



**Australian Government**  
**Productivity Commission**

# Rising Inequality?

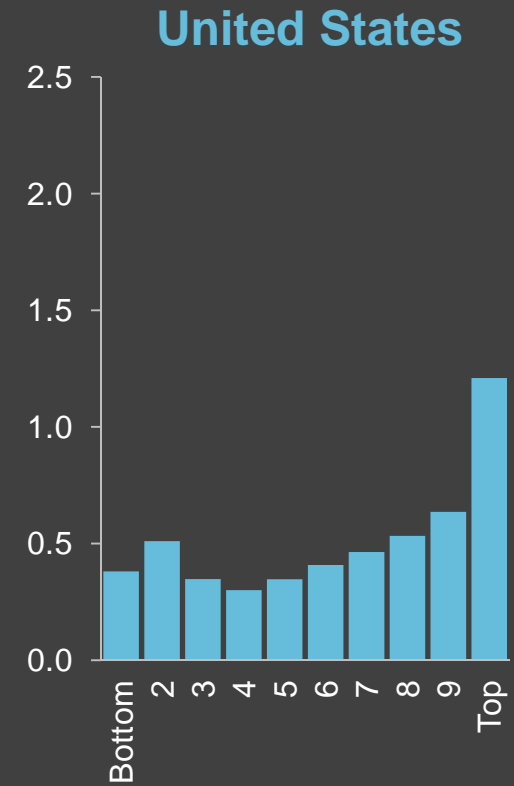
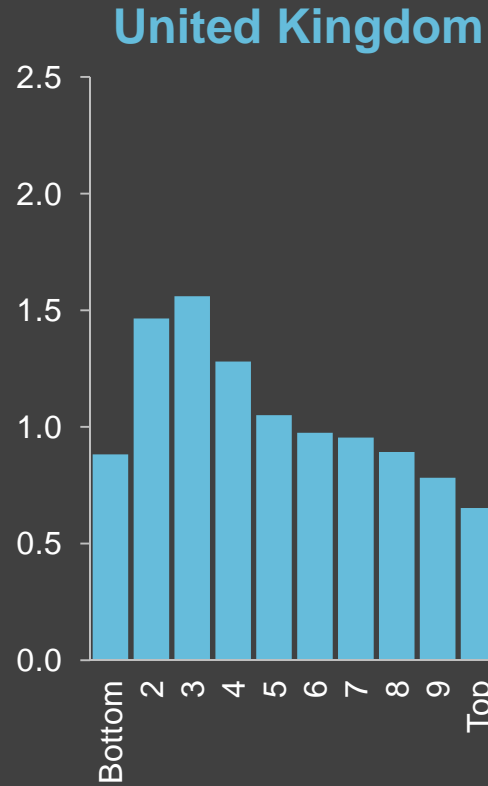
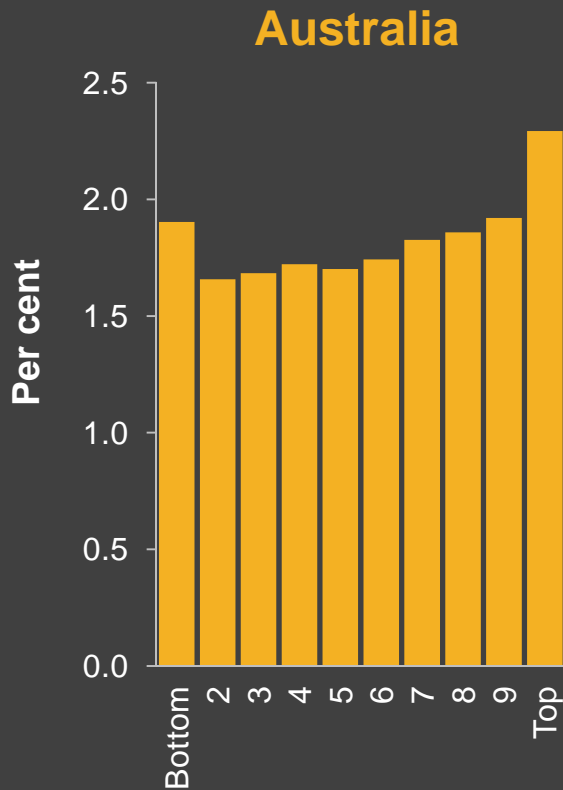
## A stocktake of the evidence

Parliamentary Library, 17 October 2018



**Jonathan Coppel**  
**Commissioner**

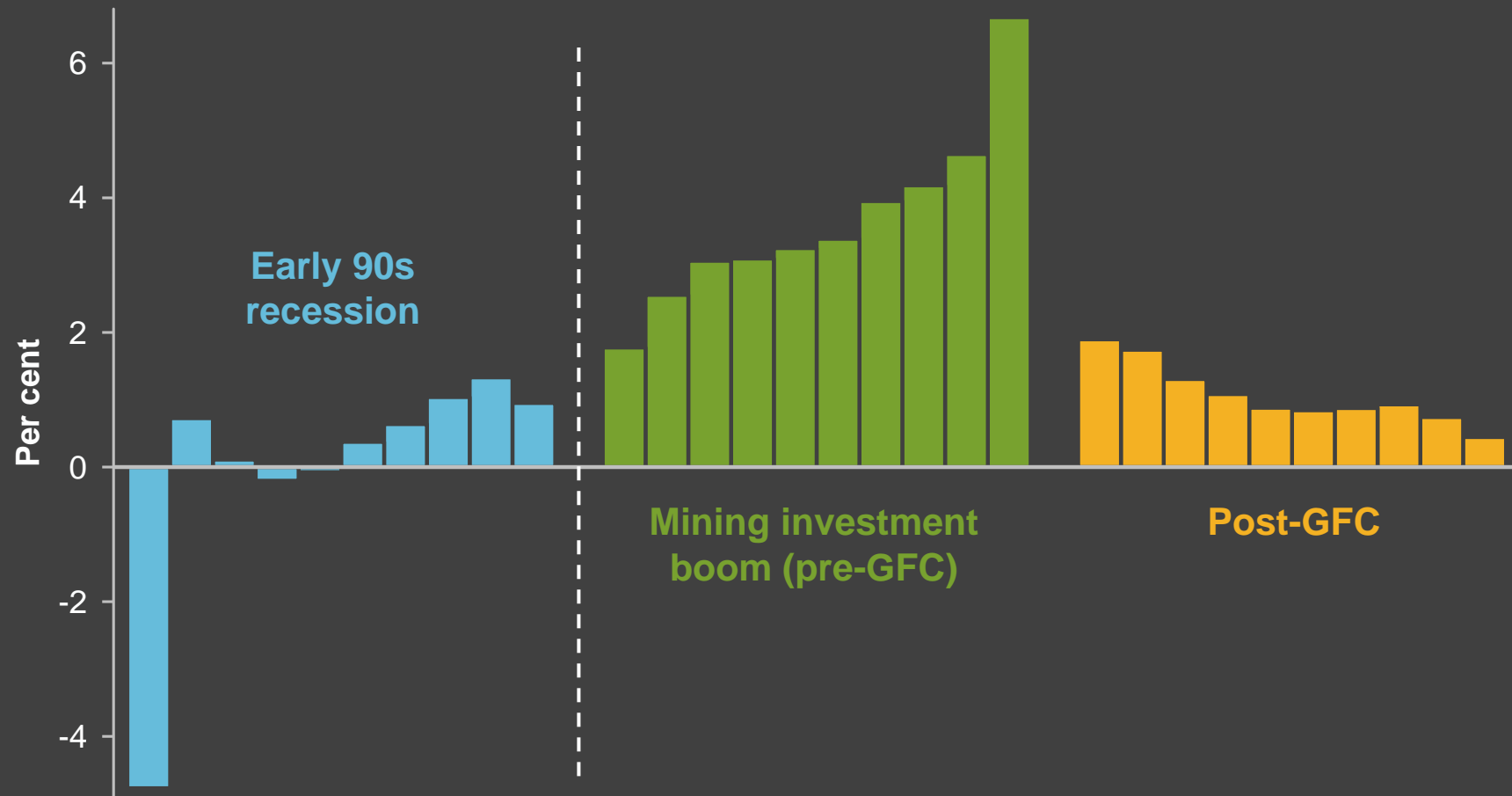
# ▶ Australia's 27-year income growth: strong and broadly shared



Average annual growth rate in *real* equivalised disposable income by income decile, late 1980s to mid-2010s. Equivalised disposable income expressed in real US dollars using purchasing power parity exchange rates.



