

# Waste not want not

***In 2002 the Institute found that 62 per cent of Australians did not believe that they could afford to buy everything they really needed. Our latest report, Wasteful Consumption in Australia, estimates that Australians spend more than \$10.5 billion each year on goods and services from which they derive no benefit. Clive Hamilton and Richard Denniss outline the new study.***

**No. 42 March 2005**

## **Waste not want not**

*Clive Hamilton and Richard Denniss*

## **Who is lonely in Australia?**

*Michael Flood*

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The marketing industry has been aware for some time that shopping is no longer simply something we do to acquire the things we need. Shopping nowadays is as much a recreational activity as a functional one, and is often undertaken as a form of mood-enhancement, captured in the term 'retail therapy'. In the words of one marketing analyst:

"We are beyond satisfying basic demands and we have moved to a tertiary level where consumption becomes leisure. Even the stores that appear to be for basic needs are really about leisure".

Average households waste the equivalent of a whole month's mortgage payment each year on goods and services they do not use.

Shopping can even be patriotic. That function was highlighted in the aftermath of the September 11, 2001 attacks on the New York World Trade Centre when US Treasury Secretary Paul O'Neill declared:

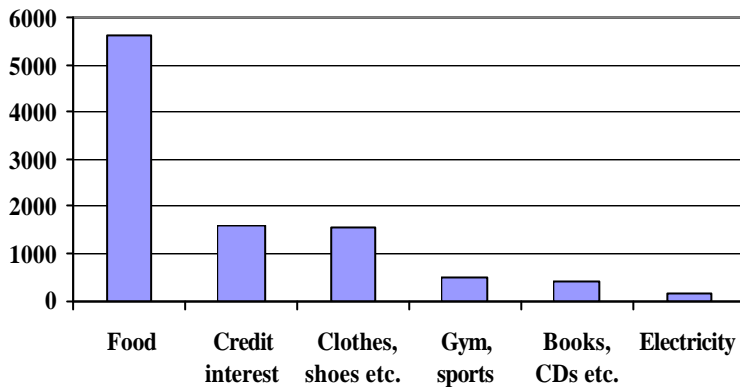
"Each and every American should know that by continuing to work and spend, they are doing their part to restore our nation and our economy in the wake of last week's attack".

For several years now we have been told that booming retail sales have been propelling the Australian economy. Just how we were to sustain growth through borrowing money to purchase imported electrical appliances remained unsaid, but any criticism of the growth in employment associated with increased retail activity was seen as churlish.

If much of the benefit we gain from shopping lies in the act of purchasing, then the usefulness of the goods purchased becomes a secondary consideration. This suggests that much of what we buy may not be used at all, or used very little. We have called spending of this sort 'wasteful consumption'. It is a concept that refers to the amount of money we spend on shoes we don't wear, food we don't eat, CDs we never listen to and exercise bikes that gather dust in the shed.

The Institute commissioned Roy Morgan Research to conduct a survey of 1644 people from across Australia. The questionnaire asked about a range of consumer behaviours and attitudes. The survey found that virtually all Australians admit to wasting money on some goods or services that are never or rarely used, with a significant proportion admitting to substantial volumes of waste. Overall, the amount spent on wasteful consumption during 2004 totalled over \$10.5 billion, or \$1226 per household. That is, average households waste the equivalent of a

**Figure 1 Wasteful consumption by type (\$ million)**



whole month's mortgage payment each year on buying things that they do not use. And this is likely to be a substantial underestimate of the extent of wasteful consumption as several major items, such as houses that have unused rooms and second cars that are rarely used, were not included in the survey.

The breakdown of major areas of wasteful consumption is shown in Figure 1. The type of wasteful consumption that accounts for the largest amount of spending is food. Overall Australians threw away \$2.9 billion of fresh food, \$630 million of uneaten take-away food, \$876 million of leftovers, \$596 million of unfinished drinks and \$241 million of frozen food, a total of \$5.3 billion on all forms of food in 2004.

This represents more than 13 times the \$386 million donated by Australian households to overseas aid agencies in 2003. The next largest items on which money was wasted included interest paid on credit cards with an interest-

free period (\$1.59 billion) and clothes, shoes and accessories that were purchased but not worn (\$1.56 billion).

Wasteful consumption occurs in all household types; however, wealthier households and younger people are more prone to it. The relationship between the amount of money wasted on clothes and food as income increases is shown in Figure 2. Those living in households earning more than \$100,000 per year are the most likely to buy food and clothing that they do not use.

The fact that the young and the wealthy are the most likely to consume wastefully should be of concern to those worried about the environmental impacts of growing consumption expenditure. While it is possible that young people will grow out of their wastefulness, it is also possible that values of thrift and the importance of spending carefully have not been passed on effectively to younger Australians. As this cohort ages, and as incomes

continue to rise, it is likely that the amount of wasteful consumption will rise more rapidly than the rate of economic growth.

