SOCIAL SECURITY: Is it secure?

Peter Davidson

Is the Australian Social Security (pensions and benefits) system under threat in a low growth economy? The short answer is that the system itself will survive, but with fundamental changes in the offing. Some of these pose a serious threat to Social Security dependents — a threat of marginalisation.

Last year, the Social Security Minister, Brian Howe, announced a comprehensive social security review to examine retirement incomes, benefits for the unemployed and income support for children. It was a move for positive welfare reform of a system set up in the 1940s. Howe is now being forced to redirect his energies into responding to regressive measures coming from the 'new right' of the Labor Party. Before considering these measures, I'll explain the main features of the present system.

The Australian social security structure is unique in the capitalist world. It provides universal payments funded by the national government from consolidated revenue. This is a major advance on European and US schemes which are a blend of insurance and charity. For those who contribute (along with their bosses and the state) to a social security fund in those countries, there is 'insurance' against unemployment, old age, sickness and so on. For those who lack a stable employment history (including many women) there is state and private charity provided at the discretion of bureaucrats and welfare agencies. This set-up clearly entrenches class and gender divisions.

In Australia there are flat rate payments for all people who meet the eligibility requirements. Payment is a legal right, not a charity. The conservatives tried to introduce the insurance principle in the '30s, but were unsuccessful: the Curtin government introduced the present system in 1944.

But there is a catch. The rates of benefit are lower than in most OECD countries. In Australia, the single pension is less than 25% of average earnings, while in European countries it is generally over 50% of a person's past earnings.

In a capitalist society there are certain structural limits to social security spending. First, poverty is created on a wide scale because sections of the working class are marginalised: they have no work, can't work because of a lack of alternative child care, or are in and out of low paid, temporary work. The greater the poverty, the more costly social security becomes, precisely at the time that tax revenues are dropping. Second, there are limits (at any given point in time) to the extent that capital can be taxed without threatening profitability and the reproduction of the whole economic system.

These problems are exacerbated by the 'taxation problem' in Australia. Australia is a low tax/small public sector economy. Of the OECD nations, only Turkey, Greece and Spain spend a lower proportion of the GDP on the public sector. One socialist solution is to tax the wealthy but they, and their conservative parties, have a buffer zone in the form of the anti-tax sentiment of many working people (or, to be precise, home-owning working people). Australia has a high level of home ownership and workers resist paying OECD-level taxes when they are heavily 'taxed' in turn by the banks. Although socialists only wish to tax the wealthy heavily, this has been a hard message for even the ALP to get across to working class home owners, and the Liberals have won many elections by portraying the ALP as the 'high tax' party.

It should come as no surprise, then, that over 20 years of predominantly conservative rule, the Henderson poverty inquiry found, in 1976, that 15 percent of Australians lived under its austere poverty line, and placed most of the blame on parsimonious social security benefits.

The system also reflects the society we live in in more subtle ways. Benefits and pensions aren't paid on the basis of need. They are paid on the basis of employability. People over 60 (women) or 65 (men) are assumed to be retired, and can get the Age Pension subject to income and assets tests. The same goes for invalids, who may receive an invalid pension on grounds of permanent incapacity. Able-bodied people of 'working age' get unemployment benefits if they prove they are available for and actively seeking employment.

Women are treated as a special case: it is still assumed they are part of a family unit and responsible for raising children. Married women can't collect the dole because their husband's income is taken into account. A woman is paid supporting parent's benefit if single and caring for children; but, as soon as she becomes involved with a man, it is assumed he will support her financially, and the benefit is cancelled.

The Whitlam government attempted to reverse the low tax/low spending equation of Australian politics, but came up against a major recession in 1974. Slow economic growth since then has narrowed the choices on both the expenditure and taxation sides, giving rise to growing pressures for changes in social security. It is no longer a battle over rates of benefit within a fixed structure; the basic concepts

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underpinning social security are being
question from both left and right.

This article discusses four trends
in social security today: * welfare for
the needy; * unemployment benefits as a
labor market tool; * support for
single parents; * and pensions vs.
superannuation.

