

EXAMINING AUSTRALIAN ATTITUDES TO INEQUALITY AND REDISTRIBUTION

Peter Saunders and Melissa Wong

Australia is widely regarded as an egalitarian country, both in terms of outcomes and opportunities: a land where income disparities are seen as modest and where the principle of a 'Fair Go' is strongly supported by the community and all political parties. Writing over a decade ago, the political scientist Elaine Thompson described Australian egalitarianism as an idea that has shaped our democratic institutions, our definition of democracy and our definition of ourselves (Thompson, 1994: 250).

Although each country adopts its own approach to achieving equality, public opinion in most affluent democracies has been described as displaying 'strong egalitarian sentiments' (Myles, 2006: 150) that drive the egalitarian imperative. However, the large and growing cross-national differences in economic inequality and poverty (OECD, 2008; 2011) suggest that egalitarian sentiments differ cross-nationally, while the recent trend towards growing inequality suggests that such sentiments may have been offset by other factors, or be exerting a declining impact on public policy.

Australian political leaders continue to stress the importance of the 'Fair Go' in defining what Australia stands for as a nation, but they rarely articulate what equality means in practice and seem even less willing to discuss redistribution as an objective of policy. This reluctance may in part reflect a perception that the community is unwilling to support policies that seek to redistribute income, either because of its opposition to reducing inequality or because of a belief that the policies will not achieve this outcome without creating other problems.

There is strong international evidence that inequality is increasing and has been doing so in some countries for some time. The most recent OECD report on the issue notes that inequality has been increasing in most OECD countries (including Australia) since the 1980s, and that:

The latest trends in the 2000s showed a widening gap between rich and poor not only in some of the already high-inequality countries like Israel and the United States, but also for the first time in traditionally low-inequality countries, such as Germany, Denmark and Sweden (OECD, 2011, p. 22)

These developments raise important issues about the tolerance of growing inequality and the factors that are driving it – questions that have a profound impact on the political economy of state-market relations in modern capitalism. They raise inevitable questions about the role of the labour market, employment and wage policies and the tax and transfer policies associated with the welfare state that have moderated the inequalities generated by market forces.

It seems self-evident that public attitudes to inequality and support for redistribution will affect how much inequality is generated economically and tolerated politically. It is thus reasonable to ask if these have changed in response to the increase in inequality and, if not, why is there not a greater outcry against growing inequality? In seeking to answer these questions, this paper examines Australian attitudes to inequality, income distribution and redistribution and asks whether or not there has been a shift in these attitudes – particularly since the global financial crisis (GFC) emerged in late-2008¹.

Although the scope of the egalitarian agenda is far broader, a focus on income can be justified because of its important role in determining living standards and the attention it receives from policy makers. Many of our major policy instruments – progressive income taxes and the provision of income support through the social security system – are designed to influence how *incomes* are distributed, and it is in this area that we are best able to monitor performance and assess the impact of policy. The GFC may have caused an abrupt change in two of the factors that have constrained the government's ability to redistribute income: first, through a decline in the public's tolerance of the extremes of income inequality, particularly at the top end; and second, through a fall in the willingness of taxpayers to support the neo-liberal policies that have created greater market inequality. Together, these changes (if true) suggest that, with political will, there is scope for increased state

1 The OECD Divided We Stand study covers the periods to 2008 and thus does not incorporate changes associated with the GFC.

intervention aimed at addressing existing inequality through redistribution.

The article reviews some of the methodological issues surrounding investigation of these propositions and uses recent survey data to test them. It is organised as follows: the next section reviews some recent studies of attitudes to inequality; then comes a section describing the data used in our analysis; followed by a section presenting our main findings. The final section draws together our main conclusions.

Australian Attitudes to Inequality

There is clear evidence from surveys of public opinion that citizens are concerned that the benefits from recent economic growth have disproportionately favoured those already best positioned in terms of their economic circumstances. The OECD's *Growing Unequal?* report opened by noting that many people think that 'the rich got richer and the poor got poorer' but pointed out that there is a difference between what the data show and what people think when it comes to changes in inequality (OECD, 2008). The distributional change actually experienced was described by the OECD as 'not one that would justify talk about the breakdown of society' but community concern has been fuelled by what it referred to as the 'Hello magazine effect'. This is reflected in the enormous media attention devoted to the lives and excesses of the super-rich. Such effects raise questions about how well community attitudes to inequality recognise the distributional reality and just how strongly they embody 'strong egalitarian sentiments'.

A number of studies have examined Australian attitudes towards income inequality and most find that the majority of Australians regard the 'income gap between the rich and poor' as too large. Thus, Pusey and Turnbull (2005, pp. 172-5) use data from the *National Social Science Surveys* (NSSS) conducted in 1984, 1987 and 1994 and the *Australian Survey of Social Attitudes* (AuSSA) conducted in 2003 to show that the proportion of Australians who believed that the gap between those on high and those on low incomes is too large increased from 62 per cent to 84 per cent over the period. Even at its lowest point, there was majority support for the view that the gap was too high. These results have been updated by Stilwell and Jordan (2007) and Meagher and Wilson (2008) using data from the second AuSSA survey (conducted in 2005), which

showed that around 82 per cent of Australians still agreed that income differences were too large. Meagher and Wilson (2008) also used data from the *International Social Survey Program* (ISSP) to show that the percentage of Australians who feel that differences in income in Australia are too large increased from under 61 per cent to over 68 per cent between 1987 and 1999.

