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John Quiggin
University of Queensland

Elise Klein
Australian National University

Tim Dunlop
Independent Researcher

Troy Henderson
Sydney University

Jane Goodall
University of Western Sydney

Tax and Transfer Policy Institute
Crawford School of Public Policy
College of Asia and the Pacific
+61 2 6125 9318
tax.policy@anu.edu.au

The Australian National University
Canberra ACT 0200 Australia

www.anu.edu.au

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Liveable Income Guarantee Policy Paper

John Quiggin (University of Queensland), Elise Klein (Australian National University), Tim Dunlop (Independent Researcher), Troy Henderson (Sydney University), Jane Goodall (University of Western Sydney)

The current COVID-19 crisis has revealed an urgent need for a sustained approach to employment and income support policy. In addressing this, we propose a Liveable Income Guarantee (LIG). The LIG is closely linked to the idea of a participation income and starts from the principle that everyone has a right to a liveable income, to a minimum level of financial security, and an opportunity to contribute to society. The paper examines possible eligibility requirements of a LIG, suggestions of additional payments to complement the payment, as well as an outline of budgetary costs and how financing could work. We argue that the implementation of a LIG would allow Australia to be better prepared in the event of future disruptions, such as the pandemic currently affecting the global economy and societies more broadly. Beyond that, the LIG provides the support that allows us to aspire to be a society where everyone has an income sufficient to live a comfortable and dignified life.

Key Words: Income guarantee, social security, unemployment, participation, basic income

1. Introduction

The JobKeeper and JobSeeker programs implemented during the COVID-19 pandemic have helped reduce the economic impact of the pandemic, but they are, by design, temporary measures (Phillips et al, 2020). There is an urgent need for a sustained approach to employment and income support policy, one that supports the very foundations of our economy to enable a comprehensive, community-based recovery, and to ensure we are better prepared for any future disruptions. We need to do more than offer a patchwork of support programs. An effective way forward will require a more broadly-based, simplified process of distributing the stimulus so that no one is left behind.

To respond to the post-pandemic era, and in order to better prepare ourselves for similar events, we propose the concept of a Liveable Income Guarantee (LIG). The LIG is closely linked to the idea of a participation income (see Atkinson, 1996) and starts from the principle that everyone has a right to a Liveable Income, to a minimum level of financial security, and an opportunity to contribute to society.

There are many ways that people productively contribute to society and the economy; however, this work is often obscured by narrow criterion that define work exclusively as 'formal employment' (Weeks, 2011). Researchers have long shown how social reproductive work such as care, largely undertaken by women, is subjugated by production, or what is commonly called the formal economy (Fraser 2016). This care work is largely unpaid, yet by conservative estimates contributes to around 34% of the Australian economy (Thorpe et al. 2017). Further, Indigenous work on country is also extremely productive, yet similarly overlooked and obscured by formal economic measures (Salmon et al, 2019; Altman 2014). More recently, the contributions of carers have been recognised through the Carer's Payment, but the social security system only partially supports those unable to work through age, disability or unemployment, or through the need to care for young children and elderly parents. Support for all of these categories has been cut back and subjected to conditionality under successive governments operating on the ideology of market liberalism.

Not only do approaches to employment and benefits presume a very narrow definition of work, the system of unemployment benefits in place before the COVID-19 crisis worked on the assumption that there were plenty of jobs for anyone capable of filling them. Unemployment was therefore seen as reflecting personal defects, either unwillingness to work or, more charitably a lack of particular skills needed for 'job readiness'. This assumption was clearly untrue, even before the pandemic, and we take it as axiomatic that this assumption must be rejected in addressing issues around employment and income support policy.

As the long history of booms, busts and economic crises have shown us, all workers are vulnerable (some more than others) to losing their job through no fault of their own. Over the two centuries or so since industrial capitalism emerged from the Industrial Revolution, most national economies have been in recession or depression about as often as they have experienced 'normal' economic conditions, where the number of job vacancies is roughly equal to the number of unemployed workers. Yet the operating assumption of the unemployment benefits system is that unemployment is a personal problem, caused either by unwillingness to work or by specific deficits in training and job readiness.

The COVID-19 pandemic is an extreme example. Job vacancies have plunged by 43 percent in the 3 months to May 2020, and the unemployment rate has soared (ABSa, 2020). In these circumstances, the idea that unemployment is primarily caused by the personal deficiencies of those affected is obviously untenable.

