

## **TWO PAPERS ON CITIZENSHIP AND BASIC INCOME**

by Sheila Shaver and Peter Saunders

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Tony Eardley  
Editor

## Abstract

This Discussion Paper brings together two short papers reflecting on current proposals for reform in income support policy in the context of continuing high levels of unemployment and underemployment. In the first, Sheila Shaver reviews the conflicting arguments for Participation Income and Basic Income, both of which claim to represent extensions of the social citizenship of the welfare state required for a post-industrial society. The paper reviews the reforms introduced in the *Working Nation* White Paper, and suggests that these are part of a large scale historical shift in the character of the Australian welfare state. While social rights of citizenship such as income support were previously complementary to employment and capital accumulation, they are now becoming integrated into the processes of economic growth and development.

The paper by Peter Saunders focuses on Basic Income (BI) and two key issues which must be addressed in all such proposals, conditionality and transition. Conditionality refers to the definition of those circumstances under which people are entitled to receive income support benefits. BI proposals have also given insufficient attention to the problems associated with the transition to such a scheme, and in particular to the political influence of estimates of winners and losers. Advocates of a Participation Income such as Atkinson and Cass accept some degree of conditionality as the price of BI at an adequate benefit level; this paper offers an alternative proposal for a low level but fully unconditional BI, which is considered a more promising approach to the problems of transition.

## Wage Earners or Citizens: Participation and Welfare

Sheila Shaver

### 1 Introduction

In May of this year the Prime Minister presented his government's White Paper on Employment and Growth, titled *Working Nation* (Australia, Prime Minister, 1994). Coming after some years of unemployment rates at their highest levels since the Depression of the 1930s, this paper was widely understood as the contemporary counterpart of the 1945 White Paper on Full Employment. Nearly fifty years separate these statements, during which time there have been widespread and fundamental changes in Australian society and economy. While the subject matter of the paper symbolised continuity with the past, the content of the report was intended to address unemployment in its present day context.

Also fifty years ago T. H. Marshall (1963) wrote his essay 'Citizenship and social class' in which he argued that the provisions of the welfare state represented a new, third dimension of citizenship, social rights analogous with civil and political rights. Marshall saw the social rights of the welfare state as managing the contradiction between the inequalities of labour market and social class and the equality of status appropriate to democratic community. Economic change and continuing high rates of unemployment make the discourse of citizenship newly relevant. What is the role of welfare when there may no longer be jobs for all who want them? Should citizen rights now become alternatives to wage income, rather than a safety net under it?

The contrast between wage earning and citizenship as the basis of social welfare provision is less marked in Australia than elsewhere. In most other countries income support provisions such as pensions and unemployment allowances are at least in part based on social insurance, funded through contributions levied on the wages of employed workers and paying benefits related to earnings. Citizenship as a benefit principle is usually associated with universal benefits paid on the basis of residence, and is most highly developed in the welfare states of Scandinavia. Australian social security is citizenship-like in conferring entitlements which are not linked to wages or a history of contributions,

but linked to wage earning through its central reliance on means testing and activity testing.

Ten years ago Frank Castles (1985) typified Australia as a 'wage earners' welfare state'. Castles argued that historically Australia (and New Zealand) had relied more than other countries on economic policy, and especially on central wage fixation, to ensure the social well-being of its working class. Social welfare arrangements have been secondary and residual, though radical in their redistributive capacity (Castles and Mitchell, 1992). Castles views the social welfare policies of the last decade (1994) as refurbishing this conception more than they have challenged it.

At the same time two important changes have been taking place in the logic and structure of Australian social provision. One of these concerns the role of women as wage earners and citizens. It is now widely recognised that the full employment policy of the postwar period applied only to male wage earners, with assumptions about the natural dependency of wives pervading the tax/transfer system. The large scale move of married women into paid employment has been accompanied by incremental changes in social security. These have sought to make its provisions gender neutral and in the process to remove provisions assuming and providing for a distinctive female life cycle defined by wifehood and motherhood (Shaver, 1993). The other is policy commitment to the 'active society' (Kalisch, 1991). Drawn from OECD programs for labour market and social policy, the concept links income support with programs to address barriers to effective labour force participation in which training and other labour market programs have central place. These policies imply new relationships between wage earning and citizenship, welfare and participation.

## **2 The Future of Welfare in Post-industrial Society**

As in other countries, employment is undergoing profound changes in Australia. These changes are associated with the rise of a 'post-industrial' service and information economy in which employment is closely dependent on education and training. Among the changes taking place are the re-organisation of work tasks on more flexible bases, the declining predominance of full-time, full-year jobs and the expansion of

part-time and casual work, and significant shifts in the labour market opportunities of older and younger workers and of men and women. The share of full-time, low paid jobs in the labour market has been decreasing, especially those normally filled by men. These trends can be expected to accelerate with the decline of unionisation and the replacement of central wage fixation with enterprise bargaining.

These changes have been underway for a long time, but their cumulative effects are now coming into view. They suggest a future in which unemployment, though falling from its current recessionary level, remains significantly higher than in the postwar period. Unemployment is also lasting longer, for some groups signalling permanent exclusion from the workforce. They also suggest that part-time and casual work will come to occupy a larger share of the labour market, representing opportunity for choice for some but underemployment for others.

In turn these changes raise serious questions about what should be the relative roles of work and welfare in Australia's 'post-industrial' future? Should social provision continue to be based on assumptions that paid work is the normal and preferred source of income and social value in Australian society, with welfare filling a secondary role? Or should welfare be designed as an alternative to employment, providing income, dignity and choice in an economy where there are not enough jobs to go around?

Both of these lines of argument have laid claim to the mantle of citizenship for their vision of social policy for the post-industrial future. These connect citizenship with welfare, employment and social participation in a number of different ways. I do not myself quite share either vision. Rather than defend one or the other, I find it useful to reflect on their relevance to the emergence of a post-industrial welfare state.

## **3 Citizenship through Participation**

One line of argument begins from the premise that economic policy can and should continue to be founded on a commitment to full employment. The argument seeks to modernise the welfare state on the basis of a renewed social and political commitment to policies to maintain full

employment. Jocelyn Pixley (1993), for example, presents an impassioned critique of 'alternative' strategies which aim at creating alternatives to paid work or breaking the nexus between income and employment. In her view these strategies give away ground that ought to be strongly defended. Pixley sees full employment as the foundation of citizenship, for it is through employment that the citizen has the most secure basis and greatest opportunities for social and political participation. Strategies which acknowledge the abandonment of a policy commitment to full employment lead to the erosion of the social rights of unemployed people, and to their exclusion or marginalisation from the social and political mainstream.

