

Income inequality and mobility in Australia over the last decade

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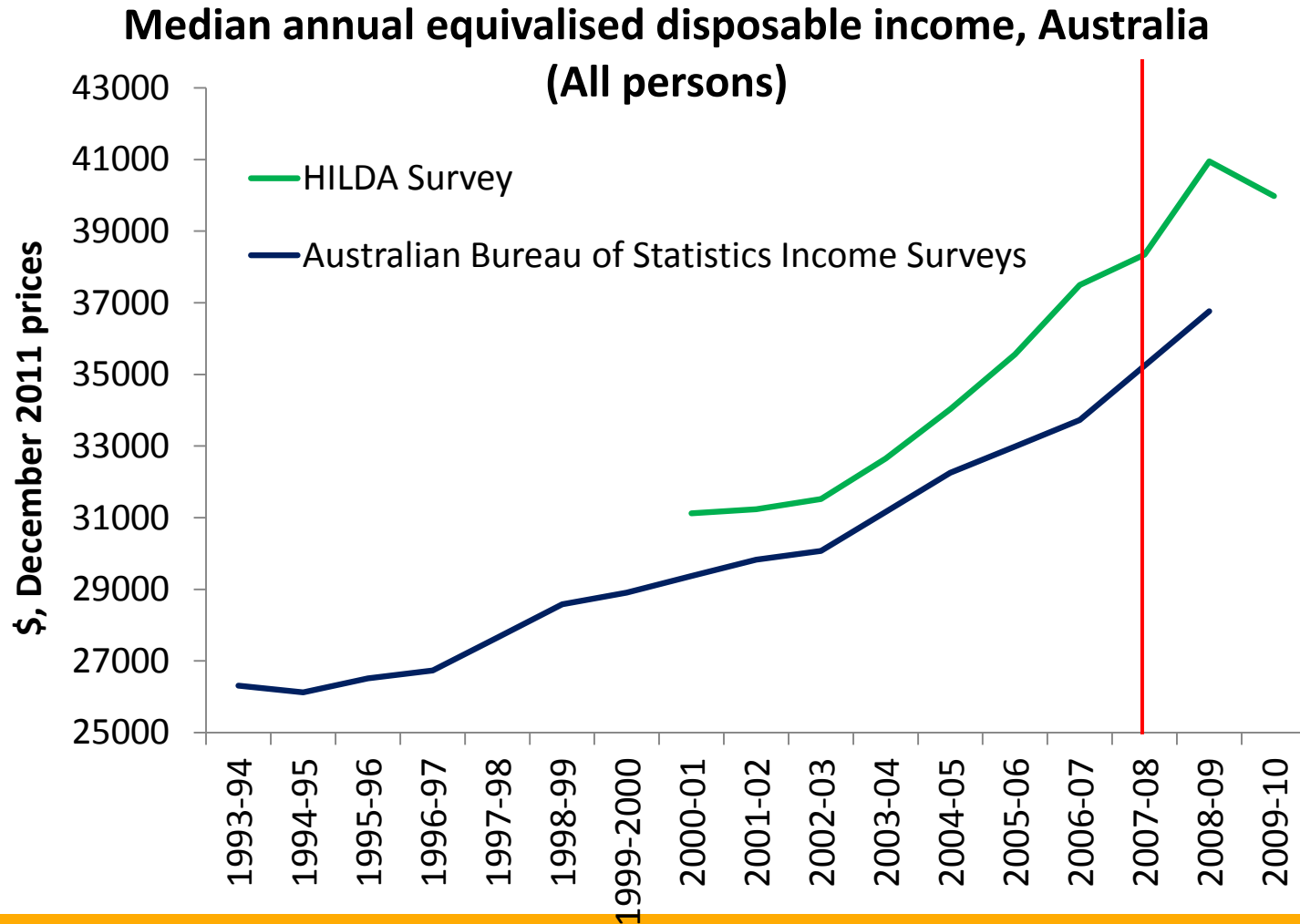


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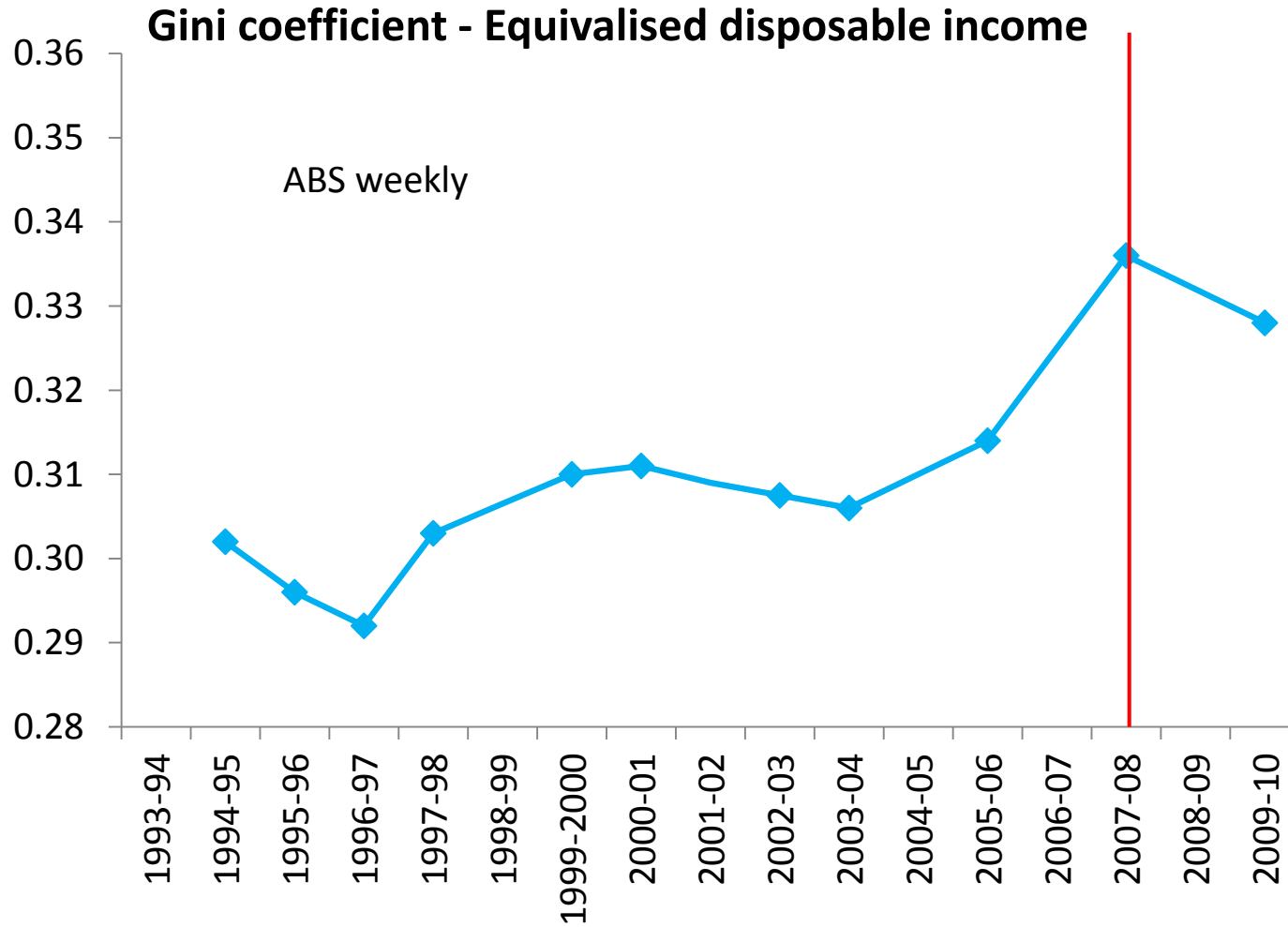