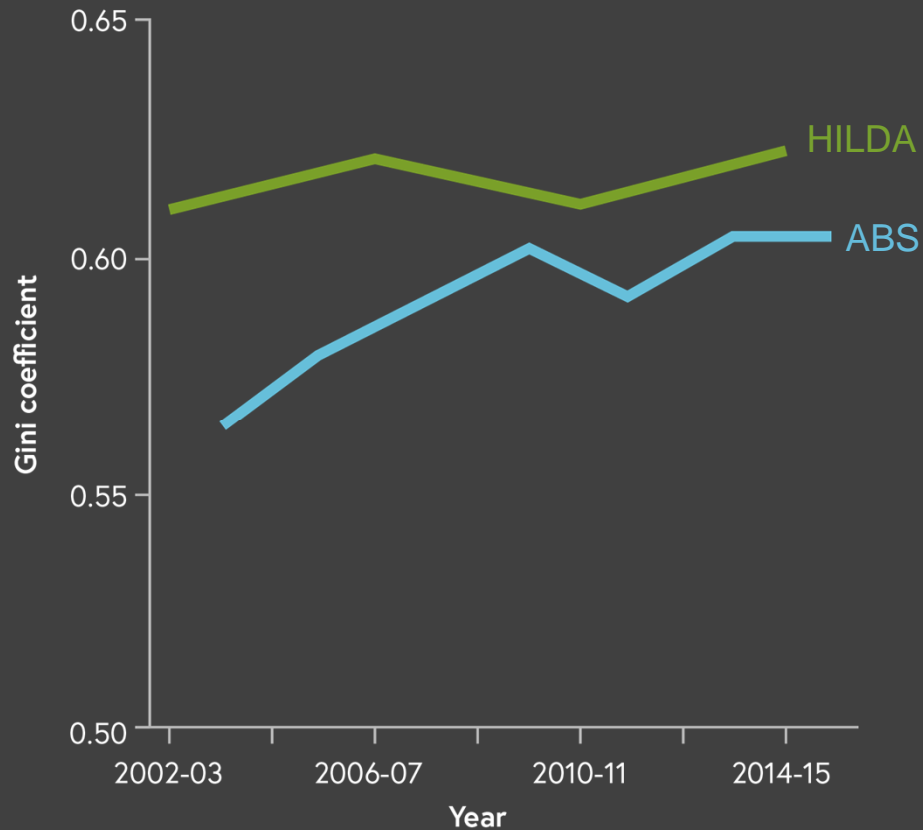
## ► Growth can favour the top or bottom



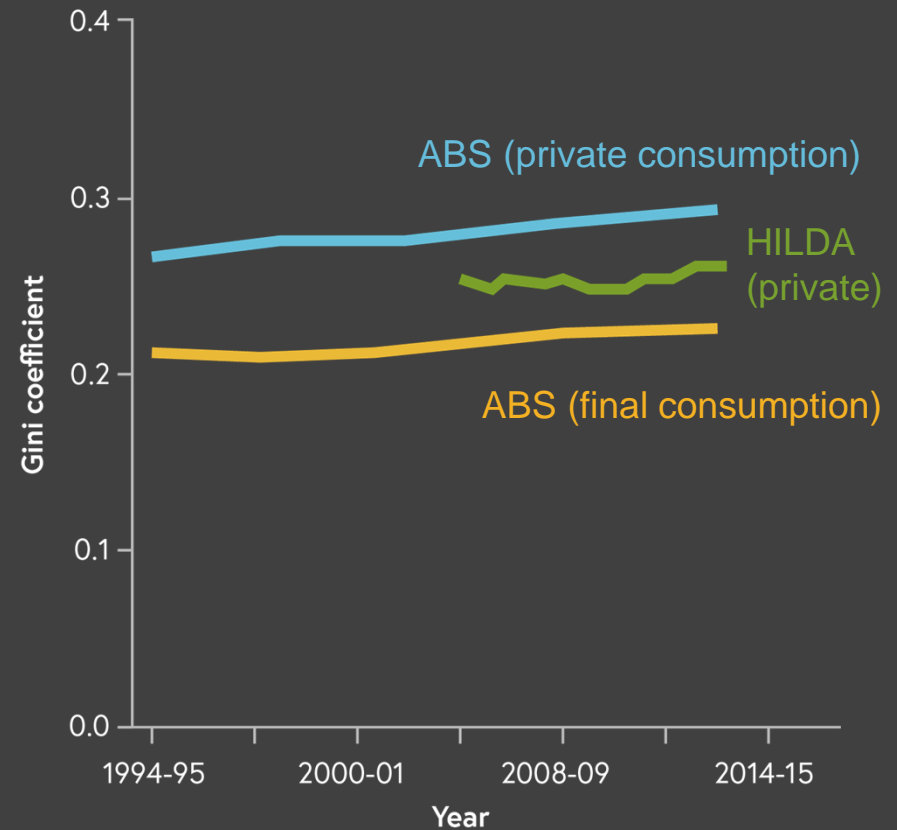
Average annual growth rates in *real/equivalised* disposable income by time period and income decile. Early 90s recession (1988-89 to 1993-94), mining investment boom (pre-GFC) (2003-04 to 2009-10), Post-GFC (2009-10 to 2015-16).



# ▶ Wealth and consumption inequality have increased



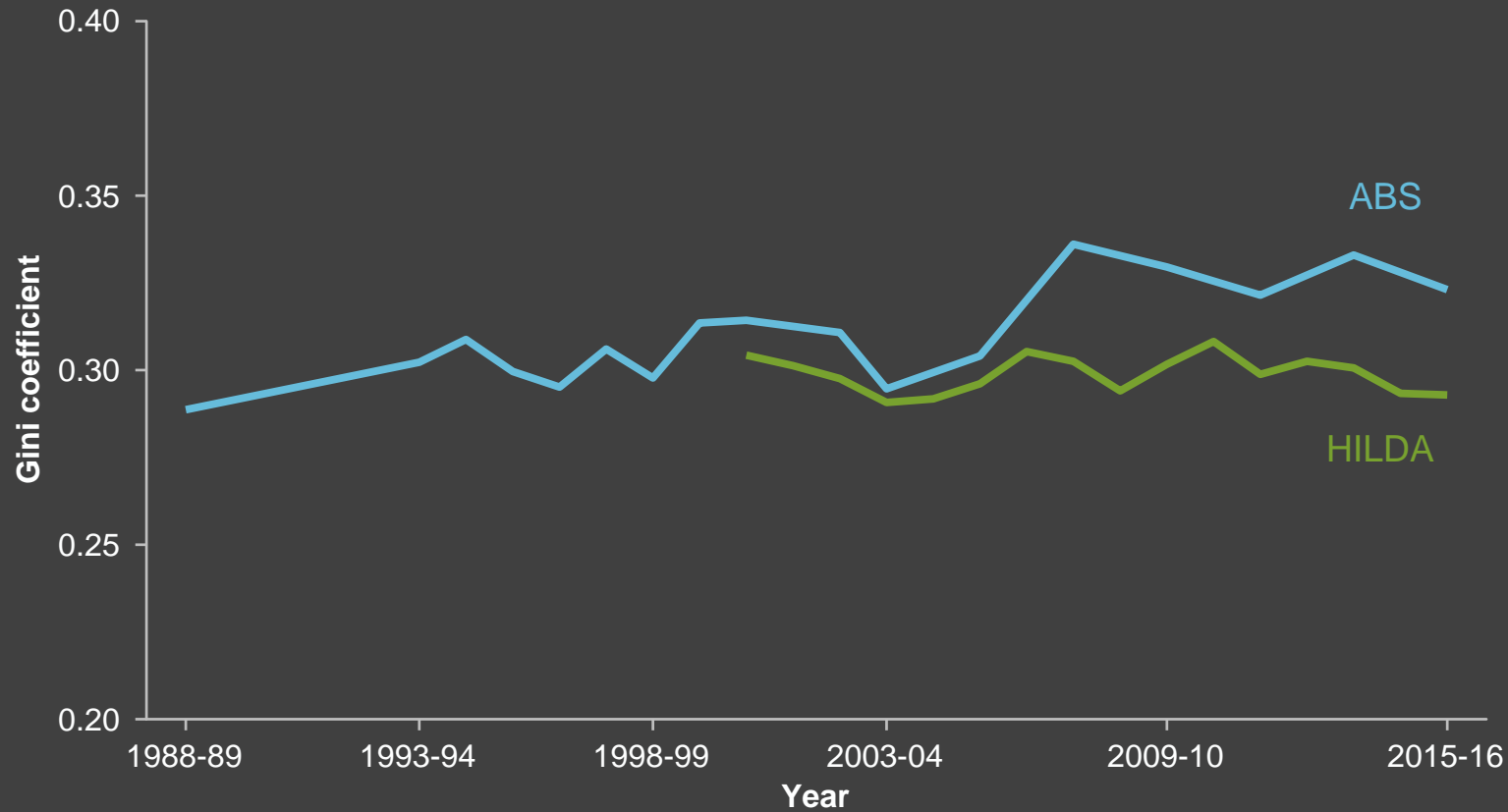
Gini coefficients for equivalised wealth. Household Expenditure Survey and Survey of Income and Housing; HILDA.