Bettina Cass, writing with various co-authors, also sees social citizenship as companion to, rather than substitute for, a policy commitment to full employment. Cass and McClelland (1989) stress the importance of linking the reform of inequalities in the labour market with the reform of social security and welfare. They speak of 'resurrecting a viable tradition' predicated on the three historical legacies of the labour tradition. These are a full employment objective, an adequate level of social protection and an equitable combination of market wage and family payments responding to the additional needs and labour market disadvantages associated with social care through the family. Writing at the end of the Social Security Review, Cass and McClelland posed three issues as central to social security reform. These were redistribution and the achievement of equity in allocation; adequacy in benefit income sufficient to meet needs and provide the conditions to live in dignity and to maintain participation in social and economic life; and the linkage of income support with labour market programs to address structural barriers to workforce participation.

More recently Cass, writing with David Cappel (Cappel and Cass, 1994), identified citizenship with social protection predicated upon and affirming the social interdependence of citizens. Central to this notion of citizenship is a view of 'work' as any form of socially useful participation, contributing substantially to public and private welfare, whether paid or unpaid. Drawing from the work of Atkinson in Britain, they advocate a 'participation income', criteria for which would include, alone or in combination, unemployment, underemployment, caring responsibilities, voluntary work, and participation in education and training. Their paper concludes with recognition that full employment

as it was known in the first two postwar decades is a thing of the past, and that new conceptions of full employment need to be forged in the conditions and through the political alliances of the present.

The identification of citizenship with full employment is a curious mixture of the real and the romantic. The real lies in recognition of the limited role of welfare in Australia and its historical dependence on high levels of employment, both to minimise the number of claims to social protection and to maximise the flow of revenues that fund them. It is realistic too, to put more faith in incremental reform than in disjunctive breaks with existing institutions. There is a deal of romanticism in the predication of policy on anything like the employment levels of two decades ago. Much has changed since then, including the structure of the Australian economy, technology and the productivity of those who are employed, and the age and gender composition of those seeking work. No one can predict the future, but it seems to me unlikely that even the high growth rates of the present will generate full-time jobs for all who want them.

#### **4 Citizenship as Independence of the Labour Market**

Others question the continued centrality of employment for a post-industrial welfare state. The question here is whether the predication of welfare support on the obligation to seek paid employment is relevant, just or necessary when there are not enough jobs to go around. The issue is most critical in the case of income support to the unemployed, but it raises issues across the field of income security. Indeed one of the objects of challenge is the categorical basis of benefit eligibility according to age and circumstances, pigeon-holing claimants as aged, sole parents, people with disabilities and the like.

There is increased interest here and overseas in proposals for a shift from work-conditioned income support to unconditional payments to all citizens, now commonly referred to as Basic Income. These schemes vary in detail, but have a general similarity to the guaranteed minimum income or negative income tax proposals discussed in the 1970s. The idea is that income is granted on a universal basis but clawed back through taxation from those with income from other sources. The

principle underlying the schemes is to make a minimum income available to all, whether or not they are a member of the paid workforce. It is also claimed that such a payment would reduce the distortions of poverty traps and other disincentives to part-time work. The 'participation income' advocated by Cass and Cappel (1994) is a limited version of the same idea.

What is at stake is no less than a break with the ancient rule of 'less eligibility' - that the pauper must always be less well off than the lowest paid worker - and the preservation and enforcement of incentives to work for a wage or salary. The vision is of welfare as an unconditional form of citizenship, the right to income predicated simply on membership of the nation community. Watts (1994) argues that such a vision would underwrite the principle that the individual is free to choose among paid employment, commitments to care for others, and other forms of social participation.

These proposals too are mixtures of the real and the romantic. There are indeed a number of pressures on the categorical basis of Australian income security, including the contradiction between work-conditioned benefits and continuing high levels of unemployment. The active society concept, which affirms the right of all groups to aspire to employment, cuts across the categories of income security that define groups eligible for support outside the labour market, such as people of retirement age, people with disabilities and people solely responsible for the care of dependent children. This concept, in combination with the greater prevalence of part-time work, blurs the boundaries between unemployment and other conditions of disadvantage and low income. The proposals are romantic in the expectation that an unconditional benefit, paid without justifications acceptable to taxpayers, would be adequate in the level of support they are able to provide. This was the problem that forced the Henderson Poverty Inquiry to reintroduce a categorical framework to its version of the guaranteed minimum income in the 1970s.

## 5 The White Paper Reforms

These arguments converge around the White Paper on employment policy, *Working Nation* (Australia, Prime Minister, 1994). The outlines

of the White Paper initiatives are by now familiar. They are set in the context of government policies for economic growth through the expansion and development of the private sector. This context includes strategies for regional and industry development. Unemployment is to be addressed both through this growth and the generation of new jobs, and directly through programs to remedy economic inefficiency and bottlenecks inhibiting growth. The reforms also extend and entrench the key tenets of the active society strategy emphasising skills and training as the means of making unemployed workers employable. The main White Paper initiatives, taking effect over the next several years, are:

- the Youth Training Initiative, involving the expansion of labour market and training programs and the integration of income support for young unemployed people with that provided to those in education in a new Youth Training Allowance;
- the expansion of labour market programs, and rationalisation of assessment and targeting with respect to the risk of long- and very long-term unemployment;
- case management of individual claims to employment assistance, intended to tailor assistance to individual needs and aspirations and to monitor compliance more closely; case management is only one of a number of White Paper measures designed to intensify the control of the behaviour of unemployed people;
- a 'job compact', the centrepiece of which is a commitment to provide jobs for 6 to 12 months for all those who have been in receipt of Job Search or Newstart allowance for 18 months or more; its other features include intensive case management, training, the establishment of a training wage, and local employment generation programs in some regions;
- changes to social security provisions for income support in unemployment, including modification of the income test to increase incentives to part-time work; and
- separate treatment of the partners in a couple where one or both are unemployed, providing largely separate income testing and requiring activity testing of both partners; the effect of the measures is to withdraw support for a dependent spouse of an

unemployed person, and to require that person also to seek work. Exceptions, taking the form of ostensibly new allowances, are provided for a partner caring for a child under 16, and for a partner who is aged over 40 as at 1 July 1995 and has little or no recent labour market experience.

These changes represent social policy developments adapting social citizenship to its post-industrial context. These developments have much more in common with the view of citizenship as participation than with citizenship as a new form of independence from the labour market. The prescience of Cass and her co-authors should cause no surprise, for the White Paper initiatives are in large part a further evolution of the ideas informing the Social Security Review.

