

# INEQUALITY IN

# Australia

Dr Gordon Menzies

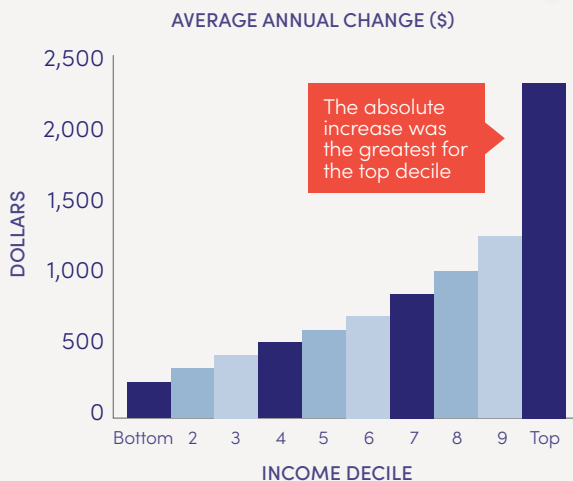
Australia is a country with unequal incomes, but unlike many countries, it has a very successful and targeted welfare system. This helps make society more equal through cash benefits and in-kind benefits like health and education. But poverty traps exist for single parents, the unemployed, disabled persons, Indigenous Australians and children in households where no one has a job.

## BACKGROUND

- Since the 1980s Australia, like many other countries, has experienced rising incomes. However, this has particularly benefited those who are in the top 10% of income, leading to a rise in the level of inequality.

**SINCE THE LATE 1980S, INCOME HAS GROWN ON AVERAGE FOR ALL INCOME DECILES**

AVERAGE EQUIVALISED DISPOSABLE INCOME BY INCOME DECILE, 1988-89 TO 2015-16

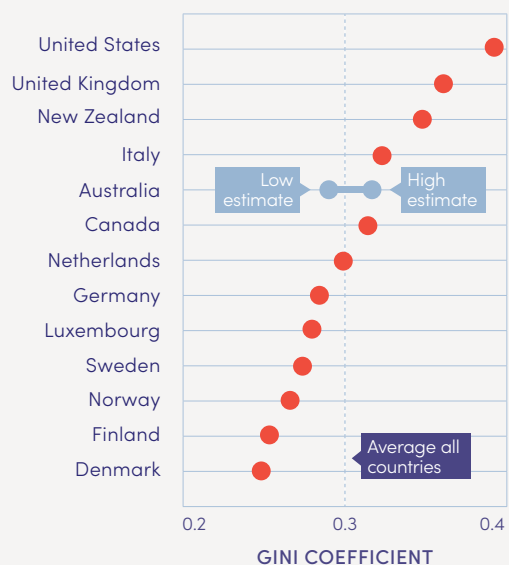


- Australia’s mining boom (in the early 2000s) helped well-off people owning shares, but the Global Financial Crisis was a setback for those people.
- A key factor in inequality is the unemployment rate. The change from being employed to being unemployed can have a great impact on people’s economic well-being.

## HOW DO YOU MEASURE INEQUALITY?

- The standard measure of inequality is called the Gini Coefficient. It measures how far a society is from perfect equality (where everyone has the same amount of something). An after-tax income Gini of 0.25 is considered very equal (like Denmark) and an after-tax income Gini of 0.4 is considered very unequal (like the US). Australia is in the middle of the OECD countries with a Gini of 0.3.

