



# Does Inequality Matter?

HOW PEOPLE PERCEIVE ECONOMIC DISPARITIES AND SOCIAL MOBILITY



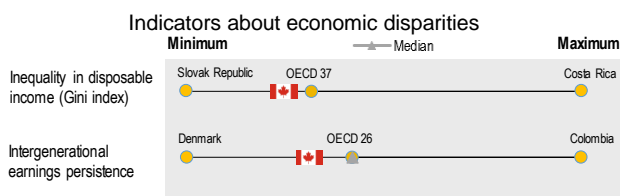
## How does CANADA compare?

Across the OECD, most people are concerned about inequality. However, such concern varies across countries. It is higher where people perceive wide economic disparities, low intergenerational mobility, and that working hard does not help to get ahead in life. Together with people's views of the effectiveness of policies, these perceptions and beliefs shape people's support for inequality-reducing reforms.

### How do people perceive inequality in Canada?

In Canada, income inequality – as measured by the Gini index for disposable income – is slightly lower than on OECD average (**Figure 1**). Inequality of opportunity is also relatively lower, as shown by the intergenerational earnings persistence, which is slightly below the OECD average.

**Figure 1. Inequality and earnings persistence are relatively low**



Note: Data refer to the latest available year.

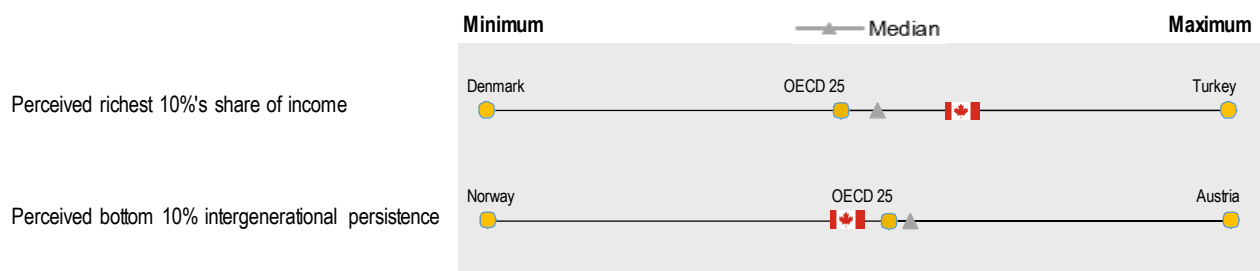
Source: OECD Income Distribution Database and OECD (2018);

Perceptions of economic disparities do not always mirror actual indicators. In Canada, people perceive relatively higher income inequality than what is recorded by conventional indicators (**Figure 2**):

- Perceptions of income disparities: Canadians perceive higher income inequality than on OECD average. According to the OECD Risks that Matter survey, on average they perceive that 56% of the national income goes to the richest 10% households, similarly to countries like Mexico and the United States, where inequality is considerably higher according to conventional indicators.
- Preferred income disparities: Higher perceptions of income inequality do not seem to be accompanied by a higher level of preferred inequality. The average Canadian user of the OECD Compare Your Income webtool reports that the share of income going to the top 10% richest should be around 30, in line with the OECD average of preferred income disparity.
- Perceptions of social mobility: Canada is characterised by a lower level of perceived intergenerational persistence than the OECD median country, in line with the picture described by conventional indicators.

**Figure 2. The perceived share of income that goes to the richest 10% households is relatively high**

Indicators and opinions about disparities, year 2020



Note: The OECD averages refer to countries available for each indicator.

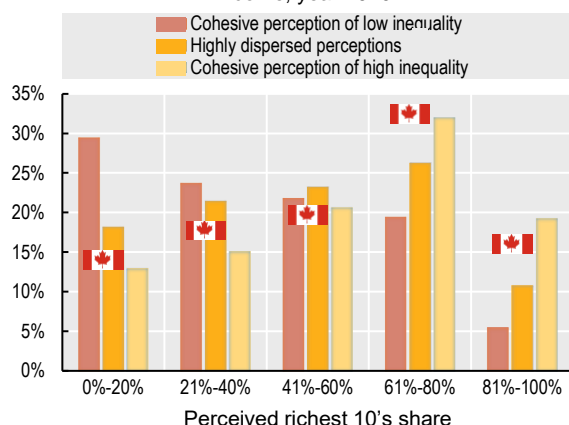
Source: Does Inequality Matter? Chapter 2.

## How divided is the public opinion?

People often disagree with each other as to the extent of economic disparities. In Canada the public opinion is, instead, relatively cohesive around the perceptions of relatively high levels of economic inequality:

**Figure 3. Perceptions are rather cohesive around a high level of income inequality**

Share of population by perceived richest 10%'s share of national income, year 2020



Note: The three bars refer to the average across three groups of countries that present similar distributions of perceptions: cohesive perceptions of low or of high inequality, and highly dispersed perceptions.

Source: *Does Inequality Matter?* Chapter 4.

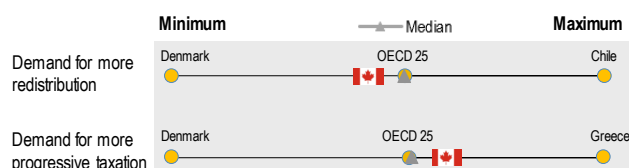
- Around 1 out of 2 Canadians perceives the richest 10%'s share of income to be above 60%, with 1 out of 3 perceiving it to be in the 61-80% interval (Figure 3).

- This cohesion around higher values of perceived inequality also translates into a stronger cohesion that the current level of disparities is larger than what it should be. 60% of Canadians believe that the current level of the richest 10%'s share of income is at least 20 percentage points more than it should be, as compared to 53% of the population on OECD average.

## How much support is there for inequality-reducing policies?

Coherently with the relatively lower level of inequality, people's demand for policy intervention aimed to reduce economic disparities is slightly lower than on average of OECD countries (Figure 4). That said, demand for more progressive taxation is slightly higher, with 71% agreeing that the government should tax the rich more than currently done to support the poor (68% on OECD average), consistently with the widespread belief that a large fraction of national income goes to the richest 10%'s households.

**Figure 4. Demand for more tax progressivity is slightly higher than on OECD average**



Note: Data refer to year 2020.

Source: *Does Inequality Matter?* Chapter 3.

## How can people's perceptions of and concern over inequality inform policy?

Getting citizens and governments on the same page when it comes to policies reducing inequality and promote social mobility requires understanding how people form their perceptions and opinion. This includes:

**Better understanding of public support for reform:** Inequality of both outcomes and opportunities matter to people, hence tackling both aspects helps gain support. Nonetheless, people may favour specific policy mixes, depending on their beliefs and preferences.

**Better understanding of the effectiveness of policies:** People favour policies that they believe to be effective. It is necessary to evaluate the impact of inequality-reducing policies transparently and facilitate people's understanding of their functioning.

**Better information on inequality and equality of opportunities:** Providing high-quality information about inequality can help providing common ground for public debate, addressing the division and polarization of public opinion.

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For more information, access the complete report at: <http://oe.cd/does-inequality-matter>