The failure of labour markets to provide full employment is also evident from the high and increasing levels of *underemployment* prevailing before the pandemic crisis, particularly among young people. Underemployed workers are, by definition, willing and able to work, but nonetheless unable to secure a full-time job. They are ineligible for unemployment benefits. Official measures of youth unemployment hit 16 percent in May, with a further 22 percent of young Australians underemployed (ABSb, 2020). This has meant that, for an unacceptably high proportion of young people, the experience of the labour market has been one of stringing together part-time 'gigs', while trying unsuccessfully to start a career.

The politics of welfare restriction that has hardened in place over the last several decades has increasingly co-opted the issue of employment and income support to various forms of division and culture war, an approach that directly contradicts the key lesson of the pandemic, that 'we are all in this together'. Such co-opting undermines what we take as a key premise of policy in this area, that the only way to respond effectively to such disruption is on the basis of fairness and social solidarity. The guiding principle here, then, is that we need to focus on co-operation rather than competition, and on giving everyone the opportunity to contribute to society, whether or not they generate a market income. We propose that a Liveable Income Guarantee is a crucial step towards this goal.

This policy paper will first give an overview of the Liveable Income Guarantee including the definition, eligibility requirements, suggestions of additional payments to complement the LIG, as well as a discussion of budgetary costs and how financing could work.

2. Background

There is successful precedent for an LIG in Australia. In 1977 economist Dr HC 'Nugget' Coombs proposed the Community Development Employment Program (CDEP) in collaboration with progressive bureaucrats and remote Aboriginal leaders (Rowse 2012; Sanders 2012). Under this pilot scheme, communities received a block grant equivalent to a community's welfare entitlements, the estimated costs of its administration, and some funds to underwrite the establishment of community development activities and social enterprises. These funds were used to engage participants in a range of projects from local community development and service provision to social and commercial enterprises (Jordan 2016). Participants in CDEP were generally required to work 15 hours per week paid at award wages, and were given the option of working extra hours for additional pay if financial resources to meet such a 'top up' were available. The scheme grew rapidly in popularity: by 2004 there were over 35,000 Indigenous people participating with 70 per cent living in remote Australia and 265 community-based Indigenous organisations administering the scheme (Altman and Klein 2017). Since 2014, CDEP was systematically dismantled.

There are four key features of CDEP worth highlighting when considering the proposed LIG. First, CDEP participation activities were administered by Aboriginal controlled organisations. Second, CDEP participation activities were flexible enough to support Indigenous notions of labour and contribution. Third, CDEP participation activities and community block grants supported community development. Four, CDEP provided economic security for all. We have drawn on these four aspects of CDEP to develop our LIG.

3. Definitions

Existing benefit categories are mostly specified in terms of an *inability* to participate in paid employment: age, disability, unemployment, supporting parents and the like. This leads to policies aimed at pushing beneficiaries into conditional arrangements with the state. It also leads to creating people who are deemed deserving and undeserving based on their inability to participate in paid work.

We propose, instead, that contributions are reframed according to ability. Productive contributions would therefore include child-raising, study, volunteering, artistic and creative activity, community and ecological care. Disability payments should continue at age pension rates, recognising people's contribution to society, while the age pension would continue as a recognition of past contributions.

We define a Liveable Income Guarantee as an income:

i) sufficient to sustain a decent standard of living over time
ii) available without punitive conditionality
iii) paid to everyone without an adequate market income who is willing and able to contribute to Australian society.

4. **Level of payment**

The LIG will be paid at the level of the current Age Pension, which, at the time of writing this, is $944.30 for singles, and $1,423.60 for couples per fortnight, with additional payments outlined below. The reason we have chosen this benchmark rate is because the rate of Newstart before COVID-19 was so low it meant most unemployed Australians lived below the poverty line, a situation with dire economic and social ramifications (McKenzie et al. 2019; Saunders 2018). The LIG is designed to avoid this failing: it must be sufficient to live decently. The current Age Pension, which keeps most, but not all older people, out of poverty is an acceptable minimum (Saunders and Wong 2011). Specifically, the rates of the aged pension are above the poverty line where housing for a single person (head not in workforce) is $445.40 (March quarter 2020) and for couple (head not in workforce) is $630.91 (Melbourne Institute 2020).

