



# Regional inequality in Australia and the Future of Work

A supplementary ACTU submission to the Select Committee on  
the Future of Work and Workers.

ACTU Submission, June 2018  
ACTU D. No 135/2018

## Introduction

As stated in the previous ACTU submission to this inquiry, if the transition to the economy of the future is not managed correctly, the insecure work crisis we are currently experiencing will be only the beginning of a more significant trend of rising inequality in Australia. Those hardest hit will be Australians already experiencing insecure work and those for whom inequality is already a daily fact of life. Perhaps the largest group of Australians to which this definition can be applied is those who live in regional or rural Australia. For several decades now, as Australia's economy has grown, rural and regional Australians have been further and further shut out from prosperity. Australia has developed a two-speed economy, with vastly different economies developing in metropolitan and regional Australia. Regional Australians are already experiencing significantly higher levels of insecurity and inequality when compared to people living in metropolitan areas. This issue will only worsen in the future if future of work transitions are not managed adequately. This supplementary submission will explore the magnitude of the problem of regional inequality in Australia as well as providing a number of solutions drawing on the ACTU's recent Jobs You Can Count On policy paper (which is also attached in full) that itself contains 108 recommendations on how to create secure, full time jobs and grow the national economy.

Jobs You Can Count On sets out a comprehensive, consistent strategy to improve both the quantity and quality of work: creating new jobs, lifting pay, enhancing the security and conditions of employment, and ensuring access to decent work for all Australians. Independent expert analysis<sup>1</sup> of the report by Dr Jim Stanford, one of the world's leading economists, concluded that if the recommendations within were acted upon, with five years, it would be reasonable to expect:

- The unemployment rate to fall to 4 percent or lower.
- The share of full-time work in employment to rebound back toward 75 percent (since employers will be pressured by falling unemployment to create full-time jobs).
- The underemployment rate to fall to 5 percent or lower.
- The incidence of casual work to decline below 20 percent.
- Labour force participation to rise by at least 2 percentage points, especially among young workers.
- Nominal wage growth to rebound to traditional rates of 4 percent per year.

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<sup>1</sup> [https://www.futurework.org.au/a\\_comprehensive\\_and\\_realistic\\_strategy\\_for\\_more\\_and\\_better\\_jobs](https://www.futurework.org.au/a_comprehensive_and_realistic_strategy_for_more_and_better_jobs)

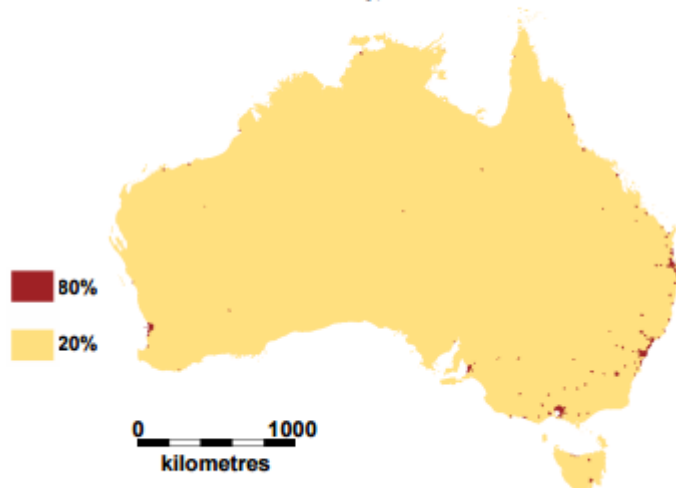
We commend that report and its contents to the Inquiry in full.

## Regional Inequality – the magnitude of the problem

### 1. The shifting locations of work

Traditional perceptions of Australia and Australian life focus on the outback, beaches and the small regional town. This was, at one point in time, true. In 1901, one in three Australian workers was employed in agriculture, forestry, fishery or mining.<sup>2</sup> In 1906, 50% of Australia's population lived on rural properties or in a small town of fewer than 3000 people.<sup>3</sup> By 1966, this had already changed dramatically - 3 in 5 Australians then lived in a city with a population greater than 100,000 and by 2008, 2 in 3 Australians lived in a capital city.<sup>4</sup> According to the ABS, the figure has remained fairly steady since the late 1970s.<sup>5</sup>

**Figure 1: Economic activity in Australia is concentrated in and near cities**  
80-20 distribution of economic activity, 2011-12



What has continued to occur is the steady shift of productive work to the cities and away from rural and regional areas. Agriculture and manufacturing, two industries that drove the economy in the 20th century, both required the cheap and abundant land that regional and sub-urban

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<sup>2</sup> ABS 2000

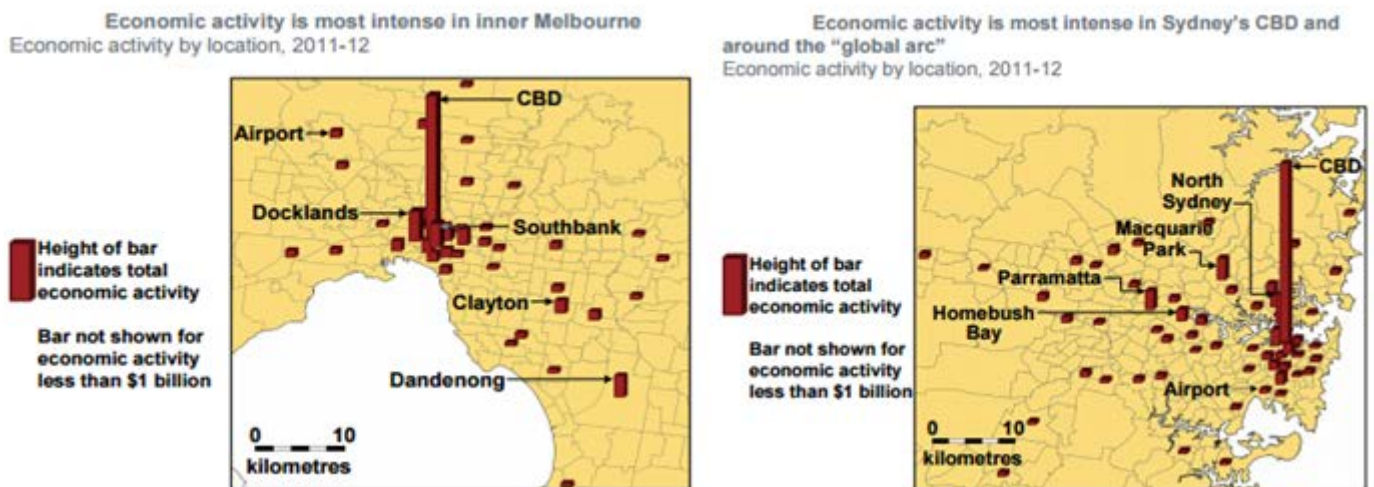
<sup>3</sup> Ibid

<sup>4</sup>

[http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1370.0~2010~Chapter~Population%20distribution%20\(3.3\)](http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1370.0~2010~Chapter~Population%20distribution%20(3.3))

<sup>5</sup> Ibid

areas offered. The decline of these industries, as discussed earlier, has seen a steady shift towards the city as the dominant economic force in Australia. As Figure 1 shows, 80% of



economic activity in 2011-12 occurred in or near our major cities, with the remaining 20% occurring in every other part of Australia.<sup>6</sup> As can be seen, this activity was particularly concentrated around the large cities on the east coast and in Perth. Despite the mining boom, at its height in 2011, very few regional areas are included in the 80% proportion. The five largest cities in Australia make up, in each case, the majority of their state's economy. Sydney is 73% of NSW, Melbourne 81% of Victoria and Adelaide is 79% of South Australia. Perth and Brisbane are less dominant, but still make up 64% and 52% of their states respectively.<sup>7</sup>

This has come about in large part due to the rise in the service economy. In both Sydney and Melbourne, chosen for present purposes as the two most populous cities in Australia, the central business district provides the vast majority of economic activity, despite representing a tiny fraction of the land area and population of the city. Figure (2) shows maps of each city, highlighting the significance of the CBD for the city's economy.<sup>8</sup>

