

Is Perth Becoming More Unequal? Updated

Matthew Tonts

Research Highlights

- Research shows that between 2000 to 2007 spatial inequality increased steadily in Perth as a result of the resources boom.
- While inequality increased through much of the resources boom, 2008 saw a major turning point with inequality decreasing sharply.
- While there are several reasons for this decrease in inequality, a large part can be attributed to the slowing in investment and other earnings amongst high income earners as a result of the global financial downturn.
- While there is disparity between suburbs, Perth remains a more egalitarian city than Melbourne or Sydney, at least in terms of the geographical spread of income – this is in part due to a relative improvement in the performance of the poorest suburbs.

Introduction

This paper builds on a Bulletin released earlier in 2010 (Bulletin 5) that examined the issue of income inequality across Australia's major cities, and within the Perth metropolitan area. The focus was on examining the extent to which the income gap between Perth's wealthiest and poorest suburbs increased, decreased or remained stable between 2000 and 2007. The research showed that as the resource boom gathered pace, spatial inequality increased steadily. However, it also showed that this trend was not restricted to Perth, and was consistent across almost all of Australia's large cities.

The release of new data for 2008 provides an opportunity to revisit this issue. By mid 2008, the effects of the global economic downturn were being felt in Australian cities, with many areas experiencing rising unemployment and slowing income growth. The paper uses annual personal income data from the Australian Taxation Office, and constructs an index of spatial inequality. This is a measure of the income gap across all suburbs within a metropolitan area.

Spatial Inequality in Perth, 2000-2007

Figure 1 provides a summary of changes in spatial inequality in Perth between 2000 and 2008 using the index of spatial inequality.¹ In interpreting the data, the lower the index value (i.e. the coefficient), the more equal incomes are across Perth's suburbs. Conversely, high index

¹ This is based on a coefficient of variation for mean personal income for every suburb in Perth.



numbers point to larger income differentials between Perth's rich and poor suburbs.

In the period between 2000 and 2003, there were mild fluctuations in the index of spatial inequality. The onset of the resources boom, however, resulted in a steady increase in the gap between poor and rich suburbs. Thus, it would suggest that most of the benefits of the recent boom were concentrated amongst a relatively wealthy group of suburbs. Put another way, an economic boom does not necessarily contribute to a more spatially equal society. That said, it is important to remember that, in overall terms, the financial position of most people within Perth improved over this period (see Bulletins 4 and 15).

While inequality increased through much of the resources boom, 2008 sees a major turning point. For the first time in six years, the level of inequality across suburbs *decreased sharply*. In other words, the geographical distribution of Perth became more even with a reducing gap between rich and poor areas. In essence, levels of spatial inequality dropped to 2005 levels. The reasons for this are complex, but include: i) a more modest rate of income growth amongst the wealthiest suburbs; ii) steady growth amongst the 'middle earning' suburbs; iii) a relative improvement in the performance of the poorest suburbs. Much of this can be put down to the slowdown in investment and other earnings amongst high income earners.

