



Basic Income: A solution to what?

RESEARCH & POLICY CENTRE

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Something is not quite right



A growing sense of
precarity and
insecurity



Does Basic income offer a solution?

Forget Universal Basic Income, just raise Newstart

ACOSS

Australia Needs A Universal Basic Income, And We Should Start With Mothers

'Something big has to change': could Australia afford a universal basic income?

The Guardian

Australia must prepare for massive job losses due to automation



The Conversation

Plan for universal basic income ignores the value of work

The Age- Emma Dawson

Universal basic income: the dangerous idea of 2016

Why a Universal Basic Income can address historic, gender and material inequities

The robots are stealing our jobs: could a basic income system save us?

'Robot jobs' and gig economy point to need for universal basic income

Greens Call for Universal Basic Income

Despite more than a quarter century of constant economic growth, social, economic and ecological inequality in Australia is on the rise. The country needs a radical overhaul, starting with provision of a universal basic income, Elise Klein writes.

Love the idea of a universal basic income?
Be careful what you wish for

Growing economy...

- Growing economy
- 5.5% unemployment
- And yet ...



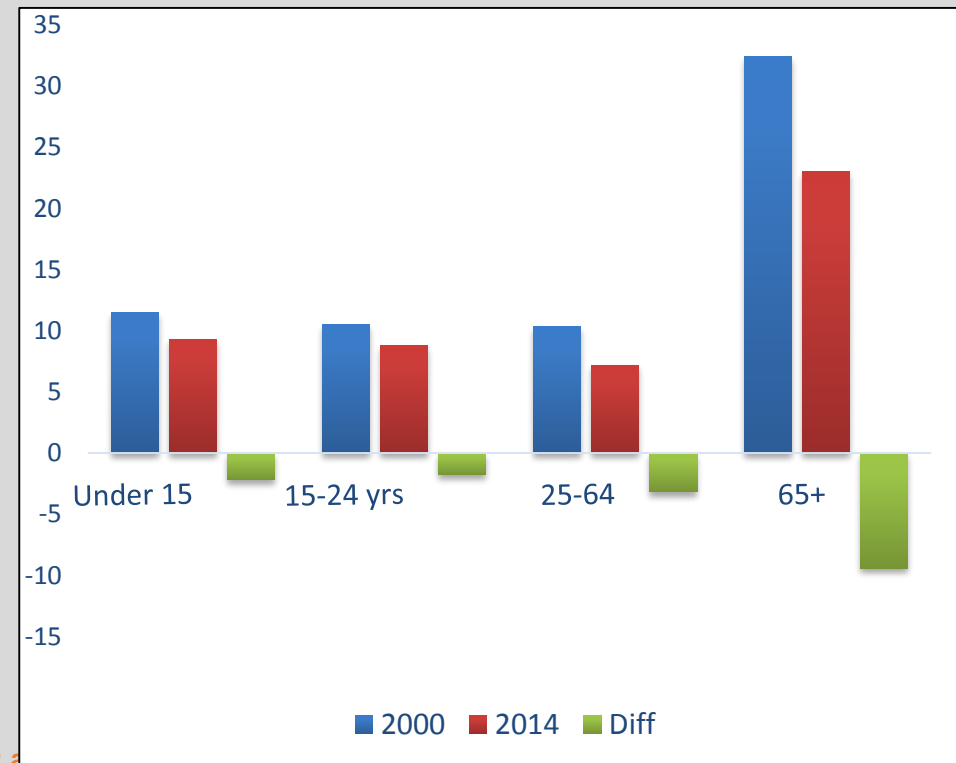
And yet ... persistent poverty In Australia, concentrated in key groups



- Poverty rate 13 % (OECD 11 %)
- 10% of children under 15 (approx 400,000) living in poverty
- Child poverty concentrated in single parent household – rising to 45% for households with parents out of work

When we examine income poverty trends, the highest rates are among older people, but smallest reductions over time occur for young people ...

Poverty incidence by age groups, 2001 vs 2014 (OECD 50%)
Headcount index (%)



Very large reductions in aged poverty: driven by increases in the aged pension, more workforce participation and superannuation

Rising income and wealth inequality, both between and within generations...

- Average wealth of richest 20% of households – approx. \$2.5 million; more than 70 times higher than average wealth of poorest 20% households (Whiteford)
- Wealth concentrated in older households

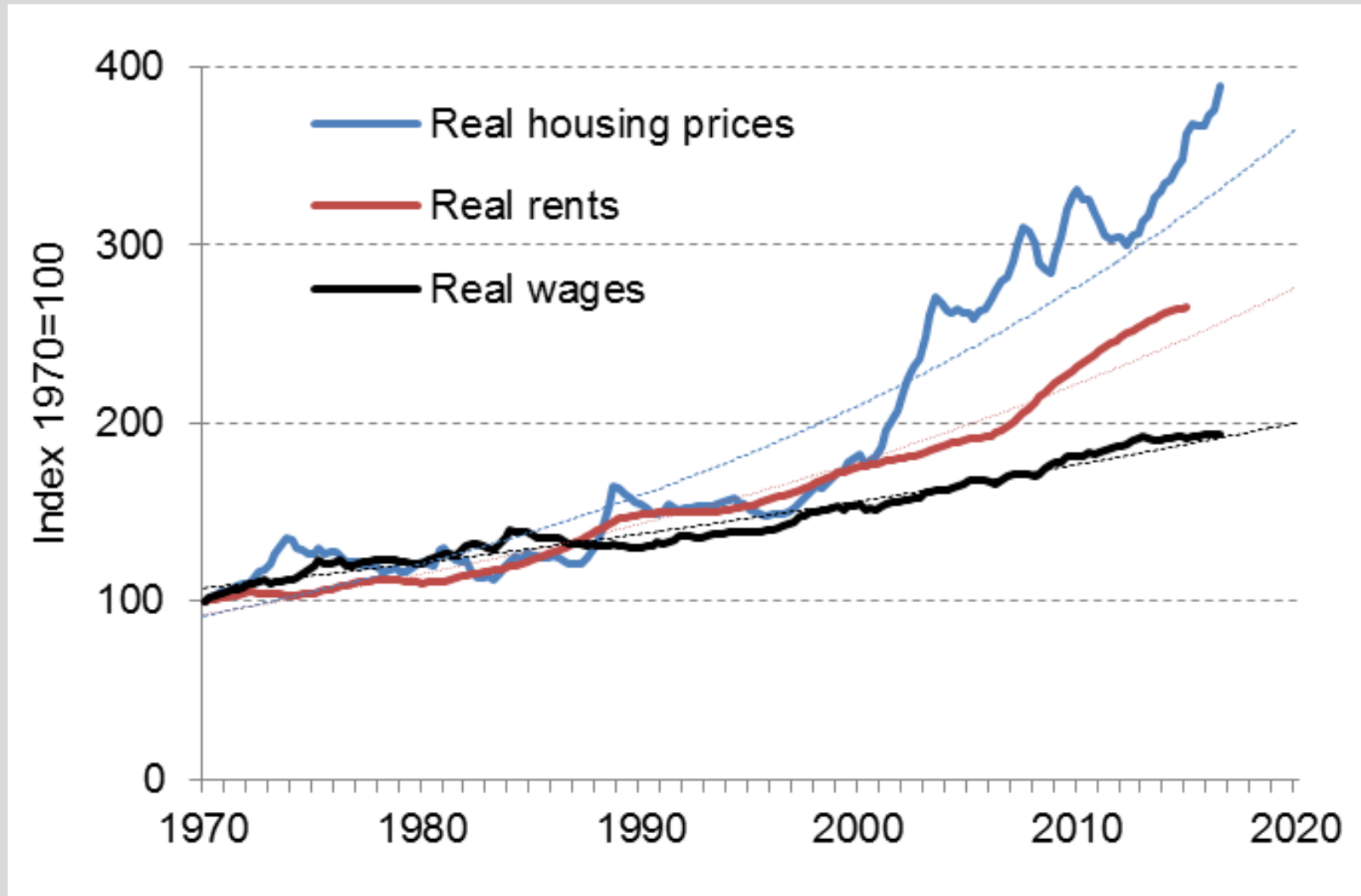
“the average household aged 55 to 64 is \$300,000 richer today than that same household back in 2003. If you go to the 64 to 74 age group the difference is more than \$500,000. In the 25-to-34 age bracket though, there was almost no change in net wealth. Yet the proportion of over 65s paying tax has almost halved in that period, despite the fact that their income is much higher.” (Grattan Institute)



