The good news on poverty
Things are getting better for the poor in Australia

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Contents

Executive Summary................................................................................................................. 4
Introduction ............................................................................................................................... 5
Contemporary perspectives on improving living standards for the disadvantaged................. 6
  Income and wealth ................................................................................................................. 6
  Consumption......................................................................................................................... 9
  Health................................................................................................................................. 14
  Education ........................................................................................................................... 18
Conclusion............................................................................................................................... 28
Executive Summary

- Contrasting the image that the rich are getting richer and the poor getting poorer, Australians experiencing poverty and disadvantage are in fact enjoying better living standards than previous generations of impoverished Australians.

- People on lower incomes are benefiting from rising income and wealth levels.
  - The bottom 20 per cent have increased their average real earnings by $7,600 since 2000, with studies showing clear evidence of upward income mobility by the poor.
  - There has also been modest growth in the value of wealth holdings by the bottom 20 per cent of households.

- There have been radical improvements in product availability and buying power for disadvantaged Australians in recent decades.
  - In 1994 it cost someone on a low income between 0.18 and 0.2 hours of work to buy two litres of milk. In 2011 it cost someone on a low income between 0.12 and 0.15 hours of work.
  - In 1994 it cost a person on a low income between 146.4 and 168.2 hours of work to buy a 520 litre-capacity fridge. In 2014 it would cost between 51 and 61.5 hours.
  - Total consumption spending by households in the bottom 20 per cent has almost doubled since the mid-1990s (from $15,600 to $29,000 in 2010).

- The available data shows that people living in the most disadvantaged areas are experiencing improvements their overall health status.
  - Data for New South Wales, for example, indicates that average life expectancy at birth for men living in low socioeconomic status (SES) areas rose by three years between 2001 and 2012, and by two years for females.
  - There have also been significant reductions in deaths due to cardiovascular diseases, with ischaemic heart disease mortality rates for men in low-SES communities falling by 21 per cent on average from the late 1970s to the mid-2000s, and to cancer.

- Young people from disadvantaged communities are increasingly accessing educational opportunities in Australia.
  - School non-completion rates have been falling for students from low SES background families, whilst numerous new non-government schools serving disadvantaged students have opened.
  - There have also been impressive improvements in the numbers of low SES enrolments in universities, with growth in the numbers of students in this category rising from 77,000 students in 1992 to 158,000 in 2013.

- Improvements in living standards experienced by Australians experiencing deprivation and disadvantage have been transformational over the past century or so, as shown by dramatic reductions in infectious diseases mortality and massive gains in product affordability.
Introduction

One of the most prominent controversies today relates to the state and appropriateness of the distribution of income and wealth among the population.

The contemporary inequality debate has been largely concerned with determining how much inequality exists, with particular emphasis on the gaps between the rich and poor. If income and wealth distributions are perceived to be too heavily skewed in favour of those with more resources, then calls are invariably raised to use fiscal and regulatory policies to tilt the distribution back in the favour of those with less.

Based on the recent works of several inequality economists in recent years, such as Thomas Piketty, Joseph Stiglitz and Tony Atkinson, and Australian publications such as Andrew Leigh’s Battlers and Billionaires, the alarm has been well and truly raised about inequality in this country. Recently on the ABC Q&A program, federal opposition leader Bill Shorten put forward the claim that Australian inequality is at a 75-year high, and inequality activists have invoked similar figures when calling for more progressive taxes, more labour market restrictions, and greater redistributive subsidies to those less well off.

In an effort to strengthen public understanding of the causes and consequences of poverty and hardship around the world and in Australia, an ‘Anti-Poverty Week’ has been launched for mid-October 2015. But the obvious point needs to be made that inequality, which dominates the press and political discussions, is not the same as poverty. Indeed, extreme policies could try to induce less inequality by levelling down all incomes to the same level, but these settings will simply deprive people of the resources they need to achieve their own life ambitions.

During this Anti-Poverty Week we should be most concerned about the conditions faced by those experiencing poverty, deprivation and disadvantage. As economic historian Deirdre McCloskey reminds us, the aim should not be equality of economic outcome but to see that those beneath us are being enriched. Indeed, the drive to suppress inequality lacks relevance if the poor are becoming wealthier themselves, and the quicker the poor become wealthier the better.

This paper aims to contribute to the Anti-Poverty Week debate in Australia by providing evidence about the extent to which those experiencing disadvantage in various forms in this country are enjoying improvements in their living standards.

Whether it is through improved income and wealth, better health, more education, or extra consumption goods at their disposal, this paper illustrates that, generally speaking the poor and disadvantaged are indeed sharing in improving living conditions with other Australians. The rich are becoming better off, but so are the poor. The key will be to further enhance upward mobility and enrichment for Australia’s disadvantaged by promoting economic freedom, rather than diminish it through larger, more redistributive government.

