

Income position misperceptions in the EU

Evidences from 2022 Eurobarometer survey on fairness

JRC S.3

Background

- To what extent are people aware about the level of income inequality in their country and their own position in the income distribution?
- People do not always have full and correct information about the relative income of their household.
- Systematic misperceptions might have substantial implications on how different policies are viewed by Europeans

2022 Eurobarometer survey on fairness

- **Actual position in the income distribution** is estimated using reported income

Free input income is converted into deciles of the national income distribution (EU-SILC)

- **Perceived position in the income distribution**

What is the proportion of households in [YOUR COUNTRY] who have a lower disposable (net) monthly income than your household?

Please enter your answer in percent.

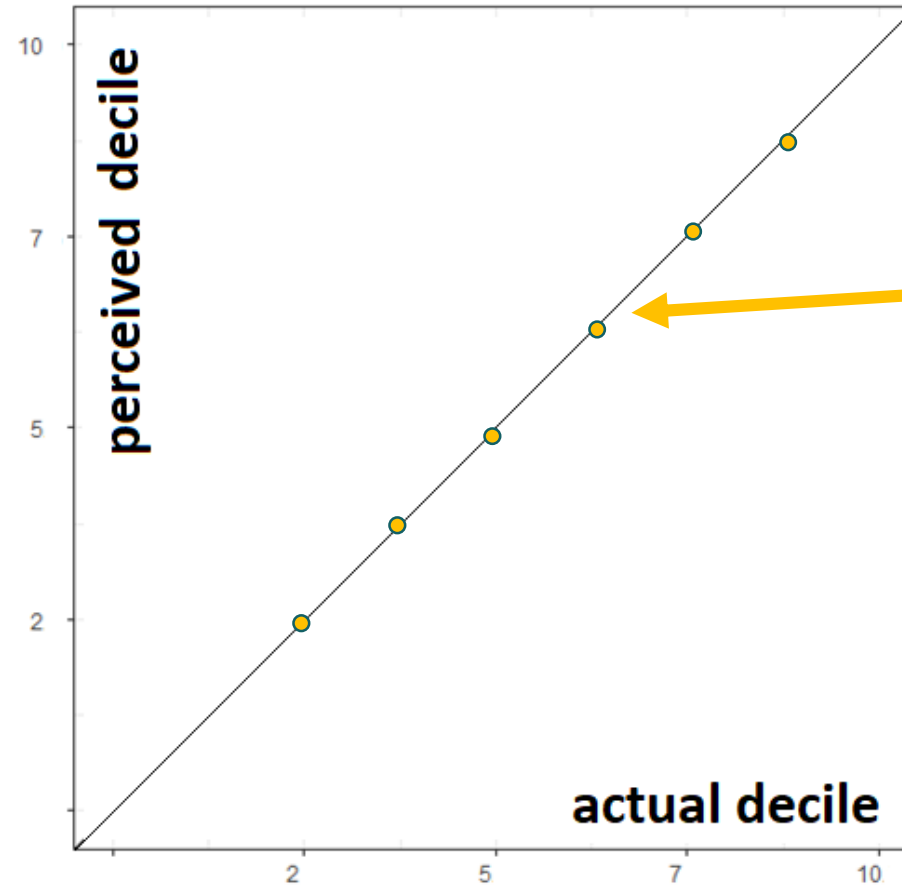
0 percent means your household is the poorest in [YOUR COUNTRY].

100 percent means your household is the richest in [YOUR COUNTRY].

Income position misperception

Difference between respondent's

Perceived position (in deciles) and **Actual position** (in deciles)

