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RESEARCH

AUSTRALIAN ATTITUDES TOWARDS WEALTH INEQUALITY AND THE MINIMUM WAGE.

*A national survey of knowledge, attitudes and perceptions of
wealth inequality and the minimum wage.*

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Wealth Inequality in Australia

The wealthiest 20% of Australians own 61% of the country's wealth. The poorest 20% own 1%. The wealth gap is large and growing, but how well are these economic trends known by the Australian public at large? Does the "illusion of equality" impact support for policies that would bring greater equality to Australian society?

On a comparative basis, Australia is a wealthy nation that has enjoyed relative prosperity even during the recent recessionary period. The bulk of this wealth, however, is concentrated within a relatively small proportion of Australian households. Thus, although overall wealth is relatively high, wealth inequality is large and growing. Data from the 2007 ABS Survey on Income and Housing show that the top quintile of Australian households possess an average of 62 times the wealth (mean \$1.73 million) of the bottom quintile (mean \$27,000; see Figure 1). The magnitude of wealth inequality also increased relative to the prior survey in 2003-2004, suggesting that the gap between richer and poorer Australians is on an upward trajectory. These disparities in wealth are mirrored in more modest increases in income disparity. Australia's GINI coefficient (a measure of income inequality) rose from 0.303 in 1997-98 to 0.331 in 2007-09 (ABS, 2009), reflecting that the gap between high and low incomes grew larger in that period.

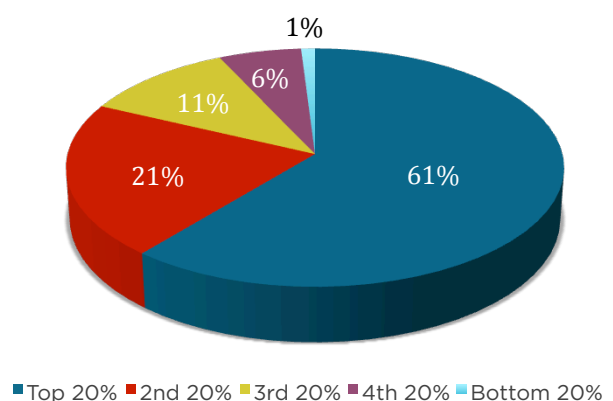
Wealth inequality takes a toll on individuals, families, and broader society across a range of significant outcomes. In terms of family and individual finances, the ability to accumulate wealth confers security in hard times, is necessary for borrowing and thus investing in the future, and also directly generates income

through interest, capitals gains, and dividends (Heady, Marks, & Wooden, 2004).

Recent economic modelling suggests that high wealth and income inequality can also directly trigger financial crises, by creating unsustainable demand for investment options among the wealthiest individuals, which fuels cheap debt that is consumed by the poorest individuals. Eventually, this dynamic can lead to massive debt defaults and financial crisis (Kumhof & Ranciere, 2010).

Figure 1. Percentage of total wealth owned by each quintile of Australian households.

Source: ABS, Survey on Income and Housing, 2007



Finally, emerging evidence links economic inequality with decreased psychological well-being and poor health (Napier & Jost, 2008; Wilkinson & Pickett, 2009). Given these clear costs of inequality—both to the individual and to society as a whole—it is not surprising that wealth inequality is an enduring concern for policy analysts and academics, even while governments may be reluctant to tackle the root causes of this inequality.

Australian Perceptions and Attitudes Towards Wealth Inequality

The economic realities of wealth inequality are well understood and robust quantitative analyses of the phenomenon are regularly conducted by the Australian Bureau of Statistics (ABS, 2007) and by various scholars in academia (e.g., Headey et al., 2004). What remains something of a mystery is how the Australian public views wealth inequality. Do they understand exactly how wealth is distributed across households in Australia? What degree of inequality do they regard as “ideal”? Are their beliefs about wealth inequality—both what it is and what it should be—related to their beliefs about the major policy mechanisms governments can use to address wealth inequality (e.g., the minimum wage, progressive taxation)? The present research answers these questions.

Study Methodology

We surveyed a nationally representative sample of 1000 Australian adults via an online panel recruited by The Online Research Unit (ORU). The survey was conducted from March 6 to March 16th 2011. The sample was matched to the demographics of the broader Australian population along the following attributes: gender, age, employment status, state/territory, and metro/regional residence. In addition, we segmented the results by political affiliation and personal wealth.

Survey Contents

The online survey was organised around three core sections as outlined below.

Section 1. Estimated Actual and Ideal Wealth Distributions.

How do Australians believe wealth actually is distributed across Australian households and how do they think it ideally should be distributed?

To gauge these beliefs we asked people to think of Australian households as split up into five quintiles, ranging from the wealthiest quintile to the poorest quintile. Thus, each of the five groups was described as including 20% of Australian households. We then asked people to estimate what percentage of the total wealth of Australian households was actually owned by each of the five groups. Thus, a respondent who thinks that wealth is distributed completely evenly across households would report that each quintile owns 20% of the wealth. A respondent who thinks that all household wealth is owned by the richest quintile, would assign 100% of the wealth to that group and zero wealth to the remaining four groups.

After indicating their estimates of actual wealth, we asked people to tell us how they think wealth ideally should be distributed across the five quintiles.

We then provided people with images of three pie graphs (see Figure 2 on the following page). In reality these three pie graphs represented (a) the actual wealth distribution of Australian households (based on ABS data from 2007), (b) the ideal distribution of wealth as determined by a large sample of US respondents reported in Norton and Ariely (2011), and (c) a hypothetical “fully equal” society. These pie graphs were not labelled as reflecting any specific country and respondents were simply asked to indicate how much they would like to live in each country (“definitely would not like it” to

“definitely would like it”). Finally, we presented them with two further pie graphs, representing, again, Australia’s actual wealth distribution plus the wealth distribution of the United States (based on Wolff et al., 2010; see Figure 3 on the following page). This methodology has been successfully used in prior research (Norton and Ariely, 2011) and we closely replicated those methods here.

