Inequality in Australia rising at one of world’s fastest rates

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An Australian Council of Social Service (ACOSS) report has revealed that income inequality in Australia is higher than the average in the 34 OECD industrialised countries. In fact, the rate of increase of inequality is greater than any other OECD country bar two—Israel and Germany.

Entitled, *Inequality in Australia—A Nation Divided*, the report, released last week, highlights that the much-vaunted mining boom benefited only a tiny elite at the top of the income table. This was the boom that successive governments, both Liberal and Labor, said had allowed Australia to dodge the bullet of the global financial crisis.

Based predominately on 2012 figures from the Australian Bureau of Statistics, the report predates most of the austerity measures implemented by the previous Labor government and the current Abbott Coalition government. These include cuts to sole parent benefits, training and apprenticeships, university and education funding, hospitals and the health system, and public service jobs. Since 2012, unemployment levels have risen, wage rates have stagnated and poverty levels have increased.

The Labor government’s 2012 budget slashed expenditure by 4.3 percent, the largest decrease in 25 years, but continued the fiction that the Australian economy was an island able to withstand the impact of the international crisis of capitalism.

Introducing the budget, Treasurer Wayne Swan declared: “Tonight we make a forceful statement that ours is one of the world’s strongest economies and fairest communities. Not even a sovereign debt crisis in Europe or unprecedented natural disasters here at home could deny Australia this substantial achievement. The deficit years of the global recession are behind us. The surplus years are here.”

The figures amassed in the ACOSS report put paid to this picture. Between 1995 and 2012, only the top 20 percent of households recorded an increase in their share of national income, with the bottom 20 percent experiencing the largest reduction in their share.

By 2012, people in the top 20 percent received five times more income than those in the bottom 20 percent. They obtained 40 percent of national income, while the bottom quintile received only 7.7 percent.

These statistics underestimate the growing gap, because the rich also benefit from capital gains, due to the rise in house prices and other assets, which is not counted as income.

While these are staggering levels of inequality, it is when one drills down to the top five and one percent of the income table that the stark polarisation of wealth is revealed.

The average income of households in the top 5 percent was $5,121 per week, 13 times the weekly income of the bottom 5 percent at $402. The average income of the top 5 percent rose 78 percent between 1995 and 2012, while the bottom 20 percent rose by only 44 percent.

The top 1 percent captured more than 20 percent of the pre-tax growth in income between 1975 and 2007, when the global financial storm erupted, and its share of income doubled from 5 percent to 10 percent.

Since 1978, 75 percent of the increase in income of the top 10 percent has gone to the top 1 percent and 65 percent has gone to the top 0.1 percent, which consists of 18,000 individuals who earn an average of $600,000 annually.

In 1980, Australia had the second lowest (after Sweden) share of any OECD country accruing to the top 1 percent. Now it lies between fifth and seventh in the ladder.

While real wages increased by 50 percent during the 25 years to 2010, only 14 percent of income growth went to the bottom 10 percent of society, while a whopping 72 percent went to the top 10 percent.

The income growth of the bottom group was attributed in the main to a $30 per week increase in aged pensions in 2009, people re-entering the workforce from periods on social security benefits and workers taking on longer hours. By contrast, the rise in income at the top was the result of increased investment income and eight successive tax rate cuts, which benefited the highest income earners the most.

Investment income for the top 10 percent more than doubled between 2004 and 2010. The disparity was vast: the top 5 percent gained an average of $1,066 per week from investment income, while the bottom 5 percent obtained $34 per week.

For the poor, the situation was compounded by the Goods and Services Tax and other indirect taxes, which adversely affect them by far the most. Those in the lowest income quintile paid 21 percent of their income—after tax—in indirect taxes, whereas those in the top 20 percent paid only 8 percent.

People in the bottom 20 percent are overwhelmingly 65 years and over, single parent households, immigrants from non-English speaking backgrounds and those on government benefits, particularly the Newstart unemployment benefit. Newstart has been frozen at 1994 levels, condemning the unemployed to levels of poverty and deprivation from which it is almost impossible to escape.

