

Universal Income Support

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Universal Income Support [Free of Means Test](#)

As illustrated in the previous chapter, moving from a selective system of income support to a universal system will introduce the concept of a guaranteed minimum income for all citizens. And if the income taxation system is used as the basis for assessing and distributing the income support, then this paves the way for a negative income taxation system.

This may be a significant move, but the major objective will still be one of providing assistance to those in need. The system is still subject to the inherent weaknesses of the means testing process. If the aim is to develop a system more attuned to the needs of today, then this move to universality can be seen only as an evolutionary or incremental step. There is still some way to go.

The next step is removal of the process of means testing - a far more radical move than anything proposed earlier for it changes the whole character of the national income support system.

In simple terms, income support can be universal and still be subject to means test. On the other hand, if the income support is free of means test then not only must it be universal, i.e. available to all, but the major objective must change from one of helping those in need to one of preventing people being in need. The objective changes from one of treatment to one of prevention.

Why change? Why change from a system based on targeting and means testing to a universal system free of means test? How can it be claimed that it will lead to a better system?

In Australia the present system, based on targeting and means testing, now provides support for approximately one third of the population. Financial records covering roughly six million people must be maintained to support the means testing process. Is this a reflection of the extent of need within the community or does it point to a need for radical change? Does this mean that approximately one third of the population is "in need", or does it mean that we are already one third of the way towards a universal system?

And if we do change what will be the end result? Will the change be worthwhile? Will a new system increase the social welfare of the community? Will a new system make a significant contribution to the well-being of society? Where should we look for answers to these questions?

First, we can look for some of the answers by referring to the health system. At the heart of the health system is a vast number of skilled practitioners devoted to the task of diagnosing and treating those in need of help. These are the people treating the symptoms - assessing the medical needs and providing or advising the medical treatment to meet these needs. Assessing individual needs requires that they operate on a regional or local basis.

However, for diseases of national significance the objective is to develop vaccines which can be introduced on a universal basis to prevent people being affected. The objective is prevention rather than treatment. The objective is to remove the need for treatment, rather than waiting for people to be affected and then treating them.

Likewise with poverty. A universal system of income support free of means test can be likened to a vaccine - it is provided on a universal basis to help prevent poverty rather than to treat poverty - to remove the need for treatment rather than waiting until people are in need of treatment.

Extending this analogy further, vaccines are usually sought for diseases which are life threatening or which shorten life expectancy. How would poverty rate as a medical condition justifying the introduction of a vaccine?

There is no doubt poverty is life threatening. Poverty can kill, and poverty can shorten life expectancy. In medical terms poverty could be accepted as a condition which warrants the development of a vaccine. In social terms poverty is a condition which warrants the development of a preventative system.

Extending this analogy even further, can it be asserted that poverty is a condition which may affect any person in

the community, and therefore a universal system is justified? It may be possible to establish income or wealth levels within which people are unlikely to become poor, but in this age of technological change and globalisation of industry, and in an economic climate where gambling is an accepted (even "desired") way of life, it is becoming harder and harder for people to insulate themselves from the possibility of poverty.

Second, we can look for answers by referring to the national distribution of income. Achieving a more equitable distribution of income is not a major objective of the present income support system, although there is no doubt it does play a significant role. Recent research by the National Social and Economic Modelling Institute (NATSEM) for The Australian newspaper highlights this role.

Looking at the period 1982 to 1997, this study suggests that for Australian families there were *sharp increases in the inequality of business, investment, wage and earned income but the rise in government transfers helped to offset the growing inequality of private income produced by the market*. The national income support system did play a significant role in achieving a more equitable income distribution. However, this is a role not suited to means tested income support. Means testing creates poverty traps and disincentives to work, and in the process creates its own distribution inequalities. As stated by NATSEM: *Thus, to some extent, social security families with children moved out of the bottom decile and were replaced by the working poor*.

Removing the means test will allow the national income support system to contribute even further to a more equitable distribution of national income without the distortions and unevenness of the present system.

Third, we can look for answers by considering the effects of the poverty traps and disincentives created by the process of means testing - and in particular in relation to employment and unemployment. It is well known, and well documented, how means tested income support creates poverty traps, and a dependency on welfare - and how it creates a disincentive to work when employment opportunities do not offer job security or a significantly greater financial return. The only response by successive governments has been to introduce conditions - i.e. the "active benefits" of Labor governments and the "mutual obligation" policy of the present government. Conditional benefits intensify rather than moderate existing divisions within society.

There are two pre-existing conditions which help to amplify the social effects of poverty traps and disincentives. These are both related to the recurring theme that people can be worse off, or very little better off, in paid employment than in receipt of unemployment benefits, and they are both growing in significance.

The first is the downward pressure on full time wage rates through persistent high levels of unemployment. *There also appears to be some inevitability that where welfare benefits, including unemployment benefits, are established on a basis of need, the monetary level of these benefits for a family group will in time be very close to, or even in excess of, the wage rates for full time employment at the lower wage levels*. 1.