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1 Deirdre McCloskey, 2014, ‘Equality lacks relevance if the poor are growing richer’, Financial Times, 11 August.
Contemporary perspectives on improving living standards for the disadvantaged

Income and wealth

A commonly used measurement for living standards is the level of income attained by individuals and households, either through providing labour in the market or through receiving benefits and subsidies from government. Essentially, the level of income earned denotes the capacity of people to make claims on goods and services produced.

Table 1 shows the earnings of full time adults in non-managerial working roles situated among the bottom 30 per cent of the income distribution, adjusted for price inflation. The increase in real earnings by lower income Australians since the mid-1970s has been at least in the order of $7,600 - this is double the increase in the mandated minimum wage, and more than ten times the increase in unemployment benefits, over the same period.

Table 1: Annual real earnings by selected quintile, full-time adult non-managerial employees, 1975 to 2014, $

<table>
<thead>
<tr>
<th></th>
<th>Bottom 10 per cent</th>
<th>Bottom 20 per cent</th>
<th>Bottom 25 per cent</th>
<th>Bottom 30 per cent</th>
<th>Federal minimum wage</th>
<th>Unemployment benefit (single)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>35,446</td>
<td>40,395</td>
<td>28,413</td>
<td>12,547</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>35,899</td>
<td>40,734</td>
<td>32,400</td>
<td>10,814</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>37,568</td>
<td>42,578</td>
<td>31,401</td>
<td>11,156</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>33,764</td>
<td>38,876</td>
<td>28,460</td>
<td>12,537</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>35,781</td>
<td>41,229</td>
<td>28,377</td>
<td>12,831</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>37,889</td>
<td>42,360</td>
<td>46,753</td>
<td>30,232</td>
<td>13,006</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>38,913</td>
<td>44,042</td>
<td>46,478</td>
<td>49,042</td>
<td>13,161</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>40,870</td>
<td>46,676</td>
<td>51,734</td>
<td>31,258</td>
<td>13,301</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>43,576</td>
<td>50,024</td>
<td>55,328</td>
<td>32,354</td>
<td>13,273</td>
<td></td>
</tr>
<tr>
<td>Change ($)</td>
<td>8,130</td>
<td>7,664&lt;sup&gt;a&lt;/sup&gt;</td>
<td>12,177</td>
<td>8,575&lt;sup&gt;b&lt;/sup&gt;</td>
<td>3,941</td>
<td>726</td>
</tr>
<tr>
<td>Change (% pa)</td>
<td>0.5</td>
<td>1.2&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.7</td>
<td>1.2&lt;sup&gt;b&lt;/sup&gt;</td>
<td>0.3</td>
<td>0.1</td>
</tr>
</tbody>
</table>

(a) Change from 2000 to 2014.

Source: Andrew Leigh, 2013, Battlers and Billionaires: The Story of Inequality in Australia, Black Inc, Melbourne; Australian Bureau of Statistics, Consumer Price Index, Australia, cat. no. 6401.0; Australian Bureau of Statistics, Employee Earnings and Hours, Australia, cat. no. 6306.0.

A recent paper has presented the growth in income earned by the bottom 20 per cent in Australia since 1981 (Figure 1), indicating that “[w]hile Australia has ... seen substantial increases in income inequality ... [t]here are significant increases [in real incomes] for households in the middle and lower part of the distribution.”
Earlier this year the welfare lobby Australian Council of Social Service presented data indicating that whereas most Australians receive their main source of income from wages and salaries, those who rely on government pensions and allowances are more likely to be found amongst the bottom 20 per cent of the income distribution. This is represented in Figure 2.

Although a persistent reliance upon the welfare state as the main source of income for the poor is of concern, not least on economic and social participation grounds, longitudinal studies have indicated “a substantial decline in the rate of receipt of income support payments between 2001 and 2009. For example, the proportion of working-age people in households that received income support...
payments declined from 37.7 per cent in 2001 to 30.6 per cent in 2009. Since 2009, welfare receipt has increased only slightly.\(^2\) There were also reductions in welfare receipt among working-age people over successive five-year period during the 2000s, emphasising the ongoing importance of maintaining strong rates of economic growth to sustain reasonable employment outcomes.

A more recent study by NATSEMS analysed trends in disposable incomes (after tax and government benefits) earned across the household income distribution from 2004 to 2014. Accounting for changes in living costs, it was found that households in the bottom 20 per cent of incomes enjoyed a 15 per cent increase in their living standards.\(^3\) Extending the analysis to the bottom 40 per cent of households, the same study found consistent living standard improvements across different family types and housing tenure types, as well as for households with the head of household at various ages.

It is also important to recognise that people situated within the lower rungs of the Australian income distribution do not necessarily remain in those positions over time, with evidence of upward mobility on the part of low income earners.