As noted above, Cass and McClelland (1989) pictured the direction set by the Review as predicated upon a full employment objective. What is to be taken as full employment is, of course, more problematic than it may once have seemed. Employment no longer necessarily means full-time work, while the population groups seeking it now include more married women but fewer young people and people approaching the once traditional age of retirement than was the case in the first two postwar decades. Whatever it is taken to be, Probert (1994; n.d.) notes a substantial slippage between the White Paper and the Green (Discussion) Paper (Australia, Committee on Employment Opportunities, 1993) that had preceded it. The Green Paper's explicit rejection of the United States model of growth through the expansion of low-wage employment was not reiterated in the White Paper. Rather the White Paper is concerned with the potential for income support measures to compete with low-wage employment. Probert is similarly concerned about the effects on women of policies predicated on global competitiveness, private enterprise and market forces including enterprise bargaining. Probert regrets the exclusion from the policy process leading to Green and White Papers alike of social and cultural consideration of the future of work and its role in Australian society.

Like the Social Security Review before them, the White Paper initiatives are part of a large scale historical shift in the character of the welfare state. This shift has had too little recognition from either those who yearn for a return to full employment, or those who would seek an alternative to policies predicated on employment. The classic postwar

welfare state which we associate with full employment opposed social to economic policy, using social security and other instruments to undo or ameliorate some of the effects of growth through the capitalist market economy. Much of social policy was a cost on capital accumulation - O'Connor (1973) called it a social expense - which was worth paying, for it bought valuable social benefits in social stability, economic stabilisation and a modicum of social justice. Mishra (1984: 102-105) has referred to this as the 'differentiated welfare state', characterised by economic regulation through the regulation of demand, the separation of economic and social policy, and a polity of competing interest groups. He contrasts this with the 'integrated welfare state', in which the purpose of social policy is less to counterbalance economic growth and capital accumulation than to contribute to it. Economic policy is concerned with supply as well as demand, and is integrated with social policy, while government takes a role in co-ordinating the bargaining of competing interest groups. The social policy instruments of the welfare state are being recast in the mould of social investment (O'Connor, 1973). Key among these are income security provisions increasingly centred on the development of human capital. The language of the White Paper about unemployment as a waste of resources the nation can ill afford is in this sense as much an economic proposition as political rhetoric. This is to greatly exaggerate the contrast, of course, but it highlights potent differences of emphasis in the White Papers of 1945 and 1994.

This shift casts a somewhat different light on the idea, drawn from Marshall (1963), that the social institutions of the welfare state constitute a new form of citizenship. The welfare state benefits of Marshall's vision established social terrain outside the exigencies of the labour market, 'decommodifying' human labour under certain conditions. Those of the emerging post-industrial welfare state reintegrate social citizenship with capitalism, imposing obligations and applying social resources to make the individual an effective participant in the capitalist labour market.

As the White Paper initiatives make clear, citizenship in the post-industrial welfare state is more closely tied than before to participation in paid employment, whether the citizen is male or female, and is more future oriented. There is a new emphasis on the obligation of the citizen to participate in education, training, case management and other activities devised to ensure success in the labour market. At the same time, the

notion of participation has been extended to include some forms of non-market participation. The most salient of these is caring, mainly for children but also for adults in some circumstances. Bradbury (1995) suggests that Australian income security has begun a process, only halfway completed, of transition to a 'post dependency' system of income transfers in which paid work or caring work have replaced spousal dependency as the basis of income support categories. The White Paper proposals also provide for voluntary work to be recognised as a legitimate form of participation.

## 6 Some Concluding Reflections

The equation of citizenship with participation, defined as work whether for love or money, involves an intensification of the social control exercised by the welfare state. The effects include new and greater duties of citizenship (Pixley, 1993) in the process of qualifying for benefits. Dean (1993) argues that they also intrude into more intimate regions of the unemployed self.

In principle at least, the new obligations of citizenship in the post-industrial welfare state also represent new forms of social rights. Taken at face value, the rubric of citizenship following from the active society suggests that the unemployed person, the sole parent, the person with a disability, all now have enforceable claims to the resources of education and training necessary to equip them for effective participation in the labour market. The White Paper writes of case management not as an intimate examination of the genuineness of the claimant's search for work but as the appointment of an officer personally charged with the responsibility to tailor the capacities of a complex system to the particular needs of the individual.

Pixley (1993) calls attention to the slippage, by now familiar in a variety of fields, between progressive reforms as they are argued in principle and money-saving reforms as those same ideas are embraced by governments bent on reducing social expenditure. De-institutionalisation has been only one example. Australia's version of the post-industrial welfare state, including its commitment to 'active' strategies such as training and case management, is shaped by the politics of present-day liberal ideology. Central to these is the assumption that the funds available for

social policy initiatives are, and properly so, very closely limited. Levels of support must be kept accordingly low and their distribution closely targeted. The destructive political competition to reduce taxes sets stringent limits not only to the quality of support that can be provided, but to the social investment in future growth it is now believed to represent.

Employment is without doubt privileged over other forms of social participation in Australian society. In general, people who are in paid employment have higher incomes, and through those incomes also tend to have greatest access to the resources that support participation in social, political and cultural life. There is a good deal of research on the debilitating effects of involuntary exclusion from paid work. It matters a great deal whether the policies of the post-industrial welfare state are effective in getting unemployed people secure jobs in which they can earn an adequate income. This, then, is an empirical question which time and policy evaluation studies may be hoped to answer in due course.

At the same time citizenship should not be **reduced** to employment. Employment in the best sense is an important means of contributing to society, but this is after all only one among many forms of social contribution. As Cappel and Cass (1994) argue, and some of the White Paper reforms recognise, there are forms of unpaid work in the home and the community that also contribute significantly to social well-being. We should note, though, that this still defines worth through work. Citizenship is supposed to mean something more than this, to signal the social and moral equality of all persons as members of the social community. It is not meant to be conditional upon performance. Citizenship is meant to be more than simply welfare rights. It is also supposed to be a foundation for participation in democratic government, in parents' and citizens' associations, in local council affairs, in parliamentary politics and in social movements, including the women's and environmental movements.

## Conditionality and Transition as Issues in the Basic Income Debate

Peter Saunders

### 1 Introduction

The fundamental achievement of the welfare state has been the establishment of legal entitlements to categories of citizens, designed to maintain living standards in the face of contingencies such as unemployment, disability or old age which would otherwise cause them to decline. A central feature of all post-war welfare states has been the idea of **conditionality**, designed so that the benefits associated with these entitlements are confined to people in a restricted number of pre-determined circumstances. How narrowly these circumstances have been defined and how generous the benefits paid has varied across welfare state types and, within these, according to national priorities and policies.