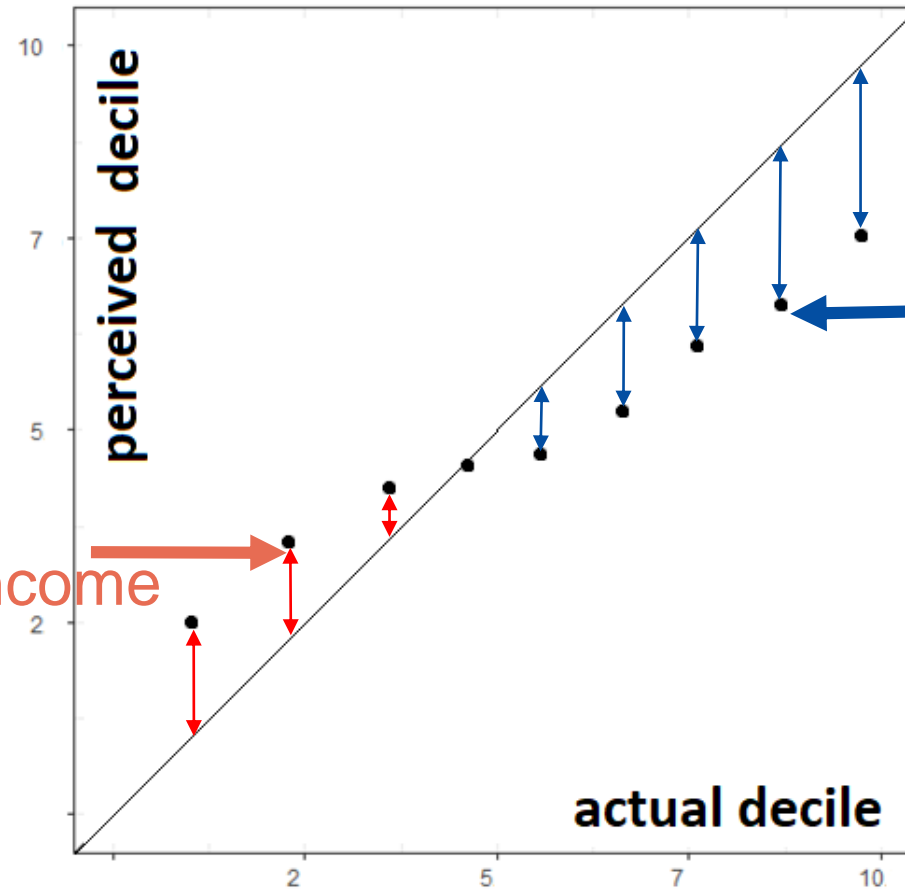


NO Misperception case
Perceived decile = actual decile

Income position misperception

Difference between respondent's

Perceived position (in deciles) and **Actual position** (in deciles)

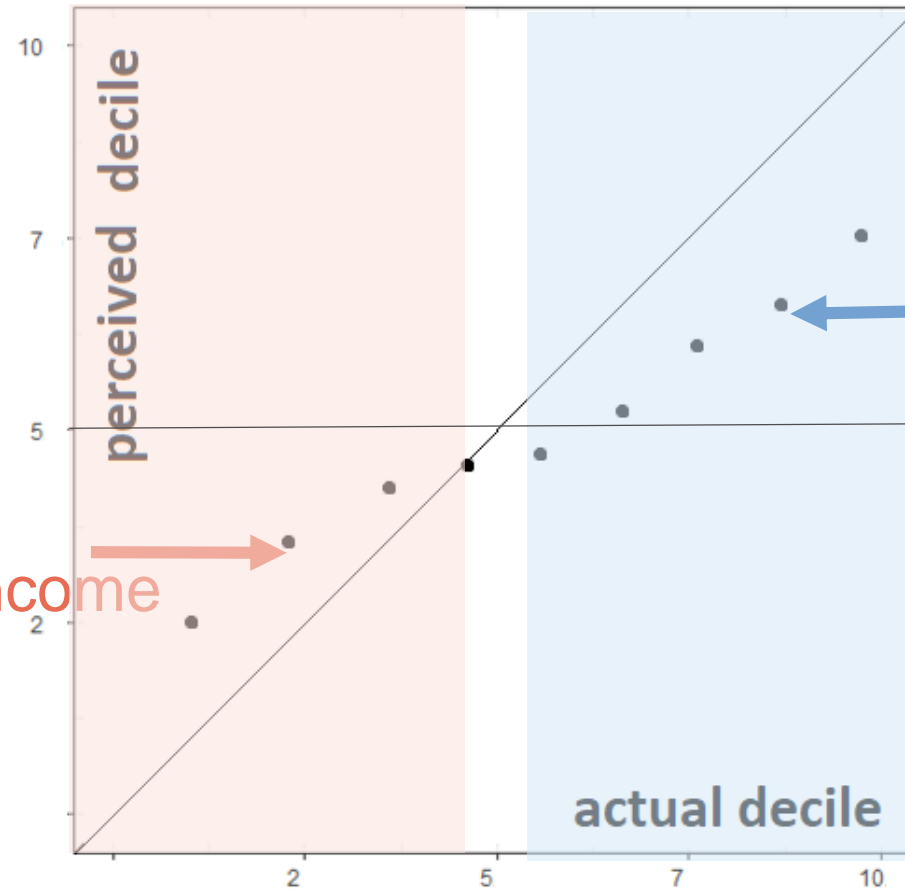


OVER estimate their income

UNDER estimate their income

Income position misperception

individuals tend to place themselves **closer to the middle** of the income distribution



