Introducing a Support Income System Part 1

Why is it that proposals for unconditional universal income support - i.e. proposals for Basic Income (BI), Citizens Income (CI), and Support Income (SI) - are rarely given any lasting political consideration?

There are quite extensive and wide-ranging economic and social benefits claimed for these proposals. There is also an ever-widening group of social scientists and practitioners world-wide supporting these claims, as evidenced by the large number of supportive papers presented at the Basic Income European Network (BIEN) International Congress last year. Why is it, then, that the concept basic to these proposals - the concept of universal, unconditional income support - is still very much in the political wilderness? And in particular, why is it that in Australia today, where there is a growing appreciation of the need to update the existing system of income support, proposals for universal income support conditional or unconditional, do not make the margins of any political agenda?

Conditional universal income support does have some political credibility, with proposals such as guaranteed minimum income and negative income tax, which have been around for many years, being revived from time to time. To some extent Australia in the 1970's and early 1980's did have a de facto guaranteed minimum income system, and adoption of a carefully targeted and means tested proposal was one of the recommendations of the First Main Report of the Commission of Inquiry into Poverty in 1975.

The concept of unconditional universal income support, however, has not achieved the same degree of political recognition. Admittedly this concept is still relatively new - to some extent it is still in the embryo stage, and lacks the political inquisitiveness and social awareness necessary to move it beyond being labelled as "too radical, too revolutionary, and too innovative". And it will continue to be regarded as such while it languishes without widespread debate and without input from a large cross-section of the community.

It is very easy to brush aside proposals for unconditional universal income support such as the proposal for a support income system for Australia by raising the political bogies of "giving people something for nothing" and "paying people not to work". However, in doing so reliance on dogma overrides the quest for knowledge, and the opportunity to consider well planned proposals designed to help ease our social problems is lost.

It is also very easy to fall back on claims that it is wrong to provide everybody - the rich and the poor - with unconditional income support, and point to the high levels of income tax that allegedly will be required to meet the cost of the incomes. Once again reliance on dogma overrides the quest for knowledge, ignoring or rejecting without proper examination proposals which claim to be financially viable and affordable without high levels of income tax.

The stumbling block to political recognition is the unconditional nature of the income support, for this is the one factor which sets it apart from other universal income support proposals. This is also the factor which enables proposals to be developed offering wide ranging social and economic benefits. This is the key factor in the development of proposals providing individuals with greater social and economic security, thus helping to meet many of the social problems created by high unemployment and underemployment, and helping to counter the insecurity generated by contemporary labour markets.

Continuing high levels of unemployment, together with more and more jobs being part time and casual, are pointers to the need for introducing a support income system which will provide this social and economic security. Reliance on means tested income support alone not only fails to address the social problems arising from a changing labour market but also creates problems of its own. If the objective is to find a better income support system then all options should be considered, including the option for a system of universal, unconditional income support.

The unconditional nature of the income support enables proposals to be developed which introduce the principle of sharing - sharing national income, sharing work, sharing responsibility - and the principle of developing greater scope for self determination and for economic and social security. These, it would seem, are admirable principles.
upon which to establish a system of income support.

However, these principles are the antithesis of those which flow from the current economic and political environment - e.g., the principles of individualism, of greater competition, and of greater economic and social insecurity. People who support current economic policies will not easily support or even consider innovations which they see as being designed to reduce the full effects of these policies, and this is an attitude which will persist until there is both the opportunity for wider public debate, and a willingness by political leaders and community groups to participate in this debate. Without this wider debate the concept of unconditional universal income support will remain in the political wilderness.

**Achieving wider community debate**

**One of the first requirements** is to spell out precisely the objectives of a support income system, making it clear that the support income is not intended as a replacement for the means tested system now in place in Australia.

There are many people very proud, and rightly so, of some of the achievements of the present system based on targeting and means testing. For a system to provide a safety net for all people, and as a system to provide income support on an individual basis to meet specific hardships and disabilities, targeting and means testing is essential. In principle a support income system need not be opposed on the basis that it is to replace the existing system.

One can question, however, whether the sheer scale of operations, with somewhere in the vicinity of one in four Australians being dependent to some extent on national income support is having an impact on the efficiency of the system. Would there be some lasting benefit having a system in place which will reduce the need for means tested support?

One can also question whether the system is adequate to provide support for the large number of unemployed and underemployed - over one million of the labour force including approximately 700,000 unemployed and actively seeking employment (roughly 25 per cent being long term unemployed). There is always the risk that means tested income support on a national basis for these people creates its own problems through work disincentives and welfare dependency, and through the conditional nature of the benefit. This is also the area which has been susceptible to political and ideological pressure.

It is a factor of the welfare scene in Australia that we now have two income support policies - one for pensioners, including age pensioners, and one for the labour force of potential labour force. This fragmentation of the income support system adds a further division within society.

