Two Australias

A report on poverty in the land of plenty

October 2013

St Vincent de Paul Society
NATIONAL COUNCIL
good works

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Foreword

In 2001 the St Vincent de Paul Society National Council of Australia launched Two Australias. Authored by former diplomat, Terry McCarthy and economist and former senior government adviser, John Wicks, the report served as a touchstone for robust advocacy. It also helped prepare the way for the historic Senate Inquiry into Poverty and Financial Hardship in 2004.

This revised report owes much to a great many people who have contributed to its preparation. I would like to thank the St Vincent de Paul Society's National President, Anthony Thornton, along with John Wicks, Gavin Dufty, Bess Harrison, Emilija Beljic, Rik Sutherland and Gemma Carey who helped research and write this report and to Colleen O'Sullivan, Donna Scheerlinck and Lachlan Harley who supported this project and helped it through to its completion.

Most of all, though, I wish to thank the people who have borne the brunt of inequality in Australia: the woman and her kids leaving a situation of violence and forced to experience homelessness, the Aboriginal man or woman who has spent many years living with racism and exploitation and who is now facing health problems and the strong possibility of a premature death, the young woman who had access to few, if any, opportunities and attended a woefully under-resourced school and who is now struggling to find work even though she is willing to try her hand at anything, the asylum seeker who came to our shores with only a nugget of hope in his pocket, the family who has lost its source of income because of injury and illness.

In an environment where it is popular to blame people for their poverty, I urge you to salute these people for their courage and to have the humility to listen to their stories and to learn from them. The truth told by the people on the margins speaks louder than the lies told about them.

It has been over ten years since the publication of Two Australias (2001). Sadly, all of the things that angered us then still anger us now. Our members continue to witness the daily struggle of the people in our midst who have been left out or pushed out. We continue to see the denial of fundamental human rights such as the right to appropriate housing, employment and education: a place to live, a place to work, a place to learn. We also continue to see the unconscionable persistence of health inequalities due to disadvantage.

Augustine of Hippo once said: "Hope has two beautiful daughters. Their names are anger and courage. Anger at the way things are and courage to see that that do not remain the way they are."

It is true that many of us feel worn down by the unremitting resistance to our project of building a more just and compassionate Australia. But this is nothing compared to the cruelty and humiliation meted out to the people who continue to be excluded, from the First Peoples to the most recent arrivals, and everyone in-between who has been locked out of the prosperity this nation is known for. It is because of these courageous people, who we are proud to stand in solidarity with, that we refuse to stop at anger and we dare to have the courage to speak the truth about the emergence of two Australias and the truth about how this trajectory can be changed.

Dr John Falzon
Chief Executive Officer,
St Vincent de Paul Society National Council of Australia

Introduction: The emerging picture of two Australias

In 2001, the St Vincent de Paul Society released its 'Two Australias' Report, which highlighted the levels of disadvantage and inequality in Australian society.

Since then, things have changed. Australia's population has grown by 4 million, while our unemployment rate has fallen. We have weathered the Global Financial Crisis well, and now have one of the strongest economies in the world. Our GDP is high, and our cities are consistently rated amongst the most liveable.

However, despite economic growth and increasing living standards for many Australians, poverty is still on the rise. At present, according to the Australian Institute of Health and Welfare, 13% of the population is living in relative poverty. This translates to almost three million[1] Australians. Indeed, every day members of the St Vincent de Paul Society witness the fact that in 2013 there remain a large group of Australians who are consistently disadvantaged in a range of ways. Every day, people living in poverty have to overcome a number of structural and personal barriers that make surviving difficult, and thriving impossible. These Australians may have very low-paying jobs with insecure and inadequate hours or no paid work at all. They often have poor health or are living with a disability. They struggle to pay their bills or to be able to afford groceries and other essentials. Many live in insecure housing or are forced into a state homelessness in one of the world's most prosperous nations. For these individuals, the feelings of exclusion, isolation and 'being forgotten' are common. Whether measured in terms of real income, social exclusion or multiple deprivation factors, this gap between the two Australias is clearly visible and, arguably, increasing.

In 2000, the McClure Report found that our social support system is out of step with our social and economic milieu. Australia has experienced strong economic growth in some areas, but job opportunities for less skilled workers have stagnated and declined. Over a decade ago, the McClure Report warned that "without appropriate action… Australia may be consigning large numbers of people to an intergenerational cycle of significant joblessness".[2]

As predicted by the McClure Report, without proper reform our social support system has failed to adequately deal with contemporary social and economic pressures.
In failing to adjust to social change, an unfavourable picture is now emerging. This picture is of two Australias: one where individuals enjoy the fruits of economic growth generated by high wages and a rising standard of living, and another where

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[1] Australian Institute of Health & Welfare. (2013).Australia's Welfare. http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129544075

[2] Australian Commonwealth Government . (2000). Participation Support for a More Equitable Society. http://foi.deewr.gov.au/documents/participation-support-more-equitable-society

unemployment is high, basic goods and services are increasingly out of financial reach and where there is a growing inequality of both opportunities and outcomes.

