

# VISIONS OF A NEW SOCIETY

Would a national support income put an end to unemployment and insecurity?

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IMAGINE an Australia in which every citizen enjoys the financial security of an income free of tax and Free of means test. Imagine an Australia with no unemployment and no means-tested pensions, a country in which all citizens can look to the future with confidence.

A utopian dream? No. It can be realised by providing a support income for all Australians. But how can we possibly afford this, you may ask?

Let us consider an Australia with every Australian receiving a support income. It needs to be adequate to provide a basic standard of living, and it needs to be indexed. (Remember, it is a *support* income. Everyone gets it, employed and unemployed. People are free to add to it through employment or investment.) Every adult (18 and over) receives an amount at least equal to the basic pension for a single person (currently \$91.90 a week).

For those under 18 lower rates apply. This income is indexed for movements in both prices and productivity. What kind of society will this produce?

Firstly, it will be a society in which un-employment as we know it today does not exist. Work is available for all who are willing and able to work.

Of course, this will not be a sudden transition. It will be the

outcome of changes initiated by the introduction of the support income.

There will be greater acceptance by both employers and employees of what we now call permanent part-time employment. This will lead to more flexibility in the fixing of standard hours of work by industry or single firms. Employers will be able to tailor hours of work to operational needs, leading to greater business efficiency. Employees will have a wider range of employment conditions and opportunities, leading to more job satisfaction.

There will be greater participation in self-employment activities. The financial security of the support income will encourage a whole range of small-scale business ventures – in the arts and crafts, in manufacturing, retailing, contracting, and farming. It will also encourage co-operative and communal activities.

There will be significant reductions in the costs of employing labour, particularly in superannuation, workers' compensation, and payroll tax. These will lead to greater cost efficiency, greater competitiveness in international markets, and a stronger economy overall.

These changes will lead us to the point where there will be work for all as a permanent feature of our society.

The financial security provided by the support income will enable

us to accept and appreciate the ability to vary employment conditions to meet particular industry or community needs. It will enable us to agree on variations of working hours rather than retrenchments to accommodate the introduction of new technology and the needs of short-term or cyclical economic recessions.

Secondly, introduction of a support income at the proposed level will produce a society in which means-tested social security and welfare pension benefits cease to exist. They will be replaced by the support income. This will enable us to break away from the "needs" concept (basic to present social welfare policies – a concept that requires complex and unveiled means-testing of benefits. Means tests are no longer appropriate. They create huge administrative problems, inhibit the growth of employment opportunities, and discourage casual, part-time, and other

irregular employment. The aim should be to eliminate means tests, not redefine them.

The support income will also enable a more objective approach to super-annuation.

Traditionally, superannuation has intended to provide 'some degree of financial security on retirement, thereby reducing or eliminating the need to seek help from the state. Because of this, occupational and private superannuation attracted taxation concessions.

This traditional view is no longer valid. Commutation of pensions, for example, has become widespread, permitting the rearrangement of income to maximise age pension benefits. There is need for a basic change rather than the piecemeal approach common in this and other areas of social welfare. The support income will provide it.

So far we have two major features of our new society: no unemployment, and no means-tested social welfare pensions. What are the other implications? It will be a society in which all Australians will have a level of financial security not provided in any other proposal. This will strengthen the economic system and oppose those who wish to dominate by fear – fear of loss of a job, fear of loss of a benefit, fear of loss of union membership, fear of loss of status. The new society will restore dignity and integrity and provide hope for those have none.

The change will affect huge numbers of people – people about to retire, people looking for work, young people leaving school, people wanting to train or retrain for new careers. It will give new meaning to training programmes for young people. It will allow people to retire with dignity. It will dispense with labels such as "unemployed", "dole bludger ", "pensioner".

The Big question, of course, is can we afford it? How can we possibly provide every Australian with a support income free of tax and free of a means test?

The answer is yes, we can afford it. We can introduce a support income without any additional tax cost to

the community. Put simply, we can get it free if we agree to three things.

**One**, people in employment have the wages paid by their employers reduced by the amount of support income they receive from the state. In this way they suffer no financial loss.

**Two**, employers pass on to government by means of a tax arrangement the savings in labour costs (including the on-costs of wages) that arise from the wage reductions. This means that they too suffer no loss.

**Three**, government then applies the savings in labour costs received from employers, together with its own savings as an employer, to finance the support incomes. Any shortfall will be covered by using money that would otherwise be spent on social welfare benefits – enough money to ensure that once again there is no financial loss.

These three steps achieve a support income for all Australians without anyone suffering a financial loss and without any additional tax impost on the community

To illustrate this, consider the introduction of the support income based on an adult rate of \$92 a week. The total cost for all Australians will be around \$55,000m a year. Assuming that there are 7.3 million Australians in employment, (including non-civilian employment), a wage reduction of \$92 a week will

provide an annual saving of \$34,900m. On-costs of wages (superannuation, workers' compensation, payroll tax, various leave payments), average about 20% of wages overall. The actual savings in labour costs to finance the support income will therefore be \$41,900m a year.

This leaves a shortfall of \$13,100m a year to be financed by government – well inside the current welfare budget.

THESE figures clearly illustrate the financial viability of the proposal. The vision of a new society can become a reality. The figures also show the significance of the high on-costs of wages in Australia today. They add greatly to the cost structure of industry, reduce international competitiveness and inhibit employment. Yet it is the very size of these on-costs that ensures the viability of new society based on the support income proposal. They contribute more than 12% of the total funds required. And, ironically, it is in this new society that employment opportunities will be expanded and the on-costs themselves drastically reduced.

The support income can be introduced without additional tax cost. It does, however, require a taxation measure to ensure the transfer of labour cost saving from employers to government. To ensure the long-term viability of the new society this taxation measure should be related to some aspect of business activity other than payroll. The best solution

seems to be a turnover tax, with the initial rate of tax being determined by the ratio of labour costs savings to turnover.

Turnover is easily defined and measured by. It reflects changes in price levels, the tax can be calculated at regular intervals to ensure a flow of money throughout the year.

It is also proposed that the support income be indexed to Gross National Product per capita. This will reflect movements in productivity as well as prices. It is (interesting to note that in the years 1970 to 1983 the index for GNP per capita followed a similar trend to the index for average weekly earnings.)

Of course, the idea of a support income is not new. It has been considered under a variety of names. For those familiar with proposals for a guaranteed minimum income, it has the features of a *universal* GMI.

Unfortunately, GMI has too often been associated with means testing or “negative income tax” and has sometimes been accompanied by exotic or innovative taxation measures.

A support income also has been the characteristics of a national basic wage, with government being responsible for both the determination and payment of that part of the total wage. It also takes in the concept of a social dividend. The name National Support income emphasizes two of the scheme’s important characteristics: it is *universal* (everyone gets it), and it is a *support* income. An NSI is now a real possibility for Australia. It

can become the way towards a new society.