Figure 2.
 In terms of wealth distributions, what kind of society do Australians want to live in? Respondents were asked to rate how much they would like to live in each of the three countries below, using a scale anchored at 0 (definitely would not like it) and 100 (definitely would like it). They were informed that the size of each piece of pie represented the percentage of wealth owned by each quintile of households. In reality, the left pie graph reflects Australia’s actual wealth distribution, the middle pie graph reflects US respondents’ ideal wealth distribution (from Norton & Ariely, 2011), the right pie graph is a “fully equal” society (i.e., each quintile owns 20% of the wealth). **In the actual survey, the countries were labelled “Country A”, “Country B”, “Country C”, thus respondents did not see the labels that appear below each figure here.**

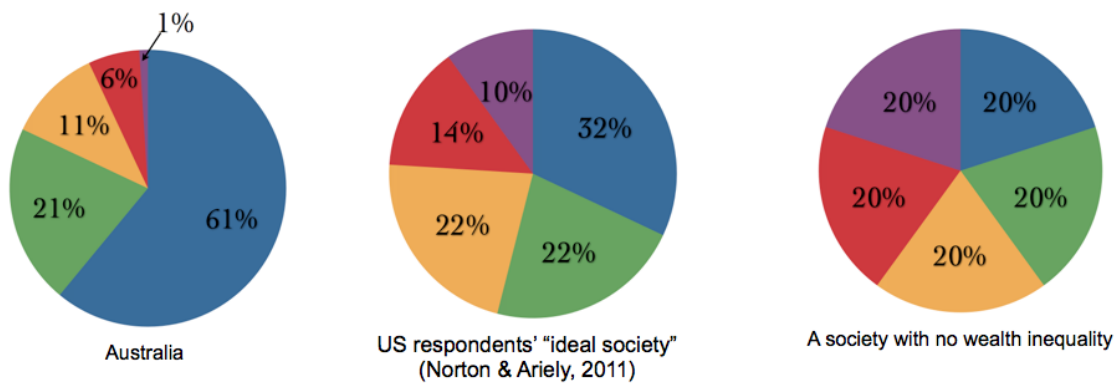
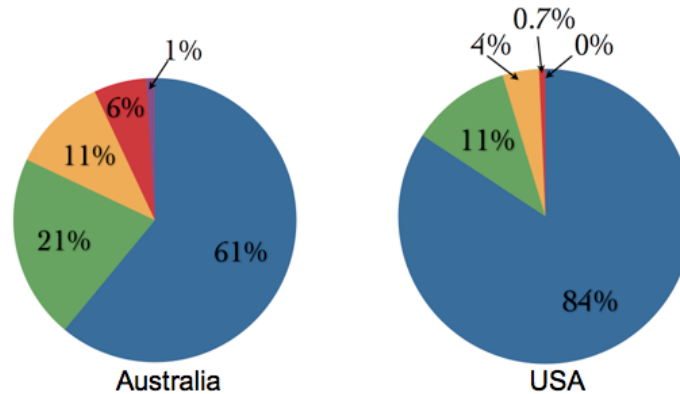


Figure 3.

Do Australians want the country to become more like America?

After rating the three pies above, respondents were presented with two further pie graphs, reflecting Australia’s wealth distribution and the US wealth distribution. Again, the pie graphs were actually labelled “Country A” and “Country B” in the survey and respondents indicated how much they would like to live in each country (0-100).



Section 2. Minimum Wage

We then asked for people’s opinions about a major policy mechanism available to governments in addressing wealth inequality: raising the minimum wage. We asked people to estimate what the current adult National Minimum Wage was and we also asked whether they supported or opposed raising the minimum wage (using a 7-point scale ranging from “strongly opposed” (1) to “strongly support”(7)).

Finally, they were asked to rate their level of agreement/disagreement with the following more general political statement: “Government should adopt policies that increase wealth equality in Australia” (using a 7-point scale from “disagree strongly” to “agree strongly”).

Section 3. Respondent demographics

We also gathered a series of demographic variables on the sample, including political affiliation, personal wealth, gender, metro/regional residence, and age, among others. Given the relative

complexity of calculating personal wealth, respondents were given detailed instructions on how to sum their assets (car, house, shares, cash, superannuation) and then subtract from this figure their debts (loans, mortgages). In the reporting of results, these are the primary variables on which we segment the findings.

Table 1. Sample Demographics
Major sample demographics.

Sample profile (n=1000)	
Party Identification	ALP/Greens/Democrats (n=319) Liberal/National (n=240) Other/unaffiliated (n=416)
Geographic Location	Metro (n=701) Regional (n=297)
Gender	Female (n=495) Male (n=503)
Age	18-24 (n=176) 25-34 (214) 35-44 (n=205) 45-54 (n=213) 55+ (n=190)

Survey Results

Estimated Actual and Ideal Wealth Distributions

Do Australians have an accurate sense of how wealth is distributed across the households that make up their society? How much wealth do they think each quintile should have in an ideal world?

To answer this question, we plotted people’s estimates of the actual wealth and ideal wealth for each of the five quintiles and compared them to the actual wealth distribution revealed by ABS data. Figure 4 presents these data for the overall sample of 1000 respondents.

Two key findings are evident in Figure 4.

