



Does Inequality Matter?

HOW PEOPLE PERCEIVE ECONOMIC DISPARITIES AND SOCIAL MOBILITY



How does JAPAN compare?

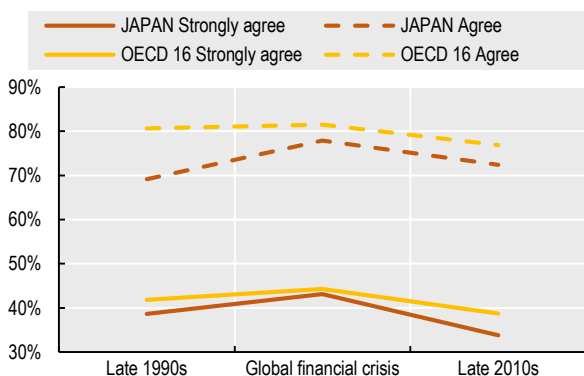
Across the OECD, most people are concerned about inequality. However, such concern varies across countries. It is higher where people perceive wide economic disparities, low intergenerational mobility, and that working hard does not help to get ahead in life. Together with people's views of the effectiveness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

Are people concerned over income disparities?

In Japan, concern over income inequality is slightly lower than on OECD average. In 2017, 72% of people agreed that income disparities are too large (Figure 1) – the OECD average was 78% – and around 34% strongly agreed. The share that agree had reached a peak during the global financial crisis and then decreased in the following decade, remaining though higher than in the late 1990s. The increase and then decrease during the last two decades have been more pronounced than in the average OECD country. The latest available data for year 2019 show a slightly higher level of concern (74% agree, with 37% strongly agree).

Figure 1. Concern over income disparities is high and increasing

Share who agree that income differences are too large



Source: *Does Inequality Matter?* Chapter 2.

What drives concern?

Although income inequality is higher in Japan compared to the average OECD country, as recorded by a Gini index for disposable income of 0.334 (0.318 for OECD), concern over income disparities is actually slightly lower (Figure 2).

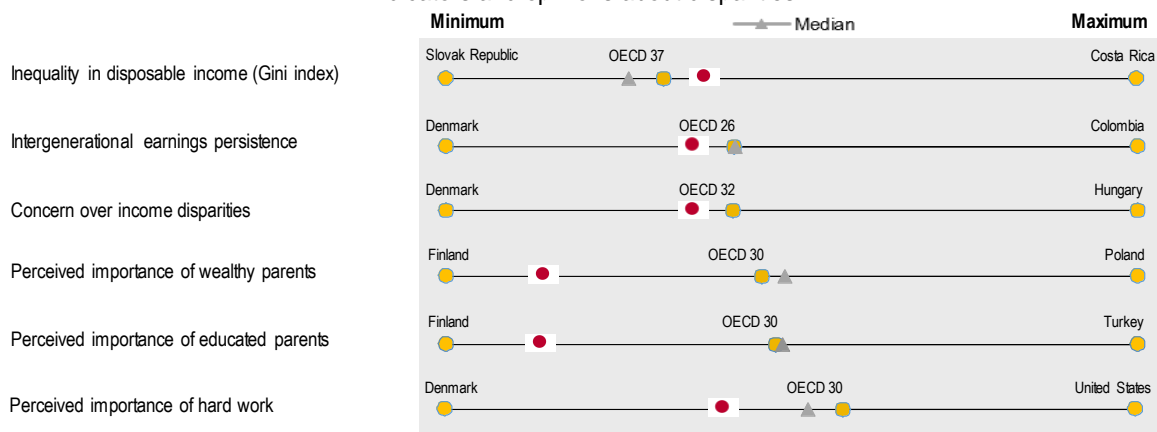
One key factor that likely lowers concern in Japan are stronger perceptions of equality of opportunity: where people perceive that hard work matters more than circumstances beyond people's control (such as parental background) to succeed in life, they are also more tolerant of inequality.

Indeed, across OECD countries, Japanese citizens attribute one of the lowest level of importance to have wealthy or well-educated parents to get ahead in life. On the opposite, the share of Japanese citizens who believe that hard work is very important or essential to get ahead is closer to the OECD average. As a comparison, conventional indicators also suggest higher than average mobility (i.e. lower earnings intergenerational persistence), though not as much as perceptions.

