

A Growing Gap? Trends in Economic Wellbeing at the Top of the Spectrum in Australia

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Abstract: The latest data suggests sharp increases in income at the top of the income spectrum in Australia in recent years. The past few years have seen strong economic growth in Australia, accompanied by major changes in the industrial relations system and sweeping changes in tax and transfer policy. This paper examines the relative impact of these various changes, looking at the extent to which growth at the top end has been due to strong wage increases, tax cuts, or growth in non-wage income sources. The Australian STINMOD static microsimulation model will also be used to help quantify the impact of policy change on high income households. In addition, taxation statistics provide a means of checking trends at the top end of the spectrum. Data on wealth distribution are also examined, although the across-time comparison that can be undertaken here is more limited, as comparable data are not available for the mid 1990s.