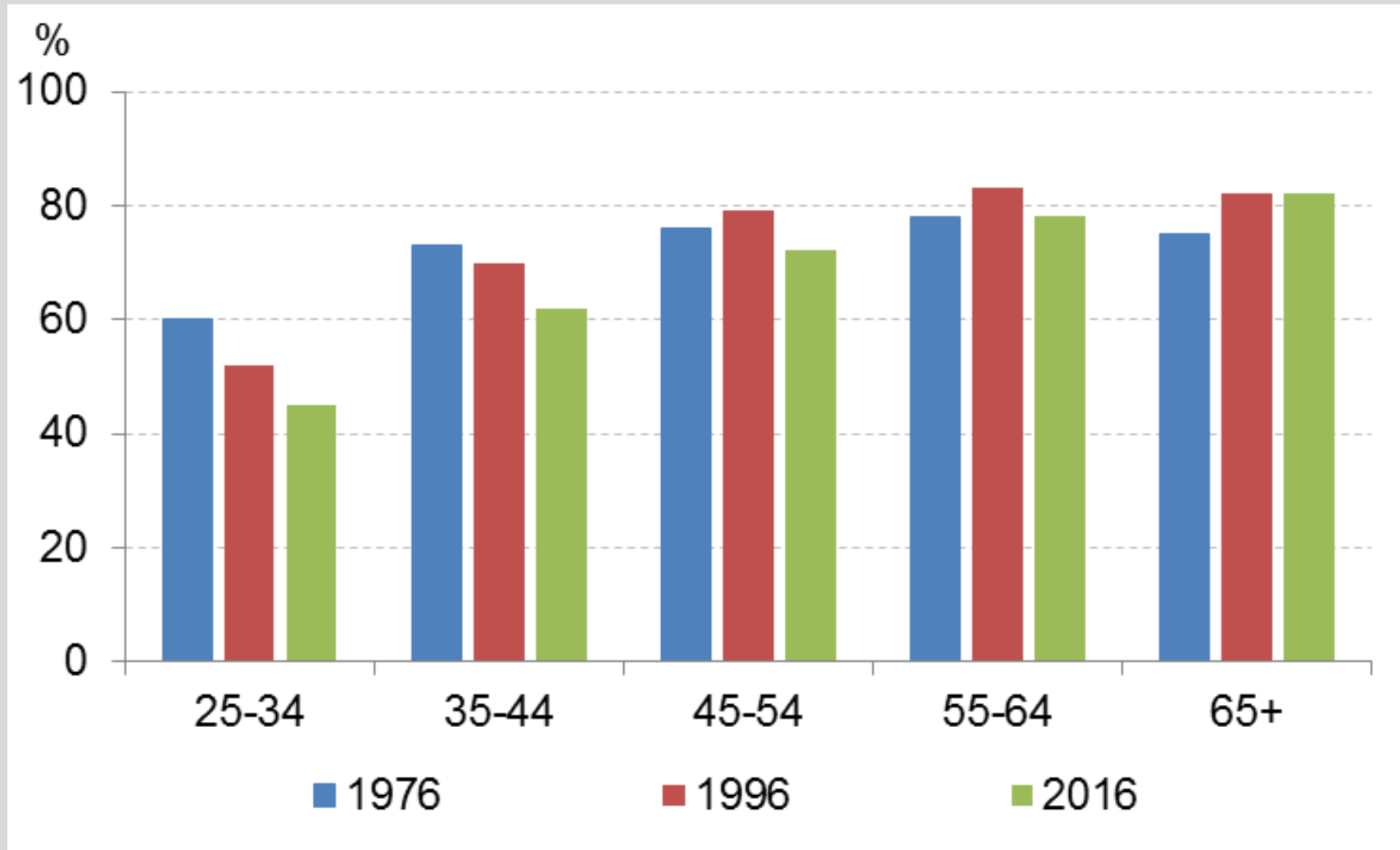
Housing: an inequality driver

increasing numbers locked out of
home-owning, & a rise in
homelessness

Over past 50 years, real dwelling prices and rents have increased faster than earnings ...

