

Income inequality and support for redistribution across Europe*

Headlines

- About 360 million European adults (82%) consider that their governments should take measures to reduce income inequality.
- Public demand for government action is proportionate to the actual level of income equality in a country.
- The greater the income gap between the middle class and the rich, the more support there is for redistributive policies.
- Individuals who believe that society is basically meritocratic and that everyone enjoys equal opportunities are less likely to support redistributive policies.

Policy context

There is growing consensus that, beyond a certain level, income inequality can have both economic and social costs. It can hamper economic growth and undermine social cohesion. The European Union, through the European Pillar of Social Rights, has put equality and fairness at the heart of its policy objectives.

Data show that **the majority of Europeans would favour a more equitable distribution of income**. However, the nature of the link between income inequality and support for redistribution is unclear. Theoretical reasoning would suggest that when income inequality is high, the majority will support state intervention in favour of redistribution. However, empirical analysis usually does not corroborate this theory, for various possible reasons. First, people's conceptions and therefore (mis)perceptions of inequality vary; second, attitudes towards income redistribution may also reflect subjective views about what fairness in society means; and third, socio-demographic characteristics

play an important role.

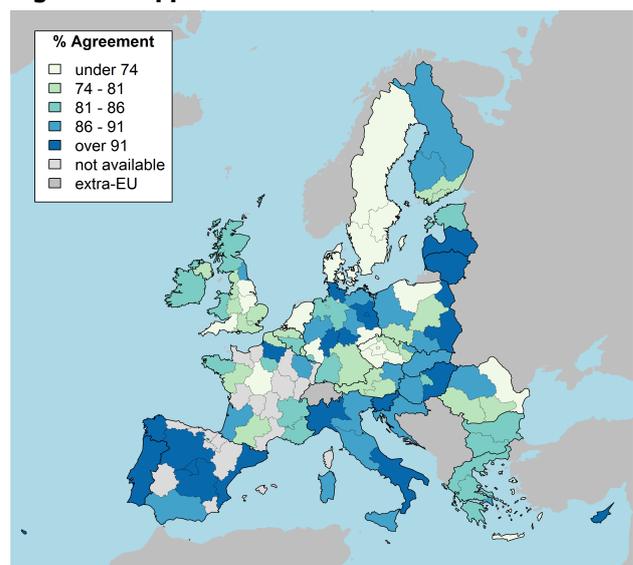
Using new data on income inequality and the special Eurobarometer on 'Fairness, inequality and intergenerational mobility', research at the JRC is helping to shed light on the drivers of support for income redistribution.

Attitudes to redistribution across the EU

For the purposes of this brief, support for redistribution is expressed through the rate of agreement with the statement 'The government should take measures to reduce differences in income'.

Figure 1 shows that redistribution received a high degree of support (82% on average) across the European Union: 39% agreed, and 43% even strongly agreed, that government should intervene to reduce income inequality. There are, however, disparities across regions and countries.

Figure 1. Support for redistribution



Source: Eurobarometer 471 (2017). Percentage agreement by spatial unit. See the 'Quick guide' for additional information.

*This brief is based on the JRC report *The Median Voter Takes it All: Preferences for Redistribution and Income Inequality in the EU-28*, Marco Colagrossi, Stylianos Karagiannis and Roman Raab, JRC Working Papers in Economics and Finance, forthcoming.

Quick Guide

The variables investigated in this brief are included in the Eurobarometer Survey 471, 'Fairness, inequality and inter-generational mobility', commissioned by the JRC and conducted in December 2017. An exception are the inequality measures ('Gini coefficient', the 'Ratio 90-50', and Ratio '90-10'), which refer to 2014 (most current year available) and include 101 spatial units and a mixture of country, regional and sub-regional data. The inequality measures data sources are the EU Survey of Income and Living Conditions (EU-SILC), the British Household Panel Survey (BHPS), and the German Socio-Economic Panel (GSOEP). The Gini coefficient measures the extent to which a society falls short of an entirely equal income distribution. It is a percentage measure on a zero (perfectly equal) to one (perfectly unequal) scale. Ratio 90-50 is the ratio between incomes at the 90th and the 50th percentile. In other words, it compares the highest incomes to the middle incomes. Ratio 90-10 is the ratio between incomes at the 90th and 10th percentile, comparing the highest to the lowest incomes.

