



Does Inequality Matter?

HOW PEOPLE PERCEIVE ECONOMIC DISPARITIES AND SOCIAL MOBILITY



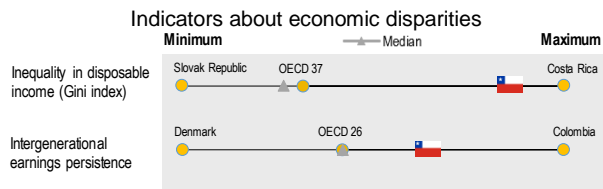
How does CHILE compare?

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 Chile?

Chile is characterised by a high level of income inequality, with the second largest value of the Gini index for disposable income among OECD countries (Figure 1). Disparities are strong even in terms of opportunity, as measured by relatively high level of earnings persistence.

Figure 1. Inequality and earnings persistence are high



Note: Data refer to the latest available year.
Source: OECD Income Distribution Database and OECD (2018)

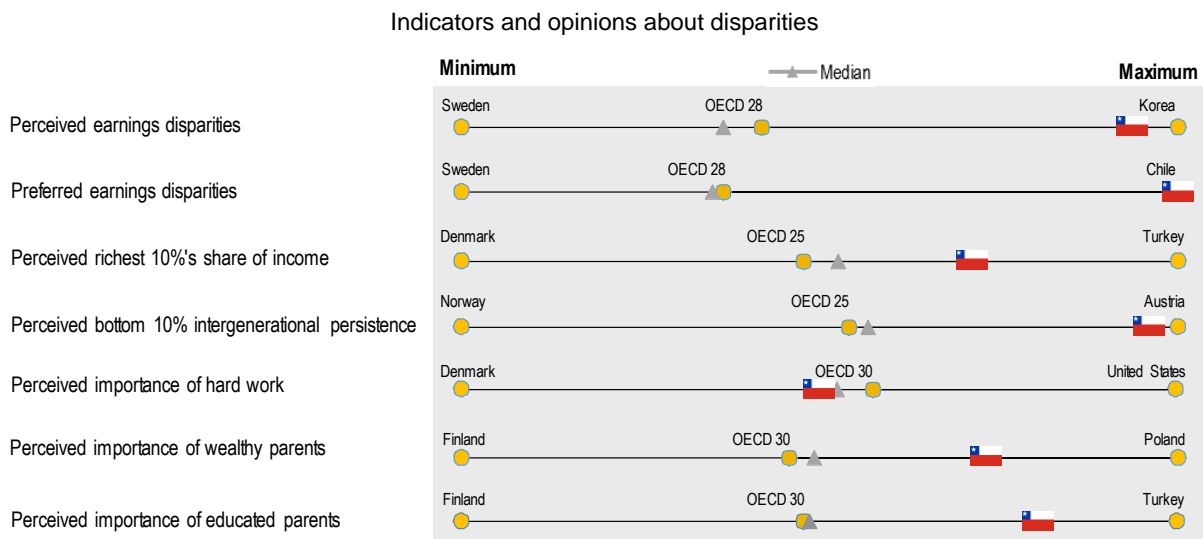
Perceptions of economic disparities do not always mirror actual indicators. This is not the case of Chile, where people perceive wide economic disparities and limited social mobility (Figure 2):

- **Perceptions of inequality:** The perceived level of inequality is in line with the high level of disparities. Both perceived earnings disparities

and perceived richest 10%'s share of income are among the highest in the OECD.

- **Preferences over the level of disparities:** Tolerance of earnings disparities is also wider, and this is partially influenced by the very high level of disparities. Nevertheless, the gap between perceived and preferred disparities is among the highest across the OECD: the median respondent thinks that top paid jobs *do* earn as much as 23 times low paid jobs, but *should* earn at most 9 times (9 and 4, respectively, in the OECD average).
- **Perceptions of equality of opportunity:** Chile is also characterised by a higher level of perceived inequality of opportunity. Although beliefs about the importance of hard work to get ahead in life are aligned with the OECD average, respondents report widespread perceptions that children from poor families will remain poor once adult (bottom 10% intergenerational persistence). They also believe more strongly than in other OECD countries that having wealthy and well-educated parents is very important or essential to get ahead in life.

Figure 2. Perceived economic disparities and equality of opportunity are outstandingly high



Note: The OECD averages refer countries available for each indicator. For perceived richest 10%'s share of income and intergenerational persistence to 2020; all the other data refer to 2009.
Source: *Does Inequality Matter?* Chapter 2.

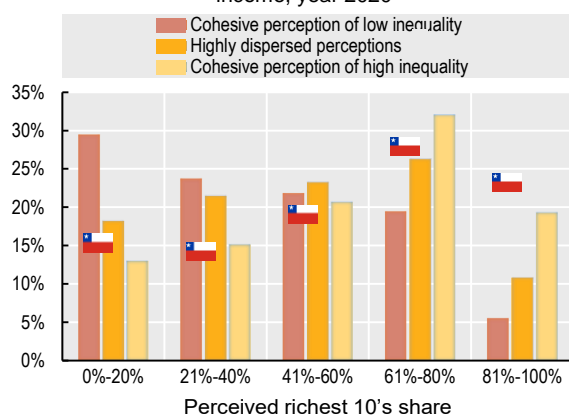
How divided is the public opinion?

People often disagree with each other as to the extent of economic disparities. In Chile there is a sizeable group that perceive high economic disparities, but this is opposed to a group who instead finds disparities to be relatively low:

- Around 1 out of 5 Chileans perceive the richest 10%'s share of income to be above 80%; at the other end, however, there are one out of six who believe this share to be below 20% (Figure 3).
- This contraposition between two groups with different opinions is also relevant when looking

Figure 3. A large group perceives high opposed to another that perceives low 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.

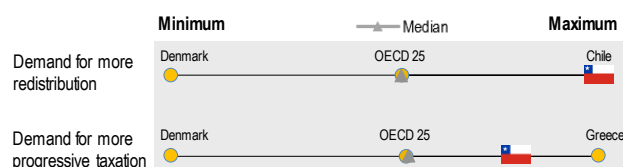
Source: *Does Inequality Matter?* Chapter 4.

at the gap between perceived and preferred top 10% shares. 1 out of 4 Chilean users of the OECD Compare Your Income tool believes that the current level of the richest 10%'s share of income is acceptable, or even lower than what they would prefer. This is opposed to another fourth of respondents who believe that the richest 10%'s share of income is 85% but should be 16%.

How much support is there for inequality-reducing policies?

Coherently with the level of inequality, people's demand for policy intervention aimed to reduce economic disparities is the highest among the OECD countries (Figure 4). Demand for more redistribution is pushed by perceived low social mobility and by the limited extent of current redistribution, as captured by the reduction in the Gini index after tax and transfers (5%, compared to 25% on OECD average). Demand for more progressive taxation is high, consistently with the widespread belief that a large fraction of national income goes to the richest 10%'s households and that there are low chances for poor citizens to make it up to the top.

Figure 4. Demand for more tax progressivity is stronger than in the 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>