

New report outlines accelerating inequality in Australia, amid rising social distress

Linda Tenenbaum**29 October 2020**

The University of New South Wales Social Policy Research Centre (SPRC) has joined with the Australian Council of Social Services (ACOSS) to produce “a new analysis of inequality in Australia pre-COVID-19, providing a baseline to measure the impact of the pandemic on income wealth and inequality.”

The report has been organized in two parts: *Inequality in Australia 2020: Part 1*, which has just been released, with Part 2, to be forthcoming.

Part 1 begins by citing 2017–18 data from the Australian Bureau of Statistics, revealing that prior to the pandemic, a growing income divide between rich and poor was already well underway. The incomes of the top 20 percent were six times higher than those in the lowest 20 percent. A year earlier, in 2015–16, the income gap was significantly less—just five times higher—revealing a substantial growth of income inequality since then.

The *distribution* of wealth has likewise become increasingly unequal. As the report notes: “the average wealth of the top 20 percent was a staggering \$3,255,000, around 90 times that of the lowest 20 percent (\$36,000).” On the other hand, those in the lowest 10 percent held an average of \$8,000 in net wealth, while the bottom 5 percent held *net debts* of \$5,000.

What this signifies is a massive divide between Australia’s haves and have-nots, with the result that millions of people are being forced to live a hand-to-mouth existence, with few, if any social supports.

In 2017–18, for the first time, average household wealth exceeded \$1 million. But that wealth has also been distributed unequally, expressed in the fact that the wealthiest 20 percent hold almost two thirds of all household wealth (64 percent), more than all other households combined.

From 2003 to 2017, in another index of mounting inequality, the average wealth of the highest 20 percent grew by 68 percent, while that of the lowest 20 percent grew by only 6 percent.

According to ACOSS CEO Dr. Cassandra Goldie, even

prior to the onset of COVID-19, millions had virtually no financial buffer to pull them through.

Goldie noted that many this year had depended on the JobKeeper wage subsidy and increased JobSeeker government payments to stay afloat. With a reduction in both already having been implemented, and further decreases to come, she warned, that “there is a real danger in now expecting people to spend down on their already meagre savings to survive. We need to support people’s incomes to prevent dramatic widening in both income and wealth inequality and serious health, economic and social disadvantage that occurs.”

In June, for example, the official unemployment rate was 7.4 percent, forecast to rise to 10 percent in December. According to the report, the outlook for employment and incomes remains uncertain. It makes clear that the pandemic “had the greatest impact on those in lower paid jobs.” Even before it erupted, the average wage of the most affected industries was half that of those in the industries least affected by the pandemic.

Dr. Goldie has advocated continued government assistance for those without paid work; an economic stimulus to fund decent jobs, and the removal of disincentives to receiving regular income support, in order to “inoculate us against an increase in both income and wealth inequality.”

But “inoculating” the most vulnerable and impoverished layers of society from poverty will not occur under a Morrison government. While providing hundreds of billions of dollars to the largest corporations, the government has presided over job destruction and wage cuts. It is already rolling back inadequate pandemic subsidies for those thrown out of work, leaving millions to face desperate circumstances into Christmas and the New Year.

Moreover, the many homeless and/or unemployed workers and young people, struggling to survive, will receive nothing from Labor leader Anthony Albanese or the trade unions. Labor has marched in lockstep with the government throughout the pandemic. It has supported the “National Cabinet,” composed of federal and state leaders, Liberal and

Labor alike, which has overseen a pro-business response to the crisis.

In the Morrison government's recent budget, both Labor and Liberal supported \$50 billion worth of major tax cuts for businesses and the wealthy, at the direct expense of workers and working class youth. The SPRC/ACOSS report noted that the budget "slashed the short-lived wage subsidies and welfare payments that had kept about five million households barely surviving since March."

In response, Mission Australia (one of the country's largest national charities, annually providing community services to many thousands of the most vulnerable) expressed its outrage at the Budget's "shocking failure to address rising homelessness or the serious shortage of social homes, particularly given COVID-19 impacts."

Further data related to the impact of the pandemic and associated lockdowns on employment and incomes, confirms that COVID-19 has, above all, had a major impact on workers in lower paid jobs—those who have failed to receive the level of support necessary to pay their bills and deal with their health, housing, utilities and other social needs.

Those most affected, including women and young people, received just half the average wage of those in the least affected industries—even before the pandemic erupted.

The economic hardship being suffered by millions is expressed in multiple ways. According to the Australian Energy Regulator (AER), 94,000 electricity customers had applied and been accepted for payment plans, up to the end of March 2021, with more than 1,000 others requesting assistance every week.

In September, AER data showed more than 45,000 residential and small business customers had deferred their bills due to the pandemic, worth about \$23 million in total. These AER debt deferrals will remain in place "until at least the end of October." After that, presumably, householders will be on their own.

Energy Consumers Australia (ECA) chief executive, Lynn Gallagher, cited research showing that electricity bills were the most pressing issue for households, with three out of four listing power prices as one of their top three cost-of-living concerns.

According to Craig Memery from the Public Interest Advocacy Centre (PIAC), many people were reporting "bill increases in the hundreds of dollars."

"The nub of the problem," Memery explained to the ABC, "is that people have been required to be at home, they've lost jobs, they've lost income and, at the same time, are using a lot more energy."

Energy bill increases had soared by up to \$200 *per month*, (i.e. \$600 per quarter), especially in the winter months.

"We see people going without essential energy use for heating, for cooling, for heating water so they can clean and shower," Memery said, adding that many were signing up for payday loans and other unsustainable loan options, which would only place them in "worse and worse debt."

A similar crisis, closely related to the social costs of the pandemic, has confronted renters.

In the largest such study ever, "The Renting in the Time of COVID-19 report," prepared by the Australian Housing and Urban Research Institute (AHURI), focused on 15,000 renters across Australia. Its researchers found that "around half of all renters reported stress and anxiety." In addition, "a third said they had asked or would ask for a rent reduction or deferral to get through the pandemic."

The report found that many renters were "on the brink of a financial precipice," facing housing uncertainty and the constant threat of homelessness, with a significant proportion only protected from the full effects of the pandemic by whatever savings, superannuation and rent deferral they still owned.

Emma Baker, professor of housing research at the University of Adelaide, noted: "The first thing that really struck me is the absolute scale of the effect of COVID and how it has affected people's lives." More than a third of people, she raised, were doing things like not being able to pay their bills and skipping meals. Many were unable to pay their rent, and were afraid of being evicted and thrust into unknown territory.

Just under 40 percent of renters had no money left, after paying rent, for the other requirements of life: such as utility bills, clothes, transport and food. Some 30 percent were planning to request a rent reduction or deferral and just over 5 percent had received an eviction notice since the start of the pandemic.

Many are facing the threat of homelessness, with around 116,000 people sleeping rough in Australia every night.

COVID-19 has affected the lives of millions throughout the world. The ruthless indifference of governments, the corporate world and the wealthy elite to the lives and needs of the vast majority of the population, both before and during the pandemic, is daily being expressed in the unprecedented levels of wealth and income inequality that are set to deepen even further.



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