

# OASIS - Australia

Organisation Advocating Support Income Studies in Australia

Convenor - *Allan McDonald* 28 Prince St Urangan Qld. 4655. Ph/Fax 07 4128-9971

E-mail - allanmcd@satcom.net.au URL [www.satcom.net.au/supportincome](http://www.satcom.net.au/supportincome)

---

## **UNEMPLOYMENT**

### A SEARCH FOR A SOLUTION

A Discussion Paper prepared by Allan McDonald, June 1999.

*OASIS-Australia, originally established in 1989, is a small, loosely knit group of people within and outside Australia who are concerned about the continuing effects of high unemployment and seek a solution which lead to full employment or work for all.*

*Prepared by Allan McDonald, this paper reflects the contributions, opinions and comments expressed from time to time by the many people who have been associated with the group during the past ten years.*

### **INTRODUCTION and SUMMARY**

Unemployment is recognised world-wide as one of the greatest social problems facing all industrialised nations today, and Australia is no exception. Unemployment in Australia is not only a social problem of considerable magnitude in its own right, but it contributes directly and indirectly to a myriad of problems in our society.

Why is it that the problem of high unemployment - a problem that has been with us for almost three decades - receives such scant political attention?

During the last federal election campaign in 1998, when the unemployment rate was 8 per cent and there were almost 800,000 in the labour force who were "surplus to requirements", all major parties failed to claim any commitment to achieving a solution. The Coalition made it quite clear that the main topic was tax reform. In their view the major issue was that of economic competence, and any reduction in the unemployment rate could only be achieved through higher economic growth and/or labour market reform. This is apparently still their policy today.

The Opposition did attempt to highlight the problem by proposing a "target" of 5 per cent unemployment after two terms in government. This was a policy initiative which revealed more than intended. It revealed a basic lack of understanding by all political parties of how to go about seeking a solution to the problem, it revealed just how much all political parties and the community in general accepted the prevailing economic dogma relating employment to economic growth, and it revealed just how wide-spread acceptance of long term unemployment extended amongst the community.

Today, almost eight months on, there is confusion as economic growth fails to produce a lower rate of unemployment. As Alan Wood said in *The Australian* after release of the May employment statistics, "Despite quarter after quarter of strong economic growth, Australia has now had three successive months of weak employment. Why this is happening is a bit of a puzzle."

There is a real danger that continuing high levels of unemployment can lead to a breakdown in our social structure. Indeed, there are some who say this has already occurred. There is no doubt that the problem of unemployment has reached very high proportions - far greater than may appear from the month to month employment statistics. The employment rate alone does not portray the depth of the problem.

## Employment Statistics

### **A political and economic scam, or just plain misleading!**

In the opening page of "Unemployment Forever?" published five years ago I stated:

*The response [of government] to the high unemployment levels published by the Bureau of Statistics from time to time is to emphasise that the focus should be on the employment figures rather than those for unemployment. The media willingly obliges. Slowly, but surely, the community is being conditioned to live with long term high unemployment.* 1

Today it seems that nothing has changed. Today this claim is still valid. The emphasis has continued to be on the employment figures - how many jobs created this month, or this year, or whatever period is relevant. And in a political sense this emphasis has continued with good reason, taking into account there has been a reduction in the unemployment rate of two percentage points in the five year period. Despite an increase in the participation rate, growth in employment has exceeded growth in the labour force.

On this ground alone there is a reason, if not justification, for the government to seek political acclaim for job growth as a reward for political policy. There has been a reduction in the unemployment rate - the measuring stick for employment growth recognised internationally. Why not claim credit for this reduction as evidence of successful political management.

There is also ground for economists seeking acclaim for job growth as an outcome attributable to economic growth and the successful implementation of economic principles. Labour market economists see this job growth as evidence that labour market theories will work. The financial markets see this job growth as a predictable outcome, albeit with a warning that you can have too much of a good thing.

And there is also a supportive response from the media. Why are the unemployed so unhappy when there is strong job growth and increasing employment opportunities?

This political and economic acclaim is a response to a set of statistics produced regularly by the Bureau of Statistics, and the validity of these statistics is not questioned. They are what they set out to be - an accurate assessment of the numerical state of the labour market based on definitions of employed, unemployed and labour force status which "conform closely to the international standard definitions adopted by the International Conferences of Labour Statisticians."

Statistics may not lie, but do they always tell the whole story?

The unemployment rate and the job growth rate, for example, are undoubtedly of political and economic significance in their own right, and they do permit comparisons with other nations. But what of the detailed analysis which lies behind these assessments, and which helps to create a better understanding of the factors which influence the final results? And what of the social consequences of changes in these rates - the nature of the jobs created and their social implications - which are often outside the Bureau's statistical framework?

### **Statistical indicators**

Within the range of employment statistics produced by the Bureau there are indicators which point to, and help to illustrate some of these social consequences, but can it be claimed that there is widespread community understanding of these indicators and their social implications? Can it even be claimed that there is a widespread awareness of the indicators? If awareness is a forerunner to understanding, then it can be assumed that greater community understanding of the indicators and their social implications is subject to greater community awareness of these indicators. How is this to be achieved, and who could be interested in helping in this way?

It is difficult to envisage obtaining help from politicians, for they see political merit in accepting credit for unquestioned employment growth as vindication for pursuing strict economic management policies.

Likewise it is also difficult to envisage obtaining help from economists, for they see professional merit in accepting unquestioned employment growth as a demonstration that market theories do work.

And another unlikely starter is the media, which accepts without question the unquestioned employment growth claims of politicians and economists.

Despite this apparent lack of support from key stakeholders it is desirable, if not essential, that the community becomes aware of the social implications of labour market changes.

Within the range of labour force statistics produced by the Bureau there are a number of indicators pointing to the social implications of changes in the labour market. Two of these indicators will be considered.

**First**, there is the classification of jobs as full time (over 35 hours per week) or part time (less than 35 hours per week and including casual and temporary employment). In June 2000, part time workers comprised approximately 26 per cent of the work force. (In actual terms, 26.5%, in seasonally adjusted terms 25.9%).

Of particular interest are the growth rates for part time and full time employment. In 1970, when the labour force started to change shape, approximately 12 per cent of all jobs were part time, and 88 per cent full time. In the thirty years 1970 - 2000 the percentage of jobs classified as part time has more than doubled, whereas the percentage classified as full time has reduced to 74 per cent.

In real terms, since the 1970's the growth rate for part time work has been positive. In the period 1970 - 1990, for example, there was a growth in part time work of over 140 per cent. On the other hand, the growth rate for full time work has been negative. In the same period, 1970-1990, there was negative growth in full time work in the order of 20 per cent. 2

**Second**, the Bureau estimates the average hours of work for part time and full time workers. In June 2000 there were 2.4 million part time workers working an average of 15.9 hours per week. Over one million (1.114.800 or 47.6 per cent) worked 1-15 hours per week

These estimates are of particular significance when considering employment income and the ability to obtain a basic standard of living from employment. Not only has there been a significant growth in part time work, but a large part of this growth has been in jobs with less than 16 hours of work per week.

### **What are the social implications of these indicators?**

To consider the social implications of these indicators it is necessary to look beyond the Bureau's employment statistics to some other job classification based on employment income sufficient to enable workers to fully participate in society - e.g. life sustaining employment. At what level of income can employment be regarded as life sustaining?

Taking social security pension rates as a guide, the present basic pension rate for a single person is just under \$200 per week (\$394.10 per fortnight). This is regarded as being sufficient to enable a single person who is a home owner to maintain a basic standard of living. This income is not subject to income tax or superannuation deduction, and the pensioner has no costs related to employment.

What level of employment income is necessary to provide an income of at least \$200 per week for a single person with no dependents, and after meeting housing costs, income tax and superannuation deductions, and costs related to employment? Any answer must be a subjective estimate, with individuals relating to their own situation, but it is a starting point.

Bearing in mind that over one in every four workers is classified as part time, and one in every eight workers is working 15 hours per week or less, what hourly rate of pay can be regarded as sufficient to classify the job as life sustaining? Assuming 15 hours per week, is it \$14, to provide a gross income of \$210 p.w., or \$16, for a gross income of \$240 p.w., or is a higher gross income required?

These estimates refer to a single person without dependents. The position becomes more complex, and the gross income increases as the dependents increase. The point being made is that a very large proportion of jobs in Australia today cannot be regarded as life-sustaining jobs. As the workhorse becomes more flexible more and more jobs will be classified as part time, with a very real possibility that the proportion of non-life-sustaining jobs will increase.

## Jobs are not identical

The labour market covers a vast range of jobs. The Bureau of Statistics classifies jobs into full time and part time, and within these classifications there are estimates of average hours worked. The trend appears to be for an increase in average hours worked by full time workers, and a decrease in average hours worked by part time workers. If these trends continue, along with the trend for an increase in the proportion of workers classified as part time, then the basic differences between jobs will be magnified.

The community in general will also become more aware of the growing number of jobs regarded as non-life-sustaining, leading to collective action for some form of income guarantee. This has already surfaced in Europe, where activists from a number of countries have combined to press for a guaranteed income in addition to other employment and welfare claims. 3

And in the United States the Poor People's World Summit To End Poverty is being held in New York this month organised by the Kensington Welfare Rights Union.

Overall there is a growing concern about the number of non-life-sustaining jobs being created under the guise of flexibility, and one response is a linking of claims for job creation with income support. There is a growing concern about poverty attributable not only to unemployment but also to underemployment. Job growth based on the present structure of full time and part time employment, and of life-sustaining and non-life-sustaining jobs, may reduce unemployment but only at the expense of more and more working poor. If job growth of this nature is the only option for politicians and economists then the case for some form of guaranteed income is strengthened and becomes more urgent.

For politicians and economists to deny this situation, to claim that somehow jobs are identical and a job is a job is a job, and to then seek political and economic acclaim for job growth as being attributable to good economic and political management, denies the social implications of existing employment policy.

The question remains - are these claims a political and economic scam, or are they just plain misleading?

### References

1 Allan McDonald *Unemployment Forever?* A&D McDonald 1965, p.1

2 *ibid* p.30

3 A Mathers & G Taylor *Popular networks and public support for a basic income in Europe*, Paper presented to 8th Basic Income European Network Congress, 2000. Extracts published on website.

---

*Allan McDonald*

for OASIS-Australia

November 20000

[Back to Home Page](#)

In the interest of a cohesive and prosperous society it is imperative that further progress should be made, and should be seen to be made, towards reducing the number of people adversely effected by continuing high levels of unemployment. It is also imperative that progress should be made towards helping establish a social structure which is more in line with this new technological age. Our society deserves this. In recent years our labour force has changed, our workforce has changed. How well have we adapted to these changes?

The ultimate objective must surely be a situation whereby some form of meaningful work is available for all who are willing and able to work, i.e. "work for all". In this way society as a whole will be able to enjoy and to participate in Australia's prosperity. All Australians will then have the opportunity to share in the economic and social benefits of this new technological age.

### **Summary of this report**

This report is in three parts.

**In Part 1** there is an analysis of the extent of the problem, looking beyond the statistical unemployment rate to the factors which help to determine this rate.

*This unemployment rate has statistical value, but as a basis for further research or study, or even as a basis for a proper understanding of the size and complexity of the level of unemployment, the rate itself is of limited value. It is necessary to look further. It is necessary to take into account the factors determining the size and composition of the work force, the labour force, and the unemployed. p.6*

*For the purpose of calculating the rate of unemployment, the workforce includes all people age 15 and over who were defined as being employed for one hour or more during the statistical reference period. All employees are included, without regard for age, gender or quantity of work, and without regard for whether employment is full time or part time. This makes comparisons of unemployment rates, and estimates of future unemployment rates, of dubious statistical value. p.6*

*Of the 3,480,300 jobs created in the thirty years, [1968-1998], 1,676,400, or 48% of these jobs were part time. p.7*

*If we are to recognise merit in improving labour productivity, and at the same time seek to achieve a significant reduction in the rate of unemployment, then we should be endeavouring to encourage or facilitate further growth in part time employment. p.7*

*In a community with an ageing population the trend surely should be to raise rather than to lower the retiring age, and government has recognised this by offering incentives for people to defer age pension entitlement. The need to further encourage people to continue in the labour force beyond age 60 and even beyond age 65 becomes part of the problem of unemployment in Australia today. pp.8-9*

*Disincentives to work [through means tested income support] add a further complexity to the problem of unemployment. p.9*

**In Part 2** there is an examination of the paths which may be taken to achieve a solution.

### **The economic path**

*For some reason there has been general community acceptance that unemployment is an economic problem, and therefore it requires an economic solution. Nothing could be further from the truth! p.10*

*The unemployment rate for May 1999 was 7.5%. To what degree was this rate attributable to economic growth and labour market reform, to what degree was it*

*attributable to the decrease over time in the male participation rate compensating for the increase in the female rate, and to what degree was it attributable to the growth in the supply of female labour to meet the increasing demand for part time workers? p.11*

### **The social policy path**

*Social policy is primarily concerned with caring for the disadvantaged, and these will include the victims of inequality and economic reform. Social policy has developed a role, a professional expertise, determining how best to identify and treat the needs of people facing social problems. Rarely does this role, this expertise, extend to the prevention of social problems. p.12*

*Means tested income support is based on the principle of helping those in need - it does nothing to help prevent need. Means tested income support may provide help for the unemployed - it does nothing to help prevent people become unemployed. To the contrary, means tested income support can and will provide a disincentive for some people to accept employment. p.12*

### **The third path.**

*If there is a third path then it must have a destination or objective that offers a solution to the problem. A destination or objective of full employment in terms of work for all. A destination or objective which can provide an unemployment rate in the vicinity of only 1% to cover the various moves that are always occurring within the labour market. p.13*

*Looking again at the position in August 1998, there was an unemployment rate of 7.9% and a labour force of 9,263,900. Achieving an unemployment rate of 1% will require the creation of approximately 639,000 jobs additional to the number of jobs required to meet the growing labour force. pp.13-14*

*There are also long term social needs to consider. There is a need to encourage an increase in the participation rate, especially for males, to better deal with the ageing population. The target for the male participation rate should be at least the level of 1968, for it has been demonstrated that this is an achievable target. It is also a significant increase, from 72.1% to 83.2%, and the additional jobs to be created will be approximately 808,000. p.14*

*The destination, or objective, of this third path is the creation of an additional 1,337,000 jobs over a period of time. This cannot be achieved through economic growth or through job creation. This also cannot be achieved with full time jobs. There must be recognition that if there is to be sufficient growth in employment to achieve work for all in an ageing society then there must be a greater acceptance of part time and casual employment.*

*There must not only be the creation of new part time and casual jobs, but there must be a conversion of existing full time jobs to a greater number of part time jobs. p.14*

**In Part 3** consideration is given to the options available to reach a solution.

### **Option One - Restrict income support**

*The underlying philosophy of this option is the coercion of the unemployed to accept whatever work is available or risk starvation. Income support for the unemployed is provided only for a limited period of time, or is provided only on the basis that it will be withdrawn if a job offer is not accepted, irrespective of the wages and conditions of the job. p.15*

*First, there is the requirement for complete deregulation of the labour market, including restricted powers for the trade unions to represent workers. In an environment of excess*

*labour supply this means the gradual depression of real wages and working conditions.*  
p.16

*Second, this is a system which can only provide reasonable security and social cohesiveness in an environment in which there are prospects of full employment based on full time employment. This is not a system for an environment in which part time employment is a significant feature of the labour market.* p.16

*For those who see the unemployment rate as the key measurement of the size of the problem, the American system has appeal, and there are signs that government policy in Australia today is moving in this direction. However, this promotes a very simplistic view of the problem. For those who are concerned about the social consequences there is a growing appreciation that a healthy unemployment rate does not always mean a healthy society.* p.16

*If Australia is to have a target of full employment based on work for all, with proper concern for the ageing of the population, the proportion of jobs being part time will in time be far higher than the present 25 per cent. The need will be for the provision of income support in a form suited to the problem, not withdrawal of the present support.*  
p.17

### **Option Two - Shorter hours of work**

*The moves from 48 to 38 hours [in Australia] were primarily as a means of sharing economic growth. In each case industry was judged to be strong enough to provide an extra benefit for employees. Today the justification is not to provide an extra benefit for workers, but to provide extra jobs for people who wish to be workers. This raises the question - who is to meet the cost? Is it to be industry by maintaining weekly wage rates for a shorter working week, or is it to be the workers through a reduction in their weekly wage rate?* pp.17-18

*If the change is to be limited to the standard weekly hours of work, then a large percentage of the workforce will not be affected. Today over 25% of the workforce works on a part time or casual basis, and this seems the pattern for the future. There is also a section which works longer hours (on a paid or unpaid overtime basis) and will continue to work longer hours. Can a change to the working hours of the remainder of the workforce provide sufficient jobs to meet the estimated need for over one million?*  
p.18

*Again this is an option which seems more suited to an objective of full employment based on full time work. In this technological age the emphasis is likely to be more and more on part time work to ensure greater labour productivity. It is difficult to see how the introduction of a shorter working week would help to encourage more people to work on a part time basis.* p.18

### **Option Three - A Support Income System**

*If the objective is to encourage more and more people to accept a low wage income through working less than full time hours, then the first requirement should be to ensure that acceptance of part time or casual work will still enable them to enjoy a reasonable standard of living. The first requirement should be to introduce a system of income support which will provide this assurance.* p.18

*The income support system must not create or help to create any disincentive to work which would discourage the acceptance of part time work. The income support must therefore be absolutely free of means test. This means that the income support must*

*also be universal - it cannot be selective and target groups such as the unemployed.*  
p.18

*A support income system is one system which is universal, is free of means test directly or indirectly, and which is financially viable and affordable. This system is based on the principle of replacement of income - the principle that the support income is to be a replacement for part or all of present income, both personal and transfer income, and not additional to existing personal income.* p.19

*This is a system which was originally designed to help achieve greater acceptance of part time and casual employment. It is an option to be considered.* p.19

## **PART 1. DEFINING THE PROBLEM**

### **a. The unemployment rate**

The unemployment rate is simply the number of people classified as unemployed expressed as a percentage of the labour force. e.g. in August 1998, 728,000 people were classed as unemployed. This was 7.9 per cent of the labour force of 9,263,900, and the unemployment rate accordingly was 7.9 per cent.

This is a relatively straightforward assessment which is useful for comparison with other times or places. For example, it can be compared with the unemployment rate thirty years earlier in August 1968, when the unemployment rate was 1.7 per cent, with 81,200 unemployed. And it can be compared with the unemployment rate in other countries. This is a rate which, through continual usage, has some acceptance within the community as a measure of the level of unemployment.

This unemployment rate has statistical value, but as a basis for further research or study, or even as a basis for a proper understanding of the size and complexity of the level of unemployment, the rate itself is of limited value. It is necessary to look further. It is necessary to take into account the factors determining the size and composition of the work force, the labour force, and the unemployed.

For example, relating the labour force to total population will help illustrate the magnitude of the problem. The labour force today is close to 50 per cent of total population. (In June 1997 the population was 18,532,000 with a labour force of 9,170,600). On this basis a labour force of 728,000 (the number of unemployed in August 1998), would represent a population of 1,456,000 people.

*In Australia in August 1998, the unemployment problem could be related to a city or region of almost 1.5 million people without one person being employed. Imagine a city like Perth, or bigger than Adelaide, or perhaps Brisbane with the Gold Coast thrown in, in which there is not one person gainfully employed!*

### **b. The work force.**

For the purpose of calculating the rate of unemployment, the workforce includes all people age 15 and over who were defined as being employed for one hour or more during the statistical reference period. All employees are included, without regard for age, gender or quantity of work, and without regard for whether employment is full time or part time. This makes comparisons of unemployment rates, and estimates of future unemployment rates, of dubious statistical value.

By way of illustration, in August 1968 the workforce was 5,055,600. Thirty years later, in August 1998, the workforce was 8,535,900, an overall increase of 54%. In this period the number of full time employees increased by only 39.95% whereas the number of

part time employees increased by 240.1%. In the same period the size of the population aged 15 and over increased by 73%.

*In real terms there was negative growth in full time employment, and very high positive growth in part time employment. In August 1968 part time employment was 10.4% of the workforce. In 1998 it was 25.9%. Of the 3,480,300 jobs created in the thirty years, 1,676,400, or 48% of these jobs were part time.*

Why this sudden growth in part time employment?

There are many contributing factors, but one major reason is the greater flexibility provided by part time employment. Hours of work can better match operating requirements and relief for planned and unplanned absences is easier to arrange. It is recognised that in recent years there has been an increase in labour productivity, and undoubtedly the increase in part time employment has been a significant contributing factor.

What would the position have been in 1998 if this increase in part time employment had not occurred, and the same ratio of part time to full time employment as existed in 1968 was maintained? There are two extreme positions.

Assuming the same total hours of work, the unemployment rate would be in the vicinity of 19%, but the existing level of productivity would be maintained.

Assuming the same number of workers, the unemployment rate would be the same, at 7.9%, but the total number of hours worked would be much higher with roughly 660,000 part time jobs becoming full time. Labour productivity would be appreciably lower.

If we are to recognise merit in improving labour productivity, and at the same time seek to achieve a significant reduction in the rate of unemployment, then we should be endeavouring to encourage or facilitate further growth in part time employment.

### **c. The labour force**

The labour force comprises all people who are employed or classified as unemployed. The participation rate is the percentage of the population aged 15 and over who are in the labour force.

Assuming no change in the workforce, raising or lowering the participation rate (through changes in the size of the labour force) will result in a similar raising or lowering of the unemployment rate.

