APPENDIX 2: Inequality and Power

**Life at the bottom**

Those at the bottom of Australia’s economic strata typically have casual, part time, or intermittent jobs. They are often subject to employers who pay less than the statutory minimum wage (of $694.90 per week in 2017), and do not pay statutory entitlements such as sick leave, superannuation, holiday pay, overtime wages or redundancy payments. From time to time they become officially ‘unemployed’. Persons are not recognised as ‘unemployed’ unless they are actively looking for work, which means that they must have:

Written, telephoned or applied to an employer; had an interview with an employer for work; answered an advertisement for a job; checked or registered with an employment agency; taken steps to purchase or start their own business; advertised or tendered for work; and contacted friends or relatives to find work. (Australian Bureau of Statistics, 2018)[[1]](#footnote-1)

Merely scanning newspapers or websites for jobs does not count as ‘actively’ seeking work. According to the Australian Bureau of Statistics ‘not in employment’ (aka unemployed) means that a person during a week (the ‘reference week’), ‘should not have undertaken any work at all (not even for one hour)’.[[2]](#footnote-2) The unemployment rate in Australia between 2012 and 2018 ranged between 5 and 6 per cent of the workforce.[[3]](#footnote-3)

Income support for the unemployed in Australia (social security) is a non-contributory entitlement – that is, unlike social insurance schemes to which there is regular contribution during working life. Payment comes from the Commonwealth budget as a ‘transfer payment’. The rate for a single person without children is $550.20 per fortnight or about $39 per day. For a couple the allowance is $496.70 each per fortnight, and for a single person with a dependent child, $595.10. Eligibility starts from the age of 22 up to pensionable age.[[4]](#footnote-4) Unemployment benefit plus rent assistance provides $680 per fortnight. Various ‘waiting periods’ apply before a person can receive payment (of up to two years in the case of a new resident). Applicants must be able to prove regularly that they are actively seeking work.

Rental prices in Melbourne’s most affordable suburbs range between $300 and $360 per fortnight per room.[[5]](#footnote-5) Elsewhere, rents can be much higher: around $700 per fortnight for a ‘studio’ flat of 45 square metres.[[6]](#footnote-6) So after rent is paid there is not much left for food, electricity and gas (an average electricity bill for two people in Australia is about $66 per fortnight), personal hygiene, household cleaning, washing, clothes, transport (a monthly ticket on public transport costs $146, running a car much more), electronic communications, let alone entertainment, especially for the single parent. If you are lucky enough to get into public housing, the rent will not be more than 25 per cent of your total household income, which is what the Victorian government reckons is the safe proportion of income going to accommodation.[[7]](#footnote-7) But the waiting list for public housing in Melbourne was 82,000 in 2018, and growing at 500 per week.[[8]](#footnote-8)

Centrelink, commencing operations in 1997, is an agency of the Commonwealth Department of Human Services charged with providing social security payments to people in need, mainly the unemployed. From 2016, using an automated process, Centrelink began matching welfare recipients’ social security records against data from the Australian Taxation Office relating to their employment. Centrelink was not required to verify the information about the alleged debt; instead individuals were required to prove that they did not owe the demanded funds. Automated debt recovery was estimated to save the government some AU$661 million annually.

Automated debt collection, which became known as ‘robodebt’, resulted in numerous unverified claims for alleged debt resulting in extreme anxiety for vulnerable welfare recipients. At a 2017 Senate Inquiry into ‘robodebt’, Australian Council of Social Service CEO, Cassandra Goldie said:

Since its adoption 12 months ago, robodebt has issued thousands of debt notices in error to parents, people with disabilities, carers and those seeking paid work, resulting in people slapped with Centrelink debts they do not owe or debts higher than what they owe . . . It has been a devastating abuse of government power that has caused extensive harm, particularly among people who are the most vulnerable in our community.[[9]](#footnote-9)

Centrelink was reported to have admitted ‘knowingly sending out as many as 4,000 incorrect debt notices a week’.[[10]](#footnote-10)

