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Unfair economic arrangements make us sick

How should Australia respond to the expanding financial inequities among its citizens?

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For

Australia 21

“...In the final analysis, the rich must not ignore the poor because both rich and poor are tied in a single garment of destiny. All life is interrelated, and all men are interdependent. The agony of the poor diminishes the rich, and the salvation of the poor enlarges the rich...”

Martin Luther King Jr., Nobel Prize Lecture, 1964

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Summary

Financial inequity is one of the biggest social, economic and political challenges of our time, according to highly respected international and national economists. Income inequity is also a major cause of poor physical health and mental wellbeing within nations including Australia.

How a society runs its financial affairs influences the daily living conditions in which people are born, grow, live, work and age. These, in turn, affect how we feel, behave and engage on a day to day basis, the long-term stress that we experience, and the acute and chronic suffering of disease and ultimately death. At the same time, the wellbeing of a nation influences its productive capacity and therefore its economic stability.

In recent decades Australia has not been delivering for the majority of its citizens even though GDP per capita has been, on the whole, increasing. The reason is arguably due to the widening inequities in income and wealth. In this paper we begin by describing the harm that financial inequities cause to the national economy, social conditions and people's health. The paper then lays out how inequities in income and health are created, before discussing a range of actions that can be taken to address financial inequities and the related social and health inequities.

Fundamentally, Australia needs to redress the inequities in people's material resources, the degree of control people have over the conditions that affect their lives and the amount of political voice that they can express. This means reducing the inequities in power, money and resources, and the consequent unfairness in people's daily living conditions.

Why we need to address financial inequities

Australia: an unfair society

Inequities in wealth and income undermine economic stability, social wellbeing, and people's health. In recent decades, developed economies including Australia have not been delivering for the majority of their citizens even though GDP per capita has been, on the whole, increasing. The reason, suggested by Nobel Laureate Joseph Stiglitz, is due to the growing gap in wealth between the top and the rest.¹ Inequities in income and wealth have widened in many countries, including Australia. Addressing these inequities is important for various reasons²:

- **Economic costs:** Inequity undermines the wellbeing of a nation's economy and impedes efficient economic growth. In addition, being financially reliant on, and influenced by, a small few builds vulnerability into the economic system;
- **Social costs:** Inequity erodes daily living conditions, wastes human capital, and reduces social cohesion, each of which is necessary for a flourishing, cohesive and secure society;
- **Health costs:** Inequity harms peoples' sense of self and prevents access to the conditions necessary for health, with implications for everyone in society.

The state of financial inequities in Australia

In his recent book, Leigh lays out the stark reality of an inequitable modern day Australia.³ Today, half of Australian households have a pre-tax income of less than \$80,000 per year. Since 1975, the wages of a (full-time non-managerial) worker in the bottom ten per cent of income earners has risen by 15 per cent (\$32,000 to \$37,000). For a worker in the 90th percentile their wages have risen by 59 per cent (from \$65,000 to \$103,000). In 2009, the top twenty CEOs earned more than 100 times the average wage.³

Figures from the tax office based on declared income show that among taxable individuals in Australia in 2010-11 the top one per cent of income earners received 9.4 per cent of the total income earned.⁴ While the average declared income was \$66,720, the top one per cent earned \$281,858 or more. The top 20 per cent received 44.5 per cent of all the declared income while the bottom 20 per cent received only 7.5 per cent of the income.

The ABS figures for the distribution of household wealth present an even starker view of the extent to which the gap between those with the most and those with the least is skewed.⁵ In 2011-12 the top quintile (20 per cent) owned 60.8 per cent of all wealth while the bottom quintile owned just 0.9 per cent of total wealth. The bottom 80 per cent owned only 39.2 per cent of the wealth with the bottom 40 per cent owning under 8 per cent. Just 17,200 households (0.2 per cent of the total) own wealth of at least \$1.7 trillion dollars. The top one per cent own at least 12 per cent of all the wealth. We know that even these figures are likely to vastly understate the very top of the wealth distribution since it is unlikely that Gina Rinehart and Clive Palmer are part of the ABS sample.

The tax system works to lessen the extent of the gap between the rich and poor. For example the top one per cent earn 9.4 per cent of the pre-tax income but 7.2 per cent of the after tax income. However, the redistributive function of the tax system has come under severe challenge in recent years with the Howard and Hawke/Keating Governments lowering the top tax rates from 60 cents in the dollar in 1983-84 to 45 cents in the dollar today. Furthermore, we know that a lot of personal income is hidden as individuals disguise their

personal income as company or superannuation income where it is taxed at only 30 and 15 per cent respectively.

The provision of high quality health, education, transport and housing to all citizens requires a substantial investment of resources by the public sector, and the way that the public sector acquires the necessary resources is via the taxation system. Given that Australia is among the lowest taxed countries in the developed world, that our tax/GDP ratio has been declining,⁶ and that politicians repeatedly suggest that they are unable to invest in popular and efficient activities such as preventative health and public transport it seems likely that Australia is currently failing to collect sufficient tax revenue. It has been said that 'tax is the price we pay for a civilised society' which, in turn, raises the question of how much do we want to spend on such civilisation?

The two big tax questions facing a democratic society are:

- 1) How much tax do we want to collect to fund the services we want to provide?
- 2) Who should the taxes be collected from?

The question that economists are more likely to ask is 'what is the most efficient way to collect tax?' - where efficiency refers to both the administrative cost of the tax collection and minimising the way that the tax system discourages people from undertaking worthwhile activities. The simplest, most equitable and most economically efficient way to collect more tax revenue would be to simply remove the tax concessions and loopholes which both increase the administrative cost of the tax system and create inequitable disparities between the amounts of tax paid by individuals who receive similar amounts of income.