*In August 1968 the participation rate was 60.2%, and this rate remained steady until the late 1980s when it rose to 63.4 per cent. In August 1998 the participation rate was 62.6%. If this rate had been the same as in 1968, i.e. 60.2%, the unemployment rate would have been 3.7 percentage points lower at 4.2%.*

This raises questions regarding the social and political implications of achieving a lower unemployment rate through a lower participation rate. To what extent will changes in the participation rate influence the unemployment rate? How can a reduction in the participation rate be achieved? Should a reduction in the participation rate even be considered as an acceptable tool to help achieve a lower unemployment rate? What are the social implications of reducing the participation rate?

To help answer these and other questions it is useful to look at the changes in the composition of the labour force which have occurred in recent times.

During the period 1968 - 1998 the participation rate for males decreased from 83.2% to 72.1%, with negative real growth in male employment. (actual growth 39.9%) In contrast

the participation rate for females rose from 37.7% to 53.5%, with positive real growth. (actual growth 240.1%)

*If the participation rate for males had remained steady at the 1968 level, and assuming no other change in the workforce, the overall unemployment rate in 1998 would have been 15.2% rather than 7.9%.*

Successive governments have from time to time taken steps which, directly or indirectly, have been designed to achieve a reduction in the participation rate, and hence the unemployment rate. One such step has been to encourage young people to stay at school longer - an objective which in this age of rapid technological change can only be described as socially desirable.

One other step which with our ageing population can hardly be described as socially desirable is to encourage more and more people to retire early. For male employees, however, it appears this step may already have been taken.

*In December 1998 the overall participation rate for males was in the order of 72%.*

*However, for those in the age group 60-64 the rate was only 45.8%, and only 9.7% for those 65 and over. In the age group 45-54 there were 1,106,700 males in the labour force with a participation rate of 87.8%. In the age group 55-64 there was less than half the number - 504,900, with a participation rate of 60.6%.*

The move towards early retirement started with, or was strongly influenced by the commitment to ex-servicemen from World War II to be entitled to the equivalent of the age pension as from age 60. This enabled employers, both public and private, who were under pressure in the 1970s and 1980s to reduce employment numbers, to do so without retrenchment by encouraging ex-service workers to accept early retirement.

This practice extended to other employees as the restructuring pressure continued, with superannuation and/or redundancy payments to provide income support. For those who could afford it age 60 rather than age 65 became the desired retiring age.

In a community with an ageing population the trend surely should be to raise rather than to lower the retiring age, and government has recognised this by offering incentives for people to defer age pension entitlement. The need to further encourage people to continue in the labour force beyond age 60 and even beyond age 65 becomes part of the problem of unemployment in Australia today.

A third step, one which applies to all age groups and covers a wide variety of situations, is the creation of disincentives to work. This will continue to be significant while our income support system is based on targeting and means testing.

There is no doubt the means testing of social welfare benefits creates disincentives to work.

*"With a residual welfare system and means tested benefits, the beneficiary has a choice; to maintain the benefit or to relinquish it for wage income. Despite efforts to restrict this choice by work tests and agreements, the basic situation is still one of choice. It is this choice which can provide a disincentive to work. The size of the benefit and/or the rate of withdrawal of the benefit determine the degree of disincentive." Allan McDonald, Unemployment Forever?, p,73*

In a paper entitled *"Is it Worth Working? The financial impact of increased hours of work by married mothers with young children"*, presented to the Annual Conference of Economists in 1997, Gillian Beer cited examples of government assistance creating disincentives. In this paper she states: *"In some cases, a woman may increase her*

*hours of paid work and the family's disposable income will fall. This begs the question, does the means tested assistance provided to working couple families today provide a financial incentive or disincentive for women to increase their participation in the paid work force?"*

Disincentives to work add a further complexity to the problem of unemployment.

## **Part 2 WHICH WAY TO A SOLUTION?**

One would expect that after so many years of experience with cyclical unemployment, and after more than three decades of continuing high unemployment, there would be a clearly defined and recognisable path towards a solution to the problem. Perhaps with Keynesian economics there was at one time the promise of a definable path towards a solution to cyclical unemployment. However, cyclical unemployment has been replaced by continuing high unemployment with less defined cycles, and today there is no clear view of where to go, let alone which path to take. There is no ultimate destination. There is no long term objective.

In theory there is a choice between two paths - the economic path, guided by economic principles and practice, and the social path, guided by social work principles and practice. In practice there is no choice, for neither path has a realistic destination or objective.

The principles and practice of economics are based on the objective of growth. There is no ultimate destination or objective other than continuing economic growth.

The principles and practice of social work and social policy, on the other hand, are based on providing relief for those in need - not on preventing need. Income support based on targeting and means testing is at the heart of the unemployment problem.

What is to be the long term objective? Is the objective to be a solution to the problem of high unemployment, or is it to be merely a reduction in the size of the problem? If it is to be the latter then one of the two paths may be sufficient. If, however, the objective is to be full employment based on the principle of "work for all" - the objective proposed in this paper - then neither path will provide the answer. Both fall short of this objective, and a third path must be constructed to bring full employment or work for all within reach.

### **The economic path.**

For some reason there has been general community acceptance that unemployment is an economic problem, and therefore it requires an economic solution. Nothing could be further from the truth!

a. In economic theory unemployment is seen not as a problem, but as an economic phenomenon, as part of economic equations, and as a means of economic control. In economic terms there must always be some unemployment. Or as Professor Richard Layard describes it in his book "How to Beat Unemployment", p.34, there must be enough unemployment.

*The answer is that there must be enough unemployment. Just enough unemployment will ensure that the "target" real wage equals the "feasible" real wage. If there is "not enough" unemployment, wages will be pushed too high and wage inflation will increase. Alternatively, if there is "excess" unemployment, wage and price inflation will fall.*

b. Economists claim that there is a "natural" rate of unemployment, the non-accelerating inflation rate of unemployment (NAIRU) - the rate where there is just "enough" unemployment. This is also a very imprecise measurement. It was given prominence in

the report 'Restoring Full Employment' presented by the Committee on Employment Opportunities to the Keating Government in 1993. (Box 2.1 p.50)

*The linkages between NAIRU and inflation are not well understood and there is considerable uncertainty about its precise level.....What is clear is that the level of the NAIRU can change and is influenced by such factors as rigidities in the labour market including the level of long term unemployment.*

Acceptance of this concept leads readily to a redefining of full employment as the natural rate of unemployment. In theory this can mean there is no target - no objective - but merely the challenge to do better. There have been political moves to establish target rates of unemployment - a practice which is avoided by the more adept and experienced politicians.

*In the report by the Committee on Employment Opportunities, the idea of redefining full employment to conform with what was seen to be achievable was advocated, linking it to the NAIRU. A target of a 5% rate of unemployment by the year 2000 was suggested. The White Paper "Working Nation" presented by the Prime Minister in 1994, also placed emphasis on reducing the NAIRU (Box 2.2 p.21) and indicated that 5% unemployment could be achievable, but did not set a target rate of unemployment.*

**c.** Economists believe that economic growth will lead to more employment, to a lower natural rate of unemployment, and hence to a lower unemployment rate. Economic growth is, or has been, the cornerstone of economic policy to reduce unemployment. Today there is reason to question the validity of this premise.

*"There is now a realisation that economic growth alone will not provide a solution to the problem, and there is doubt whether it will even reduce the size of the problem. The relationship between economic growth and employment growth is being questioned." A McDonald 1996*

The 1999 Budget estimates, which provide for continuing high levels of unemployment despite forecast strong economic growth, and comments by economists and economic commentators following publication of the ABS employment statistics for the month of May, appear to confirm this view. Three months of solid economic growth with no reduction in the unemployment rate.

The unemployment rate for May 1999 was 7.5%. To what degree was this rate attributable to economic growth and labour market reform, to what degree was it attributable to the decrease over time in the male participation rate compensating for the increase in the female rate, and to what degree was it attributable to the growth in the supply of female labour to meet the increasing demand for part time workers?

**d.** Following the economic path also means commitment to economic reform, even if this means there are victims of change. Economic policy dictates that reform must go on, and assistance be granted to those who are disadvantaged; a policy which is currently creating concern in regional Australia. In principle this means that assistance to victims of economic policy (and in many cases the unemployed are victims of economic policy) should be granted on the basis of assessment of disadvantage, i.e. means tested income support, with all its inherent weaknesses.

Much has been said about the need to integrate economic and social policy, but it seems that in practice economic policy will prevail, with the introduction of some social policy to pick up the pieces.

**The social policy path.**

Once again there is a path with no specific destination or defined objective. In relation to the problem of unemployment, for example, the aim is merely to reduce the size of the problem, not to eliminate it. Social policy does not extend to the prevention of unemployment.

a. As a broad generalisation the social policy sector accepts the domination of the economic sector. Social policy is primarily concerned with caring for the disadvantaged, and these will include the victims of inequality and economic reform. Social policy has developed a role, a professional expertise, determining how best to identify and treat the needs of people facing social problems. Rarely does this role, this expertise, extend to the prevention of social problems.

In regard to the problem of unemployment there is an apparent acceptance that economic growth and job creation alone will help reduce the problem. These are both outside the scope of social policy. As a consequence, social policy is largely concerned with how to meet the needs of those who are unemployed, while still taking into account the attitudes and feelings of the community as a whole.

b. In the area of income support, for example, social policy is based on identifying those who are "in need", and then assessing the degree of need and thus the degree of support. Hence the development of an income support system based on targeting and means testing. Social policy supports the principle of income support being subject to means test, and this applies to all in need, including the unemployed.

Means tested income support is based on the principle of helping those in need - it does nothing to help prevent need. Means tested income support may provide help for the unemployed - it does nothing to help prevent people become unemployed. To the contrary, means tested income support can and will provide a disincentive for some people to accept employment.

c. Means tested income support has the inherent and undisputed disadvantage of creating a disincentive to work. This led to the consideration and eventual promotion of measures to counter this disincentive, including the introduction of conditional unemployment benefits. In 1988 a proposal for the introduction of conditional benefits was introduced by Professor Bettina Cass and subsequently endorsed by the social policy sector.

*As part of the Social Security Review established by the Minister for Social Security in 1986, the Issues Paper No.4 by Professor Bettina Cass and published in 1988 was entitled: "Income Support for the Unemployed: Towards a More Active System."*

This support for conditional income support paved the way for support, even if passive support, for the current "work for the dole" scheme. This scheme embraces conditional income support and job creation, two basic elements of social policy.

d. Social policy also accepts further extension of the principle of conditional income support for the unemployed to include the concept of mutual obligation and the variations of this theme being promoted by all political parties.

### **The third path**

Is there a third path?

In recent years achieving a solution to the unemployment problem has not been an objective, and governments have tended to utilise both the economic and social paths in search of some reduction in the size of the problem, or in search of some better way to administer the problem. They have attempted to follow the economic path by relying on

economic growth and labour market reform to achieve employment growth, promoting it as the best way, or even the only way to achieve a lower unemployment rate. The emphasis has been on the welfare of the economy rather than society.

Governments have also attempted to follow the social path by introducing measures designed to service better the perceived needs of the unemployed. Following the White paper "Working Nation" in 1994 there was an emphasis on labour market programmes to provide training and work experience for the unemployed. These have now been restructured, with emphasis on working for the dole and the concept of mutual obligation. There has also been a restructuring of the employment services for the unemployed, including privatisation of the selection procedures. This move reinforces the impression that government does not envisage any significant reduction in the unemployment rate in the long term, and creates private employment agencies which have a vested interest in maintaining high unemployment.

If there is a third path then it must have a destination or objective that offers a solution to the problem. A destination or objective of full employment in terms of work for all. A destination or objective which can provide an unemployment rate in the vicinity of only 1% to cover the various moves that are always occurring within the labour market.

Looking again at the position in August 1998, there was an unemployment rate of 7.9% and a labour force of 9,263,900. Achieving an unemployment rate of 1% will require the creation of approximately 639,000 jobs additional to the number of jobs required to meet the growing labour force.

There are also long term social needs to consider. There is a need to encourage an increase in the participation rate, especially for males, to better deal with the ageing population. The target for the male participation rate should be at least the level of 1968, for it has been demonstrated that this is an achievable target. It is also a significant increase, from 72.1% to 83.2%, and the additional jobs to be created will be approximately 808,000. Because of the large increase in the female participation rate in the past three decades, any further increase is difficult to justify at this stage. However, with an ageing population an additional increase in the longer term cannot be discounted.

Taking into account a revised number of unemployed for 1% of the increased labour force, the additional jobs to be created long term to achieve the lower unemployment rate and the higher male participation rate is approximately 1,337,000 - over 15% of the present workforce. Despite the magnitude of this task, it must be regarded as a long term achievable target. The figures help to illustrate just how far our employment has receded in the past three decades.

The destination, or objective, of this third path is the creation of an additional 1,337,000 jobs over a period of time. This cannot be achieved through economic growth or through job creation. This also cannot be achieved with full time jobs. There must be recognition that if there is to be sufficient growth in employment to achieve work for all in an ageing society then there must be a greater acceptance of part time and casual employment.

There must not only be the creation of new part time and casual jobs, but there must be a conversion of existing full time jobs to a greater number of part time jobs.

If Australia as a nation is to embrace new technology and globalisation of industry then it must face up to the reality that without some revised employment policy these factors will lead to continuing high levels of unemployment together with increasing levels of

part time employment. The revised employment policy must be based on work sharing rather than on job creation, and this will be the structure of the proposed third path. Can work sharing achieve full employment in the long term? History says yes. *A glance at the long-term evolution of working time and pay shows, firstly, that it has been possible both to reduce working time considerably and to increase pay significantly as well. In 1870, workers in most of the present-day industrialised countries had to work on average between 2,900 and 3,000 hours per year (Maddison 1995). Since then, average working time has declined by up to 50% (Table 2). It is true that these figures include the effects of part-time work, which do not begin to make a significant impact until the 1960s. Nevertheless, it can be argued that, from the standpoint of the last century, most full-time workers in the Western industrialised countries today work part time. Gross domestic product (GDP) per capita which, in the absence of any other data, we shall take as a very rough indicator of the evolution of material well-being, has risen five to ten-fold over the same period.*

[G Bosch, The reduction of working time, pay and employment, DESA United Nations, 1998]

### **Part 3. THE OPTIONS FOR WORK SHARING**

Can work sharing offer a solution to the problem of unemployment, the magnitude of which precludes reliance solely on economic growth and job creation?

Work sharing can succeed if the process encourages or facilitates a continuing growth in part time and casual employment. The key to success is an ability to provide income security.

Recent growth in part time employment points to the way of the future. Part time employment provides the flexibility, and the ability to utilise the skills of the workforce efficiently, to ensure continuing growth in labour productivity. Part time employment also provides the labour force with the leisure times, and the challenges of developing and improving work-related skills, to help ensure better participation in the benefits of new technology.

Part time work, and especially permanent part time work, is now accepted as being able to provide career opportunities and job respect in line with full time work. The next step is to advance the career opportunities and job respect of casual work.

This is the challenge facing industry and the workforce, for without this job respect and the incentives to progress through improving job skills, the labour market will be a divided market. The market for lower skilled part time and casual work will take on the characteristics of a commodity market, and this will be reflected throughout society.

The persistent growth of part time employment indicates there is still scope for growth. It is even possible that this growth has been restricted by a lack of supply. There has obviously been a reluctance on the part of male employees to accept part time work.

This proposal looks at the supply side. How can more people be encouraged to accept part time work? What are the options available?

Three options will be considered.

#### **Option One - Restrict income support.**

The underlying philosophy of this option is the coercion of the unemployed to accept whatever work is available or risk starvation. Income support for the unemployed is provided only for a limited period of time, or is provided only on the basis that it will be

withdrawn if a job offer is not accepted, irrespective of the wages and conditions of the job. If the job offered is part time and with low pay the choice is not pleasant.

This is not a new or untried option. It dates back to the early 19th century. This was the policy following the Poor Law Act of 1834, which declared that the only relief for the able-bodied was to be provided in the work houses. In practice the conditions in the workhouses were such to discourage the able-bodied to seek relief.

This option is also operating to some extent in the USA today. It operates in conjunction with a lower unemployment rate than in most industrialised countries in the world, including Australia.

However, there are some unfortunate and rather depressing social consequences to be taken into account - consequences which are attributable to the fundamental basis of this option.

First, there is the requirement for complete deregulation of the labour market, including restricted powers for the trade unions to represent workers. In an environment of excess labour supply this means the gradual depression of real wages and working conditions.

Second, this is a system which can only provide reasonable security and social cohesiveness in an environment in which there are prospects of full employment based on full time employment. This is not a system for an environment in which part time employment is a significant feature of the labour market.

In a deregulated labour market with significant part time employment and an over-supply of labour, the inevitable result for many workers will be lower wage income from both lower wage rates and shorter working hours.

For those who see the unemployment rate as the key measurement of the size of the problem, the American system has appeal, and there are signs that government policy in Australia today is moving in this direction. However, this promotes a very simplistic view of the problem. For those who are concerned about the social consequences there is a growing appreciation that a healthy unemployment rate does not always mean a healthy society.

The book "The State of Working America, published by the Economic Policy Institute in 1999, presents a graphic picture of the social effects of the USA employment policies.

As stated in their press release: *the economic realities facing the typical American family over the 1990s include, increased hours of work, stagnant or falling income, and less than secure jobs offering fewer benefits.*

*On Wages - Americans work longer for less*

*Wages for the bottom 80 per cent of men were lower in 1997 than in 1989, with the median male worker's real wage having fallen 6.7 per cent.*

*On Jobs - Growth down, insecurity up*

*The average unemployment rate during the current business cycle has been lower than during any such cycle since 1967-73, with joblessness falling to about 4.5 per cent in mid-1998. But even this historic low has not fully restored workers' sense of job security or reduced the share of workers in contingent and other nonstandard jobs.*

There is also evidence the American experience demonstrates this option is unable to adequately cope with an increasing number of part time jobs.

*Given that unemployment is relatively low, we should probably look elsewhere for the source of workers' insecurity. One of the prime suspects is the increasingly contingent nature of much of the work available in the 1990s. Almost 30% of workers in 1997 were*

*employed in situations that were not regular full-time jobs. (this includes contractors and other self-employed workers).*

This is not an option for a society in which part time employment is the key to continuing labour productivity. The social consequences are such that further divisions within society will be inevitable.

*Poverty - Rates remain high despite economic expansion*

*The slow growth, heightened inequality of income distribution, and falling wage rates that mark the 1990s and '80s have contributed to poverty rates that are both high and unresponsive to economic growth. The most recent poverty rate - 13.7 per cent in 1996 - is 0.9 percentage points above the 1989 rate of 12.8 per cent.*

If Australia is to have a target of full employment based on work for all, with proper concern for the ageing of the population, the proportion of jobs being part time will in time be far higher than the present 25 per cent. The need will be for the provision of income support in a form suited to the problem, not withdrawal of the present support.

### **Option Two - Shorter hours of work**

Reducing the standard hours of work has been successful in achieving greater sharing of work, but is it an option for today?

In Australia there was support for a move from a 48 hour week to a 44 hour week in the 1920s which occurred on a piecemeal basis as and when it could be established that industry could afford the change. It was not until the late 1930s that it could be claimed the 44 hour week was a national standard.

In 1947 the Arbitration Court granted a reduction from 44 to 40 hours per week after being satisfied that industry and the economy could afford the cost of this reduction. Hours of work were reduced without reduction of weekly wage rates.

In 1983 the Arbitration Commission established principles for a reduction from 40 to 38 hours per week on an industry basis provided there were savings to offset the cost of implementation. The 38 hour week did not become a recognised national standard, and there is pressure to revert to the 40 hour week in some areas through negotiation of workplace agreements.

The moves from 48 to 38 hours were primarily as a means of sharing economic growth. In each case industry was judged to be strong enough to provide an extra benefit for employees. Today the justification is not to provide an extra benefit for workers, but to provide extra jobs for people who wish to be workers. This raises the question - who is to meet the cost? Is it to be industry by maintaining weekly wage rates for a shorter working week, or is it to be the workers through a reduction in their weekly wage rate? The more important question, however, is whether a reduction in standard weekly working hours is an appropriate method to meet the employment needs of the community. Would this method be sufficient bearing in mind the size of the problem and the changes that have occurred within the workforce in recent years.

If the change is to be limited to the standard weekly hours of work, then a large percentage of the workforce will not be affected. Today over 25% of the workforce works on a part time or casual basis, and this seems the pattern for the future. There is also a section which works longer hours (on a paid or unpaid overtime basis) and will continue to work longer hours. Can a change to the working hours of the remainder of the workforce provide sufficient jobs to meet the estimated need for over one million?

The alternative to the traditional pattern of change in Australia is to follow the lead of some European countries and legislate for a maximum working week - or to legislate for change to a two shift working week. [as proposed by Bruce O'Hara] This would mean quite a large shift in our industrial relations processes, based as they have been on a system of conciliation and arbitration. There has been a change of emphasis in recent times, but for the purpose of deregulation, not more regulation.

Again this is an option which seems more suited to an objective of full employment based on full time work. With the emphasis likely to be more and more on part time work to ensure greater labour productivity, it is difficult to see how the introduction of a shorter working week will help to encourage more people to work on a part time basis.

### **Option Three - A Support Income System**

If the objective is to encourage more and more people to accept a low wage income through working less than full time hours, then the first requirement should be to ensure that acceptance of part time or casual work will still enable them to enjoy a reasonable standard of living. The first requirement should be to introduce a system of income support which will provide this assurance.

The income support system must not create or help to create any disincentive to work which would discourage the acceptance of part time work. The income support must therefore be absolutely free of means test. This means that the income support must also be universal - it cannot be selective and target groups such as the unemployed. Universal income support in various guises has been under consideration for a number of years. It was suggested by the Henry George League in the 1920's, and by Cole and Mead in Oxford in the 1930's. The concept was given a push along by Milton Friedman, with his principle of Negative Income Tax, and Lady Rhys-Williams, with her proposal for a Social Dividend, in the 1940's. In Australia the most notable proposal was the Henderson proposal for a Guaranteed Minimum Income (GMI). This was a major recommendation from the Royal Commission into Poverty, established in 1972 under the chairmanship of Professor Ronald Henderson.

