Income Support in An Open Economy:

Basic Income Revisited

Papers from The Basic Income Seminar

Victorian Council of Social Service
Good Shepherd Youth and Family Services

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INTRODUCTION

As Australia becomes increasingly integrated into the global economy, how is it our social security system adapting to address changing patterns of work? Is it acting to help or hinder full employment? What purpose should income support serve in the future?

In response to these questions, the idea of a basic income as a possible solution is gaining momentum. No longer is it seen simply as a measure to alleviate poverty, but as a way of introducing greater flexibility into the labour market, of improving the progressivity of the tax system, of re-defining full employment and citizenship in a post-industrial context. Is this the way of the future? If so, what specific model should be adopted? What problems does a basic income solve, and create?

Early in 199, the Victorian Council of Social Service and the Good Shepherd Youth and Family Service organised a forum to foster discussion around these issues.

The seminar was structured to encourage debate between those who advocate some form of basic income and those opposed to it. The papers presented have been published to continue community comment on this critical issue.

Sue Jackson (Brotherhood of St Laurence’s Future of Work Project) outlines the changes occurring in the Australian labour market and the relationship to the social security system. Michael Raper’s case study (Welfare Rights Centre, Sydney) shows how the government’s to adjust the system in an ad hoc way have resulted in increasing complexity and confusion. The Minister for Social Security, Peter Baldwin, addresses the policy framework for the future direction of social security reform. Rob Watts, Belinda Probert, Bettina Cass, Peter Saunders, Jocelyn Pixley and John Tomlinson espouse various positions, either in favour or against, basic income schemes. David Knoop, who has a personal experience of long-term unemployment, concludes by giving the perspective of those who are ultimately affected by these policy deliberations.

We hope you find this collection of papers stimulating and informative.

Victorian Council of Social Service

Good Shepherd Youth and Family Service
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Why Consider a Basic Income?

Sue Jackson

It is important to note at the outset that a basic income can take various forms. Most usually there is a distinction made between negative income tax and social dividend models. Various models have emerged in recent debates around this issue, some of which are modifications of one other of these approaches. Speakers in the next session will be addressing the question of the form which a basic or guaranteed income might take. Suffice it, at this point, to say that different models will have different impacts and outcomes and will present different problems and dilemmas.

I am in the fortunate position today of being required neither to present a definitive position as to whether we should move in the direction of a basic income should we decide to do so. We will, through the Future of Work Project at the Brotherhood of St Laurence, be undertaking some detailed work later in the year on what an income support system for the future might look like and I will feel more comfortable about offering a firm opinion on these matters when that work has been completed. Today my task is to outline some of the reasons why a seminar of this kind is taking place at all.

The question ‘Why consider a basic income?’ is particularly pertinent given that it is not a new idea, as is recognised in the title of this seminar which refers to the fact that we are revisiting basic income. In not, in passing, that while I was preparing for this presentation I came across a 1989 article by Peter Saunders entitled ‘Guaranteed minimum income schemes revisited, revisited’ (Saunders 1989). As I understood Saunders’ argument the repetition in his title functioned something like a double negative.

Way back in 1943 Lady Juliet Rhys Williams under the rubric of ‘a new social contract’ proposed a basic income as an alternative to the kinds of propositions and arrangements put forward by Beveridge in his famous report.

In Australia the notion of a guaranteed income received a lot of attention during the 1970s both before and after the release of the report of the Commission of Inquiry into Poverty, chaired by the late Professor Ronald Henderson, which recommended the introduction of a form of guaranteed minimum income. Almost exactly twenty years ago today the Australian Council of Social Service convened a seminar, similar to this one, on guaranteed minimum income. In 1973 the Brotherhood of St Laurence began the family centre project which was designed to provide members of 60 poor families with access to a variety of resources, the most important of those being a guaranteed income for three years. The guarantee took the form of a supplement to raise their weekly income to a predetermined level of adequacy roughly equivalent to the minimum wage.

Saunders, in the previously mentioned article notes that, despite the Poverty Commission’s support for a guaranteed minimum income, guaranteed minimum income proposals subsequently virtually disappeared from debates about reform of the income security system and were effectively excluded from consideration in the Cass Review of the Social Security System.

Why then has this issue now re-appeared on the agenda for public discussion? In addressing that question we need to look at the nature of the social and economic arrangements and assumptions which have characterised the post-war welfare state in Australia.
It is something of a truism to say that historically we have relied on Australia on paid employment combined with transfers between family members as the means of disturbing income and of ensuring the material well-being of individuals and households.

This has required, of course, certain preconditions. The first of those is that there is actually enough employment for all those who need it, and consequently for most of the post-war period the policy objective of full employment has operated as the cornerstone of public policy.

Secondly it requires that the income which people receive from employment is sufficient to enable them to have a reasonably adequate standard of living. That principle, at least until recently, was incorporated into our industrial relations system. In 1907 the establishment of the family wage in the Arbitration Commission incorporated the notion of need into wage fixing in this country.

Our income support system, then, was designed or intended largely as a safety net underneath that primary income distribution system based around employment. It was to be one which would provide the presumed small number of people which may be unemployed at any particular time (for assumed very short periods of time) with an income; one which would provide for people who were for reasons of disability or injury or illness, unable to participate in paid employment; one which provide people who were considered to be beyond the age where workforce participation was possible or desirable with an income.

The other element of this package was a ‘deal’ between labour and capital which ‘traded off’ protection of our industry, our manufacturing industry in particular, for comparatively high wages and this endured in this country for a long period of time (Wheelwright 1989). All of these arrangements were built on particular patterns of and expectations about family structure and the roles of men and women. The dominant paradigm was one a nuclear family in which resided a male breadwinner responsible for providing the income needed for survival and a female housewife responsible for the other needs of the family. Men could expect to start paid work by the time they were fifteen or sixteen (later for the minority who undertook higher education) and to remain in employment until at least the age of sixty-five. Many could expect to work in one occupation or industry for most of their lives. Women could also expect to enter the workforce at a fairly early age, but were far more likely to leave employment either upon marriage or when they had children.

Virtually, all of these structures, institutions and assumptions have either been changed or called into question by changes which have occurred over the past 25 to 30 years.

One of the most obvious changes has been the dramatic increase in unemployment and in the length of time for which people are unemployed. The average rate of unemployment in Australia has risen steadily from 1.8 per cent in the 1960s to 7.1 per cent in the 1980s (Gregory 1993) and peaking at 11.3 per cent in December 1992. The average duration of unemployment rose from 26 weeks in August 1978 to 57 weeks in August 1993 (van der Schoot 1994).

In contrast with the long boom of the post-war period, the twenty years since 1974 have seen much shorter bursts of economic growth punctuated by slow-downs and recessions which have reduced the demand for labour below that required to accommodate the increased number of people seeking paid work, but slow-downs and recessions have really on reflected and exacerbated deeper structural changes that are driving a quite fundamental reshaping of work and income.

These include globalisation of production and the related restructuring of the Australian and world economies. Economies and countries are now much less self contained and more inter-dependent. Consumption and production of goods are increasingly not confined by national boundaries and multi-national enterprises are becoming increasingly important in economic development, with national governments apparently less able to determine the fates of their economies.
In Australia this has been accompanied by a long-term decline in the value of our traditional commodity exports and we have suffered balance of payments problems which have imposed some constraint on the rate at which our economy can grow – although some people dispute that. It has placed pressure on Australian firms to become more internationally competitive, contributing to job reductions and to at least some relocation of industry, particularly of labour intensive forms of manufacturing, to other countries. This has been facilitated by increased mobility of capital – the rate at which money or its equivalents moved around the world has increased dramatically over the past twenty years or so (Langmore and Quiggin 1994).

We have seen changes at the level of individual businesses in management philosophy and practice. Instead of staffing to peak demand firms are staffing to minimum demand. They are more inclined to have a smaller core workforce supplemented by casual, temporary and part-time staff and that was very clearly demonstrated in a survey which the Bureau of Industry Economics undertook with large manufacturing firms (Bureau of Industry Economics 1994).

We have seen technological developments and, associated with these, the adoption of more capital intensive productive processes which are tending to mean that the old relationship between economic growth and employment growth has changed – that we don’t necessarily get the same degree of rate of growth in employment from a given level of economic growth as we did in the past. And we’ve seen social and demographic changes.

One of the features of the post-war labour market has been the dramatic increase in the workforce participation rates for women, particularly for married women. Immediately after the male participation rates were in excess of 90 per cent and for females less than 30 per cent. The most dramatic increase for women occurred during the 1960s when their participation rate increased from about 30 per cent to 40 per cent. By the late 1980s it had reached 50 per cent and has remained in the low 50s since then (MacNeill, forthcoming). It is important to note that male participation rates have fallen from 84 per cent in 1996 to 73 per cent at present, partly as a result of younger people staying at school and partly as a result of older men not being in the workforce to the degree that they were in the past. It’s also important to note that women’s increased participation has been largely in part-time employment. As a proportion of the population there are no more women working full-time now then there were ten years ago.

We have seen a very significant increase in part-time employment. Over the past 30 years the proportion of people working part-time has more than doubled from 10 per cent in 1996 to about 25 per cent now and importantly a lot of that part-time employment is casual employment. We have also seen an increase in the range other marginal or more precarious forms of employment such as the newly emerging form of very casualised and insecure self-employment in some of the household services and other services areas.

We are seeing a change in the kind of work people do and the kind of industries they are employed in – a change from our past reliance on agriculture, mining and manufacturing employment to services employment. The increase in part-time employment is, to a degree, a consequence of this although there is substantial evidence that the shift to part-time employment has occurred across all industries.

We have seen an increase in the incidence of low-paid employment and a decline in wages for such work. At the same time incomes at the top end of the earnings scale have increased. This is one symptom of growing quality in our community. Another is the polarisation between the increased number of families in which both partners are employed and the also increased number in which no adult is in employment.

These changes in the labour market are one of the important reasons why the question of guaranteed income is again being discussed. There is growing concern in many quarters that in future there will not be enough employment for all those who need it, that available employment may be increasingly insecure and that the income which people receive from employment may not be sufficient to support a reasonable standard of living.
The recent Working Nation statement (Keating 1994) included some important initiatives, however, economists as ideologically diverse as John Quiggin (1994) and Richard Blandly (1994) have suggested that we are going to be very lucky and we are going to have to do very well to achieve the Working Nation target to a five per cent unemployment by the year 2000. They suggest that we could well have unemployment levels of 6.5 per cent, 7.5 per cent or higher.

We have seen, beginning with Bill Hayden’s 1974 Budget with specifically placed higher priority on reduction of inflation than on the achievement of full unemployment, a gradual moving away from the commitment to full employment as the key objective in public policy and in increasing acceptance of notions like natural rates of unemployment.

All of this raises question about whether we can continue to rely on employment as the means by which we ensure people’s welfare and distribute income. It raises a concern that we may be headed towards the kind of societies that we see in the urban areas of the United Kingdom and the United States which are characterised by inequality, polarisation and social division. Concern about our continuing capacity to rely so heavily on market incomes to meet people’s needs is, then, the first reason why there has been growing interest in the notion of a guaranteed or basic income.

The second relates to some of the characteristics of our current Social Security system. The Social Security system has become increasingly complex. I think somebody has suggested that it is now so complex that there are now only three or four bureaucrats in Canberra who fully understand it. There is already a strong groundswell of opinion that the system that needs to be simplified.

The Social Security system is currently structured around categorical payments – benefits are directed to specific categories of people and applicants have to satisfy a range of tests establish that they fit into one or more of these categories. Attempts to adjust the Social Security system to the changing environment by encompassing new categories has resulted in plethora of means tests, assets tests and eligibility requirements which people find increasingly confusing. It is increasingly difficult for people to negotiate their way through this maze of tests in order to access their entitlements. A basic income scheme is viewed by some as a necessary means of simplifying the income support system.

The third reason underlying the revisiting of the issue of a basic income relates to a rethinking about what constitutes a useful contribution to society; what constitutes useful social participation. There is an increasing recognition that a narrow emphasis on paid employment has contributed to an under-valuing of other socially valuable means through which people may achieve identity and meaning in their lives and through which they can make a useful contribution to society. This has been accompanied by calls for greater social recognition and legitimacy for a broader range of means through which individuals may contribute to and participate in their society.

This rethinking has prompted very significantly by a reassessment of the work that women have traditionally taken on an unpaid basis of reasonable social participation. There has been an attempt in some of the Working Nation initiatives and through recent Budget measures to legitimise some caring activities as a basis of reasonable social participation. This is somewhat a contradictory trend since one could also argue that some of the Working nation changes actually place a greater requirement on some women to be involved in the workforce.

The capacity of a social security system based on categorical payments to recognise a broader range of socially useful and socially legitimate forms of participation is at least open to question.

And finally, I think that the other factor that is causing us to rethink or revisit this issue is that the kinds of changes taking place around us in relation to work really open up to contest and debate all of our old assumptions. Unemployment for some, increasing intensity of work effort and lengthening hours of work for others, growing tensions, particularly for women, between paid and unpaid work, are all causing us to ask some very fundamental questions – questions about the meaning of life; the value of the
individual person and from what it derives; the basis of citizenship should be and social value in our community. From a range of perspectives people are asking whether we should be, at least partially, reversing the very high degree to which we have privileged paid employment in relation to these questions.

Having said all this I want to go back briefly to my starting point. Basic or guaranteed income is not a new idea and a lot of work has been undertaken in relation to it, although admittedly and importantly in times which were very different. However, it is incumbent upon us to not only revisit the questions, but to also revisit some of the lessons from those who have looked at this issue in the past and to take heed of some of the warnings which they have sounded about this way of reforming our income support system. I will mention just a couple of those warnings.

Would a guaranteed income scheme be viewed as or function as a substitute for action to reduce unemployment and increase employment opportunities?

Would such a scheme function as a substitute for action to address what we may consider to be undesirable employment patterns such as casualised, insecure and involuntary part-time employment? Would it, indeed, function as a prop for these forms of employment?

Would a guaranteed income in effect be a subsidy for low and falling wages? Would it operate as an alternative to action to ensure the adequacy of wages and, if so, what are the implications for public revenue? A critical issue, in this regard, is the place which a minimum wage might occupy in such a system.

Would it further entrench some of what are increasingly seen as inappropriate gender role rigidities and the current gender division of labour? Would it function, for example, as a de facto homemakers allowance of wage for housework. What would be the impacts in terms of women’s access to and participation in paid employment.

Will the adoption of a guaranteed income scheme result in an increasingly inadequate minimum income as governments are unprepared to make the commitment to maintaining adequacy? Will it leave people, in fact, more vulnerable to poverty?

Would the existence of a guaranteed income system be used as a basis for reducing or eliminating other forms of social assistance and infrastructure, such as community services, which play an important role in our community? We would do well, in exploring this question, to examine the arguments in favour of guaranteed income which have been put forward by some economists not generally noted for their support for the welfare state.

Finally will it establish a marginalised model of citizenship or participation of those whom we are prepared to continue to allow to be excluded from the mainstream model which the rest of us will still expect access to, rather than fundamentally changing the paradigm of our model of social participation and citizenship as it applies to all of us. It is going to be very interesting to hear the discussion about these and other questions over the course of the day and I am pleased tho be here to do so.

References
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**Sue Jackson is the coordinator of the Future of Work Project at the Brotherhood of St Laurence.**
Wrestling the Octopus –
Complexity and Confusion in the
Social Security System

Michael Raper

The view from Department of Social Security (DSS) headquarters in Tuggeranong Canberra is gorgeous. As one gazes out beyond the magnificently manicured landscaped stream to the beautiful Brindabellas, nature abounds, the seasons come and go and as (and occasional snow) swirl around the mountain tops, it is not uncommon to see kangaroos bounding around in the tall grasses of the foothills.

The view from Parliament House, another fairly atypical workplace, is somewhat less expansive. Versailles sur Molonglo actually gazes out on itself, on its own reflection and its own comfortable, cloistered courtyards.

From these two vantage points, the social security system in Australia no doubt appears to be a finely tuned, well-honed and terrifically targeted machine that does most of what it’s meant to do but gives away no more than it has to. A policy masterpiece.

But from Cabramatta, Springvale, Elizabeth or Nundah the view is very different. Here people wrestle on a daily basis with a complex and mysterious octopus that causes confusion for both clients and DSS staff alike.

Let me take you through one of the case files of the Welfare Rights Centre just to show you the Cabramatta perspective of the system.

Anna confronts the first tentacle

Until 18 months ago, Anna was married and had one child, a fifteen-and-a-half year old daughter. Her journey began when her fairly well-off husband flew the coup on short notice, fed up with the constant attention Anna gave to her daughter. His whereabouts unknown. She had never been to the Department of Social Security before, but realised fairly quickly that she would have to. A simpler matter you say, Sole Parent Pension and Family Payment should fairly quickly give her around $234 a week to keep her going.

But as she is married she must establish that this isn’t just a short-term separation and that they are actually living ‘separately and apart’. This could take weeks or months and is often only evident in hindsight, so, in the meantime, Anna must start looking for work and claim Job Search Allowance, which she did. Furthermore, Anna must negotiate the Family Payment which compromises Basic Family Payment and Additional Family Payment, the later of which is broken into three components – Child Payment, Rent Assistance and guardian Allowance (for sole parents), For her Sole Parent Pension claim, she must also complete a claim for maintenance from her missing husband to be filed with the Child Support Agency.

Under the income and assets test assessments, her ex-husbands’ $190,000 taxi business and the small block of land they jointly own are regarded as combined assets until DSS decides whether or not they are living separately and apart. The land value was disputed by DSS so the Australian Valuation Office was called in. On the basis of an estimate of likely value it was soon realised that
Their combined assets would be over the homeowners asset tests limit of $164,000 for a couple, and that because of the sudden death cut-off for beneficiaries (as opposed to pensioners) whose assets are even a $1 over the limit, Anna would not be entitled to any Job Search Allowance.

As it had already taken a few weeks to process Anna’s claim up to this point and her ex-husband had by now been located living elsewhere, DSS was finally convinced to grant Sole Parent Pension. The rate was reduced by $10 each week because, under the single asset test for pensioners, half of the taxi business and the land were counted as Anna’s assets.

Anna immediately argued to the DSS that this was ridiculous because she got no income out of the taxi business or the land, and was not likely ever to get anything even after the property settlement in 12 months time. She stumbled across the ‘hardship provisions’ and wrote out a formal request to have the assets disregarded because they were ‘unrealisable’. She was a fast learner.

Two months later, she discovered that she might also be entitled to Child Disability Allowance (CDA) because her daughter was under 16 and in need of additional care and attention because of her fairly severe intellectual disability and diabetes. The Commonwealth Medical Officer (CMO) rejected the claim as the daughter didn’t seem to need ‘substantially’ more care and attention than without such disabilities. A month before the daughter turned 16, the Authorised Review Officer (ARO) overturned the original decision to reject the claim and CDA was granted from the original date of claim.

So finally, Anna’s steep learning curve had rewarded her with; a Sole Parent Pension, paid at a reduced rate under the asset test; a regular Family Payment; and Child Disability Allowance. As yet, she had not received an actual decision on the request to disregard the assets but she noticed that the taxi business was not included in the list of assets on the back of her last DSS notice, and although her own house was, she figured it had all been sorted out and that the rate must now be correct.

It had only taken five months and all was now well in time to celebrate her daughter’s 16th birthday.

The octopus tightens its grip

Little did she know what a critical age 16 is in social security terms. Little did she know what joys the system yet had in store for her! Sole Parent Pension (SPP) eligibility ceases once the qualifying child turns 16. Child Disability Allowance eligibility also cease at age 16 for non-students, so these payments were cancelled but Meeka, her daughter, remained on at school so, after one month when it was realised that she was still a student, she was put back on CDA as there is a special exception for these circumstances. She was also granted the special half-rate of Additional Family Payment (AFP) which also remains available in these particular circumstances. Regrettably however, after six months, Meeka could no longer cope with school so she left and CDA and the special Additional Family Payment were once again cut off Anna was now confronted with the problem – what income support was there for Meeka at this point.

Meeka was advised to lodge a claim for Job Search Allowance. Anna objected because she was convinced that, given her age and disabilities, she was not yet ready to join the workforce. Eventually a DSS officer told her about the possibility of Disability Support Pension (DSP). She claimed immediately. Off to the CMO again who, of course, rejected the claims on the grounds that she only had an 18 per cent impairment rating. Back to the ARO who, whilst agreeing with the family doctor’s 20 per cent impairment assessment, nevertheless declined the claim on the grounds that she did not have a ‘continuing inability to work’ so she was now compelled to seed out new enriching experiences with an appeal to the Social Security Appeals Tribunal (SSAT), which she duly lodged.
The octopus and the roller coaster

Meanwhile Anna’s own fortunes had also been fluctuating. After a brief stint on Special Benefit in the first month after Meeka turned 16, she was placed back on Sole Parent Pension because it was discovered that you can still get Sole Parent Pension after your child turns 16, if the child is getting Child Disability Allowance, which we all now know is possible if the otherwise non-qualifying 16 year old is still a student. Obviously she was cut off again when Meeka left school and at this point Anna was compelled to claim Job Search Allowance (JSA). After three weeks she got a 25 hour per week cleaning job which certainly paid more than JSA but while she was at work, Meeka was at home and she soon realised (after three days) that her daughter’s needs actually prevented her from working. She advised the employer that she would have to quit, she was told that if this was true, then she would have to go back to DSS to claim a payment for which she would be eligible. The octopus springs more tentacles.

Meeka’s claims for DSP had not yet been finalised because, as you may recall, she was having to appeal to the SSAT over whether or not she had ‘a continuing inability to work’. Because the DSS believed that she would be eligible for Job Search Allowance, her claim for Special Benefit whilst she waited for DSP was not granted. The DSS advised Anna that if her daughter’s DSP claim was eventually granted by the SSAT then Anna would be able to claim Carer Pension (although nothing was certain), which of course as everyone knows is only available to someone who is caring for someone who is actually in receipt of a social security payment. In the meantime, Anna should claim Special Benefit. The DSS was quick to realise that the SSAT hearing was likely to be within a month, then the Special Benefit ‘short term available funds trust’ was the one to apply to Anna and because she had somehow managed to survive this far with $1,100 still in her bank account, she could not be paid Special Benefit until her available funds fell below $643.20. Soon after, the SSAT appeal was successful and Meeka was granted DSP, but only from date claim, not from age 16 when she could have lodged a claim had she known about DSP.

Anna’s claim for Care Pension could now be lodged. The claim was rejected. Despite her daughter’s obvious serious disability and the fact that she needed ‘substantially more care and attention’ than other children before she turned 16, such as to eventually warrant the granting of child Disability Allowance, she didn’t actually need assistance with her bodily functions and was not considered a risk to herself or others so as to qualify Anna for Carer Pension. Horrified by the DSS letter and totally distraught about her income insecurity, she went straight off to plead with a DSS Social Worker who sympathised her as much as possible and advised her simply to claim Special Benefit. As she was already on Special Benefit, albeit short-term while awaiting the outcome of first the DSP and then the Carer Pension claims, she thought that at least this shouldn’t be too difficult. But circumstances had changed and she would now be looking at a long-term payment so DSS advised it would now be the long term available funds test that applied and she would have to resubmit all income and asset details. She did so, but overlooked an old joint account that had not been used since her ex-husband had left.

Five weeks after, she discovered that her ex-husband who had not actually paid any maintenance since the firs supposedly regular $100 payment, had six weeks earlier, deposited $8,000 of conscience money into the old joint account. She advised DSS which was quick to realise that she was no longer eligible for, and thus cancelled, Special Benefit. According to DSS, this overpayment was a ‘debt’ to the Commonwealth as it fitted into one of the 21 categories of debt under the Act because Anna misinformed the Department. And the debt could no longer be waived because on 23 December 1993, the Government wiped out the ‘special circumstances’ debt waiver provisions, now allowing a debt to be waived only if it was caused ‘solely by administrative error. The bout enters its final records.

The saga is not yet completed, so I can only tell you where Anna is up to at the moment: she has no income and is not eligible for a social Security payment because she can’t take a job in the paid workforce. She can’t get Carer Pension because DSS claims that Meeka’s needs do not qualify her, and
she can’t get Special Benefit because her ex-husband, who only ever made one maintenance payment of $100, placed an untimely deposit in a forgotten old joint account. Not only does she have no income but in fact, she owes DSS $804. She had just discovered that the whole time she was on Sole Parent Pension, her rate of pension was incorrectly reduced under the assets test. This is because whereas Anna had requested that the taxi business and the block of land be disregarded for the obvious reasons that she was in hardship and couldn’t get income from or realise the assets, DSS had reduced once her ex-husband made the first maintenance payment. This prevailed despite the fact that Anna has handed in a written statement at her local DSS. Finally, DSS admits that Anna’s case is a little unfortunate and that the system may be a little too complex at times but there are checks and balances and all is well because Anna has the right to appeal against any decision and get thing sorted out.

That is one way of looking at our system of income security. At various times throughout this saga, Anna has gained advice and assistance from the Welfare Rights Centre, including assistance with her two previous appeals to the ARO over the rejection of CDA and the SSAT, over rejection of her daughter’s DSP claim.

**Appeals are not the answer**
Currently, Anna has the following further appeals in progress:

- An appeal against the calculation of Additional Family Payment because DSS wrongly applied the maintenance income test when Anna was not getting any maintenance;
- An appeal against her rate of Sole Parent Pension because DSS should have disregarded her unrealisable assets and should have advised her when it decided not to;
- An appeal against the decision not to grant Carer Pension on the grounds that her daughter’s needs are such to qualify her;
- An appeal against her two week penalty on the grounds that her reasons for leaving the job were more than reasonable;
- An appeal against the decision to cancel special Benefit and raise a debt because the debt was caused solely by administrative error on the grounds that she should never have been on Special Benefit in the first place; and
- A desperate appeal for help, for a broker or CAS manager to be appointed to help her find her way through the labyrinthine, over-lapping but non-intersecting passageways of the system.

Now the DSS defence will no doubt be that this is an atypical extreme case. But from our experience it could have been far more complex.

Imagine if Anna had two or three other children, or if she had given away part of the $8,000 to her sister, or if she’d gone to her father’s funeral in New Zealand whilst she was on JSA or gone without a departure certificate while she was on Sole Parent Pension, or if she didn’t speak English reasonably well, or id her husband had forced himself back into the house for a week. All of these factors could seriously have affected her eligibility for a Social Security payment. Perhaps the only reason Anna has actually survived this saga to date is that at no stage has she ever tried to claim AUSTUDY!