For example, tax concessions on superannuation are projected to cost the budget more than \$50 billion per year by 2016. According to Treasury⁷ the top 10 per cent of income earners receive more than 38 per cent of this \$50 billion and, ironically, these high income earners are the least likely to be eligible for the age pension.

An individual who earns \$100,000 per year in salary will pay twice as much income tax as someone who makes \$100,000 from a capital gain. The cost of the 50 per cent capital gains tax concession is \$4.2 billion.⁸ Companies such as Google are using increasingly elaborate legal structures to avoid paying tax. Indeed, in May 2013 in evidence to a US Senate Committee Apple admitted that they had avoided tax of more than \$9 billion that year.⁹ Other estimates suggest the US and Europe are losing \$100 billion per year as a result of profit shifting by multinationals.¹⁰

In addition to closing tax loopholes, Australian governments could raise significant amounts of revenue by stemming their decade long obsession with reducing tax rates. According to research conducted by The Australia Institute the cumulative cost of the income tax cuts introduced by the Howard and Rudd governments since 2006 are more than \$170 billion.¹¹ Not only have recent tax cuts been very expensive, they have been very inequitable with the top 10 per cent of income earners receiving more of that \$170 billion than the bottom 80 per cent combined. Similarly, cuts to the corporate tax rate have cost \$140 billion since 1999-00, with the vast majority of the reduction in tax being enjoyed by higher income earners.

Social inequities in Australia

Many of the daily living conditions in which people are born, grow, live, work and age are vitally important for their economic and social wellbeing as well as their health. Issues such as education, employment, and social protection are not equitably distributed.

Education is critical for an individual's wellbeing and 'success' in the economy, with more education associated with better labour market outcomes. For example, Australians with a post graduate degree earn around double that of people with year 11 qualifications or less.¹² The Review of Funding for Schooling Final Report made it clear that there were important links between educational attainment and economic disadvantage and the feedback worked in both directions.¹³ It said:

declining performance across the board, Australia has a significant gap between its highest and lowest performing students. This performance gap is far greater in Australia than in many Organisation for Economic Co-operation and Development countries, particularly those with high-performing schooling systems. A concerning proportion of Australia's lowest performing students are not meeting minimum standards of achievement. There is also an unacceptable link between low levels of achievement and educational disadvantage, particularly among students from low socioeconomic and Indigenous backgrounds.

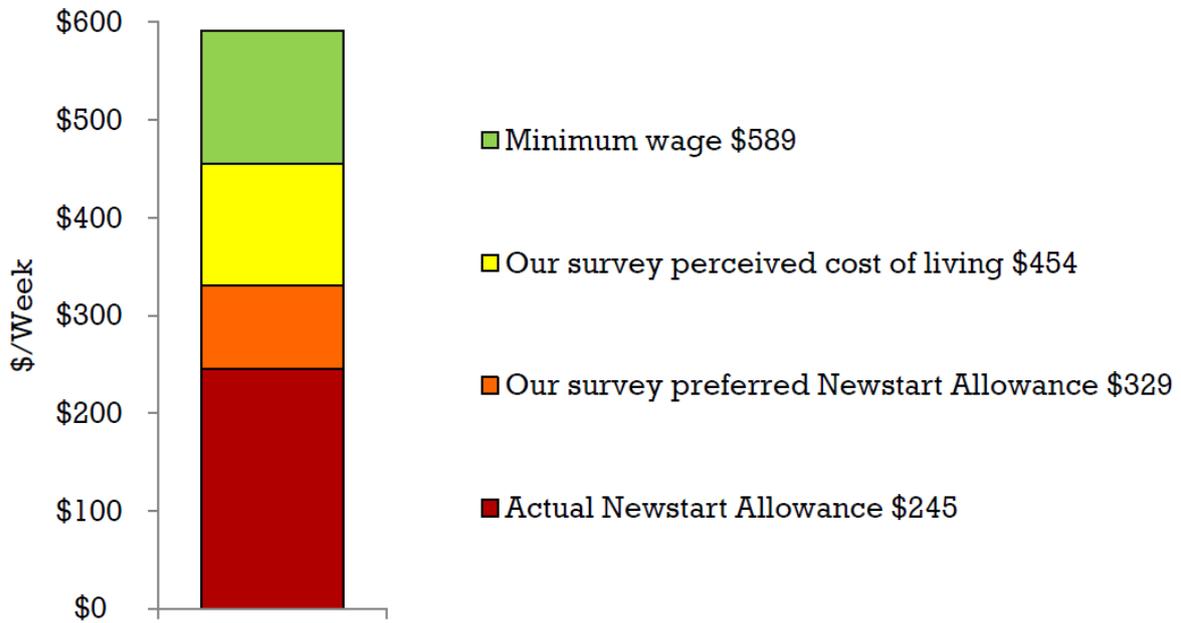
ABS figures show housing stress among low income earners is increasing in Australia and now 36.8 per cent of males and 33.8 per cent of females in low income households are living in housing stress which is defined as living in accommodation in which over 30 per cent of income is earmarked for rent.¹⁴

In high-income countries, including Australia, there has been growth in job insecurity and precarious employment arrangements (such as temporary work, part-time work, informal work, and piece work), job losses, and a weakening of regulatory protection of working conditions.¹⁵ Among those in work, the changes in the labour market have affected working conditions, with increasingly less job control, financial and other types of security, work hour flexibility, and access to paid family leave.¹⁶ Research by The Australia Institute has shown:

there is an important gap between two groups of workers in Australia, those in regular' employment who experience a good deal of stability in their employment patterns and the second group who appear to have a more marginal attachment to the workforce. The employment arrangements for this second group are quite unstable and their experience is one of continuous movement into and out of the various employment categories, including long spells out of the workforce entirely.¹⁷

Unemployment benefits in Australia have declined steadily compared to other benefits and to community standards regarding costs of living. These benefits are not only among the lowest in the world but they are well below what Australians believe they should be.¹⁸ In 2012, The Australia Institute surveyed Australians to better understand community awareness of/attitudes to the adequacy of unemployment benefits in Australia. As shown in Figure 1 the average Australian believes that unemployment benefits should be substantially higher than they currently are. Interestingly Australians do seem to believe, however, that unemployment benefits should be lower than their own estimate of the minimum amount required to live modestly.

