

Literature review: artists, taxes and social security

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Research on artists' work, incomes, tax and social security

Australia Council

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Summary

Research and commentary in Australia and overseas suggests that artists encounter common problems when they interact with government tax and social security systems. The literature review summarises some of the problems and suggested solutions identified in the literature.

The views and opinions summarised in this review are reproduced from the literature and do not necessarily represent the views of Department of the Environment, Water, Heritage and the Arts or the Australia Council.

Evidence on the characteristics of working as an artist

There is now a substantial body of academic and policy literature on the working lives of artists. However, much of the literature is based on a small number and limited range of empirical sources. Some of the main findings are:

- When compared to similar occupational groups, artist occupations tend to have higher rates of unemployment and underemployment; lower incomes; greater variability in incomes; and higher rates of self-employment.
- Formal education plays a lesser role in artists' earnings than it does for other occupations; experience and reputation are critical in artists' career development and earnings.
- Artists' work is commonly 'contingent': it is contract-based, intermittent and unpredictable.
- Artists' work involves high hidden costs, including unremunerated research and development costs.

As a result of these characteristics, artists' work is associated with high levels of uncertainty and difficulties in professional development. In response, artists tend to adopt 'portfolio' careers – they undertake a variety of remunerated activities in both arts and non-arts related areas – in order to spread the income risk represented by contingent employment.

Many researchers have expressed surprise at an apparent 'supply paradox': that the number of artists has continued to grow over the last twenty years or so despite low and declining relative incomes. However, explanations for the paradox often run counter to economic equilibrium theory, and evidence used to support over-supply is sometimes based on inaccurate measures of the supply of artist labour.

A number of analysts have argued that the work of artists is 'atypical' and requires special consideration under tax and social security systems. The atypical nature of artists' employment is currently recognised in rulings and guidelines released by the Australian Taxation Office.

Overseas literature on tax and social security

The overseas literature suggests that artists face similar tax and social security problems around the world, despite differences in systems between countries. Key problems include:

- The systems do not accommodate well peculiarities and complexities in the nature of artists' work; and
- There is a lack clarity and consistency in systems that cause artists to feel they are treated unfairly.

Common solutions proposed in the overseas literature include:

- Recognising in systems the unusual nature of artistic employment; and
- Developing and providing information resources and specialist assistance to improve clarity and consistency of artists' treatment.

Tax issues in Australia

While the Tax Ruling *TR 2005/1 Income tax: carrying on a business as a professional artist* (issued by the Australian Tax Office) recognises the distinctive nature of the arts profession, there are still some problems identified in the Australian literature on the treatment of artists under Australia's taxation system. These are similar to the problems identified overseas, including:

- Peculiarities and complexities in the nature of artists' work could be better recognised in tax system definitions and rules in order to avoid ambiguity, confusion and inconsistency of interpretation.
- There is a need to develop tailored information resources and other forms of support to improve clarity, consistency and fairness in the taxation of artists.

Appendix 2 details a selection of key problems and solutions identified in the Australian literature. When considering the Australian situation, it is important to note that the Australian Government is currently undertaking a comprehensive review of Australia's tax system. The review will 'look at the current tax system and make recommendations to position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century.' The review encompasses Australian Government and State taxes, except the GST, and interactions with the transfer system.¹

Social security issues in Australia

Appendix 3 summarises the problems and solutions identified in the treatment of artists under Australia's social security system.

¹ More information is at <http://taxreview.treasury.gov.au/Content/Content.aspx?doc=html/home.htm>.

When considering these problems and solutions, it is important to note that the Australian Government plans to introduce a new employment services framework in July 2009. The new system aims to introduce a more targeted, tailored, individual approach to income support, which is likely to address some of the problems in the current system identified in the literature.²

The literature identifies a number of problems associated with the treatment of artists under Australia's social security systems. Many of the problems identified in the literature appear to depend on or 'flow on' from two fundamental problems:

1. Legitimacy: Artist careers and arts qualifications appear to have low value or legitimacy under social security systems.
2. Recognition: The systems do not recognise or respond well to the complex and atypical characteristics of arts work.

A selection of the 'flow on' problems is listed in appendix 3. Two issues in particular mirror those commonly found in overseas literature:

- There is a lack of clarity within the social security system itself over artists' obligations, rights and opportunities to access programs, which means that artists receive inconsistent advice and treatment under the system.
- There is a lack of information to help artists understand their obligations, rights and opportunities to access programs.

Appendix 3 also provides a summary of solutions to the problems proposed in the Australian literature. General solutions identified include:

- A better understanding of artists work and the public benefits of the arts.
- Recognition within the system of artist as a valid or legitimate profession.
- Recognition within the system of the characteristics peculiar to arts work, and training system personnel in these characteristics.

Specific solutions suggested in the literature include:

- Removing the penalty for refusing to take casual work opportunities outside arts.
- Introducing arts-targeted business training and start up assistance.
- Introducing arts-appropriate 'work for the dole' (WFD) work experience.
- Ensuring that the 'community service' criterion of WFD project guidelines includes the community benefit provided by creative arts work.
- Including art practice as an approved activity within job search and mutual obligation requirements.

² More information is at www.workplace.gov.au/workplace/Publications/PolicyReviews/NewEmploymentServices/Employmentservicesreviewbackground.htm.

Introduction

This literature review has been undertaken as part of a collaboration between the Australia Council and the Department of the Environment, Water, Heritage and the Arts (DEWHA) to undertake research into artists' incomes and working lives. The research focuses on the nature of professional artists' working lives and trends in the Australian artist labour market, with particular emphasis on the state of artists' incomes and problems that artists face in the course of undertaking professional work, generating income and navigating tax and social security systems.

Research and commentary from Australia and overseas indicates that artists encounter common problems when they interact with government tax and social security systems. This review documents some of the problems and proposed solutions identified in the literature.

The views and opinions summarised in this review are reproduced from the literature and do not necessarily represent the views of DEWHA or the Australia Council.

The review concentrates on literature published from 2000 to May 2009. The literature consulted does not therefore include commentary or analysis of changes to the employment services system planned to be implemented by the Australian government in July 2009. These changes are described briefly below.

New Employment Services

The Australian Government plans to introduce new, simpler and more effective employment services, with commencement due in July 2009 (Department of Education, Employment and Workplace Relations, 2008).³

The new system promises to adopt a more flexible and individually tailored approach to helping unemployed people find employment. Under the new system, job seekers will receive more individualised and career-specific support for training, skills development and work experience. The new system will assess training needs based on a job seeker's existing skills. Job seekers will work with employment service providers to develop meaningful employment plans that focus on seeking work that is appropriate to their skills and the needs of the local labour market. Employment broker positions will be created with links to employers in a particular sector or region.

³ The review described at:
www.workplace.gov.au/workplace/Publications/PolicyReviews/NewEmploymentServices/Employmentservicesreviewbackground.htm

The new system represents a refocussing of federal government income support services toward a more targeted and tailored approach. Planned changes appear to offer opportunities for addressing a number of the problems under the current system identified in this literature review.

This literature review should be read with the upcoming changes to the income support system in mind.

Nature of the literature

Overseas literature consulted here consists of major pieces of academic research or policy reviews. The Australian sources of information consulted are broader in nature, ranging from academic research and policy reviews to advocacy materials and ‘blogs’. Time limitations mean that the review is very broad in nature.

Proposed solutions might be thought of as being one of two general types:

- Complementary solutions, which propose improvements to current systems and programs (for example, information provision, improved training, introduction of indexing); and
- Supplementary solutions, which propose the introduction of new initiatives, additional funding or increased support.

Although the distinction between the two types is not always clear, particularly as complementary solutions also often require additional funding for implementation, these terms are used in this review as a general rule of thumb for distinguishing between proposals that call for a non-trivial increase in government support (‘supplementary’) and those that call for improvements to current systems (‘complementary’).

The evidence base for literature on the tax and social security problems faced by artists tends to be drawn from case studies, artist interviews, and expert opinion. In some cases evidence is simply anecdotal. This review uncovered just a few key studies based on artist interviews or systematic case studies. The Australian literature relies heavily on these few key sources, and the repetition and cross-referencing between limited sources is therefore high.

Section 1: Research on working as an artist

Research into the working lives of artists reveals a consistency in the nature of arts work around the world.

When compared to the total workforce, artists are more likely to be better educated and located in metropolitan areas, are more likely to be self-employed, and are more likely to hold more than one job. As an occupational group, artists have higher rates of unemployment and ‘underemployment’ (eg. part-time, intermittent and temporary contract

work) than other occupations. The income distribution of artists tends to be higher than the distribution for all employed people.

When compared to peer occupational groups, such as professionals or workers with comparable ‘human capital’ (measured by education, training and age), the artist workforce typically displays:

- higher rates of unemployment and underemployment;
- lower incomes;
- greater variability in incomes; and
- higher rates of self-employment.

Research also suggests that formal education does not reap the same income returns for artists as for other professional occupations.

Contingent employment and portfolio careers

Research around the world and in Australia finds that arts work is predominantly contract-based, intermittent and unpredictable. Menger (2006) calls this ‘contingent’ employment. Artists respond to contingent work, and especially the income uncertainty this represents, by adopting a ‘portfolio’ approach to their careers: they undertake a variety of remunerated activities in both arts and non-arts related areas. They do this, analysts suggest, to spread the income risk represented by contingent employment. Interpretive artists (actors, dancers, etc.), according to Menger (2006), ‘act like independent contractors to arts production companies’, while creative artists (painters, sculptors, etc.) ‘act like entrepreneurs managing small businesses and work portfolios’.

European Parliament (2006) finds that artists face ‘precarious’ working circumstances, not just because of their project-based, casual employment and their irregular and unpredictable income, but also because of unremunerated research and development phases, accelerated physical wear and tear, and high levels of mobility. Although the report recognises that other professions may display some of these characteristics (such as sportspeople), it nevertheless argues that the arts professions can be distinguished by a unique bundle of ‘atypical’ characteristics (including atypical logic, work status, cross-border mobility, economic structures, assessment of results; and financing).

Similar results are found for UK artists by Galloway et al (2002), who, through interviews with artists, find that:

1. ‘Uncertainty is the central ingredient of artists' employment – self-employment and a flexible portfolio career approach are essential in complementing artists' aspirations for creative freedom and innovation. However, with freedom comes uncertainty due to variable short-term contracts, variable income, vulnerability to consumer fads, and lack of control due to low income. Uncertainty is often ameliorated by artists taking secondary employment and by artists' partners taking more predictable employment. Early

career development is particularly difficult, often requiring financial support from an artist's family, and involving unpaid voluntary work.

