

Shedding light on income inequality in an innovative way

Martine Zaida (OECD)

Martine.ZAIDA@oecd.org

Abstract and Paper

Statistics on income inequality are regularly produced by researchers and statistical offices around the world, and often make the headlines. What remains unclear is how much inequality people perceive, and what degree of inequality they regard as ‘ideal’ or ‘acceptable’.

With the objective of better understanding people’s perceptions of income inequality, the OECD has developed a web-tool called Compare your income (CYI) (www.compareyourincome.org) that allows users from different OECD countries to compare perceptions to realities, by looking at where they fit in their country’s income distribution.

Based on the most recent data from the OECD Income Distribution Database, CYI strives to present OECD data in an innovative way, all while gathering information allowing the OECD to do analysis on whether people have a good appreciation of income inequality in their country.

This paper provides some context for developing CYI and looks at the objectives of the web- tool. It also describes how it works, where the data come from and shows some of the preliminary findings. It then explores some of the challenges that were faced when developing CYI and highlights the importance of the communications strategy put in place.



Shedding light on people's perceptions of income inequality in an innovative way

By Carlotta Balestra and Martine Zaïda



Abstract

Statistics on income inequality are regularly produced by researchers and statistical offices around the world, and often make the headlines. What remains unclear is how much inequality people perceive, and what degree of inequality they regard as 'ideal' or 'acceptable'.

With the objective of better understanding people's perceptions of income inequality, the OECD has developed a web-tool called *Compare your income* (CYI) (www.compareyourincome.org) that allows users from different OECD countries to compare perceptions to realities, by looking at where they fit in their country's income distribution.

Based on the most recent data from the OECD Income Distribution Database, CYI strives to present OECD data in an innovative way, all while gathering information allowing the OECD to do analysis on whether people have a good appreciation of income inequality in their country.

This paper provides some context for developing CYI and looks at the objectives of the web-tool. It also describes how it works, where the data come from and shows some of the preliminary findings. It then explores some of the challenges that were faced when developing CYI and highlights the importance of the communications strategy put in place.

Why look at people's perceptions of income inequality?

Statistics on income inequality are regularly produced by researchers and statistical offices around the world, and often make the headlines. What remains unclear is how much inequality people perceive, and what degree of inequality they regard as 'ideal' or 'acceptable'. The latter (i.e. preferences for how income and other valuable resources are distributed) has a long history in social sciences (Bénabou and Tirole, 2006; Osberg and Smeeding, 2006) whereas the former (i.e. to what extent people have a good appreciation of the income distribution in their country and of their position in it) has received less attention although it is, arguably, just as important.

Research based on data from the 2009 wave of the *International Social Survey Programme* on social inequality shows that people systematically misperceive the level of income inequality in their countries, although often in different directions (Nieheues, 2014). For

example, while people living in Hungary, Slovenia and the Czech and Slovak Republics *overestimate* the income inequality in their country, those living in the Nordic countries seem to be aware that they are living in a relatively equal society. And, people living in the United States substantially *underestimate* the extent of income inequality.

The issue of people's (mis)perception of income inequality has also attracted the interest of national statistical agencies. In 2011, the French National Institute of Statistics and Economic Studies (INSEE) launched a survey asking respondents to position themselves on the income scale: results showed that, while for 45% of respondents there was little discrepancy between perceptions and realities, most poor people (three out of five) overestimated their position, and most rich people (four out of five) underestimated it (Clerc, 2014). Similarly, a survey conducted by TNS Gallup in Finland showed that, while most people's idea of 'low income' corresponds quite closely to that used by Statistics Finland, respondents' own income influenced their perception: the higher their income, the higher their view of what 'low' and 'high' income is.

An innovative tool to help us better understand people's perceptions of income inequality

With this in mind, in May 2015 the OECD launched **Compare your income (CYI)**¹. This innovative web-tool allows users from different OECD countries to compare perceptions and realities, by looking at where they fit in their country's income distribution.

