



# Does Inequality Matter?

HOW PEOPLE PERCEIVE ECONOMIC DISPARITIES AND SOCIAL MOBILITY



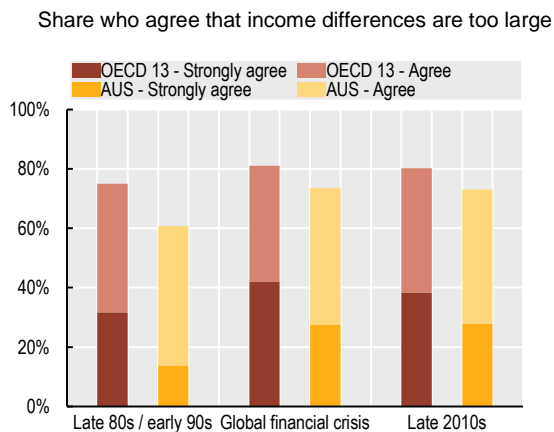
## How does AUSTRALIA compare?

Across the OECD, most people are concerned about inequality. Concern varies across countries, and is higher where people perceive wide economic disparities, low intergenerational mobility, and that working hard does not suffice to get ahead in life. The more people are concerned about inequality and perceive low social mobility, the higher their demand is for redistribution. However, there may be insufficient support for inequality-reducing policies if people do not agree on policy options or have doubts about the effectiveness of such policies.

### Is inequality a concern in Australia?

Australia's level of income inequality is on par with the OECD average, but Australians have been consistently less concerned about inequality than the OECD average over the past few decades (Figures 1 and 2, Gini index). Even still, concerns in Australia have risen since the Global Financial Crisis, which has narrowed the gap with other OECD countries. At present, 70% of Australians believe income disparities are too large compared to 80% on OECD average.

**Figure 1. Concern about income inequality is low, but rising in Australia**



Source: OECD (2021), [Does Inequality Matter?](#), Chapter 2.

### What factors affect the level of concern?

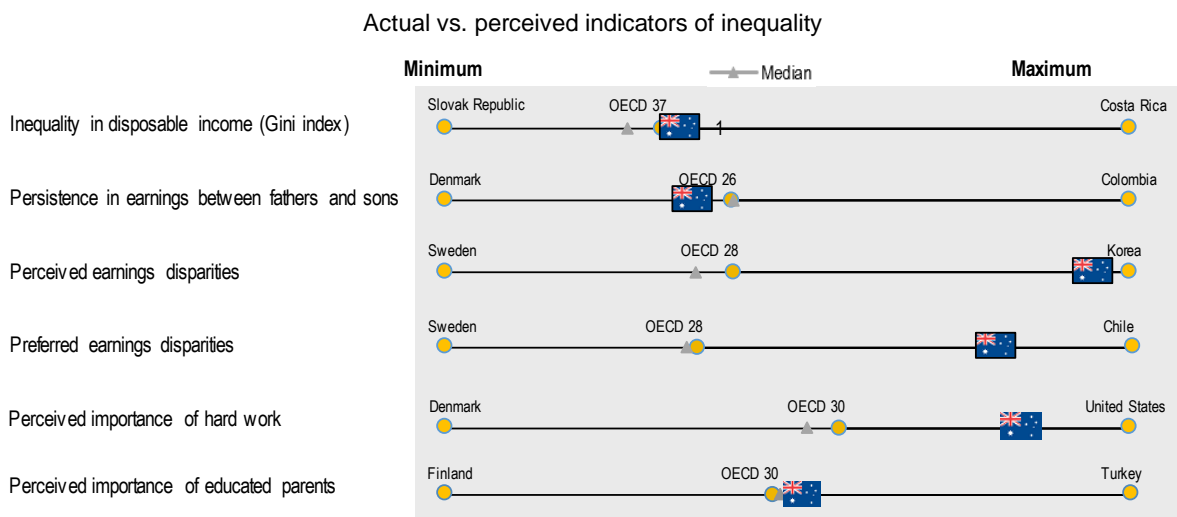
While Australians are not as concerned about inequality as their OECD counterparts, they believe there are high levels of income inequality. Indeed, in Australia perceived earnings disparities are much larger than in other OECD countries (Figure 2).

