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Understanding inequality: How and why we are not equal

Presentation by
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[Communities in Control Conference](#)
Moonee Ponds, Melbourne, and online,
Monday, May 29, 2023

Video and audio versions of this speech, and Ms Dawson's presentation slides, will be posted here:

www.communitiesincontrol.com.au/speakers/emma-dawson

About the presentation

Inequality is on the rise in Australia. This is bad news for individuals. It's bad news for the regions. It's bad for health. It's bad for our economy. We know how things are trending and we know it needs to stop. We also need to stop pretending that we can fix a problem we do not understand. How does inequality look in Australia? Why are we all not equal?

If we can answer this, we have taken the first step in addressing our inequality, and moving towards making this country a fairer, better place. In this presentation, Emma Dawson, Executive Director at Per Capita, a progressive independent think tank dedicated to fighting inequality in Australia, explains how the Australian Inequality Index, an interactive online tool which aims to democratise data around inequality, can play an important role in achieving these aims.

Introduction by Denis Moriarty, group managing director, Our Community

It's my pleasure to introduce Emma Dawson. Emma is Executive Director of Per Capita, an independent progressive think tank dedicated to fighting inequality in Australia. She has worked as a researcher at Monash University and the University of Melbourne; in policy and public affairs for SBS and Telstra; and as a senior policy advisor in the Rudd and Gillard governments.

Emma has published reports, articles and opinion pieces on a wide range of public policy issues. She is a regular contributor to Guardian Australia, the Age, Independent Australia and the Australian Financial Review, and a frequent guest on various ABC and commercial radio programs nationally.

She appears regularly as an expert witness before parliamentary inquiries and often speaks at public events and conferences in Australia and internationally.

For those of you who attended last year's conference, and I know there are many of you here, you'll remember Emma's presentation on the early days of the [Inequality Index](#) that Per Capita has been working on. Well, Emma is back to provide an update on the project, including its key findings.

Please make her feel welcome.

Per Capita executive director Emma Dawson

Thank you, Denis. And thank you, all of you. Good morning. Thank you for welcoming me here and my colleagues from Per Capita today. And of course, I'll start by acknowledging that we meet today on the lands of the Wurundjeri Woiwurrung people and pay my respects to their elders past and present. I thank them for their custodianship over many generations of the lands and waters on which we meet, lands which were never ceded.

I am so delighted to be back with you today to launch Per Capita's Australian Inequality Index. And I will get it up on the screen [refer to Ms Dawson's [presentation slides](#)]. I'll try to stick very closely to the script my team has put



together for me, but it probably won't work because I'll get excited at some point.

Look, what we are launching today is a comprehensive measure of inequality in Australia. It's a ground-breaking new policy tool that provides multi-dimensional measures of inequality across a range of economic, social, and demographic indicators. With the launch of the index, we intend to promote greater awareness of the many forms of inequality that exist and persist in Australia today. And by bringing together the data from a range of sources and presenting it in what we believe is a very user-friendly format, the index is intended to democratise information that's previously been largely inaccessible to ordinary people and to the very important community organisations that serve them. And it will be open access for all of you to use.

By tracking changes in inequality over time, we hope to enable a richer, more nuanced understanding of the root causes of inequality and assist in developing targeted solutions to address them. We want the index to be a valuable resource for policymakers and the broader community in understanding and addressing the many dimensions of inequality in Australian society.

Let me take a step back, as Denis said. Just over a year ago, on this same spot, two days after the federal election, I announced our intention to develop this index, and Denis and our community then blew me away by offering the funding needed to support its development. And I think I actually cried on stage last year. That may happen again, but it was a delightful moment. So, 12 months later, I'm so pleased to say we have a working index available online, open to all of you here today to use. You're getting the first peek at it. We are sending it out to the media this afternoon. And as Denis said, I'm hoping to discuss it on *The Drum* this evening.

Now, as some of you may know, I've been away from work more than anticipated over recent months. So I want to thank very much - and they're both here today - Per Capita's chief economist, Michael D'Rosario, who developed the index and embedded the key metrics and data sets we need to produce this on an ongoing basis; and Sam Ibrahim, our research economist and very talented data scientist at our organisation, also here today, who's produced the



interactive online tool that will be available to all of you to use. They both have worked incredibly hard on this, so thank you very much.