Figure 1: Newstart compared with preferred Newstart Allowance, cost of living and minimum wage



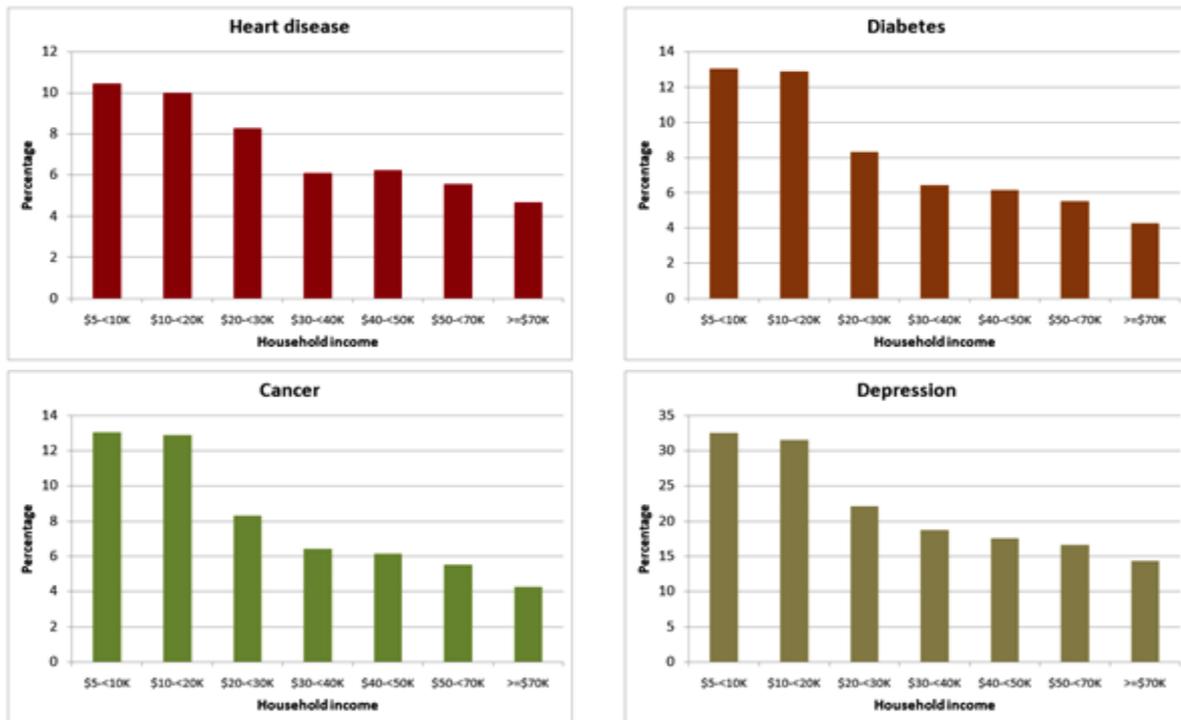
Source: The Australia Institute Policy Brief No. 39¹⁸

Health inequity in Australia

Accompanying financial and social inequities are inequities in human health and wellbeing. In spite of significant improvements (since 1950 the global average life expectancy at birth rose from 41 years to 70 years in 2011¹⁹), health issues are constantly in the news: early death and escalating health care costs from diabetes, obesity, cancers and mental illness, deaths and injury from traffic and extreme weather events, famines and the prevailing communicable disease killers keep the world busy. But such life and death experiences are not distributed evenly between countries or across social groups. Across Asia Pacific life expectancy at birth ranges in males from 58.8 years in Papua New Guinea to 79.1 years in Australia and among females from 61.7 years in Timor Leste to 86.2 years in Japan.²⁰ Within a rich country such as Australia, it is remarkable that the richest 20 per cent of the population can expect to live on average six years longer compared to the poorest 20 per cent of the population.³

Generally, those at the bottom of the income distribution have worse health outcomes than those in the middle that in turn have worse health outcomes those at the top. This observation, known as the social gradient in health, is seen for a number of health outcomes including depression, diabetes, heart disease and cancer (Figure 2). Understanding health inequity in terms of the social gradient allows us to embrace not only conditions of absolute poverty but financial and social conditions that affect everyone.

Figure 2: Socioeconomic gradient in the prevalence of four health outcomes, among people aged 45 years and older, New South Wales, Australia



Data source: 45 and Up Study (unpublished)

Inequities in wealth, social conditions and health outcomes are connected

A ‘fair go’ for whom

Does everyone have a fair or equal go at living a life they have reason to value - a long, healthy and prosperous life? The evidence suggests not. How we think about a ‘fair go’ matters. It affects the types of policies and actions that are taken to address it. Do we mean fairness in opportunity and/or fairness in outcomes? Clearly, not everyone in society has the same economic, social or health outcome. Does everyone in society have the same opportunity to pursue good social and health outcomes? The following hypothetical scenario suggests not.

Education is vitally important for physical and mental health outcomes. Imagine that university education was completely free to everyone in Australia in the 1980s. Arguably everyone had the same opportunity, freedom to choose, to go to university. However, people from low income households were at a disadvantage compared to affluent households. For example, they did not have the same financial resources available to put them through university on a day to day basis (money for travel to and from/lodging/books etc) or the cumulative lifelong aspiration/expectation of attending university. The education and health outcomes could have been, and were, quite unfair – the social distribution of tertiary educated people was skewed in favour of higher income households, and the associated health distribution mirrored this.

