

# Market Liberalisation and Increasing Social Inequality: Facts and Perceptions<sup>\*</sup>

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## **Market Liberalisation and Increasing Social Inequality: Facts and Perceptions**

### **Abstract**

Following the increasing impact of globalising economic forces world wide Australia, like many other liberal democracies, moved to adopt neoliberal economic policies with an emphasis on increasing deregulation of economic markets. The economic changes instituted since the 1980s have fundamentally restructured the economy and created a more flexible labour market. Jobs growth has been concentrated in industries that rely heavily on casual and part-time workers. Consequently, the proportion of all jobs that are permanent and full-time has declined. In this paper, we are interested in how these changes have affected the level of income and wealth inequality within Australian society. Although there is a general agreement amongst researchers that there has not been a significant increase in inequality in regard to either income or wealth between the 1980s and the 2000s, some researchers argue that earnings inequality has increased. There is also evidence of a mismatch between objective measures of inequality and the perceptions of the Australian people, with a significant majority of respondents in a national survey conducted in 2005 believing that Australia had become a more divided and less fair society since the 1980s. The present paper examines these disparities and attempts to account for them.

## **Introduction**

In 1990, based on more than a decade of research, Esping-Anderson published his influential *The Three Worlds of Welfare Capitalism*. In this book, he argued for the pervasiveness of the welfare state and its “fantastic pace of growth in most countries during the 1960s and 1970s” (Esping-Andersen 1990: 1). Welfare states, of course, were not all of a kind and Esping-Andersen identified three welfare state regimes. The ‘liberal’ welfare state was characterised by means tested assistance, modest universal transfers catering largely to a clientele of low income persons and households and market differentiated welfare among the majority. The United States, Canada and Australia were examples of such regimes (Esping-Andersen 1990: 27). The second regime type grouped nations such as Austria, France, Germany and Italy. These were conservative and strongly ‘corporatist’ welfare states in which “the liberal obsession with market efficiency” was never a major concern. Finally, there was the social democratic regime type which aimed for a welfare state that would promote an equality “of the highest standards not an equality of minimal needs”, a feature of the other regimes (Esping-Andersen 1990: 27).

But all of this was to change. The change came first in China, the United States of America and Great Britain. Influenced by the economic growth he saw in Japan, Taiwan, Hong Kong, Singapore and South Korea, Deng Xiaoping in 1978 commenced the task of mobilizing market socialism instead of central planning as the driving force behind economic growth and development. Deng Xiaoping was followed by Ronald Reagan’s republicanism and Margaret Thatcher’s conservatism both of which adopted “a particular doctrine that went under the name of ‘neoliberalism’ and transformed it into the central guiding principle of economic thought and management” (Harvey 2005: 2). Strong private property rights, free markets and free trade provide the backbone of neoliberalism. The role of the state is to provide a framework in which free markets and free trade can flourish and in areas in which markets do not exist, for example, education, health care and environmental pollution, to play a major role in their creation. The 1980s and 1990s saw neoliberal policies sweep the world. Esping Andersen’s liberal welfare states were the first to succumb and the social democracies perhaps the last and, in the case of Sweden, not without a struggle. Paradoxically, it was not until the Social Democrats returned to power in 1994 that the neoliberal program of “deficit reduction, inflation control and balanced budgets rather than full employment, and an equitable distribution of income

became corner stones of macro economic policy” (Blyth 2002: 231), although as Harvey (2005: 114) notes “Sweden is an example of what might be called ‘circumscribed neoliberalization’ and its generally superior social condition reflects that fact”.

Following the increasing impact of globalising economic forces Australia, like the great majority of liberal democracies, moved to adopt neoliberal policies with an emphasis on increasing deregulation of economic markets. The economic changes instituted since the 1980s have fundamentally restructured the economy creating a more flexible labour market and impacting on many other facets of Australian life. Jobs growth has moved out of manufacturing and has been concentrated in service industries that rely heavily on casual and part-time workers. This is not a situation unique to Australia and is one of the globalizing consequences of moving manufacturing ‘off shore’ to take advantage of cheaper labour markets. As a result of this market change, the proportion of all jobs that are permanent and full-time has declined.

Whether economic restructuring that has resulted from the implementation of neoliberal policies has produced an increase in the income gap between the rich and the poor is a hotly contested issue (Heckman & Krueger 2003; Harvey 2005). Although there is a general agreement amongst Australian researchers that there has not been a significant increase in inequality in regard to either income or wealth between the 1980s and the 2000s, some argue that earnings inequality has increased. There is also evidence of a mismatch between objective measures of inequality and the perceptions of the Australian people, with a significant majority of respondents in a national survey conducted in 2005 believing that Australia had become a more divided and less fair society since the 1980s. In this paper, we review the current debate by examining six dimensions of inequality and then use data from a nationally representative sample to assess whether the perceptions held by Australians, with regard to the effects of neoliberal policies, are congruent with the statistics on inequality quoted by academic researchers.

### **Australia in a national context**

Assessing inequality in Australia is a complex process due to both its multidimensional nature (Saunders, 2002: 177) and the paucity of comprehensive data. During recent decades the Australian Bureau of Statistics (ABS), the

government agency responsible for the national Census and a variety of workforce and other social surveys, introduced several changes to the way it collects data usually employed to measure inequality in earnings, income and wealth. These changes make comparability over time difficult if not impossible (Saunders & Hill 2008: 55) and have given rise to considerable debate within the Australian community regarding both the level of inequality and the most effective way to measure it.

Here we review six dimensions of inequality: individual earnings, household earnings, individual disposable income, household disposable income, individual wealth and household wealth using two measures of inequality, the Gini coefficient and the P90/P10 ratio and variants of it. The Gini coefficient ranges from 0 to 1, where a value of 0 indicates complete equality and a value of 1 indicates complete inequality. For example with regard to household wealth inequality, a value of 0 indicates that each household holds an equal proportion of the total wealth and a value of 1 indicates that one household holds all of the wealth (Harding 2003: 154). The lower the Gini coefficient, the more equal the distribution of wealth.

The P90/P10 ratio is calculated by first ranking all the units of analysis (either individuals or households) from lowest to highest and then dividing the ranking into deciles. The units in the lowest decile (P10) are the 10 percent with the lowest share of wealth and those in the highest decile (P90) are the 10 percent holding the most wealth. Therefore changes in the distribution of wealth can be measured by comparing the P90/P10 ratio at different points in time. Larger P90/P10 ratios indicate greater levels of inequality. In 2005-06, the P90/P10 ratio for net household worth equalled 47.3 (ABS 2007b: 6), that is, the top household in P90 held 47.3 times as much wealth as the top household in P10. In 2003-4, the P90/P10 ratio for household income was 3.7 (ABS 2005 cited in Stilwell & Jordan 2007: 33).

