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# **Understanding inequality: How and why we are not equal**

Presentation by

**Emma Dawson**

Executive director, Per Capita

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Video and audio versions of this speech are available at [www.communitiesincontrol.com.au](http://www.communitiesincontrol.com.au). The speech is designed to be read in conjunction with Ms Dawson's conference presentation, which can be found at ([communitiesincontrol.com.au/speakers/emma-dawson](http://communitiesincontrol.com.au/speakers/emma-dawson))

## **About the presentation**

Inequality is on the rise in Australia. This is bad news for individuals. It's bad news for the regions. It's bad for health. It's bad for our economy. We know how things are trending and we know it needs to stop. We also need to stop pretending that we can fix a problem we do not understand. How does inequality look in Australia? Why are we all not equal? If we can answer this, we have taken the first step in addressing our inequality, and moving towards making this country a fairer, better place.

## Denis Moriarty

I'd now like to introduce our next speaker for today, Emma Dawson.

Emma is executive director of Per Capita, an independent progressive think tank dedicated to fighting inequality in Australia. She has worked as a researcher at Monash University and the University of Melbourne; in policy and public affairs for SBS and Telstra; and as a senior policy advisor in the Rudd and Gillard governments.

Emma has published reports, articles and opinion pieces on a wide range of public policy issues. She is a regular contributor to *Guardian Australia*, *The Age*, *Independent Australia* and *The Australian Financial Review*, and a frequent guest on various ABC and commercial radio programs nationally. She appears regularly as an expert witness before parliamentary inquiries and often speaks at public events and conferences in Australia and internationally.

Emma is co-editor, with Professor Janet McCalman, of the collection of essays *What Happens Next? Reconstructing Australia after COVID-19 – we're in the middle of it –* published by Melbourne University Press in September 2020.

Today Emma will speak about the key theme of this conference – inequality – and how and why we are not equal, important to know if we truly do believe in eliminating inequality and the theme of this conference, which is essential for us to understand.

Emma, over to you.

## Emma Dawson

Thank you, Denis, and thank you again for the invitation to be here today. I do speak at quite a lot of events but few that are as important with the people that I think do the real work of making change and caring in our society, so thank you very much for having me.



Of course, I'd like to start by acknowledging the traditional owners of this land, the Wurundjeri people of the Kulin nation, and pay my respects to their Elders past and present. We are on land that was never ceded and we thank them for their custodianship of these lands and waters over generations.

It does feel today as though all the work that Eleanor is doing may be extended nationally, given that our new prime minister opened his speech on Saturday night by fully committing to the Uluru Statement from the Heart. There are many things that feel a little bit different about Australia this morning. I think that's the most important one.

It is a time, I hope, for opportunity and for us to build – rebuild our nation, because, as I'm going to explain, we have rather badly let it fall into disrepair. The title of our book was *Reconstructing Australia after COVID-19*. It was a little premature after – back in 2020, but that book came out of a series of conversations, essays, events, that we had had with some of Australia's best policy thinkers. The need to reconstruct our society was prevalent long before the pandemic hit. Of course, what we've seen on the weekend I hope is the first step towards doing that.

So I'm going to take you through some upsetting and depressing facts about inequality but hopefully then give you some cause to think about how we can address it and do things differently. The truth is inequality is on the rise in Australia, and it was long before the pandemic hit. It has been now for several decades. It's bad news for people. It's bad news for people in the regions, people in the cities. It's bad news for our health. It's bad for our economy. It's terrible for our social cohesion and for community wellbeing. And, as Thomas Piketty showed now over a decade ago, excessive inequality is a brake on productivity and growth, which apparently are all important.

I would say we are arguably now in the late stages of neoliberal market capitalism at the point in which this economic system is destroying itself. Without strong regulation in the interests of human and ecological wellbeing, market capitalism will simply drive more and more wealth to the already wealthy. Markets don't have a conscience. They're not interested in human wellbeing or in reducing social and economic



inequality. In fact, they do the opposite. Addressing those things and ensuring that our system's social, political and economic policies work in the interests of humans, that's what governments are for. And actually, for the first time in a long time, we do seem to have someone that believes that government can make a difference. It's also what communities do and what all of you do every day, so thank you, again, for that work.