**Figure 2: concentration of economic activity within our cities**

Source: Regional patterns of Australia's economy and population John Daley, Danielle Wood and Carmela Chivers

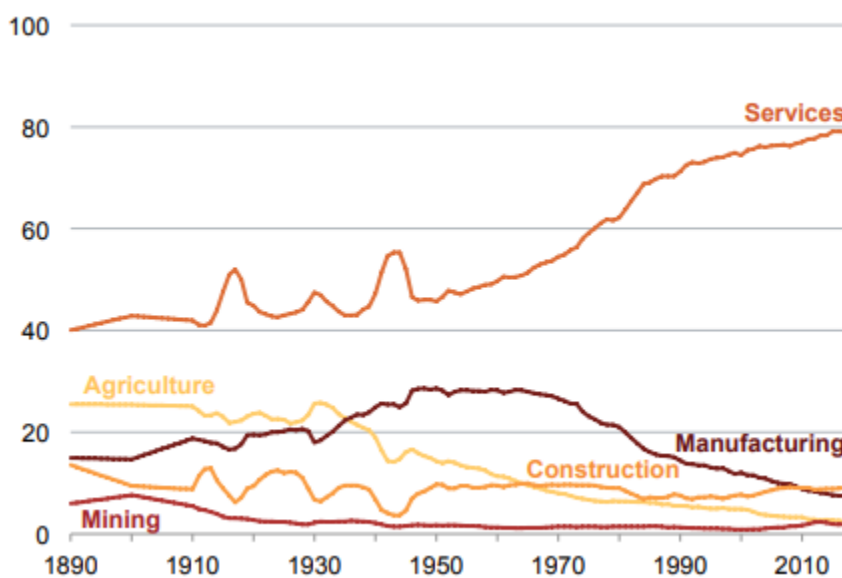
Service industries tend to be more labour intensive than other types; they don't require significant amounts of land or capital intense machinery and many, such as retail and

<sup>6</sup> Grattan  
<sup>7</sup> Grattan  
<sup>8</sup> Grattan

food/accommodation, benefit greatly from concentrated populations. High-skilled service jobs have increased relative to high-skill manufacturing which has concentrated investment and wealth into the centres of capital cities. This has resulted in higher than average incomes in many inner suburbs, but also higher inequality.

The service sector has substantially higher rates of underemployment, more part time work, generally more insecure work and shorter average tenure.<sup>9</sup> This is in part due to the lower rates of unionisation which has a negative impact on the ability to bargain for more secure work and higher pay.

**Figure 3: share of workforce by sector**



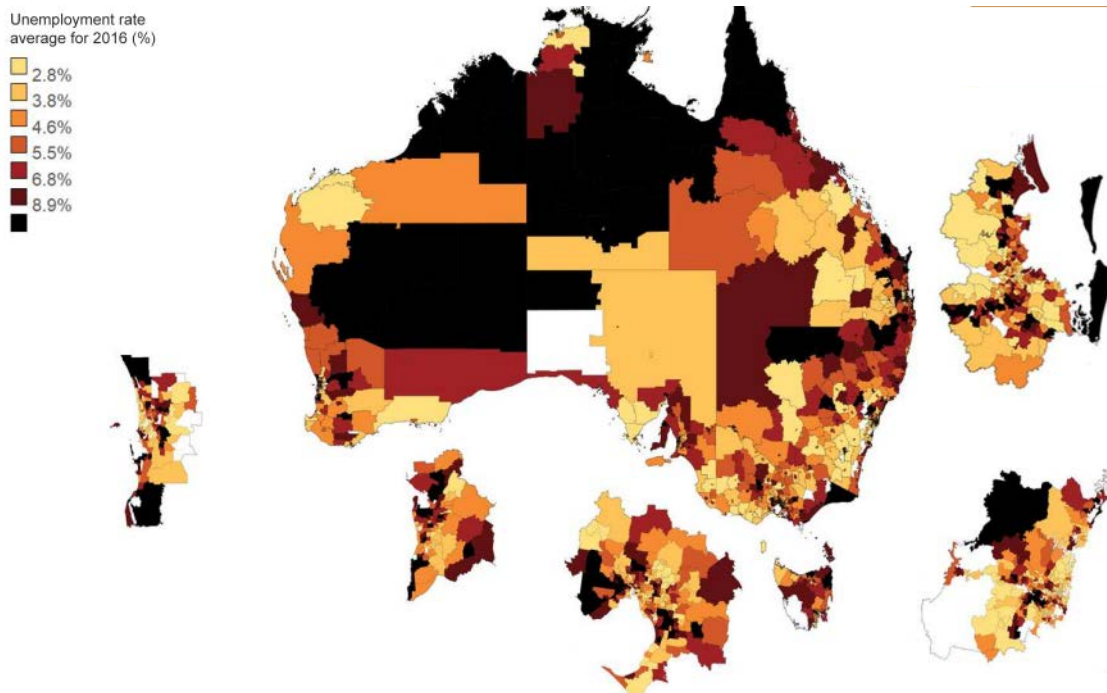
Source: Regional patterns of Australia's economy and population John Daley, Danielle Wood and Carmela Chivers

## 2. Unemployment

Unemployment tends to be well above the national average in remote regions, particularly those with high Indigenous populations. These locations include much of the Northern Territory, the Kimberly in northern Western Australia, and outback central Western Australia (below the Pilbara region). Areas of Far North Queensland – including Aurukun, Yarrabah, Palm Island, and Kowanyama to Pormpuraaw – have extremely high unemployment rates: more than 40 per cent, compared to the national average of 5.6%. There are also patches of high unemployment in Gippsland in eastern Victoria and on the coast of NSW and southern Queensland.

<sup>9</sup> OECD Employment Outlook

Figure 5: unemployment rates



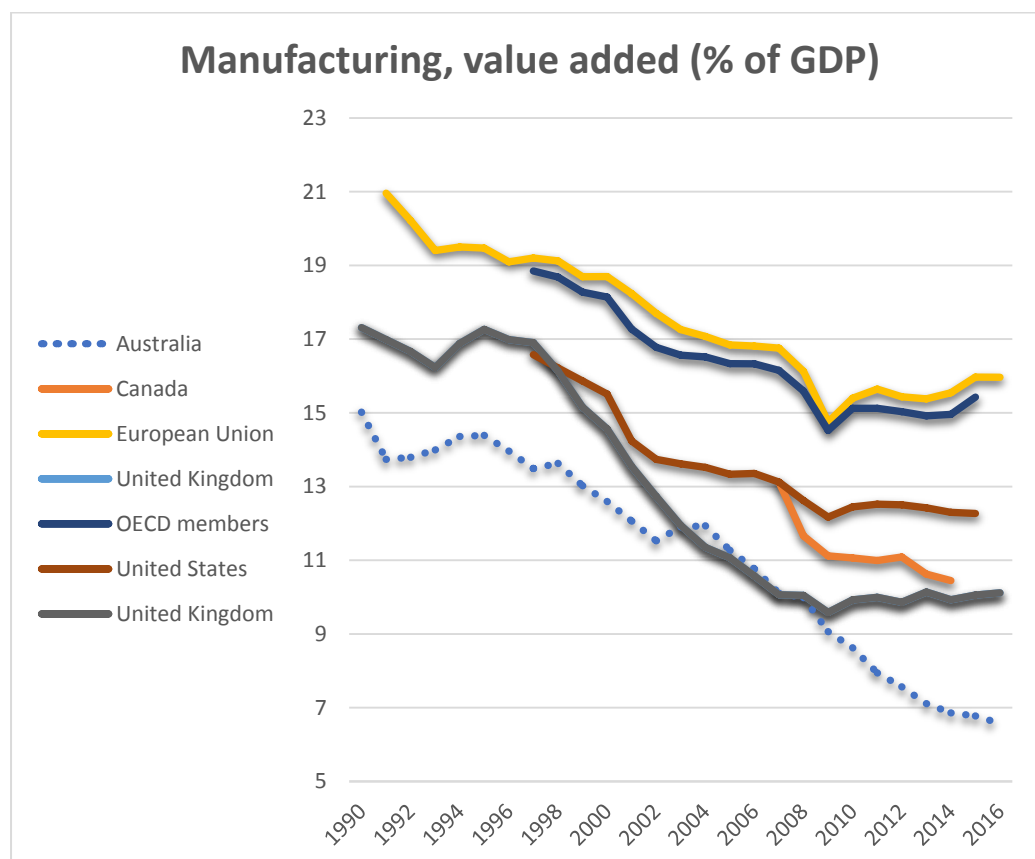
In our cities, areas of high unemployment are frequently concentrated in what were previously manufacturing areas. Statistical Area Level 2 (SA2) level data shows even more uneven geographical disparities. Bankstown in NSW has averaged an unemployment rate of 11.9% since the Coalition took power in 2013. Rockhampton City, Queensland, unemployment is at a staggering 22.8% over the same period.