In all these proposals the "universal" nature of the income support was qualified by being directly or indirectly subject to means test. Negative income tax, for example, is directly subject to means test. i.e. the level of income support (negative income tax) is determined after assessment of personal income. The social dividend proposal, on the other hand, envisages payment to all, but the income support is "clawed back" from those not in need through the taxation system. The income support is indirectly subject to means test through the income tax system, and requires very high rates of income tax. The Henderson proposal for a GMI embraced aspects of both negative income tax and a social dividend.

These systems do not meet the basic criteria of being free of means test.

The task is to develop a system which is universal and free of means test, and which is affordable and financially viable. For example, a system which merely provides a realistic level of income support additional to private income, offset only by savings on social welfare transfer payments, will be financially and politically unacceptable. Also, a system which is financed by high levels of income tax will be indirectly subject to means test.

A Support Income System is one system which is universal, is free of means test directly or indirectly, and which is financially viable and affordable. This system is based

on the principle of replacement of income - the principle that the support income is to be a replacement for part or all of present income, both personal and transfer income, and not additional to existing personal income.

Incorporation of this principle may lead to greater administrative complexity, but it has three quite distinct features which are relevant to today's economic and social environment.

**First**, it retains to a large extent the existing relationships between the levels of personal and transfer incomes. e.g. the current relationship between the single social security pension rate and average weekly earnings.

**Second**, it enables savings in labour costs, including on-costs, which accrue from the reductions in earned incomes to help offset the overall costs of the support incomes.

**Third**, it enables the support income to be seen as a replacement for income foregone. All people in receipt of income, both personal and transfer income, will have a reduction of income in exchange for receipt of the support income, thus creating a right to receive the income. The existing attitude that one person's welfare benefit is another person's income tax should disappear. People may also elect not to seek additional income from employment without creating any additional cost to the community. The concept of the "dole bludger" should disappear.

This is a system which was originally designed to help achieve greater acceptance of part time and casual employment. It is an option to be considered.

It is not intended that this report should study the support income proposal in detail, for this is provided in *Unemployment Forever? Or a support income system and work for all*, A McDonald 1996. However, it may be useful to describe some of the special features of the support income.

It is to be an individual entitlement for every citizen, irrespective of family or marital status.

For adults the level of support income will be related to the basic needs of an individual. For younger people it will be related to their basic needs within a family environment.

It will be free of means test and free of income tax.

It will be indexed. The initial rate will be decided by reference to the social security single pension rate. Thereafter it will be indexed, the preferred method being to index it to GDP per Capita, thus enabling all citizens to share in changes in national productivity.

Although this system was originally designed to help achieve greater acceptance of part time and casual employment, it has far-reaching implications which go beyond the limits of a means tested system of income support. A Support Income System will provide a level of financial security which is not achievable with a residual social welfare system, creating an environment in which people can plan to develop their special skills and abilities and to undertake vocational training and retraining, enter into self-employment and co-operative employment activities, select their own retiring age, seek and accept greater flexibility and quality in employment conditions. Employers likewise will benefit from a more flexible, higher skilled workforce. All citizens will be provided with the financial security of a basic income guaranteed for life. People will be free to add to this income as their abilities and desires permit.

This option meets most requirements necessary to provide significant inroads into the problem of unemployment. It is the only option that can provide social as well as industrial acceptance of part time and casual employment.

There is a need for further research and analysis to update the initial proposal, and also to take into account the wider implications of a labour market moving from primarily full time to primarily part time work. One area to be considered is occupational superannuation. This is a significant on-cost of wages and hence important in financing a proposal. More importantly, however, the growth of part time employment and the introduction of a support income for life should call for a rethink of the responsibility of the state.

We recommend support for further research, accompanied by widespread community debate, into the social, economic and financial viability of a Support Income System for Australia.

Allan McDonald

Convenor, OASIS-Australia

June 1999

# ***OASIS-Australia***

*Organisation Advocating Support Income Studies in Australia*

Convenor: **Allan McDonald** 28 Prince St. Urangan Qld. 4655

Ph/Fax: 07 - 4128 9971

*e-mail:* allanmcd@satcom.net.au

*website:* www.satcom.net.au/supportincome

---

10 January 2000

*In previous years the emphasis of the OASIS newsletters and papers has been on employment and the role a universal system of income support can play in relieving the problem of high unemployment. The implications of universality, however, extend far beyond unemployment, and this year we will be exploring these wider implications. A series of papers or essays is planned, with perhaps an occasional newsletter commenting on current events. The following paper is an introduction to this series.*

## **INTRODUCTION**

Today we contemplate the start of a new year in a new century.

Economically the future seems bright - a growing economy, a bullish share market (perhaps subject to some correction). and the Sydney Olympic Games to provide a boost late in the year. Even the planned introduction of a GST mid-year with its inflationary potential is viewed with only mild concern.

Socially, however, the picture seems far from bright. We have very high (and growing) levels of poverty and income inequality, and an unemployment rate which is hovering about the 7 per cent rate. What we also appear to have is a growing acceptance within the community of the inevitability of these conditions.

If we look back three decades to the late 1960's - early 1970's there were also high levels of poverty and income inequality, and a seemingly high level of unemployment which had persisted since the mid 1960's. In the five year period 1966-71, for example, the unemployment rate each year was between approximately 1.5 per cent mid-year and just over 2 per cent as the school leavers entered the labour market.

In this period, however, there was a difference. In this period there was a genuine concern regarding the social problems being created by the growing levels of poverty, income inequality and unemployment, and this concern extended throughout the whole of the community. In 1971 the government of the day responded by proposing a Commission of Inquiry into Poverty, with Professor Ronald Henderson as Commissioner. In 1972 the incoming Whitlam government endorsed this proposal, creating the commission of inquiry with extended terms of reference and two additional commissioners.

And this widespread community concern was not peculiar to Australia. In the USA, for example, there was a similar concern sparked by a sudden increase in welfare dependency, and in 1970 President Nixon responded by proposing a Family Assistance Plan which had many of the elements of a GMI Scheme. This proposal was accepted by the House of Representatives, but the Senate failed to support the plan and it was allowed to lapse.

Today, as we start a new century, we are faced with the same social problems of poverty, income inequality and unemployment we faced in the 1970's. However, these problems are now of a far greater magnitude.

There appears to be general agreement that the levels of poverty and income inequality in Australia today are far greater than in the early 1970's. The gaps between the rich and the poor are now far greater. According to a United Nations report published in July 1999, our richest 20 per cent earn almost 10 times as much as our poorest 20 per cent, and income inequality is one of the highest in the industrial world. 12.9 per cent live below the poverty line.

[The Australian Bureau of Statistics reported in August 1999 that in the year 1997-98 the bottom 20 per cent of all households were on gross incomes of less than \$204 per week.] Australia appears to be following a worldwide trend towards an ever-widening gap between the haves and the have-nots. (As reported in The Age, 13 July 1999)

Unemployment today is also far higher - in the order of 7 per cent rather than the 2 per cent prevailing in 1970. The downward trend towards the end of 1999 sparked fears of inflationary pressure - indicating that in economic terms the "natural" rate of unemployment today is nearer 7 per cent than 6 per cent. Not a very bright prospect for the future.

What is different today is that we do not appear to have the same social concern today for the poor, the disadvantaged, and the unemployed. The social problems are far greater, but the level of community concern as indicated by government action or inaction, is nowhere near as great.

Unlike the situation 30 years ago there is no call today for any enquiry into poverty, or income inequality, or even unemployment. The last in-depth unemployment study conducted by a government committee of enquiry was in 1993. Its report led to the White Paper "Working Nation" presented by the Prime Minister in May 1994, a paper which merely confirmed social and political acceptance of continuing high unemployment. Today the social and political acceptance of continuing high unemployment has been well and truly confirmed, with the Prime Minister, confident of widespread support, being able to say that he was "proud" of the unemployment rate of 6.7 per cent announced in December 1999.

There have, however been government policy decisions which indicate a basic lack of concern for the social problems we face. In recent times the government has announced the introduction of a GST, lower income taxes, continuing taxation concessions for superannuation, lower capital gains tax, subsidies for private health insurance premiums, and greater flexibility in the labour market - all steps which have the potential to increase rather than to decrease income inequality. In addition there are policies introduced or being considered in health, education and welfare which will increase social inequality.

In a period of one generation our whole approach to the social problems of the day has changed. Our overall social attitude and outlook has changed, and has changed significantly. In a period of one generation there has been a virtual sea change in our concept of society. If we consider the position today, and the position in the early 1970's, it is hard to accept or even to understand how such a change in attitude could occur in this time span.

This is not merely a generational change. This is not a change which can be identified with one particular generation, as those promoting the concept of the "baby boomers" or generation "X" would have us accept. This is a change which has occurred across the whole of the community.

### **How and why has this change occurred?**

Our aim this year is to try and gain some understanding of the reasons which lie behind this social change, and inevitably this will mean an understanding of the reasons which lie behind the political changes which accompanied this social change. We cannot divorce social and political change.

Certainly we are still today a capitalist state, just as we were in the 1970's. But it is now a vastly different capitalist state.

Capitalism has changed. The structure of capitalism has changed through developments in technology and the globalisation of industry. The ideology of capitalism has also changed through the adoption of fundamentalist economic theories and practices.

As we consider these changes and their social implications, we will be looking at some of the following topics.

- a. Globalisation and Technological Change. Their effects on employment, on regional development, on lifestyles, and on society in general, and their influence through the WTO.
- b. Superannuation, and the contribution it makes to income inequality and the maintenance of economic growth.
- c. Gambling. To what degree are markets based on the gambling ethos. To what degree can gambling be seen as one of the foundation stones of a capitalist society.

- d. The end justifies the means. Is there a moral code in a free market society? Why is there a need for a regulator in a free market economy?
- e. Collective action in a free and unregulated market economy. Is it possible, or desirable, to limit collective action by employers and employees in a free labour market?
- f. Size and nature of our land. Is there a need for continuing government expenditure on transport and communications infrastructure, and on landcare and regional community requirements?
- g. As we consider the ethical and moral implications of a free market economy, it is inevitable that we will move towards consideration of the question - "Is capitalism a religion?" This will possibly raise more questions than answers.
- h. Is there a need to upgrade our social policies to meet the demands of today's new capitalism? Is it still appropriate to identify and target groups within the community, for this new capitalism fosters change, and groups are continually subject to change. Should the trend now be towards universal rather than selective community support, e.g. universal health, universal education, and universal income support.

Your comments on these topics, and suggestions for other topics which you consider appropriate, will be most welcome,

*Allan McDonald*

January 2000

[Back to Home Page](#)

## **The McClure Report**

### **Background**

In September 1999 the Minister for Family and Community Affairs, Senator Jocelyn Newman, announced the government's intention to review the Australian welfare system, and the appointment of a Reference Group headed by Patrick McClure to consult with the community and provide advice to help develop a Green Paper on welfare reform.

The Reference Group presented an Interim Report in March 2000, and our response to that report is available on the website. Their final report was tabled in Parliament on 14 August, and the government has promised to respond to this report before year end. Early indications are that there will be general support for the findings in the report.

The government saw welfare dependency as one of the major social problems to be considered by the Reference Group. The announcement by the Minister of the appointment of the group was contained in a paper entitled "The Challenge of Welfare Dependency in the 21st century".

In simple terms, welfare dependency is a product of a lack of employment opportunities, and/or a support income system based on means testing.

The task facing the Reference Group was to provide a suitable response to the problem within the limitations imposed by the terms of reference and the existing income support system. If these limitations prevented the removal of welfare dependency then their only option was to consider legislative change to reduce the effects of welfare dependency through conditional income support.

### **Limitations imposed by the terms of reference**

Although the Minister has from time to time referred to the task of the Reference Group as one of advising on "welfare reform", the terms of reference specifically limited the review to people of workforce age - i.e. between age 16 and pension age. This was in line with the emphasis on welfare dependency which was highlighted as the problem of major concern.

This limitation in the terms of reference appears to confirm the view that welfare policy has now been split into two areas, the dividing line being the pension age.

For people above pension age the government saw no reason to consult with the Reference Group before easing the means test in conjunction with the introduction of a new taxation system. Additional income support has been provided for part pensioners and the income level for some entitlement has been raised. Presumably this was not a matter of welfare reform. (Refer Newsletter 17 July)

On the other hand, for people under pension age the wish of the government is to extend the concept of mutual obligation beyond the unemployed, and the terms of reference did not distinguish between types of beneficiaries. This paved the way for the Reference Group to advise on how this concept can be extended to groups such as single parents and disability pensioners.

The terms of reference also excluded consideration of methods to reduce the unemployment rate - an exclusion which is understandable because of government policy to rely solely on economic growth.

There are three avenues for reducing unemployment. Reliance on economic growth is just one of these, and it has limitations as explained in the previous newsletter of 11 August.

A second avenue is through job creation. In principle, job creation is anathema to economic fundamentalists, and to political parties which rely heavily on strict economic theory and principles. The government in fact does have a job creation scheme, but for political reasons it refuses to use that term. To attract support from its constituency the government has introduced job creation under the guise of mutual obligation as "work for the dole", and it has

minimal effect on the overall unemployment rate because of the nature of the jobs it creates. However, it is a scheme which the Reference Group was obliged to take into account, and to support.

The third avenue is work sharing; either by regulation limiting hours of work, which is outside the scope of welfare reform, or through greater acceptance of part time and casual employment, which does fall within the scope of welfare reform. Unfortunately, consideration of a system of income support free of means test as an avenue for reducing unemployment was not within the terms of reference. Consideration was limited to the existing system of means tested income support, which provides a disincentive rather than an incentive to accept part time or casual employment.

Also, within the existing system the means testing formula is not the same for both pensions and allowances. The formula for allowances, e.g. for the unemployed, provides a far greater disincentive than the formula for pensions.

The requirement to keep within the framework of the existing means tested income support system severely limited the ability of the Reference Group to take into account measures to create more employment opportunities. A means tested system of income support contributes nothing towards job creation or work sharing - on the contrary such a system inhibits job creation or work sharing. The Reference Group has been asked to consider steps to be taken to help equip people to enter the workforce, but without additional work opportunities these steps will only lead to frustration rather than satisfaction.

### **Limitations imposed by the existing income support system**

A means tested system of income support cannot in its own right initiate or encourage reform to reduce welfare dependency, for welfare dependency is a product of means testing. Means tested income support is designed to provide a safety net, not an incentive for self support.

If the objective is to eliminate welfare dependency then ideally means testing must be removed from the income support system. However, if the means testing of income support is to be retained, then the only option for reform is to reduce the impact of welfare dependency through reform of the conditions of eligibility - a step which requires legislative change.

This is not a new position for a committee or reference group to face. This was the position in the 1980's review and the 1990's review, and without change to the income support system it will be the position again when the next call for review is made.

In the late 1980's the review of the welfare system saw the introduction of the concept of "active benefits". This provided the framework and the social justification for establishing conditions of eligibility for unemployment benefits based on a stricter definition of the work test and extending it to an "activities test" based on more labour market programs.. This concept also provided a stronger basis for withholding benefits for non-compliance, as evidenced by the Social Security (Jobsearch and Newstart) Amendment Bill of 1991.

Concern regarding continuing high unemployment led to the appointment of an advisory committee in 1993 to, amongst other things, *assess and report on the state of the labour market and options for addressing unemployment and improving labour market programs and income and other support for the unemployed*. This committee presented its report in December 1993. In the following year the government presented its white paper "Working Nation", committing the government to more extensive and intensive labour market programs for the unemployed together with some minor changes to the means tests for income support.

With the change of government in 1997 came a change in the conditions of eligibility for the unemployed. In line with the conservative approach, conditions for eligibility included the requirement to 'work for the dole', and the concept of active benefits gave way to the concept of "mutual obligation" to provide the framework and social justification for tightening the eligibility rules.

This change was brought about by legislation. The means tested income support system remains, but with changed eligibility conditions for categories of beneficiaries, and with changed rules to determine eligibility. In reality it is these rules which are now under review.

### **Recommendations.**

With the need to consider welfare policy reform within the framework of the existing income support system, the reference group faced the same problem faced in the reviews in the 1980's and 1990's - how to improve the system by legislative change to meet growing social needs within the boundaries of government policy and ideology. The result is a new concept, a Participation Support System, in which the provision of income support for compliance replaces the threat of reduction or loss of benefits for non-compliance. Is there a difference?

There are a large number of recommendations, ranging from short term action to medium to long term action, and proposals for additional research and evaluation. There are far too many to consider in this newsletter, but two features which warrant early comment.

The **first** feature, relating to the participation support concept, is the requirement for greater assessment of individual needs. As stated in the report:

*A systematic assessment process will need to be developed to ensure that service delivery offers targeted assistance based on an individual's needs, capabilities and circumstances. The assessment must include specification of the role of participation plans and incorporation of other aspects of the mutual obligations framework into the service delivery system.*

It is difficult to envisage how such a process would operate on a national scale, especially when it is recognised in the report that the process would be *more complex than under current arrangements, given the diversity of individual capacities and circumstances, and the range of participation options available.*

What must also increase the complexity and diversity is the extension of mutual obligation beyond the unemployed to include disability pensioners and single parents. This will not only increase significantly (more than double) the number of people to be subject to the individual assessment process, but these additional groups will bring with them a wide range of individual needs and requirements.

The **second** feature is the recommendation to implement an integrated support payment system with adequate income support and incentives for participation which, in the medium to long term, will consist of a common base payment for all eligible persons with a common formula for means testing, a needs based additional payment, and a participation supplement.

This feature may have wide cross-party appeal, but the experience of the last decade, with changes to legislation resulting from two reviews and a change of government, does not augur well for the acceptance of any medium to long term recommendations. Means tested income support has political appeal because it offers political parties the opportunity to be selective in the interest of political gain. Integration of benefits may not have wide appeal.

Overall the recommendations in the report suggest an extensive and intensive bureaucratic administration of the income support process to provide the individual care and concern considered necessary. In this regard the report reflects a paternalistic social philosophy which could easily stifle or inhibit individualism and self-determination, but which will no doubt have appeal for the advocates of a support income system heavily targeted and means tested. This support has already been indicated.

The recommendations are in direct contrast to those which would flow from advocates of universal income support free of means test. Their recommendations would support individualism, self-determination, and a minimum of government intervention, and would provide a basis for achieving "work for all". The paper following this newsletter sets out many of the benefits of universal income support - in fact that is the title of the paper.

### **Following paper.**

The paper to be sent immediately following this newsletter is entitled "The Benefits of Universal Income Support". This is the final paper in the series "Universal Income Support", and will appear shortly on the website.

Hard copy of the series will be available within a few weeks. Please advise by e-mail if you would be interested in receiving a copy. I may be absent from this desk for a short time, so do not despair if there is no quick response.

[Back to Home Page](#)

After several weeks of travel, now back trying to concentrate on producing this newsletter.

I was fortunate when in Canberra to meet Professor Claus Offe, of the Humboldt University, Berlin - a visiting professor with the Research School of Social Sciences (RSSS), ANU. Claus is one of the founders of the Basic Income European Network (BIEN) and organiser of the BIEN International Congress being held in Berlin this month.

On Monday 11th September he delivered a public lecture entitled "Arguing for a Universal Basic Income". This lecture was based largely on a paper prepared by Phillippe Van Parijs as a background paper for the BIEN international congress. Sections of this paper are now available on our website.

### **BIEN International Congress, Berlin, 6-7 October.**

This congress concluded just as this newsletter was being finalised. Indications were that it would be an outstanding success. All available seats (200) for the plenary sessions were booked. The latest BIEN Newsflash reported:

*Not one place is left in the historical room that will host this week in Berlin the plenary sessions of BIEN's 8th Congress. We apologise to those whose registration had to be turned down as a result. But we are delighted at the prospect of meeting so many of you very soon.*

*As if to prove that the debate on basic income is more alive than ever, the holding of our 8th Congress coincides with the publication of four new major collective volumes on basic income, with the participation of many of the Congress speakers .*

*\* Edited by Loek Groot (Amsterdam) and Robert van der Veen (Warwick), Basic Income on the Agenda (Amsterdam University Press) contains seventeen chapters by contributors from several European countries, including two government ministers currently in power, with a focus on policy objectives and political chances.*

*\* Edited by Angelika Krebs (Frankfurt), a special issue of the bilingual journal Analyse und Kritik gathers seven critical contributions by young philosophers and economists from several European countries on the possibility of providing an ethical justification of basic income in terms of "real freedom for all" ( [www.analysekritik.uni-duesseldorf.de](http://www.analysekritik.uni-duesseldorf.de) ).*

*\* Edited by Manfred Füllsack (Vienna), a special issue of the Zeitschrift für Gemeinwirtschaft gathers new contributions by eleven German and Austrian authors, including some of the best-known participants in the German-language debate so far. (<http://www.voewg.at/zgw/news.html> ).*

*\* Edited by Joshua Cohen (MIT) and Joel Rogers (Wisconsin), the Boston Review devotes the Forum part of its October 2000 issue to Delivering Basic Incomes, with contributions by fifteen prominent authors, most of them North-American, including a Nobel laureate (<http://bostonreview.mit.edu>).*

*All four publications.....should all be available at the Congress, which promises to be once more an instructive and heartening opportunity for people from many countries to share their observations and their arguments, their thoughts and their hopes.*

The complete program of the congress, together with all available papers, may be seen on the BIEN website: <http://www.etes.ucl.ac.be/BIEN/bien.html>. The program can also be seen on our website, where extracts from some of the papers will also be seen from time to time.

### **7th National Conference on Unemployment**

University of Western Sydney 30th November - 1st December 2000

The theme of the Conference, Unemployment and Labour Market Policies, seeks to address the Australian and

global debates about unemployment in a broad theoretical and policy context.