OVER estimate their income

UNDER estimate their income

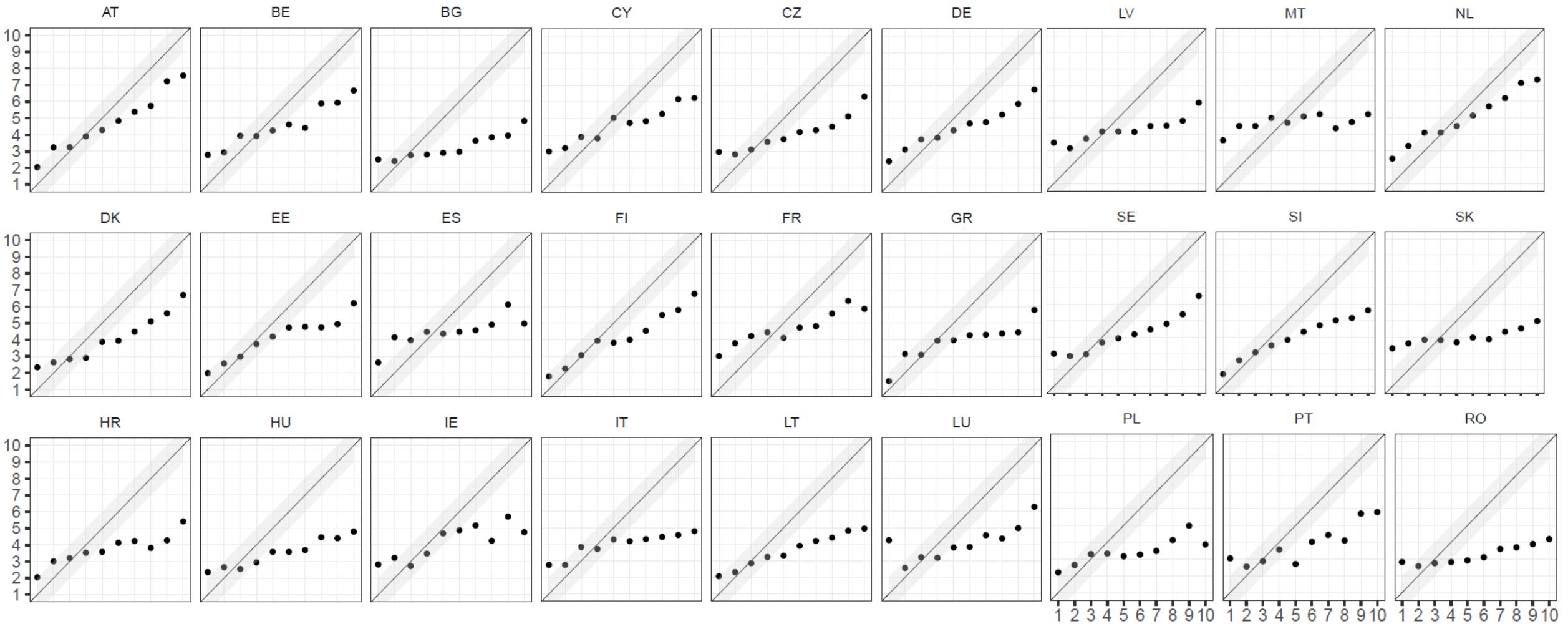
Income position misperception in Europe

- 15% of respondents overestimate their position,
 - 44% underestimate their position,
 - 41% of respondents place their household's income in the correct decile
-
- **relative majority of EU citizens believe that they are poorer than they actually are**

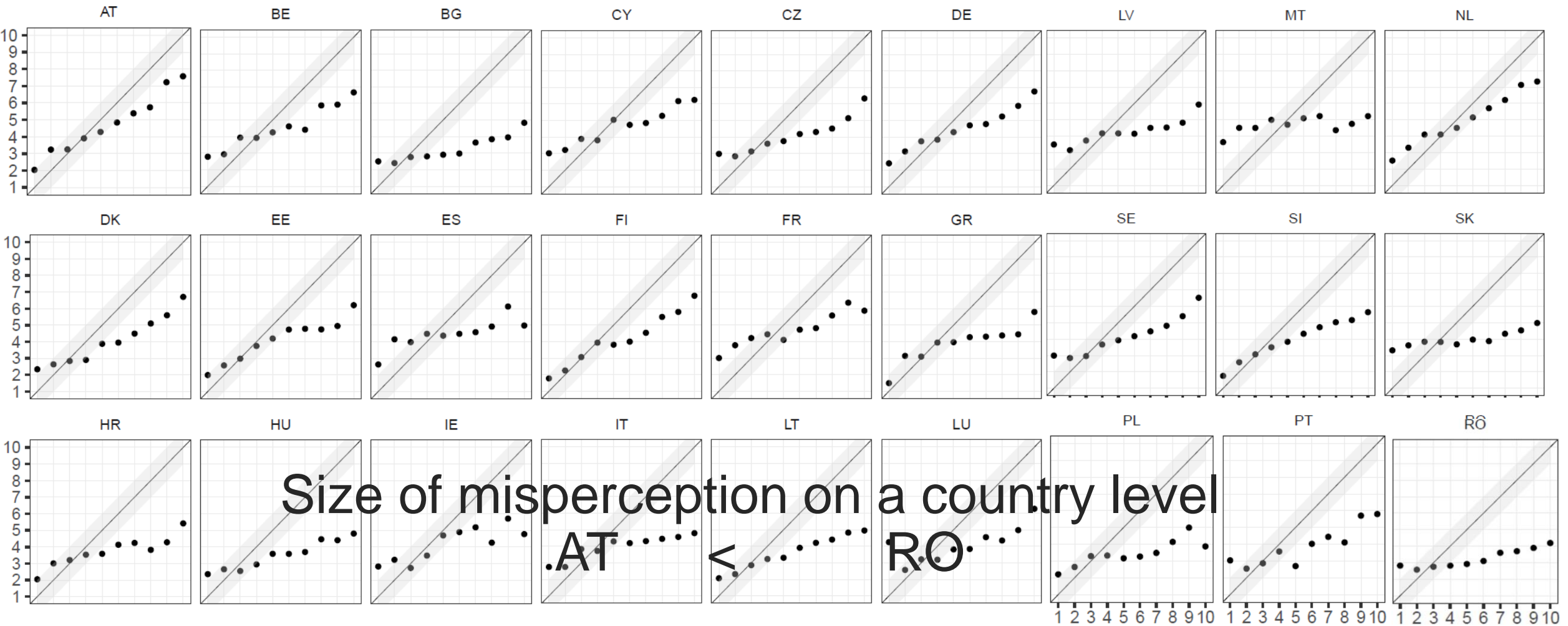
Income position misperception in Europe

- **Macro level** **correlates**
- **Individual level** **correlates**
 - ✓ **Socio-demographics**
 - ✓ **Perceptions about redistributive policies**

