# Basic Income as a Progressive Priority

***By Ben Spies-Butcher***
***Dept. of Sociology, Macquarie University***
***August 2018***

Universal Basic Income (UBI) has the potential to be an important part of a progressive vision for Australia's future. Here I identify three reasons why UBI deserves our attention, and why it should be prioritised in campaigning, especially for those interested in transforming our economy. First, UBI can both fit with existing policy structures and help solve technical problems with Australian welfare that exacerbate inequality. Second, UBI responds to the 'wedge politics' that surrounds welfare debates, helping to produce the political will for change. And third, UBI practically advances greater equality today while also appealing for a more radical re-imagining of work and the economy, and so establishes the basis for a 'post-capitalist' politics tomorrow.

Of course, setting UBI as an 'either-or' alternative to a job guarantee (JG) or universal social services is something of a false choice. All these policies challenge the current unequal power relationship that drives inequality. Because policy is an outcome of politics, policy change reflects shifting alignments of power. Thus, success in achieving UBI or JG is likely to make the other more likely. The last 30 years has seen a significant shift in the relative power of most workers compared to (especially large and corporate) employers. Alongside that shift have come a series of policies that reflect corporate interests, such as privatisation, making collective bargaining more difficult, cutting corporate and top marginal tax rates and deregulating financial markets. Each of these changes is associated with worsening inequality, and each comes in circumstances that make the others more likely.

Reducing inequality by guaranteeing citizens adequate incomes requires a shift in power that will likely also see stronger rights at work, stronger employment protections and greater employment security. Even so, there remain important strategic choices in prioritising demands.

## Basic Income and Australian Welfare

A common criticism of UBI in Australia is that it cuts against the grain of a welfare system based on need. Providing a government payment to everyone would be expensive and see government money channelled to the very wealthy. The net result would simply be to increase 'churn' – where governments simultaneously provide the same citizens with payments and charge them taxes. Australia does have an unusually 'efficient' social security system, where benefits are tightly targeted to the very poor. Targeting is one of the reasons Australia's overall level of taxation and social spending

is relatively low compared to many other OECD countries. However, a UBI can be adapted to reflect this ethos, and in doing so could help address an emerging social challenge – what economists often call the 'disappearing middle'.

Since the 1980s Australia has seen a transformation in employment and welfare that has ultimately led to greater inequality. In part, rising inequality reflects runaway gains at the very top of the income distribution – the 1%. But another part of the story is a hollowing out of incomes around the middle. This reflects a range of changes, from the rise in part-time work and underemployment to greater inequalities in the level of wages, where high-paid workers have enjoyed bigger wage rises than low-paid workers.

Changes in welfare have reinforced some of these changes to market incomes. Simultaneously, governments sought to more tightly target social assistance to protect those at the bottom. While this can effectively target some forms of poverty, it means those with little or no work face very high effective marginal tax rates as their benefits are withdrawn, and many low-income workers receive no benefit at all. This is particularly the case with Newstart, the benefit received by those looking for work, and increasingly by many parents and those with disability. It is less the case with other payments – like family benefits and the aged pension. The key difference is how those benefits interact with income from work. All payments fall as a worker's market income increases, but for family benefits and the pension there are (imperfect) mechanisms that allow those receiving benefits to also earn some labour market income.

Having less severe reductions in benefits as you gain more paid work (usually called a withdrawal rate) can help address the problem of the disappearing middle. It has allowed governments, for example, to ensure those on the lowest incomes get the most from family benefits, but those around the middle still receive some support. Likewise while the proportion of those over 65 receiving the full pension has fallen, the overall rate of people receiving *some* pension has remained stable, even as more older people stay in paid work for longer. In contrast, for single people of workforce age the withdrawal rates from Newstart are very harsh. Few paid workers receive the Newstart benefit.

Governments have prioritised reducing taxes for low income workers rather than reducing the withdrawal rate of benefits. The recent change to reintroduce a low-income earner tax offset is the latest example of this. However, the structure of the tax system is poorly designed to assist those on low incomes, who by definition pay lower tax rates. Any attempt to redistribute income by cutting income taxes will therefore struggle to deliver equally. As the current debate over tax shows: the more you cut income tax, the less fair the result. This presents a genuine challenge. Governments can assist – and have assisted - low income families with children or low income older people by increasing family benefits and pensions, and still offer help to those on

moderate incomes. The same is not true for single people of working age – and it is precisely this group that has seen a spike in poverty and inequality.