2. Professional development is difficult to sustain – artists experience little opportunity for professional development due to the combination of portfolio careers and low incomes, and the small size of arts enterprises (limiting opportunities for employer-based training and development).
3. Artistic practice involves high 'hidden costs' – freelance artists absorb many hidden costs, including fees associated with maintaining performance standards, time spent on proposals and auditions, meeting potential sponsors and promoting new work, and preparation of film, TV and radio productions. Key elements of an artist's 'human capital' were not able to be recouped through fees: research and development; and education, training and professional expertise. Child support difficulties resulted from unpredictable and poorly remunerated employment.
4. Access to resources is limited – as well as problems with ... rehearsal and exhibition space, and production materials, information was identified as problematic. Artists called for information on artists' career opportunities, signing contracts, and navigating multifarious sources of arts support.'

Underemployment

The portfolio nature of arts work introduces added layers of complexity to received notions of work. An additional complexity identified in the research on artists' employment is the notion of 'underemployment.' Under standard definitions, underemployed people are those who are willing and able to work more hours than they currently do. The notion is somewhat different for artists in that the willingness to work more hours is activity-specific: their underemployment is measured as a suboptimal amount of time dedicated to arts work, even if they are working full-time and not seeking to work more hours *per se*. The underemployment is essentially an underemployment of artistic human capital: artists are 'underemployed' in the field for which they have developed human capital expertise through training and professional development.

Underemployment represents both private and social costs in terms of under-utilisation of human capital. Throsby and Hollister (2003) provide a measure of the extent of this more nuanced underemployment among Australia's artists: they find that in 2001 'almost 80 percent [of artists] would like to spend more time at arts work, and of these, almost two-thirds would prefer to work at the arts full-time.' This compares to data from the ABS suggesting that just over six percent of people employed in Australia in 2001 were part-time workers who wanted to work more hours. (Australian Bureau of Statistics, 2002).

The tendency for artists to participate in multiple labour markets also adds significant complexity to understanding and researching artists' work

generally. Traditional labour market analysis is based on models in which workers choose between work and leisure. In the case of artists, the trade-off is multidimensional; between three distinct types of work (arts, arts-related and non-arts) and leisure. Different approaches to modelling the complex of influences are being developed and tested against data such as that collected in the Australian series of studies undertaken by David Throsby. The task of fully understanding the interrelationships is, however, still some way off.

A number of analysts suggest that artists provide a valuable test case for the type of careers that are becoming more widely common in the total workforce.

The supply paradox

Given that artists' employment tends to be 'precarious' and poorly remunerated, analysts have been particularly mystified by an apparent paradox in artists' employment data: that the number of artists has grown over the last twenty years or so despite low and declining relative incomes (reviewed in Abbing 2002; 147).

This trend is paradoxical if artists' earnings are considered below an equilibrium level, in which case received economic theory would suggest that the supply of arts labour should adjust (decline) to bring incomes back to equilibrium. The data has been interpreted as indicating a long-term 'over-supply' of arts labour.

Analysts have advanced a number of explanations for the persistence of low incomes and steady growth in arts professions. Evidence is strongest for the 'psychic income' argument – that artists are motivated by an inner drive and oriented toward non-monetary rewards. Another popular explanation, though one that has mixed empirical support, is the 'winner takes all' argument – that the arts labour market acts like a lottery by attracting many with the high earnings of a few 'stars', with artists miscalculating their probable earnings.

The issue of oversupply is, however, a complex one. First, it suggests that the arts labour market is in some way being artificially obstructed from self-correcting to an equilibrium income level. In this light, the 'psychic income' argument does not suggest a structural interference with the market dynamic, as artists are making informed choices based on their preferences. The 'winner takes all' argument is a clearer case of structural disequilibrium, as it proposes that artists are acting on partial or incorrect information (perfect information being one of the pillars of standard market equilibrium theory). However, evidence is still contrary on whether persistent misinformation exists in arts labour markets.

The notion of 'oversupply' and disequilibrium in much of the literature seems to be based more on a normative notion of what artists *should* earn, relative to others, rather than on evidence of structural problems in arts

labour markets. Furthermore, evidence for the paradox is often based on measures of the number of artists, which can be an unreliable indicator of the supply of arts labour. As Menger (2006) points out, the hours that artists devote to arts work needs to be accounted for in order to obtain a complete picture of overall supply.

A detailed analysis of Australian data is being undertaken in conjunction with this review. However, it is clear that many of the international findings on the characteristics of and trends in artists' employment have been reproduced for Australia's artists, most notably in the series of studies undertaken by David Throsby, but also by Bridgstock (2006), who finds that Australia's artist workforce exhibits typically 'protean' careers, with:

- subjective, psychological motivators and measures of success (with an emphasis on personally meaningful life/work);
- high levels of personal responsibility for career development; and
- low job security.

Research undertaken in Europe, North America and the Asia-Pacific region, including Australia, therefore provides overwhelming empirical evidence that artists' working lives and artists' labour markets are similar around the world, and can be characterised by a particular mix of features and circumstances.

Are artists different?

Based on the evidence summarised above, there is now a body of literature arguing that artists represent such a unique or 'atypical' occupational group that tax and social security systems need tailoring if they are to treat artists fairly and sensibly.

The Australian Taxation Office (ATO) explicitly recognises the unique nature of artistic employment. In its ruling *Income tax: carrying on business as a professional artist*, the ATO 'recognises that because of the nature of art activity, arts businesses typically have different characteristics to those found in other businesses' (Australian Taxation Office, 2005). Implicit recognition that artist occupations are unusual can also be found in other ATO materials. For example, under its definition of 'special professional' in its *Income averaging for special professionals 2008*, five out of seven occupations listed are artistic (the list is: artists, composer, writer, performer, artistic production associate, sportsperson or inventor).

Regardless of whether artists are considered different or worthy of 'special' treatment under tax or social security systems, research indicates that arts work can be characterised by a relatively consistent set of employment circumstances, and that these circumstances can cause artists certain problems when they interact with tax and social security systems. The next sections document a selection of these problems and their proposed solutions, first from the overseas literature and then from Australian sources.

Section 2: Tax

This section reviews literature from overseas and from Australia on problems artists experience under tax systems, and the solutions proposed to address those problems.

When considering the problems in the Australian context, it is important to note that at the time of writing the Australian Government is undertaking a comprehensive review of Australia's tax system (the 'Henry review'). The review will 'look at the current tax system and make recommendations to position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century.' The review encompasses Australian Government and State taxes, except the GST, and interactions with the transfer system.⁴

The review of Australian literature relies heavily on a recent submission by the Australia Council to the Henry review (Australia Council for the Arts, 2008) and on a research project currently being undertaken by Arts Queensland entitled *Tax creating a sustainable art sector*.⁵

Problems and solutions: overseas

Different countries take different approaches to tax and social security systems, and this limits the degree to which overseas studies can inform Australian policies and programs. For example, many European social security systems are based on an insurance model, in which employees and employers contribute to unemployment insurance via salaries and wages. Problems and solutions identified under this type of benefit system may have limited transfer to the Australian context, which is based more on a 'universal' scheme that provides unemployment benefits via government transfers. Different countries may also have vastly different job-seeking requirements for people receiving unemployment benefits. Problems identified with these schemes may not be transferable to an Australian context. For these reasons, this review does not review in detail the problems encountered and solutions proposed in overseas jurisdictions. Instead, it takes a high-level view of the broad nature of problems and solutions, and provides references for more detailed investigations.

United Kingdom

Probably the most relevant overseas study is the report on artists' labour markets and the tax and benefits systems released by Arts Council England in 2002. The study was part of a program of research designed to provide a sound evidence base to underpin the Arts Council's work with

⁴ More information is at <http://taxreview.treasury.gov.au/Content/Content.aspx?doc=html/home.htm>.

⁵ Information at www.arts.qld.gov.au/projects/tax-reform.html

individual artists, and in particular the support of artists in their engagement with the tax and benefits systems. The main components of the study were: a report that presents findings from a series of focus groups with practising artists (Galloway et al 2002); statistical profiling of cultural occupations (Davies and Lindley, 2003); and an international review (McAndrew 2002).

As background, Galloway et al (2002) recognises that:

- culture is a growth sector of the economy;
- research shows that employment in cultural occupations tends to be self employed, temporary, 'precarious' and with relatively modest financial rewards;
- the sector is a major contributor to social and community development; and
- those starting and building a career in artistic occupations are highly dependent on financial support from their families

Building on previous research, the project aimed to gather qualitative information on the links between the nature of artists' working lives and the tax and benefit systems by undertaking focus groups with artists and arts producers, directors and managers. The authors conclude that 'overall, the artists participating demonstrated high levels of self reliance and did not call for unrealistic hand-outs. They did, however, envisage reasonable adjustments to the existing tax and benefit systems which could in practice make a difference to their ability to produce exciting work and to sustain an artistic career, while earning a livelihood and providing for a family.' (Galloway et al, 2002; xiii)

Problems

Artists surveyed by Galloway et al (2002) indicated a wide range of 'hassles' under the UK's tax system. Underlying many of the 'hassles' was a lack of clear information and advice, and variations in interpretations and treatments under the system. Specific problems identified include:

- Participants said that the tax system was both inflexible yet seemingly subject to unpredictable interpretations in the treatment of some of their affairs.
- Tax officials had individually been helpful when asked for guidance. However, the treatment of artists often seemed to be unclear to the officials themselves.
- Support for artists (especially, writers or designers) research and development costs might be channelled through the companies commissioning the work. Tax incentives to companies which employed creative people would be one possibility.
- Taxation on work done or sold overseas was unclear and caused difficulty for several participants. Preparing accounts for work overseas was considered complex and expensive. Relatively modest reclaimable sums due to an artist might be written off

because of the time needed to claim them back but these can result in a significant cumulative loss to the individual.