Gini coefficients for equivalised consumption. Final consumption = private consumption + in kind transfers from government (such as health and education).



## ▶ But the trend in income inequality is less clear

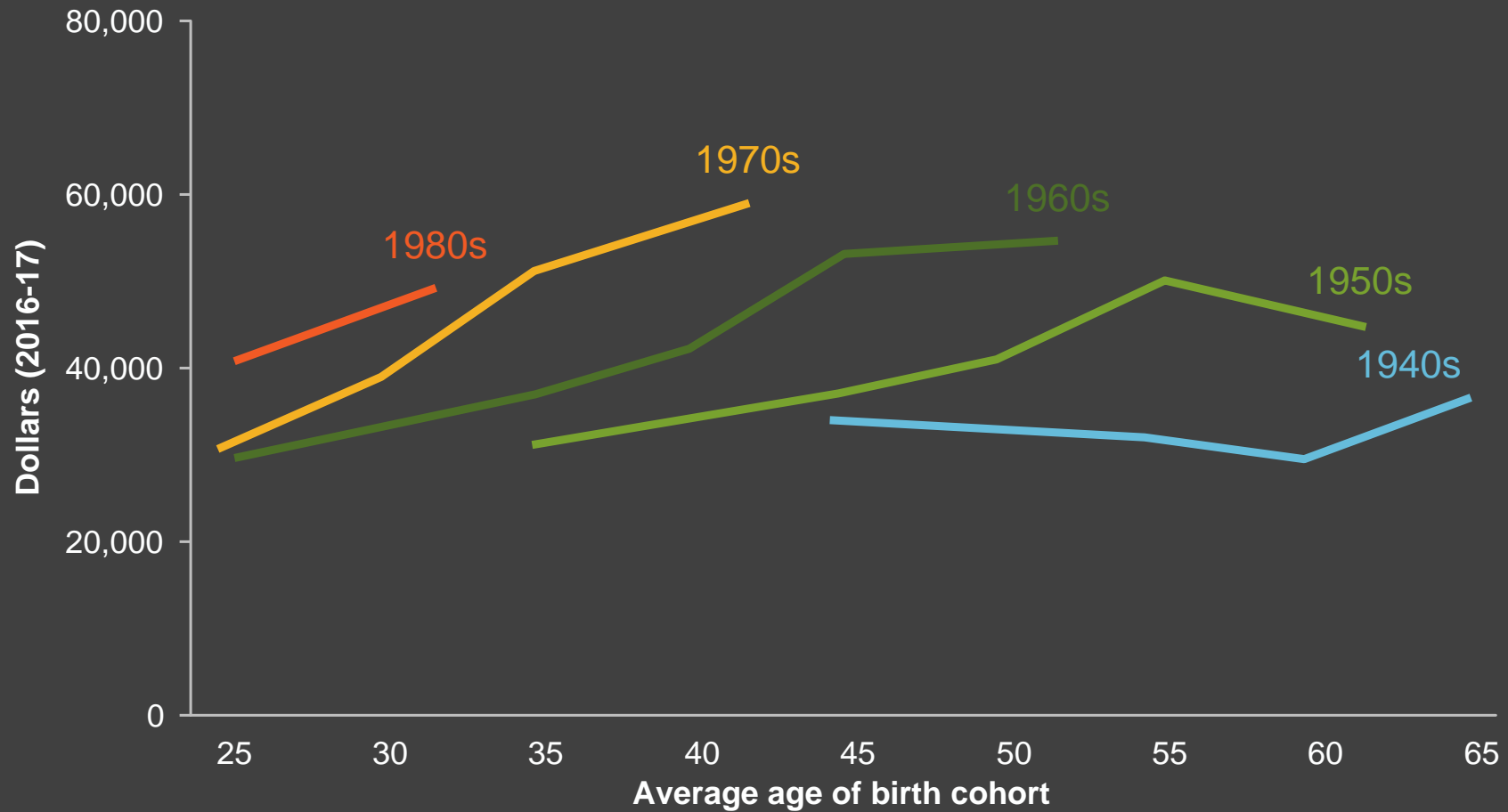


Gini coefficients for equivalised disposable income

ABS = ABS Household Expenditure Survey and ABS Survey of Income and Housing

HILDA = Melbourne Institute Household, Income and Labour Dynamics in Australia survey