### Manufacturing job losses

The geographical concentration of work in our state capitals and specifically their CBDs has come about in part due to the deindustrialisation of the economy due to the global integration of the economy. Similar outcomes have been experienced in many developed economies.

However, this process is far from passive and inevitable – it has come about through policy choices and it produces significant consequences for inequality within cities and between cities and regions. As figure 3 shows, the rapid decline in the value of our manufacturing sector is dramatic. Most countries in the OECD have seen a decline in manufacturing over the period from 1980 to the GFC, but for many the trend levelled out in 2008-9. Australia on the other hand has seen the decline in manufacturing continue and shows no sign in abating. In fact, given the massive loss of high value jobs in the automotive sector in 2016-17, this trend is likely to deepen for the 2017-2018 period.

Figure 3: Alarming level of deindustrialisation



Source: <https://data.worldbank.org>

The decline in manufacturing is often put forward as an inevitable consequence of being a developed nation and that developing countries will become the new engines of manufacturing

due to low labour costs. However, this neo-liberal view is outdated and misses the reality that high skilled manufacturing work in ship building, automotive, aerospace, robotics and high precision machine manufacturing is still continuing in many developed nations. In the high labour cost economies of Switzerland, Austria and Japan, manufacturing accounts for roughly 20% of value added, compared to Australia's 6%.

In terms of aerospace exports, only one developing country - Brazil - makes the top ten. When it comes to car exports, Mexico is the only developing nation in the top tier. Maintaining or abandoning manufacturing is in large part a political decision, and Australian politicians have taken this trend to the extreme, reducing import tariffs and removing behind the border protections far beyond other nations. The level of subsidies to key industries indicates how valuable other countries consider their manufacturing to be. For example, the German Federal Government provided \$A17.2 billion in automotive subsidies over the ten years from 2007-17,<sup>10</sup> the US provided Boeing with US\$13.4 billion over 15 years and the UK government is spending billions in ensuring advanced manufacturing companies such as Rolls Royce remain viable.<sup>11</sup>

Australian politicians have chosen the easy path by relying on mineral and unprocessed agricultural exports, rather than engage with developing our manufacturing sector. Where investment schemes are in place, such as the Research and Development (R&D) Tax Incentive program, serious concerns have been raised about big firms gaming the system for benefits rather than invest.<sup>12</sup> Despite PM Turnbull pumping billions into the innovation agenda, the start-up industry body has described the Australian innovation agenda as "going backwards".<sup>13</sup>

Peak industries provide huge productivity spill-overs through R&D spending and the outsourcing of problem solving to supply chain firms. Considering our large and successful engineering research position in tertiary education,<sup>14</sup> maintaining industries for the application of this knowledge should be paramount. Innovations in manufacturing and product design such as Tesla Cars, Dyson vacuum cleaners, Sony TVs and IKEA furniture all rely on domestic R&D and manufacturing in their initial phases, and we should not allow ourselves to be cut out of the opportunity to compete for high value goods.

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<sup>10</sup> <https://www.motoring.com.au/secret-german-auto-subsidies-exposed-107275/>

<sup>11</sup> <https://www.economist.com/node/12887368>

<sup>12</sup> <https://www.smh.com.au/national/millions-rorted-from-government-rd-scheme-20170703-gx3b79.html>

<sup>13</sup> <https://www.businessinsider.com.au/startupaus-ceo-says-axing-of-500-million-fund-is-bad-news-for-backwards-innovation-agenda-2017-2>

<sup>14</sup> 5 universities in the top 50 for engineering and aerospace <https://www.topuniversities.com/university-rankings/university-subject-rankings/2016/engineering-mechanical>



## Figure 4. Developed countries dominate high value manufacturing exports

### Aerospace exports (top 10 countries)

1. United States: US\$134.6 billion (41% of total aerospace exports)
2. France: \$53.4 billion (16.2%)
3. Germany: \$44.6 billion (13.6%)
4. United Kingdom: \$21 billion (6.4%)
5. Canada: \$10.3 billion (3.1%)
6. Singapore: \$6.7 billion (2%)
7. Japan: \$5.1 billion (1.6%)
8. Spain: \$5.1 billion (1.5%)
9. Italy: \$4.9 billion (1.5%)
10. Brazil: \$4.8 billion (1.5%)

### Car exports (top 10 countries)

1. Germany: US\$151.9 billion (21.8% of total global car exports)
2. Japan: \$91.9 billion (13.2%)
3. United States: \$53.8 billion (7.7%)
4. Canada: \$48.8 billion (7%)
5. United Kingdom: \$41.3 billion (5.9%)
6. South Korea: \$37.5 billion (5.4%)
7. Spain: \$35.6 billion (5.1%)
8. Mexico: \$31.4 billion (4.5%)
9. Belgium: \$30.3 billion (4.3%)
10. Czech Republic: \$18.8 billion (2.7%)

Source: CIA world factbook

## Deindustrialisation and Regional Inequality

Many of our industrial towns and outer suburbs have been abandoned under the current lack of planning and Industry policy. The Coalition Government's abandonment of the car industry shows the failures of their economic ambition and the consequences for localised unemployment. For example, Broadmeadows in Melbourne's north, once home to 600 Ford workers, and many more in the supply chain, has an unemployment rate of 25.4%. Elizabeth, the home of Holden manufacturing for nearly 100 years, now has nearly a third of the workforce unable to find work. Elizabeth East and Port Adelaide both have unemployment levels of over 13%. Some estimates put the number of job losses in Adelaide's automotive components and manufacturing supply chain at 50,000.<sup>15</sup>

Previous experience of closures has shown how long term the consequences are for job losses in highly specialised industries such as car manufacturing. When Mitsubishi closed their Tonsley Park site and exited Australia in 2008, roughly one third of full time workers found full time employment, and the other two thirds found only part time or no work at all. It needs to be remembered that at that time there were many other jobs for workers to take up at other