In some welfare states, conditionality has been interpreted and implemented very broadly with the majority of people eligible to receive some form of assistance at rather generous levels. In others, conditionality conditions have been narrowly defined and rigorously enforced, while benefit levels have also tended to be less generous - and, as a consequence, less adequate also. Reflecting these differences, tax levels have tended to be higher - sometimes substantially higher - in countries adopting the former in favour of the latter approach.

The idea of conditionality has, however, remained essential to the evolution of the welfare state for many reasons including cost containment, the structure of incentives, equity or social justice and political legitimacy. Increased concern following the economic crisis of the last two decades has seen a general move towards more narrowly defined and more rigorously policed conditionality conditions becoming commonplace in all industrial nations. This hardly needs expanding on in an Australian context where targeting has driven the reform agenda for much of the last two decades. The 'active society' reforms which have been embraced in Australia and many other countries also represent an increased focus on conditionality, even if of a somewhat different nature and with a markedly different intent.

### 2 The Old Debate

Against this background, the idea of Basic Income (BI) represents a radical departure from established welfare state principles and practice because it rejects the notion of conditionality in favour of universal payments to all, on an individual basis and not conditioned by tests on means, work requirements, or whatever. That at least is the essence of the purest form of BI. It is a feature of the various types of BI which have actually been proposed, discussed and analysed in the last three decades, ranging from the negative income tax, to social dividend or demogrant schemes to the guaranteed minimum income (GMI) scheme proposed for Australia by the Poverty Commission (Commission of Inquiry into Poverty, 1975).

Generally, these schemes have failed because they have tried to achieve too much. Attempting to provide an adequate benefit while integrating the benefit system with a single rate tax system so as to achieve simplicity and improved incentives runs into a stark cost reality: setting the benefit at X per cent of average income requires a tax rate of X per cent. If adequacy is interpreted to imply something close to the poverty line, X is likely to fall between 50 per cent and 60 per cent - even before the funding of all other government programs is considered. Compromises are needed, to increase the economic viability of BI and enhance its political acceptability.

The problem with such compromises is that they lead inevitably to consideration of the whole complex range of compromises and trade-offs which shape the current social security (and tax) systems. This route, as I have argued previously (Saunders, 1976; 1988; 1989) raises two kinds of problems: first, how can these trade-offs be resolved in ways which preserve the fundamental tenets of BI while at the same time remaining viable and practical. The emphasis given to simplicity and increased efficiency through the integration of benefit and tax arrangements has sharpened the conflict with other objectives, notably equity and cost: second, how can the problems associated with the **transition process** be overcome given the fact that there are likely to be many 'winners' and 'losers', many of them unintentional and others undeserving of the gains they reap or losses they suffer?

There is no better illustration of these points than that provided by the ‘illustrative model’ of guaranteed annual income (GAI) put forward for discussion by Watts (1991: 34-5). This proposal is based on the principle that ‘every Australian, man, woman and child would receive a (GAI) as a matter of right’ so that the ‘GAI would replace the current mess of personal income supports’. However, Watts then admits that ‘a single uniform payment in practice would probably need some adjustment or fine tuning’ although he stresses that ‘the details of the proposal should **not** matter as much as the broad principles’. He then lists a range of ‘fine-tuning details’ which would need to be reflected in the GAI payments structure, including differentiation according to age, and supplementation in cases of maternity, bereavement, invalidity and handicap. Such fine-tuning would, in effect, produce a GAI much like the two-tier categorical GMI scheme proposed in 1975 by the Poverty Commission.

But things do not end there. Watts argues that ‘whether or not all adults actually got a cheque or weekly/fortnightly parts thereof, would need to be a matter for later fine tuning’ and illustrates his scheme with a proposal in which the GAI payment is received by low-income people only. An unexplained (unfunded and unexplicable) tax incentive is proposed to discourage high-income people from applying for the GAI ‘without infringing the principle of universality’. Any resemblance between the scheme with which Watts ends up and BI as conventionally understood seems, at best, accidental. The principles from which Watts begins are sacrificed at the altar of fine tuning pragmatism, whatever his claims to the contrary.

The bottom line of this debate, it seems to me is the following: pure BI schemes appear attractive to their proponents because they embody (or are claimed to produce) increased benefit levels, extended benefit coverage, reduced administrative costs, or enhanced incentives. The counterpart to these gains is generally either higher costs (often concealed by higher taxes in an attempt to achieve revenue neutrality) or a belief in the existence of a ‘free lunch’ which will deliver additional benefits at no extra cost. The essential romanticism underlying such views is emphasised by Sheila Shaver in the accompanying paper.

In the latter case, the issue arises of why these net gains should be realisable under a BI scheme when they are not able to be engineered

within the constraints imposed by the current system. Why should a radical change to the basic principles and design of the system be expected to provide such gains? On what basis can the view be sustained that taxpayers will be more willing to fund higher benefits or increased coverage under a BI than they are (apparently) willing to fund under the current system? Put differently, if it is discovered that there is currently some degree of underutilised taxable capacity, why should this be devoted to the establishment of a BI scheme with all of its risks and uncertainties, rather than used to improve current conditions by resolving existing problems, where the gains, while potentially less, are also likely to be more realisable and more certain?

### 3 The ‘New View’ of Basic Income

Proposals for some form of BI have begun to re-emerge onto the policy agenda for reasons associated with the alleged failings of current social security arrangements to resolve the problems associated with mass unemployment in post-industrial societies. New forms of work, the increased diversity and reduced certainty of employment and the general excess of labour supply pose challenges to existing social security arrangements which, it is argued, require radical reform. With the end of full employment and the real prospect of ‘jobless growth’, one of the foundations of the post-war welfare state has been eroded, along with the ‘Keynesian consensus’ which in earlier decades provided the economic environment and political legitimacy needed for the development of a welfare society.

These challenges seem - at least to BI proponents - to be relevant for both the Bismarkian social insurance welfare states familiar in continental Europe and for the Australian means-tested social assistance welfare state, an observation which of itself gives cause to question how BI can be an appropriate solution in **both** cases. This point aside, the new argument for BI rests on its alleged ability to better respond to and facilitate structural economic changes which have affected both the nature of work and the labour market within a social context in which (paid) work plays an increasingly important role in people’s lives, individually and as members of society - as citizens.

Two broad competing strategies have been advocated for dealing with the end of full employment and the consequent crisis of the welfare state to which it has led. The first, mainstream, solution has been to combine the introduction of an active society social security reform strategy with a renewed emphasis on the need to restore conditions of full employment in a deregulated national and international economic environment. The first of these - the active society strategy - was developed by the OECD in the mid-1980s, found expression in Australia in the work of the Social Security Review (Cass, 1988) and has underpinned the recent reform process in this country, culminating in the release of the *Working Nation* White Paper last year (Australia, Prime Minister, 1994). Benefits for those of working age are increasingly conditioned by proof of active job search or participation in other activities (e.g. approved training programs) designed to enhance employability.

