

Inequality in Australia 2020



Part 1: Inequality before Covid

Bruce Bradbury
SPRC



UNSW
SYDNEY

Overview

- The Australian income distribution in 2017-18
- Exploring the pre-Covid income distribution: An online calculator
- Trends in income inequality since 1999-00
- Wealth inequality
- Trends in wealth inequality

- Part 2: The impact of the Covid-19 crisis on inequality

Methods

- ABS Income Survey data
 - Estimates for 2017-18 use a comprehensive measure of ‘current income’
 - Trend estimates use a simpler measure
 - (excluding fringe benefits and some irregular payments)
 - Income (and wealth) measured at household level
 - Rankings based on income adjusted for household size
 - Income levels generally in actual dollars
 - Wealth data is not adjusted for household size

Income inequality in 2017-18

In 2017-18, the average household after-tax income for the highest 20% was over twice as much as that of the middle 20% and nearly six times as much as that of the lowest 20%.

Highest 20%



\$4,166
a week

Middle 20%



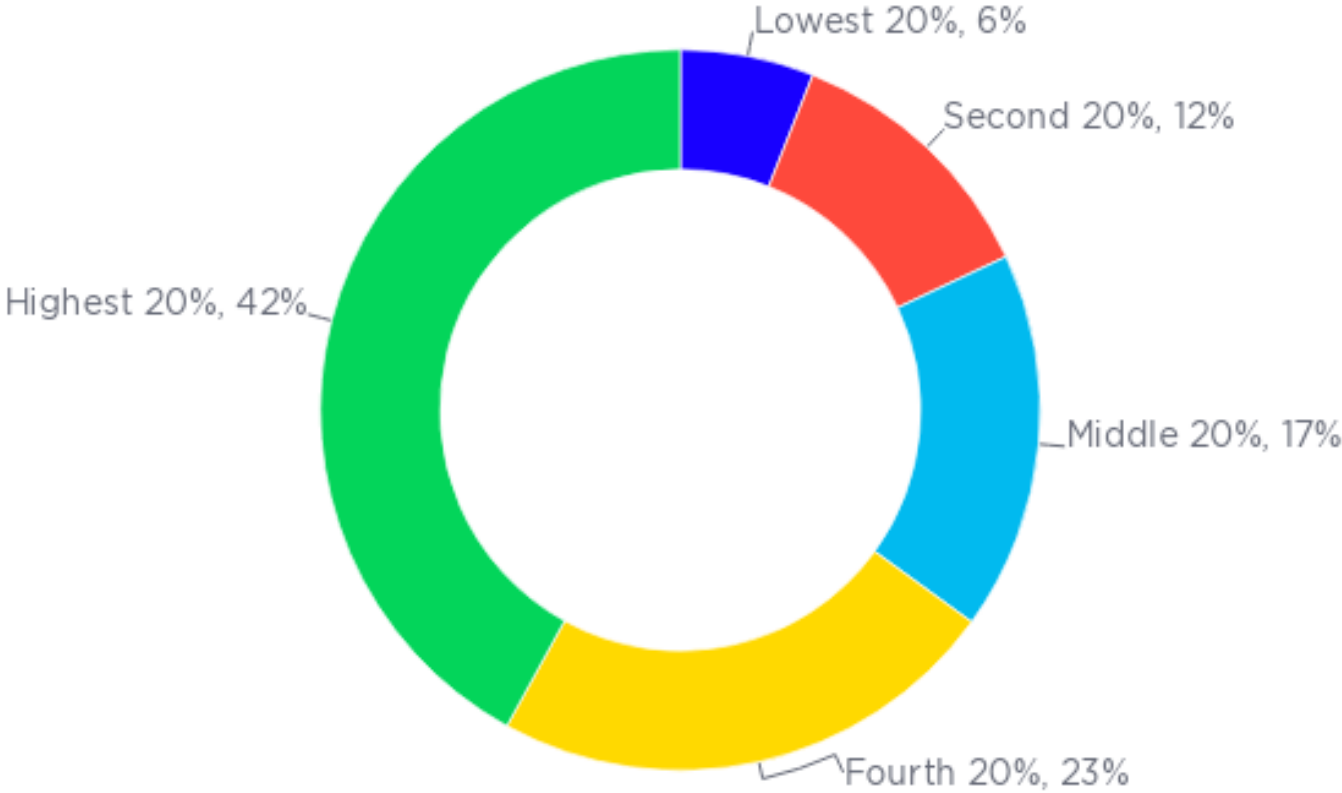
\$1,884
a week

Lowest 20%

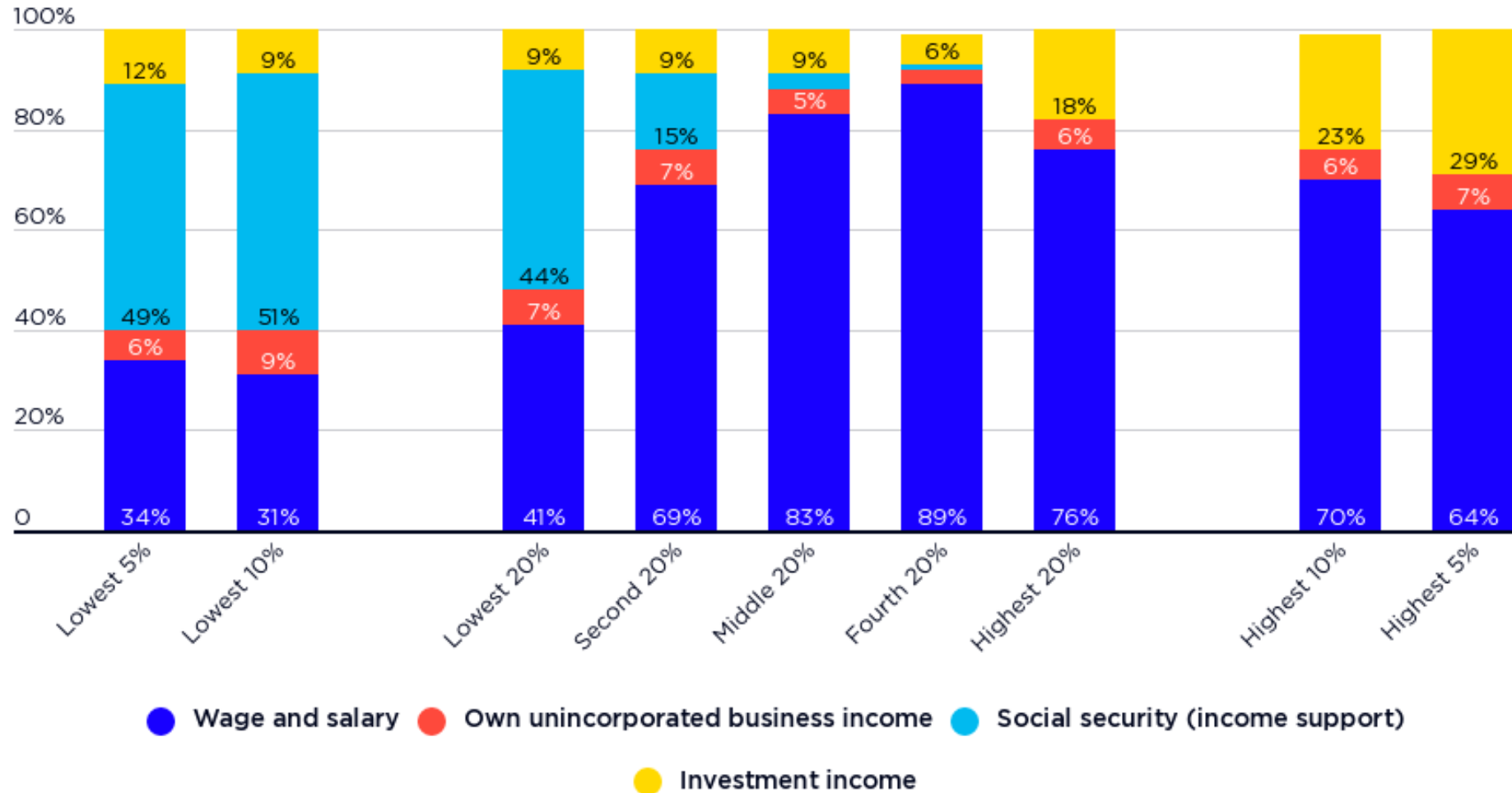


\$753
a week

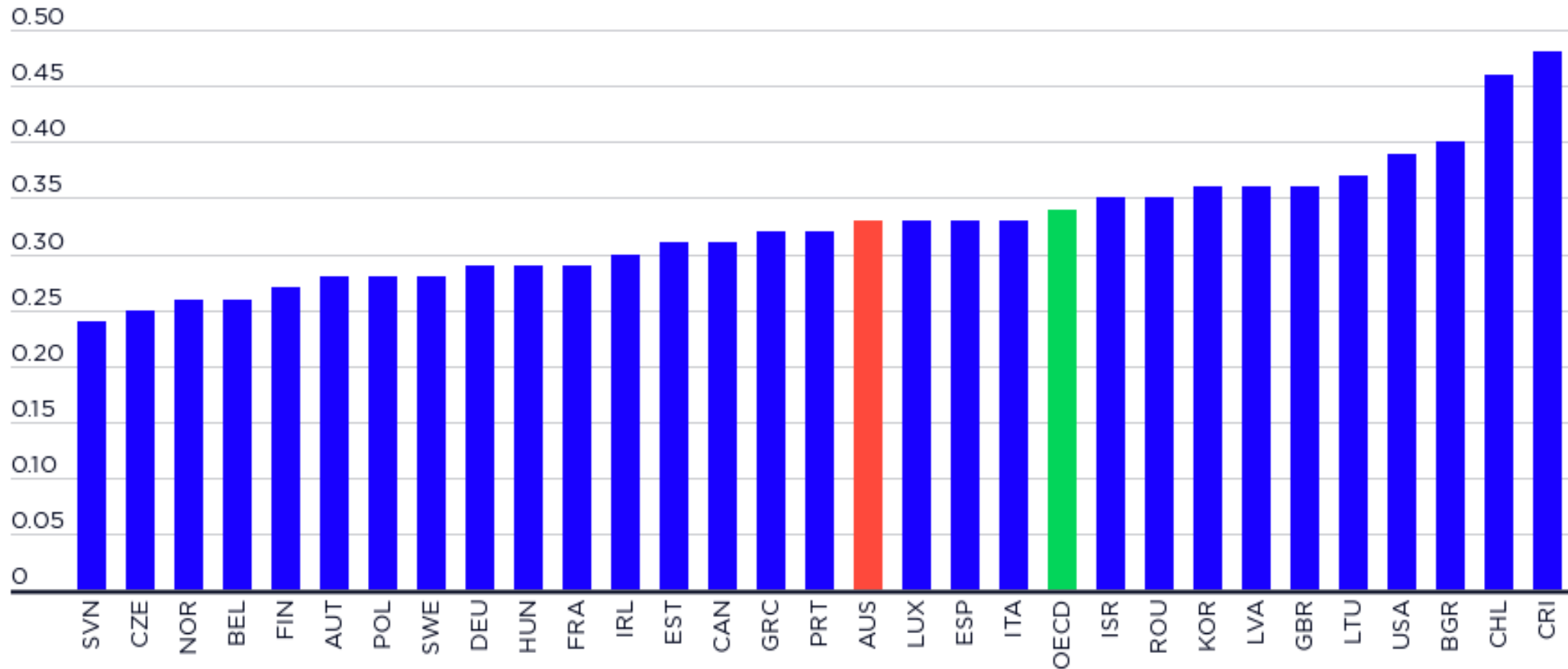
Shares of national disposable income, 2017-18



