



Australian Community Futures Planning

Snapshots from *Australia Together*

Transcript of Episode 2, Part 3: A new economy: The benefits of a social wage for all Australians

For more information view the latest issues of *Australia Together* at <https://www.austcfp.com.au/australia-together>

This is a transcript of the live presentation of this material available in video form with graphics on YouTube: [Snapshots from *Australia Together*: Episode 2, Part 3 – A new economy based on an Accord on Wealth, Welfare and Wellbeing](#)

Graphics for this transcript are only available in full in the YouTube version.



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Snapshots from *Australia Together*

Episode 2, Part 3:

A new economy based on an Accord on Wealth, Welfare and Wellbeing – the benefits of a social wage for all Australians

Introduction

Welcome to this second episode of Snapshots from *Australia Together*. I'm Bronwyn Kelly, the Founder of Australian Community Futures Planning and in these programs we're showcasing selections of strategies and policies that can establish Australia's future as a prosperous nation offering safety, security and wellbeing to everyone.



The strategies presented here are not emerging from a political process. They're emerging through a process in which any and every Australian can become involved - the process of drafting [Australia Together](#), our nation's first long term integrated community futures plan.

To find out more about this plan and to become involved in the open, transparent, inclusive democratic process being used to build it, visit the ACFP website at www.austcftp.com.au

This is Part 3 of our episode on strategies we need to implement as a nation working together if we're to establish a new economy for Australia – one based on a new accord about how we want to raise and share national wealth. In the first two parts of this episode I explained a range of strategies that could help Australians transition away from their current failing economy to a new more sustainable one – one fit for 21st century markets:

- I covered a key strategy in *Australia Together* of developing an **Accord between Australians and their parliaments on Wealth, Welfare and Wellbeing**. This new Accord is vital if we are to achieve an equitable recovery from the pandemic recession and shift our economy to a more sustainable, resilient footing.
- I also explained the advantages for the economy if we **reverse certain trends of neoliberalism** which are artificially and unnecessarily constraining the public sector and taxpayers from participating in their own economy and preventing us from shifting it onto a fairer and sustainable foundation.
- And among other things, I explained that there would be considerable advantage to our economy if we introduced a **social wage for all Australians** aged 18 and over who are earning less than \$250,000 a year and have net assets of less than \$2 million.

In this third and final part of this episode I'm going to show how, if it's introduced properly, a social wage will benefit all Australians and their economy equitably.

How can a social wage work well to improve the Australian economy?

I've acknowledged in earlier parts of this episode that many Australians may not readily accept that a social wage is a reform whose time has come and they will each have different reasons for that view. But I also said that the idea is not new and that many Australians may be ready to support it, if it were to be implemented in a manner that is fair and if it will indeed stimulate our economy.

Economists from both sides of politics – the conservative right and the progressive left – have called for a social wage and both sides have no doubt that it would stimulate our economy. But in this episode I'm going to sketch out how such a wage might work and how it would benefit individual Australians and their economy in an equitable manner.

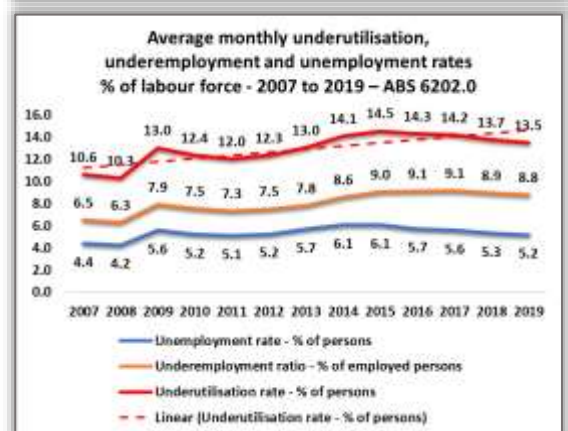
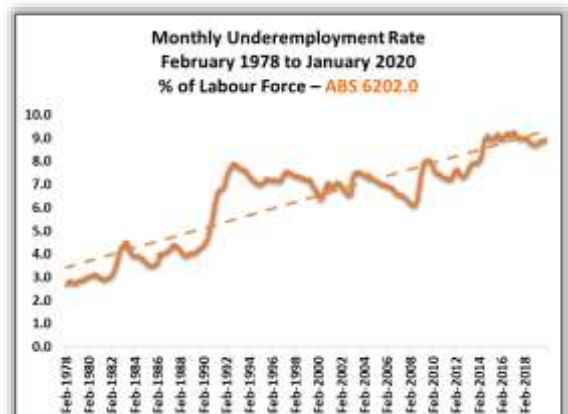
To do that I'm going to take the basic model for a social wage put forward by Professor Ross Garnaut of Melbourne University in his recent book "Reset"¹ which is about restoring the Australian economy after the pandemic recession. The social wage is only one strategy in that book and it's only one of more than 80 strategies in *Australia Together* at the moment, but if it were to be implemented it would be one of those strategies that would start the ball well and truly rolling on all the others.