Now, Australia is one of the wealthiest countries on earth. We've been told repeatedly ad nauseum over the last few weeks that our economy is strong. It's world-beating, in fact. That the benefits of that big economy – and it is big compared to the size of our population – the benefits of those decades of growth and consumption, most of which has been driven by household debt and pumped into the property market, but the benefits of those are not distributed equally or fairly, and arguably less evenly and less fairly now in this country than at any point since the Second World War.

So understanding and reducing inequality is actually essential if we're going to rebuild a fractured society, if we're going to ensure we have enough public funds and services to provide security to everyone.

Security such as universal health care, public education, quality aged care, affordable and accessible early childhood care and education, secure housing, good jobs, the provision of adequate social security when we need it, and, of course, in order to reach that treaty with our First Nations people and begin to heal our planet and our ecosystem.

So we love to think of our country as the land of the fair go, but the going hasn't been fair for some time and it's getting worse. More so than at any time in the last 80 years, wealth and power is being concentrated more and more in the hands of the few and too many of us are struggling to get by. Somewhere between 10 and 15%, depending on whose research you look at – I think the Productivity Commission put it at 10% a couple of years ago. A recent report from the Melbourne Institute put it at about 13.5. That's the proportion of Australians who live in permanent income poverty and have for at least three decades. And while our average standards of living have been rising, we have done nothing to address that and that gap is growing.



If you're Indigenous, a woman or a non-binary person, if you live with a disability or chronic health condition, if you come from a non-English-speaking migrant background, or you're locked out of the labour force due to intergenerational disadvantage, you are much, much more likely to be one of those 10 to 13% or to be at risk, permanent risk, of becoming one of them, and I'm going to talk a little bit about what we've done to social ability, because Australia was once considered as a – working “man's” was the phrase at the time but we were considered a working person's paradise, a place where you could come – if you were not a First Nations person – you were a settler who could come here and build a life, a good life, a secure middle-class life, purely on the basis of your own hard work.

But we're now becoming a country in which, unless you inherit some wealth, your chances of having a secure home and a rewarding job – rewarding both financially in terms of economic security and in terms of giving you something to do that's meaningful – those things are infinitely diminished compared to even 40 years ago.

So there are many aspects of inequality, and this word cloud shows you some of the most important. Social inequality has many intersecting factors. Now, it's primarily understood in terms of wealth and income, so the assets we hold, the income that we get either from our wages or from – for some lucky people, from investments or from social transfers and the goods and services that are provided to us. But these intersectional elements, as I just said, can exacerbate or alleviate to what extent you're at risk from that inequality.

So to get back to why are things going badly. They are trending badly. We know this. Even before COVID, economic and social inequality was on the rise in this country, and these are some interesting facts that I pulled up over the weekend. There's a survey done by the Australian Bureau of Statistics every two years – the Household and Income Survey – in which they break down into quintiles where the wealth and the income in this country is going. So if we look at income inequality in 2017 to '18, you can see the highest 20% of income earners have almost half of the income, of



the gross income, in this country. The bottom quintile there represents about 1% of income worth.

This is what had happened two years later. We're almost on track now for the top 20% to have half of our national income, and I would emphasise that that survey was done before COVID hit. We will have another survey done this year and I expect this trend to be markedly increased. A person in the highest 20% of income earners today lives in a household with more than six times as much income as someone in the bottom 20% and twice as much income as someone in the middle.

It's getting worse, and, as I said, when the postcode figures come out, I expect to see this worse, primarily because the recently departed government's response – I had to amend that before I came in this morning – the recently departed government's response shovelled more money to people who were already wealthy than they did to the rest of us. Absent that first panicked response, when they doubled the rate of JobSeeker because they realised that their voters who had mortgages were suddenly going to need it, most of the rest of the fiscal response was concentrated in the hands of the already wealthy.

