

# The Two Dimensions of Inequality:

*Causes, Consequences, Solutions*

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*September 2017*



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# Fair Go No More

- 1970s: Australia was one of the most egalitarian industrial countries in the world.
  - Comparable to Sweden.
- 2017: Australia has worse-than-average income equality.
  - ... and falling fast!
- Spreading consequences: felt in the overall economy & society, not just by the poor.

# The Economic Costs of Inequality

- Personal hardship.
- Family financial stress and insecurity.
- Health / education / criminality outcomes.
- Fiscal costs.
  - Less tax revenue.
  - More costs for social problems.
- Macroeconomic performance.
  - Undermines purchasing power.
  - Breaks link between productivity and incomes.

# Work, Wages and Inequality

- The rise of inequality is not just about some people having more money than others.
- There are systemic, structural forces explaining why inequality is created and recreated.
- Performance of labour markets intrinsically tied up with rise of inequality.

# ScoMo on Wages:

*Mr. Hyde*  
*(They're Bad)*



*Dr. Jekyll*  
*(They're Good)*



# Hope versus Reality: Labour Market Assumptions in Morrison's Budget

	2016-17 (current fiscal year)		June 2017 Budget Assumptions			
	Assumed last budget (June 2016)	Actual	2017-18	2018-19	2019-20	2020-21
<b>Total employment</b>	1.75%	1.1%	1.5%	1.5%	1.5%	1.5%
<b>Wage price index</b>	2.5%	1.9%	2.5%	3.0%	3.5%	3.75%
<b>Total wages and salaries</b>	4.0%	1.5%	3.5%	4.25%	5.0%	5.25%

*Source: Centre for Future Work calculations from budget papers & ABS Catalogues 6345.0, 6202.0, 5206.0. Actual based on most recent year-over data for each series.*

**Meanwhile...**  
**Central Banker calls**  
**for Worker Uprising**





# Meanwhile...

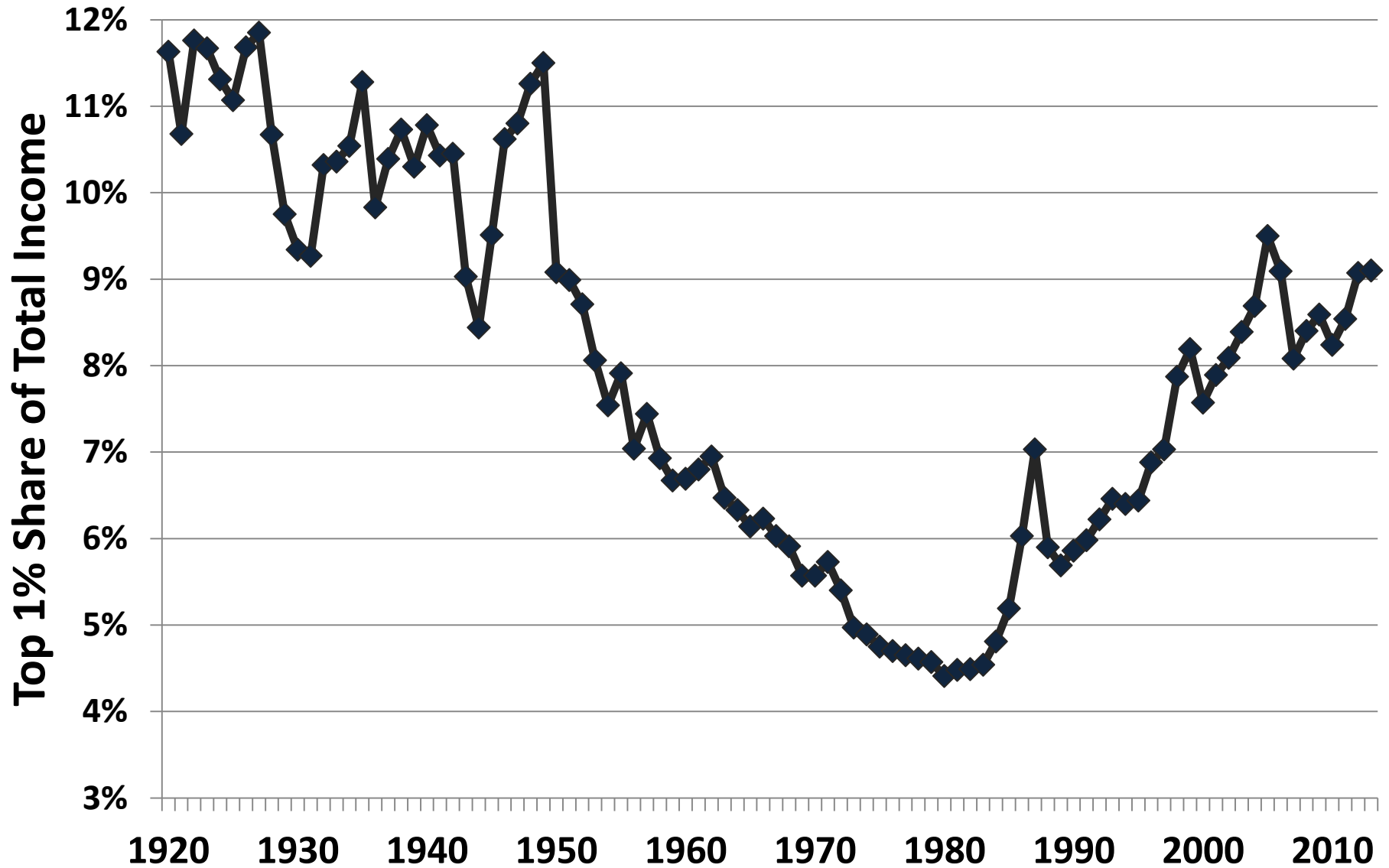
## Central Banker calls for Worker Uprising



