Australian Bureau of Statistics

Household Economic Wellbeing

Fact Sheet Five

Changes over time

Changes in the levels and distribution of economic resources in a society over time are key concerns of social and economic analysts. This fact sheet presents time series analysis of the three dimensions of household economic wellbeing – income, consumption and wealth.

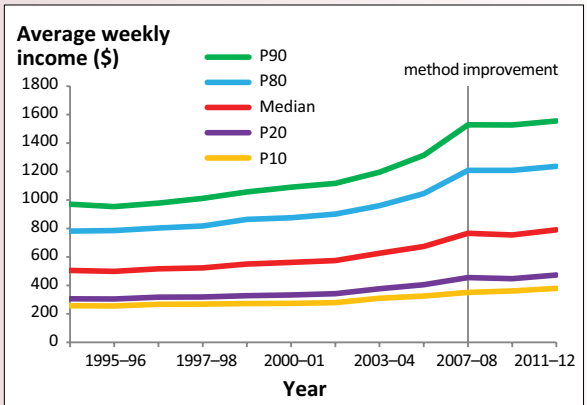
The analysis uses data from the Survey of Income and Housing (SIH), Household Expenditure Survey (HES) and Household Income and Labour Dynamics in Australia Survey (HILDA).

Income

Income data has been collected in the HES since 1984 and in the SIH since 1994–95.

Since 1994–95, median equivalised disposable household income (EDHI) has increased in real terms from $505 to $790 (up 56%). Low income households have had a slightly lower real increase in their average income (47% at top of P10) than high income households (60% at top of P90). (Graph 1)

Graph 1. Equivalised disposable household income at top of selected percentiles, 1994–95 to 2011–12(a)



(a) In 2011–12 dollars, adjusted using changes in the Consumer Price Index

Source: ABS Survey of Income and Housing (6523.0)

Average wages and salaries and government pensions and allowances both increased significantly in real terms between 1994–95 and 2011–12 (52% and 24%, respectively).

A small part of the measured increase since 2003–04 was due to improvements in the compilation of income introduced in SIH 2007–08 and recompiled where data was available for 2003–04 and 2005–06. (Box 1)

Box 1. Improvements in the SIH since 2003–04

The ABS has implemented improvements to the SIH to ensure the survey accurately measures the distribution of economic resources among households in Australia, including:

2003–04

- Integration of the SIH with the HES
- Computer assisted personal interviewing (CAPI) introduced
- Sample design improved
- Extra income questions (incl. non-cash and irregular income; salary sacrificed income specifically collected)
- New benchmarking methods
- Wealth data and imputed rent for first time

2007–08

- Further improvements to income incl. lump sum payments, financial support from family and trusts
- Implementation of new income definition incl. recompiling 2003–04 and 2005–06 where possible

2009–10

- Wealth data every SIH
- SIH income and wealth comparison with Australian System of National Accounts (ASNA) published in appendices of 6523.0 and 6554.0

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Key Terms

Disposable income – total income, monetary and in kind, less income tax, the Medicare levy and the Medicare levy surcharge

Equivalisation – method of standardising the income, expenditure or wealth of households to take account of household size and composition differences

Changes over time

Box 1. Improvements in the SIH since 2003–04 *(Cont'd)*

2011–12

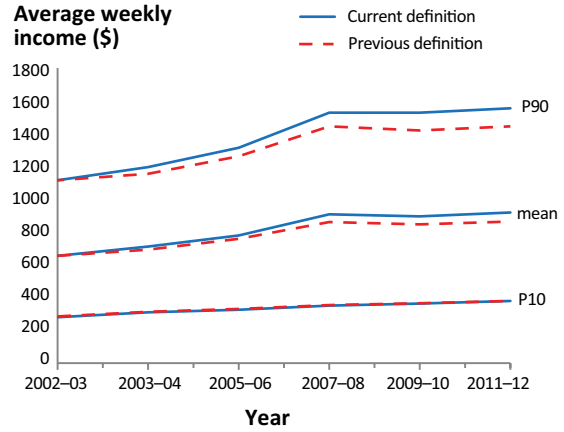
- Social transfers in kind (STIK) allocated in every SIH

2013–14

- Previous HES only items incl. disability and health care cards in every SIH to improve STIK allocations
- More detailed superannuation information