There are signs, however, that this confidence has been eroding in the last decade: while the importance attributed to hard work has been decreasing, the one attributed to parental characteristics has slightly increased (Figure 3). A similar trend is observed in other OECD countries for which data are available between 2009 and 2019.

Figure 2. Concerns over income disparities are slightly lower

Indicators and opinions about disparities

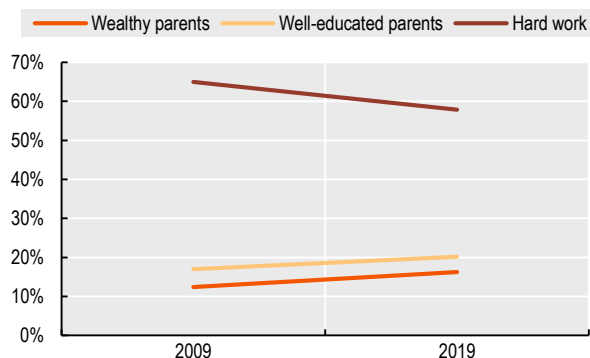


Note: The OECD averages refer to countries available for each indicator. Concern over income disparities is the share that strongly agree (the comparison is similar for those who agree or strongly agree) and refers to 2017, where data are available for more countries (value for Japan is similar to that in 2019). Inequality indicators refer to the latest available year; for perceived importance of hard work and wealthy parents to 2009.

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

Figure 3. Confidence in equality of opportunity has been decreasing in the last decade

Share who think that each factor is very important or essential to get ahead in life, Japan



Source: OECD calculations on ISSP 2009, 2019.

How much support there is for inequality reducing policies?

Compared to most other OECD countries, there is a lower share of Japanese citizens who think that it is the responsibility of the government to reduce differences in income between rich and poor people (56% as opposed to 66% in the OECD average, with a minimum of slightly more than 50% in New Zealand and Denmark and a maximum around 85% in Italy and Slovenia; **Figure 4**). This is not only explained by the lower level of concern with income differences, but also by a lower share, among those who are concerned, that believe it is the responsibility of the government to reduce the differences (in 2019 it was 66% in Japan vs 80% on the OECD average; the value was even lower in 2017: 59%).

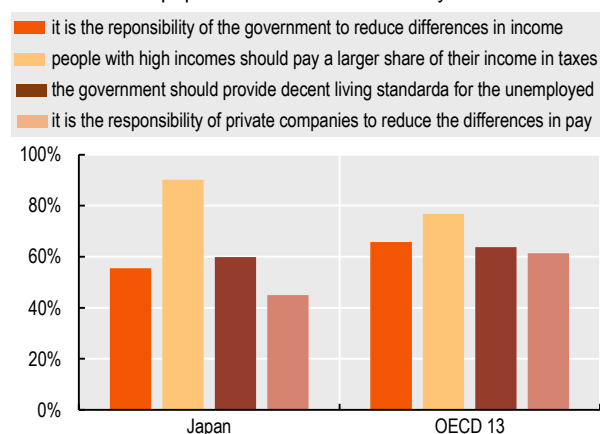
This difference is not driven by a stronger preference for private companies, rather than the government, to shrink differences in pay among their employees. The share of Japanese citizens thinking that it is the responsibility of private

companies to do so is lower than average among the 13 OECD countries covered by the latest ISSP survey.

Behind a lower level of support for a general government intervention to reduce income difference, however, lies a more heterogeneous level of support for different concrete policies. While the support for government-sponsored assistance to the unemployed is close to the OECD average, there is an ample consensus that individuals with high incomes should pay a more than proportional share of taxes. Such support for progressive taxation has remained stable over the last two decades, with a share of agreement remaining around 90%, while it is below 80% on OECD average.

Figure 4. Demand for progressive taxation is stronger than on OECD average

Share of population who think that... - year 2019



Note OECD 13 refers to countries available in ISSP 2019 (Australia, Switzerland, Chile, Czech Republic, Germany, Denmark, Finland, United Kingdom, Italy, Norway, New Zealand, Slovenia). The comparison with OECD average was similar in 2009 (for which data are available for 30+ countries).

Source: OECD calculations on ISSP 2019.

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.

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