# Two Dimensions of Inequality

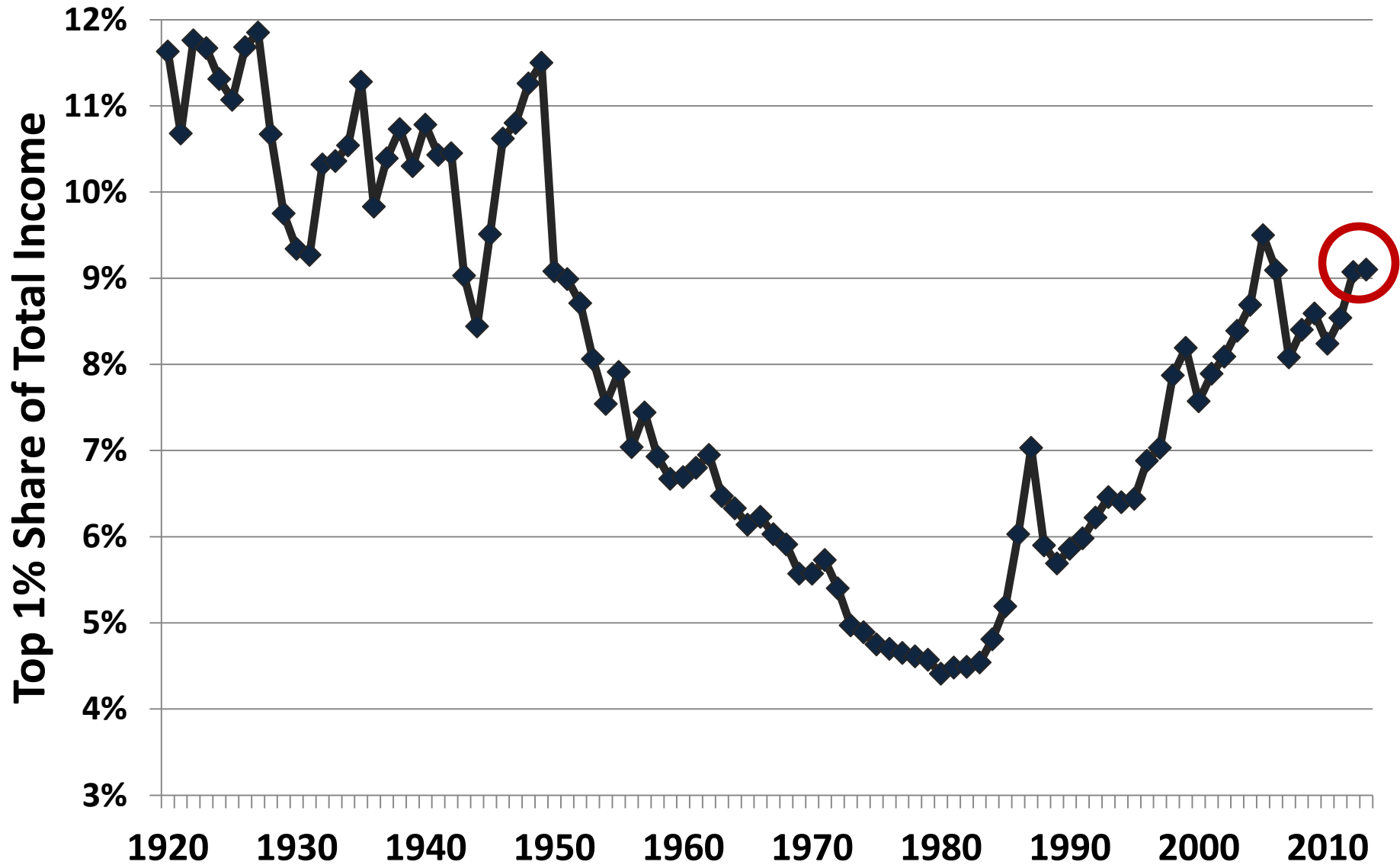
1. Measure inequality across households.
  - Income, wealth, consumption.
  - Gini, ratios, top shares.

# Top Income Share



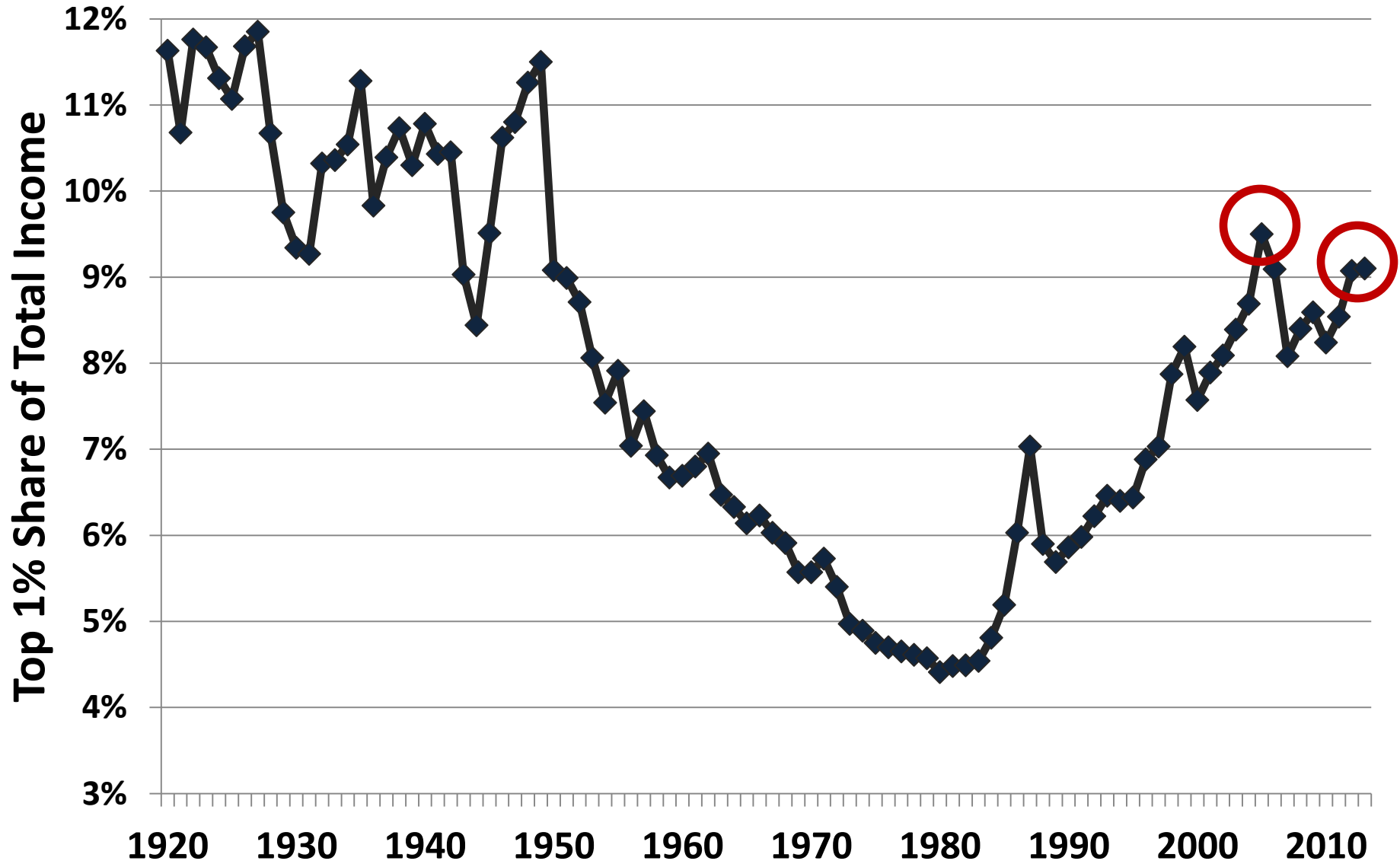
Source: World Wealth and Income Database