The image shows a screenshot of the 'What's your share of the pie?' web tool interface. The title 'What's your share of the pie?' is in blue. Below it, there is a paragraph explaining the tool's purpose: 'When you think about your household's income, do you feel rich, poor, or just average? Most of us have no idea – or the wrong idea – of how we compare with the rest of the population. But here, in 10 clicks, you can find out how many households are better or worse off than yours, and see how your ideal world compares.' A link 'Click here to learn more about the methodology used to build this tool.' is provided. A 'Get Started' button is followed by a three-step process: 1. Tell us about you, 2. Tell us about your ideal world, and 3. In reality... The interface also features a globe graphic and the OECD logo with the tagline 'BETTER POLICIES FOR BETTER LIVES'. Language options (English, Français, Español, Italiano, More) are visible in the top right corner.

The objective of CYI is three-fold. First, it provides people with easily accessible information about the extent of inequality in their country. Reports on income inequality are regularly

¹ www.compareyourincome.org

published, for example the OECD's *In It Together: Why Less Inequality Benefits All*², and figures on the distribution of income easily make it to headline news³. But once the clamour about freshly published figures quiets down, how much is left in people's minds? The idea was that putting people at the centre of CYI would help them retain more information on how economic resources are distributed in their country. Users can relate to CYI as it talks about their household – not about generic, faceless people. They are an integral part of CYI, as it cannot function properly without the information they provide.

The second objective was to get new insights into how people's perceptions of income inequality differ from reality. Recent research has shown that most people think that they belong to the middle class: the poor tend to overestimate their position, while the rich are more likely to underestimate it. While the extent of this misperception varies according to several factors (including the country of residence), it is something that deserves to be considered and studied more closely. Misperceptions of inequality can also limit enthusiasm among the general public to adhere to certain kinds of government policy programmes designed to help close the income gap between the rich and the poor (e.g. estate tax or minimum wage).

The third and final objective is to give people an opportunity to express their opinion on how they would split income in the population if it was up to them and see how far the reality is from what they consider to be fair.

Where do the data come from?

Most of the data on the actual distribution of income are drawn from the OECD Income Distribution Database⁴. This database is based on national sources (household surveys and administrative records) and on common definitions, classifications and data-treatments. The method of data collection used for the OECD Income Distribution Database aims to maximise international comparability as well as inter-temporal consistency of data. This is achieved by a common set of protocols and statistical conventions (e.g. on income concepts and components) to derive comparable estimates. Due to the increasing importance of income inequality and poverty issues in policy discussion, the database is now annually updated. The OECD is currently working on extending its database to a number of other key partner countries, including: Brazil, Chile, Colombia, China, India, Indonesia and South Africa.

More information on the methodology used to build CYI is available here: www.oecd.org/statistics/Compare-your-income-methodology.pdf.

² www.oecd.org/social/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm

³ See Annex 1 for a sample of the media coverage following the launch of the OECD report *In It Together: Why Less Inequality Benefits All*

⁴ <http://stats.oecd.org/Index.aspx?DataSetCode=IDD>

How does *Compare your income* work?

First and foremost, it's an interactive web-tool. Users are asked to provide some basic information on their gender, country of residence, age and household size, as well as information on their household *net* income. Then, they are asked where they think they fit in their country's income distribution and what minimum income they would need in order to not be considered as "poor". There is also a question on how they think their country's total income is distributed between the richest 10% and the rest of the population, and how they would distribute that income if it were up to them.

Finally, there is a question on how they think their country's population is distributed according to their income level: most at the bottom? most at the top? most in the middle? – And again, how they would like it to look if it was up to them. In all, users get to the results in 10 clicks, where they can see how close or far their perceptions and ideals stand from reality.

What are some of the preliminary findings?

Although we are at the very early stages of analysing the data collected, for the more than 1 million entries retained after cleaning the data, early findings for a few countries are revealing.

Only 1 in 6 French people, 1 in 8 Americans and 1 in 10 Mexicans correctly guessed their household's position on the income scale. In every country, more than half underestimated how well off they were and around a quarter thought they were better off than they actually were.