I also want to shout out to Meredith Eldridge and Rebecca Connell on our communications team who make our work look so beautiful, much more professional than it used to when I was doing those things myself. Both Sam and Michael will be hanging around. I have to scarp off this afternoon, get ready for my appearance on *The Drum*. They don't do your hair and makeup anymore. It's always been the best part of it, but no. COVID. But so they'd be very keen to talk to you about the index and how you might be able to use it over the next couple of days.

So, why did we decide to produce an Australian inequality index? And what does it offer that can't be found elsewhere? Now, let me bring this back up if I can. No? There we go. Technologically challenged. So, economic measurement and reporting has historically been dominated by traditional methods such as gross domestic product, GDP, or gross national income. And these are typical measures of how we progress as a society. We measure our wealth. They do provide useful insights into economic production and productivity, but they are limited measures of human progress and social wellbeing.

In fact, in his initial report to the US Congress in 1934, Simon Kuznets, who was an economist behind the development of the GDP, pointed out that the wellbeing of a nation could not be accurately deduced solely from a measurement of national income. And 28 years later, in 1962, he was still at it, emphasising the need for nuanced understanding of growth. He stressed the importance of distinguishing between the quantity and quality of growth, and the costs and returns involved, as well as the short-term and long-term implications.

In short, he advocated for a more comprehensive approach than the GDP he had developed, and he urged policymakers at the time to clarify the specific aspects and purposes of growth that should be pursued. He emphasised, through this conversation, the limitations of relying solely on economic data. And yet the GDP tool he developed has gone on to dominate policymaking and policy thinking across the world.

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Now, in recent years, there has been a shift. And we are seeing some progress towards enhancing economic measures by embracing other factors that illuminate the impact of public policy on individual and community wellbeing. The global movement to entrench wellbeing budgets by national governments and to measuring what matters as part of the policymaking process are gaining ground in many advanced economies as we grapple with the impact of climate change and rapidly growing social and economic inequalities within and between nation states. Happily, we now have a government, a federal government in Australia, that is committed to both these processes.

In fact, the consultation framework on the Measuring What Matters process was closed by the Department of Treasury just last week. So, the timing of our index here is very apt. So, let's take a step even further back. Why does inequality matter? And how is it different from poverty? Understanding inequality and its causes is essential for those of us engaged in the work of creating a fairer, more sustainable world, but it's also necessary that the broader public understands that growing inequality threatens all of us, regardless of how privileged we may be under our economic system.

Hard-won democratic rights to individual and social wellbeing, to welfare, to peace, and prosperity are at real risk from the growth in inequality over the 21st century. So, it's critical, we believe, that we take collective action to reverse the course set by extreme unregulated market capitalism and restore the redistributive function of the state. This requires that we collectively reclaim the role of government in ensuring equality of opportunity and supporting equality of outcome, and that we empower communities to take control of their fortunes and determine the best allocation of resources to promote social cohesion and wellbeing.

Now, while Australia's not yet - backtrack a little bit again here. It's nine years now since Thomas Piketty's book, *Capital in the 21st Century*, took the nerd world by storm and really made the case for how inequality in the 21st century was in danger of rising to levels not seen since the 19th century. And he made a very strong and compelling, data-driven case, huge book, that those measures - that rising inequality would undermine trust in democratic institutions, social cohesion, peace, and all of the things that we've built up over a century.



Now, his book was published before Brexit. It was published before the rise of Donald Trump. And it was published before many European countries - and he was focused on the US and Europe - began to take a turn to more nationalist governments. And while we in Australia haven't yet seen the kind of shocking displays of that social disruption that we've witnessed in the US and parts of Europe over recent years, evidence of rising inequality is growing here too. And I will get to the findings - I'm keeping you in suspense - but they're not good. So, this tool is meant to allow us to really interrogate inequality, not just in terms of those gross domestic figures and breaking people down just by income quintile, but looking at how different aspects of inequality intersect to cause people disadvantage.

So, what does the index look like? It's a multifaceted measure. It does look at different indicators within each sub-index key indicators that we have curated from international and local databases, and it offers easy to follow, very integrated measures that you can track and you can manipulate in the online tool. Oh, I'll go back one. It is designed to be open access, it is designed to be user-friendly, and we do want to get feedback from people on its use so that we can develop it over time. And we will of course be updating it with every new data set that comes out.