Why is that? The reason is because a social wage draws more of us into participation in the economy as both sources of genuine demand and sources of the most efficient supply of productive labour and services. It can release the potential in our economy for sustainable growth, where supply and demand are balanced. Getting both those things balanced is the key to preventing excessive inflation – excessive price increases. **A social wage, if it's well set up, is something that can provide ongoing steady stimulus to the economy and the employment and productivity growth we need without setting off uncontrollable inflation.**

In the last few years, we've tried to control inflation, and wage rises for that matter, by a perverse strategy of economic settings which have actually had the effect of increasing unemployment and particularly underemployment.

A lot of Australians – over 1.2 million of them in October 2021 – couldn't get enough hours of work to meet their needs. As you can see here (right), the trend of growth in underemployment since 1978 has been terrible. We managed to slow it down for a while after the 1991 global recession but it took off again after the Global Financial Crisis of 2008 and it hasn't let up.

Unemployment has not returned to pre-GFC levels. Underemployment has risen markedly and if we add all that together (right) we can see that Australia has been entrenching underutilisation of its potential workforce more and more over the last decade.



¹ Professor Ross Garnaut, *Reset: Restoring Australia after the pandemic recession*, La Trobe University Press, 2021.

So, many millions of Australians since the 1990s have been unnecessarily excluded at one time or another from participation in their economy. Some of them have been excluded for years. Whenever that happens, it means we're not using the full human potential of the nation. And unless we use it, the economy will be smaller than it needs to be to carry us all safely to a secure, prosperous future. A social wage is one of the things that can release that essential human potential.

With a social wage, those Australians who've been excluded could immediately buy back in or buy in for the first time to their economy as respected citizen shareholders in national wealth. And they could contribute to the growth and security of our economy and to their own individual prosperity by using their particular strengths to the fullest. The current structure of the economy doesn't allow them to do this.

A social wage is a continuous, uniform, taxpayer-funded payment to all adults made regardless of any other income they may freely obtain. Because it allows everyone to draw out from national taxation revenues in equal measures and then put back in to their fullest capacity, a social wage, if it's well designed, can achieve economic expansion with fairness. It's a safe strategy that we can use to make the Vision for *Australia Together* a reality by 2050 or sooner.

So let's have a look at how a social wage could work for individuals in practice.

How can a social wage work well for individuals?

The Garnaut model for a social wage

The Garnaut model for a social wage, which he calls an Australian Income Security, fits well with the Vision for *Australia Together* in most respects.

In that model:

- Almost all Australians aged 18 and over would automatically receive a fortnightly payment at the current Jobseeker rate. In *Reset*, Garnaut expected that that would be around \$15,000 a year.

Jobseeker has been increased since *Reset* was written and it's now almost \$16,500 a year, and that is still well below the poverty line. So if Jobseeker is used as a starting point, that is one of the features of the Garnaut model for a social wage that might or might not fit with the Vision for *Australia Together*. It would depend on how we treat the unemployed. But for illustrative purposes I'm just going to stick with Professor Garnaut's starting point of \$15,000 per year for the moment and come back to the poverty issue later.

I'll also come back later to the issue of whether \$15,000 is a good starting point for a social wage, given our economy and budget constraints. At the risk of a spoiler, my own view is that it would be a good starting point but it's important to go through why. Australians should be given the space to do that and they can do it if they can become involved in developing the Accord on Wealth, Welfare and Wellbeing that I've spoken of in the earlier parts of this episode. Links to those parts are in the description below.

Also in the Garnaut model:

- The social wage of \$15,000 would be indexed, and would be provided for life – no questions asked. In other words, there would be no more pointless tests and mutual obligations that the unemployed and others currently have to satisfy for their Jobseeker payments.
- No tax would be payable on the social wage.
- Safety net provisions for pensioners, the disabled, parents and carers would apply in the Garnaut model, with no-one in those and other welfare categories going backwards.
- And in the initial phase, under the Garnaut model, the unemployed would also receive a top up but only until full employment is reached across the economy. Garnaut posits that we'd need ideally to get about another 3% of Australians into the workforce with sufficient hours before we could reasonably conclude that full employment had been reached – in other

A social wage is essentially a rearrangement of use of taxation revenues by integrating the social security and personal income tax systems. We treat social security and taxation separately at the moment but they actually can be far more efficiently administered if we run them as one. And if we establish a social security system that is balanced with the right and fair rates of tax, we can smooth out fiscal stimulus and temper the magnitude of federal budget surpluses and deficits and any wild swings between the two that tend to be brought on by global crises, like pandemics.

