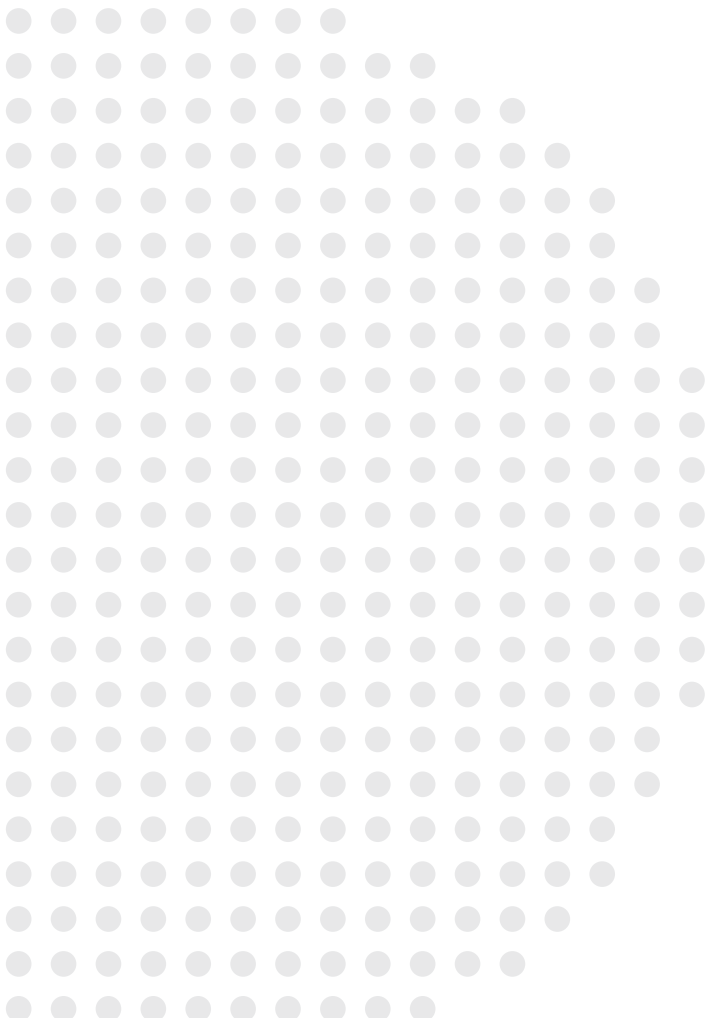# Nudging Inequality

## Perceptions of inequality in Australia and the impact of nudge economics

## EQUITY ECONOMICS

*Equity Economics* was founded in 2013 to offer sound economic analysis combined with policy expertise and the capacity to create change. Our senior team are drawn from Australian government agencies including Treasury, Prime Minister and Cabinet and the Department of Foreign Affairs and Trade. All have extensive experience working domestically and in the Asia Pacific region. They combine a close knowledge of government with experience in the private sector, not for profit organisations and multilateral agencies.

*Equity Economics* as a firm focused on achieving both efficiency and equity in the domestic and global growth process. Our team are focused on working with clients to develop solutions to complex challenges in a way that achieves social progress. For further information on *Equity Economics* visit www.equityeconomics.com.au.

# Contents

# Executive Summary

Public support for tackling inequality is at an all time high.

**78% agree that the gap between the rich and the poor in Australia is too large.**

**More than two-thirds consider addressing inequality to be an urgent priority for government.**

**60% agree government is responsible for addressing inequality in Australia.**

These statistics come from the largest survey of its kind into perceptions of inequality. They confirm high levels of public concern about inequality that match the record high levels of inequality in Australia today.

Incomes of the top 20% of earners are 5 times larger than those in the bottom 20%. More unequal still, is the distribution of wealth with the wealthiest 20% of households having 60 times more wealth than the bottom 20% of households.[1]

The survey also challenges perceptions of Australia as the land of opportunity, with findings that most Australians don't see high income or wealth as earned through talent or hard work.

**45% chose coming from a wealthy family as the driving force behind why people are rich.**

**20% chose having lots of connections, as opposed to hard work (16%) or talent (6%).**

While there are diverse views on the appropriate response to these challenges, the study finds the highest level of support is for **universal health and education** (20.1%), followed by **supporting jobs** for the unemployed (19.7%) and **increasing taxes on the highest income earners** (17.5%).

**70% support increasing income taxes on the richest 1%, as opposed to cutting services.**

The high level of support for reform and the role of government in addressing inequality are consistent with leading research on the costs of inequality. Organisations such as the IMF and OECD now agree that inequality impedes growth. This means inequality imposes a cost on *all* Australians. As long as widening inequality impedes growth, the size of the Australian economy is smaller than it would otherwise be, meaning *less for everyone*.

As employment patterns change, wage growth slows, and the distribution of wealth is increasingly skewed towards capital over labour, growing numbers of people are feeling disenfranchised. If we are to avoid heightened social tensions and declining living standards for many, policy that addresses inequality is more critical then ever.

What should the government do? Deliver what the public is asking for: continue to invest in universal health and education, support jobs growth and deliver more progressive taxation.

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[1] ABS, Household Income and Wealth, 2015-16. Series 6523.0 Accessed at:
http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6523.0~2015-16~Main%20Features~Household%20Income%20and%20Wealth%20Distribution~6

Australians dramatically underestimate the extent of inequality in their country.

**6 in every 10 adults believed they are located around the middle of the income distribution - which means rich and poor alike tend to think they experience the "average" standard of living.**

Our findings are in line with a comparative study of the US and Australia, which finds Australians overestimate the wealth of the poorest 20% by a factor of more than seven, and underestimate the wealth of the richest 20% by more than a fifth.[2]

**49% over-estimated their income level and 26% under-estimated.**

This is significant when we live in an era of fake news and misperceptions can play a strong role in the way people vote and their support for reform.

We took this analysis further by conducting two 'nudge' interventions. We tested how people's views towards inequality changed with additional information on: (i) the overall level of inequality in Australia, and (ii) their own place in the income distribution.

Learning of the overall level of inequality in Australia and their place in the distribution made respondents more concerned about the gap between the rich and poor, more likely to believe that it is difficult or impossible for people to increase the amount of money they have through hard work alone, and increased their sense of urgency for the government to respond.

**Support for government taking action to reduce inequality increased by 16% when they were informed of the level of inequality in Australia and their own place in the income distribution.**

For those who over-estimated their income in the distribution (that is, they perceived themselves to be richer than they are), when advised of their actual position, there was a 16% increase in their concern about inequality and a 21% increase in their support for redistribution.

For those who under-estimated their income in the distribution (that is, they perceived themselves to be poorer than they are), when advised of their actual position, there was a 13% reduction in their concern about inequality.

