

## **Why Australian Workers and Unions Should Support Basic Income.**

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*The journey to a full universal Basic Income is essentially the search for the answer to just one question: “How do we best meet the income support needs of all those who find they are without the capacity to provide for themselves?” This paper will try to answer that question.*

### **Introduction**

Australians have been subjected to increasing inequalities in income and wealth distribution during the last two decades due in large part to the general acceptance of economic fundamentalist ideas and our government’s enthusiasm to embrace deregulation and globalism. Michael Costello (2003), former Secretary of the Department of Industrial Relations, succinctly summed up the changes occurring in Australia when he wrote “If you were hard up, you used to get a hand-up from government. Now you get the back of its hand.”

Under the Hawke/ Keating accord low paid workers were compensated for declining real income from employment by increases in the social wage.

The Howard Government, recently elected to a fourth term, now with ‘control’ of the Senate upper house has assaulted the social wage. The universality of Medicare has been weakened, the low-income earners’ dental service abolished, and the social security safety-net has been undermined. Job insecurity has increased; the Howard Government is determined to gut the unfair dismissal legislation. Officially recognised unemployment levels have dropped below 6% but if underemployed, discouraged unemployed and disguised unemployed are taken into account the real level of unemployment is in the order of 12 to 18% of the working age population. Unemployment and the weakening of the social security safety net are real issues for low-income wage earners because those workers who find themselves in the bottom 30% of income distribution are the ones most likely to experience periodic unemployment interspersed with short stints in casualised, part-time and precarious employment.

The “economic miracle” of the Howard Government resulted in:

- the worst housing affordability figures in 13 years (Commonwealth Bank and Australian Housing Industry 2003),
- the meanest social security system since the early 1940s (in the 2001-2002 financial year this Government imposed 386,946 social security breaches on some of Australia’s poorest citizens (ACOSS 2002),
- the captains of industry gaining disproportionate rewards - the ratio between Chief Executive Officers’ salaries and those of workers has risen from 3 times workers’ salaries in the 1970s to 74 times workers’ salaries – (Shields, O’Donnell and O’Brien 2003),
- the sale of nationally owned assets,
- increasingly arduous work “flexibility” arrangements,

- determined attempts to move people off disability pensions onto unemployment benefits with onerous ‘mutual obligation’ activity requirements (Galvin 2004, Ziguras, Dufty and Considine 2003)
- draconian industrial relations regimes, and
- constant attacks upon the dignity and rights of Indigenous Australians and asylum seekers.

But it is “a miracle”. Yes it is *a miracle* that we have let them get away with it.

Australia over the last two decades has been converted from a reasonably caring, mixed economy with a frugal but comprehensive social security safety net into a country where private provision, “individualisation of risk” (Lerner, Clark & Needham 1999 p. 11) and a “do it yourself welfare state” (Klein & Millar 1998 cited in Page p.307) is the order of the day. The Howard Government has significantly stepped up the rhetoric about the evils of “welfare dependency” as a way to decrease the legitimacy of the claims of low income-earners for assistance from the government. In doing so it has foisted the obligation to support those in financial need back onto their families. This is simply a cost-shifting exercise (Tomlinson 2003).

Songwriter Eric Bogle saw this coming when he wrote:

Hard times put us to the test,  
we held our wallets to our chest  
and said “that I’m all right Jack  
and to hell with all the rest”.

### **The various forms of Income**

In Australia the main sources of income are:

- paid employment,
- operating a business,
- other family members,
- social welfare services,
- educational allowances,
- workers’ compensation,
- superannuation,
- tax credits,
- investments,
- Community Development Employment Program (CDEP)
- gambling, and
- crime.

### **What is a Basic Income?**

A full Basic Income is a universal payment paid to each permanent resident, as an individual, irrespective of their personal or social circumstances.

The idea of a universal Basic Income is not new. The first fully elaborated book length Basic Income proposal, in the English language, was written by Dennis Milner in 1920. Walter Van Trier (1995) provides a comprehensive account of the history of that proposal and competing ideas for improving the system of income support.

A Basic Income means the richest and the poorest Australian permanent resident would be paid the same amount each fortnight. Men and women, city people and country people, long term permanent residents and permanent residents who have recently arrived, Indigenous and non-Indigenous people, citizens and non-citizens, employed and unemployed, those who are able bodied and those with disabilities, those who live alone and those who live with others would be paid an identical amount.

In the short-term, because of the way we regard the income support needs of children, it may be necessary to restrict the full Basic Income to those over the age of 18 years. Children living at home with their parents would be paid at half the adult rate. Children living away from home, for whatever reason, would be paid the adult rate. No distinction would be made between the children of the rich at private boarding schools and the child living with her grandparents or neighbours because of problems with parents. Young people who are under the age of 18 years, but are living as a couple, whether residing in a parent's home or living independently of their families, would each be entitled to an adult rate of Basic Income. Once Australians become used to this system of income support the distinction between the rate for children and adults could be abolished.

In order to ensure that no-one supported by the present social security system is disadvantaged by the change from social security to Basic Income, the rate of the Basic Income would need to be at the single (living alone) age pension rate. This rate would be maintained as at present by indexation as a percentage of full-time average weekly earnings.

Most existing forms of government-provided social security would be abolished and replaced by the Basic Income. Payments made to meet specific needs, such as allowances paid in respect of caring for a child with a disability, would not be abolished because they are designed to compensate for a specific disadvantage or the extra costs associated with experiencing a disability or both.

### **Why pay Millionaires?**

There are many, who on first looking at the Basic Income proposal, would argue that only people in financial need should be assisted by the government. Economists claim that paying well-off people then taxing them back, which they call "churning", is inefficient. Others argue that such payments are simply unjust or wasteful because the well-off don't need them. But the economists' objection to "churning" on account of expense is more than offset by the efficiencies obtained in paying everyone. Under present social security arrangements many people who are in the most desperate need do not receive their entitlements. Failing to pay everybody who has an entitlement to benefit is inefficient as is paying people who don't have an entitlement. Governments are more inclined to recognise the latter inefficiency.

The other major economic reason for paying rich as well as poor is that it improves the integrity of the tax collection system by improving compliance. This is because the tax department is better equipped to understand which Australians are getting paid

a Basic Income, what other income sources exist, who is receiving that income and who is utilising more than one tax file number to avoid tax.

The introduction of a Basic Income would necessitate the amalgamation of much, if not all, of the tax and social security departments' functions creating considerable savings. This is not new; the tax department ran social security in Australia until 1927.

A Basic Income system would be more just than the existing Australian system of income support. Low income-earners would be net beneficiaries of a Basic Income whereas richer Australians would not be economically advantaged by it. Well-off Australians would pay in tax far more than they gain in benefits. All tax free thresholds and social security income wavers would be abolished. These "concessions" at present result in an array of inequities as will be seen later in this paper.