As always, the failure to achieve full employment is not so much a matter of not knowing what to do (difficult though this is) but more one of how to avoid the consequences (e.g. for the inflation rate and the balance of payments) of pursuing a policy of full employment. As the Secretary of the Australian Treasury emphasised last year, there is an important sense in which we **are** free to choose our own level of unemployment. Increased international competition within a more open economy may make the task of maintaining any given level of economic performance more difficult, but that does not, of itself, prevent us from 'going for growth' so as to achieve full employment if that is what we want. This is why it is important not to leave 'the economic debate' solely to economists. What is at issue in this debate is not just a series of technical questions surrounding which levers to pull, when to pull them, how hard and for how long, but more fundamental issues associated with social choices which revolve around the kind of society in which we wish to live (Langmore and Quiggin, 1994).

It seems that, for the moment, how closely we can come to achieving full employment will be determined by the ability of governments - not only in Australia but throughout the world - to control the economic cycle. Short-run success will be tempered by the inevitability of the next downturn. Aside from this, there is a fundamental contradiction at the heart of the active society full employment strategy. This revolves around the fact that the more successful active society reforms are in achieving their objective of encouraging labour force participation, the

greater the increase in labour supply and thus the higher the level of unemployment associated with any given level of aggregate demand. There may be some offset to this if, as active society proponents claim, the measures designed to increase labour supply simultaneously create a more flexible labour market which in turn improves the trade-off between inflation and unemployment (the natural rate of unemployment hypothesis) but the extent - even the existence - of any such improvements remain unknown and uncertain.

The second broad strategy proposed as a response to the post-industrial crisis of mass unemployment gives centre stage to the introduction of an unconditional BI. Writers such as Pixley (1993) see BI as peripheral to this debate, but others see the BI strategy as more central. Such a strategy has been described by one of its leading proponents (an economist, incidentally) as 'the Great White Hope of social visionaries' (Standing, 1992) and by another (also an economist) as 'the centrepiece of a strategy for transforming society' (Purdy, 1988). The essence of this strategy is that, in principle at least, the introduction of BI allows the de-coupling of income security from the labour market, and of income more generally from work. It thus runs directly counter to the active society approach which focuses on strengthening these links by making receipt of income from the state conditional upon seeking or training for work (Shaver, 1994).

The claimed advantages of the BI strategy are substantial. Guy Standing describes them in the following terms:

By providing income security, it would facilitate and encourage labour flexibility. It would offer people real choices between high-income/high-work and lower-income/lower-work options. It would encourage self-employment and, by giving income as a right of citizenship, would reduce the stigma of unemployment ... With basic income, workers would be encouraged to accept workplace changes more readily ... (it) would help to achieve greater sexual equality in the labour market by improving women's bargaining position and by encouraging men to take part-time work, so allowing them to share more in domestic work ... There are other advantages, such as the

encouragement a basic income would give for 'black economy' work to shift into the tax-paying, legal mainstream, the potential for the 'deprofessionalisation' of work, and the reduced pressure on governments to provide 'unreal jobs' to absorb some of the unemployed. (Standing, 1992: 54)

This is a long and impressive list. Assessing the validity of these claims is a complex task and I do not intend to attempt it here. It is, however, worth emphasising that Standing was promoting BI as a reform strategy for **European** countries, specifically for those who are members of the European Commission. This is also true of Atkinson's suggested Participation Income (discussed further below) which is proposed in order to 'provide the basis for the **European** safety net' (Atkinson, 1993a: 24; emphasis added).

In Australia, we need to ask how far BI would promote the above effects **relative to our current social security arrangements**. Here, it could be argued, particularly after the introduction of the *Working Nation* reforms, that the Australian social security system has gone a long way towards the encouragement of part-time work and self-employment, while facilitating sexual equality in the labour market by expanding the range of choices of both men and women between (paid) market and (unpaid) domestic work - without incurring the cost of an unconditional BI.

If proponents of the 'new view' of BI see its regeneration in part as an alternative response to new labour market patterns and choices, a good deal more attention has also been paid to an issue badly neglected in some of the earlier debates: the questions of the **transition** from the current to the new arrangements. Writers such as Offe (1992) and Purdy (1988) have addressed this within the context of how best to build the political alliances which, over the long haul, are essential if the BI vision is to be realised, at least within a democratic polity. This is a not insignificant issue given that, as Purdy (1988) notes, it will be difficult to rally together the very diverse groups who will gain materially from any BI proposal into an effective political force.

These writers also have a mature and sophisticated understanding of what can, and what cannot, be claimed for any practical BI scheme. Purdy emphasises that the prospects for any immediate success are very low

and that BI proponents must face the prospect of a 'slow, patient, positional struggle' (Purdy, 1988: 12). Offe cautions against placing too much emphasis on the 'visionary' aspects of BI, in part because many of its consequences are in fact unknown *ex ante* and will only emerge *ex post*. Instead, he argues for a more limited set of claims in which,

... rather than being a formula for the foundation of a new social order, it might be more realistic and honest to argue for basic income in terms of a defensive measure to preserve and expand notions of social justice against a welfare backlash that has already started and must be expected to continue in view of ... structural changes. (Offe, 1992: 74)

The need to identify and grapple with the transition issues is essential if the BI vision is to be translated into an effective strategy which can force its way onto the policy debate in this country.

The contributions of writers like Offe and Purdy have advanced the cause of BI in two ways: first, by being far more modest, open and honest in their claims of what BI can achieve, at least in the short-run; second, by focusing on and addressing those practical issues crucial to the success of all tax-benefit reforms, including radical reforms like BI, the most important of which concerns the transition path - how to get from where we are now to where we wish to be.

Some earlier discussions of BI (e.g. Walter, 1989) make no reference whatever to the transition problem. As a consequence they have done little to advance the BI cause in the policy context. Recent public policy debates in Australia - from the Tax Summit and Option C of the *Draft White Paper* in the mid-1980s to GST and *Fightback!* in the early 1990s - have shown the powerful influence of estimates (however crude) of 'winners and losers' in affecting public perceptions, and thereby political attitudes and choices to what can be achieved by way of reform of the tax-transfer system.

These aspects of the debate - no matter how simplistic their approach and short-term their focus - will continue to grow in significance, particularly given the enormous increase in the ability of number-crunching policy analysts to generate evermore technically sophisticated, computer-based statistical estimates of distributional impact. So too will the impact of

behavioural changes (e.g. in labour supply or in wage setting): far from these changes being left as the (often unintended) consequences of policy reforms, they are now integral in the design of new policies, a point again illustrated by the social security changes announced in the White Paper.

