



Is Perth Becoming More Unequal?

Matthew Tonts

Introduction

This paper builds on earlier Bulletins¹ to examine how Perth's recent resources boom affected levels of socio-economic wellbeing. In this Bulletin, the focus is on the issue of inequality. More specifically, it focuses on spatial inequality by examining whether the income gap between Perth's wealthiest and poorest suburbs increased, decreased or remained stable between 2000 and 2007. It therefore traces changes to the height of the resources boom. Given that the State appears to be entering another significant growth phase following the global economic slowdown between late 2007 and 2009, important lessons might be learned about how such growth affects spatial equity. This paper uses annual personal income data from the Australian Taxation Office and constructs an index of spatial inequality as a measure of the income gap between suburbs. It not only considers changes in Perth, but also those in other major Australian cities, thereby providing a comparative assessment of spatial inequality.

Spatial Inequality in Perth, 2000-2007

Figure 1 provides a summary of changes in spatial inequality in Perth between 2000 and 2007 using an index of spatial inequality.² 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 numbers point to larger income gaps between Perth's rich and poor suburbs.

In the period between 2000 and 2003, there were mild fluctuations in the index of spatial inequality. However, the general trend for these years was relative stability.

The index starts to increase significantly from 2004, with a major jump between 2006 and 2007 – arguably the height of the last resources boom. In other words, during this period the gap between those suburbs

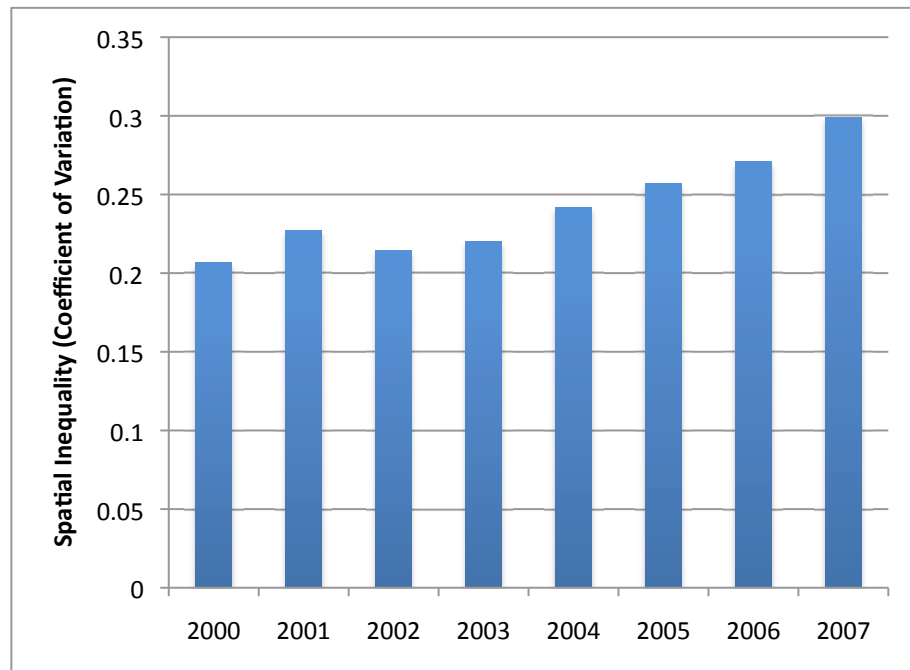
¹ See Bulletin 2, *Economic Stress in Perth* (October 2009); Bulletin 3 *Perth's Decade of Prosperity* (November 2009). Both are available at: www.committeeforperth.com.au/research

² This is based on a coefficient of variation for mean personal income for every suburb in Perth.



earning the highest incomes and those earning the lowest widened substantially. Thus, it would suggest that most of the benefits of the recent boom were concentrated amongst a relatively wealthy group of suburbs. However, it is important to remember that, in overall terms, the financial position of most people within Perth improved over this period (see Bulletin 3), it is simply that the gap between suburbs increased. The message here is that an economic boom does not necessarily contribute to a more spatially equal society.

Figure 1 An Index of Spatial Inequality Across Perth's Suburbs, 2000-2007



The impact of the boom on inequality is further evident in data on the overall spread of earnings within Perth during this period. As part of this research, Gini coefficients were calculated for the Perth metropolitan area for 1996 and 2006, based on data from the Australian Bureau of Statistics. A Gini coefficient is simply a measure of the spread of income within a society, with 0 representing perfect equality and 1 representing perfect inequality. Put another way, a coefficient of, say, 0.6, indicates a place with a relatively high level of inequality with the majority of income concentrated amongst a small few, while a figure of 0.1 would suggest incomes are spread across the population in a relatively even way.