5. **Eligibility**

The Liveable Income Guarantee is available to all Australian citizens, permanent residents, and holders of work, student and temporary protection visas.

The LIG is an opt-in payment conditional on recipients:

a) not having an adequate market income
b) undertaking a participation activity
c) being over 16 years of age.

The LIG includes all informal migrants and workers but does not include dependent children (under the age of 16). Payments are made to individuals, and couples receiving a lower amount, based on shared living costs (as with the aged pension). To mitigate the burden that single parents (usually women) have in raising dependants on a single payment, the LIG should be accompanied by family tax benefits, rental assistance and other support payments.

6. **Participation Activities**

There are many activities that can be considered as legitimate social contributions that will meet the eligibility criterion for receiving the LIG.

Such options include:

- Care of children, the elderly, and other care work currently unpaid,
- Volunteering in support of organisations and causes, which might include firefighting and surf lifesaving, women's refuges, or major public events like the Commonwealth games,
- Work on grant-funded community projects,
- Support for starting a small business,
- Ecological care projects,
- Artistic and creative activity,
- Full-time study.

7. Additional Payments

The following payments are included to accompany the LIG to ensure that the specific needs of different groups are met. The receipt of eligibility for LIG will not affect the eligibility for other transfer payments and family tax benefits.

Rental assistance: The pension is sufficient to keep recipients that are owner-occupiers out of poverty, but this is not true for renters. We recognise that rental assistance is an important feature of current benefit system and therefore an increase in rent assistance for those renting is recommended.

Family Tax Benefits: Both family tax benefits A & B should continue to ensure that single parent households are not put at a disadvantage.

Community Development Grants: Under the Community Development Employment Program (CDEP), communities received a block grant equivalent to a community's welfare entitlements and the estimated costs of its administration, as well as some funds to underwrite establishment of community commercial and social enterprises. These funds were used to engage participants in a range of projects from local community development and service provision to social and commercial enterprises.

A similar approach should be taken to support the LIG. We suggest a Capital Fund—drawing on what Ackerman and Alstott (2006) term 'stakeholder grants'—to be established to assist underwriting and supporting the utility of participation activities. Such grants would allow groups of LIG recipients and organisations to access funds and to ensure the contribution of participation activities are fully utilised in the broader community (Altman and Klein, 2017). Capital funds could be used towards purchasing tools and equipment, workspace, administration support, educational and other related support. We see the LIG, with its participatory requirement and ability to contribute to community development, complimenting proposals by First Nations groups such as that for economic security in remote communities made by the Aboriginal Peak Organisations Northern Territory (APONT). Specifically, the LIG participatory activities could be administered by community controlled 'remote job centres', as recommended by Aboriginal Peak Organisations of the Northern Territory in their proposal to replace the current remote work-for-the-dole policy (APONT, 2017).

Reparative payments: In response to calls for truth telling underlined in the *Uluru Statement From The Heart*, we suggest that First Nations people receiving the LIG payment are also able to claim a reparative supplement on top of their liveable income payment. This idea is borrowed from the US *Black Lives Matter* policy platform. Black Lives Matter propose a U+BI (universal plus basic income), a form of targeted universalism, where a basic income is paid to all, but with an additional amount targeted towards racial minorities. This is explicitly framed as some redress towards slavery and racism (Dorian T. Warren, n.d). The proposed reparative payment to accompany the LIG is not a reparation *per se,* as it can never be enough to cover what was taken (Tsosie 2007), but acts as some recognition of historical wrongs, including the role previous social policies played in colonial dispossession (Watson, 2009; Wolfe 2016).

8. Budgetary costs and financing

The LIG outlined above is affordable within the parameters of current national budgeting. The annual cost of the proposal is less than the revenue cost of the Stage 3 tax cuts proposed for 2024-25 (Treasury estimate that to be $95 billion over 6 years). Given the unpredictable impact of the pandemic on the global and Australian economy, this cost estimate should be taken mainly as indicative of the scale of the proposal.

