

OASIS-Australia  
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## National Dividend

This is the fourth newsletter in response to the proposed federal government industrial relations changes. Additional newsletters will depend upon the detail of the changes when they become known.

The purpose of this response is twofold - to question why the proposed changes were initiated, and to put forward a proposal which will meet economic requirements and provide a socially beneficial outcome.

With the Government still speaking in generalities, attention has been directed first to what we can learn from past experience. Is the Government determined to take us back to the 18th/19th centuries with the promotion of laissez faire economic theory? Or in more recent terms, does the experience of the past few decades indicate that the objective of higher wages and more jobs is deceptive and misleading?

In the final paragraph of the previous paper the question was asked whether economists support the principles upon which the Government proposes to amend industrial relations legislation, or has economics been hijacked by economic fundamentalism and conservative political ideology. There is evidence to suggest the latter.

It seems that one of the objectives - probably the main objective - of the proposed amendments is to enable employers to achieve further gains in productivity through changes to the master/servant relationship. The ultimate objective is higher economic growth. Even the most conservative economists will agree that one of the costs of going down this path is a loss of social cohesion. The labour market is treated as a commodity market.

There have been considerable gains in productivity in recent years through growth in part time and casual employment, and a lack of real growth in full time employment. (see previous paper) These growth patterns have contributed to increasing divisions between rich and poor. The government points to growth in weekly earnings in recent years, but this is based on full time earnings, and there are proportionately less full time workers

each year. If the proposed changes increase flexibility in working hours and thus increase productivity gains then the trend of increasing divisions between rich and poor will continue. Australia will become an even more divided society. If the increased flexibility is employer driven then the trend will accelerate.

One by-product of flexible working hours - particularly where flexibility is achieved through greater casualisation of the workforce - is greater job insecurity. Insecurity regarding employment, and insecurity regarding weekly income. Giving employers greater powers to dismiss workers and change working hours will not only add to this insecurity, but will lead to management by fear - a fear compounded by the low esteem we as a society have for the unemployed.

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As discussed in the previous paper, a basic economic principle is that unemployment is a necessary tool to help control inflation. Economists agree that there must be unemployment - sufficient unemployment. There must be unemployed, and to be effective they must be unemployed who are looking for work and therefore competing for jobs.

This raises two important questions. (1) How valid is the assertion that we must have unemployment to help control inflation? And (2) how do we ensure that the unemployed are actively looking for work?

(1) The principle that we must have some unemployment to help control inflation can be questioned on two grounds.

First, as stated in the previous paper "The labour market is not a single market, but a conglomeration of individual markets, and they all have individual unemployment pressures - theoretically they all have individual unemployment rates". Today in Australia we have high unemployment - over half a million. We also have inflationary pressures due to a shortage of skilled workers, and due to an expectancy of high wage growth through employer inspired high increases to senior executives. Either the validity of the economic principle can be questioned, or we need a high unemployment rate in the lower job skills area to counter the inflationary pressures arising from the higher skilled areas.

Second, with growth in part time and casual employment the number of underemployed is also growing, providing anti-inflationary pressures as do the unemployed. In economic terms, provided there is sufficient underemployment we do not need unemployment to help control inflation.

(2) How do we ensure that the unemployed are actively looking for work?

Economic theory recognises that unemployment will lead to poverty within the community, but does not spell out how to alleviate this poverty. There is, however, recognition of a need for income support, and there are conditions this income support must meet - i.e. it should not provide a disincentive to work, or a disincentive for the unemployed to provide competition for work.

Traditionally welfare relief for the poor and the disadvantaged has been means tested to enable it to be directed to those most in need. Income support for the unemployed has followed this pattern. But means testing income support transgresses one of the basic tenets of economic theory in that it does provide a disincentive to work - the greater the loss of income support for each dollar of income earned the greater the disincentive.

To counter this disincentive, income support for the unemployed has become conditional on a work test (first introduced by a Labor Government to apply to young people too young to vote). Successive conservative governments have widened the application through the concept of mutual obligation and work for the dole, all in the name of economic growth. Economics has been hijacked by fundamentalists to the extent that the ultimate political objective is no longer a social objective of providing income support but an economic objective of providing competition for jobs. No matter how hard one may try, there is no way in which unfettered economic growth can equate with social growth

These successive governments, through the introduction of mutual obligation and work for the dole into the social welfare system, have attempted to ensure there are sufficient unemployed people looking for work. In doing so they have cast the unemployed as second class citizens. To hear politicians of all parties critical of the unemployed for not trying hard enough to look for work, and to promise jobs if they try hard enough, is surely the height of hypocrisy. On one hand they are saying "there is a job if you try", and on the other hand they are saying "we must have sufficient unemployed".

