

# NATSEM

## *Trends in Income and Wealth Inequality in Australia*

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# Overview

- Aim: to produce detailed data on trends in inequality during the late 1980s and 1990s
- Comparison of results from the Income Surveys and Expenditure Surveys
- General testing of sensitivity of results to the choice of methodology

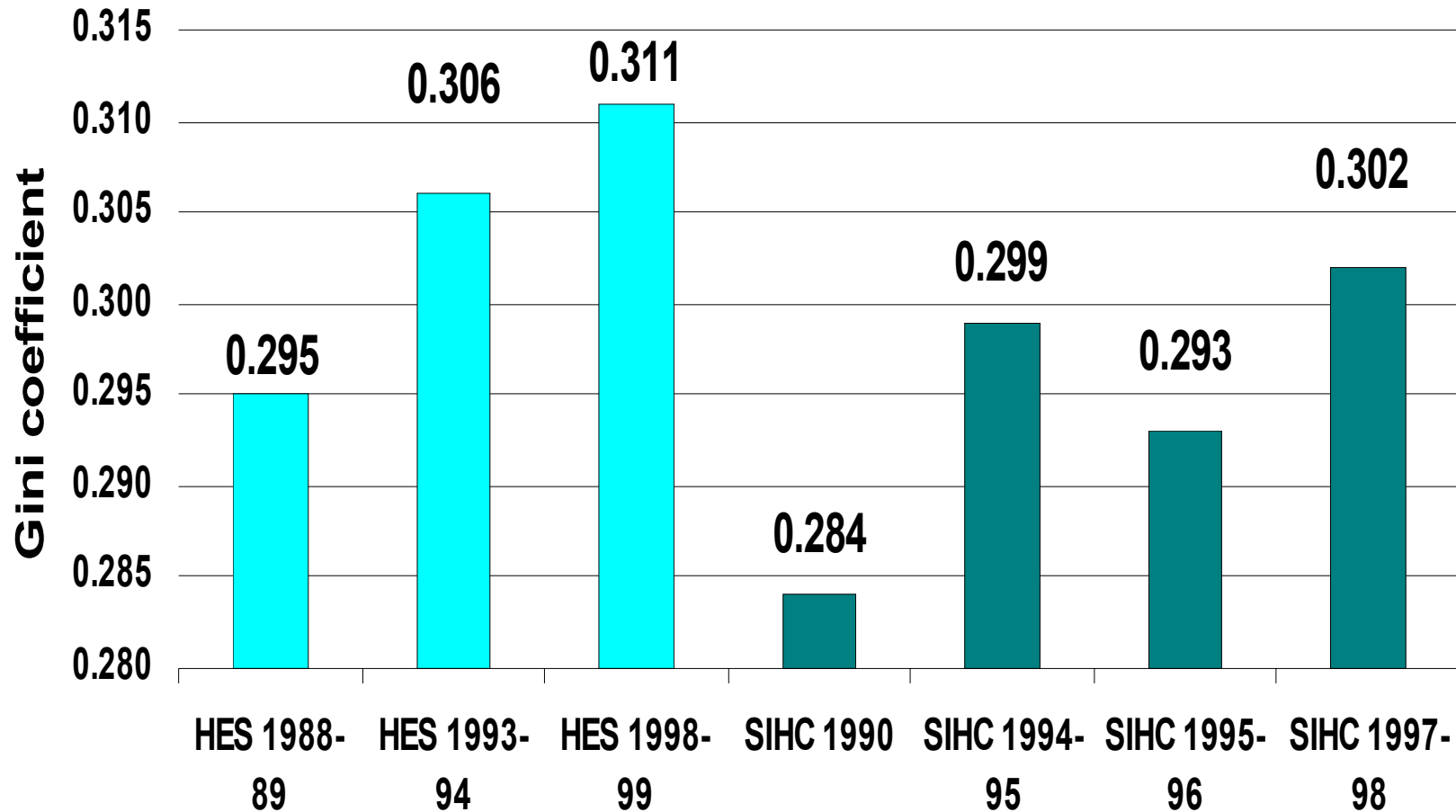
# Data

- Household Expenditure Survey (HES) 1988-89, 1993-94, 1998-99  
(Note: 1975-76 omitted, problems with 1984 tax data)
- Survey of Income and Housing Costs (SIHC) 1990, 1994-95, 1995-96, 1997-98  
(Note: 1982, 1986 and 1996-97 omitted)
- Results are limited by scope of the data
- Negative incomes have been reset to ensure comparability