This case, and many others from the files of the Welfare Rights Centre, raise many profound questions about Australia’s highly targeted, pigeon-holed system of income insecurity- the system that a recent study by Australian National University Centre for Economic Policy Research found to be ‘one of the world’s fairest and most efficient’.

**Profound questions about the system**
This is the system that after 48 years, has not managed to develop a single, generic claim form upon the completion of which, DSS accepts the responsibility to find an appropriate level of income security. It is, on the contrary, a pick-a-box system which has over 25 pigeon holes, each with its own elaborate set of rules and guidelines, one of which may be appropriate so long as the client has the ability to pick the right one.
This is a residual system that was conceived in an era of full-employment, produced by tightly controlled immigration and high protectionism. It is the product of the wage earners welfare state that has taken ‘selectively’ and the Australian practice of ‘targeting those most in need’ to extremes that are no longer workable.

This is a system that is riddles with inconsistencies and anomalies that have resulted from the constant tinkering, reshaping and targeting of some 39 amending Bills, with an estimated 24,000 new clauses, since the new plain English Act was introduced in 1990. (See attachment 1)

It is a system which is now spread out into not just the Social Security Act but five other Acts including the Employment Services Act, Employment Services Consequential Act, the Student Assistance (Youth Training Allowance) Act, Youth Training Consequential Act and the Health Services Act (regarding concession cards).

This is a system which requires complex distinctions between ‘eligibility’ and ‘pay ability’; which used to have Unemployment benefits but which now spawns a new box for every occasion, including Job Search Allowance, New Start Allowance, Youth Training Allowance, Mature Age Allowance, Mature Age Partner Allowance, and Partner Allowance just to pay unemployed people; and which somehow has managed to divide people whose partners have left or died into the three extraordinary categories of Widow Allowance, Widowed Persons Allowance and Widows Pension.

It is a system which, in relation to payments for inexperienced and vulnerable unemployed youth, has been refined to the point of having two different payment types for two different groups of under 18’s, six rates and four definitions of ‘independent’ and is administered by two separate departments – and that doesn’t even contemplate AUSTUDY.

This is a system that was used extensively throughout the 1980’s as a constant source of fiscal savings that cut massive swathes through almost all programs. It is a system that has had layer upon layer of complexity imposed on it because it has been band-aided back together by numerous repair jobs designed to ameliorate the unanticipated and consequences of these fiscally motivated but policy-bereft expenditure cuts. (See attachment 2).

It is a system born of concentration on the expenditure side of the ledger which sees only transfers of public finds such as pensions and benefits as welfare whilst ignoring tax rebates, occupational fringe benefits, superannuation concessions, negative gearing, artificial income splitting and welfare subsides to luxury homes.

It is a system that is beyond the comprehension of many DSS counter staff and staff at higher levels. It forces staff into defensive aggressive attempts to his their own (at times understandable) ignorance and embarrassment. And it forces elaborate, daunting and intrusive questionnaires onto clients seeking mountains of information to satisfy the voracious appetite of the complex monster we have created.

This is a system that has become far too complex for its own good one in which even the advantages of beneficial measures (like the new additional free area for income from earnings and earnings credit scheme for allowees) are lost to the client and the system because they have are now so complex that people do not understand them and therefore can not take advantage of them.

But most importantly, it is system in which people fail to get the income support to which they are entitled; in which people get saddled with debts that are overpayments but not debts; in which people are so disenfranchised by change and complexity that they can’t understand, and can’t check and can’t
get help so that the value of an otherwise fair and good appeal system is diminished to the point of inaccessibility and irrelevance for so many. They won’t start the process for the simple reason that it’s all too complex.

This is a system that is collapsing under the weight of its own complexity.

References


Notes
‘Expenditure cuts’ is used as a general term. It refers to the fact that much of the complexity of the system comes both from original expenditure cuts in themselves and the traditional process of then restoring bits and pieces of entitlement to patch up the damage and/or unforeseen effects of the original measures over the period of the next few Budgets. For details and examples of how this has operated, see Attachment 2.

Attachment 1
Examples of a number of anomalies in the social security system (as at 2/2/95).

1. Sole parent family income reduces by $8.50 when child turns 16

Family income for a sole parent pensioner with a 15 year old child:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>$316.20</td>
</tr>
<tr>
<td>BFP</td>
<td>$20.90</td>
</tr>
<tr>
<td>AFP</td>
<td>$87.40</td>
</tr>
<tr>
<td>GA</td>
<td>$29.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$453.50</strong></td>
</tr>
</tbody>
</table>

Family income when child turns 16; parent stays on pension rate (JSA) and child goes to JSA or Austudy.

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent JSA</td>
<td>$316.20</td>
</tr>
<tr>
<td>16 year old JSZA</td>
<td>$129.80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$445.00</strong></td>
</tr>
</tbody>
</table>

The anomaly continues until the child turns 18.

Anomaly dates from 1987 targeting; reduction in Sole Parent Pension eligibility and freezing of JSA rates for three years to allow Austudy rates to catch up. Compounded by: omission of Guardian Allowance.

To sole parents of 16 and 17 year old JSA/ Austudy children when Family Payment introduced; and greater than CPI increases to FAS/ AFP for children under 16 during this period. This anomaly does not apply to two parent families where the family income rises gradually as the child gets older and there is a gradual shift in the income to the child.

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Income: when child is 115</td>
<td>$634</td>
</tr>
<tr>
<td>Family Income: when child is 16-17</td>
<td>$657</td>
</tr>
</tbody>
</table>
2. **Rent Assistance**
The maximum rate of Rent Assistance for couples is only equal to or less than the maximum rate for singles, despite the fact that the minimum threshold before Rent Assistance is available for couples is much higher.

<table>
<thead>
<tr>
<th>Maximum Rates</th>
<th>Single (threshold in brackets)</th>
<th>Couple (threshold in brackets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No child</td>
<td>$69.20 ($61.80)</td>
<td>$65.20 ($103.20)</td>
</tr>
<tr>
<td>1 or 2 children</td>
<td>$76.00 ($82.20)</td>
<td>$76.00 ($123.80)</td>
</tr>
<tr>
<td>3 or more children</td>
<td>$86.80 ($82.20)</td>
<td>$86.80 ($123.80)</td>
</tr>
</tbody>
</table>

3. **Allowance income test**
The pension income test free area of $88 p.f, for each dependent child.
The income test basic free area for allowees is $60 for a single, $60 for a couple without children and the same $60 for a couple with four children.
The income of one partner is counted as the income of the other, whereas with pensioners, only half the income of one partner is treated as the income of the other.

4. **Annual Leave waiting period**
One person’s 15 day unused annual leave might provide $1000 on which to live during the 15 day (+ 7 day) waiting period. Another person’s 15 day unused annual leave might provide $2000. No account is taken of the person’s circumstances (eg. Debts, commitments, outstanding bills, mortgage payments etc.).

5. **Liquid Assets Test**
A difference of $200 between $4900 and $5100 in liquid assets makes a difference of either a one a week waiting period or a five week waiting period applied equally to all regardless of individual circumstances.

6. **Half married rate paid when dependent spouse not qualified**
A single allowee with a child would receive $316.20 p.f, the same rate as the pension. But a married person, whose spouse is not residentially qualified, even though he is a dependent and another adult mouth to feed, only gets half married rate, which is $263.70 p.f, a drop of $52.00 p.f. A well targeted provision? (to those most in need?!) 

7. **People with disabilities – square pegs and round holes**
People who have been on Sickness Allowance for 12 months are often judged to have a permanent disability. If they are unable to jump the two high hurdles to get onto Disability Support Pension, they are dumped into the unemployment payments system and denied access to CES programs specially targeted to people with disabilities, despite significant, medically confirmed disabilities.

8. **Clients required to disclaim their own doctor’s medical opinion**
When a client who has a medical certificate from his/her treating doctor seeks to register for JSA because s/he in no longer eligible for Sickness Allowance, the CES requires the client to sign a Medical disclaimer. CES is not able to register someone as fit for work when their doctor says they are not, but the Social Security Act (on CMO opinion) won’t allow Sickness Allowance to be paid. The CES then has a dilemma. It has been solved by getting clients to sign to the effect that notwithstanding their doctor’s medical opinion, they really are fit to work.

9. **Inexplicable differences/anomalies between pensions and benefits**
The single adult rate of JSA/NSA is $148 per week – which is$12 per week below the equivalent pension rate.
Beneficiaries with $1 above the assets test threshold have a sudden death cut-off and get no payment, whereas pensions begin to phase out at this point.

**Attachment 2**
**Expenditure cuts and incremental claw-backs: constructing complexity**
The process whereby initially harsh measures are subsequently watered down by incremental patching up of unforeseen and/or unexpectedly harsh effects has been particularly marked since the mid 1980s. With the discontinuation of Sole Parent Pension after the last child turns 16 and concentration is social policy formulation, on payments designed to supplement family income, expenditure has predominantly targeted families with children under 16 years as ‘those most in need’. This reflects bob Hawke’s promise that ‘no child will/should live in poverty by 1990’.
Fiscal concerns have meant that targeting of such a huge group deemed to be ‘those most in need’, has been countered by cuts, or the progressive erosion of entitlements of young people over 16, and of adults without under 16 year old dependents. It is those groups which social policy has left behind, with the result that poverty has been addressed for families with children but only until they are 16. It is because of this process that the complexity of the current system cannot be explained by the introduction of measures aimed at minimising or reducing Social Security expenditure. The process is not as simple as that. The complexity is caused by incremental rebuilding of support deemed to be adequate for targeted sub-groups of those groups whose rights and entitlements have been eroded.

Exemptions, exceptions, variations, fine-tuning
The targeting process for these groups is piece-meal and not the result of carefully considered social policy. The process is one of grudgingly pulling-back from previous cost-cutting measures subsequently seen to be too harsh. Some of the trade-offs for the targeting of families with under 16 year old children have been:

- The erosion of eligibility rights and entitlements for sole parents with student children;
- The indefensible freezing of JSA rate for three years (from 1987)) to allow AUSTUDY rates to catch up (rather than increasing AUSTUDY rates);
- The introduction of the Parent Income Test for under 18 recipients of JSA; and
- The introduction of youth rate Disability Support Pensions

None of these measures were initially the cause of particularly complex legislation. It is the gradual clawing back of those lost rights and entitlements that causes the complexity, as the system is fiddled with to target those most desperately in need within those groups falling outside the social-policy defined target group of families with young children. The resulting number of categories of, for example, unemployed young people, is constantly growing with category membership determining entitlement and payability.

Youth payments fertile ground for fiddling
Since 1990, for example, the rates of allowing payable, and the range and lengths of waiting periods for payment of rent assistance and Young Homeless Allowance to young people has been a constant source of legislative fiddling. Most recently, payment for 16 and 17 year old unemployed people were taken out of the Social Security Act and renamed, Youth Training Allowance, under the Student Assistant (Youth Training Allowance) Act. The result has been not only confusing to administer, and thereby the source of inaccurate advice and determinations. Most importantly, this complexity is the source of confusion and potential loss of entitlements on the part of clients. Tracing through some of the changes through 1990/91 to the last Budget exemplifies the claw-back process:

1990/91 Budget

- Rate reduction for simple beneficiaries 18 to 20 living at home. This added to the basic range of basic rates available, creating hardship and uncertainty for families with unemployed children over 16 who were already affected by the 1987 cuts.
- Introduction of the Parental Assets test.
- Introduction of education leavers’ deferment period for Sickness Benefit. This amendment was difficult to justify on policy grounds, as the rationale for the ELDP was to deter young people from giving up study for the incentive of a high JSA entitlement. Such a rationale makes no sense for Sickness Allowance.
- Introduction of unused annual leave waiting period
- Higher rate of JSA provided for 16 and 17 year olds exempt from the Parental Income Test.
- Provision for exemptions from 13 week waiting periods for certain ex-students.
- Provisions for exemptions from ordinary 7 day waiting periods.
- Young Homeless Allowees’ waiting period reduced to 2 weeks, from 6 weeks. This represented a grudging concession to the need of children who are, by definition, subject to either domestic violence, sexual abuse etc.

1991/92 Budget

- Reduction of Rent Assistance waiting period from 26 weeks to 18 weeks for Job Search and Newstart Allowees without children.
- Relaxation of rules for eligibility for independent Job Search Allowance rate.
- Introduction of Rent Assistance for 16 and 17 year old living away from home.
- Introduction of Job Search Allowance for some 15 year olds.
• Availability of Job Search Allowance on a weekly basis. This in blatant recognition of the total inadequacy of allowance rates for young people.
• Reinstatement of Guardian’s Allowance in respect of school children under the age of 18.

1992/93 Budget
• $1 per week real increase for single pensioners, limited to those 21 years and over (also applied to beneficiaries with partners or children)
• introduction of six month waiting period for migrants.

1993/94 Budget
• 16 year old students to attract Additional Family Payment rather than AUSTUDY.
• Abolition of Rent Assistance waiting period for homeless/independent under 18 years old and modification of one week waiting period.

1994/95 Budget
• Changes to allow payment of Additional Family Payment when a sole parent, but not a child, goes overseas.
• Modification of the rules concerning pension eligibility for refugees.
• Creation of case management systems outside the Social Security Act.

Impossible to predict
Announcement of measures such as these invariably prompts much debate as to who are the ‘winners’ and the ‘losers’. The fact that estimates can differ wildly is indicative of the impossibility of predicting the extent of which those dependent on social security income support will be affected. It is quite clear, however, providing for a universal rate of income support and abolish all waiting periods with the exception of the seven-day waiting period would drastically simplify the system and prevent the need to target ever more specific groups of ‘deserving’ poor.

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Welfare Rights Centre, Sydney
Future Directions for the Department of Social Security

Peter Baldwin

There is a broad argument about our Social Security system that points out that it is a highly targeted system. But this is also a highly efficient system in two key respects. Firstly, the assistance by and large goes to the people that need it; and secondly, it is efficient in administration terms. Our administrative expenses as a proportion of total outlays are one of the lowest.

It is true that means-testing and assets-testing were made more extensive in the 1980s, but the fact is that the whole raft of payments to people on very low-incomes, particularly low-income families, were improved significantly. There have been substantial real increases in the Additional Family payment and Rent Assistance and so forth. In other words, I would argue that over the term of this Government the strength of that basic safety net had been significantly improved, in stark contrast to the pattern that emerge in the last few years of the preceding government. So those who say that Labor governments make no significant difference in this respect are wrong.

We are currently in the process of putting together this year’s budget. The government is under immense pressure to tighten fiscal policy. The treasurer has announced the bringing forward of the objective of having a budgetary surplus by 1996-97, an objective, broadly speaking, that I agree with. From the point of view of the longer-term management of the economy, it is imperative that the fiscal consolidation program be carried out and the consequences of not doing that, in terms of interest rates and the impact on the broader economy, employment growth and the sustainability of the recovery, is quite significant.

The question is how do you go about activating this program of fiscal restraint? The final balance between expenditure cuts and revenue raising will be announced in the Budget, but we are in the preliminary stages now of a fairly rigorous analysis of the expenditure side. In saying that, I can assure you that we are not contemplating the kind of cuts that are contained in the leaked Finance Department paper. Anyone who is familiar with the budgetary processes would be aware that all departments, including the Finance Department, go through the annual exercise of devising possible saving options. They invariably come up with a list of savings measures that no government, either on electoral grounds or political grounds, would contemplate. One useful exercise in it though, is that it does make clear the kinds of spending cuts that the Opposition wants to talk about. I would expect that whatever measures the government takes on both the revenue and the expenditure side will be taken in a way that doesn’t harm people on low incomes, who are vulnerable, and that has to be a central pre-occupation. If anything, I would hope that we can make improvements in some areas of our current system where there are problems of adequacy, and I acknowledge there are some.

One major exercise that is going on as part of the budgetary process is a comprehensive review of the structure of family assistance, aimed at achieving a structure that has less complexity. We are trying to reduce the plethora of different payment categories. I acknowledge that over the years, as more and more payment categories have been introduced, the provisions, and the interaction and intersections between them, have been problematic. That is why we’ve initiated a very broad process of review here, looking not just at assistance provided through the Department of Social Security, but also at assistance from other government departments designed to assist families. Again, we are trying to achieve a system that is more comprehensible, less complex, with fewer payment categories, and in general more user friendly.
In the longer term we’re having a look at the whole structure of social security. The Department last year was re-organised in such a way as to enable us to provide something of a longer-term, more strategic focus. The old arrangement where you had a social policy division – a fairly standard departmental bureaucratic structure, which had the major responsibility for developing new policy, not just major new policy but also the on-going incremental development of existing programs – I thought there were some problems with that. In particular I thought we ought to have a structure which enables us to assemble teams of people from various areas of the Department and outside the Department to proceed on a project basis looking at major issues we need to address. It seemed to me that one of the problems in the previous way we developed policy was that there wasn’t sufficient process to integrate policy and delivery issues. One of the problems we have to cope with is the problem of managing complexity and in trying to deal with that, on the one hand we need to make the system as simple as we possibly can, but on the other hand we need to develop more effective ways of managing the inevitable complexity that goes hand in hand with a highly targeted system. So we are trying to integrate those considerations. It’s no good developing a nice new policy if it is not deliverable. So we want to bring together people from both policy networks and experts in delivery systems for the purpose of better integration.

As well as doing that, there are two major divisions in the Department responsible for delivery that are explicitly given responsibility for the ongoing maintenance of programs and incremental changes in policy. So we’ve tried to get away from this artificial distinction between policy and delivery.

And so far as the new division is concerned, there are a number of major projects underway that have the potential to effect major change in the long term. One such project is the Adequacy Project. This is an attempt to develop a far better and more accurate method for judging the adequacy of various social security payments. It would be fair to say that the Henderson Poverty Line, which is treated as the benchmark in public debate, has well and truly exceed its used-by date, and we are trying to come up with, conceptually, a far sounder approach. We are trying to develop an approach that will tell us a lot more about the relative adequacy of the various parts of our payments system, and thereby enable us to prioritise certain areas as needing attention.

Another significant project is the so-called Payment Structures Project. That is looking at fundamental issues of our categorical payment system. There are criticisms of it, and some very broad-based alternatives being offered, including the ones being discussed here, but it doesn’t seem clear to me that many of the premises on which our payment structure is based need to be looked at. Many of the distinctions that have been made, between people being ‘in’ and ‘out’ of the workforce, for example, are becoming a lot more blurred. The payment of the pension was made on the assumption that that person was largely outside the workforce. In recent years we’ve made conscious efforts to facilitate participation by sole parent pensioners and disability support pensioners and many of these people are partly in the labour force and partly out of it. The system now has to cope with people making several transitions over the course of their life-cycle with fewer instances of people being locked into, or defining themselves on one particular role throughout their working life, either as a carer or as a participant in the workforce. Plenty more people are coming in and out and making transitions from one role to another. So, we need a social security system which recognises that and facilitates that. The whole structure of work-force age payments really needs to be looked at, and there’s a team doing just that.

There’s another team looking at how we might seek to ‘customise’, or enable people to customise, their income support. We’ve taken some tentative steps in that direction already, whereby people on the family payments system can opt to take a lump-sum advance.

What we want to have in the long-term, looking ahead at the next century, is a system that moves away from being one based solely on us administering a system of categorical payments where we basically determine entitlement, to one which people can increasingly shape the kind of income support they receive, to actually make choices about the timing and nature of that support. Now that’s a very difficult issue in implementation terms. It involves difficult issues of risk management – whether you make a particular facility available to a particular person – but I think it’s the way to go and the we’re bringing together a range of people with expertise on that problem, including people
with actuarial expertise, to see what can bee done to address that. So that is a fairly long-term exercise of some significance.

We also have several teams pursuing what we call action research projects in an attempt to see whether, as well as providing the income support safety net to unemployed people, we can’t do a lot more to facilitate them to undertake their own initiatives of various kinds, for example local co-operative ventures, or the so-called LETS schemes, or buying co-operatives. There are a whole range of things people could do to improve their circumstances. It might involve some small local enter-prise creation. We need to create a system which is much more facilitative and tolerant of those sorts of initiatives. There are some legislative changes which we’ve made that come into effect in March (1995), but I think, again, that we may be able to provide infrastructure, particularly information technology infrastructure, to facilitate that. The whole information revolution has potentially profound consequences, and I’m concerned to ensure that social security clients are beneficiaries of that and don’t end up, as per usual, left behind by these kinds of developments.

We have a number of fairly significant pilot projects going, which are going to test a number of concepts in that area. I must say that I’m very attracted to Amartya Sen’s conceptualising of inequality and poverty. In his 1992 book *Inequality Re-Examined*, he argues that the essence of poverty is constrained choice, severely constrained choice. In Australia it is pretty rare to have people facing starvation, absolute deprivation. I don’t say it’s non-existent. There are pockets of it in Aboriginal communities and that has to be an absolute priority to treat. But broadly speaking, if you’re looking at what we mean by deprivation and poverty, it is being able to access somewhat less than the generally accepted norm in the society of the sorts of goods and services and lifestyles to which most people can have access. So we need to address that, both through the income security system per se, but also increasingly through the provision of infrastructure and facilities that enable low income people to make the most of what they have.

So these are some of the things we’re looking at. Social Security faces some major challenges. In summary, we firstly need a system in which we achieve a greater degree of simplicity and comprehensibility in it’s basic structure. I think what we’ll end up is a rational categorical payment structure; I don’t see us going down the path of a Basic Income. That would involve a revision on both the outlays and revenue sides of and order of magnitude that is just not feasible. Nor do I think that the public would accept that idea. We do not have a categorical system which does attach certain conditions on people receiving income support. They receive that support in their capacity as carers, or job-seekers or whatever. To say that you can receive income support without meeting any of these sorts of conditions, I think the public would not accept that, but no doubt many people here would not agree.

Having achieved a more simplified, categorical system, I see that the longer term challenges is to start to build features into it that enable people on the payment system to shape and themselves design the basic features if that system, e.g, the time profile of the support they receive. We make all sorts of assumptions about when people need assistance. We should be allowing recipients themselves to make many more of those sorts of adjustments.

So that’s the broad direction. I intend to release a paper soon that will elaborate on some of these things, called ‘Beyond the Safety Net’, as an aid to the Department’s review of it’s strategic planning, which the ideas that many of you here today have, that is a system that is as simple as possible, yet ensures that assistance goes to those in need, and doesn’t go to those who aren’t. I think that’s the only way to go.
Introduction

Central to debate about the future of the ‘welfare state’ as we approach the end of the twentieth century, is the problem of employment, and welfare. In a context of permanent underemployment, disappointment at the failures of the welfare state some follow the path to social citizenship first trod by T.H.Marshall.1 Wiseman suggests typically that:

The most promising path appears to lie with rethinking and reworking the category of citizen. An important starting point is to reclaim the value of the ‘social’ and to articulate an ideal of citizenship defined in terms of social rights and responsibilities rather than the more narrowly individualistic market citizenship associated with the economic rationalist agenda.2

In particular Australian writers like Cass and McClelland, and Pixley have resurrected and renovated ‘traditional’ arguments for an identity between (full) employment and citizenship partly drawing on Marshall’s account of social citizenship.3

These specific claims for linking citizenship and employment are a small sample of a larger movement over the last decade or so to ‘rediscover’ citizenship and to re-write the history of ‘welfare states’ as a history of citizenship discourses triumphing over unrestrained capitalism.4 ‘Citizenship’ has consolidated its status as the ‘spray-on’ word of the 1990s rivalling its predecessor of the 1980s, ‘community’ for ubiquity and possibly exceeding it in its opacity.

Counter pointing this discussion is the revived interest in the idea of basic income the preferred term now used for a variety of proposals to develop guaranteed minimum or adequate income schemes. What this social policy idea proposes is the radical recasting of existing social security schemes (which are typically means and asset-tested, work-tested and activity-tested) by a single form of universal income security available to all citizens as a basic right with no requirement to demonstrate need.5 In effect the proposal for basic income establishes a new and fundamental plank in the platform of full citizenship rights, at least as fundamental to the future of citizenship as the idea of universal suffrage was to the nineteenth century. Equally it contradicts the older assumption that citizenship was predicted on access to the labour market as the precondition for any regime of social security.

In this paper I look to the links between full employment and citizenship especially as they are represented in the work of Jocelyn Pixley. I begin with the ‘classical’ model of citizenship and the implied relationship between employment and citizenship spelled out by T.H.Marshall.6 Forty years on, Jocelyn Pixley has reconstructed an identity between (full) employment and citizenship partly as a polemic against post-industrial and ‘workless’ utopias, and partly as advocacy for full employment policies.7 I agree with Pixley that there are strong grounds for restoring something like full-employment tempered only by a recognition of issues of feasibility and the constraints of sustainability. I ask if the proposed identity between citizenship and full-employment and Pixley’s claim that paid employment constitutes a necessary or sufficient basis for full citizenship, understood as social and political participation, can carry us forward in circumstances radically altered from those of the 1940s?

Marshall on citizenship and employment

Since Marshall’s classical text on citizenship and social policy, it has been impossible to this of state welfare without also thinking of citizenship. For Marshall the post-war ‘welfare state’ added social and economic rights to the more familiar array of civil and political rights. Marshall’s exemplary social liberal-welfarist statement was fabricated in the immediate post-1945. Those years were dominated by an optimism that Keynesian macro-economic ‘technique’ gave governments the capacity to deliver ‘full employment’.

Marshall claimed that ‘true citizenship’ required ‘a direct sense of community membership based on loyalty to a civilization which is a common possession’.8 For Marshall and others of his generation ‘full
employment’ provided one of the essential elements of that matrix of ‘community membership’ and its reciprocal obligations and rights out of which a social-liberal regime of citizenship might be built.

His account tied the ‘welfare state’ into an historical story of liberal ideas moving through three approximate stages. Beginning with ‘civil liberalism’ in the eighteenth century, through ‘political liberalism’ in the nineteenth century, Marshall takes us onto the ‘social liberalism’ that he claims has characterised ‘advanced democratic capitalist societies’ in the twentieth century. Marshall’s was by no means a Whig story of an inevitabilist or triumphalist kind – a sensitivity to the real mess of history few historians let alone sociologists can muster. Yet if he avoided the teleological fallacy, Marshall proved fallible in the way most men cannot avoid.

