A lot of debate takes place about sharing the economic pie in Australia, with heightened passion during federal elections. And with very little perspective, if any insight.

First, real wages have grown very slowly over the past six years (0.4% per annum after inflation) under the Coalition Government, as we see below. It is similar to the six-year period from 1987-92 under the Hawke/Keating Government, when it was worst at minus 0.2% per annum.
Productivity, averaging a low of 0.8% over the recent period, partly explains the recent slowdown.

But it doesn’t explain the worse situation in the late 1980s – a period of runaway exuberant entrepreneurism with many characters that eventually went to gaol. The business share (gross profit) outstripped wages, hidden somewhat by higher inflation. Indeed, the wages share of the nation’s economy never recovered from that period.

But that wasn’t due solely due to rising profits. Indirect taxes rose, the imputed value of home ownership rose and, ironically, business profits gradually reverted to workers through their superannuation after 1993.
This shows up in the chart below, which looks at household income (not just wages). It is a far more realistic measure, given that we live as households rather than single workers. There is more to income than wages, which only account for around 56% of household incomes. It shows, among many changes, that

- wages have held a steady share of all household income,
- the welfare share has grown,
- investment income (including superannuation) has grown, and
- the imputed value of home ownership has grown.

When asking whether we are better or worse off, it is important to look at our total income rather than just our wages. It is interesting to note that we now have over 2.3 million businesses in Australia, the vast majority of which are owned directly by households. They also have profits from the other listed companies that come to us through income (deferred as it is) from our superfunds now approaching a total asset value of $3 trillion.
So, at the end of the day, who gets the lion share of the economic pie? It is clearly households – almost 10 million of them housing over 25 million inhabitants in Australia. It isn’t the frogs, pets or animals that get any, only humans in Australian households.

The next chart reminds us of this fundamental reality.

Yes, the share fluctuates at around 86.5% of the economic pie (GDP) with variations of plus or minus 4-5%.
And yes, both the wages and household income shares of GDP are at the lower end of their spectrum in 2019. However, it is a fact that we have full employment as a positive, and it is a fact that our productivity growth has stalled badly as a negative. But raising household incomes is far more important than just raising wages. After all, profits go to households.

And how steadily has that distribution of household income been over past decades? Remarkably stable, as the final chart reveals, contrary to scuttlebutt, envy and bias.