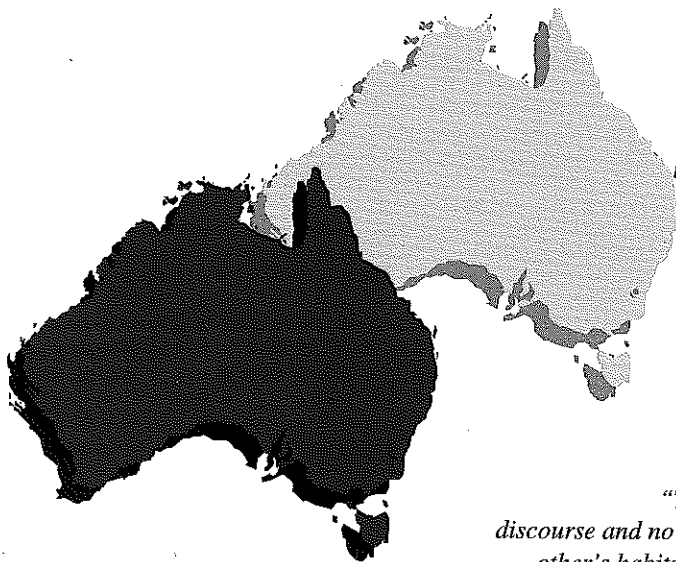




St Vincent de Paul Society

TWO AUSTRALIAS

***Addressing Inequality
and Poverty***



***Terry McCarthy
John Wicks***

May 2001

*“Two nations; between whom there is no
discourse and no sympathy; who are as ignorant of each
other's habits, thoughts, and feelings, as if they were
dwellers in different zones, or inhabitants of different
planets; who are formed by a different breeding; are fed by
a different food, are ordered by different manners, and are
not governed by the same laws.
I speak of THE RICH AND THE POOR.”*

Benjamin Disraeli – 1845



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Foreword

The St Vincent de Paul Society is presenting this report to all Australians, but especially to parliamentarians, to express our concern about the growing rift between the poor and the rich in this country. In doing so we present a number of recommendations which, we believe, would correct many injustices and inequalities in the nation. If the growing disparities between groups of Australians continue unabated, we believe Australia will divide into two nations – one for the rich and one for the rest.

There is no doubt in my mind that the bulk of what is said in this report will strike a resonance among concerned Australians and particularly middle and low income families who have not shared in the so called economic successes of the 80s and 90s.

This report has been prepared by members of our National Public Affairs Committee. Like the other 40,000 members and volunteers of the Society around Australia, they are unpaid and are active conference members who see poverty in the people they assist. However, they have been encouraged and assisted by many people in other charities, organisations, think tanks and universities. Many of these people are not Christians, but they have given their time and talents 'pro bono'. On behalf of the Society, I thank them most sincerely for their assistance.

The Mission Statement of the Society contains the following, "... we will co-operate in developing a just and compassionate Australia." That, along with the admonition throughout both the Old and New Testaments to seek peace and justice for God's people on earth is our motivation.

We hope and pray that consideration of this paper will bring about a more just, equitable, peaceful and compassionate Australia.

John Moore
President
National Council



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Mission Statement

The Mission of the Society of St Vincent de Paul in Australia is to deepen the catholic faith of its members - to go out into our nation to heighten awareness of Jesus Christ.

We do this by sharing ourselves - who we are and what we have - with the poor on a person-to-person basis.

We seek to cooperate in shaping a more just and compassionate Australian community, and to share our resources with our twinned countries.

Our preferred option in this mission of service is to work with the poor in development, by respecting their dignity, sharing our hope, and encouraging them to take control of their own destiny.



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Executive Summary

- ◆ DIVERGENCE in incomes, living standards and quality of life amongst Australians over the past twenty years dictates that if we are not to degenerate as a house divided we must engender a significant period of CONVERGENCE.

- ◆ The single most important problem facing Australia now and in the years ahead is the crisis of the burgeoning gap between the wealthy and the poor and disadvantaged. The gap is so wide that unless action is locked in now to gradually reduce it, the emergence of two nations with conflicting aspirations and cultures will proceed. Left alone the future costs and difficulties in closing the gap may be too big to be resolved by moderate or generally acceptable means.

- ◆ This paper examines the exponential growth in the gap between the rich and the poor and comments on the consequences of it. It then presents a number of long term and immediate recommendations to Government to arrest this huge and growing problem and solve it in the longer term. The long term and immediate actions are complementary and NOT mutually exclusive.

- ◆ Globalisation over the past decade or so has generated enormous wealth (about \$180 billion in Gross Domestic Product (GDP) and over \$830 billion in net wealth) but a range of hard data shows that this wealth has with minor exceptions accrued to well defined areas of Australia's capital cities and a relatively limited number of wealthy households. It has not benefited middle income Australia to anywhere near the same extent as it has to the wealthy. And it has certainly not trickled down to the poor. This is because globalisation as a free market force does not concern itself with wealth distribution. Only governments can do that.



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- ◆ In fact, globalisation has in many ways exacerbated the situation by encouraging the demise of many manufacturing and rural industries – not replaced by globalised ones. Hence it has resulted in serious long term unemployment in a large number of ‘regional locations’, both urban and rural. In these localities, heavy unemployment and under-employment, poor housing, decaying infrastructure, ill health, higher mortality rates, poor educational and training facilities and programs and high levels of crime are festering and growing. Despite numerous welfare policies and programs by all governments, which in themselves are laudable, they have had no substantial impact on the GAP largely because they have been ad hoc and not geared to any long term strategy.
- ◆ As a priority Australia needs a long term strategy to address this crisis, and our first two recommendations focus on such a strategy.

RECOMMENDATION 1

It is strongly recommended that a national forum (summit) be summoned by the Federal Government within twelve months of the next election to establish an agreed strategy with overreaching agreements on plans and policies to correct these social imbalances. This forum (summit) to also establish a timeframe (of say 5 years) and program to address the issues. Those attending the forum should include federal, state, and local political leaders, business and church leaders, academics, trade union, charitable & welfare sector representatives.



RECOMMENDATION 2

- (a) That the Government set aside up to an additional \$10m each year for research into poverty and wealth - their causes, nature and level. The research should investigate life styles and income/expenditure of both the poor and the wealthy. It should also identify those elements which tend to reinforce the poverty cycle and provide information on wealth, its size, how it is used and whether sufficient of it has been recycled into the common good. Such research should also make recommendations to government concerning innovative solutions to the problems identified using progressive ideas from international sources.**
- (b) That this finding be oversighted by a committee which would include representatives of government, The Australian Bureau of Statistics (ABS), academics, business, charities and welfare organisations.**
- ◆ As crucial as these two recommendations may be, in providing a framework for policies and programs that could take some time to bear fruit, they must be complemented by immediate action to lock in regional initiatives and changes in wealth distribution however small, that year by year will guarantee some real redistribution of wealth to the poor and disadvantaged, but be affordable and within the sound budget management principles.