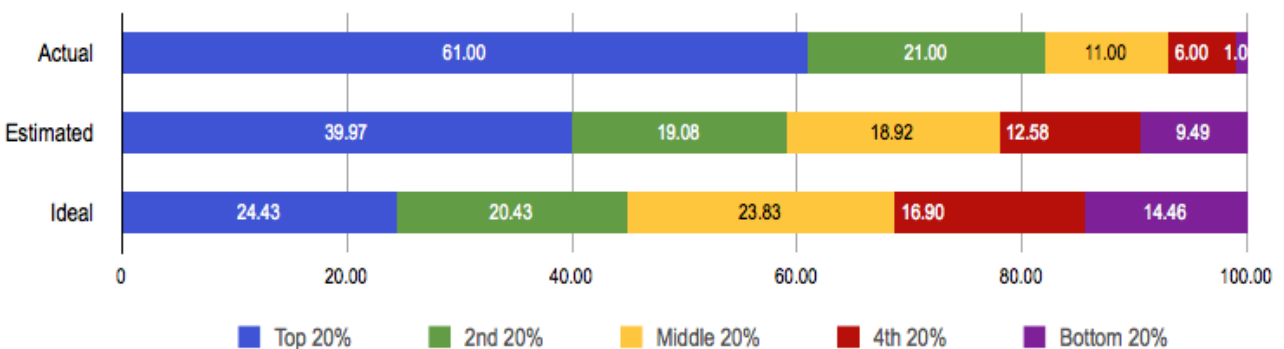
First, Australians dramatically underestimate the degree of wealth inequality within their society. This is especially evident in their estimates of the two most extreme groups (richest quintile and poorest quintile). As the actual distribution shows, the wealthiest quintile owns 61% of the total wealth, but people estimated that it owned 40%. Conversely, the poorest quintile owns 1%, yet people estimated that it owned 10 times this figure, or 10%. Thus, people significantly underestimate the wealth of the richest Australians and even more dramatically overestimate the wealth of the poorest Australians.

A second key finding evident in Figure 4 is that Australians favour the society becoming more equal in terms of wealth distribution that they perceive it to be. For example, on average, they favour the richest quintile owing 24% of the total wealth, which is 16% less than they perceive it to own and 37% less than it actually does own. Conversely, they favour the poorest quintile owning 14% of the total wealth, which is 5% more than they perceive it to own and 13% more than it actually does. Thus, Australians apparently favour a significantly more equal distribution that they believe currently exists and a dramatically more equal distribution than actually does exist. This finding mirrors those of Norton and Ariely (2011), which was conducted with a US sample.

We note, however, that Australians in the present research appear to favour an even more equal ideal distribution than did Norton and Ariely’s US respondents.

To further probe this effect, we segmented the results by wealth of the respondent, to determine whether a more equal distribution is favoured only by those who may perceive themselves as benefitting directly (poorer households) or is favoured by Australians regardless of their personal wealth.

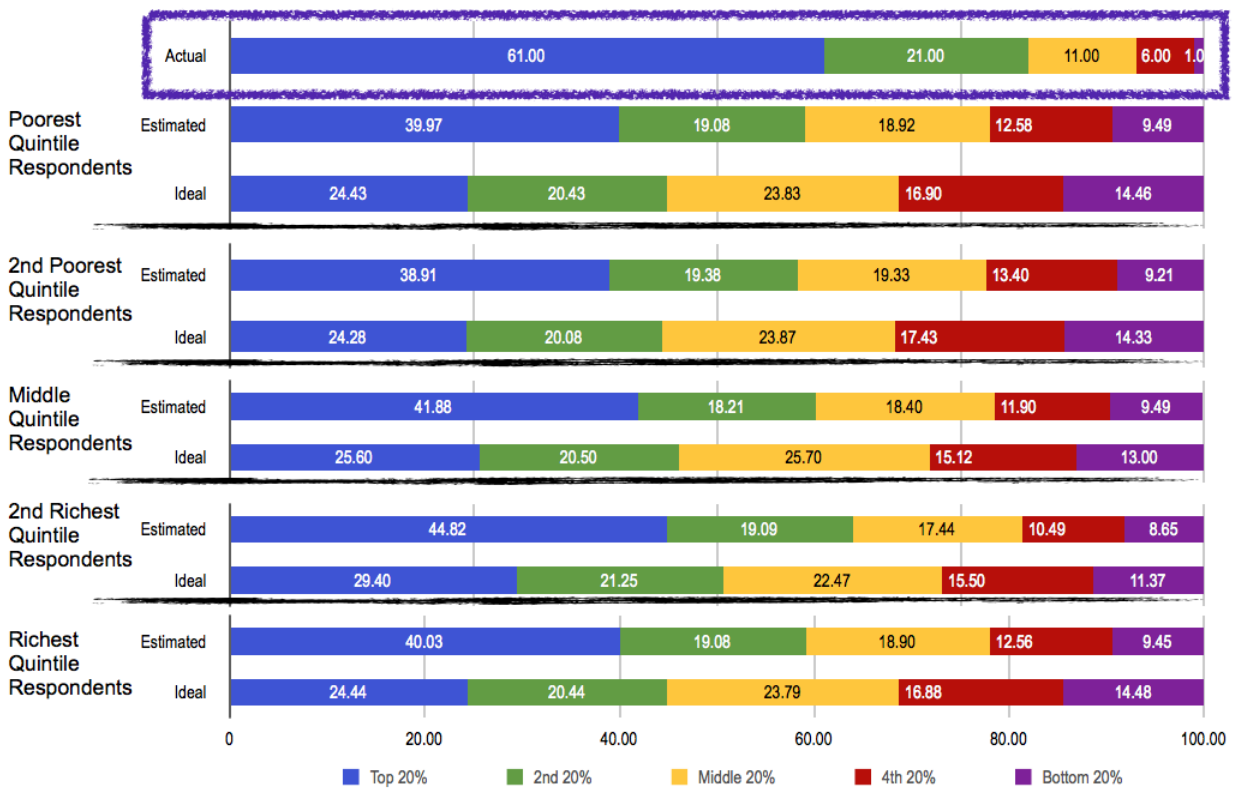
Figure 4. Actual, Estimated and Ideal Wealth Distribution by Quintile.



