

OASIS-Australia
Organisation Advocating Support Income Studies in Australia

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Newsletter 14 January 2006

In the previous Newsletter of 11 January it was suggested that a universal system of income support in the form of a National Dividend should be considered as a basis for social reform to accompany labour market restructuring in Australia.

This is a suggestion with very wide - perhaps world wide - implications. Is this the ultimate purpose of universal income support, or basic incomes? Are we now at the stage where there is a clearly defined purpose which will break through the barrier of "why do we need it?" Are we now at the stage where there is a clearly defined purpose applicable to all nations considering labour market restructuring to meet the economic demands of globalisation?

It appears that global economics is determining an international need for labour market restructuring, and even where this restructuring is not nearly as comprehensive as the Australian model there will still be a need for some accompanying social reform to ensure that the restructuring can be seen as reform - i.e. can be seen as making better. Without social reform, labour market restructuring along the lines of the Australian model cannot be claimed as labour market reform, and in fact it may well lead to the demise of capitalism. Capitalism will not survive the divided society which must follow.

Universal income support appears to be ideally suited to this role of accompanying labour market restructuring. Universal income support should not be viewed as a replacement for a system based on targeting and means testing, but as a different system with different objectives and different benefits. The primary objective is to provide lifelong financial security for all citizens - to prevent poverty rather than to relieve poverty - and this inevitably leads to numerous benefits not attainable with means tested income support.

As I stated in the OASIS-Australia paper "The Benefits of Universal Income Free of Means Test" published in 2001: "Income support is at the heart of any welfare system. If the welfare system is to play a more active role in alleviating social problems then the income support system must be capable

of helping in this role. Means tested income support will not provide this help. Means tested income support is not designed to provide this help, for it cannot encourage or provide an incentive for people to cease to become reliant on the support. The system is a passive provider of help, a provider of the last resort. The primary objective of a means tested system of income support is to provide relief for those in need - it will do nothing towards helping remove the cause of the need. Means tested income support is intended to create a 'safety net' - a concept much loved by politicians. A safety net may save people when they fall, but it does nothing to help prevent people falling.....Means tested income support is a last line of support and leads to welfare dependency, whereas universal income support free of means test can be seen as a springboard for further action."

Without doubt the feature of universal income support that contributes most to this ability to act as a springboard for further action is the lifelong financial security of the individual income which is free of tax, free of means test, and for an adult sufficient to maintain a basic standard of living. How does this feature help alleviate so many social problems, and in particular how does this help to alleviate problems arising from or associated with the labour market?

First, this lifelong financial security will encourage more people to accept part time and casual employment, thus helping to alleviate the problem of high unemployment and to achieve greater flexibility of working hours - a key objective of labour market restructuring.

Second, it will help people adapt to the changing industrial structure and employment opportunities by assisting them to plan and develop their vocational training and career structure. It will also help to achieve greater job satisfaction by enabling people to seek and retain employment in line with their training, skills and expectations, and to help them cope more satisfactorily with the bargaining processes to determine their working conditions.

Third, it will provide people with a better opportunity to pursue training in cultural, recreational and sporting activities in which they have special skills and aptitudes. For some this may lead greater career opportunities or self-employment activities.

Fourth, the financial support for people with special skills and aptitudes can have special benefits for rural towns and regional areas through the development of areas of excellence in various arts and crafts, and by providing an environment attractive to people with special skills or interests.

Overall, the lifelong income support will enable people to plan their careers with greater certainty, with movements in and out of the workforce as required or desired to develop various skills and aptitudes. There will be no retiring age - no need for superannuation or age pensions - all who are willing and able to work should be able to find some form of meaningful employment.

The provision of lifelong income support will also have implications for the insurance industry and for common law and other civil claims where loss of potential earnings is taken into account. This should have an immediate effect on workers' compensation and third party insurance premium costs.

Possibly the greatest benefit to society as a whole will be the influence the provision of lifelong income support has towards a more equal and egalitarian society. The goal is not absolute equality, but equality of opportunity. All adults will have an entitlement to a common rate of income support. How they build on this will vary from person to person. Everybody will have the option to add to their income through paid employment. People can elect to work, whether for payment or personal satisfaction. There will be no requirement to work. This will not only provide the basis for a more cohesive and tolerant society, but pave the way for a more diverse society - a society more concerned with social satisfaction than with material wealth and a society better able to support and benefit from labour market reform.

Australia is now committed to labour market restructuring, and the nature of this restructuring will lead to emulating the industrial relations environment in the United States. Without accompanying social reform Australian society will follow the American model, with social consequences such as outlined in previous newsletters.

A national dividend is both feasible and affordable. The concept of universality has already been accepted in social welfare areas such as superannuation and private health insurance subsidies. And if the financing of the national dividend is based primarily on the principle of income replacement it will be financially viable. All people in receipt of income, both private and transfer income, will have a reduction of income in exchange for receipt of the national dividend. For detail relating to financing the national dividend, refer to "Unemployment Forever or a Support Income System and Work For All". Allan McDonald, 1995.

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for OASIS-Australia
14 January 2006