In a period of austerity, the
notion that welfare payments should
be confined to the ‘genuinely needy’
has won supporters across the political
spectrum. Within the labor
movement, the idea is associated with
a traditional commitment to equality.
On the right, ‘middle class welfare’
is a favorite target for the purists who
put economic ‘rationality’ above
electoral considerations.

There has been widespread
support for government efforts to raise
benefits for the very poor: single
unemployed people and supporting
parents. This has been achieved by
increasing ‘supplementary’ payments
to these groups by extending the
pensioner rent allowance (at a lower
rate of $10 a week) to the unemployed,
and by increasing children’s
allowances for supporting parents.

The government’s major attempt
to target payments to the most ‘needy’
— the pensions assets test — has been
greeted with much less enthusiasm.
When Labor came to power there was
only an income test for the pension. It
didn’t matter how much wealth people
had tied up in assets. Some wealthy
people managed to reduce artificially
their income by converting it into
assets, and claimed the full pension.
Despite this, the assets test hasn’t
saved considerable sums of money: the
income test which affected the rate of
pension for every dollar earned over
$20 (now $30) was severe enough to
deny the pension to most wealthy
people. But the ideological point was
made — welfare is only for those who
need it.

This principle came under fire
from the majority of pensioner
organisations, including the most
progressive — for example, the
Australian Pensioners League. Why
was this? The pensioner movement
had long experience of means testing
from the days when people had to
demonstrate that their relatives
couldn’t support them before they
could be paid. There is a progressive
argument for a universal pension: that
it is a right for all Australians and if all
are entitled to it, there will be more
people committed to fighting to
improve it. The biggest drawback of
the ‘welfare for the needy’ approach is
that it relies on the state to impose a
rational redistribution of welfare
benefits. Of course, there is no
guarantee that the money saved on
‘middle class welfare’ will go to the
poor, especially if they are politically
marginalised in the process.

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It also ignores the other side of the
welfare equation: taxation. A
standard argument in favour of
targeting the ‘most needy’ is that the
welfare cake is getting smaller; but this
is taken for granted instead of leading
to investigation of the prospects of a
redistribution of wealth from the rich
(via taxation) to all of us (via universal
welfare provision). An alternative to
the assets test would have been
wealth tax applying not only to
to pensioners, but all wealthy people.
This would have attracted far more
revenue than the savings from means
testing social security benefits. By
taxing the rich (including their social
security benefits) those with the
greatest need will benefit most.
The notion of targeting welfare services was popular in the welfare field well before the present economic malaise. The welfare sector has long campaigned against poverty and focussed its attentions on the needy. Poverty was placed on the national agenda by its efforts in the '60s and '70s. However, there are limits to the gains which can be achieved by campaigning in this way. The very notion of poverty ideologically isolates its 'victims' from the mainstream of the working class. They are already isolated in fact by mass-unemployment and the child-rearing responsibilities thrust upon supporting parents.

Having revealed the fact of mass poverty, the next step is to demonstrate that it is happening to ordinary working people and not some race of alien beings deserving of sympathy. There is a material basis for this: already 20 per cent of Australians are dependent on social security. Nearly everyone will be dependent on the system at some stage in their lives. A good starting point is to force the government to meet its commitment to raise pensions to 25 per cent of average earnings and to increase unemployment benefits to the same level. This has the potential to unite a very broad cross-section of people and to reduce the political isolation of the welfare state's second-class citizens — the unemployed and supporting parents.

The alternative is for social security dependents to become part of a welfare ghetto. This is no doubt what Howard has in mind when he promises not to increase government spending in real terms for three years. With social security comprising over a quarter of the budget, it would have to be slashed dramatically to keep this promise at a time of growing unemployment: this would be achieved by breaking up the universal welfare system and offering tax cuts for middle income earners in return.

A national cash benefit for the unemployed was finally introduced in 1944 after about 15 years of bitter struggle by organisations of the unemployed, and unions. The catch-cry both during and after the war was that 'never again' would the suffering and social dislocation of mass unemployment be imposed on the Australian working class. For the small number of people left unemployed after the war there would be a statutory right to benefits, provided they were 'available for and actively seeking' full-time employment.