Australia is currently grappling with a number of important but seemingly unrelated problems. Long work hours place stresses on the ability of families to spend time together. Rising consumption expenditure has seen Australians taking on record levels of personal debt. And finally, Australia's demand for energy and other scarce resources is continuing to grow rapidly.

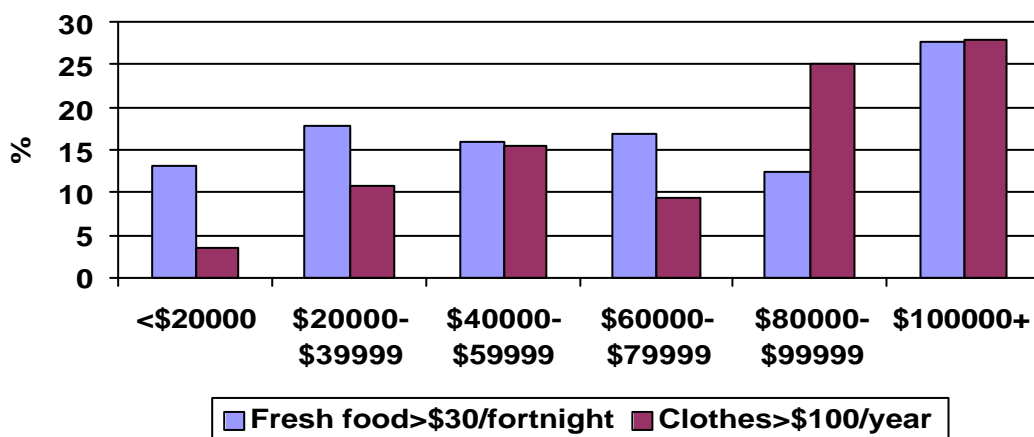
In 2004 Australians threw away \$5.3 billion worth of food, which represents more than 13 times the \$386 million donated by Australian households to overseas aid agencies in 2003.

Wasteful consumption expenditure is at the heart of all these issues. If Australians reduced the amount of money they spent on things that they did not really need, then they would be able to work less, borrow less, and place less pressure on the natural environment.

Unfortunately, wasteful consumption is also at the heart of the pursuit of economic growth. For those who believe our national objective should be growth before all else, it is irrelevant whether the goods and services purchased by

*Continued on page 9*

**Figure 2 Wasteful consumption by category and by household income (% households)**



# Who is lonely in Australia?

**Last month the Institute released *Mapping Loneliness in Australia* by Dr Michael Flood, the first systematic examination of the distribution of loneliness by household type.**

The loneliest people in Australia are single fathers with young children. This is the finding of an Australia Institute study into loneliness using data from the Household, Income and Labour Dynamics in Australia (HILDA) survey Wave 2. Based on responses to ten survey questions regarding the perceived personal support and friendship available to respondents, the Institute constructed an Index of Social Support to reflect experiences of social loneliness or connection. See Figure 1.

People's perceptions of loneliness and social support are an important indicator of the health of communities and social networks.

The focus of the study was young adults aged 25 to 44, a demographic that has been neglected in other studies of loneliness despite the fact that solitary living has shown the most significant increase among such people.

People's perceptions of personal and social support are an important indicator

of the health of communities and social networks. Various commentators have argued that our communities are fragmenting and our interpersonal relationships are in decline or, at least, that the nature of the relationships available to people in modern society is undergoing a damaging transition.

Loneliness is a symptom of the absence of interpersonal relationships. People's feeling of loneliness and their perceptions of personal and social support provide useful markers in evaluating the health of communities and social networks. Living alone has been seen as a particularly important risk factor for loneliness. Almost 15 per cent of all adults (aged 18 years and older) now live by themselves and over the next 25 years, lone person households are expected to multiply by anywhere from 57 to 105 per cent.

Although the study makes clear that living alone does not mean being alone, it appears that living alone intensifies the lower levels of personal and social support experienced by men in particular. One of the most striking conclusions of the Institute study is that there is a marked gender gap in the experience of loneliness, evident among adult men and women of all age

groups. Men tend to be lonelier than women from early adulthood right through to old age.

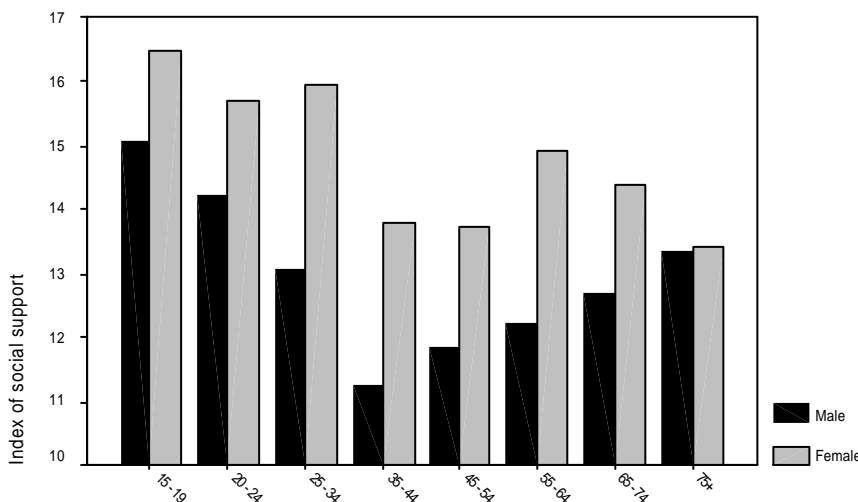
## Gender gap

The study compared perceptions of loneliness among men and women living in different types of households and found that whether living alone or with others, men tend to feel lonelier than women in similar situations with the contrast particularly marked in the case of lone person households. On the other hand, women who live alone perceive levels of support and friendship very similar to those who live with others.

