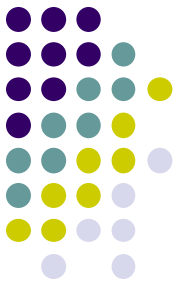


Could the idea of a Universal Basic Income work in Australia?

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Introduction



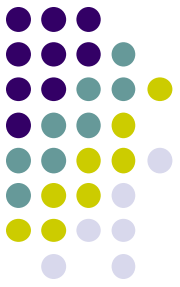
- The idea of a Universal Basic Income has a long history from all sides of the political divide
- So why the current interest in this, especially in Europe?
- And could it possibly work in Australia?

What is a Universal Basic Income?



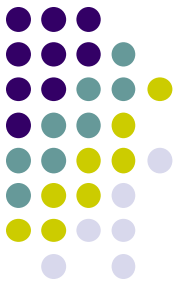
- In simple terms, giving everyone a guaranteed and obligation-free basic wage to meet their living costs
- At first glance, it seems both costly and at odds with our prevailing sense of conditionality
- What benefit to individuals or society as a whole can possibly flow from letting the idle live in uninterrupted idleness?
- How could any politician conceivably sell such an idea?

Current focus on Universal Basic Income



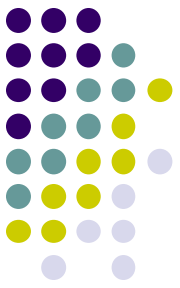
- Finland is introducing a pilot scheme in 2017 to run for two years
- Switzerland recently voted on whether to introduce a Universal Basic Income
- Idea is also being closely examined in Netherlands, the UK and Germany
- Clearly becoming a mainstream debate. Why?

Rationale behind Universal Basic Income



- The idea of universal basic income has a long history of support from both sides of politics
- One of the reasons for this is that a key objective is to reduce disincentives to work
- Which sounds counter-intuitive – giving everyone a basic income to live on without working would surely increase disincentives to work?
- Well not necessarily.....

Rationale behind Universal Basic Income



- Welfare tapers – or the loss of welfare income for each dollar earned in the labour market – can often be steep enough to ensure that work does not pay
- With a Universal Basic Income, those who want to work keep any job income on top of their basic income
- It could be a potent vehicle for enhancing consumer spending, raising economic growth and generating employment...

Rationale behind Universal Basic Income



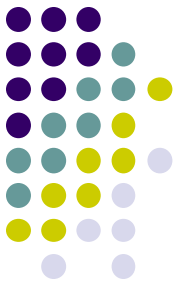
- An added advantage is dramatically reducing the costs of administering ever more complex welfare benefit systems
- In Australia the cost of administering Centrelink is around \$3 billion, so simplification can offer huge potential savings

Why the recent interest in a UBI?



- In simple terms, largely driven by the Global Financial Crisis and post-GFC responses
- The GFC highlighted deep structural problems in many European countries – large Government debt and high deficits. How to respond?
- Differing ideological perspectives - ‘State of Nature’ debate
- Global dominance of neo-liberal paradigm since late 1970s heavily framed post-GFC responses

Why the recent interest in a UBI?



- Dominant policy response to GFC has been ‘austerity’ - sweeping cuts to public spending, often ideologically driven
- Traditional monetary policies such as cutting interest rates - and even more unorthodox approaches like quantitative easing – to generate economic growth
- And the result?

Why the recent interest in a UBI?



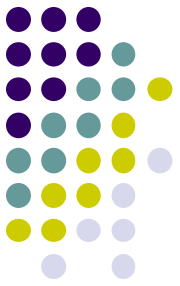
- Economic failure – stagnant economic growth and the Eurozone, the UK and Australia all face the growing challenge of deflation
- ‘Business as usual’ is increasingly not an option
- IMF, OECD and others have recently suggested the adoption of more Keynesian approaches
- The emerging ‘crisis of neo-liberalism’ is important, especially driven by rising inequality

Why the recent interest in a UBI?

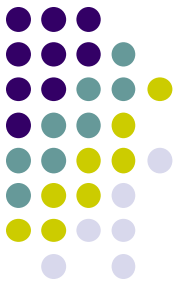


- Giving every citizen a basic income is one possible solution – poorer households are critically important
- An obstacle to the concept of a universal basic income has long been the impact on inflation
- But with deflationary pressures engulfing global economies in 2016, this is less of a hurdle
- The key challenge is how to generate consumption and ‘jobs and growth’

Could it work in Australia?



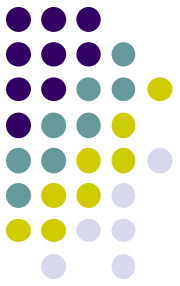
- Cost of setting up a basic income scheme – approximately 1-3% of GDP according to modelling – is likely to be prohibitive
- In a landscape of debt and deficit, policy-makers are seeking to cut public spending on welfare, not expand it
- Setting the level of the UBI also presents some challenges



Could it work in Australia?

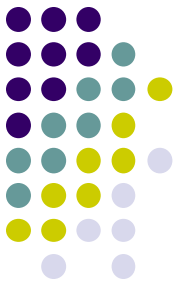
- Finland, like many Scandinavian countries, offers comprehensive child care and other welfare services free at the point of provision
- For more privatised welfare states, such as Australia, this presents some challenges
- Some groups, such as single parents with child care costs, may be worse off without adjustments
- Interplay of benefits clearly present some difficulties

Could it work in Australia?



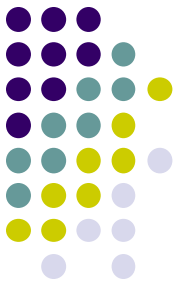
- A greater challenge may be the prevailing vilification of welfare claimants
- “Conditionality” is a key feature of many welfare systems and central to public perception that may be difficult to overcome
- “Lifters and leaners” has been a key narrative in selling welfare cuts in Australia
- Clear political capital tied up with welfare dependency

Could it work in Australia?

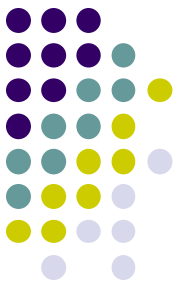


- Yet language of “lifters and leaners” may help to sell welfare cuts but works less well in the context of the working poor – those in insecure employment faced with low and stagnating wages
- Increasingly, a UBI is viewed as a potential solution to the challenges of the “digital economy”, zero hours contracts and under-employment
- Sweden are moving to a 6 hour working day, partly in response to these challenges

Could it work in Australia?



- Australian politicians are currently out-of-step with public attitudes
- Australians broadly support more, rather than less, public spending - and want to see big business pay more, rather than less tax
- 40% of Australians would also like to see more spending on social security benefits, not less



Could it work in Australia?

- Coalition mantra that growing the economic pie is key, not how the pie is split up, illustrates this disconnect with public attitudes
- Generating economic growth to pay for public spending is important, but so is sharing the spoils of that economic growth
- Widening inequality is driving the ‘crisis of neo-liberalism’, as we see with various political developments in the US, UK and Europe

Conclusion



- While many challenges remain, a system whereby the “strivers” get enough to live on – and also get to keep whatever else they earn – while the “skivers” do not starve but are tangibly worse off – may prove to be attractive to an increasingly disaffected electorate.