



Does Inequality Matter?

HOW PEOPLE PERCEIVE ECONOMIC DISPARITIES AND SOCIAL MOBILITY



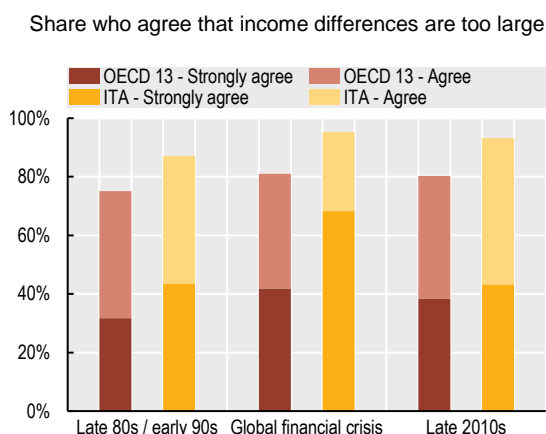
How does ITALY compare?

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 high in Italy compared to the OECD average. In 2019, 93% of population agree that income disparities are too large (Figure 1) – the OECD average is 80% - and as many as 43% strongly agree. The fraction that strongly agree had reached a peak during the global financial crisis – when it was almost 70% – to then getting back to the relatively high levels observed in the late 1980s. Compared to the dynamic in the average OECD country, concern reached a significantly higher peak during the Great Recession.

Figure 1. Concern over income disparities is high and increasing



Source: *Does Inequality Matter?* Chapter 2.

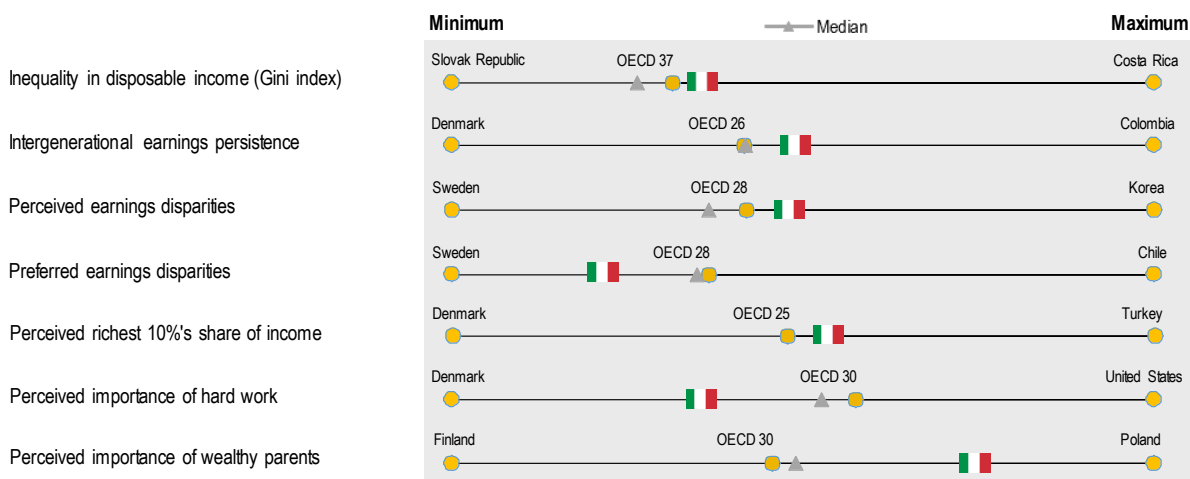
What drives concern?