A further key benefit of implementing the LIG is the potential to integrate the tax and transfer system and remove the poverty traps created by high effective marginal tax rates (EMTRs) faced by many individuals moving from welfare into paid work. High EMTRs for many low- to middle-income earners are created by the rate at which transfer payments are reduced as market incomes increase. Ideally, an integrated tax and transfer system should see EMTRs rise gradually with incomes. We suggest EMTRs should not exceed 60 percent. This is well below the top marginal tax rate of 73 percent proposed by optimal tax theory pioneer and Nobel Laureate Peter Diamond and Emmanuel Saez (see, Diamond and Saez 2011). However, rates would not need to be raised this far to finance a LIG. The annual cost of a policy along the lines suggested above would around $18 billion a year (see below). As noted, most of this could be financed simply by forgoing the tax cuts for companies and high-income earners legislated in advance by the current government. Choosing to pay such an amount in the form of an LIG rather than as tax cuts for high earners exemplifies the guiding principles of the LIG policy proposal, those of fairness and social solidarity.

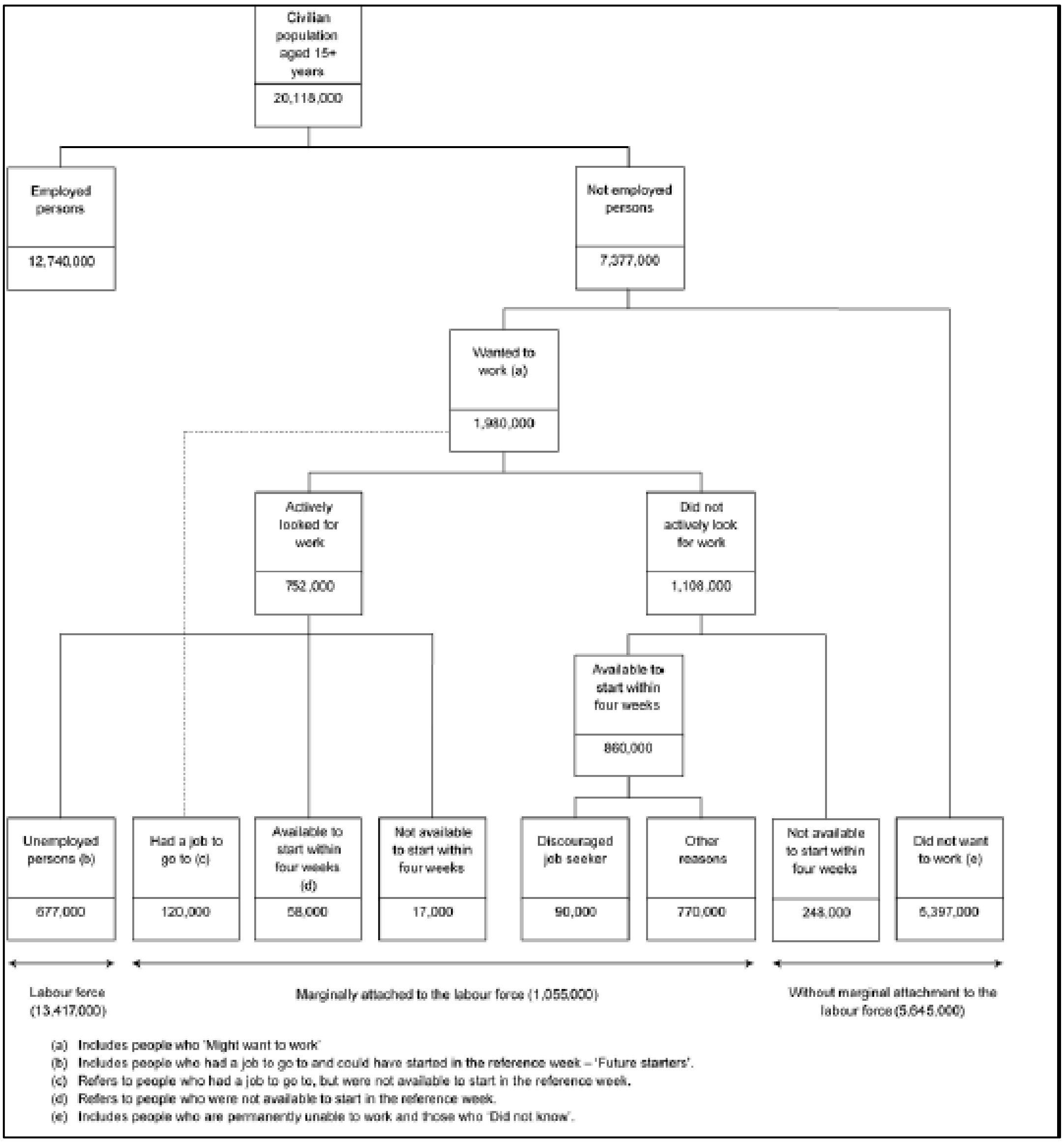

Figure 1: Australian Labour Force status as of February 2019 (ABS, 2019)

