

Australian attitudes towards wealth and inequality: new research findings

The ACTU has released original research on Australian's perceptions on wealth inequality and the minimum wage. We asked:

1. How do Australians believe wealth actually is distributed across Australian households and how do they think it ideally should be distributed?
2. What do people estimate the current adult National Minimum Wage is and do they support or oppose raising the minimum wage?

The research was co-authored by Prof. David Neal and Dr Cassandra Govan of Melbourne-based Empirica Research, and Prof. Mike Norton (Harvard University) and Prof. Dan Ariely (Duke University). Norton and Ariely are the authors of a published American study¹ into perceptions of wealth inequality, the methodology of which is closely mirrored in this work.

Research Methodology

This release is based on survey research conducted in March 2011 with a representative sample of 1,000 Australian adults. Quota sampling ensured that sample demographics matched the Australian population defined by the latest Census data. Results were also segmented by political affiliation and personal wealth.

Respondents were asked to think of Australian households as split up into five quintiles, ranging from the wealthiest quintile to the poorest quintile. Each of the five groups was described as including 20% of Australian households. Respondents were then asked four separate questions:

1. To estimate what percentage of the total wealth of Australian households was actually owned by each of the five groups.
2. To tell us how they think wealth ideally should be distributed across the five quintiles.
3. To make a choice between three unlabelled pie charts: representing (a) the actual wealth distribution of Australian households (b) the ideal distribution of wealth from the US study and (c) a hypothetical "fully equal" society.
4. To make a choice between two unlabelled pie charts representing (a) the actual wealth distribution of Australian households (b) the wealth distribution of the United States.

In respect of the minimum wage respondents were asked

1. To estimate what the current adult National Minimum Wage was;
2. If they supported or opposed raising the minimum wage (using a 7-point scale)

¹ Norton, M., & Ariely, D. (2011). Building a better America - One wealth quintile at a time. *Perspectives in Psychological Science*, 6, 9-12

3. To rate their level of agreement/disagreement with the statement: “Government should adopt policies that increase wealth equality in Australia”.

Summary of Findings - Inequality

- In terms of wealth distribution, Australia is much more unequal than people think it is. Australians strongly favour a more equal wealth distribution.
- Regardless of levels of personal wealth Australians:
 - *“dramatically underestimate the degree of wealth inequality within their society.”*
 - *“understate the wealth of the richest Australians and even more dramatically overstate the wealth of the poorest Australians.”*
- The poorest 20% of Australians have 10 times less wealth than people think they have, and 14 times less than people think they should have. The wealthiest 20% of Australians have 1.5 times more wealth than people estimate, and 2.5 times more than people believe is “ideal”.
- A “key finding” is that, regardless of levels of personal wealth, Australians “favour the society becoming more equal than they perceive it to be”. Australian’s ideal society is much more equal than both the estimate and the reality.
- *“Distributions of estimated and ideal wealth are remarkably stable across the wealth of respondent.”* Segmenting the results by personal wealth, the richest and poorest Australians draw an almost identical “ideal” society.
- *“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.”*
- *“All groups [by wealth] favour lower wealth in the top quintile and higher wealth in the poorest quintile.”*
- Australians also favour an ideal society with increases to the middle quintiles, and the 3rd in particular, suggesting a strong egalitarian instinct – that ordinary households around the middle should do well.
- Regardless of their political affiliation, when faced with choices between societies with different wealth distributions people favour the more equal one. *“When people consider the society in which they would most like to live, the strongly favour more equal societies.”*
- In each case Coalition voters favour the more equal option by strong margins.
- *“By a two-thirds majority, Australians favour living in a fully equal society over the one in which they actually live.”* There is even stronger relative support for a society “with some, minimal wealth inequality.”
- In the blind test between Australia and America’s wealth distribution, only around 1 in 5 Australians choose the US, suggesting a strong majority oppose Australia going down the path of greater wealth inequality (given America is the least equitable developed country).

- This result replicates the US research (Norton and Ariely, 2011), where Americans also underestimated wealth inequality and strongly favoured a more equal wealth distribution. Australians favour an even more equal society than the one preferred by American respondents in the US research.

Minimum Wage

- Regardless of demographics and political affiliation, Australians massively overstate the level of the minimum wage, by an average of \$1.80 per hour or \$68.40 per week.
- Coalition voters overestimated the minimum wage by the largest margin (\$2.22 per hour, \$84.36 per week).
- *“Support for raising the minimum wage was consistently high, despite respondents’ inflated beliefs.”*
- *“In the sample as a whole, 83% supported raising the national minimum wage, with only 5% opposed.”*
- Regardless of demographics and political affiliation strongly support an increase *“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.”*
- Coalition supporters with lower or middle levels of wealth show broadly the same support for an increase in the minimum wage as ALP/ Green and non-aligned voters.

Role of Government

- The results suggest “wide support for Government action to reduce wealth inequality”. By a large majority (63%) respondents supported government action with only 13% opposed. A majority of coalition voters supported Government action to reduce wealth inequality.
- Regardless of political affiliation Australians support Government action to reduce wealth inequality and only a small minority oppose or strongly oppose such measures.

Selected Quotes for Respondents

Something is wrong with this picture. Like the old saying goes...the richer get richer and the poorer get poorer. What worries me about the future is that there is going to be no middle class, just a big divide between rich and poor. (Female 35-44, NSW/ACT, wealth \$200,001-300,000, party Australian Labor Party (ALP), income \$70,001-\$80,000)

I hadn't realised the difference had got to this; that the bottom 20% only owned 1%. I thought the spread would have been more linear, not logarithmic. (Victoria, Male, 55 and over, wealth \$900,001-1,000,000, Liberal Party of Australia, income \$30,001-\$40,000)

The richest own more than I thought. The bottom 20% own far, far less than I was expecting. (NSW/ACT, Female, 25-34, wealth \$1-100,000, National Party of Australia, income \$20,001-\$30,000)

it is much less equitable than I thought - embarrassingly so for the "lucky country". (NSW/ACT, Female 35-44, wealth \$400,001-500,000, National Party of Australia, income 0-\$10,000)

I didn't know that so much was owned by so few (Victoria, Male 35-44, wealth \$100,001-200,000, political party - None, income 40,001-\$50,000)

It does not surprise me because the wealthier people seem to know how to make money, pay less taxes and get more benefits and assets by paying a lower dollar figure. The poor in our country need more help from the government and all of us. The wealthy in Australia do not always help the poor which is very unfair. (Victoria, Female 55 and over, wealth \$200,001-300,000, Liberal Party of Australia, income \$50,001-\$60,000)

Some Key facts.

- The magnitude of wealth inequality and income disparity is growing. The wealthiest 20% of Australians own 61% of the nation's wealth. The poorest 20% own 1%. (Source: ABS Survey on Income & Housing)
- The Federal Minimum Adult Wage is \$15 an hour (\$570 a week, \$29,640 per annum).
- The 2011 ACTU claim is to increase the minimum wage by \$28 a week.
- The wages share of national income is at its lowest level since 1964, while the profits share is near an all-time high reached in 2008. (Source: ABS National Accounts)
- The ratio of household debt to disposable income has more than tripled since 1985. (Source: RBA B21 Household Finances – Selected Ratios)

The full report and infographics illustrating the results are available at:

<http://www.actu.org.au/Media/Mediareleases/UnionspressforwageriseforlowpaidasresearchshowsmostAustralianssupportmorewealthequality.aspx>