As Pateman notes, Marshall takes his rightful place in a long line of ‘social contractarians’ who presume a [male] individual–citizen identity. Defining citizenship as a matrix of reciprocal rights and duties making for ‘full participation in society’ has made for an ambiguous set of grounds for making claims on states for welfare rights not least of all because this assumes certain boundaries of social inclusion and exclusion.9 Marshall’s argument presupposed citizenship as a formal status:

Citizenship is a status bestowed on those who are full members of a community. All who possess the status are equal with respect to the rights and duties with which the status is endowed. There is no universal principle that determines what those rights and duties shall be but societies in which citizenship is a developing institution create an image of an ideal citizenship against which achievement can be measured and towards which aspiration can be directed. 10 (My emphasis)

For Marshall the idea of citizenship was presumed to possess two linked qualities; it pointed to a society of equals and to a universality of treatment in terms of the rights and obligations that defined citizenship. For Marshall citizenship presupposed and equality of status inasmuch as it provided a broad equality with regard to rights and duties. Marshall wrote of the ‘universal status of citizenship’. 11 Later writers have similarly assumed that the ‘logic of citizenship…tends to absorb ‘differences’ into one common universal status, the citizen’.12 For Marshall all citizens were equal in their capacities as citizens with regard to civil rights, political rights and most recently in their social rights. But how was this a plausible proposition in a capitalist economic formation?

The important paradox for Marshall was that welfare egalitarianism developed within social formation notorious for its systemic inequalities designed around the architecture of class. As Marshall put it:

Social class…is a system of inequality…it is therefore reasonable to expect that the impact of citizenship on social class should take the form of a conflict between opposing principles.13 After a good deal of historical analysis to show how these two principles of structuring social participation/exclusion took place, Marshall argued that equal civil, political and social rights, were no longer vested in the Lockean model of possessive rights grounded in property, but on ‘personal status’.14 Marshall claims that this:

…conflict of principles springs from the very roots of our social order in the present phase of development of democratic citizenship. Apparent inconsistencies are in fact a source of stability, achieved through a compromise that is not dictated by logic. This phase will not continue indefinitely. 15

In effect Marshall points to an historical compromise as the basis for his paradox of equality in the midst of inequality, whilst clearly allowing for its possible demise should the parties to the compromise presumably pull out of the deal.

**Forty years on: Pixley on citizenship and employment**

In a context radically different in some respects from that in which Marshall wrote, some Australian policy writers have mounted a far-ranging and plangent attack on post-industrial arguments for a workless future, defending the link between employment (and full-employment policies) and a renovated citizenship no longer blinded to gender.16 It is a context in which intellectual and social trends which could only have existed in Marshall’s nightmares have come to the foreground. The discursive and political effects of postmodernism, feminism, post-industrialism, and environmentalism are everywhere
apparent as are far-reaching transformations in the labour market and capitalist economies, and in structures of the life-world.

Pixley offers a comprehensive critique of the entirety of progressive and conservative post-industrialist arguments that would break the wage work-citizenship and security nexus by pushing on to a ‘post-work society’.18 Pixley argues that only labour market participation secures access to other forms of social and political participation which she argues are the sine qua non of ‘active citizenship’.

Pixley’s is a position that begins with the Marshallian conception of a fully developed citizenship, although she makes much of a distinction (inadequately differentiated in Marshall), between citizenship ‘duties’ and ‘obligations’.

An adequate form of citizenship depends upon full civil and political rights being extended to all and enhanced by welfare rights. But rights alone are insufficient. Democratic citizenship concerns obligations as well and there is a sharp difference between the obligations freely taken on by citizens, and the duties prescribed by the welfare state for everyone else, the marginal citizens,19 (My stress)

Like Marshall we need to wonder at what lies in the distinction between ‘citizens’ and ‘marginal citizens’. Much seems to hang, as in Marshall, on the notion of being able to ‘participate fully in society’, which is a resonant yet curious phrase. As Pixley puts it:

…employment is very much a part of being a citizen and…the issue of employment must be cast in terms of rights and obligations that make it possible to participate in the life of society. The case is not so much that wage labour is good or that the meaning of citizenship should be reduced to membership of the workforce…the issue is rather that exclusion from the mainstream of economic life cannot even allow for the possibility if developing an inclusive active citizenry.20 (My stress)

In claiming full employment ‘as an aim and as a trend’, Pixley argues that an ‘active and inclusive conception of citizenship’ requires ‘independent participation’ by citizens in both government and in the labour market.21 While she does not privilege employment absolutely, she argues that relatively in choosing between:

…paid labour and unpaid caring work, there is ‘a much greater potential of employment
Basic Income, Employment and Citizenship

Notes


7 J. Pixley, 'Citizen, Worker or Client? State Class and Welfare', in M. Muetzenfeldt, (ed), Society, State and Politics In Australia, Pluto/Deakin University, Leichardt 1992, and her Citizenship and Employment, op. dt

11 T.H. Marshall, Citizenship and Social Class, p.56

9 T.H. Marshall, 'Citizenship and Social Class', in Class, Citizenship and Social Development, p.76

11 Ibid, p.87


13 T.H. Marshall, Citizenship and Social Class, p.29


1.1 Citizenship and Social Class, p.84


Basic Income and Socially
Useful Work

Belinda Probert

Introduction
There is something about the idea of Basic Income which is both seductive and ridiculous. Its this paradox which helps to explain the cyclical attraction it exerts -and my own cyclical interest. At some level it is hard to take such a beautifully simple idea seriously, especially in the face of the pragmatism of Australian politics. Almost ten years ago the then Minister for Social Security, Brian Howe, asserted that:

It cannot be seriously suggested that a weekly floor be paid out regardless of resources, assets or annual income. We simply cannot afford such a scheme. Nor is it likely to be particularly effective in reducing poverty. It is a classic example of a good idea devoid of political relevance. (Quoted in McDonald 1991, p.1).

Exactly the same sentiments were echoed at this conference by the current Minister for Social Security, Peter Baldwin, who can see no future for the idea, arguing that 'targeting is the only way to go'.

The arguments for some kind of universal basic income are, nonetheless, extremely powerful, and while for some the concept is part of an explicitly utopian larger project, for many it is a logical and practical solution to the problems created by existing programs for delivering income security. My own interest in basic income schemes derives from an interest in both these areas. First, it can be seen as a strategic response to the fact that we are manifestly unable to restore full employment in Australia, and as a result Australia is becoming a society in which very significant numbers of people are excluded both from an adequate income and also social and political participation. The social security system which was designed to deal with short term and small scale failures in the labour market - failures in individual or family access to a market income – is in crisis.

Second, basic income is an attractive concept in as much as it can be seen as step towards a 'better society' in the longer run. This line of argument is necessarily more complex and more tentative than the first, but it is significant in terms of analysing the potential bases of support for such a measure. The argument for basic income must, however, be made in terms of its ability to address immediate problems of income security and poverty rather than its broader possibilities simply because these broader possibilities are unknowable in advance. We may - and indeed must argue about the likely impact of a universal basic income on a wide range of behaviours but the full range of short-term and long-term effects cannot be predicted.

Full employment and basic income
One of the most persuasive criticisms that has been made of basic income proposals is that they are a solution for faint hearts, a refuge for those who have given up on the central struggle for full employment. Less severely, it is also argued that to promote discussion about basic income is to reduce pressure on governments to take the measures necessary to restore full employment. Alternatively, it may be argued that basic income will be supported by employers eager for the state to underwrite their desire to bring wages down below acceptable minimums. However, rather than get defensive about my willingness or otherwise to give up on full employment, it seems more useful to briefly consider the real options that face us and the severity of the problems which must be addressed.

The first alternative program which we are being offered is that of the economic liberals who argue that the only way forward is to dismantle the overly generous elements of the welfare state and let the market play a much larger role in determining individual income. In Victoria under the Kennett government we see this program in action with constant reductions in funding for welfare programs. At the Federal level we have had almost two decades of attempts to reduce the size of the welfare state be it through the abolition of some transfers and services, or more restricted targeting and means testing for clients. At the same time the role of collective actors such as unions has been reduced, and the place of central regulation and protection increasingly circumscribed. Such measures, it is claimed, contribute directly to increasing productivity, economic growth and hence employment security.

While targeting of welfare payments has indeed helped to reduce poverty, it has done nothing to reduce the numbers needing assistance. Other elements of the package have contributed to new forms of poverty, particularly that associated with the growth of low wage and insecure employment. The argument that full employment is achievable through such measures remains far from convincing (Quiggin 1994). A significant variant of economic liberalism is to be found in the renewed social conservatism associated with the Thatcher and Reagan regimes in Britain and the United States. In these cases the promotion of the market and the constraining of the state is accompanied by campaigns to differentiate increasingly between the moral standing of individuals, between the deserving and the undeserving poor, between legitimate and illegitimate claims and claimants. In Britain this has led to continuing attacks on the rights of single mothers, for example. Such social conservatism has made relatively little impact on Australian debates, yet there is no doubt that there is increasing emphasis on evaluating the ‘attitudes’ of the unemployed - their acceptance of the moral obligation to maintain themselves in a state of ‘work readiness’ - in determining individual eligibility for benefits.

The third strategic option presented to us derives from traditional social democratic programs. In essence, this denies that there is a fundamental crisis facing welfare state, and rejects the need for any basic reorientation, insisting rather that we should defend and even further expand the welfare state. The focus in this case is on the absolute need for political determination and political commitment in what is seen as primarily a dispute about ideology. In the absence of new alternatives to the increasingly bipartisan adoption of economic liberalism, this call to defend the old welfare state is a banner under which many different kinds of people concerned with social justice not surprisingly congregate.

The Federal Government's White Paper Working Nation is an uneasy amalgamation of economic liberalism and social democratic commitments. The first half of this document is devoted to discussing strategies for promoting economic growth through increased market competitiveness. Even enterprise bargaining is claimed as a policy for reducing unemployment through its impact on productivity. Income support is to be increasingly conditional around a set of 'reciprocal obligations' which clearly involve the unemployed in proving themselves worthy of support and 'work ready', despite the continuing desperate shortage of jobs. The onus is increasingly on the unemployed to prove themselves worthy of support - which could be interpreted as rather more coercive than reciprocal, since it is not dear what society can in fact provide in return.
The second half of the White Paper recognises that the strategies promoted in the first half involve poverty wages for more and more people, and the reality of increasing dependence on transfer incomes. Changes to social security are proposed which will allow those on very low incomes to continue to claim income support, and to encourage those relying on income support to supplement it with a job (see Probert 1994 for fuller discussion).

The critical issue in evaluating the merits of the White Paper is the recognition that these policies will be implemented in an environment of continuing high levels of unemployment. The White Paper notably abandons the optimistic title of the Green Paper, Restoring Full Employment. In this context, access to basic income becomes more and more dependent on the discretion of the state rather than individual initiative. The emphasis on the 'active society' as opposed to the 'welfare society' is an attractive one, but the means to be active are consistently denied. The employment centred model of the welfare state has lost its centre.

The role of basic income

The fundamental impulse behind basic income schemes is to redress the twin problems of poverty and stigma. It was with this in mind that it was first put forward in Australia, as a response to the 1972 Royal Commission into Poverty.

So why not a basic income paid to all on the basis of citizenship rather than employment status? The criticisms which have been made are legion: it will be too expensive; it will make people lazy; it will create a new and different kind of underclass; people who pay for it will resent those who benefit from it, and so on. These are criticisms which have been much debated, and to which reasonable responses have been made. (See the collection of articles edited by Van Parijs 1992.) The criticism which I want to take up here is of a different order, and concerns the point that access to employment is about far more than access to an adequate income. It is often about access to status, identity, meaning, pleasure, relationships, reciprocity and much else, even when the work is not intrinsically satisfying. For some writers, work is therefore the basis of genuine citizenship. This is why so many married women living in comfortable and even kindly households saw access to equal employment opportunities as central to women's equality with men.

Access to a basic income would not, in itself, make much difference to these non-financial needs and desires. Nor would the provision of basic income address the social problems which derive from these individual experiences of exclusion from paid work - in particular the kind of social disintegration stemming from the way increasing numbers of individuals are excluded from full citizenship. As many women know, income plus membership of micro-social communities such as the family, or the school community - is not enough. For young people, income alone is an inadequate basis for making the transition to adulthood.

These concerns have been ably articulated by Andre Gorz in his article entitled 'On the difference between society and community and why basic income cannot by itself confer full membership of either' (1992). In Gorz's words:

You will earn economic citizenship solely by those activities which you perform as a citizen, in the public sphere, for the benefit of others as citizens; for their benefit as citizens and not as private individuals with whom you are linked through particular private bonds (1992,181).

Public work in this larger macro-social sphere means several distinctive things for Gorz. It means the social recognition of your usefulness, not just the recognition of individuals related to you personally, such as your elderly parents or children or husband; it means that you are not working for your boss personally, but to fill some social need or requirement. You do not owe your employer more than a definite quantity of time and quality of work; you need not please him or her personally and your boss owes you respect (Gorz 1992,181). (It is easy to see how much unpaid work fails to meet these criteria, and the related lack of public status that it conveys.)
For Gorz, 'access to work in the public sphere is essential to economic citizenship and to full participation in society; a basic income alone is clearly inadequate. (For similar views on the link between employment and citizenship see Pixley, 1993.) The line between this kind of approach to basic income and variations of 'workfare' or 'work for the dole' may seem a little thin. Yet it is essential or recognise the fundamentally different view of human nature underpinning each. For Gorz and like-minded proponents of basic income, it is just as much of a loss to be deprived of the opportunity for 'public work' as it is to lose the income associated with it. The problem for society is to provide everyone with the conditions for economic citizenship. For the proponents of work-for-the-dole schemes, the problem is the opposite: how to prevent people from opting out of 'public work' if they can get income support with no strings attached.

If the Gorzian view of human nature is closer to the truth than that of those who see the unemployed as potential dole bludgers, then the element of coercion - the requirement that individuals work in exchange for basic income - can be removed from the scheme. No behavioural preconditions need to be attached to the payment of basic income. This is not to suggest that there are to be no reciprocal obligations; on the contrary, reciprocal obligations are the cement of any genuine society or community. 'You cannot become a member of any community if you have no obligation whatsoever towards it. Being a member of a group means that you can rely on others, but also they can rely on you. There can be no inclusion without reciprocal obligations' (Gorz 1992,184).

It is of course important to recognise that in Europe there is a far wider political vocabulary about citizenship and reciprocity than in Britain and Australia - with the result that, in the latter, talk of reciprocity (when it comes to citizens) often carries with it distinctly coercive overtones since it is not at all clear what society or the state is actually offering in exchange - and this is more and more the case the more targeted and conditional benefits become.

While the concept of reciprocity in the White Paper Working Nation is strongly focused on the obligations of the unemployed, it assumes a fixed philosophical and ideological framework within which the attitudes of 'society' or those who are employed are constructed. It is this framework which largely shapes the responses of successive Ministers for Social Security, whatever their sympathy for the plight of the unemployed. In particular, Why should I pay taxes in order to provide an income to someone who is doing nothing?'. This problem is, of course, directly related to the discourse of the post second world war welfare state in which it was expected that breadwinners would earn their living from waged work, with welfare benefits confined to those without work.

As Alain Lipietz so succinctly puts it, 'the bizarre nature of this rule is not apparent so long as those in receipt of benefit are only a small proportion of the population, or when the 'non-workers' wage' is legitimate, as in the case of retired people .... However, this norm has consequences which are schizophrenic, even Kafkaesque, for those people in work as well as non-working people' (Lipietz 1992,93). In particular, as welfare recipients rise in number, those in work (employers and employees) begin to protest at the financial burden they must carry - and we have the creation of fertile ground for dole-bludger discourse.

There are many grounds on which the potential benefits of a basic income scheme for society as a whole and for particular interest groups can be identified. Such a scheme could greatly advance the objective of labour market flexibility; encourage life long training and learning; increase equality between the sexes; remove some of the social stigma attached to 'welfare; dramatically simplify the administration of welfare and so on. But such arguments fail to grapple with the issue of reciprocity, and with Lipietz' argument that those who pay the taxes will only support those in need if the latter 'show their solidarity with society, which is paying them'. Rather than place the onus to demonstrate solidarity on the unemployed, however, it is 'up to society to give them a chance to do so' (1 992, 99).

The possibility of devising means to promote social solidarity is one which should be of interest not only to those marginalised by contemporary economic and social changes, but to everyone. Problems
arising from the fragmentation of modern states around disadvantage, race and ethnicity have been well documented in the United States and Western Europe, and similar stresses are evident in Australia (Marcuse 1994).

**Basic Income and Socially Useful Work**

Lipietz is not alone in his focus on the obligations on society to provide ways in which the unemployed can 'usefully' participate. Claus Offe, another eminent European proponent of a basic income, has argued that we would need to be able to show that the voluntary unemployed are actually involved in 'useful' activities. And these useful activities cannot be confined to the microsocial world of parenting and self-help networks. This is not economic citizenship or full participation. As Offe puts it, 'If one wishes to be able to make this point as compellingly as it will need to be made, one will have to provide for institutional alternatives to paid work as well as for meaningful arrangements for manpower development, rehabilitation and training' (1992, 75).

Extensive cooperative and other institutional forms of non-wage labour outside formal employment must be experimentally developed in order to expose the near monopoly that the institutional arrangement of formal employment holds over the universe of useful human activities in competition with alternative modes of 'getting things done'. (Offe 1992, 73)

**What exactly are 'useful activities'?**

It is essential to emphasise at this point that it is not my intention (or that of Offe or Lipietz) to suggest that the obligation to participate become the criterion for basic income, for that would be to resurrect the concept of 'workfare' or work for the dole. On the contrary, as Offe has argued, the case for citizenship-based entitlements to a basic income means that:

not paid labour but 'useful activities', including activities performed outside employment and the labour market and hence escaping formal measurement and accounting, constitute the moral justification of the claim to benefits, to the receipt of which no behavioural preconditions are to be attached (1992, p. 70).

A universal right to basic income should be designed to provide 'not (absolute) security but a sustainable level of risk and the maintenance of autonomous options concerning the citizen's responsible conduct of his or her life' (p.70). The citizen's right to basic income is a necessary defence against social coercion. The problem is then not how to ensure adequate motivation to participate in useful activities, but rather the provision of adequate opportunities for useful participation.

One example of thinking through the ways in which opportunities for public participation and citizenship can be generated on an adequate scale is to be found in Alain Lipietz book, *Towards a New Economic Order* (1992). In Lipietz's work it is the third sector rather than the private market or state sectors which might provide these opportunities. Like Gorz and Offe, Lipietz is proposing a universal allowance or basic income scheme, but he is also proposing it be accompanied by the planned expansion of community enterprises or intermediate firms on a sufficient scale to provide opportunities for everyone to engage in 'useful activities'. For Lipietz the development of the third sector therefore should be seen as developing a basic income scheme in a way which will extend social solidarity rather than undermine it.

To summarise Lipietz' argument very simply, a new sector of activity needs to be created, limited to about 10 per cent of the labour force (or the current unemployment rate). In this sector workers would receive a normal wage from what Lipietz calls 'intermediate agencies for socially useful schemes' (1992, 100). Their income would be derived from a mixture of the universal allowance (replacing existing unemployment benefits) and a wage derived from the goods or services provided by these agencies. The work of intermediate firms or agencies, financially supported in this way would centre on socially useful activities where the market and the state are unwilling or unable to operate. These would include providing labour intensive services which the welfare state cannot afford such as convalescent care; some of those services now provided by women for no return and with little say in the matter; and those which
are not provided because they are too expensive such as improvement of the environment (not just the planting of trees), and cultural activities.

In this model, the universal allowance or basic income would be paid at something like two thirds of the minimum wage in order to ensure the support of those in low paid employment. Anyone relying on this basic income would also, however, have the right to participate in a range of third sector activities and enterprises for which they would receive an additional income derived not through taxation but through work providing goods or services for which there was some kind of market demand, capable of generating some kind of return. In other words, this sector should not be full of make-work schemes and painting rocks white - but should be shaped by the requirement that it meet social or community needs as expressed through some kind of financial contract.

The total tax bill for such a scheme need be not much higher than existing levels since Lipietz (like many other supporters of a universal scheme) envisages that those with other income from employment or wealth will be obliged to offset one against the other (see for example the proposal for an Australian income support system in McDonald, 1991).

Proposals for the development of such a third sector have attracted a range of 'feasibility' criticisms. These include concerns about the danger of creating a low wage, stigmatised employment ghetto; the danger of undermining wage levels in the private or state sectors; the possibility of undermining existing market sector enterprises and state services and so on. These criticisms are addressed by Lipietz, and I do not wish to pursue them here. There seems, however, to be little doubt that there is indeed an enormous range of socially useful and desirable activities which are unlikely to be addressed by private enterprise or by increasingly impoverished governments. Even the recent White Paper on employment, Working Nation, recognised the large scale opportunities this presented for what the Paper calls 'New Work Options'.

The focus here is, rather, on the somewhat elusive concepts of 'useful activity' and 'social solidarity' which are seen as central to broad social support. The example given by Lipietz to illustrate the political possibilities of his program focuses on the so-called 'stairwell policy' of the Ecologie 93 candidates in French elections during the 1980s. Here a community-oriented third sector was promoted as 'a way of fighting loneliness, marginalisation and racism' as well as being 'a superb way to avoid the need to moonlight' (1992,102). Thus, a team of young people from varied ethnic backgrounds might work to improve the living environment of old women in public housing who see such people as part of their problems. Ideas such as this are not new and have been a powerful impetus within local communities here in Australia where community and cooperative enterprises have sought to provide employment and vitally needed services on a local basis.

More than just a safety net

The debate about basic income schemes is fuelled most directly by a concern with continuing high levels of unemployment. While unemployment has clearly had in impact on many different social groups, it is clear that the brunt of the problem is being borne by those with fewest qualifications, with the result that the debate has been seen to be about 'people with problems'. Even in Lipietz proposal to link basic income with the development of intermediate firms there is a clear recognition that this is primarily of relevance to those who are least competitive in the labour market. However, it is important to return to the ways in which basic income schemes might be seen as mobilising broader support and interest around both the possible benefits for specific social groups and the idea of its longer-term transformative potential. It is, of course, no coincidence that such a range of eminent European radicals with little interest in the general field of social security policy should be writing about basic income.

Among the many possible advantages which basic income schemes could offer to all citizens are: real choice about the individually most desirable mix of paid work and free time, to the extent that 'discontinuous' employment might come to be seen as preferable to current norms of full-time
life-long employment; opportunities for self-employment; the elimination of situations where benefits are paid only if recipients remain idle, not only for the unemployed but for citizens of retirement age; greater options for women; and an incentive to undertake further education and training on a life long basis. Alongside the benefits which might be experienced individually, there are also a number of social or collective benefits which might flow from such schemes. For example, increased preference for free time over paid work and the labour intensive service orientation of third sector proposals might both be expected to reduce pressure on the balance of trade and on the environment.

Less tangibly, proposals of the kind developed by Lipietz are aimed not just at addressing fundamental issues of poverty and social justice in a distributive sense. As Guy Standing has suggested, basic income 'might release creative energies if one accepts the view that insecurity does not stimulate co-operative, collaborative work effort and that security does not lead to passivity and idleness'(1992,59). Even more importantly, basic income schemes are also explicitly concerned with the problem of social solidarity and social cohesion in the face of widespread fragmentation. Australian Social Democracy prided itself on its ability to create and defend a framework for inclusion based on full employment for male breadwinners, a centralised wage-fixing system, and a welfare safety net. The need for a new framework could not be more stark.

References


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The Future of Income Support in an Open Economy:
The Concept of Participation Income

Bettina Cass
**A participatory view of social citizenship**

How might debates about the future of the Australian welfare state and of income support encapsulate a moral discourse and political commitment to embedding a participatory conception of social citizenship in our interconnected public policies determining the distribution of work and welfare and the distribution of social advantage and disadvantage? To frame this question comprehensively requires a focus on the distribution of paid and unpaid work and their fair recompense, and also a focus on income support arrangements which support adequately and equitably those periods of life characterised by labour market exclusion or the responsibility to care for vulnerable family members. And this must be done within a moral discourse which recognises the equality of dignity and social interdependence which our shared humanity requires, and the overwhelming imperative to achieve two inter-related objectives: consistent reduction of poverty and inequality and social integration and inclusion, rather than social exclusion, in the institutions of the labour market and of civil society. Finally, this debate must be located within an appreciation of the strengths, as well as the weaknesses, of the peculiarly Australian system of social protection and the anticipated developments of this system, looking at social transfers and the means for raising the necessary revenue on which reforms will need to be predicated.

In the industrial countries, various models of social protection provide different degrees of social integration or exclusion, and more or less equal distributions of resources which affect the life chances and economic welfare of those rendered vulnerable by a number of intersecting inequalities, in particular those generated by the interconnections of class, gender and race. These various models of social protection, which in the advanced industrial market societies intervene in the relations of markets and gender orders, are not only the products of political, administrative, labour market and social processes, including those institutions considered to be partitioned off as 'private life' in family/households, they are also key actors in the distribution and redistribution of resources, income, opportunities and the conditions for full and active participation in civil society (Esping-Andersen 1990; Pateman, 1989a; Cass 1994a; 1994b). However, despite the proliferation of various forms of welfare state provision in the market economies of the advanced industrial countries, in particular those of the OECD region since World War II, neo-liberal and neo-conservative critiques and partial or fundamental dismantlings of post-war systems of social protection have emerged, particularly in the Anglophone countries, including UK and New Zealand (Mishra 1990; Mitchell 1992). In Australia however, systematic reviews of social policy developments over the last decade indicate that the interaction of labour market trends (employment and unemployment rates and the forms of employment), labour market policy interventions, tax, transfer and social wage measures could best be characterised as a set of economic and social policy vectors moving along contradictory pathways. On the one hand, labour market and market income trends have tended towards greater levels of inequality and social exclusion; on the other hand, social policies, particularly through some aspects of income support and community services, have produced countervailing, but not sufficiently countervailing, equalising measures of redress (see in particular Whiteford, 1994; Harding and Mitchell 1992; Harding 1994; Cass and Freeland 1994).

This paper takes the view that a socially just approach to equitable and inclusive social protection must
entail a movement from the enforced dependency of some categories of people in a climate of economic and social inequality and subordination, to the formation of economic and public policies which redress the inequalities generated by unregulated markets, race discrimination and an unequal gender order. The objective is to create a system of interdependencies, that enable and resource people to live in cultures and structures which value mutuality and reciprocity, rather than entrenching dependence and vulnerability. To do this thoroughly requires that a number of forms of social participation are recognised and supported in the distribution of disposable incomes derived from combinations of market and social transfer sources. These forms of social participation must go well beyond prevailing assumptions that social contribution is encompassed entirely by market activity; that paid work or the lack of it (usually called economic activity or inactivity) are the key determinants of the distribution of advantage and disadvantage, and that social transfers constitute a form of compensation for exclusion from work, rather than recognition of a multiplicity of forms of social participation. Reconceptualising social participation requires a new definition of ‘work’ as ‘human activity that serves a social purpose’ (Parker 1993). Debates about reform of the Australian system of income support need to begin with such fundamental rethinking, rather than uncritically importing the European and British 'basic income' debate, as if the Australian social security system were not relatively unique, with its own set of historically constructed strengths and weaknesses.