- Some who were employees but also worked on a self-employed basis had experienced problems. Separate tax offices were said to interpret rules differently.
- Business rates were seen to be a real burden for small businesses especially in the start-up phase.
- Having no tax allowance for training was seen as a further hurdle to developing an artistic practice/business.
- Freelance artists sometimes have to employ assistants or apprentices to help with their work. Improvements in the tax treatment of such expenditure would make a significant difference to the individual artist.
- Participants experiencing exceptionally high childcare costs of maintaining an artistic career because of the uncertain timing and logistics of the work strongly advocated more extensive tax relief for the costs of (or subsidised provision of) childcare.
- Many artists work for educational institutions alongside their artistic practice. Considerable comment was made on the need for further and higher educational institutions to rationalise their treatment of practising artists employed on a very occasional or one-off basis so as to avoid taxation at source.

Solutions

In interviews, UK artists identified a range of ways that the UK's tax system could be improved, including:

- allowing the payment of tax in arrears;
- allowances to recognise professional development costs and childcare costs;
- recognition of variable patterns of earnings;
- exemptions from business tax rates for sole traders;
- tax incentives to companies which employ artists;
- clarification about whether prizes and awards were subject to tax or not; and
- channelling support for artists' research and development through organisations that commission an artist's work.

(Galloway et al, 2002)

Based on these ideas, and following further research, McAndrew (2002) makes the following recommendations to improve the taxation of artist in the UK:

First, develop information resources designed especially for and about artists:

- There is a need for clear information for artists, in a language and medium that they can understand and access, about their status, obligations, and entitlements in relation to taxes and benefits.

- Explore feasibility for a central information system or special section of the Inland Revenue which understands and can advise on the particular needs of artists.

Second, investigate a number of changes to the tax system, including:

- increased flexibility in reporting both incomes and employment status, including the possibility of claiming dual status for artists who are simultaneously employees and self employed;
- the possibility of greater deductions for professional expenses, especially for training and professional development, for both self-employed artists and employees;
- extending income averaging and introducing an averaging system for benefits;
- the feasibility of paying tax in arrears on actual earnings; and
- reduced business tax rates for artists, particularly in the start-up and early business phases.

Canada

In Canada, Cultural Human Resources Council (2005; 5) finds ‘grave aggravation’ among both tax agencies *and* artists. [emphasis added] The report mentions specifically that tax agencies have ‘contested the self-employment status of hundreds of artists and cultural workers...[and continue] to use the traditional tests (developed for the industrial labour market) to assign tax status to artists and cultural workers.... The issue of reasonable expectation of profit also has created difficulties for some artists who cannot earn a livelihood from the proceeds of their work.’⁶

In Saskatchewan, Canada, Minister’s Advisory Committee on Status of the Artist (2006; 23) finds that:

- self-employment status for tax purposes needs clarification in the case of artists; and
- individual artists face ‘insurmountable’ challenges in collecting all the information needed to build a career, including information on tax and social security issues.

New Zealand

Creative New Zealand (2003; 74) finds that the majority of New Zealand artists experience some difficulties with income tax and GST, the most common being understanding their tax obligations (28 percent of artists) and understanding what expenses can be claimed (26 percent of artists).

⁶ Another paper from Canada, Ernst and Young (2002), documents in detail rulings and issues relating to determining self-employment/employee status in Canada. These are not reproduced here.

Europe

Problems

Molenaar and Grams (2004; 238) find that ‘because of the lack of trust that government officials have in them, [artists and sportspeople] often suffer excess taxation.’ Although their analysis is focussed on tax treatment of international earnings, they allude to unfairness in the system that punishes the majority of artists ‘beneath the top of the pyramid’ based on a mistrust of a few superstars.

According to European Parliament (2006; 35) ‘the main difficulties encountered by artists [under European tax systems] can be summarised by the following points:

- great difficulties caused by a multiple employment status in terms of income tax calculations and payments;
- the total or partial absence of deductions for business expenses;
- the continued tax placed on irregular income (as opposed to providing income averaging for artists as is done for seasonal workers);
- the status of royalties and copyright compensation as ‘income’; and
- the disparity in [consumption] rates for cultural products and services and the conditions for exemption for cultural bodies and individual artists.’

The report looks at each of these problems in detail (pp 36 to 38).

Solutions

After detailing ‘alternative models regarding income tax’ adopted in European countries, European Parliament (2006; 55-56) makes a limited range of tax recommendations for member countries, including:

- allow a more equitable deduction of professional expenses, particularly the costs of training, professional re-adaptation, lump sums in the absence of receipts, and a system of income averaging which includes business expenses;
- encourage the development of structures and agencies offering administrative, social and tax management services for artists.

Summary

A number of studies around the world have identified problems with the treatment of artists under tax systems. Although many of the problems are country-specific, the consistent message is that tax systems are not well-attuned to the unusual and often complex nature of artists’ work, which causes confusion both within taxation agencies and within the arts community, and inconsistent tax treatments.

Analysts have called for improvements to tax systems to recognise the unusual nature of artistic employment (particularly with regard to claiming expenses, income streams and employment status) and the development and provision of information resources and specialist assistance to improve clarity and consistency of artists’ tax treatment.

Overseas issues with relevance to Australia

Australia Council for the Arts (2008; 5) finds that overseas research identifies 'a number of common issues...[that] are relevant for artists in Australia. These include:

- the often ambiguous income earning status of many artists, who can be simultaneously employed and self-employed, making it difficult for artists to fit readily into both tax and social security systems;
- large fluctuations in artists' income levels, which can lead to inequity as to the extent of the tax burden and how it is distributed between tax periods;
- that artists devote long periods of unpaid time to artistic research and their own personal development, which often means they are not recognised as 'job-less', even though they are income-less. This inhibits their ability to claim unemployment and other associated benefits;
- special measures designed to support artists are often difficult to access and are often easy to lose. Even in those few countries which have special tax exemptions in place for artists, the resulting distribution of benefits may not be optimal. The need to combine artistic work with non-artistic income earning activities often limits the extent to which artists can avail themselves of these benefits.'

Freudenberg (2008b) contains a scan of tax concessions for the arts in other countries, and identifies a number of mechanisms in foreign jurisdictions that are worthy of consideration for Australia, including:

- Expanding the film production offset to other artistic endeavours.
- Transfer of art in lieu of payment of tax.
- Fractional gifts and charitable remainder trusts.
- Allowing volunteers to claim associated expenses as a tax deduction.
- Consideration of the idea that gifts for which in a donor receives some material benefit in return should still be partially tax-deductible.
- Allowing interest on loans to purchase art work and other non-capital cost of ownership to be added to the cost base of the collectible CGT asset.

Problems and solutions: Australia

This review does not describe in detail aspects of Australia's current tax system with relevance to artists. A comprehensive summary is provided in Freudenberg (2008a), particularly section 3.

The issue that has dominated Australian debate on the artists' taxation over recent years has been in the determination of whether arts work is carried out as a business or as a hobby; if a business, arts expenses are claimable. The

main problems artists experienced under this tax rule are similar to those found in overseas tax systems: that tax office definitions were not well-attuned to the unusual nature of arts work, and that definitions and information were unclear. These problems resulted in confusion for both artists and tax agents, and inappropriate and inconsistent treatment of artists under the tax system. An advocacy campaign resulted in the taxation ruling TR 2005/1 *Income Tax: Carrying on a business as a professional artist* released in 2005 (Australian Taxation Office, 2005), which clarified and formalised the treatment of artists under the business/hobby criteria. More details on the issues and outcomes can be found at www.visualarts.net.au/campaigns/previous/artistsincometaxpublicruling.

Australia Council for the Arts submission to the Australia's Future Tax System Review

As already noted, the Australian government is undertaking a review of Australia's tax system (the 'Henry review'). In its submission to the review, the Australia Council for the Arts makes nine recommendations to improve the tax treatment of artists and arts organisations (Australia Council for the Arts, 2008). Key areas identified in consultation with the arts sector focussed on improved tax deductibility for donations and non-commercial loss provisions.

The submission: (i) identifies the major challenges and problems facing artists, particularly with reference to their income levels in their interaction with the taxation and transfer system; (ii) highlights some existing features of the system that are beneficial to artists or arts organisations; (iii) recommends reforms to the system that in some cases bring the arts into line with other sectors; and (iv) proposes reforms that will have a direct and positive impact on the low income of many artists.

The submission notes that there are a number of features of the current taxation system that are beneficial to artists and arts organisations. For artists, these include the special professional income provisions (averaging) and favourable elements of the non-commercial loss provisions. It argues, however, that there are a number of ways in which the tax system adversely affects the overall health of the sector and impacts on artists. The submission argues for the maintenance or extension and refinement of some of the existing measures and the introduction of additional measures.

The submission makes a number of recommendations that are both 'supplementary' and 'complementary' in nature and relate to both artists and arts organisations.

The four key recommendations relating to artists, and the reasoning and analysis behind them, are reproduced below.

1. *After tax income of artists*

The submission notes that although artists' income is generally taxed at the same rate as income from other occupations, earning income from

artistic endeavours involves challenges that most other occupations do not face. To support its claim, the submission highlights research showing that: (i) artists' income levels are low relative to other qualified professionals; (ii) artists are generally self employed, and as an occupational group do not therefore have the same degree of access to employee benefits such as employer-funded superannuation and leave entitlements; (iii) it is difficult for artists to earn a sustainable income from their artistic work, forcing them to undertake secondary work, often in unrelated fields. This, according to the submission, 'has a detrimental effect on the quality of their artistic work by robbing the artist of the time to devote to their work and making the artistic product harder to sell. A further effect is that artists are often unable to recoup the costs of research and development required to create their product.' The submission recommends that (i) the Special Professional Income (averaging) provisions be continued; and (ii) that schemes which lower the tax payable on income earned from artistic work should be investigated.

2. *Exemption from the non-commercial loss provisions*

The submission outlines the rules on non-commercial loss provisions (contained in Division 35 of the ITAA 1997), which prevent tax losses from non-commercial activities that are carried on as a business from being offset against income from other sources. The analysis focuses on a special provision that allows the loss from the artistic activities which do not satisfy any of the usual commerciality tests to be offset against other income to the extent of \$40,000 in the year it is derived. The submission argues that 'many artists, particularly those who are in their start-up years, will not satisfy any of these commerciality tests. Many such artists are forced into other income earning activities from which they derive income of at least \$40,000. In this case the losses from the arts business are not able to be offset against the other income.' The submission recommends either the removal of the \$40,000 limit altogether, or, the \$40,000 threshold to at least be indexed to ensure that the threshold maintains a constant real value. A further option is also mooted to allow losses up to a particular level to be offset against other income, regardless of the level of that other income.