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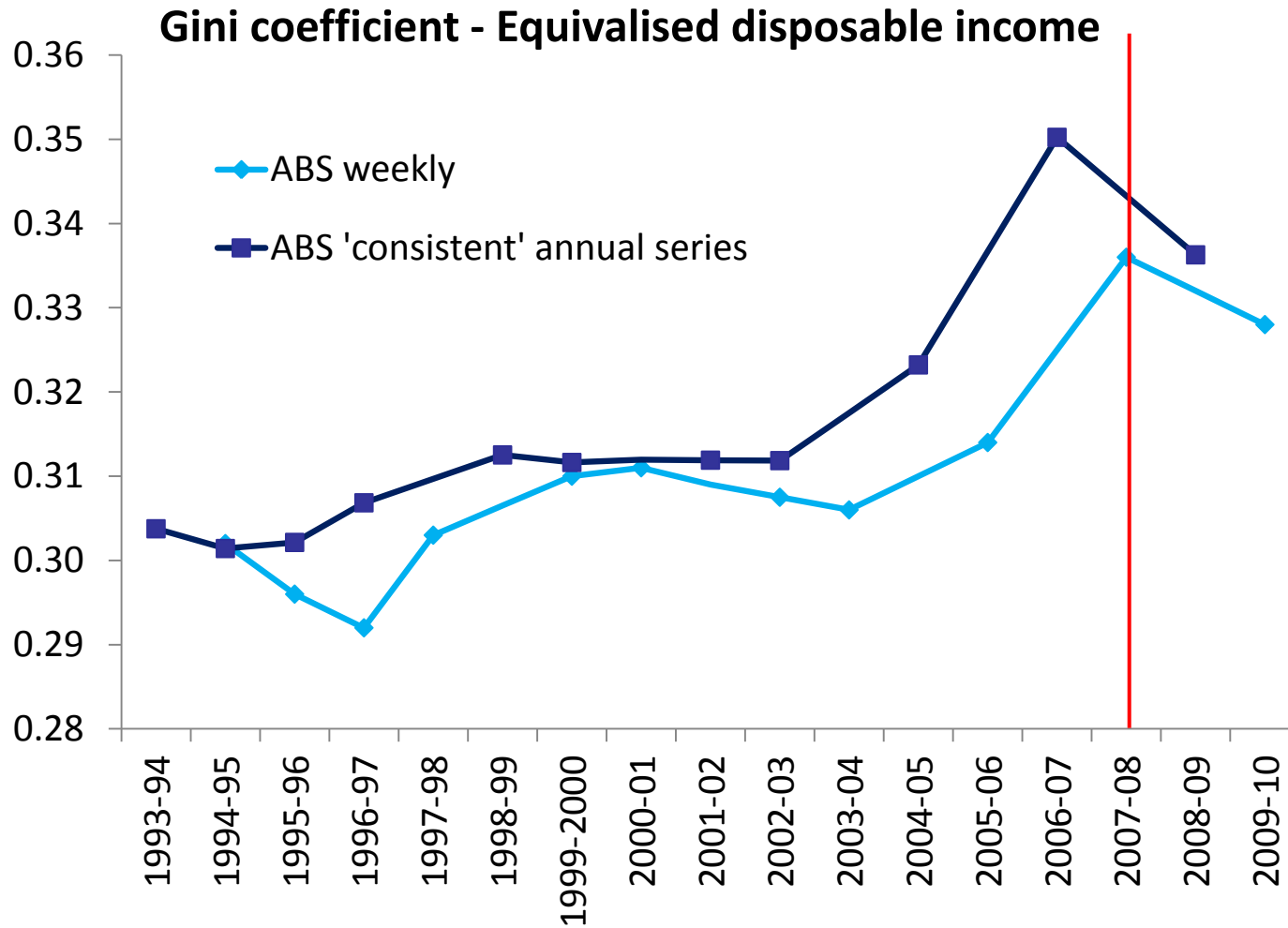
Context: Sustained strong growth in household incomes