# *Methodology*

- Indicator of standard of living: disposable income
- Income Unit: household
- Equivalence Scale: 'International' (square root of household size)
- Ranking: by person, not by household

# *Income inequality rises in the 1990s*

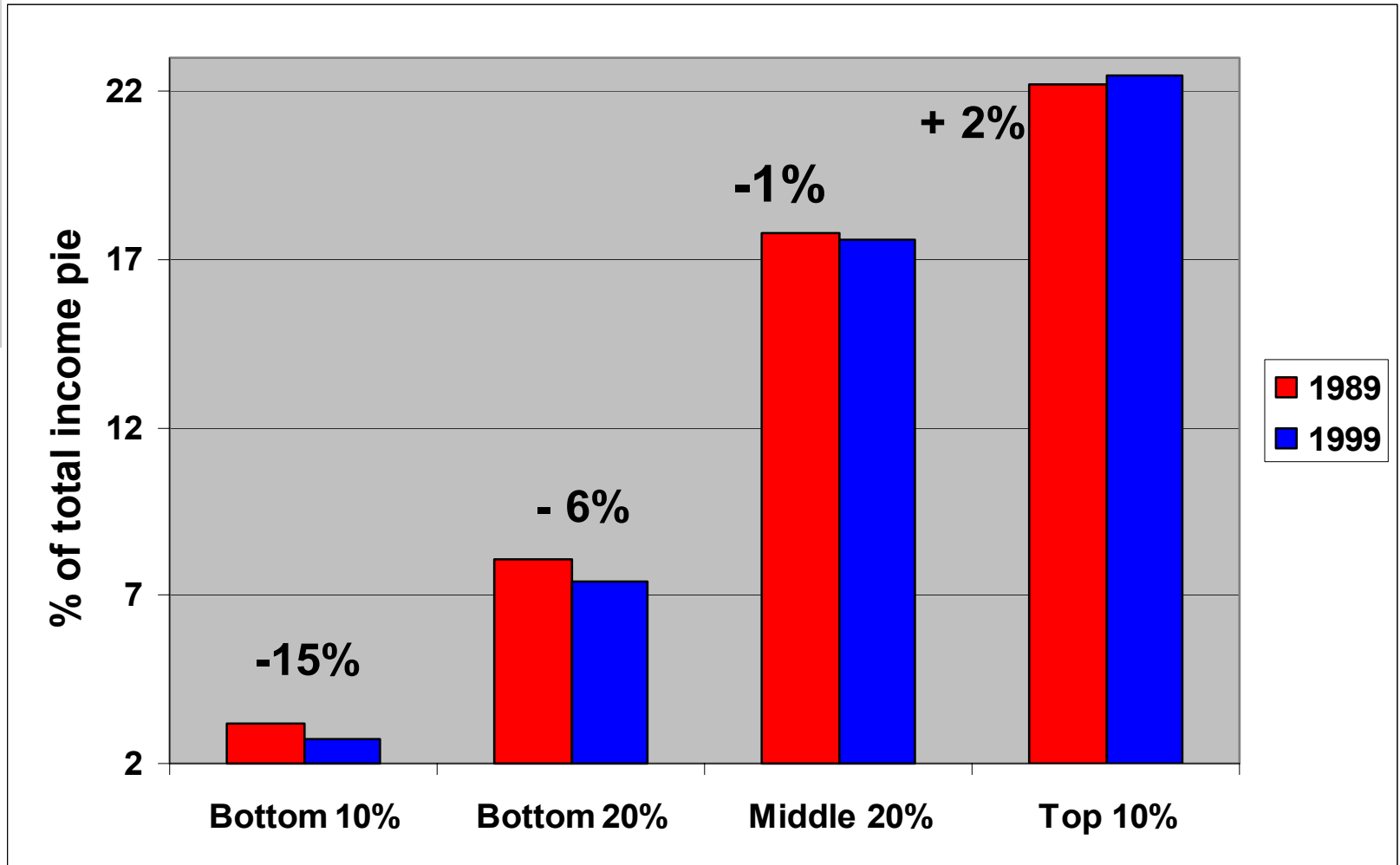


Source: Harding and Greenwell, 2001

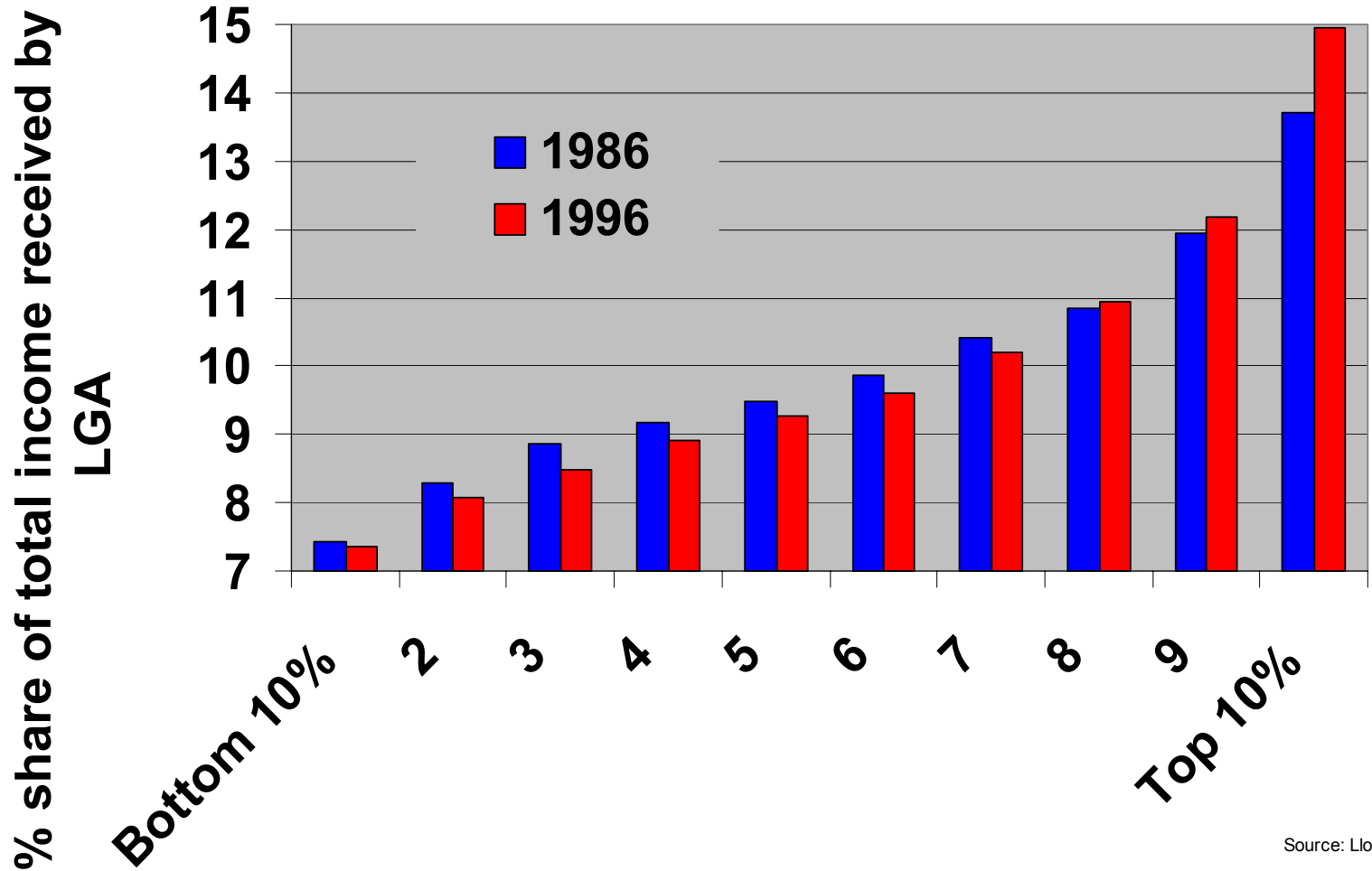
## *Percentage change in real income – HES (1989-99) and Income Surveys (1990-98)*

|                 | Expenditure Surveys | Income Surveys |
|-----------------|---------------------|----------------|
| 95th percentile | 19                  | 8              |
| 90th percentile | 16                  | 8              |
| Mean            | 11                  | 5              |
| Median          | 11                  | 1              |
| 10th percentile | 4                   | 1              |
| 5th percentile  | -5                  | 3              |