Men who live alone or as single fathers are also more likely to experience inferior physical, emotional and mental health when compared with men in other household situations; they are also more likely to consider that their neighbours only rarely help each other out or socialise together. Their social isolation is compounded by their poorer health and indifferent neighbourhoods.

The loneliest people in Australia are single fathers with young children.

**Figure 1 Personal support and friendship by sex and age among people aged 15 to 75+**



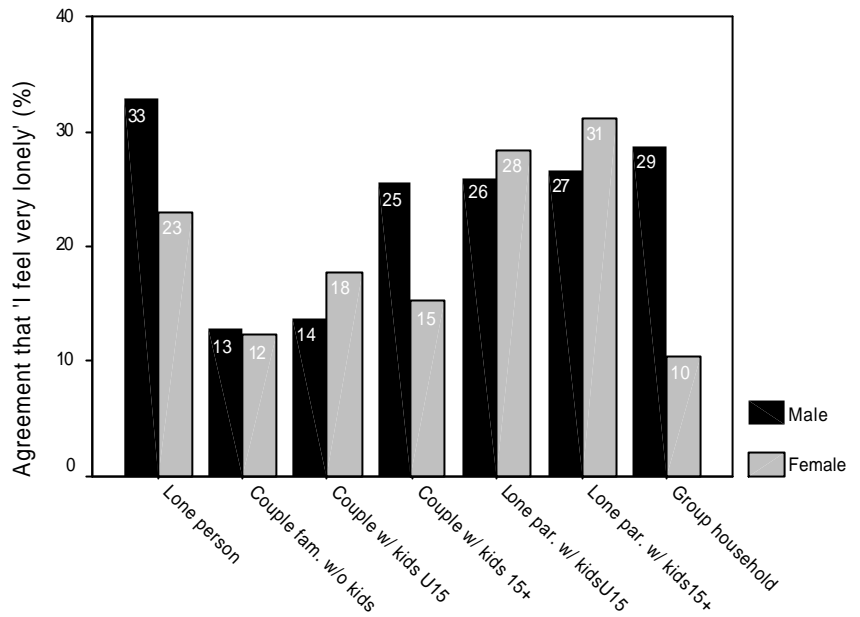
A second interesting finding to emerge from the study is that men, far more than women, rely on their spouses or de facto partners, and the networks developed by those partners, for their emotional and social fulfilment. Men in couple households report far higher levels of personal support than do men who live alone but, although women in childless couple households also report high levels of support, those in couple households with young children find they experience levels of support similar to women who live alone.

It seems that men need women more than women need men. Men and women who live alone socialise more frequently than those living in other household types while those in the same sort of living situations tend to have similar social lives. But meeting with friends and relatives does not appear to compensate for a sense of social isolation among lone men or lone fathers. The gender gap in support and friendship also reflects the differing quality of men's and women's social networks.

The HILDA survey includes a question asking respondents to assess the degree to which they 'often feel very lonely'. This is a single-item measure of 'emotional loneliness' in contrast to the summed Index of Social Support which measures 'social loneliness' as shown in Figure 1. Around 30 per cent of men who live by themselves are the most likely of all men to report that they 'often feel very lonely' followed by 25 per cent of lone fathers with children. This compares with 13 per cent of men in childless couple families who say they 'often feel very lonely'. Among women the pattern is similar with single mothers reporting the highest levels of emotional loneliness followed by women who live alone. See Figure 2.



**Figure 2 Agreement with the statement, 'I often feel very lonely' by household type, men and women aged 25 to 44**



**Overcoming loneliness**

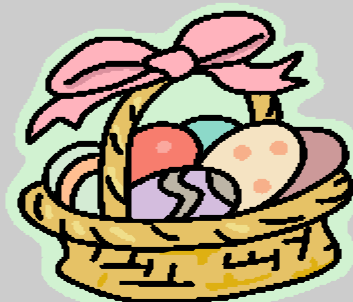
Several factors can help people cope better with loneliness and social isolation including paid work, caring for others and participation in clubs and sporting groups. Men display a greater reliance than women on paid employment as an important source of personal support and friendship which strengthens as their participation in the workforce increases. This is also true of women who work long hours but those in part-time employment and those working full-time for an average number of hours experience little difference in support. Employment is a particularly important source of friendship and support for women who live alone regardless of the number of hours worked.