People's perceptions vary widely according to how well off they are: in every country, most rich people don't think they belong to the top of the income scale. In the US and Mexico, more than half of them think they are actually in the bottom half, and in France only a quarter of them. In contrast, most people in the bottom 20% think they are better off than they are in reality, only 1 in 5 of the poorest in the US and France and 1 in 6 in Mexico correctly guessed that they were at the bottom of the income scale.

So, overall the rich think they are poorer than they are and the poor richer – with most thinking they are much closer to the middle than they are in reality. Actually, 90% of respondents think they are part of the middle 60% of the income distribution.

What about views on a fairer share of the pie? In general, users think that around 60% of their country's income goes to the richest 10% of the population, while, if it was up to them, they would like the richest 10% to own a quarter of their country's income. But the reality is that only 25% of France's income, 30% of the US income and 37% of Mexico's income goes to the top 10%.

A short video showing these preliminary results is available here: <https://youtu.be/FclKLntuZv0>.

Some lessons learned when developing *Compare your income*

While CYI is based on robust statistics on income distribution, the language and the concepts behind CYI needed to be kept as simple as possible, not to overwhelm users who are not familiar with the topic. As mentioned earlier, it is a people-centred web-tool, built with people in mind. At the same time, such an important topic could not be oversimplified. Therefore, one of the major challenges was to reach a wide audience, not necessarily familiar with the topic, all while remaining rigorous in the measurement approach. To address this challenge, experts on income inequality were consulted to validate the survey questions, and user-testing with various types of audiences was done to ensure that CYI was as user-friendly as possible.

Also, in order to attract a larger audience and as many countries as possible, CYI was translated into 9 languages, including: English, Spanish, Italian, French, German, Korean, Czech, Danish and Japanese. This strategy paid off, particularly for the Spanish version which was largely picked-up by media in Latin America.

Another major challenge was the lack of experience of the external developer selected. The development of CYI itself went rather smoothly, however, a few important issues arose on the day of the launch. The developer had omitted to integrate an analytics component in the web-tool. This was added several hours after the launch which resulted in the loss of all the analytics in the first hours which are critical. Also, the developer did not perform resistance testing on the server which led to the server crashing just a few hours after CYI was launched. Thankfully, the web-tool was up and running again within half an hour, but this was a considerable time lapse when all eyes were on CYI. Finally, CYI was not developed to be responsive, meaning that it did not display correctly on smartphones and tablets, but this was rectified in the weeks following the launch. On a more positive note, given the developer's lack of experience in working on this type of project, he largely underestimated the amount of work involved and therefore the development of CYI was not very costly.

The importance of a good communications strategy

Beyond developing CYI, much emphasis was put on preparing a solid communications strategy that has resulted in over 2 million visits since CYI was launched. There were a number of elements that worked well. First, CYI was launched alongside one of the OECD's flagship publications *In It Together: Why Less Inequality Benefits All*, allowing us to benefit from important media coverage.

Major news outlets (Guardian datablog, the Economist, Les Echos, New York Times, Le Monde datablog, WSJ – The Numbers, CNN, etc.) were solicited to see if they were willing to embed CYI on their homepages. As the web-tool was available in several languages a larger

number of media could be targeted. In order to encourage news outlets to embed CYI, a version that included their logo was proposed and they were offered the possibility to access the underlying data collected by CYI for their country. In the end, CNN Expansion, Le Figaro, Il Sole and the Washington Post agreed to embed CYI.

We developed partnership with the “Journées de l'économie”⁵ in France that agreed to feature CYI on their website and had a dedicated stand at their event the year of the launch.

We also developed a partnership with Statistics Denmark allowing them to use similar concepts and graphic design to build their own CYI for Denmark⁶, and in exchange they translated CYI into Danish and promoted it in Denmark.

A video was created for the launch of *In It Together: Why Less Inequality Benefits All* which featured CYI⁷.