Freedoms, capabilities and empowerment

Most societies are hierarchical, stratified generally along a range of intersecting social categories in which economic and social resources, including money, power and prestige are distributed unequally. Pursuit of reduced inequities in income, social and health recognises the need to redress the unequal distribution of these resources. This relates to empowerment of individuals, communities, and whole countries. Empowerment operates along three interconnected dimensions: material, psychosocial, and political.²⁰ People need the basic material requisites for a decent life, they need to have control over their lives, and they need voice and participation in decision-making and implementation processes.

Material resources: The relationship between economic conditions and mortality has long been recognized, epitomized by the Preston Curve which shows a curvilinear relationship between national income per head and life expectancy.²¹ But, as Preston notes in his 2007 paper, only 16% of the increase in life expectancy, between 1938 and 1963, was explained by increases in national income, suggesting, as we outline in this paper, that it is the interaction between money and other social factors that matters for health and wellbeing.

Psychosocial control: Employees of the British government have money, clean water and shelter. Yet among these civil servants, men second from the top of the occupational hierarchy had a higher rate of death than men at the top. Men third from the top had a higher rate of death than those second from the top. Why, among men who are not poor in the usual sense of the word, should the risk of dying be intimately related to where they stand in the social hierarchy?²² A range of psychosocial factors have been posited as potential contributors, including high job demands, low control and job effort/reward imbalances.

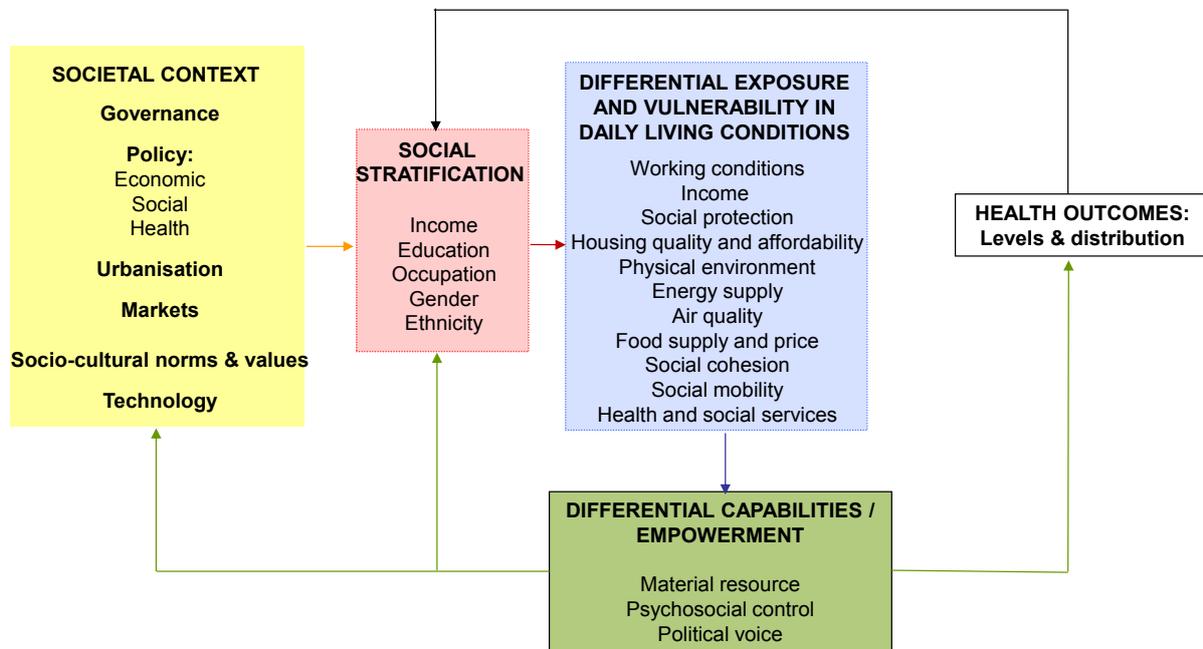
Political voice: Social and health equity requires inclusion, agency and control.²³ This requires individuals and groups to represent their needs and interests strongly and effectively. Work by Bartels has brought attention to the vast disconnect between poorer voters and the political system.²⁴ A revealing case study in the US was the estate tax debate. Despite the poor and lower income groups regularly reporting in surveys that they favoured redistribution from the rich to lower income groups they were manipulated into opposition to the estate tax through campaigns that played on Americans' fear of taxation generally as well as suspicion of politicians. Other international research that includes Australian data shows that with greater income inequality people are less satisfied with the way democracy works and the residents of these countries are less trusting of their politicians and parliaments.²⁵ Another international comparative study finds that in the absence of strong political mobilisation among low income earners, higher income inequality is associated with more right wing policies on the part of right wing parties but without making left parties more left-leaning.²⁶ The mobilisation that these authors discuss relates to bodies such as trade unions, arguing that unions have a positive effect on inequality and as their strength wanes we can expect to see further inequality and so more demoralisation at the political level.

The economic and social determinants of freedoms, capabilities and empowerment

The three dimensions of empowerment and their social distribution are influenced by the fundamental political, economic and cultural characteristics of contemporary human societies.²⁷ Political, economic and social forces generate and distribute power, income, goods and services, at global, national and local levels. Power, money and resources are distributed unequally across the social hierarchy, which leads to unfairness in the immediate circumstances in which people are born, grow, live, work and age – levels of pay and other conditions of work, access to quality health care, schools, and education, social protection, the affordability of homes, the nature of communities, towns, or cities. Together these

structural factors and daily living conditions constitute the determinants of health inequities, through their influence on people’s material resource, psychosocial control and political engagement (Figure 3).

Figure 3: The interconnectedness between economic, social and health conditions



How does income inequality affect social and health outcomes?