Part 1: Recommendations for government action

If we are to reverse the trend towards greater division and discordance we, and the governments that represent us, need to make an important choice. We can either blame the people who live in poverty or we can engage in positive action to eliminate poverty. We can either treat social and economic hardship as an individual deficit or we can address the failing social structures and systems that are responsible for the social and economic disparities found across the Australian population. Investing in a strong economy is not enough to prevent two Australias from emerging – the last three decades have demonstrated that wealth and resources do not trickle down. Outmoded, ineffective and under-resourced policies and supports need to be replaced with a social support system that encourages economic participation without causing greater poverty.

The new government is facing a dual challenge based on their key election promises – raising employment while cutting debt and spending. Currently, unemployment in Australia has reached close to its Global Financial Crisis high at 5.8%, and has been forecast to hit 6.25% by mid 2014. Meeting these challenges requires smart economic reforms, careful trade-offs and new sources of revenue. The St Vincent de Paul Society believes that economic participation can be increased through social investment in the under-employed and unemployed, alterations to government allowances and careful taxation and revenue reforms.

The St Vincent de Paul Society warns strongly against falling back on to old and ineffective employment policies. The OECD review of active employment policies, such as 'work for the dole', found that they are expensive and ineffective, particularly in a slowing economy such as the one faced by the Coalition government.[3] Policies that emphasise individual responsibilities, without improving individual capacities (i.e. through greater training) fail to redress the barriers faced by disadvantaged and long-term unemployed jobseekers.[4] Moreover, they can reinforce the stereotypes of unemployment – stigmatising participants in the eyes of employers. Compulsory Income Management has also shown to be a poor economic investment. These policies have carried high costs for government, with little evidence of effectiveness. Implementing and administering compulsory income management requires additional resources and government infrastructure, costing the government a projected $1billion

[3] OECD Activation Review Issues Paper. (2012). http://ministers.deewr.gov.au/ellis/launch-oecd-activation-review-and-employment-services-building-success-issues-paper

[4] Martyn, T. (2006). Training for work is more effective than Working for the Dole. Jesuit Social Services & Uniya Jesuit Social Justice Centre. http://uniya.org.au/research/mo_martyn_mar06.pdf

over 10 years.[5] Meanwhile, positive outcomes have been described as "uneven and fragile", with no clear indication of policy success.[6]

The St Vincent de Paul Society holds that the time for engaging in the false debate between welfare and work is over. By having the courage to embrace smart welfare and taxation reform, economic participation can be increased and cost of living pressures can be relieved for those who need it most, while still protecting the budget bottom line.

1. Creating greater economic participation by addressing underemployment

Many of the policies announced by the Coalition during the election focus on addressing falling labour-force participation caused by an ageing population. A prime example of this is the proposed incentives for employers to employ workers over the age of 50. However, falling labour-force participation can be addressed by ensuring the full economic participation of citizens who are currently subsisting on low incomes due to underemployment or unemployment.

While the official unemployment rate sits at 5.8%, there are currently around 800,000 Australians who are underemployed.[7] This constitutes a further 6.7% of Australian workers, 70% of which are women.[8] Over half of these workers would prefer to have full-time work.[9]

The St Vincent de Paul Society calls on the Government to provide economic participation payments to those who are unemployed and under employed

By providing the opportunity for these workers to shift into full-time work, the government can increase economic productivity and assist those on low incomes to cope with the rising cost of living. To achieve this, every effort must be made to create pathways to employment. Job Guarantee Schemes have been recommended by some economists as a way to address unemployment in the face of a declining job market. These schemes, which should not be mistaken for 'work for the dole' schemes, need to be explored as a means of providing on-the-job training opportunities, including literacy and numeracy skills, while offering the minimum wage and with a focus on transition to jobs that are better paid and offer more meaningful economic and social participation.[10] The argument that wages and

[5]Income Management Overview.(2012) Parliamentary Library. http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BN/2011-2012/IncomeManagementOverview#_Toc328056521
[66]Income Management Overview.(2012) Parliamentary Library. http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BN/2011-2012/IncomeManagementOverview#_Toc328056521
[7] Australian Bureau of Statistics.
[8] Australian Bureau of Statistics.
[9] Australian Bureau of Statistics.
[10] Mitchell, W.F. (1998). 'The Buffer Stock Employment Model – Full Employment without a NAIRU'. Journal of Economic Issues. 32(2), 547-55.

conditions need to be lowered as a means of increasing employment participation is to be rejected as retrograde step that not only cements the persistence of poverty but also acts as a dangerous distraction from our need to aim for productivity gains through innovation, skills development and more sophisticated technology rather than through exploitation.