There are two reasons for this, one is technical and the other political. Because Newstart is so conditional and its withdrawal rate so steep, it is not practical to use it as a mechanism to deliver benefits to low-income workers. That explains why governments used tax offsets, but this mechanism delivers nothing for many part-time workers, and little for minimum wage full time workers. An Australian UBI might give more to the poorest citizens, but something to everyone, and be granted without condition (other than need). The other problem is political. Even at the height of the GFC, when the Rudd Government followed Treasury advice to 'go hard, go early, go households,' the one group they excluded were the unemployed. Students, pensioners, parents and low-income workers gained payments, but not the unemployed. That makes little economic sense, but unfortunately reflects a harsh political reality.

## The Politics of Basic Income

The key to the politics of basic income is universalism. Newstart stands in stark opposition, as one of the meanest, most conditional and stigmatising payments in the developed world. It is unequivocally inadequate, as even business economists attest. It has gradually become subject to ever-increasing surveillance, from regular interviews to innumerable applications and potentially now drug testing. After surveillance has come punishment – work for the dole, benefit cuts, quarantining payments. All of this has made Newstart much more expensive to administer, and generally less effective at helping people find jobs. And despite the fact that increasing Newstart costs *less* than increases to family benefits or the pension, both those payments have been increased by Labor and Coalition Governments, while neither has moved to increase Newstart.

There are two broad ways that politicians talk about welfare and social services that create these very different dynamics. One way is to tell a story of shared need. We all get sick, we all need Medicare. We all get old, we all need the pension. Those needs are often experienced differently. Some people get sick more than others. But the story focuses on what we have in common, and the policy is designed to emphasise what unites us. This creates a politics of universalism, and it does so even when the policy isn't technically universal. In fact, there is little genuinely universal about Australia's social policy; the pension sits next to super, Medicare next to subsidies for private health insurance. But the politics of these programs is based on a story of shared need, and so powerful is that story that even governments that initially opposed Medicare now legislate to retain it, and both sides of politics feel compelled to defend the pension.

The other story is one of rule following and deservingness, and ultimately of division. We can see it most obviously with immigration. Our expensive, unaccountable and inhumane system of offshore detention is the end result a form of 'wedge politics' based

on showing how some people are deserving and others are not. The logic of 'queue jumping' mirrors the logic of breaching and quarantining for Newstart – it suggests there is a legitimate way to behave to access help, and if you do not behave that way you are cheating the system and should be refused. Conditionality is thus the cornerstone of wedge politics, it is the mechanism both to 'test' deservingness and to demonstrate to the public the importance of recipients being deserving. Of course, in both cases the very mechanisms that are overtly designed to 'test' deservingness ultimately cause everyone to fail. In the public's mind all refugees are suspect, and all those on Newstart are stigmatised.

It has been a very long time since progressives have won a debate about wedge politics. Victories are much more likely when campaigns reframe their goals in the language of universalism – as in 'marriage equality' and 'love is love'. Of course, income payments are not the only way to reduce inequality and establish dignity. Decent jobs and social services are also important. Basic income is not a magic bullet, and when it is pitched as a retreat from those claims, as cheaper than public services or a safety net for mass unemployment, it is clearly not a progressive claim at all. But in the world we have, income is a basic social need – like health, education and housing – and income from employment is not guaranteed. In the short run, at least, it is an essential part of any progressive vision.

## The Future and Basic Income

Basic Income also has the potential to change the future of the economy. Unlike other social payments it speaks to our shared human experience, rather than to our social roles as would-be worker, parent or elder. Both practically and conceptually it opens up space to challenge the centrality of paid work and subvert the wage-labour relationship. In this sense, it opens up choices that otherwise do not exist, and creates space for new movements and values. For those concerned both about equality and about the future of a fragile planet, decoupling our wellbeing from the dynamics of a boom-bust, growth-oriented economy must be a central challenge.

The trials of UBI that have taken place show little impact on labour market participation; people clearly like to work. The argument I made earlier about smoothing incentives and benefiting low income workers suggests a similar outcome. Basic Income is not anti-work. But it does change the balance of what work is offered and what work is valued. And it potentially offers opportunities for mass participation in forms of work that are socially valued, but are not paid as wage-labour. It is not only a permanent strike fund, as Erik Olin-Wright puts it, but a permanent subsidy to forms of work that are paid but also reflect other values – artisan production, for example, and building social capital.

UBI looks to reshape the wage-labour relationship in ways expanding paid work alone cannot. We should expand public sector employment in socially useful paid work –there is much that needs to be done. But we must also wrestle with questions about the nature of 'workers'. Our old model of full employment is based on a hyper-masculine, standardised model. In a world where many workers cannot work fulltime and many others are underemployed it can be hard to build a practical employment policy that fits employment to people's lives, rather than the other way around. Reshaping that power relationship – so workers can genuinely demand as much work as they want and no more, and change their mind – requires other policies that make access to paid work less central to living standards. In a practical sense, Basic Income opens the way to less coercive and mutual forms of guaranteed employment, and even to a post-capitalist future where work and employment are no longer synonymous.