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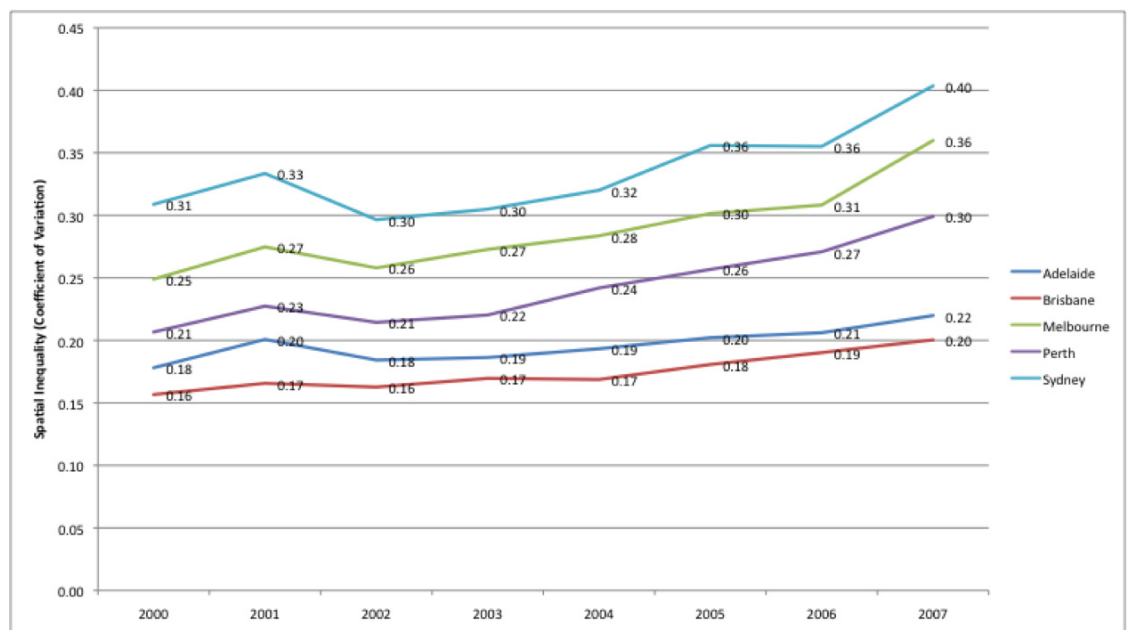


In 1996, the Perth metropolitan area had an estimated Gini coefficient for individual incomes of 0.41. By 2006, our estimates show that this had risen to .48. Thus, more wealth had become concentrated with a smaller part of the population. However, it should be noted that this is a national, and even an international pattern, and that Perth is certainly not an isolated case. Moreover, the evidence suggests that during economic booms inequality increases, and during economic contractions it decreases.

A Comparative View

Looking at Perth in isolation only tells part of the story. A clearer picture emerges when spatial inequality is compared across Australia’s largest cities (Figure 2). When Australia’s cities are looked at together, it becomes clear that spatial inequality increased significantly in Sydney, Melbourne and Perth between 2002 and 2007. 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.

Figure 2 Spatial Inequality in Australian Cities



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In simple terms, while inequality did increase in Perth between 2000 and 2007, it remained a more egalitarian city than Melbourne and Sydney (at least in terms of income). Looked at another way, the suburbs of Perth shared more equally in the benefits of the 2000-07 economic expansion than those of the two larger cities. There are a number of possible reasons for this. First, more people in Perth were engaged either directly or indirectly in the resources sector that drove much of the economic expansion of this period. Second, the gap between high and low wages/salaries is less in Perth than other cities, largely because it does not have the same number of very high-income earners that characterise parts of Sydney's and Melbourne's business sectors. Third, there are fewer large investors in Perth that experienced the rapid increase in incomes associated with the share-market and property bubbles of 2006 and 2007.

The Impact of the GFC and the Next Boom

The data presented here provide an overview of the trends leading up to the peak of the last resources boom in 2007. The Global Financial Crisis will probably have had a direct impact of levels of spatial inequality within Perth and other Australian cities. In the normal course of events, spatial inequality tends to fall during recessions or economic contractions. So, the past two years have probably seen a reduction in the gap between rich and poor suburbs.

It is clear, however, that economic expansion has the opposite effect. The renewed investment in the Western Australian resources industry, a more positive general economic outlook, strong population growth, and urban expansion all suggest that issues of inequality are not about to disappear. Indeed, the evidence presented here suggests that inequality is likely to increase. While Perth fared better than larger cities in the period between 2000 and 2007, policymakers, welfare agencies, charity groups and others interested in the wellbeing of the cities will need to plan carefully to ensure that inequality does not translate into disadvantage and a widening wealth gap. As a city that often focuses on its high quality of life, it certainly will not want to be characterised as a place where the gap between rich and poor is ever widening.



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.

All FACTBase bulletins are available for download on the Committee for Perth website at <http://www.committeeforperth.com.au/research>.

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