

INEQUALITY IN AUSTRALIA

TOP LINES:

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- There is evidence to suggest that income inequality has stabilised in recent years.
 - The recently released survey of Household, Income and Labour Dynamics in Australia (HILDA) indicated that some inequality measures have continued to improve since the GFC.

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KEY FACTS AND FIGURES:

- In discussing trends in inequality, it is important to look at a range of different indicators, rather than focussing on just one or two metrics.
 - Upcoming data releases from the ABS, including the ABS' Household Expenditure Survey, may provide more clarity on trends in income and wealth inequality.

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- Recent data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey has supported the notion that some income inequality measures in Australia have continued to improve, since the Global Financial Crisis.

QTB Number:	QB17-000026	QTB Category:	Social Policy
Contact Officer:	s 22	Date and time:	29/11/2017 10:39 AM
Contact Number:		Next update:	
Office Responsible	TSR	Office Adviser Initial and Date Cleared	CIE 19/06/2017

- The Gini coefficient for income inequality slightly fell slightly in 2015 to 0.296, from 0.300 in 2014. However, there has been little net change in income inequality between 2001 and 2015, with the Gini coefficient remaining at approximately 0.3 over the fifteen year period.
- The slight decline in the Gini coefficient for income inequality was driven by lower income households catching up to the median, while the gap between middle and higher income households has remained relatively stable.

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- The distribution of wealth is more unequal than for income. According to HILDA (2016), the Gini coefficient for wealth in 2014 was 0.626 compared to 0.624 in 2002.

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OECD

- On 21 May 2015 the Organisation for Economic Co-operation and Development (OECD) published a report comparing different measures of inequality across the developed world, titled *In it together. Why less inequality benefits all.*
 - The report noted that income inequality, as measured by the Gini coefficient, increased by substantially less in Australia than in many comparable OECD countries between the mid-1980s and 2013.

Senate Inquiry into Inequality

- The Senate Community Affairs References Committee tabled its Report *Bridging our growing divide: inequality in Australia – The extent of income inequality in Australia* on 3 December 2014.
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 - The Report found that income inequality – as gauged by various measures – has increased in Australia since the mid-1980s. s 22

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From: s 22
To: [FG SPD Transfers and Social Services Unit](#)
Subject: FW: Key HILDA statistics on wages and income [DLM=For-Official-Use-Only]
Date: Wednesday, 2 August 2017 2:19:43 PM
Attachments: [170802HILDA Report 2017 Wages data for the TO Final.docx](#)

For information.

From: s 22
Sent: Wednesday, 2 August 2017 2:19 PM
To: Gaetjens, Philip
Cc: Brennan, Michael; Wilkinson, Vicki; s 22
Subject: Key HILDA statistics on wages and income [DLM=For-Official-Use-Only]

Hi Phil,

Further to your discussion with Michael Brennan this morning, attached is a summary of the key findings from the 2017 HILDA report on wages and income.

Let me know if require anything further.

Kind regards,

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Transfers and Social Services Unit
Social Policy Division
The Treasury, Langton Crescent, Parkes ACT 2600
phone: s 22
email: s 22

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HILDA Report 2017

Key statistics on wages and income

- According to the latest HILDA report there has been little change in equivalised disposable income inequality since 2001.
 - The Gini coefficient measuring equivalised disposable income inequality is down from a revised 0.300 in 2014 to 0.296 in 2015 (the lowest it has been in 10 years).
 - : This was driven by lower income households catching up to the median, while the gap between middle and higher income households has remained relatively stable.

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From:
To: s 22 [FG SPD Transfers and Social Services Unit](#)
Subject: FW: Revised Secretary's briefing note on inequity [DLM=For-Official-Use-Only]
Date: Thursday, 27 July 2017 6:16:50 PM
Attachments: [170727 - Secretary brief - inequality - revised for TO.docx](#)

For information.

From: s 22
Sent: Thursday, 27 July 2017 6:15 PM
To: s 22
Cc: Brennan, Michael; Wilkinson, Vicki; s 22
Subject: Revised Secretary's briefing note on inequity [DLM=For-Official-Use-Only]

Hi s 22

I've attached, for information, a slightly revised version of the Secretary's briefing note on inequality s 47C

Happy to discuss if you have any questions.