The Garnaut model for a tax system to accompany the social wage

Accordingly in the Garnaut model the new social wage would be accompanied by a new flatter personal income tax system.

Our present tax system (2021/22) is structured so that no-one pays tax on the first \$18,200 of their annual income and higher income earners bear a higher proportion of the burden of taxation. There are basically 5 tiers in the current tax system for personal income tax.

Income	Tax rates now
\$0 to 18,200	0%
\$18,201 to \$45,000	19%
\$45,001 to \$120,000	32.5%
\$120,001 to \$180,000	37%
\$180,001 and over	45%

In the Garnaut model this would be replaced with three tiers where no tax is paid on the first \$15,000 – that is, no tax is paid on the social wage, whatever it is – but tax is paid by everyone on every dollar earned in addition to the social wage. Up until an individual's taxable income reaches \$180,000, the tax is all paid at the same rate by everyone – and that rate, Garnaut suggests, would ideally be 32.5%. The model assumes those earning above \$180,000 will pay a marginal tax rate of 45%, the same as they do now.

Income	New tax rates
\$0 to \$15,000	0%
\$15,001 to \$180,000	32.5%
Above \$180,000	45%

Garnaut also considers an option of a higher tax rate of 37% on all income between the social wage and \$180,000 but for ease of illustration I'm just going to stick, for the moment, with the lower 32.5% rate for those with taxable incomes up to \$180,000.

Exclusions in the Garnaut model

The Garnaut model excludes people with:

- a taxable income over \$250,000,
- net assets above \$2 million, including property, superannuation and other assets minus debt.

In other words, they wouldn't get the social wage.

There are a few other minor exclusions but overall, this means almost every adult Australian would automatically receive it. Or at least they would have prior to recent rather extraordinary rises in house prices in Sydney and Melbourne. These could easily tip many pensioners out of eligibility for the wage if they find that they are living debt free in a property now worth more than \$2 million. Obviously Garnaut did not intend that exclusion in this model and asset thresholds would be an issue for further consideration.

Testing and varying the Garnaut model for a social wage in practice

Probably the easiest way to see how the Garnaut model would pan out for incomes and tax for Australians is to divide them into these groups. What I've built here is a sample of workers across incomes.

1. The first is a worker earning the top of the annual income earned by those in the bottom 40% of earners. Those workers earn a maximum of \$38,000 a year.
2. Then I've used an example of the median income earner: 50% of workers currently earn below the \$49,800 earned by that median worker and 50% earn above it.
3. The bottom 60% of workers earn up to \$58,000.
4. Very few earners are in the top category of \$180,000 but I have included them for illustrative purposes.
5. And then I've included an example of a family with one median earner on income of \$49,800 and a dependent adult, like a mother staying out of the workforce to take care of kids.

This table shows what each person or family in the sample currently pays in tax as a percentage of their total income and the dollars they currently take home after tax each year.

Current system – no social wage	Maximum of the bottom 40% of earners	Median earner	Maximum of 3rd quintile	High earner - \$180,000	Family with one median earner + one dependent adult
Income	\$38,000	\$49,805	\$58,000	\$180,000	\$49,805
Tax	\$3,762	\$6,654	\$9,317	\$51,667	\$6,654
Take home	\$34,238	\$43,151	\$48,683	\$128,333	\$43,151
Tax on total	10%	13%	16%	29%	13%

From this sample, we can see that under our current tax system, a very high earner on \$180,000 earns about 3.6 times that of a median earner but pays more than 7 times the amount of tax. That's a progressive tax system, which is fine as far as it goes and it's what we're used to as a fair tax system. But for all its good points it embodies some unnecessary limitations in the total amount of tax that can be fairly raised for us to share, especially if fewer people are being given the opportunity to work in the first place – something which is happening quite a lot now. The existing tax system does cause lower participation in employment than we should hope for. It can act as a particular disincentive for women to join the workforce.

If we want the economy to grow sustainably, we really need more of these excluded people to move into the workforce and get more hours of work. And with a social wage and a somewhat flatter tax system we can arrange that. It would give us a good chance of pulling the problem of unemployment and underemployment down again.