A 2007 study by Australian economist (now politician) Andrew Leigh found that social mobility rates in Australia were generally greater than those in the United States: “[c]ontrary to popular wisdom, it appears to be much less common to move from rags to riches in the United States than in Australia.”\(^4\) For example, 27 per cent of sons with fathers in the lowest income quintile themselves stayed in that bottom quintile, whereas 12 per cent moved from the bottom to the top quintile. In the United States, by contrast, only 14 per cent of sons of fathers in the bottom quintile remained there whilst only five per cent progressed to the top quintile.

Table 2: Intergenerational mobility by income quintile, 1965-2004

<table>
<thead>
<tr>
<th>Father’s earnings quintile</th>
<th>Australia</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Son’s earnings quintile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>26.52</td>
<td>18.24</td>
</tr>
<tr>
<td>2</td>
<td>19.45</td>
<td>23.95</td>
</tr>
<tr>
<td>3</td>
<td>18.87</td>
<td>22.57</td>
</tr>
<tr>
<td>4</td>
<td>23.39</td>
<td>18.63</td>
</tr>
<tr>
<td>5</td>
<td>11.76</td>
<td>16.60</td>
</tr>
</tbody>
</table>


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\(^3\) Ben Phillips, 2015, Living Standards Trends in Australia: Report for Anglicare Australia, NATSEMS, September.

Another intergenerational income mobility analysis, this time by economists at The University of Queensland, focussed on a much shorter timeframe (HILDA longitudinal data waves pertaining to the years 2001-03 to 2004-06).\(^5\)

The study by Rohde et. al. found 57 per cent of people in the lowest income quintile in the first period remained there in the second period, with 27 per cent and 10 per cent moving up to the second and third quintile bracket respectively. Approximately two per cent of people in the lowest quintile in 2001-03 moved to the top quintile in 2004-06. There were much higher rates of income progression for people originally situated in the second quintile, with 21 per cent and eight per cent of them moving into the third and fourth quintile positions respectively.

Another measure that is frequently used is wealth, which is the value of the stock of (usually net) assets owned by a person or family. In a similar vein to income wealth possessed signifies a capacity to claim resources, and to cover for any contingencies that might adversely affect the flow of income (such as unemployment).

ACOSS analysis of official wealth data indicated that from 2004 to 2012 the average level of net worth of the bottom 20 per cent of households grew in real terms by three per cent, and by nine per cent for the second lowest net worth quintile.\(^6\) The wealth of the bottom 20 per cent is mostly comprised of low-value assets such as vehicles and home contents, and to a lesser extent superannuation holdings, whereas households on higher wealth scales hold more wealth in property and shares.

**Consumption**

Income provides a strong indication of the potential capacity of individuals and families to consume goods and services, but there are now a variety of measurements which allows the analyst to track changes in the availability, or ownership, of products by households and their affordability. These measures also serve as a useful guide for measuring living standards.

The Household Expenditure Survey produced on a periodic basis by the Australian Bureau of Statistics provides a snapshot of consumption expenditure patterns across the different strands of the income distribution. As shown in Figure 3, annual spending on goods and services by households in the lowest gross income quintile had almost doubled from 1993-94 to 2009-10.

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\(^6\) Australian Council of Social Service, 2015, *Inequality in Australia: A Nation Divided*, ACOSS, Strawberry Hills, NSW.
Subsequent efforts by the ABS have sought to integrate data attained from the household level with the national accounts, producing information about the distribution of household consumption consistent with national accounting concepts and aggregates.\(^7\) Table 3 summarises the level of spending by households situated within the bottom quintile of the income distribution.

**Table 3: Household expenditure by lowest quintile, 2003-04 to 2011-12, $ millions**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>7,986</td>
<td>9,152</td>
<td>10,860</td>
<td>12,170</td>
<td>13,523</td>
</tr>
<tr>
<td>Clothing and footwear</td>
<td>2,142</td>
<td>2,393</td>
<td>2,712</td>
<td>2,937</td>
<td>2,973</td>
</tr>
<tr>
<td>Furnishings &amp; household equipment</td>
<td>3,245</td>
<td>3,320</td>
<td>3,794</td>
<td>3,938</td>
<td>4,139</td>
</tr>
<tr>
<td>Communication</td>
<td>2,042</td>
<td>2,500</td>
<td>2,846</td>
<td>2,985</td>
<td>3,209</td>
</tr>
<tr>
<td>Recreation and culture</td>
<td>5,407</td>
<td>6,294</td>
<td>7,410</td>
<td>8,057</td>
<td>9,069</td>
</tr>
<tr>
<td>Hotels, cafes &amp; restaurants</td>
<td>2,711</td>
<td>3,096</td>
<td>3,628</td>
<td>3,899</td>
<td>4,455</td>
</tr>
<tr>
<td>Other</td>
<td>32,085</td>
<td>37,751</td>
<td>45,920</td>
<td>51,275</td>
<td>59,194</td>
</tr>
<tr>
<td>Total</td>
<td>55,616</td>
<td>64,505</td>
<td>77,171</td>
<td>85,261</td>
<td>96,562</td>
</tr>
</tbody>
</table>

Current price data for quintiles sorted by equivalised disposable income.