More recently, Chesters and Western (2010) analysed data from the 2005 *Neoliberalism, Inequality and Politics* project being conducted at the University of Queensland Social Research Centre and found that 84 per cent of respondents thought that the gap between rich and poor was either too large or much too large. Data from the *International Social Science Survey Australia* (IsssA) analysed by Sikora (2003) also indicate that the majority of Australians agree that there is too much of a difference between rich and poor in Australia (66 per cent), although these data suggest that there was little change in attitudes towards inequality between 1984 and 2000 (Kelley, Evans and Sikora, 2004).

If the majority of Australians think that income differences are too large, one might expect to find that the responses would be supportive of a more redistributive role for government. In fact, this is not the case. Instead, the high level of support for the proposition that the gap between rich and poor is too large is accompanied by much lower support for government redistribution designed to reduce the gap. This is illustrated using data from AuSSa 2005 in Table 1, which indicates that, although over 86 per cent agreed that the income gap was too high, support for income redistribution from better-off to less well-off was less than half of this, at below 42 per cent. In fact, a majority of the the 86 per cent who thought that the income gap is too large were either opposed to redistribution or were ambiguous about it, and almost one-third of them were actually opposed to redistribution from high to low income².

2 The 2005 AuSSa data also indicate that the patterns illustrated in Table 1 exists across different age groups. Thus, while the proportion of those aged 65 and over who thought that the income gap was too large (90 per cent) exceeds the proportion of those aged under 30 who felt similarly (85.9 per cent), a far fewer proportion of both groups (44 per cent) agreed that government should redistribute income from the better-off to the less well-off.

**Table 1: Support for Income Redistribution,
by Perceptions of Existing Income Gaps
(%; n = 3,445)**

		<i>Government should redistribute income from those who are better-off to those who are less well-off</i>			
		Strongly agree/agree	Neither agree or disagree	Strongly disagree/disagree	Total
<i>The gap between those with high incomes and those with low incomes is...</i>	Much too large/ too large	46.0	25.7	28.7	86.6
	About right	13.1	17.9	69.0	12.6
	Much too small/ too small	36.0	16.0	48.0	0.7
	Total	41.8	24.6	33.6	100.0

Source: AuSSA, 2005

Meagher and Wilson (2008: Figure 4) note that support for government redistribution from those with high incomes or who are better off to those with low incomes or who are worse off declined between 1987 and 2005 (particularly after 1998). In contrast, support for redistribution of income and wealth towards ordinary working people increased over the same period (even though it declined after 2000). By 2005, the gap between the levels of support for these two propositions was around 12 percentage points. This led Meagher and Wilson to argue that part of the explanation for the above paradox lies in the reference groups on which people base their views about inequality and redistribution.

Thus, people may look up the distribution and favour redistribution away from the rich towards ordinary working people (a group that they may feel includes them), but be less inclined to favour redistribution that benefits the poor when they look down the distribution, because they feel that they are less likely to benefit from such action and are more likely to experience a reduction in their own income to pay for it. An alternative explanation is that people are more willing to support statements about redistribution that do not explicitly mention possible losers than they are to support statements which make it explicit that redistribution involves

both winners and losers. Whereas the first specification implicitly portrays redistribution as a positive-sum game, the latter makes it clear that it is a zero-sum game³.

Research conducted at the Centre for the Analysis of Social Exclusion (CASE) at the London School of Economics has examined the nature of public attitudes to inequality and redistribution in Britain and finds a similar pattern to that found in Australian studies. Using data from the 1998 *British Social Attitudes* (BSA) survey, Hills and Lelkes (1999) show that 81 per cent agree that the gap between those with high incomes and those with low incomes is too high, and 73 per cent think that it is either definitely (39 per cent) or probably (34 per cent) the government's responsibility to reduce income differences between rich and poor (see also, Hills, 2004: Chapters 1 and 8). However, when it comes to *particular policies* that would achieve this objective, support falls away sharply, with only 53 per cent agreeing that the government should increase taxes on the better-off to spend more on the poor, and only 43 per cent agreeing that the government should spend more on welfare benefits for the poor, even if it leads to higher taxes⁴.

One reason why those who agree that there is too much inequality may be opposed to redistribution is because they believe there is a trade-off between equality and economic (resource allocation) efficiency. On this view, the benefits from redistribution in terms of reduced inequality may be outweighed by the costs in terms of reduced allocative efficiency, lower growth and a slower rise in real incomes. This is the opposite of the neo-liberal view that greater inequality will improve economic

3 It may also be relevant that reference to 'ordinary working people' taps more directly into the Australian 'Fair Go' ethos (and its history of achieving equality through the wages system). In contrast, reference to achieving greater equality through income redistribution raise the spectre of government intervention and higher taxes that does not conform so closely to mainstream Australian values.

4 Data from the 1992 and 1997 ISSP surveys confirms that there is a general tendency for support for government redistribution to be lower than the percentage of the population who think that income gap is 'too high'. This data also reveals that there is no significant correlation between the percentages who agree that the income gap is too high and the Gini coefficient of inequality in actual household incomes (Förster and d'Ercole, 2005: 14; see also OECD, 2008: Box 11.1).

incentives and ultimately lead to rising real incomes for all: 'a rising tide lifts all boats'⁵.

One issue that emerges from these studies is that the wording of the questions used to elicit attitudes to inequality and redistribution can affect the results. The questions often differ in how they describe different distributional reference points, referring to such phrases as 'rich and poor', 'high income and low income', 'better off and worse off' and even 'income' or 'income and wealth' as if these can be interpreted in a consistent manner by those who are surveyed. Yet, as Osberg and Smeeding (2006) have noted, one person's positive response to the 'income gap' question may reflect their view that high incomes are too high, while another's response may reflect their view that low incomes are too low. Similarly, differences in support for redistribution from the better-off towards those less well-off may reflect different perceptions of who the better-off and less well-off actually are.