People will be naturally cautious about whether the nation can afford to pay everyone a social wage. But affordability is only an issue if in drawing a social wage we were drawing from an account that we did not intend to reimburse. The whole point of a social wage is to set the arrangements in place to reimburse national revenues from tax. It may take some time in the early years but because the social wage is an integration of our social security and tax systems and because it releases people for employment, it establishes a system where what we spend on the wage is automatically reimbursed by our being employed and paying tax.

As Professor Garnaut has said, a social wage “is not money that disappears into thin air”². I would add to that and say it is simply a more efficient circulation of our money. Questions about affordability are entirely misplaced when it comes to a social wage, in the main because with a tax-funded social wage we are simply circulating money around in our economy faster and earlier. There will be temporary federal budget impacts in the early years of a social wage but these can be netted off quite quickly as I’ll show later.

In general, the employment that can be generated by the wage will ensure all costs can be recovered. And even if for some reason they aren’t fully recovered, if a social wage allows us to fix this problem of underemployment, why wouldn’t we? Fixing underemployment would be a good use of our tax. I’ll talk more about managing federal budget impacts later.

For the moment, it’s important to understand that with a social wage we wouldn’t necessarily be spending any more or any less of the nation’s revenues from tax than we do now. We already put all our tax each year into our economy anyway, but for some reason we’re not giving preference to ourselves in the distribution of that tax. We give preference to business owners more and more these days and often cut our own health and welfare services in order to subsidise private ventures, regardless of whether there is a good business case for us to invest in those.

With a social wage we’d simply be spending the tax revenue we spend now – but on some different things and in a different order. With a \$15,000 social wage we’d be paying ourselves the equivalent of up to 40% of our annual tax revenues first, although we’d immediately start reimbursing the government for some of this because everyone with a job would start paying more tax than they do now. Each of them would then be choosing what to do with the difference (the value of the social wage exceeds the increase in tax).

With that difference we would each freely create demand for the goods and services that we really want and need, which of course might not always be what many for-profit businesses would prefer to sell us; but it would shift Australians into a position where they could more safely shape and grow genuinely free markets where supply meets real demand.

² Ross Garnaut, *Reset*, Ibid., Kindle version, page 201: “The very large costs to the budget in the early years are not money that disappears into thin air. The large deficits from the integration of the tax and social security systems would go disproportionately to workers on short hours or otherwise on low incomes, including those seeking more work. They would go disproportionately to people in insecure and part-time jobs, and to women earning low incomes, who have carried much more than their share of the burden of the policy response to the pandemic. Both the corporate and personal income tax reforms have significant, beneficial long term economic effects with an immediate cost to the budget.”

This is what I meant when I said that a social wage can release the potential in our economy for sustainable, balanced growth. It has real potential to evolve into an economy where demand for particular preferred goods and services and supply of particular labour are matched. If we can achieve that:

- We can automatically moderate inflation.
- We can smooth out the bumps in prices that occur when demand for goods and services isn't matched by an appropriate supply of the right type of productive labour.
- We can safely and steadily stimulate the economy and reduce over-consumption of scarce and non-renewable resources.
- And we can arrange it so that through time, it all balances out in the national accounts. We can balance it out quite quickly if we organise it well.

How does that happen? Well, if we guarantee a social wage for each other upfront:

- it has the effect of increasing genuine demand,
- which in turn creates jobs in the industries we actually want,
- which then leads not just to full employment but the right type of full employment – the highly productive type that capitalises on our individual strengths. (Imagine the life satisfaction we can get out of this.)

This full productive employment then:

- produces higher income for the nation overall,
- which increases the tax we raise and that we can then set aside for our services in the following year.

It all balances out. In fact once we get to full employment, the returns to ourselves will be greater than our outlays which will enhance our ability to pay down national debt.

And we can do all this without cutting our take home pay. That last bit may seem counter-intuitive at first. But in fact, everyone's take home pay actually goes up with a social wage, even though the total tax we are likely to pay as a proportion of our total incomes will increase, as we can see here.

For instance, with the flatter tax system that Professor Garnaut has assumed, a median earner's tax on total income will rise from 13% to 25%. It almost doubles in percentage terms. But the net pay they take home will still rise by more than \$5,400 a year.

For someone in the bottom 40% of earners, tax on total income will rise by **more** than double from 10% to 23% but the net pay they take home will rise by more than **\$6,400** a year.

