

**Briefing Note:**

**Wages, Prices, and the 2022 Federal Election**

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June 2022

***Introduction and Summary***

The recent federal election featured important debate regarding the recent acceleration of inflation in Australia, and whether and how wages should be boosted to keep up with higher prices. There is no doubt that concerns over the rising cost of living, following the sustained stagnation of nominal wages in recent years, were a major issue in the minds of voters. These concerns posed a challenge to traditional claims by Liberal-National Coalition candidates regarding their reputedly strong economic credentials. Previous research from the Centre for Future Work<sup>1</sup> and other sources has amply documented the sustained slowdown in nominal wage growth in Australia in the years since 2013, and the growing gap more recently between wage growth and consumer price inflation (with a resulting decline in workers' real wages).

One important debate in the latter days of the election campaign revolved around the upcoming Fair Work Commission decision about raising the minimum wage, due in late June. On Wednesday 27 April, the ABS reported that average consumer prices had increased by 5.1% over the previous 12 months.<sup>2</sup> Following this, the Australian Council of Trade Unions (ACTU) adjusted its claim in the minimum wage case, asking for a 5.5% increase to keep pace with inflation.<sup>3</sup> When questioned about the ACTU's position, Anthony Albanese responded that people on

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<sup>1</sup> See especially Andrew Stewart, Jim Stanford, and Tess Hardy, *The Wages Crisis: Revisited* (Canberra: Centre for Future Work, May 2022), [https://assets.nationbuilder.com/theausinstitute/pages/4033/attachments/original/1653942199/Wages\\_Crisis\\_Revisited\\_May2022.pdf?1653942199](https://assets.nationbuilder.com/theausinstitute/pages/4033/attachments/original/1653942199/Wages_Crisis_Revisited_May2022.pdf?1653942199).

<sup>2</sup> See Australian Bureau of Statistics, Consumer Price Index, <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

<sup>3</sup> Australian Council of Trade Unions, "Unions increase annual wage claim in response to cost of living increase," 8 May 2022, <https://www.actu.org.au/actu-media/media-releases/2022/unions-increase-annual-wage-claim-in-response-to-cost-of-living-increase>.

“minimum rates of pay can’t afford to go backwards”.<sup>4</sup> This incited a flurry of media and political scrutiny about the viability of increasing wages to keep pace with inflation. Then-Prime Minister Scott Morrison stated that boosting wages in line with inflation was “reckless,” and that Anthony Albanese was a “loose unit on the economy”.<sup>5</sup> While some commentators denounced the idea of lifting wages in tandem with inflation, others endorsed it, and the general idea seemed to be popular with the broader public.

To evaluate the impact of these debates on the outcome of the election, the Australia Institute conducted a special exit poll, surveying a nationally representative sample of 1,424 Australians from 6pm Saturday May 21. Among other questions, the survey asked about voters’ attitudes towards cost of living pressures and wage growth.

The results make it clear that a **large majority of Australians support wage increases that keep up with cost of living**. Almost six in seven respondents (83%) support that general goal, and support for wage increases that keep up with inflation is strong across the political spectrum (including among Coalition voters). While conservative economists might be alarmed at the idea that wages should increase as fast as prices (motivated by fear, unjustified in our view, that this would only ‘lock in’ further inflation), among ordinary voters the idea seems reasonable and fair. In this context, the criticisms of Mr. Albanese’s positions more likely hurt the Coalition campaign, not the Labor leader. Our poll found that 39% of respondents felt the Labor party best addressed the issues of wages and the cost of living in the election, compared to 26% who felt the Coalition had the strongest position.

This briefing paper reviews the detailed findings of the exit poll regarding wages, prices, and the cost of living. The poll also confirmed that close to two-thirds of Australians (65%) believe their nominal incomes have lagged behind inflation in the past year.<sup>6</sup> Regarding what can be done to ameliorate this problem, Australians were divided: about half of respondents believe government policies can significantly alter the course of wage growth, while the other half do not.