Ample research is now available to show that wealth inequality in Australia is on the rise. However, the prevalence of misperceptions on this subject appears to result in more complacency in tackling the growing divide between the rich and the poor, than might otherwise be the case.

These findings present a challenge to how we communicate policy since having an informed conversation about the experience of inequality in Australia increases support for reform.

The Australian public support government action to address inequality and accurate information builds support for the reforms necessary to achieve that goal. We need to heed these lessons if we are to deliver on the public's expectations to address the gap between rich and poor, and rebuild Australia's reputation as the country of opportunity.

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[2] Norton et al (2014): https://hbs.me/2GIvnZA

## Inequality is rising in Australia

**Gini coefficient in Australia**
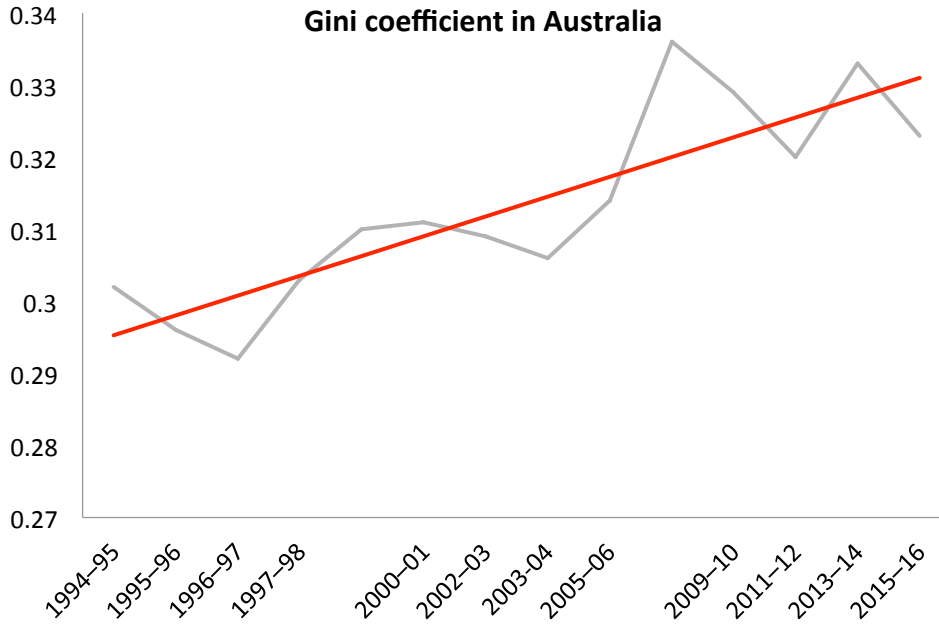
## Incomes of the top 20% are 5 times larger than those in the bottom 20%. Wealth is even more unequal.



Lowest quintile 1%
Second quintile 5%
Third quintile 11%
Fourth quintile 20%
Highest quintile 63%
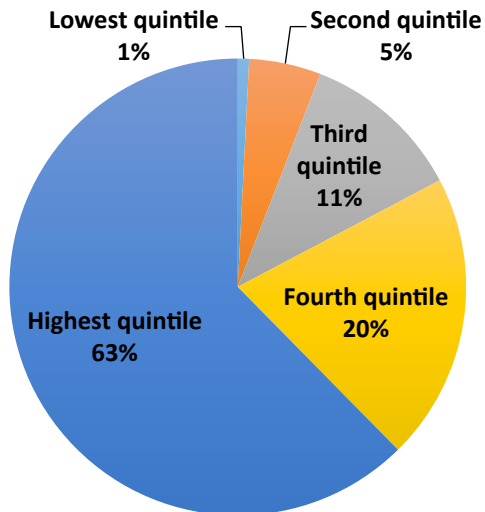
Inequality is more than just an income or wealth gap.
It shapes lives and our country's economic potential.

In Australia today,
by grade 9
the difference between advantaged
and disadvantaged students
is equivalent to around
2.5 years of schooling.

Source: Thompson S, De Bortoli L, Underwood C. PISA 2015:
Reporting Australia's results. Melbourne: Australian Council
for Educational Research (ACER); 2017.

Australia's negative gearing system is benefitting
29% of surgeons & anesthetists
compared to
12% of teachers &
9% of nurses.
The average tax benefit
for surgeons is over $3,000,
compared to just
$226 for nurses & $289 for teachers.

Source: Grattan Institute

**78%** agree that the gap between
the rich and the poor in Australia is too large.

**66%** say it's difficult or impossible to improve
their financial position through hard work alone.

**45%** believed coming from a wealthy family
is the driving force behind why people are rich, as opposed to
hard work (16%) or talent (6%).

**70%** support increasing income taxes on the richest 1%,
as a means of reducing government debt.

Australians want more to be done to address inequality.
Their top priorities are:

Jobs.

tax.

**Universal health and education**

**Supporting jobs for the
unemployed**

**Increasing taxes on the highest
income earner**

# Methodology

This study is based on a nationally representative sample of 3,434 respondents, conducted by the global market research firm IPSOS. This survey allowed us to gain insights into people's views on inequality in Australia, and whether providing information about inequality impacts these views. In order to do this, we asked questions about attitudes towards inequality, preferences for redistribution, and beliefs on what, if any, government action should be taken to reduce inequality in Australia.

The findings of the survey are divided into four main groupings of questions:

Concern about inequality;

Reasoning for inequality;

Support for redistribution; and

Government priorities.

A summary of the age, gender, location and education level of survey respondents relative to the 2016 census data is below. Respondents were on average slightly more likely to be younger, male, higher educated and from regional Australia than a perfectly nationally representative sample.

| AGE[3] | Survey % | Census 2016 % |
|---|---|---|
| 18-34 | 29.4 | 21.1 |
| 35-49 | 28.2 | 20.3 |
| 50-64 | 24.3 | 18.3 |
| 65+ | 18.1 | 15.7 |
| GENDER[4] | | |
| Male | 49.8 | 49.3 |
| Female | 50.2 | 50.7 |
| LOCATION[5] | | |
| Capital City | 55.3 | 67 |
| Regional City | 25.7 | 18 |
| Rural Town | 15.1 | 10.5 |
| Remote | 4.0 | 2.16 |
| EDUCATION[6] | | |
| Higher degree/Postgraduate Diploma | 13.8 | 8.9 |
| Bachelor Degree | 24.1 | 18 |
| Undergraduate diploma | 4.0 | 9.7 |
| Vocational (Basic and Skilled) | 27.1 | 18.2 |
| High School Complete | 18.7 | 18 |
| High School Incomplete | 11.8 | 24.8 |
| Prefer not to say | 0.6 | |