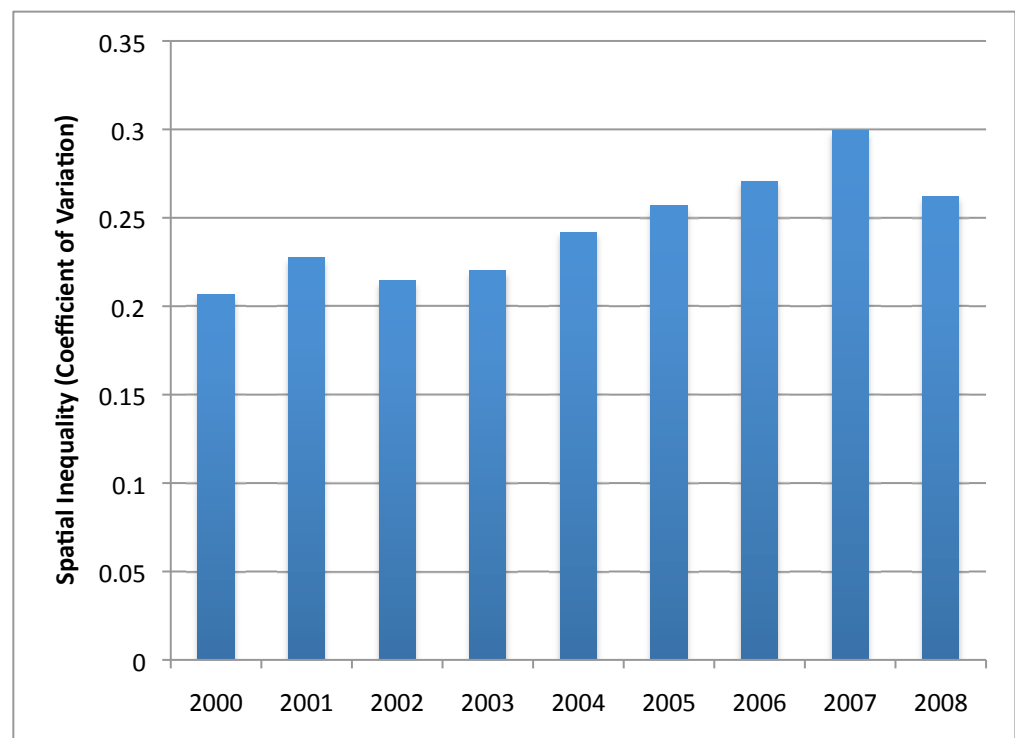


Figure 1 An Index of Spatial Inequality Across Perth's Suburbs, 2000-2008

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A Comparative View

Data at the national level show that Perth was not alone in recording rising levels of spatial inequality during mid 2000s phase of economic expansion (Figure 2). Between 2002 and 2007, inequality increased significantly in Sydney, Melbourne and Perth. This follows a modest drop in between 2001 and 2002. It is also clear that inequality was much higher within metropolitan Sydney and Melbourne than in Perth. Indeed, Sydney has by far the largest gap between its wealthiest and poorest suburbs. The increase in Perth's level of inequality, particularly between 2006 and 2007 was far less than in both Sydney and Melbourne. In Brisbane and Adelaide, spatial inequality was relatively low across the study period, and increased at a more modest rate than was the case in Melbourne, Sydney and Perth.

As was the case in Perth, for most cities 2008 represented a significant shift in the underlying pattern. While inequality had been steadily rising, it dropped substantially in Melbourne, Perth and Adelaide. By contrast, Brisbane remained steady, and Sydney recorded a slight decrease. Thus, the onset of the economic downturn appears to have slowed or reversed the growing gap between rich and poor suburbs in most Australian cities.

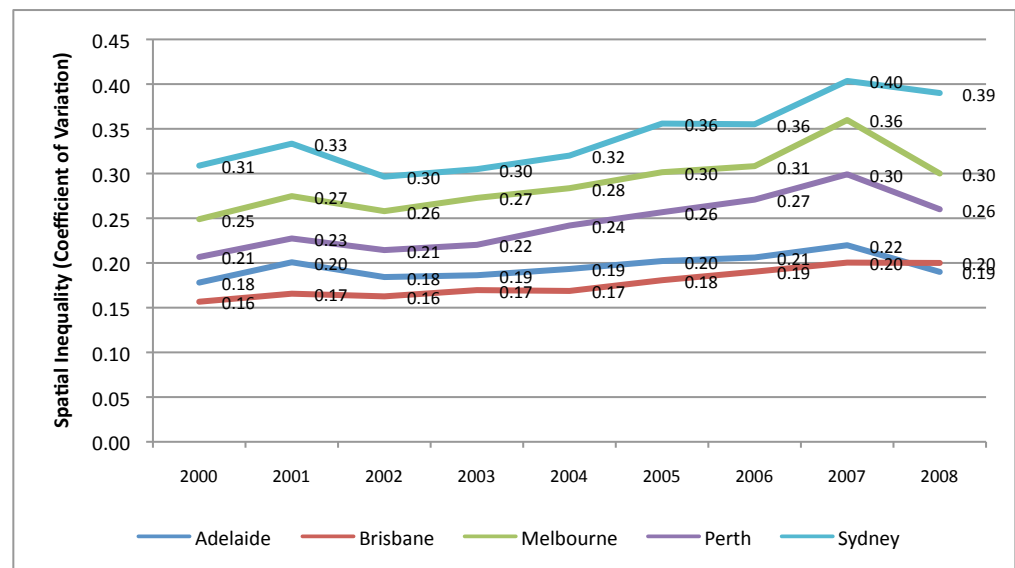


Figure 2 Spatial Inequality in Australian Cities

Conclusion

The data here also show that Perth remains a more egalitarian city than Melbourne and Sydney, at least in terms of the geographical spread of income - a theme discussed in more detail in Bulletin 5. The drop in inequality in 2008 improved the situation further. However, the close link between inequality and the rate of economic growth means that the current round of new investment and expansion means the State faces the risk of rising inequality in the medium term. Managing this risk is an important public policy consideration, particularly given the growing

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focus Perth's liveability and the importance of equity as a component of this.

About FACTBase

The FACTBase project is a joint venture between the University of Western Australia and the Committee for Perth, an influential member-based organisation driven by a diverse assembly of Perth's leaders. Members collaborate with business, government and community groups to actively improve the liveability of our city, resulting in a real and enduring contribution to Perth and the metropolitan area.

One of the only broad-reaching projects of its kind to be undertaken in the southern hemisphere FACTBase condenses the plethora of databases and studies on the subject of liveability and analyse what's happening in Perth through words, maps and graphs.

About the Author

Matthew Tonts is Professor of Human Geography at The University of Western Australia.

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