Other writers, arguing from a political economy perspective, have argued that questions about the responsibility of government to reduce income differences between rich and poor (or between those with high and low incomes) can be misleading (see Dallinger, 2010 and Bonoli, 2000). This confusion arises because the question may induce some respondents to express their ideals about redistribution, while others will temper their response by what they see as achievable in current circumstances. Dallinger (2010, p. 334) argues that this confusion can be avoided if the question asks explicitly about views for *further* redistribution, since this formulation makes it clear that the benchmark is the existing situation, not some hypothesised ideal.

This discussion casts doubt on whether it is possible to draw *any* conclusions about support for income redistribution from community attitudes to whether or not existing income gaps are too high. The evidence suggests a need for considerable caution in making this link, for several reasons:

5 Kelley and Evans (1993) analyse ISSP data and find support for the view that people may feel that there is more inequality than they would like, but still be opposed to redistribution because of the potential negative impact on incentives and growth.

- first, there are the problems involved in interpreting what the 'income gap' responses imply for individual attitudes to inequality;
- second, because it is possible to believe that the income gap is too high but still be opposed to redistribution - because redistribution policies are thought to be ineffective or produce undesirable side-effects (e.g. on incentives or on levels of public spending or taxation);
- third, even if an individual expresses support for *some* redistribution between rich and poor (or between high and low incomes), this cannot be taken to automatically imply support for *more* redistribution than currently exists; and
- finally, and more generally, there is the whole issue of the reliability and accuracy of the views about inequality expressed in social surveys.

These considerations suggest that caution should be applied when interpreting what the public opinion data reveal when it comes to issues of inequality and redistribution. It is hard to disagree with the conclusions reached by the authors of a recent review of the UK evidence, who argued:

[T]he overriding need is for future research in this field to take a more sophisticated approach to talking about 'inequality' and 'redistribution' as these vary in forms and attitudes may vary depending on the particular kind of inequality or redistribution that people have in mind. Thus, most people think that the gap between those with high and low incomes is too large but we do not understand why they think this. Nor do we understand why they do, or do not, support redistribution. More importantly, perhaps, we still do not understand why more people think the income gap is too large than support redistribution. (Orton and Rowlingson, 2007: 42)

The remainder of this article presents evidence that furthers understanding of some of the puzzles identified in this assessment.

Data Sources

The data used in the analysis has been derived from surveys conducted over the last decade by researchers based at the Social Policy Research

Centre (SPRC). Although the focus of these surveys has been broader than issues of inequality and redistribution, they have included a series of questions that shed light on these issues. The *Community Understanding of Poverty and Social Exclusion* (CUPSE) survey was conducted between April and June 2006 and explored a number of issues relating to poverty, social exclusion and inequality, including the nature of community attitudes to these issues. The *Poverty and Exclusion in Modern Australia* (PEMA) survey was conducted between May and July 2010 and asked many of the same questions, with a focus on the impact of the GFC⁶.

Both surveys were conducted by mail on a sample of 6,000 adult Australians drawn at random from the electoral rolls. Responses were received from 2,704 of those sent the CUPSE survey (a response rate of 46.9 per cent) and 2,645 in the case of PEMA (a response rate of 46.1 per cent)⁷. Both samples are reasonably representative of the adult population (aged 18 and over), although they each contain an over-representation of older (aged 50 and over) relative to younger (aged under 30) people, and the PEMA follow-up sample magnifies this bias⁸. Although weights have been developed in an attempt to correct for any resulting bias, the results presented here are unweighted because the use of weights does not markedly affect the findings or conclusions.

The surveys include a series of questions about people's perceptions of inequality and support for redistribution that were formulated to overcome some of the limitations identified in the earlier review of existing studies. Special attention was paid to ensuring that the questions

6 The 2010 survey was also sent to 1,000 of the respondents to the 2006 survey in order to generate some longitudinal data that can be used to provide an insight into the dynamics of poverty, deprivation and exclusion. Further information about both surveys is provided in Saunders, Naidoo and Griffiths (2007) and Saunders and Wong (2011).

7 The PEMA follow-up survey produced 553 responses, equivalent to a response rate of over 60 per cent.

8 Other dimensions where the survey data differ from corresponding population-level data are discussed in detail in Saunders, Naidoo and Griffiths (2007: Chapter 3). The main groups (other than those based on age) that are under-represented in the survey data are males, those who have never been married, those who live alone, Indigenous Australians, those with lower levels of education, those living in private rental accommodation, and those with incomes between \$1,000 and \$2,000 a week.

differentiated between attitudes to inequality and redistribution at the top and bottom of the distribution, made it clear that the questions referred to support for additional redistribution, and asked whether people's views are affected by a belief that there exists a trade-off between economic inequality and economic performance.

Main Findings

Table 2 provides information on the aspects of inequality examined in the surveys and compares overall attitudes in 2006 and 2010. The first thing to note about these results is that the first three questions seek attitudes to *both* inequality and redistribution, i.e. they ask for views about the existing situation after specifying *that something should be done about it*. It is generally considered inappropriate to compress two separate issues into a single survey question because of the problem this creates when interpreting the responses. However, the approach is useful in this instance because it forces those who think that there is too much inequality but are opposed to redistribution (for whatever reason) to confront this discrepancy before providing their answer.

The results in Table 2 confirm other studies by showing that the majority of Australians agree that there is too much inequality, irrespective of whether this is described in terms of the gap between rich and poor, the excessive incomes of those at the top of the distribution, or the inadequate incomes of those at the bottom. Around 70 per cent agree with each of the first two questions and about 80 per cent with the third in both years. A lower percentage (but still a majority) disagree that large income differences are necessary to maintain economic prosperity. The final question (about how Australia compares internationally) is factual rather than attitudinal and, not surprisingly, attracts the highest proportion of 'don't know' and 'neither' responses, with opinion also more divided than for the other questions.