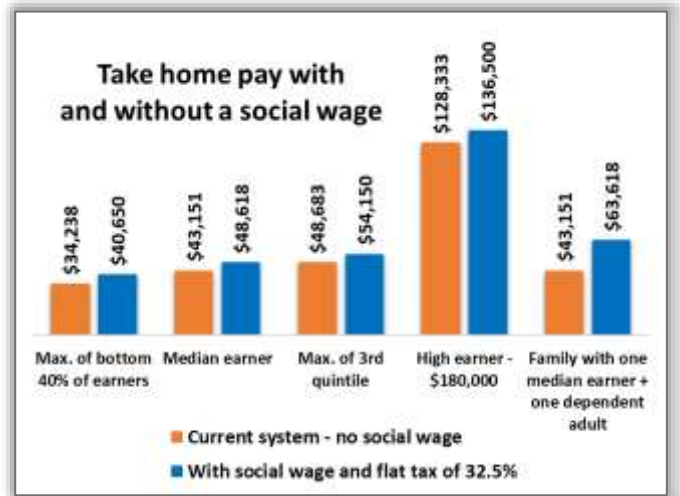
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Take home	\$34,238	\$43,151	\$48,683	\$128,333	\$43,151
Tax on total	10%	13%	16%	29%	13%

With a social wage	Maximum of the bottom 40% of earners	Median earner	Maximum of 3rd quintile	High earner - \$180,000	Family with one median earner + one dependent adult
Take home	\$40,650	\$48,618	\$54,150	\$136,500	\$48,618
Tax on total	23%	25%	26%	30%	20%

Across the board, everyone will have quite a bit more disposable income simply because we are arranging the same pot of money in a different way.

In the Garnaut model, everyone's take home goes up, and the family take home goes up significantly if a family happens to include a dependent adult not receiving a pension or other welfare benefits. The rise in net income for that median earner and dependent adult in the family, after tax, will be over \$20,000 a year.

All of that is pumping more money into the economy faster and earlier and it's creating genuine, reliable domestic demand. That in turn creates a domestic labour market. But this time it will be a labour market to meet the genuine demand rather than demand for consumables that people don't necessarily need or want or that our natural resources can't easily supply.



Circulation of money in the economy with a social wage

What's happening here is that the whole nation is simply paying itself first out of its own revenues from the previous year. And by doing so it is setting itself up to put even more tax aside for its use in the following year, whereupon the process starts again. At the moment we do this the other way around.

- In the current arrangement, you first have to get a job if you can. Then you gather what income you can and pay full tax as you go. You can apply for a refund at the end of the year, if you pay too much. But in the meantime the government holds your money.
- In a new arrangement with a social wage it would simply work in reverse, which is partly why some economists have from time to time called a social wage a negative income tax. With the social wage the government pays you a share of national tax revenues and then you pay tax only if you get a job. Refunds – for overpayments at least – are effectively unnecessary. The tax department and the social security departments have a lot less work to do and you've put your money and your tax to work in the economy sooner.

So in summary, in the current arrangement, we deny ourselves, as citizens, the upfront payments from our own money, which simply withholds more of our money from circulating in the economy for longer than is ideal. From this sub-optimal arrangement we end up with less employment and therefore we pay less tax to put aside for ourselves in the next year. Then we wonder why we lose services. It's because we're circulating our money to ourselves just as any tax system does and should do, but we're doing in the wrong order by refunds for the lucky instead of by upfront payments which respect everyone equally. And we're putting it in the wrong places. We're sacrificing the services and security that we want most from the tax we pay, in favour of a lot of goods and services that are really not as central to our security and shouldn't be funded by our taxes anyway.

At the moment we're giving a large and growing proportion of our tax revenues to business owners first – such as fossil fuel businesses and other businesses that get tax breaks and other forms of direct taxpayer funded assistance. Some of these businesses got a lot of taxpayer assistance during the pandemic, even though we now know they didn't need about \$40 billion of that assistance because their profits went up³. A lot of that profit has probably now been transferred offshore and we would not expect Australians to be reimbursed any time soon, if ever. But if we'd had a social wage in place, we would have been able to avoid wasting that \$40 billion. Unlike a social wage, that was money that *did* disappear.