Oh, I've frozen. There we go. And as I said, we have looked at various international indices, so there are a range of measures - World Economic Forum, United Nations measures, and others, but also Australian data sets in pulling this index together. And because, as I said, I've got a very talented data team now, now that the index and the tool is set up, it'll be a matter of simply dropping in new data sets as they come so that we can track the changes over time. We will maintain those underlying metrics consistently so that we'll be able to produce longitudinal analysis as well, but we will be feeding in new data as it comes to hand.

And I'll touch on this a little later, but one of the findings, as we knew it would be, was we encountered significant lack of data in some of those key sub-index measures, particularly along the lines of gender diversity. We don't have much at all for non-binary and diverse gender at the moment. We have a lack, believe it or not, even after 12, 14 years of closing the gap, we still have a lack of First



Nations data. We certainly have a lack of data around ethnic and cultural diversity and a huge lack of intersectional data around people with disabilities. So this is something that we will advocate to improve as we work on the index, and then we will build these things in over time as that data becomes available.

We're still going? Okay. There we go. So, ultimately, all of the different aspects of inequality build in to show the overall inequality in wealth and income, and one of the key findings this year will relate to wealth. But it shows the lack of access to things like education, to equitable health outcomes, and effectively to people providing their essential and basic needs. And as anticipated, that is particularly damaging for those in lower quintiles and particularly those who rely on government income support.

So, the design of the index. I'll take you through some of the technical aspects now. These are the guiding principles. We wanted to ensure that it was relevant, that it had an identified association with wellbeing and with social and economic progress. We ensured that we have a continuity of that data so that the data employed is able to be - the construction is able to be used over time and build those longitudinal studies. Okay. There we go. That it's public domain. Very important to us.

And thanks to Denis's and Our Community's generous support, we are able to make this open access. But the important thing as well is all the data that we have used is available in the public domain, so it can be cross-referenced, it can be checked, and it can be utilised by different agencies as being consistent. And finally, that we do look at a ratio or gap emphasis. So, this isn't about absolute levels. We're measuring inequality, so it's really the ratio of who's enjoying more compared to who's enjoying less in our society.

Moving along. The slides are as tired as I am today, I think. There we go. So the structure of the index. And this is really important to understand, because the way we've put it together, we hope - again, as I said, it will be really intuitive to use. But again, we do want that feedback from all of you. So we have several sub-indices in the index. First Peoples or First Nations inequality. It's going backwards. Gender. Again, we - at this point, it's really looking at the difference between cis men and cis women until we get that additional data

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that's starting to come through. They're starting slowly to collect data about diverse genders.

Ethnicity. Feedback last year from this group was that we shouldn't talk about ethnic minorities, we shouldn't talk about CALD communities, we should simply call it ethnicity. And within that, we're looking at racial and cultural differences, linguistic barriers, and particularly looking at first-generation migrants or people from refugee backgrounds, people of colour. And distressingly, finding quite a lot of discrimination still exists around those identities.

We also have - the slides want to wake up for me again? Okay, I'm going to try doing it this way. There we go. We have constructed an intergenerational sub-index. And this is important. We accept that people don't have a fixed age, but they do have a fixed generation, and that it's really important to us to look at the rising levels of inequality between generations. There are still, obviously, inequalities within generations, but because this is a policy analysis tool, we really need to examine how we have limited social mobility for younger people and what contribution public policy and economic decision making is making to that. And again, it's not a great outcome.

We also look at disability. And as I said, we do have some limitations there in the data, but again, finding high levels of discrimination. Some interesting findings about workforce participation since the rise of the NDIS. But a very important sub-index there.

And then wealth and income, obviously being the core causes of economic and largely social inequality in our country. The sub-index. So, I'm going to take you through quickly now. So, the income inequality index looks at the difference between quintiles. So, when we talk about quintiles, we're talking about the top 20%, next 20%, right down to the bottom 20% of people by income in this country. So, we compare the second to fourth quintile, as well as the first to fifth to determine this, and a ratio of household debt to income, which is an important measure in itself.

We then see that how income inequality has tracked, and this index goes back to 2010, this first iteration, and then we'll be adding on years as we go, as the data

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comes available. So, it is rising and is currently stable, but still at a fairly high level.

The wealth index, the sub-index - and this is a really critical one, because it's wealth, it's assets, it's the ownership of assets and wealth that really drives persistent inequality in our country. Again, we look at the upper and lower quintiles, the second to fourth, and the debt ratio. And one of the reasons that we find that wealth inequality is certainly growing, and it's growing rapidly.