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RECOMMENDATION 3

Australian welfare pensions be indexed to a higher basic living standard than at present, using means such as:

- a basket of goods and services relevant to the poor the value of which is based on a specific price index for low income households, taking account of actual prices in disadvantaged rural and urban areas:
- the direct provision of goods and services in the basket or a reduction in their prices to the poor through tax or other concessional treatment by federal, state or local governments, such as reintroduction of the Dental Rebate Scheme:
- the indexation of all welfare payments to average weekly earnings, with even very small real annual increases as low as 0.1% of 1.0% ensuring real gains each year with the objective of minimizing poverty within a decade or so.

RECOMMENDATION 4

That the breaching or fining of welfare recipients be confined to action against those seeking to defraud the government and that criminal intent be the basic criteria.

RECOMMENDATION 5

That welfare payments be more closely related to efforts to get unemployed/under employed into full time jobs.

- In that context we endorse the recommendations of the Parliamentary Report *'Age Counts'* which examined the specific problems of the elderly and made a wide range of recommendations including improvements in training, indexation of earnings before benefit reduction, assistance for transportation for employment purposes, computer literacy assistance and many more.



RECOMMENDATION 6

That tax relief for low and middle income earners be implemented as economic and financial conditions permit. Governments should specify in advance conditions that will automatically trigger action, such as: level of budget surplus and level of additional revenue from tax changes, etc.

RECOMMENDATION 7

That pending broader tax relief the use of tax credits be considered to assist very low income households – the working poor, with appropriate action to prevent their use as a subsidy for low wages.

RECOMMENDATION 8

Action be taken by government to undertake individual studies at depressed localities in urban and rural regions to determine the specific needs of each one. Following identification of these specific needs government at all levels consider incentives/concessions for the development of infrastructure, services and employment opportunities to address these needs.

RECOMMENDATION 9

That in depressed localities, Life Skills Training Centres be established, funded by government and operated by government or community organisations including charities to cover such areas as:

- household budgeting, banking and credit**
- shopping, value for money**
- food, nutrition and cooking**
- hygiene and health**
- basic skills in seeking a job such as resumé writing, using the phone, and dress sense.**



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RECOMMENDATION 10

That governments use their power in the market place (as buyer, seller or provider) and in some instances use their power to legally mandate changes to assist the poor and disadvantaged. Hence there is a need to explore possibilities such as:

- the auction of government welfare payments to the banks (around \$50b annually) with payments to be made a couple of days before payments to recipients is due, enabling a bank to profit. In return the banks must offer concessional treatment for development programs (business and social) in depressed localities:**
- mandate that large companies, employing 250 or more people, take on full time a percentage of disabled workers or long term unemployed assisted if needs be by part payment of the disability pension:**
- large scale contracts for purchases/sales, etc be related to companies meeting goals in depressed localities (eg setting up a storage facility, call centres or the like).**



RECOMMENDATION 11

It is strongly recommended that Charities and organisations like the St Vincent de Paul Society be totally excluded from the GST process for all their non-commercial activities. This means that these organisations would be excluded from paying, collecting, or complying with the GST- including the completion of the BAS.

- ◆ There is no financial gain to the government by imposing the huge and crippling burden of compliance on charities. This unnecessary bureaucratic burden is nonsensical as the GST paid by them goes in a revolving door back to the charity. Millions of dollars are spent merely to provide government with information and some added control. In essence, for charities, compliance costs amount to nothing more than a registration fee.

REVENUE SOURCES TO FUND CHANGE

From whichever direction one approaches the problem of poverty and disadvantage, the core of any solution revolves around regional initiatives and income redistribution in one form or another. We have no qualms in proposing that the costs of this redistribution be borne by the wealthy. Middle income Australia, already in a tight financial squeeze, should not be directly called upon. We propose therefore that the funding or financial burdens of redistribution be achieved by, inter alia:

1. A higher marginal tax rate on incomes of above \$150,000.
2. For annual income packages above \$400,000 (or twice the Prime Minister's salary), tax deductibility as company costs be abolished.
3. The private health rebate for those earning in excess of \$150,000 per annum be abolished.
4. Abolition or reduction of a range of tax shelters for income including:



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- (a) Trusts (We are confident that special measures can be implemented to offset problems posed for farming families)
 - (b) Private company tax shelters which so many now use not as a way to claim legitimate costs for productive enterprise but simply a device to spread and minimize income and tax payable
 - (c) Other tax deductible activities, not available to most Australians, and in effect subsidized by them. For example, tax funded overseas travel and ability of some highly paid sections of the community to claim deductions for clothing.
5. Hypothecation of a given minimum percentage of any future budget surplus (10-15%) to additional measures to alleviate poverty and inequality.

Our lack of qualms over such measures is based on the fact that huge financial benefits have accrued to the wealthy over the past decade, and seeking to claw some of that back is certainly not immoral or financially irresponsible. Moreover there are many wealthy households who would not oppose such measures, if they could be assured of successful and identifiable outcomes for the poor.

It is important to recognise poverty and inequality are economic as well as social costs. Reducing those in poverty or disadvantage will lead to substantial savings in health and other welfare payments. NATSEM has shown there is a substantial disparity in health between low income and other Australians. They have also reported on the economic basis to the digital divide affecting future employment opportunities of the poor. Numerous studies worldwide have also found that people with lower incomes die younger than people with higher incomes.

Other economic costs of inequality have been identified in respect of education, training, lower economic growth and productivity.

Overall these are not issues that can be delayed 'until things get better', 'when we have stronger growth', 'when unemployment falls to 5%' – they must be addressed now. Had we done so twenty years ago we would not be in the predicament we are in now. Let us hope that in 20 years time we do not have to look back in sorrow at missed opportunities, with only the dream of a once egalitarian Australia.



1. Introduction

Despite 20 years of economic growth and the so-called boom of the last decade in Australia, there has been a sustained period of DIVERGENCE between the poor and the rich. This divergence has created a gap which is so alarming that if not corrected we will develop into two Australias – one for those who “have” and one for those who “have not”. There is an urgent need for Australia as a whole to address the fundamentals which brought this about. This should lead the community to enhance and encourage the development of not only policies but also political will to establish a period of CONVERGENCE to correct the slide into a dual Australia. What better time to begin this process than in an election year when voters can express their concerns about the common good!

The St Vincent de Paul Society is not an economic think-tank. However it is concerned about the apparent inequities in Australia and the poverty that breeds within those inequities. It sees this poverty in the 800,000 people it assists each year in their homes and the people we care for in our refuges and other special works. We believe there are ways to solve most of these problems, and we offer some suggestions. But we do not assert in any way that the remedies set out in this paper are the only or exclusive suggestions. They are provided to show what can be done. However the Society detects an emerging concern and impatience in the community about inequalities and injustices in Australia and a growing desire to see those concerns attended to realistically.

Given the community concerns about the growing gap between the wealthy and the rest of Australians, any program to alleviate the plight of low income households **MUST BE COMPREHENSIVE**. It is not good enough for governments to dabble at the edges of welfare and related programs in minor ways for political purposes. The time for “band-aid” solutions has gone. The gap is now so wide that unless we act now we are in danger of ever being able to breach it.