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Australian consumers have substantially benefited from technological innovations from the early twentieth century which have made our living conditions safer, less arduous, and more comfortable. These range from household appliances, such as refrigerators and washing machines, to entertainment goods and computing equipment (some of which were not even in existence twenty or thirty years ago).

In 2014, virtually every household in the country had a refrigerator (99.9 per cent of all households) and a washing machine (97.8 per cent), implying that low income households owned these facilities to much the same extent as their wealthier counterparts. The extent of diffusion of other household conveniences has similarly been impressive - for example, 98.2 per cent of all Australian households owned a television in 2014.

The rate of diffusion of a number of appliances in the home, increasingly spreading down through to lower income households, has also been relatively high in Australia:

- In the mid-1950s, 40 per cent of all households owned a washing machine. By the late 1990s, 93 per cent of households in most disadvantaged areas owned a washing machine.
- In the early 1960s, 55 per cent of all households owned a television. By the late 1990s, about half of all households in most disadvantaged areas owned a television.
- In the late 1990s, 26 per cent of all households owned a personal computer. In 2011, 60 per cent of households on incomes less than $40,000 had access to a computer at home.
- In the late 1990s, seven per cent of households had home internet access. By 2013, 57 per cent of households with incomes less than $40,000 had home internet access.

Mobile phones have also become an essential aspect of modern consumption patterns, playing an important role in helping people connect both on an economic and social basis. In 1996 it was estimated that about 24 per cent of all households owned a mobile phone. In 2007 the Australian Communications and Media Authority estimated that 56 per cent of households on incomes less than $35,000 had a mobile phone device.

Strengthening the capacity of Australians in disadvantaged positions to be able to purchase more goods and services has been the improving affordability of products. One way to measure this is to adopt methods originally employed by American economists W. Michael Cox and Richard Alm, and later used in the US context by Donald Boudreaux and Steven Horwitz and, in Australia, Mikayla Novak, that estimate affordability in terms of the time required to earn enough income to buy the output in question.

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9 Ibid.
12 Australian Communications and Media Authority, 2008, Access to the internet, broadband and mobile phones in family households, Media and Communications in Australian Families series No. 3.
Table 4 provides an illustration of the effective reduction in the cost of living faced by Australians on lower incomes, with respect to the improved affordability to a selected array of everyday items, appliances and entertainment equipment. This is far from an exhaustive listing, and the affordability for some other essential items not listed here may have actually worsened (for example, it takes slightly longer for low income earners to earn enough income to buy 500 grams of butter or a dozen eggs), however purchasing power has by no means necessarily fallen away for those on limited means.

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13 Based on methodology and sources as described in notes for Table 4. However, the effective labour cost to obtain these products have not been quality-adjusted taking into account, say, improvements in production processes or the availability of greater varieties for even these relatively homogenous goods (e.g., cage free eggs, butter with different salt contents). Therefore, the extent of worsening product affordability in these cases is probably overstated.
Table 4: Affordability of selected goods for low income earners, 1990s and 2010s

<table>
<thead>
<tr>
<th>Essential items (a)</th>
<th>1990s</th>
<th></th>
<th></th>
<th></th>
<th>2000s</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retail price (date)</td>
<td>Hours of work to purchase by bottom 10 per cent</td>
<td>Hours of work to purchase by bottom 25 per cent</td>
<td>Retail price (date)</td>
<td>Hours of work to purchase by bottom 10 per cent</td>
<td>Hours of work to purchase by bottom 25 per cent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk (2 litres)</td>
<td>$1.03 (1994)(^{(b)})</td>
<td>0.204</td>
<td>0.178</td>
<td>$3.06 (2011)</td>
<td>0.145</td>
<td>0.120</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White bread (650-750 grams)</td>
<td>$1.67 (1994)(^{(c)})</td>
<td>0.165</td>
<td>0.144</td>
<td>$3.51 (2011)</td>
<td>0.166</td>
<td>0.138</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rump steak (1 kilogram)</td>
<td>$12.62 (1994)</td>
<td>1.249</td>
<td>1.088</td>
<td>$17.89 (2011)</td>
<td>0.848</td>
<td>0.703</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peaches (825 gram tin)</td>
<td>$1.92 (1994)</td>
<td>0.190</td>
<td>0.165</td>
<td>$3.84 (2011)</td>
<td>0.182</td>
<td>0.151</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household appliances and entertainment goods (e)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refrigerator (520 litres)</td>
<td>$1,699 (1994)</td>
<td>168.214</td>
<td>146.415</td>
<td>$1,299 (2014)</td>
<td>61.540</td>
<td>51.009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Washing machine (7-7.5 kilogram capacity)</td>
<td>$999 (1994)</td>
<td>98.908</td>
<td>86.091</td>
<td>$649 (2014)</td>
<td>30.746</td>
<td>25.485</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) Prices based on average retail prices in Sydney; (b) Two one-litre milk items. (c) 680 gram bread loaf. (d) 180 gram packet of teabags. (e) Prices based on individual items in newspapers and shopping catalogues. Fridge price for 1994 sourced from David Jones advertisement in The Canberra Times. All other items for 1994 sources from Brashs advertisements in The Canberra Times. All 2014 prices sourced from Good Guys online catalogue for month of October.