Income inequality is stabilised somewhat, largely because - and Michael made this very interesting finding - high-income households have taken on a lot of debt over the last two or three years. They're buying properties during the COVID pandemic, basically, is the simple explanation for that. And so that's why income's stabilising, but wealth is increasing because they're increasing their assets.

Drivers of economic inequality. Obviously, this is the point I was just making, Australians in the lowest-income quintiles remain in a very precarious position that is not improving. So, the bottom 10% to 15% of people by income in this country are living in persistent income poverty, and they have been now for close to 40 years. And nothing we seem to be doing is addressing that issue. The wealth gap is growing, and the Gini coefficient, which is one of the other standard measures used to measure the wealth gap, is masking, according to our research, the true extent of wealth inequality and how it's taking off in this country.

We know that our economy lacks diversity. By that, we mean there are fewer opportunities for rewarding high-paid skilled jobs in our economy. And at the same time, we don't value a lot of foundational jobs adequately. So, those jobs in the care and support sector - thrilled to see the government put out a consultation on that just yesterday - are undervalued and underpaid. And so, this imbalance about what we value and what opportunities are available is a big feature of our economy. We're a dig-and-ship economy, basically, and that limits our opportunities for growth and distributive justice.

Too many people still not working enough hours, or enough hours to keep them in sustained wellbeing. One of the really interesting findings recently in all the

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discussion around welfare in this country - and I'm reclaiming the word 'welfare' - the fact that people think that's a pejorative is a huge problem - is that a lot of the people that are currently in receipt of income support payments are working. They just can't get enough hours or do enough work.

And similarly, there are a lot of people in our community who are limited in the number of hours they can work because of age or disability or ill health or caring responsibilities, and our safety net is simply not making up the gap adequately for them.

And that's the final point I want to make. Our welfare payments are inadequate across the board. They fall below any measure of the poverty line, including the age pension, barely level pegs with the poverty line, and then only if you own your own home. So, we have - again, I'll run very quickly through the sub-indices because I'm taking a lot of time here.

We look at gender. So, as I said, we do have limitations on diverse gender. We will be pushing hard and trying to source better data. Anyone with any ideas there for us, please come and see Michael and Sam. But we look at political representation, crime victimisation. Gender-labour ratio means number of women in the workforce, the wage level, and the education of women. And we find that it's been getting slightly better over time, but recently stagnating again.

Now, one of the reasons, one of the really interesting findings, again - and this is what's so beneficial of doing this deep dive - is Michael was able to determine that one of the reasons for the drop in gender inequality is that men's crime victimisation rate has dropped over the last 10 years and women's has risen, to the point where now women are actually more likely to be the victim of violent crime for the first time. That's nothing to celebrate. It shows a balance of an improved inequality, but it's not a good thing. It's a good thing that men's crime victimisation rate's going down. It's not a good thing that women's is going up. And there's been very little movement on wages for the gender wage gap. Even though we're seeing an increase in political representation, an increase in labour force participation, the wage gap is remaining stubbornly high.

The intergenerational analysis is pretty distressing. Again, we look at the youth poverty ratio, older persons poverty ratio, the poverty gap, and the intended

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retirement age. What that shows you is if people are working longer, it's because they need to, usually, rather than because they want to.

Something we'll be factoring in here, Per Capita also has a Centre for Equitable Housing which launched this year, and we'll be combining the metrics from the housing research into this as well, because, as we'll see through wealth, one of the biggest drivers of generational inequality is access to property and access to assets. Although we also find that in the years since the GFC, so 2010, we started looking at this, young people in particular experience no wage growth. In fact, real wage declines until about the last 12 months, when they're slowly taking off, but so is inflation.

The ethnicity sub-index, we look at an employment ratio and the rates of people reporting discrimination, which is still distressingly high, I have to say. And we do, for each of these – I'm sorry to mention at the bottom, we put a time to equality. And that is, if we assume a 1% improvement every year – by no means guaranteed, and we've gone backwards in some years – how long it would take to reach that level of perfect equality. And again, you can see the changes in the ethnicity sub-index. They do move around a lot because of the different metrics that we look at.

Disability. Again, we look at their employment ratio, so how much are they participating in the labour force and how much are they reporting discrimination? And again, we found relatively high levels of reported discrimination from people with disabilities, more than you would intuitively expect. We did find some improvements in labour market participation, which we surmise at this point are likely due to the impact of the NDIS over recent years.