**The primary objective** of the support income system is to provide a more equitable distribution of income for all citizens without reducing or weakening individual initiative and enterprise. Within the umbrella of this primary objective there are a number of targets or objectives.

a. Reduce the divide between the rich and the poor

Besides the social benefits to be gained there is also a sound economic argument for this target. Today there is serious concern about the effects of globalisation and the danger of Australia becoming a "branch office economy", and one of the matters of concern is the relatively small size of the domestic market with a population in the order of 19 million. For items other than the necessities of life, however, the domestic market is far less - possibly only half - because of the large and growing social stratification based on income. Reducing this stratification would help increase the size of the domestic market.

b. Provide a degree of financial security for all citizens not achievable with any other form of income support

The unconditional nature of the income support will be of special benefit to the labour force and potential labour force. This will allow more workers to accept part time or casual employment, thus helping to reduce the level of unemployment through a sharing of the available work. This will allow workers to plan for career training and development. And this will provide greater individual security when negotiating conditions of employment (described by some proponents as the empowerment of individuals).

c. Provide life long income security, which in turn will lead to questioning the role of occupational superannuation, and the responsibility of the state to provide taxation concessions for income related retirement incomes.
The second requirement is to demonstrate not only that the concept of universal, unconditional income support is realistic and practicable, but to go one step further and demonstrate how the concept can be introduced in politically acceptable stages.

In my thesis published as "Unemployment Forever?" I demonstrated that a proposal could be financially viable to the extent that it could be financed by the income transfers flowing from the proposal itself. Other proponents have suggested calling on additional financial resources such as inheritance taxation, wealth taxation, and the so-called Tobin Tax. There is no doubt that a proposal could be financed without recourse to high rates of income tax.

It is essential that these and similar proposals are developed and put forward for discussion. There must be a vision of where we would like to get to - a vision which is both desirable and recognisable. There must a vision of the ultimate Utopia, or as J C Meade described it the Agathopia, to provide the incentive for making the effort to achieve the goal. There are many papers portraying aspects of this vision, including a number of papers presented at the BIEN International Congress last year.

However, if the process of introducing a support income system is not also very well explained then the concept will remain just a concept - an idealistic concept, politically unacceptable and lacking community support.

To achieve political acceptance and community support there must be provision for a gradual introductory process with a facility for turning back. There must be an incremental change, not a radical change. The challenge is to demonstrate how an idealistic concept can become a realistic, practical and financially viable income support system, and to establish the steps which must be taken to achieve this goal.

There are a number of principles upon which this introductory process should be based.

a. The eventual level of adult income support must be sufficient to provide a basic standard of living, for it is only at this level that the full benefits of the system can be realised. However, in the early stages that level of income support can be less than desired provided there is access to the existing means tested system to ensure welfare beneficiaries are not disadvantaged.

b. The support income must at all stages be free of means test and free of income tax.

c. The support income must be seen as a replacement for income foregone, and this applies equally to private and transfer incomes. It cannot be seen as additional income for some and replacement income for others. At each stage there must be a planned reduction in incomes. For transfer incomes this will be a move from means tested to non-means tested benefit. For wages and salaries this may be a direct reduction or a foregoing of cost of living and other increases. Employers will benefit from reductions in labour costs, part of which should be directed towards financing the support incomes.

d. Taxation systems other than the income tax system must be utilised for most of the various income and savings transfers necessary to finance the support incomes. This opens the way for consideration of other acceptable taxation measures such as those mentioned earlier.

e. An indexation system must be established to provide for future changes in the level of income support. This indexation system should ideally incorporate changes in cost of living and productivity - e.g. based on changes to GDP per Capita. This indexation system will cut in after the level of adult support income reaches the pre-determined level. For example it may cut in when the adult support income reaches 25 per cent of average weekly earnings plus the existing level of allowable income.

These principles helped to form the basis for development of the proposal for a Support Income System for Australia described in the book "Unemployment Forever?". If a proposal for a financially viable support income system can be developed based on these principles, then it should also be possible to incorporate a financially viable stage by stage introduction of the system.

In summary, establishing the objectives, the financial viability and the introductory processes should help encourage wider community debate and create greater awareness and understanding, but it is recognised that these alone will not ensure political acceptance. There are still matters to be resolved which require extensive input from the community, such as:
a. The role of occupational superannuation. Is a guaranteed lifetime unconditional income for all citizens a sufficient and satisfactory basis for State assisted retirement income?

b. Employers will have significant reductions in labour costs through reductions in wages and salaries and the equivalent on-costs, and possibly superannuation contributions. What part of this saving should be transferred to the State to help finance the support incomes, and in what form should these transfers be effected.

c. To what extent should citizens have an inalienable right to this income? Can it be directed towards the living costs of people in institutions such as nursing homes, hostels and prisons? Can it be subject to maintenance orders, garnishees, etc.

The challenge now is to achieve the debate necessary for these matters to be determined and included in the final development of a proposal incorporating a stage by stage introduction.

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