The conference is being jointly organised by the School of Economics and Finance at the University of Western Sydney and by the Centre for Economic Policy Research, Australian National University, and will be held at the University of Western Sydney, Campbelltown Campus. The conference convenor is Professor P.N (Raja) Junankar, Chair, Department of Economics and Finance, University of Western Sydney, Campbelltown Campus. There is an international organising committee including Professor Raja Junankar, Professor Bruce Chapman (ANU), Dr. Karen Mumford (York, UK), Associate Professor Satya Paul (UWS), and Dr. Cezary Kapuscinski (DETYA). Keynote speakers will include: Professor Bob Gregory (Australian National University), Professor John Quiggin (ARC Senior Research Fellow, ANU & QUT), and Associate Professor Jeff Borland (University of Melbourne).

Registration fees:

\$220.00 Early registration for Academics, \$330.00 for non-Academics

\$275.00 Normal registration for Academics \$385.00 for non-Academics

\$121.00 One day registration only \$88.00 per day student/special non-waged rate

There is now a call for papers. All correspondence and inquiries should be marked to the attention of: Sharon Lloyd-Corrie, Department of Economics and Finance, University of Western Sydney, PO Box 555, Campbelltown, NSW 2560, Australia. Ph. 02 4620 3222. e-mail: s.lloyd@uws.edu.au

### **Round-table Conference on Unemployment**

Rights, Obligations, Alternatives, Rewards (**ROAR**)

Brisbane, Tuesday 24 October 2000

Hosted by the Unemployed Persons Advocacy with the assistance of The Brisbane Institute,

Hear from unemployed people from all over the country, and hear about international best-practice involving unemployed people in the debates and solutions that affect their lives.

To be followed by a workshop day to form an Australian National Organisation of the Unemployed on 25 October, and participation in the QCOSS State Conference 26/27 October.

Venue: The Long Room, Customs House, 399 Queen St, Brisbane.

For information:

Tel. 07-3255 1253. Fax. 07-3255 0873. Tel A/H. 07-3879 8620

e.mail: Kebar@bigpond.com

### **Some interesting statistics**

Tim Colebach wrote in an article in The Age, 22 August 2000

*AUSTRALIA passed a small landmark last month. For the first time, more Victorians had full-time jobs than in 1990. It has taken us all of 10 years to undo the damage caused in that recession - and others are not there yet.*

*South Australia still has 19,000 fewer full-time jobs than in 1990. And Tasmania even now has 17,000 or 11 per cent fewer full-time jobs than it had before the recession we really didn't have to have.*

*In 10 years Australia has added just 481,000 full-time jobs, or 1.2million jobs in total, yet the adult population has grown by almost two million. Over the decade, hours worked grew on average by just 1.1 per cent a year, yet the adult population grew by 1.4 per cent.*

*When euphoria is running high, it helps to keep our feet on the ground - particularly when commentators and*

*politicians start waxing lyrical about record levels of this or that, when economists start musing that we may be at the limit of our ability to generate jobs without inflation, and when the Reserve Bank starts observing ominously that Australia is growing faster than its "productive potential".*

*The Reserve's comment came the same week as the McClure report reviewed a welfare system that at last count was providing income support to 2.7 million Australians of working age. Even if you strip away all the full-time students, sole parents with young children, those genuinely sick or permanently and seriously disabled - and all those who have become "welfare-dependent" - it is safe to say that there are a million or so Australians who are in not in jobs primarily because there are not enough jobs.*

## **The McClure Report**

The previous newsletter was almost entirely devoted to a commentary on the final McClure Report. Since then there have been a number of letters or articles commenting on this report, and following are extracts from two of these.

The first is an article entitled "Australia's New Poor Law", by Francis G. Castles, Professor of Political Science, Research School of Social Science, Australian National University. His opening sentence reads as follows:

*If Patrick McClure's 'mutual obligation' reforms are adopted, as now appears to be the Howard government's firm intention, I am going to have to give up defending the Australian welfare state as a fundamentally beneficent institution.*

He then concludes with the following:

*Another welfare innovation in the area of unemployment is 'work for the dole'. This popular policy has got us used to the idea of 'mutual obligation', which the McClure Welfare Review now promises to make the key principle of a new social contract. But what we may concede in the area of unemployment, where ordinary workers are legitimately concerned that others will take advantage of the welfare state to be idle, may be far more objectionable in other areas of social policy.*

*The key to 'mutual obligation' as it applies to single mothers and, perhaps, to the disabled is to assist beneficiaries back into the workplace. The main agency of that assistance appears to be an emphasis on continuous counselling to inform beneficiaries of work and training opportunities and to find other strategies to get them work ready.*

*That possibly sounds beneficent. Clearly, the increased resources the Review promises for such purposes is intended to sound that way. The trouble is that it also sounds very much as if we were about to reintroduce something akin to discretion by the backdoor. Every interview and every counselling session is a hurdle, where the single mother needs to demonstrate incapacity of some kind or find herself forced the next step back into the bottom end of the labour market. In a sanitised form, the stigma of the old poor law is introduced by the back door.*

*One thing that the new prophets of 'mutual obligation' always seem to forget is that the vast majority of the clients of the welfare state already have a monstrously unpleasant time. They are by definition without adequate income or assets to live a decent life without assistance from the state. Policing their compliance (burospeak for what is going on here and in so many areas of the interaction of state and citizen) across a wide range of welfare benefits simply makes them 'less eligible' in a new, and no less morally offensive, way.*

The second article by Liz Poeter appeared in The Age, 10 September. Liz makes the following claim:

*Our new welfare policy, as framed in the recently released McClure report, has the fingerprints of one US "expert" all over it. He is New York University's Lawrence Mead, whose July visit to Australia was co-funded by the Federal Government.*

*Professor Mead is best known for having been a major influence on the 1996 US welfare reforms that limit an individual's right to welfare to a lifetime total of five years; and which impose work rules on single parents once their children reach a certain age.*

*The conservative academic is also the author of *The New Paternalism: Supervisory Approaches to Poverty*, in which he describes his policies as an effort "to control the lifestyle of the poor" and to favor "order rather than justice".*

*Needless to say, Professor Mead, when he was here, praised the McClure report. And he got many column centimeters of newspaper space in which he expressed his arguments for compulsory work in exchange for benefits. A senior Federal Government public servant had previously travelled to New York to visit Mead and bring back the welfare-cutting gospel to the Ministries of Employment Services and Workplace Relations.*

*Then, with the Mead visit to a Sydney conference, we all got to hear the flinty-hearted American view at firsthand. And that was it for the welfare debate as far as the general public was concerned.*

These articles invoke an interesting comparison. While we in Australia are trying our best to regulate and discipline our welfare recipients of labour force age, there is a hall full of speakers and supporters in Berlin trying their best to encourage greater freedom for all.

## **Discussion Group**

Allan Quartly asks:

*Do you know of any discussion board or e-mail list on the Citizens Wage in Australia? If there isn't one do you think there would be a large enough group "out there" to warrant starting one?*

Based on the performance of lists in other countries I personally doubt whether we have sufficient interest at this stage. However, the government response to the McClure Report may help to stir things up. I would be only too happy to increase the frequency of the newsletter, or in some way help encourage discussion to create greater community awareness, if the interest is here. I am open to suggestions.

In the meantime, if anyone would like to exchange views with Allan, he can be contacted at:  
allanquartz@dingoblue.net.au

## Statistical model for a Support Income System for Australia

If we are to extend the debate on the concept of a universal system of income support free of means test then it seems desirable that a statistical model be developed which will demonstrate the financial viability of such a scheme. The thesis "A Support Income System for Australia", reproduced in the book "Unemployment Forever?", contains a broad outline of a scheme which is claimed to be financially viable. However, this is far removed from an acceptable statistical model.

An approach has been made to NATSEM, the National Centre for Social and Economic Modelling, to prepare a preliminary quote, or an early estimate of the order of cost involved, for the production of such a model. The next step will then be to secure the finance.

There is a growing acceptance of the advantages of universal income support free of means test in many nations throughout the world, and especially in Europe as evidenced by the success of the BIEN International Congress. Australia, unfortunately, seems to be suffering from the "Its the economy, stupid" syndrome. Just as private enterprise is subject to criticism for putting the interest of shareholders ahead of the interest of society, so can government be criticised for putting the interest of the economy ahead of the interest of society. The current debate on the petrol excise is one example.

The development of a thoroughly researched statistical model will certainly move the debate along, and will help achieve much wider community acceptance of the economic and social advantages of a support income system for Australia. The challenge will be to ensure that the statistical research can proceed.

---

[Previous Newsletter](#) [Next Newsletter](#)

[Back to Home Page](#)

## **Mandatory sentencing?**

According to reports from the Un(der)employed People's Movement against Poverty (UMP) the automatic financial penalties applied to the unemployed for breeches such as failing to keep an appointment or not turning up at a meeting, or failing to get a medical certificate, increased significantly in the year ending June 2000.

For a first breach the penalty is 18 per cent of the benefit for six months, for a second breach 24 per cent for six months, and for a third breach loss of allowance for 8 weeks. For a person receiving newstart allowance the base rate is now \$175.40 p.w. which for some reason is only 88.8 per cent of, or \$21.65 p.w. less than the basic pension rate. For a first breach the penalty is 18 per cent or just over \$31 p.w., reducing the allowance to \$144 p.w. The total value of the sanction is \$806. The penalties for the second and third breaches are correspondingly higher.

There are, of course, higher penalties for more serious breaches. To move to an area of lower employment, for example, carries a penalty of loss of allowance for six months.

With more than 17 per cent of all Australian children living in jobless families, the effect of these sanctions can be severe. And the number of breaches is growing. Despite a significant reduction in the number of registered unemployed in 1999-2000, the breaches or sanctions increased almost as significantly. The total number of breaches rose by 22.4 per cent from 165,471 to 202,479 while the number of unemployed fell by 26.2 per cent from 755,362 to 557,400. The total loss of benefits for the year was over \$111Million (\$111,887,568).

In the last financial year, about 30 per cent of all unemployed in South Australia were breached, and around 70 per cent of young and indigenous people. In Queensland every second person receiving Newstart or Youth Allowance must have been sanctioned.

These breaches may not lead to incarceration, but they do lead to very harsh financial penalties for those who can least afford them, and they are being strictly enforced, often without proper regard for the welfare of individuals or families. It is in principle a system of mandatory sentencing. Little wonder that the government could not in all sincerity oppose or reject the Northern Territory mandatory sentencing legislation

Source: UPM against Poverty, Brooklyn Park, SA Website: [www.webcom.com/ausisle/upm](http://www.webcom.com/ausisle/upm)

## **Basic Income European Network**

In the previous newsletter I mentioned that the BIEN International Congress was held in Berlin on 6-7 October. Some of the papers (or extracts) presented at this Congress are now published on our website.

Our thanks to Sally Lerner, Canada, for providing a report on the Congress. Following are some extracts.

In his opening remarks, Guy Standing, ILO Senior Researcher and BIEN co-chair, spoke of a three-stage process underway that is of concern to BIEN: first, there has been neoliberalism with its repudiation of governmental social responsibility, followed by the current stage of paternalism characterized by attempts at social integration through behavioural modification, and exemplified by workfare in all its forms. As a third stage, in this period of increasing need to address distributional questions, we must move toward the legitimization of all forms of work (in the home, volunteer, study, etc.), re-embedding the economy in society.

Yale professor and author of *The Stakeholder Society*, Bruce Ackerman, reviewed his proposal to provide a "stake" of US \$85,000 for each citizen at age 25 (with details on funding and taxation) as an alternative to a BI. He suggested that the stake would be more politically appealing to a wider public since it would address the fact that most people do not stand to inherit any such lump sum. Thus it would represent the democratization of inheritance and reinforce the idea of the citizen's right to a "public inheritance". This is an interesting example of the fruitful debate about alternative forms of BI that BIEN engenders.

All of the opening addresses were stimulating.

Ralf Fuecks highlighted the continued prominence of issues of whether or not a BI should be conditional, and if so on what.

Ute Klammer noted the current concern in German labour circles about the increasing polarization of society and therefore their interest in BI proposals.

Ingrid Robeyns reiterated the extent and importance of non-market work in various European countries, noting that recognizing and rewarding it is long overdue.

Roger Godino stressed the importance, in France, attached to maintaining democracy in a market economy and suggested that a BI is a necessary step to keep politics from becoming a possession of the rich, a way of reducing inequality without diluting motivation. He outlined a plan for a French version of BI (Minimum Integration Revenue).

Wolf-Dieter Just, speaking as a social ethicist, noted that previous notions of a social contract assumed full employment, which is not happening. He sees the need for social justice as key in discussions of BI, and suggested a set of principles that should guide decision making on how to provide economic security.

Eduardo Suplicy, a Brazilian senator, referred us to Amartya Sen's recent book, *Development as Freedom* (Anchor Books, 2000) for a relevant look at the importance of economic security. He also spoke eloquently of a program in Brazil that provides a minimal income to poor families that keep their children in school, and meet other conditions.

The local organizing committee for the Congress was headed by Professor Claus Offe of the Institute for Social Sciences at Humboldt University in Berlin. At the final Congress session, he offered an insightful discussion of what topics need further work by BI researchers and advocates, as follows:

Questions about Basic Income that require attention relate to:

its feasibility (working out specifics for actual regional and national situations);

its supportability (developing broad public support and on to the political agenda);

its technical effectiveness to solve problems;

the nature of the justice to which it is relevant.

Further, attention should be given to the allocation of burden of proof: if the labourist ideas and programs of opponents of BI (such as workfare) fail to solve the problems of un-, under- and insecure employment..... then the burden of proof should shift to them-- to make an effective case against BI rather than insisting that BI advocates "prove" the case for such an approach. "Getting people into market work has become an obsession - is it really about controlling people and keeping them off the street?"

Summary reports from the theme sessions stressed many of these same points and also emphasized that:

Basic Income must always be seen, studied and presented as one component of a broad societal commitment to social justice and social inclusion in the form of equality of access to adequate food, housing, education, transportation, child care and choice.

Different countries/regions will want to look at different versions of how to provide universal economic security without coercion. The goals can be met in a variety of ways, and we should beware of insistence on one label or one template. A series of steps (for example, from tax credits to negative income tax to de facto BI) may be the path to advocate in some places.

For many people BI is a non-starter because it is seen as unjust. Thus we need to marshal arguments as to why it is just, as well as engage in institutional re-design. It is inevitable that the same issues will have to be discussed and debated repeatedly as more people are exposed to the Basic Income idea for the first time.

The 9th BIEN Congress, "Income Security as a Right", will be held in Geneva in September 2002 with the

International Labour Organization (ILO) as the lead sponsor.

Rod Dobell (Univ. of Victoria, BC), Sally Lerner and George Francis (Univ. of Waterloo, ON), Francois Blais and Araar Abdelkrim (Laval Univ., PQ), and Eugenie Samier (Simon Fraser Univ., BC) were the Canadians who participated in this BIEN Congress. Our new network, Basic Income/Canada, was warmly welcomed to the growing group of national BI networks.

### **Social responsibility**

Recently the National Australia Bank (NAB), followed by Westpac, announced new or higher bank charges, including for the first time charges on ATM transactions and telephone banking. (So much for the technological revolution) These announcements attracted widespread criticism from many sections of the community, including government, decrying the apparent lack of social responsibility being shown by these leading banks. In essence the criticism was based on the banks observing one of the major foundation blocks of a capitalist society - that the interest of the shareholders is paramount. Certainly the interests of the shareholders had precedence over the interest of the community.

The government is now facing a similar call to show greater social responsibility in relation to petrol prices. In the light of escalating petrol prices and the recently introduced GST there are calls for a freeze on the fuel excise when the next CPI increase is due. Like the new bank charges, the monetary increase in cost to the community of the anticipated excise increase will not be large, but to freeze the excise will be seen as a gesture to help ease the cost burden for society. The Prime Minister and the Treasurer are both strongly resisting this call - the Prime Minister claiming, as reported in the media today, "The worst and most irresponsible thing this government could do at the present time is embrace a rundown of the commonwealth budget surplus." The government is merely observing another of the major foundation blocks of a capitalist society - the interest of the economy is paramount.

Once again it is the bottom line - whether for shareholders or the economy - that determines policy. Despite calls for greater social responsibility, and for greater mutual obligation by all parties, it seems that the only people required to meet their "obligations" are those who are the last in the line to benefit from returns to shareholders or economic prosperity - i.e. the unemployed and the underemployed.

### **Following Paper**

The paper which will be forwarded immediately following this newsletter is in the nature of an abstract which lends itself to amplification according to individual or group interests. Entitled "Employment Statistics", it questions whether the manner in which employment and labour market statistics are presented is a political and economic scam, or just plain misleading.

---

[Previous newsletter](#) [Next Newsletter](#)

[Back to Home Page](#)

*You win by beating, and hopefully crippling, your competition*

*The only prize for running second is silver at five (real) bucks an ounce as against 260 for gold*

*.....the only place to be is number one. And you don't stay number one, by being kind to number two. Number three, perhaps, but that's a different story*

*So the best time to put your boot into the competition, is ALL the time*

Terry McCrann, Economist, explaining the niceties of competition in an open market. The Weekend Australian, 18-19 November 2000, p.34.

## **A Divided Society?**

During a recent debate in Federal Parliament on legislation providing federal assistance to public and private schools, the Prime Minister accused the leader of the opposition of introducing "the politics of class and envy into the debate". This followed claims by Labor that the legislation favours the rich elite private schools at the expense of public schools.

This was a strange accusation to make. One can only assume that the Prime Minister believes that within Australia today there is a class system being defined, despite claims to the contrary, and within the lower classes in this system there are feelings of envy. This is understandable. For several years now there has been undisputed evidence of a widening gap between the rich and the poor in this nation, and it can be expected that there will be feelings of envy amongst the poor.

What must also be understood is the degree to which this widening gap is being fostered directly by government actions. When legislation proposed by government is seen to favour the rich and the well-off at the expense of the poor and the not-so-well-off then the government will be seen to be promoting a class system within the nation, and can be charged with introducing the politics of class into the debate. Whether there is also envy will depend upon the degree to which the proposed legislation is seen to be favouring one group at the expense of another. Envy may arise through differences in wealth, health, education, etc. but it will be greatly strengthened when these differences are fostered and nurtured by political action. People may be envious of others in the community for what they have, and this can have a positive effect by acting as an incentive to do better. However, if people are envious of others because they are seen to be favoured by legislation, this will be a far stronger emotion with negative effects.

The proposal for school funding is one example. Other examples in recent times are:

**Health** The government subsidy for private health fund fees is applied free of means test. This subsidy not only goes to those who are able to afford to join a medical benefits fund, but it is free of means test - it goes to all members irrespective of wealth or income. The subsidy goes to all private fund members, including those who are amongst the wealthiest in the nation. Those who cannot afford private health cover are dependent upon government support for the public health system.

**Superannuation** The existing superannuation scheme is related to occupation - it does nothing for the unemployed, and it does very little for the underemployed. On the other hand it does plenty for the rich and the well-off. To those who are struggling it is depicted as important to ensure a reasonable income on retirement, but it will not be sufficient to prevent dependency on some state provided retirement benefit. To those who have plenty it is seen as a tax concessional investment. e.g. the retiring managing director of Brambles Industries to receive a \$9 million golden handshake, including a \$2 million payment into his superannuation.

**Income support** The unemployed receive an allowance well below the basic age pension rate. The current age pension rate is at least 25 per cent of average weekly earnings (AWE) The current job search allowance is roughly 22 per cent. The means test is also much more liberal for the age pension rate, with a pension reduction of 40 per

cent for all income over the allowable limit, whereas for the job search allowance the pension reduction for income over the allowable limit starts at 50 per cent, then changes to 100 per cent, and finally to 70 per cent.

These are three examples of government initiated class divisions in our society which are apparent and recognisable. There are others, including some which are not so apparent such as the introduction of the GST which saw the replacement of part of progressive taxation receipts with regressive taxation receipts. Little wonder that the debate on legislation which introduces or reinforces class distinction must carry with it the politics of class and envy, and this applies equally to those who support it and those who contest it.

### **Welfare dependency**

Noel Pearson, Aboriginal spokesman and activist, has long been a strong critic of welfare dependency, strong enough to now switch support for welfare policy from the Labor opposition to the Coalition government. What is it about their policy which has attracted his support?

After all welfare dependency is not some new disease for which government has found a new cure. Welfare dependency predates the industrial revolution, as does the treatment being promoted as government policy.

Welfare dependency is an inevitable result of a shortage of employment opportunities in conjunction with means tested income support. There are simply not enough jobs offering acceptable pay and conditions for those who wish to work. Even with the best of intentions there are people today who cannot find employment, sometimes because of lack of training or aptitude or because of location, but more often simply because there are too many applicants for the available work.

One simple solution is to create more jobs - i.e. job creation - and there was a time when Keynesian economists supported public expenditure on capital projects to stimulate the job creation process. Today this is economically unacceptable. If job creation is to be introduced it must be under some other guise, and to appease the economic rationalists who fear that job creation will expand the labour market with inflationary consequences, the jobs that are created must not be real jobs available for the labour force as a whole.

The government has introduced a job creation program based on two principles which are seen to be economically acceptable.

The first principle is to reduce the element of choice in what determines whether a job is acceptable or not by a "work or starve" approach. Failure to accept work that is offered can lead to loss of income support. This increases the range of jobs available as employers find they can offer jobs with less security and pay in the knowledge there is a penalty for non-acceptance. This also increases the number of "working poor".

The second principle is to require people to work in return for their income support, and jobs are created specifically for this purpose. They are not "real jobs" available to the labour force. There has been some degree of community acceptance for the introduction of compulsion into this area through the "work for the dole" program, or in the case of Aboriginal communities the "Community Development Employment Projects".

