



# Does Inequality Matter?

HOW PEOPLE PERCEIVE ECONOMIC DISPARITIES AND SOCIAL MOBILITY



## How does DENMARK compare?

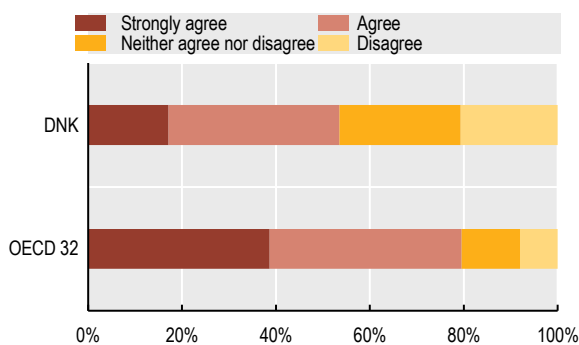
Across the OECD, most people are concerned about inequality. However, such concern varies across countries. It is higher where people perceive wide economic disparities, low intergenerational mobility, and that working hard does not help to get ahead in life. Together with people's views of the effectiveness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

### Are people concerned over income disparities?

Concern over income inequality in Denmark is one of the lowest in the OECD countries. Less than 54% of population agree that income disparities are too large in their country (Figure 1), while the OECD average is almost 80%. The respondents that strongly agree are just 17%, which is the lowest value across OECD countries.

**Figure 1. Concern over income disparities is low**

Share of population by agreement with the statement that income differences are too large, year 2017



Source: Does Inequality Matter? Chapter 2.

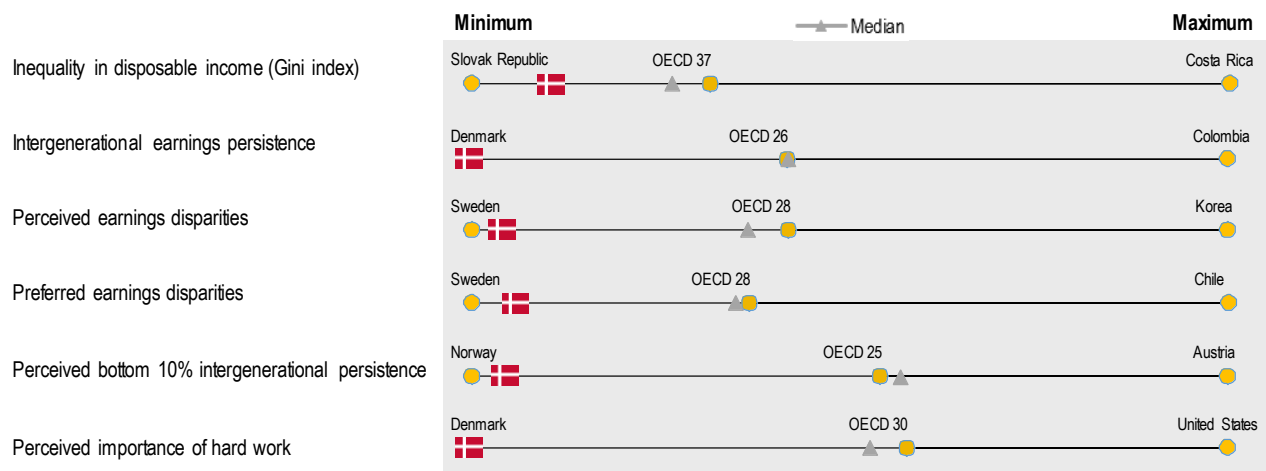
### What drives concern?

The level of concern is in line with the low level of inequality as measured by the Gini index for disposable income (Figure 2). However, low concern is also driven by specific country factors:

- **Perception of inequality:** Perceived economic disparities are low both in terms of earnings and the share of national income accruing to the richest 10%, in line with the picture described by conventional estimates.
- **Preferences over the level of disparities:** Danish citizens not only perceive low earnings disparities, but also prefer low disparities compared to the average OECD country.
- **Perception of equality of opportunity:** Denmark has the highest level of intergenerational earnings mobility. This is reflected in people's perceptions of a comparatively low level of intergenerational persistence at the bottom of the income distribution. Similarly, Danish people do not hold a strong belief that having wealthy and educated parents is very important to get ahead in life, although they also do not seem to attach a particularly strong importance to hard work either.

**Figure 2. Confidence in equality of opportunity is strong**

Indicators and opinions about disparities



Note: The OECD averages refer countries available for each indicator. Conventional statistical indicators refer to the latest available year; for perceived intergenerational persistence to 2020; all the other data refer to 2009.

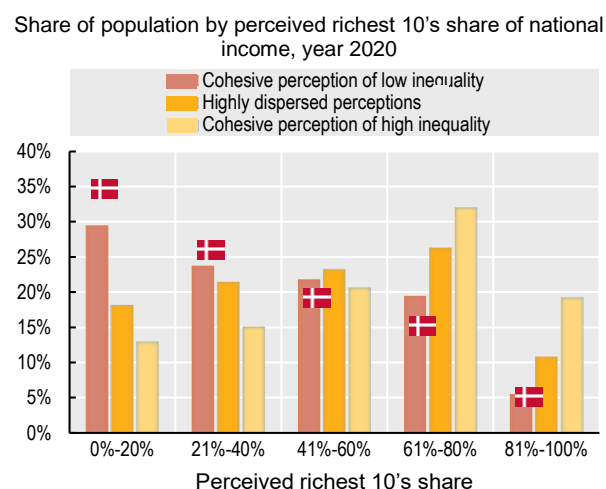
Source: OECD Income Distribution Database and OECD (2018); Does Inequality Matter? Chapter 2.

### How divided is the public opinion?

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

- Perception over the richest 10%'s share of income is highly cohesive in Denmark, since 61% of respondents perceive the richest 10%'s share of income to be below 40%. (Figure 3). This is the highest level of cohesion within the group of countries where the public opinion is cohesive around low levels of perceived inequality.

**Figure 3. A highly cohesive group perceive low economic disparities**



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

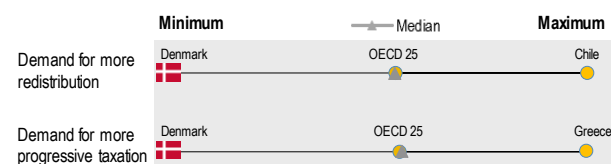
Source: *Does Inequality Matter?* Chapter 4.

- Danish respondents' opinions are also less dispersed with regards to earnings disparities: less than 23% have extreme views regarding bottom earnings being far too low or top earnings being far too high, while they are on average 50% in the other OECD countries.
- Nevertheless, there is still disagreement on whether it is top earnings that are too high or bottom ones that are too low. More than 29% of the respondents is concerned that top earnings are too high but thinks that bottom earnings are fair or could even be lower, while the OECD average is less than 15%. On the opposite spectrum, almost 16% think that the issue pertains mostly to bottom earnings being too low (24% in the OECD average).

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

The already lower level of market inequality and the relatively stronger extent of current redistribution are reflected in people's preferences for policy intervention. The demand for further redistribution or progressive taxation is indeed the lowest across OECD countries (Figure 4).

**Figure 4. Demand for more redistribution and more tax progressivity is the lowest among the OECD countries**



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>