2. The Unconscionable Gap Between Rich and Poor

Although not by deliberate design, Australian governments of all persuasions have in the past 20 years presided over substantial, persistent and unacceptable levels of inequality. In the past 10 years in particular globalisation has resulted in massive wealth creation. ABS data shows that between 1992 and 2000 Gross Domestic Product (GDP) grew by almost \$180 billion and Australia's net worth grew by over \$830 billion. But there is no shortage of hard evidence that this wealth has been disproportionately spread, both in terms of those to whom it has accrued, and its geographic concentration in specific and identifiable areas of our capital cities. Some examples:

- ◆ While GDP¹ has grown by leaps and bounds in the last 20 years, it is patently obvious to even the most casual observer that not everyone has benefited. While the top quintile of households in the 1990s enjoyed around 50% of Australia's gross weekly incomes, the bottom 20% of Australians received less than 4%²;
- ◆ A comparison of data between the 1993/4 and 1998/9 Household Expenditure Surveys by the ABS (Docs 6530.0) shows for example:
 - The approximate 2.2 million Australians in the lowest quintile of household incomes in the five (5) year period received an average weekly increase of \$9 - that is a 5% increase to \$160 per week.
 - In contrast, the top 20% of income earners over that same period received an average weekly increase of \$343 - a 23.4% increase to \$1,996 per week.

¹ ABS Docs 1360 and 1350

² Australian Statistical Year Book 2001 Table 7.3



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Clearly, the increases in incomes are heavily and unfairly skewed in favour of the wealthy. Since some of the reasons for the increasing gap are endemic to the current economic arrangements for wealth creation (with insufficient focus on distribution), some fundamental changes are required. One simple fact, for example, is that no pensioner or welfare recipient is guaranteed that their income will provide the basic goods and services that the community generally regards as essential because their allowances are calculated after the CPI increases. In addition, many middle income Australians are fearful that their retirement incomes will not last their lifetime.

- ◆ National Economics report “State of the Regions 2000”³, shows the wealth gap is not only between individuals but is reflected in growing inequality among the regions where the gap, for example, between “global Sydney” and rural and regional areas, unless corrected, will grow exponentially.

- ◆ A VCOSS Study, using unpublished ABS Data, “Winners and Losers”:⁴ indicated that “...since 1990 the gap between the rich and the poor in Victoria has grown to such a degree that there will be a 31% variation in the magnitude of this gap”. There is no reason to suggest that this is not reflected in all States.

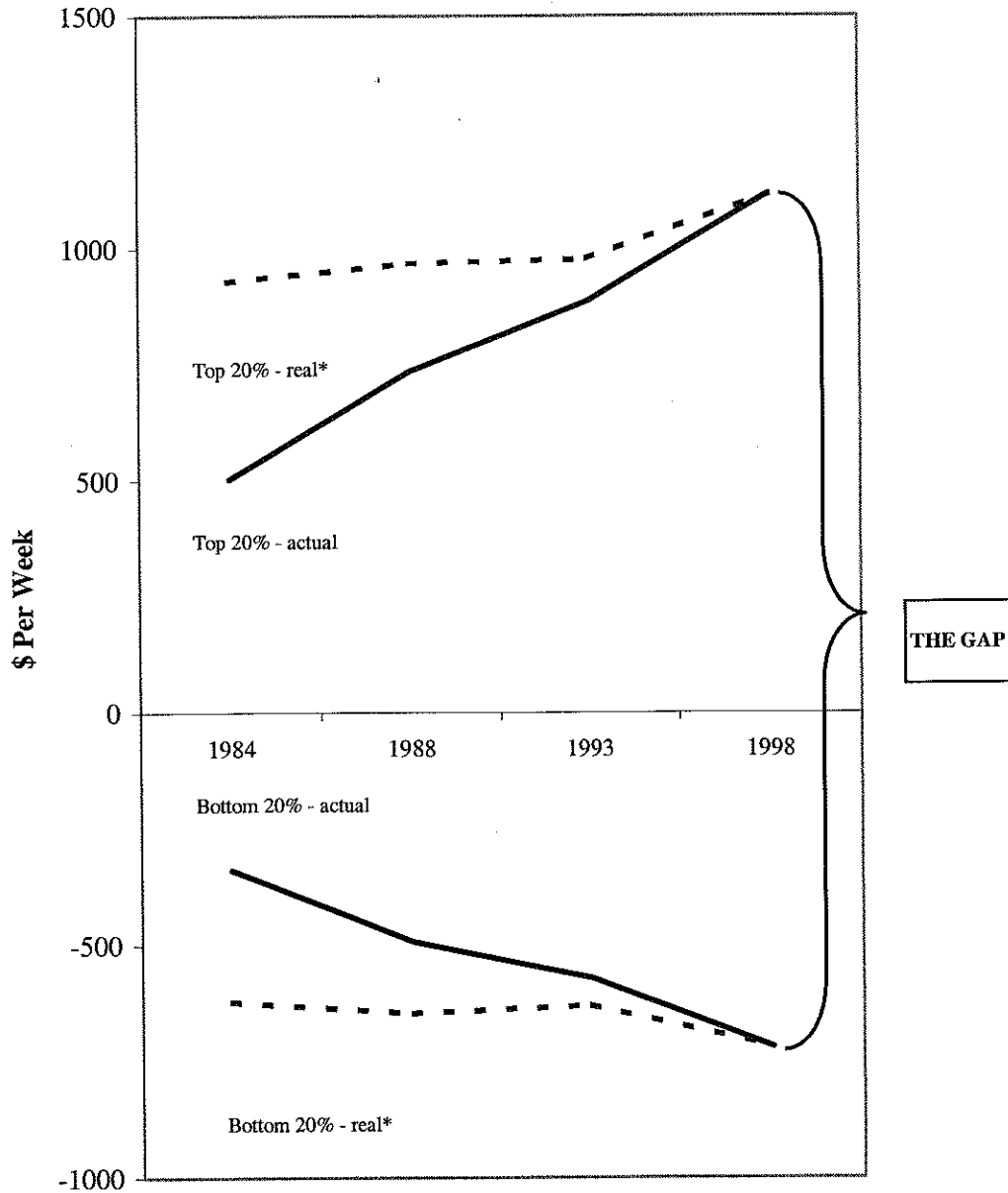
³ National Economics: State of the Regions Report 2000

⁴ Gavin Dufty “Winners and Losers” VCOSS Study 1998



VARIATION FROM AVERAGE WEEKLY HOUSEHOLD INCOME

HIGHEST AND LOWEST 20% OF INCOMES



* Real Incomes expressed in constant 1998/99 dollars
Based on ABS HES Data 1984 – 1998/99



3. Public Acquiescence to the Growth of This Gap

Public acquiescence or comparative silence concerning the growing gap between rich and poor has been aided and abetted by numerous myths often given much publicity.

MYTH

- ◆ Economic growth automatically alleviates poverty.

REALITY

- The free market does not concern itself with the distribution of wealth. Hence the USA, the largest and wealthiest economy in the world, has the highest level of poverty amongst developed countries. Australia, after years of economic growth, has not done much better.⁵

MYTH

- ◆ Australia spends heavily on welfare.

REALITY

- By international comparison with the best welfare performers, Australia does not spend heavily on welfare. Social security transfers in many North European countries in the 1990s were double that of Australia. Even if one adds on private contributions to welfare in Australia our performance is still lower⁶.