The problem arises because Centrelink’s algorithm matches recipients’ *fortnightly* income (reported to Centrelink) with data provided by employers to the ATO *annually*, often with a significant delay. The latter data reports the *average* annual income of an employee, not the employment of a person at any particular fortnightly period. When people who have questions for Centrelink try to phone the agency they find they cannot get through: ‘Nearly 48 million calls to Centrelink went unanswered last year (2017) as the agency failed again to meet its customer satisfaction targets.’[[11]](#footnote-11) It was further reported that, ‘Parents are being prevented from accessing the government’s childcare rebate and other family payments because Centrelink staff are blocking phone lines and fudging caller wait times when reporting back to their bosses.’[[12]](#footnote-12)

Life at the bottom is precarious. There is an ever present risk of simply not being able to keep up the daily payments of the costs of living. Emma King, CEO of the Victorian Council of Social Service, points out that more people are being pushed out of the owner occupation market as house prices rise, and are being forced to seek rental accommodation: ‘we’re seeing people’s wages stagnating as rents are climbing, which is very much a toxic mix, and we’e seeing the impact of what is precarious work and unemployment.’[[13]](#footnote-13)

So much has changed since Liberal Prime Minister, Robert Menzies, told the Australian Parliament in 1944:

The moment we establish, or perpetuate, the principle that the citizen, in order to get something he needs or wants and to which he has looked forward, must prove his poverty, we convert him into a suppliant to the state for benevolence . . . That position is inconsistent with the proper dignity of the citizen in a democratic country. (Cited by Dennis, 2018: 3)

A study carried out by the Food Foundation found that 4.7 million people in the UK had at times during a year ‘gone a whole day without eating because they could not afford enough food’. While the price of healthy food has gone up over the last ten years, ‘disposable income for the poorest 20 per cent of UK households has gone down every year since 2004’ (Taylor and Loopstra, 2016).[[14]](#footnote-14)

A recent report by Professor Philip Alston for the United Nations reported that one fifth of the UK population live in poverty – 14 million people – 1.5 million are ‘destitute’ (Alston, 2018: 1). Interestingly, Alston reports on the welfare programme ‘Universal Credit’ in similar terms to the above discussion of Centrelink. He says: ‘Many aspects of the design and rollout of the programme have suggested that the Department of Work and Pensions is more concerned with making economic savings and sending messages about lifestyles than responding to the multiple needs of those living with disability, job loss, housing insecurity, illness and the demands of parenting’ (2018: 5). As with the Centrelink scheme, there is a ‘waiting period’ of up to 12 weeks between when a claim is successful and when payment actually occurs. Alston concludes: ‘The rationales offered for the delay are entirely illusory, and the motivation strikes me as a combination of cost-saving, enhanced cash flows, and wanting to make clear that being on benefits should involve hardship. (2018: 5). A key feature of Universal Credit is the application of harsh sanctions even for minor infringements – all somewhat comparable to the inhuman treatment meted out by ‘robodebt’ to people alleged retrospectively to have submitted incorrect claims. Alston reports that the sanctions ‘succeed in instilling a fear and loathing of the system in many claimants’ (2018: 6).

Standing (2012) identifies the origin of programmes like robodebt and Universal Credit, and their class-generating potential: ‘The precariat has emerged from the liberalisation that underpinned globalisation. Politicians should beware. It is a new dangerous class, not yet what Karl Marx would have described as a class-for-itself, but a class-in-the-making, internally divided into angry and bitter factions.’

The fact is that Australian governments at national level following the 2008 global financial crisis have made the poorest and most vulnerable pay a disproportionate part of the price of restoring the national budget to surplus. They have reduced the unemployed to misery, beggary and homelessness. In so doing they have made it extraordinarily hard for the unemployed to get jobs.

**Life at the top: wealth and income**

Each year, the Australian Financial Review publishes a ‘rich list’ full of advertisements for consumer goods that tempt rich people, like overpriced watches, perfumes, private charter travel, jewellery, clothes, cars and private jets.

There is a sense of competition amongst these owners of capital to appear on the ‘rich list’ and climb ever higher in the rankings. However, as Stensholt remarks, ‘The rich like to envelop their wealth in discretion and the odd secret or two.’[[15]](#footnote-15) The 76 Australian billionaires owned a total of AU$215 billion.