But one thing I know Michael is particularly excited about is the new national disability data that's going to be gathered by the NDIA to feed into this index in coming years, and we think that will help us a great deal in understanding, because disability is by no means a common experience. It's very varied, and what kinds of disabilities are most affecting people in terms of how they – as we know, you become disadvantaged by a disability because the community and society does not accommodate your needs. So, we're excited about that new data coming out that we'll feed into that one too. But disability inequality was

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trending down but has risen in recent years and is stable, but that's largely due to discrimination in society.

First Nations sub-index. This one's much bigger because, of course, because of the Closing the Gap initiative, we do have more data in this space, although a lot of it isn't very granular and it doesn't look at those intersections such as gender, location, et cetera, that we need. But here we look at a range of health measures, a range of educational measures, labour force participation, and, critically, those very damning statistics around life expectancy, health, and incarceration. We're not making much progress on closing the gap at all. It's not news to anyone who follows that story every year, when we stand up and announce the Closing the Gap progress, or lack thereof.

What we do see here is that the impact of relative – very, very high relative rates of incarceration, particularly among young First Nations people, high rates, distressingly high rates of suicide and self-harm, and basic discrimination are huge problems, but so are things like access to housing and the labour market. And we'll be working with First Nations organisations to build this sub-index further and get a lot more granular detail and analysis around that.

So, the index overall has these seven measures, and they are weighted accordingly within each sub-index and then come together to show us overall inequality and how it's tracking. It did improve between 2010 and 2016, but since 2016, it has fallen off a cliff overall. We are seeing marked declines, and we are now less equal as a society than we were in 2010. Nothing to crow about.

The drivers of Inequality over that decade, as I've said, it's wealth inequality is the big one. It's the major driver of overall inequality. Trends in discrimination against people with disabilities and people from diverse backgrounds is another big driver. There has been that modest shift in gender inequality, but the wage gap remains persistent. And as I said, the over-incarceration rate of Aboriginal and Torres Strait Islander people is a huge driver of First Nations inequality. It's at the heart of the ecological dystopia we face, one that now poses an existential threat, so says Michael D. Higgins. And that's a quote that we use to discuss our index, which, as I said, is available for all of you to use from today.



We haven't released it to anyone else yet. We will be doing so this afternoon, and I am hoping to be discussing the issues on The Drum this evening.

So, in conclusion, we're a relatively socially cohesive society. We're certainly a relatively wealthy country. We consistently rank in the top 10 by GDP per capita. And yet there are inequalities that persist and are growing across our society. There are too many Australians, people from diverse cultural backgrounds, people with disabilities, younger people, older single women, First Nations Australians, who simply do not have access to the kinds of opportunities that are needed in order to build a good life. We have taken decisions over the last 30 to 40 years that have significantly reduced social mobility, that have weakened our society as people become more divided and more angry.

And we know that over time, extreme—like, some level of inequality in a society is inevitable because people make different choices. But extreme structural inequality is the result of decisions we make collectively. And the major drivers of this inequality in Australia may be lagging slightly behind those of the US and Europe, but we are catching up fast. If we don't see some reversal of some of those policies, we will see a much more greatly divided country. We will not be able to embrace the opportunities that come from moving to a post-carbon economy.

We will have a generation— we already arguably have a generation that does feel utterly betrayed, and as though it doesn't matter what they do, how hard they work, that they do everything they're told, they still cannot build the kind of life that their parents did. And it's indictment on all of us, I think, to say that we are going to leave a worse world for our children than we inherited ourselves. If anyone cares about social justice, that's the number one metric that we use.

What we do hope to do with this index is develop it over time so that we are able to look at different policy announcements as they come out, different measures of inequality that can be applied to those policy measures and look at decisions and how they have effects on different groups in society and on society overall.



As I said, it is a free, open-access tool. It will be provided with links if you go to our website, where you can access the tool and play around with the data itself.

You can change some of your settings, so you can say, “Well, if we implement— if we had a faster rate of achieving inequality, how long would it take to get to that outcome?” And over time, we will build in the ability to take specific economic decisions, policy decisions, and feed them through the index to see what kind of impact they’re going to have. That’s the presentation on the Summary Index. As I said, I’ll be talking about it on *The Drum* this afternoon, and it will be formally released to the wider public when I get home this afternoon.

Read more about the Inequality Index [here](#).

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