⁵ Page 292 Australian Statistical Year Book 2001

⁶ OECD Data



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MYTH

- ◆ Australia is highly taxed.

REALITY

- In the late 1990s tax as a percentage of GDP including social security was 40-50% in many North European countries. In Australia including both Federal and State taxation, the same percentage was around 30%. Even if one excludes social security countries such as Denmark and Sweden they are still well above Australia.⁶

MYTH

- ◆ If the unemployed are penalized they will find work.

REALITY

- This is simple arithmetic nonsense where the number of unemployed far exceeds the number of jobs available. How can 600,000 or more unemployed all find work if there are less than 100,000 real jobs available. Especially when the skills and location of these jobs often do not match those of the unemployed.

MYTH

- ◆ Welfare expenditure creates welfare dependency.

REALITY

- A spurious claim when countries such as the Netherlands, Norway and Switzerland in the late 1990s had much higher levels of welfare expenditure than Australia but much lower levels of unemployment⁷.

⁷ OECD Data



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MYTH

- ◆ Economic growth in Australia over the past decade has seen a substantial reduction in unemployment.

REALITY

- This has not been the case (See National Economics “State of the Regions” analysis). There has simply been a redefinition of unemployment with large numbers statistically reclassified to disability status and one hour of work per week being defined as being employed. National Economics shows that by correcting the data the following is a truer representation of the situation.

NATIONAL ECONOMICS ‘STATE OF REGIONS REPORT’ AUSTRALIAN UNEMPLOYMENT

UNEMPLOYMENT	1991	1996	1998	2000
Official Rates	9.4	8.4	7.9	6.6
Rates on a Corrected Basis	7.5	10.1	10.0	9.4

One can now say that current unemployment data is next to meaningless.

The overall result of this public acquiescence is that there has been insufficient attention given in Australia to the plight of the poor and disadvantaged. Hence at a time of increasing overall affluence, the plain fact is that while the well-off are becoming considerably more wealthy, the poor are becoming poorer, and middle Australia is undergoing an untenable squeeze.



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This is not to say that these developments have been overlooked by successive Governments, or as something of which they were unaware. Governments have been aware, but responses have largely been ad hoc, short term, band-aid changes to welfare, employment and related programs which have at best been belated and inadequate. We do acknowledge a wide range of welfare programs and payments made in recent years, and must applaud their intent. However, the failure of poverty and disadvantage to show any significant reduction in the past ten (10) years illustrates their lack of overall effectiveness.

The National Centre for Social and Economic Modelling (NATSEM) data⁸ indicates that from 1982-1999, almost two decades, there has been a 1.3% decline in the number of Australians living in poverty due largely to income transfers under government welfare programs. But at this rate, we believe, it could take more than 100 years before poverty reduces to what some might consider acceptable levels at 4-5% of the population. Moreover in the same period alone the gap in incomes between the top 20% and bottom 20% in Australia grew by over 50% in money and 20% in real terms. At these rates of change if action is not taken now, income differences between rich and poor will ensure Australia has the proportions of a third world country long before poverty has been reduced to manageable levels.

There has certainly been the lack of a co-ordinated approach to the problem, one major reason being the failure of official data to define poverty and inequality. If you cannot be bothered to define a national problem, how can you begin to solve it?

The result now is, we detect, an emerging disenchantment and impatience in many sectors of Australian society about the gap. We would agree that not all this concern is driven by altruistic motives. Much of it is driven by concern for the social, political and economic consequences should the trend continue. One business organisation has told us that if sound policy is not put in place to correct the problems of wealth distribution then the social consequences could threaten Australia's place in the global economy.

⁸ Natsem Smith Family Report and other NATSEM Reports and papers prepared by Professor Harding



4. Who Are The Poor in Australia

Without a consensus in Australia on a clear definition of poverty or severe economic disadvantage it is difficult to establish precise living standards for the poor. As various NATSEM and Social Policy Research Centre, University of NSW (SPRC)⁹ studies show, as do numerous other studies since Henderson in 1970, drawing a line for poverty depends on what is included (e.g. housing) and what percentage of average weekly income is considered appropriate. Drawing a definitive line is not particularly helpful for the poor, because moving the line slightly will have substantial numbers of people either included or excluded. We need a broadly based flexible band which straddles severe disadvantage and poverty. Considerable work is needed in defining that band.

The real problem for the disadvantaged who are on the margins of poverty is that any small crisis, such as sickness, car breakdown or death in the family or broken appliances could drive them into abject poverty. This situation has led to a degree of begrudgery when governments raise welfare benefits by small amounts and fail to address the causes and depth of poverty in Australia; while the poor see wealth soaring but themselves being blamed for this predicament.

The Government's official statistical agency, the Australian Bureau of Statistics (ABS) could undertake far more pertinent studies relating to poverty. This is shown by the fact that if the private sector, such as research institutes, is prepared to pay the ABS for it, there is official capacity to do the work.

The overall result is that most of the detailed published poverty data is undertaken by the private research sector, including where they can afford it, the charitable sector. This enables Governments to distance themselves from the analysis – this is a sorry state of affairs.

⁹ See SPRC Papers including "Reports and Proceedings No 142" and various studies by Professor P Saunders including Australia Statistical Year book 2001 Pages 280-295



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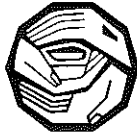
Nevertheless, from a wide range of official data and private research, we know that:

- ◆ over 5 million Australians (up to 30%) live at a distinct economic disadvantage compared to the rest;
 - official Household Expenditure Survey (HES) data for 1998/9 shows that 5.5 million people are in households with incomes less than \$23,000 pa. Some of these would be single people and pensioners who can survive reasonably well at this level - but these would be offset by large numbers of working poor families having incomes higher than \$23,000, but at levels that are still totally inadequate. For example, SPRC's Budget Standards Unit (BSU) indicates that a family with four children would need around \$48,000 per annum.
- ◆ At the heart of this large section of the community living at an economic disadvantage, as indicated by analysis from various research bodies such as ANU, Melbourne Institute of Applied Economic and Social Research (MIAESR), NATSEM, SPRC, NATIONAL ECONOMICS, etc between 2-3 million Australians live in poverty, that is, between 11 and 15%.

In addition to those in poverty we estimate that a further 9 - 10% of Australians at an economic disadvantage live on the edge of poverty where what seems minor crises to most Australians such as school costs at beginning of the year, breakdowns in appliances or sickness, could tip some families into stressful and long term economic difficulties.

A disturbing more recent development has been the growth of working poor¹⁰; households who have jobs but of a casual part-time or temporary nature where income earned is far below that necessary to afford the essential basics of living. Indeed the 'Smith Family Report' by NATSEM concludes that "... one in every five poor Australians now live in a family where wages and salaries are the main source of income. In Australia today having a job no longer guarantees that you or your family will not be in poverty". This is also confirmed by the increasing number of 'working poor' who seek our assistance.