The second is the increase in part time and casual employment in recent years sparked by desires for greater flexibility of employment conditions by employers in the name of economic efficiency, and by employees to better match their lifestyles. The financial return from employment is further reduced through shorter hours of work, and the casualisation of work leads to greater insecurity.

Fourth, we can look for answers by considering how the provision of income support free of means test, which means life long income support, provides financial security for all.

.....the major objective of a support income system [universal support income free of means test] is to provide every citizen, every permanent resident, with a level of financial security not achievable within the limitations of a residual social welfare system. 2.

The growth in part time and casual employment in recent years has not only led to shorter and more irregular hours of work but has also led to greater underemployment and job insecurity.

It seems inevitable that with the current international economic environment, and with the expressed need to ensure continuing economic growth, Australia will be faced with a continuing need for policies which will lead to greater and even greater job insecurity. The pattern of employment will embrace more and more part time and casual employment and short term employment contracts. Job security based on permanency of employment will be the exception rather than the rule.

Globalisation of industry will continue. The demand for more flexible labour market provisions will continue. The growth of service industries will continue. Part time and casual employment growth will be our only hope for reducing the rate of unemployment. Whatever growth there may be in employment will do little to increase job security.

Without some significant change to the economic environment this is undoubtedly the pattern for the future of work in Australia. The challenge is to adapt. Job security has been the key to financial security, but job security has been greatly diminished, and likewise financial security has also been greatly diminished. 3.

Fifth, we can look for answers by considering how the provision of a basic income free of means test can help encourage greater self-determination - help encourage individuals to assume greater responsibility for their own future.

The financial security of the universal income support will create an environment whereby people can plan to develop their special skills and abilities and to undertake vocational training and retraining, to enter into self-employment and co-operative employment activities, to select their own retirement age, and to seek and accept greater flexibility and quality in employment conditions. 4.

It is through this financial security that people will be in a position to more readily accept part time or casual employment, thus sharing the available work to the extent that unemployment as we know it today will no longer exist. A situation of "work for all" can be reached whereby all who are willing and able to work can find some form of meaningful employment. A solution will be found based on the principle of work sharing.

The ultimate objective is to provide all individuals, as individuals, with greater security, greater dignity, and with greater opportunities for personal development. Those able and willing to work should be able to find some form of meaningful employment. The achievement of this objective will lead to greater contributions by all individuals, which collectively will lead to a stronger and more efficient society. 5.

Sixth, we can look for answers by considering how universal income support free of means test can help remove many of the social and economic divisions within society, and many of the social barriers between groups.

The principle of a common rate of support income for all adults and common rates for children will itself help to create a greater feeling of equality. All citizens will be sharing equally in the prosperity of the nation. This is a feeling which can be reinforced by indexing the rate of income to GDP per Capita - an index which will ensure that movements in both cost of living and productivity are taken into account - thus introducing the concept of all Australians being shareholders in Australia.

Seventh, and finally, we can look for answers by considering how universal income support can influence the relationship between government and citizens.

One of the roles of government is to establish through laws and regulations codes of behaviour to which all citizens are expected to conform, and to take the necessary steps to ensure those who do not conform are punished. The emphasis is on conformity. Governments require conformity to enforce their ideology.

The danger is that conformity becomes the objective. The danger is that the objective is to establish laws and regulations which require conformity rather than supporting individuality and social diversity. Means testing of income support, for example, requires conformity. Means testing must be rigid and enforceable, and is not adaptable to circumstances which fluctuate or are subject to frequent change.

Conditional income support becomes even more rigid and enforceable, reflecting ideological rather than moral or social standards, and the current "work for the dole" scheme is one example. The requirement for unemployed people to "actively seek work" or to "work as directed" stems from the fact that they are receiving taxpayers' money. The derogatory term "dole bludger" also stems from this.

It is easy to envisage, for example, a young, able-bodied person in receipt of unemployment benefits who is happy to spend all day resting (and perhaps meditating) being classed as a "dole bludger". Envisage the same person now with a private income but still prepared to spend all day resting (and meditating). No longer considered a "dole bludger", but rather someone to be envied. The concern is not primarily one of "disincentive to work", but rather one of "cost to the community". 6.

Acceptance of universal income support free of means test requires a change in attitude from one supporting taxpayer funding and conformity to one supporting individualism and social diversity. This is possibly the greatest obstacle to political and community acceptance. Brought up on a culture of welfare based, taxpayer funded income support, it will not be easy to accept the notion of providing income support without conformity, and without behavioural control. How refreshing it would be for government to legislate for greater personal freedom and individualism, and to promote national welfare through supporting social diversity. It is difficult to think of any social problem which would not be alleviated to some extent by the introduction of a universal system of income support provided free of means test.

In the next chapter consideration will be given to the financial viability of such a system.

References.

1 Allan McDonald *Unemployment Forever?* 1995 p.41

2 *ibid* p.15

3 Allan McDonald *Job Security*, Paper prepared for OASIS-Australia, September 1997

4 Allan McDonald, 1995, p.15

5 *ibid* p.16

6 *ibid* p.39

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