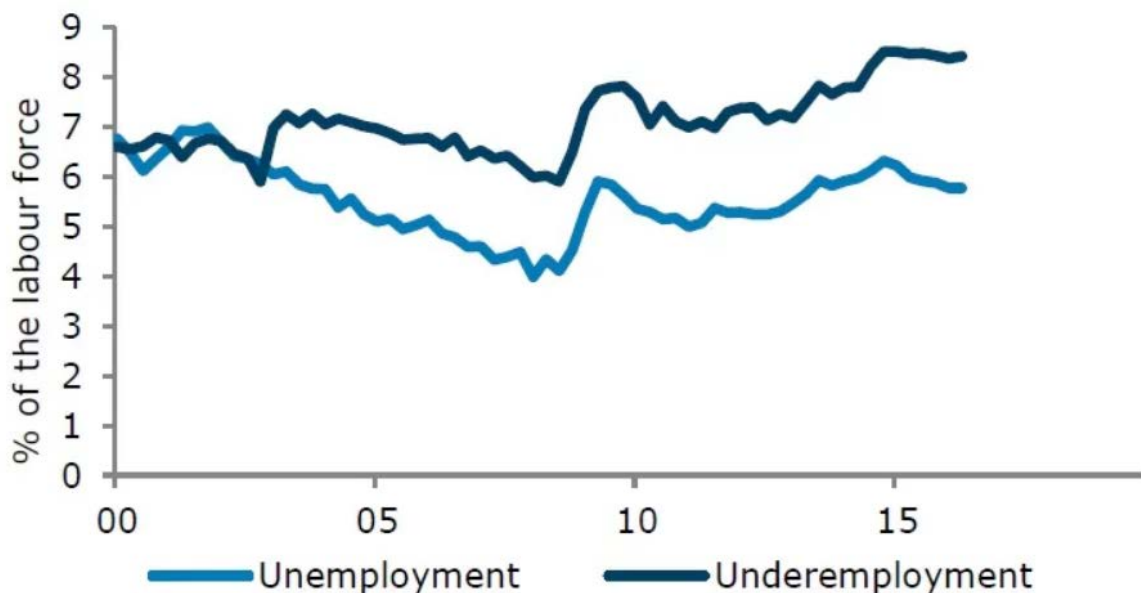
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<sup>15</sup> Adelaidenow.com.au

automotive factories, meaning that the consequences for former Holden and Ford workers will be far more severe now that the industry has been closed.

Outer suburbs in the capital cities tend to have lower levels of income growth and tertiary education, but very high population growth and more migrants. Migrants from Asia, Africa and the Middle East are more likely to settle in these suburbs. The once ubiquitous Australian pathway from poor migrant to prosperous middle class through manufacturing has effectively been cut off – it is far more difficult to gain a high skill service job without native English language skills and tertiary education, than it is to gain a manufacturing job and develop applied skills.

*Fig 6: Underemployment is at a record high*

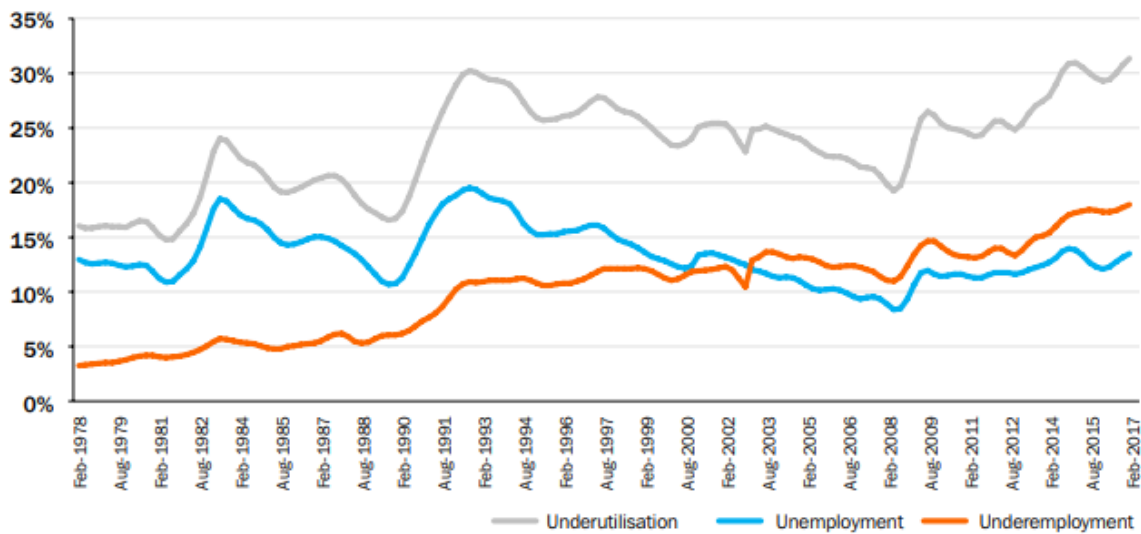


Source: Australian Bureau of Statistics, ANZ Research

### Underemployment

Underemployment, the phenomenon of the underutilisation of the productive capacity of the employed population, is a major issue for many Australians in work. Despite the Government's persistent claim that unemployment is low and job creation high, they consistently ignore underemployment. Underemployment is closely related to the unemployment: both involve a notion of insufficient hours of paid work; both are linked in official labour force statistics as aspects of labour force underutilisation. The underutilisation rate is at the highest rate in decades for certain groups, which may explain why wage growth is at such a low level.

### Youth underutilisation rate at record level



Source: Brotherhood of St Lawrence, 2017

Our rate of underemployment far outstrips the rest OECD average,<sup>16</sup> with ANZ describing the phenomenon as “widespread” throughout the country.<sup>17</sup> While traditionally underemployment has remained far below the unemployment rate, a shift has occurred around the turn of the century, with underemployment remaining stubbornly high (figure 6). The OECD pointed out in 2010 that “despite [Australia] having a lower than average unemployment rate, overall slack in the labour market is actually higher than the OECD average” due to underemployment.<sup>18</sup>

Precarious work is increasingly becoming the norm which makes it more difficult for workers to argue for fair pay and conditions. Underemployed workers are more likely to exhibit lower job satisfaction, higher job turnover, poorer mental and physical health and persistently lower income.<sup>19</sup> These workers are often trapped in the rental market, unable to earn enough to enter our spiralling housing market. It is especially problematic and far more hidden in the regions and remote Australia.<sup>20</sup> Women, people with a lower educational attainment and individuals living in

<sup>16</sup> <http://apo.org.au/node/33437>

<sup>17</sup> <https://www.businessinsider.com.au/anz-underemployment-in-australia-is-widespread-and-pushing-down-wages-and-inflation-2016-8>

<sup>18</sup> Iain Campbell, Sharon Parkinson, Gavin Wood, 2013 The housing security consequences of underemployment

<sup>19</sup> [http://www.murdoch.edu.au/School-of-Business-and-Governance/\\_document/Australian-Conference-of-Economists/Underemployment-among-mature-age-workers-in-Australia.pdf](http://www.murdoch.edu.au/School-of-Business-and-Governance/_document/Australian-Conference-of-Economists/Underemployment-among-mature-age-workers-in-Australia.pdf)

<sup>20</sup>National Rural Health Alliance, Income inequality experienced by the people of rural and remote Australia, Submission to the Senate Inquiry into the Extent of Income Inequality in Australia, 2014

rural areas were found to be far more impacted by underemployment.<sup>21</sup> worryingly research has established that workers who experienced underemployment in a previous period are considerably more likely to experience underemployment again.<sup>22</sup>

### Regional youth unemployment

Over the past two years the above data shows that there has been on average a 5.3% increase in youth unemployment in the 20 most hard-hit areas. In areas such as Shepparton in Victoria and Southern Highlands, NSW, entry level workers are competing with working holiday maker visa holders (WHM) for entry level positions. As was discussed above a lack of government oversight enables a very high level of exploitation of WHM workers. Young local jobseekers simply cannot compete on these terms. In our former industrial centres such as Bendigo and parts of Adelaide and Melbourne, the decline in decent entry level manufacturing jobs is preventing young workers from gaining work.

