

Achieving greater equity in Australia – reimagining our ‘universal’ systems

There is no single or simple way to measure equity in Australia. In economics, we often revert to measures of inequality to determine how people are faring in terms of distribution of income and wealth. Unfortunately, these measures aren't heading in the right direction if our goal is to improve outcomes and opportunities for all Australians. Despite major advances in opportunities for women, significant new funding for people with disabilities, and our enviable (though increasingly inadequate) social safety net, inequity remains and is widening by many measures. This paper explores inequity in Australia and considers what we need to do if we want to see fairer outcomes across Australia.

WHAT DO WE MEAN WHEN WE TALK ABOUT EQUITY?

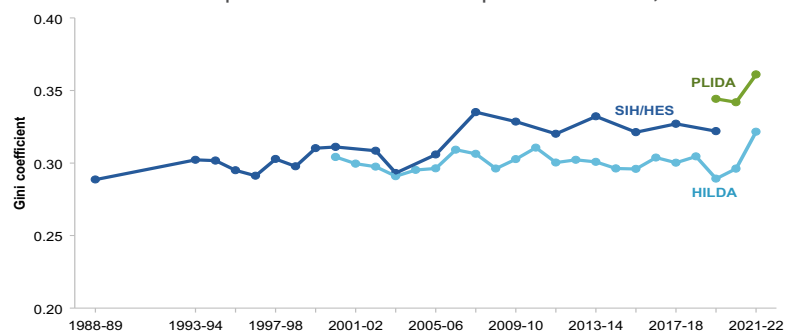
Equity is about fairness. It is distinct from equality, which focuses on the distribution of resources, whereas equity considers the fairness of opportunities. Equality means providing the same to all, while equity requires us to recognise that we do not have the same starting point in life and that different people require different levels of support to have the same opportunities.

HOW EQUITABLE IS AUSTRALIA?

Measuring equity is complex as it requires determining whether everyone has a fair chance to succeed. Measuring equality is more straightforward, as it involves comparing the levels of resources among individuals – such as income or wealth. To understand equity in Australia, understanding inequality is a helpful starting point.

A common measure of inequality is the gini coefficient, which is a measure of income or wealth inequality which ranges from 0 (perfect equality) to 1 (extreme inequality). Australia's gini coefficient for income has remained relatively constant, rising slightly over the past three decades. It remained relatively constant since the late 2000s, until the onset of COVID-19 when inequality became more pronounced. While government assistance during the pandemic initially helped to reduce inequality, this effect was temporary. As the economy recovered and government support was phased out, inequality rose again.

Figure 1 - Gini coefficient for equivalised household disposable income, 1988-89 to 2021-22¹



¹ Productivity Commission (2024), A snapshot of inequality in Australia, accessible at: <https://www.pc.gov.au/research/completed/inequality-snapshot> Productivity Commission estimates use Melbourne Institute data

More pronounced is the change in wealth inequality which has escalated over the past two decades. The highest 10 percent hold an average of \$5.2 million in wealth – capturing almost half (45 percent) of the overall increase in wealth between 2003 and 2022. The highest 10 percent now have 15 times the wealth of the lowest 60 percent (see Table 1).

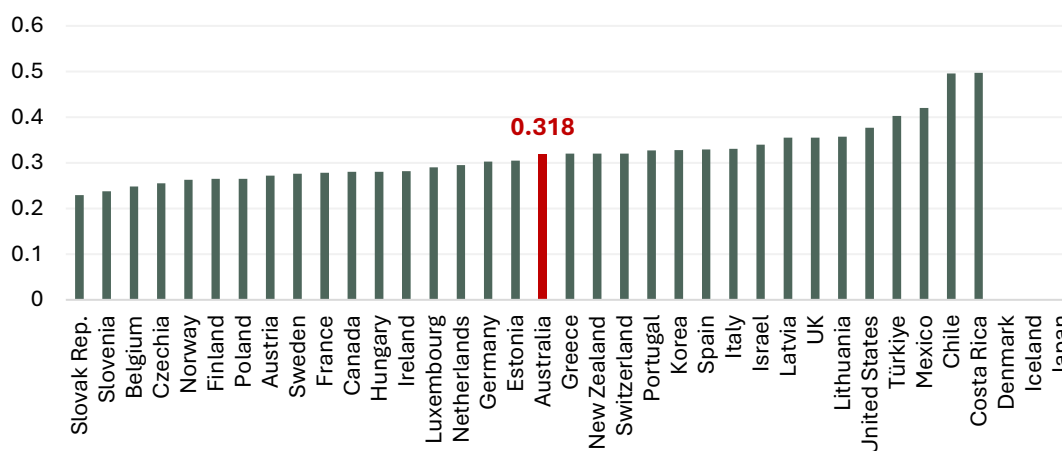
Table 1 – Minimum and average wealth across the wealth distribution in 2022-2023²