In 2000, the McClure Report urged government to re-orientate the welfare system to become a 'social support system'. This means investing in the skills and training of those most at risk of joblessness, such as low skilled workers, through on-the-job training and an increase in TAFE positions. The McClure Report also advocated for participation payments, where those in full-time low income employment are eligible for salary top-ups. These payments, along with indexing social support to the cost of living, can help to prevent the steady slide into two Australias.

2. Creating economic participation by addressing cost of living pressures

A key pillar of the Coalition election campaign has been easing cost of living pressures. New research indicates that the cost of living is rising higher than official data shows.[11,12] The Lonergan Research Cost of Living Survey showed that the rising cost of groceries, transport, housing and health are negatively impacting Australians. While Australia has experienced a rising standard of living, this has not been distributed evenly. Low-income individuals and families have been hardest hit by cost of living pressures.

The St Vincent de Paul Society calls on the government to address cost of living pressures, starting with those more affected, thereby meeting their key election promise. Investing in a comprehensive cost of living strategy makes economic sense. This approach would see a shift away from short-term emergency solutions that carry high costs but fail to address underlying issues.

2.1 Measuring the real cost of living

The St Vincent de Paul Society calls on the government to review current price index, taxation, rebate and concession arrangements with a view to developing a comprehensive cost of living strategy

At present, the Consumer Price Index (CPI) is used to measure the cost of living. Research conducted by the St Vincent de Paul Society has shown that CPI is a poor measure of cost of living. As stated in our report on CPI and the changing cost pressures on different households, "CPI significantly

[11] Lonergan Cost of Living Survey. http://www.lonerganresearch.com.au/

[12] Phillips, B. (2013). NATSEM Household Budget Report: Cost of Living and Standard of Living Indexes for Australia. National Centre for Social and Economic Modelling (NATSEM). http://www.natsem.canberra.edu.au/publications/?publication=natsem-household-budget-report-cost-of-living-and-standard-of-living-indexes-for-australia

underestimates the true increase in the price of the 'basket of commodities which these household groups typically consume". [13]

The St Vincent de Paul Society has found that price increases in goods and services have disproportionate impacts on different household groups and individuals. For example, increases in education costs have a greater impact on larger families and increases in the cost of essential services have a greater impact on government pension recipients. In particular, individuals and families on government pensions are more vulnerable to 'price shocks' – significant increases in prices of essential items over the last ten years.

In easing cost of living pressures, the government needs to begin with those most heavily affected. At present, the increase in the types of items that make up the vast majority of low income households' purchases (i.e. food, education, transport, housing and utility bills) are rising at 8.7% higher than CPI.[14]

If the government is serious about increasing economic participation, they will review CPI measures and develop a comprehensive cost of living strategy. Indexing government benefits to CPI has meant that in real terms benefits have remained static while the cost of living has continued to grow. This has created a widening gap between the after-tax minimum wage and government benefits such as Newstart. As suggested by Peter Whiteford, from the Social Policy Research Centre, it is time to find ways to incentivise work that do not impoverish the poor.[15]

2.2 Honouring the proposed welfare supplement and increasing the Newstart allowance

The St Vincent de Paul Society calls on the government to honour the promised $4 a week supplement and to increase Newstart

There is a well established relationship between low income from welfare and persistent poverty: nearly half of all households surviving on unemployment benefits will still be living in poverty two years later.[16]

There is an overwhelming body of evidence that suggests that the current rate of Newstart is too low to cover accommodation, power, transport, food and health costs. [17] By reversing the offer of a

[13] The CPI & Implications of Changing Cost Pressures on Various Household Groups. St Vincent de Paul Society, Victoria, report, 15 August 2013.p 35.
[14] The CPI & Implications of Changing Cost Pressures on Various Household Groups. St Vincent de Paul Society, Victoria, report, 15 August 2013.
[15] Whiteford, P. (2013) Poverty in a time of prosperity. Inside Story. http://inside.org.au/poverty-in-a-time-of-prosperity/
[16] Phillips, B. & Nepal, B. (2012). Going Without: Financial Hardship in Australia. NATSEM, page 5. http://www.natsem.canberra.edu.au/storage/2-Going%20Without%20MCP%20Report_Aug%202012.pdf
[17] See, for example, Paul Ward et al, "Food Stress in Adelaide: The Relationship Between Low Income and the Affordability of Healthy Food", Journal of Environmental and Public Health (2013) at http://www.hindawi.com/journals/jeph/2013/968078/.

modest $4 a week increase, the government will only further entrench poverty and reduce the potential for economic participation.