People in the highest 20% of income earners receive 42% of Australia's national income. That's more than the share of the lowest 60% combined. This isn't because they work harder or are more talented. It's because the already lucky guard their luck, and our tax and transfer system distributes more of our common wealth to those wealthy people than it does to those in need. The cost of tax concessions for superannuation, for example, is more than three times the annual cost of income support for unemployed people. Yet in the recent election, those tax concessions for wealthy superannuants were extended, with bipartisan support, while neither major party committed to increasing the criminally low rate of JobSeeker on which someone is expected to survive for just \$44 a day, often for years.

In fact, the number of people or the proportion of people on unemployment benefits for more than five years and more than 10 years more than doubled on the watch of the Morrison/Abbott/Turnbull government. More than doubled.



So it's no longer a temporary payment for people between jobs. Increasingly people are stuck on that payment and often they are parents in the middle of life, single parents in particular, and both sides of politics carry responsibility for that.

Wealth inequality is also on the rise. Perhaps people in the highest 20% of asset holders – it's even more stark, wealth inequality – have two-thirds of all Australian wealth, while those in the lowest 60% hold less than a fifth of it. The average wealth of a household in the highest quintile, the top quintile, is six times that of the middle wealth group, and more than 90 times – 90 – nine zero – of the lowest 20%, most of whom have no real wealth in liquid assets outside their compulsory superannuation, and we know many of them cleaned out that meagre wealth during the pandemic because that was the solution for low income earners: raid your super.

So again, I expect this divide will have grown – it's not growing as sharply because it's quite difficult to see, but actually it was the wealth statistic I wanted to mention earlier, not the income one. The wealth of the bottom 20% in 2017 was 1% of our gross national wealth. It's now 0.7. And it was 0.7 in 2019. It's probably lower again now. And the share going to the top was 47% and it's now 60-something. It's growing and it's going to have been turbo charged by those decisions during the pandemic.

So until we face up to the fact that the fair go is not what it used to be and recognise where we've gone wrong, the problem will get worse, and societies that allow rampant inequality to flourish inevitably come undone. History shows us this, right back to the Romans. We only need to look at America today to see what can happen to a once great society after decades of politics that rewards those with much and punishes those with little. Once that social contract is broken, it is very, very difficult to restore.

Australia is not yet experiencing the massive social and political disruption occurring in the US, which is largely driven by a kind of incoherent rage amongst those who have been systematically locked out of the great American dream, along with a good dose of white nationalism. Let's not forget that. But we are, by some measures, only a decade or so behind on that trajectory. The surge of community-based movements that disrupted our federal politics this weekend so comprehensively actually gives me real



cause to hope that there is a desire among the majority of Australians to arrest that trajectory, to reverse the growing inequality of opportunity in this country and to restore the fair go.

But in order to do so, we must know what we're up against. Understanding inequality in all its dimensions and how it plays out in our supposedly egalitarian society is absolutely critical to that task. So what does inequality look like in Australia?

Why are we all not equal? If we can answer this, we'll have taken the first step to addressing inequality and moving towards making this country a better place.

That's why Per Capita with the support of Denis and Our Community is launching the Australian Inequality Index, a multidimensional index incorporating six key subindices, looking at inequality through the lenses of gender, Indigenous peoples, ethnic minorities, intergenerational distribution, wealth and income.

Primarily, the Index will focus on social inequality, that caused by the unequal distribution of wealth and income, goods and services in Australian society, but understanding the intersectional dimensions of that inequality, why we are more likely to experience disadvantage and receive less of that wealth and income if we are Indigenous or from a non-English-speaking recent migrant background, if we're a woman or a non-binary person, if we belong to a generation that has had the ladder pulled up before we can clamber onto the bottom rung, and related dimensions such as disability, chronic ill health or marginalisation from the labour force, it's essential to understand those intersectional elements if this project is to succeed.