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[3] Population by Age and Sex, Regions of Australia, 2016:

[4] Ibid, footnote 3

[5] Estimated Resident Population, Remoteness Areas, Australia: https://bit.ly/2ukIQos

[6] Education and Work, Australia May 2017: https://bit.ly/2tP9tR4

The answers to the questions were analysed using a multivariate regression model to isolate the impact of the different background characteristics on the survey respondents' views towards inequality. We used a stepwise approach in order to avoid multicollinearity between the different variables. These results are outlined in **Appendix 5**. In order to determine the most significant factors impacting respondents' perceptions on inequality in Australia and support for redistribution, the following variables were included in the regression model:

1. **Age:** Whether being over 50 was a significant variable impacting on respondent's answers.
2. **Gender:** Whether there were diverging views on inequality across genders.
3. **Voting preferences:** Whether voting Coalition or Labor had an impact on the answers.
4. **Location:** Whether living in a capital city had any impact on respondents' answers.
5. **Education Status:** Whether having completed a higher education degree had a significant impact on the results.
6. **Place in income distribution:** There were two variables, one for if respondents were in the bottom 40 percent of the income distribution and the other for respondents in the top 40 percent of the income distribution. This allowed us to understand how views differ depending on people's level of income.
7. **Perceived place in income distribution:** There were two variables, one for if respondents perceived they were in the bottom 40 percent of the income distribution and the other for respondents that perceived they were in the top 40 percent of the income distribution. This allowed us to understand how views differ depending on what people perceive their level of income to be relative to others.

The results of this regression showed that political preference and perceived place in the income distribution were the most often statistically significant determinants of the answers provided. We have therefore focused our analysis mainly on these factors in the following pages. For a comprehensive breakdown of the results, please see Appendix 5.

Following questions about demographic characteristics and where in the income distribution people perceive themselves to be, respondents were randomly divided into four equal groups to receive one of the following pieces of information (or no information).

| | |
|---|---|
| Group A | Respondents were told of the overall level of inequality in Australia |
| Group B | Respondents were told of their actual place in the income distribution |
| Group C | Respondents were given both of the above pieces of information |
| Control Group | Respondents were told nothing. |

Respondents were then asked about their attitudes towards inequality, their preferences for redistribution, and their beliefs on what forms of government intervention are needed in order to reduce inequality.

Throughout this document, when we refer to the existing level of concern or support in the Australian population, we are referring to the answers of the control group.

# Survey Results

## MISPERCEPTIONS OF INEQUALITY

Existing research has shown that Australians tend to underestimate the level of wealth inequality in society.[7] We build upon this by showing Australians tend to perceive they are around the middle of the income distribution, regardless of their actual place in the distribution.
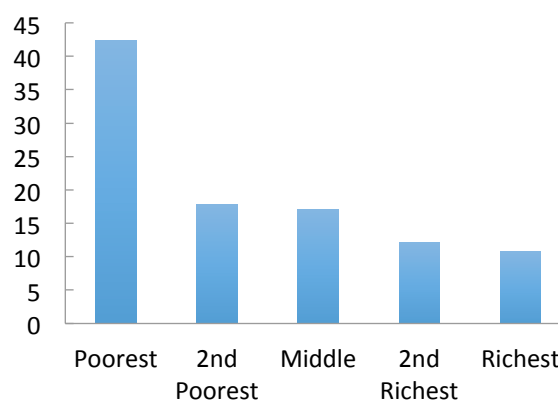
Almost 60 percent of respondents perceived they were located in the middle 20 percent of the income distribution – between the 40th and 60th percentile. There was only a weak correlation between people's actual place in the income distribution, and where they perceived themselves to be. In other words, on average, poor people overestimated and rich people underestimated their place in the distribution.

In fact, less than 2 percent of respondents thought their household was located within the richest 20% of the Australian income distribution, even though around 11 percent respondents to our survey actually were. Similarly, less than 8 pecent of respondents thought they were in the poorest 20% of the Australian income distribution even though around 40 percent actually are.

**Perceived position in income distribution**
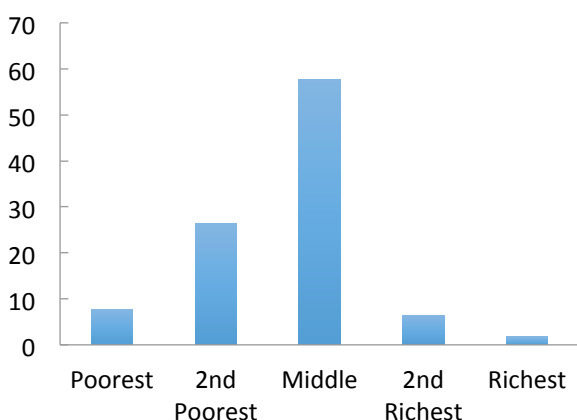


**Actual position in income distribution**



- 49 percent of respondents over-estimated their place in the income distribution. That is, they perceived themselves to be higher in the income distribution than they in fact are.

- 26 percent of respondents under-estimated their place in the income distribution. That is, they perceived themselves to be lower in the income distribution than they in fact are.

- For those who over-estimated their income in the distribution (that is, they perceived themselves to be richer than they are), when advised of their actual position, 16 percent increased their concern about inequality and 21 percent increased their support for redistribution.

- For those who under-estimated their income in the distribution (that is, they perceived themselves to be poorer than they are), when advised of their actual position, 13 percent reduced their concern about inequality.

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[7] Norton et al (2014): https://hbs.me/2GIvnZA

## HOW CONCERNED ARE AUSTRALIANS ABOUT THE LEVEL OF INEQUALITY?

When respondents were asked the extent to which they agree with the notion that "the gap between the rich and the poor in Australia is too large", 78 percent agreed.  Only 5.5 percent disagreed or strongly disagreed.

|  | Overall Share |
|---|---|
| Strongly Agree | 41.4 |
| Agree | 36.6 |
| Neither Agree nor Disagree | 16.6 |
| Disagree | 4.5 |
| Strongly Disagree | 1.0 |

Voting preferences were found to be the largest determinant of the surveyed populations' opinions towards inequality in Australia. Among Labor voters, 86 percent agreed with the statement that the gap between rich and poor in Australia is too large, compared to 65 percent of Coalition voters.

|  | **Coalition** | **Labor** |
|---|---|---|
| Strongly Agree | 23.5 | 50.4 |
| Agree | 41.7 | 35.8 |
| Neither agree nor disagree | 25.2 | 11.6 |
| Disagree | 8.3 | 1.9 |
| Strongly Disagree | 1.3 | 0.4 |

Those who perceived themselves to be in the bottom 40 percent of the income distribution were also found to have a 12.5 percentage point greater likelihood of agreeing with the notion that the gap between the rich and the poor in Australia is too large. Although most respondents did tend to agree with the statement posed, the results below reinforce the notion that one's perceived place in the income distribution plays a large role in shaping views towards inequality.

|  | **Perceived Bottom 40%** | **Actual Bottom 40%** |
|---|---|---|
| Strongly Agree | 65.7 | 45.4 |
| Agree | 22.26 | 35.0 |
| Neither agree nor Disagree | 9.43 | 15.7 |
| Disagree | 1.51 | 6.3 |
| Strongly Disagree | 1.13 | 1.6 |

*Impact of information interventions*

Learning of their place in the distribution (Group B) as well as the overall level of inequality in Australian society (Group C) boosted support amongst those who overestimated their place.