3. *Tax treatment of awards and fellowships offered by the Australia Council*

The submission discusses uncertainty and inconsistency in the tax treatment of government artistic awards and/or fellowships, recommending that awards and fellowships offered by the Australia Council be declared non-assessable for income tax purposes.

4. *Disbursements to individual artists and non-DGR arts organisations through the Australian Cultural Fund*

The submission outlines rules relating to the donations of gifts to individuals that 'severely limits access to philanthropy by individual

artists'. The submission recommends the removal of restrictions that prevent charitable trusts, foundations and Prescribed Private Funds disbursing to individual artists through the Australian Cultural Fund.

Arts Queensland project: Tax creating a sustainable art sector

As part of a project to 'study attitudes and awareness of potential tax reforms to strengthen the sustainability of the arts sector', Arts Queensland commissioned two reports relating to taxation issues affecting the arts industry in Australia:

- *The current Australian tax treatment of the arts industry* (Freudenberg, 2008a) contains an overview of the current Australian tax treatment of the arts sector across three broad categories: artists, art bodies and contributors.
- *An international comparative study of tax concessions for the arts* (Freudenberg, 2008b), an international comparative study of the tax concessions provided to the arts in a number of selected jurisdictions.

Freudenberg (2008a; 21-22) provides some concluding observations that relate to the taxation of artists:

- 'The tax legislation would be clearer if there was a consistent definition of 'artist' used throughout it. At the moment there are a number of different definitions used, which can add to the complexity and the compliance cost for taxpayers to ensure whether certain 'artist' rules apply to them.
- A particular issue for artists is whether their activities amount to 'carrying on a business'. Given the technical nature of this determination, it may be beneficial if artists were given a 'tax offset' for seeking professional tax advice in the first five years of their operation. This offset could be capped to a certain amount, such as \$2,000. This offset could provide artists the incentive to get tax advice early, which should minimise incorrect treatment.
- The exclusion of some artists from the deemed 'employee' status for Guarantee Superannuation purpose seems to be a technical oversight and should be rectified. [Under Tax Office rules, sole traders can claim tax deductions for their own contributions to superannuation. However, the definition used to extend this right relates only to performing artists; visual and literary artists are not covered by the extended definition. 'Payments to these artists will not be subject to the superannuation guarantee system. If artists have to finance their own superannuation...this may lead to under funding for the artist's retirement.' (p.8)]
- The carve-out of \$40,000 'other income' for the non-commercial loss rules has not been altered since its introduction in July 2000. Given inflation, it would make sense that this carve out was at least increased by the CPI since its introduction.'

Freudenberg also makes a recommendation relating to philanthropic giving to the arts, that consideration be given to 'broadening the concessional tax

treatment of research and development by companies to research in the social sciences, arts and the humanities.’

There have been some analysis and commentary of tax issues faced specifically by Aboriginal and Torres Strait Islander artists.

At in the Fourth National Aboriginal and Torres Strait Islander Visual Arts Conference held in 2002 (RMIT 2002a), it was recommended that the ‘ATO should implement the cultural agreement regarding tax and to designate funding for the process: -steering committee- tax summits - Education program.’ (p. 38)

In a special session on taxation at the conference, a number of observations about taxation, benefits and indigenous artists were made:

1. ‘The ATO had implemented special ABN exemptions for indigenous artists, although these were temporary.
2. The importance of arts centres in administering and record-keeping for indigenous artists sales and income, and in intermediating the sales process.
3. The difficulties that the tax system has in responding to shared or community income from the sales of artworks.
4. There are ‘nuances’ in definitions of business/hobby arts work and the objective of arts work (eg ‘for culture’ or ‘for profit’).

The Senate inquiry into Australia's Indigenous visual arts and craft sector (Commonwealth of Australia 2007) finds:

- ‘A serious lack of understanding amongst Indigenous artists of their tax obligations...The fundamental problems remain the lack of education and familiarity by Indigenous artists with western methods of business; and their family obligations in terms of wealth distribution.’ (p. 129); and
- There is evidence of a lack of understanding in Indigenous communities of not just the value of art, but of taxation arrangements. An opinion was reported that there needs to be a much greater understanding of tax issues and Centrelink issues in some instances.’ (p. 104)

Summary

This review has concentrated on two recent reports on the treatment of the arts under Australia’s tax system. Both reports document similar problems to those identified overseas. The problems and suggested solutions are summarised in appendix 3.

Section 3: Social security

This section reviews analyses from overseas and in Australia on problems artists experience under social security systems, and the solutions proposed to address those problems. The first part of this section on the overseas literature is not a search for models of best practice. The social security systems of other countries often differ significantly from Australia's. To translate overseas problems and solutions to an Australian context would be a difficult and in many cases impossible. The overseas literature is offered here to contemplate the existence of broad level, universal social security issues faced by artists around the world, and to stimulate debate and discussion.

Problems and solutions: overseas

United Kingdom

Problems

Summarising UK research, Bridgwood (2003) identifies the main frustrations artists expressed about the UK's benefits system:

- There is a lack of clarity about eligibility for benefits – particularly as many artists are simultaneously employed and self-employed.
- Rules surrounding benefits do not recognise the reality of the pattern of artists' employment.
- Difficulties involved in signing on and off when offered short periods of work meant that some decided not to bother claiming.

The main problem expressed by artists was that the UK's benefit system does not respond well to the intermittent pattern of artistic labour and earnings; it does not recognise discontinuity of artists' earnings, particularly that an artist's work may be continuous but their earnings disjointed. The benefit system also does not recognise skills development, arts research, and voluntary or poorly remunerated arts work as valid, though these are seen as valid arts work by artists.

Other issues uncovered in the research include:

- Benefit payments were jeopardised by sporadic, small sums of earned income, which provided a strong disincentive to declare such earnings.
- Lack of clarity about the benefit status of disabled artists who contributed to a production.
- Artists called for further schemes to encourage compatibility of the benefit system with building up an artistic enterprise.

Many of the problems identified in the research were specific to the benefits systems in place in the UK at the time, such as rules governing signing on and off of benefits, PAYE and national insurance. These

programs will likely have changed since the research was undertaken. However, the general tone of the research is that benefit systems treated artists inconsistently, lacked clarity about how artists should be treated, and required significant effort and time for artists to comply with the systems' rules.

Solutions

McAndrew (2002) makes a number of recommendations based on artist interviews, including:

1) Development of information resources:

- There is a need for clear information for artists, in a language and medium that they can understand and access, about their status, obligations, and entitlements in relation to taxes and benefits.

2) Changes to the benefit system:

- There is a clear need for the recognition by the welfare system of artist as a profession. National or preferably EU-wide definitions of artists would assist in attempting to redress the biases evident in the UK and many of the national systems.
- Adapt the social welfare system to the particular needs of artists, for example by allowing them to stay on benefits during short trips abroad.

McAndrew also argues for the investigation of implementing a range of 'supplementary' initiatives to support artists starting out, including innovative and flexible credit schemes such as start-up programmes, cash or in-kind assistance to finance material and equipment, low interest or interest-free loans, and reducing security requirements.

Canada

In Saskatchewan, Canada, Minister's Advisory Committee on Status of the Artist (2006; 23) finds that:

- artists' access to pensions and health plans have been undermined by low incomes and inability of health and disability insurers to adapt criteria and programs intended for traditional workers to the non-traditional work environment for artists; and
- individual artists face 'insurmountable' challenges in collecting all the information needed to build a career, including information on tax and social security issues.

Europe

Problems

In Europe, McAndrew (2002) notes, the features of artists' work 'cause problems in applying the regular tax and social welfare regulations to artists. For example, in order to obtain some social security...benefits, an

artist will have to be a salaried employee, have worked a minimum number of days in a given period, and have earned a minimum amount on which their employer has paid contributions. The majority of artists in the EU are self-employed or independent contractors so will not meet these conditions. Artists may also combine waged labour with self-employment which can give rise to administrative complexity and financial burdens, without compensating benefits from adequate social security protection’.

In a survey of social security systems in European countries, European parliament (2006; 21) finds that ‘social security programmes which are structured according to classic employment models penalise professional artists regardless of the nature of the social protection regime be it insurance based, universal, public or private.’ Examples provided to support this include the following:

- 1) Pre-defined criteria do not work well for the arts (specific examples provided: the length of recognised periods of work for obtaining unemployment insurance; and the average age of retirement for dancers being 45-47 years of age, which is far from the ‘norm’ as defined in social security legislation).
- 2) Low levels of income are below the minimum required by, for example, pension schemes.
- 3) The exclusion of certain types of income from pension calculations (e.g. long-term grants to artists).
- 4) Unrecognised occupational diseases and employment injuries which are unique to certain professionals such as musicians, dancers or visual artists.
- 5) Unrecognised periods of research or training in the calculation of certain social security benefits such as unemployment insurance, sickness-disability, pension.
- 6) The payment of unemployment benefits pre-supposes that the artist is looking for work which is available on the labour market – a [criterion that is in conflict] with the nature of artistic work.

Solutions

Cliche and Wiesand (2007; 5) cite a number of policy responses adopted in European countries: ‘In recent years, some solutions to these issues have been developed and can act as interesting models which provide social security insurance for self-employed artists such as: the ‘presumption of an employment contract’ model for performing artists and a special status for ‘intermittent artists’ in France or a ‘quasi-employed’ status and a special social insurance law for self-employed artists in Germany. New administrative, contractual and financial services for artists such as the ‘portage salarial’, the ‘tiers-payant’, ‘Pensions for Artists Portal’ have been developed in France, Belgium and the UK respectively.’

European Parliament (2006; pages 24 to 33) provides more detail on these and other special initiatives adopted by European countries, and outlines

the following ‘measures [that] could be considered for adoption’ by EU member states:

- Provide unemployment insurance for freelance and self-employed artists;
- Adopt more flexible qualification periods or criteria for social insurance and benefits that take account of the irregularity of artistic work, their intellectual rights, particular risks (disability, employment injuries) and short term careers. Aid and assistance measures are to be provided to professional re-training;
- Adopt measures to financial social security programmes which are suited to self-employed persons;
- Adopt ‘intelligent’ measures to provide financial assistance to artists in view of their further professionalisation and re-training;
- Permit the pursuit of an artistic activity during periods of unemployment in which benefits can continue to be drawn and to consider the development of artistic practice or artistic projects as job-seeking.

