Income inequality rises in the 1990s

But expenditure inequality remains stable

Income inequality has increased in Australia since 1990, according to a new study by NATSEM at the University of Canberra. The study shows that the share of all income received by the most affluent one-fifth of households has increased, while the share received by the middle fifth and the poorest fifth has declined.

‘The growth in income inequality during the 1990s is largely due to sharp increases in the incomes of households at the top end of the income spectrum’, said Professor Ann Harding, one of the authors of the study.

‘Even after taking out the impact of inflation, on average all households enjoyed higher incomes in 1999 than in 1990, according to the ABS Household Expenditure Surveys. But while the incomes of the top one-fifth of households increased by almost 14 per cent, the incomes of bottom one-fifth of households grew by only 1.5 per cent. The incomes of the middle one-fifth of households grew by 10.2 per cent – so middle Australia lagged behind the top end but did better than the bottom.’

Concerns are often expressed about whether income provides the best measure of the economic resources available to a household. If spending on goods and services was used as the measure of resources, the study found that the degree of inequality had not changed during the 1990s.

‘It appears that the composition of the bottom one-tenth of households changed between 1990 and 1999, with social security dependent families with children moving up and out and being replaced by the aged and working poor singles and couples without children,’ said Professor Harding.

‘Retirees can run down assets accumulated during working life to finance their spending, while its seems possible that the new low income workers might have greater access to credit than the social security dependent families with children that they replaced.’

The paper ‘Trends in income and expenditure inequality in Australia in the 80s and 90s’, was presented today at the Conference of Economists in Perth.

For copies of the paper contact: Wendie Lancaster 02 6201 2780 or look at ‘What’s New’ at www.natsem.canberra.edu.au

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