¹⁰ SPRC's Budget Standard Unit Newsheets



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In the absence of official attempts to specifically categorise those in poverty, what we can say from our own private research and experience at St Vincent de Paul, is that they include:

- ◆ Unemployed and underemployed people (40%);
- ◆ Single parent families (35% of the people we help);
- ◆ Traditional families with children (about 20%);
- ◆ Aged pensioners (5%).

These groups include in one category or another: working poor, rural workers, townspeople, poor farmers, migrants and refugees, aboriginals and elderly people whose superannuation and private pensions are insufficient.

We do not resile from the fact that:

- (a) Some of these people are drug and alcoholic dependent including youth; and some are either unemployed or homeless by choice.
- (b) But the vast majority, as can be seen by the National Economics "State of the Regions 2000" Report are Australians who are clustered in low socio-economic areas of our cities and in rural areas. The only thing stopping them from working is either the opportunity to work because the jobs are not there or because these people lack the necessary skills to secure the jobs that are available.



5. The Struggle To Survive In Poverty

ABS data and our own Household Expenditure Survey in preparation for the Senate Enquiry into A New Tax System (ANTS) (www.vinnies.org.au) show, inter alia, that the majority of low income earners, (around 5 million Australians), spend about \$100 per week in excess of their income and for those in severe poverty it is more. They achieve this in a number of ways such as:

- ◆ Sale of assets including the family farm, superannuation and other assets and insurance policies;
- ◆ reliance on friends and relatives – this applies particularly in rural and some ethnic communities;
- ◆ increasing use of credit cards (since the introduction of Bankcard in the 70s Australia has one of the highest growth rates in consumer credit and debt in the western world), and recourse to extortionate payday loans;
- ◆ non payment of bills;
- ◆ reliance on charities;
- ◆ living on the streets.

The poor and disadvantaged face inbuilt social exclusion and inbuilt mechanisms which all but prevent a large proportion of them from escaping from a cycle of poverty. Those in the lower socio-economic group suffer from inequalities in housing, education, health services, employment opportunities, child care facilities. The situation is exacerbated by the breaching or fining of some of Australia's poorest citizens of \$800 or more for simple administrative errors such as failure to attend an interview with a government agency.



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The welfare system together with employment and related programs is the main palliative for these problems. But as we embark on the 21st century our approach is failing and begs for improvement. Australia's welfare and related policies and programs have been drifting around for many years, with likely ad hoc palliatives to address problems given electoral prominence from time to time. There has been no long term strategy to come to grips with the fact that massive social/economic changes have taken place in Australia, just as in other western countries. Some of the significant changes are outlined below:

- with globalisation and National Competition Policy the nature of employment has changed. Secure long term manufacturing and related jobs have declined significantly and been only partially replaced in a deregulated environment by fewer, short term, temporary and casual work, much of it in the service industries;
- a significant level of unemployment and under employment has become endemic and will not be easily rectified. It is certainly not resolved by simply redefining employment;
- gender roles have been redefined with far more women in the workforce, generally in lower paid jobs;
- the traditional family is being challenged by rising divorce and single parent families. This has seen a significant parallel increase in child poverty;
- we are faced with a host of issues raised by an aging population (large numbers of which has insufficient superannuation);
- home ownership has undergone a 20% decline, and in the future more Australians will be forced to rent than those who actually own a home;
- many families who are locked into buying a home in depressed areas are rendered immobile for employment purposes by that fact.



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Deborah Mitchell, ANU¹¹ speculates that Australia's traditional wage setting institutions were a substitute for a welfare state and helped the development of equality combined with a low cost social security system. However with the dismantling of the wage system since the 1980's we have had to turn to other income redistribution means. Indeed Uniting Care Australia in its study "*Principles of a Fair and Equitable Social Security System in Australia*" recommends a strengthened centralized wage fixing system setting an appropriate floor on minimum wages – a view with which we sympathise.

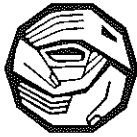
No one can deny that some redistribution of wealth has and is taking place in Australia through the current welfare system and it has had a beneficial effect. But it has not resolved the problem and as a result the emergence of significant economic inequality in the past two decades has seen the parallel development of a high degree of inequality in:

- Education and training, hence job and career prospects;
 - Justice;
 - Child care/Aged care;
 - Health;
 - Housing;
- with clear and irrefutable evidence of a concentration of these inequalities in specific regions or localities, both urban and rural.¹²

It is important that we acknowledge that inequality and poverty will be endemic unless those broader issues are addressed, and social exclusion rather than egalitarianism will become a hallmark of our culture.

¹¹ Mitchell – "Low Wages: Taking a Lifetime Perspective in SPRC Reports and Proceedings No 142

¹² Inter alia: "Department of Family and Community Services Policy Research Paper No 8: "Social Indicators for Regional Australia by J Rob Ray 2001 or Jesuit Social Services : 'Unequal in Life – Professor Tony Vinson 1999



6. The Location of Poverty – By Postcode

We know from experience at St Vincent de Paul that poverty and inequality can reside anywhere. Surprisingly it can and does exist in seemingly well-to-do suburbs and streets. However we also know, and research data confirms, that there is an overwhelming concentration of poverty in regional Australia – that is specific and numerous identifiable localities in both urban and rural areas.

National Economics, NATSEM, and studies by Professor Gregory of the ANU, clearly show substantial differences in living standards between inner metropolitan areas and suburban and rural communities. State Poverty Commissions and a range of other studies including the Department of Family and Community Services¹³ confirm this.

Clear indications are that in many of these disadvantaged regions globalisation has been a factor because it has brought about the demise of numerous locally based manufacturing and rural industries – but has not replaced them with new ones. New global industries based on finance, communications and other high tech activities are located in key metropolitan areas, or centres removed from depressed locations. Long term permanent jobs have disappeared and they have only partially been replaced at different locations by short term, temporary and casual jobs, many in the service sector and many employing women at low rates.

Heavy unemployment and under-employment is the crux of the problem for regional Australia. It results in reduced local expenditure, difficulties for small business many of which have closed, inadequate local resources for infrastructure which decays, insufficient and inadequate education and training, poor housing and the like.

¹³ Social Indicators for Regional Australia : FACS Policy Research Paper No 8 by J Rob Ray 2001



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In that context, we support the concept of formal training or working for unemployment benefits but only where it prepares the unemployed for legitimate full time work. A few hours of doing questionably productive work, which removes someone from the unemployed statistics and gives them no future hope to afford a home and basic life style to which most Australians aspire is no solution.

The Jesuit Social Services research paper '*Unequal in Life*'¹⁴ examined NSW and Victoria by post code using criteria of:

- ◆ Unemployment and long term unemployment;
- ◆ Low income;
- ◆ Low birth weight, child abuse, child injuries;
- ◆ School leavers before 15 years of age;
- ◆ Emergency assistance;
- ◆ Psychiatric hospital admissions;
- ◆ Crime, represented by;
 - Court Convictions
 - Court Defendants
- ◆ Mortality.

In mapping out poverty and inequality in our two most populous States the research demonstrates quite clearly a particular concentration of deprivation, between 30-40 post codes in each.