Older artists

The combination of ‘contingent’ work (self employed, contract, and short-term) and low incomes makes it particularly difficult for many artists to accumulate superannuation or savings for retirement. The problem is exacerbated for some artist occupations, such as dancers, for whom retirement occurs at a relatively early age. Zemans (2007) investigates policies and programs for senior (and early retirement) artists adopted in a number of countries. The research was undertaken at the request of the Canadian Artists Heritage Resource Centre Steering Committee, whose purpose is to address the financial needs of senior artists who have made an important contribution to the arts and cultural life of Canada but who have not received appropriate compensation.

The research details programs adopted to support older artists across a range of countries, including:

1. Pension schemes
2. Multi-year grants (life long and pension grants)
3. Guaranteed income
4. Subsidized housing programs
5. Dancers transition centres
6. Grants for senior artists for artistic contributions

The research finds that ‘in Europe, in particular, national governments have played an important role in the creation and the delivery of support systems for senior artists, through legislation, direct funding and through ongoing programs. Most of these government-supported programs are based on both recognition of artistic achievement and financial need. In North America, however, government support is limited and there are no comparable programs to those that are offered by, for example, the Scandinavian governments, such as supplementary artists pensions (Finland), life long grants to artists (Denmark), pension grants and state income guarantees (Sweden), and stipends for elder artists of merit

(Norway). In North American jurisdictions, some artists organisations have been able to take advantage of existing state or municipal government programs designed to address the needs of low income citizens more generally (for example, with respect to artists' housing projects).' (Zemans, 2007; 4)

Summary

This brief review indicates that artists overseas face common problems under social security systems in their respective countries, despite these countries having different programs and approaches to social security: there is confusion among artists and agency staff over the obligations and opportunities of artists under the social security systems and artists receive inconsistent treatment under the systems. Much of this stems from the problems that the systems are not well-attuned to the complex nature of arts work, and do not recognise the low and unpredictable incomes typified by artists' work. Research has also identified a lack of recognition under social security systems of the arts as a 'legitimate, valid or *bona fide* profession. The salient problem identified in the overseas literature chosen for highlighting in the Australia Council's submission to the 'Henry Review' is that 'artists devote long periods of unpaid time to artistic research and their own personal development often mean that they are not recognised as 'job-less', even though they are income-less. This inhibits their ability to claim unemployment and other associated benefits' (Australia Council, 2008; 5).

While many of the proposed solutions are specific to a country or region and not necessarily applicable to Australia, many recommendations fall under two general types that are relevant regardless of the type of system:

- improve definitions and systems to recognise artistic professions and the complex and peculiar nature of artistic employment; and
- develop and provide access to standardised information resources to improve clarity and consistency of treatment.

Problems and solutions: Australia

A wide range of issues is identified in literature on the treatment of artists under Australia's social welfare system. The review below summarises the issues identified in:

- The artist survey series (by David Throsby)
- Australia Council for the Arts submission to the Australia's Future Tax System Review
- National Association for the Visual Arts
- Visual Arts Industry Guidelines Research Project
- Art and Dole
- Artist Alliance
- 2020 Summit
- Contemporary Visual Arts and Craft Inquiry
- Dole for Artists Forum

The review also considers literature on social security issues for two groups of artists:

- Indigenous artists
- Artists with a disability

Artist survey series

Economist David Throsby has produced three national surveys on the working lives of artists (Throsby and Mills, 1989; Throsby and Thompson, 1994; Throsby and Hollister, 2003). Each survey has included data on artists' experiences with unemployment. For example, Throsby and Hollister (2003) find that over the period 1996 to 2001 around one-third of artists experienced some period of unemployment and that artists spent on average 3 months per year unemployed. The mean longest continuous period of unemployment was 11 months. More detailed trend analysis of artists' unemployment is undertaken as part of the data analysis for this project.

The research asks artists about difficulties experienced under Australia's social security systems. Responses to the survey undertaken in Throsby and Hollister (2003), which relates to the period 1996 to 2001, indicate that:

- 44 percent of unemployed artists did not seek unemployment benefits over the period.
- Of those who did seek benefits, 'one-third experienced some difficulty in accessing benefits on account of their occupation' (ranging from 60 percent for composers to 14 percent for musicians).
- Nearly all who applied were in the end successful in obtaining benefits.
- Less than half (45 percent) of unemployed artists were able to continue to practice their art as an approved activity (although there was some art form variation in this indicator; 71 percent of musicians were able to continue their art due to a proactive government initiative, while just 27 percent of dancers and 29 percent of visual artists were able to do so).

Between 1987 and 2001, the artist surveys show that the proportion of artists who had their application for unemployment benefits declined dropped from around 10 percent to 3 percent of artists who applied.

The research provides evidence of the prevalence of difficulties experienced under Australia's social security systems, and provides some indication of the level of recognition in the system of arts occupations as professions.

These data should be read as indicative only – there are many factors that could influence their interpretation. For example, the previous survey in the series (Throsby and Thompson, 1994) noted:

- Artists may not apply for benefits in anticipation of being refused a benefit.
- When they do apply, artists may register under non-artistic occupations (the study found that 36 percent registered under a job other than

artist). The authors do not conjecture about whether this is done by an artist's own volition or not.

- 'Over the last 5 years [1989 to 1993] the prospects for artists registering for unemployment under the job classifications 'artist' have been improving, as a more realistic appreciation of artistic occupations is adopted within the social security system'.

Insurance and superannuation

Throsby and Hollister (2003; 54) find some evidence that artists experience difficulties with professional insurance and superannuation.

The authors report some 'worrying statistics' to come out of the research, that 'only about 20 percent of all actors, dancers and musicians hold accident or illness insurance, and only 20 percent of all visual artists hold public liability insurance. Overall, one half of all artists hold no art-related insurance of any sort.'

The research indicates that 'the great majority (80 percent) [of artists] have some form of arrangement to cover their future financial security', with three-quarter (75 percent) being members of at least one superannuation scheme. However, the data shows that 'well over half [60 percent] of these artists do not regard their arrangements as being adequate to meet their future needs'. This opinion ranged from 70 percent of dancers to 52 percent of writers.

Australia Council for the Arts submission to the Australia's Future Tax System Review

Two of the nine recommendations identified in the Australia Council's submission relate to the treatment of artists and arts organisations under the Australian social security system.

First, the paper argues that 'the obligation under Newstart to undertake extensive job search activities, the emphasis on finding paid employment, rather than profitable self-employment, and the requirement to take up paid employment if offered militates against an artist being able to use Newstart as an income support mechanism' and that 'work for the dole involves working on (largely) community projects in return for unemployment benefits. For artists, this often means being forced into work outside their arts practice, robbing them of time and opportunity to improve their skills through ongoing research and development.' The paper recommends that consideration should be given to including arts practices within the mutual obligation activities.

Second, the paper recommends that the Tax Office consider the treatment of Indigenous artists following the replacement of the Commonwealth Development Employment Program (CDEP), which is detailed later in this review.

National Association for the Visual Arts

The National Association for the Visual Arts (NAVA) has over the years undertaken research into a number of problems and issues faced by artists under the social security system and advocated a variety of policy solutions. The main information resources are documented here.

In an interview for an article in *The Age* (Castles, 2006), NAVA's Executive Director Tamara Winikoff summarises the main social security problems faced by artists that NAVA has uncovered in its research:

- Centrelink tends not to see art work as legitimate work, and pressures artists into seeking and taking other work.
- Centrelink has a low appreciation for the unpredictable nature of artistic work.

Ms Winikoff also argues that the flexibility of artists' work is a template for what many workers will face in the future.

NAVA advocates for the following major policy responses:

- A better understanding within Centrelink of what the real world of work is for artists, and to facilitate that rather than stand in the way of it.
- A welfare support program specifically set up for struggling artists that seeks to legitimise creative work and help artists deal with unemployment and the vicissitudes of their profession.

In the lead-up to the 2007 election, NAVA released a proposal document, *NAVA's election proposals for changes to the social security*, which states 'NAVA has been lobbying for a number of changes to the way artists are treated under the social security system. Its 'ArtStart' proposals to government include the recognition of being an artist as a profession with the support of appropriately trained caseworkers to assist them to seek relevant work opportunities, provision of specialist NEIS training and access to appropriate Work for the Dole work experience'.

Problems

The proposal refers to data from Throsby and Hollister (2003) that one-third of artists experienced difficulty accessing social welfare benefits due to their occupation. The proposal does not describe particular problems in detail, but highlights the Newstart program and Mutual Obligation criteria as particularly problematical.

Solutions

NAVA proposes a number of solutions to these problems:

1. Better training of Centrelink staff to understand the specialised nature of work in the arts.
2. A more sophisticated consideration for how the community could benefit from the skills of artists who are unemployed.
3. A living wage for artists provided by government to artists for two years after graduating.

4. A scheme analogous to the Pathways to Arts and Cultural Employment (PACE) program of New Zealand's Ministry of Social Development, which recognises arts as a valid career.⁷
5. Start-up assistance for artists under the NEIS.

All proposals except 3 might be considered as 'complementary' in that they advocate equitable consideration rather than additional 'supplementary' support. The proposals are also similar to those advocated overseas, as summarised in the review of overseas literature presented earlier in this section.

Much of the information and arguments in these proposals have been informed by a major research project, *Visual Arts Industry Guidelines Research Project*, which ran from 1998 to 2001, which is described below.

Visual Arts Industry Guidelines Research Project

Visual Arts Industry Guidelines Research Project ran from 1998 to 2001. The project was a 'strategic partnerships' project funded by the Australian Research Council and the Australia Council. Two research reports in particular – Rice (2001) and Hollister (2001) – were focused on social security systems and artists. Hollister undertakes a scan of overseas models, so will not be summarised here.

The findings of the Visual Arts Industry Guidelines Research Project are summarised in Hollister and Rice (2001), which highlights two main problems of government income support and employment schemes:

- The schemes fail to recognise the skills, training and prior experience of artists when being placed in employment or work experience.
- The schemes fail to recognise and accommodate the differences between arts businesses and other businesses.