In Australia debates are emerging about ways to strengthen the model of social protection, moving from forms of limited entitlement to the enunciation of rights and responsibilities that are potentially prefigurative of much more participatory forms of social citizenship. It is crucial to emphasise that this debate is centred not only on forms of social protection and redistribution through the tax benefit system (Castles and Mitchell 1992; Harding and Mitchell 1992), but equally strongly on the essential role of increased public sector investment in labour market policy interventions in redistributing and expanding employment opportunities (Commonwealth of Australia 1994; Aspromorgous and Smith 1995) and on the family policy interventions which better recognise and support non-market caring work (Shaver 1992; National council for the International Year of the Family, 1994a; 1994b).

It would be fool-hardy, however, to infer that these debates are uncontested: indeed debate was sharply polarised in 1992 around the future of the Australian system of social protection through wages regulation, social security and human service provision, a debate which centred on neo-liberal or social democratic futures for the Australian welfare state, as encapsulated in critiques of the Opposition's Fightback! manifesto (Vintila, Phillimore, and Newman 1992; Cass and Freeland 1994). Debate continues in 1995 to be focused on central issues of social protection. The first matter is the retention of forms of centralised wage regulation through national industrial relations legislation, the Industrial Relations Commission and the awards system which provide a strong 'safety net' of protective standards for all employees, and particularly the least industrially powerful, in a period of increased enterprise bargaining; countered by advocacy for thorough deregulation of the wages system through enterprise bargaining (Sloan 1994). The second concern is that levels of public investment in labour market programs and employment growth should be sufficient to reduce unemployment substantially (McClelland 1994; Australian Catholic Social Welfare Commission 1994). The third matter concerns the future role of social security in providing an adequate basic income in a substantially changed, increasingly deregulated labour market, where the expectation of the gendered distribution of paid and unpaid work (traditionally a 'male breadwinner' model of full-year, full-time employment for male workers and interrupted, casual and part-time employment for women with children) is the subject of strong revision (Cass 1994b, Freeland, 1993;
Perry, 1994). The fourth matter concerns the debate about the advantages and disadvantages of reinforcing the 'targeting' of welfare in a climate where fiscal imperatives and budget deficit reduction are again given primacy in policy debate, as if the question could be settled without reference to other contiguous public policy issues: the reduction of unemployment and the broadening and strengthening of the tax base (as well discussed in Whiteford, 1994).

Interdependence and reciprocity as the basis of social citizenships and social participation

The satisfaction of social citizenship rights in Australia necessarily must derive from the interaction of secure and adequately remunerated employment and other forms of social protection through the tax/benefit system. The failure to acknowledge this interaction results in viewing people who rely on social security or who do not participate in paid employment as being dependent and a drain on the resources generated by economically active citizens, whilst those who are employed are seen as independent. This very dichotomisation, characteristic of late 20th Century neo-liberal thought, as it was of the less eligibility' principle underlying various 19th Century Poor Laws, is a denial of mutuality and interdependence. The dichotomy hinges on what is defined as work, whether and to what extent work will be rewarded, which form will be rewarded well, which poorly, resulting in the devaluing of caring work, primarily carried out by women. In this paper I use the definition of scaring work' developed by Kari Waemess (1984) which holds that 'It is not the material need to produce for survival that defines caring as work, but the normative obligation to intervene, evoked by the need of the other'. The irony is that those most likely to be classed as dependent are those responsible for the care of vulnerable others: children, older people, the sick and those with disabilities, those people who are carrying out socially necessary work in families/households and communities, work which constitutes the social infrastructure of both market economy and civil society, as well as the essential underpinning of human life and dignity.

This constitutes one form of ascription of dependence and denial of social citizenship, closely paralleled by the failure to acknowledge the rights of citizens who rely on income support because of their market exclusion, old age, illness or disability or responsibility to care for vulnerable family members. All these forms of exclusion constitute paid labour market activity as the privileged source and site of all value.

The task is to challenge fundamentally the market and masculine-centred dichotomy of independence/dependence, as if 'the normal human condition is independence and dependence is deviant' (Fraser and Gordon, 1994). This requires a reconceptualising of social citizenship as interdependence, so as to reframe the significance of social security and human services provision, minimum wage protection, policies enforcing gender wage equality and policies recognising the family responsibilities of employees, (the whole sphere of the social wage), in redressing market and gender induced inequalities, legitimating and supporting caring work.

Breaking down the independence/dependence dichotomy in welfare discourse and practices is essential to the politics of 'inclusion in the context of four essential characteristics of late 20th Century advanced industrial economies, including those of the OECD and the 'societies in transition' of East/Central Europe. The first is the growth and apparent intractability of high rates of unemployment, and most particularly high rates of long-term unemployment; the second is the construction of higher levels of global interdependence, resulting from an ever increasing division of labour and spread of advanced industrial technologies so that the long-term Western
command of the industrial system has been ineluctably eroded; the third is the recognition of global interdependence in the sphere of environmental and resource sustainability; the fourth is the increased insistence that states recognise the fundamental rights of women to equality of resources and participation as citizens.

What principles might be put forward for the project of stimulating debate and policy action in the contested arena of income support reform in Australia? (These ideas are derived from and more fully elaborated in Cappo and Cass 1994).

The first principle is that policies of social protection must be embedded not only in the tax/transfer system, not only as a system of redistribution, but in the primary distributions determined by markets.

To do otherwise is to maintain a deep tension between the processes of citizenship and market processes. Policies which strengthen, erode or negate social protection permeate economic structures: including the regulatory and/or market processes determining primary income and wealth distributions; structures of employment, unemployment and under-employment; the impact on income and resource redistribution of the tax system, transfer payments, the housing system and access to human services. This means that creating a more equal distribution of income and resources must depend upon the transparent interconnections of social and economic policies, rather than devolving the responsibility of redistribution and redress entirely to the benefits/transfer system, leaving economic and labour market policies to embody only efficiency principles. The divergence of equity and efficiency principles and their relegation to different arenas of public policy have been key characteristic of neo-liberal welfare state politics in the 1980s and early 1990s, with significant implications for the distribution of economic welfare.

A second principle which can be put forward is the priority to create social and economic structures that materially support and value the non-market responsibilities of care carried out in the intimate life of family and household, not through conservative rhetoric which enforces women's exclusion and economic dependence, but through democratic redistribution between men and women of the responsibilities of unpaid care and paid employment, with a corresponding radical challenge to the patriarchal dichotomy of dependence/interdependence.

It is clear that the ideological conviction about the separation of public and private spheres in Australia, as in other capitalist welfare states, is fundamentally ill-conceived (Pateman 1989b). Most women, and some men, with caring responsibilities enter 'economic life' and 'public life' not as most men do, not as independent economic and political citizens, but as people who bear in their everyday lives, their psychological, emotional and material lives, the responsibility to care for others (Land 1989; Pateman 1989a; Waerness 1987).

This brings into focus the concept of citizenship as individual civil, political, and social rights, which are collectively claimed, provided and enforced as rights against the state (civil rights); rights to participate within the state (political rights) and rights to receive social benefits through state redistributive agencies (social rights) (Barbalet 1988). Each of these notions conceive of the 'citizen' as an independent, autonomous actor; participating as an individual in the labour market, participating democratically as an individual
citizen in political processes and in civil society, receiving social benefit entitlement as a right based on individual citizenship. But each of these conceptions is unable to represent the ways in which women with caring responsibilities are either excluded from full participation, or participate in ways limited by their responsibilities to care for others, or participate in ways which are qualitatively very different, precisely because they are providers of a vast infrastructure of informal welfare outside of market structures and regulations and market systems of remuneration (Fraser and Cordon 1994).

A third principle for debate is to define a social democratic conception of social citizenship rights which recognise both the right to employment and the right to an adequate income when one's labour is de-commodified either by labour market exclusion or the responsibilities of family based care. The challenge to systems of social protection in the industrial countries of the OECD region and of East/Central Europe in the latter part of the 1990s are of course very different from those elaborated in the 1940s in terms of the 'full employment' objective of Beveridge and Keynes in Britain (Beveridge 1944; Able Smith 1992), Coombs in Australia (Smyth 1994), and various labour movement activists in the Scandinavian countries (Marklund 1992; Stjerno 1992). The challenges are not only the recognition that unemployment, underemployment and long-term unemployment are the predominant issues for social protection and social integration, as emphasised in the European Union's Mite Paper on Growth, Competitiveness and Employment (1993). They also include the claims of women, which were much less strongly articulated and more easily denied in the early post-war period when the concept of 'full employment' was elaborated, that their right to employment be fully recognised and met (a right well recognised in international covenants but still subject to conservative counter-claim). Further, systems of social protection are now the object of claims to recognise and support the work of family-based care, previously a hidden infrastructure, veiled by the assumption of care as women's 'natural realm' and therefore outside of the contested processes of welfare state provision, except in so far as women's allegedly natural dependency should be protected. The claim for social citizenship in the 1990s is a very different one, concerned with gender fairness in the distribution of paid and unpaid work as the only basis to value and support the work of care in systems of social protection, and the only basis for breaking down the independence/dependence dichotomy.

Finally, it is impossible to contemplate far-reaching reform of the system of social protection, unless full attention is paid to other side of the revenue system: financing an adequate, equitable and redistributive system of social protection through tax reform. A fourth principle therefore is that debate about bold and imaginative futures for income support in Australia requires that all elements of the system of social protection are laid on the table: wage fixation and the regulation of employment relationships; social transfers for those excluded from labour force participation and those engaged in caring-work; public and private sector investment in employment growth, education and training; housing and regional development and tax policy. The liberal democratic orthodoxies of the 1980s and early 1990s, particularly in respect of reduction in investment in physical and social infrastructure, and reduction of the tax-take as a proportion of gross domestic product, will all need to be fundamentally re-examined.
This paper addresses only a small portion of the total project; the characteristics of the Australian system of social security, its redistributive impact and effectiveness; and then concludes by indicating ways in which Australian social security/tax policies might embed a more democratic and inclusive conception of the manifold forms of social and economic participation characteristic of human social life in an advanced industrial society.

The characteristics of the Australian system of social protection and its redistributive impact

Current analyses of western welfare states, in particular the work of Esping-Andersen (1990), emphasise the dustering of various welfare state types, usually categorising Australia within the 'liberal welfare regime' with other Anglophone countries, to denote the relative reluctance of governments to intervene in market arrangements, and to provide comprehensive systems of social protection. Castles and Mitchell (1992) have reconsidered this categorisation of Australia by establishing the direction and quantum of redistribution through the taxation/benefit system as the central analytical question. This analysis concludes that, in light of the historically formative role played by the labour movement in institutionalising both minimum wage protection through centralised wage determination, and redistribution rather than contribution as the core of income support arrangements, by instituting a fully social assistance system of social protection with no social insurance base, Australia is more appropriately designated a 'radical redistributive' welfare regime.

To what extent do these alternative categorisations of the Australia system of social protection as a 'liberal welfare state' or a 'radical redistributive welfare state' best capture the characteristics and outcomes of, as well as contemporary debates in Australia's contested welfare history?

The period of Federation at the turn of the century set the parameters of Australia's system of social protection, based on the establishment of two minima: the living wage for adult men set by centralised wage fixation and a social assistance 'floor' for the aged and disabled. During the Second World War and post-war reconstruction, Keynesian economic policy set an agenda for high levels of economic growth and full employment, through the central role of public investment in physical and social infrastructure. In the words of the 1945 Mite Paper, Full Employment in Australia, 'public capital expenditure’ was considered necessary to stabilise and maintain the totality of public and private sector expenditure and thus to maintain the level of demand essential to strong employment growth. In addition, the consolidation of the social security system as a general revenue based, flat-rate and means tested system, confirmed the parameters of the mildly redistributive, characteristically Australian system of social protection (The Parliament of the Commonwealth of Australia 1945; Smyth 1994).

Successive conservative coalition governments throughout the years of the 'post-war boom' maintained these interventionist approaches, but with more conservative Keynesian economic policies and a more restrictive approach to the development of welfare services. From 1972 the Whitlam Labor Government's attempts to realise and to extend the progressive potentialities of the Keynesian welfare state, particularly in respect of social security, gender equality in wages policy, and community service provision, were cut short by the onset of international and national recession in 1974. From this point, the legitimacy of Keynesian...
policies was challenged fundamentally by revitalised neo-classical economic policies, which redefined the objective of full employment as contrary to, and able to be sacrificed to other economic priorities: the control of inflation and the reduction of social expenditures.

The initial economic and social priorities of the Hawke Labor Government from 1983 were the promotion of strong job growth and the sustained reduction of unemployment from its highest postwar level of almost 10 per cent. Within the framework of the Prices and Incomes Accord with the Australian Council of Trade Unions (ACTU), the Labor Government established a reasonably integrated combination of wages policy, tax and social security arrangements, composed of market wage restraint accompanied by compensatory 'social wage' measures. These measures, accompanied by strong job growth and substantial reduction in unemployment until 1989, are considered to be among the more progressive outcomes of Labor policy (Stretton 1987). The onset of deep recession and very high levels of unemployment from 1990, however, followed at least four years of stringent fiscal policy, and several years of tight monetary Policy, characterised by very high interest rates in a de-regulated financial market and banking system. From mid-1988 the priority of strong employment growth was sacrificed to inflation control and to producing a more favourable 'balance of payments'. Well before this, however, fiscal policy had focused on the reduction of public expenditure and of tax revenue as a proportion of CDP, in the belief that a reduced public sector would make way for increased private sector investment (Cass and Freeland 1994; Whiteford 1994).

In the early 1990s, however, there was a strong resurgence of polarised political debate, partly in response to the depth and apparent intractability of the domestic and international recession, and partly influenced by the Liberal /National Parties' attempts to establish a more radical neo-liberal social and economic policy agenda. In response to the persistence of low rates of growth and increasing unemployment (with particularly high rates of long-term unemployment), Government initiatives outlined in the One Nation Statement and extended in the 1992-93 Budget indicated a new recourse to a modified variant of post-Keynesian policy. This was reflected in increased public investment in physical infrastructure and labour market policies, but not an investment sufficient to influence reduction of unemployment or long-term unemployment.

Counterposed to these initiatives was the Liberal/National Parties'economic and social policy agenda, which also adopted the logic of using public capital investment in large scale projects to boost economic and job growth, but simultaneously outlined plans for a marked reduction in expenditure on human services and labour market programs, and heralded radical deregulation of the centralised system of industrial relations and wage determination. These latter plans derived their models from the conservative policies, and in particular the radical liberal reconstructions of industrial relations policies of the United Kingdom and New Zealand (Vintila, et al, 1992; Garnaut and Viviani 1992).

There are some indications that, in response to what is perceived as the 'economic rationalism' of both the Government in the latter half of the 1980s and the Opposition, a new informal coalition of liberal
and social democrats, outside of the party political process, formed around the objective of reclaiming the political, economic and ideological agenda. Despite their different points of emphasis, the nub of the arguments is that social relations should not be reduced to the rules of commodity exchange and that social policies should not be subjugated by the unequal allocations generated by unregulated markets (Australian Catholic Social Welfare Commission 1993; Disney 1.987,1989; Kemp 1991a, 1991b; Manne 1992; Pusey 1991). What is required, according to this argument, is not a radical liberal repositioning of market and state, so as to 'free up' the market, but a renewed and long-term emphasis on strong public investment, better rather than less market regulation, strong employment growth, the concerted reduction of unemployment and more adequate and extensive income support and other social welfare arrangements (Stretton 1987; Cass and McClelland 1989. Head and McCoy 1991; Vintila et al, 1992).

The Labor Government's most recent policy response to unemployment, The White paper on Employment and Growth, Working Nation (1994), represents a more comprehensive development of the labour market program measures introduced in the One Nation document, with the addition of extensive social security reforms for unemployed and low income couples. However, while substantial increases in social investments in employment, education and training through labour market programs were promised, public sector investment in infrastructure development at regional levels, in both physical and social infrastructure, was given lower priority. In many ways the 1994 White Paper's cautious approach to public investment in physical and social infrastructure (when compared to the wholehearted endorsement of this approach in the 1945 Mite Paper of the Post-war reconstruction period), continues to align Australia (in this sphere of public policy) with the Anglophone liberal welfare regimes, characterised by a reluctance to invest in central economic processes.

The question remains: to what extent has the Australian system of social protection through the tax/benefit system been redistributive, and to what extent has it redistributed adequately, in the period of labour market restructuring and high levels of unemployment since the early 1980s?

In assessing the efficiency and effectiveness of Australia's tax-transfer system in the period 1981/82, 1985/86 and 1989/90 (prior to the 1990-93 recession), Harding and Mitchell (1992) found that the interconnected social security policies of more rigorous 'targeting', combined with considerably increased payments for families and private renters, were more effective and marginally more efficient over the 1980s. This was despite tax policies which reduced the progressivity of the personal income tax marginal rate structure. Between 1981/82 and 1989/90, poverty rates using several measures increased steadily, taking only market incomes into account, but the effectiveness of the tax/transfer system in alleviating the poverty generated by increased inequality of market earnings varied greatly over the period. Between 1981/82 and 1985/86 poverty rates measured after tax and after the receipt of social security transfer payments increased; by 1989/90 however, even though poverty based on market incomes had continued to rise, poverty rates after taking account of the receipt of social transfer payments and the payment of tax had fallen below the 1981/82 levels.
A similar conclusion is reached in Whiteford's (1994) comprehensive review and analysis of the impact of the tax/transfer reforms and labour market changes of the period 1983-90. Whiteford concludes that living standards were higher and inequality slightly lower in 1989/90 than in 1983/84. Further, his analysis depicts a tension between egalitarian-inspired social policies and economic policies 'attempting to enhance efficiency', in a way which highlights the deep contradictions in divorcing concepts of equity and efficiency, economic and social policies. It seems clear therefore, that the Australian system of income support and social transfers was strengthened in its redistributive role, precisely when the distribution of market incomes became considerably more unequal, in the context of labour market changes in the structures of both industries and occupations, increased rates of unemployment, long-term unemployment and labour market deregulation resulting in an increased proportion of all employment which is part-time and casual (Gregory, 1992; Romeyn, 1992).

The most recent analyses of poverty trends carried out in 1994 and reflecting the effects of the significant increases in unemployment in the period 1990-1993 (which are not reflected in the analyses of Whiteford (1994) or Harding and Mitchell (1992)), indicate a mixed and ambiguous result: poverty rates have not increased as might have been anticipated in the climate of increased unemployment, but it is clear that a stronger social security system has been unable to sufficiently counteract labour market and industrial processes exacerbating market income inequality (Harding, 1994a). Despite the improvements to the system of family payments which were introduced from 1987, the family units which are still the most vulnerable to poverty after paying their housing costs are sole parent families and couples with children, where the parents are unemployed or in low paid work, usually self employment. In September, 1994, 21 per cent of sole parent families and 12 per cent of two parent families with dependent children were in poverty (using the Henderson Poverty Line, taking account of housing costs and assuming that unemployed families face the same costs as those in employment, i.e. the costs of job search) (Harding 1994b). In addition, poverty rates increase for families with larger family size. Even though sole parent families have a higher rate of poverty than two parent families, because there are considerably more two parent families in the population, two parent families with dependent children comprise one half (51 per cent) of all household/family types living in poverty, while sole parent families comprise a further 13 per cent. This means that almost two thirds of all households living in poverty in Australia contain dependent children. Another very vulnerable group are single people who comprise 20 per cent of poor households, usually because of unemployment or low pay. These findings clarify the basic premise of this paper: that an effective, adequate and equitable system of social protection requires not only a redistributive social security system which provides an adequate basic income and social security/industrial relations policies which support the non-market work of care; but also other planks which regulate the wages system and protect and raise the earnings of the least powerful employees, and which intervene consistently through strong public investment in labour market programs and infrastructure development to maintain high levels of employment growth and low levels of unemployment.

The next step? A participation income
One of the social democratic visions proposed to counter the economic and social policies of economic liberalism is to revitalise the social rights of citizenship through the idea of Citizens' Income, which takes various forms according to its various advocates, but is reasonably characterised as a universal transfer payment or minimum income guarantee, made to all citizens, not on the basis of current or previous income, workforce history or willingness to undertake paid work, or demonstration of incapacity for employment, but based only on the criterion of citizenship (Van Parijs, 1992; Purdy, 1994). In attempting to outline the moral/ethical underpinning of such a radical reform in the context of European social transfer systems, and to build alliances of support for such a social policy transformation, David Purdy (1994) asks three questions of a Citizens' Income guarantee: Is Basic Income morally justifiable? Would it be economically viable? Would it be politically feasible? Purdy also argues that these three questions are fundamentally inter-related, and that the debate about a basic or citizens' income requires the support of broad social and political alliances. Having examined these questions in the European context, Purdy concluded that supporters of a 'basic income' must engage with current pressing welfare state problems within the mainstream of welfare state politics, rather than allowing the 'basic income' debate to be marginalised as no more than an exercise in visionary thinking without current policy underpinning or bearings.

In order to engage with the debate in the Australian context, it is necessary to begin with a redefinition of 'work' as socially useful participation, which contributes substantially to public and private welfare. This concept is elaborated by Tony Atkinson in his cogent advocacy for a guaranteed minimum income for Britain, which he conceptualises as participation income (Atkinson 1993). Participation is defined as involvement in a range of social and economic spheres: participation in paid work, both full and part-time; being unemployed and looking for work; participation in education or training; and involvement in unpaid, non-market caring work in family, household, extended kin network and community.

Atkinson provides a strong rationale for the introduction of an integrated social security payment for people of working age, to be called Participation Income. The conditions for receipt of this payment would not be based only on relationship to paid work, but a wider definition of social contribution and participation.

For consideration in the Australian context, I have concentrated on reform of the current system, as a medium term measure, and attempted to balance the potentially competing objectives of establishing a universal and flat rate basic income, on the one hand, based unconditionally on the criterion of citizenship rights, or, on the other hand, ensuring adequacy for those categories of citizens whose social citizenship would otherwise be denied by their poverty and labour market marginality, or by their responsibility to care for dependent children, relatives or close friends. There is an apparent dichotomy between a universal payment which does not meet adequately the needs of low wage earners and those with no market earnings, and a system of income guarantees which ensures that no individuals or family groups fall below a socially acceptable minimum. This dichotomy can be dissolved by ensuring the appropriate mix of basic income as of right (Purdy, 1994) and additional income based on criterion of need, where the objective is to ensure that market income and social wage
combinations provide adequate social protection and the basis for participatory citizenship. If this is not done,
then it is highly likely that the debate about basic income or citizen's income will pay insufficient
attention to the objective of adequacy, and with that pay insufficient attention to the very basis of ensuring
citizenship for those whose market-induced disadvantages would otherwise remain without redress. This would seem to undermine the very reason for introducing a citizen's income.

To begin the dialogue about the bases of participatory citizenship, and to work on medium term measures which address adequacy and effective coverage of all population groups as a matter of priority,
set out below are some criteria of social participation, as a reasonably comprehensive but not exhaustive starting point:
• unemployment and availability for paid work (either full-time or part-time);
• part-time employment, as an employee or in self employment, which does not provide an ade-
equate income and where the person is seeking unsuccessfully to work more hours, or is unable to be employed full-time because of family responsibilities;
• caring full-time or part-time for dependent children or elderly, sick or disabled family members or friends;
• participation in various forms of unpaid community work;
• participation in education and training.

Such an integrated payment, based to a considerably greater extent on the individual rather than the couple as the unit of assessment (as outlined in the 1994 White Paper reforms to social security), would be predicated on the clear societal acceptance that these recognised forms of social participation and contribution to the economic and social welfare of the community will constitute legitimate bases for support.

The essential features would be:

• that the basic rate of payment be at levels of acknowledged adequacy, bringing the rate of allow-
ances for single people to parity with pension rates, and not assume that young people or the single unemployed have lesser costs and lesser needs than other recipients of income support;
• that the introduction of such a payment be accompanied by liberalisation of income tests which apply to unemployed people and which enable them to benefit from increased part-time employ-
ment, in a labour market characterised increasingly by such forms of employment;
• that there be an income test structure as outlined in the White Paper (1994) which continues to move substantially towards the disaggregation of the couple as the unit for income-testing, so as to allow for increased levels of part-time employment by both partners; and to extend eligibility for carers and parenting allowance and unemployment income support to the partner of a low income earner;
• that the gaps and anomalies in all carers payments be identified and the model of sole parents pension be adopted for all carers payments, in particular the arrangements which have supported sole parents' increased part-time employment, and the voluntary linkages with labour market programs which have encouraged and facilitated sole parents' entry into employment, education and training; that additional strengthening of the system of children's payments and family income support be incorporated into the participation income structure, paying close attention to enhanced redistribution to low income families and to families caring for young children. (The discussion on this major issue is elaborated at Section 5).

There is a trajectory in the Commonwealth Government's promised introduction of a maternity allowance (discussed below) and the announcement in the White Paper on Employment and Growth (1994) of a parenting allowance for the partners of low income
and unemployed people who are caring for children under 16 years, which suggests that such policies might be prefigurative of income support arrangements which depart from the hegemony of market work participation as the major basis of social citizenship entitlements and which recognise and support non-market caring work as an additional basis of entitlement. In Australia, it is entirely possible for the 'citizenship of mother/parent' to be cut loose from any prior citizenship of 'worker', which is the constraining feature of the conferral of citizenship rights on parents in most other OECD countries (Lewis 1992). And it is precisely because of Australia's non-contributory social security system, which does not require a prior period of labour force participation, that this result is possible.

A basic income guarantee for children

The case is strong for ensuring that income support for families with children be re-designed to create an effective, equitable and simpler combination of basic income as a right - a right inherent in children and their carers, which recognises both social contribution and the increased costs of child rearing- augmented by additional income to ensure adequate payments to low income families to redress the disadvantages which undermine the life chances of children. There have been four major trends in the system of family income support over the last eight years: consistent movement towards the use of the transfer system, rather than the tax system, to direct support to families with children; accompanied by greater commitment to directing all family payments to the parent with the major responsibility for the care of children, who is usually the mother; strong movement towards directing higher levels of family payments to low income families, recognising that these payments are of critical importance in improving the standard of living of children and in alleviating family poverty; and movement away from the principle of universality in family income support towards providing increased support for low income families (giving priority to the principle of vertical equity).