	Lowest 20%	Second 20%	Third 20%	Fourth 20%	Highest 20%	Low wealth (lowest 60%)	Upper middle (next 30%)	High wealth (highest 10%)	All
Average wealth, net of debt (\$)	\$41,000	\$298,000	\$690,000	\$1,226,000	\$3,627,000	\$343,000	\$1,496,000	\$5,220,000	\$1,176,000
Lower bound (\$)	-\$1,620,000*	\$130,000	\$492,000	\$919,000	\$1,650,000	-\$1,620,000*	\$919,000	\$2,566,000	
Average owner-occupied housing wealth (\$)	-\$1,000	\$101,000	\$370,000	\$625,000	\$1,307,000	\$156,900	\$733,400	\$1,663,900	\$480,400
Change since 2003 (%)	17%	47%	61%	70%	82%	55%	73%	84%	74%
Share of overall increase in wealth since 2003 (%)						16%	36%	45%	100%

The main sources of wealth inequality are owner-occupied housing and financial assets. The highest 10 percent hold 35 percent of all owner-occupied housing, 64 percent of all shares and other financial assets, and 66 percent of investment property. In contrast, the lowest 60 percent hold only 20 percent of own homes, 11 percent of shares and financial assets, and 5% of investment property.

Globally, Australia is placed around the middle of OECD countries in terms of inequality. We have the 17th highest income inequality of 34 OECD countries and 19th highest level of wealth inequality.³

Figure 3 – OECD: Income Inequality 2020 (scale 0-1, 0=complete equality)



While different datasets point to varying trends in inequality, what is clear is that there are limited signs of improvement. If we assume that with income and wealth inequality comes different opportunities, then the status quo, or by some measures worsening inequality, points to rising inequity in Australia.

(Household, Income and Labour Dynamics in Australia (HILDA), ABS's Survey of Income and Housing/Housing Expenditure Survey (SIH/HES), and linked ATO Personal Income Tax, DSS government payment, and ABS derived demographics data in the Person Level Integrated Data Asset (PLIDA)

² UNSW; ACOSS (2024). Inequality in Australia 2024: Who Is Affected and How, accessible at:

https://povertyandinequality.acoss.org.au/wp-content/uploads/2024/04/Inequality-Report-2024_who-is-affected-and-how.pdf

³ ABS (2024). Income and wealth inequality - Dynamic economy that shares prosperity, accessible at:

<https://www.abs.gov.au/statistics/measuring-what-matters/measuring-what-matters-themes-and-indicators/prosperous/income-and-wealth-inequality>

WHY DOES IT FEEL LIKE INEQUITY IS DRAMATICALLY WORSE?

Equity is a normative concept, because it is subjective and value-based – it relies on what “ought to be”. Like perceptions of fairness, what is considered equitable differs among individuals and societies and can change over time. Consequently, our perceptions about whether Australia is equitable is influenced by:



Personal experiences and lived realities: Many people are experiencing a worsening of inequality in their daily lives, such as rising housing costs, declining affordability of healthcare, and unequal educational outcomes.



Evolving social norms: Our perceptions of what is considered fair and equitable are changing. This shift in social norms can make existing inequalities feel more pronounced and less acceptable.

EQUITY IS WORSENING IN A NUMBER OF AREAS

A growing disparity in equity is evident across multiple domains, including:



Housing



Healthcare



Education



Social safety net

Housing

The Australian housing market is increasingly becoming more inequitable, with significant implications for social mobility, employment and education. Rising property prices have exacerbated wealth inequality as existing homeowners see substantial growth in their assets, while non-homeowners face increasing financial strain.