Main source of household income by income group, 2017-18



International comparison of income inequality

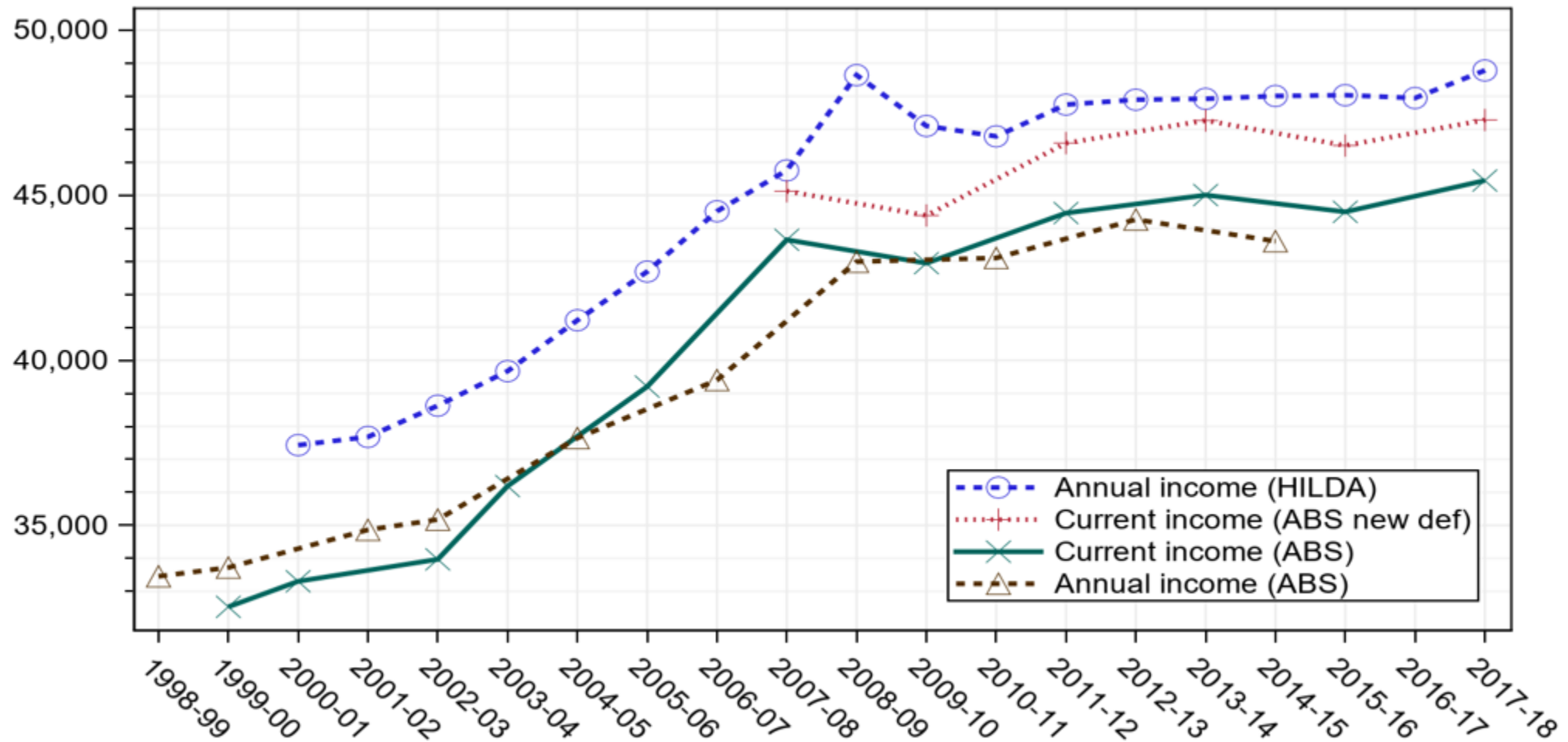


Income distribution calculator

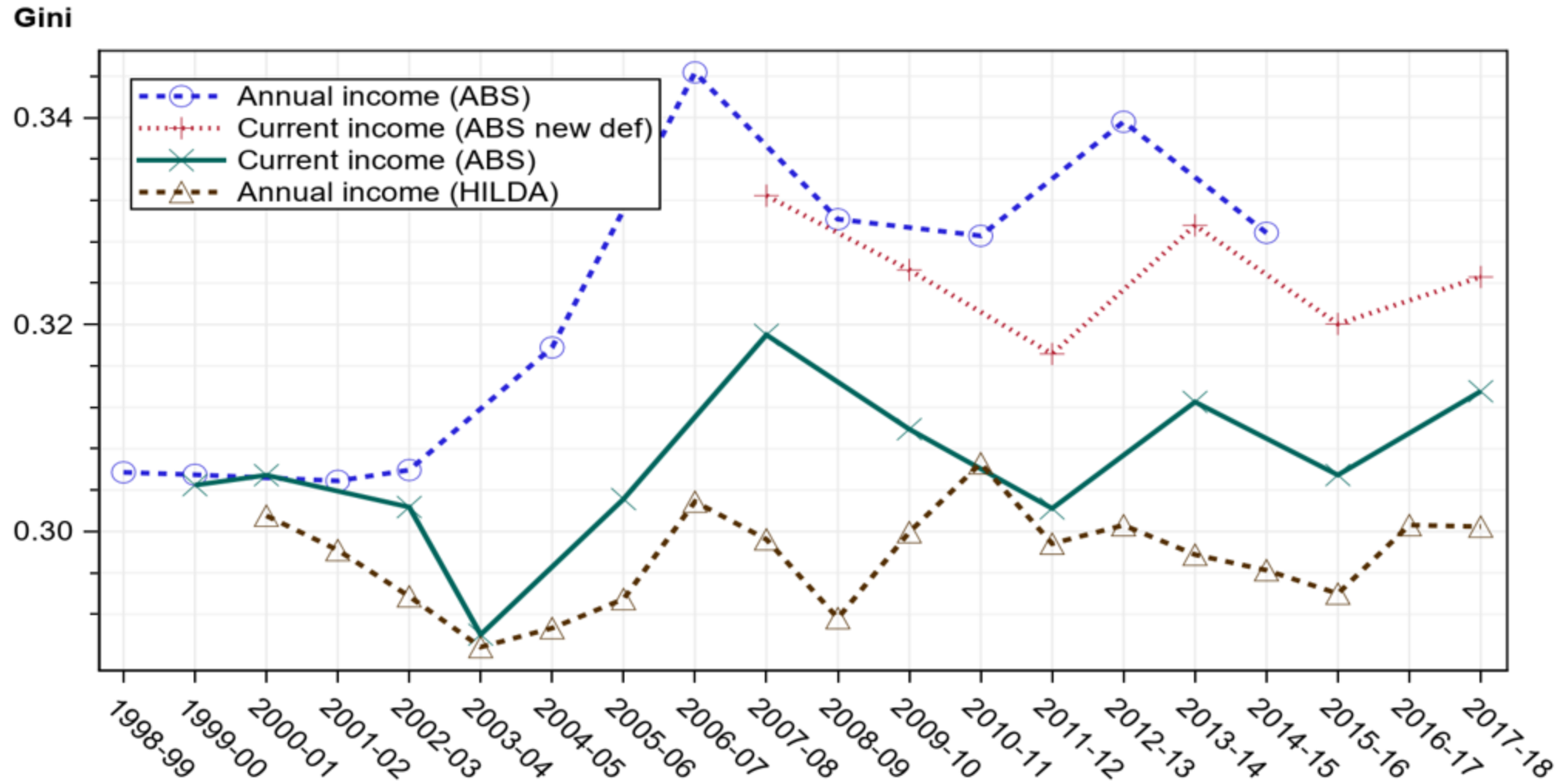
- <http://povertyandinequality.acoss.org.au/income-calculator/>
- Income inflated to beginning of 2020 values (also includes zero/negative)
- Example: Average weekly earnings
 - Male adult full-time average weekly earnings: \$1,893pw (\$98k pa)
 - Female adult full-time average weekly earnings: \$1,578pw (\$82k pa)
- Example: Federal Member of Parliament
 - Before-tax income = \$223,700pa
 - (Salary plus superannuation component above 9.5%)

Trends in median household income (equivalised)

\$2017-18 p.a.