The key purposes of the Australian system of family income support are not only to recognise the care which parents provide, but also, and as a matter of paramount importance, to redistribute additional income to those families disadvantaged in the distribution of market incomes. Because of the clear evidence of the deleterious effects of low income, socioeconomic disadvantage and poverty on the life-chances and opportunities of children and young people, it is essential that the redistributive thrust of the, Australian system of family income support be developed and strengthened.

The following principles are paramount for any reform of income support for children:

* that children benefit directly from family income support because the additional income will support their care and development;
* that carers receive adequate support in recognition of their direct contribution to family care;
* that lower income families, both sole parent and two parent families, receive the most benefit to redress the disadvantages which affect their children's life chances;
* that family income support for families with younger children be restructured to recognise the indirect costs of care, that is, the opportunity costs of earnings forgone, and the acute problems of combining employment and family care and the transitions in and out of employment when
children are young; that, as a significant component of the system of children's payments, a maternity/paternal payment for the parent caring for a child in at least the first 12 weeks after birth or adoption be introduced, as was announced as an 'in principle' decision by the Australian Government in June 1994, in the context of a re-negotiated wages Accord (Accord Mark 7) with the Trade Unions. The announcement signals the Government's decision to undertake further negotiations with the ACTU about the introduction of a maternity allowance paid through the social security system, in the spirit of ILO Convention 103 (Maternity Protection), and for implementation in the Budget of 1995/96. It is significant that this announcement was made and policy development has proceeded in the context of both market wage negotiation and accompanying social wage initiatives, under the framework of the Government's Accord with the trade unions, as has been the practice with a number of other developments in family income support since 1986. It is envisaged that such a maternity/paternal payment will be made through the social security system to all principal carers of a child who do not have an employment-related entitlement. If implemented, this family policy measure will remove from Australia the invidious reputation of being one of only two OECD countries, in company with the USA, without a comprehensive system of paid maternity protection and paid parental leave (OECD, 1990).

In addition, the weight of evidence derived from both the Australian research on the relationship between family responsibilities and labour force participation, and from submissions and consultations to the National Council for the International Year of the Family, presents a strong case for restructuring the system of family income support payments for families with young children under the age of six years (i.e. in the preschool years). This would be done in recognition of the indirect costs of care, i.e. the opportunity costs of earnings forgone, and the acute problems of combining employment and family care and the transitions in and out of employment when children are young.

To give effect to the principle of support for families with young children, an additional payment for families with a child under six (additional to Basic and Additional Family Payment) might be introduced, amalgamating the existing Childcare Cash Rebate and the Home Child Care Allowance. The payment would be made if the principal carer is outside the workforce, in part-time work or in full-time employment. In this way, the costs of child care could be offset, and the indirect
costs of care recognised for home-based carers, without establishing disincentives for women to
move into employment, or to increase the hours of their employment. This payment would also
provide recognition of the unpaid work of care which all carers undertake. In addition, such a payment
would better recognise the transitions in the lives of parents caring for children until primary school age,
and not be discriminatory with regard to employment status.

There are debates about whether such a payment should be universal and therefore run
contrary to current trends in the Australian system of family income support, or be income and
assets tested. Of the two payments currently concerned with the direct and indirect costs of
childcare, the Home Child Care Allowance is income tested very tightly on the income of the recipient,
but not on the income of the partner; the Child Care Cash Rebate is not income tested on either partner's
income but eligibility depends upon a range of factors concerned with the type of childcare
used for employment-related purposes, whether or not the carer is officially registered, etc. Neither
payment, as currently structured, is therefore necessarily concerned with addressing directly issues of
vertical equity, but with addressing other objectives: in the case of the Home Child Care
Allowance directing additional income to the parent with no or very little independent income; in the case of the Child Care Cash Rebate, offsetting some of the costs of employment-related childcare. This is a matter which needs comprehensive and open
consideration of all the issues involved in the inter-connections of family-based care and employment, and the direct and indirect costs of both, in the lives of Australian families with young children.

A recent comparative study of tax/transfer policies which redistribute income to families with children in 15 industrial countries, including Australia, shows that the Australian system is focused on 'vertical redistribution', and provides benefits predominantly to low income families. In terms of providing additional disposable income through the tax/benefit system to families with children, compared to those without children, Australia is ranked with strongly redistributive countries in respect of support for very low income families (those with incomes at 0.5 average earnings), but is much less effective in redistributing income to middle income families (those receiving average earnings or 1.5 average earnings) (Bradshaw, Ditch, Holmes and Whiteford, 1994). In carrying out a radical re-appraisal of the recognition of caring work and the contribution made to economy, society and family life, the debates about 'participation income' will need to examine very carefully the concept of a basic income for children, paid to the parent predominantly responsible for children's care, in recognition of the contribution made and the additional costs of care, augmented for low income families by an adequate and redistributive system of payments.

To reconsider the trajectory of targeting and to engage in a debate which places the principle of universality in support for young children on the income support agenda cannot be contemplated unless full attention is paid to the means for raising revenue, to tax reform. Universality versus targeting, or social inclusion versus adequacy for low income families and the alleviation of poverty are usually positioned in official discourse as deeply antagonistic principles because resources are constructed as ineluctably constrained, indeed as diminishing. If these are to be the parameters of the debate, then the possibilities for
structural reform of income support which recognises the various forms of social contribution essential to human life are so limited as to render the exercise futile. Both principles, firstly of adequacy, so as to reduce inequality and poverty, and secondly of social inclusion require attention to tax revenue issues. Indeed, the comparative analysis of family policy in 15 countries cited above found that the economic variable with the closest relationship to the level of generosity of the child benefit packages in each country is the level of tax paid per capita (Bradshaw, et al., 1994).

Conclusions
The means for financing such a comprehensive ‘participation income’ and basic income for children must be addressed: through economic policy, industry policy, labour market policy and tax policy. As a necessary corollary to such a thorough-going transformation of income support policy, there must be consistent and strong linkages with increased public sector investment and incentives to private sector investment in physical and social infrastructure; a regionally-based industry policy; accompanied by sufficient investment in employment, education and training programs designed to expand the job chances of unemployed and jobless people. Such investment in industry policy, physical and social infrastructure development and labour market policies are the necessary counterparts to a transformed system of social protection: the several arms of policy must be developed in partnership.

In order to finance a more comprehensive and adequate system of social protection which is better articulated with changed labour market conditions, and which better supports caring work, debate must also be focused on the tax system and its capacity to raise sufficient revenue to support such wide-ranging reform. If Australians have the political and community will to forge a system of social protection based on the principle of ‘solidarity’ between those in the labour force (employees and employers) and those excluded from it by unemployment, joblessness, participation in education and training, ill health, disability, old age and the responsibility to care for dependent family members, then discussion must turn both to employment and labour market program investment, social security reform and tax reform. Without falling into the Eurocentric trap of promoting a contributory social security system based on labour force participation with the effect of entrenching class and gender dualisms in the system of social protection, policy attention might turn to debate about the introduction of a tax-based, progressive social protection levy, similar to the Medicare Levy, to be included in the personal and the corporate income tax system. Such a measure would derive its ethical legitimacy from its purpose of helping to finance and support the several forms of socially recognised contribution: searching for paid work, working part-time without sufficient

The Concept of Participation Income
income to maintain self and family, participation in education and training, caring work in the family/household, the extended family network, and in the community. But a reformed social security system requires a complementary and equal emphasis on strong investment in well-designed labour market programs, so as to significantly reduce long-term, structural unemployment and to increase and sustain high levels of employment.

This is a project with vital significance for Australia and other OECD countries confronted by high rates of unemployment and long-term unemployment, at variance to the post-war welfare state experience, and requiring innovative responses of social protection to avert and redress the evident processes of economic and social exclusion which have emerged (Commission of the European Communities, 1993).

Social protection through contributory social security (the dominant OECD model) is not able to address adequately the emergence of long-term unemployment; social
assistance (as in the Australian model) does not require an additional safety net, but is not yet able to link fully, effectively and simply with the range of labour market circumstances and recognition of caring work which are increasingly characteristic of the industrial market economies. Attention will increasingly turn to debate about systems of social protection which provide a 'citizenship income' in addition to social insurance, or in Australia, which require a thorough reform of the current system (Atkinson, 1993, makes a similar argument in the Western, East/Central European context). This response, however, is not in itself sufficient. To be effective in terms of the generation of revenue and guarantees of workforce integration and human dignity for those seeking paid work, such citizenship income will need to be linked closely with strong private and public sector investment in employment, education and training programs and employment growth.

This means that the Australian governments will increasingly be called upon to introduce income support reforms which do not permit market economics to subjugate social policies, and they will be called upon to do so in a climate concerned with gender equality, the redistribution of paid and unpaid work and the valuing of caring work, the reduction of poverty and inequality and the promotion of social cohesion. The trade unions, community-based organisations and the various organisations of the women's movement have a key role to play in ensuring that such all-encompassing claims for citizenship through recognition of social participation are clearly articulated and placed on political agendas, in the most comprehensive and integrated way.

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Conditionality and Transition as Issues in the Basic Income Debate

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Introduction
The fundamental achievement of the welfare state has been the establishment of legal entitlements to categories of citizens, designed to maintain living standards in the face of contingencies such as unemployment, disability or old-age which would otherwise cause them to decline. A central feature of all post-war welfare states has been the idea of conditionality, designed so that the benefits associated with these entitlements are confined to people in a restricted number of pre-determined circumstances. How narrowly these circumstances have been defined and how generous the benefits paid has varied across welfare state types and, within these, according to national priorities and policies.

In some welfare states, conditionality has been interpreted and implemented very broadly with the majority of people eligible to receive some form of assistance at rather generous levels. In others, conditionality conditions have been narrowly defined and rigorously enforced, while benefit levels have also tended to be less generous - and, as a consequence, less adequate also. Reflecting these differences, tax levels have tended to be higher - sometimes substantially higher - in countries adopting the former in favour of the latter approach.

The idea of conditionality has, however, remained essential to the evolution of the welfare state for many reasons including cost containment, the structure of incentives, equity or social justice and political legitimacy. Increased concern following the economic crisis of the last two decades has seen a general move towards more narrowly defined and more rigorously policed conditions becoming commonplace in all industrial nations. This hardly needs expanding on in an Australian context, where targeting has driven the reform agenda for much of the last two decades. The 'active society' reforms which have been embraced in Australia and many other countries also represent an increased focus on conditionality, even if of a somewhat different nature and with a markedly different intent.

The old debate
Against this background, the idea of basic income represents a radical departure from established welfare state principles and practice because it rejects the notion of conditionality in favour of universal payments to all, on an individual basis and not conditioned by tests on means, work requirements, or whatever. That at least is the essence of the purest form of basic income. It is a feature of the various types of basic income which have actually been proposed, discussed and analysed in the last three decades, ranging from the negative income tax, to social dividend or demogrant schemes to the guaranteed minimum income (GMI) scheme proposed for Australia by the Poverty Commission (Commission of Inquiry into Poverty 1975).
Generally, these schemes have failed because they have tried to achieve too much. Attempting to provide an adequate benefit while integrating the benefit system with a single rate tax system so as to achieve simplicity and improved incentives runs into a stark cost reality: setting the benefit at X per cent of average income requires a tax rate of X per cent. If adequacy is interpreted to imply something close to the poverty line, X is likely to fall between 50 per cent and 60 per cent - even before the funding of all other government programs is considered. Compromises are needed, to increase the economic viability of basic income and enhance its political acceptability.

The problem with such compromises is that they lead inevitably to consideration of the whole complex range of compromises and trade-offs which shape the current social security (and tax) systems. This route, as I have argued previously (Saunders, 1976; 1988; 1989) raises two kinds of problems:

- first, how can these trade-offs be resolved in ways which preserve the fundamental tenets of basic income while at the same time remaining viable and practical? The emphasis given to simplicity and increased efficiency through the integration of benefit and tax arrangements has sharpened the conflict with other objectives, notably equity and cost;
- second, how can the problems associated with the transition process be overcome given the fact that there are likely to be many 'winners' and 'losers', many of them unintentional and others undeserving of the gains they reap or losses they suffer?

There is no better illustration of these points than that provided by the 'illustrative model' of guaranteed annual income put forward for discussion by Watts (1991). This proposal is based on the principle that 'every Australian, man, woman and child would receive a guaranteed annual income as a matter of right' so that the 'guaranteed annual income would replace the current mess of personal income supports'. However, Watts then admits that 'a single uniform payment in practice would probably need some adjustment or fine tuning' although he stresses that 'the details of the proposal should not matter as much as the broad principles'. He then lists a range of 'fine tuning details' which would need to be reflected in the guaranteed annual income payments structure, including differentiation according to age and supplementation in cases of maternity, bereavement, invalidity and handicap. Such fine-tuning would, in effect, produce a guaranteed annual income much like the two-tier categorical GMI scheme proposed in 1975 by the Poverty Commission.

But things do not end there. Watts argues that 'whether or not all adults actually got a cheque or weekly/fortnightly parts thereof, would need to be a matter for later fine tuning' and illustrates his scheme with a proposal in which the guaranteed annual income payment is received by low income people only. An unexplained (unfunded and inexplicable) tax incentive is proposed to discourage high-income people from applying for the guaranteed annual income 'without infringing the principle of universality'. Any resemblance between the scheme with which Watts ends up and basic income as conventionally understood seems, at best, accidental. The principles from which Watts begins are sacrificed at the alter of fine tuning pragmatism, whatever his claims to the contrary.

The bottom line of this debate, it seems to me is the following: pure basic income schemes appear attractive to their proponents because they embody (or are claimed to produce) increased benefit levels, extended benefit coverage, reduced administrative costs, or enhanced incentives. The counterpart to these gains is generally either higher costs (often concealed by higher taxes in an attempt to achieve revenue neutrality) or a belief in the existence of a 'free lunch' which will deliver additional benefits at no extra cost. The essential romanticism underlying such views has been noted in a recent paper by Shaver (1994).
In the latter case, the issue arises of why these net gains should be realisable under a basic income scheme when they are not able to be engineered within the constraints imposed by the current system. Why should a radical change to the basic principles and design of the system be expected to provide such gains? Can what basis can the view be sustained that taxpayers will be more willing to fund higher benefits or increased coverage under a basic income than they are (apparently) willing to fund under the current system? Put differently, if it is discovered that there is currently some degree of under-utilised taxable capacity, why should this be devoted to the establishment of a basic income scheme with all of its risks and uncertainties, rather than used to improve current conditions by resolving existing problems, where the gains, while potentially less, are also likely to be more realisable and more certain?

The new view of basic income

Proposals for some form of basic income have begun to re-emerge onto the policy agenda for reasons associated with the alleged failings of current social security arrangements to resolve the problems associated with mass unemployment in post-industrial societies. New forms of work, the increased diversity and reduced certainty of employment and the general excess of labour supply pose challenges to existing social security arrangements which, it is argued, require radical reform. With the end of full employment and the real prospect of 'jobless growth', one of the foundations of the post-war welfare state has been eroded, along with the 'Keynesian consensus' which in earlier decades provided the economic environment and political legitimacy needed for the development of a welfare society.

These challenges seem - at least to basic income proponents - to be relevant for both the Bismarkian social insurance welfare states familiar in continental Europe and for the Australian means-tested social assistance welfare state, an observation which of itself gives cause to question how basic income can be an appropriate solution in both cases. This point aside, the new argument for basic income rests on its alleged ability to better respond to and facilitate structural economic changes which have affected both the nature of work and the labour market within a social context in which (paid) work plays an increasingly important role in people's lives, individually and as members of society - as citizens.

Two broad competing strategies have been advocated for dealing with the end of full employment and the consequent crisis of the welfare state to which it has led. The first, mainstream, solution has been to combine the introduction of an 'active society' social security reform strategy with a renewed emphasis on the need to restore conditions of full employment in a deregulated national and international economic environment. The first of these - the active society strategy - was developed by the OECD in the mid-1980s, found expression in Australia in the work of the Social Security Review (Cass 1988) and has underpinned the recent reform process in this country, culminating in the release of the Working Nation White Paper last year (Commonwealth of Australia 1994). Benefits for those of working age are increasingly conditioned by proof of active job search or participation in other activities (e.g. approved training programs) designed to enhance employability.

As always, the failure to achieve full employment is not so much a matter of not knowing what to do (difficult though this is) but more one of knowing how to avoid the consequences (e.g. for the inflation rate and the balance of payments) of pursuing a policy of full employment. As the Secretary of the Australian Treasury emphasised last year, there is an important sense in which we are free to choose our own level of unemployment. Increased international competition within a more open economy may make the task of
maintaining any given level of economic performance more difficult, but that does not, of itself, prevent us for 'going for growth' so as to achieve full employment if that is what we want. This is why it is important not to leave 'the economic debate' solely to economists. What is at issue in this debate is not just a series of technical questions surrounding which levers to pull, when to pull them, how hard and for how long, but more fundamental issues associated with social choices which revolve around the kind of society in which we wish to live (Langmore and Quiggin 1994).

It seems that, for the moment, how closely we can come to achieving full employment will be determined by the ability of governments - not only in Australia but throughout the world - to control the economic cycle. Short-run success will be tempered by the inevitability of the next downturn. Aside from this, there is a fundamental contradiction at the heart of the active society full employment strategy. This revolves around the fact that the more successful active society reforms are in achieving their objective of encouraging labour force participation, the greater the increase in labour supply and thus the higher the level of unemployment associated with any given level of aggregate demand. There may be some offset to this if, as active society proponents claim, the measures designed to increase labour supply simultaneously create a more flexible labour market which in turn improves the trade-off between inflation and unemployment (the natural rate of unemployment hypothesis) but the extent - even the existence - of any such improvements remain unknown and uncertain.

The second broad strategy proposed as a response to the post-industrial crisis of mass unemployment gives centre stage to the introduction of an unconditional basic income. Writers such as Pixley (1993) see basic income as peripheral to this debate, but others see the basic income strategy as more central. Such a strategy has been described by one of its leading proponents (an economist, incidentally) as 'the Great White Hope of social visionaries' (Standing 1992) and by another (also an economist) as 'the centrepiece of a strategy for transforming society' (Purdy 1988). The essence of this strategy is that, in principle at least, the introduction of basic income allows the de-coupling of income security from the labour market, and of income more generally from work. It thus runs directly counter to the active society approach which focuses on strengthening these links by making receipt of income from the state conditional upon seeking or training for work (Shaver 1994).

The claimed advantages of the basic income strategy are substantial. Guy Standing describes them in the following terms:

By providing income security, it would facilitate and encourage labour flexibility. It would offer people real choices between high-income/high-work and lower-income/lower-work options. It would encourage self-employment and, by giving income as a right of citizenship, would reduce the stigma of unemployment ... With basic income, workers would be encouraged to accept workplace changes more readily ... (it) would help to achieve greater sexual equality in the labour market by improving women's bargaining position and by encouraging men to take part-time work, so allowing them to share more in domestic work ... There are other advantages, such as the encouragement a basic income would give for 'black economy' work to shift into the tax-paying, legal mainstream, the potential for the 'deprofessionalisation' of work, and the reduced pressure on governments to provide 'unreal jobs' to absorb some of the unemployed. (Standing 1992, p. 54)

This is a long and impressive list. Assessing the validity of these claims is a complex task and I do not intend to attempt it here. It is, however, worth emphasising that Standing was promoting basic income as a reform strategy for European countries, specifically for those who are members of the European Commission. This is also true of Atkinson's
suggested Participation Income (discussed further below) which is proposed in order to 'provide the basis for the European safety net' (Atkinson, 1993a, p. 24; italics added).

In Australia, we need to ask how far basic income would promote the above effects relative to our current social security arrangements. Here, it could be argued, particularly after the introduction of the Working Nation reforms, that the Australian social security system has gone a long way towards the encouragement of part-time work and self-employment, while facilitating sexual equality in the labour market by expanding the range of choices of both men and women between (paid) market and (unpaid) domestic work - without incurring the cost of an unconditional basic income.

If proponents of the 'new view' of basic income see its re-generation in part as an alternative response to new labour market patterns and choices, a good deal more attention has also been paid to an issue badly neglected in some of the earlier debates: the questions of the transition from the current to the new arrangements. Writers such as Offe (1992) and Purdy (1988) have addressed this within the context of how best to build the political alliances which, over the long haul, are essential if the basic income vision is to be realised, at least within a democratic polity. This is a not insignificant issue given that, as Purdy (1988) notes, it will be difficult to rally together the very diverse groups who will gain materially from any basic income proposal into an effective political force.

These writers also have a mature and sophisticated understanding of what can, and what cannot, be claimed for any practical basic income scheme. Purdy emphasises that the prospects for any immediate success are very low and that basic income proponents must face the prospect of a 'slow, patient, positional struggle' (Purdy, op. cit, p. 12). Offe cautions against placing too much emphasis on the 'visionary' aspects of basic income, in part because many of its consequences are in fact unknown ex ante and will only emerge ex post. Instead, he argues for a more limited set of claims in which:

... rather than being a formula for the foundation of a new social order, it might be more realistic and honest to argue for basic income in terms of a defensive measure to preserve and expand notions of social justice against a welfare backlash that has already started and must be expected to continue in view of ... structural changes. (Offe 1992, p. 74)

The need to identify and grapple with the transition issues is essential if the basic income vision is to be translated into an effective strategy which can force its way onto the policy debate in this country.

The contributions of writers like Offe and Purdy have advanced the cause of basic income in two ways: first, by being far more modest, open and honest in their claims of what basic income can achieve, at least in the short-run; second, by focusing on and addressing those practical issues crucial to the success of all tax-benefit reforms, including radical reforms like basic income, the most important of which concerns the transition path - how to get from where we are now to where we wish to be.

Some earlier discussions of basic income (e.g. Walter, 1989) make no reference whatever to the transition problem. As a consequence they have done little to advance the basic income cause in the policy context. Recent public policy debates in Australia - from the Tax Summit and Option C of the Draft White Paper in the mid-1980s to GST and Fightback! in the early-1990s - have shown the powerful influence of estimates (however crude) of 'winners and losers' in affecting public perceptions, and thereby political attitudes and choices to what can be achieved by way of reform of the tax-transfer system.

These aspects of the debate - no matter how simplistic their approach and short-term their focus - will continue to grow in significance, particularly given the enormous increase
in the ability of number-crunching policy analysts to generate ever more technically sophisticated, computer based statistical estimates of distributional impact. So too will the impact of behavioural changes (e.g. in labour supply or in wage setting): far from these changes being left as the (often unintended) consequences of policy reforms, they are now integral in the design of new policies, a point again illustrated by the social security changes announced in the White Paper.

One of the strengths of the Poverty Commission's approach to its preferred GMI proposal was that a good deal of attention was paid to the transition question. Chapter 6 of Poverty in Australia laid out a strategy for reforming the then existing social security system so as to ease the eventual introduction of a GMI (Commission of Inquiry into Poverty 1975). The central element in this strategy involved standardising benefit levels and qualifying conditions so as to produce a simpler system more consistent with the GMI approach, of which simplicity is a major feature.

Up until 1977-78, social security reforms in Australia broadly followed that path. The same can hardly be claimed for developments since then. We now have an extremely complex system in which benefit categories are differentiated in ever-more refined and subtle ways. These reflect two decades of welfare targeting in which a complex hierarchy of needs has been established in the ongoing process of controlling aggregate expenditures. Keeping up with the mere pace of reform now requires considerable expertise, with new reforms being announced and their consequences analysed (e.g. in the family policy area) before previous arrangements have even come into effect.

This increased complexity has made the move to an undifferentiated GMI far more difficult to achieve technically, even if it were regarded as desirable on other grounds. To standardise payment levels and conditions would now either imply a major and complicated re-distributional impact, or be extremely expensive, or most likely be both expensive and distributively disruptive. We are currently a very long way from having the basis for introducing a smooth transition towards a simple form of GMI, further than we were two decades ago, and probably further still from achieving the political and economic climate necessary for such a change to be regarded as desirable and accepted as feasible. The small 'window of opportunity', which opened up for the GMI in the mid1970s was slammed shut in the fiscally stringent conditions which followed - probably for ever. Basic income proponents need to recognise this reality and respond to it.

Before turning to specific proposals, two more general issues are worth addressing. The first concerns Robert Goodin’s argument that basic income can be more efficient than a targeted categorical welfare system because of its less presumptuous nature (Goodin 1992). This is an interesting argument, but ultimately an unconvincing one. The crux of the argument is that conditionality involves using indirect indicators to determine membership of the favoured categories, while basic income by definition makes no such presumptions. This is true, but how important is it?

Consider a particular conditionality to which benefits are directed - being unemployed for example. Two kinds of errors can arise when giving practical effect to this conditionality. The first concerns those people who satisfy the conditionality but who do not receive any benefits (e.g. through stigma or lack of information), the second concerning those who do not satisfy the conditionality but who are in receipt of benefits (e.g. through fraudulent claims).

The existence of such problems has long been acknowledged in the social security reform literature and administrative processes and other measures (e.g. publicity
campaigns) are generally proposed for minimising them. It is accepted that no system will ever be perfect in the sense of reducing both of the above errors to zero. That is the price which must be paid for having a system which is not administratively cumbersome or overly-intrusive and inhumane in its operation. Abandoning conditionality entirely in favour of a non-presumptuous basic income scheme seems from this perspective to be an over-reaction to dealing with a problem which, in actual practice if not in theoretical logic, can be contained, though probably not avoided entirely. In any case, even if a non-presumptuous benefit system were designed, the need to make presumptions would re-emerge elsewhere in the system (e.g. in designing the tax system or the tax reliefs embodied in it). The problem would thus be displaced rather than avoided, even under a basic income scheme.

The entire discussion so far has proceeded on the assumption that in considering basic income schemes, attention should be restricted to just monetary income. An alternative approach involves considering whether income should be given a broader meaning to also incorporate non-cash inkind provisions - the social wage. This point has been mentioned in passing by Norman (1992) though he chose not to pursue it. There are, however, some interesting issues here worthy of detailed investigation.

In Australia, for example, we currently have a form of basic income as it applies to the provision of public health services funded under Medicare. Access to basic health care benefits is universally and unconditionally available to all citizens (read residents) on an individual basis, effectively free of means tests. It is true that the existence of private health suppliers and private health insurance implies that those on higher incomes can gain access to additional (or more immediate) treatment, but that is precisely the intention of a monetary basic income - to provide a universal platform on which to build. The interesting question to pose here is why is it that the same taxpayers who have so willingly and enthusiastically embraced an effective basic income in health care, appear so unwilling to fund the monetary equivalent of a similar arrangement?