Finally, an extensive social media campaign was put in place for Twitter, Facebook and LinkedIn and regular tweets continue to be posted.

One of the biggest challenges has been keeping the momentum going and reaching new audiences to ensure that the data collected are representative. Once the novelty of CYI wore off it became more complicated to promote the web-tool in media outlets. To overcome this, there was an attempt to create partnerships with foundations or institutions working on inequalities so they could promote CYI, but this was very labour intensive and the returns were not worthwhile. Blogs were also posted in some countries where there were fewer respondents with a version of CYI in the country's language. Again, this strategy was resource intensive and could not be sustained.

As CYI evolves and new features are added, there could be an opportunity to re-launch a new version of the web-tool which will no doubt attract media attention once again.

Communicating OECD work with digital media

Digital media today is essential when communicating as it allows for not only interacting with a much more varied audience, but also reaching a larger number of people. The OECD has put a lot of emphasis these past years on developing online interactive tools to better engage citizens. Another example of a successful online tool is the OECD's Better Life Index⁸ that allows users to compare well-being across countries by giving their own weight to the various dimensions identified by the OECD as being important for well-being. The OECD has

⁵ www.journeeseconomie.org

⁶ www.dst.dk/Extranet/CompareYourIncome/index.html

⁷ www.youtube.com/watch?v=xyprxOa1H1s

⁸ www.oecdbetterlifeindex.org

also developed a Dashboard of Households' Economic Well-being⁹ that brings together a number of indicators in an interactive way allowing users to better understand how households are doing in OECD countries.

Many lessons were learned while developing CYI, but the overall experience has been quite positive. The web-tool continues to be updated with the latest available data and there are plans to integrate additional countries in the months to come. Additional analysis on the data collected is ongoing and the results will be published by the end of 2017.

For more information, contact the OECD Statistics Directorate's Communications Team at: STD.CommTeam@oecd.org.

⁹ www.oecd.org/std/na/household-dashboard.htm

Annex 1

Sample of the media coverage following the launch of the OECD report
In It Together: Why Less Inequality Benefits All in May 2015

Top Media Hits¹⁰

Wall Street Journal	OECD Sees Continued Rise in Growth-Harming Inequality	Readership: 3,7 million
Bild Zeitung¹¹	Vermögen in Deutschland besonders ungleich verteilt	Print circulation: 2,2 million
Süddeutsche Zeitung	OECD zu sozialer Ungleichheit: Je ungleicher, desto ärmer	Print circulation: 392,204
El País	La crisis dispara la desigualdad entre ricos y pobres a un nivel récord La OCDE alerta del lastre de la desigualdad para el crecimiento	Circulation: 292,227
Le Monde	On n'en a pas fini avec les inégalités	Print Circulation : 273,111 Online : 1,55 million
Financial Times	Free Lunch: Slice your cake and grow it too	Print Circulation: 258,488 Online Edition: over 3 million registered users

Plus news wires: [AAP](#), [AFP](#), [ANP](#), [ANSA](#), [AP](#), [Bloomberg](#), [DPA](#), [EFE](#), [Europa Press](#), [LUSA](#), [PTI](#), [Xinhua](#)

Top Country Headlines¹²

France	Le Figaro	Le fossé entre riches et pauvres continue de se creuser La France est l'un des pays développés où les inégalités se sont le plus creusées avec la crise Êtes-vous riche ou pauvre par rapport aux autres ?	Circulation: 323.303
	Les Echos	Pour l'OCDE, les inégalités de revenus dans le monde sont à « un point critique »	Circulation: 125.172




¹⁰ Headlines selected here are based on circulation and audience visibility as well as prominence of the news outlets.

¹¹ Bild, Süddeutsche Zeitung, Welt, Neue Zürcher Zeitung and Tagesanzeiger had articles on the front page of their print editions.

¹² Headlines selected here are based on circulation and audience visibility as well as prominence of the news outlets. This is not a comprehensive list of news articles from the countries listed or for every country that wrote about the *In It Together – Why Less Inequality Benefits All*.