The recessions of 1964 and 1982 changed government attitudes to the unemployed. Unemployment has increased tenfold in this period, to around 600,000 today (according to official figures). While about a quarter of this number have been out of work for over a year, government responses have come in cycles, almost regardless of the party in government. The universal right to an adequate benefit has been threatened at each turn.

The Fraser government's response was, at first, mainly ideological. The community wasn't used to mass unemployment and Fraser knew the issue had to be defused because he wasn't about to do anything about it. In the first few months of government he engaged in dole bludger bashing. The government adopted a 'hard cop soft cop' approach. It tightened the work test for unemployment benefits so that people could have their payments postponed for up to six (later 12) weeks for failing to dress properly for job interviews, or for moving to an area of 'low employment opportunity'. The interpretation of policy was left to individual DSS or CES offices, and varied across the country. Also in 1976, it introduced the Community Youth Support Scheme to provide community-based training and motivation for young unemployed people to help them find work. This was to soothe the welfare sector and the churches who had been reminded of their responsibility to the unemployed after the war there would be a statutory right to benefits, provided they were 'available for and actively seeking' full-time employment.

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Ministry. In the absence of strong political pressure to the contrary, the social security system was called upon to take on directly one of its functions: that of labour market tool. Dawkins won, and a lower 'intermediate rate' of benefit was created for 18-20 year-olds, by failing to increase their dole in line with the CPI.

No one on the left wants to see mass unemployment continue, and training and work experience programs play an important role in preparing unskilled and long-term unemployed people for work. Otherwise they would have difficulty finding work, even in a tight labour market. The greatest flaw in these programs is that, for the most part, they lead nowhere in the long run because they are not linked in any consistent way with an industry policy which generates employment in industries which are efficient by world standards. In other words, they remain basically ‘dead end’ programs, and unemployed people are aware of this and resent it.

The government's labour market programs have now been overtaken by an emerging economic crisis which has led the government to a retreat into austerity. Although economic growth of at least three percent per annum is needed to prevent rising unemployment, even this target is unlikely to be achieved in this financial year. The Department of Employment and Industrial Relations acknowledges that there is a strong prospect of increasing unemployment. Government policy towards the unemployed is about to turn full circle, with the Prime Minister himself taking the lead.

It was Clyde Cameron, Industrial Relations Minister in the Whitlam government, who coined the term 'dole bludger'. The Hawke government, led by the Prime Minister himself, is returning to the ideological position adopted by Fraser in 1976. 'I accept the fact that there are obviously some who are getting the benefit who shouldn’t be' said Hawke in May this year, as he proposed a tightening of the work test.

He has now joined the Liberal's 'work for the dole' bandwagon. Hawke announced, in his economic policy speech in July, that a program would be established to encourage unemployed people to perform voluntary work for their benefits. He clearly wants the scheme to be compulsory, arguing, in the face of much opposition from within Cabinet, that 'if there are more places available than unemployed people to fill them, then the government will have to look at the issue of compulsion again'.

The general idea is that community organisations receive a subsidy to take on unemployed 'volunteers' who receive no payment for their services. These 'jobs' would be advertised through the CES, and the Social Security Act could be amended to make it a condition of receiving benefit that a person be available for and seek voluntary as well as paid work. This has horrific implications for social security in Australia, and it would steer us in the direction of schemes in the US which require both unemployed people and supporting parents to work part-time for their benefits. The Liberals are on record as supporting a compulsory scheme.

The work for the dole proposal has been attacked by all major welfare bodies which would have any role in setting it up, including the Australian Council of Social Service and the Youth Affairs Council. The Australian Social Welfare Union, representing non-government welfare workers, also opposes it. They point out that the present lack of adequate skilled workers in welfare organisations would consign volunteers to performing largely menial tasks, and that there is already
too much reliance on volunteers by governments wishing to fund welfare on the cheap.

Even if the scheme fails for lack of organisational and Cabinet support, it has already shifted the whole debate over unemployment from one of government responsibility to provide jobs, incomes and training, to the responsibilities (or debt to society) of the unemployed themselves. At the same time, the CEP, which provides an award wage and some proper training, has just been cut drastically.