All permanent residents would receive their Basic Income as a tax-free benefit, providing a greater advantage for the bulk of low income-earners than the present tax and social security arrangements provide. But a flat rate of income tax will be paid on every extra dollar earned from work or investments.

The present Australian systems of income tax and social security means tests are designed to build an equity by taxing those on higher incomes a higher rate of tax than lower income earners and providing the most social assistance to those with the least incomes. It has only partly succeeded in these aims because of widespread tax avoidance and its frequent failure to provide assistance to those in greatest financial need. A Basic Income builds the equity in upfront by ensuring everybody gets an income and taxing all other income at a flat rate. Those who have the most income pay the most tax. A flat rate of tax removes some of the incentives/opportunities to avoid paying the appropriate rate of tax.

### **Income Support schemes**

Before we can examine Basic Income further, it is necessary to outline the advantages and disadvantages of other existing or proposed systems of income support.

*Other possible forms of income support are*

- Social Insurance,
- Government run Superannuation for all workers,
- Private Superannuation,
- Other privatised solutions,
- Job Guarantee,
- Welfare Assistance,
- Social Security,
- Participation Income,
- Guaranteed Minimum Income,
- Negative Income Tax, and
- Tax Credits

### *Social Insurance*

Social Insurance is a form of communal protection controlled by and often subsidised by the Government. It is common throughout Europe. This form of income support does not assist those without a substantial employment history. Social Insurance comes in several forms including unemployment, disability and sickness insurance. It is usually paid to an unemployed worker at a set percentage of his/her previous rate of pay. In recent years the period of time for which it is paid has been increasingly limited. In France workers under the age of 25 years have been excluded from payment (Farvaque and Salais 2002). In many European countries, the social insurance system is coming under considerable financial pressure due to increased unemployment levels. The advantage of social insurance for those who receive it is that their income is maintained at close to their previous "at-work" income and they perceive the payment as a right rather than as a charity.

### *Government run Superannuation for all workers*

Government run superannuation schemes for all workers are a form of Social Insurance. Such schemes only assist those with considerable employment histories and, even then, only following retirement on account of age or disablement. In recent years such schemes have also come under considerable financial pressure. In France, the Conservative Government legislated in mid 2003 to increase the number of years government employees have to work to get the full payment. The French Government is also engaged upon a campaign to lower retired non-government workers' benefits. The advantage of this form of retirement income is that it is far more secure than private superannuation.

### *Private Superannuation*

In Australia, private superannuation is the only form of superannuation available to non-government workers. The amount paid is proportional to contributions from workers' salaries (paid by workers and by their employers) or private investments made during the workers' employment. However the amount available for distribution is affected by how wise the investment decisions made by the managers of the superannuation funds were. On several occasions in recent years, in Australia, workers who were not in defined benefit superannuation funds have found that instead of accumulating assets their funds have made losses. Higher paid employees gain proportionally more from such superannuation schemes because of the preferential tax treatment the rich receive compared with the treatment meted out to lower paid workers. The inequalities experienced during working lives are extended into the post-working phase of people's lives. All private superannuation funds are at some degree of risk. The Australian Government Superannuation watchdog recently warned that at least 10% of funds are at considerable risk (Hayes 2002 p.1). The only advantage of such schemes, accruing to individuals, is that they perceive whatever payments they receive as theirs by right of their prior contributions.

### *Other privatised solutions*

Some workers, particularly those who in recent years have been forced by their 'employer' to become contractors, have private unemployment, sickness and accident insurance. The premiums are expensive, and as many found, following the collapse of a major insurance firm (HIH), the certainty that such insurance offered was illusory. In any case, even if an insurance company could be relied upon to pay out 'entitlements' in respect of private unemployment, sickness and accident insurance, it

is not an affordable option for the majority of workers. Such schemes provide, for those who can afford them, some protection against misfortunes encountered.

### *The Job Guarantee*

A job guarantee can only exist when a government is prepared to commit itself to becoming an employer of last resort. In the last thirty years there have been two forms of limited job guarantee provided by Australian governments. The first in the 1970s, under the Whitlam Labor Government, was the Regional Employment Development Scheme, colloquially named the Red Scheme and the second was the job offer, after 18 months unemployment, under the Keating Labor's *Working Nation* package in the mid 1990s. The Centre for Full Employment and Equity (at the University of Newcastle) is promoting the most detailed current Australian proposal for a job guarantee (Mitchell, Cowling and Watts 2003, see also Watts 2002, Mitchell and Watts 2004).

Those who are available and capable of doing the work on offer under the job guarantee will be assisted by such a scheme. But the reasons which prevent those who cannot find suitable child care, those who have a disability and those who are discouraged from seeking work under the present employment regime will be prevented from taking up a job under the job guarantee unless such issues are addressed by the architects of the job guarantee or potential employers.

### *Welfare Assistance*

Welfare assistance can never provide a guarantee of secure income. It has not had other than a supplementary role in income support since the late 1940s in Australia. It is riddled with all the problems which any highly discretionary handout system is imbued, such as: inadequate coverage of the people affected, inconsistent determinations, stigma and discrimination (Standing 2001). More and more Australians have to call upon welfare relief agencies for assistance as employment becomes more precarious and the system of social security becomes meaner (as a result of increasingly arduous eligibility requirements and a more rigorous social security breaching regime).

### *Social Security*

The greater the universality in any system of social security the nearer it comes to being an income guarantee. For instance, all long-term residents in Australia whose age exceeds the specified age limits are entitled to apply for the age pension. The age limits for women are gradually being phased in to equal those of men. If their income and assets are below a specified amount they will receive payment. This is a Guaranteed Minimum Income for older Australian residents. Current age limits are 65 years for men and 62.5 years for women. Yet it needs to be remembered that the average age of death for Indigenous Australian men is 56 years and 62 years for women. This compares with 76 years for non-Indigenous men and 83 years for non-Indigenous women. In Queensland, South Australia, Western Australia and the Northern Territory three-quarters of Indigenous male and two-thirds of Indigenous female deaths occurred before the age of 65 years compared with one-quarter of male and one-sixth of female total deaths in Australia (ABS and AIHW 2003, p183).

From 1942 the Australian Government paid Child Endowment to children's guardians (for second and subsequent children). No income and or asset test was imposed. It was exempt from income tax. From 1950 Child Endowment in respect of the first child was also paid (Kewley 1973 pp.190-210). This payment was unusual in that it could be paid to "an aboriginal native who was not nomadic or wholly dependent upon the Commonwealth or a State for support" (Kewley 1973 p.195). Child Endowment was intended to be a universal payment paid in respect to any child living permanently in Australia. In 1963 Prime Minister Robert Menzies said "As to this proposal about a means test on child endowment, I have never heard of it before and I do not want to hear of it again." (Cited in Kewley 1973 p. 209). Child Endowment was not dissimilar to the current Brazilian and proposed South African Children's Basic Income payment (Suplicy 2002, Matisonn and Seeking 2002). In reality it took many years for Indigenous Australians living on missions and government reserves to be paid. Child Endowment is now paid as a form of family allowance through the tax system, however it is now also income tested, which results in painful overpayment recovery actions, which will be discussed further along .

