This paper assesses trends in income inequality among households of working age in Australia between the early 1980s and 2007-08, using the Income Distribution Surveys undertaken by the Australian Bureau of Statistics. The presentation shows that overall income inequality has risen over this period, but that the directions of trends differ in different sub-periods and for different income components (earnings – of men and women – self-employment and investment and property income), and that the direct tax system and social security benefits also have different impacts in different periods.

In the first half of this period, roughly corresponding to the period of Labor government, inequality in market incomes rose, but a large component of this was offset by more effective redistribution through the tax and transfer systems. In the second half of the period, corresponding to the period of Coalition government, market income inequality initially rose, but then declined, but the tax and welfare systems became less effective at reducing inequality. The periods also show significantly different patterns of growth in real incomes, with real income growth being low for most households in the first half of the period, and being high in the second period. Since 2007 there has been a slight decline in income inequality, reflecting falls in inequality in investment and property income. The presentation highlights the role of employment growth on the one hand and joblessness on the other in impacting on trends in inequality, and discusses why the social security system has become less effective in reducing inequality.

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