

**Name**

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## **Why has economic inequality increased in Australia since the 1970s? What have been the consequences of this increase for the quality of life in Australia?**

### **Introduction**

Individuals and research centers been contradicting the conventional wisdom that has been linked to the unavailability aspect rather than achieving appropriate means of controlling affluence since 1970. There existed real issues that needed to be attended some of which were linked to the misuse of useful things more so the war equipment, the persistent poor living standards, and the unequal quality among the services offered publicly and the goods produced privately that can be collectively referred to as the “public squalor and private opulence.” A new world seemed to have been delivered after the post-war period where dominant ideas have existed, and there have been thoughts of the past regarding the reduced importance that had by then exceeded inequality. Inequality increased as a result of a group of people remained weak as others gained wealth. Taking full industrialization aspect of the nation could have led to a massive education, hiked wage for the employed, and a rise in the political power for the huge populations. These were among the issues that might have led to the growth in the levels of inequality in Australia. The level of income inequality in many countries have been increasing in the past 20 years, and Australia has been among these states. The economic crisis experienced between 1974 and 1975 has also been cited as the major contributor to the inequality in Australia. The crisis is said to have hit the country with the re-election of the government in 1974 at the time when the government policies swung with the struggle of a minister system. This paper explores the causes of the high levels of inequality in the nation as it outlines the existence of the economies with the application of both *political and historical* aspects.

### **Skill-biased technical changes**

In Australia, the impacts of the skill-based technical changes have been cited as the reason for the increase in income inequality that has been generated by globalization. The technical changes can be said to be the shift seen in the manufacturing technology that supports all the skilled personnel than the unskilled persons. These persons are being favored because of the increase in the relative production capacity and as such, has a relative demand. The skill-based technical transformations in the nation have been seen as the average that gives the special wages to all people who possess certain specific knowledge and more to the personnel with high education levels. The initial effect of the problem has been because of the globalization where the performance of the unskilled has

been deemed low (Atkinson, Piketty & Saez, 2011). In the market, the *labor-intensive* products are hired to the economic categories with low wages and as such, reducing prices. Consequentially, the demand for the unskilled labor in the nation turned out to be low. Another issue that has been linked to the rise is the production process that relies on the *Information Technology* levels, more specifically the developed technology levels. The case has consequentially called for the need of more skilled and educated personnel. In the production sector, there is evidence in the rise of the issue of employment for people with high levels of education in the production section which receives high salary rates. The increase in the levels of inequality in the economy has been promoted by the deliberate policy which is the ideas of the government to shift income from wages to profits. Also, there has been a transit of income from poor to average income and the high-income earners utilizing their consumption levels aiming at increasing the reward available for the investment (Gans, 2011).

### **Polarization of income distribution at the top**

Many studies have since made efforts to evaluate the extent that the income imbalance can be the major cause of the low-income levels for the less fortunate people. These studies have considered the aspects related to high incomes for the rich people. The majority of research proved that the increase in the levels of inequality had been linked to the case of polarization instead of the necessary adjustments that result in the hollowing out of the middle income part of the community. The studies also confirmed that the societies experiencing the high increase in inequality levels would have benefitted from upgrading that would have taken prudence over downgrading causes including polarization. The people living a well-of life have had many chances of becoming wealthier, and the latter has been the pattern in the country. In Australia, the value of total income consumed by the top 10 percent has seen a decline between 1929 where it was 50 percent, to 35 percent in 1932 (Bramble & Kuhn, 2011). However, the levels then saw an increase in 2007 when it sprouted to 50 percent. In 1970, the decline in inequality was good news, but researchers noted that it was impossible to gain ownership of tangible assets of the public. They also noted that it was not possible for the disposal of income to go through many hands. Years later, it was seen to be a reality especially in the dispersion of income changes. The experienced case was an indication that close to 1 % of the wealthy class was able to close to more than half of the additional amount in the state income. The splendid idea was then seen to have been linked to the level of the top 0.1 % of the salary earners that displayed the mismanaged shares of the total income in the country.