The improvements had most impact on households at the top of the income distribution, mainly from wages and salaries. In 2011–12, the EDHI for households at the top of P90 was 8% higher than the previous income definition while in 2005–06 it was 4% higher. At the top of P10 the changes increased EDHI by 1% in 2011–12, while mean weekly income increased by 3% in 2005–06 and 6% in 2011–12. (Graph 2)

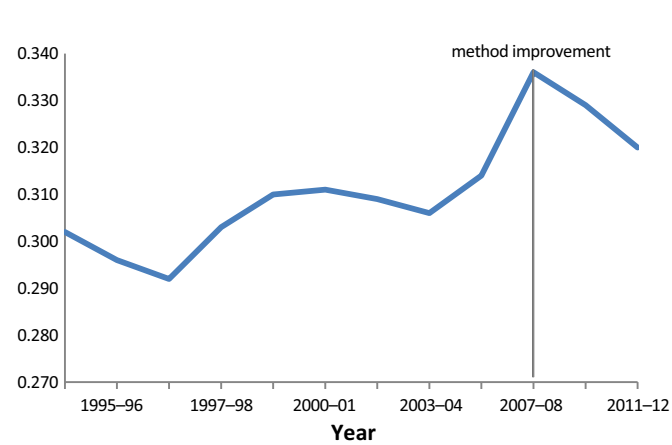
Graph 2. Equivalised disposable household income, current and previous income definition(a)



(a) In 2011–12 dollars, adjusted using changes in the Consumer Price Index
Source: ABS Survey of Income and Housing (6523.0)

The Gini coefficient is a single statistic between zero and one and is a summary indicator of the degree of inequality, with values closer to 0 representing less inequality, and values closer to one representing greater inequality. Since 1994–95, the Gini coefficient for EDHI has been lowest in 1996–97 (0.292) and highest in 2007–08 (0.336). It decreased by 5% between 2007–08 and 2011–12. (Graph 3)

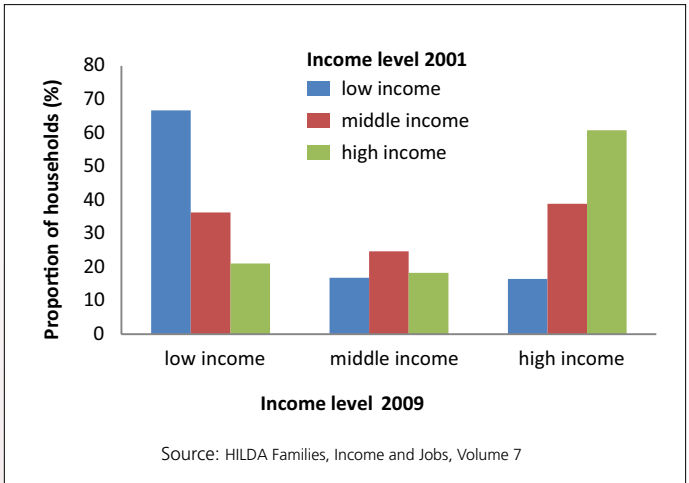
Graph 3. Gini coefficient of equivalised disposable household income, 1994–95 to 2011–12



Source: ABS Survey of Income and Housing (6523.0)

The HILDA survey provides valuable insight into economic circumstances over time and the persistence of income disadvantage for individual households. Two thirds of households with a low income (lowest two income quintiles) in 2001 continued to have a low income in 2009. Similarly, over 60% of high income households (highest two quintiles) in 2001, remained at the top of the income distribution in 2009. (Graph 4)