The government is obviously concerned about the political reaction to growing unemployment and some sections of it are keen to direct this response against the unemployed themselves, in a similar manner to Fraser. There is support for this approach in public opinion polls which indicate that approximately 80 percent of people support some form of work for the dole, while around 40 percent support a compulsory scheme. Prejudice against the unemployed is deep-seated.

The debate needs to be shifted back to an emphasis on employment creation through government intervention in the economy and industry development planning. Then the training schemes currently in place will make more sense. In the meantime, the right to a decent income without all manner of strings attached, must be fought for.

Supporting parents (the vast majority of whom are women) are the most threatened of social security dependents in the new environment. A Sydney Morning Herald poll in April this year found, in answer to the question: "Who is in the most need of government support?", only four percent said supporting mothers. Five times as many supported the young unemployed or age pensioners. Yet supporting parents rate alongside the single unemployed as the most impoverished beneficiaries. The face of poverty today is female.

The Supporting Parents Benefit is paid to single parents, of whom the vast majority are separated or divorced women. The benefit has been surrounded by controversy since Labor introduced it in 1974. It was staunchly resisted in the bureaucracy. The popular mythology in social security offices through the '70s was that most claims were fraudulent — that the claimants were actually living with men. At first, benefits were cancelled on the mere suspicion that this was the case, with no reason given until the cheque failed to arrive. There was enormous stigma attached to the benefit, and it is not surprising that most beneficiaries only continue to receive it for around two years, according to the Social Welfare Research Centre at the University of New South Wales.

According to the SWRC, there are three reasons for the poverty experienced by most supporting parents. Firstly, the lack of child care — only about a quarter of single parents with pre-school age children are employed, and only a similar proportion use formal child care services. Second, employment opportunities are diminishing. Third, benefits are very low, and over three-quarters of the people on supporting parents benefit (SPB) earn no extra income. Benefits are so low, primarily because of the government's failure to index additional payments for...
children or to set them at a realistic level (presently $16 per week). One-fifth of Australian children live in poverty, and a large proportion are dependent on supporting parents benefit.

The benefit has always been precarious because it confronts the ideal model of a family with two parents with the reality of separation and divorce, and the need for state support. It offers a long-term alternative to dependence on men. At

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the same time, the numbers of supporting mothers on SPB has doubled from around 100,000 in 1974, to approximately 200,000 today. The reasons are mainly social, although a higher proportion of single mothers is dependent on SPB today for economic as well as social reasons. Separation and divorce increased in the seventies, partly reflecting the fact that people married earlier in the early seventies. The divorce rate is now, in fact, reducing, but it is still high enough to excite the paranoia of the ‘moralists’ who call for the tightening up of both family law and SPB eligibility. There is now a burgeoning alliance of convenience between bodies like the Catholic Social Welfare Commission (who preach the virtues of the ‘family’) and economists who preach the virtues of small government.

Into the fray steps the Social Security Review with its proposals to improve the enforcement of maintenance payments by non-custodial parents (usually the father). A number of options have been floated, from direct deduction from the wage packets of maintenance payments ordered by the Family Court, to the automatic deduction of maintenance according to a fixed rate per child and payment into a general fund for supporting parents. Most maintenance orders are not properly enforced, and reform in this area is long overdue. These ideas have been picked up by the Finance Department as a money-saving measure; and the department would like to see the proceeds absorbed into consolidated revenue (in other words, no increases for SPB). This highlights the dangers in moves to deduce maintenance according to a fixed formula. It may simply be used as a device to shift responsibility from the state to non-custodial parents which would be quite consistent with the ‘moralist’ approach. The removal of the discretion of the Family Court to take into account the nature of the prior relationship is another issue that warrants careful consideration.

The most effective solution in the long run is improved child care and employment prospects for single parents. The state must acknowledge its responsibility for the raising of children through community and work-based child care, rather than tossing it back to single mothers. Some form of government income support for parents of pre-school-age children will probably be needed for some time, and perhaps this should be universal rather than confined to single parents.

One proposal recently floated is a universal benefit for parents (whether working or on SPB) which incorporates the family allowance (now paid to all parents of dependent children) and the extra benefit payments for children of social security beneficiaries. Single parents would then get one payment for themselves (because they can’t work) and a share in the universal payment
for children. Such a payment would probably be means tested. This has the political advantage that all parents would have a common interest in raising the benefit.