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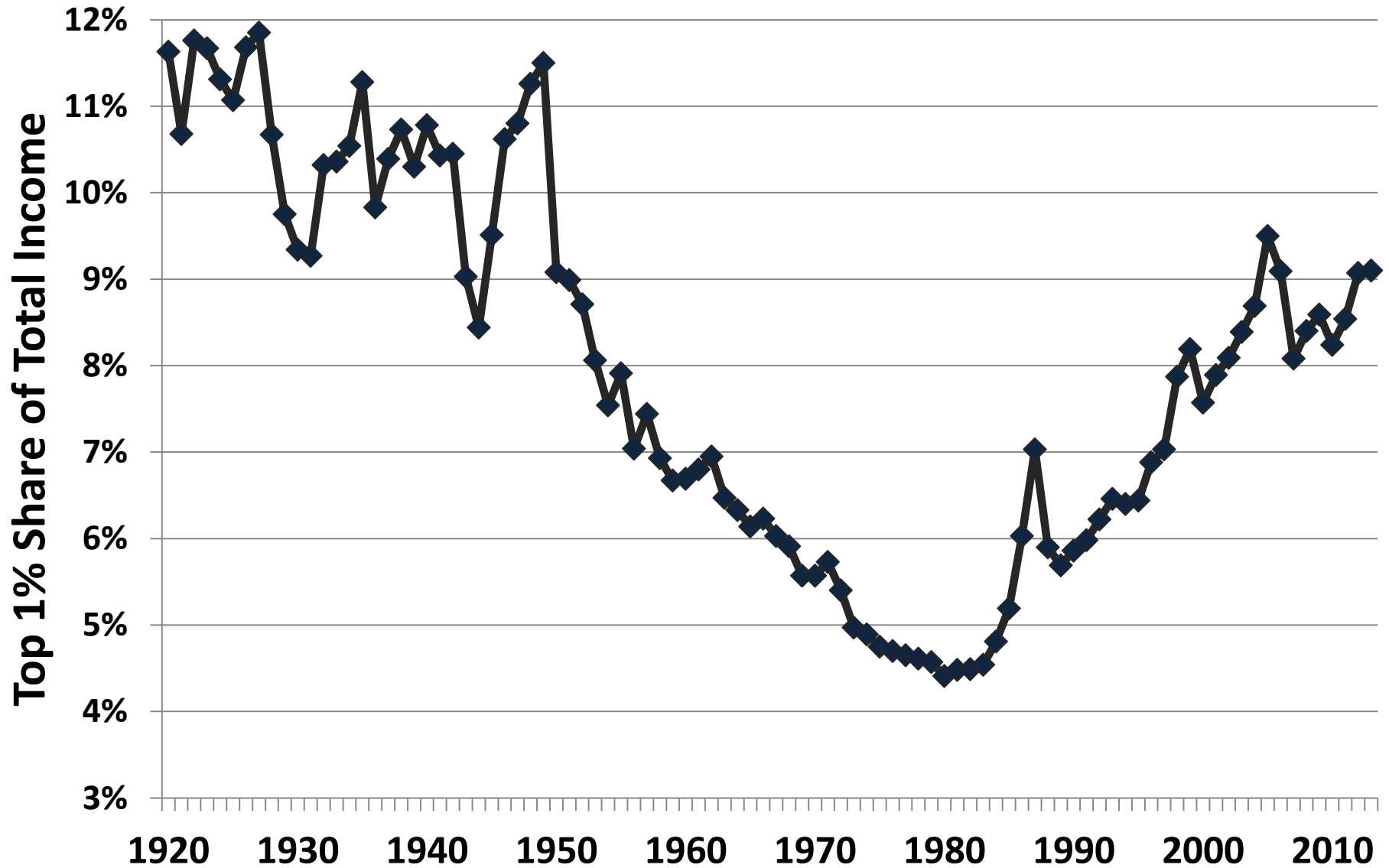
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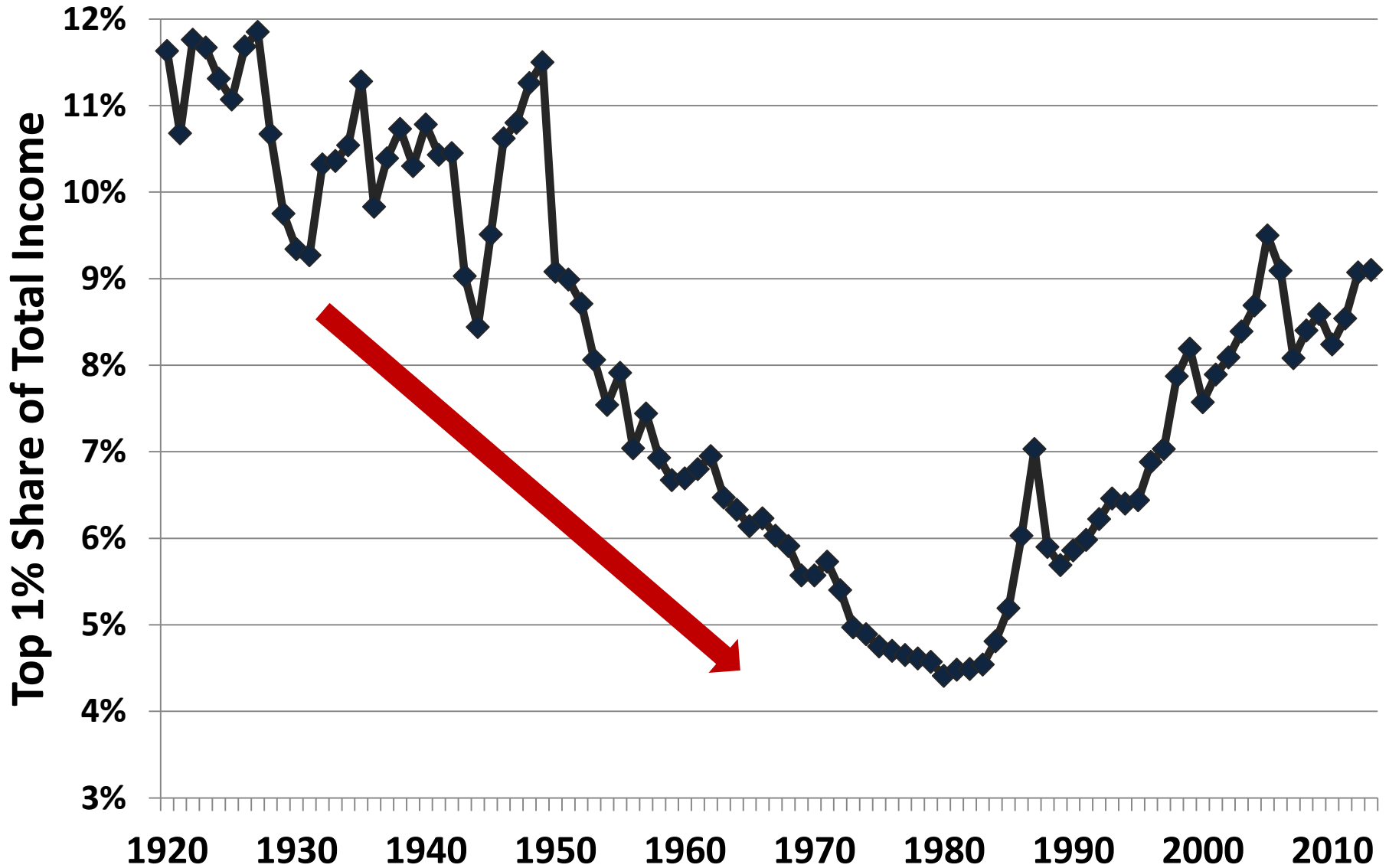