Estimated actual income decile vs perceived income decile

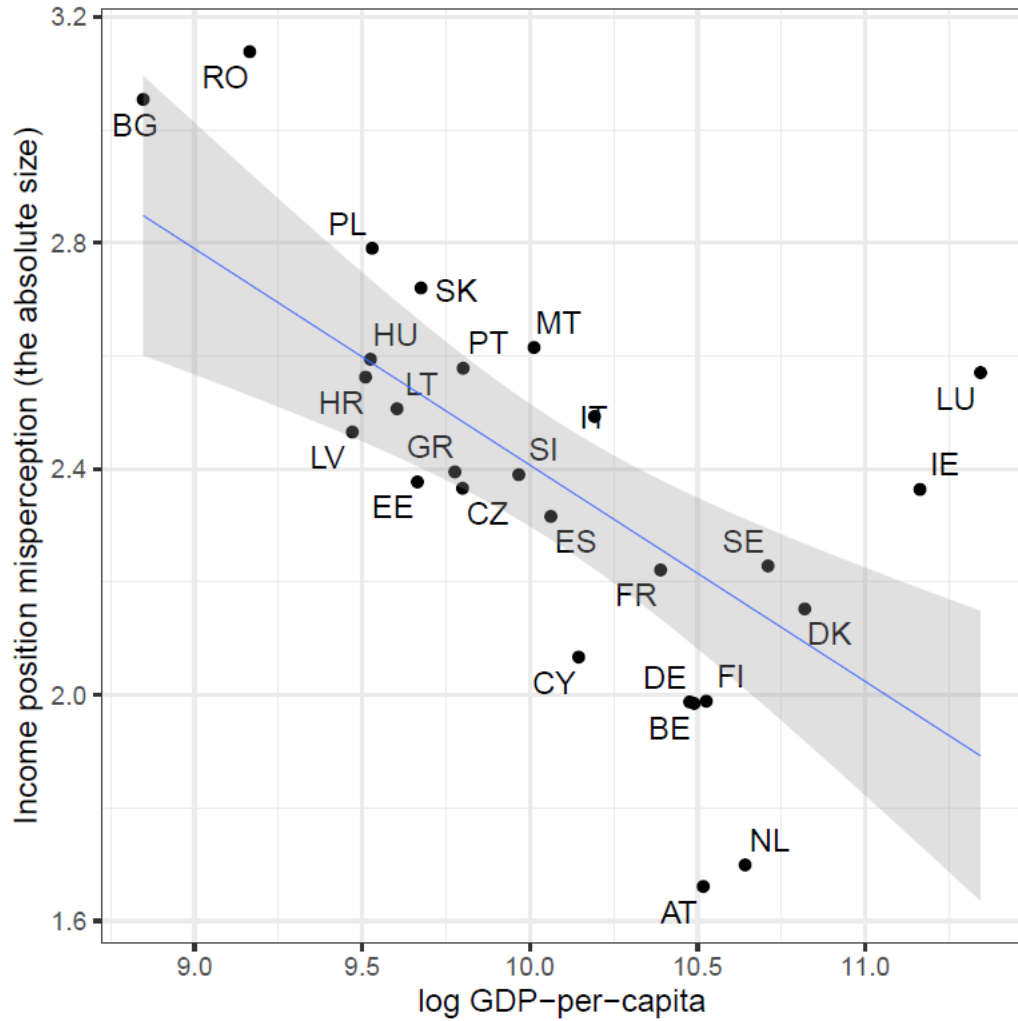


Estimated actual income decile vs perceived income decile

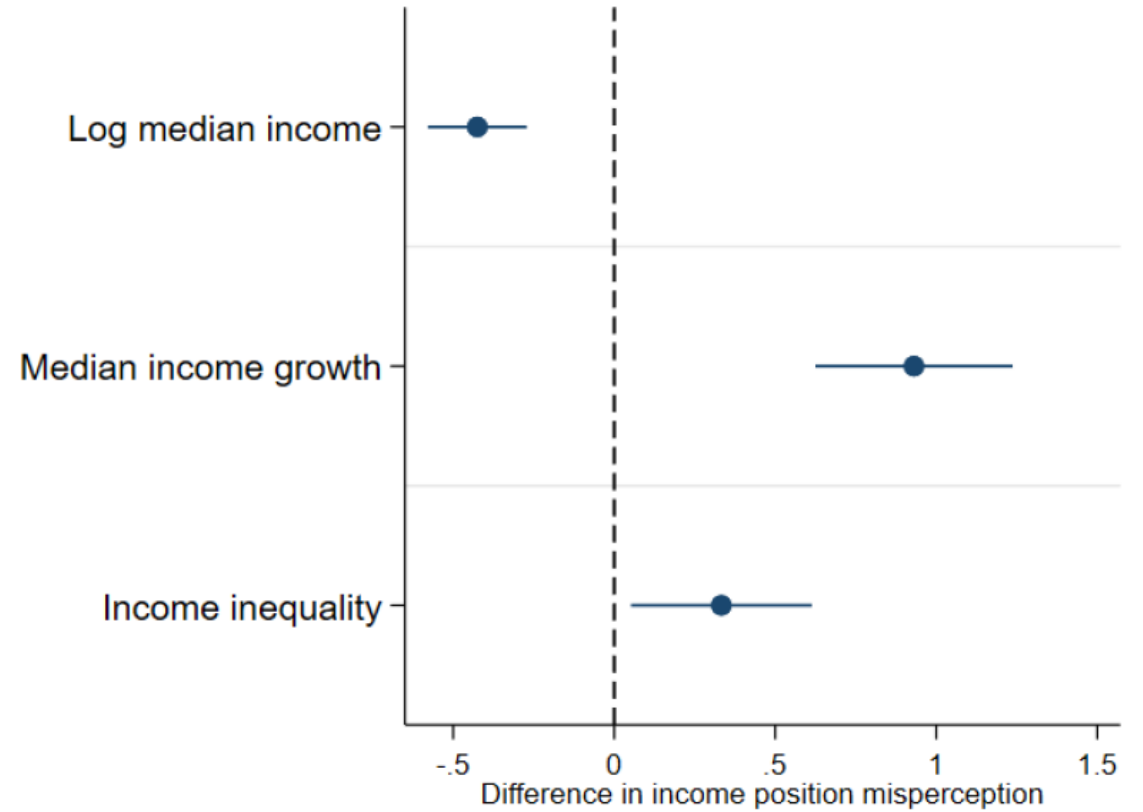


Country-level correlates

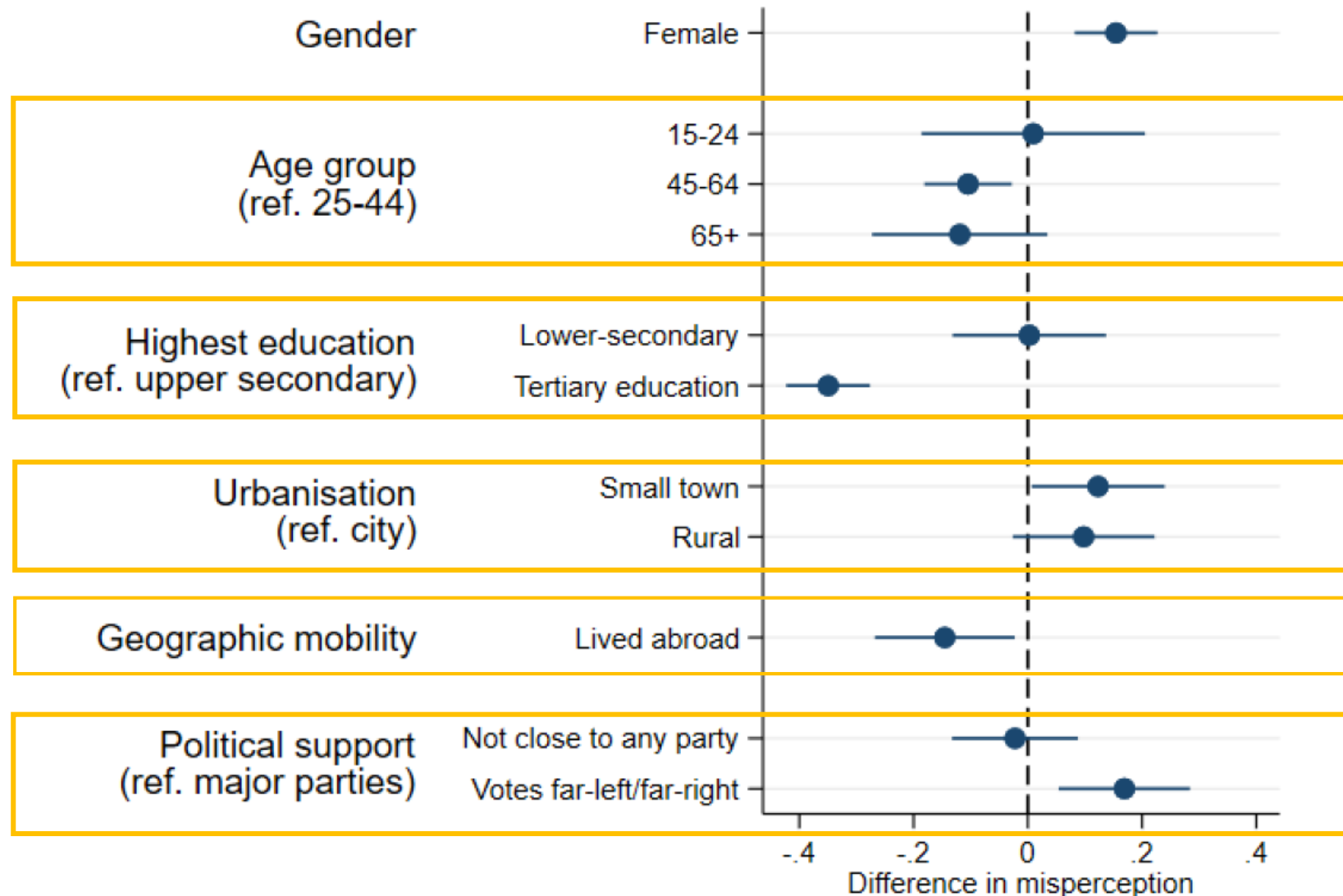
economic prosperity



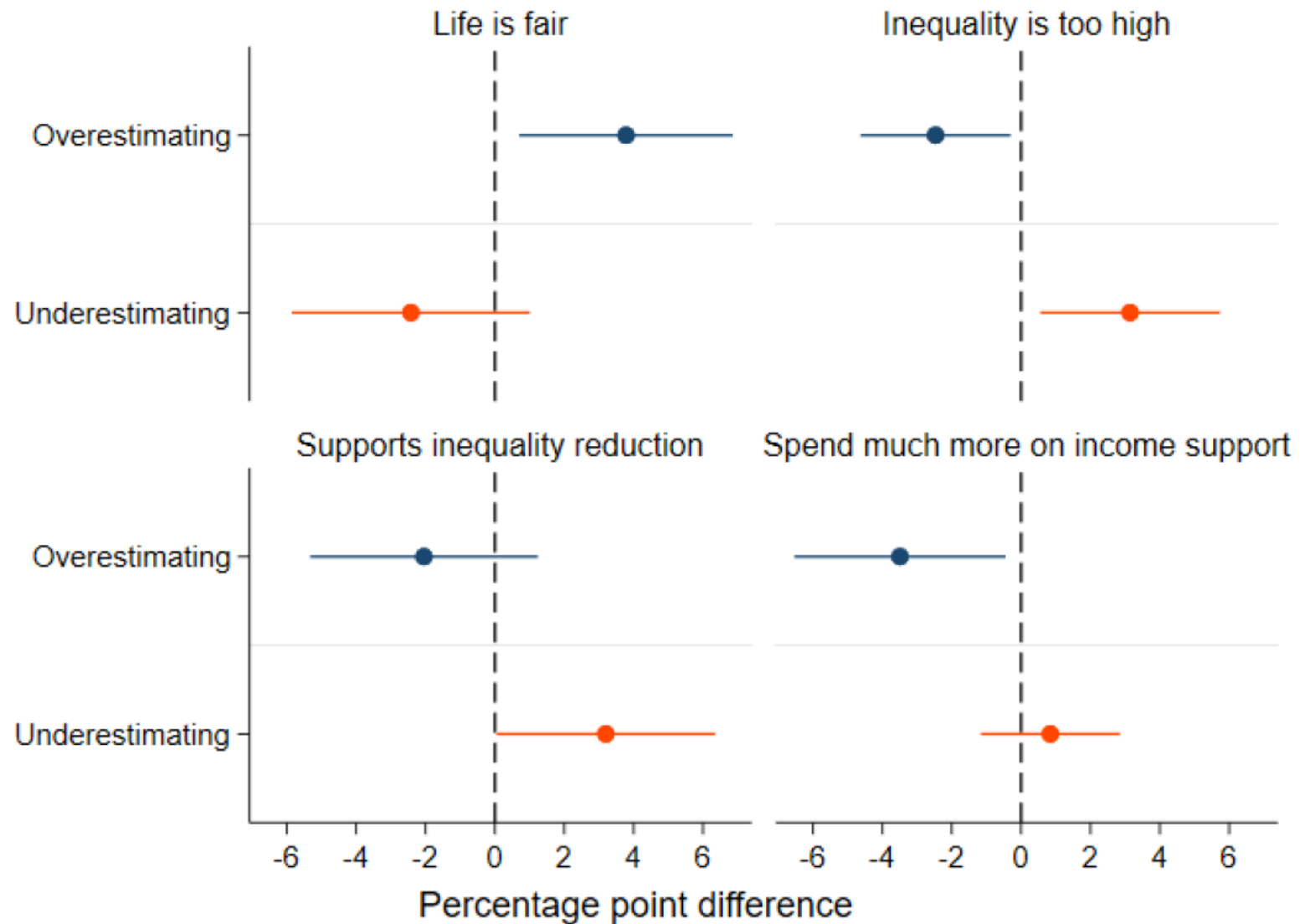
other characteristics



Individual-level correlates



Demand for government intervention



Summary

- More than 40% of EU citizens believe that they are poorer, compared to others, than they actually are. Respondents tend to place themselves closer to the middle of their country's income distribution than they actually are. This tendency holds across all countries.
- Misperceptions tend to be larger in less developed countries and in countries that have experienced faster income growth in recent years.
- Misperceptions are correlated with many socio-demographic characteristics.
- Respondents who *overestimate* their income position report higher life fairness perceptions, are less concerned about income inequality and are less likely to favour a spending increase on income support policies. Correspondingly, those who *underestimate* their income position are more concerned about inequality and are more supportive of income redistribution.