Source: Australian Bureau of Statistics, Average Retail Prices of Selected Items, Eight Capital Cities, cat. no. 6403.0.55.001; Australian Bureau of Statistics, Employee Earnings and Hours, Australia, cat. no. 6306.0. newspaper advertisements and online shopping catalogues.
Health

As a result of intellectual contributions by the likes of Nobel Prize winning economist Robert Fogel,\textsuperscript{14} there has been a much greater emphasis in recent decades upon quantifying trends in living standards using biological measurements. These measures are potentially useful in capturing changes in the health status of the population which may not necessarily be incorporated, at least directly, into more conventional economic statistics.\textsuperscript{15}

One of the more oft-cited measures of changing health status is life expectancy at birth, which indicates the average number of years to be lived by people born in the same year.

Some Australian states maintain publicly accessible databases sorting life expectancy for people located in the lowest quintile range of the ABS Socio-Economic Indexes for Areas (SEIFA), significantly relatively greater levels of socio-economic disadvantage.\textsuperscript{16} As shown in Figure 3, life expectancies at birth for males and females living in low SES areas of NSW and Victoria have gradually improved, at least over the past decade.


\textsuperscript{16} For the purpose of discussion in this section, it is important to emphasise that SEIFA indexes are intended to denote the summary circumstances of people in given areas (sorted by relative disadvantage) and not to a person or a household. Specifically, it is entirely possible that wealthy individuals or families reside in low quintile (i.e., high disadvantage) SEIFA areas.
Studies have shown a significant decline in the rates of avoidable and non-avoidable mortality rates for people situated in the lower end of the SES spectrum (using ABS SEIFA) (Figure 4). The reduction in avoidable mortality, in particular, is seen as an indication that timely and effective health care has contributed to changing the mortality rate:

[A]bsolute declines in avoidable mortality were greater at the lower end of the spectrum resulting in decreasing absolute inequality over time, reflecting the greater need for care in this population. Thus, while there is evidence of inequality in the individual benefits of health care, the overall population impact in terms of improved survival is greater at the lower end of the socioeconomic spectrum.

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17 Avoidable mortality is defined as those conditions amenable to medical care (e.g., infectious diseases, most cancers, cardiovascular diseases, maternal and perinatal deaths, and various respiratory conditions) and those responsive to interventions but lack effective treatment once the condition has developed (e.g., trachea, bronchus and lung cancers, chronic liver disease and cirrhosis, and motor vehicle accidents). Non-avoidable mortalities relate to the remaining causes of death such as metabolic disorders, most neurological disorders, and diseases of the musculo-skeletal system. Rosemary J. Korda, James R. G. Butler, Mark S. Clements and Stephen J. Kunitz, 2007, ‘Differential impacts of health care in Australia: trend analysis of socioeconomic inequalities in avoidable mortality’, International Journal of Epidemiology 36: 157-165.

18 Ibid., p. 162.
There have also been observations of monotonic reductions in mortality related to ischaemic heart disease (IHD) - also known as coronary heart disease - and stroke in Australia across the socioeconomic spectrum between 1979 and 2006 (Figure 5). The incidence of heart disease narrowed between low and high SES groups for females, and for stroke in both males and females.

The encouraging trends - including the halving of mortality rates attributable to heart disease and stroke within low SES communities - were attributed to “widespread access to improvements in treatment of IHD and stroke, and SES differences and declines in risk factors in Australia, specifically tobacco consumption, hypertension, cholesterol, and sedentary behaviour.”

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Finally, a study prepared for the Australian Institute of Health and Welfare had shown an appreciable decline in mortality rates attributable to cancers between the periods 1985-87 and 1998-2000 in the most disadvantaged geographic regions. According to the study, the male cancer mortality rate fell from 150.6 per 100,000 people in 1985-87 to 115.1 in 1998-2000 whereas for females it fell from 112.9 to 91.8 over the same period.