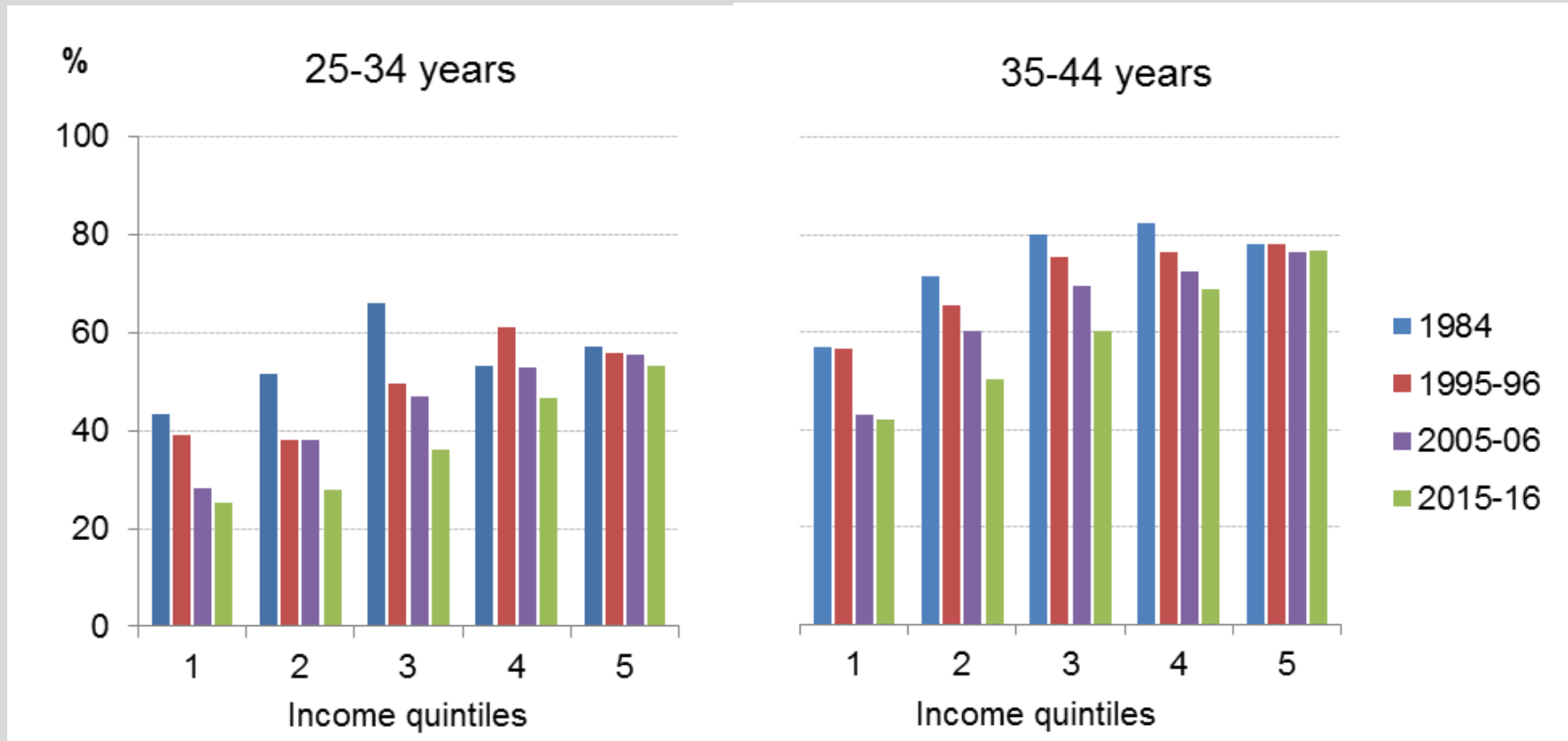


And HO rate has declined for younger households since the 1970s ...



... and especially for low and middle income young people

Not simply young versus old, but young people with less family resources struggling even more



Source: ABS income and housing survey data, (household weighted) results derived from basic CURF data, Yates 2018 (forthcoming)

The shape of the labour market is changing too

- **1970s:** manufacturing 30%; service economy 50% of employment
- **2018:** manufacturing 10%; service economy almost 80% (RBA)
- Technology is “**hollowing out**” middle income jobs (Borland and Coelli), leaving service and knowledge industry work



Demands of flexible labour markets are driving changes to working conditions ...

- Emergence of the gig economy (e.g. Uber, Deliveroo) – disrupting the employer–employee contract
- Declining union membership
- Declining use of EBAs pushing more people onto lower paid awards



These 'flexible' labour markets are only good for some ...

- **Good for high skilled, knowledge economy, “creative class”** – doctors, lawyer, programmers
- **Bad for young people**, migrants, those with a disability, single parents who are least able to enter and navigate this economy
- **Life Chances Study** – All young people faced with a rapidly changing economy and declining entry level jobs

