

Poverty is by its nature relative and estimates of the number of poor depend on arbitrary definition but one frequently employed estimate is that one million or 7% of Australians are poor. If the total Commonwealth welfare vote were to be divided equally among these poorest people they would get \$13,000 per year each, \$26,000 per married couple or \$52,000 per family of four. In terms of the definition which gave us the figure ~~of~~ one million, poverty would be abolished-- without touching moneys spent by the States or moneys raised from private sources by charities. (To keep all that in proportion: if the whole gross domestic product were to be divided evenly among the entire population, this year we would get about \$10,500 each.)

It is not of course as simple as that; those in need are difficult to define, and it is not practical to withdraw all cash assistance from those just above whatever poverty line is determined. Never-the-less, so large are the sums presently made available for welfare, that we are forced to conclude that if the purpose of the welfare system is to alleviate poverty, then the welfare system is not very efficient. Too much is not getting to the poor.

Neither is all the money which is bypassing the poor turning up in wealthy public servants' pockets; administration costs are only 3.5% of welfare outlays. (2.8% is in the Social Security Department and .7% in Tax.) Three and one half percent may, or may not, be excessive but clearly the bulk of the money is spent elsewhere.

On the other hand the system may be quite efficient. Apart from a few political speeches^e and the several party platforms who, or what, said welfare was intended for the poor anyway. If we accept as evidence the pockets filled by welfare payments then we conclude that the political purpose of welfare is to use the taxes to supplement the incomes of the politically volatile middle class. In classical times politicians at least paid their bribes ^{and} ~~or~~ purchased their seats with their own money.

Welfare expenditure is 30% of the Commonwealth budget and 60% of personal income tax. Any government which imagines, as at one stage the Fraser government imagined, that it can control budget ~~outlay~~ while quarantining welfare ^(including the cost of tax concessions) from the necessary cuts, deludes itself; the item is too big. If the present government is serious about its tax and deficit problem it too will have to consider unpopular welfare changes. The Summit ^mcomⁿiqué and numerous ^ho^ther ministerial statements have said quite plainly that any cuts will not be taken from the poor--^{if the budgetary hubblebim is to be faced,} ~~then~~ then there is no option, ~~other than ignoring the budgetary problem,~~ but to take the benefits from the politically influential middle class.

Faced with an, even by Labor standards, unacceptable deficit; several Labor spokesmen recently spoke of the need to means test welfare payments. I remarked in the presence of a few friends that if they really had the courage to do it I might cast the first Labor vote of my life. My disloyalty to the Liberal cause was ^egrated ^{with} derision by all assembled, but they need not have worried; at the first opportunity to actually do any thing Labor has run off with its tail between its legs in fear of the middle class unions. They appear to have given in to ~~a~~ union demand that lump sum superannuation payments continue to receive the present very favourable tax treatment that admits the practice of "double dipping".

42% of the workforce have occupational superannuation. The "double dipper" is one who cashes it on retirement and draws the old age pension. He gets the benefit of tax deductability for his and his employer's contributions to his super scheme and the old age pension also.

The sums involved are quite considerable. Dixon and Foster of the Social Welfare Policy Secretariat have calculated a present value in 1981 dollars of the future benefit derived by a couple of average life expectancies from receipt of the pension. The

figure they arrive at is \$86,000. A present value to the taxpayer of the tax deductions available to his super scheme is more difficult to be precise about because there are more relevant variable circumstances to consider. Nevertheless we are told that we can say without risk of serious error that a person who received average weekly earnings has gained a tax benefit of around \$26,000; a person on twice AWE about \$51,000 -- again very considerable sums.

It is clearly inequitable that some people should get two benefits when the beneficiaries of the double benefit are for the most part the relatively well to do. To stop the anomoly lump sum payments might be taxed at a rate that negated earlier tax benefits; lump sum payment of the employer's contribution along with its share of the earnings of a fund might be forbidden, or the pension might be denied in whole or in part to those who have cashed their superannuation benefits. The last is not really practical since we would not see anyone starve, however profligate he may have been with his lump sum.

If lump sums were to be taxed enough to recoup earlier benefits then most people will elect to take their^{ir} super as regular lifetime income; that is in the form that was said to justify the tax deduction in the first place. Taken in this form it is subject to full pension income test up to the age of seventy and to partial testing after that.

Our fundamental difficulty is that we have not made up our minds just what it is we expect from our tax concessions and welfare system. Should it be a safety net, insuring each of us against the risk that we may fall on ~~hard times,~~ hard times, or should it pay a little to everyone topping up whatever resources he may have? If a safety net, then why is it so full of holes and why is it so expensive to maintain; if a top up, will future taxpayers find enough money to top up present taxpayers when they grow old, is a top up enough for the poorest people and can we raise enough tax to give everybody a bit of welfare?

The A.C.T.U. is urging the government to look after its wealthier affiliated members at the expense of its poorer.

The government's fundamental difficulty is that it hasn't accepted that hard decisions are just that. Even the A.C.T.U. should on occasion be sent packing.

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