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<sup>4</sup> Greg Jericho, “It shouldn’t be such a shock that Anthony Albanese believes the minimum wage should rise with inflation,” *The Guardian*, 11 May 2022,

<https://www.theguardian.com/business/grogonomics/2022/may/12/it-shouldnt-be-such-a-shock-that-anthony-albanese-believes-the-minimum-wage-should-rise-with-inflation>

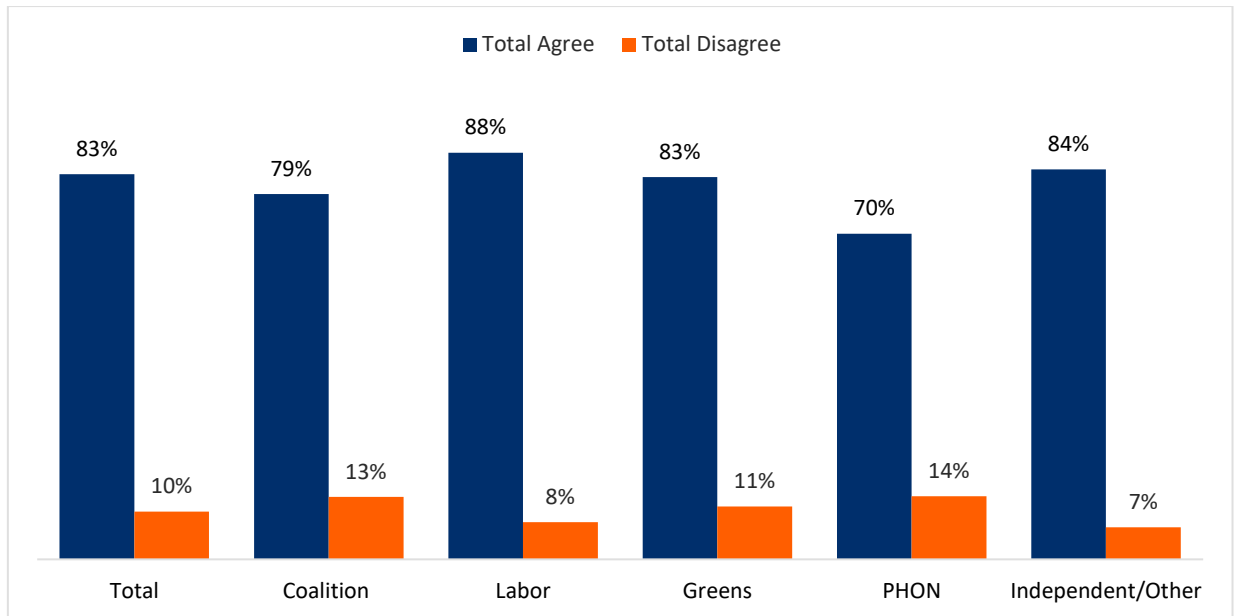
<sup>5</sup> Jake Evans, “Scott Morrison says Anthony Albanese’s 5.1 per cent pay rise intervention would send interest rates spiralling,” *ABC News*, 10 May 2022, <https://www.abc.net.au/news/2022-05-11/morrison-hits-back-on-labor-inflation-pay-rise-push/101055134>

<sup>6</sup> That belief is consistent with statistical data showing that increases in nominal wages (2.4% over the 12 months preceding the election) were less than half as fast as the rate of CPI inflation. See Jim Stanford, “Proof positive. Real wages are shrinking, these figures put it beyond doubt,” *The Conversation*, 18 May 2022, <https://theconversation.com/proof-positive-real-wages-are-shrinking-these-figures-put-it-beyond-doubt-183343>.

### ***Should Wages Keep Up With Prices?***

Respondents were asked whether they agree or disagree with the statement: “Wages should be increased to at least keep up with the cost of living”. The results are illustrated in Figure 1. The goal of raising wages to keep up with prices was supported by 83% of voters, and opposed by just 10% (with the remainder undecided). This position was supported across all voting intentions. Even four in five Coalition voters (79%) agreed wages should be increased to at least keep up with the cost of living, compared to 13% who disagreed. Labor voters were most likely to agree that wages should be increased to at least keep up with the cost of living (88%). Almost six in seven Independent/Other voters (84%) and Greens voters (83%) also agreed that wages should be increased to at least keep up with the cost of living.

