

Universalism versus Targeting of Income Support in Australia
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Unemployment and financial hardship are becoming entrenched in some sectors of society in Australia. According to Burgess et al. (as cited in Schooneveldt, 2003, p.3) the average duration of unemployment has risen from three weeks in 1966 to over fifty weeks in 1998. Tomlinson (2005, p.406) states that there are more than three times more unemployed people as there are job vacancies. As such, the income support system is crucial for enabling unemployed citizens to remain above the poverty line. The following essay will examine Australia's income support system in terms of the contrast between targeting and universalism. The ideologies which relate to these systems will be identified and the major components of each system will be described.

Cook (2004, p.1) states that the global recession in the mid 1970's was a major turning point in the welfare state worldwide. During this time neo-liberalism gained popularity in the United Kingdom and United States during the Thatcher and Reagan years (Higgins, 1999, p.272). These neo-liberalist ideologies spread to many parts of the western world, and have been accelerated in Australia under the Hawke, Keating and Howard Governments (Cook, 2004, p.11).

A key feature of neo-liberalism is the targeting of social services to those with the greatest need in an attempt to meet the need in the most efficient and fiscally prudent way (McClelland & Smyth, 2006, p.35). This process is often also referred to as selectivity. As a result, the current income support system in Australia employs means testing as a tool for establishing which citizens have the greatest 'need'. Through means testing, all citizens whose personal income and asset holdings falls above pre-set levels are excluded from the income support system. Schooneveldt (2003, p.2) states that the means testing of income support is largely accepted by society as being fair, equitable, and the most efficient way of delivering the service. However, upon closer examination, there are a number of issues which arise to cast doubt on this fairness, equity and efficiency.

One of the major criticisms of targeted income support policies is that they do nothing to prevent the financial hardship from occurring in the first instance. McDonald (2000, p.1) states that means tested income supported is intended by politicians to create a 'safety net', however whilst the safety net may catch people when they fall, it will do nothing to prevent them from falling. Furthermore, according to Titmuss (2000, p.47) the fundamental aim of means testing is to keep people out of the system, not include them. Therefore, one can only assume that the Government aims to prevent the 'undeserving' from receiving benefits rather than ensuring that all of the 'deserving' do (Standing, 2002, p.96). It seems increasingly evident that Castles (as quoted in Schooneveldt, 2003, p.3) is correct in stating "the Government is well on the way to restoring the

conditionality of payment which makes welfare a charity rather than a right". Castles also describes Australia's welfare system as a 'workers welfare state' in that most citizens rely on work rather than welfare as a means to escape poverty (as cited in Tomlinson, 2001, p.3).

Receiving income support is likened to receiving charity, hence there is invariably social stigma which will be felt by the recipient. Such stigma is largely created by the way governments portray welfare recipients. Tomlinson (2005, p.405) points out a number of examples of Government ministers referring to welfare recipients as 'dole bludgers' and 'job snobs', thus portraying them as unproductive citizens, and widening the social divide between workers and welfare recipients. It is interesting to note that the current targeted methods of categorizing citizens into 'deserving' and 'undeserving' is likened by Schooneveldt (2003, p.4) to the justification which lay behind the British Poor Laws. Titmuss (2000, p.43) is highly critical of income support systems which further entrench the class divide. He states that "there should be no sense of inferiority, pauperism, shame or stigma in the use of a publicly provided service' no attribution that one was being or becoming a 'public burden'".

A number of writers point out that a targeted income support can introduce disincentives to partake in the labour market. The Organisation for Economic Co-operation and Development (OECD) (1998, p.22) identifies three traps which often mean that recipients are 'locked in' to the income support system, as they would lose more income than they would gain by accepting paid employment. Firstly, the unemployment trap occurs due to the fact that the wages offered to those with few skills and a record of unemployment will generally be low, resulting in little, if any, financial reward from leaving the income support system. Secondly, recipients are often discouraged from partaking in part time or casual work, as benefits are withdrawn as income increases. This can result in effective marginal tax rates of seventy to one hundred percent being applied to any extra earnings, a process defined as the poverty trap. Schooneveldt (2003, p.4) cites an example of a family which increases its weekly earnings from \$285 to \$585, but as a result of high effective marginal tax rates are only \$29 better off per week. Thirdly, the dependency trap occurs because recipients are often eligible for other benefits such as rent assistance and health subsidies whilst receiving income support. This creates a strong incentive to remain unemployed in order to receive these benefits.

An alternative method of delivering income support is through universalism; however this method is still largely unheard of within the general Australian society. Universalism stems from the social-democratic ideology, and involves the provision of a service to all members of society, regardless of their income and personal circumstances, except when the nature of the service requires it to be targeted, for example age pensions (McClelland & Smyth, 2006, p.35). An example of a universal social service in Australia is the Medicare system, however McClelland and Smyth (2006, p.35) point out that the service has

become less universal in recent years due to incentives being offered for doctors to bulk bill certain groups and tax incentives for individuals who take out private health insurance. Shaver (1997, p.8) posits that the importance of universalist policies is two-fold, both through the protection of the individual from the adversities of the capitalist economy and the material affirmation of the value of the individual to society.