### Regions with high youth unemployment rates by state and territory, January 2018

Rank	Region	Jan 2018 (%)	Jan 2016 (%)	Change 2016 to 2018
				(percentage points)
<b>1</b>	<b>Queensland – Outback</b>	(Qld) 67.1	32.6	34.5
<b>2</b>	<b>Southern Highlands and Shoalhaven</b>	(NSW) 28.7	18.8	10.1
<b>3</b>	<b>Wide Bay</b>	(Qld) 27.7	20.3	7.4
<b>4</b>	<b>Tasmania – South East</b>	(Tas.) 21.8	20.5	1.3
<b>5</b>	<b>Murray</b>	(NSW) 21.5	13.9	7.7
<b>6</b>	<b>Coffs Harbour – Grafton</b>	(NSW) 19.8	9.4	10.4
<b>7</b>	<b>Melbourne – West</b>	(Vic.) 18.7	17.4	1.3
<b>8</b>	<b>Central Coast</b>	(NSW) 18.6	16.3	2.3
<b>9</b>	<b>Adelaide – North</b>	(SA) 18.4	16.5	1.9
<b>10</b>	<b>Townsville</b>	(Qld) 18.1	17.9	0.2
<b>11</b>	<b>Mandurah</b>	(WA) 17.7	13.9	3.8
<b>12</b>	<b>Melbourne – North West</b>	(Vic.) 17.5	14.4	3.1

<sup>21</sup> <http://apo.org.au/node/33437>

<sup>22</sup> UNDEREMPLOYMENT AMONG MATURE AGE WORKERS IN AUSTRALIA, [http://www.murdoch.edu.au/School-of-Business-and-Governance/\\_document/Australian-Conference-of-Economists/Underemployment-among-mature-age-workers-in-Australia.pdf](http://www.murdoch.edu.au/School-of-Business-and-Governance/_document/Australian-Conference-of-Economists/Underemployment-among-mature-age-workers-in-Australia.pdf)

<b>13 Adelaide – West</b>	(SA)	17	12.4	4.6
<b>14 Logan – Beaudesert</b>	(Qld)	17	15.9	1.1
<b>15 Adelaide – South</b>	(SA)	16.9	15.3	1.6
<b>16 New England and North West</b>	(NSW)	16.6	17.8	-1.2
<b>17 South Australia – South East</b>	(SA)	16.3	14.2	2.1
<b>18 Bendigo</b>	(Vic.)	16.2	11.4	4.8
<b>19 Shepparton</b>	(Vic.)	16.1	14.6	1.5
<b>20 Perth – North West</b>	(WA)	16	14.7	1.3

Source: Brotherhood of St Lawrence

Youth underemployment is also increasing rapidly. The number of weekly hours underemployed young workers wish to gain has risen from 1.8 to 3.1 in 2014.<sup>23</sup>

### Apprenticeships and PaTH

The Government has reduced the budget for apprenticeships by one billion dollars, and TAFE funding has dropped by 30% in the last decade. The 2016/17 Budget pulled \$247 million from skills training, limiting the routes for young working-class people to find meaningful well paid and employment.

Young workers from these areas of high unemployment and underemployment are also frequently victims of the Turnbull Government’s deeply troubling PaTH ‘internship’ program. Despite significant community concern about the impact the program will have on vulnerable young job seekers, the program offers up young people as free labour, displacing real, wage-paying jobs, offering them no meaningful qualifications and handing money to employers.

For the same money that is being spent on PaTH, 120,000 young people could complete a Certificate IV, a real qualification that leads to a real job. There are currently at least five job seekers for every vacancy. Despite this, the Government has elected to place young people on the PaTH Scheme who will work for a fraction of the wage of an actual worker. The ‘internships’ this program creates replace real, entry level jobs that millions of Australians rely on to pay their bills. Interns in the PaTH program will be paid as low as \$4 per hour, cost employers nothing in wages and bring in a wage subsidy of up to \$10,000 to the employer, meaning that employers will be able to replace minimum wage staff they already have, or were intending to hire, with workers that not only do not cost anything, but which employers are paid to hire.

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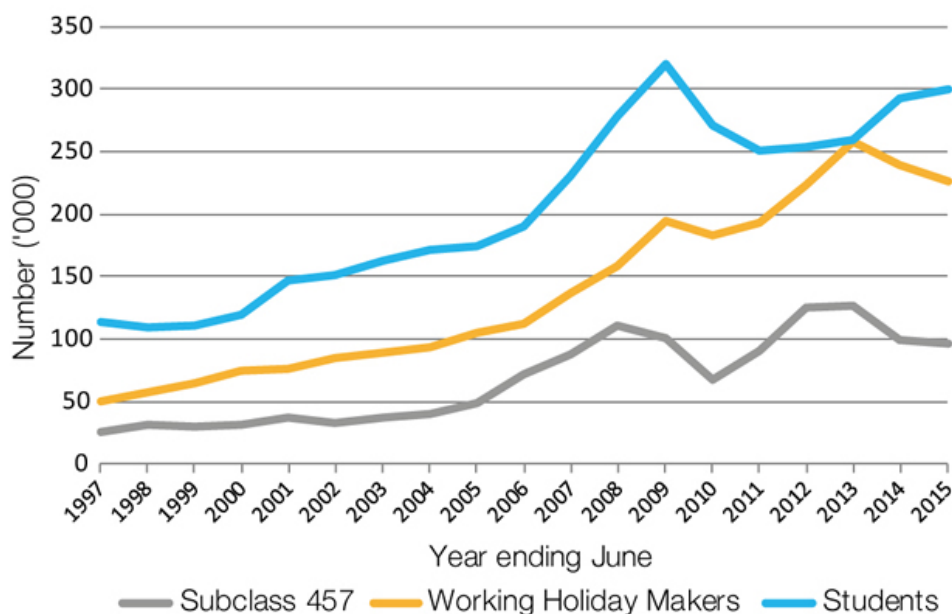
<sup>23</sup> Source: HILDA data wave 14

Activities in the programme are often mundane and do not increase employability; for example, stacking shelves in supermarkets or picking up rubbish. Job seekers will not be covered by OH&S legislation. Like 'Work for the Dole' participants, PaTH 'interns' are not covered by the Occupational Health and Safety Acts in their state or entitled to worker's compensation if something happens to them on the job.<sup>24</sup> Minister Cash has promised 'safeguards' that will prevent exploitation, but no detail has been provided.

### Overseas temporary workers and unemployment

The ACTU has long been a staunch advocate for permanent migration. The current government shows a complete disregard for our once treasured approach to nation building and instead, the government has established a second tier of temporary migrant workers. Temporary visa holders with some form of work rights numerically represent approximately one in ten of the Australian labour force. As of January 2017 there were 1,525,730 temporary migrants, nearly all with some level of working rights, including 148,500 WHM visas, 150,220 457 visa holders and as many as 55,000 people on 400 class visas.

Figure 7: visa with temporary working rights have been rising dramatically



While the ACTU recognises there is some need for some short term overseas workers where genuine skills shortages exist, the exploitation of the former 457 and 400 visa classes has

<sup>24</sup>

<https://jobsearch.gov.au/content/documents/13%20wfd%20whs%20factsheet%20for%20host%20organisations.pdf>

highlighted how frequently these visas are used to avoid training Australians or paying decent wages.

Examples include NSW's Baird Government replacing full-time public service jobs with overseas workers on temporary work visas<sup>25</sup>, the use of Chinese labourers paid \$1.90 per hour to dismantle the Mitsubishi plant in Adelaide Hills,<sup>26</sup> the use of foreign workers on 400 visas on WA rigs paid between US\$3-8 per hour,<sup>27</sup> and the number of overseas marine engineers employed on ships despite the high number of domestically available workers available to carry out such work.<sup>28</sup>

The systematic underpayment of Indian IT workers shows just how badly the current temporary work visa system increases inequality in Australia. The Australian Population Research Institute found that IT professionals were the largest single occupation represented in the former 457 program and more than three-quarters are Indian nationals who mostly work in Sydney or Melbourne. In 2015-2016 a quarter of these workers were being paid \$53,900 or less per year, far below the market rate for professionals, and roughly the same level as a starting salary for young IT graduates.<sup>29</sup>

Study after study has shown the extent of vulnerability these workers experience. Beholden to their employers for their continued stay in Australia, overseas workers are consistently exploited through wage theft, exploitative hours, verbal and physical abuse. This was particularly highlighted in the Senate inquiry into the impact of Australia's temporary work visa programs which culminated in the report, *A National Disgrace: The Exploitation of Temporary Work Visa Holders*. The flawed temporary migration system is prone to rorting, with half of the 46,000 400 class visas granted in 2016-17 being for "not specified" or "other services", rather than for an official category of high skill work.<sup>30</sup>

