



**Submission to Communities Affairs References Committee:
*Extent of Income Inequality in Australia***

Introduction

YWCA Australia welcomes the opportunity to provide this submission to the Senate Community Affairs References Committee's inquiry into the *extent of income inequality in Australia*.

About YWCA Australia

YWCA Australia is the national association of YWCAs in Australia and is part of the World YWCA movement. We are a women-led organisation that achieves positive change by providing advocacy, programs and services for women, families and communities.

YWCAs undertake advocacy and deliver services and programs that develop the leadership and collective power of women and girls, support individuals, their families and communities at critical times, and promote gender equality and community strengthening.

YWCAs have been providing community services in Australia since the 1880s and work with many people receiving income support allowances. Our programs include services for children; family and youth; mentoring; health and wellbeing services, disability services; programs for young women; women's leadership programs; social and low-cost housing; employment and training services; and social enterprises.

One of our key priorities is increasing the economic security of women, their families and communities.

Income inequality in Australia

YWCA Australia is deeply concerned about the extent and growth of income inequality in Australia. It is deeply disturbing that in 2012, 2.2 million people in Australia were living below the poverty line, with 575,000 or one in six children living in poverty.

We note that overall income inequality in Australia has been rising since the mid-1990s, during a period of sustained economic growth.¹ We are now the 'eighth most unequal country in the world'.² There is increasing recognition that inequality is not just a social issue – it is also an economic risk³. A recent International Monetary Fund publication stated:

Economists are increasingly focusing on the links between rising inequality and the fragility of growth. Narratives include the relationship between inequality, leverage and the financial cycle, which sowed the seeds for crisis; and the role of political-economy factors (especially the influence of the rich) in allowing financial excess to balloon ahead of the crisis. In earlier work, we documented a multi-decade cross-

¹ <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2013/Economic-Roundup-Issue-2/Economic-Roundup/Income-inequality-in-Australia>

² Australian Council of Social Service (ACOSS), *Poverty in Australia*, 2012, p.6, http://www.acoss.org.au/uploads/ACOSS%20Poverty%20Report%202012_Final.pdf

³ <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2013/Economic-Roundup-Issue-2/Economic-Roundup/Income-inequality-in-Australia>

*country relationship between inequality and the fragility of economic growth. Our work built on the tentative consensus in the literature that inequality can undermine progress in health and education, cause investment-reducing political and economic instability, and undercut the social consensus required to adjust in the face of shocks, and thus that it tends to reduce the pace and durability of growth.*⁴

Gender and income inequality

Income inequality has clear gender dimensions. We note that:

- Women have higher rates of persistent low economic resources.⁵ Financial disadvantage starts with lower salaries and continues to retirement.⁶ According to the Australian Bureau of Statistics (ABS) women in Australia who work full-time earn on average, 17.1% less than their male counterparts (a difference that equates to \$262.50 per week).⁷
- Sole parent families continue to have the highest levels of financial stress.⁸ As women comprise 81% of sole parents in Australia, the risk of poverty disproportionately affects women.⁹
- Women are more likely than men to experience multiple disadvantage, and also more likely to experience persistent disadvantage - the gap between men and women is wider the longer the disadvantage persists.¹⁰
- Women in Australia are two and a half times more likely to live in poverty in their old age than men.¹¹

Women experiencing multiple and intersecting disadvantages are most at risk of income inequality and poverty. These include single, older women, Aboriginal and Torres Strait Islander women, women with a disability and single parents.

Impact of income equality on access to health, housing, education, work in Australia

YWCA programs and services work with many people who are experiencing poverty, are unable to meet their basic needs, and are seeking emergency relief.

With the rise in living costs generally, particularly housing costs, financial and housing stress is increasing in our communities. We note that the NewStart Allowance in particular hasn't increased in real terms since the mid-1990's¹², and is now one of the lowest levels of income

⁴ Jonathan D. Ostry, Andrew Berg, and Charalambos G. Tsangarides, IMF Staff Discussion Note, *Redistribution, Inequality, and Growth* (SDN/14/02), February 2014, SDN/14/02, p.4,

⁵ *Social Inclusion in Australia How Australia is faring 2nd edition - Financial stress and inequality Fact Sheet*, Australian Social Inclusion Board, August 2012.

⁶ COAG Reform Council, *Tracking equity: Comparing outcomes for women and girls across Australia*, 2013, p.8, <http://www.coagreformcouncil.gov.au/sites/default/files/files/Tracking%20equity%20Comparing%20outcomes%20for%20women%20and%20girls%20across%20Australia%2C%20Chapter%205.pdf>

⁷ Australian Bureau of Statistics (2014), *Average Weekly Earnings*, November 2013, cat. no. 6302.0.

⁸ *Social Inclusion in Australia How Australia is faring 2nd edition - Financial stress and inequality Fact Sheet*, as above.

⁹ Australian Bureau of Statistics (ABS), 6224.0.55.001 *Labour Force, Australia: Labour Force Status and Other Characteristics of Families* June 2012, 2013, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6224.0.55.00>

¹⁰ *Social Inclusion in Australia How Australia is faring 2nd edition - Financial stress and inequality Fact Sheet*, as above.

¹¹ <http://www.acoss.org.au/images/uploads/RF.infographic.Poverty.web.pdf>

¹² ACROSS, *ACROSS Poverty Report October 2011 Update*, available at http://acoss.org.au/images/uploads/ACOSS_Poverty_October_2011.pdf

support provided in the developed world.¹³ Current allowance rates are inadequate and inappropriate. Income support has to be sufficient to deliver a basic acceptable standard of living for those with no other means of financial support.

