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About this report: This report is part of a series on Poverty and Inequality in Australia. It is based on research conducted by Peter Saunders, Bruce Bradbury and Melissa Wong at the Social Policy Research Centre of the University of New South Wales, and supplemented with data and analysis from other sources. The main data sources are the Australian Bureau of Statistics (ABS)'s Survey of Income and Housing and the ABS Household Expenditure Survey. For further details on the data and research methods, see ***Inequality in Australia: New estimates and recent trends research methodology for 2018 report***. The report was drafted by Peter Davidson (NeedtoKnowConsulting), with Peter Saunders (UNSW) and Jacqueline Phillips (ACOSS).

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ACOSS AND UNSW SYDNEY

# INEQUALITY IN AUSTRALIA 2018



UNSW  
SYDNEY



# How equal are we?

There are two main ways we can measure inequality: income and wealth

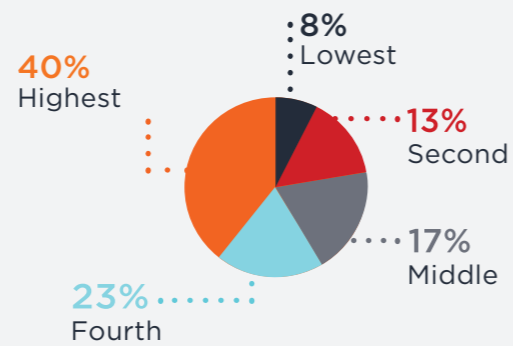
**Australians like to think of ourselves as the land of the 'fair go', without extremes of poverty or affluence. But this perception is quite different from the reality. Many people would be surprised to learn how unequal Australia actually is today.**

INCOME

The reality of income inequality in Australia will come as a shock to many:

- The highest 20% of us lives in a household with **five times** as much income as the lowest 20%.
- At the more extreme ends of the scale, people in the highest 1% live in households with an average weekly income that is **26 times** the income of a person in the lowest 5% (\$11,682 vs \$436/week).

This means the highest 1% **earns as much in a fortnight** as the lowest 5% **receives in a year**.

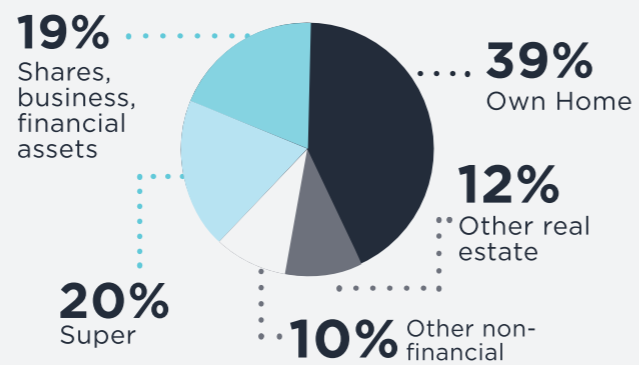


INCOME

WEALTH

The reality of wealth inequality in Australia is even more stark as wealth is much more concentrated than income:

- The wealthiest 20% own nearly two thirds of all wealth, while the lowest half own just 18%
- Some kinds of wealth are more unequally shared than others. The highest 20% own over 80% of all wealth in investment properties and shares and over 60% of all superannuation assets. In contrast, they own 54% of all wealth in family homes.
- Australia has a substantial group of people with ultra high wealth - the fifth highest number in the world, equal with France and Canada. In 2017 there were an estimated 3000 Australians with wealth of more than \$US50 million (\$A65 million).



The average wealth of a household in the wealthiest 20% (\$2.9 million) is five times that of the middle 20% (\$570,000) and almost a hundred times that of the lowest 20% (\$30,000).

WEALTH

## Who are the faces of inequality?

Some people are more likely to be in the lowest 20% of incomes due to their circumstances.

These include:

- people who are unemployed (77% are in the lowest 20% of incomes),
- single parents (36%),
- older people (over 65s, 39%),
- People born overseas in non-English speaking countries (24%) and
- people living in rural, regional or remote parts of South Australia, Tasmania, Victoria or New South Wales (more than 25% in each case).

Sixty-three percent of households where the reference person receives the Newstart allowance are in the lowest 5% of incomes.

## What are the trends in wealth?

Household wealth shifted from younger to older age groups between 2004 and 2016.

The average wealth of households aged over 64 years grew by 57% to \$1.3 million. For people 35-44 years old wealth grew 28% to \$700,000. For those under 35, wealth grew by 22% to \$300,000.

The average value of owner-occupied housing wealth declined for those under 35 - from \$90,000 to \$85,000. For households over 65, housing wealth grew 37% to \$509,000.