The level of concern over income disparities is in line with the fact that conventional indicators of income inequality – such as the Gini index for disposable income – are above the OECD average (Figure 2). However, specific country factors heighten concerns in Italy:

- **Perceptions of inequality:** Despite the relatively high level of inequality, Italy does actually not stand out in terms of perceived disparities. Both the perceived top-bottom earnings disparities and the perceived richest 10%'s share of income are higher than average, but not by a substantial amount.
- **Preferences over the level of disparities:** What stands out is the lower tolerance of disparities, as captured by the preferred top-bottom earnings disparities. Italian citizens tolerate only about half the level of disparities with respect to the OECD average.
- **Perceptions of equality of opportunity:** The lower tolerance of disparities is likely shaped by limited confidence in equality of opportunity. Despite a relatively low perceived level of intergenerational persistence at the bottom of the income distribution (according to the OECD Risks that Matter 2020 survey), Italians seem concerned by sticky ceilings. Compared to other countries, they believe more strongly that having wealthy parents is important to get ahead in life – more than having educated parents – while

Figure 2. Confidence in equality of opportunity is low

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 richest 10%'s share of income to 2020; all the other data refer to 2009.

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

hard work is not. The limited confidence in equality of opportunity is in line with the picture described by statistical measures, such as the intergenerational earnings elasticity

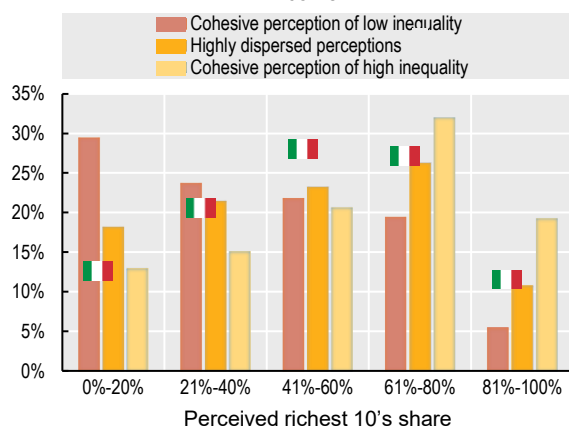
How divided is the public opinion?

People often disagree with each other as to the extent of economic disparities. The level of disagreement, however, is relatively lower in Italy:

- Compared with the averages of OECD clusters of countries, in Italy there is actually a more cohesive group perceiving the richest 10%'s share of income to be moderately high (Figure 3).
- People also seem to be more in agreement with each other that bottom earnings are too low and top earnings are too high: almost 78% of Italians share this opinion, contrary to 52% on OECD average.

Figure 3. Public opinion is rather cohesive around perceptions of high inequality

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



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.

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.

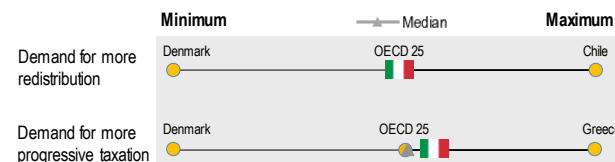
Better information on inequality and equality of opportunities: Providing high-quality information about inequality can help providing common ground for public debate, addressing the division and polarization of public opinion.

- People's disagreement as to whether it is top earnings that are too high or bottom earnings that are too low is also relatively weaker. Only 8% of the respondents are concerned that top earnings are too high but thinks that bottom earnings are fair or could even be lower, while the OECD average is almost double. On the opposite spectrum, just 11% think the issue mostly pertains to bottom earnings being too low, contrary to more than double in the OECD average.

How much support is there for inequality-reducing policies?

Despite of the higher level of concern, demand for more government redistributive intervention through taxes and benefits is in line with the OECD average (Figure 4). Demand for more progressive taxation – through higher taxes on the rich – is somewhat stronger. This is in line with the fact that Italians are concerned by sticky ceilings and believe that success is due to circumstances beyond individual control, such as parental wealth. The stronger demand for progressive taxation might also be due to a stronger middle-class bias: according to data from users of the OECD Compare Your Income webtool, less high-income people than in other countries are aware of being in the top of the distribution.

Figure 4. Demand for more redistribution is in line with the OECD average



Note: Data refer to year 2020

Source: *Does Inequality Matter?* Chapter 3

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