Two forms of community involvement are consistently associated with higher

levels of social support: voluntary or charity work and active memberships of sporting groups and community organisations. Carers who spend some time each week looking after other people's children also report increased levels of personal support and friendship.

In an age where technological developments have meant that it has never been easier to reach out and contact someone, many Australians feel lonely and isolated. They have no one to confide in or assist them and they lack the friendships and social connections they need. Particular groups in the community experience considerable levels of loneliness and social isolation and face real risks of growing marginalisation as the numbers of lone adult and single-parent households continue to increase. ■

The Australia Institute wishes all its members a very happy Easter



# Traffic fines: Pay according to income

**The Institute's call for a more equitable system of traffic fines based on ability to pay generated strong reactions, including from the roads lobby. Clive Hamilton, who wrote the paper, outlines the argument and the reaction.**

Most people would agree that the same offence should attract the same penalty. Yet a fine of \$100 will almost certainly cause much more pain for a poor person than a rich one.

A fine that amounts to the weekly food bill for some is no more than the cost of a bottle of wine for others. Well-heeled drivers from the affluent Sydney suburb of Mosman have been reported as dismissing fines as 'only pocket money to us'. On the other hand, a \$68 parking ticket can cause serious distress to a student or pensioner.

The obvious unfairness of flat-rate fines has led several European countries, including Germany, Sweden, Finland, Denmark, France and Greece to introduce various forms of sliding scale to reflect an offender's capacity to pay. Britain is due to follow suit soon.

Under the Institute's proposed scheme an infringement notice would be issued showing a fine for each of five levels of taxable income. An offence that currently attracts a flat-rate fine of \$125 would see an offender on less than \$30,000 pay \$75 while an offender on over \$100,000 would be liable for \$385. In both cases,

offenders would be fined at 16 per cent of weekly income in contrast to the present system under which the low income earner is penalised at 31 per cent of weekly income and the high income earner at five per cent for the same offence.

The principal difficulty with the proposed scheme is determining the taxable income of the offender. Australia's federal system in which, for the most part, the states and their courts impose penalties and the Commonwealth collects income data, makes it difficult for the courts to access the information needed to apply the principle of equal economic burden. In the past, this difficulty has led others to deem income-contingent fine systems impractical.

In the proposed scheme the onus would be on the offender to demonstrate that he or she has an income less than the highest category by enclosing with the fine payment a notarised copy of his or her income tax assessment notice from the previous year. Concession card holders (or Centrelink beneficiaries) could present their cards and pay only the lowest level of the fine. If the

offender fails to provide evidence of their taxable income they would be obliged to pay the fine at the highest level.

A fine that amounts to the weekly food bill for some is no more than the cost of a bottle of wine for others.

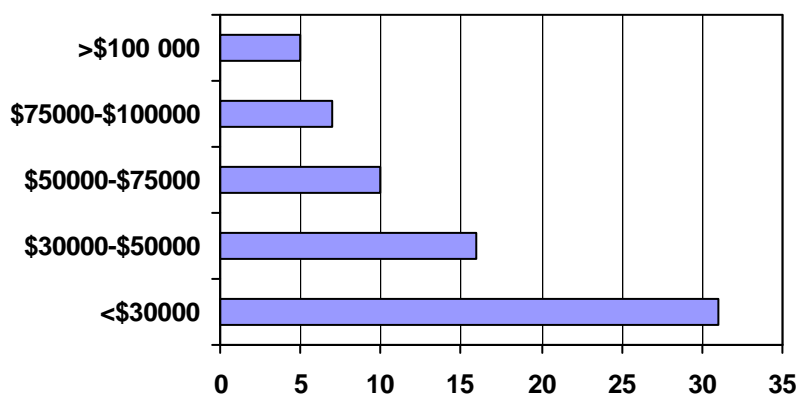
## Strong reactions

The Institute's proposal was aired extensively in the media and attracted a great deal of reaction. While governments including South Australia and Queensland have indicated they are willing to consider the proposal, many citizens reacted angrily. Most of the criticism was not focused on the feasibility of the scheme but others took a moral stance.

- High-income earners already pay high taxes that support low-income people, so why should they be penalised further?
- People who have worked hard to get ahead should not be punished for succeeding.
- It's just another way for the government to collect more money for nothing.

One dispiriting conclusion to be drawn from the reaction is that there has been a substantial loss of community support for the system of progressive taxation. In other words, fewer people support the principle that fairness demands that those who are well-off should support those who are struggling.

## Percentage of weekly taxable income represented by a \$125 speeding fine, by annual income



This reflects the shift towards an individualised view of society: rather than being the products of social disadvantage, or simply being born with less income-earning ability, we all get what we deserve. This attitude seems to be particularly prevalent among those who have done better than average in the long boom since the early nineties, Howard's battlers and Latham's aspirational voters.

The NRMA took the proposal seriously enough to commission its own survey of opinion. It asked a sample of NSW residents whether they are for or against a system in which fines for parking and speeding offences were charged on a sliding scale depending on a person's income.