**Figure 1: Attitudes on whether wages should be increased to at least keep up with cost of living, by voting intention**



*Source: survey results, as described in text.*

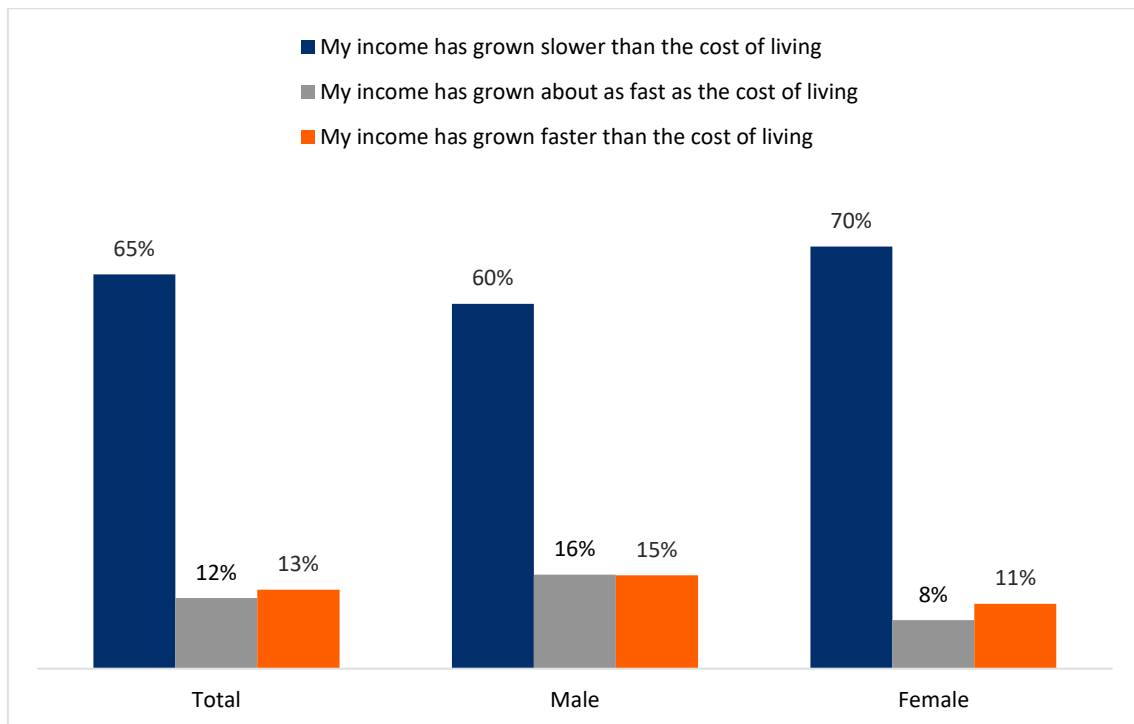
### ***Has Your Income Kept Up With Rising Prices?***

Perhaps this strong and widespread support for lifting wages to keep up with prices is understandable, given widespread concern with the rising cost of living and falling real incomes in Australia. Wages have been growing very slowly (at an average of about 2% per year) for almost a decade (beginning around 2013). For most of that time, slow nominal wage growth at least generally kept up with inflation, producing stagnant (but not declining) real incomes. However, with the acceleration of inflation following the COVID-19 pandemic, slow nominal income growth is now translating into significant real wage declines. Our polling results

confirm that most Australians believe their incomes have lagged far behind the growth of consumer prices.

Figure 2 illustrates responses to our question regarding the relative paces of income and price growth. **Almost two in three Australians (65%) believe their incomes grew somewhat or much slower than the cost of living over the past year.** Only 13% believe their incomes grew somewhat or much faster than the cost of living over the past year.

**Figure 2: Income growth compared to cost of living in the past year, by gender**



*Source: survey results, as described in text.*

A strong gender dimension to the issue of real incomes is evident, with women more likely to feel their income has grown less than the cost of living over the past year (70% for women, compared to 60% for men). This reflects the broader problem of gender inequality in wages, since women are more likely to be employed in insecure and low-paid employment, and thus more likely to experience wage stagnation and falling real incomes.

