



Does Inequality Matter?

HOW PEOPLE PERCEIVE ECONOMIC DISPARITIES AND SOCIAL MOBILITY



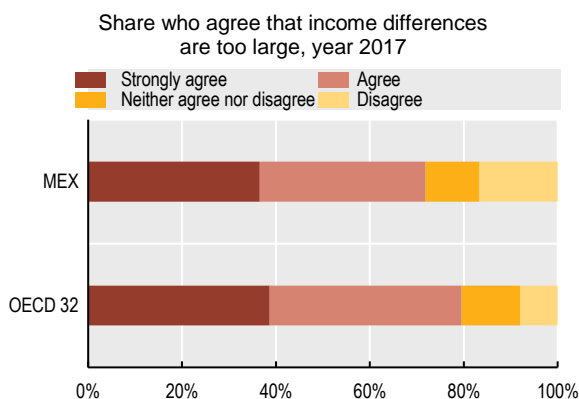
How does MEXICO compare?

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 Mexico, the average level of concern over income inequality is lower than on OECD average. Roughly 72% of population agree that income disparities are too large (Figure 1), compared to the OECD average of 80%. However, the public opinion is rather divided. While the fraction that strongly agree that income differences are too large is aligned with the OECD average (37% versus 39%), Mexico has one of the highest shares of people that disagree that income disparities are too large (17%).

Figure 1. Concern over income disparities is comparatively low, but two groups with opposite views emerge



Source: *Does Inequality Matter?* Chapter 2.

What drives concern?

Across the OECD, Mexico ranks among the top 4 countries in terms of conventional indicators of income inequality (Figure 2), both in terms of the Gini index for disposable income (0.42 versus 0.32 on OECD average) and in terms of the share of income going to the richest 10%'s households (32% vs 25%). Although Mexicans perceive high level of inequality and low social mobility, their perceptions are still lower than in countries with similarly high levels of inequality, and this may explain the comparatively low levels of concern:

- Perceptions of inequality: Mexicans, on average, perceive that 55% of the national income goes to the richest 10% households. This is higher than the OECD average (52%), but lower than in countries such as Turkey (with an average perception of 67%) or Greece (63%).
- Perceptions of equality of opportunity: Mexicans are relatively less confident in equality of opportunity. The average Mexican perceives that 60 out of 100 poor children will remain poor once adult, as compared to 55 in the OECD average.

Figure 2. Confidence in equality of opportunity is low

Indicators and opinions about disparities



Note: The OECD averages refer countries available for each indicator. Inequality indicators refer to the latest available year; for perceived income disparities and intergenerational persistence to 2020.

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

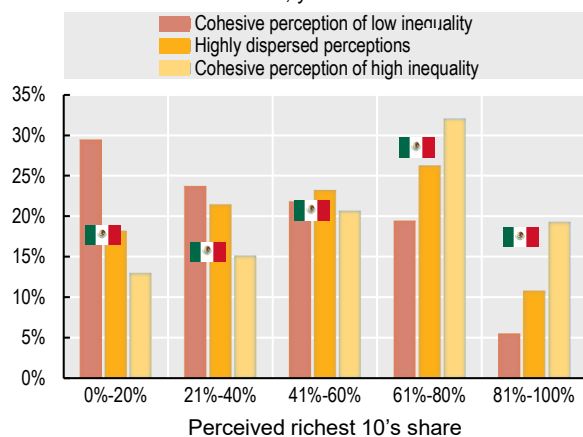
How divided is the public opinion?

People often disagree with each other as to the extent of economic disparities. Perceptions about earning disparities appear to be polarised in Mexico, reflecting the large division observed for concern with income disparities:

- Compared with the averages of OECD clusters of countries with similar distribution of perceptions, there is a large share of respondents – almost 1 out of 5 – who believe that the fraction of national income going to the 10% richest households is above 80% (Figure 3).

Figure 3. A large group perceives wide economic disparities, but many believe the opposite

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.

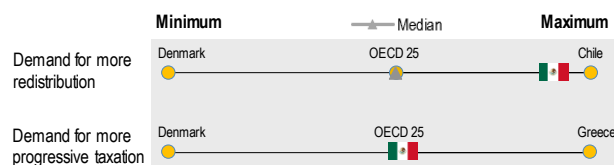
- However, this group is opposed to another large group – also around 1/5 of respondents – who perceive much lower values (below 20%) of the richest 10%'s share of income.

How much support there is for inequality-reducing policies?

Notwithstanding the polarised public opinion, as captured by both divided perceptions and concerns, on average people's demand for policy intervention to reduce economic disparities is one of the highest among the OECD countries (Figure 4): 86% think the government should do more to reduce income difference by collecting taxes and providing social benefits (the OECD average is 66%). Such demand is driven chiefly by those who perceive very high levels of income inequality and limited social mobility.

Demand for more progressive taxation is more aligned with the OECD average: 68% believe that the government should tax the rich more than they currently do in order to support the poor. The relatively lower demand for progressive taxation suggests that the high support for inequality-reducing policies is more focused towards raising bottom incomes. This can be explained by the low confidence in the chances for poor children to escape poverty once adult.

Figure 4. Demand for more redistribution is one of the highest among the OECD countries



Source: *Does Inequality Matter?* Chapter 3. Data for year 2020.

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.

Contacts

Emanuele Ciani, +33 1 45 24 17 77, Emanuele.CIANI@oecd.org

Michael Förster, +33 1 45 24 92 80, Michael.FORSTER@oecd.org

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