

GROWING GULF BETWEEN WORK AND WEALTH

Australian Fact Sheet,
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OXFAM
Australia

Oxfam Australia is committed to tackling poverty and inequality around the world. This factsheet highlights a broken economic system that is concentrating ever more wealth into the hands of the rich and powerful, while ordinary working people are not always able to scrape by. This is fuelling an inequality crisis all around the world, where people are finding it harder to lift themselves out of poverty and the divide between the rich and the poor is continuing to grow – including in Australia.

INEQUALITY IN AUSTRALIA IS RISING

Highly unequal societies face greater social problems. Countries that are more unequal show worse social outcomes including in health, life expectancy, mental illness, imprisonment rates, obesity, and social mobility.¹ A large gulf between the haves and have-nots also undermines the strength of the economic system, whereby opportunities are determined by the circumstances of birth rather than hard work and talent. As an organisation committed to fighting poverty all around the world, this widening gulf is making Oxfam Australia’s job harder.

The latest Credit Suisse data shows that the share of wealth concentrated in the hands of the top 1% of Australians in 2017 has grown to 23% – up from 22% in 2016. As was the case in 2016², the top 1% of Australians continue to own more wealth than the bottom 70% of Australians combined (figure 1).

Wealth inequality in Australia has been on the rise over the past two decades, with the gulf between the amount of wealth held by the top 1% and the bottom 50% now the greatest at any time over this period. The wealth share held by the top 1% in Australia has been growing almost continuously over the past two decades, while the wealth share held by the poorest 50% of Australians has been falling almost continuously over the past two decades (figure 2).

Income inequality in Australia has also steadily climbed over time and, despite some fluctuations, is higher than at any time before the Global Financial Crisis (GFC) in 2008.³ Australia’s income inequality also compares poorly to other Organisation for Economic Co-operation and Development (OECD) member countries. The latest OECD data shows that Australia’s Gini coefficient was 0.33 in 2014, ranking 22nd – behind most of the 35 OECD countries⁴.

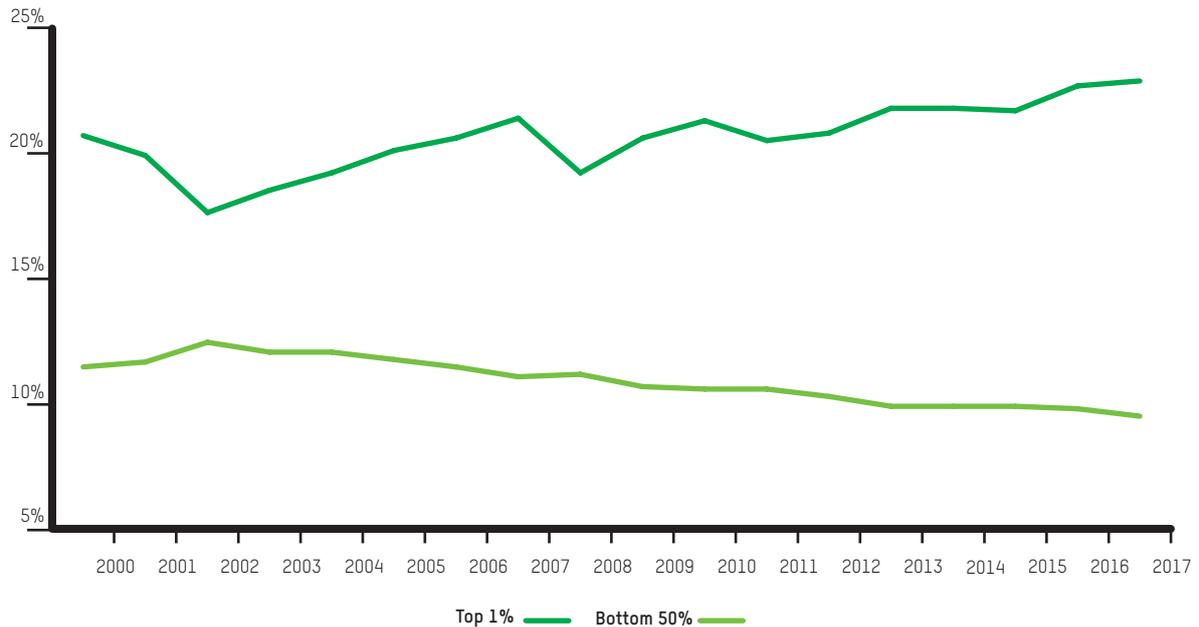
FIGURE 1: AUSTRALIAN WEALTH DISTRIBUTION IN 2017