Surely it is time that we as a community recognise that if we continue to seek higher economic growth, or even to maintain existing levels of growth, then we must have a labour force consisting of a variety of workers - full time workers, part time workers, casual workers, and would-be workers. Why downgrade those who are least able to participate in the workforce?

If we accept the economic principle that we need an unemployed section in the labour force, then we must also accept a need to replace them as they either find employment or stop looking for work. This unemployed section (labelled the statistical unemployed in the previous newsletter) must be maintained. The Government took steps earlier this year to ensure there is

a sufficient bank of unemployed through changes to the status of some disabled people and single parents. The Government is also conditioning the community to accept the next step towards maintaining a pool of unemployed by signalling a need for workers to remain longer in the workforce.

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What is the long term objective of Australian people today? Is it to achieve continuing economic growth, or is it to achieve continuing social growth? Are these two objectives compatible? We are a capitalist society reliant on economic theory and practice. Can economic theory and practice also provide social growth?

The common political view, the rationalisation of political concentration on economic growth, is that economic growth permits social growth. Social growth comes from a redistribution of the gains of economic growth, and redistribution depends upon political will. There are no economic guidelines to follow.

We can, however, take a first step to ensure stronger social growth by ensuring that all citizens - the young, the aged, the labour force in total, workers and non-workers - are able to share in the wealth created by economic growth. Universal income support will provide this first step. Means tested income support cannot provide this step. As mentioned earlier, means testing provides a disincentive to work, and a disincentive to provide competition for work. Means testing implies a redistribution of income through taxing the rich to help the poor, and economic theory also believes that taxing of income can create a disincentive to work.

Looking back, the present system of means tested income support worked reasonably well when the objective of full employment based on full time employment was achievable and expected. Unemployment relief was seen as temporary relief. The disincentives to work through means testing were of little significance.

Today the scene has changed. Growth in full time employment is not keeping up with population growth. Part time and casual employment have been growing and will continue to grow to provide greater flexibility of working hours. Unemployment is no longer a temporary event but is built in to the economic system, requiring threats of starvation to counter the disincentives of means tested relief. Allied to these changes is an ageing population and the effects of technological change on the work available for people. Income relief for over half a million Australians of working age is now provided on the basis of conform or starve. This is a reversion to an era which most people believed we had left far behind.

If we wish to achieve a better distribution of our economic wealth - if we wish to achieve a better and more cohesive society - then we need to look beyond means testing of income support. We need to look beyond the redistribution of incomes, taking from some to give to others, to some form of distribution direct from the production of wealth to society as a whole - an equal dividend to all. In economic terms, this could be the declaration of a national dividend for all - with all citizens being shareholders in the nation. A national dividend which would replace part of all existing incomes - e.g. earned incomes, unearned incomes, welfare transfer incomes.

In principle a National Dividend is similar to what is commonly known as Basic Income ([www.basicincome.qut.edu.au/index.jsp](http://www.basicincome.qut.edu.au/index.jsp)), or Support Income (Unemployment Forever, A McDonald 1995).

However, the concept of a National Dividend derives from a response to the economic pressures on society, and can be viewed as an economic action with a social objective. The concept of a Basic Income or Support Income, on the other hand, is a response to the pressures of a welfare society in a changing economic world. The same long term aim - marrying economic objectives with social objectives.

The concept of a National Dividend was introduced in the paper "Introducing a Support Income System, Part 3" which followed the OASIS-Australia Newsletter August 2001. The aim was to move discussion of the proposal for universal income support away from welfare to the notion of sharing - sharing the benefits of economic growth in much the same way as achieving full employment by sharing the available work through part time employment.

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A National Dividend can be seen as a response to the economic principle that there must be "sufficient" unemployment. A National Dividend will provide income support without creating a disincentive to work. A National Dividend will enable unemployment as an economic tool to be replaced by underemployment. A National Dividend will facilitate a move towards full employment to the extent that some form of meaningful employment be available for all who are willing and able to work.

In the light of the current debate, a National Dividend is put forward as a response which will help provide greater flexibility of working hours by facilitating wider acceptance of part time and casual work, thus achieving much of what the Government hopes to achieve through legislative change. A National Dividend will also provide greater financial security for all workers, thus helping to counter the potential job insecurity and management by fear arising from the proposed changes.

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