The Hollister and Rice find that for Newstart

- 'there is a crisis of legitimacy that creates negative perceptions on both sides [ie. artists and government agencies], a lose-lose situation'; and
- failure to value the unique skills and experience of an entire occupational group...results in enormous wasted potential'. (p. 30)

For WFD schemes, Hollister and Rice suggest that visual arts projects have been 'restricted by the program's short-term approach' and call for a similar program 'prepared to focus on training and career development outcomes.' (p. 31) The researchers argue that the generic business skills supported under the NEIS program are too general to lead to successful arts business development. (p. 31)

⁷ 'PACE aims to assist clients willing and able to pursue a career in the arts and creative industries to move towards sustainable employment and self-sufficiency', (from *PACE Resource Pack*, Work and Income Te Hiranga Tangata, www.workandincome.govt.nz/documents/pace-2008-resource-pack.doc).

The authors conclude that ‘in social welfare as in taxation, a significant shift of attitude is needed to ensure...artists receive fair and equitable treatment.’ (p. 33)

A detailed analysis of these issues is presented in Rice (2001), *Income Support and Subsidy Options for Visual Artists in Australia*. This report ‘was commissioned to examine the experiences of visual artists and craftspeople in relation to unemployment, social security benefits and other subsidies, and to explore innovative forms of income support for visual artists.’ The report is a mixture of desk research and interviews with artists and people working and participating in the arts.

Rice argues that there are three key reasons why these issues need attention at present:

1. Artists' incomes are very low, as demonstrated by a number of relevant studies over the last decade.
2. Existing government arts funding programs such as the Australia Council's have moved away from individual artist support toward a greater emphasis on the promotion of organisations, events and exhibitions.
3. The tightening of eligibility criteria for income support introduced in the late '90s reduced visual artists' access to benefits while practising their art work, as the increased rigour in monitoring people's efforts to find work did not recognise arts work as valid work.

Coming soon after the introduction of Mutual Obligation rules under Work for the Dole (WFD), the report reveals a paradoxical relationship between artists and the social security system: '[WFD] occupies an interesting dual position as the coercive arm of mutual obligation on one hand, and on the other hand - in vivid contrast - as a valued source of subsistence for certain visual arts communities and practitioners'. (p. 7)

Problems

A number of quotes are provided from artists that highlight problems under the system identified elsewhere, both in Australia and overseas: that the social security system is not well-attuned to the nature of arts work or in supporting artists' professional development, and that the arts are not viewed by agents in the system as a valued or valid profession.

The report provides extensive information on successful visual arts WFD programs that provide examples of 'good practice' in developing mutual obligation initiatives suited to the arts.

In interviews, artists called for recognition in income support policies of:

- the need for their situation to be recognised in the administration of social security benefits; and
- the need for long and concentrated periods of time in order to focus on developing and producing new creative work.

Without such support, 'large numbers of potential artists give up, depriving society of the benefits of their talents in later years and themselves of constructive careers.' (p. 18)

The report finds that in interviews with participants and organisers of visual arts initiatives undertaken as part of the WFD scheme, 'a strong body of opinion emerged' that the scheme is limited by a number of key factors:

- Its punitive dimension – it is coercive in nature.
- Inadequate funding – funding limited the scope and success of initiatives.
- A significant administrative burden was placed on initiative organisers.

- Lack of commitment and resources at a political level to linking the scheme to genuine job creation and training programs.

The case studies analysed in the report showed that ‘numerous organisations [are harnessing WFD] to pursue community projects with positive outcomes for young people and in some cases for emerging artists’ (p. 12).

However, the report noted that, at that time, ‘WFD is not intended to be a labour market program, i.e. a training or job placement/work preparation program. It is, rather, an exercise by which unemployed people receiving benefits may repay an obligation to the community (‘mutual obligation’).’ Many of the problems and frustrations recorded in the case studies therefore result from a desire to use the WFD program for purposes for which it was not intended.

The report laments the termination of special focus NEIS programs (from 1997), noting that arts-specific programs run in Victoria were very successful, with an estimated 76 percent of artists still in business, making art and supporting themselves eighteen months after completing the program. The report concludes that ‘business knowledge gained through the program equipped accomplished artists to develop sustainable arts practice’.

Solutions

A range of recommendations are made in the report, including:

- Expansion of NEIS, and in particular call for the restoration of funding to specialist NEIS programs such as the successful arts small business program that operated in Victoria pre-1997.
- Ensuring that WFD or equivalent projects facilitate and promote the creative development of artists experiencing unemployment.
- Ensuring that the ‘community service’ criterion of WFD project guidelines is understood to include the community benefit provided by the creative art work of individuals.
- Including art practice as an approved activity within the mutual obligation framework of Centrelink’s Newstart payments (draft definitions were supplied).
- Governments to acknowledge the particular situation of visual arts practitioners in relation to the labour market and the economy, and to recognise this through appropriate policy/program development and resource provision.

Art and Dole

Art and Dole (<http://artanddole.org/>) is ‘a blog-based website ‘written by artists, for artists. It aims to give welfare guides where no specialized information exists. It also exists to help give artists support for their careers, and out of both poverty and welfare.’

The blog claims that it is not lobbying for a ‘more lenient system’ for artists, but seeks to advocate for changes ‘that will help artists get off the dole’. To achieve this, it highlights some common problems faced by artists and

provides information resources and advice for artists in dealing with the social security system.

Problems

A key problem identified by the site is that interpretations of what constitutes proper employment and/or professional development opportunities differs between artists and Centrelink. The site illustrates this through an example:

An artist may be actively looking for work, and successfully achieve an employment opportunity, such as to be selected to exhibit their work in a gallery or other venues. The current system...disallows that arts jobseeker from [taking up the opportunity, as] to do so would be to stop 'full time looking for work, in multiple fields' – even though this opportunity...is highly beneficial to [the artists'] long-term career opportunities. Stopping Australia's artists from making their work should be seen as counterproductive as Centrelink stopping any other jobseeker initiating skills training or a job interview that would otherwise lead to employment.

In other words, undertaking long-term unpaid work – such as producing art for an exhibition – is seen as a breach of rule that beneficiaries must be 'full time looking for work, in multiple fields'. Art and Dole argues for recognition that this unpaid work be recognised under the system as a legitimate career investment, and may lead to future employment or revenue.

The site also notes that benefit payments are reduced according to gross income – an issue for artists being that gross arts income is usually tied to significant costs; net arts income often being close zero or negative. Low or negative net arts earnings is supported by data from the Throsby series of studies. The site provides advice to artists on how to avoid the punitive effect of this rule by registering as self-employed income ('MOD-F') or applying under the NEIS.

In an interview in *The Age* newspaper (Castles, 2006), the creator of *Art and Dole* suggests that 'artists and Centrelink want the same ends - for unemployed artists to get paid work - but disagree on the means, and often the type of work acceptable'. He also identifies a moral hazard that emanates from the system by suggesting that, as a result of problems experienced under the system, 'artists...grow skilled in the art of lying and evasion.'

Implicit in the interview is that the system pitches artists against Centrelink, and this in neither group's best interests.

Solutions

The blog proposes a number of solutions to the problems faced by artists under Australia's social security system:

1. Fixing artist's fees, income, and State and Australia Council grants, as they relate to social security
2. Properly targeted artist jobsearch requirements
3. Encouraging artists' own employment seeking efforts
4. Properly targeted artist mutual obligation
5. Professional accreditation for artists using these services, and

6. Policy and Centrelink training for artists' needs.

New Zealand's PACE scheme is highlighted as a model of good practice.

More generally, the site also calls for a greater understanding or recognition in Australia's social security system about the nature and public benefits of the work of artists.

Arts Alliance

Arts Alliance (Media Entertainment & Arts Alliance) initiated a campaign to advocate specific changes to the Newstart program (Media Entertainment and Arts Alliance, 2007). Equity members were urged to write to ministers to call for a reversal on changes in Centrelink's treatment of performing artists. According to the Alliance, changes were made to the Newstart Allowance rules which removed a 12 month exemption from looking for work outside of the performing arts.

The changes meant that 'performers will be forced to spend time looking for and undertaking work irrelevant to their training and vocation. They may become locked into inflexible employment which effectively restricts their availability to audition and work in their chosen field, shrinking the pool of talented performers and diminishing the industry as a whole.'

2020 Summit

Little mention was made of social security issues in the reports from the creative stream of the 2020 Summit held in April 2008 (Commonwealth of Australia, 2008). Two specific recommendations from the creativity stream of the summit are:

- 'Introduce HECS arrangements for young and emerging artists. They would pay back their debt once they become commercially successful.' The report does not provide details about the nature of such a scheme, but it is assumed that the scheme would apply to non-tertiary arts qualified artists, to whom HECS already applies (theme: support models and sustainability, p. 265)
- 'Revision of social service criteria—for example, social security payments could be used by artists to create work.' (theme: performance arts, p. 277)

Contemporary Visual Arts and Craft Inquiry

The Contemporary Visual Arts and Craft Inquiry, otherwise known as the Myer inquiry (Commonwealth of Australia, 2002), finds that Australia's unemployment assistance programs...are relatively incompatible with providing support to visual arts and craft practitioners in their arts practice. (p. 129). A number of key problems are identified:

According to the inquiry, artists are unable to use Newstart as an income support mechanism because of:

- an obligation to undertake extensive job search activities;
- an emphasis on finding paid employment, rather than profitable self-employment; and
- a requirement to take up paid employment if offered.

The inquiry also found confusion among artists and possible inconsistency in Centrelink's treatment of artists over the eligibility for Newstart allowances of people with an Australian Business Number (ABN); holding an ABN should not preclude a person from obtaining Newstart benefits, although a submission to the inquiry mistakenly thought that it did. The inquiry recommended that the 'Commonwealth remove any inconsistencies in practice involving the eligibility of Australian Business Number holders to receive unemployment benefits, particularly visual artists and craft practitioners'. (p. 12)

After outlining case studies of successful visual arts-related Work for the Dole (WFD) initiatives, the inquiry calls for 'greater advocacy' in promoting arts-related WFD initiatives, arguing that this should be done under the WFD program itself. (p. 118).

Although the inquiry did not highlight any inconsistencies or adverse treatment for artists under NEIS, it praised discontinued schemes that focussed on occupational groups. To support this, it outlined a successful pre-1997 NEIS program in Victoria focussed on arts business training, which also recognised 'that arts enterprises are driven by factors other than growth or wealth generation'.

