Australian reports show declining incomes and soaring debt

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Two recent reports, released over the past month, provide a further glimpse into the deepening social disaster affecting broad layers of the Australian population. The crisis is characterised by declining real incomes, a massive growth of debt and soaring house prices that are out of the reach of most workers and young people.

The annual Household, Income and Labour Dynamics in Australia (HILDA) survey, produced by the University of Melbourne, found that real median household disposable income declined by a total of over $1,000 between 2009 and 2015.

The figure stood at $77,411 in 2009, before plunging to $73,500 in 2011. It was just over $76,000 in 2015, when the latest data was collected. Between 2014 and 2015, however, median disposable income fell by roughly $600. When "equivalised" in the report, the 2015 median disposable income for a single person was just $46,000, meaning that 50 percent of respondents earn less than that.

The figures are among a series from the survey, based on a sample of more than 17,000 people. The data underscored the social reversal which has been imposed by governments and the corporate elite since the 2008 financial crisis, through real wage cuts, widespread sackings and the gutting of social services.

Young people have been among the hardest hit by this agenda. Average weekly earnings for employed university graduates, under 30-years-old, in the year after they completed their studies, plummeted from $1,428 for those who graduated between 2006 and 2009, to $957, for those who completed their course between 2012 and 2013.

The decline has gone hand in hand with the rise of part-time, casual and precarious work, which accounts for up to 40 percent of all employment, and is particularly prevalent among young people.

Full-time employment, for the 2010–2011 university graduate cohort, three years after they received their degree, was just 56.6 percent, compared with 73 percent for those who finished studies between 2006 and 2009. Underscoring the same trend, part-time employment, a year after university, rose from 19 percent for graduates from 2006 to 2009, to over 25 percent for the 2012 to 2013 cohort.

The falls in income documented in the HILDA report tally with other figures, including record low official wage growth, which was just 1.9 percent for the last financial year. Data from the Australian Bureau of Statistics, in March this year, found that labour's share of national gross domestic product has fallen to the lowest level in history, while the proportion going to corporate profits has continued to rise, reaching a high of 24 percent.

The HILDA report pointed to inequality in income growth. The income of the top 10 percent of households grew by 1.91 times the median rate in 2014. This was the fourth time in the five years to 2014 that income rises for this cohort outstripped median growth rates. The report highlighted entrenched inequality, noting that an increase in income stability over the past 15 years indicated that, "people with low incomes … are more likely to have persistently low incomes."

The fact that much of the real income decline is being registered by the poorest layers of the workforce was underscored by ME Bank's Financial Comfort Report, released at the end of July.

Based on a survey of 1,500 households, it found that 45 percent of those earning less than $40,000 a year suffered an income decline over the previous six months. Only 22 percent of households in that bracket saw an income rise. Other vulnerable sections of the working class reported stagnant or declining incomes, including 91 percent of unemployed respondents, 80 percent of retirees and 76 percent of students.

By contrast, 46 percent of households earning over $100,000 a year saw income gains, with only 17 percent reporting falls.

The bulk of the respondents reported that the divergence between declining incomes and a rising cost of living was creating increasing financial uncertainty. Some 51 percent said they had no cash left at the end of the month after paying bills and living costs, meaning they are living from pay-cheque to pay-cheque, and could fall into a financial crisis as a result of a job loss, or any unexpected expenses.

The main living expense was housing. Around 48 percent of respondents with a mortgage were spending more than 30 percent of their disposable income on housing, the figure generally used to define “mortgage stress.” Some 10 percent of all respondents reported allocating more than 60 percent of their disposable income to housing, a measure of severe stress.

Average house prices have doubled over the past eight years in Sydney and Melbourne, the centres of the property boom, reaching $1 million in the former, and more than $900,000 in the latter, this year. Over the same period, mortgage stress has grown, currently affecting an estimated 800,000 households, while the national household debt to income ratio has soared to 189 percent, the second highest ratio in the world. The HILDA report found that among young mortgage-holders, housing debt rose from $169,000 in 2002, to $337,000 in 2014.

In line with these trends, the percentage of respondents to the ME Bank survey who said they would not be able to service their minimum debt repayments over the next 6 to 12 months grew to 9 percent, a 4 percent increase in 6 months.

Among those earning less than $40,000 a year, the number of respondents who said they were unlikely to be able to pay their debts was almost 20 percent. Another 33 percent of all respondents across income levels said they would “just manage to make the minimum payments.” The responses underscored the warnings that mounting debt could result in a rush of mortgage defaults, which would threaten the stability of the entire property market, upon which the Australian banks, and the entire economy, are heavily reliant.

The HILDA report also made clear the housing boom has “priced” broad sections of the population out of the market.

Home ownership rates among under 40-year-olds fell from 29.2 percent in 2002, to less than 20 percent in 2014. The decline has been most marked in Sydney, where youth ownership rates plummeted from 31 percent to 20 percent in the space of just two years, between 2012 and 2014. As a result, by 2015, 60 percent of men, and 48 percent of women, between 22 and 25 years of age, live with their parents. These are increases of around 20 percent since 2001.

Working-class families have been severely affected. Among 18- to 39-year-olds with children, home ownership fell from 56 percent, to 39 percent, between 2002 and 2014.

The historic reversal in ownership rates was a factor in the Australian Housing and Urban Research Institute labelling 1.3 million households as being in a state of “housing need” this month. The term describes those who have been locked out of home ownership, or who are suffering rental stress.

The deepening social crisis around housing is a consequence of the decimation of public housing stocks by successive Labor and Liberal-National governments, and the assault on the jobs, wages and conditions of workers they have overseen over the past three decades.

At the same time, the frenzy of speculation in the property market is a result of a raft of incentives put in place for the major investors, and the deepening crisis of the economy. Unable to make sufficient profit from productive investments, the financial elite has poured money into real estate.