To do this, respondents were classified as belonging to one of the five wealth quintiles based on their reported personal wealth. As noted in the methodology section above, respondents were given detailed instructions on how to calculate their personal wealth by summing key assets and subtracting key debts. Despite this, these self-reports of wealth should be considered an approximation because respondents indicated their personal wealth using ranges (e.g., 100k to 200k) and not precise calculations that can be objectively verified. That said, the sample included a representative range of self-reported personal wealth and debt levels (from \$-300,000 to \$3,000,000+).

Figure 5 below presents the results of this segmentation by personal wealth of respondent. It reveals that the distributions of both estimated and ideal wealth are remarkably stable across wealth of respondent. Specifically, it shows that poor Australians lack insight into how little wealth they own as a group, and rich Australians lack insight into just how much wealth they own. In addition, all groups ideally favour lower wealth in the top quintile and higher wealth in the poorest quintiles.

Figure 5. Estimated and Ideal Wealth Distribution for each Quintile of Australian Households as a Function of Respondent’s Own Wealth Quintile Status.



Pie Graph Judgments – What Society Do Australians Most Want To Live In?

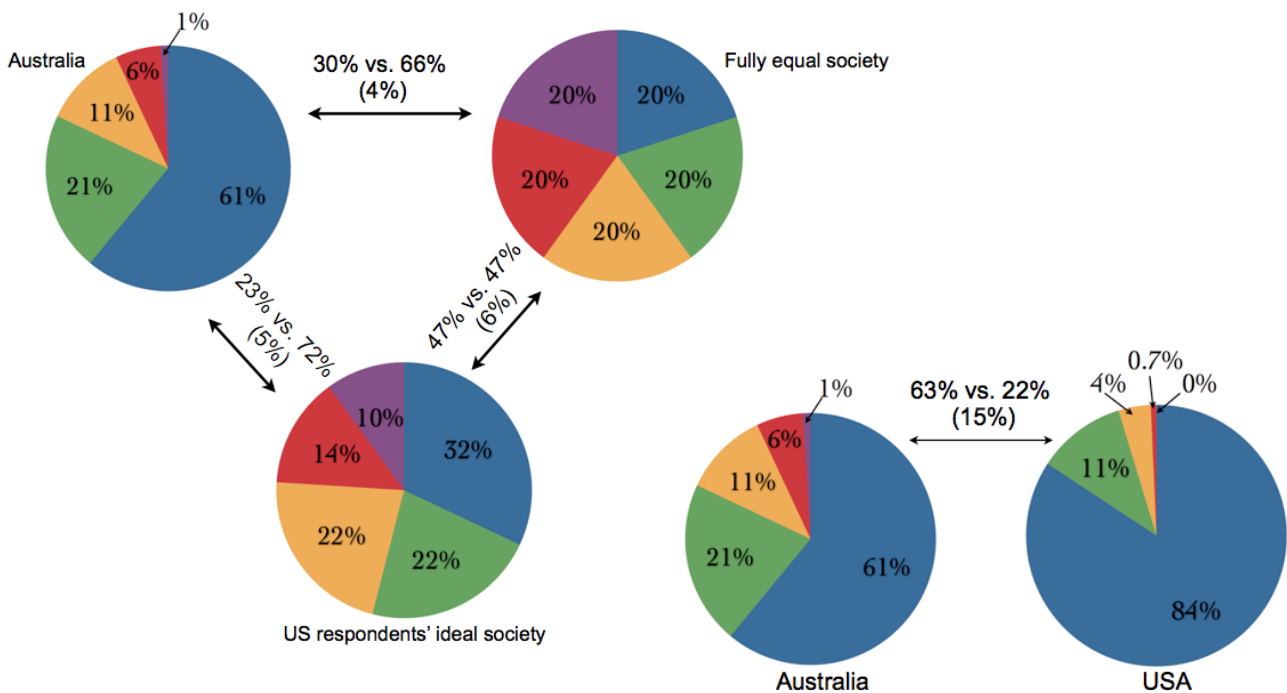
Next, we evaluated people’s ratings of how much they would like to live in a number of countries that varied in wealth inequality. Importantly, these countries were depicted via pie graphs showing the distribution of wealth in that country and they were identified only as “Country A, Country B, etc”. In the first set of judgments, respondents rated countries that, unbeknownst to them, were (a) Australia’s actual wealth distribution, (b) US respondents’ ideal distribution from Norton and Ariely (2011), and (c) a fully equal society. In the second set of judgments, they rated the actual wealth distributions of (a) Australia, and (b) the US.

Based on these ratings, we calculated each respondent’s preferred country across each possible pairing of countries. For example, a respondent who rated Country A as “70” and Country C as “50” would be identified as preferring to live in a country with Australia’s wealth distribution more than in a country with zero wealth inequality. Figure 6 presents these comparisons across all possible combinations of countries.

Figure 6. What kind of society do Australians most want to live in?

Relative preference for living in various hypothetical countries that vary in wealth inequality. Percentages above the arrows indicate the percentage of respondents who would prefer to live in each country relative to the other country sharing that arrow (percentages in parentheses are those who equally like each country). For example, comparing the two pie graphs at the top left (Australia vs. fully equal society) reveals that 30% of respondents would like to live in Australia more, 66% would like to live in the fully equal society more, and 4% like both equally. The two pie graphs on the right represent the separate judgments people made regarding Australia vs. the US.