¹⁴ Jesuit Social Services "Unequal in Life" : Tony Vinson 1999



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The study concludes that those persistent localized inequalities cannot be ignored and rightly asserts that if the situation is to be remedied “.... intensive help in the form of educational, health, family support, housing, justice and other community services is required in combination with supported community building endeavours”

Government is certainly aware of the problem and the ‘Regional Australia Summit’ which it convened in 1999 and a number of committees of the Federal Parliament have conducted enquiries into the needs of regional Australia and some initiatives have been implemented.

However as pointed out in an analysis of these by the Australian Catholic Social Welfare Commission¹⁵, “Regional policies have demonstrated an incapacity to confront persistent and localized regional inequalities; policies have failed to respond flexibly to regional diversity; national economic reforms have been implemented with virtually no regard to their differential regional impacts; the distributional consequences of structural economic reforms are largely ignored it is difficult not to conclude that Australia’s policy framework for regional economic development has been partial and flawed.”

¹⁵ Australian Catholic Social Welfare Commission “Common Wealth” Vol 8 No 1 October 2000



7. A Long Term Strategy for the 21st Century

RECOMMENDATION 1

It is strongly recommended that a national forum (summit) be summoned by the Federal Government within twelve months of the next election to establish an agreed strategy with overreaching agreements on plans and policies to correct these social imbalances. This forum (summit) to also establish a timeframe (of say 5 years) and program to address the issues. Those attending the forum should include federal, state, and local political leaders, business and church leaders, academics, trade union, charitable & welfare sector representatives.

RECOMMENDATION 2

- (a) That the Government set aside up to an additional \$10m each year for research into poverty and wealth - their causes, nature and level. The research should investigate life styles and income/expenditure of both the poor and the wealthy. It should also identify those elements which tend to reinforce the poverty cycle and provide information on wealth, its size, how it is used and whether sufficient of it has been recycled into the common good. Such research should also make recommendations to government concerning innovative solutions to the problems identified using progressive ideas from international sources.
- (b) That this finding be oversighted by a committee which would include representatives of government, The Australian Bureau of Statistics (ABS), academics, business, charities and welfare organisations.

Solving the issue of inequality and related problems, is essentially long term because crucial areas for action such as education and training, housing, regional programs, child and aged care facilities require capital investments which cannot be brought to fruition overnight and the total level of expenditure over time requires thoughtful planning. It also requires a comprehensive data base, without which initiatives will be a leap in the dark.



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- ◆ Any long term strategy must also necessarily involve:
 - the federal government
 - because of its control of taxation, and expenditure, welfare and related areas;
 - it also has the leadership responsibility and the focus to solve major problems;
 - the state governments
 - because of their heavy involvement in service delivery as well as the funding and development of state programs;
 - the business community and trade unions
 - that have major influences on wages, superannuation, job training, and job location;
 - the social research institutions
 - that have substantial research data on all of the relevant issues;
 - local government, general public and community organisations
 - no strategy can be developed and be effective without community/electoral support;
 - they provide both the energy for turning the problem around as well providing the litmus tests for success or otherwise.

Moreover no strategy will be successful unless it achieves some form of consensus. Perhaps realisation that this is the most fundamental issue facing Australians in the 21st century may help to stimulate moves towards a consensus.



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The issues at the heart of the FORUM must include:

Housing:

A core issue for low income families. This is recognised by all researchers including NATSEM, ABS, McClelland and others. In the last five years ABS figures show a 23% decrease in government housing – forcing people into the more expensive private market.

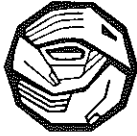
- Increasing numbers of low-income families are now dependent on private rental accommodation - as McClelland points out those low income people in private rentals are at a higher risk of poverty;
- rent assistance does not keep pace with the increasing costs of rental accommodation;
- the location of housing also determines the availability of employment.

These problems require funds from the Commonwealth, funds and infrastructure from State Governments and local community participation.

Education:

Clearly, a sound and broadly based education is an essential for escape from poverty. It was the tool in the post war years for opening opportunities for low income families and returning ex-servicemen. It was also the tool for the advancement of women's opportunities in the 70s.

These opportunities have eroded for families and children in depressed areas where a sound education is almost beyond reach and therefore a guarantee of condemnation to a cycle of poverty. Social justice requires remedial action. Such action needs the co-operation of all stakeholders in education. Federal and State Governments are the key players because they hold and control financial, structural and policy vehicles.



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Justice:

A change of culture is required in this area if the spirit of those in social and economic disadvantage are to be raised. It gives little hope when they see politicians, high profile personalities, business people and others treated leniently by the courts for major criminal acts yet they are given severe sentences for relatively minor misdemeanors. One simple example is a fine of over \$800 on welfare recipients for real or perceived administrative errors.

Training:

A series of training programs are required in life skills, job skills and employment skills if many of those from deprived areas are to become included in the Australian way of life. Provision of these training programs are an essential requirement before obligations are placed on welfare recipients.

These programs need co-operation and implementation by federal, local, state governments as well as educational and welfare organisations.

Child Care:

This is readily available to those who can afford it. But it is well beyond reach of the 35% of single parents and families seen by volunteers of this Society.

It will require finance and co-operation by all those involved at federal, state and community level.

Health:

There is ample evidence (McClelland & others) that the poor cannot afford private health insurance. This is coupled with the simple fact that medical facilities are inadequate in disadvantaged and rural areas. Few, if any, low-income families receive any benefit from the \$2.8 billion rebate on health insurance. And still waiting lists in public hospitals show no or little sign of abatement.



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Recent publicity about the deterioration in the oral health of poor Australians, and the pain this causes, highlighted by the Australian Dental Association¹⁶ research following the removal of the \$100 m Dental Rebate Scheme underlines the problem.

After discussions with politicians at Federal, State and Local Government, businessmen, academics, the charitable and welfare sector – and more particularly with the people of Australia, we are convinced there is a consensus about wanting these problems solved for varying reasons. They are impatient with internecine squabbling and rivalry among stakeholders. We therefore propose a Forum to bring the stakeholders together.

The St Vincent de Paul Society's primary concern is with the existence and alleviation of poverty which lies at the heart of inequality. The summit should be designed to focus on the "big ticket" issues.

The remainder of this paper focuses on those issues which can be fixed by Governments almost immediately. And they are issues which we see in our everyday contact with the 800,000 people we visit in their homes and house in our establishments each year.

Adding to our concern is an apparent trend in Australia for charities and welfare groups to be left to deal with increasing numbers of men, women, and children falling through the safety net – which current welfare policy does not appear able to stitch up.

Nevertheless we emphasise the need for a comprehensive approach. Acceptance of the Forum proposal **MUST NOT** be an excuse for shelving policy changes in other areas. Low and middle income earners deserve better.

¹⁶ "Oral Health and Access to Dental Care 1994/1996 and 1999" 20 March 2001
Australian Institute of Health and Welfare Professor J Spencer



8. Immediate Actions To Deal With Poverty

Just as it is true that a journey of 1,000 miles begins with a first step so the fairly daunting task of wealth redistribution in Australia to drag us back to some semblance of the egalitarianism of which we used to be so proud must begin with a series of affordable measures that lock us in and commit us to the long term goal. The continuing and crushing burden of inflation on the poor underscores this need.