Money brings purchasing power and prestige. Income inequality creates barriers of status between people and reduces trust, self-worth, sympathy and community within societies, which give rise to feelings of social exclusion, insecurity, stress and can lead to decreased life expectancy. Such fragmented societies are less economically efficient and productive.¹

Income inequality also means that not everyone can easily afford everyday basic needs such as quality housing, education, nutritious food, and healthcare. Similarly, low income groups are less likely to be able to afford to live in neighbourhoods that are conducive to good physical and mental health (green space, walkable, reliable public transport, safe) and are more likely to hold jobs that are more precarious and lower paid, thereby creating greater risk of cardiovascular diseases and mental ill health.

The ‘income inequality hypothesis’ suggests that beyond a certain level of GDP per capita, the association between absolute income, health and mortality weakens, and the distribution of income across society becomes more important as a determinant of social and health outcomes.²⁸⁻³⁰ In their book, ‘The Spirit Level’, Wilkinson and Pickett show levels of health and social indicators in high income countries are more closely related to income inequality than income levels per se.²⁹ Some of the findings from these correlational analyses, particularly the mental health associations, have been supported recently by analyses of population cohort studies in Europe and the USA.^{28, 31} Australian evidence shows that income inequality is also related to the rates of alcohol-attributable hospitalisations and deaths, to general child health, and to oral health in both children and adults.³²⁻³⁵

What these findings suggest is that health is not determined by absolute wealth (note that these data relate to high income countries), rather, it is contingent on those around us and how wealth is distributed and spent. This is supported by Sen's foundational idea that relative deprivation in terms of incomes leads to absolute deprivation in terms of capabilities i.e. what people are able to do and to be.^{36, 37}

There are three pathways that may explain the association between income inequity and social and health inequities: the social capital, the status anxiety and the neo-materialist hypotheses. The '*social capital*' hypothesis suggests that higher levels of income inequity in a society increase status differentials between individuals, reduce social mixing across groups, thereby reducing levels of interpersonal trust.³⁸

The '*status anxiety*' hypothesis argues that inequity damages individual health via psychosocial processes based on perceptions of place in the social hierarchy. The perception of inferiority is said to produce negative emotions such as shame and distrust which directly damage individual health via psycho-endocrine mechanisms but also damage social wellbeing and health indirectly by reducing levels of social capital within societies.^{22, 29}

The '*neo-materialist*' hypothesis suggests that there is systematic under-investment in social infrastructure and services in more unequal societies. Social infrastructure in the form of legal regulations, protections, and controls can increase financial security and predictability. Social infrastructure influences the level of individual financial resources through social protection systems, with implications for health and well-being. Social infrastructure also provides services such as education, health services, transportation and housing, with knock on effects for health outcomes.

Co-benefits: opportunities to improve financial inequities, and social and health outcomes

If unequal societies, including Australia, took active steps to reduce the underlying financial inequities they would be likely to generate benefits not only to the general well-being of their societies, but also to GDP.^{1, 3} The evidence presented above, we believe, makes clear that socioeconomic disadvantage and unequal societies are harmful to peoples' social and health outcomes via the impact on their material and psychosocial resources and political engagement. This points towards the need for a range of actions to reduce financial inequities in Australia and the harm they cause to society – there is not one silver bullet.³

What have other countries done to address inequities?

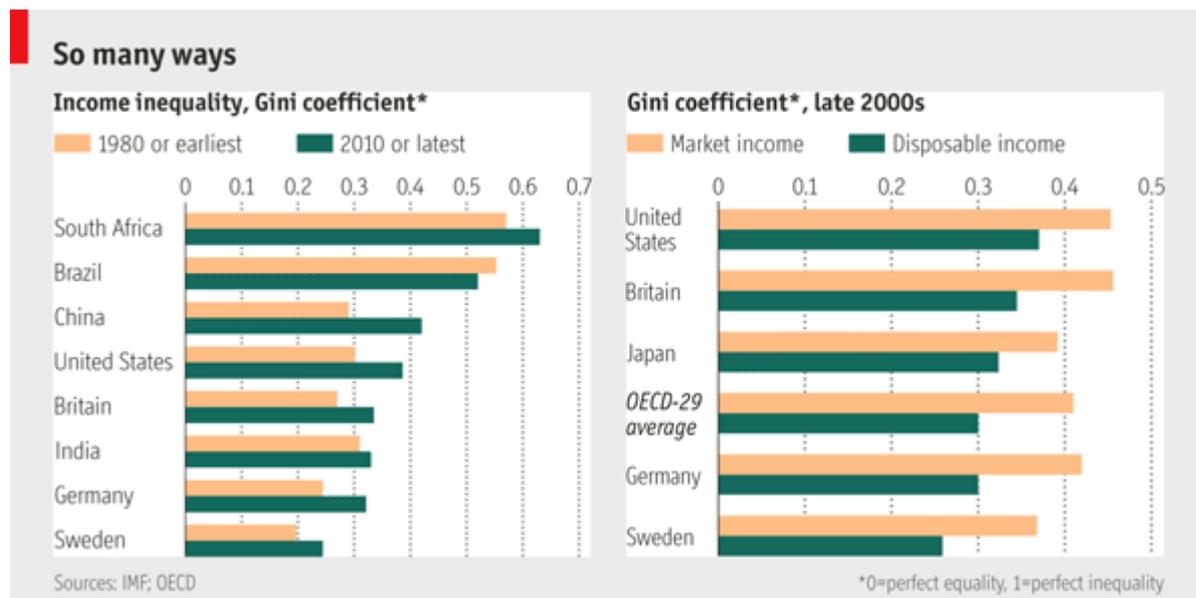
People in Japan have the longest life expectancy at birth in the world. From the outside, Japan is still a high-performing country with an egalitarian society and secure job system, although more marked social stratification has been observed in recent years. Reduction in health inequities was partly attributable to equal educational opportunities and the provision of financial support to access health care: Education has been a cornerstone of Japanese public policy, with more than 90 per cent of the population attending high school, and around 40 per cent of all upper-secondary school graduates advance to tertiary education. The early establishment of free compulsory primary education and a social insurance system before World War 2 and universal health insurance coverage in 1961 enabled the provision of more equal opportunities for health promotion.³⁹