Source: Credit Suisse (2017), Global Wealth Report



FIGURE 2: WEALTH SHARE HELD BY THE TOP 1% V BOTTOM 50% OVER TIME

Source: Credit Suisse (2017), Global Wealth Report



WEALTH AT THE TOP BOOMS, WHILE WAGES STRUGGLE TO KEEP PACE

Hard work is no longer a guarantee to a better life. The system is clearly not working for the vast majority of people.

Ordinary workers in Australia have not been compensated for their contribution to the economy. Except for the top 20% household income group, income shares for all income groups in Australia have fallen over the decade to 2015.⁵ This is while Australian workers' wage growth has largely stagnated since the GFC in 2008, despite strong economic and labour productivity growth over this period.⁶

Meanwhile, the rich are getting richer. Last year saw the largest annual increase in the number of Australian billionaires and billionaire wealth since the start of this century – with an extra eight Australian billionaires and an increase in total billionaire wealth in Australia of about \$38 billion.^{7,8} This single year's increase in wealth is enough to pay for more than half of Australia's Federal public health spending in 2016-17⁹.

The number of billionaires has also more than doubled over the past decade in Australia, from 14 in 2008 to 33 in 2017, with a corresponding increase in total wealth of almost 140% to \$115.4 billion.¹⁰ In comparison, over the same period, average wages of ordinary Australians have increased by just 36%, and average Australian household wealth grew by just 12%.¹¹ (Figure 3)

Furthermore, Australian wage growth has slowed to record lows over the past few years which barely kept up with the cost of living.¹²

WORKERS ARE MISSING OUT IN AUSTRALIAN GLOBAL SUPPLY CHAINS

Working people, and particularly women, also sit at the bottom of complex company supply chains. Companies with headquarters in Australia often have workers all around the world making their products. These global supply chains can be designed in ways that mean workers are trapped in poverty, no matter how hard they work.

Nowhere is this clearer than in the garment industry. The people who make our clothes are often paid barely enough to get by, while the CEOs of some of the biggest Australian clothing retailers have enjoyed massive salary packages. Today, some of the highest paid CEOs in the Australian clothing retail sector can earn, on average, around \$6 million annually.¹³ At the same time, women working in Bangladesh to make the clothes sold by these brands earn a minimum wage as low as AUD\$974 per year, or in Vietnam AUD\$1600 per year. If these companies were to invest the same amount in the lowest paid workers in its supply chain as its CEOs, each firm could potentially raise minimum wages to a living wage for more than 3000 garment workers in Bangladesh or more than 2900 garment workers in Vietnam.¹⁴