Two-thirds opposed the plan, with the strongest opposition coming from wealthier respondents. When asked their reasons, 72 per cent said that they believed there should be 'equal fines for an equal offence/income not the issue'. (The bracketing of these two quite distinct types of reason was odd).



This suggests that for most people fairness is the principal consideration, yet the immediate principle is one of equal treatment. The economist's idea of diminishing benefit from each dollar earned is a more complex idea of fairness that needs to be explained before most people understand it. In contrast to the immediate reactions given in a telephone survey, it is likely that more considered responses from a citizens' jury, or even a more detailed presentation of ideas of fairness in a survey, would elicit higher support for a sliding scale system of fines. ■



## New book from the Institute

On 3 June 2005 Allen & Unwin will publish a new book titled *Affluenza* by Clive Hamilton and Richard Denniss. The book draws on a range of research published by the Institute over the last three years as well as a wealth of new material.

The book argues that Australians are spending themselves sick. Strong economic growth, rising real wages and low unemployment have not enhanced national wellbeing. On the contrary, material abundance has meant more stress, weaker family and community bonds, an outbreak of lifestyle diseases, serious environmental degradation and a resurgence of greed and envy.

*Affluenza* explores the links between the big social and economic problems of our times. Overwork, consumerism, advertising to children, the rise in obesity, and the throw-away society are described as symptoms of the same underlying problem. *Affluenza* provides both a thorough diagnosis and a comprehensive prescription for reform.

Members will be able to purchase copies from the Institute at a discounted price.



# Relational thinking: The big picture

**Michael Schluter is the founder and president of the UK-based Relationships Foundation and the author of several groundbreaking books examining the erosion of social capital in Western societies. Recently, on 15 March 2005, he presented an Institute public lecture. Here he provides an insight into his ideas.**

A revolution is under way in the field of economics. Professor Richard Layard at the London School of Economics is one of a number of economists who want to redefine the goal of the economic system. No longer is it to maximise income, but to maximise happiness. Hence 'happiness economics'.

Why the change of focus? Because over the last 50 years in Europe, while income per head has risen steadily, people indicate they are less happy than they were in the past. Happiness requires something more than money. So what is the missing ingredient?

A person's sense of identity, security and self-esteem all have their source in relationships.

There is also a revolution in our understanding of capital. Once upon a time, capital meant the stock of wealth available to a business or an individual. No longer. Financial capital is only one sort of capital. Increasingly there is concern for the social capital of society, and the intellectual and relational capital of business.

Both re-definitions point in the same direction, towards a fresh recognition of the significance of relationships in our lives "for our personal happiness, our social well being, and the success of our organisations". Of course, this is not a new discovery. Psychologists and counsellors have long recognised that a person's sense of identity, security and self-esteem all have their source in relationships.

The importance of the 'R factor' is also being recognised as a major issue in

public services. Doesn't the quality of a teacher's relationship with a pupil influence the pupil's willingness and ability to learn? And in the health field, if you have cancer, would you feel a little more relaxed if you knew the surgeon had a good working relationship with the anaesthetist, and indeed with the secretary who sorted out the case history notes before the operation? In the criminal justice field the relational issue is most fundamental of all. Is the goal of the system simply retribution or rehabilitation, or rather to restore the relationship between the offender and the community, and where possible between offender and victim directly?

The influence of the Relational perspective does not stop there. International affairs are often referred to as 'international relations'. The relationships between nations are influenced, as we know, by a multitude of factors including exchange rates, trade balances, and capital flows, as well as by the more obvious factors such as cultural factors, history and the personal chemistry of leaders. To build international relationships requires an analysis of how such relationships are constructed, just as for any other relationship.

## Money and relationships

Money flows have an extraordinarily powerful influence on the pattern of relationships in a society. An emphasis on group savings, local mutual insurance schemes, credit unions and investment syndicates point in one direction. 'Individual savings accounts' as a tax break, individual tax codes, individualised insurance, banking, pensions and other financial services point in a very different direction. The distribution of risk, reward and responsibility created by different forms of corporate financing also impacts on many relationships.

In the household, too, it is easy to overlook the impact of many gadgets on the way we relate. Microwaves, for example, are great convenience benefits but often result in families eating round the same table less frequently. Walkmans and Ipods produce fantastic sound quality but make it less likely the user will converse with strangers on the street. The television can be used to build relationships with a teenage daughter by sharing the 'Neighbours' experience, or can reduce the possibility of communication if the programme is viewed in isolation in the bedroom.

Relational thinking has personal, organisational and policy implications. These are inter-related. It is not possible, for example, for a person to 'switch on' a relational approach to life when they walk through the office door. We cannot be totally self-absorbed at home, and relationally skilled at work. Life isn't like that. The ultimate challenge of successful business relationships lies outside the office, and touches all areas of life.

Over the last 50 years in Europe, while income per head has risen steadily, people indicate they are less happy than they were in the past.