As well as forcing recipients to make choices between essentials such as buying food, accessing healthcare and paying utilities bills or rent, the poverty caused by the Newstart Allowance impacts on a person's ability to find work and participate in education, training and other capacity building activities that could help them to move into employment. Searching for jobs and upgrading skills costs money.

In our work, we currently see the impacts of the low rate of Newstart and other income support payments in the following ways:

- **Young people** who struggle with the costs of accessing employment, such as money for appropriate clothing, hair care, electronic communications, and public transport fares. They may also be incurring training-related debts and struggling to access or retain suitable housing.
- **Women with families** (particularly in sole-parent headed households) having to make choices about basic necessities such as heating or food and needing to access emergency welfare supports. We are also concerned about the impact of this poverty on children, who can miss out on many experiences other families take for granted such as sport, swimming lessons or excursions.
- **Older women** who are disadvantaged as they move towards retirement without economic or housing security after a lifetime of low pay paid work, particularly following a divorce or the death of a partner. Older women may face additional barriers to accessing work that include age discrimination, increasing health needs and costs, the long-term impact of historical disadvantage in educational opportunities and increasing difficulty accessing public transport.

Housing

YWCA Australia notes that women in private rental carry a significant burden of rental stress. The impact of the lack of affordable housing is felt disproportionately by women because of the higher number of women in low paid jobs, women heading single parent families and the higher rates of poverty among older women living alone.

Commonwealth Rent Assistance rates are currently inadequate and have not kept pace with rising rental housing costs. We would also like to see the adequacy and structure of the Age Pension reviewed to take account of the unique needs of single, older renters.

YWCA Australia refers the Committee to the submission to this Inquiry by the Equality Rights Alliance (**ERA**) for a full discussion of the impact of income inequality on access to housing for women. YWCA Australia is the lead agency for ERA and endorses the ERA submission.

Proposed budget measures

We are very concerned about how many aspects of the proposed budget measures will affect people on lower incomes, particularly those on income support payments. We are concerned that many measures will entrench and exacerbate inequality and disadvantage, particularly:

¹³ Richard Denniss and David Baker, *Are unemployment benefits adequate in Australia?*, Policy Brief No. 39, April 2012, pp.2-3, available at <https://www.tai.org.au/index.php?q=node%2F19&pubid=991&act=display>

- **The six-month wait for payments for unemployed young people.**¹⁴ Removing the income support safety net for many young people will lead to homelessness, financial crisis, going without food or medical care and will make it even harder for young people to find work. The proposal seems based on the incorrect assumption that all young people have a financially secure family to support them during the six-month blocks where they will be without income. We know this is not the case for many young people in our community.
- **Changes to indexation arrangements for a range of income support payments,** including the age pension, disability support pension and parenting payment (single), which will erode the value of income support for people at risk of poverty. For example, the proposal to index the Age Pension only by the Consumer Price Index (CPI) from 1 September 2017 will reduce the standard of living of people receiving the Age Pension. If the CPI had been used since 2009 the Age Pension would already be \$30 per week or \$1560 per year less.¹⁵
- **Changes to the Disability Support Pension (DSP):** People aged under 35 who currently receive the DSP and who were initially granted the payment between 2008 and 2011 will have their eligibility for the DSP reviewed.
- **Increases in user charges for essential health services, including GP payments, medicines and tests.**

The Australian Government has also recently announced harsh job-search requirements that will impose additional burdens in terms of time and money on people seeking work, without necessarily increasing employment opportunities.

Recommendations

- Immediately increase the single rates of Newstart and other allowance payments, including student payments and payments for young people living independently of their families, by \$50 per week.
- Immediately increase social security payments for sole parents with school aged children in addition to the \$50 increase in Newstart.
- Abandon unfair proposed budget measures that severely impact on the most vulnerable people in our community including:
 - Removal of the income support safety net for many young job seekers.
 - Measures that erode the value of income support for people at risk of poverty.
 - Reductions in family tax benefits for low and moderate income earners.
 - Increases in user charges for essential health services, including GP payments, medicines and tests.
- Reform social security and related support systems for people of working age in partnership with people receiving income support, and relevant peaks and

¹⁴ See Schedule 9, *Social Services and Other Legislation Amendment (2014 Budget Measures No.2) Bill 2014*, p.50, <http://parlinfo.aph.gov.au/parlInfo/download/legislation>

¹⁵ Calculation by COTA Australia, <http://www.cota.org.au/australia/Achieving/hands-off-the-pension.aspx>

community organisations, to ensure that payments are fair, adequate and based on need.

- Address the critical lack of affordable rental housing in Australia, including:
 - Increasing the rate of Commonwealth Rent Assistance.
 - Developing a comprehensive National Housing Strategy and an Affordable Housing Growth Fund.
 - Continuing and increasing public and private investment in affordable rental housing, including through the reinstatement of the National Rental Affordability Scheme (NRAS).
 - Reforming the current taxation arrangements related to housing which provide significant support to private investors without increasing the stock of affordable rental housing.

More information

Thank you for the opportunity to provide this submission. YWCA Australia would welcome the opportunity to engage in further discussion about any of the points raised in this submission.

For further information please contact:

Alison Laird, Policy Coordinator
Dr Caroline Lambert, Executive Director

YWCA Australia
PO Box 1022
Dickson ACT 2602
Ph: (02) 6230 5150