

A social wage: The Greens have worked it out, so why hasn't Labor?

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In the 20th century, right up to the time of the Hawke Government, Labor policy was guided by the idea of the "social wage", before it drifted away from its own established principles. Greens leader Richard Di Natale has reminded Labor and the Australian community that the social wage is still appropriate for our times, writes Ian McAuley.

Occasionally a politician, when given a pulpit, rises above the distractions of the immediate and the temptation to score points against political opponents.

Greens leader Richard Di Natale used his National Press Club Speech last week to raise questions about our fundamental political and economic structures.

In case we need reminding, he pointed out the moral failure of neoliberalism:

"... an ideology based on the singular assumption that humans are selfish individuals, always in violent competition. An ideology defined by the sale of any public asset that isn't nailed down, that sees taxation, regulation and trade unions as the enemy. An ideology that believes if only we relinquish total control to the market, wealth will magically trickle down to everyone."

He then outlined neoliberalism's economic shortcomings, including its failure to deal with climate change, and its contribution to growing and unsustainable levels of inequality. The economic and political model that has been dominant in "developed" countries for the last generation is clearly not working.

That drew him into the debate about the future of work and the fundamental rules about the distribution of income, and he touched on the idea of a universal basic income.

Australians might dismiss the notion of a universal basic income as utopian. Something to discuss over a smashed avocado breakfast or at dinner after the second bottle of shiraz. It's one of those northern European ideas – some wacky Finnish experiment – but Australia is the land of targeted social security, of means tests, of carefully-titrated payments administered by Centrelink (did I really write that about Centrelink?).

But it's easy to forget our history. Between Federation in 1901 when we had recovered from the 1890s depression, and 1914 when we reverted to imperialist submissiveness, Australia was a world leader in social security – not just keeping up with but in many cases getting well ahead of the Europeans. In 1909 we were one of the first countries to have a publicly-funded age pension, for example (Bismarck's Germany beat us but ours was more generous).

And we had what in its time could be considered a universal basic income – a "living wage" that allowed an unskilled male worker to live as "a human being in a civilised community" to support a wife and three children in "frugal comfort" – to summarise and quote from Justice Higgins's 1907 judgement in the "Harvester case". That was the case that introduced and established the basic wage.

The decision was important, in that Higgins rejected the employers' submission that wages should be set in accordance with market conditions. If the market couldn't provide adequately, then intervention was required.

From the vantage point of 2017, one may say Higgins's basic wage was not universal – it did not apply to the unemployed or women, but by the standards of the time it was far-reaching. And it set Australia apart. If one wanted to point out some unique cultural feature of Australia the saying was "it's Australian as the basic wage".

One may say that, unlike present universal basic wage proposals, it relied on private employers' wages rather than taxation. But Australia's political and economic settlement was based on the deal that firms would pay decent wages and in exchange would be supported through tariff protection if they were in trade-exposed industries. As economists were later to point out, tariffs are essentially taxes, paid either as an import duty or as a price premium on consumer goods. They're essentially a consumption tax, but they're not collected by the Australian Taxation Office. We had a tax-funded universal basic income but we just didn't call it that.

The other Australian tradition, articulated in 1945 in the Curtin-Chifley Government's White Paper on Full Employment, was that of a "social wage". A social wage is a set of basic universal benefits, available to all. Its specifics move over time, but its main elements include affordable housing (including utilities), school education and health care.

While there may be market failure reasons for public intervention in such services, the overriding principle is that for a human being in a civilised society (to quote Higgins again) people should be free from anxiety about the necessities for themselves and their children. The market can look after people's desires for other goods and services, but these basics should be available to all.

That was the tradition to which Di Natale was referring in his speech when he said:

"Housing, jobs, universal education and healthcare, a decent social safety net and a healthy planet to sustain us – this was the compact with my generation, but the drawbridge is being pulled up behind us."

The Whitlam Government, when it introduced Medibank (the forerunner to Medicare) was guided by the social wage principle – unfortunately undermining its universalism principles when it brought in generous government funding for private schools.

The Hawke Government, in office from 1983 to 1991, was guided by the principle of a social wage when it re-introduced Medicare as a universal non means-tested benefit.

In the late 90s, however, Labor backed away from the idea of a social wage. Successive health ministers came to see health care simply in terms of welfare for the "needy" rather than as a shared public good. Over the period of the Rudd-Gillard Government Labor strengthened support for private health insurance, and in last year's election campaign, while its rhetoric on Medicare was strong, it actually proposed shifting more Australians into private insurance through a 10-year freeze on the cutoff for the Medicare Levy Surcharge.

On education Labor's record has been a little better with its enthusiasm for the Gonski reforms, but Labor hasn't resisted the political opportunity to criticise modest proposals to re-allocate funds away from over-funded private schools.

On housing, Labor took to the last election some weak proposals to rein in capital gains and "negative gearing" benefits, but these seem to have been carefully calculated to differentiate Labor from the Government's absolutely indefensible policies, rather than a wholehearted return to the concept of a social wage.

Di Natale has it right – the social wage, and its possible extension into a universal basic income, aligns with Australia's best traditions.

Will Labor take the hint?