



Does Inequality Matter?

HOW PEOPLE PERCEIVE ECONOMIC DISPARITIES AND SOCIAL MOBILITY



How does GERMANY compare?

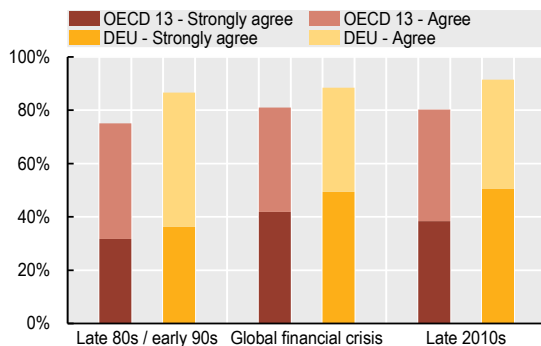
Across the OECD, most people are concerned about inequality. Concern varies across countries, and is higher where people perceive wide economic disparities, low intergenerational mobility, and that working hard does not suffice to get ahead in life. The more people are concerned about inequality and 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 Germany?

In the last decades, Germans have become increasingly concerned about inequality. In 2020, during the first phase of the COVID-19 pandemic, more than half of people in Germany strongly agreed that income disparities were too large – up from one-third in 2017, and now above the OECD average.

Figure 1. Germans are concerned about inequality

Share who agree that income differences are too large



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

This recent uptick in Germans' concern about inequality follows a similar pattern during previous crises. For example, concern rose after the Global Financial Crisis (GFC) of 2007-08 – from 40% of people strongly agreeing income disparities were

too large in the late 1980s to 50% (Figure 1). Levels of concern fell back in line with the OECD average during the post-GFC economic recovery. They then grew again, reaching their highest level in 2020, during the COVID-19 pandemic.

What factors affect the level of concern?

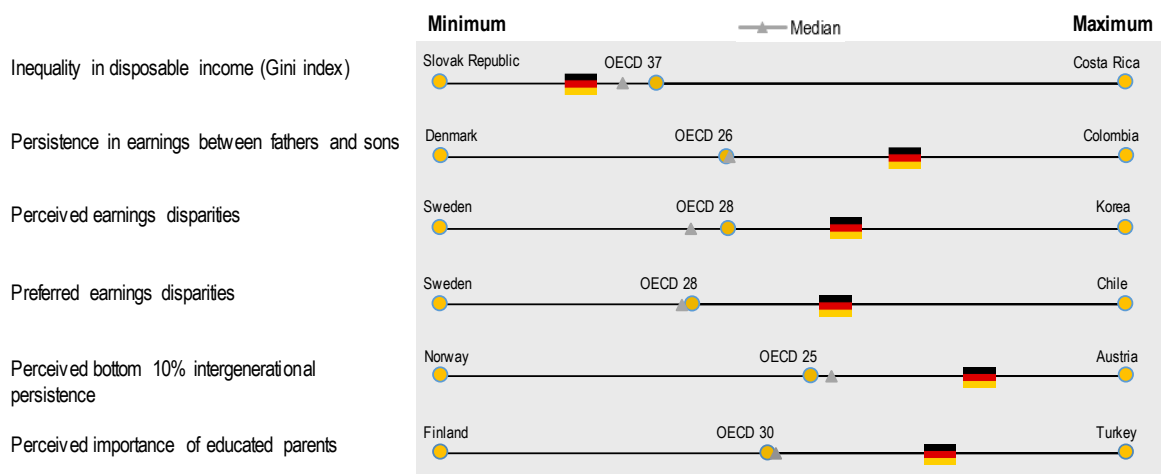
Germans perceive larger-than-average earnings disparities, even though the actual level of income inequality – such as the Gini index – is below the OECD average (Figure 2). Perceived earnings disparities are larger than Germans' preferred level, which contributes to them being more concerned about inequality than their OECD counterparts.

In terms of the equality of opportunity, in Germany people are more likely than in other OECD countries to believe that poor children are likely to remain poor as adults, and that having educated parents is important for getting ahead in life. These beliefs are in line with conventional measures of equality of opportunity, which show that children's earnings are more affected by their parent's earnings in Germany than in the average OECD country.

Nevertheless, Germans increasingly believe that hard work is important to get ahead in life. Further, their preference for higher earnings disparities has grown over the past two decades.

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

Actual vs. perceived indicators of inequality

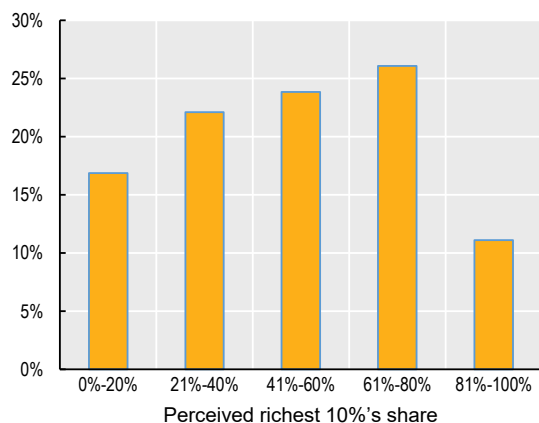


Note: The OECD averages refer countries available for each indicator. Inequality indicators refer to the latest available year; for perceived intergenerational persistence to 2020; all other data refer to 2009.

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

Figure 3. Germans have differing views on the incomes of the rich

Share of population by perceived richest 10%'s share of national income, 2020.



Source: OECD (2021), [Does Inequality Matter?](#), Chapter 4.

Are views on inequality divided in Germany?

While the overall picture indicates that German people believe there is a high level of inequality, views are more varied than other OECD countries. For example, perceptions of how much of the national income goes to the richest 10% of the population are spread almost evenly:

- Almost 20% of the German population believe the rich earn a small share of national income (less than 20%);
- Around 25% of people believe the rich earn 21-40% of national income;

- Another 25% believe the rich earn 41-60%;
- While another 25% believe the rich earn a high share (60-80%) (Figure 3).

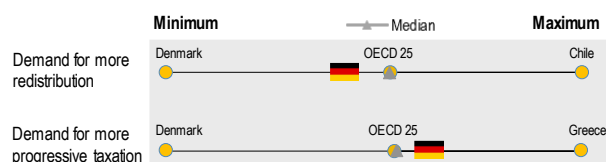
Despite these differences in views on the level of income that accrues to the rich, Germans are in much more agreement over what the income distribution *should* look like. More than half of all Germans believe that top earnings are too high and bottom incomes are too low.

How much support is in Germany for inequality-reducing policies?

Demand for additional redistribution through taxes and benefits is slightly lower in Germany than on OECD average, even though the overall level of concern about inequality is high (Figure 4). Preferences about additional redistributions may be a function of current German policy settings, as there is more redistribution in Germany than on average in the OECD.

However, demand for more progressive taxation – through higher taxes on the rich – is higher than the OECD average, with 71% of people demanding more (compared to the OECD average of 68%).

Figure 4. There is higher demand for more progressive tax than redistribution



Note: Data refer to 2020.

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

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