Individual earnings are simply the gross earnings an individual earns in the form of wages, salary or business income. Household earnings are the sum of all the earnings from the individual members living within the household. Individual disposable income is calculated by deducting income tax and the Medicare levy<sup>1</sup> from individual earnings and then adding all cash transfers flowing from the government to the individual. For example, if an individual is working for 10 hours per week in a low paid job they would receive some form of government assistance in the form of a cash transfer, thus their income would be higher than their earnings.

Household disposable income is the sum of the earnings less the income tax liability and Medicare levy of all members of the household, plus the value of all cash transfers the household receives from the government. For example, if a household consists of a couple with two children in which one partner is employed full-time and the other partner is not employed, the household disposable income equals the employed partner's earnings, less their income tax liability and Medicare levy plus the various cash transfers from the government including family tax benefit<sup>2</sup> (ABS 2007a: 33). Therefore household disposable income would exceed household earnings.

The ABS argues that equivalised disposable income is a better measure representing the economic resources available to meet the needs of households. By adjusting disposable income using an equivalence scale, the equivalised disposable income reflects the requirement for larger households to have a higher level of income to achieve the same standard of living as smaller households (ABS 2007a: 33). The Organization for Economic Co-operation and Development (OECD) equivalence scale is widely used and is calculated by adding together the values for each member of the household. The first adult is given a value of 1.0, the second adult is given a value of 0.7, and each child aged under 15 years is given a value of 0.5. The OECD equivalence scale for a family with two adults and two children is 2.7, that is, a household comprising of two adults and 2 children would require 2.7 times as much income as a single adult to achieve an equivalent standard of living (Saunders 2002: 190).

Wealth is a net concept measuring the extent to which the value of assets exceeds the value of liabilities (ABS 2007b: 4), therefore individual wealth is a measure of the cash value of the individual's assets less the cash value of the individual's liabilities. Household wealth is the sum of all the assets less the sum of all the liabilities held by the individuals within the household. In 2005-06, the wealthiest 20 percent of households held 61 percent of total net household wealth whereas the poorest 20 percent of households held just 1 percent of total net household wealth (ABS 2007a: 5).

### **Australia in an international context**

According to the OECD, inequality in Australia is currently about the average of all the OECD countries. In the mid-1980s, the Gini coefficient for Australia was 0.310, higher than the OECD average of 0.289, but by 2000, the Gini coefficient for

Australia was 0.305 marginally lower than the OECD average of 0.308. This result is somewhat less encouraging when one considers that Australia is ranked 15<sup>th</sup> out of the 25 countries on the scale. Denmark, with a Gini coefficient of 0.225, is the country with the least inequality and Mexico with a Gini coefficient of 0.480, has the greatest inequality (OECD 2006).

Saunders (2002: 197) quotes OECD data showing that although Australia was ranked in the middle of the inequality ranking in 1995, the ratio comparing the earnings of the average CEO (Chief Executive Officer) with the average manufacturing worker was 19. That is, the earnings of the average CEO were 19 times more than the earnings of the average manufacturing worker. Saunders compared the Australian ratio with those of the US (24) and Japan (10). To compare the overall dispersion in earnings, Saunders used the P10/P50 and P90/P50 ratios. In Australia the P10/P50 ratio was 0.61 and the P90/P50 ratio was 1.77. That is, the top unit in the 10<sup>th</sup> percentile earned 0.61 times as much as the top unit in the 50<sup>th</sup> percentile and the top unit in the 90<sup>th</sup> percentile earned 1.77 times as much as the top unit in the 50<sup>th</sup> percentile, indicating a greater dispersion between the median and the 90<sup>th</sup> percentile than between the median and the 10<sup>th</sup> percentile. In the US, the P10/P50 ratio was 0.48 and the P90/P50 ratio was 2.1; in Japan the P10/P50 ratio was 0.61 and the P90/P50 ratio = 1.85, indicating greater dispersion in earnings than in Australia.

### **Change over time**

During the past two decades, the ABS has changed both its methods of data collection and the definitions of many of the terms it uses making it difficult to identify trends in inequality (Saunders & Hill 2008: 51). This makes the task of assessing the impact of neoliberal policies on levels of inequality exceptionally difficult. Unfortunately, the ABS data was the only data available to Australian researchers until the Household, Income and Labour Dynamics in Australia (HILDA) survey began in 2001, therefore, all research relating to change in inequality over time has been conducted using the less than ideal ABS data.

There would appear to have been no change in the distribution of wealth since the mid-1980s, however, this may be a consequence of the lack of comparability of data collected. Using data from the ABS, Baekgaard (1998: 14-15) estimated that 30 percent of total household wealth in both 1986 and 1993 was held by the wealthiest 5 percent of households. An almost identical result was estimated using the second

wave of the HILDA survey conducted in 2002. Headey et al. (2005: 165) concluded that the wealthiest 5 percent of households held 31 percent of total household wealth in 2001-02. In 2001-02, the Gini coefficient equalled 0.62, compared with 0.64 in both 1986 and 1998 (Harding 2003: 161) indicating that wealth inequality has remained stable since the mid 1980s. Harding argued that the key reason why overall wealth inequality did not increase between 1986 and 1998 was the superannuation guarantee<sup>3</sup> which offset growing inequality in many other forms of wealth. Without the inclusion of superannuation in the calculations, wealth inequality increased from 0.67 in 1986 to 0.70 in 1998 (Harding 2003: 164). On the other hand, Stilwell and Jordan (2007:54) cite more recent findings from research conducted by Kohler et al. (2004) and Headey et al. (2005) using the HILDA data suggesting that the universal superannuation guarantee actually intensified existing wealth inequality with the wealthiest 10 percent of households owning 40 percent of the total wealth held in superannuation.

Data from the ABS Survey of Income and Housing (SIH) (2007a: 5) suggest that when household income is the measure, there has again been little in the way of an increase in inequality. Between 1994-95 and 2005-06 the mean real income<sup>4</sup> of households in the bottom three deciles (those with the lowest 30 percent of incomes) increased by 31 percent compared to 32 percent for middle income households and 36 percent for high income households (those with the highest 20 percent of incomes). Figure 1 shows that each quintile's proportion of total equivalised disposable household income barely changed between 1994 and 2005-06. Each quintile has maintained its proportion of total income suggesting there has been no change in the overall dispersion of income.

