



# In It Together

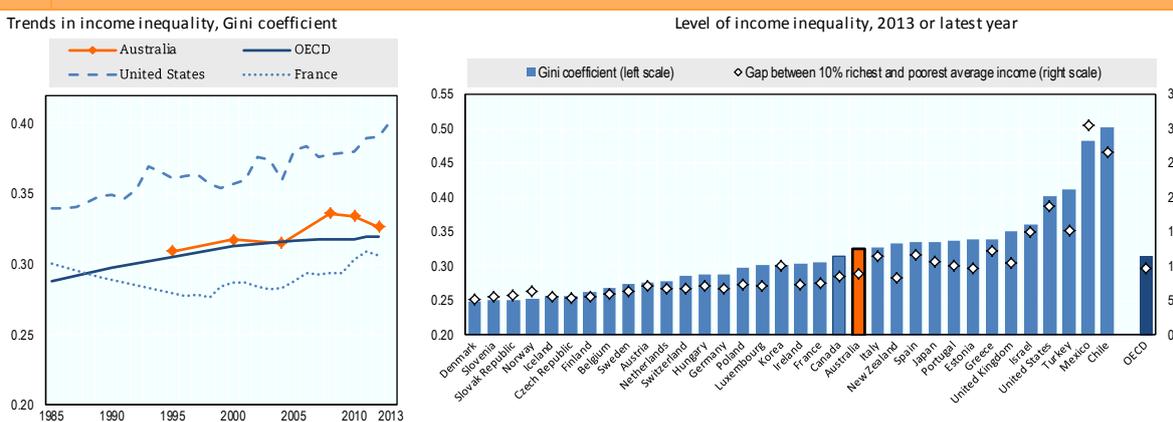
## Why Less Inequality Benefits All

# ...in Australia

### What is the issue?

- ▶ **The level of income inequality in Australia is similar to the OECD average**, with a Gini coefficient of 0.326 in 2012. Inequality has increased since the 1990s, as in many other OECD countries (Figure 1). The average income of the top 10% of income earners is almost 9 times higher than that of the bottom 10% in, up from a ratio of 8 to 1 in the mid-1990s. Across the OECD, this ratio is 9.6:1, on average.
- ▶ **The rise in inequality came to a halt just before the global financial crisis, with a drop in the Gini by 1 point.** Between 2007 and 2011, the income of the bottom 10% increased by 2% while incomes at the top declined by 1%. This pattern is very different from most OECD countries, where the bottom 10% fared worst during the same period.
- ▶ **Poverty rates, while being slightly above the OECD average, have not increased since 2007.** Poverty among the elderly has declined substantially (by 5% for the 66-75 years old) but, at 33.5%, it still remains more than 2.5 times higher than the OECD average.
- ▶ **Wealth inequality in Australia is just below the OECD average:** the top 10% own 45% of wealth (compared to half of all wealth on average across the OECD), while the bottom quintile owns 17% of all wealth. Since the beginning of the global financial crisis, median net wealth in Australia has increased at a faster rate than the wealth of the upper percentiles, so that inequality at the top of the wealth distribution has receded.

Figure 1: [Trends and levels of income inequality](#)



The Gini coefficient scores 0 when everybody has identical incomes and 1 when all the income goes to only one person.

### Why is it important for Australia?

Overall, increased women's employment and a lower pay gap between men and women contributed to countering the increase in household income inequality over the past 15 years.

**In Australia, the bulk of increase in market income inequality in the past 15 years is due to the widening of the earnings dispersion.** This was due to a large decline in hours worked for low-paid men and a larger increase in hourly wages of highly-paid men. For women, the opposite occurred: high paid women saw

a decline in hours worked while there was a large increase in hourly wages for low-paid women.

**The share of non-standard workers, comprising self-employed, part-timers, casual workers and those on fixed-term contracts, is high at around 44%, compared with the OECD average of one-third. But non-standard workers do not face substantial wage penalties once other demographic and job characteristics are taken into account.** In terms of hourly wages, part-time workers have actually higher rates than full-timers with similar characteristics.

**Temporary or casual jobs tend to be stepping stones in Australia and increase the chances of acquiring a more stable job.** This is not always the case for part-time workers, however. They are sometimes discouraged from increasing their working hours, as more than half of their additional earnings will be taxed away, mainly in the form of higher income taxes and lower family benefits.

Poverty rates for households whose main earnings are from non-standard work are among the lowest of the OECD (Figure 3). On the other hand, poverty for jobless households is one of the highest of the OECD.

The percentage of indebted and over-indebted households (based on households with debt to income ratio above 3) at 72% and 18% respectively is high compared to the OECD average (52% and 9% respectively).