The inquiry received a number of submissions urging it to support the introduction of Status of the Artist legislation, with the view that such a formal acknowledgement and recognition of artists would inform all government policies affecting artists to ensure that the interests and needs of artists were taken into account. In particular, 'this would facilitate greater acceptance of the nature and value of artists' work and professional standing in the development and administration of policy in areas such as taxation and social security' (p. 100).⁸

Submissions also called for the provision of a minimum wage for artists: 'if an eligible artist's income from his or her artwork were below a specified level, they would be able to access an income from the government to continue practising'. (p. 114)

⁸ See *Recommendation concerning the Status of the Artist*, UNESCO, 27 October 1980, http://portal.unesco.org/en/ev.php-URL_ID=13138&URL_DO=DO_TOPIC&URL_SECTION=201.html. And *Status of the artist legislation*, IFACCA, www.ifacca.org/topic/status-of-the-artist-legislation/.

Dole for Artists Forum

In March 2003, Arts Hub initiated *Dole for Artists*, a forum to discuss issues of artists and the dole and to explore the development of an advocacy campaign. A discussion paper (Arts Hub 2003a) and transcript of forum proceedings (Arts Hub 2003b) were placed on a dedicated website, www.dole4arts.com, and a summary appeared in Arts Hub's own news (Meehan, 2003). The site has now been largely removed from public view, although the discussion paper and proceedings remain available.

Problems identified at the forum include that Australia's social welfare systems:

- are not well attuned to the nature of arts work or the career needs of artists. [An early career artist with 'critical and modest' financial success who had experienced a temporary lull in arts work stated: 'I rejoined the dole and set about applying for all sorts of public art projects and the likes. Soon after this the Department of Social Security demanded an interview. I turned up with my folio full of arts applications, drawings, and the likes which the interviewer pushed to one side unopened and said, 'So what? None of your applications were successful were they? That means the Department sees your art making really as just a hobby'' (p. 15)];
- do not recognise important but poorly paid or voluntary work as legitimate to arts career development;
- coerce artists into paid work regardless of the nature of work [A tertiary fine arts graduate stated: 'I tried really hard to get to a stage where I could work in the arts industry, but you go into the dole and...they don't care about all your previous history or your art and stuff, they just want you to get any job' (p. 40)];
- have compliance rules and systems that 'crowd out' arts work that could lead to career development [One artist stated: 'I was required to attend a 3 week intensive assistance forum. From 9 to 5 weekdays doing a variety of activities including role playing job interviews and CV writing...I felt like screaming...that I had a job, I'm an artist with fast approaching...make or break exhibitions...at government funded galleries' (p. 20)];
- provide career development and training that is not useful or relevant to arts careers [A successful mid-career artist who had experienced 10 years' continuous arts work stated: 'I've been involved with the Newstart Allowance and sat down to watch the Hollywood movie Erin Brokovich and been told that this is what you can achieve when you set your mind to it! (Audience laughs)'(p. 42)];
- do not understand the specialised human capital investment represented by tertiary arts degrees ['you have to by law...accept any job, so therefore what's the use of getting these degrees in the arts? (p. 40)];
- through coercion and lack of recognition, systems encourage non-compliance and deceit by artists ['I think also there's a burden of white lies. These constant white lies, and feeling like you have to tell them (lies) to remain part of that system' (p. 41)]; and

- treat artists inconsistently [‘It’s not unknown for even prominent artists to rely on the goodwill of their local social welfare officer to interpret the nature of their livelihood so as to allow them to continue to draw the dole.’ (p. 10)]

Forum participants proposed a variety of policy solutions to problems identified, including:

- Develop training and career assistance tailored to arts work, rather than generic or non-arts work.
- Recognise that artists have significant resources invested in specialised training and seek to develop careers based on that training.
- Recognise low paid or unremunerated arts work as valid work for career development.

Indigenous artists

In its submission to Australia’s Future Tax System Review (Australia Council 2008), the Australia Council for the Arts calls for consideration of the treatment of Indigenous artists following the replacement of the Commonwealth Development Employment Program (CDEP). The paper argues that the CDEP, which has been replaced with a new scheme, ‘was a valuable part of the tax/transfer system, which provided employment opportunities for Indigenous Australians. The scheme offered tangible benefits for Indigenous artists living and working in remote areas, and was an important instrument for providing employment opportunities and income support’. Noting plans that a new Indigenous Employment Program would replace CDEP, the paper calls for Indigenous employment programs for artists, especially in rural and remote areas, to be considered in the context of the review, ‘with particular reference to the dual role of Indigenous artists as producers and contributors to their communities’.

A limited number of relevant references were made in the Fourth National Aboriginal and Torres Strait Islander Visual Arts Conference held in 2002 (RMIT 2002a):

1. ‘A committee needs to look into working or painting for the dole and establish what payment the artist receives and what payment goes to the government. CDEP program must keep track of who owns the art or what percentage they own. (Look at the situation in Holland where there is dole for artists and work towards implementation here in Australia.) (p. 34)
2. That independent research be commissioned by the government to achieve the introduction of ‘status of the artist’ legislation in Australia’. (p. 40)

In a special session on taxation at the same conference, a number of observations about benefits and indigenous artists were made:

1. A lack of clarity and consistency from Centrelink about the impact of ABN-related income on social security payments.
2. There are ‘nuances’ in definitions business/hobby arts work and the objective of arts work (eg ‘for culture’ or ‘for profit’)

In a submission to the Senate inquiry into Australia's Indigenous visual arts and craft sector (Commonwealth of Australia 2007), NAVA recommends that the Government investigate the viability of increasing the terms of access to and income thresholds for benefit support to Indigenous artists living in remote communities: 'the current cut off points for benefits do not take into account the number of dependants being supported by the income earner. This is a disincentive for Indigenous artists who are earning a return on their art practice, but may be sharing this income with their extended family or the larger community.' (NAVA, 2006; 10)

Artists with a disability

Artists with a disability are presented with a wider and more complex set of problems under social security systems, many of which relate to disability rather than profession, and posed by forms of support other than unemployment benefits. A detailed list of problems is documented in Arts Access Australia (2005). As the submission indicates, despite many differences, artists with a disability do face a number of similar arts-specific problems. In particular, the submission presents evidence that parts of the social security systems that relate to artists with a disability work to discourage arts careers, noting that:

- Research has found that the arts are not perceived as valid career paths under rehabilitation programs. Vocational counsellors often steer individuals into careers they perceive as without risks or that meet more narrowly defined vocational outcomes. People with disabilities are frequently not informed about or encouraged to pursue arts-related occupations.
- Employees with disabilities are commonly seen as posing a safety risk resulting in increased insurance and compensation claims when all available research disproves this perception.
- Recreation funding...services do not consider arts as a career or a valid employment option.

The submission also provides anecdotal evidence that 'open employment services...do not consider the arts as a career or a valid employment option' and that 'Family and Community Services supported and targeted employment services generally view arts and craft activities as options for those assessed as having very low productivity.'

In its submission, Arts Access Australia recommends a wide range of solutions, including:

- That the arts be recognised and encouraged as a vocational activity by supported and open employment agencies.
- For Indigenous people with disabilities in regional and remote areas, where arts income is the primary form of [earned] income, specific programs be developed...to encourage participation in arts enterprise activities.
- That there is a clear need to model and promote good arts training and employment practices.

- There is a greater need for mainstream arts organisations to address the barriers to training and employment for people with disabilities.

Summary

Taxation of artists

This review has relied on two main sources of information on the tax treatment of Australia's artists: the recent Australia Council submission to the ATO on the treatment of the arts under the Australian tax system (Australia Council, 2008) and Freudenberg (2008). The key problems and their proposed solutions identified by these two sources are summarised in appendix 2.

The problems and solutions identified in Australia are similar to those identified in overseas research:

- that tax systems need to recognise and be responsive to the unusual and often complex nature of artists' work in order to avoid confusion and to avoid inconsistent tax treatment of artists; and
- that tailored information resources and forms of assistance should be developed to improve clarity, consistency and fairness in the taxation of artists.

Social security and artists

The problems identified in the Australian literature accessed for this review are listed in the table in appendix 3. As with tax, problems and solutions identified in Australia's social security systems are broadly similar to those identified overseas, despite often significant differences in systems.

In summary, artists and advocates express concern that the Australian social security system undervalues the arts as a career:

- Agents in the system appear reluctant to recognise an arts career as valid.
- The system pressures artists into seeking and taking non-arts work by requiring that artists accept non-arts offers of work and penalising them if they do not accept those offers.
- Career development training provided under the system is not useful or relevant to arts careers.

The literature also identifies key features of the Australian social security system that mean the system does not work well for artists:

- It favours paid employment over profitable self-employment
- It favours employment with immediate rather than long-term returns
- It does not recognise the unpredictable nature of artistic work
- Unpaid work is not recognised under the system
- Compliance requirements reduce time available for artistic professional development.

There is now a robust body of evidence suggesting why a system with these features will not work well for artists: arts work tends to be self-employed and contract-based, short-term, poorly remunerated or not remunerated at all, and

requires long-term investments in experience and reputation for career success. In leading to unique, original products, much arts work is akin to innovation, requiring extensive research, trial and error, and product development that is unremunerated. A broad range of activities take on a significant role in arts career development. Auditioning, poorly paid, short-term contracts and unpaid work, such as creating works for public exhibition or developing a portfolio, are critical forms of career investment in artistic professions. Such investments may take a long time to be reflected in work opportunities and income, and are likely to have greater impact on career development than formal education and training.

Similar problems are found in both Australian and overseas research:

- Arts careers and arts qualifications appear to have low value or legitimacy under social security systems.
- The systems do not recognise or respond well to the complex and atypical characteristics of arts work.
- There is confusion among workers within the social security system itself over artists' obligations, rights and opportunities to access programs, which means that artists receive inconsistent advice and treatment under the system.
- There is a lack of information to help artists understand their obligations, rights and opportunities to access programs.

The literature identifies a number of inefficiencies and inequities associated with the system resulting from the problems identified, including:

- Inefficiency in promoting waste of human capital investment by coercing artists into work away from their arts profession (the costs of this waste would be both private and public: a loss of investment returns to the individual artist, and a loss to society of the public benefits associated with arts work).
- Inequity in not recognising as valid arts work and arts qualifications;
- Inequity by providing inconsistent advice and treatment.
- Inequity and inefficiency through lack of clarity and confusion.
- Producing moral hazard by encouraging non-compliance and deceit.
- Inequity by reinforcing an antagonistic relationship between government agencies and citizens.