## WILL HARD WORK ALONE REDUCE INEQUALITY?

Respondents were asked if people are willing to work hard, how easy is it for them to increase the amount of money they have? 66 percent answered it was difficult or impossible to increase the amount of money they have through hard work alone. Only a quarter actually thought it was easy for people to increase the amount of money they had by working hard. While, 38 percent of Coalition voters thought it was easy, only 21 percent of Labor voters thought this way.

The impact of location comes out most markedly in this question, with the differences in opinion based on living area highlighted in the table below. Even after controlling for a range of factors, people living in a capital city were still around 8 percentage points less likely to see it as difficult or impossible for people to increase the amount of money they have through hard work, when compared to those living outside of capital cities.

|  | **Capital City** | **Regional City** | **Rural Town** | **>5km from nearest town** |
|---|---|---|---|---|
| Easy | 30.6 | 21.6 | 18.2 | 12.9 |
| Difficult | 53.8 | 64.0 | 57.9 | 80.7 |
| Impossible | 7.4 | 9.0 | 10.7 | 2.9 |
| Don't Know | 8.1 | 5.4 | 13.2 | 0.0 |

*Impact of information interventions*

Perceived place in the income distribution is also a significant determinant of whether respondents see it as easy or difficult to increase their wealth through hard work alone.

Those who **perceived themselves to be in the top 40 percent** of the income distribution are 17 percentage points less likely to see it as difficult or impossible to increase their wealth through hard work, whereas **those who perceive themselves to be in the lowest 40 percent** of the income distribution are of the opposite view, and have a 15 percentage point greater likelihood of seeing it as difficult or impossible to increase the amount of wealth they have through hard work alone.

|  | **Actual Top 40%** | **Perceived Top 40%** |
|---|---|---|
| Easy | 37.0 | 49.3 |
| Difficult | 53.0 | 35.6 |
| Impossible | 2.8 | 8.2 |
| Don't Know | 7.2 | 6.9 |

|  | Actual Bottom 40% | Perceived Bottom 40% |
|---|---|---|
| Easy | 21.0 | 12.5 |
| Difficult | 59.6 | 62.6 |
| Impossible | 11.5 | 17.4 |
| Don't Know | 7.6 | 7.6 |

In addition, when people learnt of their place in the distribution as well as the overall level of inequality in Australian society (Group C) this made them more likely to think that it was impossible or difficult to increase their wealth.

## WHY ARE PEOPLE RICH AND POOR?

The survey sought to gauge views on the sources of inequality. Respondents were asked their views on the driving forces behind some people being rich, and some people being poor.
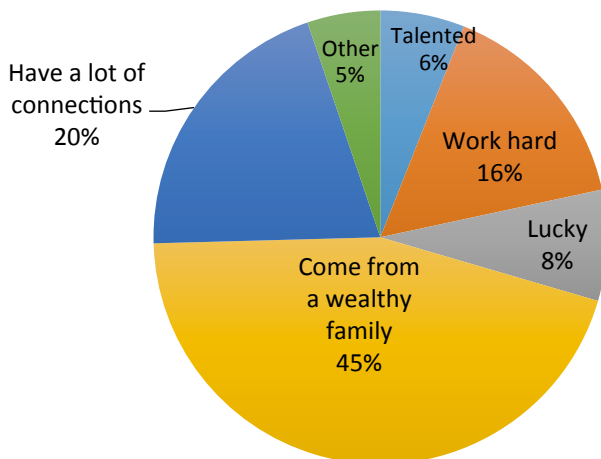
Interestingly, the majority of respondents felt that both being rich and poor was due to external factors such as the level of wealth you are born into and family connections in the case of being rich and coming from poor family or disability in the case of being poor. Very few people thought the reason why people are rich or poor is due to "internal" reasons such as effort or talent.

In response to the driving forces behind people being rich, coming from a wealthy family was seen as being of primary importance (45 percent of respondents), followed by having a lot of connections (20 percent). Only 6 percent of respondents attributed people being rich to talent, 8 percent to luck, and 16 percent to hard work.

When asked what the driving force behind people being poor is, coming from poor families was seen as a primary factor (33 percent), followed by disability or illness (22 percent). Less than 8 percent attributed being poor to a lack of talent and 16 percent to not working hard.

These results challenge the assumption of Australia as the 'fair-go' country, where everyone can get ahead regardless of their starting point in life. It is also consistent with the growing research on the limits on intergenerational mobility, with studies finding that the most important drivers of one's living standard are determined at birth. This is the case globally, where their country of birth and the income of their parents determine around 80 percent of an individual's income level.[8]



**Why are people rich?**

- Have a lot of connections 20%
- Other 5%
- Talented 6%
- Work hard 16%
- Lucky 8%
- Come from a wealthy family 45%



**Why are people poor?**

- Other 12%
- Lack Talent 8%
- Don't work hard 16%
- Disability or illness 22%
- Unlucky 9%
- Come from poor families 33%
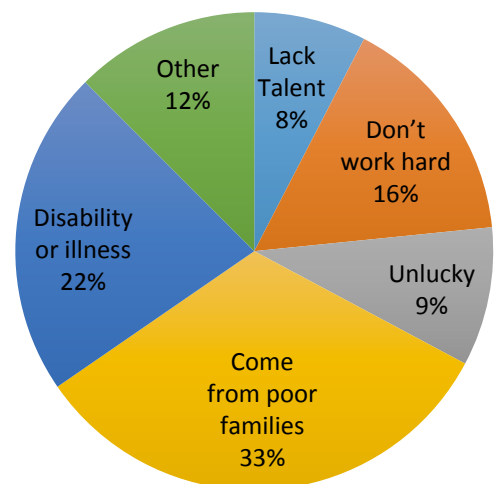
[8] Branko Milanovic, Global Inequality of Opportunity: How Much of Our Income Is Determined by Where We Live? *Review of Economics and Statistics*, Volume 97, Issue 2, May 2015 p.452- 460. Available at: https://www.mitpressjournals.org/doi/abs/10.1162/REST_a_00432

When asked why some people were richer than others, 50 percent of Labor voting respondents chose coming from a wealthy family was a key determinant of why people are rich, compared to 37 percent of Coalition voters who chose this option. Even after controlling for a range of characteristics like age, income and location, Coalition voters were still 11.5 percentage points less likely to see the reason people are rich is because they come from a wealthy family.