Instead, the government needs to increase the Newstart allowance by $50 and index all government benefits to the actual cost of living.

3. Creating greater economic participation by addressing homelessness

The St Vincent de Paul Society calls on the government to:

- **Provide rental rebates and concessions that reflect the increases in the rental market**
- **Commit to continue and increase the scale of the National Rental Affordability Scheme and invest in affordable housing**
- **Commit to the target outlined in the White Paper on Homelessness (The Road Home) to halve homelessness by 2020**

Safe, stable, and affordable housing is a key component to an individual's wellbeing and provides a secure base from which people can participate in the economy. A first step in securing the economic participation of people in housing stress is to adjust rental and housing rebates to reflect increases in the rental market, rather than CPI. We have found that secure and affordable housing provides a platform from which people can look for employment.

4. Creating greater economic participation by providing adequate supports to asylum seekers

The St Vincent de Paul Society calls on the government to allow asylum seekers the right to undertake training and give them the right to work

'Stopping the boats' might work as a populist slogan but does nothing to address the push-factors causing people to risk everything in their struggle to find a place of safety and hope. Neither does it address the hardship of asylum seekers already living in our communities. At present, asylum seekers on bridging visas do not have the right to work in voluntary or paid positions.[18]

Research conducted by the Asylum Seeker Resource Centre (ASRC) has demonstrated that by denying asylum seekers the right to access training or develop skills, their potential for future employment is limited.[19]

[18] ASRC (2013). Policy position paper: Asylum Seekers and the Right to work. http://righttowork.com.au/wp-content/uploads/2013/03/Right-to-work-policy-paper-March-2013-1.pdf

Since 2012, an estimated 10,000 asylum seekers have been granted bridging visas without the right to work. This is a significant untapped economic resource. Economic productivity can be boosted by allowing and investing in the training, skills development and employment of these people who dream of beginning a new life as members of our community.

Where does the money come from?

Numerous expert reviews have identified reforms to the tax and transfer system that would generate more revenue for government. Australia has the fifth lowest tax to GDP ratio of all OECD countries.[20] Relative to GDP, Australia has the third lowest personal income tax compared to other OECD countries.[21]

Most recently, the Henry Taxation Review identified superannuation, capital gains tax and negative gearing as key areas for reform. Consistent with the Henry Review, the St Vincent de Paul Society proposes that the government reform the following areas.

1. **Decreasing revenue forgone** through tax exemptions:

    a. **Superannuation**. Superannuation concessions cost the government around 20% of its revenue from income tax – around $24.6 billion in 2009.[22] These tax concessions overwhelmingly go to the wealthy: the top 5% of earners receive 37% of the concessions, while part-time workers (including many single parents) receive no benefit.[23]

    b. **Capital Gains Tax exemptions**. As Richard Denniss of The Australia Institute has argued, existing tax laws ensure that income from 'buying and selling things' is taxed at literally half the rate of income earned from going to work, costing the budget about $4.7 billion a year.[24]

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[19]ASRC (2013). Policy position paper: Asylum Seekers and the Right to work. http://righttowork.com.au/wp-content/uploads/2013/03/Right-to-work-policy-paper-March-2013-1.pdf

[20] Australian Treasury. (2013). http://www.treasury.gov.au/Policy-Topics/Taxation/Pocket-Guide-to-the-Australian-Tax-System/Pocket-Guide-to-the-Australian-Tax-System/Part-1

[21]Australian Treasury. (2013).. http://www.treasury.gov.au/Policy-Topics/Taxation/Pocket-Guide-to-the-Australian-Tax-System/Pocket-Guide-to-the-Australian-Tax-System/Part-1

[22] The Australia Institute. The Great Superannuation tax concession rort. The Australia Institute, research paper 61. https://www.tai.org.au/index.php?q=node%2F19&pubid=540&act=display.