Since 2009, the median house price relative to median income has almost doubled from 4.9 times median income to 8.6 times.⁴ It is also taking longer to save a deposit, with the estimated time to save 20% increasing from 8 years to 10 years. Even with a deposit, only 13% of homes sold in 2023 were affordable for a median income household (compared with over 35% in 2003). For the bottom 20 percent of income earners, only 1 percent of homes are affordable.⁵

Figure 3 – Median house price relative to income

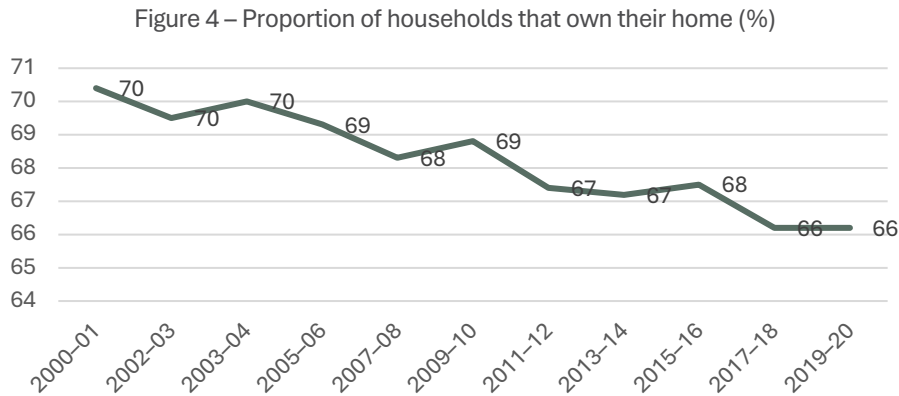


As a consequence, the number of households in Australia that own their own home has decreased. Between 2000 and 2020 the percentage of households that own their own home has decreased from

⁴ Australia's housing crisis in 10 graphs, from the federal budget - ABC News

⁵ National Housing Supply and Affordability Council (2024), State of the Housing System, accessible at: <https://nhsac.gov.au/sites/nhsac.gov.au/files/2024-05/state-of-the-housing-system-2024.pdf>

70% to 66%.⁶ Housing costs consume a larger share of income in lower-income households than higher-income households. The average mortgage is around 47% of income for the lowest 20% of households compared with just over 20% for high income households.⁷

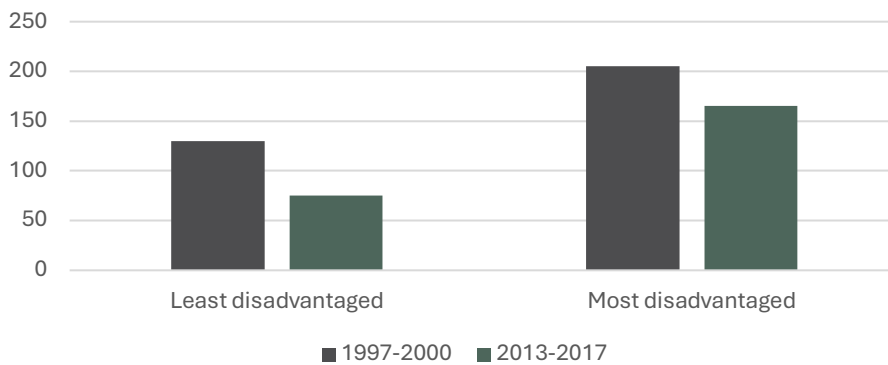


Investment by governments in social housing has also declined, and as a result social housing has not kept pace with demand. Public housing has declined from 77% of the housing stock in 2013 to only 67% in 2022.⁸ Waiting lists have also risen at an average rate of 3.8%.⁹

Health

Healthcare in Australia is facing challenges that compromise equitable access and outcomes. This is reflected in research that shows that health inequality has increased over time, with the rate of premature mortality, avoidable mortality and infant mortality per 100,000 people for those living in the most disadvantaged areas now being around double that of the least advantaged areas.¹⁰

Figure 5 – Avoidable mortality (per 100,000 people) by quintile of socio-economic disadvantage



While government spending has increased slightly as a percentage of GDP in past decades (increasing from 6.2% in 2002 to 7.2% in 2012 and 7.8% in 2022), demand has increased even more significantly,

⁶ ABS (2022), Housing and occupancy costs, accessible at: <https://www.abs.gov.au/statistics/people/housing/housing-occupancy-and-costs/latest-release#data-downloads>

⁷ National Housing Supply and Affordability Council (2024)