Concerns over falling real incomes are also more likely to affect those in lower income brackets, compared to those earning more. Figure 3 indicates that Australians who earn less, were more likely to believe their incomes were lagging behind the cost of living. Over three-quarters (76%) of those earning between \$20,000 and \$40,000 per year felt their incomes lagged inflation in the last year. Concern over lagging real incomes declined almost monotonically with rising

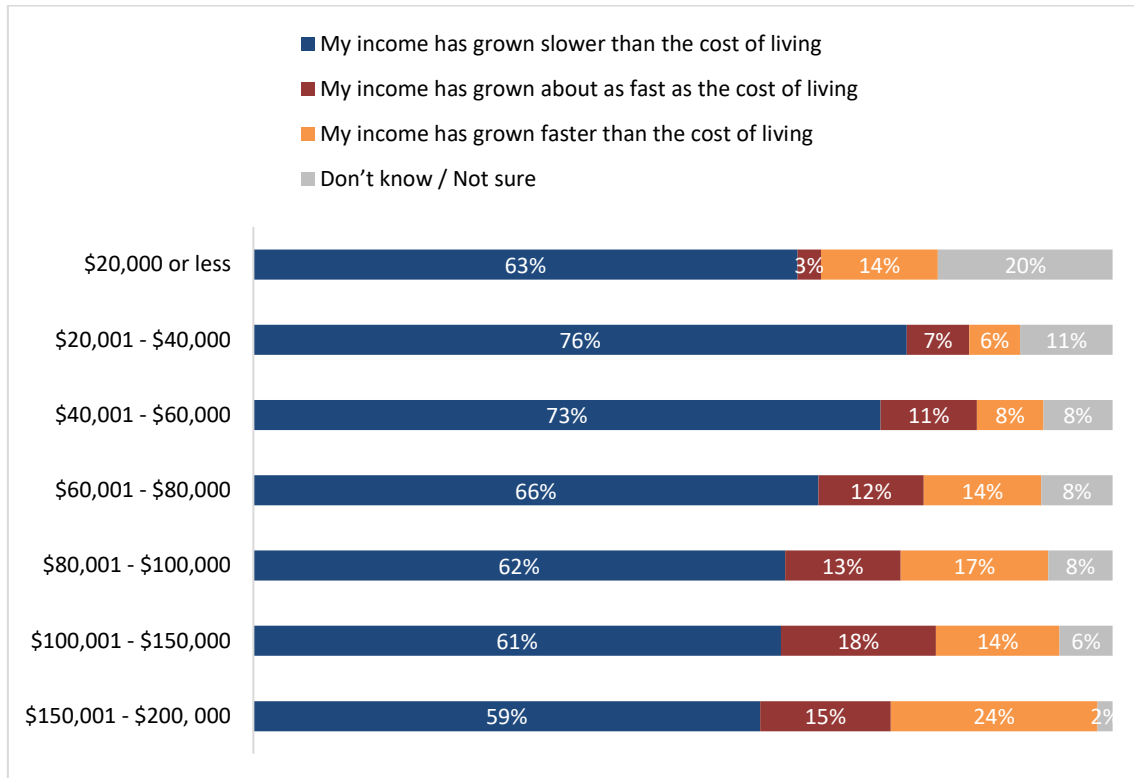
income. Just 59% of those earning \$150,000-\$200,000 felt their incomes grew more slowly than prices. Similarly, high-income Australians were more likely to report that their income grew faster than the cost of living – including 24% of those earning between \$150,000 and \$200,000 per year, compared to just 6% of those earning between \$20,000 and \$40,000 per year.

Only one group, those earning under \$20,000, bucked this correlation between income level and concern over falling real incomes. 63% of those low-income households believe their incomes grew slower than prices, slightly less than the overall average, and 14% believed their incomes grew faster than prices (about the same as the overall average). This result seems counter-intuitive – especially since price increases have been significantly faster for the non-discretionary items (including food and shelter) that account for a larger share of total spending by lower-income households.<sup>7</sup> One factor possibly helping to explain this anomalous result was the importance of previous COVID income supports (such as expanded JobSeeker and Job-Keeper benefits) in lifting incomes for many low-income households. Those supports, however, have now been mostly eliminated. Note also that a relatively larger proportion of low-income respondents did not know whether their incomes had kept up with prices.

