

AUSTRALIAN BUREAU OF STATISTICS HOUSEHOLD INCOME AND DISTRIBUTION DATA

539. Mr J.M. FRANCIS to the Treasurer:

I quickly acknowledge on behalf of everyone here Eliza Blue from the ABC, who finishes up today, and we wish her all the best for the future.

I refer the Treasurer to the recently released Australian Bureau of Statistics household income and distribution data. Can the Treasurer inform the house how this information relates to Western Australia?

Mr C.C. PORTER replied:

There was a very important article that was part of a corridor conversation I had with the Leader of the Opposition. It deserves some little bit of inquiry. The article in *The West Australian* was titled “Mining boom blamed for rise in wealth gap.” The reason I found the conclusion of the article so interesting, albeit concerning, is that for several decades in this Parliament both sides of politics have invested in one central mechanism to try to improve the lot of all income earners in Western Australia, high, low and medium, and that is using our best endeavours to expand the resources economy. That has been the central plank of economic policy in this state for several decades, going back to the government of Sir Charles Court and prior to that. If that article is, strictly speaking, correct, it would be a very depressing thing if, after decades of that type of economic policy of growing the resources sector, we are simply making rich people richer and poor people poorer. If we are making lower income earners worse off by pursuing the central plank of economic policy, it would be very depressing. Essentially, that was what we can infer from the article. Also one of the pointers is that this goes to a much wider and very important debate in the Australian economy. In my own observation, the descriptions about the asserted two-speed economy are now almost indistinguishable from criticisms of growth in the resources sector. This view is emerging, particularly in east coast economic circles, that the woes of particularly eastern states manufacturers can be attributed to the success of the resources sector here. That type of thinking leads naturally to arguments that somehow we should slow down the speedy part of the two-speed economy. There is a great article in the Australian School of Business’s online journal, which refers to the super profits tax and reads, in part —

In effect, the government is intervening via the tax system to re-balance Australia’s two speed economy, notes Steve Walters, economist with JPMorgan.

While the booming mining companies may be slowed down via a new tax, the government will use the proceeds from the tax to boost growth in less fortunate parts of the economy.

This government rejects totally that type of thinking. But that type of thinking is given some strength and credence if it is true that all we are doing in this state is making rich people richer and poor people poorer. The article said two things: those on pensions and welfare in Western Australia are worse off and that the average weekly household income of the poorest 20 per cent fell \$3 through the period, which was 2008–09 to 2009–10. I want to make three very quick points before showing a couple of graphs. The first point is that the figures used to sustain those conclusions were about the lowest 20 per cent of income earners; they are figures that were available from the ABS. What the Australian Bureau of Statistics said, interestingly, is that we should not use the lowest 20 per cent as the measure of low-income earners; the ABS said we needed to use the tenth to thirtieth percentile, so, if you like, the 20 per cent just above the bottom 10 per cent. That is made quite clear in this ABS research. The ABS report states that studies of income and expenditure have shown that such households in the bottom income decile with negative gross incomes tend to have expenditure levels that are comparable to those of households with higher income levels and slightly above the average expenditures recorded for the fifth income decile.

Mr E.S. Ripper: How do they do it?

Mr C.C. PORTER: That is interesting. The article suggests these households have access to economic resources such as wealth or that the instance of low or negative income is temporary, perhaps reflecting business or investment start-up. If we count the bottom 10 per cent, we are counting households with trust funds or entrepreneurs in between business start-ups. The ABS says we should look at households in the 10 to 30 per cent decile as the measure of low income.

Mr T.R. Buswell: That could be people misusing their credit cards.

Mr C.C. PORTER: Indeed. I will show members some graphs. When we look at that low income using the ABS measures, the other thing to remember is that simply saying there is a gap between the top 20 per cent and the low-income earners does not mean that low-income earners are worse off. That is what we can infer from the article. It is possible that we can have a much smaller gap between low-income and high-income earners and still be much, much worse off. I will break this graph down for members.

Several members interjected.

Mr C.C. PORTER: The graph is the right way up, and I will explain why. The dark blue bar is the top 20 per cent of incomes in Tasmania and Western Australia and incomes on average, and the light blue bar is the low-income earners in each of those states. It is very interesting.

Several members interjected.

Mr C.C. PORTER: Not Tasmania—I could have done that green, and I will explain that in a moment. Members can see the significant gap between the bottom 10 to 30 per cent in Western Australia and top 20 per cent. The gap is lower in Tasmania; there is no doubt. But if that is the measure of whether people are better or worse off, it is not the measure we should be using. When we look at figures for the low-income households in Tasmania and Western Australia and at the national average, we find that low-income earners in Western Australia are better off than anywhere else in Australia—and by a very, very significant amount.

Mr E.S. Ripper: They have never had it so good!

Mr C.C. PORTER: The point is —

Several members interjected.

Mr C.C. PORTER: The point is —

The SPEAKER: Members! Presuming that there are people who wish to ask more questions, I am just simply going to ask for no interjections at this point so that the Treasurer might complete the slide show.

Mr C.C. PORTER: I am very close, Mr Speaker. The point is that both sides of this house have invested enormous time and energy and public funds in trying to grow our resources sector. There is a view emerging that that is counterproductive for low-income earners in this state. The ABS figures show good news in terms of what this government has done, and what the former government and governments before have done; that is, we are improving the income generation capacities for low-income earners.

The final slide shows low-income earners in every state in Australia. The low-income earners in Western Australia earn significantly more than those anywhere else in Australia. What is also instructive is that the other state that does quite well is a state with similar economic policies to Western Australia, and that is Queensland, which has also sought to grow its resources sector.

Dr A.D. Buti: They should be in red!

Mr C.C. PORTER: No, they are nice people in Queensland. That is very, very good news for the Western Australian economy. It shows that the enormous amounts of time and money invested by both sides of this house are trickling down and causing good growth effects for low-income earners in Western Australia.

Tabling of Papers

Mrs M.H. ROBERTS: The Treasurer in his slide show had a number of documents in the form of graphs, and I was so fascinated by them I thought perhaps he could table them so that I could examine them further.

Mr C.C. PORTER: Anything that fascinates the shadow Treasurer, fascinates me. I will table these.

[See papers 3808 to 3810.]