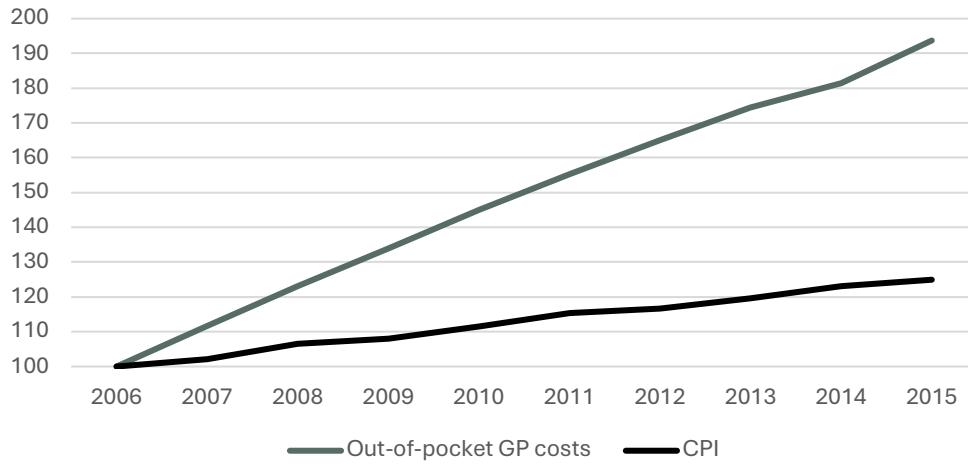
⁸ Part of this has been driven by the gradual transfer of the ownership and management of public housing to community housing providers (CHPs).

⁹ National Housing Supply and Affordability Council (2024)

¹⁰ Flavel et. al. (2022), 'Explaining health inequalities in Australia: the contribution of income, wealth and employment', *Australian Journal of Primary Health*, 28(6), 474-481. Accessible at: [Explaining health inequalities in Australia: the contribution of income, wealth and employment \(csiro.au\)](https://www.csiro.au)

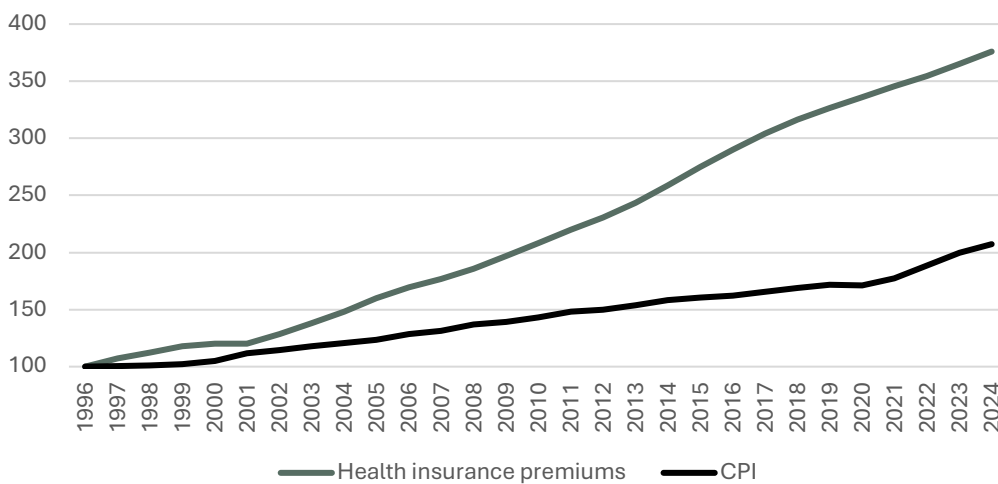
and coupled with skills shortages, continues to place pressure on the public system. For example, funding freezes, insufficient indexation and rising costs have led to it becoming harder to find a bulk-billing GP, and GPs are increasingly charging higher out of pocket costs for many of their patients.¹¹

Figure 6 – Out of pocket GP costs relative to inflation (base = 100)



Private healthcare is also becoming increasingly unaffordable. Private insurance premiums have increased almost twice as fast as inflation in the past three decades.¹² This means that only those with higher income, are able to afford more, and better, healthcare sooner.