One of the strengths of the Poverty Commission's approach to its preferred GMI proposal was that a good deal of attention was paid to the transition question. Chapter 6 of *Poverty in Australia* laid out a strategy for reforming the then existing social security system so as to ease the eventual introduction of a GMI (Commission of Inquiry into Poverty, 1975). The central element in this strategy involved standardising benefit levels and qualifying conditions so as to produce a simpler system more consistent with the GMI approach, of which simplicity is a major feature.

Up until 1977-78, social security reforms in Australia broadly followed that path. The same can hardly be claimed for developments since then. We now have an extremely complex system in which benefit categories are differentiated in ever-more refined and subtle ways. These reflect two decades of welfare targeting in which a complex hierarchy of needs has been established in the on-going process of controlling aggregate expenditures. Keeping up with the mere pace of reform now requires considerable expertise, with new reforms being announced and their consequences analysed (e.g. in the family policy area) before previous arrangements have even come into effect.

This increased complexity has made the move to an undifferentiated GMI far more difficult to achieve technically, even if it were regarded as desirable on other grounds. To standardise payment levels and conditions would now either imply a major and complicated redistributive impact, or be extremely expensive, or most likely be both expensive and distributively disruptive. We are currently a very long way from having the basis for introducing a smooth transition towards a simple form of GMI, further than we were two decades ago, and probably further still from achieving the political and economic climate necessary for such a change to be regarded as desirable and accepted as feasible. The small 'window of opportunity', which opened up for the GMI in the mid-1970s was slammed shut in the fiscally stringent conditions which followed - probably for ever. BI proponents need to recognise this reality and respond to it.

Before turning to specific proposals, two more general issues are worth addressing. The first concerns Robert Goodin's argument that BI can be more efficient than a targeted categorical welfare system because of its less presumptuous nature (Goodin, 1992). This is an interesting argument, but ultimately an unconvincing one. The crux of the argument is that conditionality involves using **indirect** indicators to determine membership of the favoured categories, while BI by definition makes no such presumptions. This is true, but how important is it?

Consider a particular conditionality to which benefits are directed - being unemployed for example. Two kinds of errors can arise when giving practical effect to this conditionality. The first concerns those people who satisfy the conditionality but who do not receive any benefits (e.g. through stigma or lack of information), the second concerning those who do not satisfy the conditionality but who are in receipt of benefits (e.g., through fraudulent claims).

The existence of such problems has long been acknowledged in the social security reform literature and administrative processes and other measures (e.g. publicity campaigns) are generally proposed for minimising them. It is accepted that no system will ever be perfect in the sense of reducing both of the above errors to zero. That is the price which must be paid for having a system which is not administratively cumbersome or overly-intrusive and inhumane in its operation. Abandoning conditionality entirely in favour of a non-presumptuous BI scheme seems from this perspective to be an over-reaction to dealing with a problem which, in actual practice if not in theoretical logic, can be contained, though probably not avoided entirely. In any case, even if a non-presumptuous benefit system were designed, the need to make presumptions would re-emerge elsewhere in the system (e.g. in designing the tax system or the tax reliefs embodied in it). The problem would thus be displaced rather than avoided, even under a BI scheme.

The entire discussion so far has proceeded on the assumption that in considering BI schemes, attention should be restricted to just **monetary income**. An alternative approach involves considering whether income should be given a broader meaning to also incorporate noncash in-kind provisions - the social wage. This point has been mentioned in passing by Norman (1992) though he chose not to pursue it. There are, however, some interesting issues here worthy of detailed investigation.

In Australia, for example, we currently have a form of BI as it applies to the provision of public health services funded under Medicare. Access to basic health care benefits is universally and unconditionally available to all citizens (read residents) on an individual basis, effectively free of means tests. It is true that the existence of private health suppliers and private health insurance implies that those on higher incomes can gain access to additional (or more immediate) treatment, but that is precisely the intention of a monetary BI - to provide a universal platform on which to build. The interesting question to pose here is why is it that the same taxpayers who have so willingly and enthusiastically embraced an effective BI in health care, appear so unwilling to fund the monetary equivalent of a similar arrangement?

One obvious explanation is that health care is qualitatively different from money income, because health provisions meet needs which society sees as legitimate, while cash can be used to satisfy personal **wants** rather than socially-condoned **needs**. Yet if health care is provided free of charge, service users thereby have more money income than otherwise, from which they can satisfy their wants in any case. Furthermore, while BI schemes are criticised for condoning socially undesirable behaviour by undermining incentives, Medicare provides similar incentives to engage in such anti-societal behaviour such as smoking, drink-driving and other activities which pose harmful health risks. Yet this has not been used to criticise Medicare for undermining the health of the nation, attention (and resources) being devoted instead to increasing awareness about the personal and social benefits from public health initiatives. Such contrasts are striking and warrant further investigation in the context of BI.

#### 4 Recent Basic Income Proposals

An implication of the above discussion is that, as a first step, BI should be formulated at only a limited level, rather than as a radical scheme for replacing the entire social security apparatus. The limitations of a recent Australian proposal along these latter lines (Hawke and Lewis, 1989) have been discussed elsewhere (Dilnot, 1989; Saunders 1989) and I do not wish to re-open that debate here. Rather, I wish to focus on those proposals which - in the spirit of the Poverty Commission's two-tier

categorical GMI proposal - combine the BI principle with the need to maintain some form of conditionality.

This approach to BI has found expression in Tony Atkinson's idea of a Participation Income which makes payment of the BI conditional upon participation in socially productive activity - whether paid or un-paid, full-time or part-time (Atkinson, 1993a). The case for such a scheme is made in the following terms:

A major reason for opposition to BI lies in its lack of conditionality ... In order to achieve political support for BI, it may be necessary for the proponents of BI to compromise - not on the principle that there is no means test, nor on the principle of individual assessment units, but on the unconditional payment. (Atkinson, 1993b: 9-10)

Atkinson's Participation Income is conditioned by social contribution, defined to include involvement in paid work, self-employed, unemployed, unable to work on grounds of illness or disability, participation in approved forms of education or training, caring for young, elderly or disabled dependants, or participation in approved forms of voluntary work. A Participation Income along these lines covering all of the above forms of participation except the last (volunteer work) has recently been discussed and endorsed, though not actually recommended, by the Commission on Social Justice in the United Kingdom (Commission on Social Justice, 1994).