One obvious explanation is that health care is qualitatively different from money income, because health provisions meet needs which society sees as legitimate, while cash can be used to satisfy personal wants rather than socially-condoned needs. Yet if health care is provided free of charge, service users thereby have more money income then otherwise, from which they can satisfy their wants in any case. Furthermore, while basic income schemes are criticised for condoning socially undesirable behaviour by undermining incentives, Medicare provides similar incentives to engage in such anti-societal behaviour such as smoking, drink-driving and other activities which pose harmful health risks. Yet this has not been used to criticise Medicare for undermining the health of the nation, attention (and resources) being devoted instead to increasing awareness about the personal and social benefits from public health initiatives. Such contrasts are striking and warrant further investigation in the context of basic income.

Recent basic income proposals
An implication of the above discussion is that, as a first step, basic income should be formulated at only a limited level, rather than as a radical scheme for replacing the entire social security apparatus. The limitations of a recent Australian proposal along these latter lines (Hawke and Lewis, 1988) have been discussed elsewhere (Dilnot, 1989; Saunders 1989) and I do not wish to re-open that debate here. Rather, I wish to focus on those proposals which - in the spirit of the Poverty Commission's two-tier categorical GMI proposal - combine the basic income principle with the need to maintain some form of conditionality.
This approach to basic income has found expression in Tony Atkinson’s idea of a Participation Income which makes payment of the basic income conditional upon participation in socially productive activity - whether paid or un-paid, full-time or part-time (Atkinson 1993a). The case for such a scheme is made in the following terms:

A major reason for opposition to basic income lies in its lack of conditionality ... In order to achieve political support for basic income, it may be necessary for the proponents of basic income to compromise - not on the principle that there is no means test, nor on the principle of individual assessment units, but on the unconditional payment. (Atkinson 1993b, pp. 910).

Atkinson's Participation Income is conditioned by social contribution, defined to include involvement in paid work, self-employed, unemployed, unable to work on grounds of illness or disability, participation in approved forms of education or training, caring for young, elderly or disabled dependants, or participation in approved forms of voluntary work. A Participation Income along these lines covering all of the above forms of participation except the last (volunteer work) has recently been discussed and endorsed, though not actually recommended, by the Commission on Social justice in the United Kingdom (Commission on Social justice, 1994).

Much the same scheme has been proposed for Australia by Cass (1994) and Cappo and Cass (1994) - as long as the basic payment is established at a level of 'acknowledged adequacy' (Cass proposes the existing rate of pension), that it is paid on an individual basis, and that it is accompanied by an easing of the income test. In effect, this proposal amounts to a broadening of the existing eligibility categories to include those undertaking caring and volunteer work, extending coverage to the self-employed and increasing benefit levels for those categories currently receiving less than the standard rate of pension. The scheme would be financed by a 'tax-based protection social protection levy' (Cappo and Cass op. cit., p. 125), along similar lines to the Medicare levy, although no details are provided.

Such a scheme would reinforce the work (or training) conditionality which increasingly characterises the Australian social security system, although the favoured categories would be based on a broader conception of work. This broadening would also affect the nature of incentive arguments, because the claim that high income test withdrawal rates discourage paid work are less convincing, or at least need to be re-cast, if the domestic work which they encourage is valued more highly.

Whether the Cappo-Cass proposal represents an extension of the scope of the existing system rather than a more radical shift to a basic income approach is debatable: Rob Watts clearly sees such a proposal as falling outside of the basic income principle because conditionality is maintained through the application of work or activity tests (Watts 1994). The proposal does, however, have much in common with Belinda Probert's recent advocacy of a restricted (read conditional) basic income, applicable only to the 'third sector' comprising those involved in caring and voluntary work (Probert 1994).

Aside from the failure to spell out what the scheme would cost, a major concern with the Participation Income idea revolves around the difficulty of determining in practice who is actively involved in the new forms of work, specifically caring for relatives and volunteer work. Is what is being proposed here that legislation be enacted which formally defines these activities and that the Department of Social Security be charged with the task of policing such legislation? Can we be confident that the end result of such an arrangement would be to make carers and volunteers aware that the value of their work is at last recognised by society? Would the cash they receive be worth the fuss?
One aspect of Atkinson's original proposal for a Participation Income was that it was designed to replace the main forms of means-tested social assistance (Income Support and Family Credit) in Britain. It would complement the existing social insurance scheme, which continues to receive strong public support, even in Britain. Its main role was to cause a 'reduction in dependence on means tested benefits' and in offering 'a better way forward than the dead end of means tested assistance' (Atkinson 1993a, p. 21). Such aims seem of limited relevance in the Australian context where means-testing is endemic and widespread - virtually universal one might say. Clearly a good more thought needs to be given to the specific proposal developed by Atkinson before its application in the Australian context can be assessed.

Overall, while there is merit in the need to reconsider the unconditional feature of basic income schemes, I am not convinced that the Participation Income approach is appropriate for Australia, whatever its merits in Britain or the rest of Europe. There are other routes to conditionality which can avoid the definitional and operational difficulties described above. These need to be tailored to Australian conditions, not simply re-drafted from other countries operating in other policy contexts. One such idea would involve introducing a limited form of basic income for only a well-defined sub-group of the population. Such a scheme, applying only to families with children has been proposed for Australia by Cass and McClelland (1989) and Travers (1991). Again, however, we need to ask how far such a scheme would take us beyond where we already are. Given the recent changes to family assistance, particularly the introduction of Parenting Allowance, it can be argued that we effectively already have a virtually universal basic income for families.

Another way to compromise on the cost of a full-blooded basic income would be to maintain the principle of unconditionally, but to forgo the adequacy objective, at least in the initial stages. Under this arrangement, basic income would apply universally to all citizens, but payment would initially be set low enough to make the scheme affordable. The fundamental principle of universality of payment would be maintained, not lost in the fine tuning associated with designing and costing the scheme. Once experience with the scheme was built up, and some of its unforeseen consequences revealed, further decisions could be taken regarding how to expand it by raising the payment level and how such an expansion could be financed. The next section of this paper provides a few illustrative basic income possibilities motivated by this idea of limited but gradualist implementation.

Some illustrative proposals
The costings outlined below are intended to illustrate the kinds of options which might be possible for a low-level, limited but unconditional basic income scheme. They are approximations only, but should not be widely inaccurate and may thus serve a useful purpose in exploring the options and laying out the groundwork for more thorough investigation of the issues. I initially explored the idea of undertaking a more sophisticated and thorough analysis using the static microsimulation model STINMOD developed by the National Centre for Social and Economic Modelling (NATSEM). However, whilst this would produce more accurate, detailed and up-to-date estimates, the broad aggregate issues on which I wish to focus can be brought out in a less ambitious (and less costly) analysis.

The approach I have adopted is similar to Watts' GAI scheme described earlier, and to the Partial Basic Income (basic income) scheme explored in the United Kingdom context by Tony Atkinson and Holly Sutherland (1988). It also has some similarities with Phase I of the basic income reforms proposed by Hermione Parker (1989), although her proposals are more far-reaching than those canvassed here. Those schemes were funded by the abolition of personal tax allowances and certain other tax concessions which were 'cashed out' in the form of the basic income payment. I follow a similar approach, exploring how far the abolition of selected Australian tax concessions could fund a basic income payment.
set so as to ensure revenue neutrality (albeit with a higher tax burden) for the scheme as a whole - at least in the ex ante sense, before taking account of behavioural adjustments.

First some basic demographic statistics fundamental to the cost of any such scheme. Averaging the latest ABS population projections for 1992 and 1993 gives a total population in 1992-93 of around 17.57 million. Of this, 3.80 million are children aged under 15 and the remaining 13.77 adults aged 15 and over. Setting an individual basic income payment to all adults at the rate of $1 a week and a weekly payment to each child of $0.40 (so that the per-child payment equals 20 per cent of the combined basic income payments to a couple - the family payments benchmarks established by the Federal Government in its 1987 package of family assistance measures) would thus involve a weekly cost of around $15.3 million (15.3 million being the size of the Australian population, expressed in terms of adult equivalents). This is equivalent to an annual cost of $797 million. Thus, as a general rule we can work on the principle that in (1992-93) each one dollar a week of an individual, unconditional universal basic income payment, assuming the above relativities would cost around $800 million a year. This figure illustrates dramatically the cost of such unconditional payments.

On this basis, the introduction of an unconditional basic income in 1992-93 with an adult payment set at the prevailing pension level (as at December 1992) would involve an approximate annual cost of between $102 billion and $122 billion, depending on whether the adult payment was set at half the prevailing married rate of pension or the standard pension rate. A scheme of providing an adult payment equal to the (in-work, before-housing costs) December 1992 Henderson poverty line would, on a similar basis, cost between $106 billion and $159 billion. Both amounts are far in excess of total Commonwealth personal benefit payments in 1992-93, which amounted to just under $38 billion. To fund an unconditional basic income scheme would thus involve a minimum additional cost of around $64 billion - an increase in the social security budget which could best be described as courageous, or more accurately as simply unbelievable. For this reason, consideration of a more modest basic income scheme is essential if the scheme is to be realistic and achievable.

In considering how to pay for the basic income payments through the abolition of tax concessions, I have considered two alternatives. The first involves abolition of the basic tax threshold and all personal tax rebates (except the zone rebate), with the initial tax rate of 20 per cent thus applying to all income from the first dollar. (The Treasury regards the tax threshold not as a tax concession, but rather as a feature of the benchmark tax system against which concessions are identified and costed, although this procedure is arbitrary and open to challenge). This arrangement, would in fact produce a very extensive redistribution of income, with a pattern of winners and losers which many would regard as perverse. The main intention of the proposal is to illustrate this fact, so as to provide food for thought for those wishing to ponder how a political allegiance in support of such a scheme might best be forged.

In 1992-93, the basic tax threshold was $5400 a year, and with the first tax rate set at 20 per cent, the value of the threshold to taxpayers was $1080 a year, or around $20.80 a week. According to data contained in Taxation Statistics, there were just over 7.66 million taxpayers in 1992-93 (Australian Tax Office, 1994) which implies (ignoring the incomes of those below the tax threshold) that the annual cost of abolishing the threshold is approximately 7.66 x 5400 x 0.2 = $8.27 billion. The other personal rebates (including the rebate for sole parents, parent and parent-in-law, invalid relative, housekeeper, daughter-housekeeper, dependent spouse and those for taxable pension and benefit recipients) resulted in an estimated loss to revenue of $2.59 billion in 1992-93 (The Treasury, 1994). Thus, the total revenue generated by abolition of the threshold and personal rebates would be around
$10.86 billion, sufficient to fund an unconditional basic income payment of about $710 a year or $13.60 a week for each adult and 40 per cent of this, or around $280 a year or $5.40 a week for each child.

So much for the aggregate arithmetic; what about the pattern of redistributive effects? The first point to note is that the above proposal would reduce the incomes of many of those on lowest incomes, including most social security recipients. This is because they would now become liable to pay income tax on their (taxable) benefits once the income tax threshold and rebates were abolished, and for most this would exceed the gain received in the form of the (non-taxable) basic income payment.

Thus, single people at or above the tax threshold income level of $5400 would lose the threshold, valued at $20.80 a week and receive the basic income payment of $13.60: they would be $7.20 a week worse off. Single-earner couples would gain, since they would lose one tax threshold but gain two basic income payments, while those with children would do better than those without, the more so the more children they had. Sole parent pensioners with one child would be worse off, as would sole parent taxpayers with one child: those with two or more children would gain, whether they were receiving the pension or in work and paying tax. Two-income, two-taxpayer families would lose slightly, unless they had two or more children, in which case they would gain.

Such a scheme would thus cause a redistribution towards all families with more than one child and to single income couple families generally, whilst lowering the incomes of many already on the lowest incomes - hardly a progressive redistribution! The basic problem arises because not all of the population pays tax, so that when the tax threshold and rebates are cashed out and paid equally to the entire population, they are only able to finance a universal payment which is less than their original value to taxpayers. (For example, if only 50 per cent of the population were taxpayers, a tax concession with an average value of $100 would fund a universal cash payment of only $50; if only 25 per cent of the population were taxpayers, the payment could only be $25, and so on.) When combined with the taxable nature of social security payments and the fact that those with incomes below the threshold do not benefit from it, this explains the perverse pattern of redistributive effects described above.

The second example is more progressive. It involves abolition of the superannuation-related tax concessions in order to finance a basic income scheme with the same structure as that just described. The concessional tax treatment of superannuation contributions, benefits and fund earnings are estimated to have involved a revenue loss of around $5.23 billion in 1992-93 (The Treasury, 1994, Table BI). The abolition of these concessions could thus fund an adult basic income payment of around $6.50 a week, while the payment for each child would be 40 per cent of this or $2.60 a week. A couple with two children would receive $18.20 a week in basic income payments - about enough to pay for them to go to the cinema once a fortnight.

This is not much. It would, however, represent a first step towards basic income, around which support for the scheme could be assessed and its behavioural and other consequences investigated. The income redistribution effects of this second proposal would, on the face of it, be far more progressive than the earlier scheme, because the benefits of the superannuation tax concessions are generally greatest for those at the top of the income distribution. There are, however, complex issues involved here concerning the actual incidence of tax concession benefits, within and between generations. There are also important considerations about the acceptability of such a change given the expansion of superannuation coverage and the effect of abolishing the tax concessions on fund membership and national saving. These factors would need to be addressed in a more detailed analysis than that undertaken here.
Conclusion

The arguments of this paper can be summarised succinctly. Basic Income remains an attractive idea to some because it promises the impossible; to others it represents the embodiment of a principle on which a new social structure can be built. Those who adopt the former position need to come to terms with reality. Those who adopt the latter position have advanced the cause of basic income by acknowledging the political and economic obstacles which must be overcome before any realistic implementation can be contemplated. Compromises have to be made and more attention has to be paid to the transition question.

Basic income will only ever be achievable over the long haul (dare I say, in the long-run?) and the key issue for its proponents is what to do now in order to bring that long-run goal closer. Both proposals considered in Section 5 have been formulated from this perspective. Both schemes are, as emphasised earlier, intended to illustrate the practical problems with basic income, but also to provide a framework for thinking in a structured way about basic income, how it might work, at what level, who it would affect and what it would cost. The schemes are designed to operate alongside the current social security system rather than replace it, at least initially. They both retain the fundamental basic income principle of unconditionality, but sacrifice adequacy as an immediately achievable goal.

This approach offers an alternative way forward which contrasts with recent proposals for some form of Participation Income under which costs are limited by making benefits conditional through restricting coverage. Such conditionality threatens to undermine the basic principle of basic income, particularly in the context of the Australian categorical means-tested system. The obvious questions to pose about a conditional basic income is how does it differ from our current system and why should we go to the bother of replacing one with the other? If any form of basic income scheme is introduced, taxes will need to rise, whether by abolishing tax concessions as considered here, or through raising tax rates or introducing new taxes. Whatever the route chosen, it is difficult to sustain the argument that Australia's taxable capacity is already fully utilised.

Thinking of a limited form of basic income of the type described here is, in my view, more realistic and practical than those proposals which compromise on the unconditionality aspect of a basic income, or seek to replace the current system entirely, or in effect subsume basic income into the existing Australian system. If basic income really can achieve all that its supporters claim for it, such a gradualist approach offers a possible way forward for proponents and sceptics alike. But the question of what is to be gained by the introduction any form of basic income in Australia remains unanswered.

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Combining Work and Welfare: A Low Wage Economy?

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Introduction

In arguing against a basic income, my aim on the whole is to stress the importance of broadening social policy from an exclusive, if well-intended focus on the unemployed and impoverished populations. International trends are leading to forms of 'competitive austerity' (Albo, 1994) or a liberal 'workfare' state (Jessop, 1994) in many countries. Governments have built apparatuses of surveillance and repression over their populations, and meantime the state's role as a buffer for the domestic national economy has eroded. Western governments have internalised World Bank and IMF policies and mediate between global trade competition and domestic concerns. This increased 'internationalisation of the state', primarily through the central agencies (Treasury, Finance and Prime Minister and Cabinet in Australia's case) who attempt daily to predict global economic swings, has changed the domestic agencies, who respond less to welfare and employment needs and more to the central agencies' monetary, fiscal and labour market strategies (Cox, 1991, p.337). Domestic agencies are equally influenced by the belief that competitiveness will create the economic success required to sustain social needs, while unions believe this competitiveness could be 'progressive' (Panitch, 1994A, p. 81).
Such problems are as yet less pronounced in Australia than some Western countries, but the excessive optimism for export-led growth is leading to changes in the relation of nation-states towards their domestic economy, as governments are less concerned about domestic under-consumption or maintaining the purchasing power of the non-employed. Since an export strategy focuses on foreign demand, a cycle sets in of lower wages and social wage cuts to improve export competitiveness (Cohen, 1991, p.84). The regulation vacuum at national and international levels has reduced the potential of democratic and equitable control over the economy and sources of wealth. In this bleak climate, social policy should be armed with economic policies that understand these problems, for some proposals might only deepen these trends and make the position of marginal populations even worse. Thus rational actor models which include basic income, focus narrowly on microeconomic action at the expense of these problems, and curiously parallel the lack of interest in marginalised populations of post-modern approaches.

This paper will explore my difficulties with proposals for a basic income or a participation income (see Cappo & Cass, 1994). Even when offering some humanitarian redistribution, some further incremental benefits, in changing the form, if not the level of payments, basic income will lead to a type of 'workfare' and increased labour market insecurity. Given the context of mass unemployment and global competition, any such narrow focus is bereft of resources to deal with the prevailing claim from the central agencies and cost-cutters, that social policy is itself the cause of economic problems (Mishra, 1984, p.86-8). Moreover, although existing social policy is unjustly scapegoated for the failures of the economic system, a vehement opposition to the ubiquitous demands for the total deregulation of the labour market, and to further restrictions on eligibility for social security, is essential but insufficient. We need to move beyond these tussles between 'cost-cutters' and welfare defenders ('do-gooders' is Panitch's description, 1994). Defenders are left in a narrow position where a basic income becomes the sole defence.

A more ambitious social policy would formulate new ways to attempt to shape the economic system and the labour market to people's needs, to democratise the state and to speak to the widespread injustices and lack of social recognition. In my view, re-fashioning the full employment principle - that is, to involve environmental sustainability and renewable energy, shorter work hours for everyone, family-friendly workplaces and increased social and government obligations for children - would be a part of that ambitious social policy. Reaffirming this principle, as a method of assessing policy proposals, is only a start. The consequences of deregulation, in the 'beggar-my-neighbour' competition between regions and countries (such as the Melbourne-Adelaide battle for the Grand Prix), show that social policy needs to be fully aware of the need for new global and national co-ordination mechanisms.

In the face of these severe constraints, a revitalised employment demand could highlight wider problems (a strength in Langmore and Quiggin's work: 1994), whereas a basic income (basic income) only further submerges social policy to the demands of labour market flexibility. Most basic income proponents assume full employment (FE) is impossible, but this is contradicted by fully costed and technically feasible FE programmes proposed by economists like Quiggin. By contrast, a basic income is far less feasible, and few basic income proponents have actually asked whether unemployed people want it. Most research shows, however, that people really want employment (eg Smith, 1993). Whether one ignores these needs seems partly to depend on one's model of human action, I will argue. Moreover a basic income, or participation income are both likely to remain market issues. Watts defends a basic income's principle as being 'the freedom to choose' (1994, p.3). Yet, in the sterile triumph we have seen of market over state, consumers are positioned with 'choices', in markets or pseudo-markets, but only with 'exit' options, not the 'voice' option of debate or the possibility of articulating new needs (Hoggett, 1990).
lack of participation (which I later attempt to define 2) is a problem not remedied by tinkering with the form of cash transfers.

My previous arguments about further exclusion stemming from 'post-industrial', employment-free options (Pixley, 1993), are supported by recent work in Canada, where liberals (read: progressives) as well as conservatives and employers' associations have championed a 'Guaranteed Annual Income' for the past decade. Research there shows that, if implemented, existing trends to labour-shedding and overwork in the mainstream, and of coercion and low-wage work for numerous marginal groups would increase.

While the full employment slogan is popular and understood by all, the same cannot be said for the basic income principle. It is extremely complicated. I will later suggest reasons for the widespread, diverse needs for employment. Here I discuss the complex difficulties of a basic income.

Basic income

Policy options are contentious even when proponents of quite different options share similar 'progressive' assumptions. While future trends remain blurred, the old certainties from the dominance of male union movements have at last been disrupted by feminist and environment movements. Social theory has certainly responded to this, if not the unions .3 In simple terms, the old social compromise, where male workers produced goods under rigidly defined, inflexible Taylorist systems, and female workers produced goods and services for free, is irretrievably broken down.

Yet, the economic crisis is undermining unionism, even in Sweden. In Australia, the labour market is further segmented, with a key division between the high-paid and mainly male workers, and low-paid, insecure, flexible casualisation common for many women and ethnic minorities, while twenty years of mass unemployment has left large numbers of welfare recipients far less 'flexible' because they are locked in 'poverty traps' and often homeless. Former welfare solutions, based on unlimited economic growth, are irrelevant to issues raised by social movements. So, quite different welfare options - bringing in a guaranteed income or re-fashioning a full employment policy attune to feminist and ecological ends - are highly debatable .4

Let us look at the basic or guaranteed income idea, recognising that as well as structural unemployment, the unemployed are used as tools against inflation for many Western governments, most of whose commitment to full employment was revoked back in the mid-1970s.'

There are three potential contexts for assessing a basic income. The first is a high-level or maximum income set above minimum wages available to all as a citizen's right; the second is a basic income below minimum wages in conditions of continuing high unemployment, and third is a basic income in a tight labour market, that is, with 'full employment of traditional Keynesian dimensions.

Why is a maximum income so crucial? I will mainly draw on Carole Pateman's defence of a basic income, grounded in her valuable contribution to feminist theory. Because unpaid labour is an essential part of my argument, Pateman's claims that a basic income would not only improve the boss/worker relation but also the inequities of domestic labour, should be scrutinised. By contrast, the analytical Marxist proponents of basic income (e.g. Van Parijs 1992 or Offe 1993), employ a rational actor model that ignores domestic domination. Apart from standard sociological criticisms,' rational actor models cannot even explain domestic labour. Key assumptions are that all work is a disutility and that self-interested individuals make trade-offs between income-generating employment
and leisure. The progressive principle of Phillippe Van Parijs' basic income is that it would break the cash /work nexus by providing sufficient income to remove the 'exploitation' or rather, the 'dull compulsion' of the market, which compels people to take meaningless work. Van Parijs' concept of justice is that a basic income makes possible 'real freedom from toil for everyone' (1 993, p.180). The fact that women remain overwhelmingly responsible for domestic laundry I- unpaid although essential toil - undermines the rational actor model and somewhat muddies a basic income future.

Pateman's work is not based on the individualist rational actor model from economics, where power relations are lost in market compulsions and simple aggregates of individuals' rational calculations. Marxist rational actor theorists do employ concepts of exploitation and domination, in terms of differential possession of assets, skills and endowments exchanged in the market (not so different from neo-classical definitions). This leads Elster (who actually opposes basic income on grounds of 'fairness': 1986) to sacrifice a 'taste for fairness' to the highly abstract rationality of game theory, Prisoners' Dilemma and Free Rider models (Van Parijs 1993, p.89-106; Wolff 1990, p.473; Elster, 1993, p.189). Pateman instead uses political theory's focus on precisely the domination and subordination lying behind market exchanges and contracts. Pateman (for example in The Sexual Contract, 1988) explains these relations by employing a master/subject model: two individuals in dyadic power relations that are cemented in real life by modern contracts - that is, marital, wage labour, surrogacy and prostitution contracts which involve selling property in the person. Wage labour or marital contracts involve exchanging freedom for obedience in return for discretionary subsistence. The issue here, that Nancy Fraser explores so well (1993), is whether the dyadic master/ subject model of contracts is a sufficient explanation of modern forms of domination.

A similar problem, in my view, arises in Pateman's vague defence of basic income (1988a). She has recently elaborated this in a rejection of full employment as a strategy (1 993), by stressing 'an important distinction', where 'a guaranteed income can refer either to an extension of the old British Poor Law, that is, to a safety net below which the poor do not fall; or it can refer to a basic income for everyone, to an entitlement of citizenship'. The latter, she argues, 'far from being inimical to democratic participation, would provide a necessary resource for citizenship'. 'As a strategy to weaken the link between income and employment, introduction of a basic income has another advantage. It would - if set at an appropriate level - make entry into paid work voluntary for the very first time, and would help to undermine the subordination inherent in employment.' It would 'also give all women an independent income for the very first time, and thus help undermine another form of subordination (1993:1047).

I suggest that she underestimates the extent her vague distinction hinges quite overwhelmingly on this ill-defined 'appropriate level' of payment, particularly when she rejects any full employment policy and fails to consider the feasibility of any basic income scheme. Furthermore, the possibilities for gaining political and popular support for a guaranteed maximum income, when it is hardly feasible or popular, and sustained permanent control over the sources of wealth and investment, are even less likely than the change in outlook of governments and global organisations required to reshape the full employment principle, however bleak the prospects are. By contrast, a subsistence basic income is virtually in existence in places like Australia.

Fraser argues that the master/subject conception of power used by Pateman both overestimates the extent of this model, and underestimates or obscures broader systemic forces that lie behind the hierarchical dyad. For example, in the absence of any basic social support for childrearing, women's unequal power in the labour market reinforces unequal power in the family (Peattie and Rein, 1983). As we know, the husband-wife dyad is socially embedded in segregated, male-defined labour markets, gendered social welfare
regimes and domestic divisions of labour. I would take this further, for Pateman neglects the social significance of children in modern society and their impact on the 'dyad'. Why do women remain married in the 20th Century if the contract remains so asymmetric? The point is, the arrival of children affects even the most egalitarian partnership due to lack of social support.

In the employment contract, the social mediations are even more abstract than in the marital contract, and the exchange is for cash, not in kind. Pateman rightly emphasises 'the boss's power to command the worker' - hardly a free exchange - but neglects contexts and significance differences. As Fraser suggests, 'wage slavery' is too strong a term, when last century, for example, young women left family farms and domestic service for factories precisely to escape parental supervision and indentured labour. If there was intense supervision inside the factory, these particular women gained some personal autonomy outside it. The employment sphere thus has boundaries outside of which the boss has no 'right of command' (Fraser, 1993:174-6); moreover paid work is today often an improvement on domestic labour and husbands' authority (Horin, 1994), and is one of the few, if vital sources of social esteem.

Pateman’s overestimation of 'wage slavery', with her master/subject model, is matched by her underestimation of the employment relation in other respects. Her focus on the workplace model as the key to subordination neglects exploitation and the institutional impact of the broader economic system driven by profitability rather than 'human need and environmental integrity', and the fact that major social questions are decided by market mechanisms rather than collective deliberation (Fraser, 1993:177-8), namely, economic democracy. These problems are not derived from the master/subject model of boss over worker, for which the very welcome solution of workplace democracy at firm level, nevertheless provides no remedies. Remedies to broader problems lie rather in economic democracy.