Price increases suffered by the poor and disadvantaged are often significantly higher than the CPI/inflation data indicates. The CPI is a national average, but the basket of goods and services on which the poor and disadvantaged rely is in many areas significantly higher than the average. For example the CPI in the last year has been restrained following the impact of lower prices on luxury goods resulting from the abolition of the Wholesale Sales Tax (WST). The poor do not buy luxury goods so they do not share in these benefits. Significant numbers of the poor do not live in those metropolitan areas where data for the CPI is collected.

Several studies have shown the real effect of the CPI on those in the bottom two quintiles.

- ◆ Gavin Dufty of VCOSS has studied the real effect of the CPI on different groups of people using unpublished ABS data. He also produced a 'Relative Pricing Index' showing the changes in the cost of living for various types of households based on their lifestyles – it differs from the CPI which is only an estimate of the cost of living in metropolitan wage and salary earners. This shows that for a variety of households in Victoria, the cost of living is significantly higher than that indicated by the official CPI¹⁷.

There is no reason to suggest the rest of Australia does not follow a similar pattern.

¹⁷ VCOSS "Which is your Inflation Rate" and other papers by Gavin Dufty. August 1998



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- ◆ Econtech has examined, again using ABS figures to show that while CPI for December quarter was 3.7%, for those in the bottom quintiles ranged from 4.0% to 4.2%.

In addition the burden of inflation is significantly higher than anticipated a year ago:-

- ◆ Initially officials were adamant that the level of inflation post GST would be 1.9%, and many elements of the ANTS package were based on this. It was later raised to 2.2%, then 3.7%, which officials then declared was 'anticipated?'
- ◆ The overall rate of inflation to date is around 6%; and it is no consolation to the poor to be told that part of this was due to international oil prices or to the lower level of the A\$.
- ◆ Recent changes in taxation policy have exacerbated the situation posed by inflation and of the gap between rich and poor. While the regressive nature of the GST was clearly and officially recognised, the following impacts are of great concern:-
 - tax cuts at low incomes and indexation of some welfare payments did not provide adequate compensation for price increases/real income reduction suffered by the poor;
 - large numbers of the elderly in Australia received neither the \$1000 nor the \$2000 lump sum benefits;
 - the GST imposed heavy compliance costs on charities, reducing their funds available to assist the poor;
 - capital gains tax changes and failure to address trusts have encouraged wealth accumulation for the wealthy not the poor;
 - the exemption of food was a cruel hoax on the poor – as we predicted in our submission to the Senate. In parliamentary debate recently it was pointed out that of 24 food items whose price was supposed to fall post GST with its food exemption, 22 of those items have actually risen in price. Of the \$3.6b loss of revenue, overall it is estimated that \$2.6b benefited the rich.



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A crucial and immediate issue is one of insuring to the poor an adequacy of access to the basket of goods and services that Australians regard as essentials which constitute a minimum standard or style of living to which all citizens can legitimately aspire. That basket includes food, clothing, shelter, education, health, energy, transport communications as well as other services and some minimum level of discretionary purchases. The basket is not simple to design and it does vary for different households. Much work has already focused on this area and the Department of Family and Community Services has funded SPRC's Budget Standards Unit (BSU) to develop appropriate standards. We appreciate that there are difficulties to overcome and believe that utmost urgency be given to ensuring that resources are available to complete this work.

It will have a major bearing on the two major ways of ensuring that all Australians have an avenue to escape the poverty trap through having:

- ◆ the necessary level of disposable income through various welfare payments (and minimum wage levels);

OR

- ◆ the direct provision of relevant goods and services or their provision to the poor through reduced prices by taxation or other concessional treatment by Federal, State and local governments.

At St Vincent de Paul we have no bias to favour 1 or 2 above or combinations of them both – the most likely outcome in practical terms. But we do emphasise strongly that whatever path is chosen it **MUST** be indexed. We also feel that sufficient is known about the needs of the poor now to proceed with remedial actions.



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RECOMMENDATION 3

Australian welfare pensions be indexed to a higher basic living standard than at present, using means such as:

- a basket of goods and services relevant to the poor the value of which is based on a specific price index for low income households, taking account of actual prices in disadvantaged rural and urban areas:
- the direct provision of goods and services in the basket or a reduction in their prices to the poor through tax or other concessional treatment by federal, state or local governments, such as reintroduction of the Dental Rebate Scheme:
- the indexation of all welfare payments to average weekly earnings, with even very small real annual increases as low as 0.1% of 1.0% ensuring real gains each year with the objective of minimizing poverty within a decade or so.

RECOMMENDATION 4

That the breaching or fining of welfare recipients be confined to action against those seeking to defraud the government and that criminal intent be the basic criteria.

RECOMMENDATION 5

That welfare payments be more closely related to efforts to get unemployed/under employed into full time jobs.

- In that context we endorse the recommendations of the Parliamentary Report *'Age Counts'* which examined the specific problems of the elderly and made a wide range of recommendations including improvements in training, indexation of earnings before benefit reduction, assistance for transportation for employment purposes, computer literacy assistance and many more.



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RECOMMENDATION 6

That tax relief for low and middle income earners be implemented as economic and financial conditions permit. Governments should specify in advance conditions that will automatically trigger action, such as: level of budget surplus and level of additional revenue from tax changes, etc.

RECOMMENDATION 7

That pending broader tax relief the use of tax credits be considered to assist very low income households – the working poor, with appropriate action to prevent their use as a subsidy for low wages.

RECOMMENDATION 8

Action be taken by government to undertake individual studies at depressed localities in urban and rural regions to determine the specific needs of each one. Following identification of these specific needs government at all levels consider incentives/concessions for the development of infrastructure, services and employment opportunities to address these needs.

RECOMMENDATION 9

That in depressed localities, Life Skills Training Centres be established, funded by government and operated by government or community organisations including charities to cover such areas as:

- household budgeting, banking and credit**
- shopping, value for money**
- food, nutrition and cooking**
- hygiene and health**
- basic skills in seeking a job such as resumé writing, using the phone, and dress sense.**



RECOMMENDATION 10

That governments use their power in the market place (as buyer, seller or provider) and in some instances use their power to legally mandate changes to assist the poor and disadvantaged. Hence there is a need to explore possibilities such as:

- the auction of government welfare payments to the banks (around \$50b annually) with payments to be made a couple of days before payments to recipients is due, enabling a bank to profit. In return the banks must offer concessional treatment for development programs (business and social) in depressed localities:**
- mandate that large companies, employing 250 or more people, take on full time a percentage of disabled workers or long term unemployed assisted if needs be by part payment of the disability pension:**
- large scale contracts for purchases/sales, etc be related to companies meeting goals in depressed localities (eg setting up a storage facility, call centres or the like).**



9. Taxing Role of Charities

RECOMMENDATION 11

It is strongly recommended that Charities and organisations like the St Vincent de Paul Society be totally excluded from the GST process for all their non-commercial activities. This means that these organisations would be excluded from paying, collecting, or complying with the GST- including the completion of the BAS.