# Percentage point change in share of disposable income



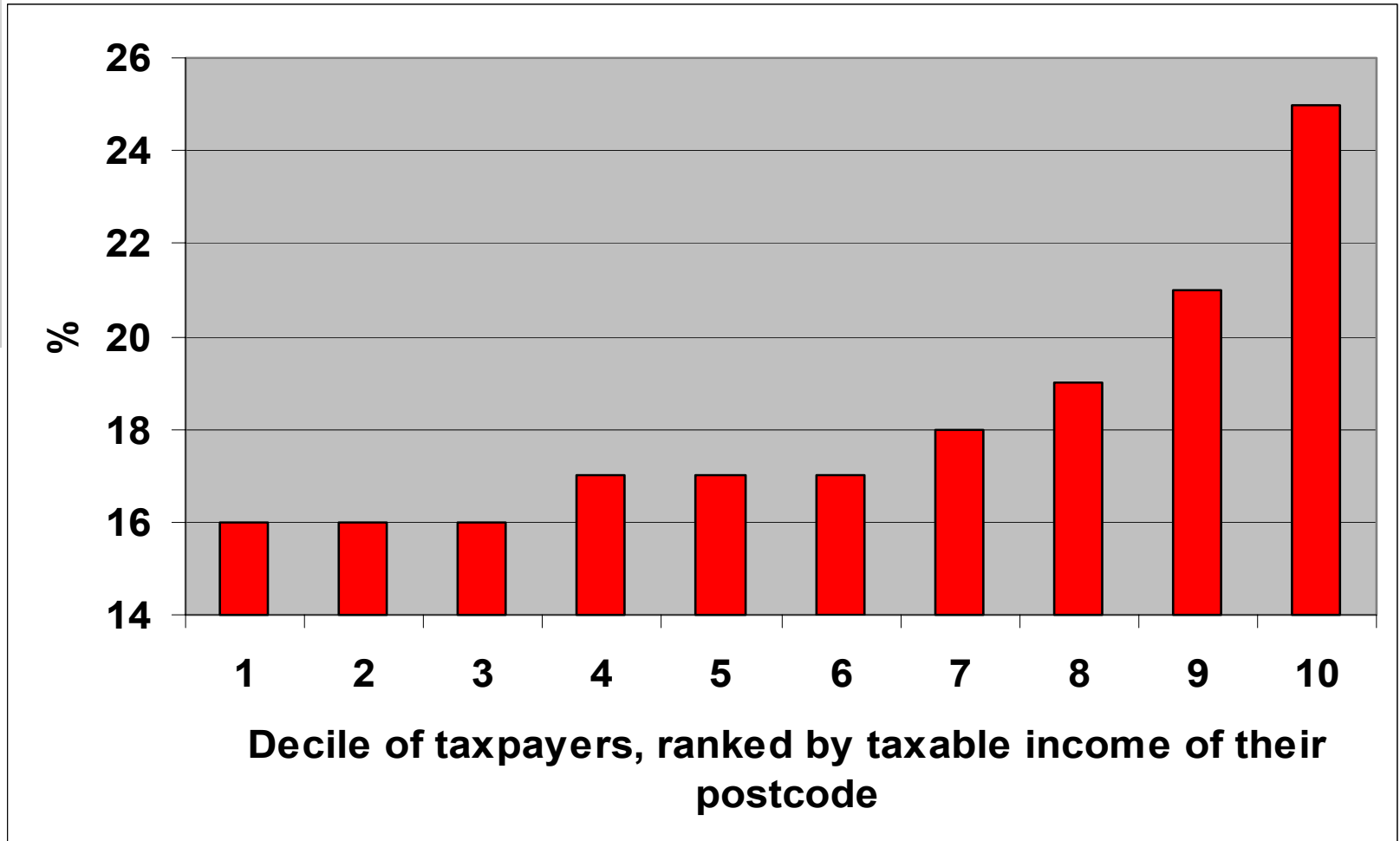
# Regional income inequality increases in 10 years to 1996