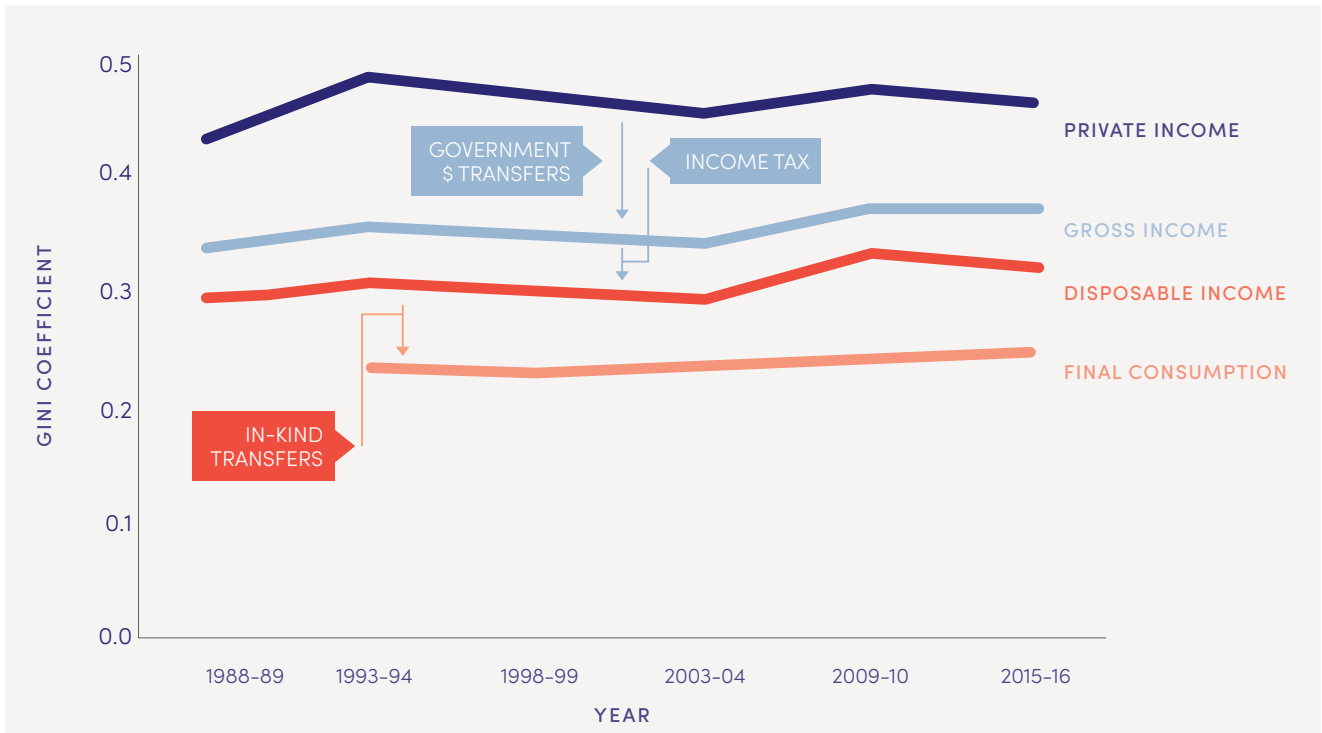
GINI RANKING BY COUNTRY, 2015



- The highly variable levels of inequality in the OECD suggest there is no 'inevitable' Gini and therefore economic policies can make a difference.
- Australian society is more equal than raw incomes suggest. First, government transfers often go to those at the lower end of the income distribution, so that so-called 'gross income' is more equal.

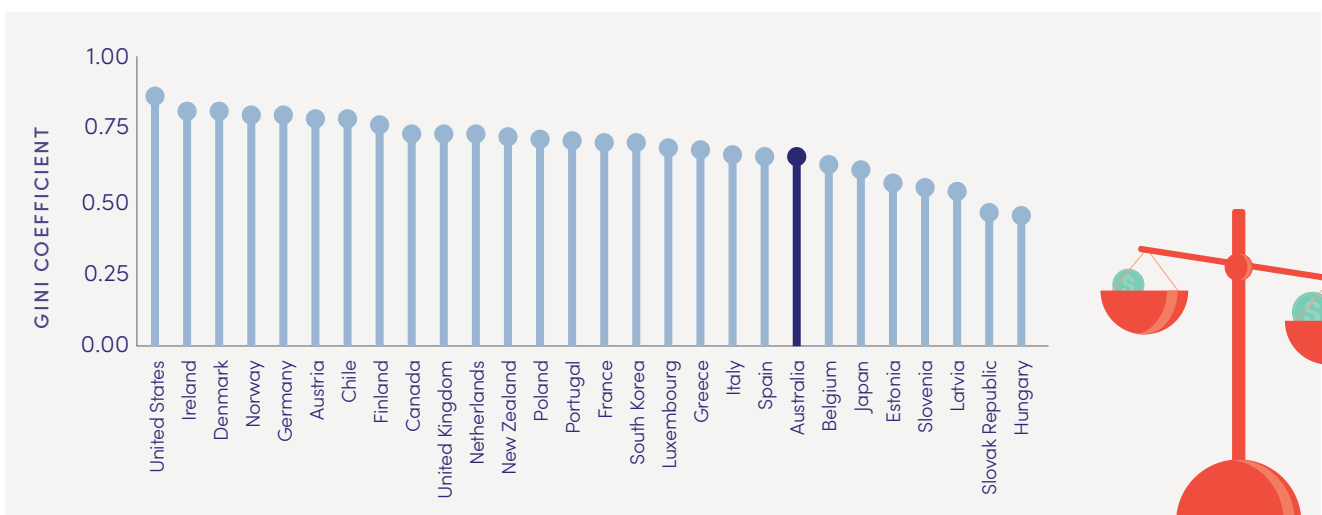
Second, a progressive tax system takes more from those at the higher end of the income distribution, so inequality in so-called disposable income is more equal. Finally, in-kind (non-monetary) transfers like free education and health also reduce inequality.

- Inequality, on all measures, has been stable in Australia for many years.



- Inequality in poor countries is likely to be much worse because of Covid19. The effects on countries like Australia, with greater medical infrastructure and a good welfare system, remain to be seen.