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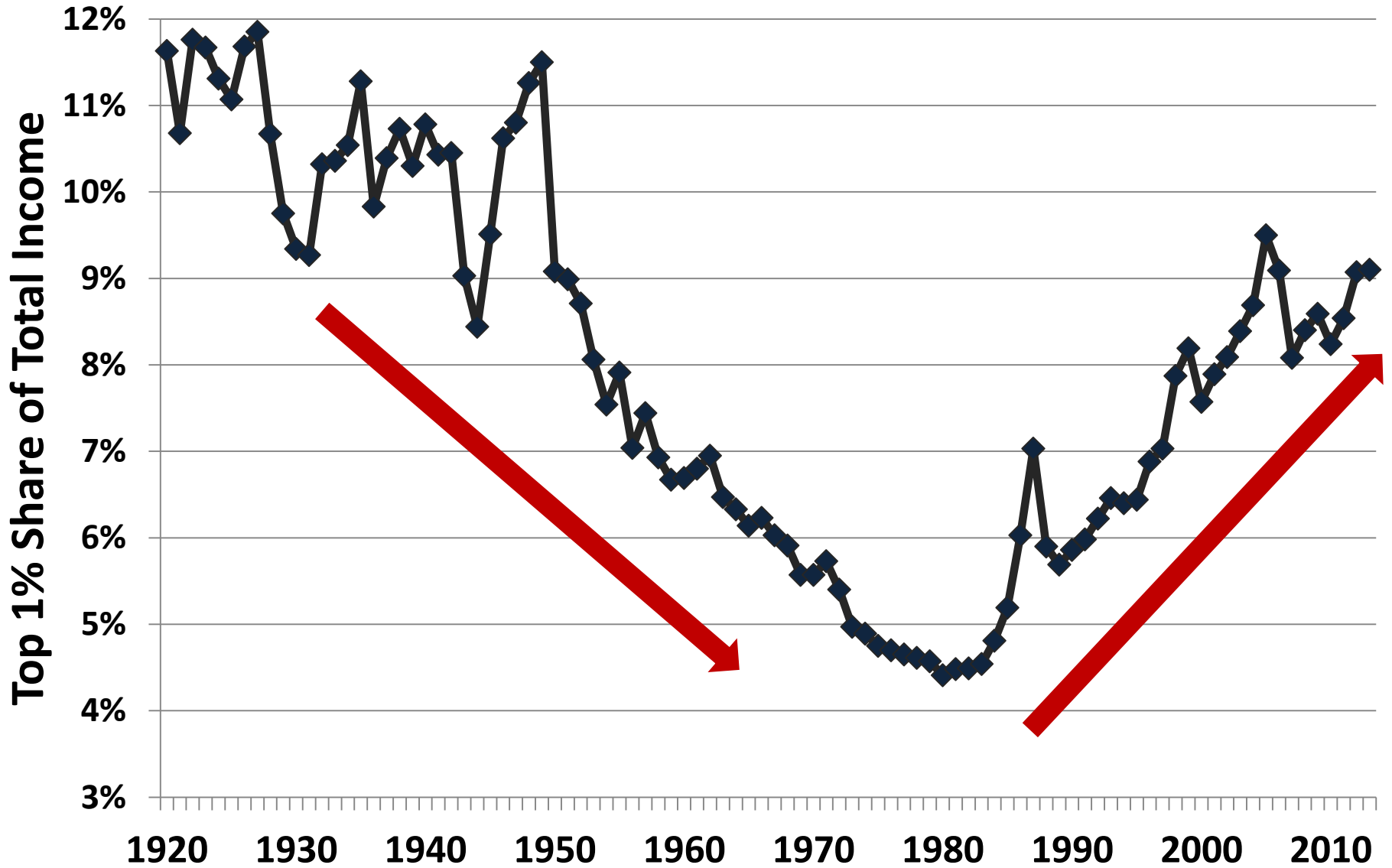
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# Top Income Share