The gap between Australians' perceptions and concerns can be explained by their preference for high earnings disparities. Australians prefer a much higher level of earnings inequality than other OECD countries.

One reason why Australians prefer higher earnings disparities than other OECD countries may be their beliefs about the importance of hard work. Among OECD countries, Australia has one of the highest confidences in working hard to get ahead in life. Indeed, people tend to be more accepting of earning disparities when they are perceived to be caused by differences in effort rather than circumstances beyond an individual's control.

However, Australians do not believe they have achieved equality of opportunity, as they still believe that circumstances beyond a person's control (such as parental education and wealth) are important for success in life.

**Figure 2. Perceptions are not always in line with actual levels of inequality in Australia**



Note: The OECD averages refer to countries available for each indicator. Conventional statistical indicators refer to the latest available year; all other data refer to 2009.

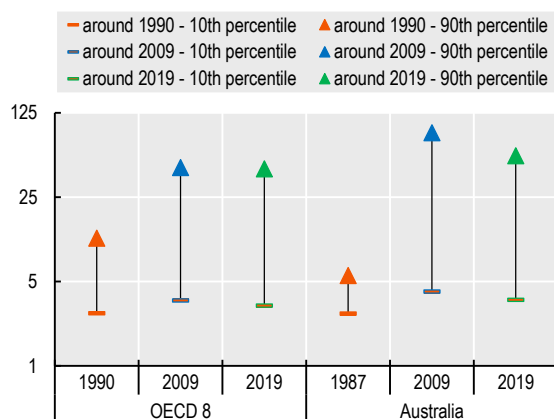
Source: OECD Income Distribution Database; OECD (2018), [A Broken Social Elevator?](#); OECD (2021), [Does Inequality Matter?](#), Chapter 2.

### Are views on inequality divided in Australia?

Views on the level of income inequality have become more polarised over time in Australia. In 1987, most Australians (90%) believed that doctors and leaders of large national corporations earned three to six times more than people in low paid jobs (such as factory workers). However, over the next three decades, perceptions changed dramatically. While 10% of people continued to believe doctors and corporate leaders earned around three times more than low paid workers, another 10% of Australians believed highly paid workers earned 55 times more than low paid workers (Figure 3).

**Figure 3. Perceptions have become more dispersed over 30 years**

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



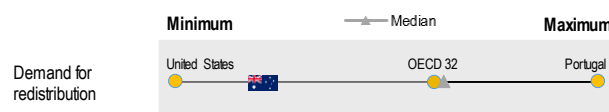
Note: The lines represent the differences between the perceptions of the bottom 10% of respondents and the top 10%.  
Source: OECD (2021), *Does Inequality Matter?*, Chapter 4.

### How much support is in Australia for inequality-reducing policies?

In keeping with their low level of concern about inequality, Australians have a lower-than-average demand for redistribution (Figure 4). The share of Australians who agree it is the responsibility of the government to reduce income differences is lower than in most other OECD countries.

Nevertheless, a growing share of Australians believe the government is responsible for reducing income disparities. In 1987, 44% of Australian agreed that the government was responsible (with 9% strongly agreeing). By 2019, the share that agreed had grown to 57% (with 23% strongly agreeing). These changes in views on the role of government reflect the broader trends in the perceptions and concerns about economic inequality.

**Figure 4. Demand for additional redistribution is relatively low**



Note: Data are for year 2017.

Source: OECD (2021), *Does Inequality Matter?*, Chapter 3.

### How can people's perceptions of, and concerns about, inequality inform policy?

Understanding how people form their perceptions and opinions is important for getting citizens and governments on the same page about policies that reduce inequality and promote social mobility. This includes:

**Better understanding of public support for reform:** Inequality of outcomes and opportunities matter to people, and hence policies should address both aspects. 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 are effective. It is necessary to evaluate the impact of inequality-reducing policies transparently and facilitate people's understanding of how they function.

**Better information on inequality and equality of opportunities:** Providing reliable information about inequality can help provide a common ground for public debate and address division and polarisation of public opinion.

### Contacts

Any questions? Contact us at: [wellbeing@oecd.org](mailto:wellbeing@oecd.org)

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