Figure 1 shows the labour force status of the Australian population as of February 2019 (ABS, 2019). Of 20.1 million people aged 15 and over, 12.8 million were employed or had a job to go to and 5.4 million did not want to work (primarily retirees, disability support pension recipients, and full-time students, particularly those still at school). The remaining 1.9 million included about 750 000 unemployed and actively looking for work, 90 000 discouraged job seekers and 1 million people who said that they wanted to or might want to work, but were not looking for work at the moment. Of these, around half were receiving existing benefits including parenting payment and Austudy.

	Number (million)	Take-up rate (%)	Number of recipients (million)	Cost per person ($)	Total cost ($billion)
Employed	12.8	0	0	0	0.0
Retired etc	5.4	0	0	0	
Unemployed	0.75	100	0.75	8000	6.0
Discouraged etc	0.1	100	0.1	24000	2.4
Supporting parents	0.3		0	4000	
Other beneficiaries	0.2	80	0.16	10000	1.6
Others wanting work	0.5	80	0.4	24000	9.6
Total	20.1		1.4		19.6

Table 1: Cost of a Livable Income Guarantee

We use the labour force information outlined in Figure 1 to estimate the cost of a Livable Income Guarantee under pre-pandemic conditions, as shown in Table 1. Column 1 divides Australians over 15 years old into seven categories[1] as describe in the preceding paragraphs. Column 2 is an estimate of the number of people in each category. Column 3 shows the proportion assumed to receive the Livable Income Guarantee. This is set at 100 per cent for those already unemployed, or discouraged by the lack of jobs, and at lower proportions for existing beneficiaries, and for those who say they might want to work but are not currently searching for other reasons. Column 4 shows the number of beneficiaries in each category. Column 5 shows the cost per person. This is equal to the difference between current benefits and the age pension rate for existing beneficiaries and to the age pension rate for those not currently receiving a benefit. Finally, Column 6 shows the cost in billions per year.

Tax system integration

[1] Informal migrants are not included, but the cost of measures to assist them will be minimal

The tax and welfare systems should also be integrated with respect to checks on how people are participating through their chosen community activities. Currently, there is an asymmetry (Moss 2001). The welfare system starts from the assumption that recipients are cheats (Wilson et al. 2012), and imposes harsh compliance rules to surveille and manage recipients (Taylor et al. 2016; Dee 2013).

By contrast, the tax system is operated on the basis of self-assessment. Taxpayer declarations are assumed to be true in the first instance, but subject to auditing (ATO 2016). The LIG should operate in the same way, where people submit their own participation declaration, as they now do with tax returns. The Tax Office itself could be constituted to deal with such declarations, most likely through a dedicated section within the Department. Such a system is not unconditional in the way argued for with a universal basic income, but it does at least remove the presumption of cheating from those claiming the benefits. As such, it complies with the underlying principles of fairness and social solidarity.

9. Implementation and costing

In considering issues around implementation and costing, we note that perceptions of cost are often political. For example, JobKeeper introduced to mitigate the effects of the COVID-19 pandemic costs around $90 billion and that this amount dwarfs the costs associated with our proposal. In analysing implementation and costs, we will assume that the labour market ultimately returns to a situation similar to that prevailing in 2019, and will use labour market statistics from that year. The most recent income tax statistics are from 2016-17, and these will be updated to take account of the increase in nominal incomes and the number of taxpayers since then.

Step 1: Set the unemployment benefit equal to the standard age pension. The cost of this is about $8000 per person for 700 000 recipients = $5.6 billion (0.3 per cent of GDP). This only restores policy to the position prevailing before the freeze on real-benefit increases imposed in 1993. This step had broad political support before pandemic, including amongst employers organisations, and that support is even stronger now (Saunders 2018). The LIG would also cost less than current value of JobSeeker.

