within the limitations of a means tested income support system.

How does this feature of lifelong financial security help to alleviate so many of our social problems?

**First**, and undoubtedly the most important feature, this lifelong financial security will help to alleviate the problem of high unemployment by encouraging more people to accept part time and casual employment. The following extract from the OASIS-Australia 1999 Submission to Government illustrates how this may occur.

*If there is a third path then it must have a destination or objective that offers a solution to the problem. A destination or objective of full employment in terms of work for all. A destination or objective which can provide an unemployment rate in the vicinity of only 1% to cover the various moves that are always occurring within the labour market.*

*Looking again at the position in August 1998, there was an unemployment rate of 7.9% and a labour force of 9,263,900. Achieving an unemployment rate of 1% will require the*

*creation of approximately 639,000 jobs additional to the number of jobs required to meet the growing labour force.*

*There are also long term social needs to consider. There is a need to encourage an increase in the participation rate, especially for males, to better deal with the ageing population. The target for the male participation rate should be at least the level of 1968, for it has been demonstrated that this is an achievable target. It is also a significant increase, from 72.1% to 83.2%, and the additional jobs to be created will be approximately 808,000. Because of the large increase in the female participation rate in the past three decades, any further increase is difficult to justify at this stage. However, with an ageing population an additional increase in the longer term cannot be discounted.*

*Taking into account a revised number of unemployed for 1% of the increased labour force, the additional jobs to be created long term to achieve the lower unemployment rate and the higher male participation rate is approximately 1,337,000 - over 15% of the present workforce. Despite the magnitude of this task, it must be regarded as a long term achievable target. The figures help to illustrate just how far our employment has receded in the past three decades.*

*The destination, or objective, of this third path is the creation of an additional 1,337,000 jobs over a period of time. This cannot be achieved through economic growth or through job creation. This also cannot be achieved with full time jobs. There must be recognition that if there is to be sufficient growth in employment to achieve work for all in an ageing society then there must be a greater acceptance of part time and casual employment. There must not only be the creation of new part time and casual jobs, but there must be a conversion of existing full time jobs to a greater number of part time jobs.*

**Second**, the lifelong income support will help people adapt to the changing industrial structure and employment opportunities by assisting them to plan and develop their vocational training and career structure. This support will help with their early vocational training and with their planning for periods of training and retraining. It will also help to achieve greater job satisfaction by enabling people to seek and retain employment which is in line with their training, skills and expectations, and to help them cope more satisfactorily with the group and individual bargaining processes to determine their working conditions.

In this way the lifelong income support can help lead to better skilled and more productive individuals, and as a consequence to a better and more productive society. The emphasis will be on helping people improve their skills, not on helping people in need.

**Third**, the lifelong income support will provide people with a better opportunity to pursue training in cultural, recreation and sporting activities in which they have special skills and aptitudes. For some individuals this may also lead to greater career opportunities. Many people have special skills and aptitudes for self-employment activities such as craft work, small scale farming, and a range of cottage industries and contracting. Lack of financial support, however, prevents them branching out on their own. A similar situation would arise in regard to co-operatives. Removal of the immediate need to "make a living" or even the longer term need to rely on the co-operative, will increase the attractiveness and viability of a whole range of activities suited to this approach.

**Fourth**, the financial support for people with special skills and aptitudes can have special benefits for rural towns and regional areas at present facing dwindling communities and a lack of career opportunities. For example, these towns and regions can respond by helping to develop areas of excellence in various arts and crafts, and by providing an environment attractive to people with special skills or interests in small scale farming and other industries. Many areas have already achieved success in developing their tourism potential. With the financial security of the support incomes there will be many people interested in the opportunity to further develop their skills and abilities in a specialised environment and hopefully achieve wider recognition.

**Overall**, the nature of the income support - lifelong financial security and free of means test - will enable people to plan their own careers with greater certainty, with movements in and out of the workforce as required or desired to develop various skills and aptitudes. There will be a common rate of income support for all adults, removing the need to categorise people by the nature of their benefit. There will be no retiring age - no early retirement - all who are willing and able to work should be able to find some form of meaningful employment.

The income support will help individuals become more self-reliant, will improve their dignity and self-respect, and will enable them to assess situations and make judgements more independently and more objectively. This will call for greater understanding and responsibility from leaders of groups, and in turn will also contribute significantly to the ultimate strength of the community. This will also lead to greater responsibility from all people as they see more clearly their future linked with the economic future of the nation. The nation will also benefit.

#### **Other considerations**

The provision of unconditional income support will provide the nation with an income support system which is **free from political manipulation**. It will remove income support from welfare policy considerations. This may be one of its strengths, but it can also prove to be one of the hurdles it faces in achieving political recognition.

Political parties like to set their own mark on the welfare scene, and a means tested income support system allows them to do this. In Australia, for example, as highlighted above, in a little over a decade there have been three reviews of the welfare system, two by review committees and one following a change of government. A fourth review has just been completed with the recent tabling of the final report from the Reference Group, paving the way for further legislative change.

The provision of lifelong income support will also have implications for the **insurance** industry, and for common law and other civil law claims where the claims made take into account loss of potential life earnings. This should have an immediate effect on worker's compensation and third party insurance.

All citizens will have an entitlement to the support income based on a **replacement of income** foregone. This will help to remove the concept of the "dole bludger". People will be free to live the lifestyle they prefer, and which gives them the satisfaction they are seeking.

These are just some of the wide ranging benefits of a universal income support system free of means test. **The greatest benefit to society as a whole will be the influence it has towards a more equal and egalitarian society.** The goal is not absolute equality, but equality of opportunity. All adults will have an entitlement to a common rate

of income support. How they build on this will vary from person to person. There will be no requirement to work. People can elect to work, whether for payment or for personal satisfaction. Everybody will have the option to add to their income through paid employment. This will not only provide the basis for a more cohesive and tolerant society, but also pave the way for a more diverse society - a society more concerned with social satisfaction than with material wealth.

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for OASIS-Australia August 2000

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