Source: Lloyd et al, 2000



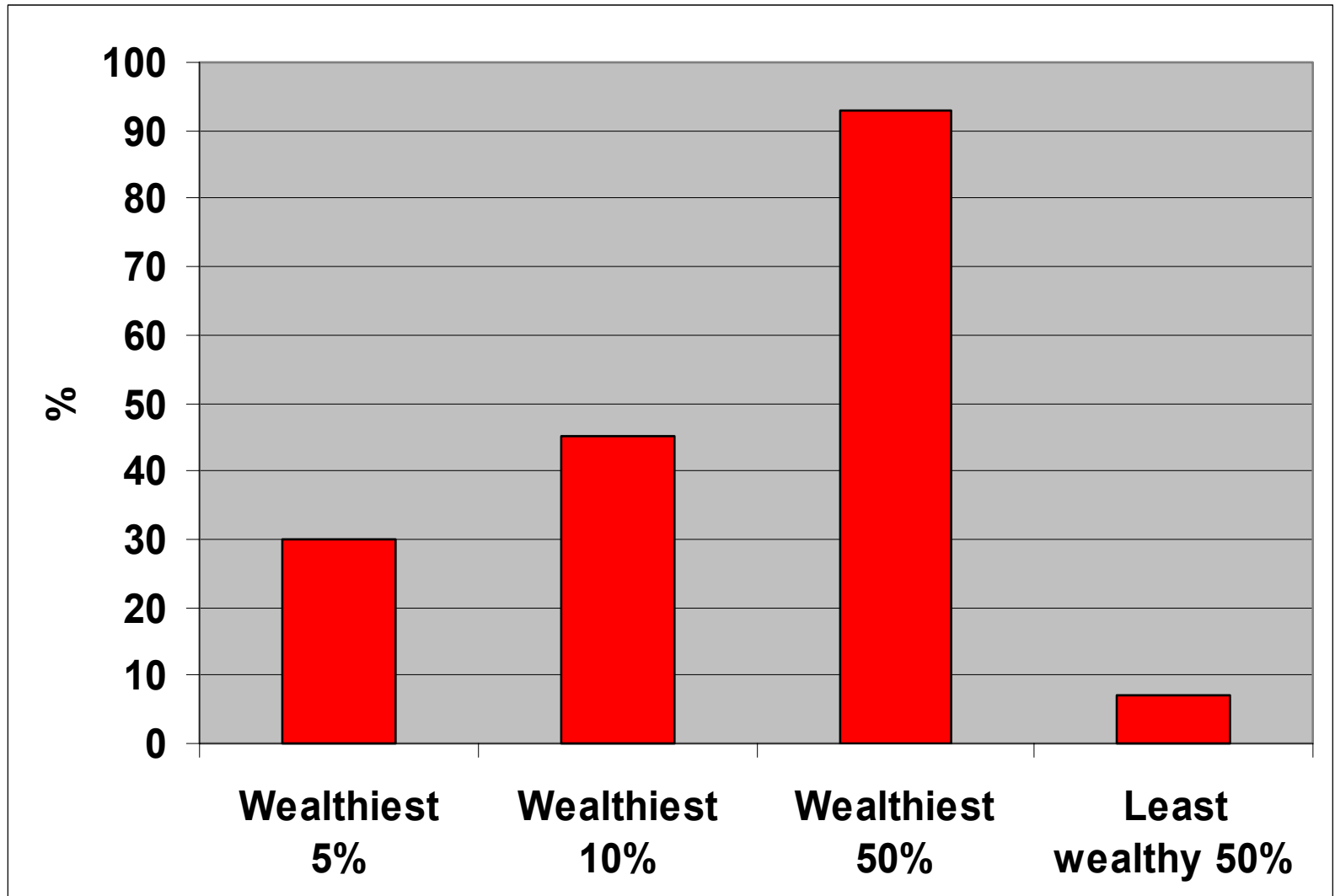
# *Change in average taxable income from 1995 to 1999*