[Figure 1 About Here]

Two other indicators of inequality, the Gini coefficient and the P90/P10 ratio also show that there has been little change in the level of income inequality in the decade from 1994-95 to 2005-06. In 2005-06, the Gini coefficient was 0.307 compared with 0.302 in 1994-95 and the P90/P10 ratio was 3.92 in 2005-06 compared with 3.78 in 1994-95 (ABS2007a) although it has fluctuated somewhat in between (see figure 2). Results published in another ABS publication, *Household Wealth and Wealth Distribution Australia* (2007b: 6-7) show that the 20 percent of households comprising the lowest gross income quintile accounted for 4.3 percent of total income

and that the 20 percent of households comprising the lowest net worth quintile accounted for 12 percent of total gross household income.

[Figure 2 About Here]

Although there has been no systematic apparent increase in household income inequality, this is entirely due to increases in the level of cash transfers that the average Australian household received. According to Harding (1997: 349) the real value (that is, the value adjusted for inflation) of social transfers increased by 40 percent between 1982 and 1993-94. Looking at the trend in inequality in household income over a fifteen year period from 1983, Keating (2003: 388) concluded that income support provided to families had increased their disposable income by 24 percent. These increases in cash transfers from the government to families more than offset increasing inequalities in earnings derived from market work (Saunders 2002: 191; Johnson & Wilkins 2004: 226), however, increased earnings inequality has not been offset for lone person households or families without dependent children to support (Saunders & Hill 2008: 56).

Research into earnings inequality is also affected by the way data is collected by the ABS. Generally ABS publications refer to the average earnings for males employed on a permanent full-time basis even though the proportion of the workforce fitting this description has been steadily declining over the past three decades. Comparing Gini coefficients for earnings between 1982 and 1993-94, Harding (1997: 345) found that there had been a slight increase in inequality of 0.037 (from 0.5 to 0.537). This increase in earnings inequality was also detected by Borland and Wilkins (1996: 9) using data from ABS Income Distribution Surveys conducted in 1981-82, 1985-86 and 1989-90. They found that real weekly earnings of a male employee in the 10<sup>th</sup> percentile decreased by 6.6 percent whereas real weekly earnings of a male employee at the 90<sup>th</sup> percentile increased by 13.3 percent. Norris and McLean (1999: 26) also found evidence of increased dispersion in earnings using data collected between 1987 and 1996 by the ABS Survey of Employee Earnings and Hours. They concluded that lowest decile earnings as a percentage of median<sup>5</sup> earnings have declined over 10 percentage points whilst highest decile earnings as a proportion of median earnings have increased by over 20 percentage points.

Keating (2003: 375) compared earnings data for 1985, 1995 and 2000 finding that the P10/P50 ratios had declined from 0.72 to 0.68 to 0.65 and the P90/P50 ratios had increased from 1.63 to 1.67 to 1.75 indicating an increasing dispersion of earnings from the median for those with high earnings and decreasing dispersion of earnings from the median for those with low earnings. Keating concluded that changes in the composition of employment rather than changes in the rates of pay for given occupations had driven the increase in earnings inequality. Earnings inequality increases when people working part-time on low hourly rates of pay are included as they end up in the bottom of the distribution (Saunders 2005: 8). These findings suggest that with a lower proportion of Australian workers enjoying the benefits and incomes of full-time employment, it is important to consider the impact of the restructuring of the labour market on inequality.

### **Restructure of labour market**

The labour market in Australia, like those in other advanced industrialised economies, has undergone a fundamental restructuring process since the 1970s. During this period there have been increasing numbers of people of working age who are either unemployed or underemployed or who have left the labour market (for example, due to early retirement), an increase in the proportion of workers who are female, and a decrease in the proportion of jobs that are full-time and permanent. The proportion of Australian workers employed full-time declined from 90 percent in 1966 to 71 percent in 2008 (ABS 1984; ABS 2008). These changes are linked to the decline in the proportion of jobs provided by the manufacturing sector, traditionally full-time permanent jobs, and a rise in the proportion of jobs provided by the service sector, traditionally part-time and casual jobs (Fincher & Saunders 2001: 2; Watson 2002: 98). In the early 1970s, the manufacturing sector supplied 28 percent of jobs, predominantly full-time permanent jobs, and now supplies around 12 percent of jobs (Woodward 2005). The services sector currently employs 75 percent of all workers with the majority working part-time and/or casual (Woodward 2005: 144). For example, only 43 percent of workers in hospitality are in full-time permanent jobs (Watson et al. 2003: 53).

According to data from the OECD, in 2000, Australia had the second highest proportion of workers in part-time employment, 27 percent, compared with the OECD average of 15 percent (Woodward, 2005: 150). Data published by the ABS (1984;

2008) shows that in 1983, 18 percent of employees were employed part-time but by 2008 this had increased to 29 percent. The graph in figure 3 shows that between 1983 and 2003 there was a steady increase in the proportion of employed persons working part-time, however, between 2003 and 2008, the percentage stabilized at 29 percent.

[Figure 3 About Here]

The relatively large proportion of workers employed on a part-time basis has significant consequences for the level of inequality in earnings. In 1999, average earnings from part time jobs equaled 37.5 percent of the average earnings from full-time jobs and average earnings from casual jobs equaled just 23.5 percent of earnings from full-time permanent jobs. In the 1990s, 87 percent of new jobs created returned earnings of less than \$500 per week, with nearly half of all additional jobs created paying less than \$300 per week (Borland et al. 2001: 16). According to Harding, (1997: 342) the proportion of male full-time employees earning 75 to 125 percent of median earnings declined between 1982 and 1994 and the proportion of those earning less than 75 percent of median earnings increased. Real earnings<sup>6</sup> declined for males earning less than 50 percent of full-time median earnings, whereas there was an increase in earnings for those earning more than 125 percent of full-time median earnings. Therefore between 1982 and 1994, there was an increase in earnings inequality as those at the lower end of the earnings scale experienced a decline in real earnings and those at the top of the earnings scale experienced an increase in real earnings.

Watson (2002: 98) confirmed these findings. Using data from the ABS Income Distribution Surveys (IDS) Watson found that wage earners in the two bottom deciles suffered losses in real hourly earnings between 1990 and 1997 whilst wage earners in the top five deciles enjoyed increased hourly earnings. Hourly earnings for workers in the bottom decile declined by 11 percent and their weekly earnings declined by 20 percent. The larger decline in weekly earnings is a consequence of a decline in their paid work hours due to the reduction in the proportion of jobs that were full-time. Therefore the weekly earnings of workers in the bottom earnings decile declined due to both a drop in their real hourly earnings and a decrease in the availability of full-time jobs. Workers in the top earnings decile enjoyed a real hourly earnings increase of 14 percent and were not affected by the declining availability of full-time jobs that

workers in the lowest decile faced. Therefore their real weekly earnings also increased by around 14 percent.

