



# Does Inequality Matter?

HOW PEOPLE PERCEIVE ECONOMIC DISPARITIES AND SOCIAL MOBILITY



## How does FINLAND compare?

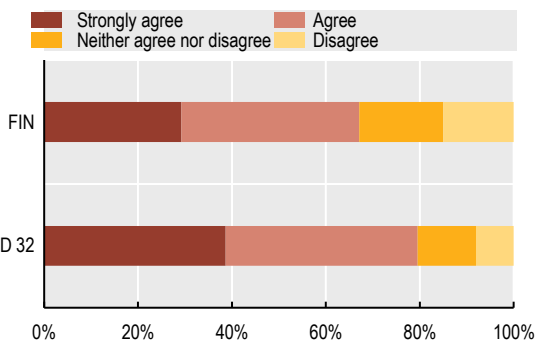
Across the OECD, most people are concerned about inequality. However, such concern varies across countries. It is higher where people perceive wide economic disparities, low intergenerational mobility, and that working hard does not help to get ahead in life. Together with people's views of the effectiveness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

### Are people concerned over income disparities?

Concern over income inequality is quite low in Finland compared to the OECD average. 67% of population agree that income disparities are too large (Figure 1), while the OECD average is almost 80%. The respondents that strongly agree are less than 30%, which is one of the lowest values across the 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?

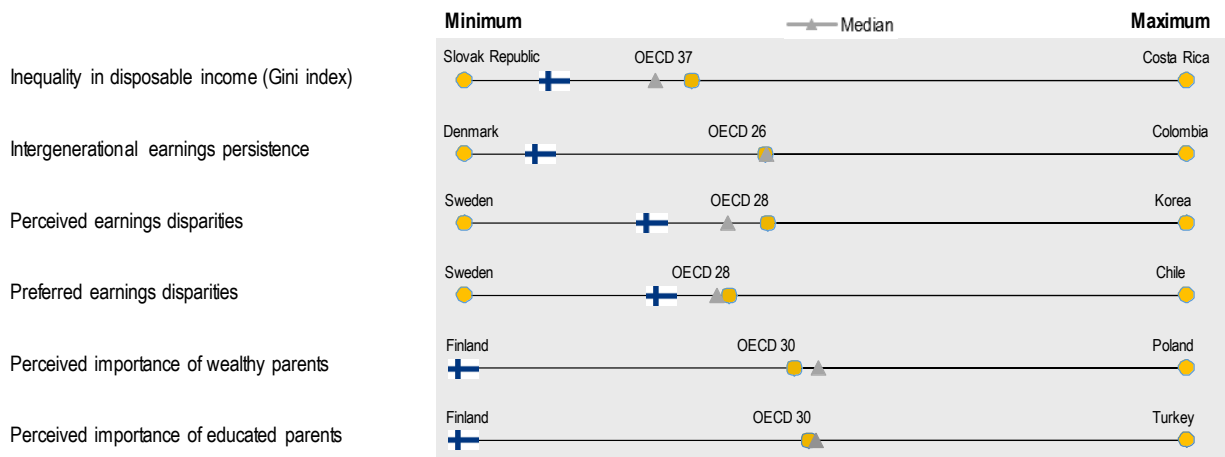
The level of concern is in line with the relatively low level of inequality as measured by the Gini index

for disposable income (Figure 2). However, low concern is also driven by specific country factors:

- Perception of inequality:** Perceived economic disparities are low in terms of earnings disparities. However, according to data from the OECD Risks that Matter survey, in 2020 the average Finnish citizen's perception of the share of income going to the richest 10% of households (50%) is aligned with the OECD average (51%).
- Preferences over the level of disparities:** Concerns might be low also when citizens are more willing to accept disparities. However, the level of preferred earnings disparities in Finland is relatively low compared to the other OECD countries.
- Perception of equality of opportunity:** People are less concerned by disparities when they believe that there are equal opportunities to get ahead in life. The relatively high level of intergenerational earnings mobility is reflected in the fact that Finnish people hold the weakest belief that having wealthy and educated parents is important to get ahead in life. However, perceptions of chances to escape poverty are only slightly lower than the OECD average: Finnish citizens' believe that 44 out of 100 poor children will make it out of poverty once adult, as compared to 47 in the OECD average.

**Figure 2. Confidence in equality of opportunity is higher than on OECD average**

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 income disparities and intergenerational persistence to 2020; all the other data refer to 2009.

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

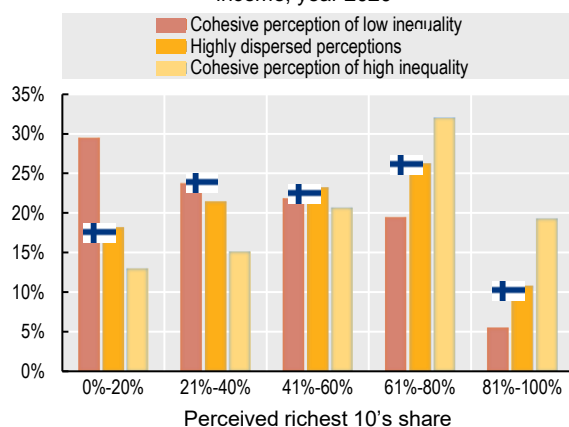
## How divided is the public opinion?

People often disagree with each other as to the extent of economic disparities:

- In Finland, perceptions of top income inequality are quite dispersed over a large range of values (Figure 3), from very low to high inequality, indicating a substantial divide in public opinion.

**Figure 3. Perceptions about economic inequality are dispersed**

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 a similar distribution of perceptions: cohesive perceptions of low or of high inequality, and highly dispersed perceptions.

Source: *Does Inequality Matter?* Chapter 4.

- Finnish respondents' opinions are more cohesive with regards to earnings disparities. In particular, compared to the average OECD country, there is a larger share of the population

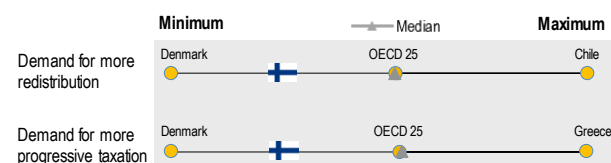
who thinks that top earnings are too high (74% as compared to an OECD average of 67%).

- Nevertheless, there are still disagreements on what is driving the overall earnings disparities. More than 35% of the respondents is concerned that top earnings are too high but thinks that bottom earnings are fair or could even be lower. On the opposite spectrum, there is a smaller but still sizeable group (13%) who think that the issue pertains mostly to bottom earnings being too low, while top earnings are fair.

## 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, which do not highlight a strong demand for further redistribution or progressive taxation (Figure 4). The demand for more redistribution and progressive taxation is however higher than in other Nordic countries with comparable levels of inequality (e.g. Denmark).

**Figure 4. Demand for more redistribution is weaker 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 taking 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.

## Contacts

Emanuele Ciani, +33 1 45 24 17 77, [Emanuele.CIANI@oecd.org](mailto:Emanuele.CIANI@oecd.org)

Michael Förster, +33 1 45 24 92 80, [Michael.FORSTER@oecd.org](mailto:Michael.FORSTER@oecd.org)

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