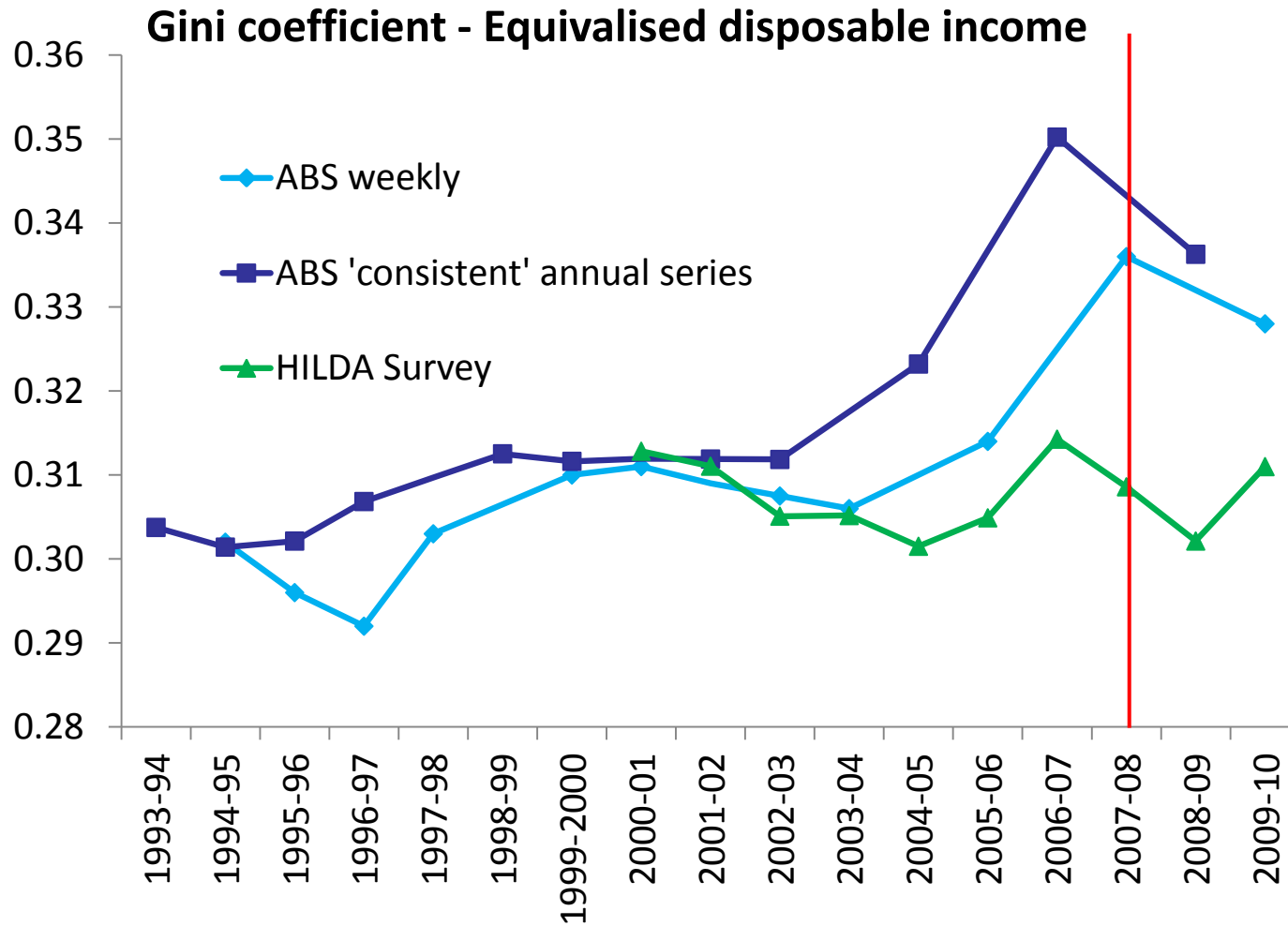
Income inequality



Income inequality

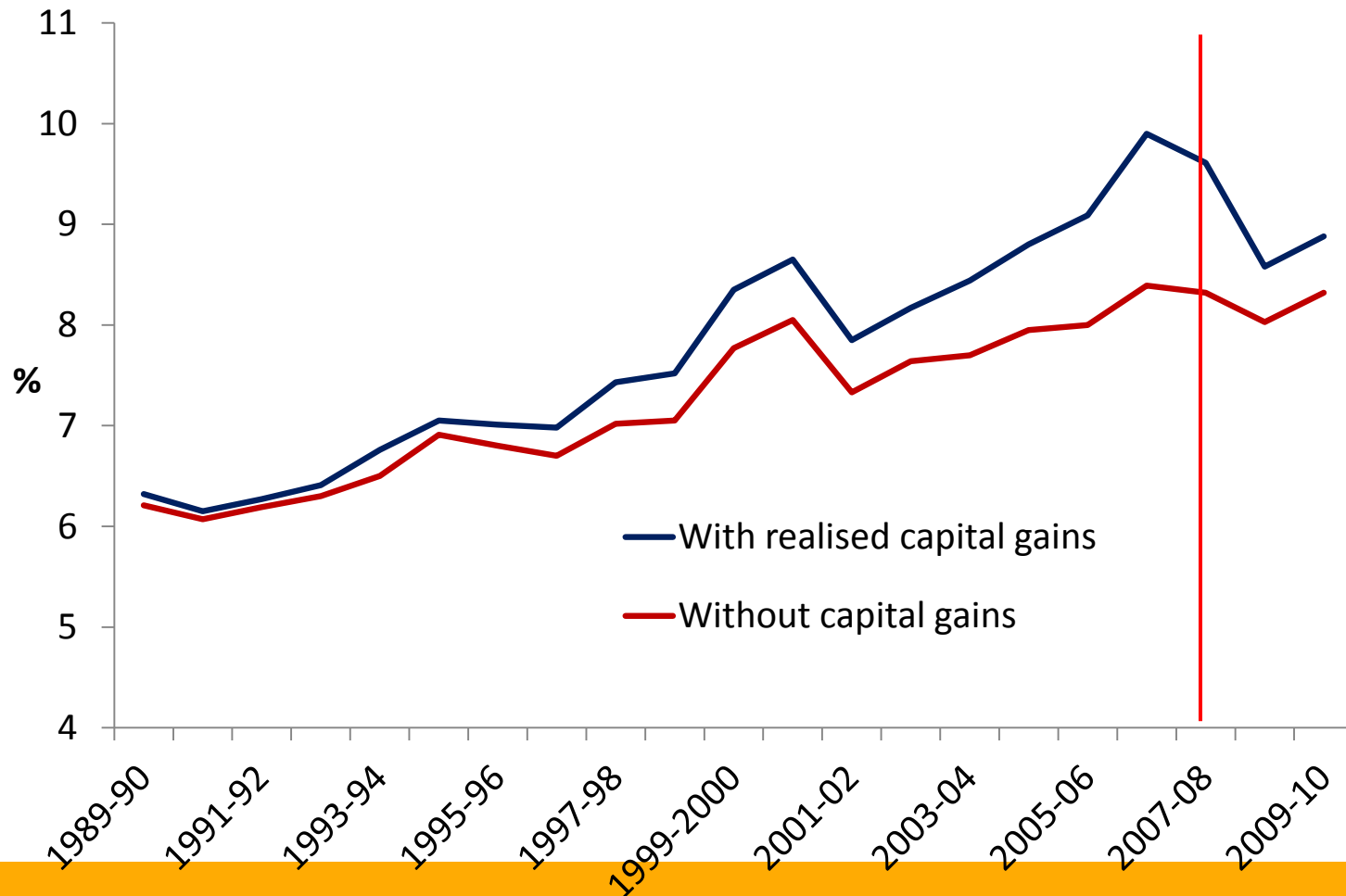


Income inequality



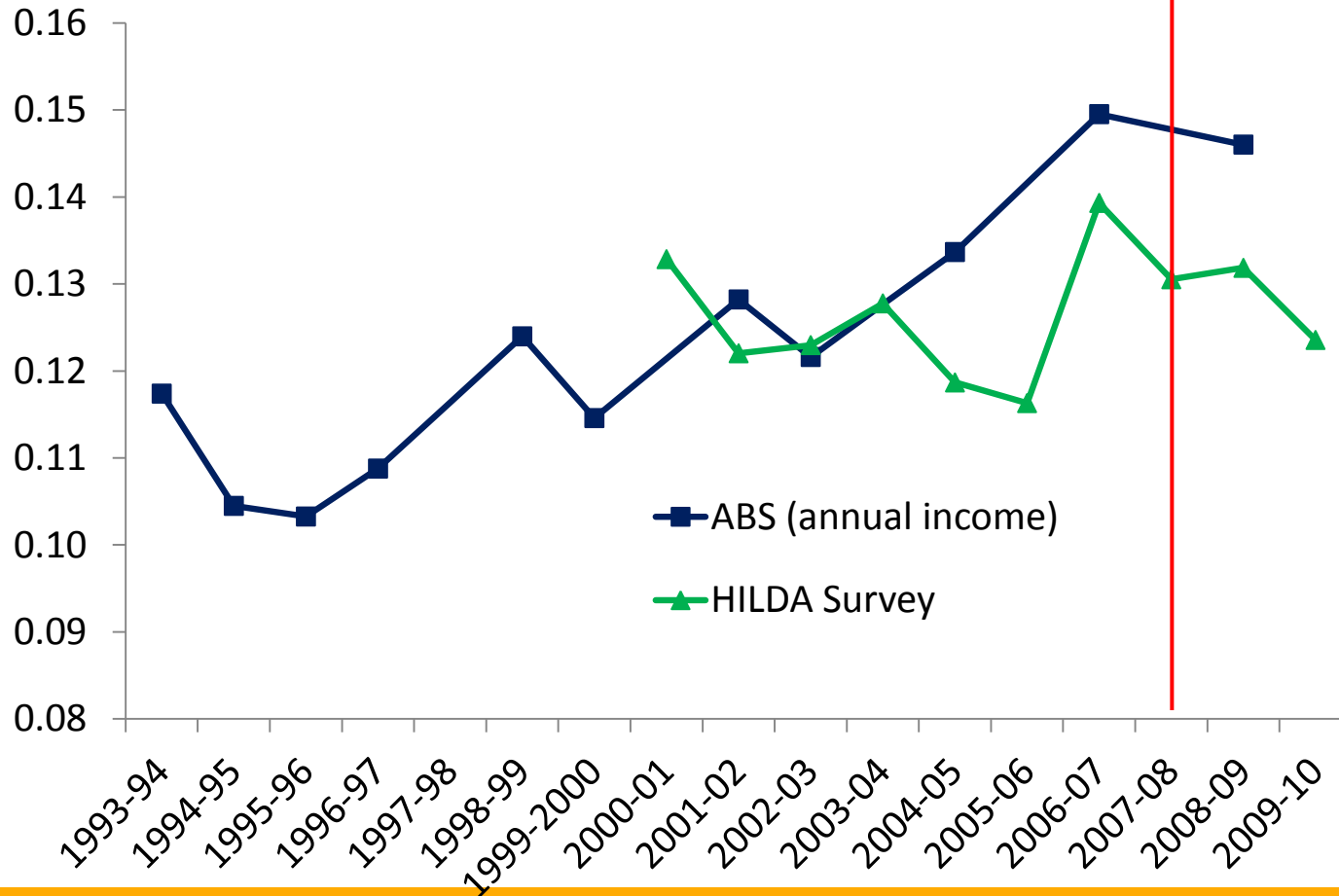
Top incomes – Tax and National Accounts data