Much the same scheme has been proposed for Australia by Cass (1994) and Cappel and Cass (1994) - as long as the basic payment is established at a level of 'acknowledged adequacy' (Cass proposes the existing rate of pension), that it is paid on an individual basis, and that it is accompanied by an easing of the income test. In effect, this proposal amounts to a broadening of the existing eligibility categories to include those undertaking caring and volunteer work, extending coverage to the self-employed and increasing benefit levels for those categories currently receiving less than the standard rate of pension. The scheme would be financed by a 'tax-based protection social projection levy' (Cappel and Cass, 1994: 125), along similar lines to the Medicare levy, although no details are provided.

Such a scheme would reinforce the work (or training) conditionality which increasingly characterises the Australian social security system, although the favoured categories would be based on a broader conception of work. This broadening would also affect the nature of incentive arguments, because the claim that high income test withdrawal rates discourage paid work are less convincing, or at least need to be recast, if the domestic work which they encourage is valued more highly.

Whether the Capps-Cass proposal represents an extension of the scope of the existing system rather than a more radical shift to a BI approach is debatable: Rob Watts clearly sees such a proposal as falling outside of the BI principle because conditionality is maintained through the application of work or activity tests (Watts, 1994). The proposal does, however, have much in common with Belinda Probert's recent advocacy of a restricted (read conditional) BI, applicable only to the 'third sector' comprising those involved in caring and voluntary work (Probert, 1993).

Aside from the failure to spell out what the scheme would cost, a major concern with the Participation Income idea revolves around the difficulty of determining in practice who is actively involved in the new forms of work, specifically caring for relatives and volunteer work. Is what is being proposed here that legislation be enacted which formally defines these activities and that the Department of Social Security be charged with the task of policing such legislation? Can we be confident that the end result of such an arrangement would be to make carers and volunteers aware that the value of their work is at last recognised by society? Would the cash they receive be worth the fuss?

One aspect of Atkinson's original proposal for a Participation Income was that it was designed to replace the main forms of means-tested social assistance (Income Support and Family Credit) in Britain. It would complement the existing social insurance scheme, which continues to receive strong public support, even in Britain. Its main role was to cause a 'reduction in dependence on means tested benefits' and in offering 'a better way forward than the dead end of means tested assistance' (Atkinson, 1993a: 21). Such aims seem of limited relevance in the Australian context where means-testing is endemic and widespread - virtually universal one might say. Clearly a good more thought needs to be given to the specific proposal developed by Atkinson before its application in the Australian context can be assessed.

Overall, while there is merit in the need to reconsider the unconditional feature of BI schemes, I am not convinced that the Participation Income approach is appropriate for Australia, whatever its merits in Britain or the rest of Europe. There are other routes to conditionality which can avoid the definitional and operational difficulties described above. These need to be tailored to Australian conditions, not simply re-drafted from other countries operating in other policy contexts. One such idea would involve introducing a limited form of BI for only a well-defined subgroup of the population. Such a scheme, applying only to families with children has been proposed for Australia by Cass and McClelland (1989) and Travers (1991). Again, however, we need to ask how far such a scheme would take us beyond where we already are. Given the recent changes to family assistance, particularly the introduction of Parenting Allowance, it can be argued that we effectively already have a virtually universal BI for families.

Another way to compromise on the cost of a full-blooded BI would be to maintain the principle of unconditionality, but to forgo the adequacy objective, at least in the initial stages. Under this arrangement, BI would apply universally to all citizens, but payment would initially be set low enough to make the scheme affordable. The fundamental principle of universality of payment would be maintained, not lost in the fine tuning associated with designing and costing the scheme. Once experience with the scheme was built up, and some of its unforeseen consequences revealed, further decisions could be taken regarding how to expand it by raising the payment level and how such an expansion could be financed. The next section provides a few illustrative BI possibilities motivated by this idea of limited but gradualist implementation.

## 5 Some Illustrative Proposals

The costings outlined below are intended to illustrate the kinds of options which might be possible for a low-level, limited but unconditional BI scheme. They are approximations only, but should not be widely inaccurate and may thus serve a useful purpose in exploring the options and laying out the groundwork for more thorough investigation of the issues. I initially explored the idea of undertaking a more sophisticated and thorough analysis using the static microsimulation model STINMOD developed by the National Centre for Social and Economic Modelling

(NATSEM). However, whilst this would produce more accurate, detailed and up-to-date estimates, the broad aggregate issues on which I wish to focus can be brought out in a less ambitious (and less costly) analysis.

The approach I have adopted is similar to Watts' GAI scheme described earlier, and to the Partial Basic Income (PBI) scheme explored in the United Kingdom context by Tony Atkinson and Holly Sutherland (1988). It also has some similarities with Phase I of the BI reforms proposed by Hermione Parker (1989), although her proposals are more far-reaching than those canvassed here. Those schemes were funded by the abolition of personal tax allowances and certain other tax concessions which were 'cashed out' in the form of the BI payment. I follow a similar approach, exploring how far the abolition of selected Australian tax concessions could fund a BI payment set so as to ensure revenue neutrality (albeit with a higher tax burden) for the scheme as a whole - at least in the *ex ante* sense, before taking account of behavioural adjustments.

First some basic demographic statistics fundamental to the cost of any such scheme. Averaging the latest ABS population projections for 1992 and 1993 gives a total population in 1992-93 of around 17.57 million. Of this, 3.80 million are children aged under 15 and the remaining 13.77 adults aged 15 and over. Setting an individual BI payment to all adults at the rate of \$1 a week and a weekly payment to each child of \$0.40 (so that the per-child payment equals 20 per cent of the combined BI payments to a couple - the family payments benchmarks established by the Federal Government in its 1987 package of family assistance measures) would thus involve a weekly cost of around \$15.3 million (15.3 million being the size of the Australian population, expressed in terms of adult equivalents). This is equivalent to an annual cost of \$797 million. Thus, as a general rule we can work on the principle that in (1992-93) **each one dollar a week of an individual, unconditional universal BI payment, assuming the above relativities would cost around \$800 million a year.** This figure illustrates dramatically the cost of such unconditional payments.

On this basis, the introduction of an unconditional BI in 1992-93 with an adult payment set at the prevailing pension level (as at December 1992) would involve an approximate annual cost of between \$102 billion and \$122 billion, depending on whether the adult payment was set at half the

prevailing married rate of pension or the standard pension rate. A scheme of providing an adult payment equal to the (in-work, before-housing costs) December 1992 Henderson poverty line would, on a similar basis, cost between \$106 billion and \$159 billion. Both amounts are far in excess of **total** Commonwealth personal benefit payments in 1992-93, which amounted to just under \$38 billion. To fund an unconditional BI scheme would thus involve a minimum **additional cost** of around \$64 billion - an increase in the social security budget which could best be described as courageous, or more accurately as simply unbelievable. For this reason, consideration of a more modest BI scheme is essential if the scheme is to be realistic and achievable.