Scandinavian countries have good health outcomes and low levels of income inequities, relative to many other countries internationally. They are renowned for generous and

universal welfare provisions, believed to be instrumental in reducing their health and social inequities.^{40, 41}

Brazil, one of the Latin American countries traditionally among the most unequal in the world, has been one of the few countries to actually reduce income inequities over the past two decades (Figure 4) and simultaneously enjoyed improvements in health and social indicators.⁴² The country has achieved this partly through significant investment in education and through the use of a comprehensive social welfare program called *Bolsa Familia*.⁴³

Figure 4: Changing levels of income inequity, select countries⁴²



Source: The Economist 2012³³

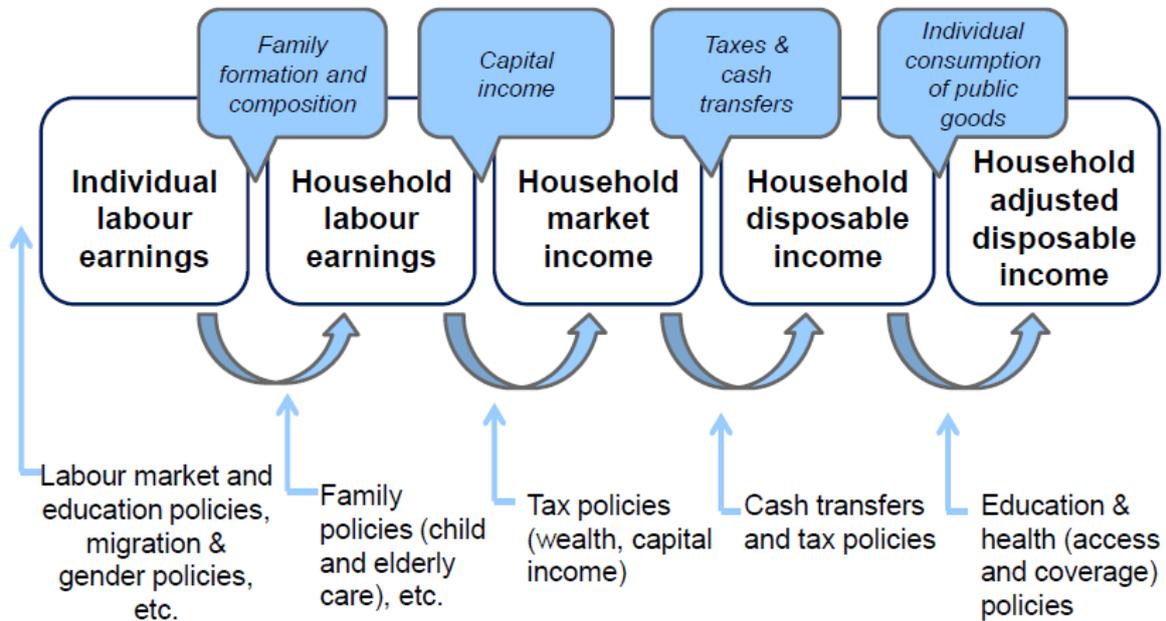
Similar to the action taken in Brazil, in the mid-1990s the Mexican government introduced the successful *PROGRESA* (later renamed *Oportunidades*) - a government conditional cash transfer program, designed to target poverty by providing cash payments to families in exchange for regular school attendance, health clinic visits, and nutritional support.⁴⁴ Recognising that poor households were still experiencing large out-of-pocket expenditures of health care and drugs, the Mexican government introduced a social insurance scheme called Popular Health Insurance (*Seguro Popular*)⁴⁵. The Mexican department of health also instigated a 'health in all policies' approach similar to that introduced by the Premier of South Australia,⁴⁶ whereby all government departments had to consider health outcomes as part of their public policy goals. This could be introduced across Australia.

Creating fair financial and social systems and institutions

Fundamentally, addressing financial inequities and the associated social and health costs requires tackling the structural factors in modern Australia that perpetuate inequities in power, money and prestige. The inequities, as suggested by the evidence presented above, are a consequence of unjust institutions and systems, including government, wider governance structures, policies, markets and property. While politically it may be a difficult thing to do, acting on the structural drivers is vital otherwise we will continue to observe the systemic material and psychosocial disempowerment of increasing numbers of working- and middle class households.

According to French President Sarkozy's 2009 Commission on the Measurement of Economic Performance and Social Progress, household disposable income adjusted for publicly-provided in-kind services should be the focal point when assessing inequity.⁴⁷ Figure 5 illustrates the five main concepts in household adjusted disposable income and the types of policy actions that can be taken, including in Australia.⁴⁸

Figure 5: From individual labour earnings to adjusted household disposable income



Source: Hoeller et al 2012⁴⁸

Fair financing and the taxation system

Income inequities can be addressed through a combination of social service provision, social transfers and taxation. Generally, personal income taxes and property taxes are progressive (increasing equality), corporate taxes can have a regressive impact in the way they interact with personal income tax, and indirect taxes such as Value Added Taxes are regressive. The redistribution effect of taxation can be enhanced significantly if a progressive income tax is applied so those with the highest income pay proportionally more of their income in tax, not only absolutely more.