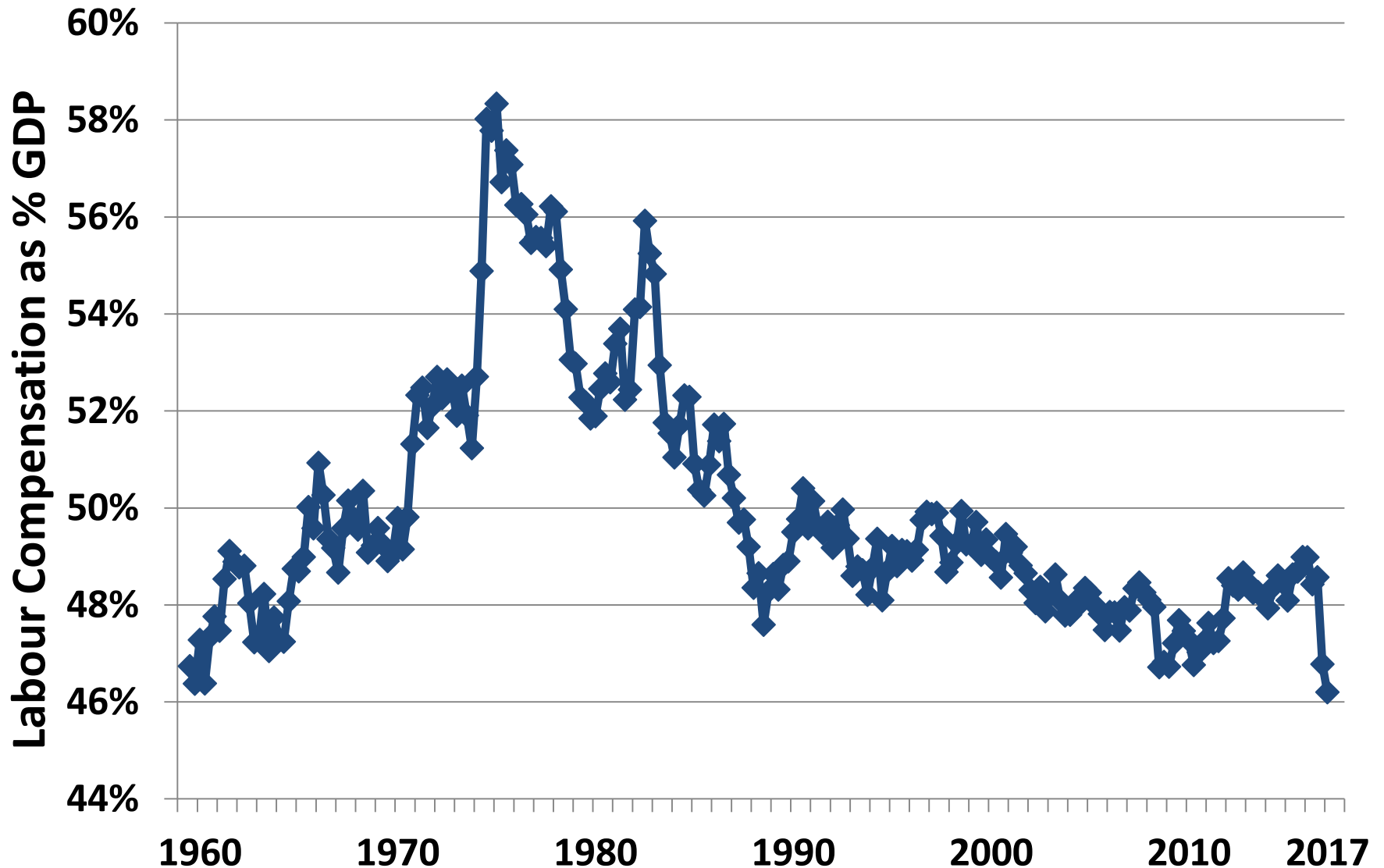
Source: World Wealth and Income Database