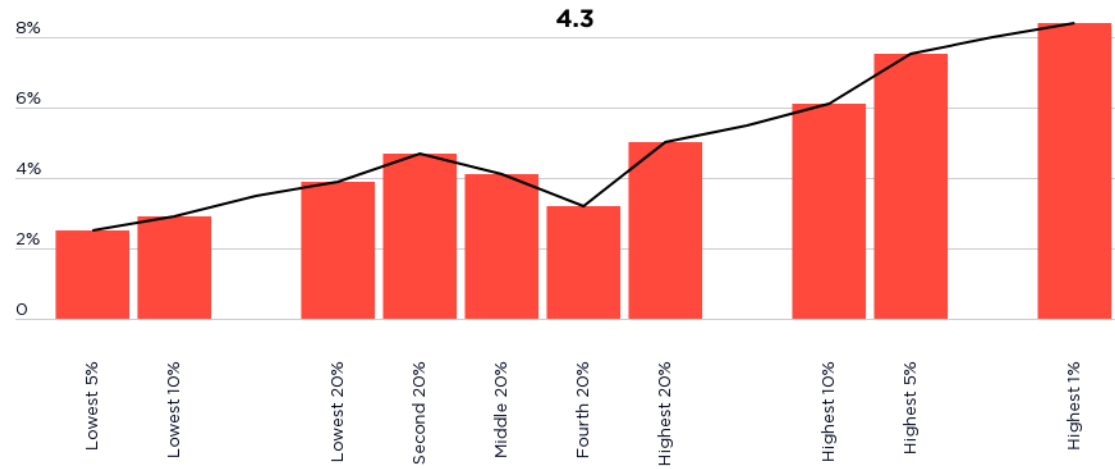


Trends in inequality: comparing different data collections

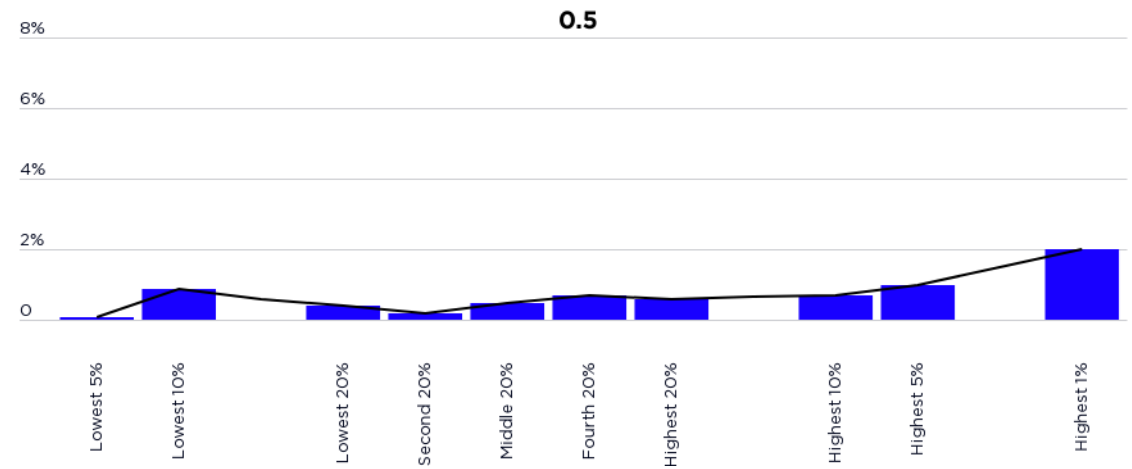


Annual percentage increase in weekly after-tax income, before, after and during the GFC in 2007-08