Strengthening domestic revenues for equitable public finance requires progressive taxation. Evidence suggests that taxation should focus on direct – such as income or property taxes – over indirect forms – such as trade or sales taxes.²⁷ While effective in shifting average consumption, one of the difficulties with in-direct revenue generation through in-direct taxation, particularly in the context of health behaviour, is that it is a blunt instrument and potentially regressive.⁴⁹

What could be done:

1. Strengthen Federal and State/Territory capacity for progressive taxation.
2. Assess the contribution of hypothecated taxes to Federal and State/Territory public finances and their allocation to action on the social determinants of health.
3. Examine loopholes and concessions that reduce the progressive nature of the tax system.

Labour market and working conditions

Employment and working conditions play a significant role in contributing to financial, social and health equity. Ensuring working conditions that provide sufficient income in order to comply with health needs, and job security such that workers have a greater sense of control over their lives are fundamental requirements of a cohesive and healthy society.

In most households, work is the vehicle which provides the financial capability to purchase a healthy standard of living and underpins compliance with national health guidelines.⁵⁰ For many low income families poverty continues into the workforce if they are forced to take employment on minimum wages and/or part-time hours. Providing a living wage that takes into account the real and current cost of living for health requires supportive economic and social policy that is regularly updated and is based on the costs of health needs including adequate nutritious food, shelter, water and sanitation, and social participation.^{51 52, 53}

To a large extent the development of an underclass in the workforce reflects the increasing 'flexibility' in the labour market driven by employers and a predisposition for deregulation among policy makers. The effect is to move a good deal of business risk from the business itself onto the most vulnerable in the workforce.

Strong income social security measures are needed to provide protection in periods in the lifecycle in which individuals are most vulnerable (when caring for children, and in old age) and in case of specific shocks (such as unemployment, sickness or disability, and loss of a main household income earner). It is sometimes argued that government policy cannot solve poverty however, despite the fact that former Prime Minister Bob Hawke was ridiculed for promising that by 1990 no child would live in poverty during the 1987 election campaign, the truth is that an unemployed family of four (two adults and two children) was taken from almost 10 per cent below to over 10 per cent above by 1991. However, the failure to index unemployment benefits since then has resulted in that family gradually slipping behind and by mid 2012 was 20 per cent below the poverty line.

Unemployment benefits in Australia have declined steadily compared to other benefits and to community standards regarding costs of living. Increasing the payment level for Newstart would significantly improve the equity of income distribution as, at present, Newstart recipients are among the lowest income earners in the country. To the extent that such an increase means that unemployed people do not have to cut back on their own participation in education and training or their family's access to healthcare or consumption of fresh food there would be significant benefits to the Australian economy and the Commonwealth budget in future years.¹⁸

What could be done:

1. Develop and implement labour policies that provide secure and decent work for all and a living wage that takes into account the real and current cost of living for social and health outcomes- including adequate nutritious food, shelter and social participation.
2. Reduce insecurity among people in precarious work arrangements through policy and legislation to ensure the provision of social security benefits and parental benefits.
3. Economic, social and health equity impact assessment of labour policies will help ensure positive effects on society.
4. Index unemployemtn benefits to average weekly income.

Social spending and infrastructure

Sustainable social infrastructure and spending is needed to ensure social development and reduce health inequities. In their book 'Body Economic', Stuckler and Basu describe how, in times of economic contraction, OECD countries that introduced stimulus packages based on social protection and public spending saw the health of the population improve or at least remain stable. In countries where austerity measures were introduced, increasing numbers of people died or became sick as a consequence of reduced social and health services and extreme stressors due to economic insecurity.⁵⁴

A key response to the 2008 global financial crisis by many countries in Asia Pacific was the implementation of economic stimulus packages, involving fiscal and monetary interventions.⁵⁵ The Australian government pledged the equivalent of 1 per cent of GDP, providing AUD\$4.8 billion for long-term pension reforms, AUD\$3.9 billion for support payments for low and middle-income families, AUD\$1.5 billion towards helping first-time buyers purchase a new home, and AUD\$187 million to create 56,000 new training places, and speed up major infrastructure projects. According to the World Bank, the most successful interventions are those that targeted infrastructure and social spending, while the least successful were dominated by tax cuts and untargeted social transfers.⁵⁵ However, recent cuts to government spending in health and social services across Australia do not bode well for social and health equity outcomes,⁵⁶ as experienced across Europe following the austerity measures.

Being empowered to increase or allocate funds to address the daily living conditions that affect health and health equity requires government to have strong public sector finance systems that are based on sustainable and equitable mechanisms for resource generation and allocation. Taxation systems are the preferred pro-equity option (see above).

Governance

Governance arrangements are important mechanisms for bringing fairness into economic, social and health policy and policy actions. Good participatory governance requires tackling the balance of political and economic power in agenda-setting and decision-making, ensuring that the needs of all people are heard i.e. they have the right to participate, the capacity to do so, and are represented in decision-making about how society operates, particularly in relation to its effect on health.

One governance model, set within government, which is gaining traction internationally is Health in All Policies (HiAP).⁵⁷ The HiAP initiative in South Australia commenced in 2007. It works within government to influence public policy in ways that promote health and wellbeing and health equity, through increasing the positive impact that these policies have on the populations' access to the social determinants of health. The Health in All Policies initiative operates under the mandate of the South Australian Government and is supported directly by the Department of Premier and Cabinet and South Australian Department for Health and Ageing. The approach works within and supports the Government's Strategic framework, which is concerned with implementing Seven Strategic Directions for Cabinet. These were adopted by the Premier who took office in October 2011. It is a flexible and adaptable approach and it has been able to respond to changing political and strategic imperatives.