The results also provide only weak statistical support for the proposition that attitudes to inequality and redistribution have changed since the onset of the GFC. Thus, only two of the differences between the two years are statistically significant, and while one of these implies increased support for redistribution away from those at the top, the other indicates a decline in opposition to the view that large income differences are necessary to maintain growth and prosperity.

**Table 2: Attitudes to Income Inequality in 2006 and 2010:
Cross-sectional Comparisons (%)**

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
<i>The gap between rich and poor is too great and should be reduced</i>						
2006	30.1	40.8	18.0	7.7	2.0	1.4
2010	32.9	37.9	19.5	6.6	1.4	1.7
<i>Incomes at the top are too high and should be reduced</i>						
2006	37.6	31.9	13.6	11.9	3.4	1.7
2010	41.4*	29.5	15.3	9.0	3.4	1.4
<i>Incomes at the bottom are too low and should be increased</i>						
2006	40.4	43.5	9.4	4.7	0.8	1.3
2010	42.0	41.1	10.8	4.1	0.9	1.1
<i>Large differences in income are necessary to maintain Australia's economic prosperity</i>						
2006	3.0	8.1	25.6	39.1	17.9	6.3
2010	3.7	11.9	26.4	33.5**	18.4	6.0

Note: An asterisk (***) indicates that the year on year difference is significant ($\alpha = 0.10/0.05$).

The results in Table 3 replicate those in Table 2 for the linked panel containing respondents to both the original (2006) and the follow-up (2010) surveys. They convey a similar picture to that provided by the cross-sectional comparisons in Table 2, although the smaller sample size means that now none of the differences are statistically significant. There is thus no evidence of a shift in attitudes to inequality and redistribution between 2006 and 2010, since the results in Table 3 are based on observations for the same individuals in each year.

We have examined the attitudinal changes in more detail for the linked panel, separating them into three categories: no change (the same in both years); an egalitarian shift (corresponding to a leftward shift in responses to the first three questions shown in Table 3, or a rightward shift in the

response to the fourth question); and an anti-egalitarian shift (corresponding to movements in the opposite direction).

The results, shown in Table 4, indicate that around half of panel members expressed identical attitudes in both years, while the attitudes of the other half changed. They also show that there has been a slight (but statistically significant) change in favour of a more egalitarian attitude when it comes to the acceptability of incomes at the top of the distribution. The short-run volatility in individual attitudes implied by Table 4 suggests that it would be unwise to place too much emphasis on what reported attitudes at a point in time imply for the degree of actual political support for policies designed to redistribute income. This does not seem consistent with the view that egalitarian sentiments are deeply ingrained and resistant to change – although of course, it is one thing to express a view in a social survey and quite another when deciding who to vote for in the ballot box.

Table 3: Attitudes to Income Inequality in 2006 and 2010: Comparisons based on the Linked Panel (%)

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
<i>The gap between rich and poor is too great and should be reduced</i>						
2006	29.7	41.7	17.9	6.3	2.7	1.7
2010	33.5	37.8	18.3	6.3	1.7	2.5
<i>Incomes at the top are too high and should be reduced</i>						
2006	38.0	32.3	14.2	8.7	4.2	2.7
2010	42.7	33.0	13.8	6.7	2.3	1.5
<i>Incomes at the bottom are too low and should be increased</i>						
2006	38.4	44.1	10.7	4.2	1.1	1.5
2010	38.9	44.3	10.5	3.3	1.0	2.1
<i>Large differences in income are necessary to maintain Australia's economic prosperity</i>						
2006	1.9	9.2	21.8	40.4	19.0	7.7
2010	4.1	11.4	22.6	34.8	18.6	8.5

Table 4: Shifts in Attitudes for the Linked Panel, 2006 to 2010 (percentages)

Less egalitarian	No change	More egalitarian
<i>The gap between rich and poor is too great and should be reduced</i>		
21.8	53.1	25.1
<i>Incomes at the top are too high and should be reduced</i>		
20.2	50.3	29.5*
<i>Incomes at the bottom are too low and should be increased</i>		
20.4	57.7	22.0
<i>Large differences in income are necessary to maintain Australia's economic prosperity</i>		
30.8	47.3	21.9

Note: The asterisk (*) indicates that the difference in the less egalitarian and more egalitarian estimates is significant ($\alpha = 0.10$).

Table 5 examines the consistency of expressed views about inequality and redistribution by comparing the responses to the second and third questions shown in Tables 2, 3 and 4 with the responses to the first question⁹. As noted earlier, support for redistribution is embodied in the question seeking attitudes to inequality, so that those who express opposition to the existing income gap measure of inequality also think that something should be done about it in terms of redistribution. In this sense, this group can be described as egalitarian - not only in principle, but also in practice.

As expected, this refinement in the wording of the question produces a substantial decline in the apparently contradictory responses that featured so heavily in the AuSSa results presented in Table 1. Thus, even though a lower percentage of respondents now agree that the income gap is too great (compared with Table 1), there is a marked increase in the proportion of this group that supports redistribution - both by reducing incomes at the top and by increasing incomes at the bottom. And although almost the same *overall* proportion of those who regard the income gap as too high express support for redistribution from the top (72.0 per cent) and towards the bottom (72.2 per cent), the support for

⁹ The five categories used in earlier tables have been reduced to three for ease of presentation and exposition.

redistribution *within* these groups is much higher when it comes to raising incomes at the bottom (84 per cent compared with 72 per cent)¹⁰.

