

# ACOSS Member Talking Points

## Poverty and Inequality

24 August 2017



### About these Poverty and Inequality Talking Points

Community voices are the most trusted in Australia. The more we speak with clarity and knowledge, across the country, about the challenges we face and what we want changed, the more we build momentum to create the future we want.

Our community wants to know whether poverty and inequality exists, whether it is a problem and if so, what must be done. We need to tell this story, together.

These Talking Points are for you to use in your own advocacy and engagement. ACOSS produced this document in consultation with a number of our members. Thank you. It sets out some of the major changes that ACOSS advocates to address poverty and inequality in Australia. You may have additional or more specific policies and changes. Please feel free to use and adapt this resource in any way you wish.

### Is there poverty in Australia? Yes!

#### KEY MESSAGES

- + Poverty in Australia is about more than being unable to feed and house our families, though those problems exist here. It's about missing out on what people regard as the essentials of life today: the ability to pay utility bills on time, to send children on school excursions, heat our homes, and get dental care when we need it.
- + One in seven people (3 million people) and one in six children (over 700,000 children), are living below the poverty line.

- + The poverty lines have a real-life meaning: an individual can't afford the essentials on \$430 pw; nor can a sole parent family with two children afford them on \$690. More than half of that is likely to be spent on rent alone in most of our capital cities.
- + Poverty is a problem for all of us, not "other people". All of us could be a redundancy, an eviction, a sudden illness, or a marital separation away from living in poverty. That's why we all need a strong social security safety net.
- + Individuals don't choose poverty. Poverty is a choice we make as a society, when wages are low and stagnant, jobs are insecure, people don't get the educational opportunities they need, housing is unaffordable, social security payments are below the poverty line.
- + The Salvation Army's annual survey of its emergency relief clients - from a sample of the almost half a million interviews they conduct each year - shows us what poverty looks like. Among emergency relief clients surveyed, 40% could not afford at least two pairs of properly-fitting shoes, 39% could not afford fresh fruit and vegetables daily, and 57% could not afford an internet connection. Children fared badly: half the families could not afford new school clothes and books (rather than second-hand ones), 56% struggled to pay for school activities and events, and 55% could not afford a hobby or regular leisure activity for their children.
- + The high cost of energy is taking its toll on people with low incomes. In 2016 around 160,000 households were disconnected for non-payment of their electricity or gas bill, up almost 50% (47%) over just six years.<sup>34</sup>
- + During the boom years of the 2000s, poverty increased – from 12% of all people in 2003 to 14% in 2007 - as more people were left behind. It has been stuck close to this unacceptably high level since then (13% in 2014).
- + It is deeply concerning that poverty among children is higher, rising from 15% in 2003 to 18% in 2007, and has since fallen back slightly to 17%.
- + Those most at risk of poverty include people locked out of paid work (63%), children in sole parent families (41%), and people who rely on social security for most of their income (36%). More than half of all people receiving Newstart (55%) or Youth Allowance (52%) struggle living below the poverty line.
- + The Newstart Allowance has not increased in real terms for the last 23 years, and is now worth just \$38 a day. As a result of government choice, 55% of people on that payment live below the poverty line.
- + Almost half (40%) of children in poverty are in sole parent households. This underscores the challenge facing people raising for a child alone: to survive on low social security payments, to bring their skills up to date, and to find decently-paid, family-friendly employment. Poverty in sole parent households

jumped from 27% in 2011 to 29% in 2014, due in large part to cuts in social security payments of \$60 a week in 2013. This shows how important a strong safety net is, and the damage that's done when it is undermined.

## What can we do about it?

- + We've reduced poverty in Australia before, we can do it again. People criticised Bob Hawke when he announced in 1987 that "no child would be living in poverty", but his government did more than any government has done since to reduce it. The Hawke Government raised family payments, extended Rent Assistance, and expanded training and child care services for sole parents. As a result of these policies, child poverty was reduced by one third. Later governments lacked this focus and commitment to reduce child poverty.