FIGURE 3: AUSTRALIAN BILLIONAIRES' COMPARED TO AVERAGE HOUSEHOLDS

Source: Credit Suisse (2017), Global Wealth Report

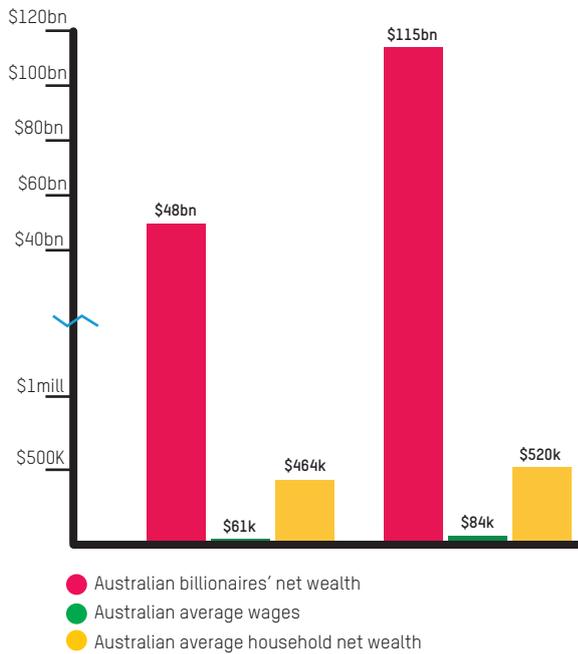
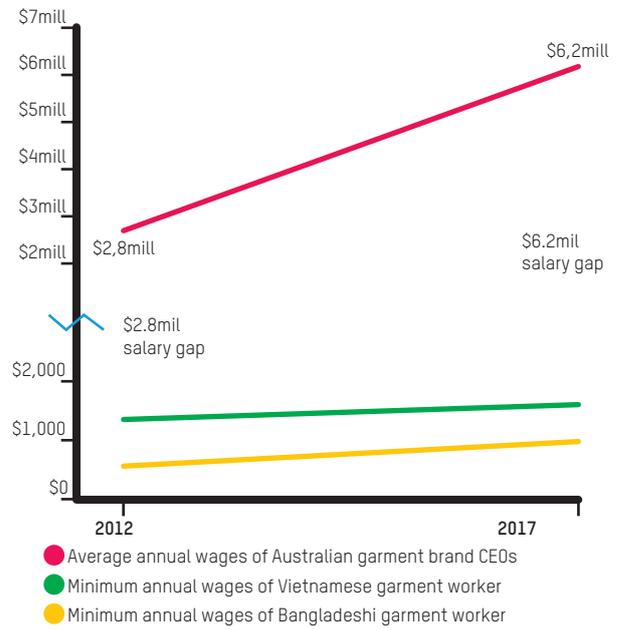


FIGURE 4: SALARY GAP BETWEEN CEOs AND GARMENT WORKERS

Sources: Annual reports for Wesfarmers, Premier Investments, Woolworths Holdings; Oxfam Australia (2017), What She Makes: Power and Poverty in the Fashion Industry.



A highly paid CEO in a top fashion company in Australia can earn up to \$2,500 per hour.¹⁵ A garment worker in Bangladesh like Anju earns as little as AUD \$0.39 per hour.¹⁶ This means that garment workers earning the minimum wage in Bangladesh would have to work more than 10,000 years to make the same amount that a highly paid CEO can make in Australia in one year.¹⁷

And, while many salaries for Australian retail CEOs of large clothing brands have boomed over the past decade, annual pay for workers in supply chains has remained appallingly low. Had the salary gap between some of the best paid clothing retail CEOs in Australia and garment workers in their supply chains remained the same today as it was in 2012¹⁸ (a gap of \$2.8 million), some leading clothing retailers could potentially have spent the excess \$3 million in 2017¹⁹ alone on raising minimum wages to a living wage for around 1600 garment workers in Bangladesh or in Vietnam.



Nahida dreams of being able to better fund her daughter's education
Photo: GMB Akash/Panos/OxfamAUS



Anju barely make enough to get by.
Photo: GMB Akash/Panos/OxfamAUS

RECOMMENDATIONS

It does not have to be this way. Governments and corporations can take actions to tackle the key drivers of inequality that currently exists in the economy – including in taxation and business structures that are putting the least well off, particularly workers at the bottom of supply chains, at significant disadvantage.

Oxfam calls on corporations to:

- **Make a credible commitment to living wages.** Companies operating in Australia should publicly commit to ensuring the payment of living wages at a minimum throughout their supply chains. Companies should set out a timeframe by which the brand will ensure payment of living wages throughout the supply chain, ideally within three to six years. The commitment should clearly state that they will within 12 months develop a roadmap to living wages for the company's supply chain and publicly shared.²⁰
- **Pay their fair share of taxes and be transparent.** Responsible tax behaviour is in companies' own long-term interest because the tax they pay is an investment in the countries in which they operate, which will ensure lasting profitability. Corporations should go beyond legal compliance and carry out their broader duties to contribute to the public services on which they themselves rely. Firms should also be transparent about their business structures and operations, tax affairs and tax decision making, which, by subjecting themselves to public scrutiny, will ensure the robustness of their business structures in the long term.²¹

Oxfam calls on the Australian Government to:

- **Help ensure Australian businesses tackle poverty and drive inclusive prosperity.** With Australian firms responsible for their business practices both at home and in their overseas supply chains, the Australian Government has a role in helping to make sure these business practices are driving equality and prosperity for all. The Australian Government can do this by taking strong action to ensure businesses respect human rights, including the right to decent, living wages for

workers. Beyond the Government's welcome but limited plans to introduce a Modern Slavery Act, the Australian Government should:

- 1. Legislate to protect human rights:** Introduce legislation that would require large companies to report on the way they deal with all potential human rights risks – including the risk that they are not paying living wages – in their supply chains. This should include companies showing how they take responsibility for human rights abuses, and how they act to fix the situation when human rights abuses are uncovered. Appropriate penalties should apply where firms are non-compliant. Such legislation should be strong enough to hold firms to account over all human rights abuses, such as payment of poverty wages in company supply chains, or other labour rights abuses and discrimination.
 - 2. Develop and implement a National Action Plan on business and human rights:** The Australian Government should follow the steps of many other countries and introduce a strong National Action Plan on business and human rights, based on the United Nations Guiding Principles on Business and Human Rights.²² This plan should set an agenda for the Australian Government to ensure corporate compliance with human rights, including the right to a living wage.
- **Take immediate steps to ensure the tax system is fair for all.** Fair tax systems can fight poverty and inequality by ensuring there is enough funding for the schools, hospitals, infrastructure and other public services people need. On the other hand, tax avoidance by the wealthiest firms and individuals exacerbates inequality and poverty. The Australian Government should take steps to prevent yet another scandal involving the super-rich robbing the poorest people of much-needed tax revenues, like those most recently revealed in the Paradise Papers leak, and to ensure corporations pay their dues for the public services they benefit from.²³ A fairer tax system can be achieved if the Australian Government took these five immediate steps²⁴ towards fair tax reform:

1. Introduce public country by country reporting of firm profits, revenues, and taxes paid by all large corporations operating in Australia
2. Establishing a centralised public register of beneficial ownership of companies and trusts
3. Agree on a global blacklist of tax havens²⁵
4. Ensure tax treaties do not exploit developing country tax bases
5. Promote global tax reforms that lead to fairer, more transparent tax systems.

• **End the race to the bottom on corporate tax.**

The Australian Government should end the race to the bottom on corporate taxes by not pursuing plans to extend corporate tax cuts to the largest firms in

Australia – particularly without first closing the tax loopholes that can allow firms to shift billions in profits abroad to low tax jurisdictions. One way to close such loopholes would be to require tax and financial advisors to report to government potentially aggressive tax planning schemes.

- **Conduct inequality impact analysis as part of national policy changes.** It is important that the Australian Government takes account of inequality impacts and distributional effects of government policies as a way to tackle inequality at home and abroad. Part of this involves reinstating the Women’s Budget Statement, so policies for tax and spending explicitly take into account impacts on women, such as those arising from budget changes to Australia’s affordable childcare or family tax benefit arrangements.

FOOTNOTES

¹ Wilkinson (2017), How Economic Inequality Harms Societies; Wilkinson (2009), The Spirit Level.

² Oxfam Australia (2016), An Economy for the 99%.

³ For example, see Whiteford (2017), The ‘Inequality Wars’: CEO Pay Is One Part of Complex Picture Post-GFC. While there have been some debate over inequality trends over recent years, it is largely due to different data sources. Also other inequality trends like unequal growth in earnings between income groups are not well reflected in general inequality measures like the Gini (for example, see Wilkins (2017), Economic Inequality in Australia: Trends and Possible Policy Responses).

⁴ The Gini coefficient is a universal measure of inequality, where zero indicates perfect income equality, and 1 indicates perfect inequality where a single person owns all the income. Source: <http://stats.oecd.org/Index.aspx?QueryId=66597>

⁵ ABS (2017) cat no. 6523, table 1.1.

⁶ Eslake (2017), Is Faster Profit Growth Essential for a Pick-up in Wages Growth?; OECD (2017), Compendium of Productivity Indicators 2017.

⁷ All figures in this factsheet are in AUD and uses an exchange rate of 1USD=1.27AUD where conversions are made.

⁸ Billionaire wealth grew US\$30 billion for the period March 2016 to March 2017. Source: Forbes billionaire lists, 2000–2017, available at <https://www.forbes.com/billionaires/#2242bd78251c>

⁹ Health spending in 2016–17 was about \$71 billion. Source: Treasury (2016), Budget 2016–17 Paper No. 1.