# Two Dimensions of Inequality

1. Measure inequality across households.
  - Income, wealth, consumption.
  - Gini, ratios, top shares.
2. Measure inequality across factors.
  - Correlate income of different groups of households, with the structural role they play in the economy.

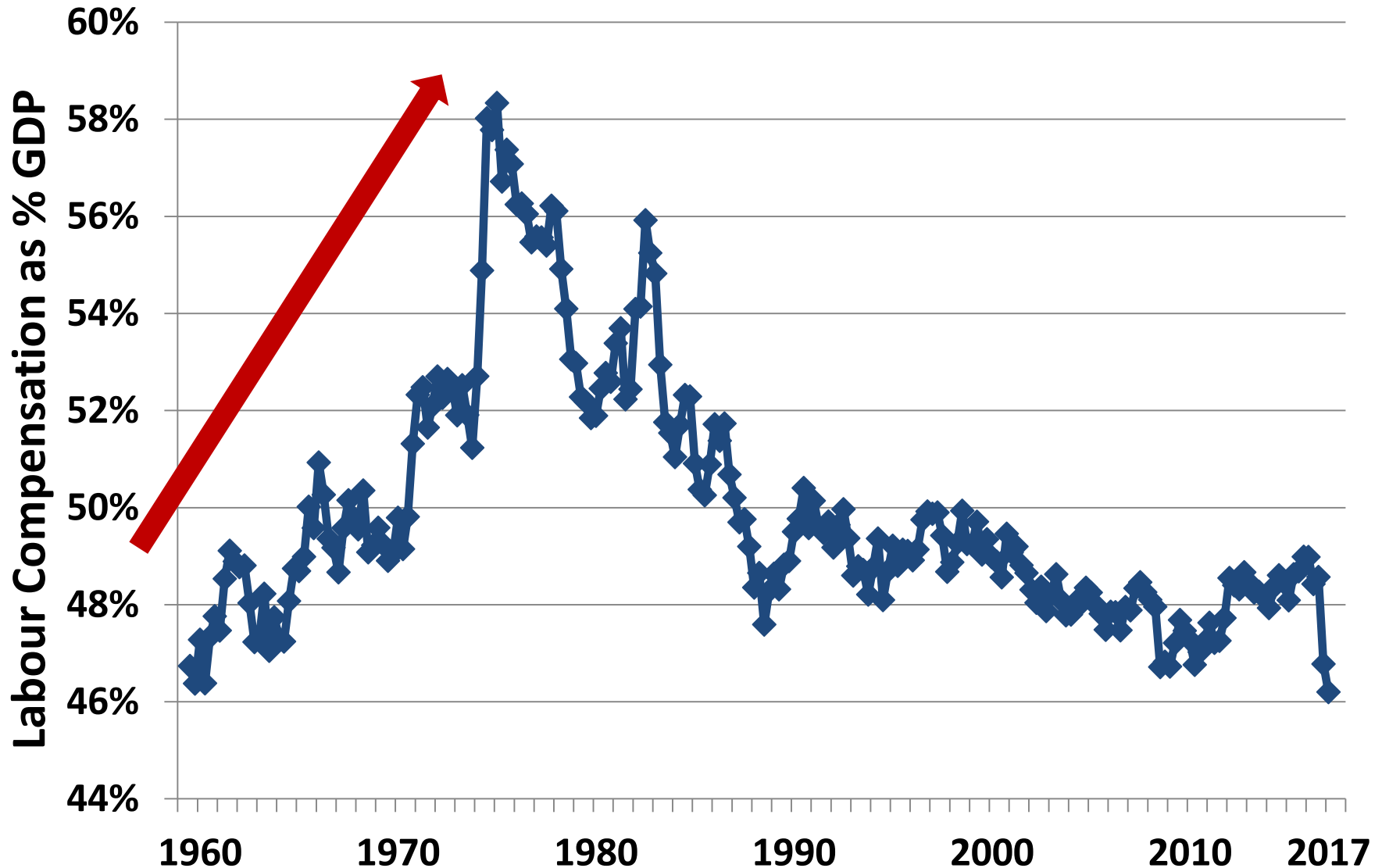
# Labour Share of GDP



Source: Centre for Future Work from ABS Catalogue 5206.0, seasonally adjusted.

Employee compensation includes wages, salaries, and employer super contributions.