'Higher education' is assigned to those respondents who attained at least 'post-secondary studies, bachelor or equivalent'. 'High income' refers to the richest 40% of the population (4th and 5th income quintiles). 'Macro-regions' are as follows: Northern Europe (Denmark, Finland, Ireland, Sweden and the United Kingdom); Western Europe (Austria, Belgium, France, Germany, Luxembourg and the Netherlands); Southern Europe (Cyprus, Greece, Italy, Malta, Portugal and Spain); Eastern Europe (Bulgaria, the Czech Republic, Croatia, Estonia, Hungary, Lithuania, Latvia, Poland, Romania, Slovenia and Slovakia). All the dichotomous variables measuring the agreement rate treat the middle category ('neither agree nor disagree') as non-agreement. The questions related to 'subjective beliefs' are: for 'life is fair', 'I think that important decisions that are made concerning me are usually taken in a fair way'; for 'equal opportunities', 'Nowadays I have equal opportunities for getting ahead in life, like everyone else'; and for 'meritocracy', 'I believe that, by and large, people get what they deserve'.

Overall, the sample contains 21,879 observations. Regions with fewer than 40 respondents are excluded. Logistic regressions techniques are used to perform the statistical analysis. The multivariate statistical analysis, unless otherwise stated, accounts for: educational attainment, income quintile, gender, age, and macro-regional effects.

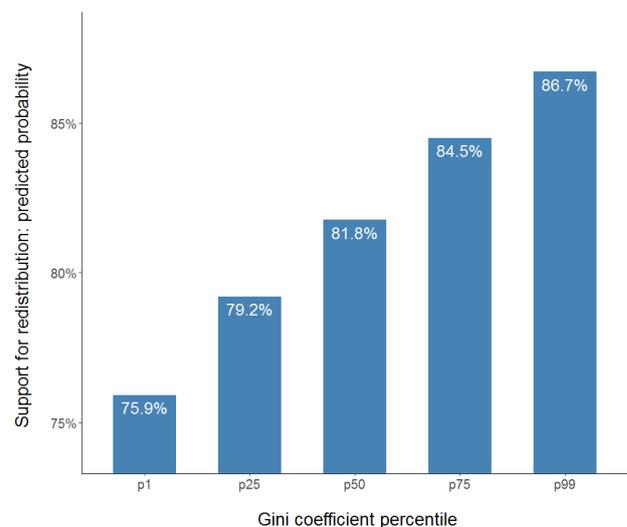
Extremely high rates of support were found along the Eastern border of the EU (Latvia, Lithuania, Eastern Poland and Eastern Hungary) and in Cyprus, Slovenia, and large parts of the Iberian and Italian Peninsulas.

Lower levels of support (below 74%) were observed in Sweden, Denmark and the Netherlands. Other Member States exhibit high variability across regions.

Income inequality measures and redistribution

There are various ways to measure income inequality. Figure 2 plots the relation between the distribution of income, as measured by Gini coefficient percentiles, and support for redistribution. This analysis takes into account a number of socio-demographic characteristics and shows that a **higher level of income inequality corresponds to higher support for redistribution.**

Figure 2. Income inequality and support for redistribution



Note: Gini Coefficient: JRC calculations based on EU-SILC, BHPS and GSOEP (2014). Support for redistribution: Eurobarometer 471 (2017). Each column depicts a Gini coefficient percentile, where p1 is the lowest, p50 the median, and p99 the highest. The corresponding value represents the predicted probability of supporting redistribution obtained through multivariate analysis. See the 'Quick guide' for additional information.

At the lowest levels of the Gini index (i.e. low inequality, found in a number of Czech regions), the predicted probability of supporting redistribution is 75.9%. The probability increases by 6 percentage points (to 81.8%) at the median values of the Gini index, observed in some UK regions and Austria. Where income inequality is at its highest (e.g. Cyprus, Latvia, and Lithuania), support for redistribution rises to 86.7%.