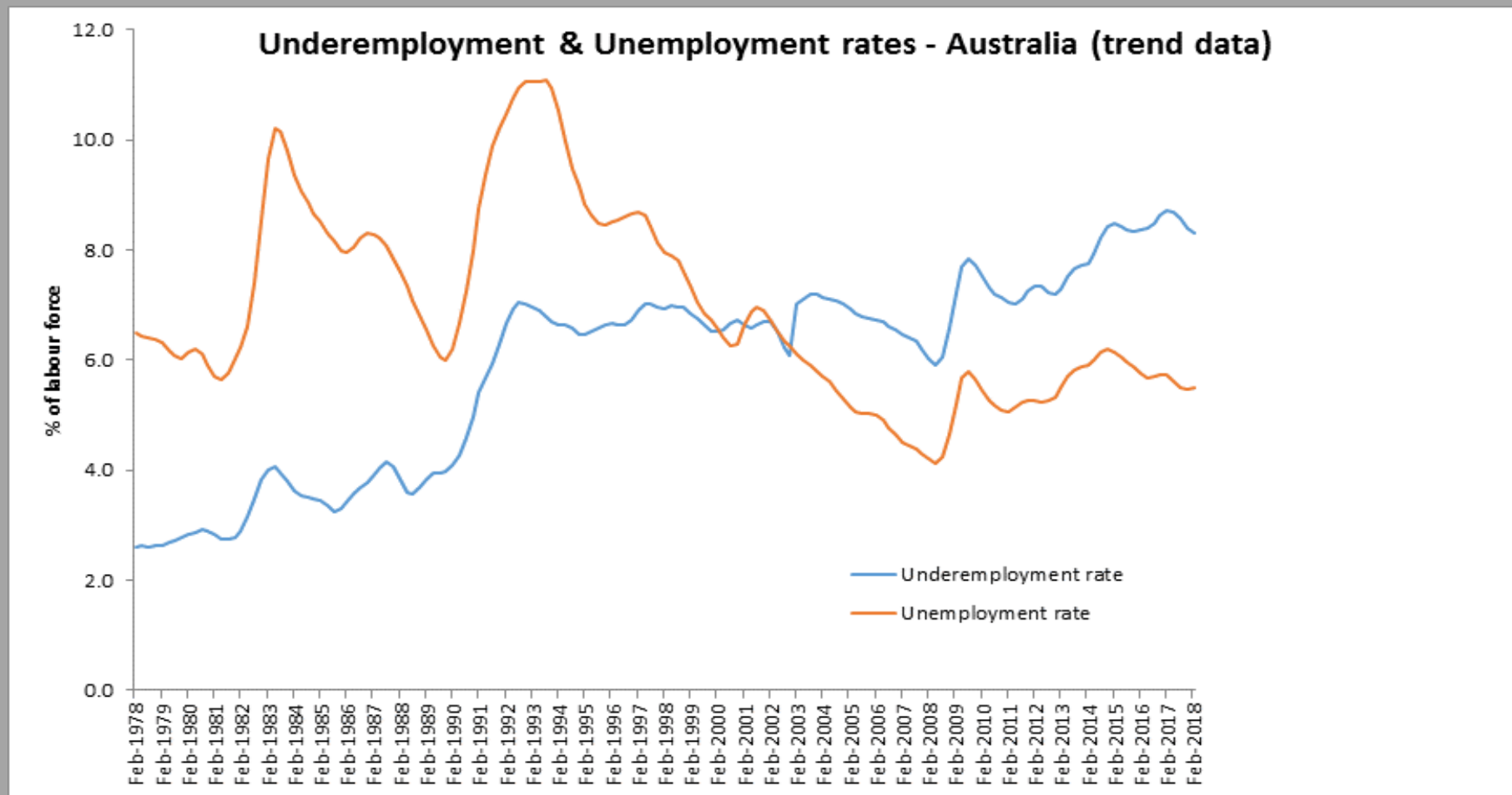
Photo source: Unsplash – Fabian Grohs



Changes to labour market are reflected in unemployment, underemployment and casualisation rates ...

- Casual employment: **20–25% of total labour force**
- **Youth unemployment** 12.2%, and rising above 20% in five regions
- **50%** of young people (15–24) employed in casual employment
- 20% of young people underemployed
- 4.7 years for graduates to find a job in their field

Underemployment and unemployment



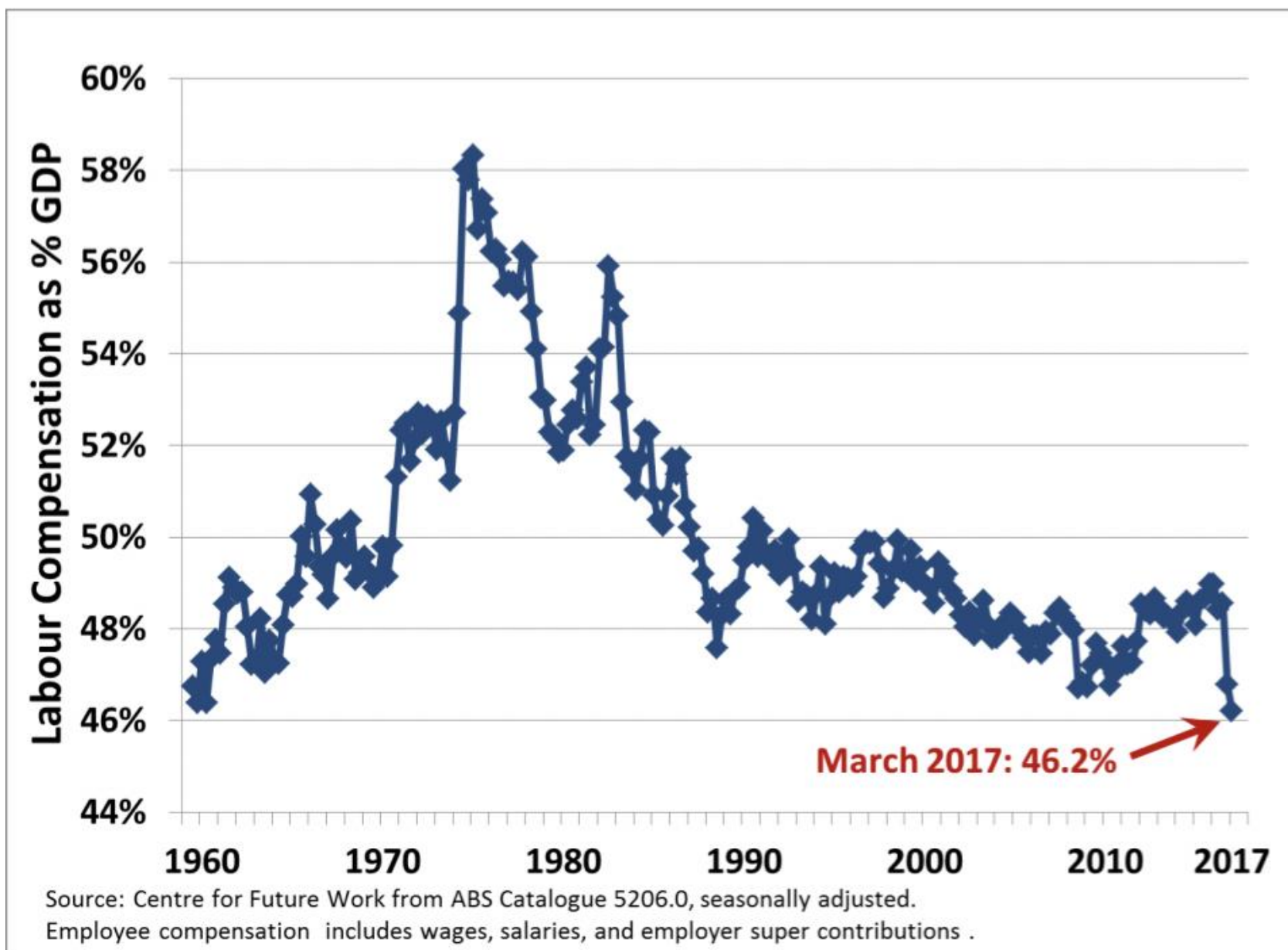
6202.0 Labour force, Australia, February 2018, released 22 March 2018

Table 22. Underutilised persons by Age and Sex – Trend data

Long-term impacts of being casually employed

- *“among men there is an average long-run penalty from casual employment of about 10%.”*
- **Division in labour market** – those in secure, permanent, well-paid jobs and those insecure workers with volatile working hours, low pay
- Insecure employment offers **few training/upskilling opportunities**
- If young people are unable to find more secure work, they risk significant scarring impacts ...