To seek even wider community acceptance, the government has introduced concepts such as mutual obligation and social participation to provide moral or ethical justification for what is virtually conscription of labour, and to help counter what is being promoted as the evil of welfare dependency. Proponents of these concepts are going to extraordinary lengths to demonstrate to economists and the public at large that creating jobs the unemployed must accept to receive income support is not a program of job creation. Job creation is not job creation. In doing so they are focussing attention on the victims of unemployment, not on the causes. Another case of treating the symptoms, not the disease.

The question is whether Noel Pearson and those who echo his views support the whole of the government program, or just the parts that they agree with.

### **POVERTY and OPPORTUNITY**

In a recent article published in *The Australian*, 22 November 2000, p.13, the Minister for Employment Services, Tony Abbott, stated:

*Some indigenous communities aside, the welfare state has not failed. It has succeeded to such an extent that absolute poverty and total absence of opportunity are almost unknown in societies such as ours.*

There are three significant points raised in this statement. The first, contained in the opening sentence, is the acknowledgement that after seven years in office the present government has failed to remedy the situation in regard to indigenous communities. Over time all governments have failed. The welfare state has not reached out to these communities. This is a situation of great national, and international importance, and warrants more detailed consideration. However, it is the following sentence, and the assertion that "absolute poverty and total absence of opportunity are almost unknown in societies such as ours", that is the focus of attention in this newsletter.

Where are these societies such as ours? Where are these societies within which absolute poverty and a total absence of opportunity are unknown? Are they to be found in The US, Canada, New Zealand and the UK where they are tackling unemployment at the expense of poverty, or are they to be found in Europe where the emphasis has been on tackling poverty at the expense of unemployment? <sup>1</sup>

Perhaps concentration on Australian society rather than on other societies will enable a more meaningful consideration of the true position in this country.

### **Absolute poverty**

What exactly does absolute poverty mean, and how can it be measured? Is absolute poverty to be defined by reference to other nations as the lowest level of poverty in the world? If so, then the poorest in Australia are to be compared with the poorest in the world, and the claim being made is that the poorest in Australia are at least better off than the poorest in any other country. (This is in much the same fashion as the claim made recently by the Attorney-General in respect of mandatory sentencing that the people convicted in Australia are much better off than people convicted of similar crimes in some other societies?)

Alternatively, absolute poverty may be defined in some objective and measurable term such as "having insufficient means to provide the minimum food, clothing and shelter necessary to sustain life". Defined in this way, evidence of absolute poverty in association with evidence of absolute wealth can be seen as an absolute failure of government.

Following years of economic growth and prosperity there is evidence of absolute wealth in Australia today. There is also evidence that some people in Australia today do not have sufficient income to sustain life.

The safety net for the unemployed, for example, is pitched at a lower level than for others in the community, and provides only conditional protection. Not only is the basic level of income support below that established for pensioners such as age pensioners, but receipt of the income support is conditional upon meeting specific obligations. Failure to meet these obligations will result in the income support being reduced or withdrawn leaving people without sufficient means to sustain life.

Any assessment or definition of "absolute poverty" must also lead to the question of whether the state has the economic and financial ability to ensure that no citizens are in absolute poverty. There is no question that the Australian government has the ability to meet this objective. If there is evidence of absolute poverty then it must be directly as a result of government neglect or intention, i.e. a lack of willpower, not a lack of wealth.

This brings into consideration the concept of "the right to live" as stated by Erich Fromm:

*The point I want to make is to uphold the principle that a person has an inalienable right to live, a right to which no conditions are attached and which implies the right to receive the basic commodities necessary for life, the right to education and medical care; he has a right to be treated at least as well as the owner of a dog or a cat treats his pet, which does not have to "prove" anything in order to be fed. <sup>2</sup>*

This is a concept which has not been accepted by successive governments of and within Australia. They may have legislated to ensure animals are properly housed and fed, but they have also legislated to permit people to be deprived of sufficient income to be properly housed and fed. Within the existing welfare state today there are people in absolute poverty, however it may be defined, and there will continue to be people in absolute poverty while we have conditional income support.

"Absolute poverty" as a measure of social wellbeing is not appropriate in a nation with the economic growth and prosperity experienced by Australia in recent years. Absolute poverty is a term with subjective and political connotations rather than having objective and measurable conditions. One could, for example, declare that, within a nation embracing slavery there is no absolute poverty provided the care of slaves meets recognised standards. Slaves have to work, but they are ensured of being adequately housed and fed. (A nation with conscription of labour is only one step - i.e. ownership of people - away from slavery.)

As an indicator of how well all citizens are able to enjoy and share in economic growth and prosperity, "relative poverty" is a more appropriate measurement. Measurement or assessment of relative poverty is not based on what is required to exist, or to sustain life, but on what is required to maintain an acceptable standard of living. Assessments of poverty levels should not only be indexed to take into account movements in the cost of living, but should also be upgraded to take into account higher standards of living resulting from economic growth and new technologies. The assessment of poverty levels should also reflect the degree to which all citizens are able to share in economic prosperity. In this regard, it is the gap between the rich and the poor rather than the actual levels of richness and poorness which is of greater importance.

### **Total absence of opportunity**

Again, like "absolute poverty", total absence of opportunity is a term with political connotations rather than indications of social wellbeing. In fact it can be claimed that the only opportunities for which there is equality and for which total absence is almost unknown are opportunities which have very little social value.

In the field of employment, for example, it cannot be claimed that all who are able and willing to work have the opportunity to work. On the contrary, it is widely acknowledged, and government forecasts continually confirm, that there are simply not enough jobs available for all job seekers.

Yes, there is the opportunity for all who are able and wish to work to apply for employment, but this is as far as "opportunity" can be extended. There is no doubt that within our society today the total absence of the opportunity to apply for work is almost unknown, but applying for work alone is of very little social value. It is employment, not applying for employment, which enables people to participate in society.

In the field of education the government is spending many millions of dollars each year to help support fee-paying private schools - an allocation which does nothing to help the education of vast numbers in the community. There is no equal opportunity for children to attend private schools. Again there may be equal opportunity to apply, but for many acceptance is far beyond their means.

In the field of health care the government is spending many millions of dollars to subsidise premiums for private health cover - expenditure which does help the medical care of a number of people within the community. Again there is no equal opportunity for people to enjoy private health cover. Again there may be equal opportunity to apply, but for many acceptance is far beyond their means.

In the field of superannuation, the government is providing taxation concessions for investments in superannuation funds - taxation concessions which do very little, if anything at all, for the unemployed and the underemployed. There is no equal opportunity for people to enjoy the taxation concessions provided by government. People have two avenues for participation in occupational superannuation. For those in employment contributions by employees and employers can be invested directly in approved superannuation funds - for the unemployed there is no such opportunity. Individuals may also make direct contributions, or have them made on their behalf - for those with limited assets there is no such opportunity.

Poverty and absence of opportunity are well known within our community.

References:

1. See first paragraph of following extract from a paper by Phillip Van Parijs
2. Erich Fromm, *The Revolution of Hope*, Bantam, 1968. p131

### **Jobs and Growth**

(Extract from a paper prepared by Phillip Van Parijs for the Boston Review. One of a number of papers on BI published on their website: <<http://bostonreview.mit.edu/>> and to be published in printed form in 2001)

A second way to make the case for UBI [Universal Basic Income] is more policy-oriented. A UBI might be seen as a way to solve the apparent dilemma between a European-style combination of limited poverty and high unemployment and an American-style combination of low unemployment and widespread poverty. The argument can be spelled out, very schematically, as follows.

For over two decades, most West European countries have been experiencing massive unemployment. Even at the peak of the jobs cycle, millions of Europeans are vainly seeking work. How can this problem be tackled? For a while, the received wisdom was to deal with massive unemployment by speeding up the rate of growth. But considering the speed with which technological progress was eliminating jobs, it became apparent that a fantastic rate of growth would be necessary even to keep employment stable, let alone to reduce the number of unemployed. For environmental and other reasons, such a rate of growth would not be desirable. An alternative strategy was to consider a substantial reduction in workers' earnings. By reducing the relative cost of labor, technology could be redirected in such a way that fewer jobs were sacrificed. A more modest and therefore sustainable growth rate might then be able to stabilize and gradually reduce present levels of unemployment. But this could only be achieved at the cost of imposing an unacceptable standard of living on a large part of the population, all the more so because a reduction in wages would require a parallel reduction in unemployment benefits and other replacement incomes, so as to preserve work incentives.

If we reject both accelerated growth and reduced earnings, must we also give up on full employment? Yes, if by full employment we mean a situation in which virtually everyone who wants a full-time job can obtain one that is both affordable for the employer without any subsidy and affordable for the worker without any additional benefit. But perhaps not, if we are willing to redefine full employment by either shortening the working week, paying subsidies to employers, or paying subsidies to employees.

A first option, particularly fashionable in France at the moment, consists in a social redefinition of "full time" that is, a reduction in maximum working time, typically in the form of a reduction in the standard length of the working week. The underlying idea is to ration jobs: because there are not enough jobs for everyone who would like one, let us not allow a subset to appropriate them all.

On closer scrutiny, however, this strategy is less helpful than it might seem. If the aim is to reduce unemployment, the reduction in the work week must be dramatic enough to more than offset the rate of productivity growth. If this dramatic reduction is matched by a proportional fall in earnings, the lowest wages will then fall unacceptably below the social minimum. If, instead, total earnings are maintained at the same level, if only for the less well paid, labor costs will rise. The effect on unemployment will then be reduced, if not reversed, as the pressure to eliminate the less skilled jobs through mechanization is stepped up. In other words, a dramatic reduction in working time looks bound to be detrimental to the least qualified jobseither because it kills the supply (they pay less than replacement incomes) or because it kills the demand (they cost firms a lot more per hour than they used to).

It does not follow that the reduction of the standard working week can play no role in a strategy for reducing unemployment without increasing poverty. But to avoid the dilemma thus sketched, it needs to be coupled with explicit or implicit subsidies to low-paid jobs. For example, a reduction of the standard working week did play a role in the so-called "Dutch miracle" the fact that, in the last decade or so, jobs expanded much faster in the Netherlands than elsewhere in Europe. But this was mainly as a result of the standard working week falling below firms' usual operating time and thereby triggering a restructuring of work organization that involved far more part-time jobs. But these jobs could not have developed without the large implicit subsidies they enjoy, in the Netherlands, by virtue of a universal basic pension, universal child benefits, and a universal health care system.

Any strategy for reducing unemployment without increasing poverty depends, then, on some variety of the active welfare state that is, a welfare state that does not subsidize passivity (the unemployed, the retired, the disabled, etc.) but systematically and permanently (if modestly) subsidizes productive activities. Such subsidies can take many different forms. At one extreme, they can take the form of general subsidies to employers at a level that is gradually reduced as the hourly wage rate increases. Edmund Phelps has advocated a scheme of this sort, restricted to full-time workers, for the United States. In Europe, this approach usually takes the form of proposals to abolish employers' social security contributions on the lower earnings while maintaining the workers' entitlements to the

same level of benefits.

At the other extreme we find the UBI, which can also be understood as a subsidy, but one paid to the employee (or potential employee), thereby giving her the option of accepting a job with a lower hourly wage or with shorter hours than she otherwise could. In between, there are a large number of other schemes, such as the US Earned Income Tax Credit and various benefit programs restricted to people actually working or actively looking for full-time work.

A general employment subsidy and a UBI are very similar in terms of the underlying economic analysis and, in part, in what they aim to achieve. For example, both address head-on the dilemma mentioned in connection with reductions in work time: they make it possible for the least skilled to be employed at a lower cost to their employer, without thereby impoverishing workers.

The two approaches are, however, fundamentally different in one respect. With employer subsidies, the pressure to take up employment is kept intact, possibly even increased; with a UBI, that pressure is reduced. This is not because permanent idleness becomes an attractive option: even a large UBI cannot be expected to secure a comfortable standard of living on its own. Instead, a UBI makes it easier to take a break between two jobs, reduce working time, make room for more training, take up self-employment, or to join a cooperative. And with a UBI, workers will only take a job if they find it suitably attractive, while employer subsidies make unattractive, low-productivity jobs more economically viable. If the motive in combating unemployment is not some sort of work fetishism obsession with keeping everyone busy but rather a concern to give every person the possibility of taking up gainful employment in which she can find recognition and accomplishment, then the UBI is to be preferred.

### **Following Paper**

The paper to be sent immediately following this newsletter is a paper prepared by John Tomlinson, Queensland University of Technology, and presented at the 7th Annual Conference on Unemployment, University of Western Sydney, 30 Nov - 1 Dec 2000.

---

[Previous Newsletter](#)

[Back to Home Page](#)

## **A Support Income System for Australia**

*In this Newsletter we take a brief look at recent social and political developments in Australia, and question whether this is an appropriate time to seek to get the concept of a Support Income System for Australia on to the political agenda. In the following paper we look at some of the reasons why proposals for a support income or basic income have failed to gain political support and the steps necessary to achieve greater community awareness.*

### **Background**

The year 2001 is barely eight weeks old, but already in Australia there have been dramatic developments in the political and social environment. Do they point to a need for some innovation along the lines of universal unconditional income support?

Here is a thumbnail sketch of recent developments relevant to income support policy.

### **Job insecurity**

In the year 2000 the trade union movement tackled the problem of job insecurity for the ever-increasing number of casual workers, successfully obtaining legal support through the Industrial Relations Commission for permanency for casual workers continuously employed for 12 months. This year they have initiated steps to obtain unpaid maternity and paternity leave for these workers, with possible support from some employer groups.

These actions follow changes in the labour market which continue the trends since the 1970's of negative growth in real terms for full time work and positive growth in real terms for part time and casual work. Employment figures, released by the Bureau of Statistics in January for the month of December 2000, reveal that part time and casual employment increased by 51,400 jobs, whereas full time employment decreased by 11,800 jobs. In January 2001 there was a similar pattern of change, but with an overall reduction in total employment. Part time and casual employment increased by 40,600 jobs, whereas full time employment decreased by 44,000 jobs.

Overall, in the two months December and January full time employment decreased by 55,800 jobs and part time and casual employment increased by 92,000 jobs.

It can be said that with a labour market with these growth characteristics, the suitability of the market to meet the employment needs of the labour force can be measured by the extent to which family breadwinners must accept less than full time work. The growth rate in part time and casual employment of the magnitude being realised in Australia today points to the probability that this growth is extending beyond the boundaries of workers content with these conditions to the stage where people requiring full time pay and conditions are faced with the alternative of less than full time work or unemployment. With the pressure from increasing unemployment - the downward trend in the unemployment rate in the year 2000 has been halted and possibly reversed - less than full time work inevitably becomes the preferred option. Overall the number of unemployed and underemployed is increasing.

This change in the labour market highlights the need for some vehicle or process to provide greater support and security for the unemployed and the employed poor. and to ensure a better distribution of the wealth being created by the growing economy. Political leaders make much of their efforts to create wealth - they have little to say about their efforts to distribute this wealth. There is increasing acceptance that the division between the haves and the have-nots is widening, and there also appears to be a growing acceptance of the need for some change in the income support system.

For example, earlier this year the Committee for Economic Development in Australia (CEDA) published a report containing a collection of papers examining recent changes in employment, family structure, home ownership and welfare policy in Australia. In one of these papers, Ian Manning of the National Institute of Economic and Industry Research argues that current welfare policy, relying heavily on targeting and conditional welfare payments, has reached its limits, and that it is time to revisit the concept of a Guaranteed Minimum Income.

(Media Release, CEDA, 18 January 2001)

## **Political impressions**

This year 2001 has also produced possibly the most dramatic community rejection of federal government policies ever with the state elections in Western Australia and Queensland. Despite claims that state elections are fought on state issues there is general acceptance that in these two elections the federal policies of the present Coalition government, and of the previous Hawke-Keating Labor governments, were major issues.

Within the post mortems now under way there is the obvious desire to highlight specific factors which have helped bring about this community reaction, so that specific responses can then be formulated and considered. The message sent to federal politicians, however, is far too broad, and too severe, to be isolated to specific issues.

The dominant factor is that for many years, commencing with the Hawke-Keating governments and continued with greater intensity and purpose by the Howard government, federal politicians have ignored the social impact of economic rationalist policies. Not only have they ignored the community in this way, but they have deliberately treated with contempt and disdain some of those who have suffered most, all apparently in the name of skilled economic management. Through the stated philosophies and utterances of the Prime Minister and the various ministers responsible for key social areas such as education, health, employment, immigration and welfare, impressions have been created including the following.

- a. Welfare policy has been directed towards easing the burden of the taxpayers - not easing the burden of the disadvantaged.
- b. The unemployed are second rate citizens, deserving of conditional income support at a lower rate than age pensioners, subject to arbitrary financial penalties, and labelled as job snobs, dole bludgers, etc.
- c. The private education sector has been favoured in terms of financial support at the expense of the public system.
- d. Those who can afford private health cover have been subsidised (without means test) to the tune of over one billion dollars per annum at the expense of the public health system.
- e. The emphasis in the industrial relations scene has been to strengthen the bargaining position of employers and to reduce the power of employees to unite and bargain collectively - a position strengthened by the large pool of unemployed workers.
- f. Refugees from countries with recognised oppressive regimes who had no hope of leaving those countries except by some illegal method are exposed to long term incarceration in hostile environments.

These are but some of the impressions created by successive governments. They are impressions of non-caring governments more intent on creating a surplus than on serving the community as a whole. Paul Kelly, International Editor of The Australian newspaper, describes the present government as *mean and uncaring*. (The Australian, 21 February, p.13)

And these impressions are reinforced by the realisation that the benefits of economic growth, of globalisation, and of technological change, are not flowing to the whole of the community. The divide between the rich and the poor is growing. This divide is not only being cultivated by government policies, but industries are advised to take it into account in future marketing policy. Robert Gottlieb, economic commentator and adviser, states: *Divide between haves, have-nots and have-lots - With society stratifying more and more on income lines, marketing strategies must change*. (The Australian, 27 December 2000, p.15)

## **Other Issues**

There are, however, more fundamental issues which are seen to contribute to this inequitable sharing of the nation's wealth. Issues such as superannuation and the GST.

### **Superannuation.**

Occupational superannuation was introduced by the Keating government with the support of the Australian

Democrats and the trade union movement. Like many other income support systems such as means tested income support, occupational superannuation can have a social benefit in the perfect world with full employment based on full time employment. In the current economic environment, however, there is no such world. Superannuation thus becomes, and in Australia today it has become another benefit for the rich.

Superannuation means nothing to the unemployed - means very little to the underemployed and low income earners who are denied the spending power of their compulsory contributions with very little return - means nothing to the small business operator working on minimal margins and very small turnover - means nothing to the farmer who is not in a position to enjoy the economies of scale - means nothing to the shopkeepers and entrepreneurs in country areas devastated by the loss of services and facilities, and who not only lose their livelihood but also their mobility as the capital value of the homes and businesses fall - means nothing to the school leavers who see only a future of unemployment and underemployment.

On the other hand superannuation means a lot to those who can afford to save via the taxation concessions financed by all taxpayers, and means a lot more to politicians via direct contributions determined by the politicians themselves and financed by all taxpayers.

One of the justifications for occupational superannuation is the future savings in welfare expenditure on age pensions, but this was eroded last year with amendments to the tapering of the means test raising the level of allowable income for pension benefit entitlement.

### **Goods and Services Tax (GST)**

The GST is a form of regressive taxation which aggravates rather than alleviates the present day inequities in distribution of economic wealth, and again reinforces in the eyes of the community the uncaring attitude of the Coalition government and the Australian Democrats who combined to ensure the introduction, albeit with the removal of food from the tax.

There is now a growing realisation of the damage this taxation measure has caused to the lifestyle of many in the community through the higher cost of sporting, recreational and cultural activities, and of services such as power, gas, petrol, telephone and insurance. Retirees and low income earners are especially affected.

There is also the effect on small business, including sporting and recreational clubs. It is a simple matter of economic principle that an increase in price reduces demand, and many businesses, clubs and organisations are suffering from the impact of the tax. On top of this is the administrative burden of the quarterly business statements.

To cap it all, providing income tax relief which inevitable favours those with higher incomes and taxation reinforces the community view that however you describe it there has been an increase in regressive taxation to compensate for a reduction in progressive taxation. And the ultimate non-caring approach is the tax on a tax created by applying the petrol excise tax to the increase in petrol prices attributable to the introduction of the GST.

### **Other factors**

Overall, there is a community concern that political parties care more for economic outcomes than social outcomes, and this is being reinforced by respective claims by both major parties of their greater skills as economic managers. The present government is endeavouring to support their claim by reference to their demonstrated ability to maintain a surplus each year, despite some difficult economic times. What must be overcome, however, is the impression gained by many in the community that these surpluses have been achieved by savings in key social areas such as education, health and welfare. The government may be able to respond to these claims, but there is also now the knowledge of the significant contribution towards these surpluses arising from the failure of respective governments to honour their obligation to maintain a specified level of funding on roads. So much for the notion of mutual responsibility!

It now seems that all political parties are more concerned with their own welfare than with the welfare of the nation. Despite the inevitable similarities in some of their policies, the community is led to believe that the parties are not only entirely different, but that the parties are virtually "at war". In the eyes of the government the opposition is the enemy, and vice versa. And the politicians themselves are so imbued with their own importance that they are more concerned with looking after themselves rather than looking after the community - hence the

"preference issue" which so coloured both state elections.

### **Income support policy**

So where does a proposal for universal, unconditional income support fit in with the present political scenario?

There is no doubt that such an income support system can help provide greater financial and job security and help achieve a greater sharing of the available work amongst the whole of the labour force. There is no doubt also that the system will help achieve a more equitable sharing of national income - it has been described, for example, as a system in which all Australian citizens would become shareholders in Australia. And if introduced with bi-partisan support it could help break down the intense feelings between parties. If the system can help achieve these objectives, why is it that universal, unconditional income support is not on the political agenda?

This will be examined in the paper "Introducing a Support Income System" which will follow this newsletter.