The system of social security that existed at a national level in Australia, starting with age and disability pension legislation in 1908 has been paid to specific groups of people. With the exception of blind pensioners and child endowment, social security payments have been means or asset (sometimes both) tested. Thus the Australian social security system is categorical and selective rather than universal. The people chosen to be included in the categories to be paid reflect the positive light in which the needs of such people are held by the powerful. The Commonwealth Government paid widows with children from the mid-1940s but most unwed mothers were not paid social security until 1973. Now the Commonwealth assists all lone parents who meet the specified requirements.

A major problem which social security systems create is that groups who are not highly valued by the powerful can very easily be excluded by the government of the day from payment; for example 16-18 year old unemployed people. Another problem that such systems create is that additional obligations can be imposed upon recipients on the passing whim of a prime minister. The current preoccupation of the Howard Government with so-called "mutual obligation" will be discussed in the section dealing with participation income. The government is powerfully placed to brand groups of people it does not want to pay as "greedy" rather than "needy" or as "lazy dole bludgers who are not pulling their weight" and "job snobs" (Abbott 1999) or, more gently, as "not making a sufficient contribution to the society" (Howard 2000). The distinction between those eligible for payment, "the worthy", and those who are deemed ineligible, "the unworthy", has been an ever present feature of welfare relief and social security since the earliest days of colonial Australia.

Whereas social insurance payments are largely paid for by the contributions of workers, social security in Australia is paid for from general taxation. In some countries a specific tax or tax levy is imposed to pay for social security. Australia once had a specific tax paid into the Welfare Benefit Fund designed to pay for social security but the Menzies Government abolished it in the early 1960s (Smith 1993 pp. 54-55). The advantage of social security is that the benefits are designed to go to those whom the government has decided should be paid. Complexity, stigma, system failure and recipients' lack of sophisticated knowledge about bureaucracies results in many

eligible people not receiving their proper entitlements (Boston and St John 1998, Standing 2001 pp. 13-14).

### *Participation Income*

Participation Income is very widespread in the present Australian system of income support. Essentially if you don't participate then you are refused assistance. Participation income is a euphemism for the chance to impose an obligation on people who receive government or government-subsidised payments coupled with the paternalistic belief that this will assist the recipient to improve their life. Many researchers have described the philosophical underpinnings of participation income as unethical (Kinnear 2000, Goodin 2001, Hammer 2002, Tomlinson 2002[a], [b]) because the only choice offered to welfare recipients is comply or starve. The practical outcomes for those who are breached are socially disastrous (ACOSS 2003, 2002, 2001, Schooneveldt 2002, 2004, Tomlinson 2002 [a], [b], Ziguras, Dufty and Considine 2003). Evidence is emerging from the United States which suggests that having one's social security reduced or removed creates increased health difficulties for children of beneficiaries who are breached (Cook, Frank, Berkowitz, Black, Casey, Cutts, Meyers, Zaldivar, Skalicky, Levenson and Heeren 2002).

Professor Robert Goodin (2001 p.198) makes the point that:

If we seriously believe that work is good for you and that it is the state's legitimate role to force you to do it, then we would have no grounds for confining our paternalism to the poor. Paternalistically speaking, it would be equally important to make the rich work too.

The Brotherhood of St Laurence and St Vincent de Paul report entitled "Much Obligated" links the imposition of "participation income" strategies back to the days of Labor Minister Brian Howe's investigation of social security headed by Professor Bettina Cass (Ziguras, Dufty and Considine 2003). In the late 1980s Cass, in a number of departmental publications, recommended that Australia adopt what she termed an "active labour market strategy". The history of "participation income" is much longer than this. When, in the 1940s, Unemployment Benefit was introduced as part of the social welfare safety-net, a work test requirement had to be fulfilled prior to the grant of benefit. During the 1930s any unemployment relief provided by government enforced obligations upon the unemployed to do civil works in return for sustenance - hence the payment was referred to as "the susso". Hugh Stretton (1996) in an aptly entitled speech "From the Poor Laws to poor laws", given at the Brotherhood of St Laurence, linked such policies back to the English poor Law of 1834. In fact, similar motivations contributed to the enactment of the 1601 Poor Law in England. Joel Handler (2002) notes such values were present in the concern expressed about the possibility that welfare relief provided might assist "sturdy beggars" enshrined in the 1348 Labourers Act. "Mutual obligation", "participation income" and the "deserving/undeserving" dichotomy have a very long history indeed.

Guy Standing, Director of the Socio-Economic Security Programme of the International Labour Organisation, notes that governments around the world are increasingly using social policy terms to convey false or misleading ideas. He wrote:

The notion of *active labour market policy* is equally disingenuous. Who could possibly favour being passive if one could be active? The word 'active' seems virile and strong, whereas its opposite, 'passive', suggests laziness, and lack of

initiative. In fact, usually active policy is little more than having the state telling people what they must do in order to receive some moderate state benefit, directing them to training or job schemes. By contrast, the much derided *passive* policy entails giving funds to individuals or families with minimal conditions, leaving them to make choices about how to conduct their lives and allocate resources. It could more fairly be described as liberating (Standing 2001 p. 14 [italics in original]).

In Europe, whether it is expressed as the need for contribution on the part of unemployed Germans (Liebig and Mau 2002), the unearned obtaining of benefit in Belgium (Vanderborgh 2002), the need for social 'inclusion' in Britain (Atkinson 2002), or the French obsession with 'social insertion' (Farvaque and Salais 2002) there is a remarkably similar paternalistic tone combined with a sense of blaming the person who is without a job. In the United States the current jargon spread by cheerleader Laurence Mead is "tough love" and "workfare not welfare" (Mead 1986, 1997). There is little recognition that workfare jobs entrench low paid employment by displacing full-time, above poverty-line jobs (Briggs and Buchanan 2000). "Work for the dole" and Community Development Employment Program (CDEP) jobs in Australia have a similar effect of entrenching poverty (Tomlinson 2001 Chapters 4 and 6). The CDEP has operated in Indigenous communities since the late 1970s. The bulk of Indigenous "jobs" on Indigenous communities are CDEP "jobs" – they are paid at about the rate of unemployment benefits and only the most misguided would claim that such "jobs" have abolished poverty in Indigenous Australia.

