

**28 April 2002**

The first newsletter for the year 2002, following a break of six months since October 2001. In line with previous practice, a "Following Paper" will be posted after this newsletter.

**Part One - International reports**

**Europe**

The Ninth Congress of the Basic Income European Network (BIEN), will be held at the International Labour Office, Geneva, Switzerland, 12-14 September 2002.

The theme of the congress - Income Security as a Right

Following is a draft programme for this congress. This draft will still undergo several changes, but it gives a good idea of the planned timing and structure, as well as a non-exhaustive list of plenary speakers.

Thursday 12 September,

Pre-Congress Session: "Income Security in Switzerland". With the participation of Mark Hunyadi, Eric Etienne, Beat Burgenmeier, Sandro Cattacin, Marc-Henri Soulet, Pierre-Francois Unger

Friday 13 September

09:00 - 09:30hrs Welcome and Introduction: with the participation of Juan Somavia, Assane Diop, Edouard Dommen, Andras November

09:30 - 11:00hrs First Plenary: Assessing Selectivity and Promoting Rights: with the participation of Tony Atkinson, Robert Holzmann, Nancy Fraser, Raymond Plant, Iona Ostner, Ingrid Salvatore

11:15 - 13:00hrs Second Plenary: Income Security in Development: with the participation of Reuben Ricupero, Bob Deacon, Meghnad Desai, Eduardo Suplicy, Dharam Ghai

14:00 - 17:45hrs Workshops

Saturday, 14 September, 2002

09:15 - 10:45hrs Workshops

11:00 - 13:00hrs Third Plenary: Legitimising Basic Income Politically: with the participation of Claus Offe, Robert Boyer, Scott Goldsmith, Osmo Soininvaara, Dalmer Hoskins, Philippe van Parijs, Guy Standing

14:00 - 15:45hrs BIEN Congress Business Meeting

For further information, including an outline of the congress themes, see BIEN website:  
<http://www.basicincome.org>

**USA**

The First Congress of the U.S. Basic Income Guarantee Network: Fundamental Insecurity or Basic Income Guarantee?, was held on March 8-9, 2002 at the CUNY Graduate Center, 365 Fifth Avenue, at 34th Street in New York City. The conference included 50 participants, several panels, sessions, an organisational meeting for USBIG, a reception, and a screening of the documentary film, "A Day's Work, A Day's Pay."

The program, session papers, abstracts, the list of participants, and other information is available on the USBIG website. <http://www.usbig.net>

## **South Africa**

### South Africans for a Basic Income Grant

Last year a number of social organisations formed a coalition of "South Africans for a Basic Income Grant" to advocate for the introduction of a Basic Income in South Africa. Following are extracts from their media statement of Tuesday 3 July 2001:

"There is growing support from a broad range of organisations in civil society, as well as in government, for the introduction of a Basic Income Grant (BIG), as an important mechanism to address the crisis of poverty facing the majority of South African families. Organisations from diverse sectors, including welfare, labour, religious, human rights, gender, childrens rights and NGO's have come to the conclusion that the enormity of this problem facing our country, requires a national initiative aimed at ensuring that no South African is allowed to sink into total destitution or poverty, and to provide a bridge allowing the poor to engage in meaningful economic activity. This has led organisations from these sectors to form a Coalition of "South Africans for a Basic Income Grant". Together these organisations represent millions of predominantly poor South Africans, from the rural and urban areas of South Africa.

Today a delegation representing these organisations has met with the Chairperson of the Committee of Inquiry into Social Security, Professor Vivienne Taylor, to urge her to take the proposals of the Coalition for a Basic Income Grant on board, in the recommendations the Committee will soon table to the Minister. The Coalition is also formally presenting a Declaration of support for BIG to Professor Taylor, signed by its 12 member organisations, at the Press Conference where the campaign is being publicly launched. Leaders of SACC, COSATU, and SANGOCO will deliver statements outlining key human rights, economic, and social arguments which underpin the campaign for BIG."

The complete media statement is to be found in the Basic Income Grant page of the Development Resources Center (DRC) website. <http://www.drc.org.za>

This media statement is also included in the following paper to this newsletter.

Following further discussions, in February 2002 the Congress of South African Trade Unions (COSATU) together with the Coalition for a Basic Income Grant, Treatment Action Campaign (TAC) and other non-governmental organisations, made a public declaration in favour of a monthly basic income grant of R100 for all South Africans. Neil Coleman, from COSATU, said: "We are saying there should be a universal grant that goes to everyone from cradle to grave as a constitutional right which will lift the 22 million people out of the dire poverty they are experiencing." The coalition reckons this would cost about 8% of tax revenues.

