

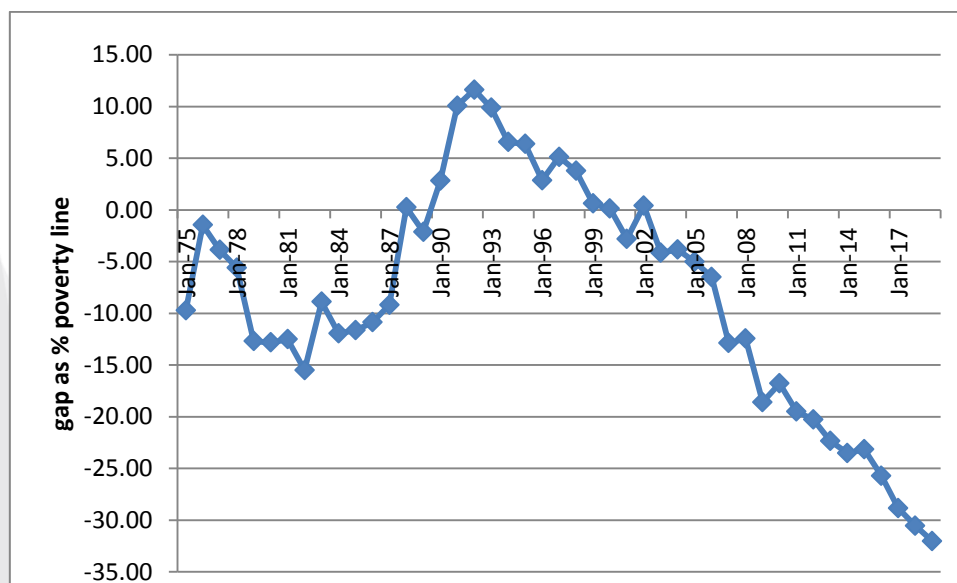
# // Inequality & poverty in Australia: The case against the removal of the clean energy supplement

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## Poverty

The Australia Institute maintains a graph of the difference between the Henderson poverty line and the amount of government assistance going to an unemployed family of four, two adults and two children. The graph in Figure 1 is constructed to show how that family has fared relative to the poverty line. Hence it starts in June 1975 when the family of four was almost 10 per cent below the poverty line. That family increased relative to the poverty line until June 1992 when it was 12 per cent above but has then consistently fallen to the present. The data beyond 2015 are TAI projections based on the CPI forecasts in the Budget Papers (which is used to index unemployment benefits) and the assumption that the poverty line will follow recent trends (at the average increase over the last 20 years). The graph also assumes the government implements its policy of reducing indexation by 1.7 per cent and so remove the carbon tax compensation. It is assumed that is introduced with effect from June 2017.

Figure 1: Government benefits versus poverty line



Source: TAI calculations based on data from the Melbourne Institute of Applied Economic and Social Research (various years)  
Poverty Lines: Australia, June Quarters.

The decision to remove compensation for the carbon tax has the effect of increasing the poverty gap from 30 to 32 per cent by June 2019 for those on unemployment benefits.

## Highlighting income inequality

In the 2016 budget the government announced that it would close carbon tax compensation to new recipients of government welfare benefits. This will have the effect of reducing the amount paid to welfare recipients. This will save the government \$1.4 billion over the forward estimates.

This would have the effect of reducing government payments to a large number of new welfare recipients. Table 1 shows a list of welfare payments that receive the clean energy supplement.

**Table 1: List of welfare payments receiving the clean energy supplement**

| <b>Welfare payment</b>           |
|----------------------------------|
| ABSTUDY Living Allowance         |
| Age Pension                      |
| Austudy                          |
| Bereavement Allowance            |
| Carer Payment                    |
| Commonwealth Seniors Health Card |
| Disability Support Pension       |
| Family Tax Benefit               |
| Farm Household Allowance         |
| Newstart Allowance               |
| Parenting Payment                |
| Partner Allowance                |
| Sickness Allowance               |
| Special Benefit                  |
| Widow B Pension                  |
| Widow Allowance                  |
| Wife Pension                     |
| Youth Allowance                  |

Table 2 shows the amount of the clean energy supplement that is received for selected welfare payments.

**Table 2: Rates of the clean energy supplement for selected government payments**

| Living Situation                                    | Clean energy supplement payment (pf) |
|---|--------------------------------------|
| Newstart single, no children                        | \$8.80                               |
| Newstart Single, with a dependent child or children | \$9.50                               |
| Newstart Partnered                                  | \$7.90 (each)                        |
| Age pension single                                  | \$14.10                              |
| Age pension partnered                               | \$10.60 (each)                       |
| Parenting payment single                            | \$12.00                              |
| Parenting payment partner                           | \$7.90                               |

Table 3 presents the dollar amount that individuals and couples receive on Newstart.