¹⁰ Australian billionaire wealth was US\$38 billion in 2008 and US\$91 billion in 2017.

¹¹ Sources: ABS (2017) cat no. 6302; ABS (2017) cat no. 6523. Average wages reported by the ABS are likely to be higher than median wage (the wages most of the population receive) due to averaging of very high incomes across the entire working population.

¹² Scutt (2017), Australian wages growth is stuck at record lows, and running behind inflation, Business Insider Australia.

¹³ The average value of CEO salary package in 2017 is valued at \$6.2 million, based on the following companies: Kmart/Target (\$6million), Just Group (\$10.1 million), David Jones (\$2.3 million). Sources: 2017 annual reports for Wesfarmers (Kmart), Premier Investments (Just Group), and Woolworths Holdings (David Jones).

¹⁴ The living wage based on the Anker method for Bangladesh is AU\$2976 per year and Vietnam is AU\$3696 per year. (Source: Oxfam Australia (2017), What She Makes: Power and Poverty in the Fashion Industry.) Raising the minimum wage for a garment worker in Bangladesh would cost AUD \$2000 and AU\$2100 in Vietnam per year. A living wage is defined as a wage that would cover the basics for a worker and their family, including decent housing, clothing, utilities,

food, education and health care costs, as well as a little for savings.

¹⁵ Based on the 2017 salary package value of \$10.1 million for the CEO of Australian fashion retailer Premiere Investments (Just Group), and assuming a CEO works 12 hours a day, three out of every four weekends, and 10 days holiday per year. Not all CEOs in Australian fashion retail earn this high salary package. Some CEOs in leading Australian fashion retail earn less than \$1 million a year. Source: Premier Investment Group Annual Report 2017.

¹⁶ Assuming the minimum wage in Bangladesh is AU\$0.39 per hour, working 208 hours per month. Source: Oxfam Australia (2017), What She Makes: Power and Poverty in the Fashion Industry.

¹⁷ Assuming CEO’s salary package of \$10.1 million per year and a Bangladeshi garment worker’s annual wage of AU\$974.

¹⁸ The average value of CEO salary package in 2012 is valued at AU\$2.8 million, based on the following companies: Kmart/Target (\$4million), Just Group (\$2.6 million), David Jones (\$1.7 million). Sources: 2013 annual report for Wesfarmers (Kmart); 2012 annual reports for Premier Investments (Just Group), and Woolworths Holdings (David Jones).

¹⁹ For example, the Kmart CEO’s salary in 2017 would be \$2.8 million rather than \$6 million, so that the firm would have an excess \$3 million to invest in its garment workers.

²⁰ Further detail on the need for living wages and the ways companies can take steps to make a commitment and create a roadmap for living wages in their supply chains can be found in Oxfam (2017) What She Makes: Power and Poverty in the Fashion Industry and Oxfam (2017) A Sewing Kit for Living Wages, both available at <http://whatshemakes.oxfam.org.au/resources/>.

²¹ Further details on responsible firm tax behaviours, see Oxfam, Christian Aid & ActionAid (2015), Getting to Good: Towards Responsible Corporate Tax Behaviour, available at https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/dp-getting-to-good-corporate-tax-171115-en.pdf

²² See United Nations Guiding Principles on Business and Human Rights, available at <https://business-humanrights.org/en/un-guiding-principles>

²³ Further detail can be found at <https://www.oxfam.org.au/media/2017/11/tax-scandals-demand-action-oxfam/> and <https://www.oxfam.org.au/media/2017/11/five-steps-the-government-must-take-to-avoid-another-paradise-papers-scandal/>

²⁴ Further detail can be found at <https://www.oxfam.org.au/media/2017/11/five-steps-the-government-must-take-to-avoid-another-paradise-papers-scandal/> and <https://www.oxfam.org/sites/www.oxfam.org/files/bn-stopping-the-scandals-government-recommendations-081117-en.pdf>

²⁵ A good starting point is Oxfam’s report Blacklist or whitewash – an independent list of countries Oxfam assessed to be tax havens (at https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bn-blacklist-whitewash-tax-havens-eu-281117-en_0.pdf)