[23] The Australia Institute. The Great Superannuation tax concession rort. The Australia Institute, The Australia Institute, research paper 61. https://www.tai.org.au/index.php?q=node%2F19&pubid=540&act=display

[24] Dennis, R. (2012). Choice on tax is simple. Canberra Times. http://www.canberratimes.com.au/federal-politics/choice-on-tax-is-simple-20120316-1vasn.html

c. **Negative gearing**. Negative gearing of housing could be reworked so that it is only allowed for low-cost housing that will address the huge need for affordable housing, rather than for high-value properties that will not address this need.

d. **Trusts**. The laws around trusts need to be tightened to restrict their use by the wealthy to reduce tax liabilities. As recommended by the Henry Tax Review and ACOSS, current trust rules need to be updated in order to reduce uncertainty and complexity.

e. **Increasing tax rates.** Our tax rates on very high incomes are insufficient if we are serious about ensuring that everyone gets a fair go in prosperous Australia. The highest income tax rate is 45%, the lowest it has been since the 1970s.[25] High tax rates on the wealthy are consistent with the economic policies of other OECD countries, and would assist to address government revenue shortfalls.

f. **Insufficient taxes on luxury goods.** In its recent World Economic Outlook, the OECD has recommended that Australia increase the GST.[26] While the St Vincent de Paul Society does not support this increase, we do propose an increase in the tax on high-end luxury items.

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[25] Leigh, A. (2013). Battlers & Billionaires. Penguin: Australia.
[26] OECD. (2013). Australia: Economic Forecasts Summary May 2013. http://www.oecd.org/eco/outlook/australiaeconomicforecastsummary.htm

Part 2: Disadvantage – Australia Today

1. A Picture of Disadvantage

While standards of living have increased considerably over the last three decades, the benefits of economic growth have not been spread evenly across our communities. As a nation, we have seen an alarming growth in inequality since the 1970s. We now face accelerating differences in income levels, wealth, savings, and radical differentials in the levels of access to the full range of goods and services that promote wellbeing.

More than 1 in 8 Australians live in a household where the annual income is below $20,000 per year.

1.1 Income

While disadvantage can be measured in a range of ways, income levels have traditionally been the most common tool used to judge the level of inequality. Indeed, a lack of adequate income is still the largest contributor to inequality and disadvantage today. In our work around Australia, the members of the St Vincent de Paul Society witness the after-effects of families who can't pay electricity bills, or pensioners who don't have the money to buy fresh fruit and vegetables, and of those struggling on unemployment benefits, unable to afford a bus ride to get to a job interview.

Income inequality is significant in Australia, and it is growing. In his recent book, *Battlers and Billionaires*, Andrew Leigh MP highlights ABS statistics that show that over the last 40 years full-time wages have increased by 59% for high-income jobs, but by only 15% for the lowest income jobs.[27]

In fact, on one very recent measure from the ABS, using National Accounts Data, the bottom fifth of households now only receive 2.5% of all wages. Wealthy households are receiving around nineteen times more wages than the poorest families.
The average (median) income of a full-time employed person is around $950 per week.[28] A person working full-time on a minimum wage will earn only $622 a week.[29] Meanwhile, a person on the unemployment benefit is expected to live off only $249 per week.[30]

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[27] Leigh, A. (2013). Battlers & Billionaires. Penguin: Australia.

[28] ABS. (2012) Employee Earnings http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6310.0Main%20Features2August%202012?opendocument&tabname=Summary&prodno=6310.0&issue=August%202012&num=&view=

[29] Fair Work (2013). National minimum wage.https://www.fairwork.gov.au/pay/national-minimum-wage/pages/default.aspx

[30] Australian Commonwealth Government. Newstart Allowance Rates. http://www.humanservices.gov.au/customer/enablers/centrelink/newstart-allowance/payment-rates-for-newstart-allowance.

At present, 13% of Australians live in income poverty: a family income less than 50% of the median household income.[31] This means that close to three million Australians live in a household where the annual income is below $19,967. Among these Australians are: the elderly, single-parent families and people who have been made redundant.

When compared to other developed countries, Australia performs poorly on income inequality measures. Out of 34 developed countries, we are the ninth most unequal. We are ahead of the US and the UK, but we are less equal than New Zealand, Denmark, Hungary, France, Poland, Spain, and Canada.[32]

1.2 Wealth

While income poverty is an important indicator of disadvantage, as the Productivity Commission has pointed out,[33] low income alone is not always an accurate measure of a person's disadvantage. For example, in a particular year an individual may have an atypical income due to illness, or due to receiving an inheritance, thereby masking the social disadvantage they are experiencing. Similarly, a person may have a low income, but high wealth. This scenario is most common amongst the elderly, where home ownership is high but income for daily expenses may be low or non-existent. For this reason, Dr Leigh has suggested that we adopt a view of disadvantage based on wealth rather than income.[34]