Step 2: Remove and replace the job search and compliance framework currently applicable across social security payments. The potential beneficiaries are those who want to work but are not currently searching and those who are making a contribution that is not currently eligible for income support. The total number in this category is about 1 million. However, many people are receiving existing benefits (supporting parents, DSP, Austudy). If we assume half-a-million (500,000) extra beneficiaries, the additional cost of the LIG would be around $12 billion every year, for a total cost of $18 billion per year (which is equivalent to about 1 per cent of GDP).

Step 3: Set up a system to collect and process individual statements of participation and social contribution. These statements should be processed much like a tax return where people detail the social contribution they have made. This contribution statement is accepted based on trust (as is done with tax returns), but can be subject to audit. The contribution statement is submitted every quarter, as with Business Activity statements.

Financing: High income earners, as a group, have been those least affected by the impacts of the pandemic (Grodach 2020). They have also benefited from a range of concessions and policy changes introduced over the last 30 years which have had the cumulative effect of making the tax system substantially less progressive (PerCapita 2018). It is appropriate, therefore, that this group should make a greater monetary contribution at this time in order to support those receiving the LIG.

There is a range of possible options. The simplest would be to forgo the Stage 3 personal income tax cuts which are due to be implemented in 2024-25. If implemented immediately, these would have an annual cost of around $15 billion.

However, it is likely that these cuts will have to be scrapped with or without an LIG, given the cost of responding to the pandemic. Hence it is necessary to consider other possible options. These include:

- Eliminating concessional treatment of capital gains. The current cost of this concession is at least $10 billion a year, according to the Treasury Tax Benchmarks And Variations Statement 2019 (formerly the Tax Expenditures Statement),
- Eliminating payment for excess franking credits which currently costs $5 billion (an estimate derived from FOI requests (see, Bagshaw 2018),

- Reducing concessional treatment of superannuation. This could save at least $10 billion a year based on Tax Benchmarks And Variations Statement,
- Raising the marginal tax rate, applicable to incomes over $180 000 to 60 per cent. The saving here would be around $10 billion (based on ATO Income Tax Statistics 2016-17).

All of these options would be politically controversial. However, given the effects of the pandemic, the greater than normal recognition that business-as-usual policy cannot continue, along with an increased community awareness of the inequities of the current system, we believe such changes are more politically feasible than usual. What's more, taken collectively, they would constitute only a partial reversal of the concessions made to high income earners of the period since 1990. They are easily justified on equity and fairness grounds.

10. The LIG into the future

We see the LIG as a 'stepping stone approach' (Spies-Butcher and Henderson, 2019: 163) for other possible policies such as a Universal Basic Income (UBI). While similar to an LIG in that it provides economic security, a UBI does not entail a means-test or work requirement (BIEN 2018). If pursued, any move to a UBI would mean that the condition of participation linked to the LIG would be removed as well as the means test. The UBI would be paid to all (universal), but net beneficiaries would end up having this amount recouped through the tax system. Any move towards an entirely unconditional basic income would require more changes in the current social security and tax structure and would need to be accompanied by other payments so that some low income earners, such as single mothers, are not worse off under the universal payment.

One major benefit of implementing the LIG before a UBI is that the narrow definition of work as a *job* within the formal labour market is destabilised through the participation requirement. Nonetheless, there is concern amongst some researchers examining the UBI that, while a UBI may stop unpaid carers from destitution and allow economic freedom for people who want to undertake currently unpaid care work, the gendered division of labour and gendered ideas of work would see that unpaid care could continue to be largely undertaken by women (Robeyns, 2001; Gheaus 2008). The concern is that without tackling the gendered norms underpinning care work, men may continue to mainly seek formal labour market participation resulting in a class of largely women UBIers with a lower amount of payment than men. Feminist analysis of the UBI has therefore argued that a UBI needs to be accompanied with policies that break down the gendered division of labour and gendered ideas of work (Zelleke 2008; Weeks 2011). This is where the participation requirement in the LIG may play a role. It has a broad definition of work and encourages all people to undertake various forms of work including care work. While this may not explicitly deconstruct the gendered division of labour, the participation element can be more explicit about supporting both men and women to engage in any activities that contribute to the community, including various forms of care. In doing so, the LIG opens up the possibility to not only challenge gendered norms, but also to move towards a different way of valuing work all together. The UBI does not specifically do this, which means the LIG can be seen as a useful complement to a UBI, helping to dismantle gendered norms before a UBI came into effect.