The remarkable thing about the participation income debate is that it can be tied to Tony Blair's "third way", George Bush's "time limited welfare" and John Howard's "mutual obligation" or "a job is the best form of welfare". Such pundits are oblivious to the life experiences of low paid workers' revealed in the Australian Liquor Hospitality and Miscellaneous Workers Union's (LHMU) submission to the Senate Inquiry into Poverty (2003). There is very little recognition of the demoralisation that follows in the wake of working full-time and still being in poverty, or only being able to gain casualised, poorly remunerated, precarious employment.

The impact of enforcing obligations upon unemployed people, insufficiently employed people, lone parents and people with disabilities is the same whether it is expressed in the considered tones of Patrick McClure's (2000) Report, or Minister Amanda Vanstone's (2003) strident suggestion that when clients receive social security assistance without compelled obligations this has the effect "of killing them softly" or Professor Atkinson's (2002) gloating that the British Prime Minister Blair chose his suggested participation income over a Basic Income.

Whether it is Howard's (2000) "social coalition", Abbott's (1999) "job snobs", Minister Brough's claims that "Compliance is a strong motivator and it also flushes out dole cheats" (Brough 2001 p.2), the message is the same depressing monotone. The hysterical denunciation of "welfare dependency" and particularly intergenerational "welfare dependency" is based on a myth. There have been no intergenerational panel studies of long-term social security recipients in Australia. Recent overseas long-term panel studies do not support such assertions (Goodin, Headey, Muffels and Dirven 1999, pp.260-261).

Such a view is supported by Cook, Dodd and Mitchell (2001 p.24) when they say:  
The welfare dependency explanation for the persistent unemployment (in Australia) since 1975 fails when confronted with the evidence. With the Unemployment to Vacancy (UV) ratio averaging around 11 since that time, it is a fallacy of composition to consider that the difference between getting a job and being unemployed is a matter of individual endeavour.

The advantages which proponents of a participation income claim are that it assists people to remain job ready, involves them in the community by assisting them to give something back to society and that it cuts out fraudulent claims. There is often a subsidiary claim that because it does all the above it legitimises the payment of the benefit in the eye of the public (Howard 2000, 1999). Other researchers (Standing 2002, Handler 2002, Tomlinson 2003) refute such claims. They argue that there is far less support for such services now than at any other period of our post World War II period. The drop in support is a result of the assault on the legitimacy of welfare services and social security waged ceaselessly by economic fundamentalists and the subsequent divisiveness within the ranks of the working class which has followed in its wake. The Brotherhood of St Laurence and St Vincent de Paul 2003 report entitled "Much Obligated" asserts that people who become long term unemployed have so much of their time taken up just meeting the imposed obligations that they don't have time to find work:

Currently, in order to receive Newstart Allowance (NSA), job seekers must:

- actively look for suitable work
- register with at least one Job Network member
- accept suitable work offers
- attend all job interviews
- attend Centrelink offices when requested to do so
- agree to attend approved training courses or programs
- not leave a job, training course or program without sufficient reason
- correctly advise Centrelink of any income earned
- enter into and comply with a Preparing for Work Agreement
- lodge fortnightly continuation forms
- apply for up to ten jobs per fortnight
- participate in a 'mutual obligation' activity after a certain amount of time on benefits
- have certificates signed by employers approached about jobs, if required
- complete a Job Seeker Diary with details of job search efforts
- not leave their current residence to move to an area with a higher rate of unemployment (cited in Ziguras, Dufty and Considine 2003 p.10)

The report concludes the mutual obligation regime "is failing the most disadvantaged job seekers. Overall the system operates...not as 'welfare to work' but 'welfare as work' (p.43).

#### *Guaranteed Minimum Income, Negative Income Tax and Tax Credits*

A Guaranteed Minimum Income, if it is available to all permanent residents, is very much like a Basic Income except for a requirement to establish that an individual's income and or assets are below the amount that is allowed. In 1943, Lady Rhys-Williams was the first English writer to provide book length elaboration of the idea of a guaranteed minimum income. The purpose of such an income guarantee was in

Lady Rhys-Williams' (1965) words "to provide a 'floor' below which he (or she) cannot fall, but ought not to have a ceiling beyond which he (or she) can rise (p. 163)".

The conservative economist Milton Friedman also claims he began thinking about the benefits of a Negative Income Tax in 1943, but he did not publish his ideas on the subject until a year after other United States academics had raised the idea in 1961. The major difference between a negative income tax and a guaranteed minimum income is that the negative income tax is paid as a tax transfer in inverse proportion to a person's other income; whereas a guarantee minimum income is a generalised form of income support paid as a welfare benefit in inverse proportion to one's other income. Ian Braybrook (1970) wrote the first academic paper on negative income tax in Australia. The earliest Australian proposal to introduce a negative income tax was that of the Priorities Review Staff (1975).

A Tax Credit is a form of negative income tax paid through the tax system.

The aim of a guaranteed minimum income, negative income tax and tax credits is essentially the same. That is to provide a minimum income guarantee to those whose incomes fall below a specified amount. All these generalised forms of income support differ, in theory, from categorical payments in at least one important regard. They make no presumption about social eligibility requirements. Yet when income guarantee policies are formulated residues from categorical social security policies are frequently present. When Professor Ronald Henderson, Head of the Poverty Inquiry, Henderson (1975) put forward his guaranteed minimum income he wanted a two-tiered structure, using the family as the unit of income, which distinguished between those in receipt of benefits or pensions and those who did not then qualify. Other guaranteed minimum income proposals have used the household as the unit for payment (Edwards 1984). Such proposals ignored the inequities present in intra-family and intra-household transfers (Asprey 1975). The Tax Credit schemes operating in the United States and Britain make payments only to those in low paid work.

A Basic Income is paid to each permanent resident at a flat rate irrespective of assets and means. It is a truly universal payment. It has no social obligations attached to it. This is why it is sometimes termed a 'citizens' income' program.

### **The Basic Wage**

In Australia in 1907 Justice Higgins set down the minimum amount that an able-bodied adult male European worker could be paid for his labours in an arbitration commission judgement against Sunshine Harvesters now known as the Harvester Basic Wage Judgement. Justice Higgins considered an amount of seven shillings per week would be sufficient to support a man, his wife and a small number of children. Women were to be paid at two-thirds of the male rate. This system remained in place until the Equal Pay cases in 1967. The basic wage was a form of minimum wage.