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<sup>7</sup> Greg Jericho, “The Australian inflation rate gives the lie to Morrison’s claims of strong economic management,” *The Guardian*, 27 April 2022, <https://www.theguardian.com/business/grogonomics/2022/apr/27/australian-inflation-rate-figures-give-the-lie-to-scott-morrison-claims-of-strong-economic-management>.

**Figure 3: How do you think your income in the past year has compared to the increase in the cost of living? By income bracket**



Source: survey results, as described in text.

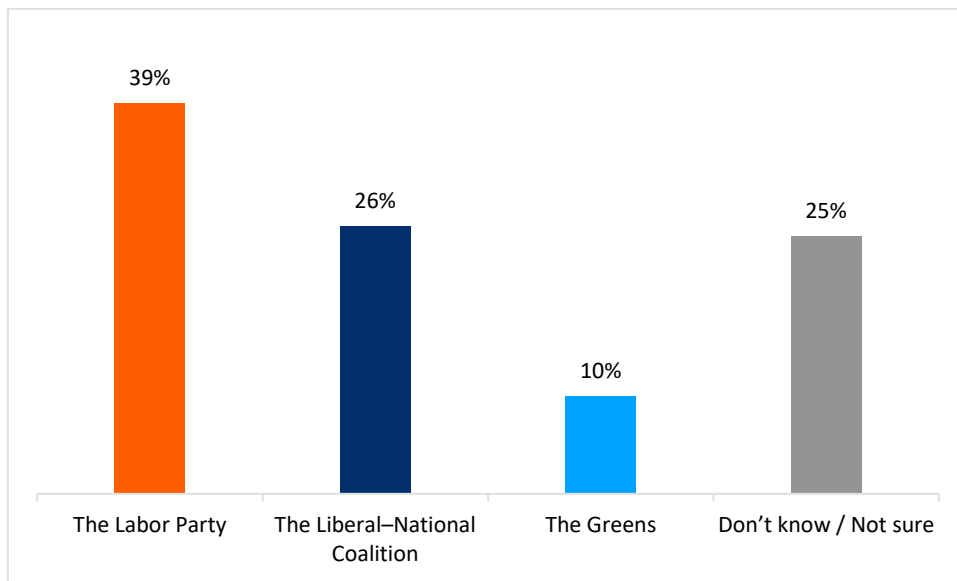
### ***The Cost of Living Crisis and Party Credibility***

The major parties took contrasting positions on cost of living and wages issues during the election campaign. As discussed, Anthony Albanese and the Labor Party supported lifting the minimum wage to keep pace with inflation, and proposed several other reforms that would strengthen wage growth (including removing caps on public sector pay, and various measures to address the gender pay gap). The Coalition government proposed to address cost-of-living pressures by offering short term fiscal supports (announced in the 2022-23 federal budget), including extending the Low and Middle Income Tax Offset (LMITO), one-off ‘cost of living’ payments for welfare recipients of \$250, and temporary relief in petrol taxes. In contrast to Labor, the Coalition refused to advocate any particular change in the minimum wage, arguing the government should not “interfere” with the Fair Work Commission’s deliberations.<sup>8</sup>

<sup>8</sup> In fact many previous governments have made presentations to the Fair Work Commission (and previous incarnations of federal industrial relations tribunals) arguing for specific minimum wage increases. See Ewin Hannan, “Morrison’s attack on Labor’s minimum wage ‘intervention’ is flawed and could backfire on him,” *The Australian*, 13 May 2022, <https://www.theaustralian.com.au/nation/politics/morrison-attack-on-labors-minimum-wage-intervention-is-flawed-and-could-backfire-on-him/news-story/7d7a5ed48f3df23cd59b4ee97bb40cb3>.