By way of comparison the government of the State of Victoria (population 6.38 million 2019) boasted of its education sector ‘budget highlights’ for 2019–20: AU$3.449 billion across the education spectrum: around the level of billionaire number 17 on the list.[[16]](#footnote-16) The government also boasted of investing AU$11.7 billion over four years in ‘healthcare and hospital services’: around number 4 on the billionaire list. Two rich-listers’ worth of new investment for social services for 6.38 million people.

At the 2019 federal general election, number 20 on the billionaire list flexed his muscles in the political sphere. Mr Palmer allegedly spent AU$53.6 million advertising a political party he had created, not including the cost of huge billboards in each state.[[17]](#footnote-17) That party received just 3.4 per cent of the primary vote nationally. But the Labor Party under the leadership of Bill Shorten lost the election. So, Crowe (2019) asks, what did Palmer buy? Crowe continues: ‘He helped to prevent a Labor victory, a tax agenda that would cost him money and a climate change policy that would hurt his interests.’ The day before the election Palmer was reported to have unveiled plans for a coal-fired power station in central Queensland; and in October 2019 he reapplied for a mining lease to build a massive coal mine in Queensland’s Galilee basin.[[18]](#footnote-18) In December 2019, the new leader of the Labor Party, Anthony Albanese, announced that he was backing Australia’s coal export industry arguing that ‘it would be wrong to damage the industry and its workers’.[[19]](#footnote-19)

The Chief Executive Officer of Qantas, Australia’s flagship airline, was not on the rich list. However, his income was large: AU$24 million in 2019. Two articles discussing the CEO’s income appeared in *The Age*. In the first, Steve Purvinas (federal secretary of the Australian Licensed Aircraft Engineers Association, ALAEA, the aircraft maintenance engineers’ union), pointed out that when Qantas reported a loss of AU$2.8 billion in 2014 ‘staff were called on to freeze their wages for 18 months, a call that my union was first to heed’. Compared with wage increases consistent with inflation (the rise in the Consumer Price Index over the period), employees had to forgo AU$60 million each year. At the same time ‘executive and senior management remuneration packages increased by – you guessed it – AU$60 million each year’.[[20]](#footnote-20)

The following day, Vanessa Hudson, Chief Financial Officer of Qantas (from 1 October 2019) offered a response. She did not dispute the cost of the 18-month salary freeze, but, she wrote, ‘Since then we’ve set aside $340 million in non-executive bonuses on top of 3 per cent annual wage increases.’ Qantas’s annual report 2019 states that ‘discretionary bonuses to non-executive employees’ would be AU$27 million in 2019.[[21]](#footnote-21) Qantas employs about 25,000 people.

The financial recovery of Qantas since 2014 was built significantly (but not entirely) on wage cost savings. This is not disputed. The ‘success’ of the airline is judged on its profits. The new CFO boasts: ‘And by next month, our shareholders will have received AU$5 billion through dividends and buybacks since 2015. It’s these same shareholders who decide what CEOs are paid.’ Seventy four per cent of Qantas shares are held by just four companies: HSBC Custody Nominees (Australia) Ltd, JP Morgan Australia Nominees, Citicorp Nominees Pty. Ltd. and National Nominees Ltd. (Annual Report, 2019: 119).

In 2014, Harvard Law School professor Cass Sunstein argued, in response to Piketty, that people did not seem too bothered about inequality while average income was rising.[[22]](#footnote-22) But, he wrote, there is a risk that economic inequality might turn into political inequality: ‘the wealthiest people might be able to buy their preferred policies’. There is also a risk ‘that large disparities can have adverse effects on growth and produce a degree of demoralisation – in extreme cases, a degree of civil unrest’. To avoid that happening Sunstein praises Franklin D. Roosevelt’s call ‘for recognition of the right to a good education; the right to a useful and remunerative job; the right to earn enough to provide adequate food and clothing; the right to a decent home; the right to adequate medical care; and the right to adequate protection from the economic fears of old age, sickness, accident and unemployment.’ The lack of just those rights around the world, coupled with vast inequality of wealth and income, have led since 2014 to exactly the dangers that Sunstein foresaw.