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Education

Australian jurisdictions have long maintained legislative provisions requiring children to compulsorily attend schools, although these may have not been strictly enforced on a broad basis in earlier decades and, even to this day, there remain concerns about attendance rates by indigenous children in remote areas.²¹

In previous generations many students tended to opt out of studying at senior secondary school levels, in favour of work or vocational training opportunities elsewhere. From the 1980s, however, there had been a gradual shift in educational preferences for students to remain in school for longer periods. This had been shown in a study by Stephen Lamb et. al., wherein students from low SES families (i.e., those in which parents were in unskilled manual jobs) reduced their rates of schooling non-completion from about 33 per cent in the early 1980s to 16 per cent by the mid-1990s (for males), and from 23 per cent to seven per cent for females.²²

On top of the increase in school completion by students from disadvantaged backgrounds, there have been some gradual, but nonetheless important, changes in the sectoral composition of school education in this country. In particular, analysis by the Independent Schools Association of Australia has shown that enrolment growth in the independent schooling sector has occurred predominantly in schools drawing students from a lower socioeconomic profile (Figure 6).

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Of the 195 new schools that opened from 2000 to 2010, about 70 per cent of those have a SES score of 100 or less. These schools also tend to charge lower fees for tuition services, providing a more affordable option for families from relatively disadvantaged backgrounds.

The greater inclination of Australians to invest in human capital is also flowing in the form of greater numbers of low SES students enrolled in Australian universities, who are achieving “similar patterns of retention, success and completion as those from other backgrounds.”23 These trends have been facilitated by the improvements in incomes earned by parents, even among disadvantaged groups, as mentioned previously, as well as due to the availability of income-contingent loans (most notably, the Higher Education Contribution Scheme) enabling students to defer the upfront costs of their higher education.

Figure 7 illustrates that the absolute number of low SES students, as assessed by the Department of Education with reference to ABS statistical methodologies of disadvantage, has grown over the last twenty years - from about 77,000 students in 1992 to about 158,000 students in 2013.

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Figure 7: Higher education students from low socioeconomic backgrounds, 1992 to 2013

Data from 2001 based on ABS SEIFA 2006 Census methodology.

Source: Department of Education, Higher Education Statistics.

Australian studies have confirmed that the rate of participation in higher education has improved for students from low SES backgrounds (Figure 8). Using longitudinal data, education academics Gary Marks et al. found young people from low SES families - with parents working in skilled, semi-skilled and unskilled manual occupations - were increasing their higher education participation at faster rates than young people from all other SES groupings.²⁴

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Figure 8: Higher education participation by parental occupation group, 1980 to 2000

Historical perspectives on improved living standards for the disadvantaged

The improvement in living standards experienced by disadvantaged Australians is starker when looking at snapshots of economic and social conditions over the longer term.

There is little doubt that some Australians in previous generations contended with living under dire conditions, especially but not exclusively in inner-city precincts such as Redfern, The Rocks and Ultimo in Sydney, and Collingwood and Fitzroy in Melbourne. Numerous accounts, sometimes for the purposes of official inquiries into poverty, were written of the situations faced by some in these and other parts of Australia.

In his book, *A Decent Provision*, John Murphy summarises the late nineteenth-century reports of commissioners presiding over a NSW Royal Commission of Public Charities, who visited families in The Rocks area. The commissioners somewhat luridly described the conditions they witnessed:

- one house “very barely furnished and the back portion is not weather-tight;”
- a visit to a family where “there was nothing in the house but bread and water ... [the] youngest child lay in a cradle by the kitchen fire, apparently dying of measles;”
- another house in “a poor, close, insanitary neighbourhood,” where the husband was bedridden with asthma and out of work for a year, whilst the family (husband, wife, five children) lived in three small rooms in the “upper portion of a small house ... reached by a flight of wooden stairs from a confined dirty backyard;” and
- a widow with six children living in a four-room house “in a dilapidated condition. The home is one of poverty, dirt and idleness,” and an inspection of the home uncovered limited food items such as bread, pumpkin and turnips with family members assessed as being “partially starved.”

A report in 1890 by the Sydney City Health Officer described some of conditions existing in the slum communities of Ultimo, Sydney:

There had been a heavy storm the evening before my visit to this street, and the water marks were plainly visible. The water was six inches above the floor in a few of the houses on the north side ... From No. 11 to 27 there were the most offensive cesspits it has ever been my lot to come across. The yards were ill-drained and very damp, the open drain from one house running through the yard of the next, and so on ... At No. 33 there is a cellar, which had 2 feet of stinking water in it. The tenants in this case have had constant ill-health, but have continued living here for ten years. There has been sickness in almost every house, typhoid fever and diarrhoea have been very prevalent.

The Melbourne *Herald Sun* newspaper more recently provided several images of life in the inner suburbs of Melbourne during the 1930s, providing a partial glimpse into the daily hardships experienced by disadvantaged Australians (Figure 9).