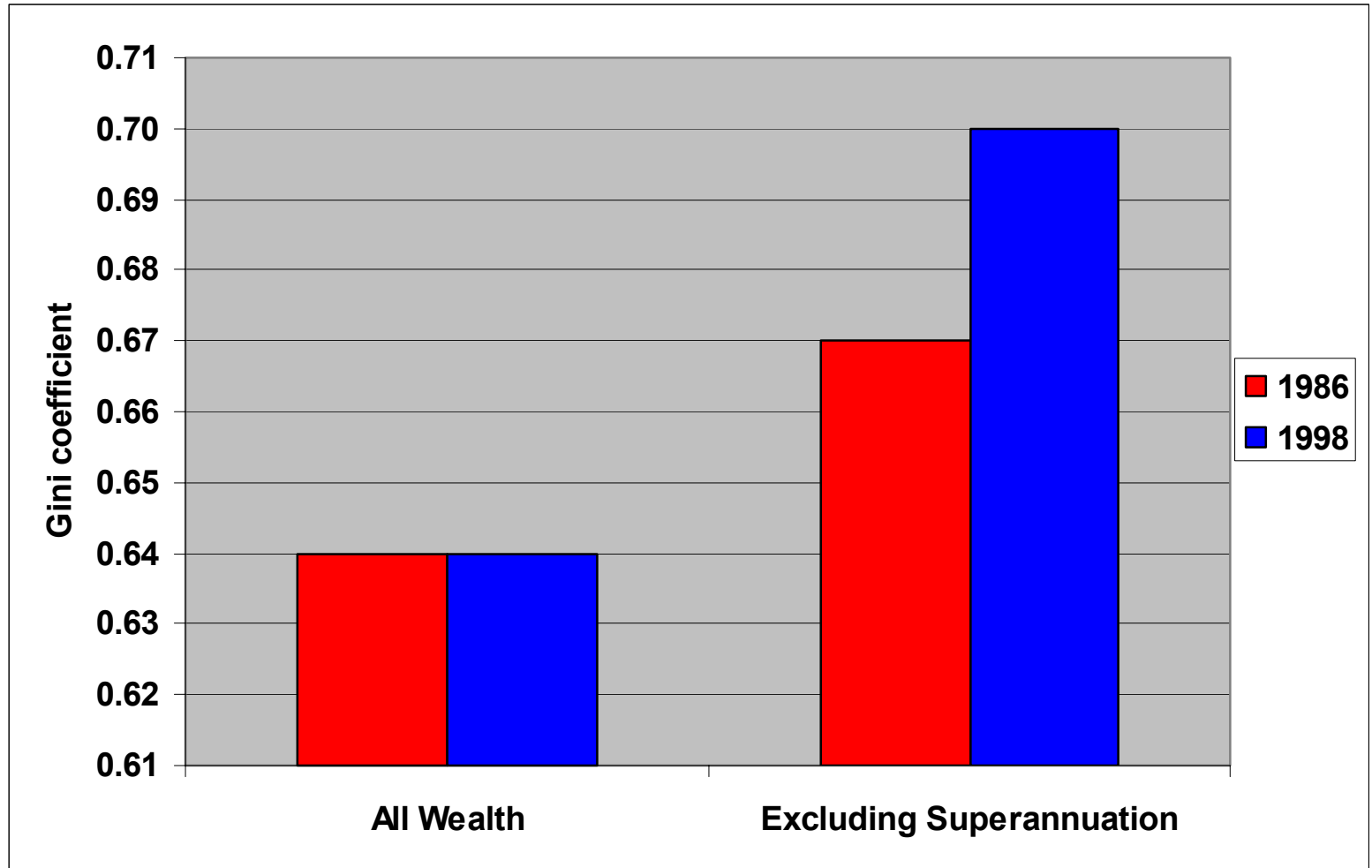
# *Imputing wealth holdings*

- Income is a flow, wealth is a stock
- ABS surveys have value of own home & mortgage
- NATSEM has imputed value of shares, cash, investment properties, own business & accumulated superannuation
- 1986 and 1998

# *Distribution of wealth, 1998*



# Change in wealth inequality, 1986 to 1998



# Conclusions

- Income inequality has risen from the late 1980s to the late 1990s
- Strongest growth in incomes has occurred at the top of the income distribution
- For middle Australia income growth has been slower than for the top, but faster than for the bottom
- Share of total pie going to bottom 10% has declined, for middle has declined marginally, and for top has increased
- Growing regional income inequality
- Growing wealth inequality if superannuation excluded

# References cited in presentation

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- Harding, A, King, A and Kelly, S, - Trends in the Assets and Incomes of Older Australians, Council of the Ageing National Congress, Old Parliament House, 13 November 2001
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- Kelly, S, Trends in Australian wealth – new estimates for the 1990s, 30th Annual Conference of Economists, Perth, 23-26 September.
- Lloyd, R., Harding, A. and Greenwell, H.-- Worlds Apart: Postcodes with the Highest and Lowest Poverty Rates in Today's Australia --Paper prepared for the National Social Policy Conference 2001. Sydney, Australia. July 2001.
- Lloyd, R, Harding, A and Hellwig, O, 'Regional Divide? A Study of Incomes in Regional Australia', Discussion Paper No. 51, National Centre for Social and Economic Modelling, September 2000
- All papers available from NATSEM website – [www.natsem.canberra.edu.au](http://www.natsem.canberra.edu.au)