This means, for our purposes, that Pateman’s neglect of institutionalised power relations leaves her seriously underestimating the risks of a basic income unless it was set above minimum wages. Van Parijs (1993, p.163) or Watts (1993, p.30) by contrast accept a relatively low basic income. I will outline the problems here, as set out by scholars in Canada faced more immediately with this scheme.

**Basic income: combining work and welfare**

John Myles (1988) provides an institutional analysis of the creaky Keynesian welfare state system. During the mid 20th Century, the system of cash transfers was not about simply providing for 'the poor' but about wage stabilisation for the working class, that is, to solve the problem of stabilising domestic product markets, particularly consumer markets. This system is no longer working, as both left and right show: the welfare state is both functional and dysfunctional: it destroys the capital accumulation process but destroying the welfare state has the same effect in infrastructural costs and absorption of surplus labour. These problems, however, were 'solved' in many countries in the 1970s and 1980s by pre-Keynesian means of tight money policies to drive up unemployment rates to levels high enough to contain wage pressures and inflation. The welfare state did not 'wither away', or not as far as Thatcherite policies intended. Rather, what 'withered' were demands for more welfare and wage pressures (Myles, 1988:76-7).

The impasse is over which pathway to move in this transitional period: what we do know is that flexibility is a key slogan.' That is, rigid, Taylorist production systems must change, but so too, conservatives insist, must the rigid, inflexible labour markets. Myles correctly suggests, however, the flexible specialisation debate usually neglects the service sector. This sector can either be skilled, with state health, education, kindergarten and
community services, or poorly paid, casual and semiskilled, baby-sitters, servants, fast food and car-park attendants (that is, the Danish or the US path).

Flexibility for conservatives is about 'restoring' the labour market. The conservative version of Guaranteed Annual Income in Canada (GAI) aims to eliminate the welfare trap and to attack 'core' workers by limiting unions and regulations in order to remove their bargaining advantages. As Myles puts it, a GAI is promoted to 'peripheralize the core and modernize the periphery'. By contrast, liberal supporters of GAI in Canada have no strategy towards the core but merely aim to 'help' the working poor (1988:92).

The key point from Myles is that a guaranteed income or basic income is not different in universality to most existing welfare state systems where a range of benefits, pensions or insurance schemes provides income to everyone not in the labour market. The USA is a key exception here, where there are no unemployment payments unless a person has been previously employed; still more countries lack minimum wage regulations to diminish the incidence of working poor." Australia, in contrast, has minimum wage regulation and guarantees income transfers to everyone with no other private means of support," recently raising the floor of both.

To continue, the difference is about what is guaranteed universally. That is, instead of a universal guarantee of wage replacement, which acts to stabilise wages, in a GAI subsistence is guaranteed. The effect is that it does remove the 'welfare trap', but usually because a GAI acts as a wage subsidy system for low-wage workers. That is, where most existing unemployment payment systems effectively tax every dollar earned, by removing the equivalent in benefit payment (a 100% Effective Marginal Tax Rate, or tax-back rate), the rate with a guaranteed income is usually envisaged at around or below 50 per cent (Iacobacci & Seccareccia 1989). The gain in eliminating the absurd and authoritarian work-test (absurd with unemployment-job ratios of 10 to 1 as much as 80 to 1), which could of course be obtained simply by weakening the work test, may be counteracted in a GAI by indirectly forcing more unemployed people into low wage jobs. The problem, as Myles puts it, is that a welfare trap is also a trap 'to catch employers who can produce profits only on the backs of low-wage labour', and is the reason these kinds of employers dislike welfare traps (Myles, 1988:95). As other Canadian literature confirms (Iacobacci & Seccareccia, 1989:146), employers have always attacked conventional welfare schemes because such transfer payments act as competitors to low-wage firms or to those seeking domestic 'help'. Instead of the old choice between work or welfare, what is here offered with a GAI is a third choice of welfare supplemented by work.

The result of eliminating the existing barriers between social security and the world of work, unless the level is set higher than minimum wages, is to expand the pool of low-wage labour and expand the pool of capitalists willing to invest in industries that would not survive at higher wage levels; in Myles words, 'it subsidises lazy capitalists' (1988:95). To avoid this, high guarantee levels and low effective marginal tax rates would be necessary, but lead to a very high ceiling. On Myles' estimation, a CAN$16,000 minimum and a 25 per cent tax-back on every dollar earned means that people on $64,000 would gain some subsidy, and at that point, 'there is almost no one left to pay the taxes to finance the wage subsidies' (1988:96). These severe problems of feasibility are not considered by Pateman.

Other Canadian work elaborates on the way a 'modest' GAI would act to accelerate the push to overwork and further loss of control in a low-wage economy (Iacobacci & Seccareccia 1989:152). Instead of focusing only on the incentive-disincentive aspects of a high or low
GAI, as with neoclassical work/leisure choice models or, for that matter, Pateman's master/subject model, this research includes the likely effects of a low GAI on variables other than labour supply. Thus, wage rates, employment, industrial structure, and the level of aggregate demand and stability of the economy are also considered.

So, conservative policy-makers and employers (e.g. Canadian Manufacturers' Association) have three objectives for a GAI, first, income maintenance for the working poor, second, improvement of labour market flexibility and third, the elimination of poverty traps. In today's situation of high unemployment, with a GAI 'flexibility' would improve partly because with an effective marginal tax rate well below 100 per cent, larger numbers of employable welfare recipients would be induced to work and competition for a fixed number of jobs would be intensified (Iacobacci & Seccareccia 1989:146). Initially, workers would gain a higher income but, over time, employers would be able to reduce their unit labour costs to a greater extent than the working poor would see an increase in net income. This is because a wage reduction in gross earnings is compensated by a lower reduction in net earnings (through the tax-back rate). There is an incentive for employers to fragment full-time jobs into two or more casual jobs to gain GAI recipients and eventually such job splitting would increase wage reductions for firms, if unemployment remained high. The overall effect of wage cutting is a negative impact on employment because of decline in consumer demand. Lower consumer demand for countries like Canada or Australia, is more significant than the possibility of improving foreign trade through subsidised low-wage employment, because many of our exports are not price-elastic but dependent on the state of economic activities abroad (Iacobacci & Seccareccia 1989:152-63) or world commodity prices. These pragmatic points, such as only 22 per cent of Australia gross domestic product was generated by exports (in 1991) and of that, under half is manufactured goods (Pitchford 1994 p.215-6), would seem to undermine the calls for a low-wage path.

The further danger for Canada (read: Australia) is the GAI is likely to be a substitute for fiscal, monetary and sustainable industrial policies for full employment, and to meeting the many injustices in our society, many of which are remedied by secure jobs in high quality, vitally-needed community and environmental services. By contrast the trend to wage reductions would tend to check investment activity as firms took advantage of lower wage bills to delay investment plans (Iacobacci & Seccareccia 1989:167) and increase government cut-backs to pay the GAI. Thus a GAI does point the way towards a new welfare state, offering a solution to labour flexibility and the service economy. As Myles suggests, however, this offers a 'static flexibility' of low-wage, insecure employees, static because low wages reduce the incentive of firms to innovate in organisation or to introduce new technology. In the service economy, subsidised workers on a GAI will tend to encourage 'servant' and other low-wage jobs developing (Myles 1988:96-7), which does not help to overcome social injustice and is inherently unjust as well.

In less systematic ways than a GAI, many governments are seeking to 'modernise the periphery' with 'reinsertion' schemes (Commission of the European Communities 1993). So, job subsidies seem as much a bribe to low-wage employers as basic income schemes, except that the subsidised recipient is different (Pixley 1994). Reducing effective marginal tax rates on welfare payments is a basic income approach, which encourages competition for low-wage jobs and strengthens prerogatives of employers, who may possibly rotate and stigmatise those most dependent on a basic income.

Thus, of the three proposals, a low basic income with high unemployment is almost upon us; by contrast, a maximum basic income is essential to make employment purely voluntary and prevent low-wage economies from getting more out of control. A re-fashioned full employment principle, minimum wage and work-time regulation and income policies, with weak work tests would, however, achieve similar and in my view preferable
goals. A basic income above minimum wages seems dubious from the point of view of economic feasibility. Differing needs and standards of living across regions and countries, global financial capital movements, the threat to existing services-in-kind and the actual tax rate to pay for it are just some awkward problems. Whether it is more politically feasible depends on how far contemporary social movements struggle for one or the other option.

The political effort to gain a maximum guaranteed income would involve massive resources to re-educate the public (who still prefer job creation - a point I deal with later) as well as struggles against governments. The diverse needs formulated by movements of the elderly, homeless, feminists, disabled and environmentalists would need to be subsumed - and submerged? - into a demand for cash which, because successive governments could threaten to reduce the level guaranteed, would have to be maintained over a long time, in order that everyone can reject 'meaningless' work (or more precisely, paid work).

Many promoters of basic income are in no way in favour of a low-wage development, but some are 'political realists' about the chances either of a high basic income or the more feasible full employment. Rather than the risk of a basic income, however, a preferable strategy in these bleak times would be to insist that the work-test be eliminated or weakened.” The fabled 'choice' of work and welfare is not so good if one indeed ends up working for the dole. Moreover, the existence of poverty traps should be used to embarrass governments about the level of payment as well as high interest rates, public sector cut-backs and the use of the unemployed against inflation. With a weaker work-test, the unemployed could at least get on with genuinely 'voluntary' work if they choose, or domestic work through their own personal arrangements (instead of the spurious offer of 'parenting allowances', or the contradiction in terms of enforced voluntary work). Since their mere unemployment (and worse, the low-wage subsidised employment that 'churns' the pool with the 'job-ready') is, according to 'natural rate' theorists, 'serving the economy' by lowering inflation, there should be no spurious 'obligation' to seek work (Pixley, 1994A). That is, governments refuse to tackle the international agencies, to foster feasible full employment programmes or to nurture the income policies that help to manage inflation by fairer means. The contradictions in the New Right's objections to what they call 'duty-free rights' (Roche, 1992) could be emphasised here as well, in the duty imposed on the unemployed to the cause of inflation.

Concerning the domestic division of labour, even an improbably high maximum basic income is not an obvious solution to sharing responsibilities fairly, it is simply much more money. Pateman's defence of it is curious since her earlier work clearly specified the concept of 'freely assumed obligation' as quite different from imposed duty (1979). The irony lies in the problem that child-rearing, care of elderly and diverse needs that cannot be reduced to a standardised 'normal' income, are not necessarily changed by a basic income from duty to obligation. Men might spend their basic income on personal leisure (consumerism) and resist housework, while women used all their income on necessities and their 'domestic duties' remained imposed, as Elizabeth Meehan suggests (1994). Child care in this situation becomes more permanently privatised and domestic work more an ascribed imposition.

The issue here, when there is clearly no shortage of work per se, is about the distribution of paid and unpaid work. One idea is to conscript men (and return women) to the home front. This trend, with its risk of government definitions of 'home duties' imposed from above, is hinted at in the 1994 White Paper's 'Parenting Allowance' mainly for unemployed people. Far less authoritarian seems to be a new full employment principle that met feminist demands for socialising more domestic work, also in reducing the length of the working day, which does provide a path towards more 'free time' - even for women?
Employment not 'just a job'

Finally, let me touch on the issue of why socially-useful employment is felt as a more important experience than just gaining its income, by drawing on the work of Axel Honneth. This proposes a 'modest' critical theory of responding to felt injustice in analysis, which I believe should inform social policy.14 He stresses that a description of contemporary trends is quite distinct from its interpretation (1992, p.24-6). Any description would include, as I mentioned, the increasing separation of the international economic system from any particular national or cultural embeddedness, and the way the state appears to be more detached from democratic control. Finally, as post-modern diagnoses emphasise particularly, the global media and advertising industries have eroded community traditions and world views ('meta-narratives'), also weakening individuals' ability to communicate.

As Honneth carefully points out, the potential 'dissolution of the social' of these trends is hardly regarded by many in a positive light. Key exceptions are various post-modern views on the destruction of all the normative and cultural bonds by which individuals were attached to their social worlds. From the philosophical tradition from Nietzsche, these social bonds are seen as simply shackles, such that the contemporary 'independence' of individuals from tradition and community offers a 'grand' opportunity for the expansion of individual freedom. This, Honneth argues, is an aesthetic model of freedom in which individuals unceasingly self-create themselves in a celebratory and new free space for the 'playful unfolding of individual differences' (1992, p.29).

Yet, the post-modern celebration of the 'decline of the social' is only tenable if one accepts that an aesthetic individualism is indeed the source of identity-formation, and that 'subjects can solipsistically achieve self-realisation' free from all normative bonds (Honneth, 1992, p.29). If, however, identity-formation is instead seen as possible only through inter-subjective or reciprocal recognitions, then the present trends will be seen far more pessimistically. In this view, freedom of self-realisation is not enlarged by the distance a subject may have from the social world, but by the 'degree of recognition' of freely-chosen goals and the very encouragement of difference that comes from our dependence on the very interactions with the social environment that for a post-modernist are the shackles happily disappearing.

A remarkably similar Nietzschean touch is present in the Marxist rational actor theorists (as Wolfe suggests, 1989, p.48), such as Elster's figure of Ulysses, the epic hero refusing the call of the sirens, who has escaped the circumstances of bounded life. Elster himself defends rational actor theory primarily as 'a way of coming to grips with ourselves - not only what we should do, but even what we should be' (1993, p.179). Although they are concerned with justice more than post-modern approaches, their conception of the self (as a free rider with no collective purposes or shared goals: see Wolff, 1990, p.472) renders
collective action virtually impossible (when in reality it is the norm). In this way, their concepts of justice, sought in de-contextualised two-person win-lose games, free of any ties of situation, are difficult to define beyond the 'freedom' of a pure, characterless individualism. Thus for Van Parijs, aware that the present is far from fair, money, for its freedom, is the solution to injustice. A basic income would 'maximin' real freedom, being the freedom 'to do whatever one might like to do with one's life, including consume, get a job and perform enjoyable activities' (1990, p.16).

In marked contrast to both approaches, Honneth interprets today's situation as a 'crisis in the structure of recognition'. In this neo-Hegelian view, identity-formation and freedom are enhanced through emotional recognition from intimates and friends that we are each unique individuals, freely expressing needs, and through formal, legal rights-based recognitions as equal citizens with rights to individual self-determination (social freedom). These inter-subjective recognitions (in family and legal institutions) closely relate to a third form, far more in crisis today. That is, 'personal selfrealisation' and its ensuing freedom is reliant on social esteem for an individual's skills, achievements and abilities. But social esteem, as he says, is measured largely by what kind of contribution a person makes to society in the form of organised labour (Honneth, 1994, p.266; 1992, p.30).

The scope given to the experience of societal labour is not the fundamental emphasis of Marxism which searched vainly for the liberation of humanity in the working class or, more precisely, in male 'productive' labour, often ecologically destructive. Nevertheless, the sphere of formally organised labour includes community and environmental services today, and is what individuals depend on for gaining social esteem and recognition, therefore this psychosocial connection to the possibility of gaining a positive self-understanding should not be suppressed or neglected. The feelings of injustice which Marxist theory sought in the working class (and Habermas seeks in restrictions on linguistic rules), Honneth argues are found far more obviously in the violations of the identity claims learned in socialisation. If the experience of social recognition is a condition for identity development, then 'disrespect' brings a threatening loss of personality, and in everyday experiences of disrespect, the usual reaction is shame, anger or indignation. That is, this concept is not used to seek an emancipatory potential, but as the criterion for at least understanding modern social pathologies, namely 'the intersubjective presuppositions of human identity development' (1994, p.265; 1992, p.30-1).

Such a focus on 'the struggle for recognition' (Honneth, 1991, p.xviii) provides a way to emphasise the importance of employment far beyond receipt of income, but not so overburdened that its 'overcoming' is the only true source of emancipation (as in traditional class analysis). Political debates are thereby neglected. Nevertheless, employment is a major social space and source of social recognition for one's skills and achievements. Whatever criticisms are easily made of 'the degradation of work', the fact remains that women's obvious desire - to join the workforce is a realisation that emotional recognitions of loved ones, never very reciprocated in the private household economy, cannot be 'measured' publicly because the relations are inherently unique, particular and intimate. Low social esteem (often deep depression and/or reliance on tranquillisers) arises from the lack of opportunity to gain respect for one's abilities in a less intimate sphere. (Similarly, mothers' recognitions become less and less efficacious among teenagers facing a wider world, however 'perfect' a child is to her or his mother.) Hard-to-define feelings of disrespect, 'the problem that has no name', as Betty Friedan said, is not solved but exacerbated by 'wages for housework' or a 'participation' income, while being 'unemployed' (formally or informally). Van Parijs argues the basic income is preferable, for not making payment contingent on measurable performance of housework, but his only reason is that it is 'undesirable' to pay for productive household activities (1993, p.180). This neglects the fact that employment in the service sector does just that, with at least a potential for recognition of skills. Indeed, the socialisation of more domestic tasks (nursing with its
specific skills, or laundry, for example, not exactly an intimate experience) provides women with scope and time for both kinds of recognitions. And as industrial labour is a declining source of recognition, the growing service sector has provided this source more for women, traditionally less involved than men in the input-output measurements of manufacturing, and more in useful, purposeful interactions with other people.

My position (as discussed elsewhere, Pixley, 1993) that employment is a major facet of contemporary life and provides a potential for resistance, public definitions of skills and needs, and for fostering participation in other social and political arenas, does not deny that employment is stratified, or claim the workplace as the sole social arena. Nevertheless, exclusion, for those who want to find employment, is not easily born or in any way adequately replaced by those with the least inner (as well as material) resources.

This crisis of social acknowledgment, the lack of opportunities to find 'self-confirmation, approval and recognition as morally-acting persons, as bearers of duties' (Honneth, 1992, p.32) can lead to self-esteem being sought in small violent groups or, for want of any social space, in deep despair for the unemployed or isolated houseworkers. Honneth calls for developing 'a post-industrial form of ethical life', rather than avoiding the problem (as with post-modernism), in order to give those most ostracised and 'disrespected' the inner confidence to articulate their experiences in democratic public life (1994, p.269).

I submit that rational actor and master/subject models dismiss our dependency on social recognition at grave cost, and hence a basic income or a participation income are irrelevant to this crisis. Elster in fact opposes a basic income, but only because it goes against a notion of justice that it is unfair for the able-bodied to live off the work of others (1986, p.719). Many still share this belief, but Van Parijs correctly replies that mass unemployment is itself the injustice of exclusion (1993, p.179). Elster's free rider concept is here derived not from rational choice theory (how could it be?), but indirectly from the passing culture of male industrial labour, which confuses work with employment in that men rely or are free riders on the unpaid work of women. Contra Elster or Van Parijs, the self-esteem that male members of society did gain from industrial labour (Honneth 1992, p.31), and women are starting to appreciate themselves in mostly 'non-productivist' employment, are simply not available from unemployment or domestic labour, whatever form of cash transfer is available. With a basic income, an individual's links with a shared normative world become even more remote; it fails to mitigate the sense of injustice, of disrespect. The problem is not about an abstract freedom to make one's 'own' life or produce 'new self-images' - such freedom from any ties is the freedom of neglect - but about forms of socially visible participation which provide the social, public spaces for identity-formation through intersubjective recognitions. Meantime mass unemployment and its social ills exist together with the new 'hyper' employment, globalised markets and environmental regeneration becomes ever more urgent.

In everyday terms, my question, rephrased, remains how to reorganise and share socially organised labour equitably, and on terms that do not sacrifice the importance of intimate and friendly recognitions or domestic caring work. Here a reduction in work-time across the board is one essential strategy (among many others) in two ways: women want both work and employment but fairness requires that men actually do, more domestic, caring work and pay higher taxes for its further socialisation. (For a start, overtime - predominantly a male activity - and payroll tax could both be replaced by a carbon tax: Langmore and Quiggin 1994). Reduction in work-time also expands employment in general and is also less export-oriented or directed to uncontrolled growth, because there is time for leisure and caring and to appreciate the local service, community and artistic sectors (Lipietz, 1994). (We can appreciate - and pay for attending - demonstrations of others' aesthetic skills while lacking them ourselves.) In contrast, subsidised jobs or subsidised workers on basic income integrate more populations into a global 'competitive
austerity'. Such an exclusive focus on the unemployed neglects this bigger, more stark picture while failing to make the labour market more 'family-friendly' or to enhance self-esteem. People are not fooled. Needs for ethical employment and for social recognition are destroyed when labour market programs and the new workfare state simply leave the unemployed competing with the underemployed for jobs from 'lazy capitalists'. Social policy can do better than this.

Notes

1. This focus - less well-intended - was most apparent in the recent Green Paper-White Paper process: Committee on Employment Opportunities, *Restoring Full Employment* (1993) and Commonwealth of Australia, *Working Nation* (1994), respectively. It also emerges from progressives in Tony Atkinson's work on participation incomes (1993), basic income proposals (eg Watts, 1993) and the focus on the 'third sector'.

2. In previous work I devoted some space (1993, Chs. 1, 7 & 9) to the problem that employment has many faults but is the major source of social participation today and it is not going away; moreover, being there at least provides the possibility of improving the structure of employment whereas exclusion makes this impossible. Various misinterpretations of my position, such as I allegedly claim that employment constitutes a necessary or sufficient basis for full citizenship' (Watts 1994, p.2) or Shaver (1995, p.43) on my 'identification of citizenship with full employment', could be contrasted with what is actually in my text.

3. There have been some efforts by unions to compromise with feminism and ecological concerns, eg parental leave, the ACF/ACTU Green jobs, but why is the union leadership silent in the current logging dispute?

4. The basic income idea, even since the 1960s (see Pixley, 1993, ch. 4, ranges from Henderson's proposal here to Milton Friedman's negative income tax and Nixon's Family Assistance Plan, with the vastly different effects of one level of payment for northern Blacks compared with the same for southern Blacks in the USA; see Quadagno's discussion (1990). See also for more well-intended basic income plans, Jordan (1989) on the question in Britain, and Coenen and Leisink (1993) where the debate is based on the new developments in Europe.

5. A level of around 3-5% unemployment is a relatively tight labour market, whereas no unemployment is a conscripted workforce, as in the former USSR. In 1989, Australia's official unemployment rate was 5.9%, although many were long-term unemployed and others under employed. Most Australian economists accept that the 11% rate of 1990 was more about severe monetarist and fiscal policies, and not solely about the world recession (Phipps and Sheen 1994).

6 For example, Herbert Simon's famous concepts of 'satisficing' and bounded rationality (again, in eg. 1993), R. P. Wolff (1990) on Jon Elster and Robert Lane's work (1991). The rational actor theorists are similar to the Chicago school of economics in seeking microfoundations, but for Marxist economics. They are also called analytical Marxists, rational choice theorists (Elster, 1993) or public choice theorists (Self 1993, p.16-20)

7 In a recent book, Van Parijs resorts to explanations of domestic labour like 'specialisation' and 'higher standards of tidiness' (1993, p.93; p.180) in the two occasions he mentions it. This is similar to Gary Becker of the Chicago school (e.g. Becker 1974). Incidentally, Van Parijs opposes payment for housework, such as a 'participation income', but cannot explain why (p.180). This failure is no surprise, as I discuss later.
Michael Bittman's analyses of time-budget surveys shows that laundry remains an exclusive female task, and when men are asked about household equipment, they often claim there are driers etc. when there are none in the house (Bittman, 1994; Bittman & Lovejoy, 1993).

Even Australia, with 90 years of centralised arbitration and 10 years of incomes policy is now also introducing enterprise bargaining.

cf. Pateman's confusion on this point in assuming the US is the welfare 'norm' (1993:1047). To re-emphasise, in my view everyone has a right to income replacement, but also that different cash transfers and services-inkind for child-rearing etc should be unrelated to labour market policies.

A grim exception in Australia is the residency requirements which impacts badly on newly-arrived migrants. But would a basic income be any more likely an 'automatic' right on day one of arrival?

Some of these problems are raised in Pixley (1993), and in personal discussions with Alain Lipietz, also see Quadagno, (1990), Przeworski (1987); and Andre Gorz (1992) is opposed to the basic income on citizenship grounds. As I said, Leo Panitch (1994) dubs the Canadian GAI the exhaustion of the 'do-gooder' approach.

This point follows from a most useful personal correspondence with Peter Leisink.

In the 1960s in the USA, the average Managing Director or CEO earned 12 times the amount of the average employee; in the 1980s that figure moved to 80 times the average wage (Curtain, 1992). Australia's corporate salaries are only relatively less obscene.

It is more modest than the hopes of the Frankfurt School, who sought the basis of emancipation through seeking the sources of injustice. Honneth suggests that more modestly, critical theory should aim just to reveal contemporary social pathologies (1994).

I previously explored these Hegelian distinctions between three 'spheres of virtue, each with their own principle, in comparison to Braverman's influential deskill thesis, in Pixley, 1993, p.295-80. There I tackled another popular anti-employment argument, over whether work is so deskill that unemployment is preferable.

In his defence of basic income, Rob Watts does not provide a definition of participation really much beyond employment, (1993, p.12) for he equates the work test, which I think should be dropped, with stigma and means testing of receipt of benefits or allowances. He says, 'If one is to be a full citizen one must participate fully. To participate fully requires that material subsistence is secured and is secured in ways that do not humiliate, oppress or demean, in a way that does not discourage efforts to escape poverty or disparage efforts to obtain training opportunities or employment.' But the work test tells people to get trained and get a job every time they submit to it. The means test, while excluding those with income above a meagre level, also prevents employers from paying wages below that level. The lack of employment is widely understood, though more could be done to publicise this and hence prevent the stigma, especially through demands to reshape the employment system.

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Income Maintenance: Targeting Destroys Initiative

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Australia 1995

As we woodchip our way towards a forest policy,
setting up Bilby abattoirs in Pitjantjatjara country,
our journalists inquire of highly paid bankers whether
we should put up interest rates in order to halt the rise in employment,
whilst policemen impersonate journalists
so that they might arrest a skyrail protester
who sat in a tree for 200 days.

Perhaps the unemployed should
impersonate entrepreneurs
to rob Australia blind.
Environmentalists should dress up as foresters
and treat politicians
as if they were trees.

A GMI is preferable to either the existing social security or self provision systems

An income guarantee for all permanent residents would be simple, just and efficient (van Parijs, Goodin) and as a consequence easily understandable by most people - including the least educated, those with limited intelligence and the least bureaucratically sophisticated.