Income share of the top 1% (Persons aged 15 and over)

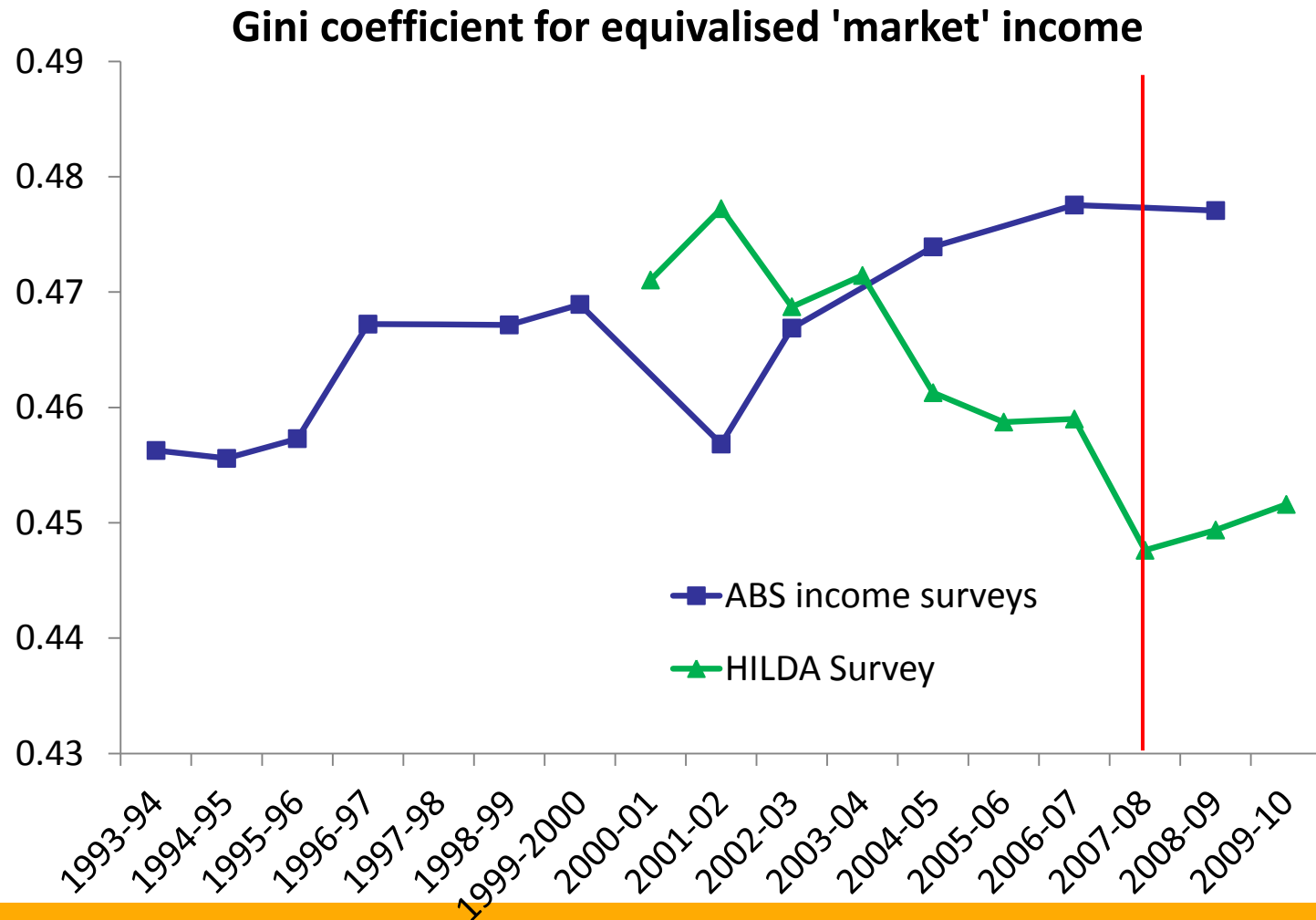


Income poverty

Proportion below half of median equivalised income

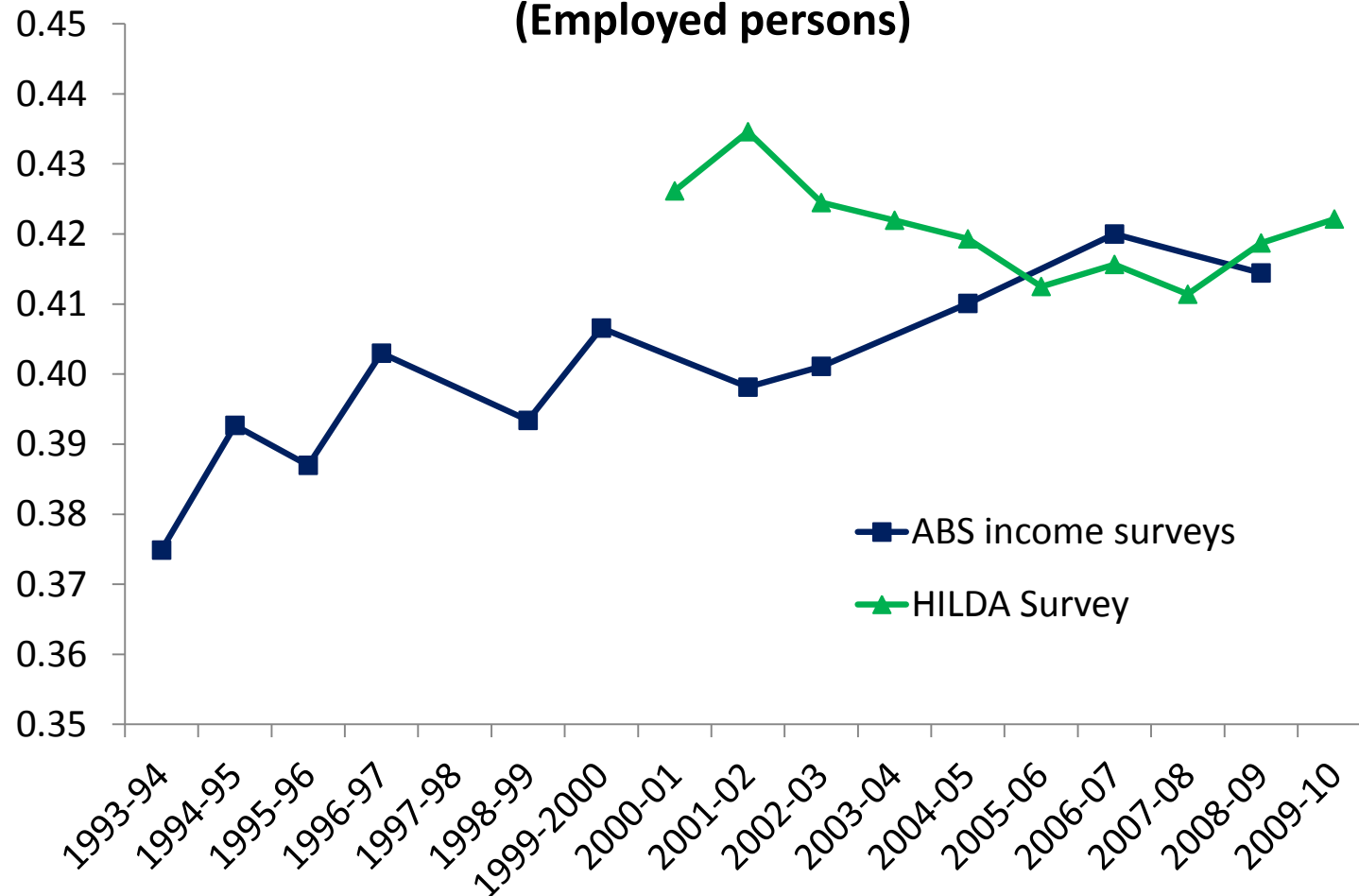


Drivers of changes in inequality – 'Market' income



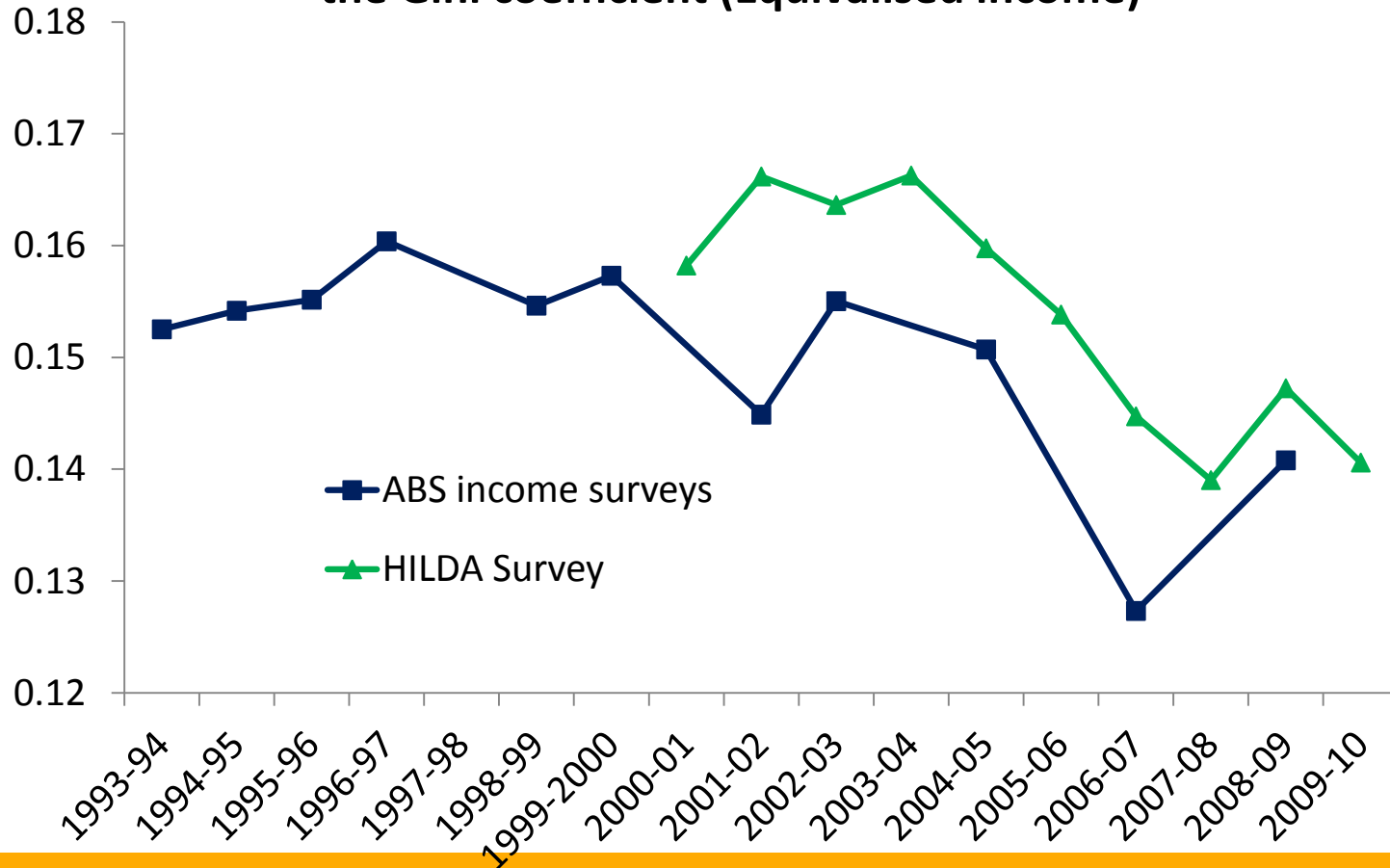
Drivers of changes in inequality - Earnings

**Gini coefficient for annual labour market earnings
(Employed persons)**



Drivers of changes in inequality – Government taxes and transfers

Effect of government income taxes and transfers on the Gini coefficient (Equivalised income)