## **Effective Marginal Tax Rates**

The rate of tax people pay is very confusing because of the multitude of tax rates in the Australian income tax system, the presence of family allowances paid through the tax system and because the social security system and the tax systems intersect. Because of the way in which income tax and social security and family allowance tax benefits intersect, many Australian families do not get much benefit from extra income they obtain by working. Many low-income earners pay a far higher tax rate than the richest Australians. They often also pay a greater proportion of their income in direct and indirect tax than do more affluent citizens. Some families and individuals are actually worse off in terms of net cash in the hand when their employment income rises. Such situations are commonly referred to as “poverty traps”. It has been a long acknowledged problem which governments over the years have failed to adequately address (Economic Planning Advisory Council 1988). The present Government is well aware of this situation.

Tony Abbott the Minister for Employment and Workplace relations in an address to the Young Liberals Annual Conference in Adelaide in January 2003 said:

It is generally believed that a 48.5 per cent top marginal tax rate (with Medicare levy included) cutting in at just \$60,000 a year constitutes a significant disincentive to earn...

people moving from unemployment to work generally face effective marginal tax rates of nearly 70 per cent and sometimes over 100 per cent. Adults on Newstart who earn an additional dollar pay 17 cents income tax. On top of the 17 cents lost through tax, they lose an additional 50 cents through benefit clawback once they've earned \$31 a week producing a 67 per cent effective marginal tax rate for part-time work in excess of about three hours a week... a single person on Newstart renting privately whose earned income increases from \$75 to \$375 a week, after tax and social security clawback, is just \$53 a week better off...

Single people whose earned income increases from \$20,000 to \$30,000 a year keep \$6700 of their extra \$10,000. By contrast, couples with two children whose earned income increases from \$20,000 to \$30,000 a year only keep \$2542. Single people whose earned income increases from \$30,000 to \$40,000 a year keep \$6850 of their extra \$10,000. Couples with two children enjoying the same income boost only keep \$3834.

And this is from a Government that claims to be “family friendly”.

## **They get us coming and going**

In Australia, when it comes to calculating our income tax debt to the government we are, for most taxation purposes, assessed as individuals. But eligibility for most social security benefits is calculated in terms of total family income. The government gains and the individuals lose on most occasions. For example, a person applying for social security benefit, can be refused payment if they have a partner who is earning a sufficiently high income. If an employed person is supporting a partner who is without income, that person cannot lower their tax by counting the income as spread between two people. If a Government was really interested in assisting families to stay together it would not persevere with the existing financial social security

incentives which discriminate against people for pooling their resources in times of financial hardship.

### **A brief look at the situation in Australia for low paid workers**

This paper will draw heavily upon the work of one union that is responsible for the industrial coverage of a large number of low paid workers. The Australian Liquor Hospitality and Miscellaneous Workers Union's (LHMU) Submission to the Senate Inquiry into Poverty (2003) provides considerable detail of the poverty-inducing impacts of industrial deregulation, increased workloads, casualisation, precarious employment and uncertainty in the number of hours to be worked each week upon the lives of many low paid workers in the service and hospitality industries.

The LHMU Submission (2003 p. 28) notes that one of the reasons many of its members are living in poverty is that "Australia has not had a minimum wage calculated on an analysis of household budgets since the Basic Wage, derived from the original Harvester judgement, was abandoned in 1967" and there has been a failure to link the salaries of low paid workers to wage growth in the rest of the economy (Briggs and Buchanan 2000). The Submission quotes research that shows there is no clear evidence that higher minimum wages lead to the loss of jobs (p.26). They do note on the previous page that government's "acceptance of low-pay discourages firms to increase productivity through investment in skills development, service quality and innovation. Instead, it promotes reliance on competition through wage reductions."

The LHMU Submission (2003 p.33) concludes that if we are to live in a decent society it is necessary to:

- Raise minimum wages, so that all Australians receive at least a minimum wage that allows them to participate fully and with dignity...
- Provide secure, adequate employment for all Australians by attacking the proliferation of short hour jobs and providing greater employment security through reduced casualisation.

Even if the government of the day were to accept the economic direction prescribed in the LHMU Submission (2003), this would only assist those workers who are able to find full-time work. Like the job guarantee mentioned early in this paper, it is only a partial solution to the poverty crisis this country faces.

The LHMU Submission (2003 pp. 23-25) discusses government-provided income support and the suggestion that some at least of the income needs of low-paid workers should be met through the social security system. The Submission specifically considered the British Working Tax Credit, US Earned Income Tax Credit system, the tax credit proposed in Australia by the five economists (Dawkins et al 1998), Dawkins (2002) and the ALP (2002) proposals before declaring that the:

- LHMU strongly rejects any efforts to raise the incomes of the low-paid through targeted tax credits to the low-paid employed. Such measures respond to the failure of the industrial system to produce adequate incomes by shifting the responsibility for pay from firms to the government (p.23).

This is not to suggest, however, that there is no role for the tax system in supporting the needs of low-paid workers. The Family Payments scheme is up to the task of meeting the needs of low-paid workers. There is no need to provide a new scheme that separates working from non-working households to ensure adequate incomes to lift families out of poverty. Instead, attention should be paid to ensuring that the income thresholds at which tax relief is provided do not promote poverty traps or employment disincentives (p.25).

The Australian family allowance system is paid through the tax system and is a form of tax credit. The manner in which it is administered, particularly the requirement that recipients are required to guess their income in the coming year, leads to lots of overpayments and painful debt recoveries. Whatever assistance such family allowances provide for workers with children it does nothing for single workers or childless couples. Minister Abbott in the lengthy quotation noted earlier in this paper provides evidence of some of the many poverty traps or employment disincentives in the present system. Poverty traps or employment disincentives will be discussed further below.

It is clear from pages 23-25 that the LHMU sees working tax credits as having the effect of entrenching low pay because employers won't have to pay a liveable wage if the government subsidises, through the tax or social security systems, the pay from the employer. This objection to such arrangements has been around since at least the early 1800s. British historian and social researcher Karl Polanyi (1945 pp.82-87) described in considerable detail the first standardised employment subsidy that was known as the Speenhamland system 1795-1834.

Polanyi (1945 pp.82-87 & 124-130) points out that in England by the end of the 18<sup>th</sup> century the money system and market for land had been established but the *labour market* had not been. Prior to Speenhamland the Elizabethan poor law relief system did not assist people whose employer did not pay proper wages. Earlier forms of poor law administration only assisted those without work "through no fault of their own". In 1795 the justices of Berkshire, meeting in the town of Speenhamland, set a level of assistance that was to be paid by the parish to labourers. The amount of assistance was to be the difference between what was regarded as the rate of assistance for labourers and what their individual employers were able to pay. The justices' intention was designed to promote employment and simultaneously ensure "the right to live". Some objected that this let employers shirk their responsibilities to their workers and others claimed it allowed workers to shirk their responsibilities to employers because they only paid part of their wage.