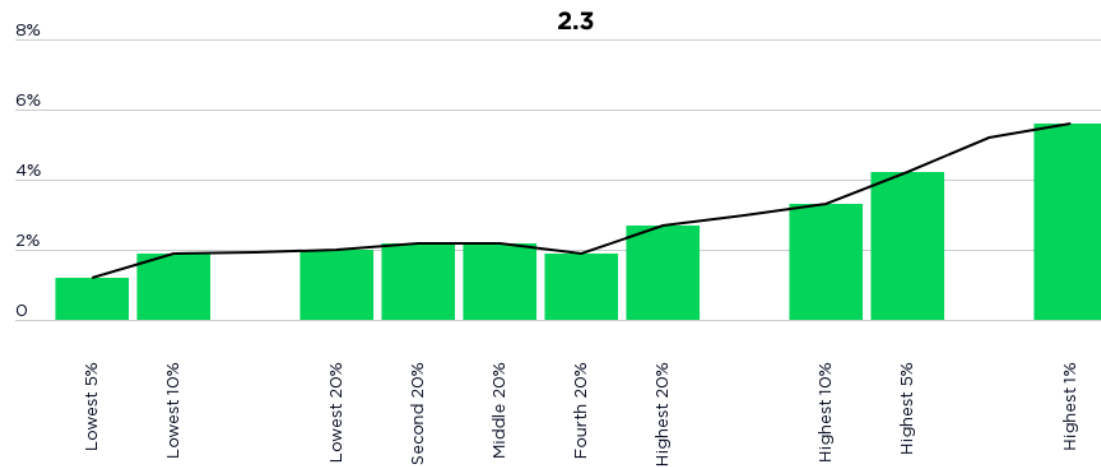
1999-00 to 2007-08



2007-08 to 2017-18

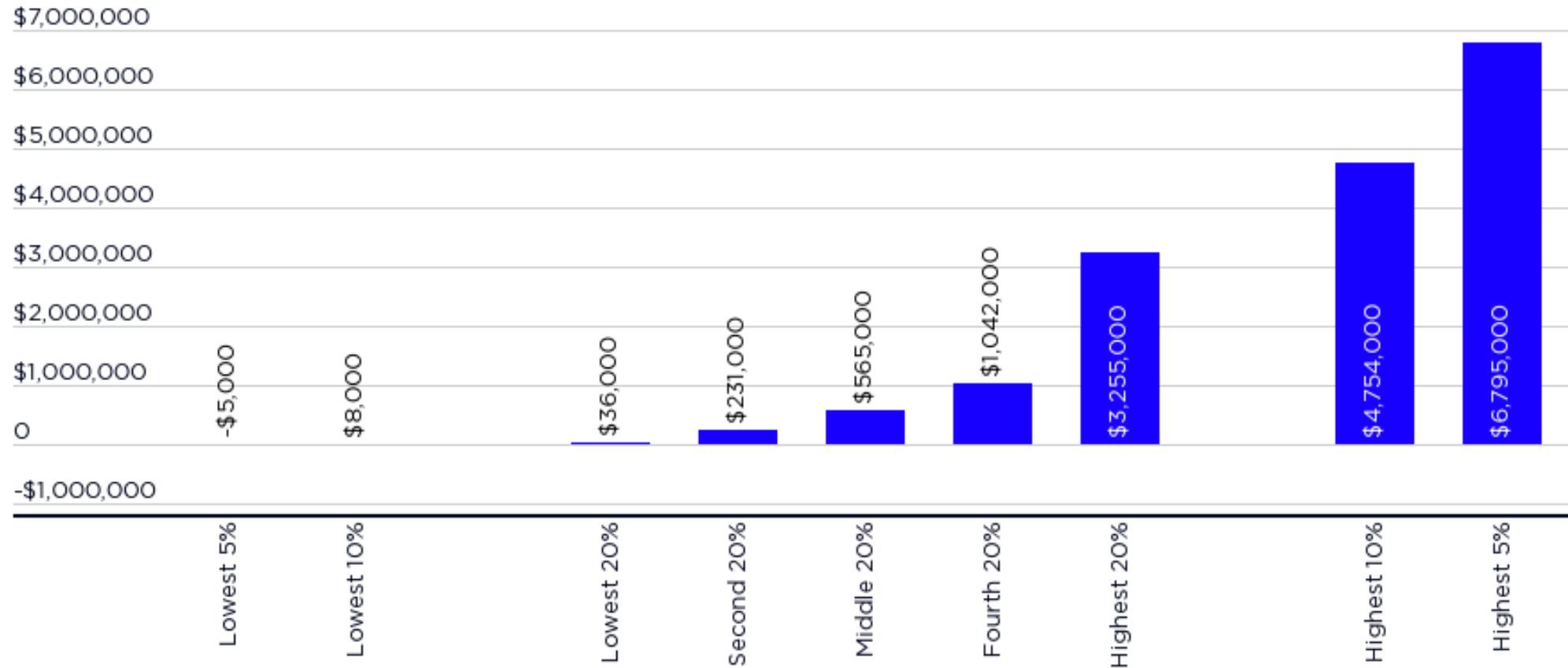


1999-00 to 2017-18

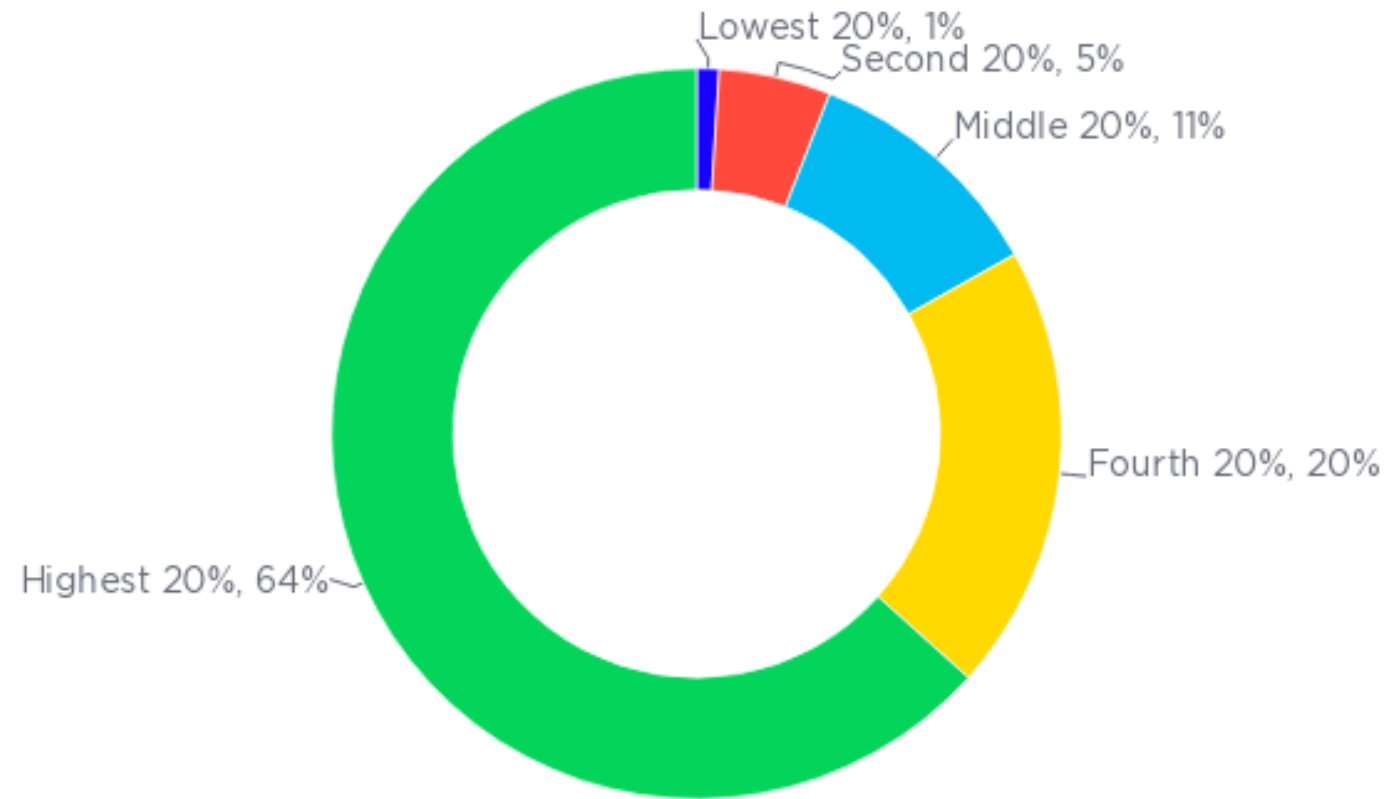