Table 5: Attitudes to Inequality and Redistribution in 2010 (percentages)

		<i>Incomes at the top are too high and should be reduced</i>				<i>Incomes at the bottom are too low and should be increased</i>			
		Agree	Neither	Disagree	Total	Agree	Neither	Disagree	Total
<i>The gap between rich and poor is too high and should be reduced</i>	Agree	59.8	8.0	4.2	72.0	66.3	4.5	1.4	72.2
	Neither	9.9	6.2	3.7	19.8	13.5	4.9	1.4	19.7
	Disagree	2.1	1.4	4.7	8.1	4.2	1.5	2.4	8.0
	Total	71.9	15.6	12.6	100.0	84.0	10.9	5.1	100.0

Note: Agree (Disagree) includes -strongly agree/strongly disagree and -agree/disagree responses combined. Don't know responses have been excluded.

One issue that is embedded in the results discussed so far relates to how people perceive of their own position in the overall distribution of income. This is important for several reasons: first, where people think they sit in the overall distribution will affect whether or not they regard those described in survey questions as the rich or the poor, those on high or low incomes, -ordinary working people as including themselves; secondly, attitudes often reflect how people compare themselves with reference groups so that how they rank themselves is likely to influence which groups they use as a reference point or benchmark; thirdly, the accuracy of people's perceptions about where they fit in the distribution can be regarded as an important indicator of the reliability of the attitudes expressed about distributional issues generally.

Table 6 summarises the responses to a question included in the CUPSE and PEMA surveys and an earlier SPRC survey conducted in 1999 (see Saunders, Thomson and Evans, 2001) that asked people to locate themselves in the overall income distribution. The question asks people to select a position on a ten-point scale that ranges from the lowest to the

¹⁰ When Table 5 is replicated using the linked panel sample results for 2010, the results are very similar.

highest income and the responses thus show the income decile of the distribution into which people feel that they (or their families) fall. All three surveys reveal a strong tendency for people to over-estimate their own relative income position if it is low and to under-estimate it if it is high, leading to a bunching of perceptions in the middle of the distribution¹¹. The percentage of respondents who thought they were in one of the three middle deciles (shown in bold in Table 6) is almost identical in all three surveys ó 64.7 per cent in 1999, 65.0 per cent in 2006 and 66.8 per cent in 2010. In contrast, less than one per cent thought they were in the lowest income decile in 2006 and almost nobody thought that they were in the top decile (or were prepared to admit it)¹².

Table 6: Perceptions of Own Income Ranking, 1999 and 2006 (percentages)

Perceived income decile	1999 (n = 2,115)	2006 (n = 2,634)	2010 (n = 2,568)
First (lowest)	1.7	1.2	0.8
Second	4.0	3.4	1.9
Third	13.7	10.0	8.6
Fourth	23.4	19.7	18.0
Fifth	25.3	25.9	26.3
Sixth	16.0	19.4	22.5
Seventh	11.2	14.8	16.2
Eighth	3.8	4.5	4.8
Ninth	0.7	1.0	0.8
Tenth (highest)	0.3	0.2	0.2

11 A similar finding has recently been reported for other countries, including recently for Argentina by Cruces, Truglia and Tetaz (2011). As Osberg (2010) has recently observed: ‘it is also clear that many more than 30 percent of the population think they are in the middle of the distribution ó and this surely matters for both the welfare consequences of economic inequality and for the politics of the taxes and transfers that help shape economic inequality’ (Osberg, 2010: 427).

12 The tendency for people to think they fall into the middle of the distribution may explain why politicians are always keen to use phrases such as ‘middle Australians’ or ‘ordinary working families’ to identify those who are expected to benefit most from the policies being introduced.

These results indicate that most people have little idea of where they fit in the overall income distribution. This implies that they are unlikely to have an accurate assessment of the incomes required to qualify for being described as rich, high-income, poor or low-income. This in turn suggests that people's perceptions of inequality more generally are based on distorted perceptions of the distributional reality, and this may explain some of the attitudinal paradoxes described earlier.

It is also of interest to see whether those who think they are at the top of the distribution tend to be opposed to income distribution from rich to poor, while those who think they are at the bottom of the income distribution tend to favour such distribution. In order to answer this question, we have disaggregated the responses to three of the questions shown in Table 2 according to whether people identify themselves as occupying a low (i.e. think they are in deciles 1 to 3), medium (deciles 4 to 6) or high (deciles 7 to 10) position in the income distribution.

Table 7: Attitudes to Inequality and Redistribution by Perceived Distributional Position (% who strongly agree)

	<i>Gap is too great</i>		<i>Top incomes are too high</i>		<i>Bottom incomes are too low</i>	
	2006	2010	2006	2010	2006	2010
<i>Perceived distributional position:</i>						
Low	46.7	53.5	52.1	58.1	60.2	59.7
Medium	29.0	32.9	38.0	41.9	40.3	42.6
High	26.5	22.2	20.3	31.1	27.0	31.3

Note: Excludes 'Don't know' responses. Information on location is not available for 2006.

It is clear from Table 7 that attitudes do vary systematically with people's perceptions of where they think they sit in the income distribution. Thus, the final row of Table 7 indicates that amongst those (relatively few) who think they are at the top of the distribution, support for all three questions is about half of that amongst those (even fewer) who think that they are at the bottom of the distribution. There is also greater support across all categories and in each year for closing the income gap by raising incomes at the bottom than by lowering incomes at the top. With few exceptions, the level of support for all three propositions is higher in 2010 than in 2006 within each category (although none of the year-on-year differences are statistically significant). Finally, there is a widening

of views on the 'income gap is too great' issue, but a (slight) narrowing of views on the 'incomes at the top are too high' and 'incomes at the bottom are too low' issues.