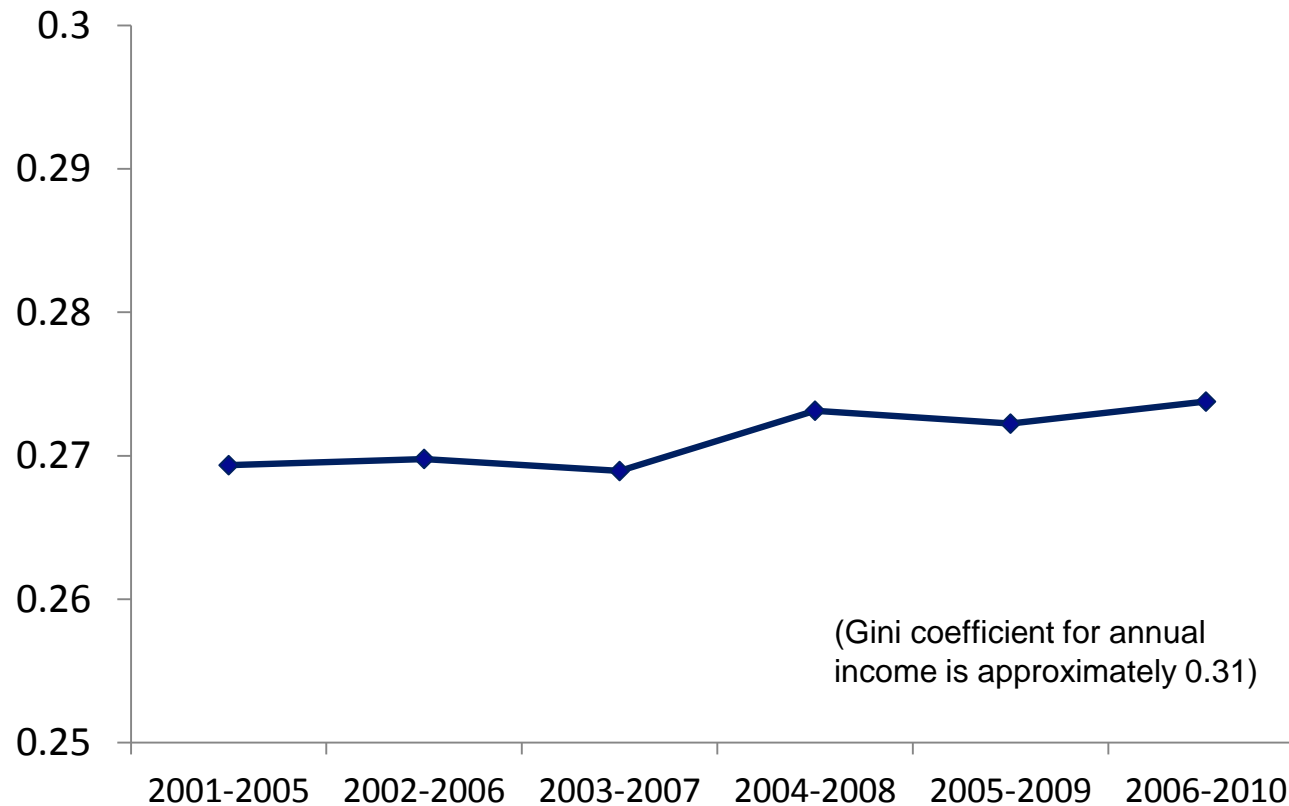
Drivers of changes – Fiscal stimulus direct payments

Effects of 2008-09 government 'bonus' payments delivered as part of fiscal stimulus - Equivalised income

		Percentiles					
	Mean	10th	25th	50th	75th	90th	Gini
Income before bonuses	41,880	16,000	24,845	37,462	53,053	71,546	0.313
Income after bonuses	43,441	17,772	27,024	39,204	54,120	72,705	0.299
Effect of bonus payments	1,561	1,772	2,179	1,742	1,067	1,160	-0.014

'Permanent' income inequality

**Gini coefficient for five-year equivalised
disposable income**



(Intra-generational) Income mobility – Shorrocks R

Shorrocks R: Ratio of multi-year income inequality to a weighted average of single-year inequality values.

It is interpreted as the ratio of 'permanent' inequality to total inequality over a given period. If there is no transitory component to inequality, $R = 1$. If all inequality is transitory, $R = 0$ (i.e., everyone has the same permanent income).

Five-year Shorrocks R for Theil index

	Australia	US	Germany	UK (6-year)
2000-2004		0.83	0.85	0.77
2001-2005	0.78			0.77
2002-2006	0.78	0.85	0.84	
2003-2007	0.79			
2004-2008	0.78			
2005-2009	0.79			
2006-2010	0.77			

Note: UK measure is not completely comparable.

Sources: Australia: HILDA Survey; US and Germany: Bayaz-Ozturk, Burkhauser & Couch (2011) using PSID (US) and SOEP (Germany); UK: Jenkins (2011) using BHPS.

Five-year income mobility

	Mean change in percentile rank						Mean <u>absolute</u> five-year change in percentile rank
	2001- 2005	2002- 2006	2003- 2007	2004- 2008	2005- 2009	2006- 2010	
Non-elderly couple	-4.6	-4.9	-5.2	-4.5	-5.4	-4.5	18.8
Couple with children	1.0	0.8	0.2	0.3	1.5	1.7	17.2
Sole parent	4.0	4.5	5.4	6.5	4.8	5.7	17.4
Non-elderly single man	2.0	1.8	4.5	3.9	3.3	0.0	20.4
Non-elderly single woman	3.4	5.1	1.8	3.0	1.9	2.2	20.5
Elderly couple	-3.3	-3.7	-2.6	-5.0	-5.8	-5.4	15.7
Elderly single man	-4.4	-2.4	-1.1	-1.9	-1.6	-3.9	14.4
Elderly single woman	-2.4	-2.7	-0.8	-3.0	-1.5	-1.4	12.9
All persons	0.0	0.0	0.0	0.0	0.0	0.0	17.7

Two-year mobility

Mean change in percentile rank from one year to the next

	Average 2000-01 to 2006-07	2007-08 to 2008-09	2008-09 to 2009-10
Mean absolute change	13.1	12.7	13.0
<i>Change by family type</i>			
Non-elderly couple	-0.2	-2.0	0.5
Couple with children	-0.3	0.9	-1.0
Sole parent	1.8	2.5	0.8
Non-elderly single man	0.7	0.5	0.7
Non-elderly single woman	1.1	1.1	3.4
Elderly couple	-1.0	-2.9	-1.3
Elderly single man	-0.6	-2.2	2.0
Elderly single woman	-0.5	-1.1	1.7
<i>Change by initial quintile of the income distribution</i>			
Bottom quintile	10.4	9.3	9.7
2nd quintile	4.2	4.6	4.6
3rd quintile	0.1	-0.4	-0.6
4th quintile	-5.6	-4.4	-4.5
Top quintile	-9.0	-8.9	-9.2

Source: HILDA Survey

2-speed economy?

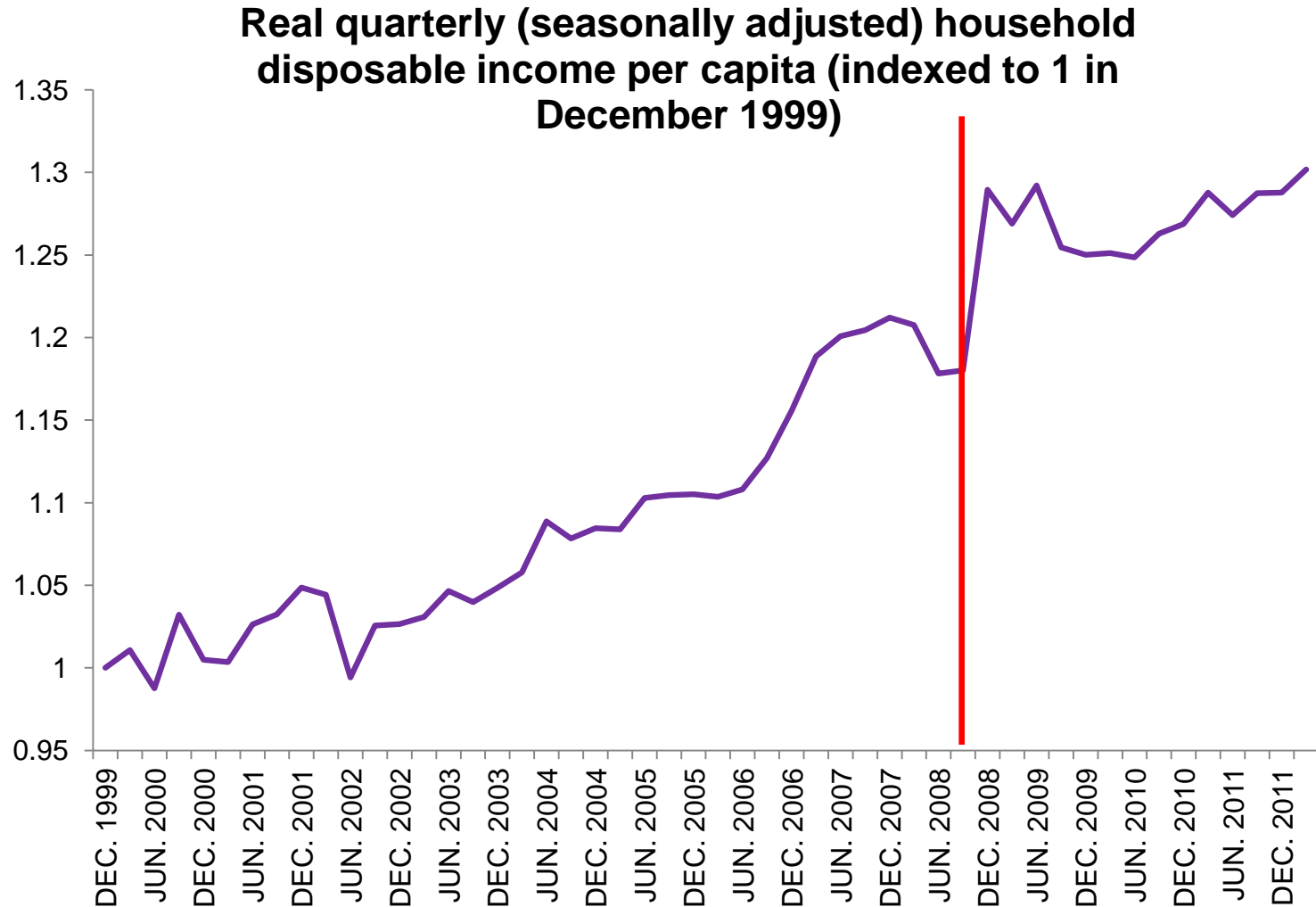
Mean change in percentile rank over five years