11. Interaction with employment policy

Some advocates of Universal Basic Income policies, such as Andrew Yang, have started from the presumption that 'robots will take our jobs', or more precisely that technological progress will greatly reduce the number of jobs that can be filled by workers with typical skill levels (Brynjolfsson and McAfee 2012). Based on this assumption, the UBI is presented as a way of spreading the benefits of technological progress, and providing for those who no longer have a place in the market economy.

We reject the argument that links either an LIG or a UBI with the alleged threat of technological unemployment. The notion that a 'robot will take your job' is reductive and overlooks the other factors affecting employment and work conditions (Quiggin 2018). For instance, robots did not directly displace journalists in the workplace, but digitisation has changed the structure of the media industry considerably, affecting not just the industry business model but the way in which news is gathered and distributed (Dunlop 2016). We believe that this sort of disruption and restructuring is a more cogent way of viewing the effects of technology on work than to simply focus of labour displacement. It allows for the fact that jobs are created as well as destroyed in the wake of technological change. What's more, foregrounding the threat of technological unemployment focuses our attention too heavily on the narrow definition of work as a job within the conventional labour market, the very principle we are setting out to challenge with an LIG. An LIG should not be seen simply as a way of supporting someone between jobs in the conventional labour market, but as a way of redefining what counts as work in the first place.

As has been true ever since the modern capitalist labour market emerged in the nineteenth century, unemployment and job insecurity are inherent products of the system, which can only be remedied by public action.

The aim of our policy is to give all workers the opportunity to both work in the market economy and the alternative of participating in non-market activities, while receiving a liveable income. In addition to a Liveable Income Guarantee, this entails a renewal of the public commitment to full employment officially abandoned in the 1990s, but in reality well before that. We should reject the idea of a 'natural rate of unemployment', or NAIRU, and define full employment as a situation where the job vacancy rate and the unemployment rate are equal.

To implement such a policy, the first step would be to re-order the objectives of the Reserve Bank, which currently place price stability above full employment. Instead, the objective should be full employment subject to a constraint that policies be consistent with low and stable inflation. That could be implemented with a nominal growth target, with the growth rate set high enough to maintain full employment, or with direct targeting of the U/V ratio.

The other key measure in macro-economic policy would be an end to the strong form of central bank independence imposed under neoliberalism and a return to co-ordination of monetary and fiscal policy between the Treasury and the Reserve Bank. This would still leave the Reserve Bank independent of day-to-day political direction, and allow the Bank to act independently if this was required by the policy targets.

Macro-economic policy is only the starting point. The full employment objective should inform public policy and expenditure decisions in general. That means, other things being equal, projects and policies that provide more employment should be preferred to those that provide less. So, instead of the current bias—mercilessly satirised by the TV program, *Utopia*—in favor of megaprojects offering photo opportunities for politicians to put on hard hats and hi-viz vests, there would be a greater focus on vital human services such as health, education and social welfare, even the arts, and less emphasis on large scale infrastructure projects.

Other measures to sustain full employment should include those that encourage firms to not dismiss workers during downturns in demand. We suggest a version of Germany's *Kurzarbeit* scheme, a subsidy that firms receive to reduce working hours for employees during periods of slack demand while maintaining nearly full pay. Taken together, these and similar measures should maintain full employment most of the time. Nonetheless, sufficiently large shocks would create unemployment that could be addressed through the kinds of temporary job creation measures proposed under various forms of Job Guarantee.

12. Concluding comments

While we can look forward to an end to the loss of life and economic disruption caused by the pandemic, it is unlikely we will see a return to the illusory stability of the recent past. Indeed, the time has come to jump forward to something better, not to 'snap back' to that illusion. Future crises are inevitable, whether generated by existing imbalances and international tensions, or by 'black swans' like the pandemic. In such circumstances, relying on the market to generate and sustain full employment is folly. Sustained government action is needed both to improve labour market outcomes and to provide an alternative to reliance on market work for survival.

In this paper, we have outlined a practical and fiscally affordable approach to a Liveable Income Guarantee. Its implementation would allow us to be better prepared in the event of future disruptions, such as the pandemic currently affecting the global economy and societies more broadly. Beyond that, the LIG provides the support that allows us to aspire to be a society where everyone has an income sufficient to live a comfortable and dignified life. This will increase individual freedom, and thus allow us all to be better able to make a positive contribution to the common good.

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