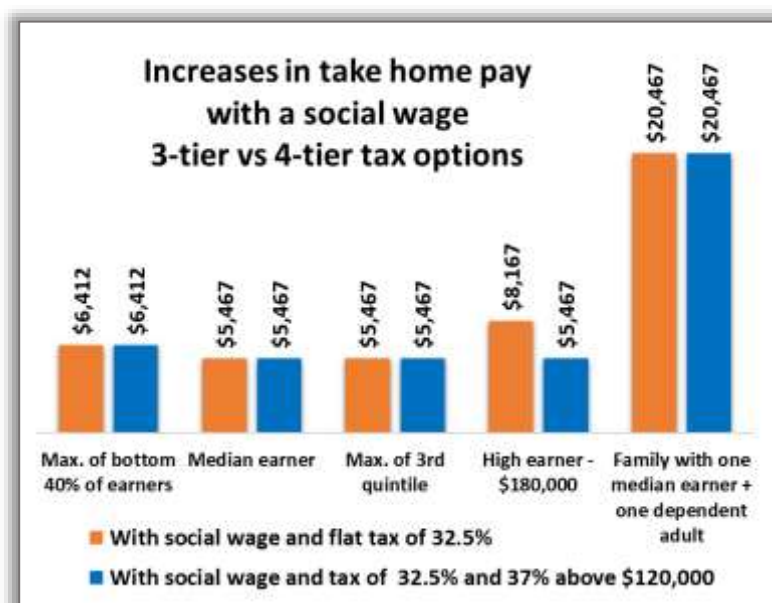
Fairness in a flatter tax system with a social wage

Some Australians might worry about the fairness of a tax system which has someone who earns as little as \$15,001 paying the same tax rate as someone earning twelve times as much as they do at \$180,000. That's a valid concern and there is a case for considering an option where a 37% marginal tax rate could cut in for taxable incomes over \$120,000. If that applied it would produce a more equitable balance of burden and benefit and it would reduce any potential budget impacts in the early years of a social wage if, say, for some reason full employment is still not achieved.

With the flatter, three-tier tax system in the Garnaut model and a \$15,000 social wage, people earning at the lower end of income ranges would receive somewhat less in take home pay increases than someone at the high end. If we settle on this flatter three-tier tax system, a high income earner would pick up over \$8,000 net on the introduction of a social wage, compared to lower income earners who would pick up considerably less.

A family with one median earner and an adult dependent would of course be significantly better off because someone like a mother or carer who currently cannot work would be compensated for the first time ever for the contribution they make to the economy by caring for homes, children, the elderly or the sick and disabled. And of course with that money, those

carers could choose to employ other carers and seek work for themselves instead outside the home if that was their preference. Suddenly there would be substantial employment opportunities in the care sector with the added bonus of enabling women in particular to be released for employment in their areas of specialty and preference. So this works well to allow taxpayers to set the demand, as they should and it works to significantly increase national income overall.



But the flatter three-tier tax system does still disproportionately benefit the high income earners.

³ See Joe Aston, "Jobkeeper wasted \$40 billion, not \$27 billion, but who's counting?", Financial Review, 12 October 2021, <https://www.afr.com/rear-window/jobkeeper-wasted-40-billion-not-27-billion-but-who-s-counting-20211012-p58zeg>

If however, we introduced the social wage with a four tier tax system, and applied a 37% rate on income between 120 and 180 thousand, then the net take home pay increase for the top 60% of earners on implementation of a social wage would now be uniform.

Income	New tax rates 4-tier system
\$0 to \$15,000	0%
\$15,001 to \$120,000	32.5%
<u>\$120,001 to \$180,000</u>	<u>37%</u>
Above \$180,000	45%

This would mean that the bottom 40 of income earners would be compensated somewhat more than the top 60% on the introduction of a social wage (as shown in the graph above) and there would thereby be a significant and immediate reduction in inequality. We'd be more surely on the road to an equitable recovery from the pandemic recession.

To make sure of that though **we would need to ensure that provisions for the unemployed and all others who might be dependent on JobSeeker do not consign those people to living below the poverty line.**

Safety for the unemployed with a social wage

If all unemployed people could ever access was a \$15,000 social wage, well, at current unemployment figures, we might expect that could consign over 1.1 million Australians to living in poverty. That's the number of Australians who were receiving Jobseeker in mid 2021 – 31% more than before the pandemic. There's no need for that because we can afford to provide a dignified life for everyone, and the economy simply gets smaller when we punish people who access the social safety net during unemployment or as single parents, or as carers or as students or as those suffering illness and disability.

The aim of the social wage is full employment so there's an inbuilt assumption in the Garnaut model that no-one will need more than the current Jobseeker unemployment benefit indexed, presumably because they'll all have a job or the duration of unemployment will be so short that they'll be able to get a job easily. But full employment never means zero unemployment especially if we do not succeed with a number of other strategies to build employment opportunities. With full employment around 3% of adult Australians may still be unemployed and they may remain so for years.