So what do our subindices look like? The gender index will consider issues around inequalities in relation to labour force participation, health care, representation and access to power, wage differences and retirement incomes for women and non-binary people. These divergences will show significant shortfall in gender-based asset and wage equality and representation in this country. One of the most shocking things on this government's watch is how far we have fallen in terms of gender equality





on all international indices. We actually are ranked equal first in the world on the World Economic Forum for women's education and seventieth for women's financial empowerment. So it's not women's fault. They are graduating the university and world-leading places, they are educating themselves, but they're not getting those opportunities, and it's even worse, of course, for those of other genders in non-binary people.

The Indigenous index will examine inequities in relation to incarceration rates and life expectancy most critically, and health outcomes, education, labour force participation and wage differences, and in representation and access to power. One of the terrific things that has emerged in the changes to our parliament over recent times is that actually for the first time our parliament is proportionally representative of First Nations people. Thanks to the efforts of Labor and the Greens to put particularly First Nations people into the Senate, we now have – I think after Saturday night it will be something like 4.4% of parliamentarians are First Nations compared to a population average of around 3%.

But, of course, in terms of representation, until we have that voice to parliament and that truth and treaty process, representation of First Nations people will still be inadequate.

Indigenous Australians, of course, continue to be affected by intergenerational disadvantage, with limited progress achieved in closing critical gaps between settler and First Nation communities. We don't intend to try to take over the Close the Gap initiative with this index.

It's simply a way of folding those intersectional understandings into the broader Inequality index.

The ethnic minority index – excuse the very technical research terms here. We were going to use cultural diversity. Really what you're talking about is people's racial and ethnic background and it's important to remember that. This will look at inequities related to education; again, labour force participation and wage differences; health care and health outcomes; and representation and access to power. Race, culture and place of birth continue to play a role, a significant role, in limiting the opportunities and



reducing the social outcomes experienced by people in our supposedly very successful multicultural society.

The intergenerational index is something a little different but it's important given where we're going in this country. It will examine inequities in social liability, in job security, wages and housing security between the generations. Some recent work done by my colleague Matt Lloyd-Cape found that a standard family household buying a house in 1970, for example, they would pay about 11% of their household lifetime income to service that mortgage. By the time someone was buying a house in 1995, someone of my generation, Gen X, we'll be spending about 25% of our lifetime income to service that mortgage, and for millennials and Gen Z, it's going to be significantly more. And also, the challenge, of course, is that we don't seem to have any alternative concept of housing security other than owning a home, as the former prime minister – gee, that's nice – said repeatedly in the dying days of the campaign. "What are you doing for renters?" "Well, they should buy a house." That's pretty poor thinking.

What we're trying to do with the intergenerational subindices is it's a unique attempt to capture intergenerational disadvantages faced by young Australians and to reveal the extent to which policy choices in recent decades have undermined social liability and opportunity to build a life which was the hallmark, supposedly, of our egalitarian nation.

And then we'll move on to the two fairly uncontroversial standard indices. The wealth index will analyse changes in Australia's wealth share by quintile in access to the tools of wealth building and incidences of asset poverty, while the income inequality index will track changes to income share by quintile, labour force participation, the number of wealthy hand-to-mouth households, who are mostly retirees, and, of course, the poverty rate.



So why does this Index matter? Why are we doing it? Why are we adding to all of the datasets that are already out there? Well, Per Capita works towards changing the popular and political understanding of the inequities in our society, their multiple causes, their intersectional effects. We try to challenge the dominant political discourse that sees disadvantage and social exclusion as a personal fault or failure by pointing to the deliberate policy choices that exacerbate inequality of opportunity and outcome.

The Australian Inequality Index will be an annual report tracking the aspects and impact of inequality using indices that measure the distribution of economic security and opportunity, political participation, health and longevity, educational opportunity, representation and responsibility, labour force participation and wage equality, housing and community across all of these intersectional experiences.

It will be a big collective project informed by experts in each dimensions and critically by those with lived experience of the various aspects of inequality. We will use co-design with communities affected by these issues in order to get this index right.