Coalition voters were more likely to see hard work as the determinant of why people are rich, which 26 percent selecting this reason, compared to 11 percent of Labor voters. In a similar vein, 24 24 percent of Coalition voters saw a lack of hard work as the reason for why people are poor, compared to the 14.5 percent of Labor voters who chose this option. This suggests that Coalition voters are far more optimistic about the degree of social mobility in Australia as they are far more likely to believe that someone is rich or poor largely due to factors within their own control.

More than half of people who were **actually** in the top 40 percent of the income distribution believed that coming from a rich family was a key determinant of why people are rich. Conversely, only 38 percent of people who **perceived** themselves to be in the top 40 percent of the income distribution attributed being rich to being born in a rich family (see table below).

| Why are people rich? | Actual Top 40% | Perceived Top 40% |
|---|---|---|
| Talented | 4.42 | 6.85 |
| Work hard | 13.81 | 16.44 |
| Lucky | 10.5 | 19.18 |
| Come from a wealthy family | 51.93 | 38.36 |
| Have a lot of connections | 16.57 | 17.81 |

*Impact of information interventions*

Learning of the overall level of wealth inequality in Australia (Group A) increased responses that 'coming from a wealthy family' was a driving reason for why people are rich.

Interestingly, where people learned that they had underestimated their place in the income distribution (Group B), they had a significantly reduced likelihood of seeing 'coming from a wealthy family' as the main reason for why people are rich, by 34 percent.

Learning of their place in the distribution as well as the overall level of inequality in Australian society (Group C) increased the likelihood people would select 'coming from a wealthy family' as a key driver of people being rich.

The information interventions also had an impact on what respondents view as the main reason for why some members of society are poorer than others. Information interventions in the form of Group A and Group C increased the likelihood of people seeing 'coming from a poor family' as a key determinant of why some people are poorer than others, regardless of whether they overestimated or underestimated their place in the distribution. In contrast, respondents who only learnt of their place in the distribution (Group B) and overestimated their place were less likely to see 'coming from a poor family' as a reason for why people are poor.

SHOULD THE AUSTRALIAN GOVERNMENT RESPOND TO INEQUALITY?

The survey asked respondents the level of urgency with which the Australian government should act to address inequality. More than two-thirds of respondents felt government action to address inequality was very urgent or urgent.

| Answer | Overall Share |
|---|---|
| Very Urgently | 30.7 |
| Urgently | 37.3 |
| Less Urgently | 18.2 |
| Not urgent at all | 6.1 |
| Don't Know | 7.7 |

Those who perceived themselves to be in the bottom 40 percent of income earners had a 15.4 percentage point greater likelihood of seeing urgent action by the government as a necessity to address the difference in income between the rich and the poor after controlling for background characteristics.

While 50.9 percent of Coalition voters answered that the need for the Australian government to act to address the difference in income between the rich and the poor was urgent, this figure was comparatively low compared to the 78 percent of Labor voters who chose the same answer. Furthermore, Coalition voters were much more likely to see the Australian governments role as not urgent at all, with this option making up 13 percent of their answers compared to less than 3 percent of Labor voters who chose the same answer.

Almost 60 percent of respondents strongly agreed or agreed that government is responsible for reducing the gap between rich and poor. Less than 15 percent disagreed. Almost three quarters (73 percent) of Labor voters agreed with the statement, compared to 45 percent of Coalition voters.

| Answer | Overall Share |
|---|---|
| Strongly Agree | 25.3 |
| Agree | 33.9 |
| Neither agree nor disagree | 23.0 |
| Disagree | 10.5 |
| Strongly Disagree | 4.1 |
| Don't know | 3.3 |

When asked what was the best means to reduce government debt, 70 percent of respondents answered increasing income taxes on the richest 1% in society. Only 3 percent supported reducing taxes on the richest 1 percent and 21 percent answered that taxes should stay the same.

Support for increasing taxes on the richest 1 percent was higher in rural and regional areas, compared to capital cities. Although this still made up 65 percent of this groups answers, it was lower than those in other regions: approximately 75 percent of those living in regional and rural areas chose this option, whereas 80 percent of those living in remote areas chose this option.

*Impact of information interventions*

Support for redistribution became more urgent when respondents were advised of the income distribution in Australia (Group A) and their actual place in the distribution (Group B). Respondents were also more likely to believe the government is responsible for addressing inequality, when they were provided with information about the overall level of inequality (Group A) and information about the overall level of inequality and their place in the distribution (Group C). Even Coalition voters, who had overestimated their place in the income distribution, increased support for higher taxes on the richest 1 percent, on learning of their place.

# HOW SHOULD THE GOVERNMENT ADDRESS INEQUALITY?

Respondents were asked what they believed to be the most important steps for the Australian government to take to reduce income inequality. The most popular answer was to provide free and high quality education and medical care for all people (20 percent). The second most important thing that people saw is to provide jobs for the unemployed (20 percent). Raising taxes on the rich was third most popular (17.5 percent), followed by the raising of the minimum wage (16 percent). The least popular options amongst all groups was an increase in the spending on welfare, and the provision of more social protection for the poor and vulnerable in society.

| Top priority for government should be | Overall Share |
|---|---|
| Provide free & high quality education and medical care for all people | 20.1 |
| Provide jobs for the unemployed | 19.7 |
| Raise taxes on the rich | 17.5 |
| Raise the minimum wage | 16.3 |
| Increase the amount of spending on welfare programs (e.g. Newstart, Old Age pension, Disability Pension etc.) | 11.3 |
| Provide more social protection for poor and vulnerable people | 5.3 |
| Don't know | 5.3 |
| Other (Please specify | 4.6 |

Voting preferences again played a role in determining respondent's preferences for government actions to address inequality (see table below). Coalition voters have a greater likelihood of prioritising jobs for the unemployed as the most important measure. In comparison, Labor voters were more likely to answer that raising taxes on the rich was the most important step for the government to take.

| Top priority of the government should be | Coalition | Labor |
|---|---|---|
| Provide free and high quality education and medical care for all people | 20.4 | 19.4 |
| Provide jobs for unemployed | 24.8 | 18.3 |
| Raise taxes on the rich | 13.0 | 22.0 |
| Raise the minimum wage | 14.8 | 19.0 |
| Increase the amount of spending on welfare programs | 9.6 | 11.6 |
| Provide more social protection for poor and vulnerable people | 8.3 | 3.4 |

*Impact of information interventions*

When told the overall level of inequality in society (Group A), respondents boosted support for the provision of free health and education (as did Group C).

