Spatial inequality across Perth and Peel: stabilising post-GFC

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Introduction

The shifting dimensions of spatial inequality provide an insight into the profound structural changes that have taken place within Australian cities since the 1970s. The growing divide between rich and poor suburbs has become a matter of increasing concern given that Australia is seen as the ‘lucky country’ and affords its citizens ‘a fair go’ when it comes to access to social and economic opportunity (AMP, 2008; Bankwest Curtin Economics Centre, 2014; Hunter & Gregory, 1996).

If Australia is the ‘lucky country’, then Western Australia (WA) could arguably be described as the luckiest state within Australia. That is to say, WA managed to navigate through the 2008 Global Financial Crisis (GFC) relatively unscathed. This was largely due to the resources boom that took off in the mid-2000s and price deflation in the wake of the GFC (see Martinus, 2014).

Following on from the analysis of FACTBases 5 and 16 (Tonts, 2010a, 2010b), this FACTBase explores spatial income inequality across Perth in the years leading up to and following the GFC. Australian Taxation Office (ATO) annual personal income data by postcode for the financial years 2004/05 to 2011/12 is used to create an index of spatial inequality for each of Australia’s capital cities. A lower index value equates to greater equality in the distribution of mean personal incomes across spatial units. Conversely, a higher value demonstrates larger spatial wealth imbalances. This approach allows spatial inequality to be compared across the 40 Statistical Local Areas (SLAs) that make up the Perth and Peel region during the 2005 to 2012 period and against a select number of capital cities in 2012. In addition, 2005 and 2012 incomes across the SLAs are mapped to allow a longitudinal comparison of the ATO data.

The index of spatial inequality demonstrates similar patterns at different spatial units. Figure 1 illustrates the 0.1 point difference in spatial inequality at the postcode and SLA level. This is significant given the minor shifts in the index overall. Spatial inequality is reduced when smaller geographic units are considered; that is, postcodes have lower values than larger SLAs. The next section investigates spatial inequality at the Perth and Peel SLA level, whilst the third section uses postcodes to compare Australian capital cities.

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1 ATO data is released with a 2 year lag; 2011/12 is the latest data available.
2 The spatial inequality index is constructed using a coefficient of variation for mean personal income for all Perth and Peel SLAs. As a statistical measure, the coefficient of variation compares the degree of variation from one data series to another.
3 ATO postcode data is converted to SLAs for Metro Perth and Peel using Australian Bureau of Statistics 2011 concordance files (ABS, 2012).
Differences with indices of spatial inequality reported in FACTBases 5 and 16 for 2005-2008 could be attributed to differences in the spatial units and areas under focus. Despite these slight variations, the construction of the indices remains the same and allows comparison in overall patterns.

Figure 1: Comparing changes in spatial inequality for Perth and Peel for the spatial units of SLA and postcode, 2005-2012

Figure 2 shows changes in Perth’s income inequality between 2005 and 2012 at the SLA level. In the resource boom years leading up to the GFC, incomes across Perth and Peel became progressively unevenly distributed increasing from 0.29 (2005) to 0.36 (2007) as wealthier suburbs became wealthier.

The GFC had a marginal impact on reducing spatial inequality with the co-efficient of variation falling by -0.03 points between 2007 and 2008/2009. Despite increasing in 2010, inequality has remained constant at 0.35 from 2010 to 2012 period. Whilst not returning to 2007 levels (of 0.36), income inequality across Perth and Peel in 2012 is 0.06 points higher than eight years earlier (2005 was 0.29). This increase in spatial inequality is less than that recorded in the previous FACTBase (see Tonts, 2010b), when it rose by 0.09 points between 2000 and 2007.

Spatial inequality in Perth, 2005-2012

4 Differences with indices of spatial inequality reported in FACTBases 5 and 16 for 2005-2008 could be attributed to differences in the spatial units and areas under focus. Despite these slight variations, the construction of the indices remains the same and allows comparison in overall patterns.
Figures 3 and 4 highlight the geographic changes in wealth across SLAs within the Perth and Peel metropolitan region between 2005 and 2012. In 2005, income wealth was concentrated around Perth’s urban core and the western suburbs sub-region with incomes above $65,000. Peppermint Grove and Cottesloe were the standout SLAs with incomes in the $100,001 and over bracket. The majority of SLAs (n=26; 65 percent) had incomes below the mean Perth/Peel SLA personal income of $51,256; these SLAs were most likely to experience financial strain under Perth’s increasing prices (see Martinus, 2014).