Figure 2: Median earnings ratio, between standard and non-standard workers (standard workers = 1), in 2012

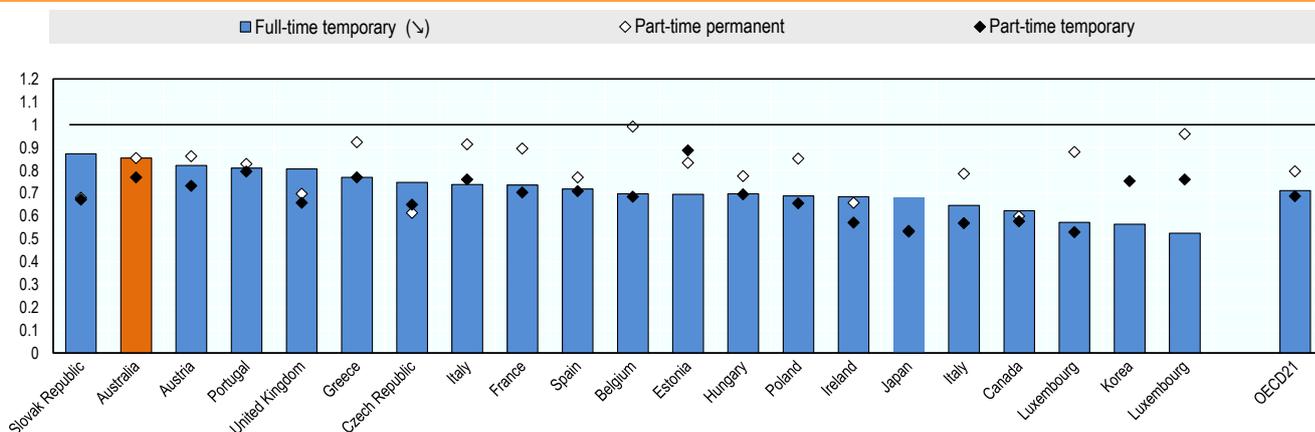
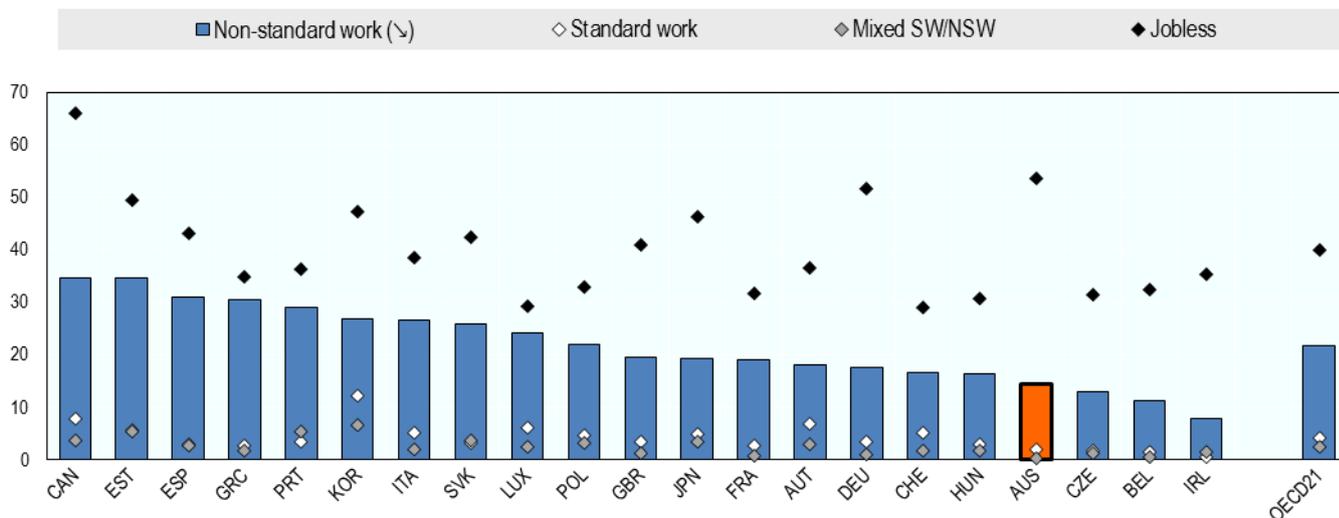


Figure 3: Poverty rates of households for various household employment patterns, 2012 or most recent year



**What's your share of the pie?** English Français Español Italiano

When you think about your household's income, do you feel rich, poor, or just average? Most of us have no idea – or the wrong idea – of how we compare with the rest of the population. But here, in 10 clicks, you can find out how many households are better or worse off than yours, and see how your ideal world compares.

[Click here to learn more about the methodology used to build this tool.](#)

**Get Started**

- 1 Tell us about you
- 2 Tell us about your ideal world
- 3 In reality...

**OECD**  
BETTER POLICIES FOR BETTER LIVES