Revealing data on escalation of income inequality in Australia

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The snapshot report on income inequality published by the Productivity Commission this week provides some significant information on the effect of policy decisions by the Labor government to continually suppress Jobseeker and Youth Allowance payments, keeping the recipients in poverty-level conditions.

They were highlighted by *Guardian* economics correspondent Greg Jericho in a comment published yesterday.

The Productivity Commission began by noting that the "initial period of the pandemic saw an unprecedented fall in income inequality," which was the result of the "significant increases in support payments from the Australian government."

The government of the day, under former Prime Minister Scott Morrison, increased welfare payments by $550 a fortnight. But according to the Productivity Commission such payments were "not fiscally sustainable in the long term"—a directive followed by the Albanese government.

Jericho took issue with this assertion, characterising it as "flat out wrong" and producing facts and figures refuting the claim that maintaining Jobseeker and other payments at the increased level was "not fiscally sustainable."

He noted that in 2024–25 the government would forgo $28 billion in revenue due to tax concessions on superannuation contributions, of which $15.2 billion would go to the top 20 percent of income earners.

It also cost the government $15.5 billion to provide a 50 percent capital gains tax discount, of which $13.6 billion goes to the richest 20 percent.

Then there is $10.2 billion in fuel tax credits, most of which goes to mining companies.

Jericho wryly commented that he awaited the suggestion by the Productivity Commission that such payments were "fiscally unsustainable." He noted that lifting the JobSeeker payment by $550 a fortnight would cost $9.7 billion next year—far less than the tax concessions given to wealthy individuals and corporations he listed.

He noted that the Productivity Commission report revealed that, while income inequality fell during the pandemic because of increased government payments, "it has risen quickly since then.

"Even taking into account the increased assistance during the pandemic, the richest 10 percent did best over the three years from 2018-19 to 2021-22."

This could be seen in the Gini coefficient, which measures inequality. It was at its lowest level this century in 2020–21 and its highest level in 2022–23.

Australia has the lowest level of relative unemployment assistance in the OECD, a grouping of more than 30 major economies, and even increasing it by $550 per fortnight would not lift it to the average for the group. Since 1996, governments (both Liberal and Labor in that period) have "chosen to make life relatively harder for the unemployed than in other rich economies."

While he points to important data and provides some insights, Jericho approaches these issues from the standpoint of a would-be reformist, maintaining that poverty could be alleviated if other choices were made when drafting government policy.

But such an approach does not address the question of why the imposition of sub-poverty payments for the unemployed, youth allowances and also pensions, has been such a persistent trend, which continues unabated whatever party of the political establishment holds the reins of government.

The driving force of this phenomenon is not "choices" as such. Decisions are made, but various governments are in essence the executors of the decisions handed to them by finance and corporate capital, arising from the relationship of Australian capitalism to the global economy.

Under conditions of the ever-increasing globalisation of production and finance over the past four decades, the concern of all governments, starting with the Hawke-Keating Labor government of 1983–1996, has been to ensure that Australian capitalism remains "internationally competitive."

This dictate is enforced with the threat that, if they do not, then international money markets will discipline them with a sell-off of the Australian dollar and a possible financial crisis.

Of course, no government can say openly that it is acting on the orders of international finance capital—that would be too clear a revelation of the real class nature of economic relations and policy. Therefore, governments and state organisations, such as the Productivity Commission, as well as financial commentators, insist on the need for policies that are "fiscally sustainable."

There are two macro-economic prongs to this program: the suppression of wages and the continued downward pressure on social spending, not just in the sphere of unemployment benefits, youth allowances and pensions, but on health and education outlays and housing, which have been steadily eviscerated.

The suppression of wages, in which the trade union bureaucracy has played the key role under every government since Hawke and Keating through its imposition of sub-inflationary pay deals and its overseeing of job cuts through countless "orderly closures," is expressed in the data.

As Jericho noted in another recent article, according to figures released in March, the value of Australian wages was equivalent to that of September 2010.

"In effect you can now only buy the same amount of things with your wage as you could 14 years ago," he wrote.

And the situation has worsened markedly over the past four years because, as he continued, "the average wage now buys 5 percent less than it did in March 2020 before the pandemic hit."

Other figures contained in the Productivity Commission's snapshot show that between the 2020–21 and 2021–22 financial years, household disposable income declined for 90 percent of the population, with the poorest hit the most, as incomes dropped by 8 percent on the back of a 6 percent decline the previous year.

On the other hand, the wealthiest 10 percent saw their incomes in 2021–22 increase by 10 percent over the previous year.

But even these figures do not tell the full story. They do not take into account the cuts in disposable income over the past two years as a result of inflation, skyrocketing rents, repeated interest rate rises—which have added many hundreds of dollars a week to the mortgage repayments of households—and other cost-of-living increases.

Calculations conducted in March by Peter Martin, economics editor of the *Conversation* and a visiting fellow of the Australian National University, showed that the two-year drop in household disposable income from 2022 was the biggest in 50 years.

But more is being demanded. This is expressed in the Productivity Commission's insistence that the 3.7 percent decline in productivity over 2022–23 must be halted and reversed, and its mantra, echoed and implemented by the Labor government, that all social spending—not tax breaks for business and the wealthy, subsidies for corporations and spending on the military—must be "fiscally sustainable."