Figure 1. Labour Compensation as a Share of Nominal GDP



Social security system

(In)adequacy of social security payments

- Erosion of adequacy of “allowances”, particularly Newstart Allowance and Youth Allowance
- Clear distinction between “deserving” (aged pensioners) and “undeserving” (youth, unemployed, single parents)
- Social security recipients most likely to be in poverty – particularly the unemployed and single parents

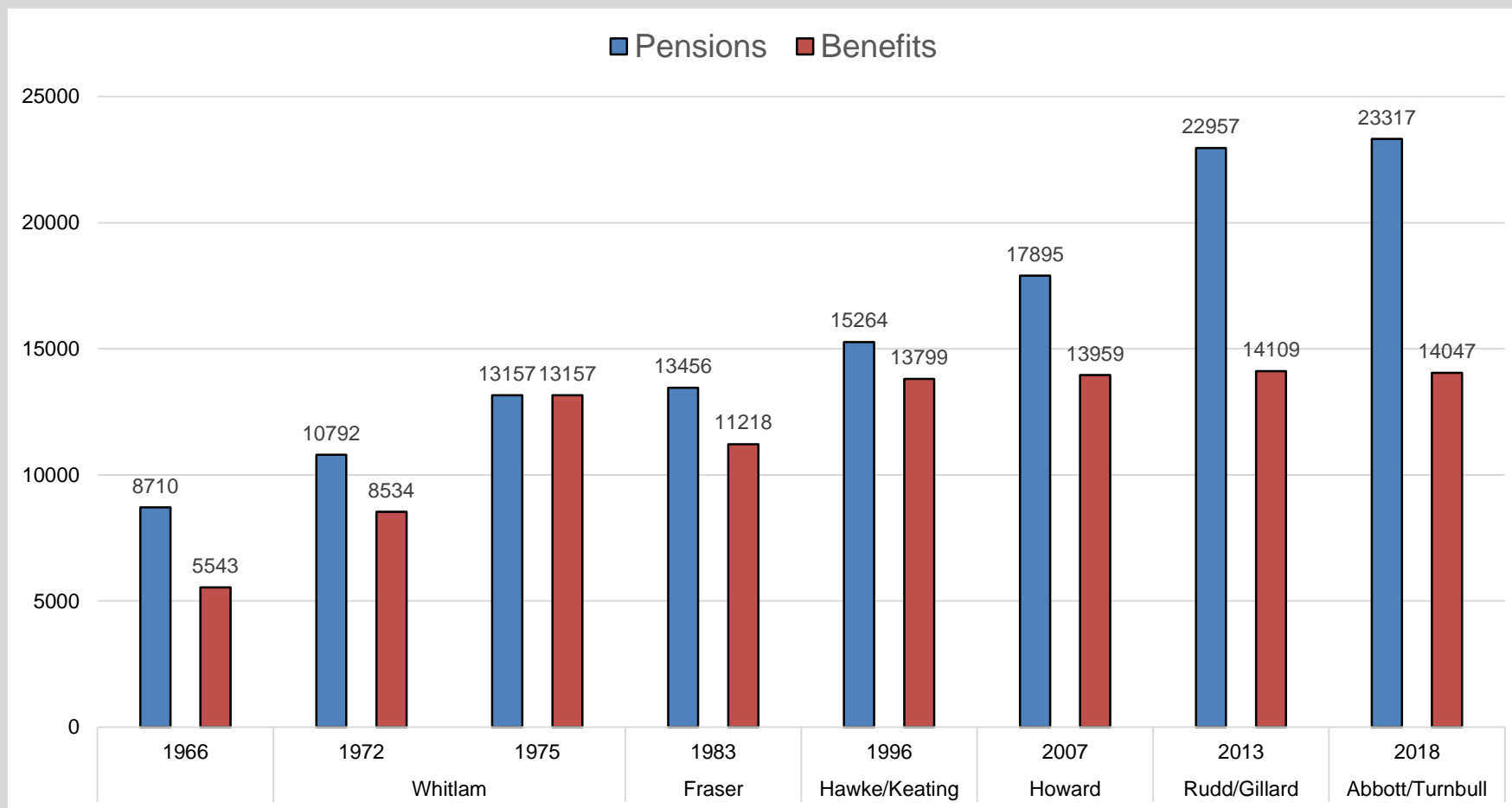
Trends in real level of payment entitlements (2017 \$ p.a.), 1966 to 2018 (single person)

Pensions:

Aged,
disability

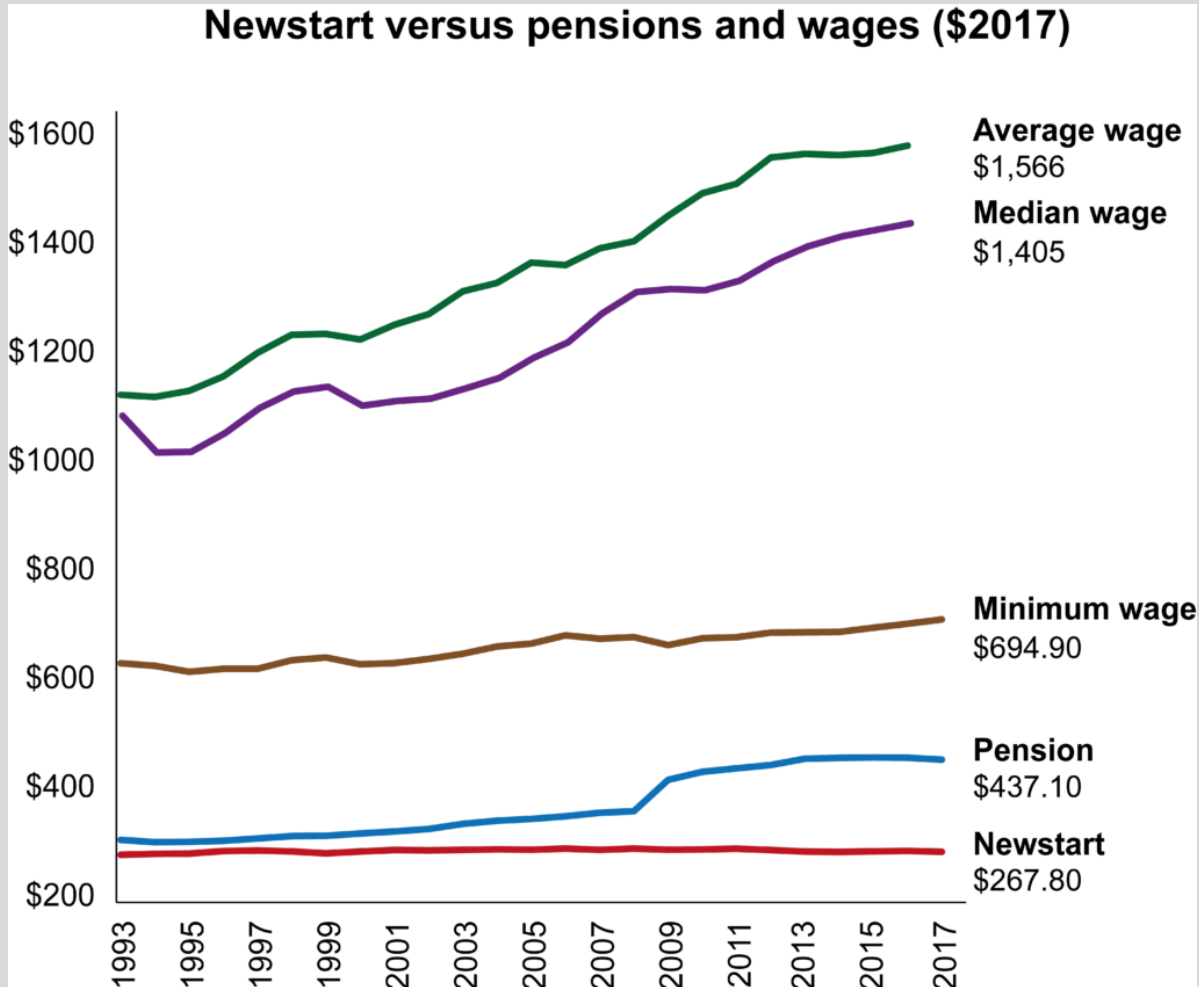
Allowances:

Youth,
unemployed



(Whiteford 2018 (forthcoming))

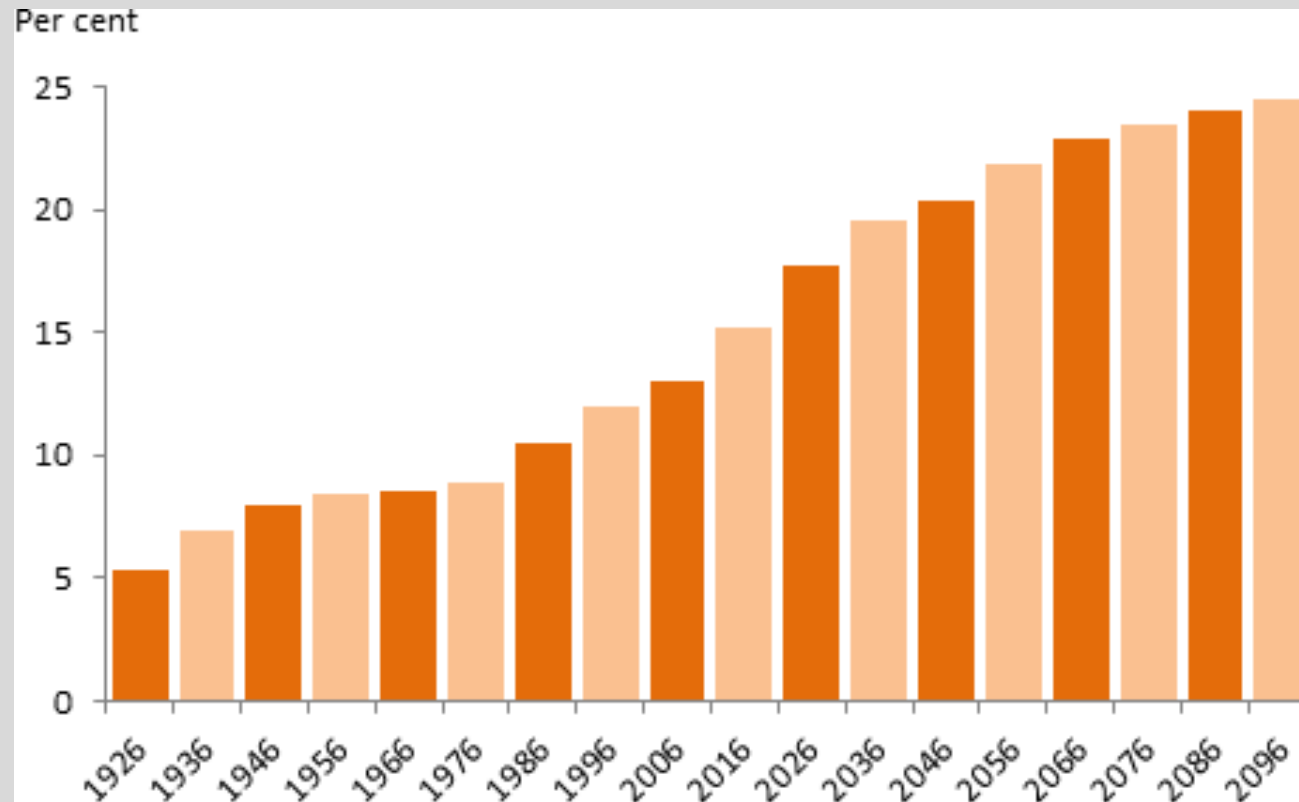
Inadequate payments



More than half (55%) of the people on Newstart Allowance **live below the poverty line**, according to ACOSS and UNSW

Ageing population presents challenges for sustainability of system

Australian population aged 65 and over, at 30 June, over time (per cent)



ABS data and Australian Institute of Health and Welfare

<https://www.aihw.gov.au/reports/older-people/older-australia-at-a-glance/contents/demographics-of-older-australians/australia-s-changing-age-and-gender-profile>

Conditionality and stigmatisation

- Young people targeted in harsh conditionality
- Highly punitive – lack of rights to social security
- **Robo-debt** – guilty before proven innocent,
- **Drug-testing** – those on Youth Allowance in areas of high youth unemployment
- Single parents having to **provide legally binding documents** that they are indeed single
- **“Operation Taskforce Integrity”** – dob in a neighbour who is a welfare cheat

Basic income: a solution?

But what is basic income?

“A basic income is a periodic cash payment unconditionally delivered to all on an individual basis, without means-test or work requirement.”

(Basic Income Earth Network)

Five characteristics:

- **Periodic:** paid at regular intervals (for example every month), not as a one-off grant.
- **Cash payment:** which allows those who receive it to decide what they spend it on (i.e. not paid in kind (such as food or services) or in vouchers).
- **Individual:** paid to individuals not households.
- **Universal:** paid to all, without means test.
- **Unconditional:** paid without a requirement to work or to demonstrate willingness to work.