So next steps. Over the next year, we'll be establishing partnerships with institutional and philanthropic supporters to produce the Index annually, and in doing so we'll be developing an invaluable longitudinal study of the prevalence, distribution, experience and impact of inequality on Australian people and communities. Longitudinal data such as this built up over time is essential to developing and implementing effective public policy, measuring its impact and amending policy interventions to respond to changing needs in the community.

Currently the Australian public and policy makers have an inadequate understanding of the multifactorial and intersectional causes and effects of inequality, the distribution of disadvantage. They don't really understand the long-term impacts of social exclusion and marginalisation as researchers and those in the community sector do. Critically, they don't understand always how they relate to the policy decisions they make.



So the Index will provide not only data for use by policy makers to achieve meaningful social outcomes, but a source of information and evidence to support public understanding of the real impact of inequality and the imperative to reduce it, because nothing changes until the community changes, as we saw on the weekend. Politicians will, funnily enough, go where the votes are.

So the Index will be an invaluable tool for a civil society and for policy makers but it will also be a tool for the Australian people. It's often challenging for people to track and understand the progress or the lack thereof achieved across different dimensions of social and economic policy in our systems. Accessing evidence of growing inequality and its relationship to political choices is also often challenging for stakeholder groups given the diversity of data and the way it's presented differently.

This undermines the ability of those representing the most marginalised in our community – many of you here today – to achieve real change, especially when people who experience disadvantage and those who advocate on their behalf do not have access to the kind of economic modelling employed by big business and wealthy vested interests to dominate and control our policy process.

The Australian Inequality Index will address this challenge through the provision of six conceptually sound, easy to follow subindices and a composite index that brings together these six dimensions. The subindices should provide a useful set of insights into progress achieved within each of the dimensions included, but collectively through the composite index they provide a much better indicator of social and economic process than do traditional measures such as the gross domestic product or the Gini coefficient.

They offer insight into whether and how our common wealth is shared and whether our society is becoming more or less equal. It's drilling down below the growth and below that very simple, well, we're roughly on average this equal or this unequal. We want to shine a light on who's not captured by those standard measures.



So Per Capita's currently developing the full base model for the Index. Thanks, again, to Denis for his support to allow us to do that. We will be able to commence its operation and first publications later this year, and we'll then publish regular analyses of policy announcements and economic updates using the Index.

So we will be able, for example – I'll come to that in a minute, but first thing to say is again I want to emphasise it's really critical that we work with representative organisations in order to gather the data that we need and to ensure it's represented accurately and with concern for the impact on marginal communities of the necessary but often difficult debate and advocacy that's involved in making change, and we are actively seeking partners for this work now.

As I said, it will be informed not only by expert understanding but by lived experience. So, for example, we will not be developing the Indigenous index inhouse at Per Capita. We will be working with Indigenous organisations to ensure that the dimensions there are adequate and they are captured and are understood and agreed to.

The ongoing value of the Index will be in the modelling of the inequality impact of policy changes. So this will see us using the Index to assess significant federal and state government policies as they are announced and regular Index publications covering the Federal Budget and Budget reply, significant State Budget announcements, especially as they alter inequality levels between jurisdictions, the mid-year economic and fiscal outlook, and election campaign announcements.

We hope that the Australian Inequality Index, which we will formally launch later this year, will become a go-to tool for policy makers, for advocates, for activists and for the public. Again, we thank Denis and Our Community for helping us to launch it.

We do believe, being policy wonks and data nerds, in a think tank, but having the data and measuring what's going on is absolutely critical to making change.



It can seem very dry, it can seem to be devoid sometimes of feeling, but behind those numbers are real people and real communities.

And if we can provide a tool that allows all of you and all of us to access the kind of evidence base, the kind of compelling modelling that policy wonks in Canberra respond to, that is usually only accessible to people who can afford to pay Price Waterhouse Coopers several hundred thousand dollars, then we hope that this will be a tool that, when we meet again, is starting to have an impact on the conversation and to giving all Australians some understanding of how far we have come from that country where anyone could build a good life on their own efforts and how far we are going towards being the kind of country that so many of us fled to be in a country that was a little better and a little more equal.

Thank you very much.

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