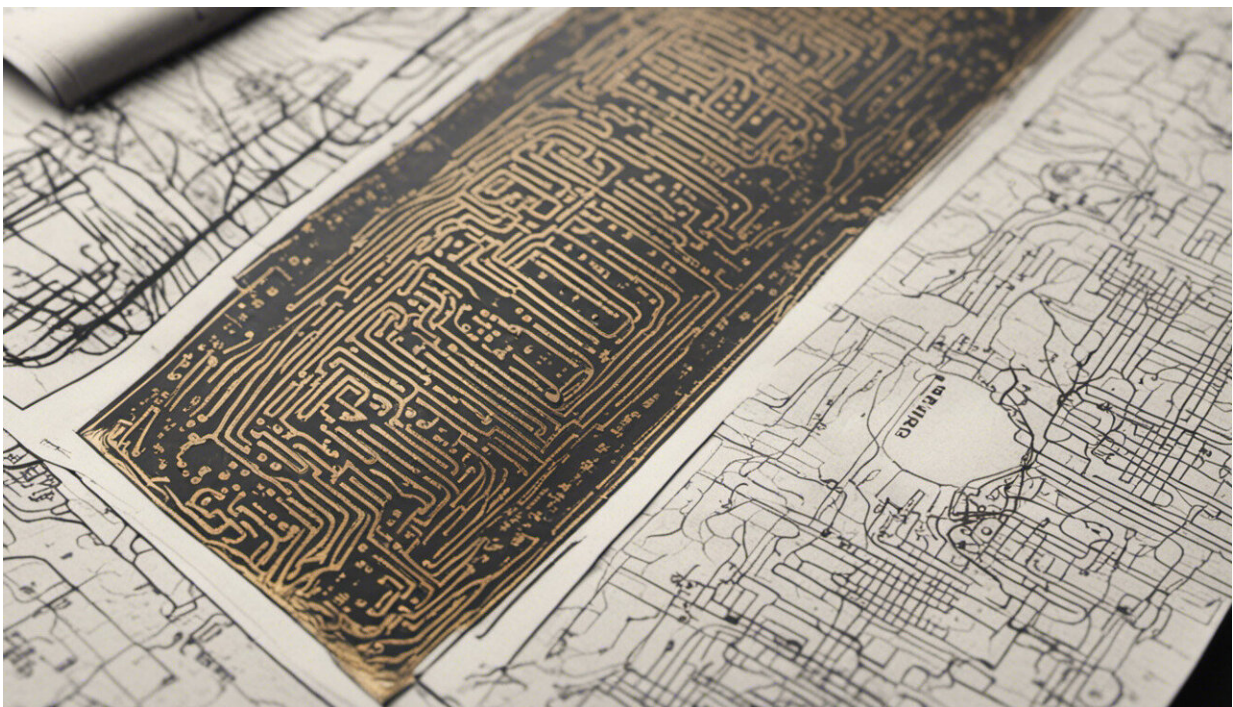


Our top 1% of income earners is an increasingly entrenched elite

November 4 2021, by Roger Wilkins, Nicolas Herault, Stephen P. Jenkins



Credit: AI-generated image ([disclaimer](#))

The share of total income collected by the top 1% of Australia's income earners has been trending upwards since the 1980s. It is now about [9% of total income](#).

How concerned should we be about this? To some extent it depends on fluidity of membership of the top 1% (which in Australia means earning a pretax [income of at least A\\$246,000](#)).

If someone is part of the 1% this year but not last year, this would suggest [income inequality](#) is a fact of life but at least we still have [social mobility](#): people have good and bad years, with the top 1% largely comprising people who happen to be having a good year. It won't bother the other 99% of us so much.

But if the top 1% comprises the same people every year, we will be more concerned about an entrenched elite moving ever further away from the rest of us.

[Our research](#)—using [newly available longitudinal tax data](#)—has made it possible to evaluate the extent of "top-end mobility" over the past three decades. This is the first evidence on the extent to which membership of Australia's top 1% (or other top [income](#) groups) changes from year to year.

We find there is considerable mobility at the top. For example, since 1991 at least a quarter of the top 1% in any given year have not been in the top 1% in the next year.