A range solutions to the problems listed above are proposed in the literature (these are listed in appendix 3). Solutions proposed might be characterised as being 'supplementary' (eg the introduction of an artists' living wage, introduction of a HECS arrangements for young and emerging artists) or 'complementary' (eg. such as standardisation of practices and information). This review has concentrated largely on complementary solutions.

Advocates call for a general change in attitudes to improve the legitimacy and understanding of the arts under social security systems. Proposals include:

- A more sophisticated consideration for how the community could benefit from the skills of artists who are unemployed.
- Recognition of artist as a valid or legitimate profession.

- Recognition in systems of the characteristics peculiar to arts work, and training system personnel in these characteristics.
- Ratifying the UNESCO status of the artist or introducing similar legislation.

A number of specific solutions propose the introduction of the arts to, or recognition of the arts in, existing programs:

- Removing the penalty for refusing to take casual work opportunities outside arts.
- Introducing arts-targeted NEIS training and start up assistance.
- Introducing arts-appropriate WFD work experience.
- Ensuring that the 'community service' criterion of WFD project guidelines is understood to include the community benefit provided by creative arts work.
- Including art practice as an approved activity within job search and mutual obligation requirements.
- Encouraging artists' own employment seeking efforts.
- Professional accreditation for artists under WFD schemes.
- Recognising voluntary work, unpaid work and training as critical to career development and income generation.

Appendix 1: Australia's social security programs (to June 2009)

Below are descriptions of the programs referred to in this review. Many of these descriptions will become out of date with the introduction of the new employment services system in July 2009.

Newstart

The Newstart Allowance is the Australian government's standard unemployment benefit. To be eligible...[a] person must be unemployed, aged 21 or over, and be capable of undertaking, available for and actively seeking work, or temporarily incapacitated for work. For those aged under 20, the relevant allowance is the Youth Allowance.

Upon applying for a Newstart allowance, applicants are generally required to enter into a Preparing for Work Agreement, which outlines the activities considered necessary to return the person to paid employment. Activities included in the Preparing for Work Agreement include intensive job searching (up to ten job interviews per fortnight), education and training, paid work experience and Work for the Dole. If the requirements of the Preparing for Work Agreement are not met, a financial 'Activity Test Penalty' may be applied.

The Preparing for Work Agreement also spells out a person's Mutual Obligations. Mutual Obligations are 'about giving something back to the community which supports you'. After six months of receiving the Newstart Allowance—or 12 months if the person is over 25 years old—a Newstart beneficiary is obliged to undertake additional activities. These activities include training, paid part-time work, Work for the Dole, voluntary work and relocation.

(Source: Commonwealth of Australia 2002; 116-117)

Mutual Obligation

Mutual Obligation 'could mean doing a course, working part time, taking part in Work for the Dole or doing another activity to improve your chances of getting a job. It's all based on putting something back into the community in return for your payments.

Mutual Obligation requirements can be met by participating in one, or a combination of:

- employment and community participation
- training
- assistance programs

These are detailed below.

Employment and community participation:

- Part-time paid work
- Community Development Employment Projects (CDEP)
- Community Work
- Green Corps
- Relocation

Training

- Approved Language, Literacy and Numeracy Training
- Part-time study in an approved education or training course
- Australian Apprenticeships Access Program
- Defence Force Reserve

Assistance Programs

- Youth Pathways
- Job Placement, Employment and Training: Maintain regular contact with the Job Placement, Employment and Training Provider for the length of the program (at least six months). The hours each fortnight can vary depending on your needs.
- Career Planning: this is available in most locations and involves two small-group sessions, each running for about two hours, with the option of two additional one-on-one sessions. It does not satisfy Mutual Obligation requirements.
- Voluntary work/training courses: Centrelink has a large national register of approved not-for-profit community organisations

Source: Centrelink website (accessed January 2009)

http://www.centrelink.gov.au/internet/internet.nsf/payments/newstart_mutual_obligation.htm

Work for the Dole

One possible mutual obligation is Work for the Dole. Work for the Dole placements cover a wide range of activities, such as heritage and/or history, the environment, community care, tourism, sport, providing community services and restoring and maintaining community services and facilities.

Work for the Dole services are managed by Community Work Coordinators and delivered through community or government organisations or agencies such as local government and community groups. Community Work Coordinators refer and support participants in their Work for Dole activities.

People may be required to take part in Work for the Dole if they are:

- aged 18 or 19 years, recently completed Year 12, getting the full rate of Youth Allowance, and have been getting payments for three months or more, or
- aged 18 - 39 years, getting the full rate of Youth or Newstart Allowance, and have been getting payments for six months or more, or
- aged 40-49 years, in receipt of unemployment benefits for six months and participating in Mutual Obligation.

WFD participants get an extra \$20.80 per fortnight. Protective clothing is provided by the project sponsor if it is needed and essential training, such as occupational health and safety training, is also provided.

Source: Centrelink website (accessed January 2009):

http://www.centrelink.gov.au/internet/internet.nsf/payments/newstart_mutual_obligation.htm

New Enterprise Incentive Scheme

The New Enterprise Incentive Scheme (NEIS) is available to eligible unemployed people with an idea for a small business. Assistance includes training in small business management, an allowance for up to one year, and business advice and mentor support during the first year of operation. The proposed business must be new and assessed as commercially viable by a NEIS Advisory Committee. In addition it must not compete with existing businesses unless there is evidence of unsatisfied demand or unless the new business will deliver the product or service in a novel way. The program is delivered through management agents operating on contract to the Commonwealth.

(Commonwealth of Australia, 2002; 118)

Centrelink information on NEIS at

<http://www.workplace.gov.au/workplace/Programmes/NEIS/>

Community Development Employment Projects (CDEP)

Indigenous community organisations are funded by the Department of Education, Employment and Workplace Relations and the Torres Strait Regional Authority to run CDEPs in rural and remote Aboriginal and Torres Strait Islander communities. CDEPs relate to each community's needs. Activities develop participant's work and employment skills. CDEPs also act as a stepping stone into the mainstream labour market.

CDEP participants can qualify for the \$20.80 CDEP Participant Supplement (CPS). Allowee and pensioner recipients remain qualified for income support when they join a CDEP scheme and become a CDEP scheme participant. Allowees need to claim the CPS to ensure they do not lose qualification.

From Centrelink website:

<http://www.centrelink.gov.au/internet/internet.nsf/services/cdep.htm>

Appendix 2: Summary of problems and solutions: Australia's tax system

Note that these problems and solutions are reproduced from the literature and do not necessarily represent the views of DEWHA or the Australia Council.

Tax and artists: problems and solutions identified in Australian literature

Problem	Solutions
Artists' incomes low and unpredictable	Investigate schemes that lower the tax payable on income earned from artistic work
Artists unable to recoup the costs of research and development	<ul style="list-style-type: none"> Investigate schemes that lower the tax payable on income earned from artistic work Broaden the concessional tax treatment of research and development by companies to research in the social sciences, arts and the humanities
Income from other activities often exceeds the \$40,000 threshold above which losses from the arts business cannot be offset against other income	<ul style="list-style-type: none"> Remove \$40,000 threshold Index the \$40,000 threshold Allow losses up to an indexed amount to be offset against other income regardless of level of other income
Uncertainty and inconsistency in the tax treatment of government artistic awards and/or fellowships	Awards and fellowships offered by the Australia Council be declared non-assessable for income tax purposes
Rules relating to the donations of gifts to individuals limit individual artists' access to philanthropy	Remove restrictions preventing charitable trusts, foundations and Prescribed Private Funds disbursing to individual artists through the Australian Cultural Fund
A variety of definitions of artist add to complexity and compliance costs	Tax legislation to adopt a consistently applied definition of 'artist'
'Carrying on a business' requires specialist tax knowledge that can be expensive to obtain, and acts as a disincentive to clarity and consistency	Provide artists a 'tax offset' for seeking professional tax advice in the first five years of operation
Visual and literary artists are excluded from the deemed 'employee' status for Guarantee Superannuation purposes	A technical oversight that should be rectified by an extended definition

Appendix 3: Summary of problems and solutions: Australia's social security system

Note that these problems and solutions are reproduced from the literature and do not necessarily represent the views of DEWHA or the Australia Council.

Social security and artists: problems and solutions, Australian literature

	Problem	Solutions
Legitimacy	<ul style="list-style-type: none"> System does not see arts work as legitimate work, so pressures artists into seeking and taking non-arts work Fine arts (tertiary) qualifications are not viewed as legitimate 	<ul style="list-style-type: none"> A significant shift of attitude to ensure artists receive fair and equitable treatment A more sophisticated consideration for how the community could benefit from the skills of artists who are unemployed Recognition that being an artist is a profession Ensuring that the 'community service' criterion of WFD project guidelines is understood to include the community benefit provided by the creative art work of individuals Ratify UNESCO status of the artist or introduce similar legislation
Recognition	<ul style="list-style-type: none"> System does not recognise the unpredictable nature of artistic work System does not recognise unremunerated arts work as valid 	<ul style="list-style-type: none"> Better training of Centrelink staff to understand the specialised nature of work in the arts Recognition of the nature of arts work in the administration of social security benefits Recognition of the need for long and concentrated periods of time for career development
Flow on effects	<ul style="list-style-type: none"> System requires artists to accept work outside arts practice, so acts to hamper artistic professional development. System favours paid employment rather than profitable self-employment System favours paid employment with immediate returns over long-term investment in career: time-frame between arts and agencies differs System 'crowds out' artistic professional development by requiring extensive job search (and other forms of compliance) System provides career development and training that is not useful or relevant to arts careers System leads to discord between artists and government agencies and non-compliance among artists Confusion over artists' responsibilities and possibilities due to lack of information and inconsistent advice provided from within the system 	<ul style="list-style-type: none"> Introduce a scheme analogous to NZ's PACE NEIS training and start up assistance targeted to the arts Arts-appropriate Work for the Dole work experience Including art practice as an approved activity within job search and mutual obligation framework Remove penalty for refusing to take casual work opportunities outside arts Revision of social service criteria—for example, social security payments could be used by artists to create work Encouraging artists' own employment seeking efforts Professional accreditation for artists under WFD schemes A living wage for artists Introduce a HECS-like arrangement for young and emerging artists

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