WEALTH INEQUALITY

Average household wealth by wealth group, 2017-18



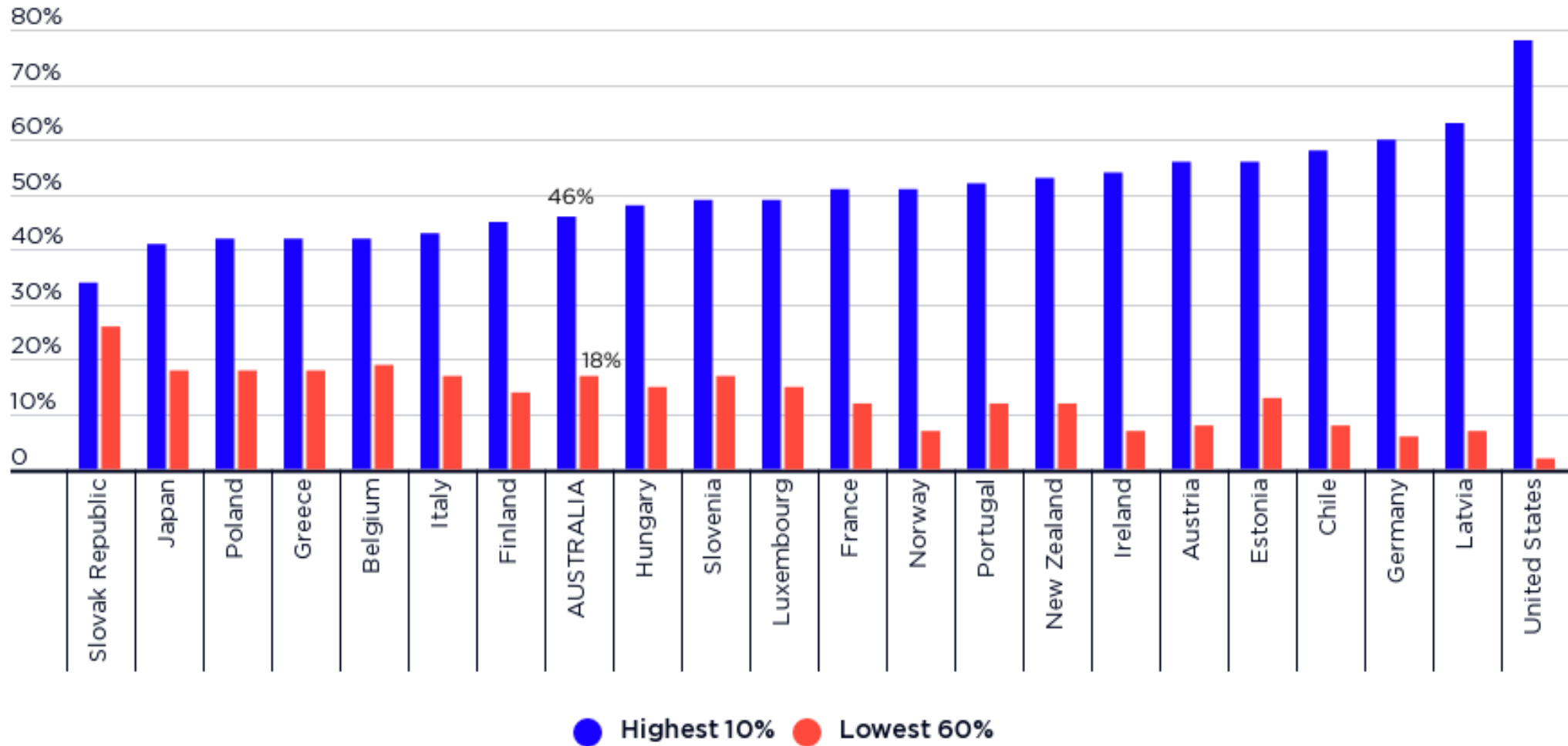
Shares of all wealth held by wealth groups, 2017-18