Graph 4. Comparison of income levels in 2001 and 2009

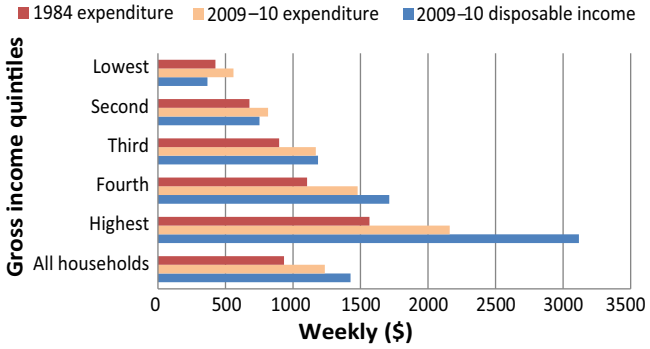


Source: HILDA Families, Income and Jobs, Volume 7

Consumption expenditure

As incomes have risen, consumption expenditure has also risen. Between 1984 and 2009–10 average weekly expenditure of all households increased in real terms by one third from $933 to $1,236. The increase in expenditure was greatest for households in the fourth and fifth gross income quintiles. In these quintiles average income exceeded average consumption expenditure by 14% and 31%, respectively in 2009–10. By comparison, households in the lowest two income quintiles had average expenditure higher than their average disposable income. (Graph 5)

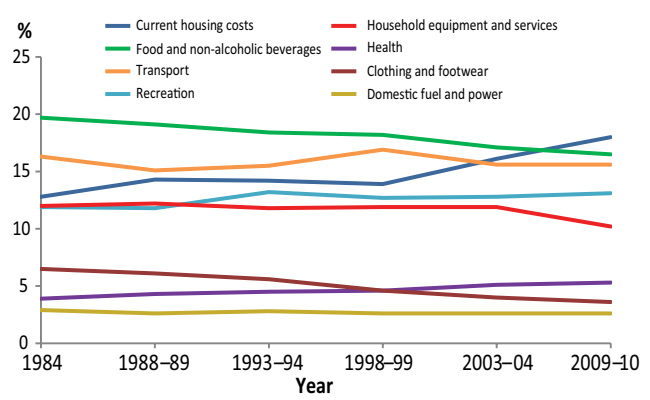
Graph 5. Average expenditure and disposable income, by gross income quintile, 1984 and 2009–10



(a) In 2009-10 dollars, adjusted using changes in the Consumer Price Index
Source: ABS Household Expenditure Survey (6530.0)

Consumption patterns of households have changed since 1984. Current housing costs increased from 13% of total household expenditure on goods and services in 1984 to 18% in 2009–10. The proportion of expenditure on food and non-alcoholic beverages declined gradually in the same period (from 20% to 17% of total consumption expenditure), while spending on clothing and footwear almost halved (from 7% to 4% of total). (Graph 6)

Graph 6. Proportion of total goods and services expenditure, selected groups, 1984 to 2009–10



Source: Household Expenditure Survey (6530.0)

Box 2. Improvements in the HES since 1998–99

1998–99

- Household Expenditure Classification (HEC) replaced HES Commodity Code List for classifying expenditure
- Financial stress indicators collected for first time

2003–04

- HES and SIH integrated (HES for a subsample of SIH respondents)
- Expenditure, income, wealth and financial stress available for all HES households

2009–10

- Non-cash benefits from employers included in consumption expenditure
- Expenditure also classified by the international Classification of Individual Consumption by Purpose (COICOP)
- Extra metropolitan sample of households with main source of income government pensions and allowances added to HES for development of a Pensioner and Beneficiary Living Cost Index
- HES expenditure comparison with the ASNA published in Appendix 3 of 6530.0

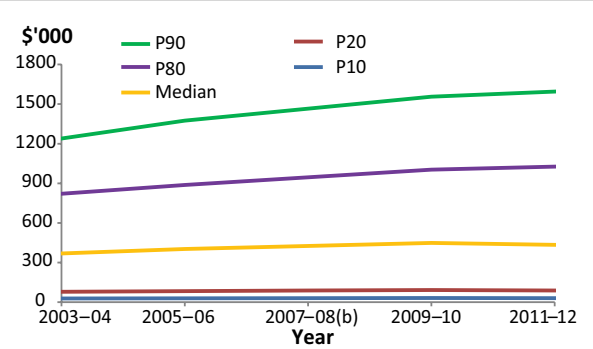
Wealth

The distribution of wealth in Australia is less equal than income. Comprehensive information on the composition of the assets and liabilities held by households has been collected in the SIH and HES since 2003–04. Previously, the value of owner occupied dwellings and loans on those dwellings were the only wealth data collected in these surveys.