Germany	Süddeutsche Zeitung	Je ungleicher, desto ärmer	Circulation: 479.445
	Die Welt	Deutschlands untere Mittelschicht wird abgehängt	Circulation: 291.045
Italy	La Repubblica	Ocse: "Cresce la disuguaglianza in Italia l'1% ha il 14 per cento della ricchezza"	Circulation: 455.897
Mexico	La Jornada	La desigualdad del ingreso en México, una de las mayores entre países de la OCDE	Circulation: 107.659
	El Universal	México segundo país más desigual entre miembros de la OCDE	Circulation: 59.000
Spain	El Pais	La crisis dispara la desigualdad entre ricos y pobres a un nivel récord La OCDE alerta del lastre de la desigualdad para el crecimiento	Circulation: 292.227
	La Vanguardia	España, tercer país más desigual de la zona euro	Circulation: 145.873
United Kingdom	The Guardian	Temporary and part-time jobs surge promotes inequality, says OECD	Circulation: 196.425
	The Daily Mail	The world's great wealth divide: Pay gap hits highest level for 30 years in the most advanced economies – with the richest earning TEN TIMES more than the poorest	Circulation: 1.692.610
United States	Forbes	The OECD On Rising Inequality; I Wouldn't Trust It Myself	Circulation: 930.391
	Washington Post	How Uber-type jobs are driving inequality, and what to do about it	Circulation: 474.767

Sample of TV & Radio Coverage

CNBC	Wealth gap widens in developed world
CNN Money	U.S. and Israel have worst inequality in the developed world
CBC	Income inequality holds back economies
BBC News	Inequality is bad for growth, says OECD Gap between rich and poor 'keeps growing'
BBC World	The Wealth Gap Widens
Sky News	OECD: Widening Income Gap Holds Back Growth
Euronews	 OCDE : les inégalités continuent de se creuser
France Info	Inégalités dans l'OCDE : "Nous avons atteint un point critique" (Angel Gurría)
BFM TV	Les inégalités entre riches et pauvres au plus haut depuis 30 ans
BFM Business	 Nicolas Doze: Hausse des inégalités de revenus, l'OCDE tire la sonnette d'alarme
Radio Classique	 Entretien avec Michael Förster
RTL	OCDE : les inégalités de richesses au plus haut depuis 30 ans
Deutsche Welle	OECD-Bericht: wachsende Ungleichheit Income gap at highest level in 30 years, OECD says
Deutschlandfunk	OECD-Bericht Ungleichheit hemmt Wirtschaftswachstum
Cadena Ser	La OCDE avisa: la crisis dispara la brecha entre ricos y pobres en España
Rai News	Ocse: in Italia il 14,3% della ricchezza in mano all'1% della popolazione
RTP	Portugal é dos países mais pobres e desiguais da OCDE
RTS	Les inégalités ont "atteint un point critique" dans les pays de l'OCDE
ORF	OECD: Geringste Einkommensunterschiede in Dänemark
El Universal TV	 Club de Prensa: OCDE desigualdad ha incrementado

References

Bénabou, R. and J. Tirole (2006), "Belief in a just world and redistributive politics", *Quarterly Journal of Economics*, Vol. 121, No. 2, 699-746.

Clerc, M. (2014), "Positioning on the standards of living scale", Insee Première, No. 1515, www.insee.fr/en/themes/document.asp?ref_id=ip1515.

Niehues, J. (2014), "Subjective Perceptions of Inequality and Redistributive Preferences: An International Comparison", IW-TRENDS Discussion Papers, No 2, Cologne Institute for Economic Research, www.iwkoeln.de/en/studien/iw-trends/beitrag/judith-niehues-subjektive-ungleichheitswahrnehmung-und-umverteilungspraeferenzen-175257.

Osberg, L. and T. Smeeding (2006), "'Fair' inequality? Attitudes toward pay differentials: the United States in comparative perspective", *American sociological review*, Vol. 71, No. 3, 450-473.