(Source: BIEN Newsflash)

This is possibly the first occasion that a number of leading national social organisations have combined to advocate the introduction of a universal basic income for all citizens. This could also be the first occasion when the trade union movement, through its national organisation, has not only given its full support towards this objective, but has also played a leading role in the promotion of the concept.

### **Part Two - Domestic considerations**

In South Africa there is a recognition of the need for change to provide economic security for all citizens. In Europe the ninth congress of the Basic Income European network will be held this year, with representations from most European and a number of Non-European nations. In the USA the first national congress was held last month. In Australia, with a public service dedicated to the service of government rather than to service of the people, and with a twentieth century welfare structure unable to cope with twenty first century social problems, universal income support cannot make the political agenda. Australians are denied the opportunity to consider the benefits which can flow from the introduction of a basic income or national dividend. And there are many benefits covering a wide range of social issues, as can be demonstrated as we consider some of the social problems currently achieving recognition and subject to national debate.

### **Unemployment**

There is the continuing problem of high unemployment and underemployment which has been with us for over three decades, and which will continue to be with us for more and more decades as we rely on a means tested income support system to provide security for those disadvantaged by a changing work place structure.

In these past decades there has been a significant growth in part time and casual employment accompanied by negative growth in real terms in full time employment. This has led to productivity gains, and to job growth through greater sharing of the available work. The challenge is to introduce an income support system which will provide the financial and economic security necessary to ensure this changing work pattern continues. The role of a basic income style system in this regard has been well documented.

However, change will not occur unless there is a desire for change, and an acceptance of the need for change. One can question whether we have that desire for change, and that acceptance. It is a sad indictment of our political and social aims and ambitions that we so readily applaud reaching an unemployment rate in the order of 6.5 per cent, and that we so readily accept objectives such as "Economists agree 5 per cent unemployment is a realistic goal" (Weekend Australian, 6-7 April, p. 22) This illustrates the depth to which our social governance has fallen. We are prepared to accept the sacrifice of over half a million people to maintain our rate of economic growth. We are prepared to accept an objective which produces the equivalent of a city or region of over one million people with not one person gainfully employed.

### **Middle class welfare**

It seems that one of the inevitable outcomes of political adherence to economic rationalism, or economic fundamentalism, or as others prefer - market dogmatism - is the fostering of a stronger middle class, in the belief that middle class economic activity in both consumption and saving is far more effective in developing a stronger economy than economic activity generated by a wider distribution of the benefits of economic growth. This belief is readily apparent in the conditions imposed on the provision of economic aid to developing countries, rationalised on the assumption that there will be a gradual flow-on effect to the lower classes.

This belief is also apparent in developed nations. Political adherence to economic rationalism or market dogmatism appears to favour supporting a stronger and more affluent middle class. In Australia this is evident not only through strong political support for private education, private health insurance, and the privatisation of other services, but also through the contrast between the provision of income support for the aged (especially the aged with private income) and for the unemployed and underemployed. The recent increase in the tapering of the means test for age pensioners increased the pension entitlement for those with private income, and raised the level of income for part pension entitlement. This contrasts markedly with the lower benefit rate, the tighter means test, and the conditions and penalties applicable to income support for the unemployed and low income groups.

Income support which is targeted and means tested permits the introduction of conditions and penalties for groups within the community, whether applied openly or rationalised through some concept such as "mutual obligation". Targeted and means tested income support facilitates the growth of middle class welfare just as it facilitates the imposition of limitations on lower class welfare.

Unconditional, universal income support removes this ability to differentiate between groups.

Unconditional, universal income support will also influence how we view our system of occupational superannuation. This system has two objectives, to provide income related retirement benefits and to encourage private income related savings. The government provides taxation concessions to help achieve these objectives.

The introduction of a lifetime unconditional support income will remove the need to provide income related retirement benefits. The role of the state will change from one of helping to provide retirement benefits related to pre-retirement income to one of ensuring that every citizen has a common income sufficient to maintain a basic standard of living.

If there is a continuing need to encourage private savings, removal of the link with retirement income will also remove the need for many of the existing conditions for taxation relief.