---

*Allan McDonald* for OASIS-Australia

[To Following Newsletter](#) [To Previous Newsletter](#)

[Back to Home Page](#)

23 May 2001

In the paper following the February newsletter - "Introducing a Support Income System" - I addressed the question why proposals for unconditional universal income support are rarely given any lasting political support. In particular I drew attention to the need for greater community awareness and understanding.

In the paper following this newsletter - tentatively titled "Introducing a Support Income System - Part Two" - I take up a similar theme by questioning whether there are economic and political influences fostering a strong resistance to change, or what may be more accurately described as a strong apathy to consider change.

One of the dominant features of a support income system is the inherent wide range of social influences and pressures. A support income proposal cannot, for example, be neatly packaged and presented as a better way of providing income support on a national scale. The introduction of such a scheme will have wide ranging implications in areas such as employment and unemployment, labour contracts and workplace agreements, income distribution, superannuation and retirement incomes. Indeed such a proposal will have an influence in most areas of social relationships and interactions.

This wide ranging influence of a support income system is not sufficient for it to be declared another "ism", but it is a system which is equally compatible with the major "isms", i.e. capitalism and socialism. This in itself adds to the problem of community acceptance, for it is only too easy for believers in capitalism to declare a support income system as a socialist ploy, and for believers in socialism to declare the system as a capitalist ploy.

There is no doubt the introduction of a support income system would be a major change, and politicians in a democracy where they must face the people at regular intervals do not readily accept major change. (Unless, of course, the government is the major beneficiary, as was the case with the recent introduction of a Goods and Services Taxation (GST) system.)

Just how wide ranging are the implications of a support income system can be illustrated by two events which occurred in Australia in recent weeks.

### **1. Employment statistics for the month of April - released 17 May.**

It is always difficult, or dangerous, to draw worthwhile conclusions from statistics for a single month, but the April figures are of particular interest because they are indicative of the trend towards part time and casual jobs at the expense of full time jobs. They also highlight the importance of the participation rate in determining the rate of unemployment.

In the month of April full time employment fell by 40,400, while part time and casual employment rose by 80,500. A net increase in total employment of 40,100. However, this increase was not sufficient to outweigh the effects of the slight growth in the labour force and the more significant growth in the participation rate of 0.4 percentage points to 63.9%. The rate of unemployment rose by 0.3 percentage points to 6.8%.

The changes in the number of full time and part time/casual jobs highlight how employment can be increased by greater sharing of the available work. Assuming the average hours of work for the new part time and casual workers was in line with previous estimates of approximately 17 hours per week, the total hours worked by the workforce would have fallen slightly as a result of these changes - (i.e. one full time worker worked on average slightly more than two part time or casual workers). However, net employment increased! Approximately two part time and casual workers replaced each full time worker lost.

Part time and casual jobs, by their very nature, provide less job and income security than full time jobs, and the existing income support system in Australia aggravates rather than alleviates this reduction in security. With this income support system in place, work sharing through growth in more flexible working hours and conditions creates a Catch 22 situation.

If the objective is to reduce the rate of unemployment, then greater sharing of work through growth in part time and casual employment will increase total employment, but job and income insecurity will also increase.

If the objective is to increase job and income security, then reducing the sharing of work through growth in full time employment will increase this security, but total employment will decrease and the rate of unemployment will rise.

Changing the nature of the income support system is the key to resolving this situation. One of the major objectives of a universal income support system is to increase the level of job and income security for part time and casual workers, thus permitting the objective of a lower rate of unemployment to be pursued through work sharing without creating greater hardship through higher job and income insecurity.

## **2. Auditor-General's report on the age pension system.**

As reported in the national press on 18 May, a report by the Auditor-General claims to have found errors in more than half the pension applications processed by Centrelink staff.

"The auditor concludes Centrelink "could not assure payment at the right rate, from the right date, to the right person, with the right product, for approximately half of new claims for age pension." (The Australian, 18 May 2001, p.2)

Reference has frequently been made to the unsuitability of a system of means tested income support for the provision of pensions and benefits on a national basis. In the paper following the February newsletter, for example, it is stated- "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."

Any system of income support on a national basis should have as a core element simplicity of administration. Australia seems destined to favour complexity rather than simplicity, with rigid means testing for most pensions and benefits, and with increasingly complex conditions for labour force aged beneficiaries.

---

## **New Website**

We have been advised of a new Canadian website promoting welfare issues including basic incomes.  
[www.ourlives.ca](http://www.ourlives.ca)

The message advising of this website-

There are plenty of websites out there dealing with poverty issues from the perspective of social workers and academics. There is a shortage of news and information specifically for the growing numbers of socially marginalised people. At the same time, more people with very low incomes are able to afford computer access.

ourlives.ca will deal with three main topics;

- a. The need for a Basic Income,
- b. The need for a new housing program that does not repeat old mistakes,
- c. The need for a real, locally based democracy that everyone can participate in.

The home page is laid in, and it is organised to grow outward like a tree.

An information list on the same topics has been operating for awhile. Go and take a look at it. Tell more people about it.

---

## **Superannuation Tax Concessions**

The 2001 budget was presented yesterday, and there has not been time to consider fully all the changes affecting welfare and social issues. And there are plenty. With an election looming later this year this is obviously a pre-election budget, with carefully targeted benefits to compensate for a lack of long term social planning. Social policy appears to be directed towards electoral success rather than any long term social aims, confirming of a lack of

social vision.

Last year, with the introduction of the new tax system, tapering of the means test for age and other pensioners was eased, extending the range of incomes within which there is eligibility for a part pension and increasing the level of benefit for people in receipt of a part pension.

This change raised an important long term policy issue at the time, for it seemed to negate the recognised justification for taxation concessions for occupational superannuation. At first glance the budget does not provide anything to challenge this view.

These taxation concessions were introduced on the grounds of saving future age pension payments which were likely to escalate with an ageing population. Last year the government did not appear to have any great concern regarding future pension costs, and there does not appear to be anything in the budget to change this view. Perhaps the time is now appropriate to review the policy of taxation concessions for superannuation, and more fundamentally the role of superannuation in future welfare policy. In the interest of greater transparency, should there be a split between the meeting the need for retirement income and meeting the need for increased savings?

---

*Allan McDonald*

[Previous Newsletter](#)

[Following Newsletter](#)

[Back to Home Page](#)

Unlike previous newsletters which have covered items of current interest, this newsletter is short and devoted entirely to the message contained in the paper which follows.

In recent months I have been giving consideration to the difficulties in gaining wider community understanding of the concept of a Support Income for Australia. Despite the seemingly significant benefits to be derived from the introduction of such a scheme, little progress has been made towards gaining community understanding, let alone acceptance, of the principles upon which proposals have been developed. This is to some extent a uniquely Australian situation, as the concept of a support income, or as it is commonly known a basic income, is much better known and understood in European and some American nations.

Two earlier papers were published as following papers to the February and May newsletters. Research for the following paper to this newsletter, the third and final paper in the series, has led to the introduction of a new concept, a new proposal embracing the fundamentals of a basic income or support income, but extending the scope of application beyond those nations which have the economic development and growth to immediately introduce a support income or basic income system.

This paper introduces the concept of a national dividend, which may be in the form of a regular income for all citizens along the lines of a support income or basic income, or in the form of a lump sum payment to all citizens on a quarterly, half yearly or annual basis along the lines of the Alaska annual payment to all citizens.

This is a concept which developed as a search for an answer to the problem of achieving greater community awareness and understanding progressed. This concept is now put forward for public discussion. Does this concept provide an avenue for generating public discussion and understanding in relation to the principles of universal income support? Does this concept warrant special consideration in its own right? Ultimately the question must be considered - will the development of proposals based on the concept of a national dividend help to achieve a better system of sharing the benefits of economic growth amongst all citizens, nationally and eventually internationally?

Your comments will be appreciated. If they are of sufficient quantity and quality they will be published on the Support Income Website - [www.satcom.net.au/supportincome](http://www.satcom.net.au/supportincome).

*Allan McDonald* August 2001

[Previous Newsletter](#)

[Back to Home Page](#)

9 October 2001

## Unemployment

A federal election is to be held on November 10. Will unemployment be an election issue?

The community, according to recent polls, will say yes. The politicians, echoing their economic advisers, will say no, as the answer lies in greater economic growth.

In 1995 I stated: "Slowly, but surely, the community is being conditioned to live with long term high unemployment". Page 1 *Unemployment Forever?*

Six years later political correspondent Ian Henderson asks: "Why, if Australia's economic performance has been so wonderful, has our employment record been so poor? Why, if voters are as worried about jobs as they say they are, are our politicians apparently so untroubled by our dismal record on jobs? And why, if the labour market remains so weak, have our economic policy-makers failed to put the economy into overdrive in an effort to deliver more work for job seekers?" *The Australian*, 5/9/01

Why is it that after three decades of continuing high unemployment the community meekly accepts an unemployment rate of 7 per cent - seven per cent must be sacrificed in the interest of 93 per cent - and our political leaders can claim immunity from seeking a solution on economic grounds? Not only do they claim immunity, but they mobilise community support for using the seven per cent to hone their cost cutting skills.

The reality is that economists are apathetic about the social wellbeing of the unemployed. In turn the politicians are likewise apathetic, and so, it seems, is the community at large. There is wide spread acceptance that unemployment is an economic problem requiring an economic solution, and the only solution is higher economic growth.

**By way of illustration**, on Thursday September 27, the ABC radio programme "Australia Talks Back" looked at the problem of unemployment. The format of this program is that specialists in the field under discussion are asked to provide specialist knowledge and commentary, interspersed with comments from the general community. For the topic "unemployment" three specialists were invited - three economists. Their only answer to the problem was higher economic growth, and the program host agreed. No serious comment or discussion on the sharing of work, and of the moves towards a shorter working week. No looking ahead to possible solutions - merely navel gazing and the rhetoric of the 80's and 90's. Little wonder that the major political parties will do their utmost to stop unemployment becoming an electoral issue.

The Australian Democrats have recognised the need for a social solution to what is really a social problem with their proposal to introduce a first step towards work sharing along the lines of a shorter working week, but unfortunately they have muddied the waters by incorporating taxpayer funded maternity leave for the employed.

**Why do economists inhibit consideration of social changes?** Are economists autistic, (check with your dictionary) as suggested by the Post-Autistic Economic (PAE) Group formed initially in France, but now with a wide international following. The following is an extract from the most recent PAE Newsletter.

**Economics needs fundamental reform** and now is the time for change.

This document comes out of a meeting of 75 students, researchers and professors from twenty-two nations who gathered for a week of discussion on the state of economics and the economy at the University of Missouri - Kansas City (UMKC) this June 2001. The discussion took place at the Second Biennial Summer School of the Association for Evolutionary Economics (AFEE), jointly sponsored by UMKC, AFEE and the Center for Full Employment and Price Stability.

The undersigned participants, all committed to the reform of our discipline, have developed the following open letter. This letter follows statements from other groups who have similar concerns. Both in agreement with and in support of the Post-Autistic Economics Movement and the Cambridge Proposal, we believe that economic theory,

inhibited by its ahistorical approach and abstract formalist methodology, has provided only a limited understanding of the challenging complexity of economic behavior. The narrow methodological approach of economics hinders its ability to generate truly pragmatic and realistic policy prescriptions or to engage in productive dialogue with other social sciences. All economics departments should reform economics education to include reflection on the methodological assumptions that underpin our discipline. A responsible and effective economics is one that sees economic behavior in its wider contexts, and that encourages philosophical challenge and debate. Most immediately, the field of economic analysis must be expanded to encompass the following:

1. A broader conception of human behavior. The definition of economic man as an autonomous rational optimizer is too narrow and does not allow for the roles of other determinants such as instinct, habit formation and gender, class and other social factors in shaping the economic psychology of social agents.
2. Recognition of culture. Economic activities, like all social phenomena, are necessarily embedded in culture, which includes all kinds of social, political and moral value-systems and institutions. These profoundly shape and guide human behavior by imposing obligations, enabling and disabling particular choices, and creating social or communal identities, all of which may impact on economic behavior.
3. Consideration of history. Economic reality is dynamic rather than static and as economists we must investigate how and why things change over time and space. Realistic economic inquiry should focus on process rather than simply on ends.
4. A new theory of knowledge. The positive-vs.-normative dichotomy which has traditionally been used in the social sciences is problematic. The fact-value distinction can be transcended by the recognition that the investigator's values are inescapably involved in scientific inquiry and in making scientific statements, whether consciously or not. This acknowledgement enables a more sophisticated assessment of knowledge claims.
5. Empirical grounding. More effort must be made to substantiate theoretical claims with empirical evidence. The tendency to privilege theoretical tenets in the teaching of economics without reference to empirical observation cultivates doubt about the realism of such explanations.
6. Expanded methods. Procedures such as participant observation, case studies and discourse analysis should be recognized as legitimate means of acquiring and analyzing data alongside econometrics and formal modelling. Observation of phenomena from different vantage points using various data-gathering techniques may offer new insights into phenomena and enhance our understanding of them.
7. Interdisciplinary dialogue. Economists should be aware of diverse schools of thought within economics, and should be aware of developments in other disciplines, particularly the social sciences.

Although strong in developing analytic thinking skills, the professional training of economists has tended to discourage economists from even debating let alone accepting the validity of these wider dimensions. Unlike other social sciences and humanities, there is little space for philosophical and methodological debate in the contemporary profession. Critically-minded students of economics seem to face an unhappy choice between abandoning their speculative interests in order to make professional progress, or abandoning economics altogether for disciplines more hospitable to reflection and innovation.

Ours is a world of global economic change, of inequality between and within societies, of threats to environmental integrity, of new concepts of property and entitlement, of evolving international legal frameworks and of risks of instability in international finance. In such a world we need an economics that is open-minded, analytically effective and morally responsible. It is only by engaging in sustained critical reflection, revising and expanding our sense of what we do and what we believe as economists that such an economics can emerge.

**But what of the other social sciences?** Are there social scientists in areas such as social work, social policy, and sociology, who recognise the need for social action to provide a solution to the unemployment problem? If there are, then now is the time to speak up, but let's not hold our breath waiting for them to do so. Academics in these fields are hardly rushing to fill the void.

The 8th Annual Conference on Unemployment was scheduled to be held this month at Ballina, Northern NSW,

hosted by the Southern Cross University. Unfortunately it was cancelled through lack of support. One can readily point to apathy amongst the academics as the reason for the cancellation. But is it just apathy, or is there some disillusionment about the success or otherwise of the previous seven conferences? Is there finally some acceptance that they have nothing to offer, and are prepared to leave it to the economists, who in turn have nothing to offer?

As compensation, a virtual conference is being conducted via the internet, with opportunities for people to submit papers or to join in the discussion. For further information contact Toni Ledgerwood by email - [tledgerw@scu.edu.au](mailto:tledgerw@scu.edu.au)

**Overseas news** We are indebted to BIEN and USBIG for the following items and reports.

The First Congress of the U.S. Basic Income Guarantee Network: **FUNDAMENTAL INSECURITY OR BASIC INCOME GUARANTEE**, will take place on March 8-9, 2002 at The CUNY Graduate Center (365 Fifth Avenue between 34th and 35th Streets in New York City). The Congress will be sponsored by the Center for Social Justice of the SUNY School of Social Welfare at Stony Brook and the Cultural Studies, Department of the City University of New York.

The purpose of the Congress is to bring together a wide group of academics, policy analysts, students, activists, and others interested in exploring the merits of BIG. It will consist of a series of panels, discussion groups, and speakers and it will include an organizational meeting for USBIG. We invite proposals for papers and panels on topics related to the Basic Income Guarantee, including but not limited to the following:

1. BIG history: The movement for a Negative Income Tax or a Guaranteed Income in the United States and lessons for the future
2. The ethics of BIG
3. The politics of BIG
4. The Alaska Permanent Fund: the existing Basic Income Guarantee
5. The impact of a Basic Income Guarantee on civil society
6. The efficiency-equity tradeoff and the Basic Income Guarantee
7. The Basic Income Guarantee and the family: Effects on marital status, domestic violence, child poverty, and unpaid carework
8. The Basic Income Guarantee outside the United States
9. The labor market effects of BIG
10. Funding a Basic Income Guarantee
11. Substitutes or compliments? The relationship between the Basic Income Guarantee, government as employer of last resort, wage subsidies, the living wage movement, and other alternatives.
12. The problem at hand: recent trends in poverty and child poverty in the U.S. and possibility of increased employment insecurity in the next recession

Anyone interested in presenting a paper or organizing a session should submit a proposal.

. Electronic submissions are preferred and should be sent to Michael A. Lewis at [<mlewis@notes.cc.sunysb.edu>](mailto:mlewis@notes.cc.sunysb.edu)

Submissions can also be made by regular mail to:

Michael A. Lewis, Assistant Professor of Social Welfare, School of Social Welfare, Stony Brook University, Health Sciences Center, Level 2, Rm. 093, Stony Brook, NY 11794-8231.

The deadline for paper submissions has been set at December 8th, 2001 (3 months before the conference), but early submissions are certainly welcome. All those who submit abstracts will be notified by early January; those who submit early will be notified as early as possible. Keep an eye on the USBIG website [<www.usbig.net>](http://www.usbig.net) for information about registration and hotels, which will be posted soon. Submissions are already arriving from as far away as Europe and South Africa, and speakers such as Anne Alstott, Sumner Rosen, and Stanley Aronowitz have already been confirmed. A tentative schedule and with list of conference participants, titles, and abstracts will be posted on the USBIG website in December.

**GENEVA, September 2002: Ninth Congress of the Basic Income European Network.**

Preparation is progressing, under the leadership of Guy Standing, [<GuyStanding@compuserve.com>](mailto:GuyStanding@compuserve.com), co-chair of BIEN and director of the ILO's InFocus Programme on Socio-Economic Security, with the collaboration of Bridget Dommen-Meade [<bdommen@hotmail.com>](mailto:bdommen@hotmail.com) and Lena Lavinas [<lavinas@ilo.org>](mailto:lavinas@ilo.org).

**SAMUEL BRITTAN**, "In praise of free lunches." The (London) Times Literary Supplement, Aug. 24, 2001

In a review of two books on the Basic Income Guarantee, a well-known British author and columnist gave a strong endorsement to the idea. The following is an excerpt:

One of the myths of New Labour is that paid work is the answer to most social problems. There is no need to argue about the miseries that arise when people able and willing to work are not able to find a job that makes them better off than being on the dole. Nor need anyone deny that people have become disheartened and in the fashionable jargon felt socially excluded through lack of work other than dead end jobs. Some of these have had their self respect and whole outlook on life transformed by appropriate job opportunities.

But it is a fatal logical slide to move from here to insisting that as many people as possible should work for cash, even if that is not what they want to do or that is not the best way of using their enthusiasms and skills. The obvious vulnerability of current policies is in the pressure placed on unmarried mothers to take up paid employment when in many cases the most useful thing they can do would be to look after their children.

The issue is wider. The mistake of Karl Marx was to thunder against private capital and investment income. The problem with them is not that they exist but that too few of us have them. One of the great advantages of the old professional classes is that they had some personal funds on which to fall back and were not completely dependent on wages and salaries. This gave them a degree of independence in dealing with employers or clients as well as a nest egg on which to fall back on difficult times. Last but by no means least, it was possible for younger or more unconventional people to take time off before or during their careers to travel round the world, follow an artistic bent on a modest income, give their time and energy to good causes, or engage in a little riotous living. Unfortunately most defenders of market capitalism have chosen to ignore the existence of unearned income and shut their eyes to the ample evidence of its existence among affluent Americans as well as in the European upper middle class

## **THE SUPPLY-TOBIN EXCHANGE**

The Yale economist, Nobel laureate and father of the "Tobin tax" proposal, James TOBIN was among the very first academics to publish technical papers on the negative income tax in the late sixties. He himself favoured a non-means-tested variant of the negative income tax, which he called demogrant, and which he advised George McGovern to put on his electoral platform for the 1972 presidential election.

A US-trained economist and prominent member of Brazil's main left-wing party (PT), Eduardo Matarazzo SUPPLY has been senator for the state of São Paulo for many years. In 1991, he presented a bill which, if passed, would have established a guaranteed income for all Brazilian in the form of a negative income tax. Many modest guaranteed income schemes have since been experimented at a more local level throughout Brazil, and have now been granted some federal backing.

Senator Supply is now preparing a new book ("The Exit is Through the Door. Towards a Citizen's Income") and to get some matters straight, he first wrote to Milton Friedman (see their exchange in BIEN's News Flash No 3, May 2000), and later to James Tobin. Following are extracts from Supply's questions (11 August 2001) and Tobin's answers (18 September 2001).

1. SUPPLY: When was the first time you became acquainted with the idea of a guaranteed minimum income, either through a negative income tax or a basic income?

TOBIN: I first became interested in a basic income or demogrant in 1965 when I undertook to write an article for the journal Daedalus "On Improving the Economic Status of the Negro". This was for an issue devoted entirely to Negro problems in America, published as a book in 1966. This was a new subject for me, and I tried to generate a platform on my own without reference to existing literature. One of my several proposals was a universal demogrant of \$300 -- for everyone of course, not just Negroes-- and a negative income tax of 1/3. I drew the now familiar graph relating family disposable income to income, taking account of demogrant as taxed and regular income tax. I knew nothing of previous proposals of this kind. I was writing a pragmatic policy paper, not a scholarly article, and this proposal just seemed to me an obvious thing to do. This article was followed by

numerous papers in which I advocated this proposal, still in the pragmatic policy spirit. At some point I became aware of Friedman's proposal, but I thought it was confined to a negative income tax rate equal to the lowest income tax bracket tax rate, and that didn't seem to me to offer substantial help. I was not aware of proposals in other countries.