Employees at the top of the earnings scale are more likely to be employed full-time in higher skilled occupations, such as the professions. Keating (2003) found that professionals and associate professionals accounted for most of the jobs growth for full-time employees between 1989 and 2000. During this period there were significant full-time job losses in trades, elementary clerical, sales and service occupations and for labourers and related workers. The changing occupational structure of jobs for full-time employees has created a more unequal distribution of earnings. That is, full-time jobs in highly skilled and highly paid occupations have expanded relative to other occupations and this has increased median earnings. Between 1989 and 2000, the number of full-time employees employed in occupations classified as ASCO (Australian Standard Classification of Occupations) 1, 2 and 3 (managers, professionals and associate professionals) increased by one third whilst the number of full-time employees employed in occupations classified as ASCO 4 to 9 (tradespersons, clerical sales and service workers, transport and production workers and labourers) declined by 8 percent. Across all occupations, full-time employees increased by 9 percent, part-time employees increased by 75 percent and casual employees (including both part-time and full-time casuals) increased by 73 percent (Keating 2003: 389).

Clearly the situation is complex and aggregate trends are in danger of disguising differences between groups which are perhaps the most significant outcomes of the restructuring of the labour market over the last two or so decades. Let us try to sum up what the so called 'objective' data has told us. First, while there are considerable disparities in wealth and income between those in the top and bottom quintiles in dollar terms there has not been much change in the last two decades. However the source of income has changed, for some. Cash transfers from government to families over a 15 year period have increased their disposable income by 24 percent. The same impact has not been felt by lone person households or families without dependent children. Second, the profile of 'the worker' has markedly changed. Some thirty years ago 'he' was a male with a permanent full-time job probably in manufacturing and most often for life. Now 'the worker' is most likely to be found in the service sector, 75 percent of them are; 's/he' is most likely to be working casually or part-time. This situation has consequences for earnings. Typically average earnings from part-time

and casual jobs are between a quarter and a third of average earnings from full-time jobs. As a consequence a significant number of part-time workers have more than one job. Third the 'accumulation of advantage' is alive and well in the Australian market place. Real earnings (earnings adjusted for inflation) declined in the 1980s and 1990s for those earning less than 50 percent of full-time median earnings while there was an increase for those earning 125 percent of full-time median earnings.

So there are marked inequalities in wealth and earnings in the Australian economy which have been largely resistant to changes in the market if looked at in aggregate terms. But not all have experienced market change similarly. Those in managerial and professional jobs have clearly benefited in terms of earnings while those in the burgeoning service sector and those without the assistance of government transfers have not reaped the benefits provided to their more fortunate compatriots.

### **Perceptions of Inequality**

Despite evidence of some growing inequality in earnings, researchers investigating the attitudes of Australians regarding the differences between the rich and the poor have found that overall attitudes remain relatively stable. Using the ISSSA-Pool (International Social Science Survey Australia) database, Kelley, Evans and Sikora (2004: 94) found that there had been little, if any, change in attitudes towards relative inequality. Using five items common to each year data were collected they constructed an index to measure changes in attitudes to inequality. The index mean averaged 0.60 in the mid-1980s and increased marginally to 0.63 in 2000. Kelley et al. concluded that the respondent's current socioeconomic status, particularly current family income, did have a statistically significant effect on attitudes, however, other characteristics normally expected to predict attitudes including gender, age and marital status were irrelevant.

Stilwell and Jordan (2007: 15) using the Australian Survey of Social Attitudes (AuSSA) data collected in 2005 found that 82 percent of Australians believe that the gap between those on high and those on low incomes is too large. Individual income did affect respondent's attitudes, with around 83 percent of those earning \$15600 or less per year agreeing that the gap was either too large or much too large compared to 60 percent of those earning \$78000 or more per year. The 2005 Neoliberalism, Inequality and Politics Project (Western M. et al. 2005) provides us with an

opportunity to expand on this research and take a closer look at the perceptions of Australians with regard to current levels of inequality as well as changes in inequality between the mid 1980s and 2000s.

## **Data**

The 2005 Neoliberalism, Inequality and Politics Project (Western M. et al. 2005) surveyed a nationally representative sample of 1623 individuals aged 18 years and older via telephone interviews. We are particularly interested in the responses of this representative sample to a series of questions relating to views on how changes linked to neoliberal economic policies have impacted on Australian society. It is unlikely that respondents aged less than 35 years would have the capacity to compare the Australia of the 1980s with contemporary Australia given that they would have been less than 10 years of age in 1980, therefore, this analysis is restricted to respondents aged 35 years or older (n=1326).

## **Method**

### *Dependent variables*

The dependent variables are related to six questions designed to tap respondents' attitudes to the effects of neoliberal policies of various Australian national governments since the 1980s. Respondents were asked to think about how Australia had changed since the 1980s and to what extent they agreed or disagreed with the following statements:

1. Australia has become a fairer society since the 1980s.
2. Australia has become a more divided society since the 1980s.
3. Australia has become a better place to live since the 1980s.
4. Australia has become a more individualistic society since the 1980s.

The five answer options were: strongly agree, agree, neither agree nor disagree, disagree, strongly disagree. Respondents were also asked:

5. Do you think the changes that have occurred in Australia since the 1980s have brought only benefits, mainly benefits with some costs, about the same benefits as costs, mainly costs with some benefits, only costs.
6. Would you say that the gap between those with high incomes and those with low incomes is much too large, too large, about right, too small or much too small.

[Table 1 About Here]

Table 1 shows the distribution of respondents for each of the questions. A high proportion of respondents either agreed or strongly agreed that Australia had become a more divided society (67 percent) and a more individualistic society (70 percent) since the mid-1980s. The respondents were more evenly divided in their thoughts about whether Australia had become a fairer society or a better place to live since the 1980s with 41 percent indicating that they either agreed or strongly agreed with the statements. With regard to the gap between those on high and low incomes, the overwhelming majority (84 percent) said that the gap was either much too large or too large and less than 2 percent said it was either too small or much too small. Less than a third (30 percent) felt that the changes in society since the 1980s had produced benefits while a slightly larger, 36 percent, reported that costs were more common than benefits. Interestingly, again around a third (34 percent) felt the benefits were balanced by the costs. So while there was some equivocation, the general consensus was that Australia had not become a better society since the 1980s.