In the actual study, all pie graphs were simply labelled “Country A”, “Country B” etc to avoid possible biasing effects.



As Figure 6 demonstrates, when people consider the society in which they would most like to live, they strongly favour more equal societies. By a two-thirds majority, Australians favour living in a fully equal society over a society that, unbeknownst to them, is the one in which actually they live. They prefer living in a society with some, minimal wealth inequality by an even larger margin. When asked to consider living in an even more unequal society (the US), 66% of respondents reject that notion and only 22% embrace it.

Do these results reflect specific political values that may differentiate Australians along party lines?

To examine this possibility, we segmented the results by self-identified political affiliation. For ease of presentation, we collapsed political affiliation into three groups based on each respondents' self-reported party affiliation:

- (1) ALP/Greens/Democrats,
- (2) Liberal Party/National Party, and
- (3) Unaffiliated/Family First/Other.

In Group 3, we note that the vast majority (91%) listed their political affiliation as "none". Thus, this group likely reflects primarily independent or centrist voters.

Figure 7 (over page) shows that the tendency to prefer living in a country with a more equal wealth distribution is relatively stable across political ideology. All political groups least prefer living in a country with Australia's level of wealth inequality, by strong majorities. Differentiation along political lines emerges only when comparing the fully equal society with a society featuring some, minor inequality. Among more conservative respondents, a majority favour a society with some, minimal degree of inequality. This applies also to respondents with no affiliation, albeit by a reduced margin. In contrast, a small majority of more left-wing respondents

favour the fully equal society.

Greater consistency was evident when respondents contrasted living in a country with Australia's wealth distribution versus that of the United States (Figure 8). Here, strong majorities preferred Australia's distribution within each political segment. Notably, only 24% of Liberal and National Party affiliated respondents favoured the US distribution, with 64% favouring the Australian distribution. This, in turn, suggests a broad consensus that Australians disfavour moving towards greater wealth inequality, such as exists in the US.

Figure 7.

Relative preference for living in countries with different levels of wealth inequality, segmented by political affiliation.

In each comparison block (for political affiliation), the top left pie is Australia's wealth distribution, the top right pie is a fully equal society and the bottom pie is US respondents' ideal society.

Percentages above the arrows indicate the percentage of respondents who would prefer to live in each country relative to the other country sharing that arrow (percentages in parentheses are those who equally like each country).

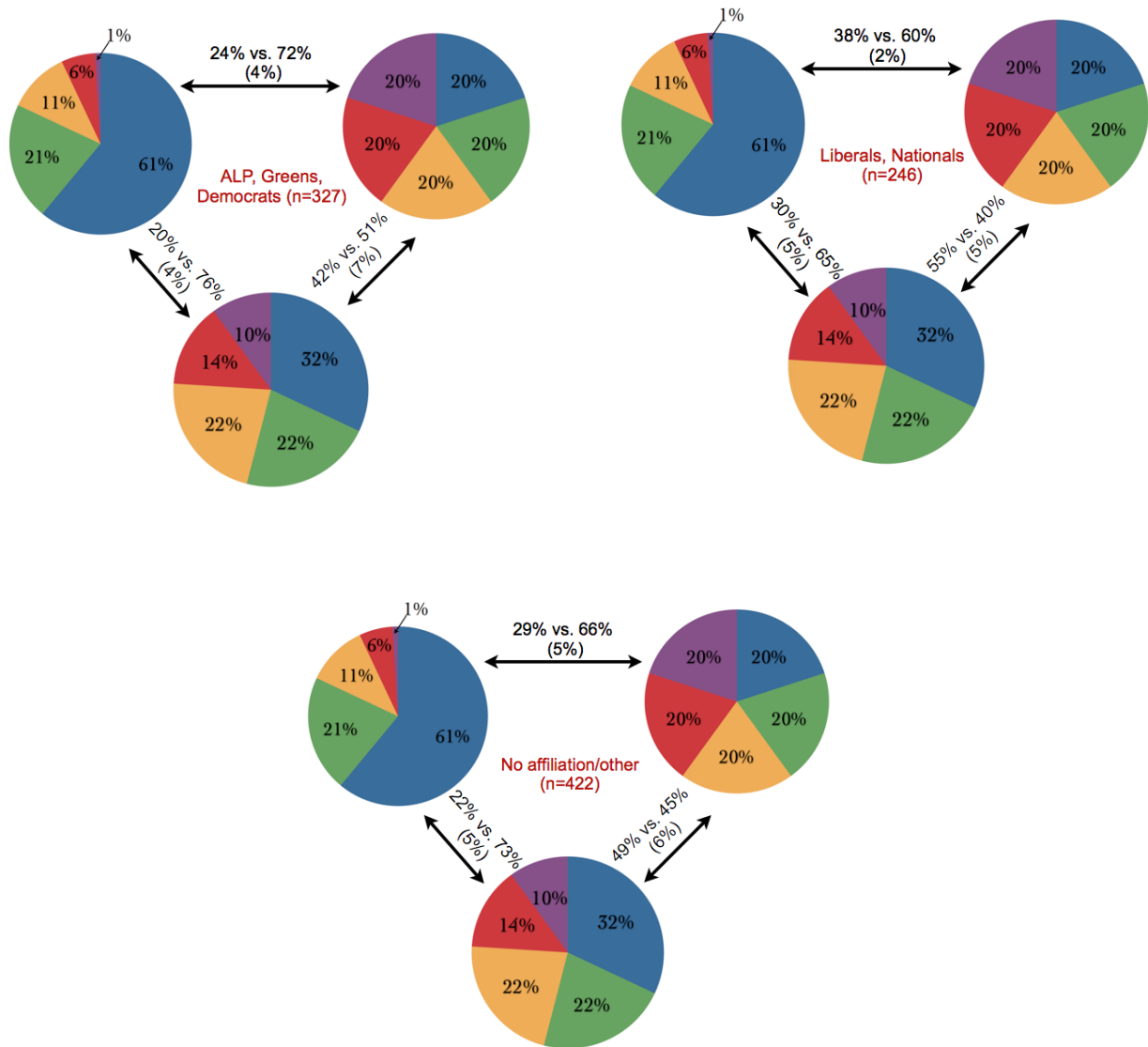
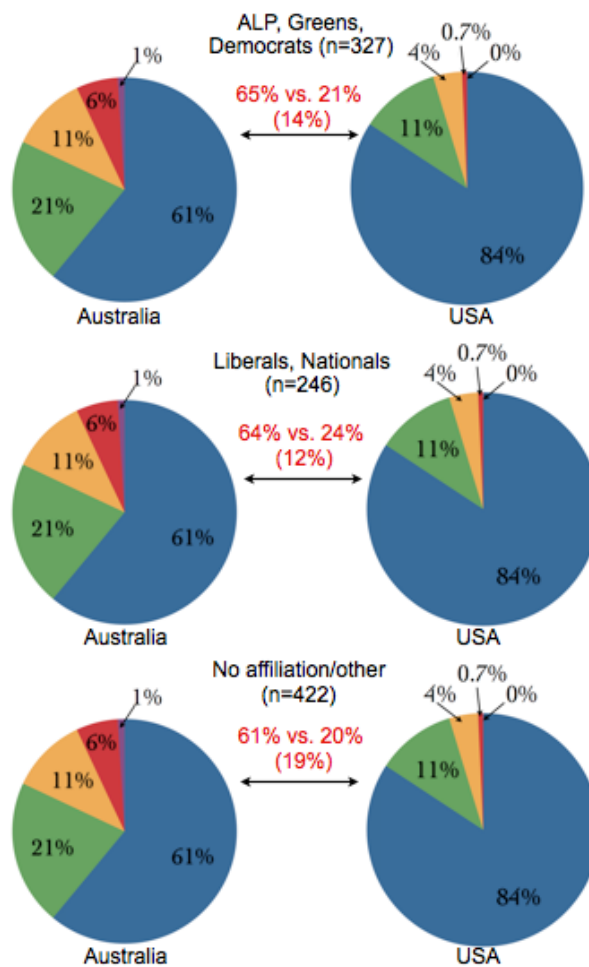