A number of the results presented so far suggest ó not surprisingly - that attitudes to inequality and redistribution vary with the socioeconomic circumstances of those who hold them. We now explore this issue more systematically using regression analysis. For this purpose, we have defined summary variables that capture the rather complex (and, as we have seen, somewhat contradictory) attitudes expressed in the surveys we have been examining. We have specified two variables based on the responses to the first four questions shown in Tables 2 to 4. The responses to the first three of these questions have been assigned a score of 5 for 'Strongly agree', 4 for 'Agree', down to 1 for 'Strongly disagree', while the responses to the fourth question have been scored in reverse, going from a score of 1 for 'Strongly agree' up to 5 for 'Strongly disagree'.

We then define the following two variables:

EGALITARIAN = sum of score responses (defined as above) to the first and fourth of these four questions; and

REDISTRIBUTION = sum of scores to the second and third questions

Both variables will range between scores of 2 and 10, where a higher score implies stronger general support for the principle of equality (EGALITARIAN), or for policies designed to achieve more equal outcomes (REDISTRIBUTION). The basic idea underlying these specifications is that the former variable captures people's *general beliefs* about the desirability and practicality of closing income gaps, whereas the latter reflects their *willingness to act* on those beliefs by supporting specific forms of redistribution.

The dependent and independent variables are defined in Table 8 on the following page, which also includes the sample means of each variable¹³. The regression results are shown in Table 9.

13 Note that where the independent variable is dichotomous, the sample mean in Table 8 indicates the percentage of the sample with the relevant characteristic (e.g. 68.2 per cent of the sample has assets in excess of \$50,000, and so on).

Table 8: Regression Analysis: Variable Definitions and Sample Means (n = 2,395 to 2,645)

		Sample mean
Dependent variables:		
EGALITARIAN	Sum of scores on attitudes to inequality (2-10)	7.506
REDISTRIBUTION	Sum of scores on attitudes to redistribution (2-10)	8.177
Independent variables:		
ECONOMIC STATUS		
ASSETS	1=have \$50,000 or more in assets, = 0 otherwise	0.682
SAVINGS	1= can draw \$2,000 from savings in case of emergency, = 0 otherwise	0.658
POOR	1= self-describes self/family as poor, = 0 otherwise	0.112
HOMEOWNER	1=own home outright/paying off a mortgage, = 0 otherwise	0.754
HIGHEDUC	1=completed bachelor or postgraduate degree, = 0 otherwise	0.288
EMPLOYED	1=working full-time or part-time or self-employed full-time or part-time, = 0 otherwise	0.578
PERCDEC	Perceived decile in the income distribution (on a scale of 1 to 10)	5.291
DEMOGRAPHIC STATUS		
FEMALE	1=female, 0=male	0.565
AGE	1=65 and over, = 0 otherwise	0.233
CITY	1=inner metropolitan area of major city (>100k pop), = 0 otherwise	0.243
RURAL	1=rural area, village, small or large town (>10k pop) or large town (>25k pop) , = 0 otherwise	0.409
OSBORN	1=born overseas, = 0 born in Australia	0.250
ATSI	1=Indigenous or Torres Strait Islander, = 0 otherwise	0.009
DISABLED	1=have on-going disability or medical condition that restricts daily activities, = 0 otherwise	0.209
CHILD	1=households with dependent child <18 years, = 0 otherwise	0.293
SOCIAL/PSYCHOLOGICAL STATUS		
SATISFIED	1=very satisfied/satisfied, = 0 otherwise	0.681
HAPPY	1=very happy/happy, = 0 otherwise	0.885
RESPECT	1=treated with respect essential, = 0 otherwise	0.986
ACCEPTED	1=accepted for who you are essential, = 0 otherwise	0.984
DISCRIMINATION	1=free from discrimination essential, = 0 otherwise	0.983
INFLUENCE	1=feel have influence/can have influence if need to, = 0 otherwise	0.512
OPTIMIST	1= expect standard of living to be much/slightly higher in the next 4 years, = 0 otherwise	0.355
RELIGIOUS	1=regularly attend church or other places of religion, = 0 otherwise	0.162

Table 9: Regression Results

Independent variable	Dependent variable = EGALITARIAN			Dependent variable = REDISTRIBUTION		
	Spec. I	Spec. II	Spec. III	Spec. I	Spec. II	Spec. III
CONSTANT	8.158***	8.239***	8.027***	9.421***	9.231***	8.174***
ASSETS	-0.178**	-0.151*	-0.108	-0.159*	-0.138	-0.089
SAVINGS	-0.202**	-0.202**	-0.211**	-0.156*	-0.172**	-0.150*
POOR	0.195	0.220*	0.178	0.152	0.146	0.108
HOMEOWNER	0.087	0.119	0.061	0.201**	0.200**	0.134
HIGHEDUC	0.279***	0.271***	0.259***	-0.272***	-0.267***	-0.263***
EMPLOYED	-0.061	-0.096	-0.107	-0.191***	-0.081	-0.074
PERCDEC	-0.097***	-0.108***	-0.097***	-0.192***	-0.182***	-0.164***
FEMALE		0.110	0.127*		0.121*	0.123*
AGE		-0.092	-0.168		0.129	0.093
CITY		0.103	0.066		0.031	0.010
RURAL		-0.023	-0.030		-0.000	0.004
OSBORN		-0.159**	-0.151*		-0.100	-0.126
ATSI		-0.650*	-0.787*		0.268	0.007
DISABLED		-0.007	-0.039		0.145	0.110
CHILD		-0.163**	-0.145*		-0.125	-0.114
SATISFIED			-0.094			-0.098
HAPPY			-0.122			-0.118
RESPECT			0.120			0.488
ACCEPTED			0.057			0.594*
DISCRIMINATION			0.196			0.125
INFLUENCE			0.100			-0.054
OPTIMIST			-0.185**			-0.127*
RELIGIOUS			0.171*			0.215**
N	2,136	2,114	2,027	2,248	2,224	2,130
Adj R-squared	0.025	0.0285	0.0319	0.069	0.0711	0.0768
F-statistic	8.76***	5.13***	3.90***	24.87***	12.34***	8.70***