Figure 7 – Health insurance increases relative to inflation (base value = 100)



¹¹ Scott (2016), 'FactCheck: Have average out-of-pocket costs for GP visits risen almost 20% under the Coalition?', The Conversation, accessible at: <https://theconversation.com/factcheck-have-average-out-of-pocket-costs-for-gp-visits-risen-almost-20-under-the-coalition-66278> and ABS (2023) Consumer Price Index, accessible at: <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/jun-quarter-2024>

¹² ABS (2023) Consumer Price Index, accessible at: <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/jun-quarter-2024> and Department of Health and Aged Care (2024), Average annual price changes in private health insurance premiums, accessible at: <https://www.health.gov.au/resources/publications/average-annual-price-changes-in-private-health-insurance-premiums?language=en>

Education

We see a similar story in education. Public education is an important means for all Australians to have a fair go with access to free, quality education. However, we know that increasing numbers are choosing private school. Across primary school and high school, between 2019-2023 enrolments in independent schools increased 14.1 per cent, whereas government schools only increased 0.7 per cent (catholic schools increased 4.8 percent).¹³

This trend towards private education and rising public funding of private education matters for equity. While student outcomes remain similar for private and public schools¹⁴ after controlling for socio-economic status – there are persistent disparities in education outcomes between schools due to socio-economic factors.

While public schools educate around 2.4 times as many students from low socio-economic backgrounds compared to private schools (and 2.7 times as many Aboriginal and Torres Strait Islander students), government funding for private schools has been increasing at a faster rate than for public schools. Between 2012-13 and 2021-22 real government expenditure per full-time equivalent (FTE) student for government schools (currently \$22,511) has increased at an average rate of 2.3 percent per annum, while it has increased 3.7 percent per annum for non-government schools (currently \$14,032 – though schools charge fees on top of this).¹⁵

Retention rates between year 10 and 12 are higher at private schools (87.2 percent versus 73 percent). Attendance rates between years 7 and 10 are also higher at non-government schools (89.8 percent versus 84 percent).¹⁶ The average attendance rate for non-Indigenous students is higher than Aboriginal and Torres Strait Islander students. For example, in 2023 in year 10 the attendance rate for Aboriginal and Torres Strait Islander students is 66.9 percent vs 85.7 percent. Since 2015, attendance for Aboriginal and Torres Strait Islander students has fallen 8.2 percent (from 75.1 percent) compared with 4.7 percent for non-Indigenous Australians (from 90.4 percent).¹⁷

Private schools offer educational choice, they also relieve pressure on the public system. However, equity concerns arise as public schools, which serve a disproportionate number of low socioeconomic students, receive a decreasing share of overall resources, widening the gap in available resources for these students. As the future of work demands increasingly skilled workers, this disparity in quality of education and educational opportunities is likely to widen long term employment, income and wealth outcomes.

Aged Care

Aged care is also facing increased strain, diminishing its ability to provide the safety net in retirement it once offered. Funding has not kept up with the demand created by an ageing population and staff shortages. Many older Australians are turning to private options, which can be significantly more expensive, and out of reach for low-income older people. It is estimated that 64 percent of residential aged care providers are currently operating at a loss, resulting in cost cutting.¹⁸ Recent measures to

¹³ABS (2024), Schools, accessible at: <https://www.abs.gov.au/statistics/people/education/schools/2023>

¹⁴ The public-private debate: school sector differences in academic achievement from Year 3 to Year 9? | The Australian Educational Researcher (springer.com)

¹⁵ Productivity Commission (2024), Report on Government Services 2024, accessible at: <https://www.pc.gov.au/ongoing/report-on-government-services/2024/child-care-education-and-training/school-education>

¹⁶ 4 School education - Report on Government Services 2024 - Productivity Commission (pc.gov.au)

¹⁷ 4 School education - Report on Government Services 2024 - Productivity Commission (pc.gov.au)

¹⁸ KPMG (2023) Australian aged care sector analysis 2023, accessible at:

<https://kpmg.com/au/en/home/insights/2023/09/australian-aged-care-sector-analysis.html>

improve the quality of aged care are welcome. At the same time, it will be important to closely monitor rising inequity in the system as more user-pays systems are introduced into the aged care system.