The reason this is so critical for regional inequality is that it helps fuel the massive inequality within cities, where the majority of temporary migrants congregate. Temporary migrants are most concentrated in the western suburbs of Sydney, and in Melbourne's outer ring. In some of these areas, more than half the residents were born overseas. This large number of frequently lower

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<sup>25</sup> <https://www.smh.com.au/business/careers/baird-government-replaces-local-employees-with-457-visa-workers-20161130-gtOp95.html>

<sup>26</sup> <https://www.smh.com.au/politics/federal/a-new-frontier-the-littleknown-alternative-to-the-457-foreign-worker-visa-20170901-gy8p0j.html>

<sup>27</sup> <https://www.smh.com.au/politics/federal/a-new-frontier-the-littleknown-alternative-to-the-457-foreign-worker-visa-20170901-gy8p0j.html>

<sup>28</sup> *ibid*

<sup>29</sup> *Immigration Overflow: Why It Matters* Bob Birrell Ernest Healy Bob Kinnaird, 2016

<sup>30</sup> <https://www.smh.com.au/politics/federal/a-new-frontier-the-littleknown-alternative-to-the-457-foreign-worker-visa-20170901-gy8p0j.html>

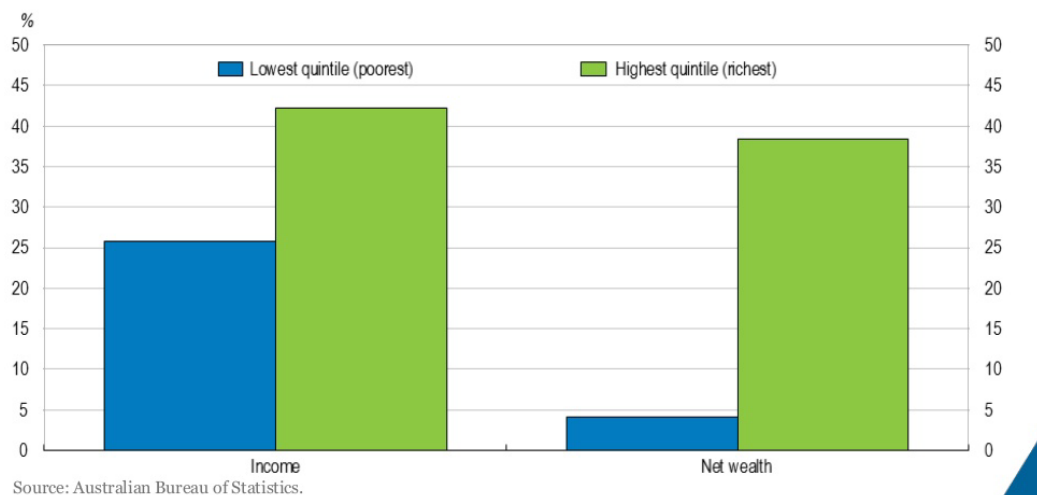
paid temporary workers increases urban inequality both directly through their lower wages and by depressing the wages of Australian long-term residents and citizens with whom they compete.<sup>31</sup> In rural areas such as Outback Queensland, rural NSW and rural Victoria short term migrants, typically on working holiday maker (WHM) visa holders, are prone to wide-spread exploitation. 66% of WHM workers surveyed by Fair Work in 2016 felt employers took advantage of 417 visa holders by underpaying them. This means that out of 148,000 WHM visa holders there is an army of over 98,000 underpaid workers being manipulated into undercutting local workers, increase local unemployment and depress wages.

### 3. Income and wealth

The level of inequality is now at the worst it has been for 70 years<sup>32</sup> with both income and wealth inequality worsening at a rapid rate. Household incomes are currently lower in real terms than in 2011<sup>33</sup> The OECD reported that since 2004 *“inclusiveness has been eroded. The Gini coefficient has been drifting up and households in upper income brackets have benefited disproportionately from Australia’s long period of economic growth.”*<sup>34</sup>

Over the decade 2004 – 2014 the lowest 20% of earners increased their wealth by just 4% while the wealthiest quintile has increased their wealth by a staggering 38%.<sup>35</sup> The wealth of the top ten 10% grew even faster with the richest 10% now owning 60 times the wealth of the poorest 10%.

Figure 8: increases in wealth and income, 2004-2014



<sup>31</sup> Regional patterns of Australia’s economy and population John Daley, Danielle Wood and Carmela Chivers, 2017

<sup>32</sup> Andrew Lee report

<sup>33</sup> <https://www.theguardian.com/australia-news/2018/mar/02/who-is-to-blame-for-australias-stalled-wages>

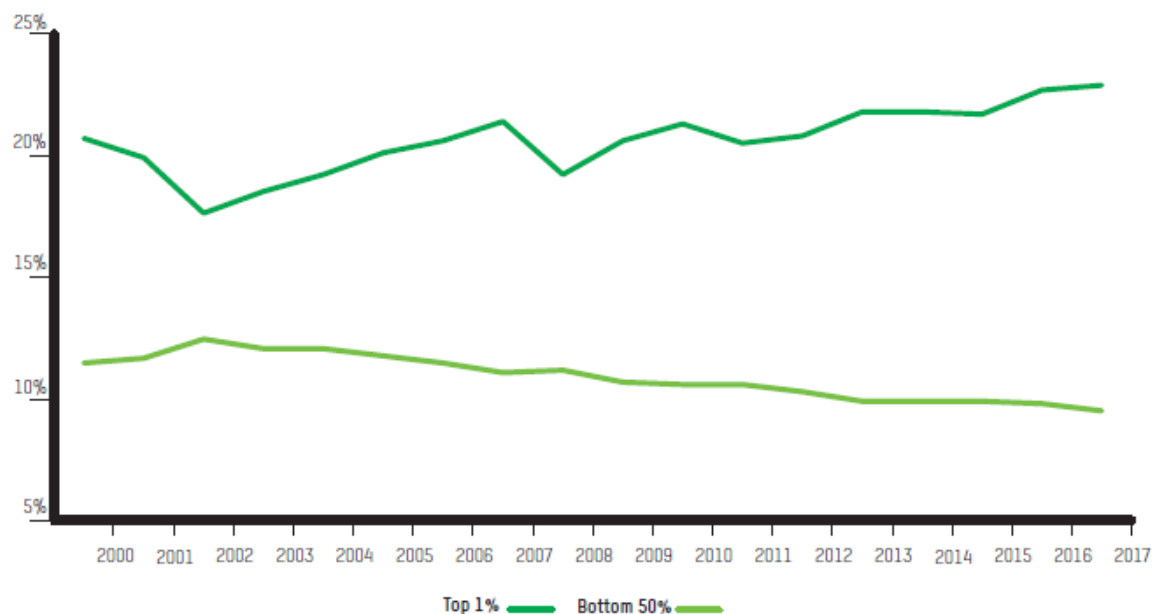
<sup>34</sup> OECD ECONOMIC SURVEYS: AUSTRALIA 2017:5