When we examine inequality from the perspective of 'wealth' rather than income, we find that the story is similar. Andrew Leigh employs a powerful metaphor to describe the rungs of wealth inequality: "Imagine a ladder, in which each rung represents a million dollars of wealth … Someone in the top 10 per cent is at least 1.5 rungs up. A household in the top 1 per cent is at least 5 rungs up. Gina Rinehart is 5.5 kilometres off the ground". [35]

At the other end of the ladder are Australia's least wealthy families. These families are likely to have low incomes and little cash on hand for medical emergencies. The 2010 General Social Survey found that 13% of Australians could not raise $2000 in a week for an emergency. Recent research by the Australian Institute of Health and Welfare showed that, while the bottom fifth of households received 7% of the income (including wages and social welfare), they hold only 1% of the wealth.[36] Meanwhile, ABS data shows that the wealthiest fifth of Australians households have around 62% of the wealth.[37]

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[31] Australian Institute of Health & Welfare. (2013).Australia's Welfare. http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129544075
[32] OECD data available at www.stats.oecd.org.
[33] Productivity Commission (2013). Deep and Persistent Disadvantage in Australia. http://www.pc.gov.au/research/staff-working/deep-persistent-disadvantage
[34] Leigh, A. (2013). Battlers & Billionaires. Penguin: Australia.
[35] Leigh, A. (1012). *The return of the Australian Magnate*, Sydney Morning Herald, 2 May 2012.
[36] Australian Institute of Health & Welfare. (2013). Australia's Welfare. http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129544075
[37]ABS (2001). http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6554.0Main%20Features22011%E2%80%9312?opendocument&tabname=Summary&prodno=6554.0&issue=2011%9612&num=&view=

These divisions are growing. While the poorest fifth of households have not seen an increase in their wealth over the last 10 years, the richest fifth have increased their wealth by almost 30% in the same time.[38]

1.3 Deprivation and Social Exclusion

Recently, there has been increasing attention given to finding different and more accurate ways of measuring and understand social disadvantage. In particular, the notions of ‘social inclusion’ and ‘social exclusion’ have become popular in both Australia and overseas. Social exclusion is believed to capture the multi-dimensional and interrelated nature of social disadvantage, thereby providing a more holistic picture than traditional poverty measures such as income. Measures of income and wealth alone are now seen as failing to capture the broader meaning of disadvantage.[39] For example, unemployment generates not only a loss of income, but also impoverishes social networks through a loss of workplace connections. Similarly, disability can result in a lack of education, and lack of income, which can make accessing medical treatment difficult, thereby exacerbating the obstacles to wellbeing and inclusion.

Measuring social exclusion means looking at the whole of a person’s situation, rather than just their income and their wealth. It includes their employment, their education and skills, their mental and physical health, their social connectedness, their sense of self-empowerment and self-determination, the strength and quality of their community, and their personal safety.[40]

The St Vincent de Paul Society sees the everyday reality and consequences of social exclusion. Our work cuts across many dimensions of social exclusion, including access to suitable employment or participation opportunities, access to adequate housing, ability to purchase consumer goods, positive self-esteem and mental health, access to good food and exercise opportunities, healthcare for physical illness and disability, freedom from crime, access to opportunities including education and meaningful work, family and community engagement, and political participation.

Social exclusion measures not just financial poverty, but also the capacity people have to participate within the community.

There is clear evidence that, similar to income and wealth inequality, there are large numbers of Australians who are experiencing a high degree of social exclusion. The former government-appointed Australian Social Inclusion Board estimated that around 5% of the working age population (or 645, 000 people) experienced social

[38] ABS (2011) http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6554.0Main%20Features22011%E2%80%9312?opendocument&tabname=Summary&prodno=6554.0&issue=2011%9612&num=&view=

[39] Productivity Commission (2013). Deep and Persistent Disadvantage in Australia. http://www.pc.gov.au/research/staff-working/deep-persistent-disadvantage

[40] Brotherhood of St Laurence, (2012). Social Exclusion Monitor. http://www.bsl.org.au/pdfs/Azpitarte_Social_exclusion_monitor_bulletin_Dec2012.pdf.

exclusion or multiple and complex disadvantage (at least three of the six indicators of exclusion) in 2010.[41]

Similarly, HILDA research from the University of Melbourne shows that 12% of Australians over 15 live in a jobless household, and 26% experience a long-term health condition or disability. Moreover, 11% have only infrequent social activity – that is more than one in 10 Australians. And just under 5% of Australians have been victims of property crime in any one year.[42]

Adding weight to the perception that there are two Australias, Brotherhood of St Laurence research shows that indicators of disadvantage are not spread evenly across the population. Instead, particular groups appear to be disproportionately experiencing multiple kinds of disadvantage. When weighted appropriately, it seems that one in four Australians experiences social exclusion in any one year, with 20% of these – one million Australians – experiencing 'deep' social exclusion.[43] This means they experience a combination of disadvantages: lack of material resources, unemployment and under-employment, low skills, poor health, little social support, and low social and community support.