By 2012, the differential between rich and poor appeared to be closing. In overall terms, most SLAs experienced an increase in their mean personal income levels, with the majority of SLAs in at least the $65,001-$75,000 income bracket. A small number of SLAs – Armadale, Bassendean, Gosnells, Kwinana and Wanneroo-South – remained in the lowest income bracket and therefore under increased financial stress given their reduced incomes relative to the rest of Perth and Peel SLAs.

The five western suburb SLAs of Cambridge, Claremont, Mosman Park, Nedlands and Subiaco joined the top income bracket of $100,001 and over, with other inner metropolitan SLAs – (all Fremantle SLAs, Melville, Perth (inner and Remainder), South Perth, Stirling (Coastal and Southeastern) and Vincent – moving into the $75,001-$100,000 income bracket.

Despite this overall increased wealth, the mean personal income of 28 SLAs fell below the Perth/Peel average of $86,352.
National Trends

Fletcher and Guttman (2013) noted Australia’s relative equality when compared internationally given its income growth across all income groups. They found Australia had ‘the second highest “average” income growth between the mid-1990s and the late 2000s amongst all OECD nations’. Figure 5 disaggregates income spatial inequality trends for the capital cities of Adelaide, Brisbane Melbourne, Perth and Sydney. In short, Perth has had moderate income inequality with the most unequal cities being Sydney and Melbourne. These latter cities exhibited the greatest rise in inequality between poor and rich suburbs pre-GFC, hitting 0.39 and 0.34 respectively in 2007. They also displayed the greatest adjustments declining by -0.04 and -0.05 points in 2009, as opposed to the -0.01 point decline in Perth, Brisbane and Adelaide.

In fact, Perth, Brisbane and Adelaide have demonstrated relatively less volatility in inequality across their cities over the entire study period. Despite this, all cities experienced similar point changes between 2005 and 2012. The Sydney/Melbourne cohort declined by 0.01 points (becoming more equal across their respective cities), while the Perth/Brisbane/Adelaide cohort increased by 0.01-0.02 points.
Conclusion

In overall terms, mean personal income in the Perth and Peel region has increased since the commencement of the resources boom in the mid-2000s. Furthermore, the WA economy, in large part due to the resources sector, has weathered the challenges of the GFC. However, the spatial impacts of the economic prosperity enjoyed by WA over the last decade has not been evenly spread within the Perth and Peel region. The increasing income inequality between 2005 and 2012 reflects disparities in access to economic opportunities related to WA’s two-speed economy. While the mean personal income of the majority of SLAs has moved into the next income bracket, many still lag behind the Perth and Peel average income level. The more affluent suburbs have accumulated greater household wealth relative to the remainder Perth SLAs.

Similar patterns of income inequality are found in other Australian cities, with the Sydney/Melbourne and Brisbane/Adelaide cohorts occupying positions of most and least egalitarian by income distribution. This general rise in income inequality is challenging the ‘fair go’ mentality that previously defined Australia. Despite this, Australia is well-placed to address disadvantage with one of the most comprehensive income-testing for benefits and progressive direct tax systems in the OECD (Fletcher and Guttman, 2013). As suggested by Fletcher and Guttman (2013), a focus on the symptoms of entrenched disadvantage may be a better means to improve Australian well-being than strategies targeting spatial inequality.

References


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About FACTBase

FACTBase is a collaborative research project between the Committee for Perth and The University of Western Australia to benchmark the liveability of Perth and its global connectedness through an examination of Perth’s economic, social, demographic and political character.

The FACTBase team of academics and researchers condenses a plethora of existing information and databases on the major themes, map what is happening in Perth in pictures as well as words, and examine how Perth compares with, and connects to, other cities around the world.

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