# Each generation has earned more than the last

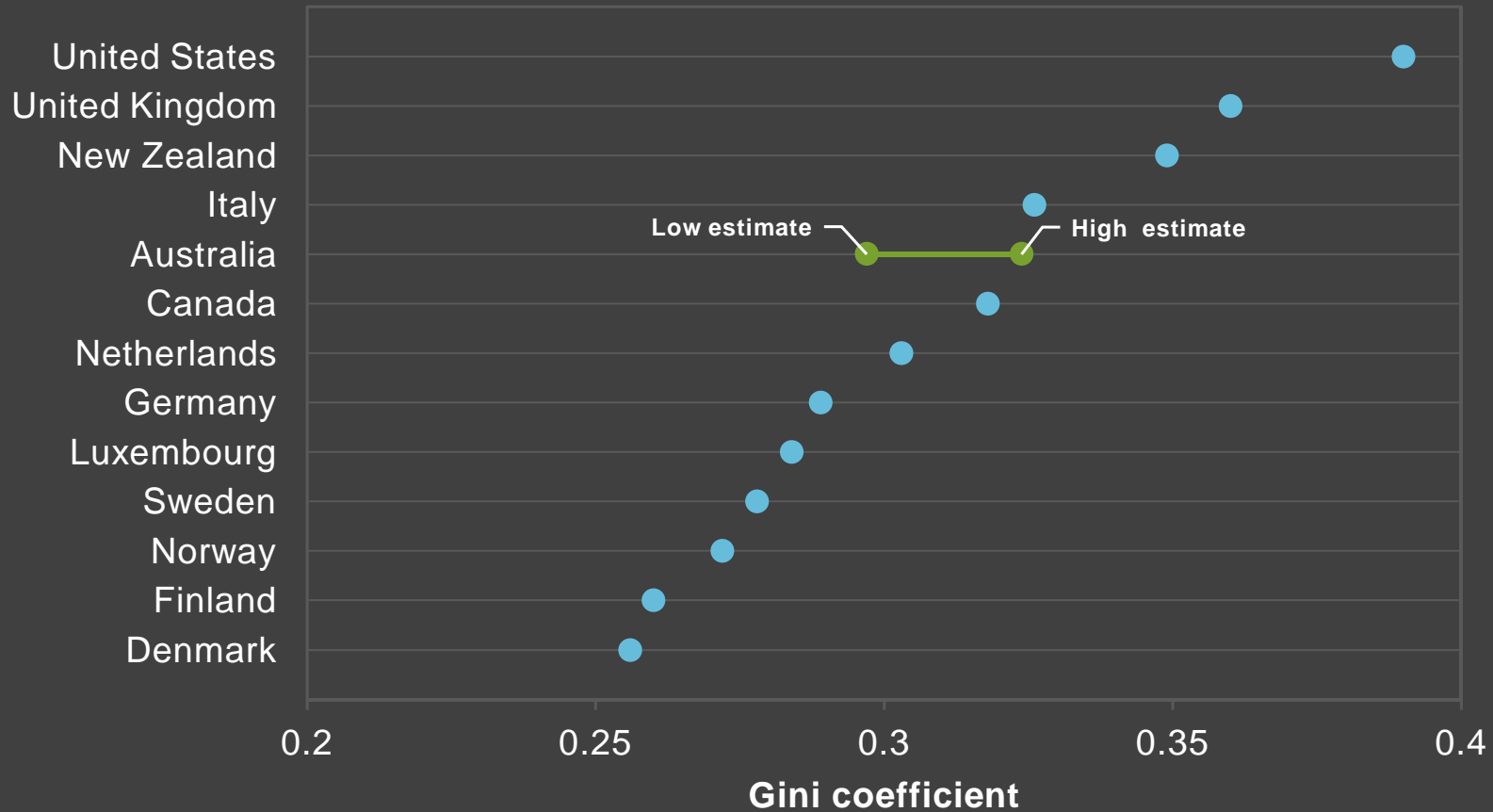


Average individual *real* disposable income by age and birth decade, 1988-89 to 2015-16

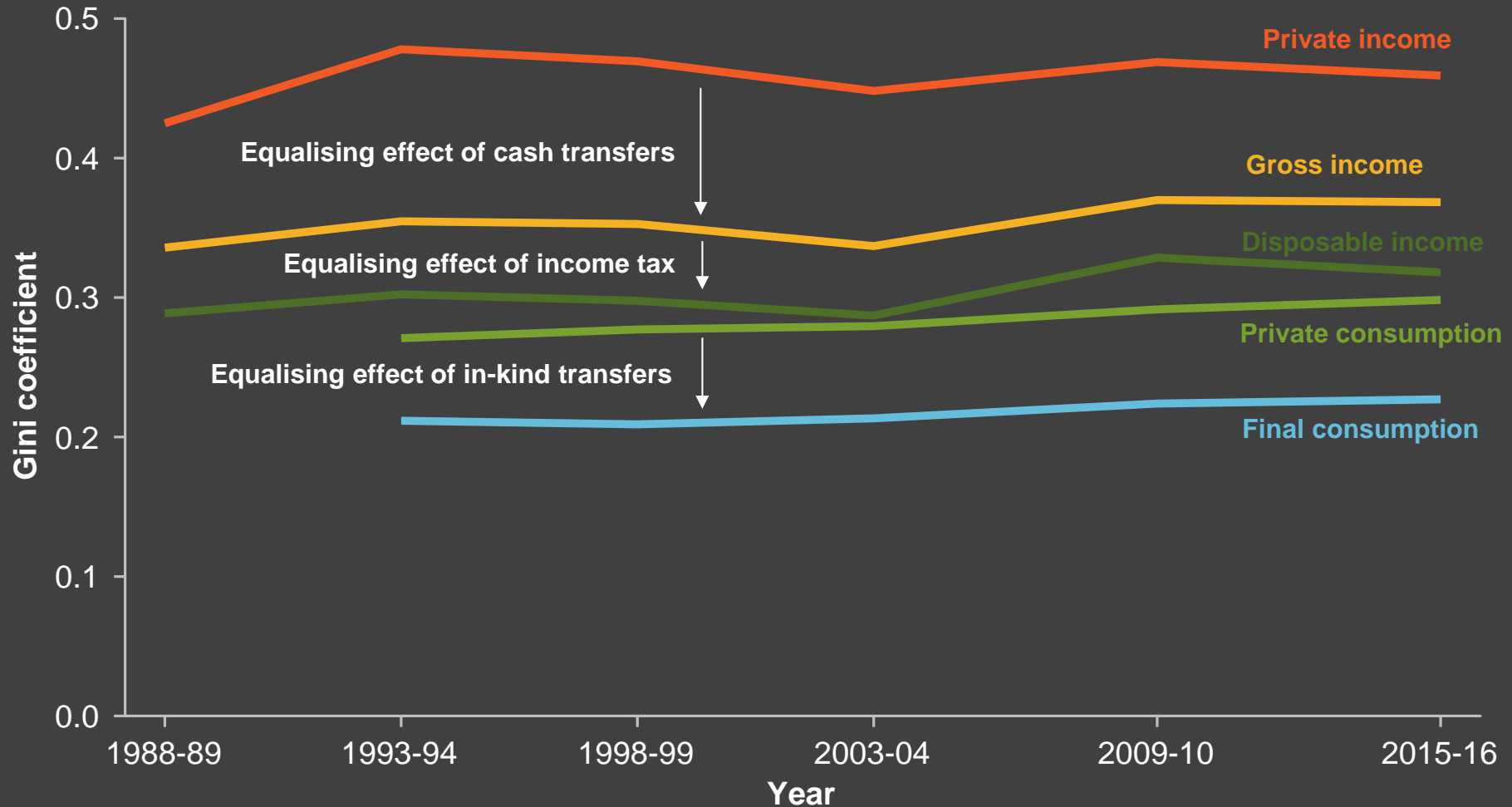
Rising inequality?

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▶ **Income inequality in Australia is close to the OECD average**



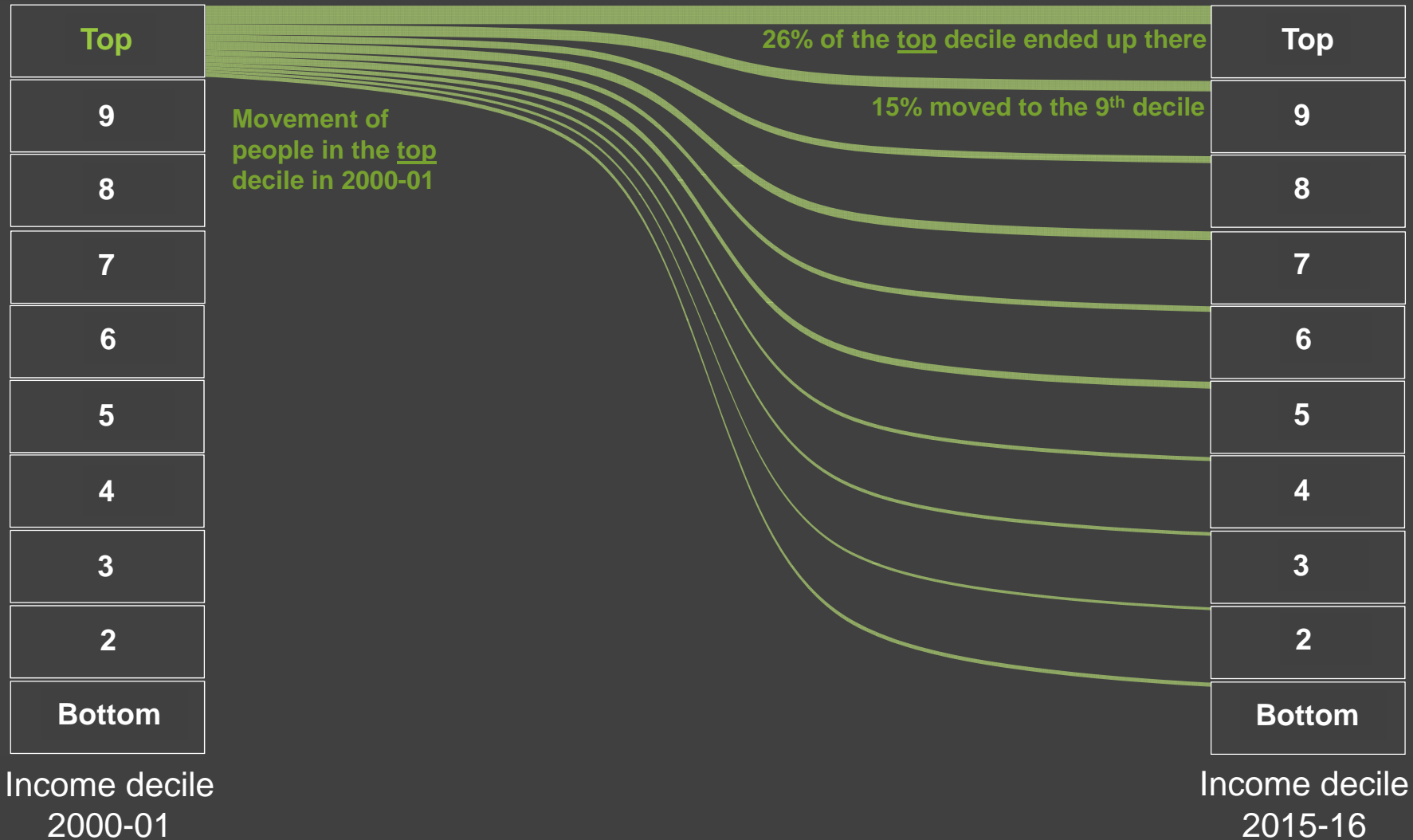
# Income taxes and transfers drive inequality lower