This paper will briefly summarise social and environmental arguments in support of a universal income guarantee. In Australia many politicians, business leaders, academics and leading social welfare administrators continue to rely on a rejigging of an outmoded 'welfare state' to get them through to the next century. For this reason the paper will examine:

1. the complexity of the existing system of income support,
2. the nature of the Australian 'welfare state' which insists on maintaining a clear linkage between work / participation and income,
3. some important impediments to the introduction of a guaranteed minimum income (primarily the belief in the efficacy of targeting), and
4. the intimate connection between those who oppose universal income support and economic nationalism.

**Environmental and social support**

There are many social equity arguments which have been formulated in support of a guaranteed minimum income (GMI) becoming the main income support program for permanent residents of Australia. Advocates of guaranteed income schemes have often been critical of the existing Commonwealth income maintenance programs for their failure to promote an inclusive, simple or equitable form of income support. Just to complicate this picture some social policy analysts have attacked the concept of generalised income guarantees on the basis of their failure to promote active citizenship (Pixley, Cass, contra Watts, Tomlinson 1989, Chapter 3; Tomlinson 1991; Tomlinson 1995).

The Greens in some countries have been strong advocates of income guarantees. They have substantially relied on social equity / distributional reasoning and have argued that income guarantees have the capacity to diminish western society's drive for excessive productivity (Watts; Van Parijs). This last ground is clearly environmental in orientation. It is subsequently utilised by those who see the work/hedonism trade-off as an important determinant of income policies and as grounds for opposing the introduction of a universal income guarantee (Whiteford; Saunders 1981, contra Saunders 1994; Stilwell, F. pp.85-88; Tomlinson 1989).

There are reasons why environmentalists should support a GMI or our current Commonwealth system of income support on ecological and economic sustainability grounds. One such argument for this is that both the present social security system and even more so a GMI result in intergenerational cash transfers. In the case of a GMI, because this system would be more widely understood, such transfers between generations would be more transparent than with categorical systems. On the other hand superannuation and other forms of self provision mean that the person's capacity to extract the maximum economic advantage from the employed period of their life determines the amount on which they will have to draw in the post work phase of their lives.

Self-providers have substantial and readily acknowledged economic reasons for opposing environmental measures which will, in the short term, limit their productivity and hence decrease their personal superannuation payout. Those who rely on a GMI or other forms of tax payer funded income support payment have their economic security intimately connected with long term environmental sustainability.

**Complexity**

There is a hue and cry about complexity in the tax system but a stunning silence about the inordinately complex social welfare provisions which exist in Australia. Yet for most PAYE tax-payers the general provisions of the tax system lack complexity. Workers have a basic understanding of the general principles which apply, there is a widespread recognition that for PAYE tax-payers the system treats them uniformly and that it is non-arbitrary.

However when it comes to the social security and social welfare systems social workers, human service workers, social science lecturers, politicians and more importantly claimants have only the vaguest idea as to how any particular individual will fare when they hit the front counter of their local Social Security office. Decision-making is arbitrary. When I was based in Canberra I rang six different senior policy officers in Social Security on the same day with exactly the same scenario and asked to what an individual would be
entitled. I got six substantially different answers. I had not set this up as an experiment, rather after receiving the first advice which I felt was not accurate I decided to get a second opinion which was contradictory and I then decided to see what the range of opinions in the policy section would be. Now it must be remembered that the advice was not coming from 5 day trained Social Security counter officers from Outer Whop Whop or a social worker in a Thargaminda voluntary organisation - it was coming from the Policy section of the Department.

If there is no need for the social welfare system to be non-arbitrary or understood by participants why do we need a tax system to be uniform, understood or seen as fair? This might seem like a silly question and at one level it is. But as we set about answering it the forces which structure our reaction start to be revealed. We define employed self-providers as productive and useful members of society: our response to claimants, beneficiaries, clients, dependent members of society is, far less positive. The terminology currently used in the debate is itself telling.

John Howard (ABC, PM 30/1/95), the day he was re-elected Opposition Leader, in an attempt to establish his new found small '1' liberal credentials claimed he was a strong supporter of a safety net of social welfare provisions for those who through no fault of their own weren't able to provide for themselves. In the same interview he spoke about the rights of family members to know what entitlements they had in order make sensible choices about work and family responsibilities. He was clearly making his pitch to what he termed mainstream Australia.

There was nothing in Howard's rendition of his vision for future Australia to suggest that the safety net of social welfare provisions would be predicated upon a guaranteed minimum or basic income as a right of citizenship or residence. The divide between the productive and the claimant becomes apparent when the welfare system is put aside the tax system: it is never suggested that the tax payable should be determined on a basis of some ill-defined discretionary system related to sexual preference, lifestyle choice, budgeting ability, attitude towards employment, etc..

Reductionist welfare

Much of the debate in western welfare systems revolves around targeted versus universal systems. Further dialogue surrounds the rights as opposed to charity models within specific programs directed to assisting delineated groups of people. The Australian Social Security system specifies the eligibility requirements for payment of particular allowances, benefits or pensions. This major form of income maintenance is part of a wider welfare system which includes programs such as emergency assistance and community services. In these supplementary programs the eligibility requirements are often poorly specified. Such programs are frequently subjected to budget changes. They are residual in the true meaning of that word they are what is left over after the important things are funded. Different priorities are given to defence and welfare budgets. Defense funding operates on a five year promised allocation. Even in the absence of a credible military threat to Australia in the foreseeable future Australia spends more than Indonesia and Malaysia combined on war weaponry.

These residual programs are really part of a reductionist welfare policy which operates in Australia. It is reductionist in the sense that governments ask 'What is it we can reduce without too much electoral liability?' It is reductionist in the sense that governments ask 'What is it that the poor do not need, what can we get out of paying for?'
The distinction between the way we regard income derived from the mode of production and the mode of distribution is clear (Bottomore, et.al.). One is a right- an entitlement, and the other a charity.

The entire social welfare system is organised on the twin lies that the amount of money available for distribution to the poor is a finite amount and the amount set aside to relieve hardship is reasonable given the other vital calls on government expenditure. Unlike the purveyors of such fabrications I do not have the wisdom to determine whether the maintenance of the extraordinary generous superannuation benefits provided to politicians should be a greater national priority than the provision of drinkable water to outstations and other communities in remote Australia (the still unaccomplished number one priority of the first National Aboriginal Health Strategy). Nor can I tell if the national interest would be further advanced by ensuring the level of infant mortality and morbidity between white and Black Australia was made more equal as compared to purchasing another four helicopters for the Nuigini Government to use on subduing the Bougainvillians.

But I do know that if we as a country could decide that the first priority of social welfare spending was the provision of a liveable guaranteed minimum income to all Australian permanent residents then it would be much easier to determine other social wage questions. Once we are able to divorce the provision of a basic income to each individual as right from questions such as the supply of housing, education, health, and disability services then entitlement to such services will be far easier to determine.

Making basic income support an individual right automatically creates economic efficiencies (Goodin). No longer would it be necessary for highly trained doctors and other health professionals to go through the charade of determining levels of impairment in order to determine whether the individual became eligible for the big prize - a Disability Pension or would have to settle for one of the minor prizes such as job Search. Such highly trained health operatives might be far more creatively utilised assisting individuals to maximise their abilities. The real question in any case has never been the degree to which this person is disabled but what income is this person earning.

**Unemployment and income**

The Government has become preoccupied with the problem of unemployment and this has deflected it from the solutions (Langmore & Quiggin). If it is incapable of providing work for all then it must divide basic income support from employment. In the White and Green Papers on unemployment the totally new and thoroughly revolutionary concept of *case management* was developed (Committee on Employment Opportunities, Australian Government). This concept has only been around in welfare circles since the 16 century Poor Law workhouses and already the Australian Labor Government has adopted it as their major policy initiative on unemployment.

Of course the adoption of case management necessitated rejecting a few newer constructs such as the government becoming an employer of last resort (job creation) and introducing a guaranteed minimum income (Australian Government, chs. 5 & 6; Committee on Employment Opportunities p.167).

Of course there were a few downsides to case management, particularly when the Department thought it could mainly be accomplished by existing staff working more efficiently but the public service union held out for the employment of more staff.
If case management was restricted to helping those many senior DEET and Treasury officials who have contracted the mind numbing economic rationalist virus (Pusey), it would mean they would no longer spend their day proselyting outmoded economic concepts thus freeing up CES employees to seek employment vacancies for those without work. It would free the unemployed from having to spend their day knocking on factory doors decorated with no vacancies signs, or attending short term courses which some DEET official with the wisdom of Solomon knows will provide exactly the required parcel of skills required by a local employer, or sitting in the sterile CES Office about to be questioned on their work preparedness, then to be activity tested before being removed from benefit. Had the unemployed been trusted to utilise their own creativity, encouraged to improve their basic education or extend their general technical or professional education, then we might go some way towards addressing what the Green Paper declared was the greatest inefficiency in the Australian Economy - one million unemployed people (Committee on Employment Opportunities, p.1).

This was not done because the government suffered a lack of faith in unemployed people. The very people which government and industry policies have thrown on to the employment scrapheap. They have no faith these citizens will become productive unless they are coerced by the threat of starvation (Strider).

There is no evidence that convinces me that people don't want to work. They may not want employment in dangerous jobs, or in situations where they are sexually harassed, or in a whole range of situations where they are exploited, but that doesn't mean they don't want to work. An income guarantee would provide an opportunity for people to participate in a range of ways, either in the paid labour force or the community. The average denizen of Toorak may not have the wit to understand that the many young environmentalists who spend months in the bush in protest camps trying to alert our politicians to the need to sustain biodiversity or who put their bodies on the line in confrontations with loggers are making a far greater contribution to our economic future than the managing director of the company which sends our woodchips to make cheap Jap crap paper.

Impediments

The social welfare industry might almost unanimously be expected to be an enthusiastic supporter of income guarantees and environmental sustainability but because there are many in the industry who rely on individualising peoples' problems and solutions for their 'professional identity' the debate is divided and divisive. There are on-going struggles between those interested in doing for and those who want to work in partnership with less affluent Australians or others who on account of a disability or disadvantage are forced to rely on human service agencies for assistance. The class, race, gender and locality outlooks of those who control the major welfare agencies, of many senior human service academics and of their political masters is inimical to social equity and environmental sustainability. The overwhelming majority of such powerful people are able bodied and they approach disability questions with an aloofness bordering on charitable disregard. They seem to accept that 'the poor will always be with us'. Because they promote a crumbs from the table targeted / categorical approach to income maintenance they are helping to ensure there will always be people living in poverty.

We have academics like Cass and Pixley who continue to provide support for a targeted income support system as opposed to a basic or guaranteed minimum income because they are concerned to ensure people participate in return for income maintenance. Probert's variation on the theme is the promotion of the concept of involvement in the 'third sector'.
This 'third sector' is the brand new idea, you go out there and do something socially useful to establish your credentials by way of solidarity with the rest of our participating society. It's the equivalent of singing for your supper in an old church soup kitchen. The Aborigines, with their Community Development Employment Program get paid less than the dole: they are participating in that third sector:- what a wonderful thing that's doing for them! It's turning them into overnight millionaires, solving their health problems, their infrastructure problems, their commercialisation problems (Huck). We don't have to worry about Aborigines now because they are 'participating'. Doesn't it make you feel good that your country can ignore such problems like water supply. Adequate drinking water is the number one health problem in remote Australia. And Minister Baldwin told the Future of Income Support Conference that there are no people who are starving in this country. Is it true that he does not understand that we have Australians who are starving and as a consequence dying? The average age at which Aboriginal women are dying is decreasing. That's something to be proud of?

Who's the target
It has been long known that simple, universal systems are more likely to be understood and to have a high take-up rate than complex, specific payments. Each time names and conditions change some people who would have an entitlement don't apply. The majority of those who miss out on payments are the least bureaucratically sophisticated, least educated, least financially well off, furthermore removed from city centres, most socially isolated, often belonging to ethnic minority groups, frequently are experiencing a disability or major disadvantage in the very words of the targeters -the most needy. Just one of the many examples of this is provided by the Department of Social Security own evaluation of Family Income Supplement and Family Allowance Supplement from 1987 to1990 (Thompson & Gunasekera).

The targeters often justify their decision to impose specific conditions on the basis of directing the greatest amount of money to the most deserving, insisting that through their efforts the money will go to the needy rather than the greedy. The idea of middle class welfare is allegedly an anathema to them. The major problem with such propositions is that they do not stand up to scrutiny (Goodin & Le Grand ch. 6; Le Grand ch. 7). Often there is no way to prevent the middle class from becoming substantial beneficiaries of welfare payments specifically designed to benefit the poor and that when they do benefit programs are likely to be strengthened and extended. Often this is accompanied by the reflagorising of such benefits in a way which 'removes' them from the 'welfare' system. For example most people don't conceive of superannuation or many of the child allowances as 'welfare'.

If there is anyone who still believes that the people of this country benefit by the continued targeting of basic income support payments then I plead with them to read Robert Goodin's article entitled 'Towards a Minimally Presumptuous Social Welfare Policy' (Goodin). In 16 pages he succinctly demolishes any of the justifications for maintaining or increasing targeting which political luminaries, bureaucrats and tame academics have trotted out in the last two decades. These 'justifications' are really only rationalisations that Ministers of Social Security have used to limit the amount of funds which the state has been prepared to provide to people without paid employment.

Leonard Cohen once wrote 'It's hard to hold the hand of anyone who's reaching for the sky just to surrender.' The intensity of fear of what Labor Ministers and their apologists choose to call dependency reached a crescendo in the second reading speech of the Social Security (Parenting Allowance And Other Measures) Legislative Amendment Bill 1994 on 13/10/94. Mrs. Crosio, Parliamentary Secretary to the Minister for Social Security, said, 'The Measures provide increased incentives under the income test for unemployed people
to take up low paid work. They also include the introduction of parenting allowance. The bill also continues the strategy of phasing out payments based on a dependent relationship between people in the social security system' (Current Hansard p. 2685). It is probably too much to ask that a parliamentary secretary have the intellectual wherewithal or honesty to realise that the relationship between a parent and a child is a dependent relationship even in the International Year of the Family. What Mrs. Crosio was not prepared to admit was that this Labor Government which is so fond of trotting out social justice cliches is engaged in the act of deciding which forms of dependent relationships it will determine are worthy and which it will reward financially.

The silly thing is that Labor Ministers are not really frightened by the possibility of dependency - what terrifies them is that they might have to pay poor people some money. In reply to Mrs. Crosio's diatribe Phil Ruddock, the Opposition's spokesperson on Social Security, said, 'one could be forgiven for asking what is it we are doing to our Social Security Act with the myriad of new allowances paid on a range of different conditions and criteria which require explanation of the sort that we have heard tonight' (Current Hansard p. 2687).

Dependency is a particular painful brain condition that can only be contracted by those who believe in targeting. If you don't believe in targeting- you provide income to those who don't have funds and you tax it back as people start making money. The system goes round and then no-one is dependent.

If the Government was really troubled by questions of dependency it would address with alacrity one of the most pressing dependency issues confronting this nation. The insurance industry in this country has become addicted to swallowing up workers superannuation payments (ACTCOSS, Pha).

The Government has encouraged this dependency by legislating for a compulsory privatised national superannuation scheme. This scam has become so attractive that ownership of the 'Australian' insurance industry is increasingly becoming transnational.

As well as conning workers to forego income (which employers pay) in order to increase the profits of the private insurance industry, Treasurer Willis, spooked by balance of payment difficulties, suggested that the 1995/96 budget might involve workers having to pay a further three per cent of their income in superannuation in order to increase national savings. The problem with this solution' is that there is no guarantee that this will increase the amount of savings- it may just transfer savings from one form of savings to another. As well, 20 per cent of superannuation is invested off shore and all that such a change might achieve is a net transfer of funds out of the country necessitating further overseas borrowing.

Small government
There is nothing essentially appositional in the ideological belief structure of social democracy, democratic socialism, liberalism, feminism, environmentalism, anarchism, Marxism and the introduction of universal basic income guarantees. Universal income guarantees and conservatism are incompatible as are basic income guarantees and some particularly virulent strains of market liberalism (Tomlinson 1989).

In Australia the term economic rationalism has been used to describe the system of beliefs which says the market should be the final arbiter of all things. By glossing over the downsides of the entrepreneurial spirit, which bought us Bond and Skase and increasing wealth for the few and increasing poverty for the many, as simply externalities we failed to
understand that so called rational economics was just an economic rationalisation to explain away the excesses of the rich.

With the notable exception of Milton Friedman and some of his followers the economic rationalists want to totally deregulate the mode of production but maintain charitised targeted regulated welfare in the mode of distribution. We don't have a guaranteed minimum income in this country because of economic rationalism. A lot of people say to themselves 'Well, I don't know a lot about economics, so maybe the economic rationalists are right. If you think that, then read Paul Omerod's book *The Death of Economics*, the best recent critique of economic rationalism.

Now one of the most important theories of economic rationalism is the trickle down effect, and anyone who has a leaking bladder can tell you that their thighs are wetter than their feet. That is the loser-pays principle. Its the idea that the rich get richer first and some time later the rest are supposed to benefit. But Alan Anforth, Director of ACTCOSS, calls it the Suck-up Effect: the rich suck up the money and we suck up to them.

Peter Botsman (ABC Radio National) dramatically presented the issue of the international markets, the role of transnational companies, the relative weakness of national governments capacity to resist capital strikes and the subsequent internationalisation of labour with the concept of the i global hiring hall’. Karl Marx in *Capital* pointed to the power of employers over workers but it was left to other Marxists like C. Wright Mills to develop further the analysis of the power of corporations over government (Bottomore, et.al.). Ted Wheelwright alerted us to the power of transnational conglomerations over any and all governments. The rise of economic rationalism in Australia (Vintila, Phillimore & Newman, Rees, Rodney & Stilwell); Reganomics in the US, Thatcherism in Britain and Rodgernomics in New Zealand (Ormerod) all brought a similar message to the citizenry. The market will be the final arbiter of all things from the social to the economic and government intervention in the market or the society is bad, inefficient and a break on our final run to nirvana.

Small governments appeal to companies because government regulations on product safety, workers health and safety, environmental pollution and so forth are inconvenient, costly, and reduce profit. Anyone who doubts this should speak with the directors of Garibaldi Meatworks. Small governments appeal to anarchists and libertarians on the grounds that they are less able to interfere in the life of individuals than are large governments. It is also true that the leaner a government the fewer services and benefits it is able to provide to those excluded from the market by disability, unemployment and age, but as economic rationalists will tell you, this is simply 'an externality'.

The major attraction which small governments have for transnational companies is that small governments are less able to resist the urging of transnationals. This is so because they have less support from the population as a result of cutbacks in benefits and services, they have less fiscal flexibility because of a lowered tax revenue and as a result of a combination of these two features they are prevented from raising revenue in a crisis should transnational conglomerations combine to undermine national objectives.

**Conclusion**

Small governments suit people with small minds. Instead of being mean minded and penny pinching, the time is now right to confront the economic rationalists and the targeters, in fact all those who want a presumptuous social welfare policy. Peter Saunders has calculated that we would need a 50 per cent tax rate to pay for it (Saunders 1995). Tax at 50 per cent is a couple of points higher than the marginal income tax rate paid by the very rich in this country. But 50 per cent tax is at least 12.5 per cent less than unemployed...
people and pensioners lose on any earned income above their free earning level. As well, a 50 per cent income tax rate, once a basic income was in place, would mean the effective marginal tax on an income up to the full time average weekly wage would not be very dissimilar to the tax rate which currently exists.

It's time for Australians to surrender to an act of faith in other Australians and say, 'I'm prepared to pay 50 per cent of what I earn in tax, providing that I'll know that no-one else in this country is without food, housing, a decent health system. I don't want all the complexity: I want you to come up with something that the least sophisticated in this community can understand. I don’t want to have a system that only the bureaucratic elite can understand. I want a guaranteed minimum income.'

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To begin to understand the personal and social impact of prolonged unemployment, the effect of joblessness must be studied not in the political arena, but in the human context.

After about six months jobless people (and their families) can become burdened with sadness and anxiety, and their self-respect can tumble downwards. They can begin to see themselves as failures and as their situation drags on they can possibly suspect they are
unemployable. Their suspicion can be confirmed, as far as they are concerned, by a workforce telling them over and over again, 'We don't need you!' People want to work for their own self-respect to be useful for themselves and to demonstrate their social value. Work is a central life activity. While the function it performs and the meaning it signifies may vary it is nevertheless an indispensable part of life.

A person's sense of well-being is maintained by finding some meaning outside 'the self' that is developed through involvement with others. Any links with colleagues, workplace goals and social growth can be lost when people are jobless. This situation shifts people from a social role that can make them feel part of a larger social community and give their lives purpose. They can now feel incomplete, unwanted and somewhere on the fringe of social respectability.

People are not just anxious about being jobless. They are fearful for their own identity, sense of worth, a secure and recognised place in society.

Consequently they can suffer a recurring sense of lack of self-worth, and an erosion of their abilities. They can feel that their lives are being wasted and can feel rejected. They can experience an inability to do anything about their isolation, joblessness or the society which denies them an opportunity for meaningful input.

Without an opportunity to lead dignified and productive lives, they can develop terribly broken images of themselves, feel useless and devalued. Their lives can lose meaning. They can see little if any hope. They can suffer a crippling sense of futility.

What they want and feel seems to make no real difference, so they are inclined to give up wanting and feeling. When people continually face challenges they feel helpless to cope with or overcome, their final line of defence is to avoid even feeling.

Without suitable paid work, people can be worn down. The belief in their right to participate in society can crumble, as their dreams for themselves and those who share their world disintegrate.

The end result can be that they become socially isolated, powerless, in many cases unemployable, and their days fill with empty time.

There is a lack of passion and excitement.

There is indifference.
There is apathy.

When the opportunity for social input is wrenched from people's lives, they are forced to give up the fundamental freedom to work which is a basic right and need.
Prolonged unemployment is breaking the spirit of these individuals (and their families). This is leading to personal and family disintegration, domestic and social violence, community division and indifference.

These people are the suffering unemployed. They have their own stories of what joblessness means to them, how it is diminishing their perception of themselves, damaging their relationships and their family stability, destroying their financial security, their future lives.

They are the victims of the most severe tragedy of social injustice of this decade.

To read newspapers, to listen to radio, to attend conferences, to watch TV is to know only the vastness of the social problem. But to know unemployed people (and their families) is to encounter the human problem ... intimately. In so doing, you are moved with compassion.

Compassion asks: what response does this social tragedy happening in my community call for?

Compassion uses its people and organisational resources to become involved in and be part of the solution to alleviate the pain of the suffering and the powerless.

Compassion does not compete with but encourages other individuals and organisations to use resources and participate in the healing of the suffering and the powerless.

Lamentable though it is, there are dominant and influential attitudes that sabotage compassionate action.

There are those who believe that not every Australian has the unquestionable right to live a dignified and productive life. Then there are those who are convinced that life is a competitive existence; and if any society, any country (such as Australia), is to be successful it should not allow itself to be distracted from the main gain by those who are without a meaningful and valued life. After all, they would argue every disaster natural or man-made has its casualties. And so with this recession or job-loss-disaster, there are unfortunately a high percentage of young through to older people, willing to work, who will not find suitable jobs for they are no longer there. They may obtain part-time or temporary jobs with possibly long periods of no suitable work, or they may never find any meaningful and paid employment.

They will have to be categorised as 'inevitable casualties' or 'acceptable losses'.

In effect this means Australia will not rely on what these people can do for it; it will not offer them a sense of purpose, a worthwhile place in the community. As many as possible will be 'lifted' as close to the employed position as can be expected by placing (hiding?) them in educational and work experience projects and short-term jobs.

Finally there is a third group whose attitude sabotages compassionate action, where some people are so involved in their own world they remain out of touch with the deep struggles and pain of even those in the community in which they work and live.

All of these three groups of people are indifferent.
For them, to be compassionate is to be naive, impractical ~ even masochistic. Such an attitude they think cannot be taken seriously, such an attitude can be unhealthy and risk-taking in the extreme.

Consequently the pain of the suffering and powerless in their own country, in their own community, usually evokes disgust, anger or cynicism rather than compassion. For them compassion is nothing more than a device to be used to assist someone adversely affected by competition only if it benefits themselves.

It is a pity that more of these groups do not seriously consider the impact their indifference has on the mental health and family life of the suffering and powerless unemployed and on the social cohesion and harmony of our local communities.

I have seen suburbs and towns where high unemployment is eroding social networking which in turn pollutes social cohesion.

Indifference is the foundation of social injustice. Compassion is not stooping down towards the suffering and powerless from a privileged position. It is not reaching out from on high to those who are seen as the underprivileged. It is not a gesture of pity for those who 'fail to make it.

Compassion is not a noble act of self-sacrifice. It leads us to see with others what we could not see before, to feel with others what we could not feel before, to hear with others what we could not hear before.

To choose to be freely, consciously and intentionally compassionate is to give expression to the simple and profound fact that compassion is the foundation of social justice.

Nobody prevents the suffering unemployed from creating their own time structure and relationships, from sharing goals with others or from utilising their skills as best they can. Unemployment does not and need not compel individuals and families to lead empty lives in spite of not being suitably employed. But the psychological effort required to break through the barriers and maintain harmony with self, partner, family, community and God - without support- is immense!

The predominant impact of unemployment is powerlessness. As prolonged unemployment can break the spirit thus rendering people powerless, the solution lies in healing the human spirit thus empowering them.

Employment strengthens our inner conviction of significance, our psychological and spiritual valuing by self and others. Whoever we are we need to feel we will be counted, that we have a valuable function, and that attention will be paid to us. When a person has a sense of self-worth, they have a power-base from which they can have concern for others.

Through support - emotional, practical, social (such as income support amongst many other things) - the unemployed person can feel more independent and is therefore able to choose to become a support-giver in the lives of others. The support-seeker has become the support-giver. This is empowerment.

It is through awareness and acceptance of this interdependence that community can develop. It is of the essence of community that everyone exercises their right to do what they can to assist others to develop and to offer self in the support and encouragement of others.
Through support, empowerment and community is born an unshakeable belief in the power of people to be not only in charge of their own lives, but also capable of influencing social change.

If our local communities can appreciate the unfathomable damage done to persons and families and community cohesion by the denial of a person's right and need to lead a dignified and productive life, then perhaps local communities in which we work and live may embody the compassionate spirit needed to ensure social justice for everyone.

David Knoop has worked extensively with long-term unemployed people and has experienced extended periods of unemployment himself. He is the author of 'The Human Cost of Unemployment: A Guide to Understanding the Social Problem and Being Part of the Solution', soon to be published by Spectrum Publications in Melbourne.

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