Statistics has shown that the growth rate in Australia offers no signs of having seen the high number of the population.

In 1975-2006, the average income for every household increased to 32.2 percent, but while considering the 1 percent, the growth was seen to be 17.9 percent. The finding has since challenged the primacy of the *Skilled Biased Technical Changes* as a part of the rise in the income imbalance in Australia. The increase in the top salaries has been great than the implied extra performance levels of the skilled labor. Also, few of the top salaried personnel have high education and the educated non-finance professionals (Miller & Orchard, 2014).

### **Tax and welfare regimes in Australia**

The levels of imbalance have also gone up because of the change of the tax and welfare regimes that has either declined or appreciated the impacts witnessed in the market results. Imbalance of the market results displayed an increase between 1979 and 2004. This has been seen to have been generated by the high tax levies and the high levels of kindness on social aid as well as employment help. The latter has been extracted from the means of battling the impacts of the high inequity in the market returns or thresholds. In the 1990s, the salary imbalance in the market rapidly increased and the tax welfare system did not succeed in minimizing the polarization effect. Reducing the individual taxes especially for the high-income earners resulted in the decline of the unemployment benefits that helped in accounting for the increased inequality rates. The increased social aid and tax concerns amendments were seen to be the most intentional policy and implementations that brought the impacts of inequality in the country. Arguments then came to rise claiming that freezing the impact of taxation of salary at the top can be a huge deal of the high inequality for the wealthier and the remaining population (Leigh, 2013).

The recognition that the skilled biased complex transformations have direct impacts on the employments and salaries led to criticism that the cause of inequality was the big nature of the dispersion model of income. It was a problem that was barring the government legislation that intended to become more generous to the top persons. The trade union organization had some powers that were crucial during the limitation of the inequality. The debate has been associated with the reduced levels of income imbalance in the post-war period that was because of the powerful trade unions, the existing tax methods, and the unemployment levels. Integrated bargaining has been said to be the source of the reduced imbalance in comparison to the severe

market. The increase in inequality has been because of the fall in the significant bargaining strength in the government expenditure (Greve, 2012).

The economic mishap experienced between 1974 and 1975 has also been cited as the major contributor to the inequality in Australia. The crisis is said to have hit the country with the re-election of the administration in 1974 at the time when the policies of the administration swung with the battle of a minister legislature. The Australian trade union also won a file on pay raise the country had already been hit by the levels of inflation that were spiral and were out of control raising the alarm to the business. As a result, the society polarized actively. Australia enjoyed powerful and goal-driven trade unions that attempted to defend the unions and attain a wage increase that could supposedly sustain the values of price as the government attempted to restrict the wages. The latter drove Australia into a political crisis that caused a seven-year political impasse (Stelzner & Palgrave Connect, 2015).

### **Conclusion**

Many things can be seen as evidence in the current social history and not the will of the elimination of the economic problem of inequality that has been as a result of many reasons. Inequality was not becoming worse, but it stood as a persistent issue. Many people have had an idea of the economic imbalance and the levels of security. The real income level for everyone has since increased significantly while the richness of the people at the top remained stagnant. The situation can be described as by an absolute theory of change that implies that as the nation became more industrialized, people managed to move from agriculture to industries. Businesses, government, and unions became quite influencing with attempts to support their interests. The political impasse came to an end in 1983 that saw the election of a new government. To stop the crisis, the elected government was expected to suggest price and income according to the set agreements by the trade unions and also guarantee an industrial harmony and wage restraints. The changes in the rules applied to the corporate tax impacted significantly on the effective rate and reduced corporate tax. The society will at no point be equal as there will always be the space for the less fortunate and they are difficult to rise. The normal activities of the economy can put a great saving authority to the hands of the merchants, more so about employees. The increased social aid and tax welfare amendments were seen to be the most intentional policy and decisions that resulted to the impacts of imbalance in the country.

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