Learning of their actual place in the income distribution (Group B), respondents boosted support for raising the minimum wage amongst those who overestimated their place in the distribution. Respondents in Group C also had higher levels of support for the minimum wage to be increased.

## RESULTS BY GENDER

When controlling regression results for variables such as age, education, location and voting preferences, gender did not show up as a significant variable in any of the questions. However, it is nonetheless interesting to see a breakdown of results by gender.

## HOW CONCERNED IS AUSTRALIA ABOUT THE LEVEL OF INEQUALITY?

78 percent of respondents agreed with the statement that the gap between the rich and the poor in Australia was too large. The breakdown by gender was as follows:

|  | Male | Female |
| --- | --- | --- |
| Strongly Agree | 40.1 | 42.7 |
| Agree | 37.0 | 36.2 |
| Neither Agree nor Disagree | 17.2 | 16.1 |
| Disagree | 4.8 | 4.1 |
| Strongly Disagree | 1.0 | 1.0 |

Although on average only 4.5 percent of the survey population disagreed with the statement that the gap between rich and poor in Australia was too large, men were more likely to do so than women, with the results divided at 54 percent for males, and 46 percent for females

## IS WORKING HARD ENOUGH TO REDUCE INEQUALITY?

A significant proportion of the control group – approximately 25 percent – answered that hard work makes it easy for people in Australian society to increase the amount of money that they have. This notion was evenly divided between men and women. However, out of the 8.3 percent that answered that it was impossible, females were more heavily represented than men, with the ratio of responses of males to females 43.5 percent to 56.5 percent.

## WHY ARE PEOPLE RICH AND POOR?

The top two answers provided for why some people are richer than others were 'coming from a wealthy family' and 'having a lot of connections'. Of the other three options, men were found to be more likely than women to see 'talent' and 'luck' as the main reason for why people are rich, whereas women were more likely to choose 'hard work'.

|  | **Male** | **Female** |
| --- | --- | --- |
| Talented | 6.8 | 5.3 |
| Work hard | 14.3 | 17.0 |
| Lucky | 9.7 | 6.2 |
| Come from a wealthy family | 46.1 | 43.9 |
| Have a lot of connections | 19.1 | 21.3 |

The largest segment of the surveyed population answered that 'coming from a poor family' was the main determinant of why some people are poorer than others, making up 33 percent of all answers. This answer had an even split between males and females. However, divergences in opinion between genders arose over factors such as 'lack talent', 'unlucky' 'don't work hard' and 'disability' amongst males and females, with the breakdown in responses highlighted below.

|  | Male | Female |
|---|---|---|
| Lack talent | 10.63 | 4.56 |
| Don't work hard | 17.87 | 13.67 |
| Unlucky | 10.63 | 8.15 |
| Come from poor families | 33.57 | 31.65 |
| Disability or illness | 17.87 | 26.38 |

With 'disability or illness' being the second highest answer for determinants of people being poor, making up 22 percent of all answers, women were much more likely to select this than men. Men were far more likely to see a 'lack of talent' or 'don't hard work' as an explanatory factor for why some people are poorer than others.

## SHOULD THE AUSTRALIAN GOVERNMENT INCREASE INCOME TAXES ON THE RICHEST 1%?

Majority of respondents across both genders (70 percent) answered that income taxes on the richest 1% should be increased. However, as highlighted in the table below, females were more likely to select this option, and less likely to answer that they should stay the same.

|  | **Male** | **Female** |
|---|---|---|
| Increased | 67.39 | 72.66 |
| Stay the same | 24.4 | 18.23 |
| Decreased | 4.11 | 2.16 |
| Don't know | 4.11 | 6.95 |

## HOW SHOULD THE AUSTRALIAN GOVERNMENT RESPOND TO INEQUALITY?

Overall, approximately 68 percent of respondents answered that the government needs to address the difference in income between the rich and the poor either 'very urgently' or 'urgently'. This was evenly divided amongst men and women. Although only 6 percent of the population answered that it was not urgent at all, men were more likely to choose this answer than women, making up 57 percent of this response compared to 43.1 percent for women.

## HOW SHOULD THE GOVERNMENT ADDRESS INEQUALITY?

The most popular answers amongst men and women were the provision of free and high quality education and medical care for all people, followed closely by the provision of jobs for the unemployed.

|  | **Male** | **Female** |
|---|---|---|
| Provide free and high quality education and medical care for all people | 19.1 | 21.1 |
| Provide jobs for unemployed | 19.3 | 20.1 |
| Raise taxes on the rich | 19.3 | 15.6 |
| Raise the minimum wage | 16.2 | 16.3 |
| Increase the amount of spending on welfare programs | 10.6 | 12.0 |
| Provide more social protection for poor and vulnerable people | 6.5 | 4.1 |

Men were more likely than women to choose the option for the government to raise taxes on the rich as a means of addressing inequality between the rich and the poor, as well as to provide more social protection for poor and vulnerable people.

# Conclusion

There is widespread support for tackling inequality in Australia. Further, the public support government action and policy reform to reduce the gap between rich and poor as a matter of priority.

Consistent with rising inequality, the study confirms peoples views of Australia as the land of opportunity and fair go are increasingly being challenged. In fact, most people consider wealth not to be the product of hard work and talent, but rather due to inheritance and family connections.

If we are to return to the egalitarian society we claim to be, we need to address these rising inequality in Australia as a matter of priority.

The study provides useful guidance on the appropriate response to this challenge. With high levels of public support for universal health and education, jobs growth to address unemployment and increasing taxes on the highest income earners, the public's views on the necessary steps align with available policy evidence for reform.

Interestingly, levels of support for the most popular policies - universal health and education in particular - did not differ much across the actual income distribution. This suggests that the public tend to support programs where everyone benefits. It explains why there is strong support for policies such as universal healthcare provision, particularly when compared to those that target certain beneficiaries, such as tax credits for a select group. [9]

This suggests Australia's existing social safety net, with universal access to quality health and education, is considered a critical component of the egalitarian society we aspire to be. Further, the slow erosion of these universal policies risks creating further divisions in Australian society.

In the era of fake news, achieving evidence-based policy reform is clearly challenging. These results suggest that to build support for specific reforms it is necessary to build on existing levels of support to reduce inequality, which are already significant, by communicating to the public just how unequal their society is and then what can be done to address it.

Failing to communicate the experience of inequality in Australia risks limiting support for redistributive policies, as people underestimate the scale of the problem from what actually exists.