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The Victorian Housing Investigation and Slum Abolition Board reported to the state government in 1937 about housing conditions and policies for improvement. In recommending a short term program of rehousing and slum reclamation, the commissioners of the Board recounted their horror and amazement at the deplorable conditions under which these thousands of men, women, and children are compelled to exist. Hundreds of houses contain small rooms, low and water-stained ceilings, damp and decaying walls, leaking roofs and rotten floors. Many are badly lighted, rat and vermin infested, and without proper ventilation. Inadequate sunlight, dampness, and lack of drainage render these shelters (which are not worthy of the name of dwelling) veritable plague spots, and heavy toll is being taken of the health of the occupants, particularly of the women and children.²⁷

The same report noted hundreds of dwellings inspected were lacking in washing and bathing facilities, chronic overcrowding in some residences (for example, a four-bedroom house in Carlton with three adults and nine children), and foodstuffs had to be hung in bags from ceilings to prevent rat infestations.

A decade earlier the Methodist social reformer F. Oswald Barnett visited Melbourne’s inner suburbs, and the experience prompted him to write the following lament:

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WHAT CAN I DO?

Oh God.
What shall I do about these little ones,
These children of the slums,
These helpless, unwashed babies of the slums,
Who crawl along on bare and filthy floors,
Who feed with sticky flies,
Who play in evil-smelling lanes,
Whose mothers cannot keep them clean,
In body or in soul?28

There appeared a strain of paternalistic zeal expressed by government officials and members of the clergy about the need to address poverty in those times, which remains to this day, and some scholars have noted that some groups had a vested interest in depicting inner-city living conditions to promote ideas such as urban renewal, abstinence from alcohol, tobacco and certain other commodities, moral education for the poor, and so on.

But even if we take these sorts of harrowing accounts about the deprivations experienced by the poor and disadvantaged uncritically, and at face value, it should be abundantly clear that conditions have subsequently improved drastically for the poor (even though there is a clearly justifiable interest to minimise absolute poverty as greatly as possible).

The Victorian housing report referred to earlier presented statistical information about the health status of communities in the slum areas of inner-north Melbourne. For the period 1932 to 1936, it reported the infant mortality rate in the City of Melbourne was 51.7 per 1,000 births, and even higher in the low-income areas of Richmond (52.9 infant deaths per 1,000 births), Collingwood (64.8 infant deaths) and Fitzroy (66.2 infant deaths).29 The Australian Bureau of Statistics has later reported that the infant mortality rate for the entire state of Victoria in 2010 was 3.3 deaths per 1,000 births, giving the lowest infant mortality rate in the country.30

As IPA research illustrated last year, the infectious diseases mortality rate for Australians on average had declined precipitously over the course of the twentieth century.31 The improvements in health status enjoyed widely today are a far cry from infectious disease problems afflicting previous generations, and which particularly ravaged people living in poor and disadvantaged urban areas.

During the first two decades of the twentieth century there were thousands of deaths attributed to bubonic plague, with Sydneysiders affected most acutely by the disease. Although there are

29 Housing Investigation and Slum Abolition Board, op. cit., p. 35.
31 Mikayla Novak and Dom Talimanidis, 2014, Things are getting better all the time: A snapshot of Australian living standards in the long run, Institute of Public Affairs, Occasional Paper.
occasionally some sensationalist reports of outbreaks, mainly of a minor nature, around the world even to this day, deaths from this infectious disease by those suffering from the economic condition of poverty are now unheard of.

Other diseases which were common in years past and particularly prevalent among populations with lower incomes, such as diphtheria, polio, tetanus and tuberculosis, are also rare and seldom fatal.

We can also see major improvements when looking at economic conditions.

From the late nineteenth century and into the early twentieth, Australian colonial (later state) governments imposed mandatory minimum wage rates based upon bureaucratic and quasi-judicial assessments of living standards appropriate for the times. Similarly, the commencement of the federal minimum wage was based on considerations surrounding a wage appropriate to “the normal needs of the average employee regarded as a human being living in a civilised community.” The presiding judge in the first federal minimum wage case, Henry Bournes Higgins, recommended a wage rate for an adult male “sufficient to insure the workman food, shelter, clothing, frugal comfort, provision for evil days, &c.”

In setting the minimum wage of seven shillings a day for an unskilled labourer - roughly $295 per week in 2014 dollar terms for an eight-hour, six-day week - Higgins took testimonies from families about their typical weekly expenditures for Australian households. In his ruling, Higgins stated:

The lists of expenditure submitted to me vary not only in amounts, but in bases of computation. But I have confined the figures to rent, groceries, bread, meat, milk, fuel, vegetables, and fruit; and the average of the list of nine housekeeping women is £1 12s. 5d.