What is basic income trying to solve?

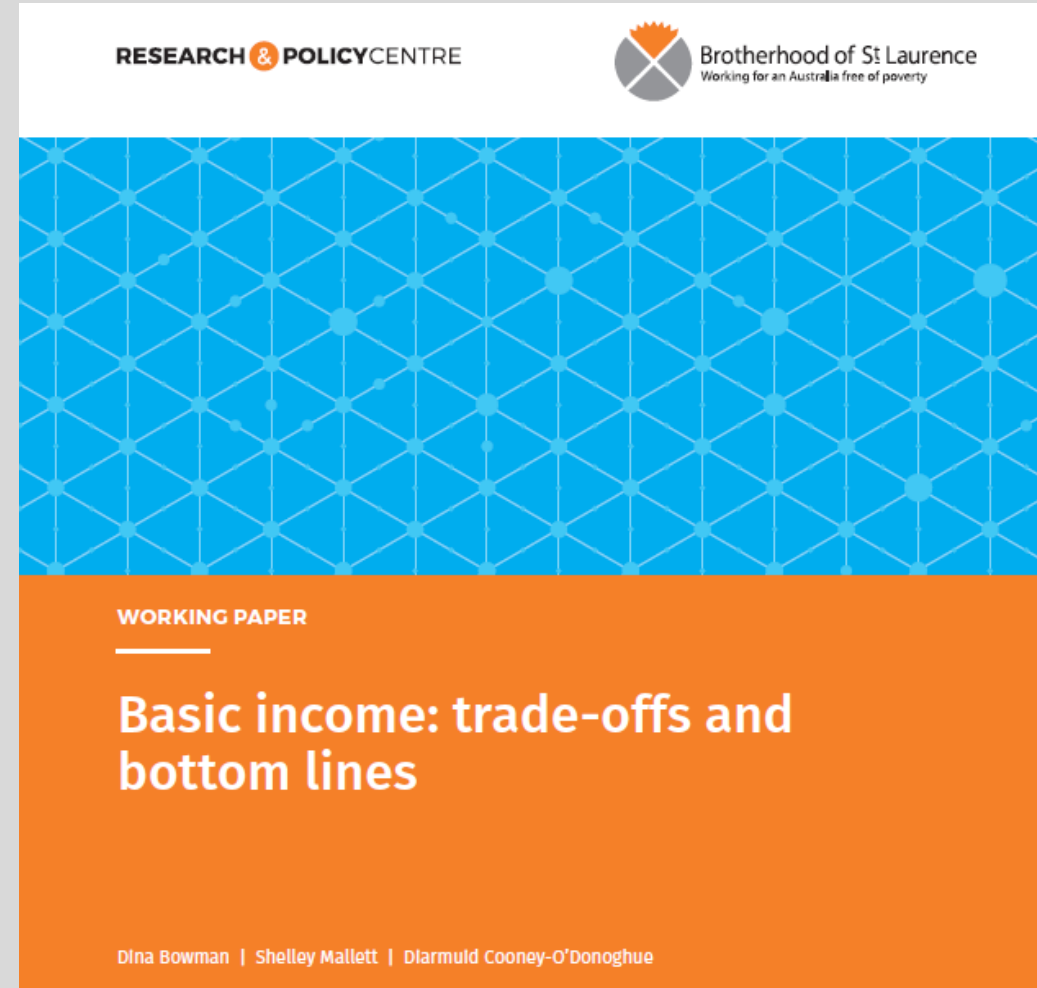
1. Provision of basic economic security
2. Reform and simplification of social security systems
3. Reduction of stigma through universal unconditional benefits

Why is the BSL interested in basic income?

- Concern over **persistent poverty, growing inequality, changing labour market**
- Recognise the continuing **value and meaning of work** but aware that the changing nature of the labour market means it can no longer guarantee economic security
- **Seeking a mechanism** that will support (young) people to participate in education and the labour market and build the capabilities for their economic security

“Trade offs and bottom lines”- BSL research

- Will this lead to better economic security for those on low incomes?
- Will a flat social security payment weaken or strengthen Australia’s social security system in reducing poverty and inequality?
- Where will the additional revenue come from?
- Is a universal basic income the most effective use of money? (compared with VET, unis, health, social/public housing or public employment spending)



Basic income trials and proposals

Different problems, different BI solutions, each has trade-offs

BI differs in the following ways:

Universality – the degree or scope of the coverage included in the policy

Individuality – the focus of basic income policies on individuals rather than households

Conditionality – the extent to which conditions to access or maintain eligibility are placed on payments

Uniformity – the extent to which similar levels of benefit are available to different individuals

Frequency/duration – how many times and how often payments are made.

Modality – the particular form of income transfer, whether cash or in kind or in the form of public or private goods

Adequacy – the extent to which the payment provides an adequate income to meet basic needs. .

Affordability – an assessment of a government's capacity to pay for the proposed basic income.

Equity – Because needs differ, uniform payments may have unequal consequences; for this reason equity is an important consideration.

Past Trials: North America

In the US and Canada five experimental trials of basic income were conducted between 1968 and 1980:

- the New Jersey Graduated Work Incentive Experiment (1968–1972).
- the Rural Income Maintenance Experiment (1970–1972)
- the Seattle/Denver Income Maintenance Experiment (1970–1980, although it had been planned to run until 1990)
- the Gary Income Maintenance Experiment (1971–1974)
- the Manitoba Basic Annual Income Experiment (Mincome. Canada) (1975–1978)

Past trials and proposals: Australia

- **Henderson Poverty Inquiry proposal (1975):** The Henderson poverty line and a guaranteed minimum income were two key recommendations of the Commission of Inquiry into Poverty
- *“Poverty is not just a personal attribute: it arises out of the organisation of society.”– Henderson*
- **Brotherhood of St Laurence Family Centre Project:** A trial of basic income as part of its flagship Family Action Centre project (1972–1975).
- This trial aimed to examine the best method to provide adequate financial resources to low-income families (lack of clear evidence about the results)



Photo source: Gilley (1990) Family Centre Project

Recent basic income proposals and trials at a glance

Recent proposals:

- Switzerland referendum on basic income proposal 2016 (not implemented)
- UK Fabians' universal tax credit proposal 2016
- Atkinson's participation income proposal 2015
- ANU Modelling – Stewart, Ingles and Phillips
- Ben Spies-Butcher and Troy Henderson proposal for pathways to a UBI