An index measuring attitudes to change in Australian society was constructed using the responses to these questions. Questions 4 and 6 were not included in the index after a factor analysis of the six items showed that these two had relatively low factor loadings (0.15 and 0.26 respectively) on the factor on which the other four items loaded highly. These two questions were included in the analysis as separate items. The index was constructed by summing the responses to the four remaining items (questions 1, 2, 3 and 5) and taking the mean. In order that high scores on the index would indicate that respondents perceive that the changes to Australian society since the 1980s have had a negative effect, responses to question 2 were reverse coded so that high scores would be consistent with responses on the other items. The index ranges from 1 to 5 and was tested for reliability returning a Cronbach's alpha of 0.7346. The frequency distribution of the attitudes to change in Australian society index is presented as table 2. As might have been expected, the results from the summary scale resemble quite closely those from the individual items. No more than 17 percent of the sample achieve scores indicating their belief that over the last 30 years Australia had changed for the better, while over 40 percent see the changes that have taken place in far less positive terms.

[Table 2 About Here]

In constructing the final two dependent variables, the responses to the individual two questions, 4 (individualistic) and 6 (income gap) were also reverse coded so that higher values would indicate a more individualistic society and one in which the income gap was too large. In summary, the 3 dependent variables we are concerned with are: the attitude to change in Australian society index and variables measuring attitudes to increasing individualism and the income gap.

### *Independent variables*

As we have seen the judgements made about Australian society were not all of a kind with some responding far from positively to the changes they have seen than others. To investigate the extent to which these differences are socially patterned we explored the extent to which gender, age, education and income level made a difference to how our respondents view Australian society. The descriptive statistics for the four independent variables are reported in table 3.

[Table 3 about here]

### **Analysis**

We conduct our analyses in two stages. Firstly, we look at the bivariate relationships between the three dependent variables and each of the four independent variables. Secondly, we conduct multivariate analyses using ordinary least squares regression to model the effects of all the independent variables on each of the three dependent variables. For the purposes of the multiple regression analyses, gender is included as two dummy variables with the reference category being 'male'. A series of dummy variables are also included for age: 35-44 years, 45-54 years, 55-64 years and 65 or older. The reference category is 35-44 years. Education is based on the following dummy variables: missing on education, less than grade 12 education, completed grade 12, trade certificate or diploma, university degree or higher. The reference category is less than grade 12 education. Finally, annual income is constructed from: missing on income, less than \$10000, \$10000 to less than \$20000, \$20000 to less than \$40000, \$40000 to less than \$60000, \$60000 to less than \$100000 and \$100000 or more. The reference category is less than \$10000.

Table 4 presents the associations between each of the independent variables and the attitudes to change index. Chi-square tests of significance were calculated for each of the four cross tabulations. The only significant relationship was with respect to age with respondents aged 55 to 64 tending to score higher on the index than respondents 65 years or older indicating that older respondents were less likely to hold negative views about changes in Australian society since the 1980s. Gender, education and income make no difference to attitudes to change: women are just as likely as men to hold positive or negative attitudes to the changes that have taken place in Australian society over the last 30 years or so, as are the better educated compared to those with less education and the wealthy compared with the not so wealthy. These findings come as some surprise as we would have supposed that those who had benefitted from the economic changes brought about by neoliberal policies, those near the top of the income distribution for example, would have had a more positive view of the last 30 years; apparently not.

[Table 4 About Here]

Has Australia become a more individualistic society in this period of neoliberal 'reform'? We have already seen how the sample as a whole responds to this question; differences by gender, age, education and income are shown in table 5. Men are more likely to believe Australia has become more individualistic (73 percent compared to 67 percent:  $p=0.042$ ) as are those who are older (74 percent of those 55 and over compared to around 66 percent of those under 55:  $p=0.004$ ) but there are no differences between the wealthy and the not so rich and those with more or less education. Socioeconomic position apparently does not systematically affect the way respondents see this issue as does their age and gender.

[Table 5 About Here]

Differences on views on the income gap are more pronounced (see table 6). Women are more likely to think it is too large or much too large (86 percent compared to 80 percent and less likely to think it is about right (11 percent to 18 percent  $p=0.011$ ). Age also makes a difference. The young are less likely to believe that the gap is much too large (36 percent do) while amongst those aged 55 years and over it is

a higher 45 percent ( $p=0.017$ ). Both socioeconomic measures are also significant. Those with tertiary education are less likely than those without to think that the income gap is much too large ( $p<0.0001$ ) and compared to those on low incomes, those on high incomes, over \$100000 annually, think much the same. The gap is thought to be much too large by only about 24 percent of the wealthy compared to about 47 percent of their poorer brethren whose annual income is less than \$40000 annually ( $p<0.0001$ ).

[Table 6 About Here]

So at the bivariate level of analysis socioeconomic factors, education and income, affect how our respondents judge the income gap between those on high and low incomes. Put crudely the results suggest that those in the more advantaged positions are less likely to believe that the gap is much too large. But socioeconomic factors do not affect either views on Australia as a more individualistic society than in the past or that the changes Australia has experienced over the last three decades or so has made it a better society. For these matters the more important factors are age and gender. Bivariate analyses are admittedly crude and can be misleading if the independent variables are correlated, so as foreshadowed earlier, in our final exploration of the data we will make use of ordinary least squares analysis to attempt to model the effects of the independent variables on the three dependent variables. The advantage of this procedure of course is that it enables the independent effects of the predictor variables to be examined.

The data are presented in table 7; as noted earlier the independent variables are all included as dummy variables and the reference categories are as shown. The amount of variance explained in each analysis (R squared) is not great suggesting that the predictor variables examined are not accounting for much of the variability in the dependent variables. Considering attitude to change in society first, the results are quite similar to the bivariate analyses. The only variable approaching significance is age, otherwise the variability in attitudes is simply not due to the independent variables we have examined. So while the group is divided in their views about the nature of change in Australian society over the last thirty years or so, some think it has been for the good while others disagree, this difference is not due in any systematic way to gender, age or the two socioeconomic factors, income and education. It may

be that in times of the marked structural change that Australia has experienced over the last 30 years or so while the evidence of this change is becoming apparent it has not been systematically absorbed into the *zeitgeist* of such subgroups of the population as are defined by gender, age, education and income.

[Table 7 About Here]

In the multivariate analysis when the effects of other variables are controlled, income is seen to be a significant predictor of whether Australia is seen as a more individualistic society these days than previously. Thus in contrast to those on an annual income of \$10000 or less who feel that Australia has become more individualistic over time, those with incomes of more than \$20000 are less likely to agree that this has been the case. In the multivariate analysis gender does not make a difference but age still does: those who are older, between 45 and 64, are more likely than the reference category to believe Australia has become more individualistic. So while the older and less well off see Australia as a more individualistic society than previously, the younger and wealthier do not see this as a trend. Finally, with respect to the income gap, variability in whether this is seen as too large or not is taken up almost entirely by income. Those on incomes of over \$60000 are less likely than those on lower incomes to believe the gap is too large. In contrast to the bivariate analyses where other factors are not controlled education is not a significant predictor.