The most common form of universalism referred to by writers in relation to income support is a universal basic income. McDonald (2000, p.2) describes the concept of a universal basic income as an income paid by the government to all members of society which is free of tax, not means tested and is sufficient for an adult to maintain a basic standard of living above the Henderson poverty line. The individual can then use the workforce to build on this basic payment. Tomlinson (2001, p.4) suggests that this rate would be similar to the rate of the current single age pension rate, and that there would need to be a separate rate developed for children in the care of their parents. In order to make such a payment economically sustainable, the rate of income tax would need to be raised; however this financial disincentive would be offset by the basic income itself (BIGA, 2006). Brazil was one of the first countries to implement a basic income in 2005 (BIGA, 2006). On the surface, a universal basic income would often appear to be a gross waste of financial resources, however under closer examination, there are a number of strong arguments in favour of its introduction. McDonald (2000, p.1) asserts that there are very few social problems which could not be alleviated in some way through the introduction of a universal basic income.

McDonald (2000, pp.1-4) provides four main arguments in support of a universal basic income. Firstly, whereas targeting does nothing to prevent financial hardship and poverty from occurring, a basic income would provide lifelong financial security, providing a safety net which is impossible to fall through, and a springboard for further action. Secondly, a basic income can help to alleviate unemployment because more people will be willing to accept part time and casual work to supplement their income, without being subject to high effective marginal tax rates. Thirdly, recipients will be better equipped to undertake training and retraining as they will have a guaranteed source of income whilst not in the workforce. Finally, recipients will have more freedom to negotiate satisfactory working conditions with prospective employers, without being forced to accept unsatisfactory conditions as a means of survival. This argument has gained particular relevance given the recent changes to the Federal Industrial Relations legislation.

Perhaps the greatest benefit of a universal basic income is the reduction of stigma and class division felt by income support recipients. Boston and St. John (1999, p.106) posit that in order to create a strong sense of community, common identity and shared citizenship, there must be at least some social institutions which are shared by the entire community. As a result of increasing divisions

between the public and private health and education sectors, there are now very few, if any, institutions which are shared by society as a whole, a void which could be filled by the introduction of a basic income. Barbalet (as cited in Shaver, 1997, p.11) sums this point up well by stating

“The universalisation of social services as a right of citizenship...has meant that the vast majority of citizens are subject to the same process through which the services are provided and receive essentially the same benefit. This common experience reduces the common distance between citizens.”

The most common criticism applied to the suggestion of a universal basic income is that financial resources are wasted through providing assistance to those who do not need it. Goodin and Le Grand (as cited in Boston & St. John, 1999, p.99) state that the beneficial involvement of both the poor and non-poor in welfare state programmes diminishes the redistributive effects of the service, thereby compromising one of its central purposes. However, Boston and St. John (1999, p.100) point out that because all recipients receive the same quality and quantity of basic income, the support is worth more to the poor as a proportion of their income than it is to the non-poor. Furthermore, a number of writers point out the widespread administration costs which would be saved in a range of areas by switching from a targeted to universal system, such as compliance, monitoring and enforcement (Boston & St. John, 1999, p.105; Kildal & Kuhnle, 2004, p.311; Shaver, 1997, p.10).

Two major ideologies have been identified as relating to targeting and universalism, namely neo-liberalism and social-democratic. It is pertinent that each of these ideologies be described briefly. Garcia and Martinez (2006) define neo-liberalism as a political and economic philosophy which diminishes the intervention of the government in the economy. They state that the fundamental principles of the ideology include placing emphasis on the role of the market, privatisation and deregulation, cutting social services expenditure and diminishing the notions of ‘community’ and ‘public good’ and replacing them with ‘individual responsibility’. Such principles can be clearly seen in Australia’s targeted welfare state. Conversely, the social-democratic ideology is described as a system which moves away from capitalism and emphasises the values of freedom, equality, social justice, solidarity and the rights of the individual (Robert Gordon University, 2006), all of which are evident in the egalitarian approach of universalism.

Standing (2004, p.2) is correct in stating that every citizen should have a basic security of wellbeing as a principle of society. Therefore, income support is essential to maintain this principle. This essay has described two major forms of income support, that is, targeting and universalism. On the basis of the evidence provided, universalism appears to be the favourable policy process, as a result of its ability to prevent financial hardship from occurring rather than simply treating it’s effects. However, it is unlikely that the Federal Government will shift away from its current neo-liberal practices in the foreseeable future. It is pertinent to

conclude by citing McDonald (2000, p.4) who states that the overall goal of the income support is not to provide absolute equality, but equality of opportunity.

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