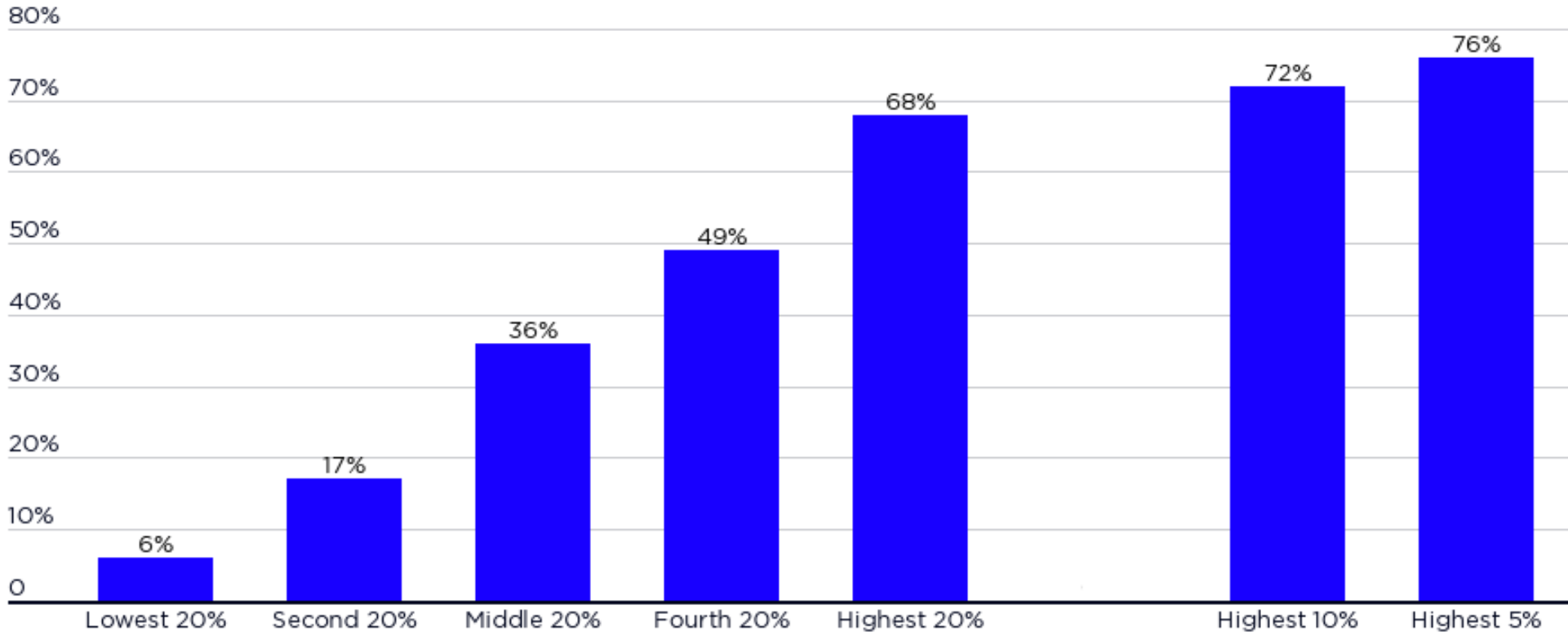
Profile of wealth held by each wealth group (% of wealth by each type in 2017-18)



Wealth distribution in OECD countries



Increase in average wealth by wealth group, 2003-04 to 2017-18



Drivers of the increase in wealth inequality (2003-04 to 2017-18)

- An increase in housing wealth inequality
 - More specifically: an increase in the share of housing wealth held by wealthier households
 - (Increase in the concentration coefficient)
- A greater share of wealth in superannuation
 - Which tends to be more unequal
 - (ie has a higher concentration coefficient than home ownership)
- Next report: Growth in inequality greatest within the younger age groups