Gulf between wealthy and poor widening in Australia

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Misleading headlines, such as "Australia a nation of millionaires for the first time in history," last week greeted the latest official report on household wealth and income. Nothing could be further from the truth.

The Australian Bureau of Statistics (ABS) *Household Income and Wealth Australia 2017–18* report actually shows that most households own substantially less than $1 million, and that social inequality has intensified since the 2008–09 global financial crisis.

"Average" wealth—a figure inflated by those at the very top—rose above $1 million, primarily because of soaring house prices. The median or middle figure, however, was $558,900. In other words, half the households had a net worth of less than half of $1 million. In fact, just as many households had less than $223,500 as had over $1 million.

The most revealing indicator of the social gulf is that the richest 20 percent of households increased their wealth by 67 percent in the 15 years between 2003–04 and 2017–18, to an average of $3.237 million, while the assets of the poorest 20 percent rose less than 3 percent to $35,200.

While those in the wealthiest quintile gained an average of $1.3 million, the average worth of the poorest quintile rose only $1,000 (after inflation). As a result, the top 20 percent now own 93 times more than the lowest.

Moreover, according to an analysis by the *Guardian's* Greg Jericho, this wealth gap *accelerated* during the two years to 2017–18. During that most recent period, the top 25 percent saw their wealth increase by 17.7 percent, while the bottom 20 percent went backward.

Successive governments, both Liberal-National and Labor, have enriched the corporate elite via tax handouts and pro-business policies, at the expense of the working class, whose real wages, job security and basic public services have been cut.

The ABS's data indicates that wealth inequality is at its highest level since these surveys began in 1993–94. By 2017–18, the wealthiest 20 percent of households held over 60 percent of all household wealth, while the lowest quintile had less than 1 percent.

Even these figures grossly underestimate the social divide. Statistical averages are distorted by the wealth of the super-rich. This masks the financial stress and social misery confronting millions of working-class people, due to stagnant wages, under-employment, poverty-line pension and welfare payments, and rising debt levels.

A recent "Cold and Lonely" report, for example, found that elderly poor people are suffering hypothermia *inside* their homes because they cannot afford to turn heating appliances on.

By presenting a breakdown only into quintiles, the ABS surveys also camouflage the vast gap between the top 1 percent and 10 percent, and the rest of society. According to the latest *Australian Financial Review* Rich List, the country's 200 wealthiest individuals or families control wealth totalling $341.8 billion—up by 21 percent from last year. Some members of the "top 10" virtually doubled their fortunes in 12 months.

A significant report published in 2017 provided, for the first time, a breakdown of the wealth proportions held by the richest 1 percent, 5 percent and 10 percent of the population. The top 1 percent alone owned up to 20 percent of household wealth, accounting for the lion's share of the 55 percent held by the richest 10 percent.

That report showed that Australia is one of the most unequal industrialised countries, while mirroring processes underway globally. While the richest 1 percent live in extreme luxury, and the remainder of the top 10 percent enjoyed lifestyles far out of reach of the everyone else, the bottom 40 percent are barely surviving.

According to last week's ABS report, one factor in the widening gulf is the value of property, both owner-occupied and investment properties. For high-wealth households, average property values rose from $1.14 million to $1.85 million between 2003–04 and 2017–18. Households in the poorest 20 percent that owned property had much lower average growth of $10,100, to $18,100, over the 14 years. But only 5.5 percent of low-wealth households actually held property.

Home ownership is at a record low. In the 1995–96 survey, almost 43 percent of respondents owned their home outright and another 28.3 percent were paying off a mortgage. By 2017–18, outright home ownership had fallen below 30 percent for the first time since the surveys began, while 36.7 percent had mortgage debt. The other 32 percent were renting—a record high.

Because of decades of government cuts to public housing, renters were increasingly subjected to the private market. In 1994–95, 5.5 percent of people rented through a government agency, while 18.4 percent had a private landlord. By 2017–18, the state agencies rented to 3.1 percent, leaving a record 27.1 percent paying rent to private landlords.

On average, household debt burdens exceed what they earn in annual income for the first time, mainly due to huge mortgages. The ABS found that in 2017–18, the median debt-to-annual income ratio hit 110 percent.

This burden is born disproportionately by the most vulnerable households. More than 30 percent of the poorest households are carrying debts three times their income. A decade ago, that proportion was less than 23 percent.

Education is another source of inequality. Those in poorest quintile of households are carrying the highest levels of debt for university or vocational education. Between 2003–04 and 2017–18, their average study loan debts increased in real terms from $2,800 to $7,200. Those for high wealth households rose only from $1,300 to $4,800.

Income inequality is widening too. The sharpest indicator is in New South Wales, the most populous state. There, those in the lowest 20 percent of income earners actually suffered an average income fall in real terms after 2015–16, from $412 a week to just $397 a week. That is not enough to live on.

Another factor is that welfare cuts have stripped even sub-poverty entitlements from growing numbers of people, deliberately pushing more workers into low-paid and insecure jobs. By 2017–18, only 44 percent of households received more than 1 percent of their income from welfare payments, well below the 55 percent in 2000.

This redistribution of income and wealth from the poorest to the richest layers will accelerate as the Liberal-National government's income tax package, passed by parliament this month with Labor's backing, takes effect.

Over the next five years, billions of dollars will be handed to the top 5 percent of the population—those taxpayers receiving more than $200,000 a year—while the millions of low-paid workers, students and welfare recipients trying to live on less than $41,000 a year will get nothing in tax cuts.