Inequality in Australia
2020

Part 1:
Inequality before Covid
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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
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%.
Shares of national disposable income, 2017-18

- Lowest 20%, 6%
- Second 20%, 12%
- Middle 20%, 17%
- Fourth 20%, 23%
- Highest 20%, 42%
Main source of household income by income group, 2017-18

- **Wage and salary**
- **Own unincorporated business income**
- **Social security (income support)**
- **Investment income**

Poverty & Inequality

IN AUSTRALIA
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 inequality: comparing different data collections

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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

- Lowest 5%
- Lowest 10%
- Lowest 20%
- Second 20%
- Middle 20%
- Fourth 20%
- Highest 20%
- Highest 10%
- Highest 5%

Wealth Distribution:
- $0 - $5,000
- $5,000 - $8,000
- $8,000 - $35,000
- $35,000 - $231,000
- $231,000 - $565,000
- $565,000 - $1,042,000
- $1,042,000 - $3,255,000
- $3,255,000 - $4,754,000
- $4,754,000 - $7,959,000
- $7,959,000 - $7,000,000

Poverty & Inequality in Australia

Inequality

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

- Highest 20%, 64%
- Fourth 20%, 20%
- Middle 20%, 11%
- Second 20%, 5%
- Lowest 20%, 1%
Profile of wealth held by each wealth group (% of wealth by each type in 2017-18)

- Own home (less mortgage)
- Other real estate (net)
- Other non-financial net assets
- Superannuation
- Net shares, business, financial
Wealth distribution in OECD countries

Poverty & Inequality

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

<table>
<thead>
<tr>
<th>Wealth Group</th>
<th>Increase (%)</th>
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<tbody>
<tr>
<td>Lowest 20%</td>
<td>6%</td>
</tr>
<tr>
<td>Second 20%</td>
<td>17%</td>
</tr>
<tr>
<td>Middle 20%</td>
<td>36%</td>
</tr>
<tr>
<td>Fourth 20%</td>
<td>49%</td>
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<tr>
<td>Highest 20%</td>
<td>68%</td>
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<tr>
<td>Highest 10%</td>
<td>72%</td>
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<tr>
<td>Highest 5%</td>
<td>76%</td>
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</tbody>
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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