In 2014 dollars, this figure for average basic expenditures (as calculated by Higgins) was $227.82 per week. The first awarded minimum wage was for seven shillings a day (42 shillings per week), which is equivalent to $295.17 in 2014 dollars. Therefore, the share of spending on basic items to the 1907 minimum wage was about 77 per cent.

Comparing the cost of a so-called ‘Higgins Basket’ of goods and services against the actual minimum wage, as ruled by the Fair Work Commission in 2014 of $640.90 per week, we find that the share of income absorbed by the basic items fell to about 36 per cent. This represents an effective

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33 Ibid., p. 4.
34 Ibid., p. 6. As Higgins indicated, this figure “does not cover light (some of the lists omitted light), clothes, boots, furniture, utensils (being casual, not weekly expenditure), rates, life insurance, savings, accident or benefit societies, loss of employment, union pay, books and newspapers, tram and train fares, sewing machine, mangle, school requisites, amusements and holidays, intoxicating liquors, tobacco, sickness and death, domestic help, or any expenditure for unusual contingencies, religion, or charity.”
improvement in the affordability of basic goods and services over a century for a minimum wage earner in the order of 120 per cent.

Even then, these figures do not account for benefits arising from better product qualities – consider, for example, the vast enhancements in nutritional values thanks to genetic improvements to fruit, vegetables and livestock, or the use of quality-enhancing additive ingredients (such as additional fibre, vitamins and minerals) in bread loaves.

Figure 10 shows that the affordability of the Higgins Basket, covering an array of essential items (again, not quality-adjusted), has dramatically improved over the long run, even for those Australians still experiencing disadvantage. It should be noted that comparing an increasing minimum wage against a constant Higgins Basket very significantly understates the radical improvements in goods affordability experienced by low-income workers as a whole, given the cheapening of basic products alongside their transformational quality improvements.

Figure 10: Affordability of ‘Higgins Basket’ of goods and services by minimum wage earner, 1907 to 2014


The Australian economist Chris Berg writes in his forthcoming book, The Libertarian Alternative, that the long run enhancement in living standards for ordinary people has been nothing short of extraordinary:
if we pull our vision back further, the development in living standards is more stark, and the significance of such changes becomes clearer. The average poor Australian has many more luxuries than was even available to the monarchs of the past. They can watch television and browse the internet. They have hot water on demand. They can travel between locations by car or train at a speed which the drivers of a monarch’s gilded carriages could only dream. Thanks to international shipping and refrigeration, they can eat seasonal foods all year around. If they suffer food poisoning – much less common thanks to that refrigeration and higher safety standards – they can be treated with unfathomably high-quality drugs, by professional physicians who know what a virus is.  

All in all, better incomes, better wealth, better consumption, better health, and better education have been a part of the Australian reality over the years, decades, and centuries, and less advantaged Australians have had the opportunity to share in some of those gains alongside other Australians.

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Conclusion

As mentioned earlier, the key concern in the inequality debates should not necessarily be to what degree are the rich more wealthy than the poor, but whether we have witnessed an improvement in the degree of uplift in living standards experienced by the poor and disadvantaged.

On the basis of this criterion, it can be safely stated that disadvantaged Australians have become better off over time.

Even so this does not provide a basis for us to rest on our laurels, in a policy sense or even in our private capacities helping the disadvantaged to find decent work or donating to anti-poverty charitable causes. It is entirely appropriate that we see to it that the prospects of upward mobility for those less well off improve even more over time.

The historical evidence and contemporary circumstances poignantly illustrate that the best way to ensure enrichment by those presently experiencing material disadvantages - that is, to provide a hand up, rather than a fist down - is to unlock market-tested competition and innovation.

A new wave of economic reform, building on the gains made in the past such as tariff reductions, privatisations and competition policies, promises to boost economic growth in an inclusive way - which reduces welfare dependency by promoting access to new and better job opportunities, and that boosts take-home pay for Australians to better tap into the global supply of cheap, but reliable, products.

This paper does not unrealistically pretend to suggest that there are significant challenges that remain to those less well off. The challenges of joblessness, homelessness, unsatisfactory educational standards in government schools, lengthy waiting lists for public hospital treatment and public housing access, and rising electricity and utility prices all confront the poor and the destitute.

However, many of these problems are most effectively addressed by unshackling markets to usher in greater affordability, and exposing public service providers to new competitive pressures encouraging them to properly attend to the needs of their customers in a meaningful and dignified way.

People in disadvantaged circumstances in Australia have indeed become better off over time, but there is much more to do. Understanding what it takes to enrich the poor will be key to knowing how to proceed.

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37 The proviso here is that incomes and wealth attained by political rent-seeking processes, leading to fiscal and regulatory arrangements made in the favour of certain groups at the expense of all others, should be prohibited, not least to engender a true equality under the law. In saying this, it should be noted that not all groups benefiting from discriminatory political favours happen to be wealthy.