The value of the rate of assistance was not indexed, and with the passage of years, the rate of assistance dropped below subsistence levels. Organised workers had a further problem with this system, namely that the rate of assistance regarded by the justices as the minimum necessary to sustain labourers and their families gradually eroded the wages of others who worked in the district. The rate of maximum assistance became the rate of pay for most workers and was referred to as "the rate". The Speenhamland system spread throughout much of the countryside of England until it was abolished by the 1834 Poor Law that also removed the "right to live".

There would seem little doubt that Speenhamland, in its later years, failed to provide workers with sufficient assistance and was widely blamed for depressing the rate of pay even of those workers who were paid their total amount due by their employers. Polanyi (1945 p.86 & p.126) asserts that the establishment of the rate of assistance as the going rate of pay and the misery it caused to the bulk of the population would not necessarily have occurred *but for the existence of other laws*, such as Anti-Combination Laws, designed to control trade unions and other labour organisations. Polanyi (1945 p.86) states:

If labourers had been free to combine for the furtherance of their interests... Speenhamland might have had the effect of raising wages instead of depressing them.

The importance of Speenhamland to the current debate is that the way in which we interpret our history is largely determined by past experiences and our present belief and value systems. We need to be mindful of John Kenneth Galbraith's oft quoted saying that "It is easier to teach people new ideas than to get them to let go of old ones." Another thing, which affects our perception of events or options, is that our position in any organisation affects what we see. If you compare a company with a tree full of monkeys, "we find that those on the top of the tree when they look down all they see are smiling faces where as those on the lower branches when they look up all they see are @#%\*%^#@".

What we can see from the Speenhamland system is that it shares one feature with guaranteed minimum income, negative income tax, tax credits, non-universal social security, participation-income and welfare assistance programs. In every one of them, as income from paid work rises, income from the agency providing assistance decreases. This is one major advantage that a Basic Income has over all the other forms of assistance discussed. It is true the amount of money with which a person receives "in the hand" after payment of income tax (net income) might be less than the total income from the two income sources. But with a Basic Income neither the employment income nor the amount of Basic Income is directly affected by the other source of income. The reduction in income is the income tax rate on earned income. This removes poverty traps and work disincentives simultaneously.

Some researchers (Whiteford 1981) have argued that if a Basic Income was put in place that workers would stay away from work in droves. Whereas other researchers have argued the exact opposite (Widerquist 2002, Milner 1920, Gorz 1999, Van Parijs 1997, 1992[a], Tomlinson 1989). The only study conducted in Australia into the impact on work willingness (where low-income families were provided with a guaranteed minimum income), showed these families experienced no decline in work willingness (Liffman 1978). Van Parijs (1992[b] p.229) claims that because a Basic Income is paid, irrespective of all other sources of income, it can be used by those who desire work as a wage subsidy; yet, because it provides sufficient income on which to live, it does not compel any potential worker to work under conditions which that worker finds unacceptable. He concludes that "Whereas a rising means-tested benefit makes it increasingly difficult for unskilled people to find a job, a rising basic income makes it increasingly feasible" (Van Parijs 1992[b] p.229).

Organised labour needs to consider whether, in the current climate of individual work contracts and increasingly precarious employment, there is not considerable merit in

collective provision of the basic necessities of life compared with relying upon individual employers to pay a wage sufficient to lift workers out of poverty. There are increasing numbers of workers whose only possible employment is in sweatshop conditions. They work full-time and still live in poverty. Advocates of Basic Income, like Philippe Van Parijs (1997) and Guy Standing (2002), argue that a universal Basic Income, because it provides an income above the poverty line, has a greater capacity than other systems to provide workers with the choice to accept or to refuse to work under the conditions on offer. A Basic Income in this sense provides “the right to life” which Speenhamland promised but failed to deliver. A Basic Income decreases work disincentives, compared with a means-tested benefit system, because it ensures that workers are always financially better off as a result of extra income from employment or investment.

### **Why this country needs a Universal Basic Income.**

The income support issues with which Australia is grappling at the start of the 21<sup>st</sup> century are remarkably similar to the income support difficulties which many other countries are confronting. Anyone who reads the seventy odd papers in the Basic Income European Network’s 2002 Geneva Conference Proceedings, which detail the work of researchers from every continent, could not fail to be struck by the similarities in the debates from the United States to England to continental Europe to South Africa, Australia, India and Brazil.

Some presenters want fully universal Basic Incomes introduced yesterday, some argue for partial Basic Incomes now as a step on the way to fully formed Basic Incomes later. Some want participation incomes and some job guarantees. Others argue for guaranteed minimum incomes, job subsidies, negative income tax, or tax credits. In fact, all this is very reminiscent of many welfare conferences in Australia and New Zealand in the last decade.

New Zealand was the first country in our region to embrace economic fundamentalist style employment and welfare policies (Kelsey 1995) and the first, following the election of a Labour Coalition Government to start to move away from it (The Jobs Letter). New Zealand has ended its ‘work for the dole’ program and started to dismantle its form of ‘mutual obligation’ programs. Alaska has for 20 years paid a small Basic Income to all permanent residents (amounting to 6% of total household income) from a fund financed by royalties from its oil fields (Goldsmith 2002). Ireland is moving towards introducing a poverty-eliminating Basic Income (Healy and Reynolds 2002). Brazil has legislated to gradually introduce Basic Income from 2005 (the first nation in the world to do so) and South Africa intends to introduce Basic Income policies for children. There is a plethora of journal articles, conference papers and books recently published advocating various Basic Income proposals from the United States (George 2002, Murray 1997), Canada (Lerner, Clark and Needham 1999) in Britain and in many other parts of Europe. Links to the most relevant Basic Income websites for Australian readers can be found at the BIGA (Basic Income Guarantee Australia) website: <http://www.basicincome.qut.edu.au>

There are many forms of generalised income guarantee schemes installed in Europe and there are plans afoot in several countries to move in the direction of a Basic Income (Van Parijs 2000). The actual model of Basic Income implemented in any

country will depend on what other social wage components are retained and the capacity of that country to afford it. Van Parijs (2000) outlines many options a government might employ to reshape its tax and social welfare infrastructure as part of the Basic Income implementation process.

Australian readers reflecting on the last two decades in this country will be aware that there has been increased targeting of social security benefits, increased obligations have been imposed upon those who receive benefits, employment has become more precarious, industrial protections have been dismantled. What was once a reasonably egalitarian society with a frugal but reasonably comprehensive social security safety net has become a high risk “do it yourself welfare state” where inequality and inequity abounds (Costello 2003).