Focus: Health

Poor health is one measure of disadvantage, and it is clear that poor health in our population is not evenly spread throughout, but is clustered around those with low incomes. A recent study by Catholic Health Australia and NATSEM (May 2012) found that those that are the most socio-economically disadvantaged are twice as likely to have a long-term health condition than the most affluent Australians. Furthermore, those who are poor are twice as likely to suffer from chronic illnesses and will die on average three years earlier than the most affluent in Australian society.

1.4 . Who are the disadvantaged?

As discussed above, there are large numbers of Australians who are deeply disadvantaged: they have very limited income and wealth, they are deprived of the goods and services necessary for a reasonable standard of living in Australia, and they are routinely socially excluded.

[41] Productivity Commission (2013). Deep and Persistent Disadvantage in Australia. http://www.pc.gov.au/research/staff-working/deep-persistent-disadvantage

[42] Brotherhood of St Laurence, (2012). Social Exclusion Monitor. http://www.bsl.org.au/pdfs/Azpitarte_Social_exclusion_monitor_bulletin_Dec2012.pdf.

[43] Brotherhood of St Laurence, (2012). Social Exclusion Monitor. http://www.bsl.org.au/pdfs/Azpitarte_Social_exclusion_monitor_bulletin_Dec2012.pdf.

While income poverty, low wealth, deprivation, and social exclusion can and do affect people in a wide range of situations, and from a wide range of backgrounds, the St Vincent de Paul Society has found that the people we assist often have certain characteristics, which appear to have led to their being disadvantaged and treated unfavourably by society and the economy.

Some people experience more disadvantage than others: members of the First Peoples, older Australians, women, recent migrants, single parents, and people with illnesses.

Similarly, research by the Brotherhood of St Laurence, discussed above, shows that people who are experiencing deep social exclusion are likely to have particular characteristics. Immigrants and Indigenous Australians and those living in public housing are particularly vulnerable when it comes to social exclusion. Single people and lone parents experience more social exclusion than couples, and long-term health conditions and limited education are also correlated with social exclusion.[44] People experiencing social exclusion are also three times less likely to have completed Year 12.[45] These findings are also supported by the Productivity Commission's latest report.[46]

Focus: Poverty and geography

People who live with poverty and disadvantage tend to live clustered in certain localities. Taxation Statistics resolutely show that in some suburbs the average taxable income is nearly $200,000, while in others the average income is as low as $36,000. In these areas, indicators such as unemployment may be many times worse than the national average is.

[44] Brotherhood of St Laurence, (2012). Social Exclusion Monitor. http://www.bsl.org.au/pdfs/Azpitarte_Social_exclusion_monitor_bulletin_Dec2012.pdf.
[45] Productivity Commission (2013). Deep and Persistent Disadvantage in Australia. http://www.pc.gov.au/research/staff-working/deep-persistent-disadvantage
[46] Productivity Commission (2013). Deep and Persistent Disadvantage in Australia. http://www.pc.gov.au/research/staff-working/deep-persistent-disadvantage

Conclusion

The number of Australians experiencing income poverty, low wealth and living with multiple deprivations is significant and growing. This increasing social inequality is damaging not just to those experiencing it, but to our society as a whole. Redressing these issues is not just a moral imperative, but also the only way to ensure the wellbeing and economic prosperity of our country as a whole.[47]

2. The Costs of Disadvantage

The implications of not addressing disadvantage and exclusion are substantial and long-term. Disadvantage has both social and economic costs for individuals and the broader community.

For individuals and families, the costs of disadvantage are high. These costs continue to accumulate and deepen, as we in the St Vincent de Paul Society see every day. More broadly, we find that failing to address disadvantage is imposing high costs on our society and economy. In 2012 NATSEM released a study on addressing the 'gap' between rich and poor, highlighting the economic benefits of addressing social inequality. The authors estimated annual savings of $2.3 billion in hospital expenditure, and $458 million in Medicare and Pharmaceutical Benefit Scheme savings.[48] The Productivity Commission identified additional savings related to crime, anti-social behaviour, relationship breakdowns and 'spill over' effects.[49]

There is also a growing critique of the types of programmes and interventions being implemented by governments. We are increasingly seeing short-term emergency solutions to problems such as chronic illness, housing stress, and educational deficits. For example, pursuing reactive and out-dated approaches to health policy, instead of investing in longer-term infrastructure, is costing at least $2.3 billion annually.[50] Similarly, rather than placing money into short-term homelessness projects, there are programmes that could save twice as much as they cost in the long-term.[51] Paternalistic and punitive solutions imposed from above such as compulsory income management and Centrelink penalties will also continue to miss the mark because of their disempowering and humiliating characteristics.