This study finds that correcting people's misperceptions of inequality can lead to greater support for redistribution and more progressive tax reform. Improving communication of the public policy challenge will inform public debate and build support for evidenced-based policy reform that is critical if we are to reverse the widening gap between rich and poor in Australia.

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[9] For a further discussion see: Hoy, C. The study that shows life is a lot more unequal than you (probably) think, *The Guardian*, 6 June 2017. Available at: https://www.theguardian.com/inequality/2017/jun/06/study-shows-life-is-a-lot-more-unequal-than-you-probably-think

# Appendices

## APPENDIX 1 – DEMOGRAPHIC QUESTIONS:

Prior to answering the survey questions, participants were asked the following demographic questions for classification purposes, to ensure that the survey results were being collected from a broad cross-section of the Australian population.

D1a. In which of the following areas do you live?

(Select one)

1. Sydney
2. Rural NSW
3. Melbourne
4. Rural Victoria
5. Brisbane
6. Rural Queensland
7. Adelaide
8. Rural South Australia
9. Perth
10. Rural Western Australia
11. ACT
12. Northern Territory
13. Hobart
14. Rural Tasmania

**D1b.** And which of these would best describe the area in which you live?

(Select one)

1. Within a capital city
2. Within a major Regional city
3. Within a rural town or its surrounds
4. More than 5km from the nearest town

**D2.** Please tell us which of the following age groups you belong to:

(Select one)

1. 18 to 34
2. 35 to 49
3. 50 to 64
4. 65 years or older

**D3.** Are you…

(Select one)

1. Male
2. Female

**D4.** What is the highest level of formal education that you have completed?

(Select one)

1. Higher degree or post graduate diploma

2. Bachelor degree

3. Undergraduate diploma

4. Associate diploma

5. Skilled vocational

6. Basic vocational

7. Completed highest level of school

8. Did not complete highest level of school

99. Prefer not to say

**D5.** For socio-demographic classification, which of the following best describes your **annual household income** before taxes?

*This includes the combined income of all those living in your household, considering income from all sources (e.g. from employment, pensions, state benefits, investments or other sources)*

(Select one)

Less than $5,000

$5,000-$9,999

$10,000-$14,999

$15,000-$19,999

$20,000-$24,999

$25,000-$29,999

$30,000-$34,999

$35,000-$39,999

$40,000-$44,999

$45,000-$49,999

$50,000-$54,999

$55,000-$59,999

$60,000-$64,999

$65,000-$69,999

$70,000-$74,999

$75,000-$79,999

$80,000-$84,999

$85,000-$89,999

$90,000-$94,999

$95,000-$99,999

$100,000-$124,999

$125,000-$149,999

$150,000-$199,999

$200,000-$249,999

$250,000 or more

**D7.** Are there any children under the age of 18 living in your household?

1. Yes

2. No

3. Prefer not to answer


**D8.** At the next Federal election who would you be most likely to vote for?

(Select one)

**[Options randomized]**

1. Labor party

2. Liberal party

3. The Nationals

4. The Greens

Respondents were asked to assume that the Australian population is broken down into 5 income groups from richest to poorest, each with the same number of people. Given the Australian population is around 25 million people, each of the groups consists of 5 million people.

They were then asked:

**Q1.** In which of these income groups do you place your household?

1. Richest
2. Second Richest
3. Middle
4. Second Poorest
5. Poorest

** Information intervention versus control **

## CONCERN ABOUT INEQUALITY

**Q2.** To what extent do you agree that: *"The gap between the rich and the poor in Australia is too large"*?

1. Strongly Agree
2. Agree
3. Neither Agree nor Disagree
4. Disagree
5. Strongly Disagree

**Q3.** In Australia, if people are willing to work hard, how easy is it for them to increase the amount of money they have?

1. Easy
2. Difficult
3. Impossible
4. Don't know

## REASONING FOR INEQUALITY:

**Q4.** Let's talk about people in the **richest group**. In your opinion, which of the following is the most important reason why they are rich?

1. Talented
2. Work hard
3. Lucky
4. Come from a wealthy family
5. Have a lot of connections (friends, colleagues, relatives, etc.)

**Q5.** Now, let's talk about people in the **poorest group**. In your opinion, which of the following is the most important reason why they are poor?

1. Lack talent
2. Don't work hard
3. Unlucky
4. Come from poor families
5. Disability or Illness

## SUPPORT FOR REDISTRIBUTION

**Q6.** How urgently should the Australian government act to address the difference in income between the rich and poor?

1. Very urgently
2. Urgently
3. Less urgently
4. Not urgent at all

**Q7.** The government is faced with the choice of reducing debt by either increasing income taxes on the richest 1 percent or by cutting public services. Do you think income taxes on the richest 1 percent of people should be:

1. (Select one)
2. Increased
3. Stay the same
4. Decreased
5. Don't know

**Q8.** To what extent do you agree that: *"It is the responsibility of the government to reduce the gap between the rich and the poor"*?

1. Strongly agree
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Strongly disagree
6. Don't know

**GOVERNMENT ACTION**

**Q9.** Which one of the following is MOST important for the Australian Government to do to reduce income inequality?

1. Provide free and high quality education and medical care for all people
2. Raise the minimum wage
3. Provide more social protection for poor and vulnerable people
4. Increase the amount of spending on welfare programs (e.g. Newstart, Old Age pension, Disability Pension etc.)
5. Provide jobs for the unemployed
6. Raise taxes on the rich

**Q10.** Which one of the following is SECOND MOST important for the Australian Government to do to reduce income inequality?

1. (Select one)
2. Provide free and high quality education and medical care for all people
3. Raise the minimum wage
4. Provide more social protection for poor and vulnerable people
5. Increase the amount of spending on welfare programs (e.g. Newstart, Old Age pension, Disability Pension etc.)
6. Provide jobs for the unemployed
7. Raise taxes on the rich