<sup>35</sup> Wilkinson and Pickett, the Spirit Level, 2009



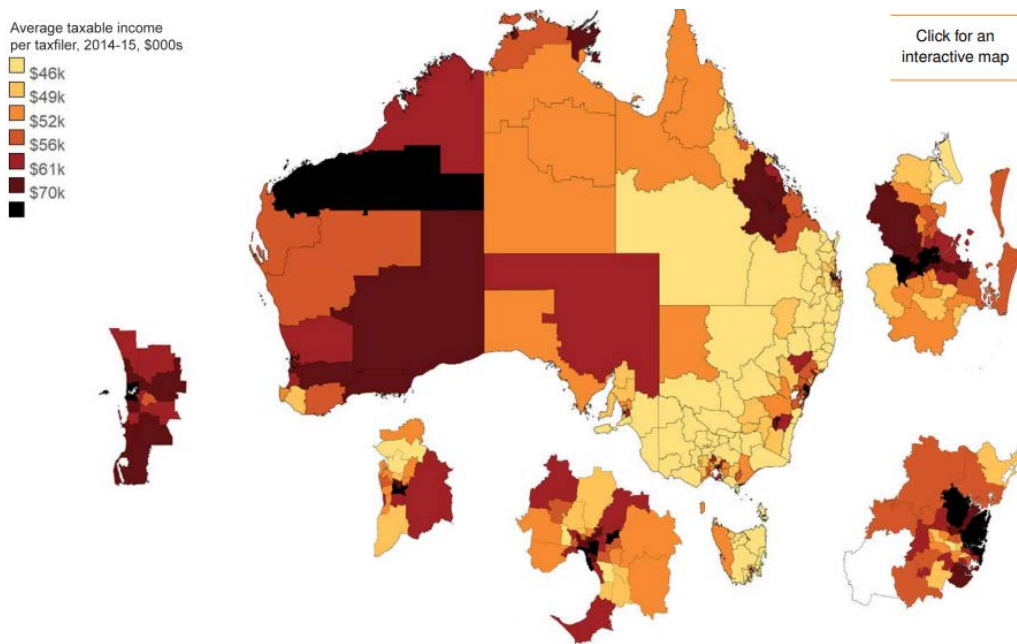
The top 1% has seen an even more meteoric rise with the top 1% owning more than double the wealth than that of the entire bottom 50% (see figure 9). This is an Americanisation of our society.

**Figure 9: Share of wealth, top 1% vs bottom 50% of Australians**



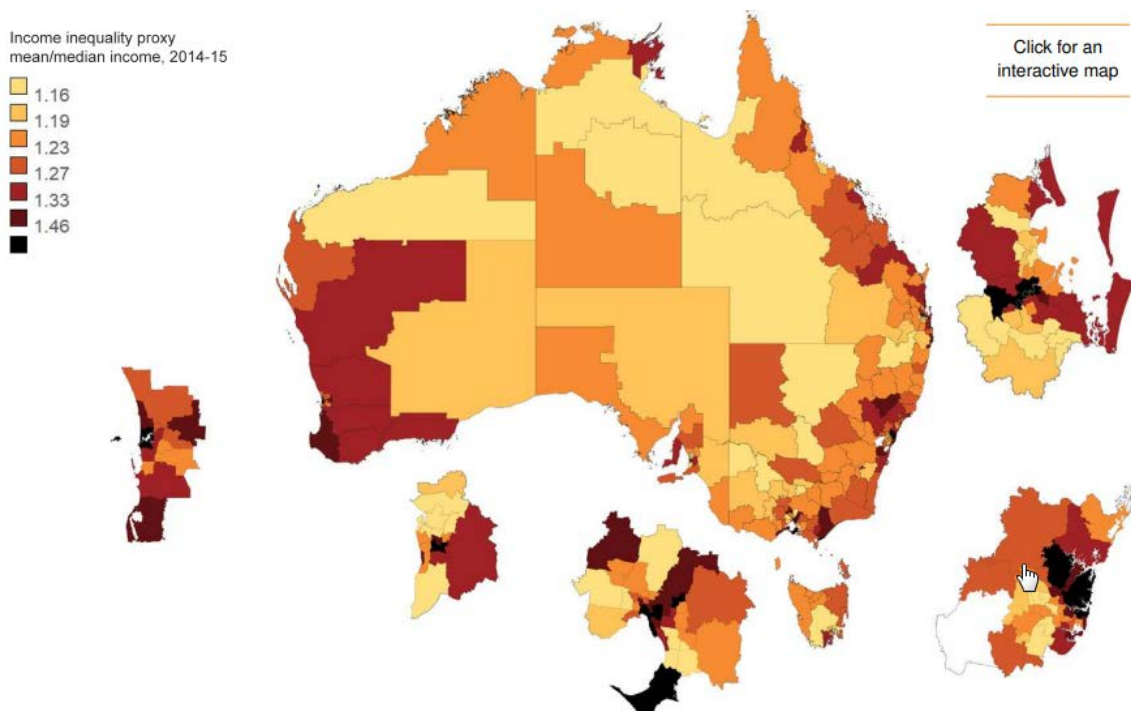
Income inequality has similarly skewed toward the wealthy over this period. The OECD has raised this as a significant issue for Australia to tackle. As Figure 8 shows, the lowest quintile has received a far lower increase in income compared to the highest quintile throughout recent times. This divergence is creating a country of haves and have nots, where residents of our wealthiest suburbs are detach themselves from the rest of society.

Figure 10: inequality between areas



As figure 10 highlights, average incomes are generally higher in cities and mining areas. This relates to the shifting patterns of work discussed above. However, these areas also contain the highest rates of internal inequality – CBD areas and high-income suburbs to the east of Melbourne and Adelaide and inner-north of Sydney are particularly unequal. Australia’s east coast, and the southern half of Western Australia, are also less equal. This is due to the stagnation of wages and the failure of the minimum wage to keep up with median wages. It is also endemic of the top 10 and one per cent of earners pulling away from the rest.

Figure 11: Inequality within areas



### Capital cities vs rest of states

The ratio of earnings between state capitals and the rest of the state has remained roughly at 1.2 over the past 20 years – citizens of state capitals have maintained a 20% premium.

**Figure 12: Median individual income<sup>36</sup>**

Year	Capital city	Balance of state	city/bal ratio
<b>1997-98</b>	544	418	1.30
<b>2002-03</b>	483	400	1.20
<b>2005-06</b>	593	513	1.15
<b>2011-12</b>	842	704	1.19
<b>2015-16</b>	905	767	1.18

However, the capital/rest of the state calculation disguises some significant intrastate discrepancies. As noted in the introduction, by postcode Australia has some of the most divergent incomes in the OECD. Point Piper residents recorded the highest average taxable income of \$192,500, while residents of Bulyeroi and Rowena in far-northeast NSW earned an average of just \$12,004.

#### 4. Indigenous Australians

Indigenous Australians account for around 3% of the total population, but around 45% of the population in rural and remote areas.<sup>37</sup> This means that any discussion of regional inequality requires a better understanding of inequality experienced by Indigenous Australians.

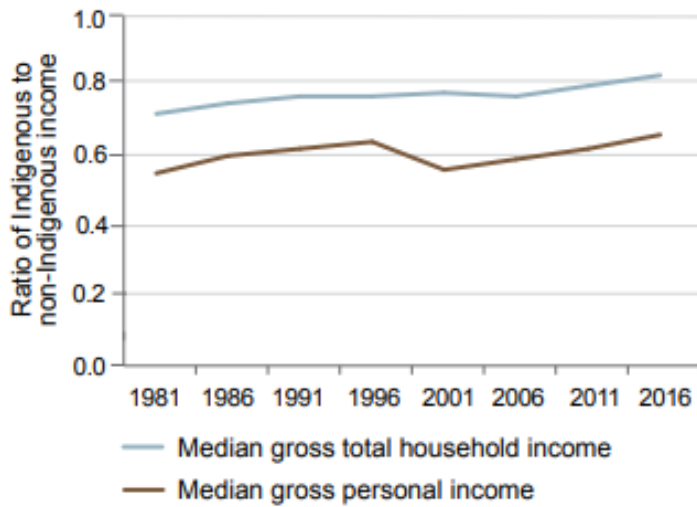
Income inequality has remained persistently high. During the Howard era, the gap between Indigenous and non-Indigenous personal incomes declined sharply, only recovering to 1995 levels in 2016. Currently Indigenous Australians earned on average 66 cents on the dollar of the median gross income of their non-Indigenous counterparts. On the current trend, median gross income parity between Indigenous and non-Indigenous Australians will not be reached until 2060.