These attitudes all focus on different aspects of societal change which have occurred in the context of market restructuring and are variously socially patterned. Attitude to change is, arguably, not patterned at all. It perhaps resembles an attitude constellation that Philip Converse (1964) famously referred to in his paper *The Nature of Belief Systems in Mass Publics*. In trying to explain the lack of coherence in a variety of political attitudes Converse argued that they were often not well formed or systematically related to structural features of the society and that on occasion contradictory attitudes could be held with impunity. It was only when attitudes became well defined and in a sense institutionalised that their structural bases could be unambiguously identified. Perhaps this is a feature of our index of attitude to change. The other two variables are more easily dealt with. Whether Australia is seen as largely a more individualistic society these days has to do with one's age and wealth. The younger and wealthier do not believe so, the older and less well off do.

Finally, whether the income gap is seen as too large or not is again largely a function of income. The more income you have the less likely is the gap a problem.

These results are similar to those reported by Kelley et al. (2004: 94). Using The ISSSA-Pool data collected between 1984 and 2000, they found that 63 percent of respondents either agreed or strongly agreed that ‘there is too much of a difference between the rich and the poor in this country’. A further 19 percent had mixed or neutral feelings and 17 percent either disagreed or strongly disagreed with the statement. Kelley et al. also report that, with regards to attitudes to relative inequality, family income had the most important influence with a standardized regression coefficient of 0.15 whereas the coefficients for gender, age and education were not significant (2004: 96).

## **Conclusion**

Although there is continuing debate amongst researchers as to whether or not inequality has increased since the 1980s, the perceptions of Australians are clear. We find that there is a widely held perception that Australia has become a more divided and more individualistic society since the 1980s and that the gap between those on high incomes and those on low incomes is too large. A significant number of respondents in the 2005 Neoliberalism, Inequality and Politics Project, regardless of their sex, age, level of education or income, indicated that the changes related to neoliberal economic reform have had negative consequences for Australia society. Previous research has indicated that inequality in earnings has increased dramatically during the past two decades but intervention by the government to top up low market incomes has prevented similar increases in income inequality. Low income earners, who are not eligible for these top-ups, have borne the brunt of economic reforms. The restructuring of the labour market has increased the pool of potential workers (married women in particular), increased the flexibility of working hours (fewer jobs are standard hours job) and increased the proportion of jobs that are part-time and/or casual (majority of new jobs are not full-time jobs). These factors impact directly on those in the workforce and their families and thereby account for, at least in part, the perception that Australia has become a more divided and less fair society since the 1980s.

## Notes

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<sup>1</sup> Medicare levy- a specific tax based on individual income intended to assist in the funding of the universal healthcare system in Australia (ABS, 2007a:60)

<sup>2</sup> Family tax benefit is a payment made to families with dependent children which can be received as a fortnightly payment from the Family Assistance Office, as a reduction in pay-as-you-go income tax deductions or as a lump sum at the end of the year (ABS 2007c:2)

<sup>3</sup> Superannuation guarantee- the compulsory contribution made by employers on behalf of employees. The scheme was introduced in 1992 in lieu of a national wage increase. It is currently equal to 9 percent of the employees' gross income

<sup>4</sup> Real income -the actual income plus an adjustment for inflation.

<sup>5</sup> Median earnings- the level of earnings which divides the units in a group into 2 equal parts, one half having earnings above the median and the other half having earnings below the median (ABS 2007)

<sup>6</sup> Real earnings -the actual earnings plus an adjustment for inflation.

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Table 1. Distribution of respondents for each of the questions used for the dependent variables.

<b>Australia has become</b>	<b>% Strongly agree</b>	<b>% Agree</b>	<b>% Neither</b>	<b>% Disagree</b>	<b>% Strongly disagree</b>
A fairer society since the 1980s n= 1290	2	39	19	34	6
A more divided society since the 1980s n= 1293	13	54	12	21	1
A better place to live since the 1980s n=1298	3	38	22	33	3
A more individualistic society since the 1980s n= 1284	11	59	14	15	1
	<b>% Only benefits</b>	<b>% Mainly benefits</b>	<b>% Same benefits as costs</b>	<b>% Mainly costs</b>	<b>% Only costs</b>
The changes in Australia since the 1980s have brought n=1257	1	29	34	34	2
	<b>% Much too large</b>	<b>% Too large</b>	<b>% About right</b>	<b>% Too small</b>	<b>% Much too small</b>
The gap between high incomes and low incomes is n= 1291	42	41	15	1	1

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Table 2. Frequency distribution of the attitudes to change in Australian society index

<b>Attitudes to change in Australian society index</b>		
<b>Score</b>	<b>Frequency</b>	<b>Percent</b>
1.5/2.33	226	17
2.5/3	391	30
3.25/4	595	46
4.25/5	94	7
Total	1,306	100

Table 3. Means and standard deviations of the dependent variables and proportions of the independent variables

<b>Variable</b>	<b>Mean</b>	<b>Std Dev</b>
Change in attitudes to Australian society index n=1306	3.16	0.72
Individualistic n=1284	3.63	0.91
Income Gap n=1291	4.23	0.79
<b>Gender</b>	<b>Proportion</b>	
Male	0.47	
Female	0.53	
<b>Age</b>		
35-44 years	0.23	
45-54 years	0.24	
55-64 years	0.25	
65+ years	0.28	
<b>Education</b>		
Missing	0.01	
<Grade 12	0.17	
Grade 12	0.22	
Trade/diploma	0.30	
Uni degree	0.30	
<b>Income</b>		
Missing	0.24	
<\$10000	0.08	
\$10000-<\$20000	0.13	
\$20000-<\$40000	0.21	
\$40000-<\$60000	0.16	
\$60000-<\$100000	0.12	
\$100000 or more	0.06	

Table 4. Attitudes to ‘change in Australian society index’ by gender, age, education and income

