

**CSSA's vision is for a compassionate and just Australia, a place where all people are treated with respect and have the opportunity to fully participate and contribute to society and live a dignified, healthy and meaningful life.**

**We look to our elected representatives to prioritise people experiencing poverty and vulnerability, through the development and implementation of social and economic policies that increase opportunities for all people to realise their potential.**

Income adequacy is not just about how much you receive but how much income you receive relative to others i.e. the distribution of income across a society. Income inequality matters because when income inequality is high people born into poverty have very little chance of escaping it. The economic argument for addressing income inequality is equally compelling. The IMF reported in 2015 that increasing the income share of the bottom 20% of households is associated with higher GDP growth.

Addressing income inequality is the right thing to do morally and the smart thing to do economically.

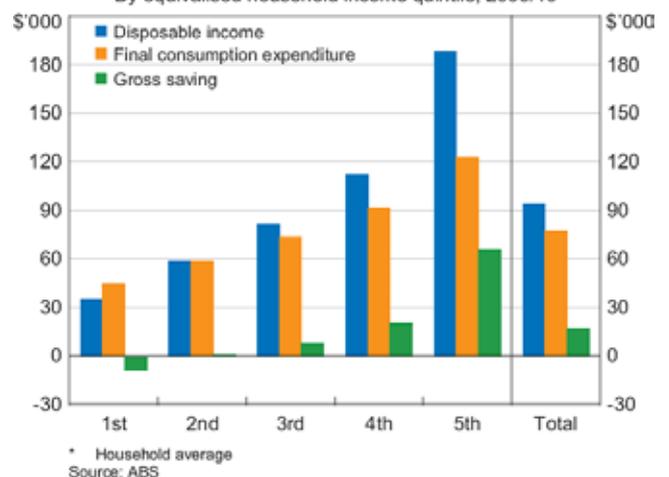
This problem was highlighted in the latest report of the longitudinal study *Dropping off the Edge*. The 2015 study confirmed that complex and entrenched disadvantage continues to exist in Australia, and that some communities have remained in poverty for the past 15 years. The report found that low household income is a central factor in shaping individual and family life opportunities.

It is time Australia addressed this growing dilemma. In comparison to other OECD countries Australia is above the average in terms of income inequality, and the level income inequality in Australia is increasing.<sup>1</sup>

The impacts of income inequality are significant. In 2014 the Reserve Bank of Australia<sup>2</sup> examined household, income and savings. Their report showed that those in the bottom 20% of household incomes (the first quintile) spend more money than they receive in income. That means that these

families are in constant financial stress having to make tough choices like whether they buy medicine for their sick child or go without a dinner for the night. While those in the next 20% (the second quintile) manage only to break even, that is, they spend what they receive with no savings.

**Household Income, Consumption and Saving\***  
By equivalised household income quintile, 2009/10



This means Australian households in the bottom 40% of income have almost no capacity to build savings to deal with emergencies or create opportunity to improve the living standards for themselves or their family. .

For those in our community unable to participate in paid employment, access to Australia's social and economic opportunities are further restricted due to inadequate levels of income support payments and services. Australia's welfare system must provide people with enough income to fully support them

to improve their life opportunity and circumstances. Individuals who currently rely on the Newstart allowance are living below the poverty line. How can people in these circumstances be expected to present at job interviews or take part in educational opportunities to increase their chances of securing employment, when they are forced to continually focus on how they will keep a roof over their heads and have enough money to eat?

The human, social and economic cost of failing to address income inequality far outweighs the cost of providing adequate support to those who need it. Short term cost saving measures today create a far greater cost burden tomorrow.

Employment casualisation, underemployment and a tax/transfer system in need of repair are making income inequality in Australia worse. If we are indeed a society that believes everyone deserves a fair go we must give priority to addressing the needs of the most disadvantaged in our community.

#### That is why CSSA is calling for:

- **The establishment of an Independent Commission to advise Government on the appropriate level of welfare payments to ensure people can have access to basic requirements – food, housing, clothes, health services, live with dignity and take part in the life of the community; and**
- **A commitment to ensuring that Family Tax Benefit arrangements provide adequate support to families giving first priority to those families in greatest need of support, regardless of whether they are a single or couple parent household.**

CSSA is also calling for transparency of Government modelling for all new legislation which has a bearing on Australia households (particularly low and middle income households).

- 1 Keeley, B. (2015), Income Inequality: The Gap between Rich and Poor, OECD Insights, OECD Publishing, Paris. p34
- 2 Amy Beech, Rosetta Dollman, Richard Finlay and Gianni La Cava, The Distribution of Household Spending in Australia, RBA Bulletin March 2014 p 14