Gini coefficients for equivalised private income, equivalised gross income, equivalised disposable income, equivalised private consumption and equivalised final consumption



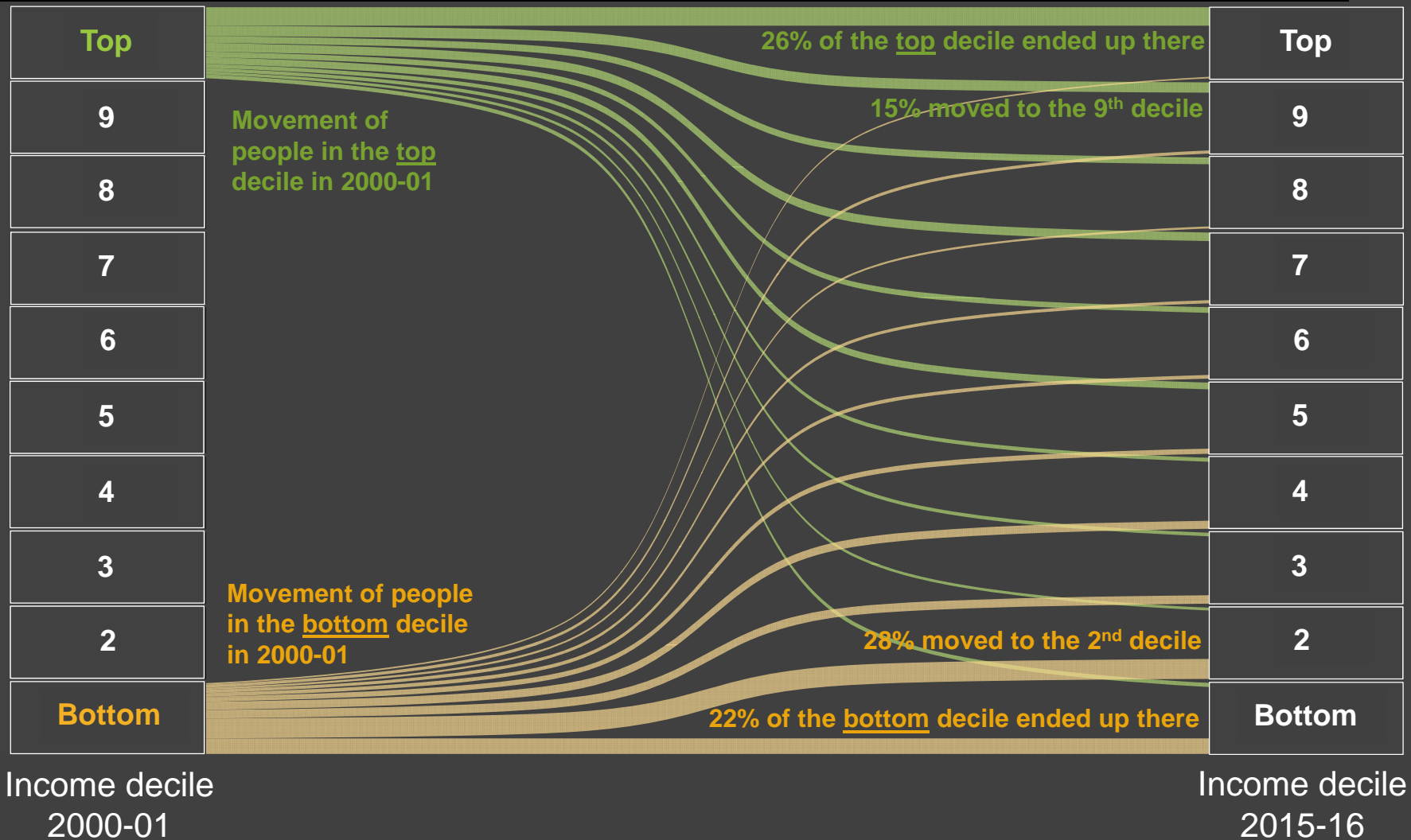
# There is a lot of mobility between income deciles



Proportion of people in the top equivalised disposable income deciles in 2000-01, by income decile in 2015-16



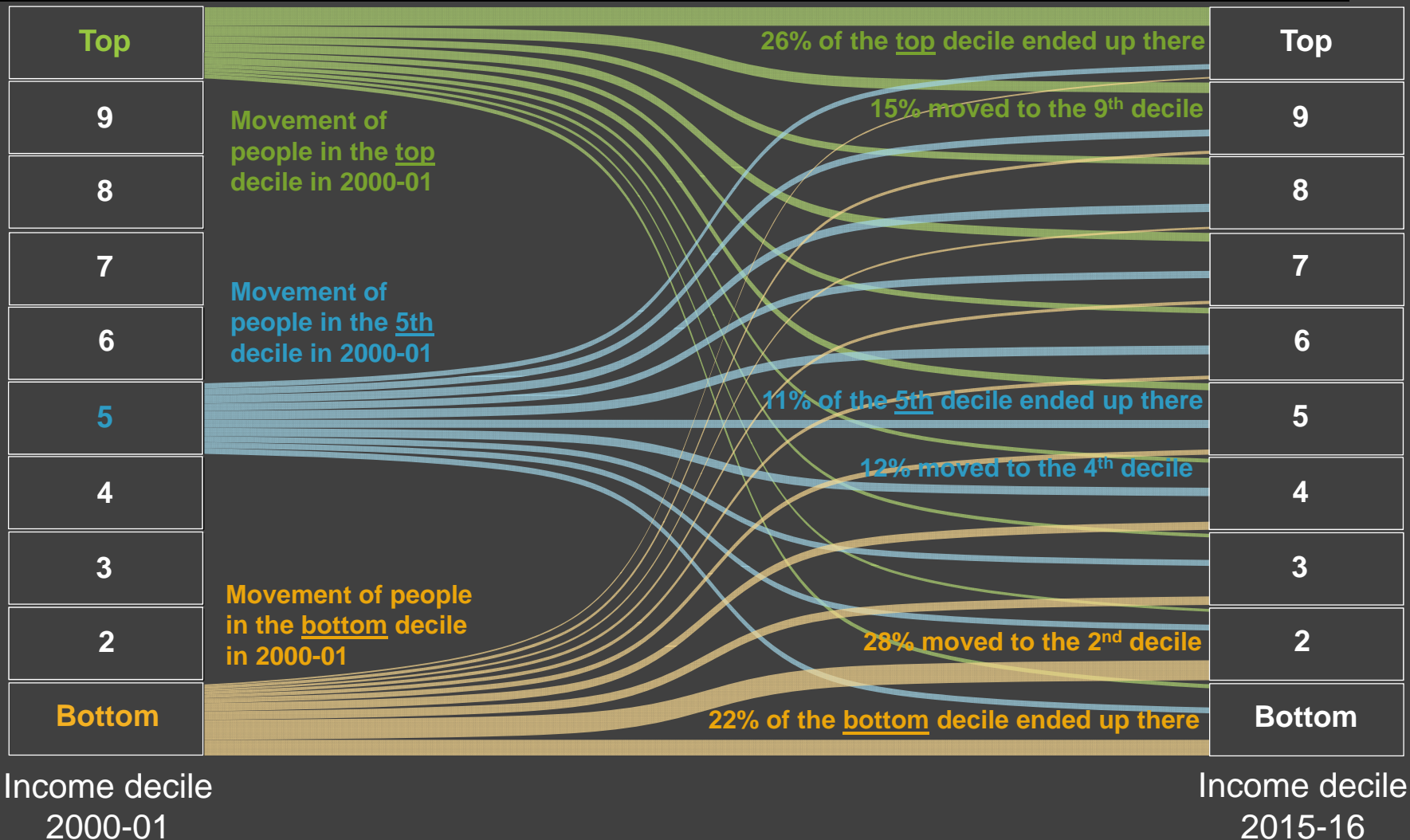
# There is a lot of mobility between income deciles