Thank you

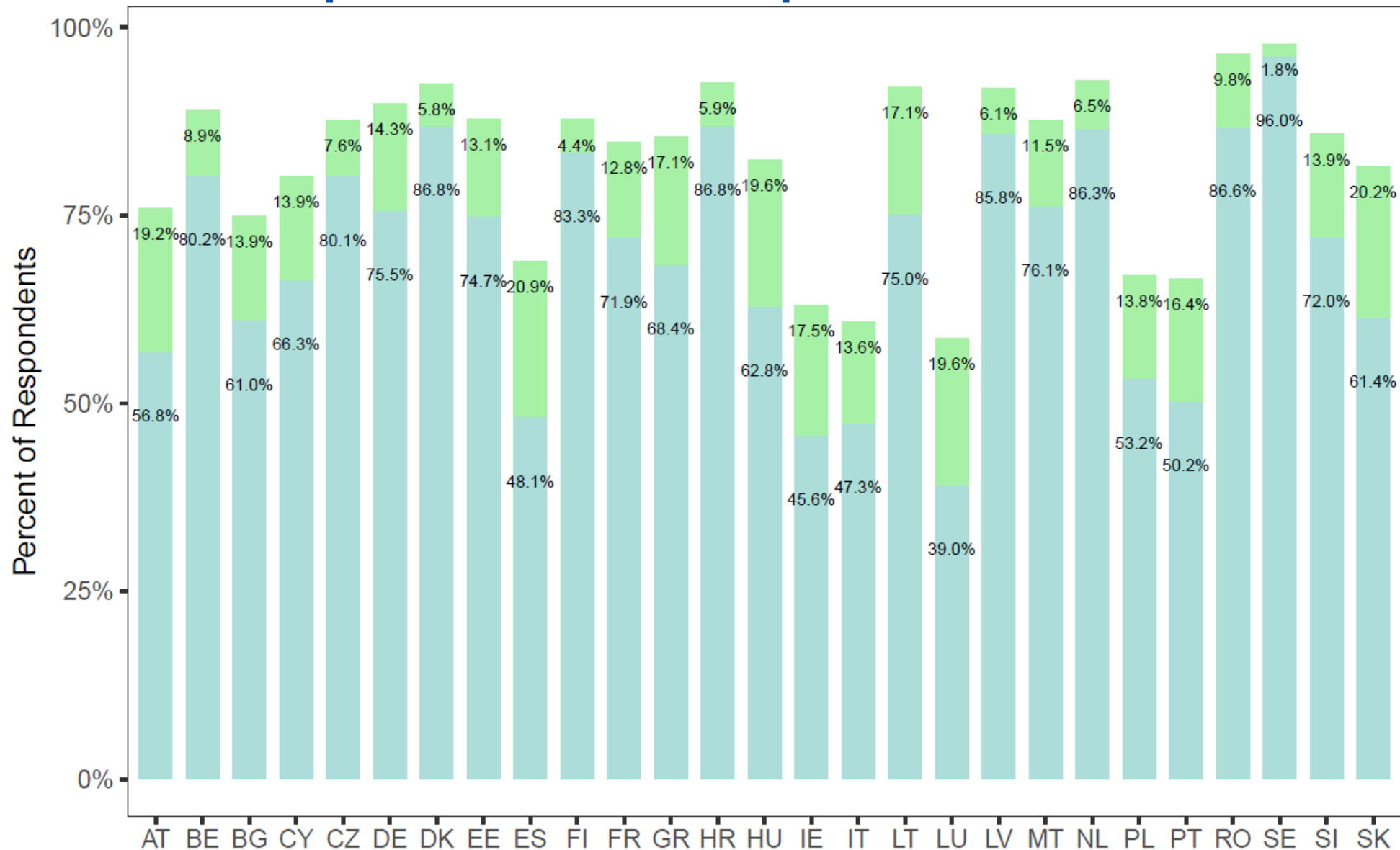


© European Union 2023

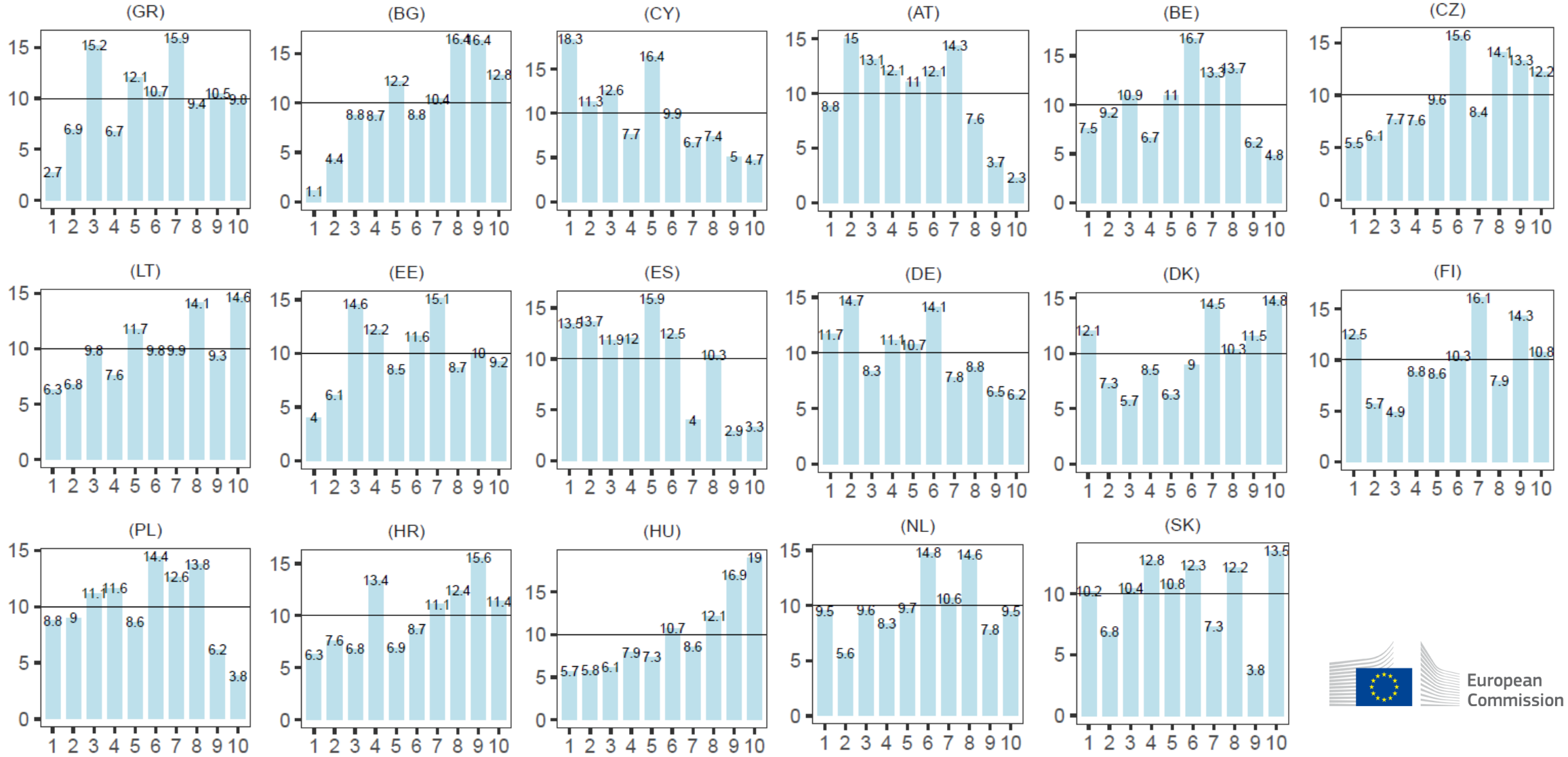
Unless otherwise noted the reuse of this presentation is authorised under the [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/) license. For any use or reproduction of elements that are not owned by the EU, permission may need to be sought directly from the respective right holders.