For organisations, hard to replicate relationships represent the key to competitive advantage, reducing risk and costs whilst increasing innovation and productivity. Creating the conditions in which people can relate more effectively is a key management task. A policy framework needs to have the right relational goals and to create an environment that sustains relationships,

coherently integrating social, economic and environmental concerns. It must also be capable of engaging effectively with the values that guide our relational behaviour.

In all three areas, personal, organisational and societal, five factors capture the essence of relational thinking and provide a framework for decision-making. These include the importance of:

- direct (and in many cases face to face) rather than contingent relationships;
- stable (long-lasting) relationships with adequate time for the development of trust and commitment;
- breadth of knowledge to build understanding and accountability;
- diffusion of power and fair distribution of risk and rewards; and
- shared goals.

In many areas of life relationships are pressured and under-valued. Policies and working practices are as likely to undermine relationships as to foster them. Coherent and realistic alternatives to the many 'isms' that erode relationships are needed. ■

### The Australia Institute

Members of the Institute receive our quarterly newsletter and free copies of recent publications (on request).

If you would like to become a member of the Institute please contact us at:  
Level 1, Innovations Bldg  
Eggleston Road  
ANU ACT 0200

Phone: 02 6125 1270  
Fax: 02 6125 1277  
Email: mail@tai.org.au

## Climate Taskforce Report Released

***The Australia Institute joined with the Institute for Public Policy Research in London and the Center for American Progress in Washington DC to form the International Climate Change Taskforce. After a year of work, the report of the Taskforce was released around the world on 25 January. Here, Justin Sherrard outlines the report and the reactions to its release.***

The report of the International Climate Change Taskforce (ICCT) defined a path for Australia and the US to re-join the global climate change policy framework in the post-Kyoto period. The Taskforce is the first international body to describe a framework that builds on the gains of the Kyoto Protocol and responds to the expressed concerns of those two countries.

This is significant because while the Australian Government has refused to ratify the Kyoto Protocol, it says it is committed to reducing greenhouse gas (GHG) emissions and to involving all of the world's major emitters in a new treaty to achieve deep cuts in emissions. To date the Government has not presented its proposed approach or its alternative to Kyoto.

UK Prime Minister Tony Blair's keynote address to the World Economic Forum picked up on specific Taskforce recommendations.

The ICCT is a unique international cross-party, cross-sector collaboration, including leaders from public service, science, business, and civil society in both developed and developing countries. The Australian members are Bob Carr, ANU Professor Tony McMichael, and Cathy Zoi of Bayard Capital. As well as guiding the work of the Taskforce, The Australia Institute has been an active participant in the Taskforce secretariat.

The Taskforce's aim has been to develop proposals that consolidate and build on

the gains achieved under the UN Framework Convention on Climate Change and the Kyoto Protocol to ensure that climate change is addressed effectively over the long term. Its recommendations are to all governments and policymakers worldwide. It placed particular emphasis on advising the governments of the G8 and EU while the UK is president of both organisations in 2005. The recommendations have also been made as international negotiations on future collective action on climate change start in 2005, and to engage the governments of those industrialised countries that have not ratified the Kyoto Protocol.

### Reaction to the Taskforce's recommendations

The Australia Institute recorded more than 200 mentions of the Taskforce's recommendation in the international media. It was A to Z coverage, starting with Al Jazeera and running through to The Washington Post.

While the media focused on the launch of the Taskforce's recommendations, interest was maintained for a number of weeks. The London launch was hosted by Taskforce co-chair, Labour MP Stephen Byers, who addressed the media and stakeholders from politics, science, business and NGOs. The report was released to media in Australia and the US at the same time. UK Prime Minister Tony Blair's keynote address to the World Economic Forum later that week picked up on specific Taskforce recommendations.

Subsequently IPPR published a Taskforce working paper on long-term climate objectives, and the Australia Institute published a working paper on the proposed new global plan for achieving that long-term objective. And



'I pay tribute to the quality of the analysis and consideration that has gone into this report and believe it will provide valuable assistance in developing the international response to this major environmental threat during the UK Presidency of the G8 and EU this year.'

Prime Minister Tony Blair to Taskforce co-chair Stephen Byers.

in the US, Taskforce co-chair Republican Senator Olympia Snowe co-sponsored a Senate Resolution calling for US action to reduce greenhouse gas emissions, and specifically to support the long-term climate objective proposed by the Taskforce.

The issues that drew the media's interest were:

- the risk that global warming is reaching a point of no return, and without concrete action to reduce greenhouse emissions that may only be ten years away;
- the proposed establishment of a G8+ Climate Group;
- setting a target for 25 per cent of stationary energy to come from renewable sources by 2025; and
- bringing Australia and the US back into the international fold.

In Australia the Taskforce's report was welcomed by Federal Environment Minister Senator Ian Campbell, who told ABC Radio's AM program: '...much of it supports the Commonwealth's focus on what happens beyond Kyoto or post Kyoto, where you really need significant breakthroughs in a comprehensive international agreement, and also technological breakthroughs'.