It appears that the ALP’s advocacy for stronger wage increases appealed to voters. As illustrated in Figure 4, when respondents were asked which party they feel best dealt with the issue of cost of living/low wages growth, the Labor Party was strongest among the parties. 39% of respondents picked the ALP as having the best platform on wages and cost of living – half again as many as chose the Coalition (26%). 10% of voters felt the Greens handled the issue best.

**Figure 4: Thinking about the election campaign, which party do you feel best dealt with the issue of cost of living/low wages growth?**



*Source: survey results, as described in text.*

Not surprisingly, responses to this question were strongly correlated with the political preferences of survey respondents. But even across the political spectrum, the ALP was more likely to win at least grudging support from supporters of other parties for their handling of the wages and prices issue. For example, 23% of Greens supporters, 15% of One Nation supporters, and even 11% of Coalition supporters identified the Labor Party as having the best position on wages and cost of living.<sup>9</sup>

### ***Can Governments Fix the Wages Crisis?***

Many economic and policy factors have contributed to the slow pace of wage growth in Australia in recent years, and to the more recent acceleration of inflation and resulting erosion of real incomes. Governments clearly have some influence over those factors, but cannot simply dictate the pace of overall wage growth. Former Prime Minister Morrison attempted to exploit skepticism about the ability of government to solve the wages crisis, when he stated there was no “magic

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<sup>9</sup> A detailed breakdown of responses to this question by party preference is provided in the appendix.

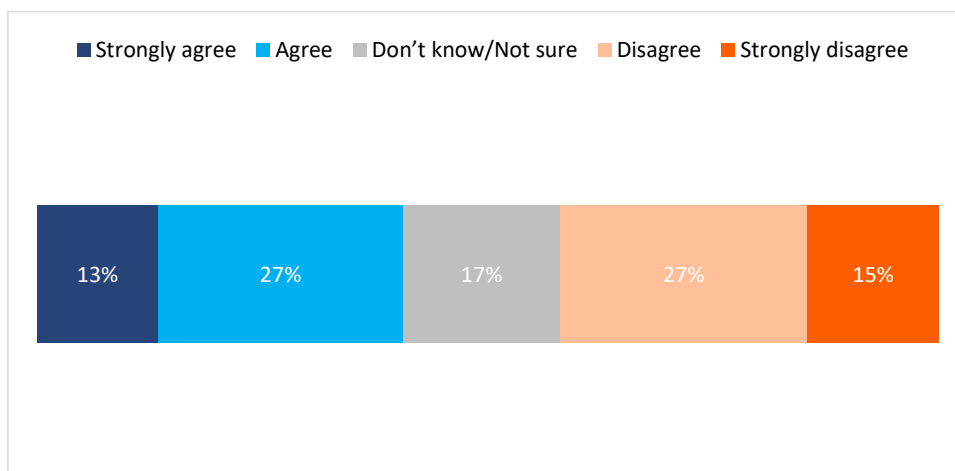
wand” or “magic pen” to lift wages, and accused Mr Albanese of not understanding how wages are determined.<sup>10</sup>

Our exit poll investigated the extent to which voters believe that slow wage growth and the cost of living crisis are indeed amenable to government action.

Respondents were asked whether they agreed or disagreed with the statement: “Government policies do not have much influence on how fast wages grow.”

Respondents were evenly split on this question: 40% agreed or strongly agreed, while 42% disagreed or strongly disagreed. 17% of Australians did not know or were not sure whether government policies influenced wages growth.

**Figure 5: "Government policies do not have much influence on how fast wages grow"**



Source: survey results, as described in text.

This divided result may reflect divergent opinions regarding how wages grow: a contrast between those who believe that “markets” determine wages, and those who emphasise the actions of employers or trade unions in determining wage growth, and those who believe government has influence over wage patterns. Alternatively, this result may also indicate a degree of confusion over the role of government in influencing wages, following exchanges between the party leaders over the independence of the Fair Work Commission. The Fair Work Commission, of course, is a governmental institution, but some respondents may have interpreted it as being separate from government in light of statements by some party leaders regarding the Commission’s “independence.”

