

# INEQUALITY IN AUSTRALIA A NATION DIVIDED

## FACT SHEET

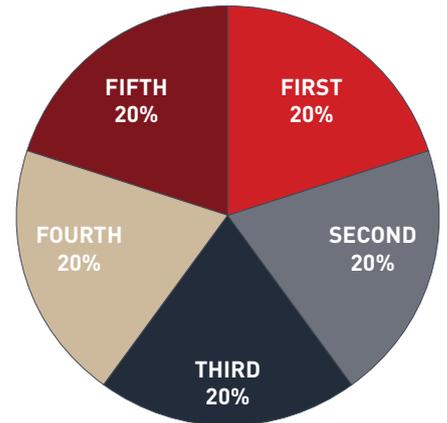
A new report from ACOSS shows that inequality is a problem in Australia and has been getting worse.

There are two main ways to measure inequality.

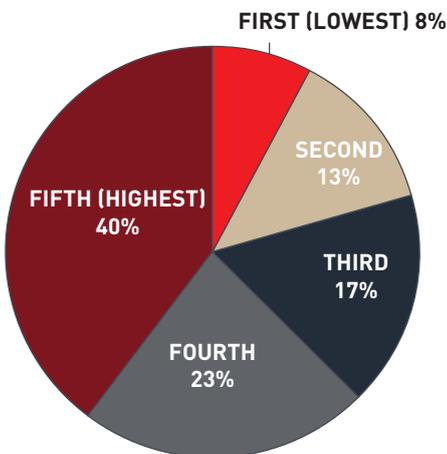
1. **Income inequality:** how much income is received by a person or household.
2. **Wealth inequality:** how much wealth is held by a person or household.

**Wealth inequality is higher in Australia than income inequality.**

If the distribution of income and wealth over quintiles<sup>1</sup> in Australia were equal, it would look like this →



But in Australia, the share of **income** is not equal, so it looks like this:



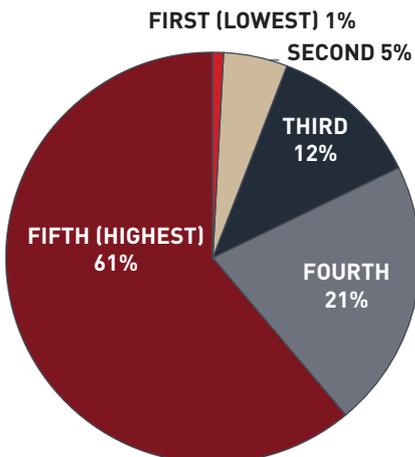
When looking at average income:

- Someone in the *highest* income group has around **five times** as much income as somebody in the *lowest* income group.

People most likely to be found in the *lowest* income group include:

- Older people
- Sole parents and single people
- People without paid work
- People from culturally and linguistically diverse backgrounds.

And the share of **wealth** is not equal, so it looks like this:



When looking at average wealth:

- Someone in the *highest* wealth group has around **70 times** as much wealth as someone in the *lowest* wealth group.

People in the *highest* wealth group are more likely to have their wealth in a combination of property, shares and superannuation, while those in the *lowest* wealth group are likely to hold their wealth in lower value items like cars and home contents.

<sup>1</sup>A quintile is a statistical value representing 20% of the population, of which the first quintile represents the lowest fifth of the population, 1-20%; the second quintile represents the second fifth, 21-40% and so on.

# INEQUALITY IN AUSTRALIA

## Where does your household fit in income?

	First (Lowest)	Second	Third	Fourth	Fifth (Highest)
Average annual income before tax <sup>2</sup>	\$33,911	\$67,113	\$99,570	\$134,127	\$232,175

## Where does your household fit in wealth?

	First (Lowest)	Second	Third	Fourth	Fifth (Highest)
Average total wealth	\$31,100	\$190,900	\$437,700	\$766,400	\$2,212,200

## Income and Wealth Trends

The gap between the lowest and highest groups is increasing:

- The share of both income and wealth for to the *highest* group has **risen** while the share going to the *lowest* (and in the case of wealth also the *middle*) groups has **decreased** over the past 20 years.
- The wealth of the *highest* 20% wealth group increased by **28%** over the period from 2004 to 2012. By comparison the wealth of the *lowest* increased by just **3%**.
- Over the 25 years to 2010, real wages increased by 50% on average, but by **14%** for those on lower incomes (10th percentile), compared with **72%** for those on higher incomes (90th percentile)<sup>3</sup>.

### Why is inequality bad for Australia?

Inequality undermines the fairness of our economic system and leads to division within society. Evidence shows that countries with lower inequality tend to have faster and more lasting economic growth; and that countries with high inequality can experience high levels of violence, suicide, obesity, mental illness, imprisonment and shorter life expectancy.

Inequality means that those in the lower groups don't have the same access to opportunities as those in the higher groups. For example, someone in the *lowest* group would find it more difficult to get a loan to start a business or pay for an advanced university degree than someone in the *highest* group.

Wealthier people can afford not to rely on shared services, such as public schools and public hospitals, by utilising private services. When this happens, they have less interest in supporting such shared services, leading to a more divided society.

### What can we do about inequality?

So far, government policies have protected Australia from more severe inequality. But if we aren't careful, changes to these policies will mean increasing inequality. For example, when we cut income support, we drag people who rely on it further down the inequality scale. Another example is tax breaks for people on high incomes, which can mean that they don't have to pay their fair share.

**You can help** by sharing the inequality video and other resources available at [www.acoss.org.au/inequality](http://www.acoss.org.au/inequality)

**Find out more** by watching the video, reading the other resources, or downloading the report at [www.acoss.org.au/inequality](http://www.acoss.org.au/inequality)

<sup>2</sup> Income is equivalised, meaning that it takes into account the size and composition of the household when looking at the national distribution of income.

<sup>3</sup> Whiteford, P (2013) *Australia, Inequality and Prosperity and their Impacts in a Radical Welfare State*, Crawford School of Government, Australian National University.



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