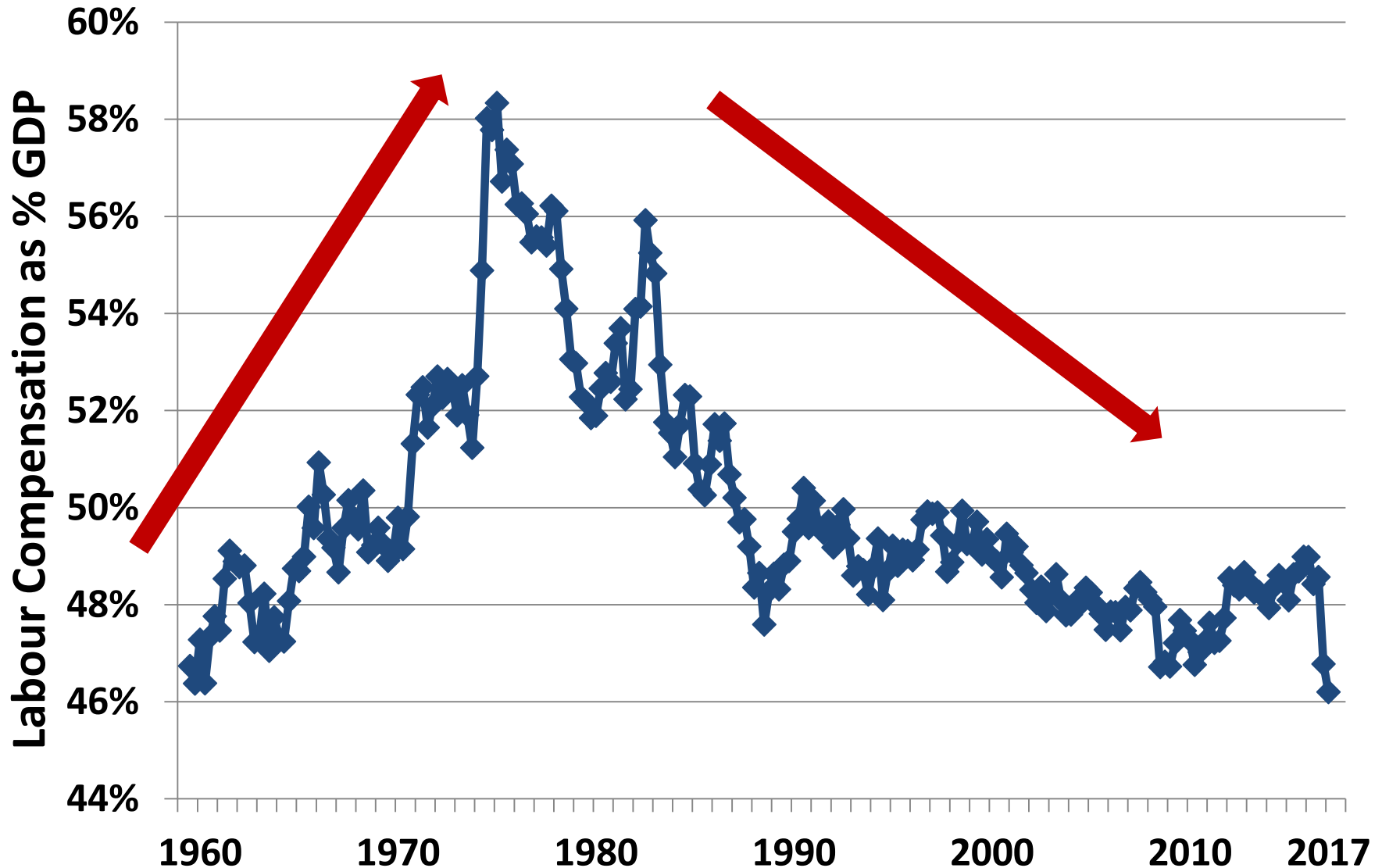
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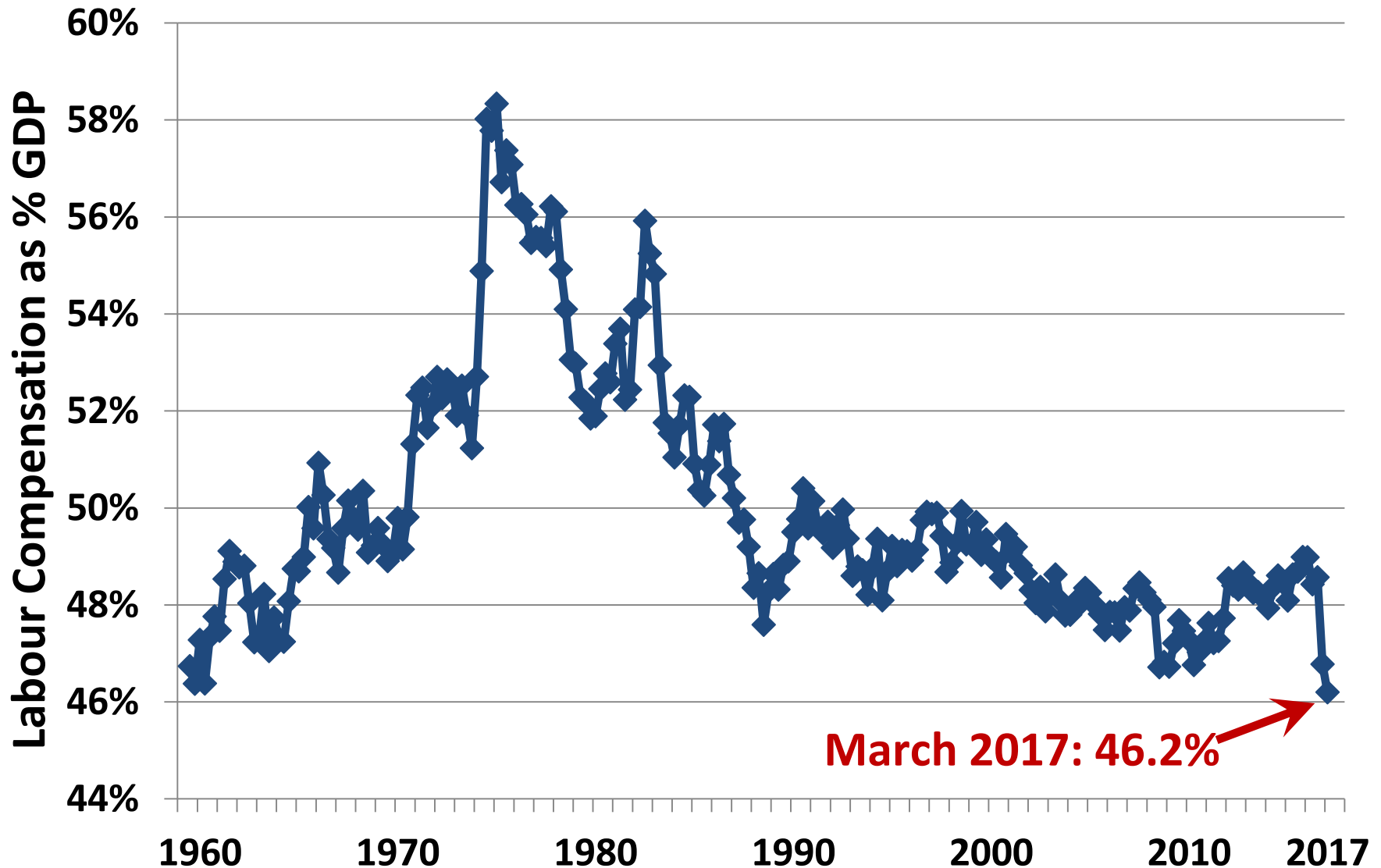
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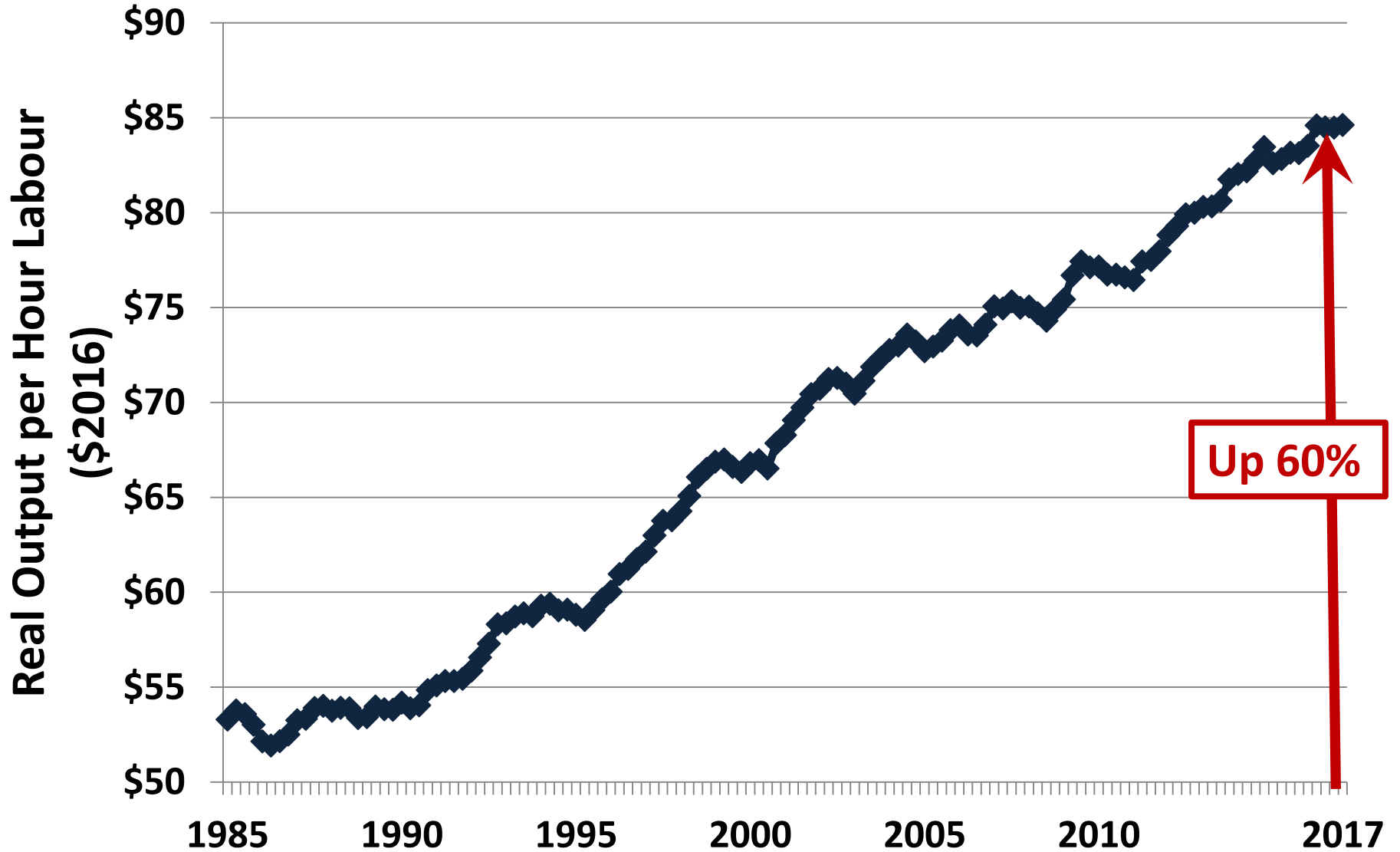
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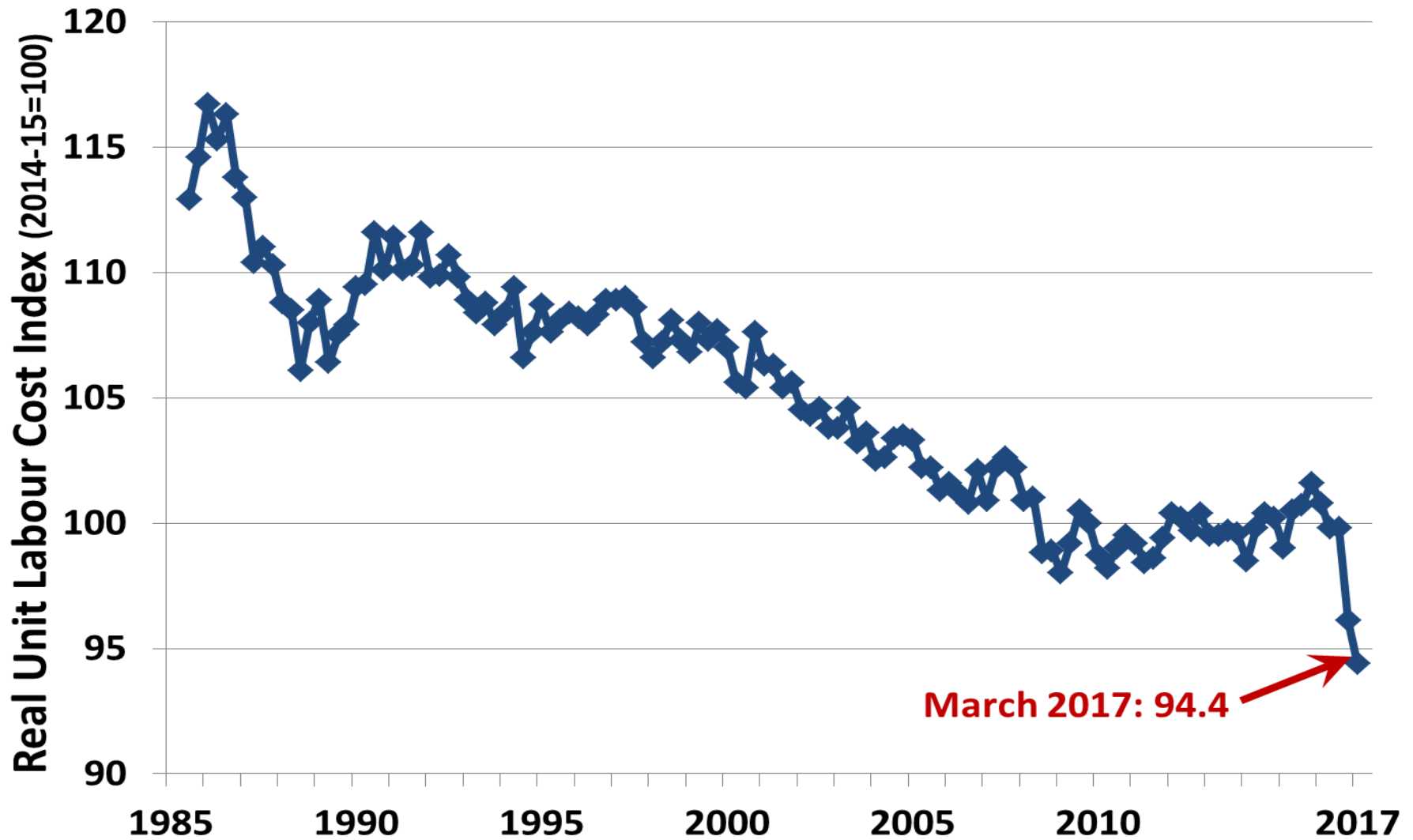
# Decomposing the Decline in the Labour Share

- Labour productivity has continued to grow.
  - 1.8 percent per year last 5 years.
- Real wage growth has slowed.
  - 0.6 percent over last decade.
  - Zero at present.
- Producing more, but not being paid more, means a decline in labour's share.
- Unit labour costs have also fallen to a record low.

# Labour Productivity



# Real Unit Labour Cost



Source: Centre for Future Work from ABS Catalogue 5206.0, Table 42, seasonally adjusted.



# Wealth Inequality & Top Incomes

- Data on wealth inequality is unreliable and not well-known.
- Important to distinguish between financial and non-financial wealth.
  - Especially value of owner-occupied housing.
- Concentration of financial / business wealth is surprising:
  - Top 1% owns at least one-third.
  - 39 billionaires own 6%.
- Top incomes have been driven by capital income.

# Conclusion

- The rise of inequality reflects a multidimensional set of measures designed to enhance the power of businesses and the people who own them.
  - It's not just about “rich” people; it's about the role they play in the economy and in society.
- Reducing inequality will require an equally multidimensional response to share power more broadly.
  - In workplaces.
  - In the economy.
  - In society.



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