Another way that people experience and perceive inequality is as the gap between the top and the bottom earners, or alternatively, between the top and the median (representing the middle class).

JRC research shows that a small 1-percentage-point increase in the distance between the median and the top income earners (as measured by the 'Ratio 90-50' - see the 'Quick guide') is associated with an increase in support for redistribution of about 0.37 percentage points (signifying 1.6 million people). By comparison, a 1-percentage-point increase in the distance between the bottom and the top earners (the 'Ratio 90-10') raises support for redistribution by only 0.14 percentage points. This finding indicates that **the incomes of the middle class relative to the richest are important to understanding the demand for redistributive policies in EU countries.**

What matters other than income inequality?

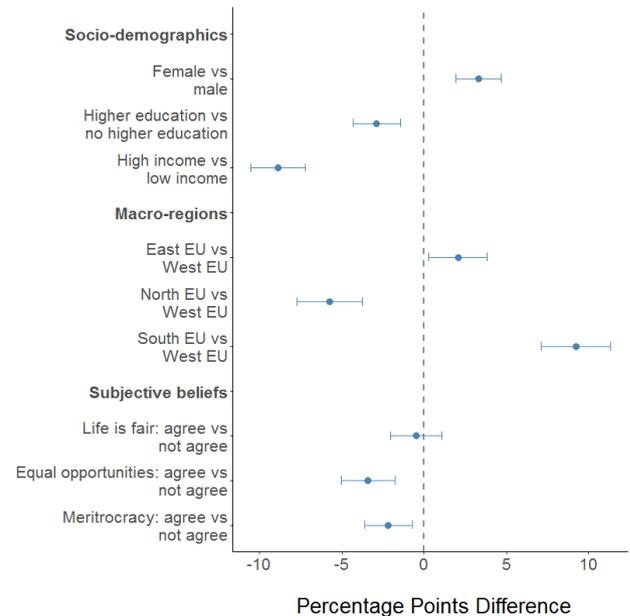
Attitudes towards redistribution are linked not only to the level of income inequality in a country but also to socio-demographic characteristics, macro-regional features and subjective beliefs. Figure 3 portrays a number of such factors net of income inequality (as measured by the Gini coefficient).

The dots show the percentage point differences between individual factors (for example, being a woman) and their reference groups (in the same example, being a man). The horizontal lines represent the 95% confidence intervals. Factors crossing the vertical dotted line do not have an impact on support for redistribution.

With regard to socio-demographic characteristics, Figure 3 suggests that **women are more likely than men to support redistributive policies.** Conversely, those with higher education or high income are less supportive of government action than their counterparts.

Disparities across European macro-regions are also observed. Northern European citizens are 5.8 percentage points less likely to support redistributive policies than Western Europeans. Conversely, Southern Europeans are more likely to support government intervention by 9.2 percentage points.

Figure 3. Other factors influencing support for redistribution



Note: Eurobarometer 471 (2017). Percentage point differences are net of other variables included in the models. Variables included in the model but not displayed are: the Gini coefficient and age. See the 'Quick guide' for additional information.

This might reflect differentials in terms of the current level of welfare state provision and living standards across the continent. In Northern Europe, where the welfare state is well established and GDP per capita is among the highest in the continent, demand for redistribution is lower. Conversely, in Mediterranean countries, where real income has yet to recover pre-crisis levels and redistributive action has been interrupted, demand for welfare-related policies is higher.

Finally, support for redistribution could also relate to principled beliefs about fairness and equality of opportunity. Figure 3 shows that opinions about whether life is generally fair do not matter. Conversely, people's beliefs about whether society offers equality of opportunity (everyone has the same chances) and is fundamentally meritocratic (people get what they deserve) do shape demand for redistribution. **People who believe they can get ahead in life based on their own effort and merit are less likely to support government intervention to reduce inequalities.**

Related and future JRC work

The JRC continues to conduct research on income distribution and its effect on (among other things) people's attitudes, both at national and regional level. This includes research on perceptions of inequality and equality of opportunity.

This brief is one of a **series of 'science for policy' briefs** reporting on recent JRC research on various aspects of fairness. A **comprehensive report on fairness** will be published in 2019.

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