Median net worth has increased in real terms from $369,000 in 2003–04 to $434,000 in 2011–12. The average net worth of high wealth households has increased by more than the net worth of low wealth households e.g. the net worth of households at the top of the fourth quintile (P80) increased by 25% (to $1m) while the net worth of households at the top of the lowest quintile (P20) increased by 12% (to $88,000) in the eight year period to 2011–12. (Graph 7)

Changes over time

Graph 7. Household net worth at top of selected percentiles, 2003–04 to 2011–12(a)

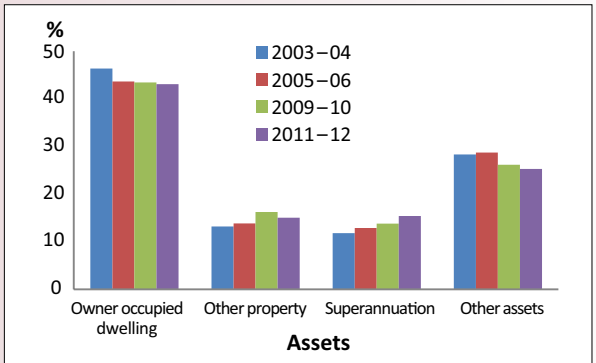


(a) In 2011–12 dollars, adjusted using changes in the Consumer Price Index
(b) Wealth data not available for 2007–08
Source: ABS Survey of Income and Housing (6554.0)

The composition of assets has remained relatively stable between 2003–04 and 2011–12. Property assets (own dwelling and other property) comprised just under 60% of total assets in both years, although there was a slight reduction in the proportion for owner occupied dwellings offset by a small increase in other property. Superannuation rose from 12% to 15% of total household assets in the same period. (Graph 8)

Property loans made up a slightly higher proportion of liabilities in 2011–12 (90%) than in 2003–04 (86%).

Graph 8. Composition of assets, 2003–04 to 2011–12



(a) In 2011-12 dollars, adjusted using changes in the Consumer Price Index
Source: ABS Survey of Income and Housing (6554.0)

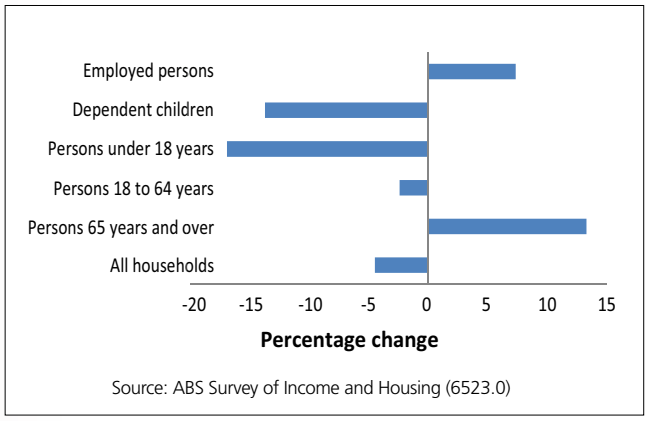
Demographic Changes

When analysing the distribution of household economic resources over long time periods, changes to the population's age profile, their sources of income and household composition can impact on wellbeing measures.

In the period from 1994–95 to 2011–12, average household size has fallen by 4% mainly due to a 14% fall in the average number of dependent children. In the same period the average number per household of persons 65 years and over, and of employed persons increased by 13% and 7%, respectively. (Graph 9)

The ABS has undertaken analysis of the impact of demographic changes on measures of income inequality and found that about one third of the total increase between 1994–95 and 2002–03 could be explained by demographic factors.

Graph 9. Average number of persons in household, percent change 1994–95 to 2011–12



Source: ABS Survey of Income and Housing (6523.0)

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For more information:

- Australian Bureau of Statistics (ABS), 2005, *Research paper: Impact of Demographic and Economic Changes on Measured Income Inequality*, (cat. no.1351.0.55.005), ABS, Canberra www.abs.gov.au
- ABS, 2009, *Household Income and Income Distribution, Australia 2007–08*, (cat. no. 6523.0), Appendix 4: Improvements to income statistics, ABS, Canberra www.abs.gov.au
- Wilkins, R., Warren, D., 2012, *Families, Incomes and Jobs, Volume 7*, Melbourne Institute of Applied Economics and Social Research, Melbourne http://www.melbourneinstitute.com/hilda/Reports/statreport.html

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