Proportion of people in the top and bottom equivalised disposable income deciles in 2000-01, by income decile in 2015-16



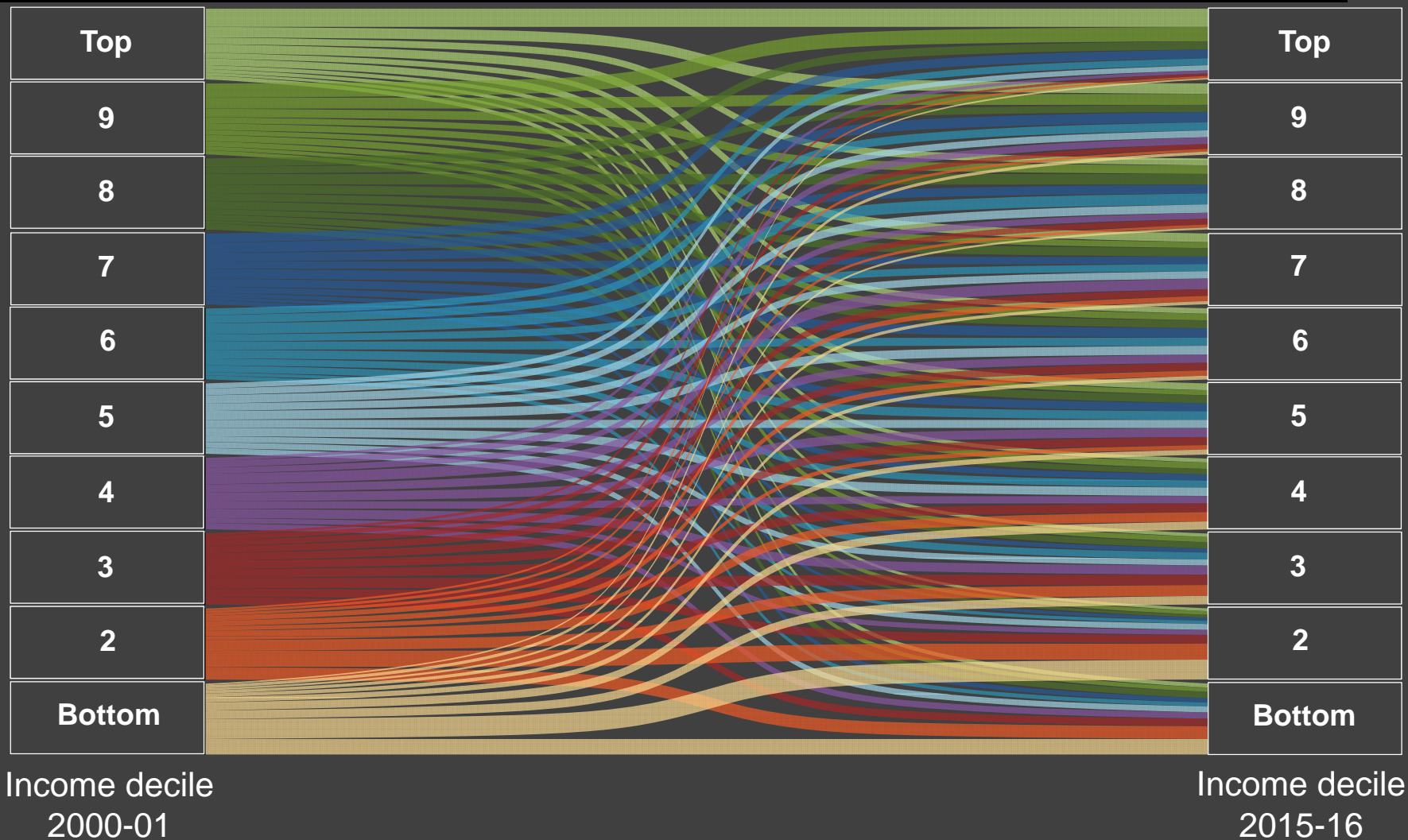
# There is a lot of mobility between income deciles



Proportion of people in the top, 5th and bottom equivalised disposable income deciles in 2000-01, by income decile in 2015-16



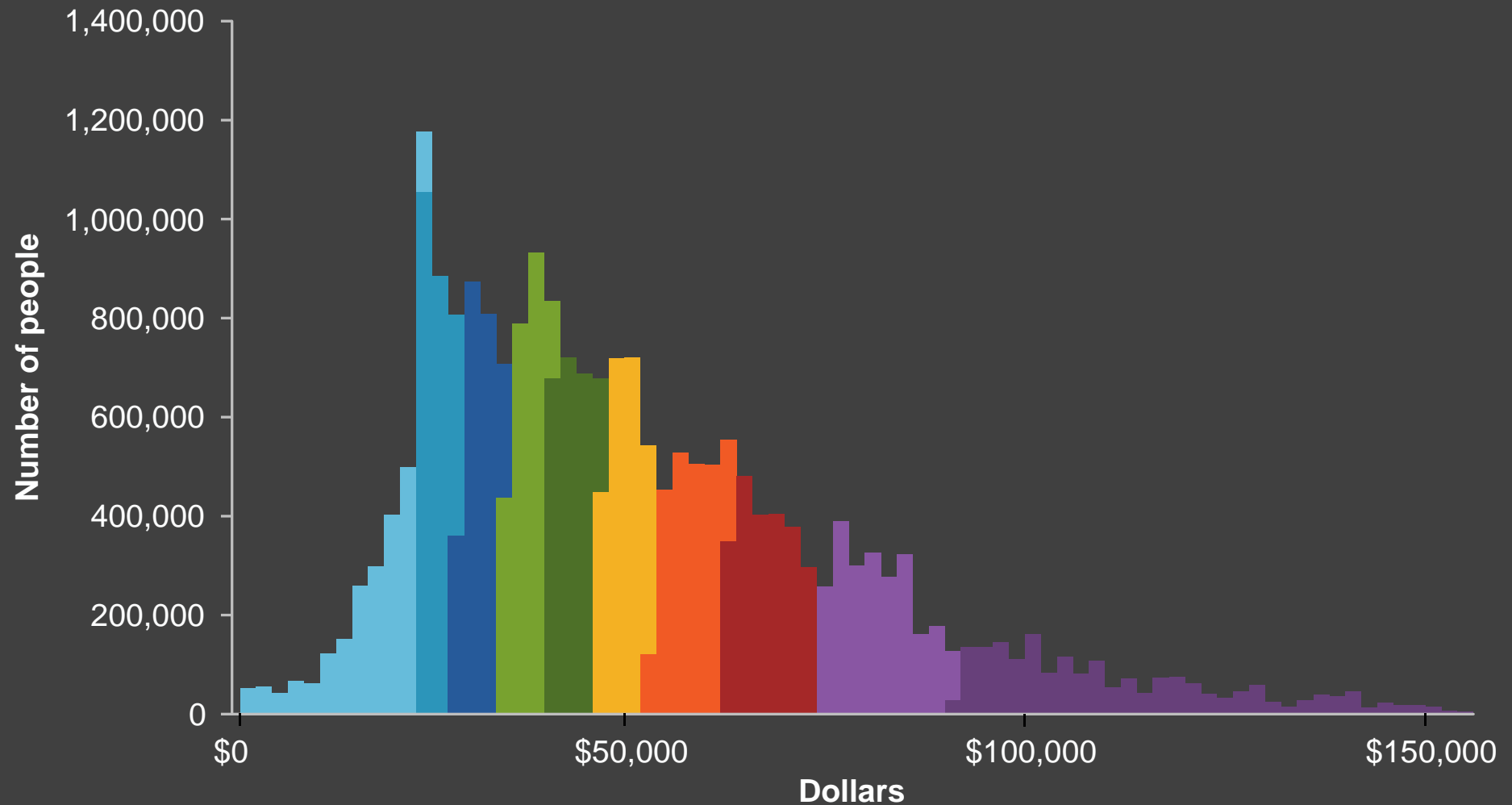
# There is a lot of mobility between income deciles



