



# Does Inequality Matter?

HOW PEOPLE PERCEIVE ECONOMIC DISPARITIES AND SOCIAL MOBILITY



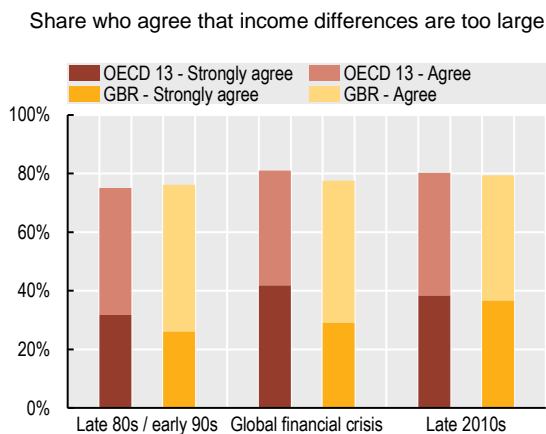
## How does the United Kingdom compare?

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 the United Kingdom is lower than on the OECD average. At the latest date, 76% of the population agree that income disparities are too large in the UK and 34% strongly agree, as compared to 80% and 39%, respectively, on OECD average. The fraction that strongly agrees has been increasing in the last decades, up to 37% in 2019 from 26% in 1987, filling up the gap with the OECD average.

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



Source: *Does Inequality Matter?* Chapter 2.

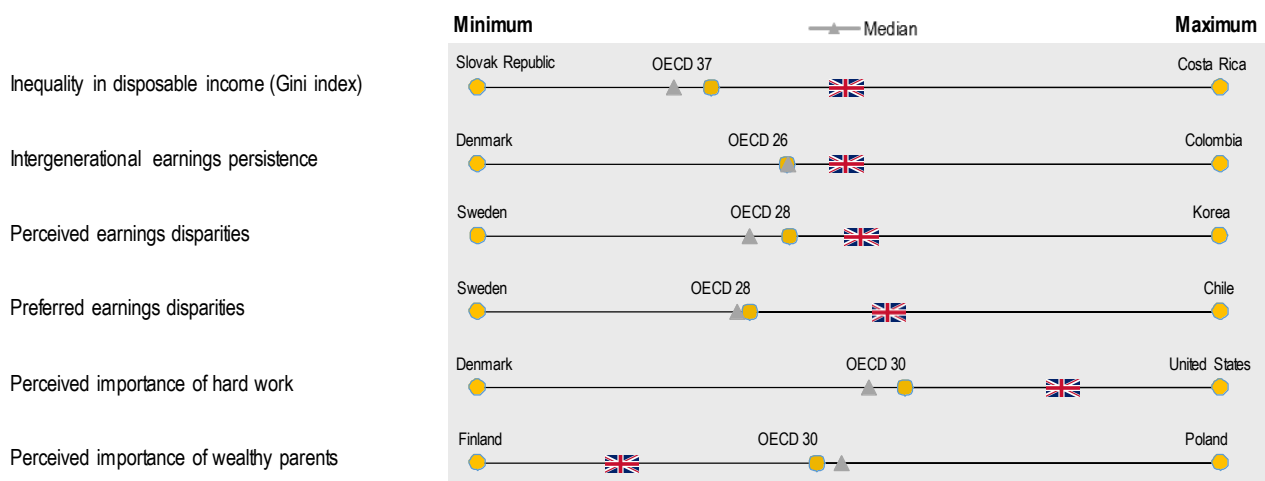
### What drives concern?

The level of concern over income disparities is comparatively low, considering that conventional indicators of income inequality – such as the Gini index for disposable income – are above the OECD average (Figure 2). Indeed, specific country factors impact on the level of concerns in the UK:

- **Perceptions of inequality:** Lower concern does not seem due to low levels of perceived inequality: perceived earnings disparities are actually higher than on the OECD average.
- **Preferences over the level of disparities:** The low level of concern is rather due to higher tolerance of inequality, as highlighted by a comparatively high level of preferred earnings disparities.
- **Perceptions of equality of opportunity:** Where people have more confidence that there are equal opportunity to get ahead in life, they are also more likely to tolerate high disparities. Indeed, UK citizens display a higher confidence in the importance of hard work to get ahead in life, and more generally in equality of opportunity: compared to the OECD average, they do not

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

Indicators and opinions about disparities



Note: The OECD averages refer countries available for each indicator. Conventional statistical indicators refer to the latest available year; all the other data refer to 2009, for which comparable data are available for a wide set of countries.

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

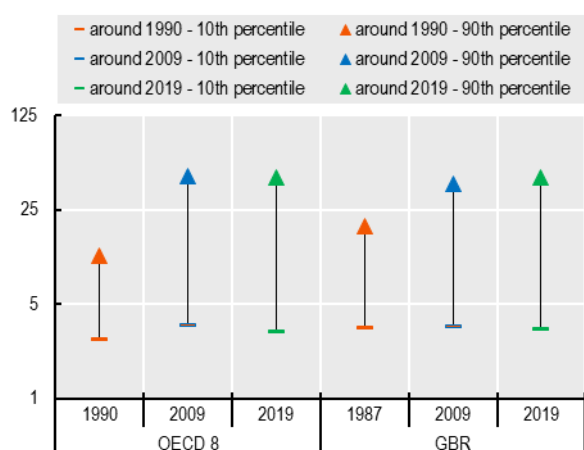
hold a strong belief that having wealthy or educated parents is very important to get ahead in life.

### How divided is the public opinion?

People often disagree with each other as to the extent of economic disparities. Such disagreement, however, in the UK is in line with the OECD average:

**Figure 3. Perceptions about earnings disparities became more dispersed in the last decades**

90th and 10th percentile of the perceived top-bottom earnings ratio (logarithmic scale)



Note: The lines represent the extent of the differences between the perceptions of the bottom 10% of respondents and the top 10%.

Source: *Does Inequality Matter?* Chapter 4.

- In 2019, 10% of Britons believed that the earnings of high paid jobs (doctors and chairmen of large national corporations) were 3 times, or less, those of low paid jobs (unskilled workers in a factory). By contrast, 10% believed

that paid jobs gained 43 or more times low paid job (Figure 3). Such large level of disagreement is aligned with the OECD average.

- The distance between the group perceiving wide disparities and the one perceiving narrow disparities grew in the last 3 decades. The growing distance is due to the sharp increase in the perceptions of the first group (from 19 times in 1987 to 43 in 2019), while the perceptions of the other group remain on the same levels (around 3). The increased disagreement is in line with what is observed in other OECD countries for which data are available.

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

Despite the high level of market income inequality and relatively lower level of current redistribution, people's demand for policy intervention aimed to reduce economic disparities is lower than in most other OECD countries, as captured by the share of people who believe it is responsibility of the government to reduce income differences (Figure 4). This is driven by the lower levels of concern and by the higher confidence in equality of opportunity.

**Figure 4. Demand for redistribution is lower than on OECD average**



Note: Data are for year 2017

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>