Figure 8.

Relative preference for living in countries with different levels of wealth inequality, segmented by political affiliation.

In each comparison block (for political affiliation), the left pie is Australia's wealth distribution and the right pie is the US wealth distribution.

Percentages above the arrows indicate the percentage of respondents who would prefer to live in each country relative to the other country sharing that arrow (percentages in parentheses are those who equally like each country).



Public Support/Opposition Towards Policy Mechanisms that Address Wealth Inequality

Minimum Wage Laws constitute one major policy mechanism through which government can address income and wealth inequality. In the second section of the survey, we examined respondents' knowledge of these mechanisms and also gauged their support for strengthening their use.

Respondents were asked to estimate the current adult National Minimum Wage in Australia, as an hourly figure. Per the 2009/2010 Australian Fair Work Annual Wage Review, the actual minimum wage is currently \$15.00/hr. On average,

respondents overestimated this figure by \$1.80, providing a mean estimate of \$16.80.

As shown in Table 2 below, this overestimation emerged consistently across all major demographic variables. However, the magnitude of overestimation varied, with males and those living in metropolitan areas providing higher estimates than females and those living in regional areas.

Table 2. Estimates of Minimum Wage and Opposition/Support for Raising

Demographic Category	Level within category	Mean estimate of current Minimum wage (AUD\$)	Oppose/support Raising Minimum wage†
Overall sample (n=1000)		16.80	5.73
Party Identification	ALP/Greens/Democrats (n=327)	17.01	5.95
	Liberal/National (n=246)	17.22	5.40
	Other/unaffiliated (n=422)	16.37	5.74
Metro/regional	Metro (n=701)	17.01	5.68
	Regional (n=297)	16.30	5.83
Gender	Female (n=495)	16.47	5.93
	Male (n=503)	17.13	5.52
Age	18-24 (n=176)	17.44	5.61
	25-34 (n=214)	16.55	5.65
	35-44 (n=205)	16.67	5.83
	45-54 (n=213)	16.45	5.87
	55+ (n=190)	17.01	5.64

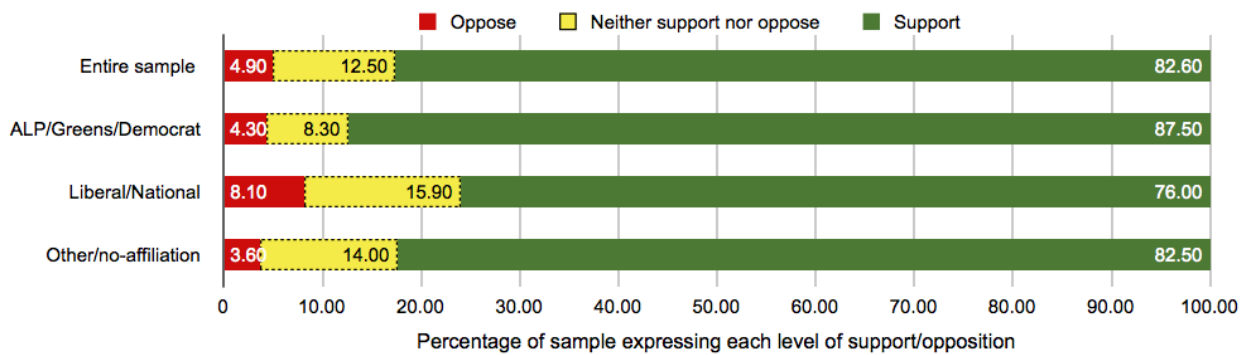
† Measured on a 7-point scale anchored at "strongly oppose" (1) and "strongly support" (7)

Support for raising the minimum wage was consistently high, despite respondents' inflated beliefs about the current legally mandated minimum. In the sample as a whole, 83% supported raising the national minimum wage, with only 5% opposed and 13% neither supporting nor opposing.