# APPENDIX 3 – BREAKDOWN OF POPULATION

POPULATION SIZE: 3,434

| Voting Party Identification* | Labor Party | 1083 |
|---|---|---|
| | Liberal Party | 772 |
| | National Party | 118 |
| | Greens | 312 |
| | Other | 461 |
| | Don't know | 588 |
| | Ineligible to vote | 100 |
| | | |
| Geographic Location | Capital City | 1898 |
| | Regional City | 881 |
| | Rural Town | 518 |
| | Remote | 137 |
| | | |
| Gender | Male | 1711 |
| | Female | 1723 |
| | | |
| Age | 18-34 | 1011 |
| | 35-49 | 968 |
| | 50-64 | 834 |
| | 65+ | 621 |
| | | |
| Education Level | Higher degree/post grad diploma | 474 |
| | Bachelor Degree | 827 |
| | Undergraduate diploma | 138 |
| | Skilled Vocational | 311 |
| | Basic Vocational | 620 |
| | High School Complete | 641 |
| | High School Incomplete | 404 |
| | Prefer not to say | 19 |

| Annual Income | Less than $5,000 | 72 |
|---|---|---|
| | $5,000-$9,999 | 31 |
| | $10,000-$14,999 | 44 |
| | $15,000-$19,999 | 101 |
| | $20,000 - $24,999 | 188 |
| | $25,000-$29,999 | 170 |
| | $30,000-$34,999 | 173 |
| | $35,000-$39,999 | 174 |
| | $40,000-$44,999 | 152 |
| | $45,000-$49,999 | 150 |
| | $50,000-$54,999 | 176 |
| | $55,000-$59,999 | 149 |
| | $60,000-$64,999 | 112 |
| | $65,000-$69,999 | 127 |
| | $70,000-$74,999 | 131 |
| | $75,000-$79,999 | 115 |
| | $80,000-$84,999 | 109 |
| | $85,000-$89,999 | 90 |
| | $90,000-$94,999 | 72 |
| | $95,000-$99,999 | 152 |
| | $100,000-$124,999 | 339 |
| | $125,000-$149,999 | 284 |
| | $150,000-$199,999 | 205 |
| | $200,000-$249,999 | 68 |
| | $250,000 or more | 50 |

# APPENDIX 4 – BALANCE TABLE

| | | (1) | | (2) | | (3) | | (4) |
|---|---|---|---|---|---|---|---|---|
| | | Group A | | Group B | | Group C | | Control Group |
| Variable | N | Mean/SE | N | Mean/SE | N | Mean/SE | N | Mean/SE |
| over50 | 877 | 0.425 | 828 | 0.423 | 898 | 0.411 | 831 | 0.437 |
| | | [0.017] | | [0.017] | | [0.016] | | [0.017] |
| male | 877 | 0.515 | 828 | 0.488 | 898 | 0.491 | 831 | 0.498 |
| | | [0.017] | | [0.017] | | [0.017] | | [0.017] |
| cap_city | 877 | 0.534 | 828 | 0.571 | 898 | 0.557 | 831 | 0.550 |
| | | [0.017] | | [0.017] | | [0.017] | | [0.017] |
| Uni | 877 | 0.511 | 828 | 0.531 | 898 | 0.517 | 831 | 0.479 |
| | | [0.017] | | [0.017] | | [0.017] | | [0.017] |
| Labour | 877 | 0.309 | 828 | 0.325 | 898 | 0.306 | 831 | 0.323 |
| | | [0.016] | | [0.016] | | [0.015] | | [0.016] |
| Coalition | 877 | 0.253 | 828 | 0.271 | 898 | 0.238 | 831 | 0.277 |
| | | [0.015] | | [0.015] | | [0.014] | | [0.016] |
| Vote_other | 877 | 0.438 | 828 | 0.405 | 898 | 0.455 | 831 | 0.401 |
| | | [0.017] | | [0.017] | | [0.017] | | [0.017] |
| pB40 | 877 | 0.352 | 828 | 0.347 | 898 | 0.342 | 831 | 0.319 |
| | | [0.016] | | [0.017] | | [0.016] | | [0.016] |
| b40 | 877 | 0.605 | 828 | 0.575 | 898 | 0.604 | 831 | 0.620 |
| | | [0.017] | | [0.017] | | [0.016] | | [0.017] |
| overest_place | 877 | 0.501 | 828 | 0.461 | 898 | 0.502 | 831 | 0.510 |
| | | [0.017] | | [0.017] | | [0.017] | | [0.017] |
| The value displayed for t-tests are the differences in the means across the groups. |
| ***, **, and * indicate significance at the 1, 5, and 10 percent critical level. |

| t-test | t-test | t-test | t-test | t-test | t-test |
|--------|--------|--------|--------|--------|--------|
| (1)-(2) | (1)-(3) | (1)-(4) | (2)-(3) | (2)-(4) | (3)-(4) |
| Difference | Difference | Difference | Difference | Difference | Difference |
| 0.003 | 0.014 | -0.012 | 0.012 | -0.014 | -0.026 |
| | | | | | |
| 0.027 | 0.024 | 0.017 | -0.003 | -0.010 | -0.007 |
| | | | | | |
| -0.038 | -0.023 | -0.016 | 0.014 | 0.021 | 0.007 |
| | | | | | |
| -0.021 | -0.006 | 0.032 | 0.015 | 0.052** | 0.038 |
| | | | | | |
| -0.016 | 0.003 | -0.013 | 0.019 | 0.002 | -0.016 |
| | | | | | |
| -0.017 | 0.015 | -0.024 | 0.032 | -0.006 | -0.038* |
| | | | | | |
| 0.033 | -0.018 | 0.037 | -0.051** | 0.004 | 0.055** |
| | | | | | |
| 0.006 | 0.010 | 0.033 | 0.005 | 0.028 | 0.023 |
| | | | | | |
| 0.031 | 0.002 | -0.014 | -0.029 | -0.045* | -0.016 |
| | | | | | |
| 0.039 | -0.002 | -0.010 | -0.041* | -0.049** | -0.008 |

# APPENDIX 5 – REGRESSION RESULTS

| | Q2_A | Q3_DI | Q4_Rfam | Q5_Pfam | Q6_U |
|---|---|---|---|---|---|
| Location  (Capital City) | | -7.70375 | | 0.0697639 | |
| Age (Over 50) | | | | | |
| Gender (male) | | | | | |
| University attendance | | | | | |
| Perceived top 40 | | -0.1662466 | | | |
| Actual top 40 | | | 0.0933471 | 0.0831967 | |
| Perceived Bottom 40 | 0.1254859 | 0.1506479 | | | 0.1540428 |
| Actual Bottom 40 | | | | | |
| Coalition | -0.1588336 | -0.1023047 | -0.114613 | | -0.2151094 |
| Labor | | | | | |

| | Q7_Up | Q8_A | Q9_he | Q9_mw | Q9_ju | Q9_rt |
|---|---|---|---|---|---|---|
| Location  (Capital City) | -0.0772552 | 0.0779957 | | | | |
| Age (Over 50) | 0.1444736 | | | | | |
| Gender (male) | | | | | | |
| University attendance | | 0.0812185 | | | | |
| Perceived top 40 | -0.2641107 | | | | | |
| Actual top 40 | | | | | | |
| Perceived Bottom 40 | | 0.1233833 | -0.1066804 | 0.0939872 | | |
| Actual Bottom 40 | | | | -0.0874596 | | |
| Coalition | -0.1062972 | -0.1398559 | | | 0.0697895 | |
| Labor | | 0.1295603 | | | | 0.0673961 |