Our support safety net is no longer fit for purpose

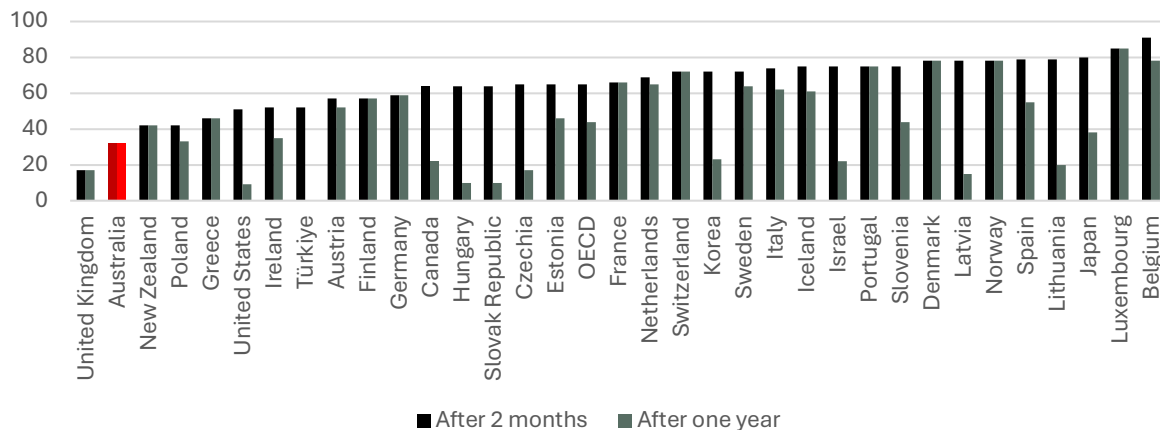
Our social safety net, designed to provide a basic standard of living for all Australians, is increasingly failing to meet the needs of its most vulnerable members. Income support payments have failed to keep pace with the rising cost of living and leaving many recipients struggling to make ends meet.¹⁹ In its 2023-24 report to the Australian Government, the Economic Inclusion Advisory Committee argued –

*“All indicators available to the Committee show that current rates of social security payments for JobSeeker Payment and related non-pension payments for working age Australians are seriously inadequate, whether measured relative to National Minimum Wages, in comparison with pensions, or measured against a range of income poverty measures. People receiving these payments face the highest levels of financial stress in the Australian community”.*²⁰

The well-targeted nature of Australia’s social safety net is amongst its strengths in terms of affordability and reaching those most in need. At the same time, decades of low or no indexation of payments, tightening eligibility and rising costs, means payments are increasingly inadequate to support equity.

Australia’s income support is only 33 percent of median disposable income for a single person with no children and 40 percent of median disposable income for a couple with two children. This places us near the bottom third of OECD countries (ranked 10th out of 27 countries). In comparison, countries like New Zealand and the United Kingdom offer significantly higher unemployment benefits, with single people receiving 40 percent and 50 percent of the median income, respectively. In terms of the net replacement rate (i.e. how much of a person’s previous income they receive from income support payments once becoming unemployed), Australia has the lowest rate of income support of OECD countries second only to the United States (32%).²¹

Figure 8 – Income benefits as a percentage of previous income



¹⁹ The Conversation (2016), Election FactCheck Q&A: is it true Australia’s unemployment payment level hasn’t increased in over 20 years?, accessible at: <https://theconversation.com/election-factcheck-qanda-is-it-true-australias-unemployment-payment-level-hasnt-increased-in-over-20-years-59250>

²⁰ Interim Economic Inclusion Advisory Committee (2023), 2023–24 Report to the Australian Government, accessible at: https://www.dss.gov.au/sites/default/files/documents/06_2023/eiac_report_8.06.23_0.pdf

²¹ OECD (2024) Income support, redistribution and work incentives, accessible at: <https://www.oecd.org/en/topics/sub-issues/income-support-redistribution-and-work-incentives.html>