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<sup>36</sup> ABS 6523.0

<sup>37</sup> OECD ECONOMIC SURVEYS: AUSTRALIA, 2017:7

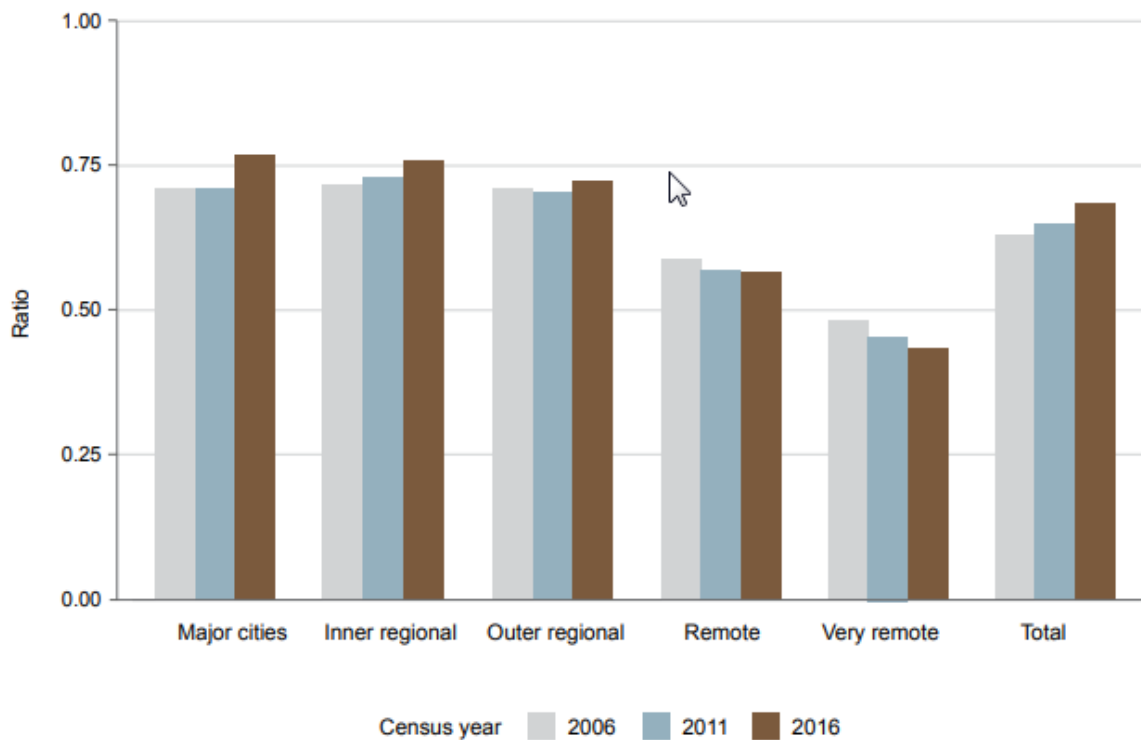
Figure 13 ratio of Indigenous income to non-Indigenous income



Source: F MARKHAM AND N BIDDLE, 2018, *INCOME, POVERTY AND INEQUALITY*, CAEPR 2016 CENSUS PAPER NO. 2

These figures disguise a more complex picture when geographic spread is taken into account. While incomes of Indigenous and non-Indigenous Australians are slowly converging in our major cities and regions, they are actually in decline relative to non-Indigenous citizens in remote and very remote parts of the country as figure 14 shows.

Fig 14: Ratio of median disposable equivalised household income of Indigenous people to that of non-Indigenous people, by region



Source: F MARKHAM AND N BIDDLE, 2018, *INCOME, POVERTY AND INEQUALITY*, CAEPR 2016 CENSUS PAPER NO. 2

### Community Development Programme

The CDP is failing on all its core criteria. It is not generating employment, and is in fact replacing existing job opportunities. It is creating work without the protections and rights which workers should be guaranteed. It is causing economic hardship in communities and in several cases has been observed to be causing kids to go hungry.

According to The Australia Institute, less than 20% of CDP participants are supported into a job and less than 10% stay in that job for six months. Based on current rates, a CDP participant will wait 9.5 years in the scheme before being employed for 13 consecutive weeks.

In the 10<sup>th</sup> Closing the Gap report, released in February, the government confirmed that extremely modest employment targets (halving the gap between Indigenous and non-Indigenous unemployment on 2007 levels) set in 2007 would not be met this year.

### Preventing a more unequal future in our regions.

All the issues facing regional Australia outlined above, the loss of jobs and industries, unemployment (in all its facets) and underemployment, and significant wealth/income inequality, will continue to accelerate and worsen over the next several decades unless meaningful action is taken now. Australia needs a plan to stabilise and restore job quality, at the same time as dramatically expanding the quantity of work available. We must specifically aim to support local business through effective industry policy to create more high quality, secure local jobs.

Combined with the strengthening of employment regulations and standards through sensible reforms to workplace and industrial relations policy, this plan will drive a broad improvement in job quality – enhancing the security and stability of work for millions of Australians. The ACTU *Jobs You Can Count On* policy paper outlines 108 recommendations for initiatives, changes to current laws and regulations and improvement to current systems, all of which are designed to ensure that the idea of a secure, well-paying job doesn't become a thing of the past in metro or regional Australia.

Our plan is a comprehensive, consistent strategy to improve both the quantity and quality of work: creating new jobs, lifting pay, enhancing the security and conditions of employment, and ensuring access to decent work for all Australians. Its implementation would greatly benefit regional Australians. If fully implemented would, according to the Centre for Future Work, lower

unemployment below 4 per cent, slash underemployment and increase the participation rate by 2 per cent.<sup>38</sup> It achieves these outcomes by focussing on three key areas of reform:

### **Area 1: Moving to a more even playing field**

Australia is getting wealthier but big corporations and the very rich have used their power to rewrite the rules to take more of the gains while Australia experiences greater inequality and many are being left behind. Australia's industrial laws have radically changed 5 times in 25 years.<sup>3</sup> The Fair Work Act was designed to get rid of WorkChoices. It served its purpose at the time, but it isn't purpose-built for the new economy. Corporations are now deliberately organising both their capital and their workforce to avoid the legal protections that do exist. Industrial laws have always existed with one primary purpose, that is to address the inherent power imbalance that exists between employers and workers. That imbalance has never been greater. Our laws need to change. The attack on basic protections for workers has gone too far. We have to restore basic worker rights that have been lost. We need policies that help move our workplaces towards a more even playing field and achieve basic rights for workers in the workplace again. We must reverse the cuts to penalty rates, raise the minimum wage, change our industrial relations laws and look at ways we can help support trade unions.

### **Area 2: Creating good jobs by promoting and encouraging local industry**

In order to create more and better jobs, we need to promote, support and encourage local industry. Decades of the dominant 'trickle-down' neo-liberal economic ideology have delivered policy settings that favour large corporations and wealthy individuals on the basis that market forces alone will eventually see the benefits of growth filter down to the rest of society. The reality is much different. Some of the most successful countries and industries are those where governments have worked in collaboration with industry to provide support. We need to support Australian industry to create local jobs.

### **Area 3: Policies to fight gender inequality, marginalisation and discrimination**

Attaining more equity in employment outcomes, with consequent benefits for family, community and individual wellbeing, is essential to an inclusive and fair Australia. Systematic discrimination, inequality, and marginalisation mean that millions of Australians have not shared in the prosperity that comes with decent work. Pro-active measures must be taken to help

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<sup>38</sup> Stanford, Jim, *A Comprehensive and Realistic Strategy for More and Better Jobs*, Centre for Future Work, May 23, 2018. <https://www.futurework.org.au/a-comprehensive-and-realistic-strategy-for-more-and-better-jobs>

systematically disadvantaged and rural and remote communities overcome economic and social barriers, and gain full access to their fair share of the decent work resulting from this plan.

More information on the reforms necessary to halt rising inequality, both in regional and metropolitan Australia, along with all 108 recommendations for change, can be found in the full *Jobs You Can Count On* paper which is included as an attachment to this supplementary submission.

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