3. SUPPLICY: To what extent did you take into account the critical views of the classical economists such as Adam Smith, David Ricardo, Thomas Malthus, and from another perspective, Karl Marx on the several forms taken by the "Poor Laws"? Take, for example, the observations made by David Ricardo in his chapter "On wages" in his "On the Principles of Political Economy and Taxation" (1817): "The clear and direct tendency of the poor laws is in direct opposition to the obvious principles: it is not, as the legislature benevolently intended, to amend the condition of the poor but to deteriorate the condition of both poor and rich; instead of making the poor rich, they are calculated to make the rich poor; and whilst the present laws are in force, it is quite in the natural order of things that the fund for the maintenance of the poor should progressively increase, till it has absorbed all the net revenue of the country, or at least so much of it as the state shall leave to us, after satisfying its own never failing demands for the public spheres. If by law every human being wanting support could be sure to obtain it, and obtain in such a degree as to make life tolerably comfortable, theory would lead us to expect that all other taxes together would be light compared to the single one of poor rates."

TOBIN: To no extent. I am more a pragmatist than a scholar. I have always been confident I could work fairly obvious things out on my own. Of course I understood Ricardo's point, even if I hadn't remembered his words, but this was an empirical question and I wasn't that pessimistic.

5. SUPPLICY: To what extent, when proposing to institute a guaranteed income have you taken into account that it could have a wide support in the political spectrum?

TOBIN: I was afraid it wouldn't have much support at all. The politically active and powerful strata would be against it, and they would prevail. The people who might gain from it wouldn't vote and would share the bourgeois values of those better off.

6. SUPPLICY: Which were the main authors and articulators of the Spring 1968 document that called for the National Congress "to adopt this year a system of income guarantees and supplements"? Could you please tell shortly about the history of this initiative?

TOBIN: This petition was formulated and circulated by a young MIT assistant professor who had been a student of mine at Yale. At this moment, in my vacation home I can't remember his name. Or the number of economists who signed it. I thought it was successful. But Friedman wouldn't join. That was a disappointment to the hope that this proposal might have wide nonpolitical and non-ideological support. This also confirmed my previous suspicion that Friedman's support of NIT was half-hearted.

7. SUPPLICY: To what extent has the Earned Income Tax Credit (EITC) contributed to the purpose of eradicating poverty as well as of increasing the level of employment in the USA?

TOBIN: It was an anti-poverty measure, formulated to minimize incentives not to work. The general public was suspicious that the pure NIT would discourage work and didn't want to spend money with that effect. The NIT experiments were thought to have shown that a household's supply of labor would be diminished by demogrants. This effect was confined to secondary workers and it was neither surprising nor very large. But it had an immense effect adverse to the NIT. The EITC was the result,

8. SUPPLICY: Has the EITC, especially after being expanded since 1993, contributed to the US having lower rates of unemployment until the year 2000? Why has the unemployment rate been increasing during the year 2001?

TOBIN: I don't think the EITC had much effect on unemployment rates. The decline in unemployment in the 1990s was largely the result of good macro policy, especially by Greenspan at the Fed, and some good luck. See Blinder and Yellen, *The Fabulous Decade*.

9. SUPPLICY: Would the full negative income tax, as specified in Nixon's Family Assistance Plan of 1969, be more efficient for the purpose of eradicating poverty?

TOBIN: Yes, in my opinion, for diminishing poverty. Maybe not for reducing unemployment, but I think that's

mainly macroeconomics anyway.

10. SUPPLICY: Would you please say how you developed and with whom the idea of paying a "demogrant" to all Americans, when George McGovern proposed it in the 1972 national elections? How much would the value of the demogrant proposed at that time be today in dollars? Why was the idea not so well accepted in that campaign?

TOBIN: The McGovern campaign proposal was prepared by me and Brainard and Watts, also Bulow and Shoven. The economist in general charge of the platform was the late Edwin Kuh. Unfortunately McGovern himself was not adept at numbers, and his political advisers, whose attachment to the Senator was very close from long experience, were jealous of us economists and didn't give priority to our proposal. No one who understood the proposal and its place in the budget accompanied the candidate on tour. The result was that in California McGovern looked bad when he couldn't respond to criticisms from his primary opponent Senator Humphrey and to jibes from the press. Nixon attacked him in the general campaign. Ironically Nixon, once elected, took Moynihan's advice and proposed essentially the same thing in the FAP. Ironically too, the Democrats killed that proposal, influenced by social workers etc who wanted a universal children's allowance without any NIT features, doomed because it was so expensive.

13. SUPPLICY: Should we first start with very modest guaranteed income programs related to educational opportunities, or Bolsa-Escola programs, for the poor families to have the right to receive a modest complement of income as long as their children in school age are going to school?

TOBIN: I don't know. It sounds worth a try.

15. SUPPLICY: Or should we institute a negative income tax program to all adult citizens so as to guarantee a minimum income to all?

TOBIN: I still favor that.

17. SUPPLICY: Would you recommend Brazil to introduce a basic income as soon as possible for all the 170 million inhabitants?

TOBIN: I don't know Brazil well enough to venture a recommendation.

---

**Following Paper** The paper following this newsletter was prepared by Dr John Tomlinson, QUT, for the 8th National Unemployment Conference. This paper will be published on our website within the next few days.

---

[Previous Newsletter](#) [Following Newsletter](#)

**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.

[Previous Newsletter](#)

[Back to Home Page](#)

## [Newsletter](#)

Newsletter 2.02

16 June 2002

This newsletter is in effect an introduction to the paper which follows - A paper entitled *Employment, Unemployment and Economic Dogma*.

This paper challenges that part of economic dogma which stifles ideas and even debate on what is regarded by many as one of our most pressing and socially divisive problems - high and continuing high unemployment.

In recent times we have witnessed a significant change in the structure of the labour force in Australia. As the Australian Bureau of Statistics (ABS) highlights in their "Australian Social Trends" series, Bulletin 4102, there has been growth in the number of workers classified as part time, and in the number of full time workers working in excess of 45 hours per week, with worrying social consequences. In their 1999 publication, p.105, they state - "These changes have prompted expressions of concern for workers, their families, and social cohesion. There are fears in some sectors of the community that the workforce is polarising into underemployed, low income part timers wanting to work more hours, and overworked full timers suffering ill-health, fatigue, and deteriorating quality of working and family life, who want to work less hours."

There are varying views on the severity of the problem, ranging from the view that our objective should be "work for all" and a return to the days of one per cent unemployment, to the view that some level of unemployment is necessary to ensure competition in the workforce - a level that can be expressed in economic terms. In the existing political climate in Australia it seems that the latter view prevails. The prevailing economic dogma that economic growth will lead to employment growth provides consolation for those who advocate a market-oriented response to the problem, and also a reason for doing nothing except waiting.

Existing unemployment data is based on what is described in the following paper as a statistical roundabout. There are four elements - numbers employed, unemployment rate, participation rate, and the population aged 15+. Alter one of these elements and the others adjust. If the number of employed rises then the unemployment rate falls - the basis of the current economic dogma. Or as we have seen in recent monthly statistics, if employment rises, and the participation rate also rises, then the unemployment rate can remain unchanged. Like double entry book-keeping, there is always a balance.

However, in the real world there is a different picture. Economic growth, or investment, will create work. This is a natural economic outcome. But whether this work is for people or for machines is dependent upon technological change and our ability to utilise this change. One of the direct influences of globalisation is the utilisation of this change.

In the past three decades and more there has been a decided movement of work away from people to machines, and this is a continuing process. There will continue to be a gradual proportionate decrease in the volume of work for people.

How the volume of work for people is translated into jobs then becomes a decision based on social change - how the flexibility of the labour market allows more people to share a diminishing volume of work through increasing part time employment. Without this flexibility, without this growth in part time employment, it is doubtful whether our past economic growth could have been maintained. The ability to utilise a flexible labour force has undoubtedly influenced investment and growth. Recent industrial disputes in the car components industries illustrate how investment, and therefore growth, is influenced by the flexibility of the workforce.

### **Options for change**

In this section we diverge from providing background for the paper following this newsletter, which is intended primarily to challenge existing economic dogma, to further pursue consideration of measures to reduce unemployment and the social implications of further action or inaction.

If our aim is to achieve a socially acceptable level of full employment, or work for all, then there are virtually two

options. The first option is to pursue through legislation a reduction in the working week which will target full time workers, and particularly full time workers working excessive weekly hours. France has opted to take this route, with some limited success.

This is the easy route - legislation to prevent people doing something. This is the route favoured by those who see legislation as the way to achieve change. This is also the route with the minimal impact on the welfare of the unemployed, the underemployed, and the low paid part time workers. This is the route which has the objective of increasing the overall number of people employed without financial or social concern for the low paid part time workers. Strangely this is the same objective as those who believe that economic growth will increase employment.

The second option is that mentioned in the following paper, the provision of suitable income support to ensure that all citizens, including the unemployed, the underemployed and the low paid workers, are able to maintain a socially acceptable standard of living.

This is a route which raises mixed signals within the community. It requires legislation to give rather than to prevent. The aim is to provide all citizens with greater financial security, which can be seen by some as an extension of the welfare state (and without proper understanding it can be seen as an expensive extension), and which can be seen by others as an affordable move towards greater social cohesion and citizen responsibility embracing the concept of all citizens being shareholders in the nation. It can be seen by some as providing a disincentive to work by paying people not to work, and it can be seen by others as a means of providing people with an incentive to work and as a means of removing existing disincentives to work in our existing social security system.

It can also be seen by some as removing the incentive to save for retirement, and by others as a means of ensuring an income for life, leaving it to individuals to determine how much they wish to supplement this income. It can be seen by supporters of occupational superannuation as a threat to that system which offers taxation assistance proportionate to the level of saving, whereby the state provides assistance to help people maintain their pre-retirement standard of living. On the other hand it can be seen by others as reflecting what they consider to be the proper role of the state; to ensure all citizens have an income sufficient to provide a socially acceptable standard of living throughout their lifetime.

Occupational superannuation in itself is a divisive issue, strongly favoured by those who benefit most, and strangely also strongly favoured by those responsible for the introduction of the scheme despite it being of little or no value to those who are their traditional and potential members and supporters. The scheme was introduced at a time when deregulation of the labour market was growing in intensity and was being supported by those advocating the introduction of work place agreements and flexible working hours. Yet the indications were there at that time that increasing labour market flexibility would lead to increasing numbers of low paid part time workers. Perhaps it is now time to review the policy and to assess the extent to which occupational superannuation is contributing to financial inequality.

Discussion of this nature inevitably leads to political considerations, and how they have influenced, and will continue to influence the development of our welfare state. How, for example, those measures with greatest benefit for the poor and the disadvantaged, the unemployed and the underemployed, such as unemployment benefits and disability allowances, are under attack, whereas those measures with greatest benefit for the rich and the well off, the full time workers, the independent retirees, such as occupational superannuation, health insurance premium subsidies, and private education assistance, are politically protected.

OASIS-Australia is non-political, and the national dividend it is promoting is not seen as a welfare state measure, but as a dividend paid to all citizens related to our economic performance. It is not a redistribution of income but a basis for greater individual security and enterprise. Although the introduction of such a system will go a long way towards achieving social objectives such as work for all and financial security for all it will not provide a complete answer to our social problems and divisions. However, debate on the topic will help direct attention to many of these problems and divisions, and perhaps help to highlight how some of our existing social and welfare state policies are helping to divide rather than unite the community.

• \* \* \* \* \*

February 21-23, 2003, the Crowne Plaza Manhattan Hotel,  
1605 Broadway between 48th and 49th Streets in New York City

The U.S. Basic Income Guarantee Network will hold its 2003 meeting in conjunction with the Eastern Economics Association meeting in Manhattan on February 21-23. Scholars, activists, and others are invited to attend, to submit papers, and to organize panels in any discipline. Paper submissions are welcome on topics relating to the Basic Income Guarantee or to the state of poverty and inequality. Suggested topics include the political economy of BIG; the history of BIG; gender, family, and labor market issues and BIG; and empirical issues of BIG and of poverty. The purpose of the conference is discussion, and all points of view are welcome.

This meeting will be an opportunity to interact with economists who have been surprisingly receptive to BIG over the years, but it will not limit the range of topics discussed at the USBIG meeting. The EEA will handle registration and logistics, and anyone attending the USBIG conference is welcome to attend any of the EEA sessions, but the USBIG meeting is entirely autonomous in content and will maintain its interdisciplinary character.

To present a paper, send a proposal including the following information to [Karl@Widerquist.com](mailto:Karl@Widerquist.com)

1. Name
2. Title (if applicable)
3. Affiliation (if applicable)
4. Address including City, State, Zip Code (Postal Code), and Country
5. Telephone number
6. FAX (if available)
7. Email Address
8. Paper Title
9. Abstract (of 50 to 200 words)

The Deadline for submissions is Oct. 8, 2002.

For further information, contact Karl Widerquist at the above address, or check out the USBIG website at: [www.usbig.net](http://www.usbig.net)

---

*Allan McDonald*

For OASIS-Australia

[Previous Newsletter](#)

[Back to Home Page](#)

### **BIEN International Congress**

The Basic Income European Network (BIEN) 9th International Congress will be held this year at the International Labour Office in Geneva on 12th to 14th September. The topic of the congress is "Income Security as a Right".

Each year the Congress seems to grow in attendance and stature, and to become more international. This year is no exception. There will be 19 sessions with 5 or 6 papers presented at each session - a total of over 100 papers to be presented by speakers from 27 countries, including one from Australia. For full details of the program, visit the BIEN website at [www.basicincome.org](http://www.basicincome.org) - For further information e-mail to [bien@ilo.org](mailto:bien@ilo.org)

This newsletter is devoted to a paper prepared with the topic of the BIEN Congress in mind. This paper looks at the impact of economic fundamentalism on the social commitment of elected governments. In doing so some views are expressed which are especially relevant to the development and maintenance of social policy in Australia today, and these will be the subject of comments immediately following the paper.

---

### **Social and Income Security in a Capitalist World**

Capitalism, as a political philosophy and as a political process, is changing under the influence of economic fundamentalism, or economic rationalism. Despite the enthusiastic promotion of capitalism post world war II by the USA and other industrialised nations, and the acceptance of a market economy by more and more nations following the collapse of communism in the Soviet Republics, we are still far from having what might be called a standardised capitalist system.

Where it can be claimed that the capitalist system is still evolving, and where nations divide and disagree with the direction the system is moving, is in the area of social commitment and responsibility.

Social policies have long been considered necessary to temper the extremes of economic policy and to improve the well-being of the community. The Keynesian influence on economic theory saw economic policies being designed to achieve desired social outcomes. Today this is no longer so. Today the trend is towards economic theory being designed to achieve economic outcomes, leaving social policy to be advanced without impeding economic growth. In some areas such as employment and industrial relations social policies may be designed specifically to promote economic growth. As a result there are considerable variations between nations in their approach to social welfare, influenced greatly by history and tradition and political sophistication.

For most industrialised countries, there has long been a recognition - in many cases since before the onset of the industrial revolution - that the elected government (the state) has a role to play to ensure acceptable standards of education, health and housing for all citizens. There has also been a similar recognition that the state has a role to play in the provision of welfare assistance to those in need. On the other hand many developing nations have not had this tradition of social commitment and responsibility. How nations now work to achieve these social outcomes, and how they establish the standards they seek to achieve, will obviously be influenced by previous practices and philosophies. They will vary greatly in their approach to meet the social problems and weaknesses inherent in a fundamentalist capitalist system.

Looking particularly at the system in Australia where there has been a tradition of social responsibility, but which today is influenced greatly by the USA, the social objectives have changed dramatically in recent years. In education and in health, for example, the social objectives traditionally were to ensure that all citizens had access to acceptable standards of education at primary, secondary and tertiary levels, and access to medical practitioners and facilities. In a vast country with a relatively small, largely urban population, these objectives required acceptance of a policy of cross-subsidisation, a policy which also flowed through to other social services such as transport and communication.

Today, under the influence of economic fundamentalism, these objectives have changed. With the emphasis on wealth creation, and with acceptance of the subsequent social divisions based on wealth, policies aimed at ensuring minimum standards for all have changed to policies of ensuring a choice of standards to meet the perceived needs of the divisions within society. Recent years have seen more and more government support for private education and private health care. And now, with the drive for smaller government and further privatisation of services, the policy of cross-subsidisation is no longer economically acceptable.

Again in the area of welfare assistance, and in the area of income support in particular, the social objectives have changed. In the 1960's and 1970's Australia could claim to have a "de facto" guaranteed minimum income system - the objective was to provide a common level of income support for all citizens in need. Today, income support for the aged and for families mirrors the divisions within society, with inbuilt rewards for wealth and a growth in the extent of what may be described as middle class welfare. Income support for the unemployed and the disadvantaged - the people sacrificed in the name of economic growth - is not only at a level lower than for other citizens, but has conditions incorporating penalties administered by bureaucrats rather than a judicial system.

The changing social commitment of the government in Australia is not dissimilar to the social commitment of governments in other nations - it is not dissimilar to the commitment of governments of other OECD countries. Social objectives in capitalist societies are changing from protecting the poor and the disadvantaged to rewarding the successful and the better-off. (Occupational superannuation is one example) The social objective of helping the unemployed is also changing, gradually moving away from the objective of helping people towards the objective of helping create economic growth.

It is against this background that the subject matter of social and income security is being put forward for consideration. Will the introduction of some form of sharing national wealth help to provide greater security for all citizens?

It is fair to say that there is no general acceptance today that the state should have a role to play to ensure that all citizens are able to share in the prosperity that is derived from economic growth. There is a general understanding that the economic processes which drive the capitalist system are designed to create wealth and they do not extend to sharing of this wealth.

It is also fair to say that there is also a growing awareness of a need for social change to ensure greater social and financial security for all citizens. Adoption of the topic of the 9th International Congress of the Basic Income European Network (BIEN), "Income Security as a Right", is one illustration of this awareness. However, until this awareness is translated into acceptance that the state has a role to play to ensure some sharing of economic prosperity, any moves towards greater social and financial security for all will fall within the ambit of "welfare". The inevitable result will be a piecemeal approach. In Australia today, for example, there are separate and quite independent moves towards maternity leave, towards taxation relief for low paid workers, towards greater security for casual workers, towards shorter working hours, and towards encouraging older employees to stay in the workforce. (These are all matters which would be covered to some degree with the introduction of a system of universal income support based on sharing national income.)

This leads to consideration of one further question. "Should the role of the state be extended to embrace sharing of economic prosperity"? This is a question yet to be considered by most nations. This is also a question which is basic to any consideration of basic incomes, and which is basic to the topic of the BIEN Congress this year.

Traditionally the role of the state has been seen to be one where the emphasis is on supporting economic policies to create wealth and drawing on national income through taxation to provide welfare assistance to those in need, i.e. for those who for one reason or another are unable to achieve an acceptable share of this income. Inevitably this policy results in a myriad of conditional pensions and benefits as specific needs are targeted, and leads to a politicisation of the welfare system whereby taxpayer considerations outweigh beneficiary considerations. This policy also leads to a divided society - divided on incomes and divided on attitudes. Australia is an example of a nation with strong economic growth in recent years accompanied by a growing inequality of incomes and social well-being.

In the current economic environment, without any commitment by the state to share national income, consideration of universal income support in the form of a basic income is seen as an extension of the welfare system, and for proponents of a basic income there is a perceived need to respond to this view. Hence the basic income must be

presented as a better way to meet individual needs, rather than one based on sharing. The basic income must also be presented as a way of preventing poverty rather than relieving poverty, a difficult concept to present when faced with the reality of welfare meeting specific needs.

Proponents have also felt obliged to respect some of the traditional attitudes to welfare, and at times this has led to compromise. In particular this has led to compromise in relation to the principle of unconditional basic incomes. There has been support for the introduction of participatory incomes, and for embracing the concept of mutual obligation. More significantly there has been support for the view that the state should not pay people "not to work".

Nothing is more damaging to the case for a basic income system than compromise which leads to conditional or means tested income support, yet without acceptance that the role of the state is to ensure all citizens share in national economic prosperity such a compromise may be seen as the only way of introducing an income support system incorporating the principle of universality.

If the social benefits of a basic income system are to be maximised then it is necessary for the social responsibilities of the state to be extended beyond areas such as education, health, housing and welfare to include sharing national income, and this should become an immediate objective for basic income proponents. It can be claimed that a prerequisite for consideration of a basic income is an acceptance that the role of the state should be extended to provide both social and income security for all citizens.

Acceptance of this role for the state will remove any need to compromise on the grounds of participation or mutual obligation, or on the grounds of not paying people "not to work". Instead this role will pave the way for recognition of "voluntary unemployment", in much the same way that "voluntary retirement", "voluntary redundancy", and "voluntary termination" have been used to accommodate downsizing and restructuring.

Promotion of the merits of a basic income alone may create a better awareness within the community, but there must also be promotion of the perspective within which these merits are presented to gain community acceptance. It is to be hoped that the forthcoming BIEN Congress directs attention to both areas of promotion.

I believe that this step of moving beyond the concept of a better welfare system to a better income sharing system is possibly the most difficult step to take when promoting a basic income. But it is also the essential step to gain wide spread acceptance, and to take the discussion beyond existing social attitudes and political rhetoric.