<b>Attitudes to changes in Australian society</b>						
<b>Variable</b>	<b>1.5/2.33</b>	<b>2.5/3</b>	<b>3.25/4</b>	<b>4.25/5</b>	<b>X<sup>2</sup></b>	<b>p-value</b>
<b>Gender</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>		
Male n=617	19	31	43	8		
Female n=689	16	29	48	7	3.21	0.360
<b>Age</b>						
35-44 n=300	17	31	47	5		
45-54 n=320	16	29	43	12		
55-65 n=323	16	27	51	6		
Over 65 n=363	20	32	42	6	23.43	0.005
<b>Education</b>						
Missing n=6	17	0	67	17		
< Grade 12 n=225	16	28	52	4		
Grade 12 n=287	16	37	41	6		
Trade/diploma n=397	17	30	46	7		
Uni degree n=391	19	27	44	10	19.61	0.075
<b>Income</b>						
Missing n=316	15	33	45	7		
<\$10000 n=100	19	24	53	4		
\$10000- <\$20000 n=173	17	29	46	8		
\$20000- <\$40000 n=269	15	29	51	6		
\$40000- <\$60000 n=215	18	31	43	8		
\$60000- <\$100000 n=157	19	32	41	8		
\$100000 or more n=76	26	28	36	11	18.2	0.442

Table 5. Attitudes to ‘Australia has become a more individualistic society’ by gender, age, education and income

<b>Australia has become a more individualistic society</b>							
<b>Variable</b>	<b>less</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>more</b>	<b>X<sup>2</sup></b>	<b>p-value</b>
<b>Gender</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>		
Male n=607	2	13	12	62	11		
Female n=677	1	17	16	57	10	9.93	0.042
<b>Age</b>							
35-44 n=293	2	16	17	55	10		
45-54 n=317	2	14	15	55	15		
55-64 n=319	1	12	13	63	11		
65+ n=355	1	17	12	64	6	29.10	0.004
<b>Education</b>							
Missing n=6	0	33	17	50	0		
< Grade 12 n=221	<1	15	18	60	7		
Grade 12 n=281	1	15	15	62	8		
Trade/diploma n=391	2	16	13	59	10		
Uni degree n=385	2	14	11	58	15	23.16	0.110
<b>Income</b>							
Missing n=309	1	19	16	55	9		
<\$10000 n=99	0	7	11	70	12		
\$10000- <\$20000 n=167	1	14	10	64	11		
\$20000- <\$40000 n=265	<1	16	12	62	9		
\$40000- <\$60000 n=212	2	14	18	56	10		
\$60000- <\$100000 n=156	3	13	12	58	15		
\$100000 or more n=76	3	14	14	57	12	31.19	0.148

Table 6. Attitudes to 'the income gap' by gender, age, education and income

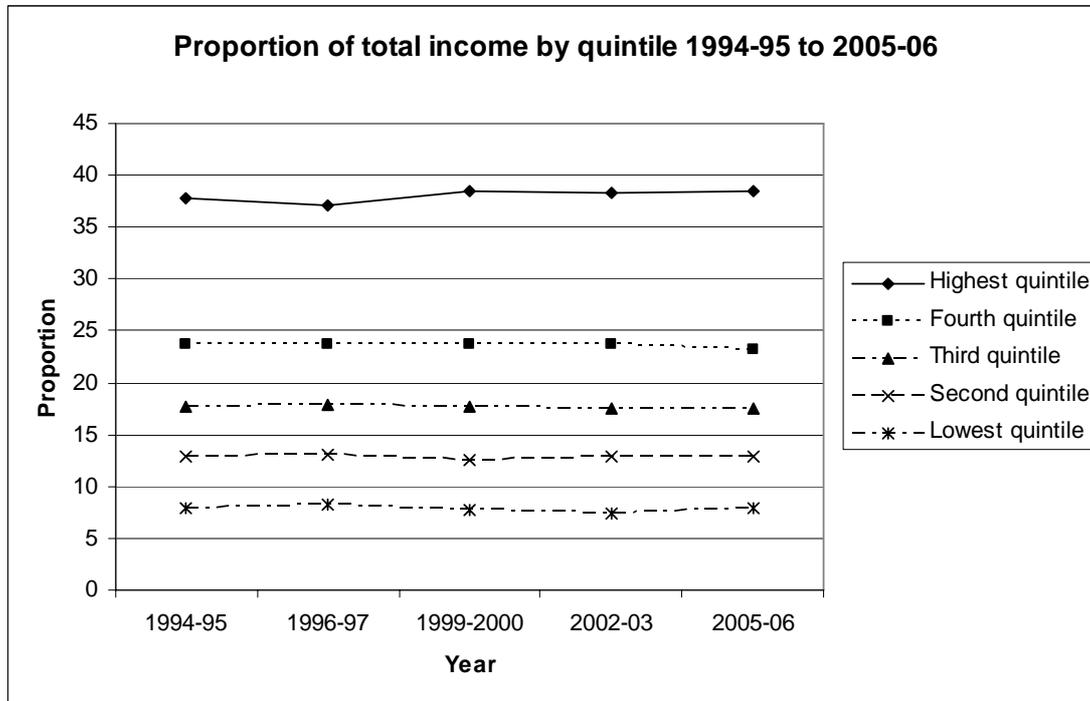
Variable	Gap between high and low incomes					X <sup>2</sup>	p-value
	Much too small	Too small	About right	Too large	Much too large		
<b>Gender</b>	%	%	%	%	%		
Male n=613	1	1	18	40	40		
Female n=678	1	2	11	43	44	13.12	0.011
<b>Age</b>							
35-44 n=302	0	<1	18	46	36		
45-54 n=315	1	1	13	43	43		
55-64 n=314	<1	1	15	39	45		
65+ n=360	1	3	13	39	44	24.66	0.017
<b>Education</b>							
Missing n=5	20	20	20	20	20		
Less than gr12 n=218	1	2	16	38	43		
Grade12 n=284	1	1	14	43	41		
Trade/dip n=394	1	1	12	40	46		
Degree or higher n=390	<1	1	16	44	39	54.77	<0.0001
<b>Income</b>							
missing n=307	1	2	11	40	46		
<\$10000 n=100	2	1	11	39	47		
\$10000- <\$20000 n=172	1	1	12	41	46		
\$20000- <\$40000 n=266	<1	2	11	39	47		
\$40000- <\$60000 n=212	0	0	15	46	39		
\$60000- <\$100000 n=160	1	1	25	41	33		
\$100000 or more n=74	0	1	27	47	24	55.43	<0.0001

Table 7. Regression coefficients for determinants of attitudes to changes in Australian society since the mid-1980s