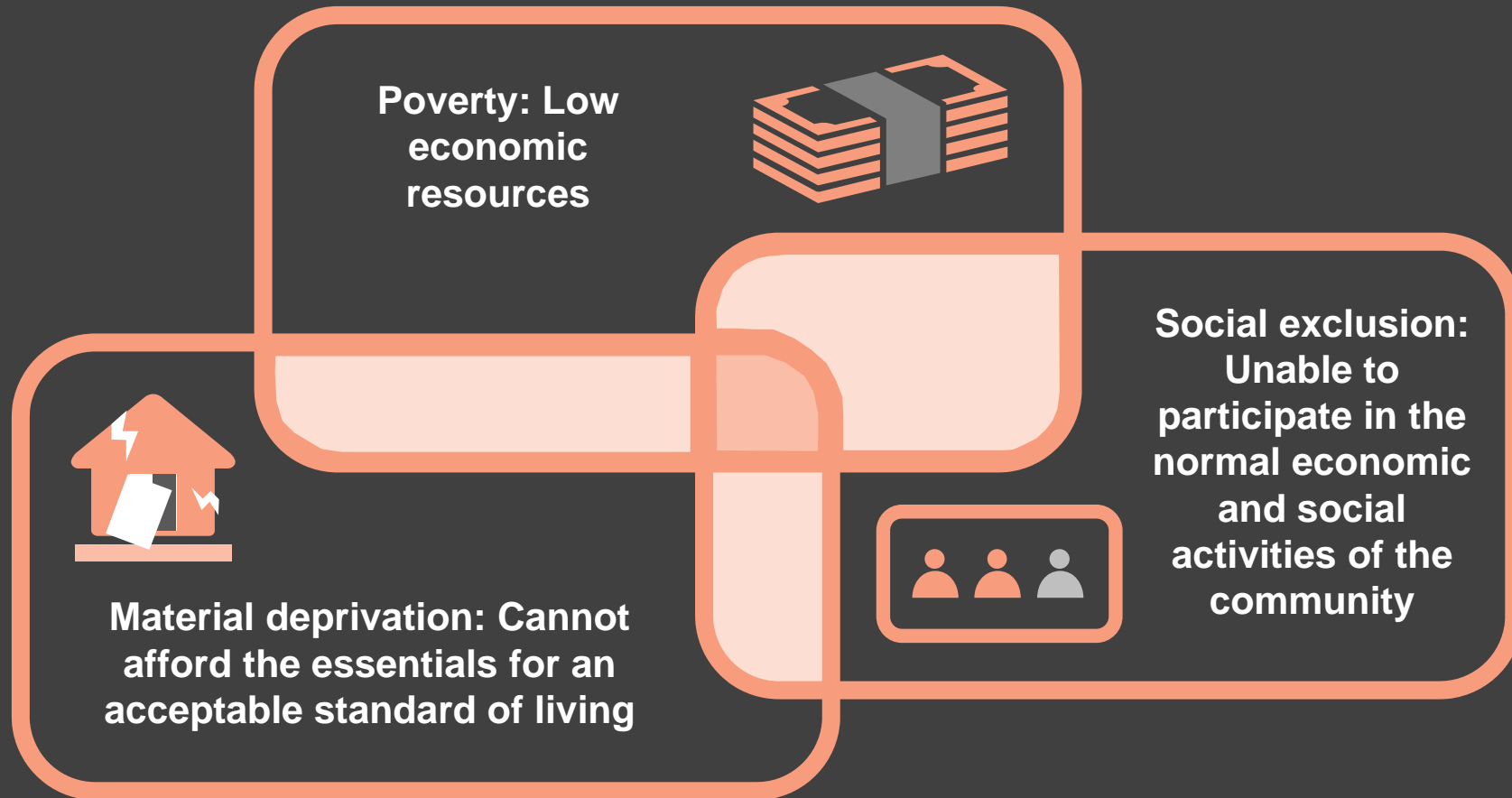
Proportion of people in each equivalised disposable income deciles in 2000-01, by income decile in 2015-16