This pattern was consistent across political identification, as shown in Figure 9. Notably, 76% of respondents who self-identified as affiliated with the Liberal or National Party expressed support, suggesting that a raise garners clear majority support even within conservative voters.

Figure 9.

Percentage of respondents supporting a raise to the minimum wage, opposing a raise, and neither supporting nor opposing a raise, segmented by political affiliation.



Personal Wealth and Party Affiliation Interact in Predicting Support for a Minimum Wage Increase

Despite high overall support for raising the minimum wage, interactions among demographic variables did significantly predict the strength of that support. Overall, as respondents' own personal wealth increased, their support for the minimum wage tended to decline slightly.¹

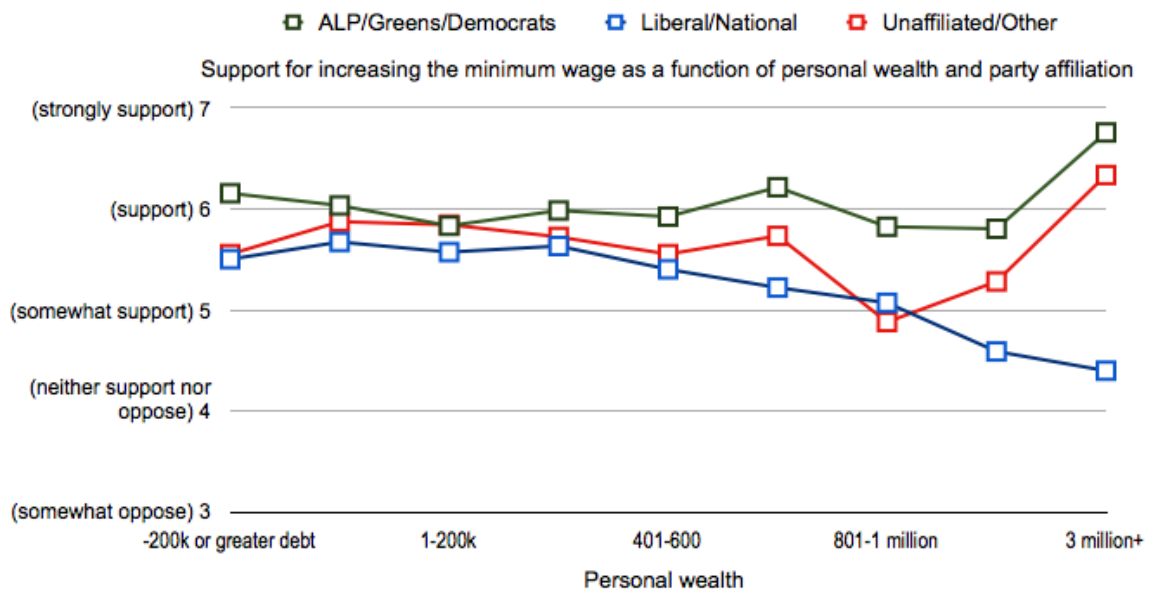
However, this effect was primarily driven by more conservative respondents. As Figure 10 shows, respondents with lower personal wealth expressed strong support for raising the minimum wage regardless of political leanings. As personal wealth increased, however, support began to diverge according to party affiliation.

Respondents affiliated with the ALP, Democrats or Greens tended to express the same, high level of support regardless of their personal wealth.² Unaffiliated respondents showed a slight tendency towards decreasing support as their own wealth increased.³ Finally, respondents affiliated with the Liberal Party or National Party exhibited a significant drop in support at higher levels of personal wealth.⁴

However, even among wealthy, conservative respondents (i.e., the least supportive segment), support for raising the minimum wage remained above the scale midpoint (4; corresponding to neither supporting nor opposing an increase).

Figure 10.

Relationship between personal wealth of respondent and support/opposition to raising the minimum wage as a function of political affiliation. Support/opposition was measured on a 7-point scale anchored at "strongly oppose" (1) and "strongly support" (7) a raise to the current minimum wage.



¹ $B = -0.05, SE = 0.01, t(994) = 4.26, p < .001$

² $B = -0.001, SE = 0.02, t(325) = 0.08, p = .941$

³ $B = -0.04, SE = 0.02, t(420) = 2.45, p = .015$

⁴ $B = -0.08, SE = 0.02, t(244) = 4.08, p < .001$

Are Attitudes towards the Minimum Wage Linked to People's Attitudes and Beliefs about the Poorest Quintile of Australian Households?

The data provide suggestive evidence that people generally do not recognise that the minimum wage is a mechanism for improving wealth among the working poor. If people typically held that view, their attitudes towards raising the current minimum should be predicted by their belief that the poorest quintile have less wealth than they ideally should. This pattern was not evident in the data. Attitudes to a minimum wage rise were essentially uncorrelated with people's actual or ideal estimates for the poorest quintile, or by the difference between their actual and ideal. This suggests that the two domains are not strongly linked in people's minds, such that attitudes in each domain are largely independent.

Should Government Play an Active Role in Reducing Wealth Inequality?