It is for this reason that I introduced the concept of a "National Dividend" in the paper "Introducing a Support Income System, Part 3." which followed the OASIS-Australia Newsletter, August 2001. In this paper I stated:

*Proposals for universal income support are not based on a welfare approach, but on a sharing approach - sharing part of national income equally amongst all citizens. There are significant and wide ranging social and welfare implications such as a more equitable sharing of the benefits of economic growth, including a sharing of the available paid employment, which are well documented and promoted. However, these implications will not be properly understood and accepted unless there is a clear recognition of the sharing approach, and this recognition begins with the title and introduction to the process. Use of the term "income support", for example, can be associated with welfare policies, as can titles such as support income or basic income. If the aim is to promote a concept based on a sharing approach rather than a welfare approach, then the concept must be clearly presented as such.*

*How can the concept of universal income support be presented so that it clearly and unambiguously represents a process of sharing national income?*

*I have on previous occasions likened the concept of a support income proposal to the concept of all Australians being shareholders in Australia, with the support income being a form of national dividend. This approach portrays the principle of a distribution of income regardless of other earnings, and helps move community perception towards the sharing rather than the welfare aspects, i.e. towards the sharing of national income and the sharing of the benefits of economic growth. This approach also helps to provide an understanding how with income distribution of this nature welfare benefits flow from the process of sharing national income, rather than the reverse which applies with income redistribution.*

**Allan McDonald**

### Some further considerations

There are two views expressed in this paper which are relevant to the development and maintenance of social policy in Australia and neighbouring nations today

**First** there is the view that with privatisation of government services the ability to extend these services equally to all citizens through the principle of cross-subsidisation is lost. This has happened in the banking industry, where branches needing subsidy from wealthier branches have been closed. This is also happening in the air transport industry as Qantas is moving out of non-profitable routes.

Privately owned services will not maintain a policy of cross-subsidisation. If they have a monopolistic position, as is the position with Qantas and also potentially Telstra, then they are strong enough to withstand public pressure. Responsibility to shareholders overrides responsibility to the community. If they are open to competition, as in the banking industry, then they cannot afford to maintain such a policy.

With the full privatisation of Telstra now under discussion, and with momentum growing for a quick decision, the question of maintaining a policy of cross subsidisation post privatisation has not been raised, yet this is the key to maintaining services in the future. The emphasis is on privatisation being acceptable if and when services in rural and regional areas are assessed to be up to a desired standard, and a second enquiry has been announced. With a majority shareholding the state is in a position to ensure that this desired standard is met. As mentioned earlier, without this shareholding the state will find it difficult to ensure that desired standards are maintained in the future.

Any move in the future to privatise Australia Post would be even more dramatic for the regions.

**Second** there is the view that in a capitalist society endorsing the principles of economic fundamentalism, the social commitments and responsibilities of governments are greatly reduced. Australia is an outstanding example.

With the emphasis on wealth creation, issues of social policy give way to issues of protection of property and law and order. It is significant that these are the major electoral issues in Australia today. The community may express serious concerns regarding social issues such as unemployment, but when the crunch comes the major political parties devote their greatest effort to issues of law and order.

With the emphasis on economic growth there inevitably will be a diminishing commitment by the state to social policy issues. For industrialised countries like Australia with a history of strong social commitment, there is usually a well developed social infrastructure which offers some security for the continuation of social and welfare services - limited though this may be.

For developing countries, however, the position is far more serious. These countries are encouraged to develop a market economy and endorse fundamental economic policies - often as a condition for the receipt of financial aid - before they have developed a suitable and well founded social infrastructure. As with developed countries, conformity to these economic policies will inevitably lead to law and order problems. However, without a strong social infrastructure, and without a strong commitment to social and welfare services, the whole political structure can collapse. These developing countries need a role model to look to for guidance, but developed countries with a diminishing commitment to social issues are poor role models.

In the South Pacific area there are a number of developing nations suffering from this lack of social infrastructure and the necessary social commitment to withstand the law and order problems flowing from their endeavours to pursue rigid economic policies. Papua New Guinea, Fiji, Vanuatu, The Solomons, are some examples. And Australia is far from being the ideal role model.

If these views are valid, are we seeing the ugly side of capitalism, and perhaps the start of it's downfall? In most developed countries, and certainly in Australia, all major political parties appear to be committed to economic

policies leading to a further diminution of social commitment and responsibility.

History tells us that it is social policy, not economic policy, which determines the character of a nation.

Take, for example, the spirit of mateship, which has been so close to the political heart of successive prime ministers. The spirit of mateship was fostered and supported by politicians through government policies designed to provide access to services wherever you may be, and to provide help to those in need, (the very essence of mateship). Today the scene has changed. Services are available if you are prepared to pay for them, and people in need are treated with mistrust, not with care. The unemployed are regarded as bludgers - as a cost to society - and not as people in need of support. And politicians are seen as epitomising the greed and selfishness that flows from economic fundamentalism.

If the major political parties are to strengthen their commitment to social advancement while still maintaining strong economic growth, they need to consider some innovation which will help to provide greater social and income security for all citizens. The introduction of a system of universal income support based on the concept of a basic income or national dividend is one such move which will not only help to strengthen a commitment to social advancement, but will at the same time help to resolve many of the current social problems. Without some measure of this nature, law and order issues and protection of property will continue to dominate the political scene at the expense of social progress.

The introduction of a basic income or national dividend will help to reverse the diminution of social commitment and responsibility which has accelerated in recent years under the present conservative government. However, both the conservative and labor governments have contributed - after all it was a labor government which first introduced a work test for the unemployed (for the 16 - 18 year olds mainly too young to vote). Privatisation of the Commonwealth Bank was also a labor government initiative.

Today the major parties, the conservative coalition and labor, both support extreme economic policies. They both support the maintenance of a pool of unemployed. They both support the privatising of public services. This leaves any moves for a greater commitment to social issues to the minor parties - the Democrats and the Greens. The Democrats hopefully will soon be in a stronger position, better able to regain their role of offering voters an alternative to extreme economic policies, and better able, along with the Greens, to withstand the scorn and criticism of those economists and would be economists who support the creation and protection of wealth above all else.

*Surely it will be far, far better to have the pleasure of fairies in the garden than to have the fear of strangers in the night.*

---

[Previous Newsletter](#) [Next Newsletter](#)

[Back to Home Page](#)

## Newsletter

21 November 2002

### **Finale**

Thirteen years ago OASIS-Australia was created with a convenor and a small group of people interested in supporting further studies in the area of universal income support. Just over 30 supporters subscribed to the first series of newsletters, commencing in February 1989. Apart from a period of post graduate study publication of the newsletter has continued with varying degrees of energy and enthusiasm, moving in the late 1990's from a printed format to a mainly e-mail distribution. The mailing list has also grown considerably, both nationally and internationally

Today this process of publishing newsletters and papers comes to an end. This is the final newsletter to be published in my name as convenor. Before going on any further I would like to acknowledge the support and encouragement I have received during these thirteen years, and to offer my most sincere thanks to all who have participated. Without this support I could not have continued.

OASIS-Australia is not a formal or structured organisation, and was never intended as such. It was developed as a forum for discussion and exchange of views. Perhaps it can continue as such. The web site will be maintained, my e-mail address will be maintained, and I personally will continue to maintain a strong interest in future developments within Australia and internationally. However, I feel that the time has come for me to retire from the self-designated position of convenor.

This decision to retire from an active role can be attributed to two reasons. First there is the ageing process which has influenced the timing of this decision. I am finding it increasingly difficult to devote sufficient energy to do justice to the role.

Second, and more importantly, it has become clearer in recent years that the promotion of this concept within Australia is more properly a role for an interested and committed group within a university school or department. Academic and political interest in the Basic Income concept is growing rapidly world wide, as evidenced by the report on the latest BIEN Congress published later in this newsletter, and Australia needs to have a greater representation in this area.

Unfortunately, in recent years there has appeared to be an intriguing lack of interest or concern within academia in this country for consideration of the basic income concept, or even for consideration of any innovative income support measures which could remove the injustices and the politicisation of means tested income support. At the most senior research levels there still appears to be a head-in-the-sand attitude to other than targeted and means tested income support. I have been hoping for some time that within one of our universities there would be a research group with the interest and enthusiasm to encourage further research and study into the development of a better system, and also to maintain contact with the rest of the world and represent Australia in the international scene. The opportunity exists - but on past performance there is little scope for optimism. It is so easy to gain the impression that our social scientists are far too busy trying to defend the indefensible - to defend the inherent weaknesses in our existing system rather than to seek an alternative system.

However, there is now at least one group with the interest and understanding to attempt to develop a basic income system for Australia, and to ensure that Australian social scientists maintain contact with international developments in this field. Within the Queensland University of Technology (QUT) School of Humanities and Human Services a group to be known as the Basic Income Guarantee Australia (BIGA) will operate on the QUT web site. John Tomlinson and Simon Schooneveldt plan to commence operating BIGA in March 2003. They may be contacted by e-mail:

John Tomlinson - [j.tomlinson@qut.edu.au](mailto:j.tomlinson@qut.edu.au)

Simon Schooneveldt - [spschoon@iprimus.com.au](mailto:spschoon@iprimus.com.au)

We wish them well in their new venture.

The following report on the recent BIEN congress highlights the international developments in this field, and need for Australia to be well represented. We hope that BIGA will be able to develop this representation and extend the range of interest within academic and professional institutions.

**Ninth Congress of the Basic Income European Network**  
(Geneva, 12-14 September 2002)

Extracts from the September BIEN Newsflash

So many things happen, and so quickly, and so simultaneously, at a meeting like this, that no overall account could be given. Those interested are invited to consult our web site (<http://www.basicincome.org>) for some of the press coverage of the congress and above all for a full version of most of the papers briefly presented and discussed at the parallel sessions, as well as that of the plenary addresses by Anthony Atkinson, Edouard Dommen, Ron Dore, Scott Goldsmith, Raymond Plant, Guy Standing, Eduardo Suplicy and Philippe Van Parijs.

Other active participants, who did not present a formal paper, included Finland's green party leader and former minister Osmo Soininvaara, the British-born feminist writer and UCLA philosophy professor Carole Pateman, the high-tech businessman Roland Duchâtelet, founder of Belgium's basic-income-focused party "Vivant", Bath University Professor Ian Gough, editor of the Journal of European Social Policy, and the impressively inexhaustible Irish activist Maire Mullarney, now over 80 but more enthusiastic than ever over both basic income and esperanto.

The congress proper was preceded by an interesting afternoon session (in French) focused on Switzerland, and in particular on the canton of Geneva. Thus, we heard that an attempt was made, under the impulsion of the canton's former minister of social affairs Guy-Olivier Segond (from the radical party), to introduce a means-tested but very comprehensive and quite generous guaranteed minimum income ("revenu minimum de réinsertion"). A majority of 57% supported it in the Canton's parliamentary assembly in 2000, but to the dismay of many, it was defeated in May 2002 by a 59% majority in a referendum for which 35% of the electors turned up. Might there be a tension between moves towards a basic income and direct democracy?

**Back door versus front gate**

More than ever, however, most of the action was in the many parallel sessions, where an unprecedented (nearly) 100 papers, positive or normative, highly technical or more generally accessible, were presented and (when lucky) discussed. Some of the sessions were fairly heterogeneous, while others were more focused, such as the extremely interesting session on South Africa. If one general impression emerges from the more forward-looking presentations at the congress, it is the contrast between a soft-spoken back-door approach in Europe, and a more upbeat front-gate approach in such countries as South Africa and Brazil, where a lot has been happening lately. The back-door approach was presented and analysed, among others, by Tony Atkinson in his clarifying plenary presentation on the British case, by Yannick Vanderborght in his in-depth case study on Belgium and the Netherlands, and by Sean Healy and Brigid Reynolds in their vivid description of what is going on in Ireland, including the recent breakthrough achieved with the publication of the government's green paper (<http://www.corii.ie/justice/index.htm>), the first major official publication on basic income in Europe since the 1985 report of the Dutch Scientific Council for Governmental Policy. Even in this last case, basic income seems to be coming nearer through the actual or planned introduction, increase and generalisation of refundable tax credits, which gradually shrinks to very little the part of the cost of introducing a (modest) genuine basic income that could not be covered by restructuring existing tax exemptions and re-labelling the bottom part of existing benefits.

By contrast, the route impressively followed by South Africa's Basic Income Grant campaign is far less tortuous: 100 rands or 10 euros per month for every South African. Several front actors in this campaign and several academics involved in fine-tuning the proposal were actively present at the congress. As one of them provocatively put it: BIEN may well be as wrong about basic income being far more feasible in the Europe than in Africa as Marx was about socialism being more feasible in England than in Russia. *Qui vivra verra!*

For the time being, this possibility certainly gained some plausibility from the fact that the first prime minister (currently in office) to address a congress of BIEN was from Africa. In his speech at the opening plenary session, Mozambique's Prime Minister Pascoal Mocumbi stated that "the BIEN project, particularly the component that seeks to ensure a minimum income to guarantee school attendance, represents an innovative perspective which should be integrated into the national poverty reduction strategy" (<http://allafrica.com/stories/200209130186.html>).

The Brazilian means-tested and school-attendance-tested family guaranteed income to which the prime minister refers is of course quite remote from the unconditional individual basic income proposed in South Africa. But along with South Africa's existing means-tested but non-contributory and individual basic pension scheme, it is arguably an important realistic step forward, well worth thinking about and experimenting.

### **BIEN at ILO**

These discussions illustrate the way in which being hosted by the International Labour Organisation provided BIEN with an opportunity, and indeed an obligation, to think on a wider scale. This dimension has been present ever since Brazilian Senator Eduardo Suplicy started attending BIEN's congresses in 1994 - as he unforgettably did this time again, even succeeding in getting the audience to join him and sing "The answer is blowing in the wind". But it had never been as ubiquitous as it has been this time, forcing BIEN's General Assembly (see extract from minutes below) to think again about what its relationship should be to Europe and to the rest of the world.

Certainly BIEN will never be quite the same again after this memorable visit it paid to the ILO. Nor will, perhaps, the ILO be quite the same again after this visit it received from BIEN. Many prominent members of its staff attended large parts of the congress. Among them its Director General Juan Somavia, whose welcome speech went far beyond polite generalities. "Yes", he told congress participants by way of punch line, "the moment may be nearing when your ideas will become common sense." We are not quite there yet, and there is still a lot of work to be done, but with this sort of endorsement from this sort of person in this sort of place, the road ahead suddenly looks not quite so steep.

### **Extract from minutes of BIEN General Assembly**

(8) Worldwide basic income network ?

The idea of transforming BIEN into a Basic Income Earth Network or a Basic Income for Everyone Network was briefly discussed. There was general agreement that the links with discussions in other parts of the world, far more conspicuous at this Congress than at any of its predecessors, must be nurtured and developed. But there did not seem to be agreement on whether BIEN (with 3/4 of its members from Europe, 1/6 from North America and 1/12 from the remaining 90% of the planet) should be turned into a worldwide network. It was decided by consensus that the issue of how to organise on a world scale would be one of the issues on which the next Executive Committee would organise consultation and make proposals six months in advance of the next meeting of the GA.

### **Social Policy in Australia**

Returning to the domestic scene, this is an important time in Australia's social development - a time for consideration of a change of philosophy, a change of social policy. For the past two decades we have enjoyed continuing economic growth at a level far exceeding many other countries in the industrialised world, but it has come at a price. There has been a widening of the gap between the rich and the poor, there has been an increase in the number of people (particularly children) in poverty, and a continuing trend towards directing the benefits of economic growth directly or indirectly towards the rich and the well-off and away from those most in need. Has our economic growth been achieved at the expense of the poor and the disadvantaged?

During these decades there has been a steady growth in the assistance, direct or indirect, provided by governments (with the tacit support of the opposition) in areas such as private health, private education, and superannuation - all areas where those most in need cannot participate. For example, the benefits of economic growth have been directed towards private health insurance at the expense of our public health system, and today the private health industry is lobbying for further assistance while the government is refusing to take steps to prevent more and more doctors ceasing to bulk bill patients.

Economists, and economics driven politicians, are always quick to point out that economic growth provides the capability for greater welfare assistance to those in need. This is indeed true. However, it is only a capability, not an automatic action. It will only occur if and when governments decide it will occur, and in Australia today it has not occurred. There have been welfare improvements, but largely they have been politically motivated - a situation which is possible and probable when there is a welfare system based on ad hoc decision making and conditional, means tested benefits vulnerable to political discrimination. Nowhere is this more noticeable than in the welfare provisions for the unemployed.

Despite the fact that successive governments have not been able to achieve any significant reduction in the

unemployment rate, and the only growth in the number of employed has been in part time and casual employment leading to a growth in the number of underemployed, the provision of welfare assistance for them has been subject to extreme political discrimination. The need for electoral support has far outweighed the needs of individuals.

Comparing the assistance provided for the unemployed and for the "self-funded retirees" illustrates this discrimination. The means test for the aged provides a nominal tax rate of 40 per cent - for the unemployed the nominal tax rate rises to 100 per cent. The basic level of pension for the aged exceeds the basic level of benefit for the unemployed. The age pension is not subject to the "mutual obligation" conditions which can result in a loss of benefit. The assets test for the age pension is also far more liberal than for the unemployed - as claimed by financial advisers a couple with assets up to \$600,000 over and above the value of their residence can be eligible for a full or part pension. Quoting from a current advertisement in the regional press:

"If your assets (excluding family home) are less than \$600,000 you could be eligible for full or part pension. If not, change some of your investments into Centrelink approved products - as safe as a bank yet not counted for the means test.

- . No reduction in existing investment income
- . Extra income in the form of the age pension
- . Full concession card for discount and health benefits
- . Cheaper aged care, Hostel and Nursing Home fees, if need arises"

(The Observer, November 13, 2002, p.11)

To exacerbate the position further there is a bill currently being debated in parliament which has the capacity to extend the conditions imposed on the unemployed to other welfare beneficiaries. Following is a statement released by the President of the Australian Council of Social Service (ACOSS)

### **Welfare Reform and Breaching**

The welfare reform process is at a crossroad.

Poor decisions, or surrender to indecision, risk leaving many of the most vulnerable in our society stuck in poverty.

The Family and Community Services Legislation Amendment (Australians Working Together and other 2001 Budget Measures) Bill 2002 is an important legislative initiative to arise from the welfare reform process.

Australians Working Together includes the Working Credit proposal which will help those able to work their way out of poverty by providing for an accumulating credit to maximise income from paid work. ACOSS strongly supports the Working Credit initiative contained in the Bill. More liberal activity compliance requirements proposed for the new groups under Australians Working Together is encouraging.

However, the Australians Working Together Bill will extend the notion of mutual obligation, and the risk of breach penalties, to a range of new groups - single parents, parents whose partners rely on social security as well as older unemployed people.

The 2002/03 Federal Budget proposed a tightening of eligibility for the Disability Support Pension. There was a fear that many people with disabilities would be shifted onto unemployment payments where they would struggle to cope with the breaching regime. ACOSS, together with a range of disability organisations, has been active, and to date successful, in supporting rejection by the Senate of that proposal.

In the last financial year 260,000 breach penalties were imposed on unemployed people - a welcome reduction on the high water mark for breaches set during 2000/01 of 389, 000 breaches.

An Internal Review by Centrelink of the breaching system was undertaken during 2001 and this led to a number of improvements in administration. The Commonwealth Ombudsman recently reported on the breach system noting

many unfair and unreasonable practices. The Independent Review of Breaches and Penalties in the Social Security System (the Pearce Report) found that there were inherent failings in the design and implementation of the breaching system causing many "unemployed people to suffer arbitrary, unfair or excessively harsh" penalties. That report made a range of recommendations to reform the breaching system that ACOSS has commended.

I urge you to join ACOSS in calling on the Parliament of Australia to implement the recommendations of the Pearce Report.

Andrew McCallum  
ACOSS President

### **Considerations for the future**

OASIS-Australia was created as a vehicle for promoting considerations for the future, and it seems appropriate to conclude this newsletter with the topic - "considerations for the future".

Furthermore it appears that the time is now right, socially and politically, to develop new philosophies and new objectives which will be appropriate for the twenty first century. There are external threats to our security, and the probability of slower economic growth which will put pressure on our social and welfare policies.

The Labor party has already indicated a need for a new slogan for a new philosophy (or is it to be a new slogan for an old philosophy?). The Democrats badly need a new, positive philosophy to replace their previous negative policy and help achieve greater cohesiveness. The Greens need to extend their philosophy to capitalise on their recent electoral gains. The Coalition, after their last electoral victory, will no doubt build on their current philosophy which can be described as one of extreme lack of tolerance verging on hatred for the poor and the disadvantaged, for the asylum seekers and the indigenous population, for the trade union movement and the unemployed, and for that matter for anyone else who does not have the attributes of selfishness and greed to benefit from economic growth in a market society.

One might question whether the "lack of tolerance verging on hatred" is too strong for a political party in government in a democracy with a tradition of fair play and "government for all". However, in the current climate dominated by fundamentalism in religion and in economic teaching, by nationalism, by professionalism, and by the selfishness and greed engendered by free market policies, such a comment is realistic and believable. Even regulation in a competitive trading world can breed intolerance and hatred, as evidenced by the statement by a leading retailer that he hates the regulator. (Courier-Mail, 20 Nov 02, p.9. "I hate him with a passion")

The danger is that other political parties will follow suit to seek electoral support. There is already evidence of this trend in the "get tough on crime" policies being promoted by all parties. How can this trend be countered?

In the August newsletter I put forward the view that "social objectives in capitalist societies are changing from protecting the poor to rewarding the successful and the better-off", and raised the question "Should the role of the state be extended to embrace sharing of economic prosperity?" Could the objective of "an equitable sharing of economic wealth" form the basis of a new political philosophy? It is certainly a philosophy which could extend to a wide range of political considerations, and could readily be adopted by all parties to their electoral advantage. It is a philosophy which could be well received in a democracy with a long history of social awareness and support for those in need. It is a philosophy which could lead to tolerance and care, rather than the present intolerance and hatred.

### **Quote of the year**

I now leave you with a quotation which appears to be especially relevant to the attitude of the government towards the disadvantaged, and in particular towards the indigenous population and the "stolen generation". This is from an article by Albert Friedlander, Rabbi Emeritus of the Westminster Synagogue in London, in The New Scientist, 11 May 02, p.48.

*"Most religions hold that you do not carry the burden of the sins that have been committed in the past by your*

*ancestors, but you carry the responsibility to undo the effects of these past actions."*

[Previous Newsletter](#)

[Back to Home Page](#)