Senator Campbell also flagged his support for the recommendations referring to the G8. However, he went on to question whether all of the Taskforce's recommendations were achievable, suggesting that 'advocating a 25 per cent move to renewables within 20 years is technologically and economically undeliverable'.

The Australia Institute is strongly of the view that all of the Taskforce's

recommendations are achievable and essential if we are to address the looming threat of climate change. Institute Executive Director Clive Hamilton responded to Senator Campbell on AM, saying the new framework proposed by the Taskforce recognises the political reality of the US and Australian positions on Kyoto, and takes at face value these governments' claims that they want to play a role in tackling global climate change. He added that the plan outlines a path that doesn't require them to ratify Kyoto, but does provide an opportunity for them to play a part and to merge with a global system at some point in the future.

The Taskforce's report *Meeting the Climate Challenge* is available at What's New on the Institute's website, [www.tai.org.au](http://www.tai.org.au). ■

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Australians are actually necessary or used. On the contrary, if the things we buy are not actually used then we do not have to wait until they have been worn out before a 'replacement' can be purchased. This, of course, is good for growth because removing the link between purchasing something and actually using it makes the task of selling more and more things each year easier.

Reducing wasteful consumption should be one of the most painless ways to

decrease the use of scarce natural resources. By wasting less individuals can consume less. This would permit them to work less or borrow less.

But reducing wasteful consumption is likely to be one of the most difficult of social challenges. A focus on the need to decrease people's wasteful consumption suggests that the solution to waste disposal is to build fewer shopping centres rather than more landfill sites. ■



# Private health insurance: Who benefits?

**The Institute has been monitoring the decline in the number of young people with private health insurance since the introduction of Lifetime Health Cover. Using data from Roy Morgan Research, Richard Denniss has written a new analysis entitled Who benefits from private health insurance in Australia? which shows the extent to which higher income households benefit from the 30 per cent private health insurance rebate.**

The 30 per cent private health insurance rebate was introduced in order to make private health insurance more affordable. It is estimated to cost the Federal Government in excess of \$2.5 billion dollars each year. Importantly, the cost of the rebate grows proportionately with the rising cost of private health insurance premiums. To that extent, the cost of the rebate is uncapped and beyond the control of the Government.

The 30 per cent rebate delivers benefits disproportionately to wealthier Australians.

The Institute has previously raised concerns about the equity of the private health insurance rebate. First, it provided a large benefit to those who were already taking out private health insurance, and second, it was likely that low income Australians would still be unable to afford private cover. Therefore, to the extent that the cost of the 30 per cent

rebate draws funds away from expenditure on the public hospital system, it would deliver benefits disproportionately to wealthier Australians.

Using data that has only just been made available by Roy Morgan Research, the Institute can now confirm the extent to which lower income Australians are missing out on the benefits associated with the \$2.5 billion private health insurance rebate.

Figure 1 shows the relationship between household income and private health insurance coverage. While only 24 per cent of Australians who live in households with incomes below \$25,000 per year are covered by private health insurance, the proportion rises steadily as household income increases. Sixty nine per cent of those in households with incomes over \$100,000 per year have private health cover.

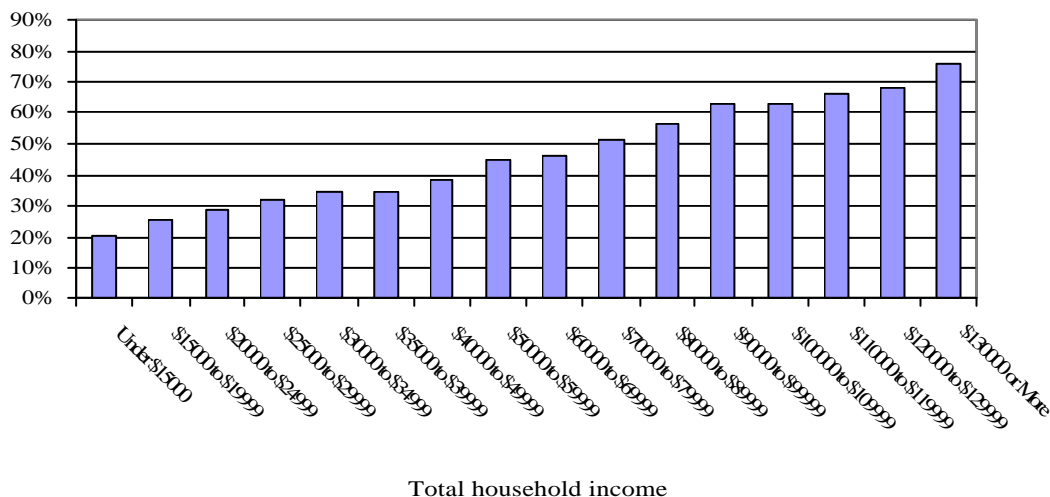
The level of private health insurance coverage by people's lifestyle is shown in Table 1. Based on this segmentation,



young single parents are least likely to have private health insurance (13 per cent). Amongst young people living as couples with children, where the household income is less than \$40,000, just 20 per cent have private health insurance compared to 48 per cent where the household income is more than \$40,000.