### **Conclusion**

A wage increase that at least keeps up with inflation was strongly supported by a majority of Australians (83%). The problem of wages lagging behind inflation was a major concern for voters, and by a wide margin the ALP was seen as having dealt

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<sup>10</sup> Andrew Tillett, “Labor has ‘no magic wand’ to lift wages: PM,” *Australian Financial Review*, 9 May 2022, <https://www.afr.com/politics/federal/labor-has-no-magic-wand-to-lift-wages-pm-20220509-p5ajoh>.



with this issue most convincingly. Aggressive criticism from Coalition and business leaders of Mr Albanese's suggestion that wages should keep up with inflation likely backfired, as the greater attention devoted to this topic likely reinforced the resulting electoral benefits for the ALP. Concern over wages and the cost of living is grounded in the fact that almost two-thirds of Australians believe their incomes lagged behind prices in the last year. This concern was generally felt more by women and lower-income earners.

# Appendix

## Methodology

Between 21 May and 25 May 2022, the Australia Institute surveyed 1,424 adults living in Australia, online through Dynata’s panel, with nationally representative samples by gender, age group and state/territory. The poll was launched on the 21 May after voting booths in Australia closed at 6pm. Voting crosstabs show how respondents voted in the House of Representatives at the 2022 federal election.

The research is compliant with the [Australian Polling Council Quality Mark standards](#). The long methodology disclosure statement follows.

## Long disclosure statement

The results were weighted by three variables (gender, age group and state or territory) based on Australian Bureau of Statistics [“National, state and territory population”](#) data, using the raking method. This resulted in an effective sample size of 1370

The margin of error (95% confidence level) for the national results is 3%. Results are shown only for larger states.

Voting intention questions appeared just after the initial demographic questions, before policy questions. It asked respondents how they voted in the House of Representatives in the 2022 election. “Coalition” includes separate responses for Liberal and National. “Other” refers to Independent/Other, and minor parties in cases where they were included in the voting intention but represent too small a sample to be reported separately in the crosstabs.



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## Detailed results

No preceding questions in the poll are expected to have influenced the results of the questions published here.

### How do you think your income in the past year has compared to the increase in the cost of living?

	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>NSW</i>	<i>VIC</i>	<i>QLD</i>	<i>WA</i>
<b>My income has grown much faster than the cost of living</b>	5%	6%	4%	5%	6%	4%	7%
<b>My income has grown somewhat faster than the cost of living</b>	8%	10%	7%	9%	10%	6%	4%
<b>My income has grown about as fast as the cost of living</b>	12%	16%	8%	13%	12%	13%	9%
<b>My income has grown somewhat slower than the cost of living</b>	24%	24%	23%	25%	25%	20%	21%
<b>My income has grown much slower than the cost of living</b>	42%	36%	46%	38%	38%	49%	44%
<b>Don't know / Not sure</b>	10%	9%	11%	10%	9%	9%	15%

	<i>Total</i>	<i>Coalition</i>	<i>Labor</i>	<i>Greens</i>	<i>PHON</i>	<i>Other</i>
<b>My income has grown much faster than the cost of living</b>	5%	7%	3%	4%	1%	7%
<b>My income has grown somewhat faster than the cost of living</b>	8%	7%	9%	12%	9%	4%
<b>My income has grown about as fast as the cost of living</b>	12%	14%	12%	12%	8%	4%
<b>My income has grown somewhat slower than the cost of living</b>	24%	25%	24%	23%	19%	19%
<b>My income has grown much slower than the cost of living</b>	42%	39%	41%	41%	53%	46%
<b>Don't know / Not sure</b>	10%	8%	10%	7%	9%	19%

	<i>Total</i>	<i>\$20,000 or less</i>	<i>\$20,001 - \$40,000</i>	<i>\$40,001 - \$60,000</i>
<b>My income has grown much faster than the cost of living</b>	5%	5%	1%	3%
<b>My income has grown somewhat faster than the cost of living</b>	8%	8%	4%	5%
<b>My income has grown about as fast as the cost of living</b>	12%	3%	7%	11%
<b>My income has grown somewhat slower than the cost of living</b>	24%	17%	18%	25%
<b>My income has grown much slower than the cost of living</b>	42%	46%	58%	48%
<b>Don't know / Not sure</b>	10%	20%	11%	8%