Income question – response rate



Distribution of respondents (in percents) by reported income decile



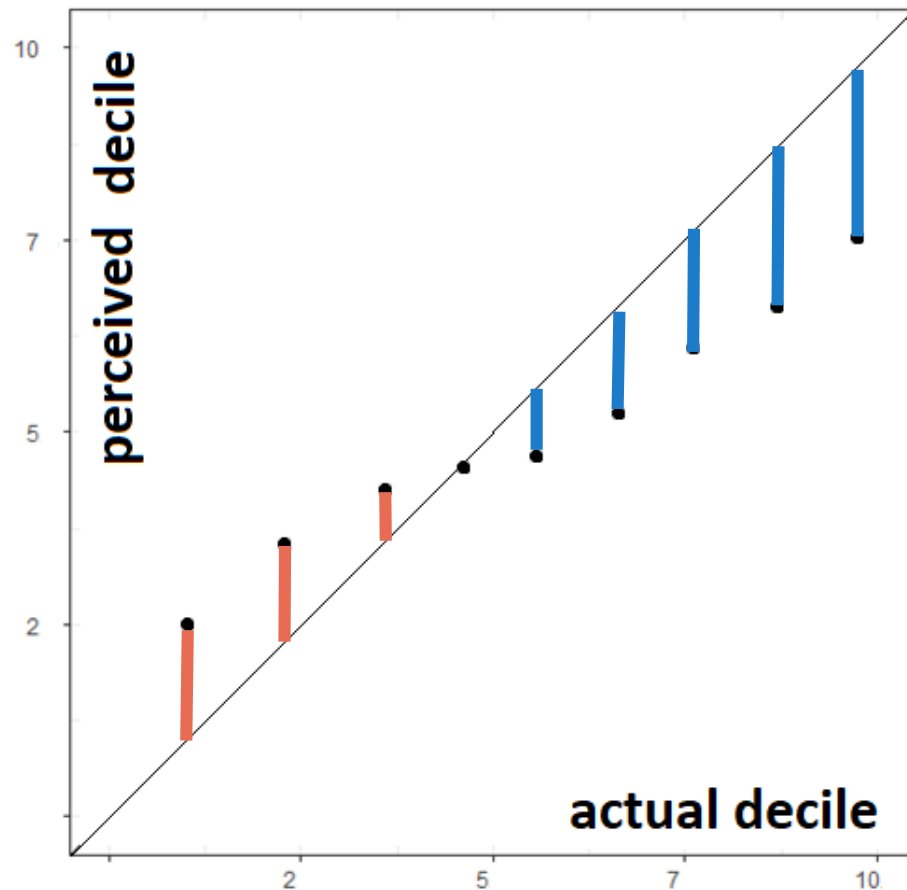
Actual position in the income distribution

- **Is estimated using reported income**
- **Could you please tell me what is the total disposable (net) monthly income of your household** counting all wages, salaries, pensions, public benefits (e.g. unemployment benefits, family benefits) and other income (e.g. income from capital) that come in?
- If you don't know the exact figure, please give an estimate.
- Note: by disposable income, we mean after taxes and social insurance contributions. By household, we mean all members of your household, regardless of whether or not they are a member of your family.

Perceived position in the income distribution

- You indicated that your household's total disposable (net) monthly income is [XX EUR]. We are now interested in your assessment of how your household income relates to the income of other households. Please, give the most accurate and truthful assessment.
- **What is the proportion of households in [YOUR COUNTRY] who have a *lower* disposable (net) monthly income than your household?**
- Please enter your answer in percent.
- 0 percent means your household is the poorest in [YOUR COUNTRY].
- 100 percent means your household is the richest in [YOUR COUNTRY].

Size of misperception on a country level



Case of higher size of misperception on a country level