Nineteen percent of the population receives government benefits and allowances, including Newstart and aged, disability and single parent pensions. Increasingly, social security recipients are forced to turn to emergency relief handouts from charities and government agencies to survive.

Wealth inequality is rising. A person in the top 20 percent has 70 times as much wealth as a person in the bottom 20 percent. Those in the top 20 percent of households own 61 percent of all wealth, while the bottom 20 percent holds less than 1 percent.

Again, if one dissects the top 20 percent it reveals the concentration of wealth in a tiny ultra-rich elite. Of the 61 percent of society's wealth in the hands of the wealthiest quintile, the top 10 percent of households own 45 percent and the top 5 percent has 30 percent.

At the other end of the scale, the bottom 40 percent of households own only 5 percent of all wealth. A full 80 percent of investment property is held by the top 20 percent and it also holds 60 percent of all superannuation (retirement savings).

Between 2004 and 2012, the wealth of the top 20 percent increased by 28 percent, while the wealth of the bottom 20 percent increased by just 3 percent.

An analysis of the components of the assets owned by the different quintiles reveals a dramatic variation. The wealth of the poorest quintile is made up of low-value assets like vehicles and home contents. For the middle (2nd, 3rd and 4th) quintiles, 56 percent of their wealth resides in the family home, but in the top quintile only 35 percent of the wealth is in the family home. The rest is in shares, property and superannuation.

Massive rises in property prices in major cities have increased the levels of wealth inequality. The bottom 20 percent of the wealth table—mainly young people, single people and sole parents—are increasingly shut out of the housing market. Home ownership rates declined from 1981, with the greatest fall in the 25-34 year age bracket. In 1981, 60 percent of this age group owned their own home. By 2011, that had declined to 48 percent.

The report states that in the ten years to 2012, the average housing price increased by 92 percent. However, this figure camouflages the steep rises in Sydney, Melbourne, Brisbane and Perth. In Sydney, the median house price has increased by a staggering 1,250 percent since 1985, more than trebling the ratio of the median house price to annual income.

As the report acknowledges, inequality is accelerating throughout the world. However, it cites a warning from International Monetary Fund (IMF) managing director Christine Lagarde, that "excessive inequality makes capitalism less inclusive. It hinders people from participating fully and reaching their full potential."

Lagarde and the IMF, on behalf of the banks and the financial elites, are presiding over the imposition of austerity measures in Greece, demanding further cuts of 20 percent to pensions, increases in consumption taxes and energy price rises. This is on top of five years of cuts that have slashed wages by almost 40 percent, denied medical care to millions and resulted in mass unemployment, hunger and homelessness.

The picture presented by the ACOSS report is a damning indictment of Australian and global capitalism, and the conscious policies of governments, both Liberal and Labor, imposed in the interests of the wealthy. It is not, as argued by ACOSS CEO Cassandra Goldie, that "we have allowed complacency to blind us to the need to ensure the benefits of growth and prosperity are shared by everyone."

According to Goldie: "The policy solutions are within our grasp; ensuring every individual and organisation pays their fair share of tax; rebalancing tax breaks skewed in favour of people on higher incomes; redoubling efforts to stem the tide of rising unemployment; and improving the adequacy of payments for people who are unemployed or unable to obtain paid work." To promote the conception that pressure can be exerted on government policy to reverse the rapid rise of inequality is to deny the very situation revealed by the report itself. The polarisation of wealth and income is the result of policies that, far from being alleviated, are intensifying.

Just as the world is witnessing in Greece, the working class is being forced to pay for the crisis of the world economy created by the banks and corporate institutions, whose executives and owners populate the top of the wealth table. It is only the overthrow of capitalism itself and the establishment of a socialist society that can stop the pauperisation being imposed on millions of people in Australia and throughout the world.