Note: Asterisks(*/**/***) indicate statistically significant (= 0.10/0.05/0.01)

The regression modelling (based on the 2010 survey data) has been undertaken in stages, each containing a set of explanatory variables arranged into three broad sets: the first set captures different aspects of people's *economic status*, the second set reflects their *demographic status*, and the third set reflects aspects of their *psychological/social status*. The first (economic) and second (demographic) sets of variables require no comment, although some justification is needed for inclusion of the third set of psycho-social variables in the current context. These have been included to test the idea that those individuals who are more content in their own lives or display the kinds of characteristics that imply respect for others are more likely to favour greater equality and to support redistribution.

In reviewing the regression results which are presented in Table 9, it is important to keep in mind that a positive coefficient implies greater support for equality/redistribution and a negative coefficient the opposite. Thus, for example, the negative signs on the coefficient attached to the perceived position in the income distribution variable (PERCDIS) imply that there is an inverse relationship between attitudes to equality and redistribution and the decile into which one thinks one lies in the income distribution. It is clear from the regression results that the main determinants of people's attitudes to equality and redistribution are economic, specifically their own economic status. Access to assets, savings and employment all exert a negative impact on support for equality and redistribution, whereas self-describing oneself as poor or being a homeowner both exert a positive impact, though neither is statistically significant across all specifications. Interestingly, having a tertiary education *increases* the degree of support for egalitarian principles, but *decreases* the degree of support for the kinds of redistribution policies that are needed to achieve it (with the latter effect stronger in size than the former).

One of the largest effects on attitudes to both egalitarianism and redistribution is the strongest overall in terms of statistical significance is one's perceived position in the income distribution: the attitudes of those who think they are in higher deciles are less supportive of both equality and redistribution. Relatively few of the demographic or psycho/social variables are statistically significant and those that are vary

according to the detailed specification of the model¹⁴. The only results of any interest among the non-economic variables relate to the statistical significance of the OPTIMIST and RELIGIOUS variables. The negative coefficient on the former is consistent with the story implied by the economic variables described earlier, in that those who see a brighter economic future for themselves are not willing to put that at risk by supporting redistribution. In contrast, the positive coefficient on the religious variables indicates that people who are actively religious tend to have more compassionate and altruistic attitude towards one's fellow citizens and hence display greater support for both egalitarian values and redistribution policies.

Aside from these few examples, the failure to identify any systematic relationship between demographic and psycho-social characteristics and attitudes to equality and redistribution is an important finding. It suggests that attitudes to equality and redistribution are determined at least in part - by historical factors or experiences that do not vary in any consistent way with the variables identified in this analysis. This implies that if egalitarian sentiments are to be mobilised through political action, such action must appeal to a broad constituency if it is to receive a sympathetic hearing.

Against this, the role of the economic variables in Table 9 might be interpreted to imply that it will become more difficult to pursue an egalitarian policy agenda as economic prosperity increases, since more people will feel that such policies threaten their improved economic status. This interpretation does, however, rest on the view that what matters is absolute economic prosperity and if, as seems more likely, it is relative economic prosperity that matters in this context (as is implied by the use of reference groups, for example), economic growth will not affect attitudes to redistribution as long as it does not disturb existing relativities. It is not possible to decide between these alternative interpretations on the basis of the results in Table 9 because the economic variables themselves can be interpreted in either absolute or relative terms, although this is an important issue that warrants further examination.

14 We have experimented with alternative specifications of the PERCINC variable (including a three-way classification based on Table 6) and this produces similar results to those shown in Table 9, although fewer of the non-economic variables show up as significant.

Conclusions

The impact of the GFC on Australia has been more muted than in many other countries, but this does not imply that its effects have been totally benign. It is possible that the crisis has affected community attitudes in ways that can, over time, exert a profound effect on the degree of political support for different policies. The focus of this paper has been on examining the nature and determinants of Australian attitudes to inequality and redistribution, and whether these have changed as a result of the GFC.

Previous studies in Australia and overseas have revealed a high level of concern about existing levels of income inequality, but much weaker support for government actions that redistribute income from rich/high income/better-off to poor/low income/less well-off. However, little is understood about how these attitudes are formed, or about why people hold apparently contradictory views about the desirability of inequality and the need for redistribution.

The results presented in this paper are drawn from survey questions that have been designed to force people to confront any contradiction between their views on inequality and their views on redistribution. This produces a somewhat lower level of concern about inequality but a higher and more consistent level of support for redistribution. Results derived from the linked panel show that many people's views about issues of equality and redistribution change over time and appear to not be consistent with the kind of deep-seated ingrained ethos of support for (or opposition to) egalitarian principles that pervades much of the social policy literature on this topic. Against this, it is possible that the attitudinal changes observed here can be explained by the changing circumstances of those that hold them (for example, their age and/or incomes, or sense of optimism in the wake of the GFC), in which case it may be easier to predict (some of) these changes and thus mobilise support for an egalitarian constituency. This is another issue that warrants further investigation.

The results are somewhat contradictory on the issue of whether or not Australian attitudes have changed since the GFC: on the one hand, there is only limited support from both the cross-sectional or longitudinal results for a shift in attitudes to either egalitarianism or redistribution between 2006 and 2010; against this, many of those who responded to

both surveys expressed different views in each year. Individual variations in attitudes have thus balanced out, leaving the aggregate picture broadly unchanged. It is also apparent that most people have little idea of where their own incomes place them in the distribution relative to others, and this may explain why, when people express attitudes that are consistent with an egalitarian perspective, this does not translate into support for policies designed to achieve greater income equality through redistribution.