Means testing is simply unsuited to the provision of income support on a national basis. If the income support is to be targeted strictly to those in need then the process of means testing will create disincentives and poverty traps. If

the means test is to be modified to reduce these disincentives and poverty traps then the income support will be extended to cover people who are "not in need". Today over 25 per cent of our population depends to some extent on our social security system. Either our distribution of national income has failed, leaving over 25 per cent of the population "in need", or our income support system has failed, providing assistance to many who are "not in need".

## **Retirement and an ageing population**

Kevin Andrews, Minister for Ageing, recently gave notice that people will have to work beyond retiring age to support themselves and succeeding generations. This is in line with one of the findings of the conference in 1999 organised by the Productivity Commission and the Melbourne Institute of Applied Economic and Social Research that "reversing the trend to early retirements would have a large effect on improving the dependency ratio".

The provision of means tested age pensions from age 65 for males, and from age 60 rising over time to age 65 for females has resulted in a de facto retiring age of 65 for most workers. The process of means testing creates disincentives to continue in paid employment beyond this age of eligibility.

In recent years the increase in redundancies through industry restructuring for workers under age 65 has also led to earlier access to superannuation income. This, together with eligibility to service pensions at age 60, has led to a culture of "early retirement". People are planning to retire prior to age 65.

Today there is recognition that with an ageing population this trend cannot be sustained. There must be a reversal to encourage people to remain in employment beyond age 65. A "bonus system" has been introduced to encourage people entitled to some age pension to remain in employment with a deferred higher pension entitlement, but this is only effective if the employment offers a living wage. There is still a disincentive to continue working on a part time or casual basis.

If we are serious about extending the average working life in line with a higher life expectancy, consideration must be given to a system embracing unconditional universal income support which will take advantage of the growth in part time and casual employment to move away from the concept of retirement or early retirement. Given sufficient growth in part time and casual employment, full employment in terms of work being available for all who are able and willing to work will become a realistic objective, and retirement will be an individual decision based on continuing ability or willingness to work.

## **Public liability insurance**

The federal and state governments are under increasing pressure to respond to a looming crisis in the provision of public liability insurance, including workers' compensation. As claimed by Glenn Milne in *The Australian*, 22 April 02, p11, a report presented by consultants and endorsed by Treasury is positively alarming. According to the Executive Summary of the report: "there are many people seeking insurance who either can find it only at very high prices.....or cannot find it at all."

The report finds that in relation to premium prices: "Although 2002 prices are expected to be an average of 30 per cent higher than 2001 prices, we will find that - 1. 20 per cent increases will be common. 2. increases of 50 per cent to 100 per cent will not be uncommon. 3. Some policy holders will be asked for increases of 500 per cent to 100 per cent. 4. Some policy holders will be denied cover altogether".

Could the introduction of a system of unconditional, universal income support help to reduce the impact of these premium increases?

To the extent that loss of future earnings has influenced the claims experience prompting these premium increases, the answer is "yes". The provision of a lifetime basic income or support income free of tax and means test will certainly play a role in reducing premium costs. In some areas such as workers' compensation and third party motor vehicle insurance this may be quite a significant role.

## **Maternity leave**

Recently the Sex Discrimination Commissioner, Ms Pru Goward, released a discussion paper which includes a recommendation for universal paid maternity leave to be funded in part by government. At present there is provision for 52 weeks unpaid leave with universal application, and for 12 weeks paid leave in largely public

service employment.

As with other forms of special leave, including leave for training and retraining, the introduction of unconditional universal income support will go far to help reduce the cost burden for both employers and employees. For training and retraining the security of the income support will also help individuals develop their special abilities and aptitudes in sporting, cultural, recreational and vocational areas, and help employers and employees in planning training and retraining programs.

With a universal support income in place, the magnitude of the debate and financial concern in regard to matters such as maternity leave will be greatly reduced, and decisions made with the emphasis on social rather than financial or economic grounds.

## **Conclusion**

These few examples indicate the wide, extensive range of social benefits to be derived from the introduction of unconditional, universal income support. Just how wide and extensive is this range of benefits will not be known and fully understood until there is the opportunity for equally widespread national debate. The question now is how to promote this debate.

*Allan McDonald*

The **Following Paper** consists of, (a) The media statement of the "South Africans for a Basic Income Grant", 3 July 2001, and (b) paper submitted for publication in the June issue of the newsletter of the Australian Pensioners and Superannuants League, Qld.

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