In Australia we have experienced a sustained period of unnecessarily high and prolonged unemployment over the last half dozen years. Neoliberalism has entrenched that, with a bit of assistance from suboptimal monetary policy by the Reserve Bank. In the second half of 2021 the official unemployment rate was being billed as an historically low 4.6% or thereabouts⁴. But this masked what the Federal Treasury and the Australian Bureau of Statistics knew to be the effective unemployment rate, which was 9.5%. This was revealed recently by the Australian Council of Social Service in their most recent report on unemployment⁵.

⁴ Figures for unemployment frequently bounce around. In August 2021, Treasurer Frydenberg quoted the "jobless rate" as 4.6%. See Ronald Mizen, "Nothing to celebrate in 12-year low jobless rate: Frydenberg" Financial Review, 19 August 2021, accessible at <https://www.afr.com/policy/economy/jobless-rate-falls-to-4-6-per-cent-20210819-p58k30>. However, by December 2021, in the Mid-year Economic and Fiscal Outlook 021-22: "The unemployment rate [was] expected to average 5¼ per cent in the December quarter of 2021" (page 36), <https://budget.gov.au/2021-22/content/myefo/download/myefo-2021-22.pdf>

⁵ Australian Council of Social Service, "Faces of Unemployment 2021", https://www.acoss.org.au/wp-content/uploads/2021/11/Faces-of-Unemployment-2021_v4.pdf

That report also showed that in April 2021, there were 429,000 people who had been receiving unemployment payments for two years or more and another 184,000 people for five years or more. So, well before the pandemic struck our economic arrangements were consigning people to prolonged unemployment in deep poverty. And that doesn't cover their dependent children or other dependents who were living with them in that deep poverty.

In the last half of 2019, before the pandemic, the median duration of unemployment was almost 18 weeks which compares very unfavourably to what it was in the decade to 2013 when things were going better in our economy. For that decade, the median was only 11.4 weeks⁶.

And since in August 2021 there were six unemployed and underemployed people for every job vacancy⁷, it might be expected that it will take some time to swing the economy into a position where it offers not just full employment as economists would define it but unemployment that is not excessively prolonged.

In both *Reset* and in *Australia Together* the target is to achieve full employment by 2025, where full employment is defined as the point where unemployment is so low and labour is so scarce that inflation starts to accelerate. Most economists opine that full employment has been reached in these terms when unemployment dips to somewhere between 3 and 4 and a half percent. Full employment at this marker is probably achievable by 2025 if a social wage is introduced, but only if that is complemented by expansion of jobs in social services and a range of other job creation and productivity improvements in both the public and private sectors. It's a stretch target and it may not be reached, so a recovery from the pandemic recession that still leaves possibly hundreds of thousands of Australians in poverty for a long time is not an equitable recovery.

This is why *Australia Together* includes another target to reduce the median duration of unemployment to below 10 weeks. If that were to be reached then there is an argument that it might not be necessary to provide top-ups to the social wage for the unemployed. But until it is reached, it's simply too dangerous to assume that it's a safe strategy to expect Australians to live solely on a social wage that is no more than today's current appallingly inadequate Jobseeker rate. It simply doesn't fit with the Vision for *Australia Together* and no self-respecting community or government should stand for it.

How Australia can afford a social wage

With all that said, I'd like to come back finally to the question of why we might start with a \$15,000 social wage and either the three-tier or four-tier tax systems I've described. This is something that requires genuine open engagement with Australians.

From a federal budget point of view, a \$15,000 wage is more likely to be what Australians might perceive to be an affordable start to an integrated social security and tax system. And they'd be right. It is affordable. And with that lower start at \$15,000 we can keep tax rates lower than we might need to with a higher start.

At \$15,000 for each adult who isn't already receiving social security via a pension or an unemployment benefit or the like, the social wage will hit the federal budget bottom line in the early

⁶ ABS, 6291.0.55.001 Labour Force Australia, Table 16c

⁷ Australian Council of Social Service, "Faces of Unemployment 2021", https://www.acoss.org.au/wp-content/uploads/2021/11/Faces-of-Unemployment-2021_v4.pdf

years until full employment is reached but not to a great extent. Naturally we would need the Parliamentary Budget Office to model all this in consultation with Australians, but in gross terms it will probably cost a little over \$200 billion in the first year. So in the first instance that will need to be funded by internal borrowing. But that borrowing won't be for money that disappears into thin air like subsidies for businesses that offshore their profits.