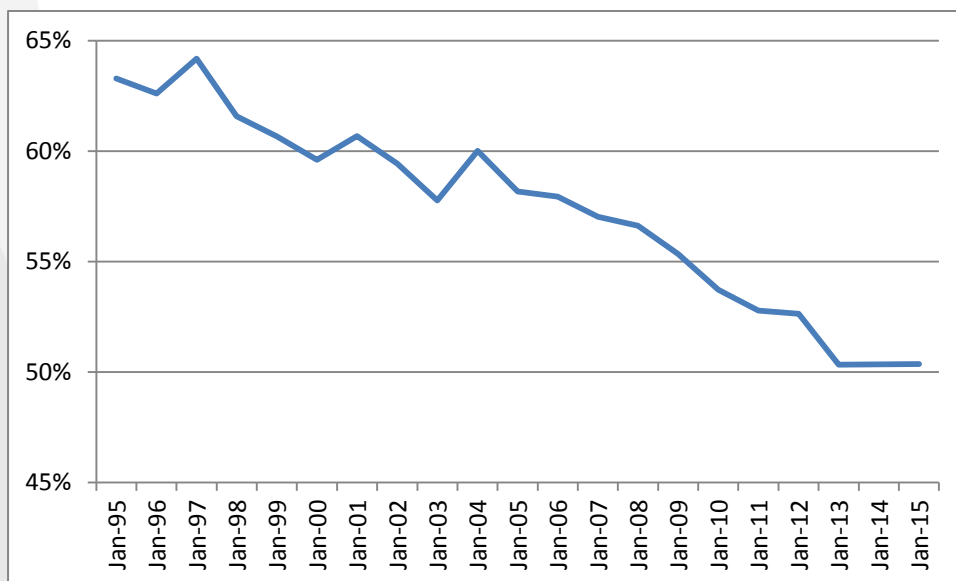
**Table 3: Rate of Newstart Allowance for individuals and couples**

| Living Situation                           | Maximum fortnightly Newstart payment |
|--|--------------------------------------|
| Single, no children                        | \$527.60                             |
| Single, with a dependent child or children | \$570.80                             |
| Partnered                                  | \$476.40 (each)                      |

Compensation for the carbon price also came in the form of tax. While the government is proposing to cut welfare payments it has not proposed removing the carbon price tax cut. This tax cut means that someone on \$60,000 a year pays \$19.30 per fortnight less in tax as compensation for the carbon price.

Newstart is indexed to the Consumer Price Index (CPI) which tends to rise more slowly than wages. This can be seen in Figure 2 which shows the ratio of unemployment benefits to Adult weekly ordinary time earnings (AWOTE). Unemployment benefits used to be 63 per cent of AWOTE in the mid-1990s. It has fallen to 50 per cent today.

**Figure 2: Ratio of unemployment benefits to AWOTE**



The business community has also pointed out that unemployment benefits have not been keeping pace with community standards and that they are now inadequate. KPMG said

Due to political rhetoric, payments for those who are unemployed have fallen behind other payments, to the point that it is commonly recognised that Newstart is inadequate, and significantly so<sup>1</sup>

The Business Council of Australia (BCA) have also argued for Newstart to be increased claiming that its inadequate rate was acting as a barrier to employment. They also argued against the government's claim that a higher rate of Newstart would discourage people from seeking employment.

A disproportionately low rate for the Newstart allowance will not, in and of itself, act as an incentive for people to return to work<sup>2</sup>

<sup>1</sup> Aston (2016) Raise the dole, spend less on the dying, says multinational accountancy firm KPMG, *SMH*, April 29, available at <<http://www.smh.com.au/federal-politics/political-news/raise-the-dole-spend-less-on-the-dying-says-multinational-accountancy-firm-kpmg-20160428-gogzmm.html>>

Table 2 presents a list of the top wealth holders in Australia.

**Table 2: BRW top 10 of the rich list**

| Rank    | Name                   | millions |
|---------|------------------------|----------|
| 1       | Harry Triguboff        | \$10,620 |
| 2       | Anthony Pratt & family | \$10,350 |
| 3       | Frank Lowy             | \$8,260  |
| 4       | Gina Rinehart          | \$6,060  |
| 5       | John Gandel            | \$5,400  |
| 6       | Hui Wing Mau           | \$5,390  |
| 7       | James Packer           | \$5,000  |
| 8       | Andrew Forrest         | \$3,330  |
| 9       | Ivan Glasenberg        | \$3,330  |
| 10 & 11 | David & Vicky Teoh     | \$3,080  |

Source: Financial Review Magazine, BRW Rich List 2016.

The top five are worth \$46,690 million, top ten worth \$60,820 million and note Clive Palmer is now at sixteenth with \$2,200 million. Other figures produced by the ABS<sup>3</sup> show the top twenty per cent own 62 per cent of the wealth while the bottom twenty per cent own 0.9 per cent. The top 10 wealthy own as much in financial assets as the bottom 20 per cent whose wealth is mainly dwelling contents and vehicles offset by various debts. (The average wealth of the bottom 20 per cent is \$35,547 but of that \$25,400 is the value of vehicles and dwelling contents).

The poorest quintile (20 per cent) included 1.7 million households and contained 3,972,000 people. (ABS Cat no 6554.0)

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<sup>2</sup> Karvelas (2012) Business Council of Australia calls for lift in dole payments, *The Australian*, August 13, available at <<http://www.theaustralian.com.au/national-affairs/business-council-of-australia-calls-for-lift-in-dole-payments/story-fn59niix-1226449033615>>

<sup>3</sup> ABS (2015) *Household income and wealth, Australia, 2013-14*, Cat no 6523.0, 16 December.