### Adequate social security payments

- + The most urgent, immediate, effective and efficient way that governments can ease the most severe poverty is to raise the lowest social security payments. Lifting unemployment payments and Family Tax Benefits for families with low incomes would have the greatest immediate impact on poverty.
- + *We call on the government to substantially increase Newstart and Youth Allowances for single people, index these payments to wage movements as well as prices, and establish a social security commission to advise on the level of payments required to meet basic living costs today. To reduce child poverty in sole parent families, we call for a sole parent supplement for families with children over 8 years of age, so that social security payments no longer decline as children grow older in these families.*

### Secure jobs and pay

- + We often hear that 'the best form of welfare is work' but not everyone can get paid work with the pay and regular working hours they need to lift out of poverty. For every job there are at least 10 applicants, on average. For low-skilled jobs and jobs in many rural and remote areas, a job is even harder to find. When people do get a job, most of the jobs they get (56%) are part time only, and many don't last. That's how today's labour market works.
- + In this tough jobs market, a growing share of people on Newstart are unemployed long-term (two thirds or 63%), older workers (45% over 45 years),

have a disability (23%), are sole parents (12%), or from Aboriginal and Torres Strait Islander communities (10%).<sup>1</sup>

- + So the second step governments should take to reduce poverty is to grow secure, decent jobs in regions with high unemployment, and improve employment services. People who are unemployed need a lot more help than they get from government funded employment services – in many Jobactive services, each employment consultant is helping over 200 unemployed people. Very few unemployed people get worthwhile training or work experience in a regular job.
- + *We call on the government to re-allocate the \$200 million spent on the ineffective Work for the Dole program to investments in paid work experience (on regular wages) and vocational training for people unemployed long-term, and introduce a new career counselling and retraining scheme for people who have been out of paid work for a number years, for example while caring for a child or other family member.*

## Secure and affordable housing

- + The third step is to make housing secure and affordable. Australia has among the most expensive housing in the world. Over 40% (43%) of tenants with low incomes are spending more than 30% of income on housing.<sup>2</sup>
- + Tax breaks that encourage speculation in housing, like capital gains tax discounts and negative gearing, should be clawed back. Governments have forgotten how to invest in housing for people with low incomes. Less than 5% (4%) of homes are public or community housing.<sup>3</sup> For a low-income single parent with one child renting privately, the maximum Commonwealth Rent Assistance payment is \$78 a week, less than one fifth of the median rent of \$420pw for a two bedroom flat in outer suburbs of Sydney and less than one quarter of the \$315pw they would have to pay in Melbourne <sup>4</sup>.
- + *We call for reform of tax breaks for property investment, a housing growth fund building to \$10B over 10 years, to strengthen public and community housing, and a 30% (\$20 a week) increase in Rent Assistance for private tenants.*
- + *We also call for minimum standards for rental properties and a prohibition on evictions without reason.*

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<sup>1</sup> [www.data.gov.au](http://www.data.gov.au)

<sup>2</sup> In 2014: Affordable Housing Working Group Report (2016), p9

<sup>3</sup> Australian Institute of Superannuation Trustees (2017), 'No place like home.'

<sup>4</sup> Real Estate Institute of Australia, *Real Estate Market Facts*, March Quarter 2016.

## Universal essential services

- + Fourth, essential services like dental care, mental health, and public transport should be available to all, not only those with enough money to pay the fees.
- + *We call on the government to fully restore cuts of more than \$2 billion a year in essential services such as Aboriginal community services, drug and alcohol, legal aid, and preventive health services; and to introduce a new, more robust Commonwealth program to ensure that adults in children in low income households have access to good quality, timely, basic dental care.*

## First-chance and second-chance education and training

- + Fifth, a strong foundation of schooling, and second-chance education for those who missed out on basic education and vocational training, should no longer be denied people who come from low-income backgrounds. It's unacceptable that governments invest more in education for people who were already advantaged from an early age, than for people who really need it. This, not social security, is the main reason poverty often recurs across the generations.
- + *We call on the government to redress inequities in schools funding and restore the integrity of the TAFE system as the main provider of quality post-school and second-chance vocational education.*

## The facts

- + Australia is a wealthy country, yet there are 3 million people living in poverty, of which 731,000 are children. This is unacceptable.
- + The poverty lines have a real-life meaning: an individual can't afford the essentials on \$430 pw; nor can a sole parent family with two children afford them on \$690.
- + During the boom years of the 2000s, poverty increased – from 12% of all people in 2003 to 14% in 2007 - as more people were left behind. It has been stuck close to this unacceptably high level since then (13% in 2014).
- + It is deeply concerning that poverty among children is higher, rising from 15% in 2003 to 18% in 2007, and has since fallen back slightly to 17%.
- + Those most at risk of poverty include unemployed people (63%), children in sole parent families (41%), and people who rely on social security for most of their income (36%). More than half of all people receiving Newstart (55%) or Youth Allowance (52%).