In considering how to pay for the BI payments through the abolition of tax concessions, I have considered two alternatives. The first involves abolition of the basic tax threshold and all personal tax rebates (except the zone rebate), with the initial tax rate of 20 per cent thus applying to all income from the first dollar. (The Treasury regards the tax threshold not as a tax concession, but rather as a feature of the benchmark tax system against which concessions are identified and costed, although this procedure is arbitrary and open to challenge.) This arrangement, would in fact produce a very extensive redistribution of income, with a pattern of winners and losers which many would regard as perverse. The main intention of the proposal is to illustrate this fact, so as to provide food for thought for those wishing to ponder how a political alliance in support of such a scheme might best be forged.

In 1992-93, the basic tax threshold was \$5400 a year, and with the first tax rate set at 20 per cent, the value of the threshold to taxpayers was \$1080 a year, or around \$20.80 a week. According to data contained in *Taxation Statistics*, there were just over 7.66 million taxpayers in 1992-93 (Australian Tax Office, 1994) which implies (ignoring the incomes of those below the tax threshold) that the annual cost of abolishing the threshold is approximately  $7.66 \times 5400 \times 0.2 = \$8.27$  billion. The other personal rebates (including the rebate for sole parents, parent and parent-in-law, invalid relative, housekeeper, daughter-housekeeper, dependent spouse and those for taxable pension and benefit recipients) resulted in an estimated loss to revenue of \$2.59 billion in 1992-93 (Australia, Treasury, 1994). Thus, the total revenue generated by abolition of the threshold and personal rebates would be around \$10.86 billion, sufficient to fund an unconditional BI payment of about \$710 a year or \$13.60 a

week for each adult and 40 per cent of this, or around \$280 a year or \$5.40 a week for each child.

So much for the aggregate arithmetic; what about the pattern of redistributive effects? The first point to note is that the above proposal would **reduce** the incomes of many of those on lowest incomes, including most social security recipients. This is because they would now become liable to pay income tax on their (taxable) benefits once the income tax threshold and rebates were abolished, and for most this would exceed the gain received in the form of the (non-taxable) BI payment.

Thus, single people at or above the tax threshold income level of \$5400 would lose the threshold, valued at \$20.80 a week and receive the BI payment of \$13.60: they would be \$7.20 a week worse off. Single-earner couples would gain, since they would lose one tax threshold but gain two BI payments, while those with children would do better than those without, the more so the more children they had. Sole parent pensioners with one child would be worse off, as would sole parent taxpayers with one child: those with two or more children would gain, whether they were receiving the pension or in work and paying tax. Two-income, two-taxpayer families would lose slightly, unless they had two or more children, in which case they would gain.

Such a scheme would thus cause a redistribution towards all families with more than one child and to single income couple families generally, whilst lowering the incomes of many already on the lowest incomes - hardly a progressive redistribution! The basic problem arises because not all of the population pays tax, so that when the tax threshold and rebates are cashed out and paid equally to the entire population, they are only able to finance a universal payment which is less than their original value to taxpayers. (For example, if only 50 per cent of the population were taxpayers, a tax concession with an average value of \$100 would fund a universal cash payment of only \$50; if only 25 per cent of the population were taxpayers, the payment could only be \$25, and so on.) When combined with the taxable nature of social security payments and the fact that those with incomes below the threshold do not benefit from it, this explains the perverse pattern of redistributive effects described above.

The second example is more progressive. It involves abolition of the superannuation-related tax concessions in order to finance a BI scheme

with the same structure as that just described. The concessional tax treatment of superannuation contributions, benefits and fund earnings are estimated to have involved a revenue loss of around \$5.23 billion in 1992-93 (Australia, Treasury, 1994, Table B1). The abolition of these concessions could thus fund an adult BI payment of around \$6.50 a week, while the payment for each child would be 40 per cent of this or \$2.60 a week. A couple with two children would receive \$18.20 a week in BI payments - about enough to pay for them to go to the cinema once a fortnight.

This is not much. It would, however, represent a first step towards BI, around which support for the scheme could be assessed and its behavioural and other consequences investigated. The income redistribution effects of this second proposal would, on the face of it, be far more progressive than the earlier scheme, because the benefits of the superannuation tax concessions are generally greatest for those at the top of the income distribution. There are, however, complex issues involved here concerning the actual incidence of tax concession benefits, within and between generations. There are also important considerations about the acceptability of such a change given the expansion of superannuation coverage and the effect of abolishing the tax concessions on fund membership and national saving. These factors would need to be addressed in a more detailed analysis than that undertaken here.

## 6 Conclusion

The arguments of this paper can be summarised succinctly. Basic Income remains an attractive idea to some because it promises the impossible; to others it represents the embodiment of a principle on which a new social structure can be built. Those who adopt the former position need to come to terms with reality. Those who adopt the latter position have advanced the cause of BI by acknowledging the political and economic obstacles which must be overcome before any realistic implementation can be contemplated. Compromises have to be made and more attention has to be paid to the transition question.

Basic income will only ever be achievable over the long haul (dare I say, in the long run?) and the key issue for its proponents is what to do now in order to bring that long-run goal closer. Both proposals considered in

Section 5 have been formulated from this perspective. Both schemes are, as emphasised earlier, intended to illustrate the practical problems with BI, but also to provide a framework for thinking in a structured way about BI, how it might work, at what level, who it would affect and what it would cost. The schemes are designed to operate alongside the current social security system rather than replace it, at least initially. They both retain the fundamental BI principle of unconditionality, but sacrifice adequacy as an immediately achievable goal.

This approach offers an alternative way forward which contrasts with recent proposals for some form of Participation Income under which costs are limited by making benefits conditional through restricting coverage. Such conditionality threatens to undermine the basic principle of BI, particularly in the context of the Australian categorical means-tested system. The obvious questions to pose about a conditional BI is how does it differ from our current system and why should we go to the bother of replacing one with the other? If any form of BI scheme is introduced, taxes will need to rise, whether by abolishing tax concessions as considered here, or through raising tax rates or introducing new taxes. Whatever the route chosen, it is difficult to sustain the argument that Australia's taxable capacity is already fully utilised.

Thinking of a limited form of BI of the type described here is, in my view, more realistic and practical than those proposals which compromise on the unconditionality aspect of a BI, or seek to replace the current system entirely, or in effect subsume BI into the existing Australian system. If BI really can achieve all that its supporters claim for it, such a gradualist approach offers a possible way forward for proponents and sceptics alike. But the question of what is to be gained by the introduction of any form of BI **in Australia** remains unanswered.

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