Report reveals widening gap in Australian living standards

John Harris
9 November 2015

Social inequality rose sharply in Australia over the past ten years under both Labor and Liberal-National Coalition governments, and the gap will worsen over the next decade. This finding by a National Centre for Social and Economic Modelling (NATSEM) report, released in September, further demolishes the myth of a relatively egalitarian society, where most people benefitted from a protracted mining boom.

Notably the Labor Party was in office for six years during the past decade. It was responsible for an assault on social services while also backing the drive by the corporate elite to start cutting wages and working conditions. Labor's pro-market policies laid the basis for deeper attacks by the Coalition government that took office in 2013.

The report, *Living Standard Trends in Australia*, notes that living standards rose amid the mining boom but "that growth was not shared evenly by all." Instead, "the gap in the living standards between the richest and the poorest grew by around 13 percentage points during this period."

Prepared by NATSEM principal research fellow Ben Phillips, the report projects "a further 10.4 percent increase in the gap over the coming decade," with the most disadvantaged groups experiencing a decline in living standards.

During the next 10 years "the top 20 percent of highest income earners are projected to improve living standards by 5.9 percent compared to the bottom 20 percent who are expecting a decline of 4.5 percent."

In particular, "allowee and single parent pension families will experience a serious reduction in living standards."

"Allowee" families rely on welfare benefits such as poverty-level unemployment Newstart payments and Youth Allowances. The latter is paid to jobless young people aged 16 to 24 years. Even on the top rate, a single person 18 years or older studying full-time and living away from home receives just $426.80 a fortnight.

These families have already fallen further behind. Over the past decade, living standards for "allowee" households increased "by just 4.3 percent compared to pension recipients and non-beneficiaries, who have all gained by around 20 percent."

NATSEM calculated living standards by taking disposable income (income after taxation) and adjusting it for changes in living costs. Instead of utilising the official Consumer Price Index (CPI), the research uses a Living Cost Index (LCI) that covers changes in mortgage and other interest rates.

The report divides households into income quintiles (five groups, each comprising 20 percent of households). The top 20 percent, those with annual income of $140,000 or more, saw their living standards rise by 28.4 percent over the past decade, compared to just 15.1 percent for the poorest 20 percent of households on annual incomes of $23,000 or less. Living standards for median households on $69,500 grew by 21 percent.

This methodology is likely to underestimate the level of social inequality. If the top 1 percent of income households were examined, the result would be a much starker picture.

According to research by the University of Melbourne, in 2011–12 Australia's top 1 percent, made up of 180,000 individuals with an average income of just under $400,000 per year, enjoyed 7.7 percent of total income. Most of that went to the top 0.5 percent, who accounted for just over 5 percent of total income.

Significantly, the NATSEM research dismantles the claims of Prime Minister Julia Gillard's Labor

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government that its decision in 2013 to shift single parents off parenting allowances onto lower Newstart benefits once their youngest child turned 8 years was an "incentive" for them to enter the workforce and secure better incomes.

By shifting 80,000 single parents, or one in eight, onto Newstart, the Labor government intensified the previous Howard Coalition government's 2006 package of "welfare to work" policies. The report states that the workforce participation rates of single parents did not greatly change after 2006. Nor was there evidence of higher participation after 2013.

The report was commissioned by the Anglicare charity. Earlier this year, Anglicare released rent affordability data that underscored the levels of financial stress facing single parents and Newstart recipients. The figures showed that over the past 10 years, "the cost of rents have gone up by 54.1 percent and out of the 65,614 properties surveyed online, a single parent had only 165 housing options across the country, and only 10 were affordable for a person on Newstart."

The NATSEM report warns that while the "lowering in living standards is caused by a range of factors," cuts made in the past two federal budgets will spread the decline to wider layers of pension, family allowance and welfare recipients. One factor was the pegging of family payments and allowances to the CPI, understating the rise in living costs.

The largest welfare cut of all was to "some pensioner families—who lose some, or all of their part-pension." As a result of a new assets test introduced in the 2015–16 budget "lower income, older households and those who own their house outright are projected to have the lowest growth in living standards."

According to previous NATSEM research, the 2015–16 budget, combined with the 2014–15 measures, will inflict $18 billion in spending cuts over the four-year forward estimates. The latest report shows that the brunt of the budget "savings" will be shouldered by the most disadvantaged in society.

While the bottom 20 percent of income households would account for 33 percent of the projected savings, the top 20 percent would account for only 7 percent. "As a share of income the bottom 20 percent lose around 3 percent while the loss for the top 20 percent is negligible (-0.1 percent)."

NATSEM's projections underestimate the lowering of living standards among working class households. For example, NATSEM's data factors in average annual wages growth of 3 percent, yet the figure is far less for many workers. In the public sector, Prime Minister Malcolm Turnbull's current government is demanding pay increases of less than 2 percent, while many employers are looking to impose wage freezes.

While posturing as opponents of aspects of the Coalition government's budget cuts, Labor and the Greens bear full responsibility for the ongoing offensive against the living standards of working class and disadvantaged households. Not only did the previous Labor government, which was maintained in office by the Greens, commence the assault. Both parties voted for the Coalition government's main budget appropriation bills, and have since struck deals with the government to pass key features of its welfare cuts: with only slight modification.

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