It needs to be remembered that in the decade prior to the 1980s there were many social welfare improvements and a great hope for even more. The Henderson Poverty Inquiry’s First Main Report (1975) endorsed the idea of introducing a guaranteed minimum income and the Whitlam Labor Government seemed accepting of the idea. It may seem to some a long time coming but the advances being made in Alaska, New Zealand, Europe (particularly Ireland), Brazil and South Africa mentioned above re-establish the hope that this country will return to its senses. In November 2000 the Committee for Economic Development of Australia acknowledged the need for an income guarantee in Australia. It is of interest that one of the editors of this report is Brian Howe, who, whilst Minister for Social Security in the Hawke/Keating Labour Government, had presided over the increased targeting of social security benefits. On the 4<sup>th</sup> August 2003 the Australian Council for Social Service (ACOSS) for the first time since the 1970s unequivocally recommended a minimum income guarantee for working age Australians. Rather than being an idea whose time has past, Basic Income is the emerging income support idea of the 21<sup>st</sup> century.

In the 18<sup>th</sup> century Thomas Paine argued that the natural resources of a country belong to all its citizens. From this idea emerged the Alaska Basic Income (Goldsmith 2002, Van Parijs 2000). In 1920 Milner argued that all residents of a country were equally entitled to 20% of the productive capacity of a country as their share of the “national dividend”. Rhys-Williams (1943, 1965) wanted a guaranteed minimum income to ensure a floor beneath which people’s income would not fall without imposing a ceiling beyond which they could not rise. Friedman (1962) wanted a negative income tax to abolish the family poverty of the employed. Andre Gorz (1999) who, in 1985, had argued that people should receive an income guarantee in return for working 40,000 hours in their lifetime now argues for a right to income without this requirement. The book *Arguing for a Basic Income*, edited by Van Parijs 1992[a], presented many leading social scientists with the opportunity to suggest that a Basic Income should be provided as a right of permanent residence in a country.

### *Social protection*

The prime reason for supporting a universal Basic Income is that it is the most socially just way of ensuring social protection (Standing 2001, 2002, Van Parijs 2000, 1997, 1992[a]). In an ideal world one might strive to ensure that everyone would have their needs fully met and that all would contribute their utmost to ensure that everyone’s needs were met. This was essentially what, in the post-Second World War period, the welfare state was meant to do. The existing Australian social welfare

system, due largely to under funding as a result of constant attacks from economic fundamentalists, is less capable of ensuring social protection for the most vulnerable than the Australian welfare state of the late 1970s /early 1980s. Many of the family support structures, which were the first port of call for help in earlier times, have been eroded; full-time work above the poverty-line is harder to find. There is a very real need to find a way to provide social protection for all of Australia's permanent residents and one that is sustainable into the future.

### *Feminism*

Feminist writers (Christensen 2002, Schwarzenbach 2002) have mounted arguments in favour of Basic Income. Perhaps the most telling argument was that of Schwarzenbach (2002) who has argued that it is modernist society's preoccupation with productive labour that blinds it to the need to put as much effort into reproductive (caring) aspects of life. She suggests that it is the idea that the only fully fledged citizens are paid producers that blinds us to these ancient insights. She notes that at the time of Plato's republic it was the slaves who did the work and the citizens who performed the civic duties.

### *Intergenerational distribution young / old*

In the 1960s and early 1970s age pensioners were often confined to poverty level incomes. The Henderson Poverty Inquiry (1975) exposed this sorry state of affairs and now the Australian social security system treats age pensioners far more generously than unemployed people and younger unemployed people in particular. In Europe similar age delineated inequities have led to intergenerational envy. Older people need to realise that their taxes went to pay the pensions of their parents' generation. There is nothing left to pay theirs and if they don't treat younger people better the young might refuse to contribute to older people's support. A Basic Income, because it is paid equally to all, abolishes such intergenerational envy.

### *Dependency rhetoric*

The Howard Government has set out to attack "welfare dependency" via the mechanism of imposing "mutual obligations" on all people of working age who receive social security. The Howard Government started imposing "mutual obligation" on the young unemployed and found it was able to generate electoral support and downward envy. So it has extended this policy via the McClure (2000) recommendation to envelop older workers, those in receipt of disability pensions and lone parents. It abolished unemployment benefit for 16-18 year olds and extended the period that younger people are forced to be reliant upon their families to 25 years and for some students for even longer periods.

The Howard Government has certainly lessened the degree to which individuals and families can rely on the government for support but this has come at a huge cost to families. This is a pyrrhic victory. The Government can rightly claim to have diminished government funded "welfare dependency" but has accelerated individuals "dependence upon families".

### *Affordability*

In any social policy process the first and last question asked is "Is it affordable?" No space has been devoted to this question so far and it must be addressed. The Henderson Poverty Inquiry (1975) showed that its guaranteed minimum income

scheme was affordable. Keith Rankin (1998, 1997) has written extensively on the economic affordability of Basic Income in New Zealand. George (2002) has specifically addressed this question in relation to the United States. The Irish Government has declared it is affordable there (Healy and Reynolds 2002).

In Australia, Saunders (1995) worried that a full universal Basic Income might require a 50% income tax rate that he considered would make it politically unpalatable. This calculation was made prior to the GST, which now implemented, would lower the required tax rate more in line with what the Irish Government has recently declared would be necessary to pay for an above-poverty-line Basic Income [that is 43 percent.] This would mean that the required tax rate to pay for a Basic Income would be at or slightly below the current tax rate imposed on those whose income exceeds \$60,000 [probably in the order of 45 percent]. Low-income earners, not receiving any form of family allowances or social security, who are paying income tax at 17 percent rate might feel that paying nearly half their employment income in tax would be a great imposition. Those who feel that way are not taking into account the fact that, under a Basic Income, though they would pay a higher tax rate they would also receive from the government each fortnight a Basic Income at the rate of the single age pension. That is, their effective marginal tax rate would be lower than they are paying at present.

Many low-income earners who receive social security or family allowances are currently paying, according to Ministers (Abbott 2003, and Vanstone 2003), effective marginal tax rates on earned income in the order of 70%. Two-thirds of Australian workers receive less than the average wage. It would seem from preliminary calculations we have done that workers earning nearly up to the average wage would finish up paying less net income tax or about the same as they do now. But they would have far more certainty and security of income than currently exists.

Perhaps the last word on affordability should be left to Jose Iglesias Fernandez (2002) who proposed a full universal Basic Income scheme for Catalonia (a region with a population of 6 million people) that would be paid at 50% of the average European Union wage. This is essentially double the Basic Income proposed in this paper (the lone age pension rate is 25% of the Average Wage in Australia). Considering whether his proposal was affordable Iglesias Fernandez wrote that since the Basic Income was only half of the per capita income that therefore the money needed to pay for it already existed and that it was simply a matter of redistribution.

### *Efficiency*

There is a lot of confusion present in Australian discussions about efficiency and productivity. Clearly many individual companies and government departments are now more productive because of increased efficiencies in the sense that they can produce more products at lower costs because they have either improved processes or they have fewer staff. But in so doing they have often shifted social costs on to society at large.

