

# Australian income and wealth study shows “a growing gulf”

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A study based on census data from 2001 and 2006 provides a glimpse into widening social inequality in Australia. The *Advance Australia Fair?* report was released on July 24 by the National Centre for Social and Economic Modelling (NATSEM), based at the University of Canberra, and funded by the financial institution AMP.

During the Howard government’s final years, media commentators perpetuated the image of a “rising tide” of living standards. Supposedly, with higher incomes and “record low” unemployment, a majority of the population was better off. The NATSEM report demonstrates that this is a myth. Even at the height of the property and mining boom, most people were barely “treading water”, struggling with soaring housing and other living costs.

A second misconception was also advanced: that inequality had ended and that the poorest in society were benefiting from increased welfare. *Advance Australia Fair?* also exposes this claim, documenting a “growing gulf between the richest suburbs and the rest of Australia”.

The report investigates changing incomes, housing and living costs between 2001 and 2006 using a “spatial income analysis”. The population is divided into local areas, from the poorest decile (10 percent) to the most affluent. This method is useful in revealing how “good news at the national level can still mask very different outcomes”. Nevertheless, the report averages out inequality within suburbs, obscuring the extremes of wealth and poverty in Australia.

Over the five years, there was an average 31 percent increase in equivalent household gross income—a measure that takes into account how many people in each household. However, there was a sharp differentiation between the top 10 percent of areas,

where income grew by 36.5 percent, and the bottom 80 percent which grew by 30 percent or less. The poorest 10 percent grew by only 29.2 percent, not much more than the inflation rate.

Of course, the wealthier suburbs grow from a higher base. In dollar terms, the poorest 10 percent increased equivalent household gross income by \$109 per week, while the wealthiest 10 percent were up by \$289 per week—nearly three times greater.

These rises, which do not take into account inflation, were substantially eaten away by enormous increases in housing costs, which also had an unequal impact. The average increase in housing costs was 62 percent, but the burden fell heaviest on the middle 50 percent of areas, which experienced at least a 65 percent increase, and as much as 74 percent. This result “clearly illustrates the financial pain experienced by middle Australia”.

Both the poorest and the wealthiest areas had the lowest percentage increases, 48 percent and 54 percent respectively, but there were particular reasons for the low rise in housing costs in poor areas. The report surmises that these areas contained significant numbers of retirees who had already paid off their homes, and were also more likely to include subsidised public housing.

The dual effects of unequal income and housing cost increases are seen in “after-housing costs” income. The top 10 percent of suburbs saw an increase of 33 percent in after-housing income, whereas the bottom 80 percent had increases of about 24 percent. In the words of the report, “the gap between the most affluent neighbourhoods and the rest of Australia ... widened when differential movements in housing costs were taken into account”.

Overall, housing costs increased twice as fast as

incomes. Aptly, the section on housing is entitled “The housing bombshell”. It refers to a rapid fall in the proportion of households that own their home outright, down from about 43 percent in 1995-96 to 34 percent in 2005-06. Between 2001 and 2006, the proportion fell from 41 percent to 32 percent in wealthy and middle areas. This trend will have intensified since 2006, with rising mortgage interest rates, particularly since the onset of the global credit crisis.

When inflation is taken into account, many people were hardly better off. For example, the average after-housing income of Sydney households increased by 22 percent over the five year period, but because of rising prices for food, transport, education, childcare and other items, “they were not in a much better financial position by 2006”. There were similar results in Melbourne, Adelaide and Hobart.

Again, these averages do not tell the full story. The report shows that each of the main population centres, including Sydney, Melbourne, Brisbane and Adelaide, has concentrations of wealth, with large chunks of poorer areas, separated by “buffer zones” of middle income earners.

The report also shows sharp divergences in unemployment. Despite a fall in the official national unemployment rate from 6.8 percent to 4.8 percent between 2001 and 2006, more than 100 local areas out of about 1,400 had an *increase* in unemployment. While mining-related rural areas and the “boom towns” of Brisbane, Perth and Darwin saw sharp falls in joblessness, there was less change in Melbourne and Sydney.

Thus, even based on the government’s own measure of unemployment, significant layers of the population were worse off on the jobs front. These official figures understate the situation because they do not count those working in casual, temporary or part-time jobs. A much starker picture would emerge if the real levels of unemployment and under-employment were considered.

In the section entitled “Two Australias?” the report points to the mining boom as rewarding a narrow layer of the population, leaving the rest behind. Outside the capitals, the wealthiest areas are those that have benefited from the mining boom. The report notes that “strong growth was evident for Western Australia and Queensland” but many households in Sydney,

Melbourne and Adelaide saw “little improvement in their standard of living”.

There are indeed two Australias, but as the report’s own statistics demonstrate, the divide is not primarily geographical. Nor is the “growing gulf” simply a product of expanding exports to China and other Asian countries. Throughout Australia working class living conditions stagnated or declined, even amid the mining export bonanza. At the other pole, for a wealthy minority, incomes rose substantially. Fundamentally, increasing social polarisation is the inexorable product of an economic order based on the extraction of private profit: a system producing increased social distress for working people around the world.



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