	Non-mining states	Mining states	Western Australia
2001-2005	-0.3	0.8	1.2
2002-2006	-0.4	0.9	-0.5
2003-2007	-0.5	1.1	1.7
2004-2008	-0.4	1.0	2.8
2005-2009	-0.7	1.6	2.1
2006-2010	-0.6	1.5	2.1

Mining states: Western Australia and Queensland (about 30% of population)

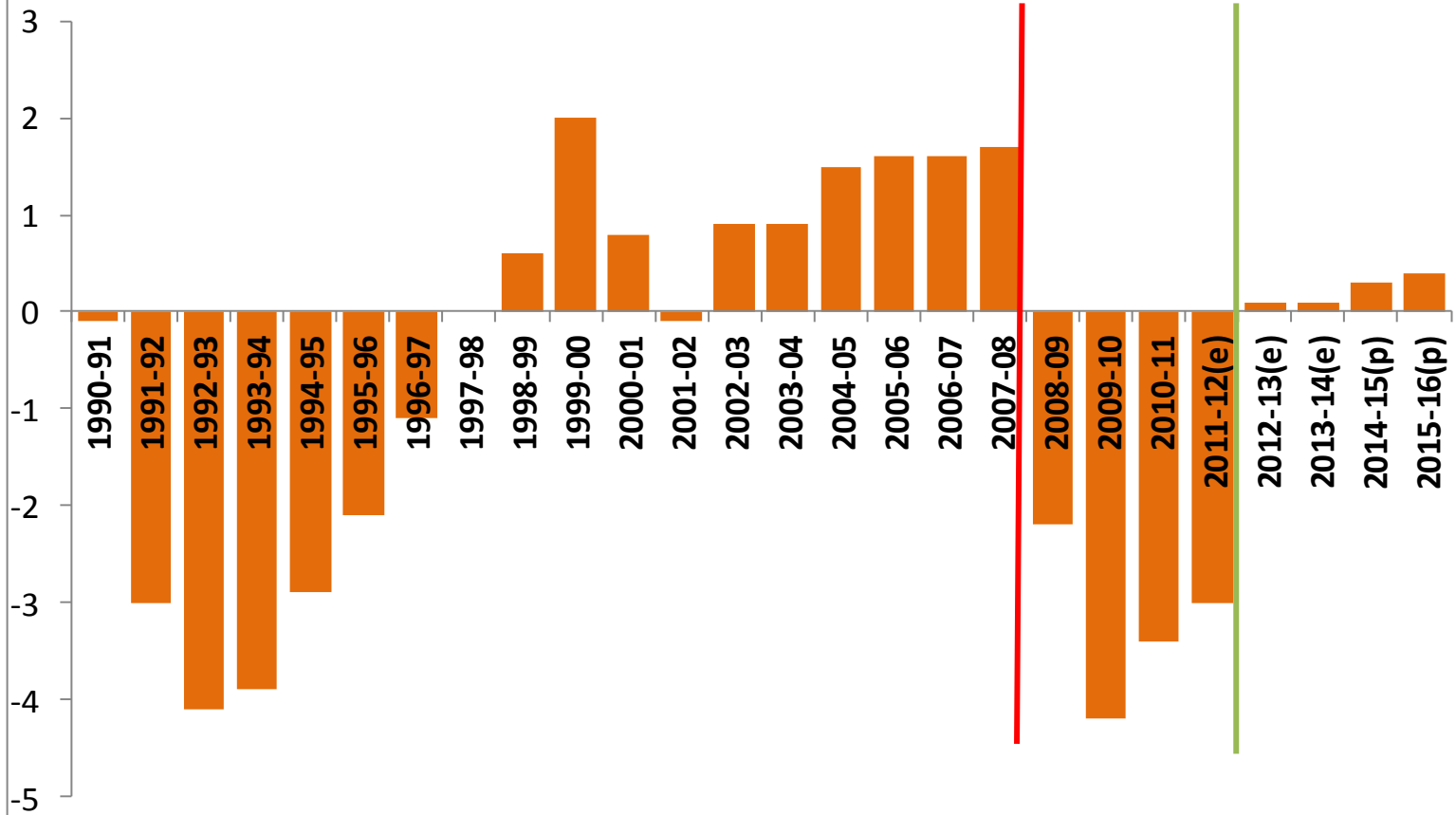
Western Australia is about 10% of the population

Some more recent evidence on household incomes...