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[47] Wilkinson, R.G. & Pickett, K.E .(2009). The Spirit Level: Why More Equal Societies Almost Always Do Better. Penguin: UK.

[48] Brown, L., Thurecht, L. & Nepal B. (2012). The cost of inaction on the social determinants of health. NATSEM. http://www.natsem.canberra.edu.au/storage/CHA-NATSEM%20Cost%20of%20Inaction.pdf

[49] Productivity Commission (2013). Deep and Persistent Disadvantage in Australia. http://www.pc.gov.au/research/staff-working/deep-persistent-disadvantage

[50] Brown, L., Thurecht, L. & Nepal B. (2012). The cost of inaction on the social determinants of health. NATSEM. http://www.natsem.canberra.edu.au/storage/CHA-NATSEM%20Cost%20of%20Inaction.pdf

[51] Johnson, G., Kuehnle, D., Parkinson, S. & Tseng, Y. (2012). Meeting the Challenge? Transitions out of long-term homelessness. A randomised controlled trial examining the 24 month costs, benefits and social outcomes from the Journey to Social Inclusion pilot program. Sacred Heart mission http://www.sacredheartmission.org/Assets/Files/Meeting_the_challenge_J2SI.pdf

2.1 The public funding aid, through charities

By failing to address the underlying drivers and disadvantage and invest wisely to address it, current government action places much of the responsibility for these problems on the charitable sector.

The St Vincent de Paul Society and the many other charities and community organisations continue to give what assistance we can, thanks to the generosity and sense of fairness of the members of the Australian community. But government has no right to abrogate its responsibility to ensure that the people of this country, from the First Peoples to the most recent arrivals, and everyone in-between, are not denied the essentials of life. The market is an excellent mechanism for providing a dazzling array of choices for consumers. Our sad experience, however, is that for those who have been left out, choices are few and deprivations are many. This is where, especially in the provision of the fundamentals of life such as housing, health, education, and access to meaningful employment, government must do what markets cannot.

As a rule, the people we assist do not want charity. They want justice. They want fairness. They do not want to be pitied. They want to be respected. They want to be heard.

As it is, however, not-for-profits provide around $43 billion to the Australian economy each year.[52] As charities increasingly become the default providers of services – accommodation for the homeless, food for refugees who are not allowed to work, electricity bills for older Australians who can't afford to pay, significant support to the mentally ill – the situation becomes less and less sustainable. There is growing evidence, and a growing number of voices, suggesting that charities simply don't have the resources to meet these escalating needs.[53]

Various iterations of the "Big Society" as it is known in the UK, whilst singing the praises of civil society, run the profound risk of allowing governments off the hook as far as their responsibilities to their people.

2.2 Impact on national identity

The costs of disadvantage are borne predominantly by the disadvantaged, but also by all of us through economic losses, social disunity, and unsustainable pressure on the not-for-profit sector. But there is also a cost that we as a nation play, as our identity changes. The high level of disadvantage in our midst seriously challenges our claim to be a nation of a fair go for all.

The St Vincent de Paul Society fears that our national identity is already splintering, and our aspirations are becoming divisive rather than unifying. There is a growing sense of a sense of "us" (the haves) vs "them" (the have-nots).

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[52] Productivity Commission. (2009). *Contribution of the Not for Profit Sector.* Productivity Commission. Issues Paper. April 2009. Australian Productivity Commission: Canberra.
[53] Productivity Commission. (2009). *Contribution of the Not for Profit Sector.* Productivity Commission. Issues Paper. April 2009. Australian Productivity Commission: Canberra.

The challenge…

Clearly, there is a heavy impact on individuals who are disadvantaged: their quality of life is lower, as is their life expectancy. They live with fear and uncertainty, having been rejected by their own society. However, the economy is also taking a hit from this exclusion: we are missing out on the productivity of many Australians who are keen to contribute, as well as shouldering high ongoing costs of programmes that attempt to put a band-aid over the problem. Charities are doing what they can to fill the economic void, but we are deeply concerned that our current level of support is unsustainable. We are concerned that our identity as a nation is changing, becoming less fair, kind, and compassionate on the one hand and more individualistic on the other.