	<i>Total</i>	<i>\$60,001 - \$80,000</i>	<i>\$80,001 - \$100,000</i>	<i>\$100,001 - \$150,000</i>	<i>\$150,001 - \$200,000</i>
<b>My income has grown much faster than the cost of living</b>	5%	5%	4%	5%	13%
<b>My income has grown somewhat faster than the cost of living</b>	8%	9%	13%	9%	11%
<b>My income has grown about as fast as the cost of living</b>	12%	12%	13%	18%	15%
<b>My income has grown somewhat slower than the cost of living</b>	24%	27%	30%	23%	31%
<b>My income has grown much slower than the cost of living</b>	42%	39%	32%	38%	28%
<b>Don't know / Not sure</b>	10%	8%	8%	6%	2%

**To what extent do you agree or disagree with the following statements? “Wages should be increased to at least keep up with the cost of living.”**

	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>NSW</i>	<i>VIC</i>	<i>QLD</i>	<i>WA</i>
<b>Strongly agree</b>	43%	37%	48%	42%	44%	42%	40%
<b>Agree</b>	41%	44%	37%	43%	38%	38%	48%
<b>Disagree</b>	8%	10%	5%	7%	7%	10%	4%
<b>Strongly disagree</b>	3%	3%	3%	3%	3%	3%	2%
<b>Don't know/Not sure</b>	7%	6%	7%	5%	8%	7%	6%

	<i>Total</i>	<i>Coalition</i>	<i>Labor</i>	<i>Greens</i>	<i>PHON</i>	<i>Other</i>
<b>Strongly agree</b>	43%	32%	48%	52%	45%	46%
<b>Agree</b>	41%	47%	40%	30%	25%	38%
<b>Disagree</b>	8%	11%	6%	6%	10%	4%
<b>Strongly disagree</b>	3%	3%	2%	5%	3%	3%
<b>Don't know/Not sure</b>	7%	8%	4%	6%	16%	9%

**To what extent do you agree or disagree with the following statements?  
“Government policies do not have much influence on how fast wages grow.”**

	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>NSW</i>	<i>VIC</i>	<i>QLD</i>	<i>WA</i>
<b>Strongly agree</b>	13%	17%	10%	16%	13%	12%	15%
<b>Agree</b>	27%	29%	26%	28%	27%	27%	30%
<b>Disagree</b>	27%	29%	26%	25%	27%	29%	25%
<b>Strongly disagree</b>	15%	14%	15%	16%	16%	13%	9%
<b>Don't know/Not sure</b>	17%	12%	23%	16%	17%	19%	22%

	<i>Total</i>	<i>Coalition</i>	<i>Labor</i>	<i>Greens</i>	<i>PHON</i>	<i>Other</i>
<b>Strongly agree</b>	13%	17%	10%	14%	11%	15%
<b>Agree</b>	27%	36%	22%	26%	22%	20%
<b>Disagree</b>	27%	23%	33%	28%	21%	21%
<b>Strongly disagree</b>	15%	8%	17%	21%	15%	19%
<b>Don't know/Not sure</b>	17%	15%	17%	11%	31%	25%

**Thinking about the election campaign, which party do you feel best dealt with the issue of cost of living/low wages growth?**

	<i>Total</i>	Male	Female	NSW	VIC	QLD	WA
<b>The Labor Party</b>	39%	39%	38%	38%	42%	36%	34%
<b>The Liberal-National Coalition</b>	26%	30%	23%	29%	24%	28%	28%
<b>The Greens</b>	10%	9%	11%	8%	9%	12%	7%
<b>Don't know / Not sure</b>	25%	22%	29%	25%	25%	24%	31%

	<i>Total</i>	Coalition	Labor	Greens	PHON	Other
<b>The Labor Party</b>	39%	11%	72%	23%	15%	21%
<b>The Liberal-National Coalition</b>	26%	65%	5%	5%	21%	14%
<b>The Greens</b>	10%	3%	5%	49%	5%	9%
<b>Don't know / Not sure</b>	25%	21%	18%	24%	59%	56%