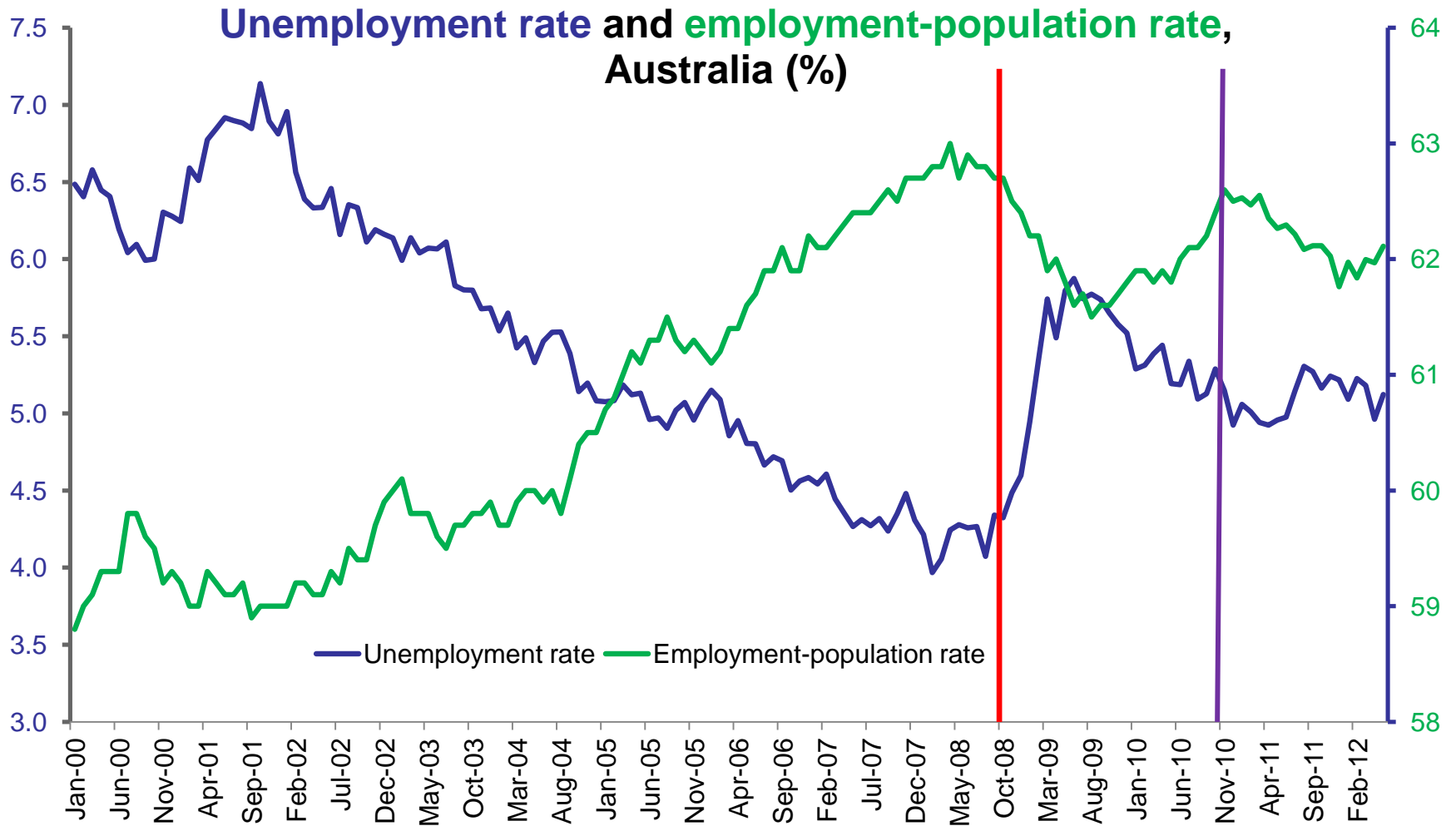


Sources: ABS National Accounts (Cat. No. 5206.0), ABS Consumer Price Index (Cat. No. 6401.0) and ABS Demographic Statistics (Cat. No. 3010.0)

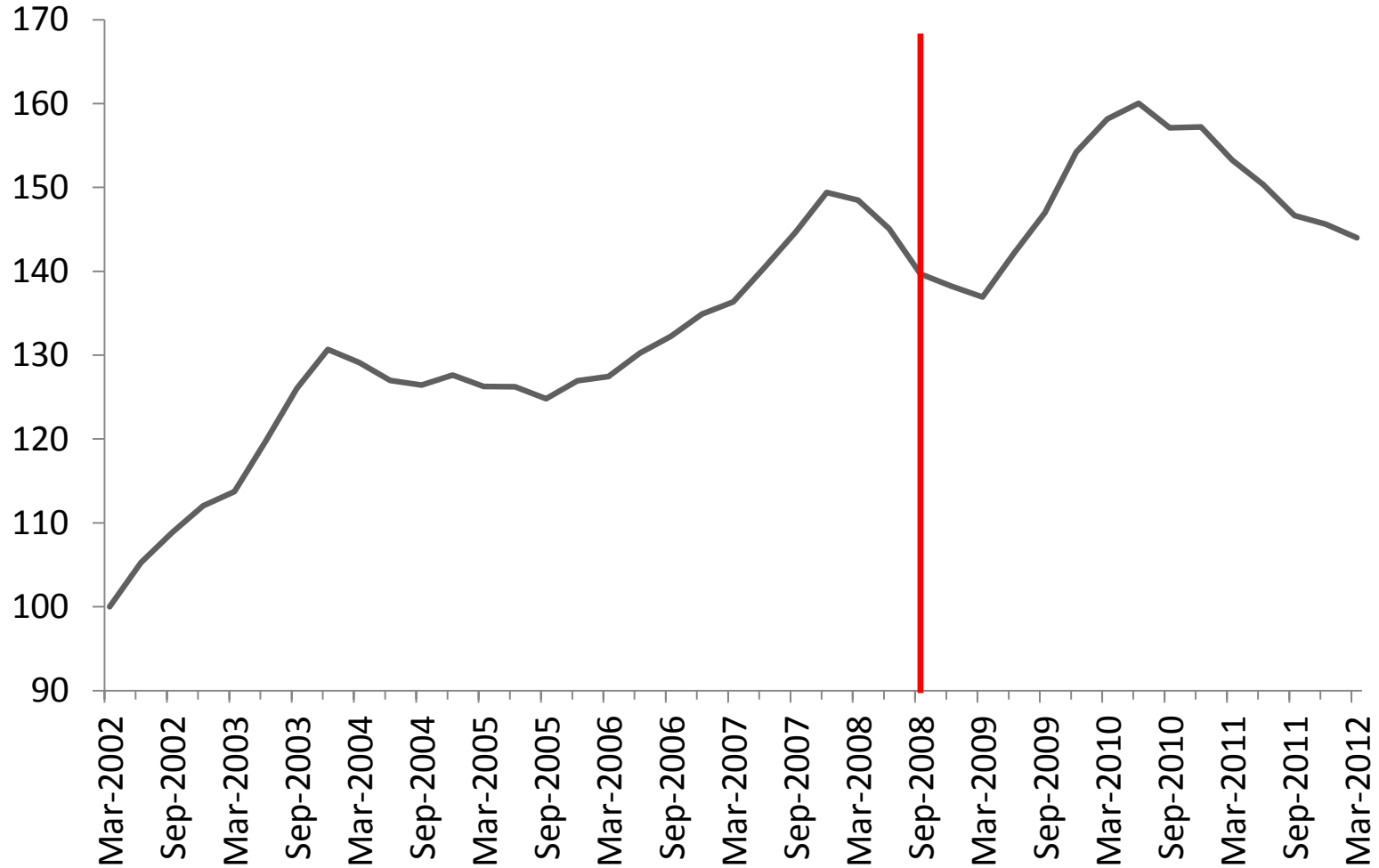
Australian Government Budget - Underlying cash balance as a percentage of GDP



Labour market is flat...



Median house price, Australia (real, indexed to 100 in March 2002)



Sources: ABS House Price Indices (Cat. No. 6416.0)
and ABS Consumer Price Index (Cat. No. 6401.0)

Summary

- Relatively strong household income growth has continued
- Inequality probably increased leading up to 2008, although magnitude is uncertain.
 - To a significant extent the increase was because of a decline in progressivity of income taxes and transfers
- Inequality decreased temporarily in 2008-09, mostly because stimulus payments
- Income mobility appears to be relatively high in Australia, and does not appear to have been much affected by the economic downturn
- Looking forward, household income growth over the next few years is likely to be lower than has been sustained in recent years, but outlook for inequality is less clear