- + The Newstart Allowance has not increased in real terms for the last 23 years, and is now worth just \$38 a day. As a result of that policy choice, 55% of people on that payment live below the poverty line.
- + People living below the poverty line include some full time wage earners (4.7%) and some part time wage earners (15.5%), but most are unemployed (63.2%).
- + Sole parents are at the highest risk of poverty, with a third (33%) of sole parents in poverty in 2012. Just over a third (36.8%) of all children in poverty were in sole parent households.
- + Over 40% (43%) of tenants with low incomes are spending more than 30% of income on housing.
- + For every vacancy there are at least 10 applicants.
- + Unemployed people receiving Newstart Allowance are at the end of the queue because two-thirds are unemployed long-term (63%), 45% are older (45% over 45 years), over one in five has a disability (23%), over one in ten are sole (12%), and one in ten are from Aboriginal and Torres Strait Islander communities (10%)
- + 62% of people in low-income households in NSW said that they had gone to bed early in an attempt to reduce their energy usage, with 50 per cent of those people living in households with children.<sup>5</sup>

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<sup>5</sup> Source: NCOSS (2017) Turning off the Lights: The Cost of Living in NSW<sup>42</sup>

## Is there inequality in Australia? Yes

### KEY MESSAGES

- + Social and economic inequality remains a reality in Australia and we must be brave and confront the uncomfortable facts about inequality.
- + We hear our economy is going well, but we also hear those improvements are not being felt in the day-to-day lives of everyday people.
- + Australia's middle is growing, its purchasing power has declined and the little economic growth we are experiencing is going to those who are wealthy. People at the bottom are not doing very well, and wealth inequality has gotten worse.
- + Super wealthy people have streaked ahead of everyone else in recent years. Their lives are much different to most people. This is not about envy, rather evidence that the inequality gap is widening.
- + Economic inequality has reached a level which damages the economy. People who work full time hours shouldn't have to live in poverty.
- + The trickle-down effect is a furphy and is not working. Until we operate with a different model, we won't solve the problem of inequality in Australia.

### What can we do about it?

- + We can make sure that government's recent focus on inequality is not simply a distraction to satisfy privileged people
- + We can reduce inequality in Australia through education and healthcare for all, affordable housing, decent jobs, a tax system where everyone pays their fair share, and a strong social safety net.
- + Education and inclusion are really important. People need equal access to education, and social and gender inclusion. Our workers also need to be re-empowered to fight for workers' rights.
- + Higher inequality is a drag on growth. We need to make sure credit is available to expand the economy, which includes ensuring people on low incomes have enough to purchase their daily needs and invest in opportunities. If everyone can pay bills and buy groceries and go to the doctor and pay the mechanic and plumber, then our economy is healthier and our entire society will be better off. It's common sense.
- + We know from international comparisons that tax, transfer, and wage regulation policy makes a major difference to inequality levels.

- + It requires a big policy shift in government to bring back wealth to everyday people.
- + This is not just about focusing on people who are doing it tough. This is about creating balance so that there is equality of opportunity across a number of areas for everyone in our society.
- + Social upheaval is a consequence of rising inequality. We are headed for some major social issues in coming decades and more people living with low incomes and unable to escape that trap.
- + Poverty and inequality are political problems with political solutions. Government must take responsibility and make the choice to alleviate poverty and increase equality. We must convince our government to get on with it.

## The facts

- + The top 1% of people in Australia own more wealth than the bottom 70% combined. People in the bottom 50% own just 6% of the nation's wealth.
- + Income inequality in Australia has gradually increased from 1981/82 to 2013/14. In the 7 years before the GFC, incomes increased by 39%. In the 7 years since the GFC, incomes increased by just 5%.
- + Working people have not seen real income growth since 1980s. Since the end of the 80s, the economy has grown massively, but no one outside of the top 1% has seen much of that growth. There has been little trickle down affect.
- + There is a growing gap between lower-income households (the bottom 40% of the distribution) and the rest of the population.
- + As with trends in inequality, the *upward trend in poverty resumed* from 2010 to 2012 as median incomes grew again, while employment growth remained flat and many social security payments were only indexed to CPI.



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