Within this categorisation, the people most likely to have private health

**Figure 1 Percentage of Australians with private health insurance, by household income, 2004**



Source: Roy Morgan Research (survey of people aged 14 and over taken between October 2003 and September 2004)

**Table 1 Distribution of private health insurance cover by selected life-stage, 2004**

| Lifestage                                              | Percentage of individuals with private health insurance |
|--------------------------------------------------------|---------------------------------------------------------|
| Young Single Parent                                    | 13                                                      |
| Young Married with Children earning less than \$40,000 | 20                                                      |
| Young Married, No Children, earning less than \$40,000 | 22                                                      |
| Older Single Non Worker                                | 26                                                      |
| Young Single Left Home                                 | 31                                                      |
| Older Married with Children earning less than \$40,000 | 33                                                      |
| Older Single Parent                                    | 33                                                      |
| Older Married, No Children, earning less than \$40,000 | 43                                                      |
| Older Single Working                                   | 43                                                      |
| Young Married, No Children, earning more than \$40,000 | 44                                                      |
| Young Married with Children earning more than \$40,000 | 48                                                      |
| Older Married with Children earning more than \$40,000 | 65                                                      |
| Older Married, No Children, earning more than \$40,000 | 68                                                      |
| <b>Average</b>                                         | <b>41</b>                                               |

Source: Roy Morgan Research (survey of people aged 14 and over taken between October 2003 and September 2004) [Note: In this table 'young' means 14-39 and 'older' means 40 and over].

insurance are older couples with a household income of over \$40,000 (amongst whom 68 per cent of those with no children and 65 per cent of those with children are privately covered). It is worth noting that, during the 2004 election campaign, it was this group of older Australians who were promised even greater incentives to retain private health insurance, in the form of a rebate of up to 40 per cent for those aged over 70. This is despite the fact that it is young, low-income families with children who appear to need the greatest assistance with meeting the cost of private health insurance.

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The Federal Government's reliance on private health insurance as a tool of public policy is delivering a disproportionate benefit to high-income earners and those who reside in high-income households. And as

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private health insurance premiums continue to rise, so too will the cost to the Federal Government of the open-ended 30 per cent private health insurance rebate. The announcement in March 2005 of an average eight per cent increase in the price of private health insurance, for example, will cost the Federal Government in excess of \$200 million per year.

Income is a major factor in the decision to take out private health insurance. Health Minister Tony Abbott's recognition that, for those who do not have private health insurance something as fundamental as dental care has become a 'nightmare', is an admission that the current system is failing many low-income earners who cannot afford private health cover.

In the lead-up to the 2004 Federal election, the broad demographic trends illustrated in this paper should have been clear to the Government. Despite the fact that low-income earners in general, and low-income families with

young children in particular, are the groups with the lowest private health insurance coverage, the Prime Minister announced policies to increase the affordability of private health insurance among older Australians. Given that affordability appears to be a more pressing problem for younger families, the decision to increase assistance to older households is unlikely to improve the efficiency or equity of the Australian health system. ■



# Institute notes

## New Publications

C. Hamilton and R. Denniss, *Wasteful Consumption in Australia*, Discussion Paper No. 77, March 2005

R. Denniss, *Who benefits from private health insurance in Australia?* Web Paper, March 2005

M. Flood, *Mapping Loneliness in Australia*, Discussion Paper No. 76, February 2005

R. Denniss, *Demographic trends in private health insurance*, Web Paper, February 2005

C. Hamilton, J. Sherrard and A. Tate, *Climate Change Policy Beyond Kyoto: A new global plan*, Discussion Paper No. 75, February 2005

C. Hamilton, *Making fines fairer*, Web Paper, January 2005.

## Forthcoming Publications

\*Drug law reform

\*Commuting and family time

\*Border tax adjustments for greenhouse taxes

\*A profile of 4WD drivers

Michael Flood has left the Institute to take up a post-doctoral fellowship at Latrobe University. We wish him every success with his new endeavours.

## Downshifting Conference

In 2003 the Institute found that around 23 per cent of Australians aged 30 to 59 had decided to downshift, that is to change their lives in ways that meant they earned and consumed less. Many discovered that they faced hostility from those around them who felt threatened by their choices but they also found it difficult to access support from like-minded downshifter who had taken similar paths.

On 23rd July 2005 a conference will be held in the Square House at the University of NSW in Sydney to enable downshifter and those who are thinking about changing course to meet and share experiences, difficulties and advantages. Several distinguished and informed speakers will be present, including Institute Executive Director Clive Hamilton.

This conference aims to provide support and encouragement to downshifter and potential downshifter and to assist them to reflect on their choices in an environment rich in shared experience. We hope to be reminded that despite the obsession of society with material success, the pursuit of something deeper is alive and well in Australia. More information will be emailed to members closer to the event.

In addition, a website is in the process of development and we hope it will be accessible in a couple of weeks. The address is [www.downshifting.net.au](http://www.downshifting.net.au) and we will let you know when it is up on the web.