**Wealth inequality increased most strongly between people under 35 years. That is, the divide between wealthier and less wealthy younger people grew in the period.**

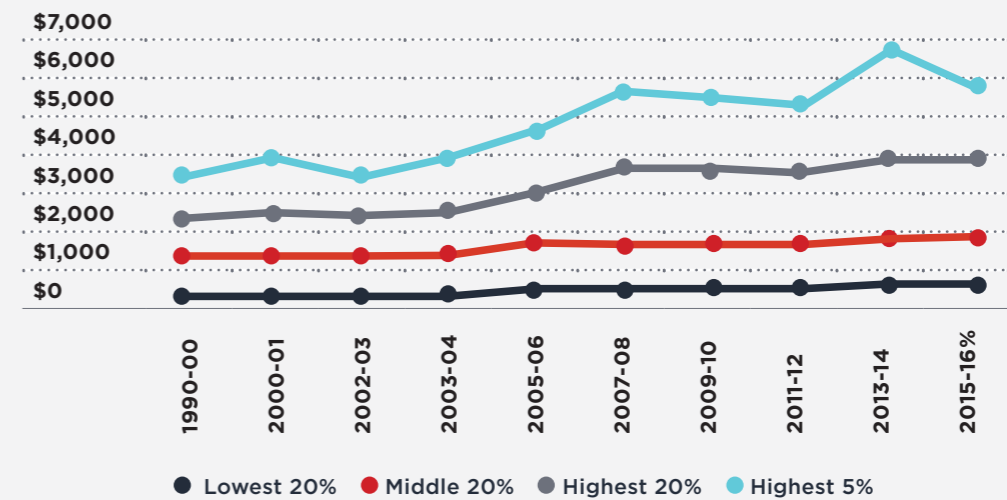
## How does Australia compare to other countries?

Australia's level of income is more unequal than the OECD average, but more equal than other major English-speaking countries including the United States and United Kingdom, which have very high levels of inequality. Australia's Gini coefficient (an inequality measure where zero means complete equality and one means complete inequality) is 0.34, compared with an OECD average value of 0.32. While Australian households are wealthy by world standards and wealth is more equally shared here than in most other OECD countries, wealth inequality in Australia is increasing.

## Has Australia become more or less equal over time?

On the back of steady increases between 1981 and 2000, income inequality continued rising between 2000 and 2008, reaching a peak during the Global Financial Crisis (GFC) in 2007-08, since when it has plateaued.<sup>2</sup>

Trends in average weekly disposable income 2000 to 2016 (in 2016 dollars)



Where does your household sit?

Highest 1%  
\$950,844

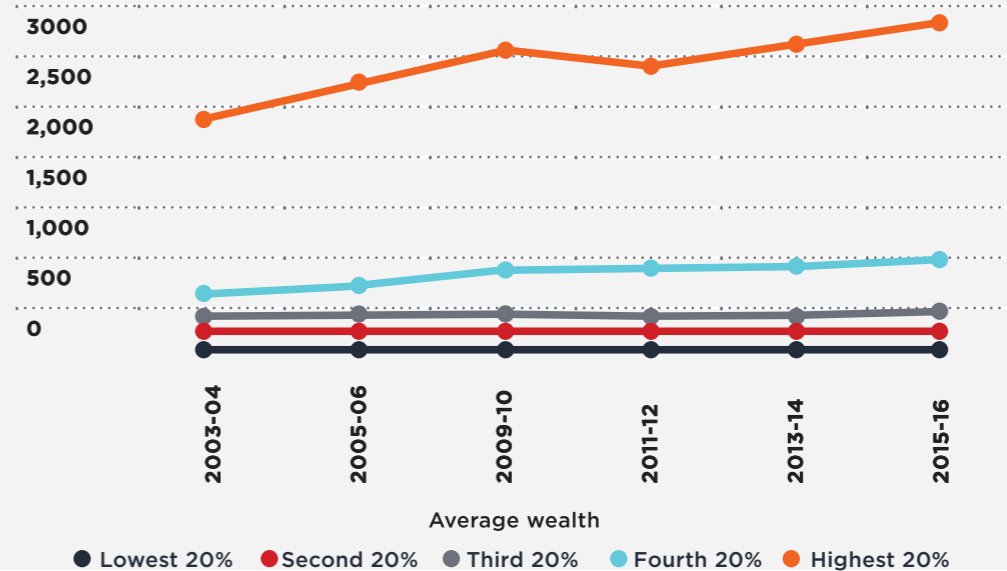
Highest 5%  
\$458,727

Highest 20%  
\$280,290

Fourth 20%  
\$150,646

Wealth inequality in Australia continues to increase. The average wealth of the highest 20% rose by 53% (to \$2.9 million) from 2003 to 2016, while that of the middle 20% rose by 32% and that of the lowest 20% declined by 9%.

Trends in average wealth by wealth group, from 2003-04 to 2015-16 (in 000s of 2016 dollars)



Third 20%  
\$109,061

Second 20%  
\$76,275

Lowest 20%  
\$39,727

Lowest 10%  
\$31,955

Lowest 5%  
\$23,265

Average Annual Gross (pre-tax) Income \$

## WHY DOES INEQUALITY MATTER?

Excessive inequality in any society is harmful. When people with low incomes and wealth are left behind, they struggle to reach a socially acceptable living standard and to participate in society. This causes divisions in our society. Too much inequality is also bad for the economy. When resources and power are concentrated in fewer hands, or people are too impoverished to participate effectively in the paid workforce, or acquire the skills to do so, economic growth is diminished.