



# PRIME MINISTER

147/95

## STATEMENT BY THE PRIME MINISTER, THE HON P J KEATING MP TRENDS IN THE DISTRIBUTION OF CASH INCOME AND NON-CASH BENEFITS

I have today received a report on income distribution which demonstrates that the Government's policies aimed at ensuring a fairer Australia have worked.

The Consultancy Report *Trends in the Distribution of Cash Income and Non-Cash Benefits* was commissioned to identify trends in incomes and income distribution in Australia since 1981-82.

It was prepared by Dr David Johnson from the University of Melbourne and Drs Ian Manning and Otto Hellwig from the National Institute of Economic and Industry Research, who are among Australia's leading researchers in the field.

To quote from the report:

"improvements in government policies and programs in income support payments, and services such as education, health, public housing and child care, and the progressive nature of the income tax system, have all contributed to the result that Australia appears to have become a more equal society over the period from 1981-82 to 1993-94."

The debate on inequality in Australia has been difficult to follow. There have been different definitions of economic inequality and a lack of consistent and reliable data.

This study, however, is the latest and most comprehensive data available. It is also the first to comprehensively assess the impact of non-cash government benefits, such as education, health, housing and child care.

The three main findings of the report are:

1. Australian households are, on average, better off today than in the early 1980s
  - Taking into account the number of people who live in a household, all household types - sole parents, single people, couples, couples with dependent children, couples living with other adults and single people

living together as a household - benefited from the increase in average total income of 9.1 per cent over the period studied. (Total income includes private income, government cash benefits and the value of non-cash government benefits.)

2. Australia is a society with a more equal distribution of income today than in the early 1980s
  - Households in the lower income ranges received a greater share of total income over the study period, whereas those in the top 20 per cent of income earners received relatively less. As the report notes, "this demonstrates the substantial and increasing impact that government interventions have had on inequality".
3. The non-cash social wage has played an important role in this redistributive process, and its importance has increased over the study period
  - The value of non-cash benefits such as health, education, housing, child care, concessions and subsidies grew by 41 per cent in real terms over this time. All households benefited from this increase, but those on the lowest incomes generally gained the most.

Families with children were major beneficiaries of the increases in total income. The total income for couples with dependent children rose by 12.7 per cent and for sole parents rose by 22.3 per cent.

Older people also gained significantly from government policies of targeted assistance and by increases in the value of services they receive. Couples over 65 received the highest level of non-cash assistance of any group over the study period. For older people, around two-thirds of their total income is in the form of government cash benefits and social wage services.

The results of the study have been thoroughly validated. There has also been a comprehensive assessment of the results against other major research in the field.

The report concludes that, not only do government policies reduce inequality, but the importance of government intervention in reducing inequality has increased between 1981-82 and 1993-94.

Over the study period, left to itself, the market would have produced incomes that led to declining living standards for many households.

Improvements in income support and non-cash benefits, however, have ensured that Australian households are better off now than they were in 1981-82. This is particularly so for those on lower incomes.

**CANBERRA**  
**13 December 1995**