The regression results indicate that people's perceptions of their position in the income distribution exert an important influence on their attitudes to equality and redistribution generally. This suggests that caution should be applied when drawing conclusions about the policy implications of expressed attitudes, since when people find out the truth about the impact of actual policies, their support for them may well disappear. The regression analysis also suggests that, with few exceptions, attitudes to equality and redistribution are determined more generally by people's own economic status than by easily identifiable demographic or psychosocial factors. They suggest that those with more economic resources are most opposed to redistribution because it threatens to change existing status hierarchies in ways that will adversely affect them. This resistance to equality-enhancing policies among powerful constituents must be overcome by any government that supports an egalitarian agenda.

Peter Saunders and Melissa Wong are at the Social Policy Research Centre, University of New South Wales,

P.Saunders@unsw.edu.au

Melissa.Wong@unsw.edu.au

Acknowledgements: This is a revised version of the paper originally presented to the Eighteenth Conference of the Foundation for International Studies on Social Security (FISS) on 'Growth, Social Protection and Inequality' held in Sigtuna, Sweden on 8-10 June 2011. The authors acknowledge the helpful comments provided by conference participants and three anonymous referees, and the financial support provided by Australian Research Council grants DP0452562 and LP100100562.

References

- Bonoli, G. (2000), 'Public attitudes to social protection and political economy traditions in Western Europe', *European Societies*, Vol. 2, pp. 431-52.
- Chesters, J. and Western, J., (2010), 'Evidence and perceptions of inequality in Australia', *CEPR Discussion Paper No 635, CEPR Discussion Papers*, Centre for Economic Policy Research, Research School of Economics, Australian National University.
- Cruces, G., Truglia, R. P. and Tetaz, M. (2011), 'Biased perceptions of income distribution and preferences for redistribution: evidence from a survey experiment', *IZA Discussion Paper No. 5699*, Bonn: Institute for the Study of Labor.
- Dallinger, U. (2010), 'Public support for redistribution: what explains cross-national differences?', *Journal of European Social Policy*, Vol. 20, No. 4, pp. 333-49.
- Förster, M. and Ercole, M. M. (2005) 'Income distribution and poverty in OECD countries in the second half of the 1990s', *Working Paper No. 22*, Paris: Directorate for Employment, Labour and Social Affairs, OECD.
- Hills, J. (2004), *Inequality and the State*, Oxford: Oxford University Press.
- Hills, J. and Lelkes, O. (1999), 'Social security, selective universalism and patchwork redistribution', in R. Jowell et al. (eds.), *British social attitudes: the 16th report*, Aldershot: Ashgate.
- Kelley, J. and Evans, M. (1993), 'The legitimation of inequality: occupational earnings in nine nations', *American Journal of Sociology*, Vol. 99, No. 1, pp.75-125.
- Kelley, J., Evans, M. and Sikora, J. (2004), 'Is there too much inequality in Australia?', *Australian Social Monitor*, Vol. 7, No. 3/4, pp. 92-100.
- Meagher, G. and Wilson, S. (2008), 'Richer, but more unequal: perceptions of inequality in Australia 1987-2005', *The Journal of Australian Political Economy*, No. 61, June, pp. 220-243.
- Myles, J. (2006), 'Do egalitarians have a future?', *Review of Income and Wealth*, Vol. 52(1), pp. 145-51.
- OECD (2008) *Growing Unequal? Income Distribution and Poverty in OECD Countries*, Paris: OECD.
- OECD (2011), *Divided We Stand. Why Inequality Keeps Rising*, Paris: OECD.
- Orton, M. and Rowlingson, K. (2007), *Public Attitudes to Economic Inequality*, York: Joseph Rowntree Foundation.
- Osberg, L. (2010), 'Everything you always wanted to know about economic inequality - but did not know where to look to find', *Review of Income and Wealth*, Vol. 56, No. 2, pp. 424-30.
- Osberg, L. and Smeeding, T. M. (2006), 'Fairer inequality? Attitudes toward pay differentials: the United States in comparative perspective', *American Sociological Review*, Vol. 71, No. 3, pp. 450-73.
- Pusey, M. and Turnbull, N. (2005), 'Have Australians embraced economic reform?', in S. Wilson, G. Meagher, R. Gibson, D. Danemark and M. Western (eds.), *Australian Social Attitudes: The First Report*, Sydney: UNSW Press, pp. 161-81.

- Saunders, P. (2011), *Down and Out: Poverty and Exclusion in Australia*, Bristol: The Policy Press.
- Saunders, P., Naidoo, Y. and Griffiths, M. (2007), *Towards New Indicators of Disadvantage: Deprivation and Social Exclusion in Australia*, Sydney: Social Policy Research Centre, University of New South Wales.
- Saunders, P., Thomson, C. and Evans, C. (2001), "Social change and economic prosperity: attitudes to growth and welfare" *Just Policy*, No. 23, pp 4-15.
- Saunders, P. and Wong, M. (2011), "Measurement and change in deprivation and exclusion in Australia: a report on research in progress" presented to the Second Townsend Memorial Conference, University of Bristol, 22-23 January.
- Sikora (2003), "Tastes for privatisation and tastes for subsidisation: have Australians been getting cold feet?" *Australian Social Monitor*, Vol. 6, No. 2, pp. 34-40.
- Stilwell, E., & Jordan, K. (2007), *Who Gets What? Analysing Economic Inequality in Australia*, Cambridge: Cambridge University Press.
- Thompson, E. (1994), *Fair Enough: Egalitarianism in Australia*, UNSW Press, Sydney.