There is no financial gain to the government by imposing the huge and crippling burden of compliance on charities. This unnecessary bureaucratic burden is nonsensical as the GST paid by them goes in a revolving door back to the charity. Millions of dollars are spent merely to provide government with information and some added control. In essence, for charities, compliance costs amount to nothing more than a registration fee. There is also a huge cost to Government for a bureaucracy to check the accounts of Charities.

The financial loss to charities is not the only, nor even the most important, disadvantage. As we forewarned consistently in the lead up to the introduction of ANTS, compliance has reduced our already stretched resources in terms of loss of volunteers and distraction of others who instead of helping Australians in need have spent significant time meeting bureaucratic requirements.

Unlike the business community, charities cannot offset these costs through tax concessions or price adjustment.

Across Australia this Society will expend each year around \$1 million on compliance for the GST, in addition to the money it expended in preparing for the GST.

Evidence of the meaningless, costly and huge burden placed on Charities by compliance with the GST is demonstrated by the effects of this compliance on just one small section of this Society, namely the Canberra/Goulburn Archdiocesan Council:



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- ◆ In the lead up to the introduction of the GST (before 1 July 2000), it spent \$22,784 on preparatory costs, in addition to any funds provided by the Start-up Office. This included stationery, printing, staff training and other administration costs. Then between July and December 2000, it spent a further \$24,782 which included training, staffing and stationery and provision for an estimated additional \$8,000 for the 2000/2001 audit. That makes a total of \$47,566 in preparatory costs.
- ◆ EACH YEAR COMPLIANCE WILL COST IT \$61,000. This includes additional audit fees and staff costs.

AND ALL THIS FOR WHAT OUTCOME?

- ◆ In the first two quarters THIS COUNCIL PURCHASED \$863,104 goods and services. Of this amount we paid \$78,464 in GST. This was refunded to this Council.
- ◆ In the same period we collected \$74,642 in GST on the goods and services we provided. But 85% or about \$63,000 of this was GST on Government Grants [sic].

In summary, this Council spends \$61,000 per year for the following:

- ◆ No Gain to the Government.
- ◆ Net Gain of about \$3,800 in the wash up of all these book entries to the Council.
- ◆ A huge administrative burden on an organisation of volunteers who spend time and resources helping fellow Australians who are poor and/or disadvantaged. The burden is such, that as we foreshadowed in our letter to ALL Parliamentarians on this matter in February 2000, we have lost volunteers who either do not want or are unable to do the book work. One Conference in a very busy area has closed as a result.

The net result is that we now have less money, fewer volunteers and fewer resources to assist those who call us for assistance.



10. Possible Revenue Sources

Adverse economic and financial implications dictate that borrowing by governments is not an appropriate means to achieve long term changes in the allocation of wealth. In the absence of borrowing, taxation is the most important single tool that governments have at their disposal because taxation affects prices hence real incomes and it provides the largest single source of revenue from which governments can provide services and run the country.

To provide greater assistance, or to implement new measures to reduce poverty requires either:

- ◆ re-jigging patterns of government expenditure within a given tax revenue take (reducing some programs to increase others, making some programs more effective, including variation of levies and subsidies);

OR

- ◆ increasing the total tax revenue, which implies;
 - an expansion of the tax base or,
 - an increase in tax rates (particularly the marginal rate)

From an economic or financial perspective there is no inherent reason why in Australia we cannot seek to use ALL of the above. We are not by international comparison a highly taxed country, nor are our marginal rates particularly high, and we certainly cannot claim that our tax revenue/expenditure programs are the most efficient in the world and cannot be improved.



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In addition there is irrefutable evidence of substantial and disproportionate economic benefits to the well-off in Australia in recent years. This has not simply been an outcome of globalisation, because significant gains in income have also resulted from tax and related changes. Hence:

- ◆ the Senate Select Committee on ANTS pointed out (page 76) that a person on \$15,000 pa under the new system was to get a tax cut of \$6.80 or 2.7%, but some one on \$75,000 pa was to get \$88.77 or 9.3%;
- ◆ the biggest cuts in WST benefited the wealthy by reducing the price of items the poor do not buy (new cars, jewellery, white goods, electronic equipment, etc);
- ◆ the exemption of food from the GST at a loss to revenue estimated at around \$3.6billion, gave an estimated \$2.6 billion benefit to the rich;
- ◆ capital gains tax changes encourage wealth accumulation for the wealthy not the poor;
- ◆ private health cover rebates not means tested subsidized the very wealthy for something they could well afford and had done so for many years without assistance;
- ◆ current taxation arrangements for TRUSTS and PRIVATE COMPANIES provide substantial tax shelters mainly for wealthy Australians and avenues to evade tax not available to the poor;
- ◆ there is ample evidence of rorting of the tax system by the rich - need more be said than point to the devices used by prominent members of the legal profession to avoid tax, given much publicity recently.

As a result wealthy Australians receive benefits we believe could be well in excess of \$4 billion p.a. and we have no qualms in proposing



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that the funding of measures to assist the poor and disadvantaged re-claim such benefits.

We propose therefore that revenue to implement recommendations be achieved inter alia by:

- ◆ A higher marginal tax rate on annual incomes in excess of \$150,000;
- ◆ For annual income packages above \$400,000 (or double the Prime Minister's salary) tax deductibility as company costs be abolished;
- ◆ The private health rebate for those earning in excess of \$150,000 be abolished primarily on equity grounds regardless of the level of revenue involved;
- ◆ Abolition or reduction of a range of tax shelters for income including:
 - TRUSTS – we are confident that special measures can be introduced to help family farms which present a special case.
 - PRIVATE COMPANY tax shelters - which so many now use not as a way to claim legitimate costs for productive enterprise but simply a device to spread and minimize income and tax payable.
 - Many other tax deductible activities or goods and services, not available to most Australians and in effect subsidized by them. For example tax funded overseas travel and ability of some highly paid sections of the community to claim deductions for clothing.
- ◆ Hypothecation of a minimum percentage of any future budget surplus (say 10-15%) to additional measures to relieve poverty and disadvantage.



11. Conclusion

- ◆ A comprehensive approach to a long term strategy on poverty and inequality is essential, because the many potential measures that can be utilised are inter related, sometimes quite closely. Hence an increase in public housing will affect the level of welfare payments these people need, especially where the location of such housing could promote employment.
- ◆ It is important to recognise poverty and inequality are economic as well as social costs. Reducing those in poverty or disadvantage will lead to substantial savings in health and other welfare payments. NATSEM has shown there is a substantial disparity in health between low income and other Australians. They have also reported on the economic basis to the digital divide affecting future employment opportunities of the poor. Numerous studies worldwide have also found that people with lower incomes die younger than people with higher incomes.
- ◆ Other economic costs of inequality¹⁸ have been identified in respect of education, training, lower economic growth and productivity.
- ◆ In addition to being comprehensive, the process must be one that is **'locked in or guaranteed'** so that progress and net marginal gain however small are made each year.
- ◆ The last thing we believe that Australians want in 2020, is to look back and see (as we have over the past twenty years) that the gap between rich and poor has not seen any improvement, and in fact failing action now, will have deteriorated further – even to the point then that the costs involved will threaten any future attempts to remedy it.

¹⁸ A Gly & D Miliband (eds) *Paying for Inequality : The Economic Costs of Social Injustice* 1994