To gauge support for Government intervention in addressing wealth inequality, we examined levels of support and opposition to the following statement "Government should adopt policies that promote wealth equality in Australia" (7-point scale anchored at "strongly disagree" and "strongly agree"). Suggesting wide support for Government action on wealth inequality, 66% said they agreed with the statement, 21% said they neither agreed nor disagreed and only 13% disagreed.

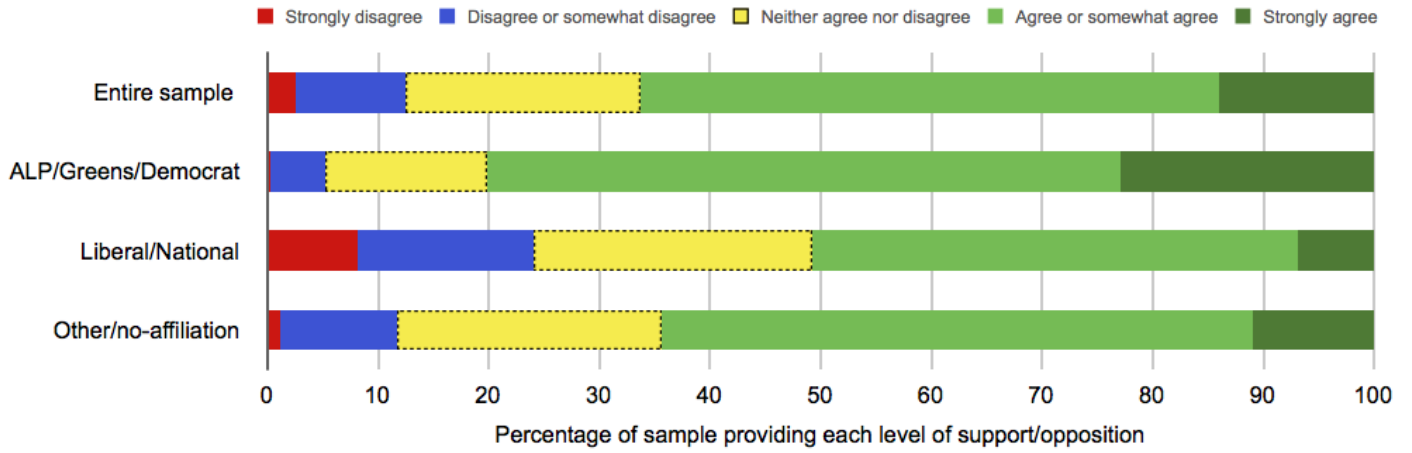
Figure 11 (over-page) presents responses to this question for the overall sample, and also segmented by political affiliation. The figure demonstrates modest variation in support by political affiliation, but also shows that a majority of respondents of every political affiliation express support (light and dark green bars in Figure 11) for Government using policy mechanisms to increase wealth equality.

Also notable is an asymmetry in the intensity of support/opposition across political affiliation. Only 8% of Liberal/National voters expressed "strong opposition" to Government policies addressing wealth equality, whereas 23% of ALP/Greens/Democrats expressed "strong support." Among independent/unaffiliated voters, 1% expressed "strong opposition" and 11% expressed "strong support."

This pattern suggests that the idea of Government intervening to address wealth inequality is not as polarising in the Australian context as it is in some other countries, notably the United States. In Australia, a majority of conservative and independent voters endorse Government intervention on this issue. Moreover, within the minority who do not express active support, most express ambivalence rather than active opposition.

Figure 11.

Support and opposition to the statement “Government should adopt policies that increase wealth equality in Australia” segmented by political affiliation. Support/opposition was measured on a 7-point scale (1-7). Note: the figure combines “agree” and “agree somewhat” into one category, and “disagree” and “somewhat disagree” into one category.



General Conclusions and Summary of Key Findings

The research reported here supports several linked conclusions about Australian perceptions and attitudes towards wealth inequality. First, the study findings mirror research conducted in the United States (Norton & Ariely, 2011), by revealing that Australians exhibit an “illusion of equality” when thinking about the way in which wealth is distributed across Australian households.

This illusion emerged at both ends of the wealth continuum—respondents thought the wealthiest households owned around 1/3 less wealth than they actually do, and they thought that the poorest households owned ten times more than they actually do. Thus, Australians dramatically underestimate the degree of wealth inequality that exists within their society.

Notably, these illusions emerged even when people made estimates for the wealth quintile to which they themselves belonged. Thus, rich Australians underestimated their own “slice of the pie” and poor Australians significantly overestimated theirs.

Despite this illusion, respondents strongly favoured the country becoming even more equal than they perceived it to be, and dramatically more equal than it really is. This preference emerged regardless of political persuasion and personal wealth, suggesting that concern for wealth inequality largely transcends these attributes and functions as a shared Australian value. For example, more than 60% of Liberal and National Party voters expressed a preference for living in a society with a more equal distribution than Australia, and only 24% expressed a preference for living in a society with a less equal distribution (the US).

The survey also revealed Australian attitudes towards the raising the Minimum Wage—a key policy mechanism for

promoting wealth accumulation within poorer households. Just as respondents overestimated the wealth of poor Australians, so too did they overestimate the current minimum wage.

On average, the sample believed the current adult National Minimum Wage to be \$16.80 per hour, when in reality it is \$15.00 per hour. Despite this inflated estimate, 83% of respondents supported raising the current level and this support was largely stable across voting preferences and personal wealth. Finally, when directly asked whether Government should adopt policies that increase wealth equality, a majority of the sample expressed support, with only 13% Australians opposing.

Taken together, the results demonstrate a remarkable pattern whereby Australians voice strong support for increasing the minimum wage, even though they tend to hold inflated views of its current level and also dramatically overestimate current wealth levels of those it is designed to help.

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