Because with the social wage, we also immediately start reaping back more into our national accounts in tax, the initial borrowing won't need to be anything like \$200 billion. The net hit in the first year to the budget bottom line is likely to be somewhere between \$100 and \$150 billion, if that. It is well within the means of a country like Australia to manage this net impact for a short time.

It would be especially within our means if, for instance, we stopped the third round of tax cuts scheduled to start in 2022, tax cuts which have already been factored into our forward estimates for the federal budget as an expected cost to the national accounts of \$184 billion over about seven years⁸. These tax cuts benefit mainly the top 20% of earners and build in more inequality. We might expect those cuts would be dispensed with automatically if we switched to a new integrated social security and tax system. This would markedly reduce the revenue impacts on the national accounts that we might otherwise have expected.

Those stage 3 tax cuts will be providing \$138 billion in tax relief to high income earners over seven years. We could abandon that in favour of a social wage which allows everyone to share that money, and it would require no increase to the shortfall in the national accounts that we've already budgeted for anyway.

The fact is that when the stage 3 tax cuts were legislated, the parliament thought the national budget could afford those revenue impacts of \$184 billion – meaning they thought we could afford it if this money disappeared from the national accounts. If that is so, then a temporary hit of around \$100 billion which is restored as employment increases, is a far better alternative for both us and the government's revenues. We could skip the stage 3 tax cuts and introduce a social wage instead and we might very well improve the currently expected budget balances in the forward estimates.

Regardless of how the final sums work out though, what is clear is that with the stage 3 tax cuts we build in inequality and lose the funding for our services. By contrast, with a social wage and a three or four tier tax system we do the opposite. Everyone is better off. Everyone's disposable income goes up and we don't have to sacrifice services to achieve that.

Of course, employment might grow more slowly than we would like if the government does not implement a number of other strategies necessary for an equitable recovery from the pandemic. In that event, more budget repair may be needed. The option of a four tier tax system with a 37% tax rate cutting in for income between \$120,000 and \$180,000 would help with that. And as I've already explained it has advantages in reducing inequality.

Additionally, if we cease the fossil fuel subsidy, that would free up billions more to spread more equitably through the economy or repair the budget so that it can sustain the creation of extra jobs in public services such as health, education and conservation. With the sort of wealth sharing system we get with a social wage, commercial businesses in the private sector also reap significant advantages in that a social wage provides a means of controlling wage increases without lowering

⁸ Shane Wright, "Stage 3 tax cuts to cost \$185 billion as decade of deficit looms", Sydney Morning Herald, 28 July 2021, <https://www.smh.com.au/politics/federal/stage-3-tax-cuts-to-cost-184-billion-as-decade-of-deficits-looms-20210727-p58dd1.html>

our standard of living. This would be really good news for trade exposed industries. It prevents them from being uncompetitive in international markets. Our ability to sell our exports would be better assured if we all had a social wage.

If Australians commence a call for introduction of a social wage, the terms on which it should commence should be consistent with the principles of a pre-agreed Accord between Australians and their parliaments on Wealth, Welfare and Wellbeing. If we get it right the benefits will be as lasting as the benefits we have enjoyed from other universal social support such as Medicare and compulsory superannuation.

- With Medicare, we have been able to enjoy equitable access to the equivalent of the best health care in the world.
- With the superannuation guarantee we have been able to enhance our security in retirement by investing our money directly in our economy now. But in that case of our superannuation, we can only do it if we can get a job in the first place.

With a social wage and other strategies in *Australia Together* we would be able to build our chances of participating at all times as respected shareholders of national wealth.

Given the benefits to both our economy and our living standards that can come from what is, when it all boils down, just a slight re-arrangement of how we circulate and spread money around in our economy, Australians might well wonder why we didn't do it sooner.

Of course success depends on whether the new spread of tax revenues is fair. **Hence the need for a social wage to be introduced consistent with a genuine legislated Accord between Australians and their parliaments on Wealth, Welfare and Wellbeing.** I've spoken at length about this accord in the first two parts of this episode. View them by clicking on the pictures at right.

Australia Together integrates strategies like this Accord with other diverse strategies for our society, environment, economy and democracy to help us ensure that we can **ALL** arrive safely in 2050 with an acceptable degree of wellbeing and security. Some of those strategies turbo charge others and these are the ones I've concentrated on in each part of this episode of *Snapshots from Australia Together*.

**Click on the pictures below to watch each part of this episode of
Snapshots from *Australia Together***



**If you would like to become involved in building a plan for a better Australia, visit the Australian Community Futures Planning website at www.austcfp.com.au
Everyone is welcome to participate.**