Variable	Changes		Individualistic		Income Gap	
	Coeff.	Std err	Coeff.	Std err	Coeff.	Std err
<b>Gender</b>						
Male- reference						
Female	0.05	0.04	-0.06	0.05	0.04	0.05
<b>Age</b>						
35-44 years- reference						
45-54 years	0.10	0.06	0.15*	0.07	0.07	0.06
55-64 years	0.05	0.06	0.21**	0.07	0.10	0.06
65+ years	-0.10	0.06	0.05	0.08	0.001	0.07
<b>Education</b>						
Missing	0.22	0.30	-0.34	0.38	-1.21***	0.35
<Grade 12 -reference						
Grade 12	-0.08	0.06	0.04	0.08	0.04	0.07
Trade cert/diploma	-0.02	0.06	0.01	0.08	0.13	0.07
Uni degree	-0.01	0.06	0.12	0.08	0.09	0.07
<b>Income</b>						
Missing	-0.01	0.08	-0.37***	0.11	-0.03	0.09
<\$10000- reference						
\$10000-<\$20000	0.04	0.09	-0.19	0.12	0.02	0.10
\$20000-<\$40000	-0.003	0.09	-0.27*	0.11	0.02	0.09
\$40000-<\$60000	-0.06	0.09	-0.35**	0.11	-0.07	0.10
\$60000-<\$100000	-0.06	0.10	-0.25*	0.12	-0.27**	0.10
\$100000 or more	-0.08	0.11	-0.35*	0.14	-0.35**	0.12
Constant	3.16***	0.10	3.79***	0.12	4.16***	0.11
n=	1306		1284		1291	
Adjusted R-squared	0.0036		0.0131		0.0248	

\*p<0.05, \*\* p<0.01, \*\*\* p<0.001

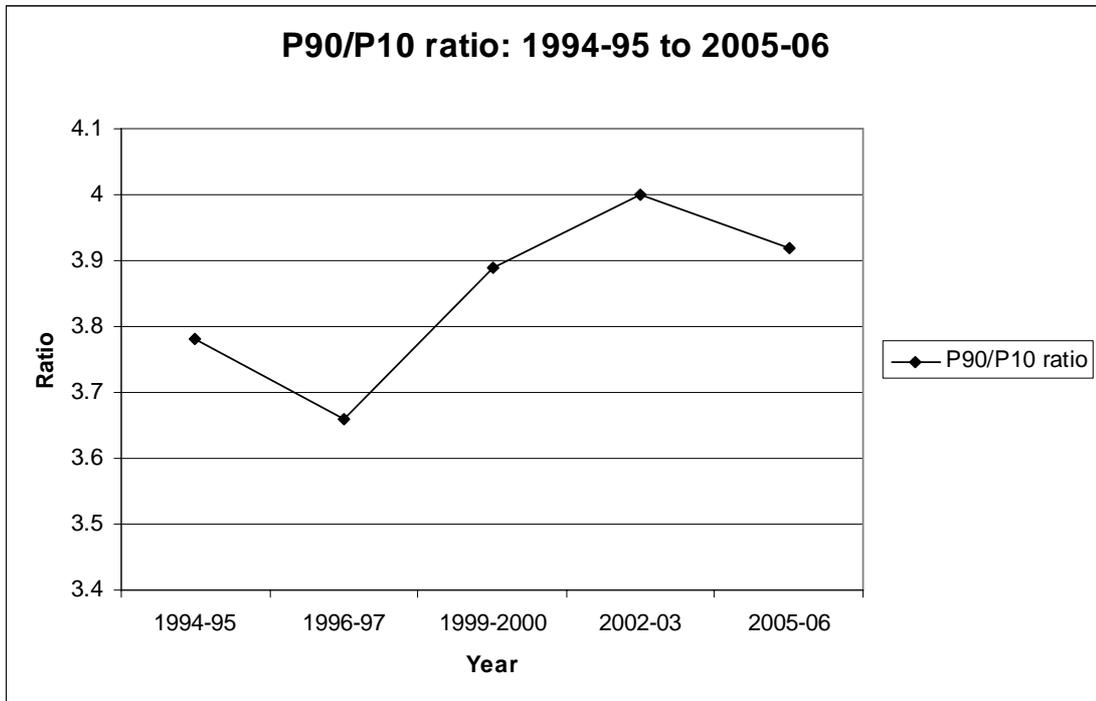
Figure 1 Proportion of total equivalised disposable household income by income quintile 1994-95 to 2005-06



Source: Derived from ABS Cat. No. 6523.0 2007a:13

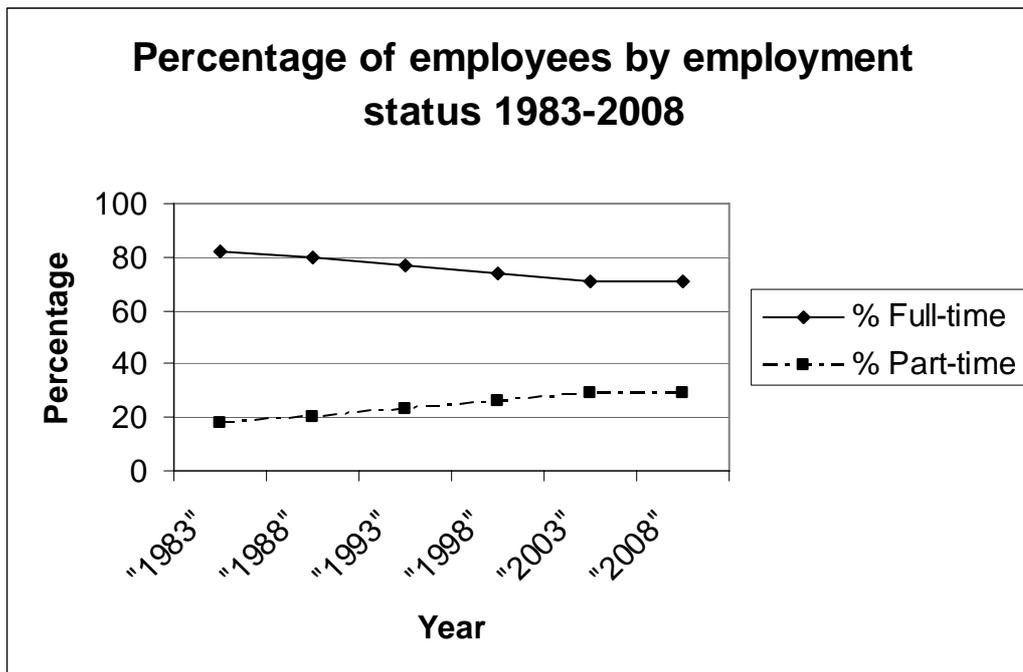
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Figure 2. P90/P10 ratio for equivalised disposable household income 1994-95 to 2005-06



Source: Derived from ABS Cat. No. 6523.0 2007a:13

Figure 3 Percentage of employees working full-time and part-time 1983-2008



Source: Derived from ABS Cat. No. 6202.0 various issues 1984- 2008