Supporting parents would be far less isolated if all people (single or not single) caring for a pre-school-age child at home also received a benefit to compensate for their unavailability for work. This would do away with the need to investigate constantly whether single parents are still single, and remove the stigma from supporting parents benefit.

There is another long overdue but difficult reform which is required if we are to improve the social security status of women. The system still treats women basically as the dependents of men, and families as single income units. The supporting parents benefit is not paid to a woman involved in a relationship with a man. There is still a 'married rate' of pension or benefit, fixed at about 5/6ths of the single rate; and married women can’t receive the dole if their husbands work full-time.

In England, the women’s movement has been campaigning for some time for 'disaggregation' meaning that the income of one’s partner be ignored for social security purposes, as it is for taxation purposes in Australia. Current trade union thinking in Australia is against this on the grounds that the wives of wealthy men shouldn’t receive unemployment benefit. However, from a broader social viewpoint, this reform is long overdue, and there are always other ways and means of 'soaking' the rich.

When the trade union movement neglects social security, its members often lose on the swings what they gain on the (industrial) roundabout. Living standards can be improved by direct trade union action against employers or by campaigning around the social wage. Unions are now waging a massive struggle to extract superannuation contributions from the bosses. It is a progressive struggle inasmuch as, at present, only half the workers (and largely the better-off half) receive superannuation.

However, the social wage side of the equation has been neglected. When the new superannuation schemes start to pay benefits to retired workers, social security entitlements of these workers will be affected. Superannuation is not exempt from the Age Pension income test, and for every dollar received over $30 per week, a single pensioner loses 50c of his or her pension. The government is delighted (all except the Social Security Minister Mr. Howe) at the future savings on Age Pensions which are in store.

Superannuation will also increasingly affect the age pension in another way. There are generous tax concessions for employer contributions to superannuation schemes and for superannuation payments in the form of regular 'annuities' to retired workers. So generous are these concessions that the government estimates that it will forgo a total of $4 billion in tax in the new financial year as the superannuation push gathers steam.

This is more than two-thirds of the annual age pension bill. Clearly, future governments won’t be able to finance both these tax concessions and the pension. The pressure for worker contributions to superannuation schemes would be inexorable.

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This, then, is the choice: either sponsor a greater expansion of superannuation through tax concessions, or preserve the age pension as it stands. Which is the more progressive approach? The question was answered clearly by the labour movement in the 1930s when the conservative government sought to introduce its national superannuation scheme in place of the pension. A universal age (or social) pension followed by a progressive tax system benefits low and middle income earners, especially women and others who have a 'broken' employment history.

There is no reason for thinking that this is to be the outcome of the ACTU campaign, and the key to solving the problem is twofold: the pension income test and tax concessions for superannuation. In 1974, a government inquiry into national superannuation recommended a two-tier system of retirement income: the age pension and a universal superannuation payment equivalent to five percent of average earnings. The latter payment would go to all and would not be means tested. The government would pick up the tab for those who lacked the employment history to generate the money needed for the five percent payment from superannuation contributions. The government now proposes to set up a 'safety net' scheme for workers not picked up by the industry schemes, but if this is established it will probably only apply to people in the workforce.

The five percent payment on top of a pension of 25 percent of average earnings would meet the pensioners' demand for a retirement income of at least 30 percent of average wage.

On the taxation side, there is little justification for tax concessions for employer contributions. Tax concessions for superannuation fund investments - involving huge sums of money - should be used as a lever to influence investment policy. The rate of tax on superannuation payments for the wealthy should be reviewed. In 1983, the government increased the tax on superannuation payments to a ceiling of 30 percent, a figure still well below the highest marginal tax rate. There was an outcry at this which was totally unjustified. One of the major campaigns against the changes was run by the airline pilots. They have recently completed a similar campaign to transfer their current fringe benefits into superannuation contributions in effect to avoid the fringe benefits tax on their employers. This demonstrates clearly the potential for evasion of a progressive tax through the tax concessions for superannuation contributions (which, in the final analysis, are simply another form of fringe benefit).

The age pension is the rock on which the universal social security system is founded. If it is eroded, the more vulnerable benefits will follow.

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