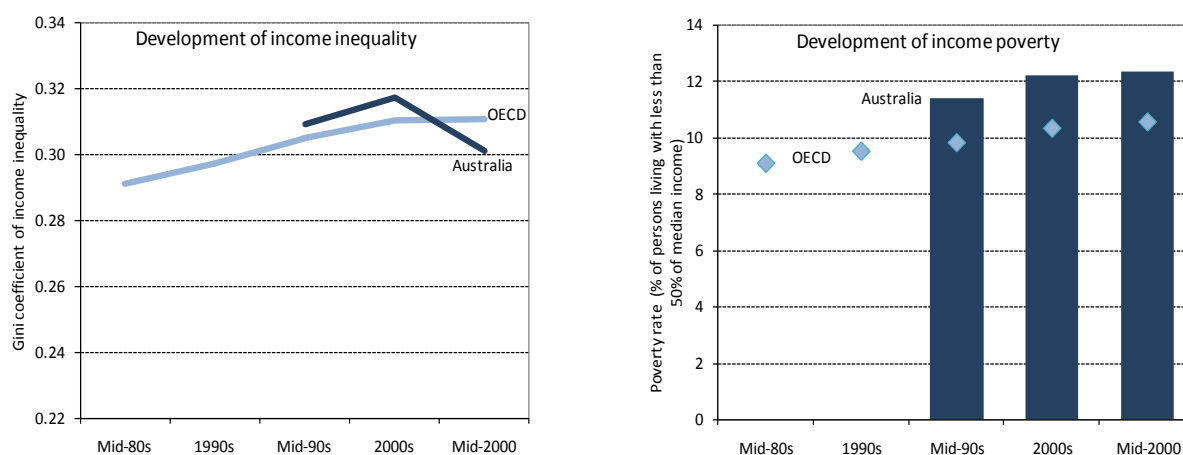


COUNTRY NOTE: AUSTRALIA

Income inequality in Australia has fallen quite sharply since 2000. It is now below the OECD average for the first time. However, poverty (meaning people who live on less than half median incomes) has not fallen, and at 12% is above the OECD average.

Figure 1. **Income inequality has fallen but poverty has risen, especially since 2000**



Source: *Growing Unequal?*, OECD 2008.

- Australia is one of the most socially mobile countries in the OECD. What your parents earned when you were a child has very little effect on your own earnings. Australia's performance in this respect is much more like those of Denmark and Canada, not Italy, the United Kingdom and the United States, where there is much less mobility.
- Similarly, the educational attainment of the parent affects the educational achievements of the child less than in most other countries.
- The decrease in income inequality would have been even more dramatic if there had not been changes in social structures (smaller households, more single parent families) and ageing of the population, both of which tend to increase inequality. The usual measure of inequality – the Gini coefficient – would have fallen to 0.29 if these changes had not taken place.

- Australia does not spend as much as most OECD countries on cash benefits (unemployment benefits, family benefits, and so on). In a typical country, 22% of total income is from the government in the form of such benefits, compared to 14% in Australia. However, Australia targets these benefits much more tightly on low-income households than in any other country in the OECD. 40% of total spending on cash benefits goes to the poorest 20% of the population.
- The tax burden on low incomes is lower than elsewhere, partly because social spending is so low. Only Belgium, Denmark and Sweden do more to support low-income households through the tax/transfer system.
- In Australia, publicly provided services in the health, education and social housing sectors reduce overall income inequality by more than in most other countries.
- Relative income poverty has risen slightly since 1995: 12% rather than 11%. But because absolute incomes have increased rapidly, many poor people in 2005 do have more income than their counterparts in 1995 -- poverty based on a constant income threshold in 1995 AUS\$ decreased by half.
- The risk of poverty has increased for some groups of the Australian population. The risk is very high for people who are not working: 55% for all people of working-age – up from 46% in 1995 – and 70% if they are a single parent.