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Welfare Reform 2014

Welfare Reform with Responsible Pricing

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Reference Group on Welfare Reform to the
Minister for Social Services

www.thankubank.com

Overview: Welfare Reform with Responsible Pricing

Accelerating change is the constant of the modern, interconnected world. Jobs and whole job sectors can disappear and appear overnight causing great social dislocation. The concept of government welfare was designed for a time when change happened at a snail's pace and is no longer appropriate. What is needed is a Universal Safety Net that people can dip in and out of depending on their circumstances without having to deal with layers of government bureaucracy, nor the stigma associated with welfare.

Technology developed by ThankUbank makes a Universal Safety Net possible starting with the concept of Responsible Pricing, which provides inbuilt protection for those in need, within the most powerful economic system ever invented.

Introducing Responsible Pricing

Responsible Pricing can be likened to the GST without the middle-man of government. As part of the competitive process, merchants charge a premium which funds a discount to targeted groups needing assistance.

In Australia, for example, modeling shows that Responsible Pricing with 6% premium on food and groceries would give the 2 million+ Australians living below the poverty line an immediate 40% discount at the counter. For a family with a weekly food bill of \$250 Responsible Pricing would deliver a potential cost of living saving of about \$100 every week.

The concept can be extended to include other areas of expenditure like gas, electricity, fuel, fees and rates to make even further savings.

Key benefits of Responsible Pricing include:

- Increasing welfare benefits while decreasing taxation levels.
- Relieving pressure on government budgets and the Third Sector.
- Enabling welfare recipients to escape the poverty trap by taking on low-paying jobs.
- Reducing the costs associated with government bureaucracy.
- Providing benefits directly to those in need without the middleman of government.
- Providing the best way to meet the structural and social challenges of aging populations and technological unemployment.
- Providing an ongoing economic stimulus.

Importantly, Responsible Pricing, being a market mechanism does not require legislation or regulation and can be implemented with nothing more than a tweaking of the general market pricing mechanism currently in practice.

All that is required to make Responsible Pricing a reality is to introduce a new variable into the consumer decision-making process. This can be achieved by nothing more than a national debate on the question of Responsible Pricing and a broad-based awareness campaign.

Harnessing competition to protect the poor

Under Responsible Pricing consumer choice and advertising would increasingly focus on the best balance between the discounted and full price. This can be likened to the shopper docket promotion, but instead of promoting a personal discount, the promotion would feature the discount provided for those in need.

This has the potential to dramatically alter the competitive environment. If, for example, Woolworths (or any of the major chains) decided to adopt Responsible Pricing, it would immediately alter the buying pattern of the 2 million+ people living below the poverty line in Australia.

Additionally, it would also attract potentially millions of other socially conscious consumers who would support Responsible Pricing.

Importantly, Woolworths would be able to position its brand as socially responsible while repositioning those competitors who do not offer Responsible Pricing as socially irresponsible.

Harnessing competition within a free market, rather than relying on government, is the best way to protect the most vulnerable in the community in an age of constant change.

Helping escape the poverty trap

One of the most important goals of any welfare system is to help people get off welfare as quickly as possible. Unfortunately, government-based welfare can become a poverty trap rather than acting as a temporary safety net.

Responsible Pricing, by bringing down the cost of living directly, enables welfare recipients to take on low-paying jobs. This would bring down business costs; provide an ongoing stimulus to the economy, creating more jobs in the process.

The majority of welfare recipients who can work, want to work and contribute in some way. The ability to take on low-paying jobs provides an opportunity not just to contribute but also to gain a foothold in the workforce. It provides the means to gaining valuable experience, learning new skills, making new contacts as a pathway to higher-paying jobs. This real-world approach is far more effective and cost-efficient than any work-for-the-dole scheme.

Determining Eligibility

Initially only those who can prove they are living below the poverty line will be eligible for the discounted price under Responsible Pricing. The proof could be in the form of a government or privately issued card based on a means test similar to the means test for welfare recipients.

The card would operate in the same way as existing customer loyalty cards, utilizing the same technology but feeding into and drawing from a general welfare database.

Eventually the discounted price can be made available to all people experiencing periods of hardship at any time with eligibility based on their social maturity rating, rather than government determination.

This could easily be extended to include lifecycle events such as early childhood rearing, replacing maternity and paid parental leave schemes.

Social maturity rather than government bureaucracy

At the moment eligibility for welfare is governed primarily by government bureaucrats. We now have the technology to move to social maturity as a key determinant in welfare eligibility.

A social maturity rating is similar to the financial credit rating used to determine access to a range of goods and services such as loans.

Financial credit ratings are about how much money and capital people have. A social maturity rating is about what people do for others and how well they do it.

A variety of online feedback services are emerging that provide the mechanism for building and accessing the social maturity rating of individuals, groups and organizations. This will become increasingly important in not just providing access to welfare, but also in terms of doing business, getting a job and securing promotions, and being elected to positions of power or influence.

Social maturity, by putting a value on positive behaviour, will provide the basis for creating fair, inclusive and sustainable society on a global basis.

A market-based approach to prevent abuse and fraud

Some people will try and abuse Responsible Pricing but such behaviour is not a function of poverty or disadvantage it is a function of social maturity.

Social maturity feedback through online services will limit abuse at both the consumer and provider end by linking such behaviour to a publicly accessible reputation metric.

Importantly, the focus on social maturity means that the same social standards will apply to Prime Ministers as well as welfare recipients. This will end the marginalization and characterization of welfare recipients as non-contributing members of society.

Making the free market socially responsible

The global economic system based on the concept of a free market is incredibly efficient at transferring wealth from the weakest to the strongest. This is rational and appropriate in the commercial sphere where only the strongest ideas should prevail, but it is irrational and inappropriate when applied to the social sector where it manifests as a form of Social Darwinism.

Market liberalism, at the moment, makes no distinction between the commercial and the social, leaving it up to governments and the Third Sector to deal with the social implications.

The problem is the market is so efficient at transferring wealth that any benefits achieved through taxation and redistribution are quickly vacuumed up by the market, making the poor, poorer and the rich, richer. In effect, this creates the socially and economically untenable situation where profits are privatized

while costs are socialized.

Responsible pricing, by making social responsibility an inbuilt feature of free market economics, paves the way to moving beyond government welfare to a Universal Safety Net.

The key benefits of Responsible Pricing

Responsible Pricing is a far more efficient and direct way of helping those in need than taxation and redistribution in an age of constant change. It will have the effect of reducing government costs in many areas associated with welfare provision and lead to responsible, balanced budgets and healthy economies.

Importantly, it will finally end the stigma and indignity often associated with government welfare by making possible the concept of a Universal Safety Net, available to all based on a social maturity metric.

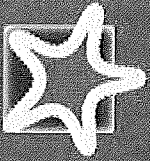
Responsible Pricing will also make free market economy more efficient, socially responsible and sustainable by:

- Reducing political interference and distortion caused by governments trying to mitigate the consequences of costs being socialized.
- Providing in-built protection for the poor and the most vulnerable in the community.
- Imposing new bounds on advertising and marketing that limit the harm caused by consumerism.

More Information

More information can be obtained at the following sites:

www.responsiblepricing.org
www.thankubank.com



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