# ▶ Stickiness at the tails is in part due to the distribution

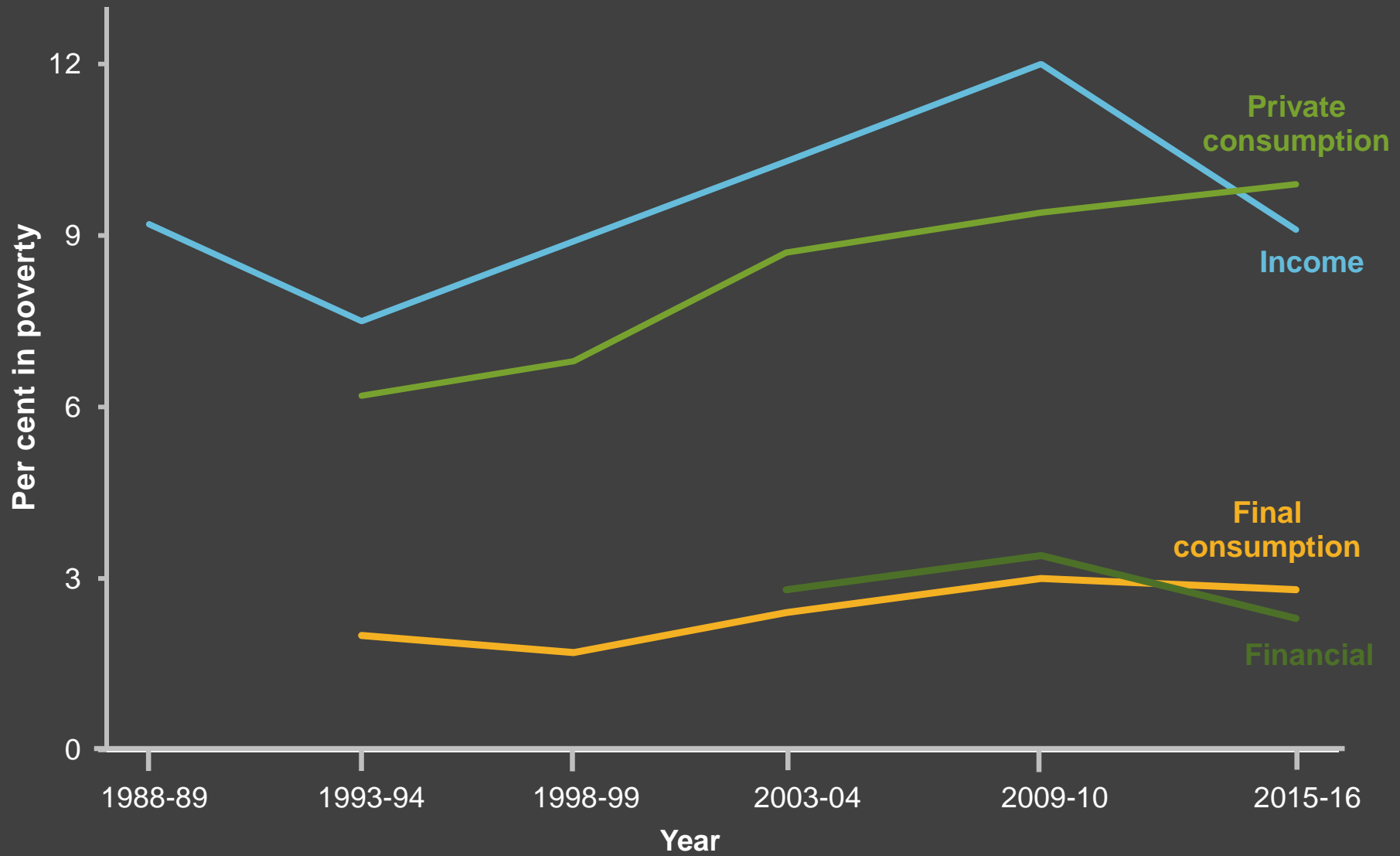


# ▶ Economic disadvantage

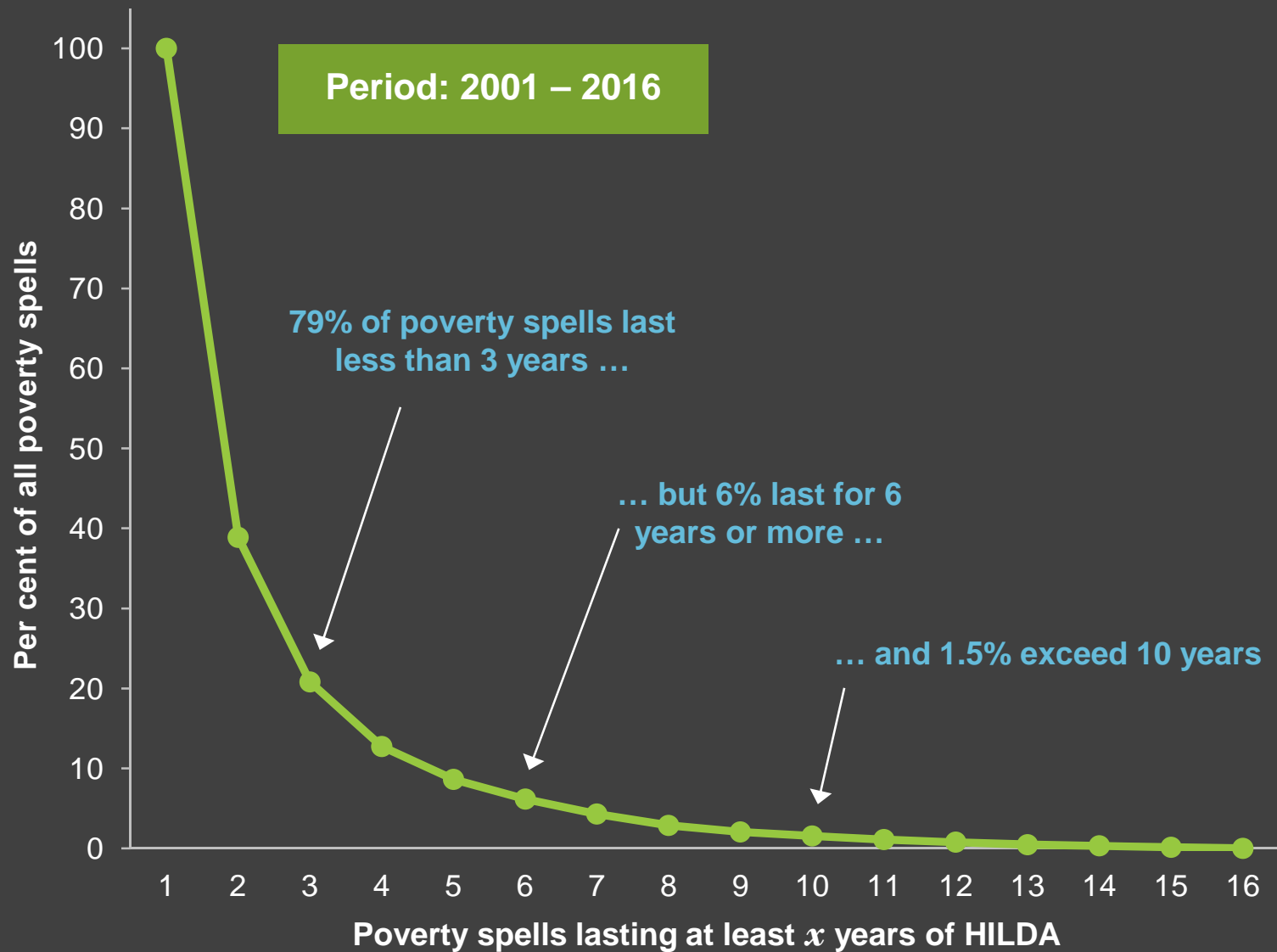




## ► Poverty prevalence



## ► Poverty is *mostly* short-term

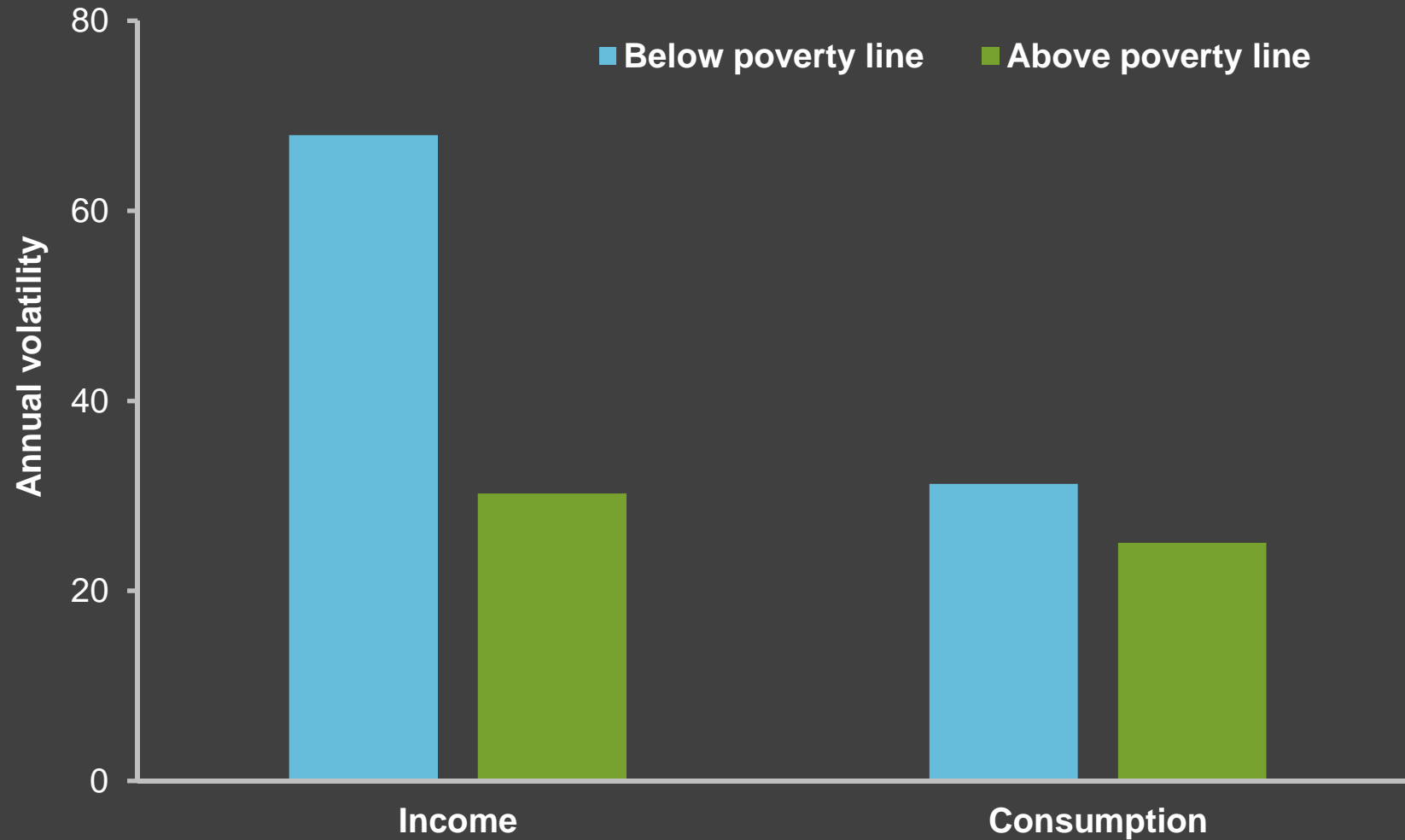






# Low incomes are much more volatile

Period: 2006 – 2016



## ▶ Questions

Thank you

<https://www.pc.gov.au/research/completed/rising-inequality>

