

Making Income Support and Social Welfare reduce inequality

Many debates on equality are narrowly economic, focusing on wages and other labour-related activity, or income from ownership and control of capital. So we fail to recognise either the many unpaid work contributions in households and communities, or the exclusion of many from the paid workforce for reasons like other responsibilities, lack of paid jobs, prejudice, disability, illness or passions.

Ensuring those without money incomes are adequately supported and resourced is essential for creating fair societies through good social policies.

History of the welfare state

How can an equitable income support system provide adequate public funding for those without other sources of income? These payments, that traditionally cover the aged, unemployed, children and those with disabilities or health issues, were seen as the basics of the expansion of welfare state by most democratic nations after World War 2. These payments were seen as necessary to counter the damaging effects of unemployment in the Great Depression, which fuelled the rise of Fascism and War.

In the early 1900s, Australia was known as ‘the working man’s paradise’, as a leader in welfare. The Harvester Minimum Wage Judgement of 1908, and the introduction of age and invalid pensions were world leaders. But it had no form of dole. In the late 1920s and in the Great Depression, the widow’s pension as well as child endowment payments were targeted to mothers. This was the basis of our current tax-funded non-contributory welfare system.

The UK and European model for establishing entitlements is a contributory insurance system using individual worker / employer contributions to fund payments. Instead, Australia opted for income-tested conditional payments. The result is one of the most tightly means-tested systems and it also offers relatively mean payments. In a recent article, Peter Whiteford, an ANU academic, said:

The main reason why [Australian Social Security] spending is low is that we have the most targeted welfare system in the OECD. More than 80 per cent of our social security payments goes to people in the bottom half of the income distribution; this compares to less than 60 per cent in the United States and less



than half in Japan, and even less than this in most European countries. The extremely targeted nature of our social security spending is also one of the main reasons why the level of government spending in Australia is the third lowest in the OECD. But because we target the poor more than any other rich country, cuts to social security have a larger impact on them than other income groups.

Payment restrictions

Australia’s conditional welfare started with the age and invalid pension being only for those of ‘good character’. However, the post-war changes affirmed more entitlement models. Recent changes seem to be returning to a much more conditional model of payments, particularly for working age payments, which often reduce the dignity of recipients. This is particularly evident in payments that were originally targeted to Indigenous people, as part of the NT Intervention. The now 8-year-old ‘trials’ of the BasicsCard in the Northern Territory have shown no serious benefits but continue and extend to all recipients in some areas. Also the Cashless Welfare Card, being trialled in South and Western Australia, in high Indigenous areas, limits cash access to 80% of income and can’t be used for alcohol and gambling. It is likely these models will be expanded despite no evidence that this control has measurable positive outcomes and may harm recipients by reducing their control.

At the same time, many reports show incomes from Newstart (unemployment benefit) and other payments are totally inadequate, creating serious deprivation.

They are claimed to be short-term payments but many end up on them long-term because there not enough jobs, or recipients are not able to find paid work. But political parties focus on the 'wishes of the voters' who are in turn influenced by the media claiming that many welfare recipients are bludgers who should have tight discipline.

Availability of work income

There is urgent need for a rethink as many lower level jobs are gone and going, and technology will replace many others. We need an income support model that allows for these changes and the possible reduced earned income of many working people. In Europe and the United States of America, there are wide debates and some pilot programs on options for a basic / universal guaranteed minimum income. This is an old idea but it has come back because there may not be enough adequately paid jobs for all.

The question of widening access to payments needs to be connected with taxation increases, as greater eligibility should create wider obligations to contribute towards the extended payments. At the same time such a scheme would mean that all Australians become engaged in the payment system. This universalising of payments would remove the stigma that they are only 'for the disadvantaged'.

Need for change

In September 2016, Professor Michael Marmot presented the ABC Boyer Lectures on Health Inequality. He is a leading researcher on the Social Determinants of Health for the World Health Organisation. His research has repeatedly shown that it is people's social position, not just income, that determines their relative health status. Social position is a gradient that reflects our relative positions of power, our sense of control over our lives, social well-being, work etc. How much control people feel they have over their lives, including their income and services, also determines their health status. Income is an issue of justice, and an issue of human rights and fair access to income support and health services.

One of the basic needs is to ensure that both the amount and delivery mode of payments are adequate to allow some dignity and control over one's life. This means an increase in the basic payment of Newstart, the lowest pay support, and an end to control over cash access and spending.

Department of Social Security data showed in April 2016 that people on Newstart Allowance plus job seekers on Youth Allowance totalled 872,001, but only 530,093 were expected to be job seeking, as others were sick, training, dealing with social issues, or had fairly limited part time work. There were 349,643 long-term job seekers – unemployed for over 12 months. For these people the low supposedly short-term Newstart Allowance is seriously inadequate. The 'work test' for job seekers is also seriously tough – and diminishes their self-esteem and sense of control.

Questions for Discussion

- 1. What should be the purpose of a welfare payment system?**
- 2. Who should be eligible for payments?**
- 3. What standards should we apply to work out the amounts of the payments?**
- 4. Should the unit of payment be individuals or couples?**
- 5. Should we pay people to be creative?**
- 6. Should we use payments to supplement earned income if there are fewer jobs?**
- 7. Can we raise taxes to fund more universal, less income-tested payments?**
- 8. Should we restrict recipients access to cash or other conditional criteria?**
- 9. How should we recognise adequately the value of unpaid caring work in our welfare system?**
- 10. Do means tests encourage or discourage people to earn other income?**

**Send your group or individual ideas and feedback to
contact@commonaction.org.au**

Common Action network: Aboriginal Rights Coalition, Australian Fair Trade & Investment Network, Australian Manufacturing Workers Union, Community & Public Sector Union - PSU Group, Construction Forestry Mining & Energy Union, Evatt Foundation, Federation of Italian Migrant Workers & Families, f-collective, Greens NSW, Maritime Union of Australia Sydney Branch, Migrant Australia, National Tertiary Education Union, NSW Nurses & Midwives Association, NSW ALP Socialist Left, SEARCH Foundation. <http://www.commonaction.org.au>. February 2017.