1. . http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6102.0.55.001~Feb%202018~Main%20Features~Unemployment~6 (accessed 03/12/2018). [↑](#footnote-ref-1)
2. . http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6102.0.55.001~Feb%202018~Main%20Features~Unemployment~6 (accessed 04/12/2018). [↑](#footnote-ref-2)
3. . https://www.statista.com/statistics/263695/unemployment-rate-in-australia/ (accessed 04/12/2018). [↑](#footnote-ref-3)
4. . https://www.humanservices.gov.au/individuals/services/centrelink/newstart-allowance/how-much-you-can-get (accessed 04/12/2018). [↑](#footnote-ref-4)
5. . https://www.rent.com.au/blog/melbourne-shared-living (accessed 03/12/2018). [↑](#footnote-ref-5)
6. . https://www.expatistan.com/price/studio-rent-normal-area/melbourne (accessed 04/12/2018). Emma King, CEO of the Victorian Council of Social Service (VCOSS), states that a one-bedroom apartment in Melbourne will cost $680 per fortnight (https://www.abc.net.au/news/2017-07-18/rental-affordability-at-record-low-in-victoria/8676532 (accessed 04/12/2018). [↑](#footnote-ref-6)
7. . http://www.housing.vic.gov.au/public-housing#how-much-rent-will-i-pay (accessed 04/12/2018). [↑](#footnote-ref-7)
8. . https://www.abc.net.au/news/2018-06-06/victorias-public-housing-waiting-list-growing-by-500-a-week/9837934 (accessed 04/12/2018). [↑](#footnote-ref-8)
9. . https://www.theguardian.com/australia-news/2017/jun/21/senate-inquiry (accessed 17/07/2017). [↑](#footnote-ref-9)
10. . Report by Tom McIlroy, citing Independent MP Andrew Wilkie, ‘Ombudsman investigates Centrelink’, *The Age*, 10 January 2017: 4. [↑](#footnote-ref-10)
11. . Doug Dingwall, ‘“No party poppers” as Centrelink woes persist’, *The Age*, 30 October 2018: 4. [↑](#footnote-ref-11)
12. . Bianca Hartge-Hazelman, ‘Centrelink overload hurts families’, *The Age*, 8 February 2017: 4. [↑](#footnote-ref-12)
13. . https://www.abc.net.au/news/2017-07-18/rental-affordability-at-record-low-in-victoria/8676532 (accessed 04/12/2018). [↑](#footnote-ref-13)
14. . Food insecurity across Europe ranged from 19.6% of the population in Lithuania to 3.1% in Sweden. The UK recorded 10.1% of the population (see R. Loopstra, A. Reeves and D. Stuckler, 2015, ‘Rising food insecurity in Europe’, *The Lancet*, 385(9982)). [↑](#footnote-ref-14)
15. . J. Stensholt (2018), *Australian Financial Review Magazine*, June: 4. [↑](#footnote-ref-15)
16. . https://www.education.vic.gov.au/about/educationstate/Pages/budget.aspx (accessed 29/10/2019). [↑](#footnote-ref-16)
17. . D. Crowe (2019), ‘Australia’s democracy is for sale’, *The Age*, 25 October: 19. [↑](#footnote-ref-17)
18. . B. Smee (2019), ‘Clive Palmer company reapplies for mine four times size of Adani’s Carmichael’, *The Guardian*, 28 October, https://www.theguardian.com/australia-news/2019/oct/22/clive-palmer-company-re-applies-for-mine-four-times-size-of-adanis-carmichael. [↑](#footnote-ref-18)
19. . ‘Albanese backs coal exports’, *The Age*, 9 December 2019: 1. Albanese argued that if the government prevented coal exports from Australia, the demand would be met from elsewhere: the argument put by the Morrison (Liberal–National Coalition) government and the coal industry before the election. But as I noted in Chapter 14, coal exports from six of the biggest mining companies in Australia resulted in more CO2 emissions than the whole of Australia’s domestic economy. [↑](#footnote-ref-19)
20. . S. Purvinas (2019), ‘Hard to believe anyone’s worth $24 million a year’, *The Age*, 21 October: 24. [↑](#footnote-ref-20)
21. . https://investor.qantas.com/FormBuilder/\_Resource/\_module/doLLG5ufYkCyEPjF1tpgyw/file/annual-reports/2019-Annual-Report-ASX.pdf (accessed 29/10/19). [↑](#footnote-ref-21)
22. . C. Sunstein (2014), ‘What’s so wrong with economic inequality?’ *The Age*, 15 May: 20. [↑](#footnote-ref-22)