- Wealth inequality in Australia rose somewhat during the mining boom years, but it remains low by international standards, as shown below. Income is flow of financial resources per period, like earnings per week. But wealth is a snapshot of financial resources at a point in time.



# SOCIAL MOBILITY IN AUSTRALIA

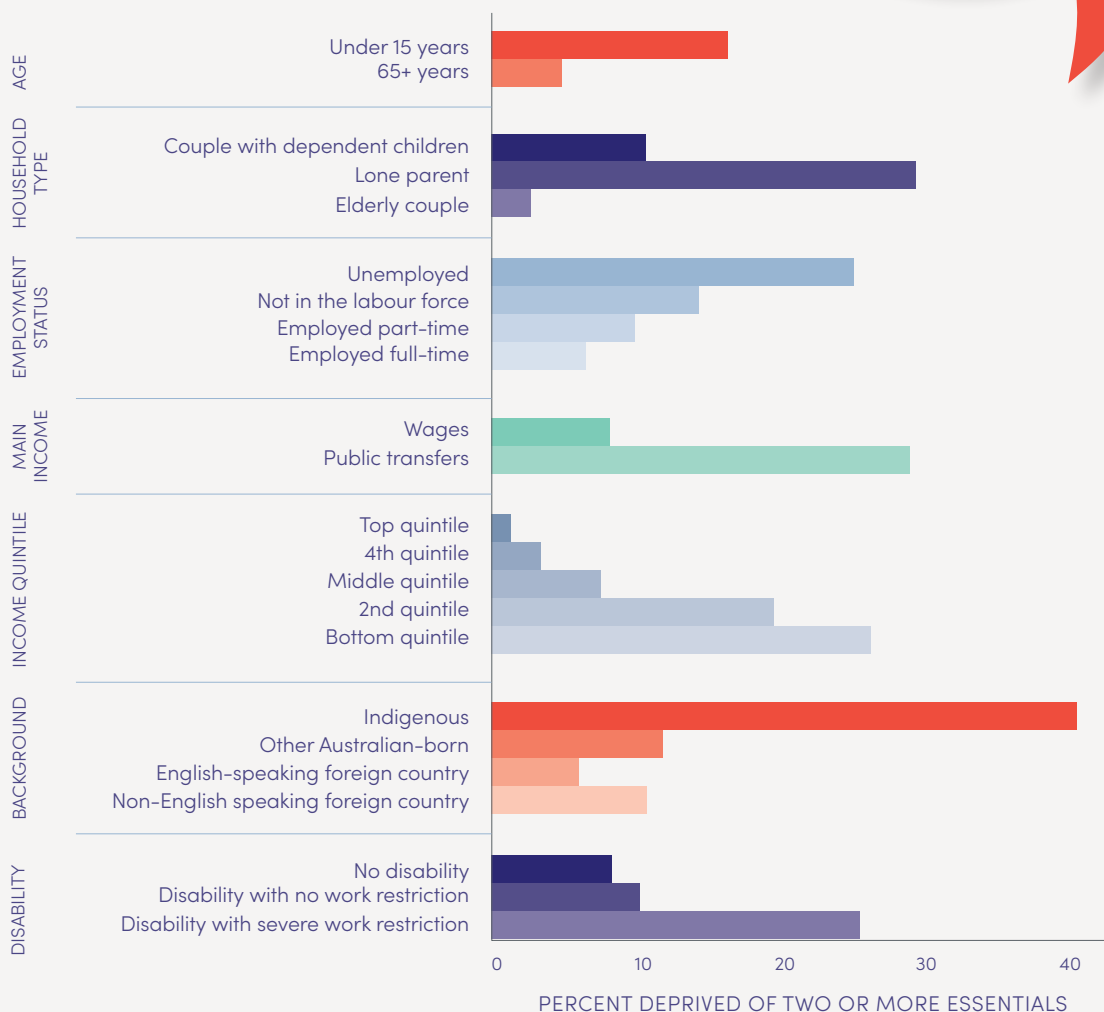
- There is a lot of social mobility in Australia. The transition from education to work, changing marital status (especially divorce), having children, and retirement all have significant economic consequences.
- Even though around 10% of the population experience poverty (defined as income half of the median wage), it is usually temporary.
- 3% of the population experience longterm disadvantage. Disadvantage has many dimensions, including: low economic resources (poverty); inability to afford the basic essentials of life

(material deprivation) or; being unable to participate economically and socially (social exclusion).

- Vulnerable groups who stand to experience disadvantage in at least two areas include single parents, unemployed or disabled persons, Indigenous Australians and children from jobless households.

**LONE PARENTS, PEOPLE WHO ARE UNEMPLOYED, INDIGENOUS AUSTRALIANS AND THOSE WITH A DISABILITY ARE MOST PRONE TO MULTIPLE DEPRIVATION**

PERCENT OF PEOPLE DEPRIVED OF AT LEAST TWO ESSENTIAL ITEMS, 2014



## SOURCES

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