



Committee Secretary
Senate Standing Committees on Community Affairs
Via community.affairs.sen@aph.gov.au

Western Australian
Council of Social Service Inc.
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Dear members of the Committee,

**Re: Community Affairs References Committee inquiry into the
extent of income inequality in Australia**

The Western Australian Council of Social Service (the Council) welcomes the Inquiry by the Community Affairs References Committee into the extent of income inequality in Australia. As the peak body of the community services sector in WA, and as an advocate for low income and disadvantaged community members, the Council has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on a low income. Importantly, it is not only the issue of the level of that income, but the extent to which income inequality in this state and the rate at which income inequality is increasing in our community, that is also of concern for The Council.

The Bankwest Curtin Economics Centre's recent report *Sharing the Boom – The distribution of income and wealth in WA* provides significant analysis on the nature and impact of both income and wealth inequality within Western Australia. The report finds that:

Over the last six years, WA incomes have outpaced national averages, even when accounting for taxes and household size. In terms of absolute values, WA ranks third in both median and mean incomes, second only to the ACT and NT.¹

However, income growth across the boom period has seen income inequality increase significantly, as the richer households sprint away from the rest of the distribution. The boom may be benefiting many households, with rising employment participation, decreasing unemployment and generally higher incomes, but the poorest households in WA are being left behind. This does not mean that the boom is not being shared, but rather it is being shared too unequally.

Low-income households are falling behind all others at a faster rate in WA than Australia, which raises concerns about those living in these households and the decreasing standard of living that they are likely to be experiencing relative to the rest of WA's population.

One of the best known publications which explains why first-world countries like Australia should be concerned about growing income inequality, is *The Spirit Level: Why Greater Equality Makes Societies Stronger*, written by Richard Wilkinson of the London School of Economics and Kate Pickett of the University of York. Wilkinson and Pickett's analysis found that almost all modern social problems — such as poor health, violence, lack of community life and mental illness — are more likely to occur in societies where the rate of inequality is higher.²

Accordingly, the Council's submission to the Western Australian Industrial Relations Commission in relation to the state minimum wage has focussed on this issue of inequality.³ In May 2014, the Council called for an increase to the state minimum wage of \$35 — on the basis that the current minimum wage did not currently reflect a 'fair wage' in the context of living standards generally prevailing in the community. The WA Industrial Relations Commission has decided upon an increase to the full time adult Minimum Wage and State Awards of \$20 per week. This translates to an hourly pay rate of \$17.52 and an adult full time minimum weekly wage of \$665.90. These rates applied from 1 July 2014. The increase awarded is slightly higher than that awarded at the federal level (\$18.70) and the discrepancy between the two rates is now \$25 per week.

A copy of the Council's submission is attached, not only because of the information which it provides that is directly relevant to your Inquiry, but also to provide a point of comparison with the inadequacy of the rate of pensions and allowances within the social security system.

Another piece of work which addresses this issue of inequality is the Council's annual Cost of Living Report.⁴ This report models three low income households, and examines the adequacy of their income to enable them to afford a basic standard of living. Through this modelling, we seek to provide a picture of the challenges low-income households face as they endeavour (one week at a time), to ensure their basic costs of living do not exceed their meagre income.

Ultimately, we want to see all people achieve a financial position whereby they are able to actively pursue their social, economic and professional aspirations. However, year after year our Cost of Living analysis shows there is much still much to be concerned about for individuals and families living on low incomes in Western Australia. The 2013/14 financial year was no different. While the financial situation of our model households did not worsen significantly over the past 12 months, they have experienced little improvement in their situations. Issues such as the high cost of renting in Perth, which remains the major weekly expense for low-income households, the consistently high rises in education and health costs (and the potential for further increases as a result of State and Federal Budget decisions) as well as the way concessions are utilised as a key to helping the most vulnerable members of our community "keep their head above water" are all addressed in this Report.

The Council anticipates that our *2014 Cost of Living Report* will be released within the next few weeks, and seeks your agreement to it being submitted as an addendum to this submission in due course.

Finally, given the breadth of the Terms of Reference of your Inquiry, the Council would also welcome the opportunity to appear before you, in Perth, to give more detailed evidence about specific issues that may be of particular interest to the Committee.

Yours sincerely,

Irina Cattalini
Chief Executive Officer

Attached: WACOSS Submission to the 2014 WA State Wage Case

¹ Bankwest Curtin Economics Centre (February 2014) [*Sharing the Boom – The distribution of income and wealth in WA*](#), Curtin University.

² Wilkinson, R. & Pickett, K. (2011) [*The Spirit Level: Why Greater Equality Makes Societies Stronger*](#), Bloomsbury Press.

³ WACOSS (2014) [*Submission to the WA Industrial Relations Commission's 2014 State Wage Case*](#).

⁴ WACOSS (2014) Cost of Living, refer to [*Cost of Living Publications*](#).