Current trials:

- Partial basic income trial, Finland 2017–2018
- Y Combinator, Silicon Valley partial basic income trial, US 2017
- Ontario trial, Canada

(for more detail, see paper Bowman, Mallett and Cooney-O'Donoghue (2017))

The aims of basic income proposals & trials vary

Proposal	Purpose
Atkinson participation payment	Reduce poverty
Swiss referendum	The basic income must enable the whole population to live a dignified life and to participate in public life
Finland current trial	Aims to test impact of partial payment on work (dis)incentives
Ontario, Canada	Aim to identify costs and savings of approach
Y Combinator, Silicon Valley	Aims to foster entrepreneurship
The Australian Greens	Reduce poverty, stigma and simplification of social security system

ANU Modelling of BI – Phillips, Stewart and Ingles (*work in progress*)

- **Options 1 and 2** start with current social security system and adjust it especially by universalising child payments
- **Option 3** is a BI plus categorical payments somewhat similar to Henderson Poverty Inquiry GMI proposal
- **Option 4** a much more radical BI
- **Possible financing mechanisms**
 - Use a relatively low level “cheap” BI (Options 1, 2)
 - **Broaden** the tax base
a **wealth tax**
 - increase rate, broaden base of **GST**

See <http://www.austaxpolicy.com/news/video-tpi-hosts-seminar-universal-basic-income-options-australia/>

There are significant obstacles to a basic income in Australia ...

- **Feasibility/cost** – Whiteford prelim estimates cost at \$350 billion on top of existing welfare system (\$160 billion)
- **Perceived inefficiency and ineffectiveness** of basic income
- **Resistance to increasing taxes** in Australia to fund basic income
- **Trade-offs** – would people want to spend additional revenue on a basic income?
- **Attitudes to welfare** – recipients blamed for poverty and unemployment etc. in Australia; belief that incentives are required to motivate people to work



Basic income for young people?

Recognising the particular challenges facing young people to build capability and security in their lives

...

- Stretched life course
- Technological challenges demanding **constant upskilling and investments in education** and need for new training models (capabilities approach)
- **Job agencies** not fit for purpose for the challenges of young people seeking to enter the workforce
- Need for innovative **bottom-up approaches** to labour market programs to build capabilities
- Social security that **does not provide economic security and certainty** for young people while training/seeking employment and testing different options

What are the possibilities?:

1. Participation income (Tony Atkinson)

- “**Participation income**” – targeted at young people aged 18–25
- **Conditional** on participation in education/training, volunteering, caring, work
- Part of income – and thus taxed – move away from means testing



What are the possibilities?

2. Youth basic income proposal by Troy Henderson and Ben Spies-Butcher (2018)

- Youth basic income (20–24 yrs) that replaces Youth Allowance and Newstart Allowance (currently can be claimed at age 22)
- Aim: address intergenerational inequalities, approach shifts away from highly means tested system and establishes a social right to social security
- Modelled on full Newstart Allowance which is means-tested (on parental/household income)- “affluence testing”
- Less stringent participation conditions than Newstart, i.e. young person needs to be volunteering, caring, studying, apprenticeship
- Potential cost of \$17.5 billion (modelling still underway)
- Funding: closing taxation concessions such as superannuation, negative gearing, capital gains discount

Possible funding and conditions?

Austudy cf. Youth Allowance / Newstart

Youth Allowance as job seeker	<p>Single, no children, younger than 18, and live at parent's home: \$244.10</p> <p>Single, no children, younger than 18 years, and need to live away from parent's home to study, train or look for work: \$455.80</p> <p>Single, no children, 18 years or older and live at parent's home: \$293.60</p> <p>Single, no children, 18 years or older and need to live away from parent's home: \$445.80</p> <p>Single, with children: \$584.20</p> <p>Member of a couple, with no children: \$455.80</p> <p>Member of a couple, with children: \$489.60</p>	<p><u>A Job plan</u>: review it regularly- the plan to find employment</p> <ul style="list-style-type: none"> - Look and apply for jobs as part of Job Plan - Attend relevant training - Report any income for you and partner - Some work for the dole
Aus Study	<p>Single, no children: \$445.80</p> <p>Single, with children: \$584.20</p> <p>In a couple, no children: \$445.80</p> <p>In a couple, with children: \$489.60</p>	<p>Be in full time approved study</p> <p>Over 22</p>

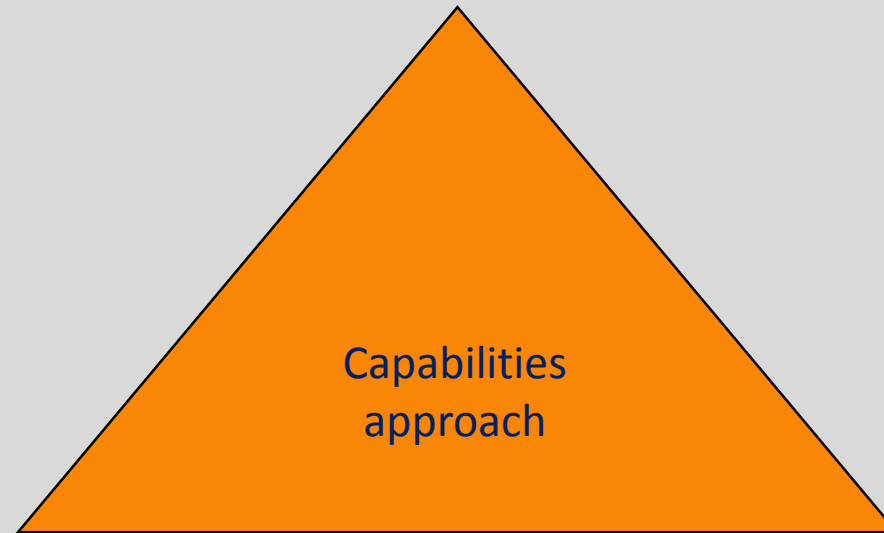
BSL – Back to the future: Trial a participation income for young people ...

- Seek to trial a **new approach to support young people** to build economic security and a sustainable livelihood
- Give young people the opportunities to build **lives that they value**
- Take a **human development** rather than punitive approach to young people (i.e. reduce but not completely eliminate conditional elements)
- Draw upon the **BSL's experience** in providing capabilities informed youth programs and research

BSL trial a bottom-up approach – Three policy angles

Labour market programs
(e.g. Transitions to Work)

Reformed youth
payment –
Youth
participation
payment



Vocational education
reforms – built on the
capabilities approach
and using TAFEs as
'anchor institutions'

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