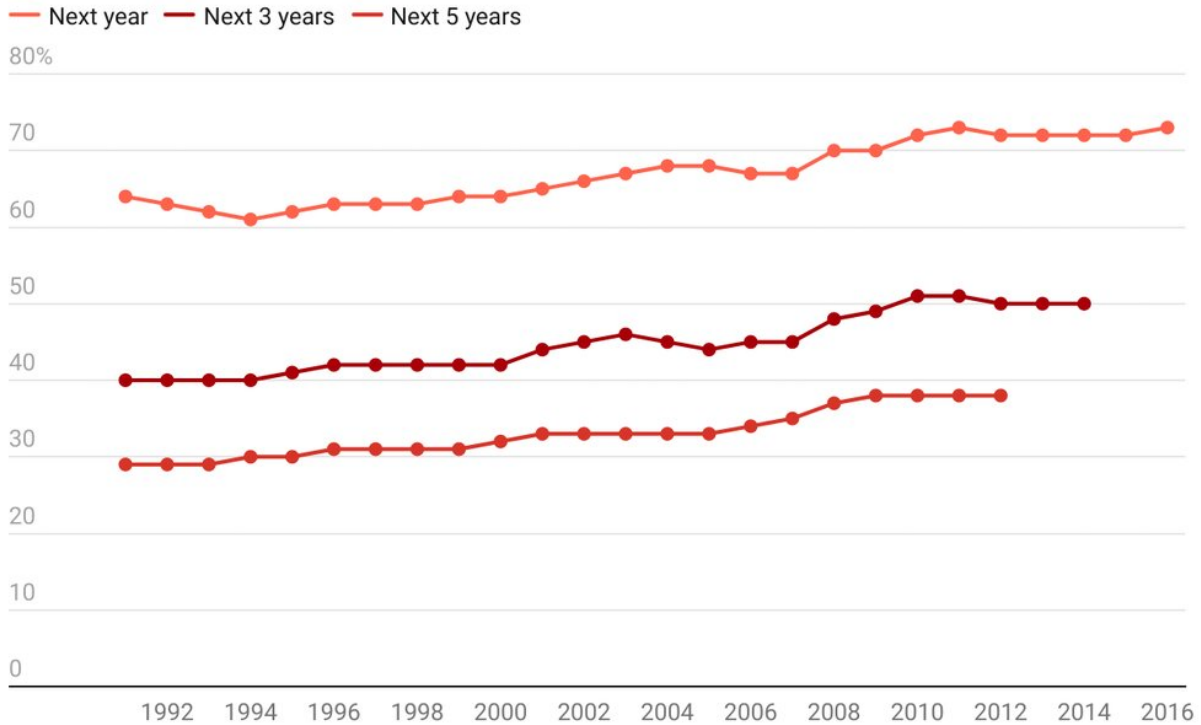
But there has been an appreciable decline in top income mobility.

For example, 64% of people in the top 1% in 1991 were still in the top 1% a year later. 73% of those in the top 1% in 2016 were still there in 2017.

In 1991, 29% remained in the top 1% for the next three years. In 2012, 38% remained in the top 1% for the next three years.

Entrenching in Australia's top 1%

Share of individuals in the top 1% of income recipients who are there the next year, the next three years, or the next five years.



Calculations based on ATO tax data, ABS population estimates and ABS National Accounts data.
Source: Roger Wilkins.

What our results show

Our findings, based on a variety of approaches, show most of the decrease in movements in and out of the top 1% occurred in the mid-2000s and early 2010s. We found the same trend in the top 0.1% and top 10% income groups.

Splitting 1991 to 2015 into five periods of five years each, we find that half of those who appeared in the top 1% at any time between 1991 and 1995 were there for one year only. By 2011–15 the proportion of one-time entrants had dropped to 38%, meaning more people making it to the top 1% staying there for longer.

Another indicator of the increased "stickiness" at the top are higher re-entry rates: those dropping out of the top 1% are more likely to return in subsequent years.

They are also less likely to fall far from the top 1%. In the 1990s the income of about 35% of those falling out of the top 1% declined far enough for them to no longer being in the top 5%. That is now happening to only about 20%.

Diminishing opportunities to get rich

Interestingly, we find no evidence that lower mobility in and out of the top 1% is due to the 1% increasing its share of [total income](#).

The periods that saw mobility reduced—the mid-2000s and early 2010s—do not correspond to periods of rising top income shares. In other words, this is not a story about the rungs of the income ladder growing further apart and making climbing the ladder more difficult.

But it is a story of diminishing opportunities to have a top income.

While national differences are difficult to assess because of comparability issues, Australia's lack of mobility among its top 1% appears to be more pronounced than that found in other countries. For example, [the US appears to show considerably more mobility](#).

An in-depth account of why top incomes are increasingly stable is a story

yet to be told. But it is hard to escape the conclusion that Australia has experienced declining economic dynamism, where the rich are increasingly dominated by old money, and where we have fewer entrepreneurs breaking into the income elite.

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