In the 1970s the armed services, the railways, local, state and federal government departments and what is now called Telstra provided employment and training to a significant number of young people leaving school. This training provided a subsidy to private firms when, later in life, many of these workers shifted into the private

sector. It made Australia as a whole more productive. Such widespread industry funded training is now largely a thing of the past. Nowadays governments employ far fewer young people and provide little training. Since 1974 youth unemployment has skyrocketed. Older unemployed people no longer required by businesses cannot obtain a job on the railways or in the filing rooms of large departments. They are just thrown on the industrial scrap heap where they are harassed by Amanda Vanstone's (2003) "mutual obligation" Centrelink enforcers.

When Australia has 12 to 18 % of its working age labour force unemployed, underemployed, disguised unemployed or discouraged unemployed this clearly is not making an efficient use of the available labour in this country. The Commonwealth Government's Committee on Employment Opportunities (1993) at page 1 of its *Restoring Full Employment* Report commented:

The loss of production through unemployment is the single greatest source of inefficiency in our economy. Unemployment is also the most important cause of inequality and alienation for individuals, families and communities.

Governments in Australia, New Zealand and Britain consistently suggest they are providing social security in an efficient and accountable manner. They are certainly capable of determining the cost of delivering specific categorical benefits to those recipients who are paid. They can and do calculate how much they 'save' by cutting people off income support when they do not meet the totality of eligibility requirements for any specific benefit. This is *accounting* or *target efficiency*. Governments seem uninterested in how people who are refused benefits get by, or what social costs are incurred in the wake of decisions to remove income support from such citizens. Target efficiency processes give no measure of how *efficient* the *system* of social security is *as a whole*. This is because the central issues, which should be taken into account when assessing the efficiency of a social security system, are not considered.

Some of the system wide efficiency questions, which would need to be answered if *the efficiency of the system as a whole* was being calculated, would be:

- Are any of the people excluded from the social security system poor?
- How many people who have an entitlement miss out?
- How satisfied are the people who are confined to low levels of income support?
- Does the social security system advance social justice for all permanent residents?
- Are the human rights of all residents protected (or even enhanced)?
- Does the system remove all obstacles to inclusion of people with a disability?
- Are all genders, ages and ethnic groups treated equally or equitably?
- Is there equitable treatment provided to city and country people, and does the system of income support provide sufficient security to recipients so as to allow them to contribute to society in ways with which they are comfortable?

There may be some jobs offered in any country that are extremely unsafe and poorly remunerated. Once a Basic Income was in place, those jobs would not be done because no one in their right mind would take them on the terms offered. Forcing people to take such jobs on the offered terms by threatening to remove unemployment benefits is unconscionable. Clearly if a society or an employer wants such work done, then the safety situation would need to be improved and the remuneration on offer increased to attract willing labour.

If the intention of those who promote categorical benefits which demand work readiness is to force workers to take every available job then this aim might be more efficiently achieved through a Basic Income than by the enforcement of the old poor law system of 'less eligibility'. The inordinate invasion of privacy in the lives of applicants for unemployment benefits, the imposition of 'mutual obligation' and other stigmatising practices all have to be paid for by governments out of permanent resident's taxes. If the aim is to ensure that all job vacancies are filled, the provision of an unconditional Basic Income has the capacity to do that without compulsion. This occurs because under a Basic Income system there is always an economic advantage gained from earning extra income. This would be both just and efficient.

Attempting to ascertain the degree of impairment experienced by an individual applicant and then paying those applicants who can establish they have met some predetermined 'level of incapacity to work' is very costly and an extraordinarily inefficient method of providing income support to those with a disability. People with equivalent levels of impairments often have widely different employment histories (Perry 1995 p.29). It would be more efficient to provide a universal income guarantee if the desire is to encourage productivity / contribution / inclusion by those who have a disability. Australian governments have recognised this in relation to Blind Pensioners (Jordan 1984, Kewley 1973) but continue to subject others who have severe disabilities to stigmatised, selective, targeted, categorical payments.

Much of the argument about the efficiency of a Basic Income has concentrated on the supply of benefits, in the least stigmatising fashion, to *all* who need them. A Basic Income regime does away with the need for the entire government income support surveillance apparatus, creating savings to government expenditure. Exponents of a secure equitable income support system would therefore regard a Basic Income as politically efficient.

But there are wider efficiency arguments that can and should be mounted in support of an unconditional Basic Income.

- A Basic Income requires the least interference in the lives of citizens.
- It supplies all permanent residents with equal assistance.
- It is the most inclusive form of income support payment and the most secure, thus enhancing citizenship.
- It provides sufficient income to allow the possibility that people will explore their creative capacity.
- It removes many of the obstacles to a reinvigoration of the industrial, technical and computing infrastructure.
- It allows the State a fuller understanding of the impact of its other social wage policies.

## **Conclusion**

At the beginning of this paper it was suggested that finding a way to implement a full universal Basic Income is essentially the search for the answer to just one question: "How do we best meet the income support needs of all those who find they are without the capacity to provide for themselves?" We found we were on a merry-go-

round from Christ to Marx and back again. When Christ said “The poor are always with us” he was not justifying the presence of poverty rather he was admonishing his followers for their failure to forgive the debt of the poor as they were required to in the scriptures. (The Religion Report 2000). Karl Marx and Frederick Engels in *The Communist Manifesto* set out the promise of Communism to provide “To each according to their need. From each according to their ability.” In much the same way as Christ is yet to convince his followers to forgive the debts of the poor, no-one has yet implemented a way of assisting all in financial need and extracting from the rich their full dues to pay for such assistance. But a Basic Income has the capacity to provide an equal amount of income to all at a rate that lifts every citizen beyond poverty.

A universal Basic Income is not a utopian idea. It is an efficient affordable way to ensure no Australian permanent resident remains in poverty. However, a Basic Income is just that - an unconditional universal income guarantee. It delivers an income floor without impeding productivity. It is a vast improvement on categorical selective social services. It is an advance on all social insurance and private provision schemes which invariably result in the “individualisation of risk” and as a result create a “do it yourself welfare state”.

#### **A List of Abbreviations**

ACOSS; Australian Council of Social Service

ALP; Australian Labor Party

BIEN; Basic Income European Network

BIGA; Basic Income Guarantee Australia

CDEP; Community Development Employment Program

LHMU; Australian Liquor Hospitality and Miscellaneous Workers Union’s

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<a href="http://www.etes.ucl.ac.be/BIENbackup/bien.html">http://www.etes.ucl.ac.be/BIENbackup/bien.html</a>
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or
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<a href="http://www.bien.be/Archive/Congress/Geneva2002.htm">http://www.bien.be/Archive/Congress/Geneva2002.htm</a>
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All of the 2002 BIEN Geneva Conference papers can be found at this website
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