While good governance requires changes in how top-down policy-making is made, it also requires bottom-up community led action. This will require social structures, supported by government, that mandate and ensure the rights of groups to be heard and to represent themselves – such as legislation and institutional capacity; and it depends on specific programs supported by those structures, through which active participation can be realised. Beyond these, as community members, grassroots advocates, service and programme

providers, and performance monitors, civil society actors constitute a vital bridge between policies and plans and the reality of change. Take Closing the Gap as an example of why bottom up, community led action is needed. The Closing the Gap initiative aims to close the economic, social and health gap between Indigenous and non-Indigenous Australians. The National Partnership Agreements (NPAs) involving the Commonwealth and all state and territory governments, injected \$1.6 billion into Aboriginal health and \$4.6 billion over four years to 2012-13 into health, education, housing, employment and remote services as part of the Closing the Gap programs. According to Ian Ring writing in the Canberra Times in Oct 2013, the programs funded by the NPAs all made sense individually but, collectively, they missed the point. The problem was not in the policy determined by governments, or in the funding, but in the bureaucratic implementation of those policies. The programs were determined by officials in state and territory governments with insufficient genuine consultation with the people who run the Aboriginal community controlled health services. Nobody seemed to have asked if we want to halve the child mortality gap in 10 years and the life expectancy gap in a generation, what services do we need to achieve those goals?⁵⁸

Strengthening communities and mitigating harmful impacts of income inequities

A more mainstream approach to financial and health equity, which is also necessary, involves social and health policy initiatives aimed at improving people's daily living conditions across the life-course, such as schooling and the built environment. This would increase opportunities to improve financial security, while at the same time mitigate the harmful social and health effects of ongoing income inequities.

Early child development and education

Early child development (ECD), including not only physical and cognitive development but also social and emotional development is vital for building healthy and prosperous communities.⁵⁹ What children experience during the early years sets a critical foundation for their entire life-course - influencing basic learning, school success, economic participation, and social citizenry. Each of these provides skills and resources that influence health. Interventions that integrate the different dimensions of child development are particularly successful, resulting in sustained improvements in physical, social, emotional, and cognitive development, while simultaneously reducing the immediate and future burden of disease, especially for those who are most vulnerable and disadvantaged.⁶⁰

Access to quality education and health literacy are strongly associated with health - equipping individuals with the resources needed throughout the lifecourse to achieve a secure income, provide for family, and cope with health outcomes in later life. Children from economically disadvantaged backgrounds are more likely to do poorly in school and drop out early - and subsequently as adults are more likely to have lower incomes, higher fertility, and less empowered to provide good health care, nutrition, and stimulation to their own children, thus contributing to the intergenerational transmission of disadvantage.⁶¹ Integrating social and emotional learning in curricula in primary and secondary schools as well as attention to the children's physical and cognitive development improves school attendance and educational attainment. Poverty relief and income generating activities together with measures to attract quality teachers, provision of more accessible schools and classrooms, culturally relevant materials, and reduced family out of pocket expenditure on school materials are critical elements of a comprehensive strategy to make education a reality for all children.⁶²

What could be done:

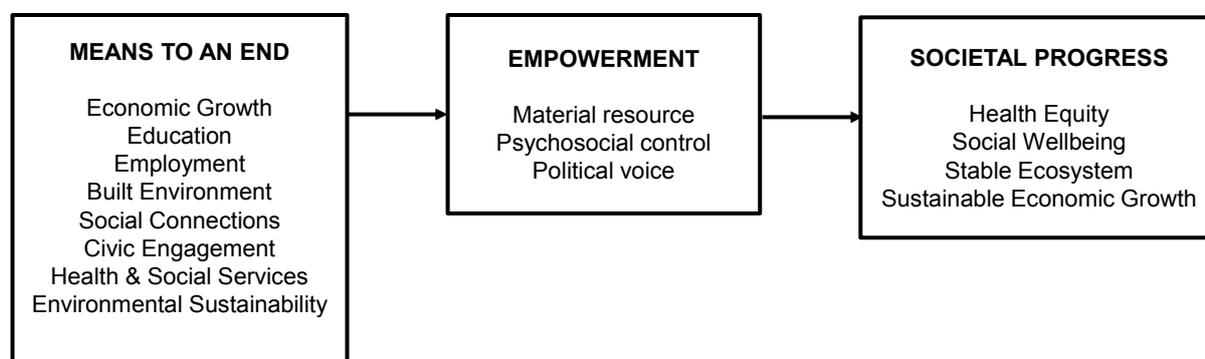
1. ECD interventions tend to show the largest effect among disadvantaged groups - special attention therefore to socially disadvantaged households will help considerably to reduce health and social inequities.
2. Introduce measures to attract quality teachers, provision of more accessible schools and classrooms, culturally relevant materials, and reduced family out of pocket expenditure on school materials.
3. Adopt a lifeskills approach to education and provide quality education that pays attention to physical, social, emotional, and cognitive development, starting in pre-primary school.
4. Health-proof social protection policies: Empowering caregivers to pursue health means ensuring enough money and time to do so. This requires “family-friendly” social protection policies that guarantee adequate income, maternity benefits, and allow parents to balance their time spent at home and work.
5. Such measures all need to be built on the foundation of an adequate and equitable tax base.

Conclusion

Economic growth in modern Australia has not served all social groups equally. This is reflected in the growing inequities in income, wealth, social conditions and health. Generally, Australian politics and policy, like most other OECD countries has espoused equity of opportunity. However, the systematic differences in outcomes suggest that the opportunities open to people were not equal to start with.

In a society where only certain achievements are valued, and where large inequities in material rewards are used as the yardstick of success and failure, it is hard for those who fall behind to flourish. Indeed, there is growing desire internationally to redefine notions of national progress, success and what we value as a society.^{63, 64} As illustrated in Figure 6, positioning health equity and social wellbeing as markers of successful development means reframing national development to be inclusive of economic growth in a sustainable manner. It also means a society where all people to have the freedom to lead healthy and flourishing lives.

Figure 6: Re-framing societal progress



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