

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

17 October – 18 October 2012

Question: **SBT 83-86**

Topic: **Low Income Earners**

Written: **Received from Committee – 26 October 2012**

Senator SIEWERT asked:

- 83. Is allowing unemployment benefits to become a decreasing proportion of wages and cutting support to single parents making the distribution of income significantly less equal?
- 84. An Anglicare study showed that in Sydney less than 1 per cent of rental properties would be affordable for someone reliant on government benefits. What policies have been most effective in dealing with the problem of housing affordability for those on government benefits?
- 85. Given Australia managed to contain the impact on employment of the GFC, do you think the incomes of the rich dropped more than the poor during this period? Were the stimulus payments a factor leading to greater equality of income? But beyond these temporary influences, do you see any countervailing forces to the tendency for the income distribution to become less equal over time?
- 86. A recent study by ACOSS found that one in eight households were living on less than half the median disposable income. Looking just at households whose main income is social security, around one-third were living on less than this income, Narrowing down further to unemployed households, around two-thirds were living on less than this income. How does this compare to other advanced economies and to the situation in Australia in the past?

Answers:

- 83. It would be a very difficult to estimate the impact of the present level of unemployment benefit on the national income distribution, compared to some other level of the benefit. We are not aware of any studies that attempt to do this, although it is well documented how the unemployment benefit compares to median incomes and pensions. Measures of income inequality are not only influenced by an array of policy changes, but also demographic and economic changes and changes in income survey design over time. Many assumptions would need to be made to estimate the impact of one change in isolation from the others.
- 84. Commonwealth Rent Assistance significantly improves rental affordability for income support recipients and low to moderate income families with children renting in private or community housing. In September 2012, 68 per cent of recipients were in rental stress (30 per cent of income spent on rent) before receiving Commonwealth Rent Assistance – Commonwealth Rent Assistance reduced this to 40 per cent. Commonwealth Rent Assistance more than halves the proportion of recipients in severe rental stress (more than 50 per cent of income spent on rent) from 28 per cent of recipients to 13 per cent of recipients.

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In addition to direct support to renters, the Australian Government has funded a major increase in the supply of affordable housing. The Government has invested \$5.6 billion over three and a half years in social housing through the Social Housing Initiative and will also deliver 50,000 more affordable rental homes across Australia targeted at low and moderate-income earners under the National Rental Affordability Scheme (NRAS).

85. While Treasury does not forecast income inequality as we do national income, we look closely at what the various measures and reports on inequality are saying.

Measures of income distribution are available from the Australian Bureau of Statistics (ABS) publication 6523.0 *Household Income and Income Distribution*. This publication is based on data collected in the *Survey of Income and Housing (SIH)*, with the most recent surveys being in 2007-08 and 2009-10.

There was a small decline in income inequality between 2007-08 and 2009-10. A range of factors would have contributed to changes in income distribution, including the stimulus payments, but also pension increases and reductions in capital income from investments. Research based on the Household, Income and Labour Dynamics in Australia (HILDA) Survey suggests the stimulus payments had sizeable effects on the income distribution.

Over the last decade, most Australians have benefited from income growth that is well above the OECD average.

Australians had the second highest mean income growth in the OECD between the mid-1990s and the late 2000s, and even in the bottom decline Australians experienced the fourth highest income growth in the OECD at 3 per cent per annum. A significant driver of income growth over this period has been more job opportunities and increased participation, particularly by women.

We understand that this does not mean that every Australian has become better off. Treasury maintains a long-term interest in responding to entrenched disadvantage, including at the macro level and in relation to particular policies such as closing the gap in Indigenous disadvantage.

86. The Treasury notes that these matters have been raised in a number of reviews and reports published recently. For example, the ACOSS submission to the Senate Employment Committee on the adequacy of 'allowance' payments in August 2012 contained statistics on issues associated with the adequacy of allowance payments such as Newstart, including comparisons over time and with other countries.

Similarly, the 2012 *"How Australia is faring"* report by the Australian Social Inclusion Board examines levels of persistent family joblessness. It found that, while Australia has a higher percentage of jobless families than the OECD average, the level of persistent family joblessness in Australia declined between 2002 and 2010 from 14 per cent to 8 per cent. The report also noted that our employment rate is well above the OECD average and that our long-term unemployment rate is much lower than other comparable countries.