OUR PERCEPTIONS AND SOCIAL NORMS AROUND EQUITY ARE CHANGING

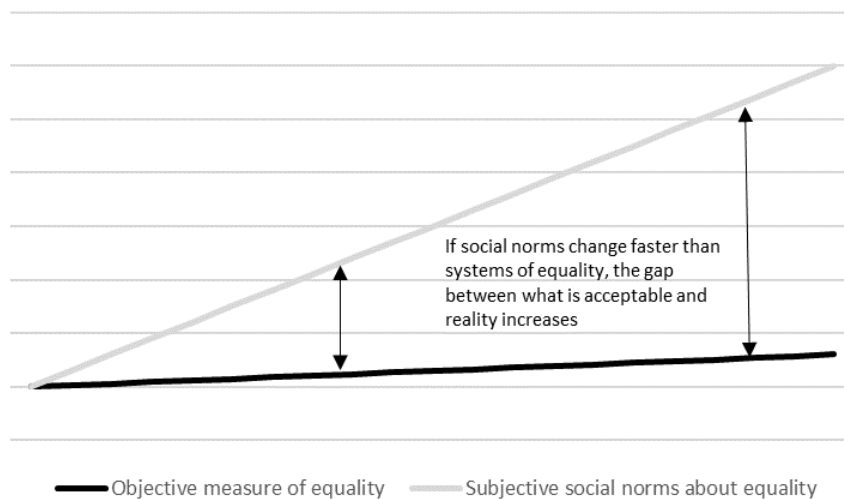
While personal experiences may suggest a worsening of equity, broader data indicates a less dramatic shift. This perception gap is partly due to our own lived experiences, but also because of evolving societal expectations of fairness.

Over time, as societal values evolve, our expectations and perceptions of what is fair have changed. As we strive for greater equality, the gap between our ideals and reality becomes more noticeable.

Historically, inequities were viewed as natural or even desirable (e.g. women or minorities not going getting the same access to education or income). However, social justice movements and changing social norms have led to a greater understanding of inequity. People are starting to shift away from attributing inequality to individual choices or lack of effort, towards greater recognition that society and institutions play a critical role in inequity and consequently inequality. That is, where it has often been about individual merit, there is a growing recognition that systematic factors such as discrimination can significantly limit an individual's ability to be successful.

With increased knowledge comes a decreased tolerance for injustice and inequity. Often this is changing at a faster rate than our institutions and equal access are changing. And in some cases, equity isn't changing at all – or even getting worse.

Figure 9 – Conceptual representation of the gap between objective measures of equality and subjective social norms



SO, WHAT DOES THIS MEAN? WHERE TO FROM HERE?

Universal access to public health and education, and social security payments remain critical to ensuring a fair go for Australians. However, the social safety net is slowly being eroded: privatisation of health, education and aged care, and the erosion of income support payments over time being the starkest examples. We must ensure a quality public health, education and income support system remains. While inequality isn't necessarily increasing, it also isn't getting better. Our existing systems are inadequate for the task of improving opportunities for all, and particularly the most disadvantaged.

To achieve a sustainable and effective social safety net we need both:



Targeted universalism



Progressive universalism

Targeted universalism

Targeted universalism, combining a universal social safety net with place-based support, is crucial to addressing entrenched disadvantage. While inequality may not be worsening dramatically, persistent inequities remain. Universal health, education, and social security have been essential, but more is needed to tackle persistent disadvantage. Place-based approaches, centered around communities, offer promising solutions. This is a challenging model for universal systems, which are typically built on some level of service being available to everyone. It requires entirely new funding models that complement existing funding models. The NDIS has shown how patient-led, coordinated care can improve outcomes for a group that confronts daily inequity, but it has also revealed the challenge of funding and delivering quality care that changes people's lives and opportunities. Tackling inter-generational disadvantage amongst Aboriginal and Torres Strait Islander people, immigrants and other disadvantaged groups will require an entirely new way of working.

Progressive universalism

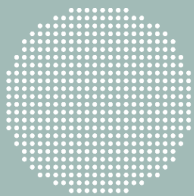
We need to ensure public systems remain affordable and financially sustainable. Progressive universalism maintains high-quality, accessible public systems with co-contributions for those who can afford it. But we must ensure that this doesn't create a two-tier system where some people have easier and better access to more quality services than others.

More immediate measures

While targeted and progressive universalism require a large rebuild of our social support system, there are more immediate measures that can be taken, including:

- Greater investment in housing – we need to move beyond just targets and into substantial additional investment in social and affordable housing, along with major reforms to housing policy, taxation, land release and zoning. There is also a need for investment in workforce skills to enable increased housing construction.
- Increasing income support to ensure people can afford to live with dignity.
- Addressing the gaps in Medicare, with dental and allied health made available to the least well off.
- Significant tax reform to promote greater equity, such as limiting negative gearing and further reducing high-income superannuation tax concessions.

However, we know any reform is challenging; and arguably increasingly so as divisive politics continue to rise and the obstacles to convincing the public of the need for change become almost insurmountable. Such significant societal changes, particularly those aimed at improving equity, are unlikely to be driven by government leadership. Instead, public opinion and activism are crucial catalysts.




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