Official report confirms growing inequality in Australia

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A new report released by the Australian Bureau of Statistics (ABS) shows that the gap between the richest and poorest layers of society has widened since the beginning of the global financial crisis in 2008. The statistics indicate that, as has happened elsewhere around the world, the wealthy elites in Australia have been able to exploit the economic breakdown to profit at the expense of ordinary people.

For all the claims that Australia has been shielded from the global turmoil by the current mining boom, the results point to a different conclusion: that the benefits of this boom have been confined to a small minority of people. While the richest households, particularly in the top 1 percent, continue to increase their share of net wealth, 4.9 million people, or 23 percent of the population, were living under mounting financial stress in "low economic resource households".

In 2009-10, the wealthiest 20 percent (quintile) of households held 62 percent of the total net wealth of all households, an increase from 59 percent in 2003-04, while the poorest quintile held less than 1 percent. The bottom three quintiles—60 percent—had just 18 percent.

More than 1.2 million households (16 percent) had net worth less than $50,000, yet the number of households holding more than $5 million—the top 1 percent—grew from 50,200 to 88,300 during the six-year period.

The poorest households suffered increasing financial insecurity. The bottom 40 percent of households by income all earned less than they spent. This situation was most extreme for the lowest-earning 10 percent of households, where expenditure outstripped income by about $200 per week. These figures include government support, such as pensions and unemployment benefits.

The ABS Household Wealth and Wealth Distribution report does not delve into the reasons for these extraordinary figures, but they have two obvious explanations. Firstly, many poor families are living on, and are only able to survive, because of credit. Secondly, increasing numbers of elderly households (households that earn little, if any, income) are using their assets, including the values of their homes, to pay for their living costs.

As with most studies on inequality, the report has rated barely a mention in the media. Such data challenge the notion peddled by the political establishment and media that Australia is more equal than other societies. That idea is rooted in notions of Australian exceptionalism, that is, the claim that Australia is separate from global economic events and that there is little or no genuine conflict between classes.

The new figures show that although Australia's inequality is not yet as great as that in the United States, where the top 20 percent hold more than 80 percent of the wealth, the trend is heading in the same direction. Even within the top 1 percent, most of the wealth increase went to the super-rich. The number of Australian households worth more than $10 million—the top 0.3 percent—more than doubled from 10,300 to 24,200 between 2003-04 and 2009-10.

At the other end of the social scale, the ABS reports on a range of "stress indicators". About 43 percent of households in the lowest income and wealth groups said they could not raise $2,000 in an emergency, such as illness, unemployment or car repairs. About 50 percent of households in the low wealth bracket said they would not be able to raise the funds from their own savings or from a bank, but instead would need to go to family or friends.

About 39 percent of these low wealth households reported that their finances were worse than they had been two years before—a development at least partly explained by the growing levels of unemployment and the fact that business has responded to the global recession by shifting workers into part-time or casual positions. Only 17 percent of low income and low wealth households were *ever* able to save money.

The statistics indicate that millions of people are living on a financial knife edge, facing constant crises. Among low economic resource households, 43 percent reported one or more cash flow problem over the previous 12 months, with the most common problem (reported by 31 percent of these households) being inability to pay a utility bill on time. Sixty-nine percent reported missing out on one or more experience over the 12 months, with 56 percent unable to afford a holiday of at least one week.

Not just households in the lowest income groups reported deteriorating financial circumstances. More than 27 percent of *all* households reported being financially worse off than they were two years ago. More than 45 percent of *all* households reported that they just managed to "break even" in their finances.

The report also notes that despite nearly 20 years of compulsory superannuation, the amount of retirement savings available to the vast majority of households is paltry at best. A quarter of households had no superannuation at all. For households that had superannuation accounts, their average value was $154,000. However, for half of these, the value was less than $60,000. Such amounts will be of little assistance in paying for rising aged care costs, especially in the face of deep cuts to government spending.

The compulsory superannuation levy was introduced in the 1980s by the Hawke Labor government and by 1994 had increased to 9 percent of wages. The levy is formally paid by employers, but wage-setting takes into account their superannuation costs, so the levy is in fact passed onto workers themselves. Superannuation funds are heavily invested in stock exchanges. The losses sustained since 2008, together with the fees that fund managers charge, mean that many workers' planned retirement incomes have largely disappeared into finance industry coffers.

This outcome is in line with Labor's design, which was always to provide the financial markets with a new multi-trillion dollar source of funding. A report commissioned by the Australian Broadcasting Corporation, released last year, indicated that workers would have achieved better returns from an ordinary bank account than Labor's superannuation scheme.

The ABS report points to a society in the throes of a deep and intractable social crisis, with country's super-wealthy steadily increasing their wealth, exacerbating the economic insecurity and poverty among working people.