Kind regards,

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Transfers and Social Services Unit
 Social Policy Division
 The Treasury, Langton Crescent, Parkes ACT 2600

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INEQUALITY IN AUSTRALIA

OVERVIEW

In Australia, like other OECD nations, there has been a trend towards greater income inequality since the mid-1990s. However, recent data has supported the notion that income inequality in Australia has improved since the Global Financial Crisis.

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MEASURES OF INEQUALITY IN AUSTRALIA²

Income inequality

¹ This note focusses on financial metrics of inequality, predominantly related to 'income'. However, inequality can also be considered more broadly than financial metrics to also include 'gender inequality', 'intergenerational inequality' and inequality between Indigenous and non-Indigenous Australians.

² The data in this section is from the 2016 Household, Income and Labour Dynamics Survey (HILDA).

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There has been little net change in income inequality between 2001 and 2014, and in fact all inequality measures are slightly lower in 2014 than their 2001 levels.

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Wealth inequality

Between 2002 and 2014, there have been large gains in the wealth of Australian households. Whilst much of these gains occurred between 2002 and 2006, they were met with large increases in wealth inequality as Australia's wealthiest households became significantly richer.

- Between 2006 and 2014, household wealth for most deciles fell, with larger falls being felt by the richest one per cent of households (-9.3 per cent). Those in the lowest wealth decile had strong increases in wealth (25.7 per cent).
- These trends in household wealth led to a fall in the Gini coefficient³ of 1.3 per cent between 2006 and 2014; however, they were not sufficient to offset the increases in inequality seen between 2002 and 2006.

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³The Gini coefficient measures the inequality among values of a frequency distribution (for example, levels of income). A Gini coefficient of zero expresses perfect equality (for example, where everyone has the same income). A Gini coefficient of 1 (or 100 percent) expresses maximal inequality (for example, for a large number of people, where only one person has all the income or consumption, and all others have none, the Gini coefficient will be very nearly one).

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The 2015 OECD paper *In It Together: Why Less Inequality Benefits All* shows that over the past three decades, income inequality has risen in most OECD countries.

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- In relation to Australia, this report found that:
 - Income inequality in Australia has increased by substantially less than many comparable OECD countries over the past 30 years and some key inequality measures have actually fallen since the Global Financial Crisis.
 - The ratio of income of the top 10 per cent compared to the bottom 10 per cent in Australia is below the OECD average.

From: s 22
To: [FG SPD Transfers and Social Services Unit](#)
Subject: RE: Minsub - embargoed HILDA data [SEC=PROTECTED, DLM=Sensitive]
Date: Wednesday, 2 August 2017 11:21:37 AM
Attachments: [170801 MS17-002344 Inequality - HILDA data release.pdf](#)

For info – here's the final version of yesterday's MS.

From: Brennan, Michael
Sent: Tuesday, 1 August 2017 7:00 PM
To: Gaetjens, Philip; s 22 TSR Executive Minute Distribution
Cc: Brine, Matthew; Wilkinson, Vicki; Kouparitsas, Michael; Purvis-Smith, Marisa; Tease, Warren; Vroombout, Sue; Jeremenko, Robert
Subject: Minsub - embargoed HILDA data [SEC=PROTECTED, DLM=Sensitive]

Phil

Attached is a ministerial submission relating to the updated HILDA data.

Also attached is a copy of the report itself which is under embargo until midnight tonight.

Michael Brennan
Deputy Secretary, Fiscal Group
Treasury

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- There has been little change in income inequality between 2001 and 2015 as measured by the Gini coefficient,¹ which slightly improved in 2015 (from 0.300 in 2014 to 0.296). This was driven by lower income households catching up to the median, while the gap between middle and higher income households has remained relatively stable. (Refer to Table 3.2 on page 29 of the Report).
- : This confirms the broad finding that income inequality as reported in HILDA has remained broadly stable since the Global Financial Crisis.

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¹ The Gini coefficient measures the inequality among values of a frequency distribution (for example, levels of income). A Gini coefficient of zero expresses perfect equality (for example, where everyone has the same income). A Gini coefficient of 1 (or 100 percent) expresses maximal inequality (for example, for a large number of people, where only one person has all the income or consumption, and all others have none, the Gini coefficient will be very nearly one).

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Michael Brennan
Deputy Secretary
Fiscal Group

Contact Officers:
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Consultation: Tax Analysis Division, Macroeconomic Group.

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ATTACHMENT A: EMBARGOED HILDA MEDIA RELEASE AND REPORT

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