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### Public perceptions of income inequality : trends and implications

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# Public Perceptions of Income Inequality

## Trends and Implications

A watercolor illustration of a hillside with several buildings. The buildings are rendered in shades of brown, tan, and grey, with some greenery interspersed. The background is a soft, light green, suggesting a grassy hillside. The overall style is soft and artistic.

Timothy K. Y. Wong

Po-san Wan

Kenneth W. K. Law

Conference on Social Inequality and Social Mobility in Hong Kong  
14 March 2008 • CUHK

# Introduction

- The World Bank (1993) once praised Hong Kong for having achieved “a remarkable record of high and sustained economic growth” and for having been “unusually successful at sharing the fruits of growth” during the period 1965 to 1990.
- In the past two decades, Hong Kong’s economy has continued to grow, with GDP increasing at an average annual rate of 5.1% in real terms.
- But growth with equity is no longer a feature of Hong Kong’s “miraculous” economic development.

- The process of de-industrialization that has taken place since the 1980s and the years of economic adversity that followed the outbreak of the Asian financial crisis have hit manual workers and lower-income groups the hardest.
- The Gini coefficient rose from 0.453 in 1986 to 0.533 in 2006.
- As many scholars have emphasized, the subjective perception of inequality is more important than actual inequality. Public tolerance of inequality has become a key factor in the political calculus of redistributive government interventions.

This paper aims:

- To describe the patterns and changes in public perceptions of domestic income inequality in the past two decades.
- To explain to what extent people's structural positions and attitudes towards inequality affect their perception and appraisal of income inequality.

# Data and Method

The data used to chart attitudinal trends came from a longitudinal Social Indicators Survey project.

- Nine rounds of face-to-face interviews were conducted from 1988 to 2006.
- The target population of these surveys were Hong Kong residents.
- The samples were drawn by means of a multistage stratified systematic sampling scheme.

- Questions relating to perceptions of income inequality are not available in all of the surveys. Specifically,
  1. A question regarding the public's perception of income inequality has been included in the core section since 1995.
  2. Another question capturing the public's appraisal of income inequality was included in the special topics section in five survey years.
  3. Questions probing possible determinants of perceptions of inequality were only included in the special topics section of the 2001 survey.

# Definition

- Income inequality is defined as the gap that exists between the rich and the poor.
- This conception is broader in scope than job-related earnings or wage inequality.
- Studies have demonstrated that the distribution of wealth is more unequal than the distribution of earnings.



# Trends in Perceived Income Inequality

- Our analysis focuses on two dimensions of perceived income inequality:
  1. Perception of income inequality, i.e. the perceived seriousness of income disparities.
  2. Appraisal of income inequality, i.e. the perceived justness of income disparities.
- To highlight the public's aversion to income inequality, a dichotomized score was computed for each of these variables, where 0 stood for neutral and positive attitudes towards income inequality and 1 for negative attitudes.
- Off-scale responses were excluded in calculating the score and were interpreted as an indicator of uncertainty.

**Table 1** Perception of the seriousness of income disparities, 1995-2006 (%)

	1995	1997	1999	2001	2004	2006
Degree of seriousness <sup>1</sup>						
Very minor	0.7	0.7	0.6	0.4	0.5	0.5
Minor	7.7	6.6	7.3	3.5	5.5	5.0
Average	33.2	22.9	26.9	15.7	19.2	19.0
Serious	41.5	43.8	47.4	50.7	47.3	49.6
Very serious	17.0	26.0	17.9	29.7	27.4	25.9
(n)	(2,102)	(2,007)	(3,075)	(3,907)	(3,103)	(3,233)
Seriousness mean score <sup>1, 2</sup>	0.59 (0.49)	0.70 (0.46)	0.65 (0.48)	0.80 (0.40)	0.75 (0.44)	0.76 (0.43)
% change <sup>3</sup>	—	18.6***	-7.1**	23.1***	-6.3***	1.3
% of uncertainty <sup>4</sup>	7.8	5.3	6.1	5.3	5.7	6.1

**Table 2** Evaluation of the justness of income disparities, 1990-2001 (%)

	1990	1995	1997	1999	2001
Degree of justness <sup>1</sup>					
Just	31.9	21.4	28.7	19.2	13.1
Average	—	0.9	—	28.1	24.0
Unjust	68.1	77.7	71.3	52.7	62.9
(n)	(323)	(323)	(614)	(702)	(700)
Unjustness mean score <sup>1,2</sup>	0.68 (0.47)	0.78 (0.42)	0.71 (0.45)	0.53 (0.50)	0.63 (0.48)
% change <sup>3</sup>	—	14.7**	-9.0*	-25.4***	18.9***
% of uncertainty <sup>4</sup>	17.2	20.8	12.4	14.7	14.8

According to our findings (Tables 1 and 2):

1. Public uncertainty about the pattern of income distribution has remained relatively stable:

Around 6% of our respondents refused to evaluate the seriousness of existing income disparities.

2. Public uncertainty about distributive justice is significantly higher than about the pattern of income distribution:

Around 16% did not hold a definite view on the justness of existing income disparities.

3. Public awareness of income disparities has been persistently high:

In most of the survey years, at least seven out of ten rated the situation as serious or very serious.

4. The public's appraisal of income inequality showed a fluctuating trend:

In the early and mid 1990s, about three quarters of our respondents considered existing income disparities in Hong Kong to be unjust. The corresponding percentage dropped considerably to 52.7% in 1999, and bounded back to 62.9% in 2001.

5. A comparison of people's perception and appraisal of income inequality testifies to the multidimensional nature of public opinion on income inequality:

These two subjective measures of income inequality were positively, but not strongly, correlated (in 1995, 1997, 1999, and 2001, the Pearson's R values of the seriousness mean score and the unjustness mean score were 0.217, 0.283, 0.317, and 0.294, respectively).

In the years of economic prosperity, people tended to be more critical of the aspect of justness than of seriousness, but the opposite held true during the years of economic adversity. For instance, in 1995, while only 58.5% of our respondents rated the situation of income disparities as serious, 77.7% believed such inequality to be unjust. But in 2001, when 80.4% considered the situation of income disparities to be serious, only 62.9% regarded it as unjust.

**Figure 1** Trends in income inequality, 1986-2006

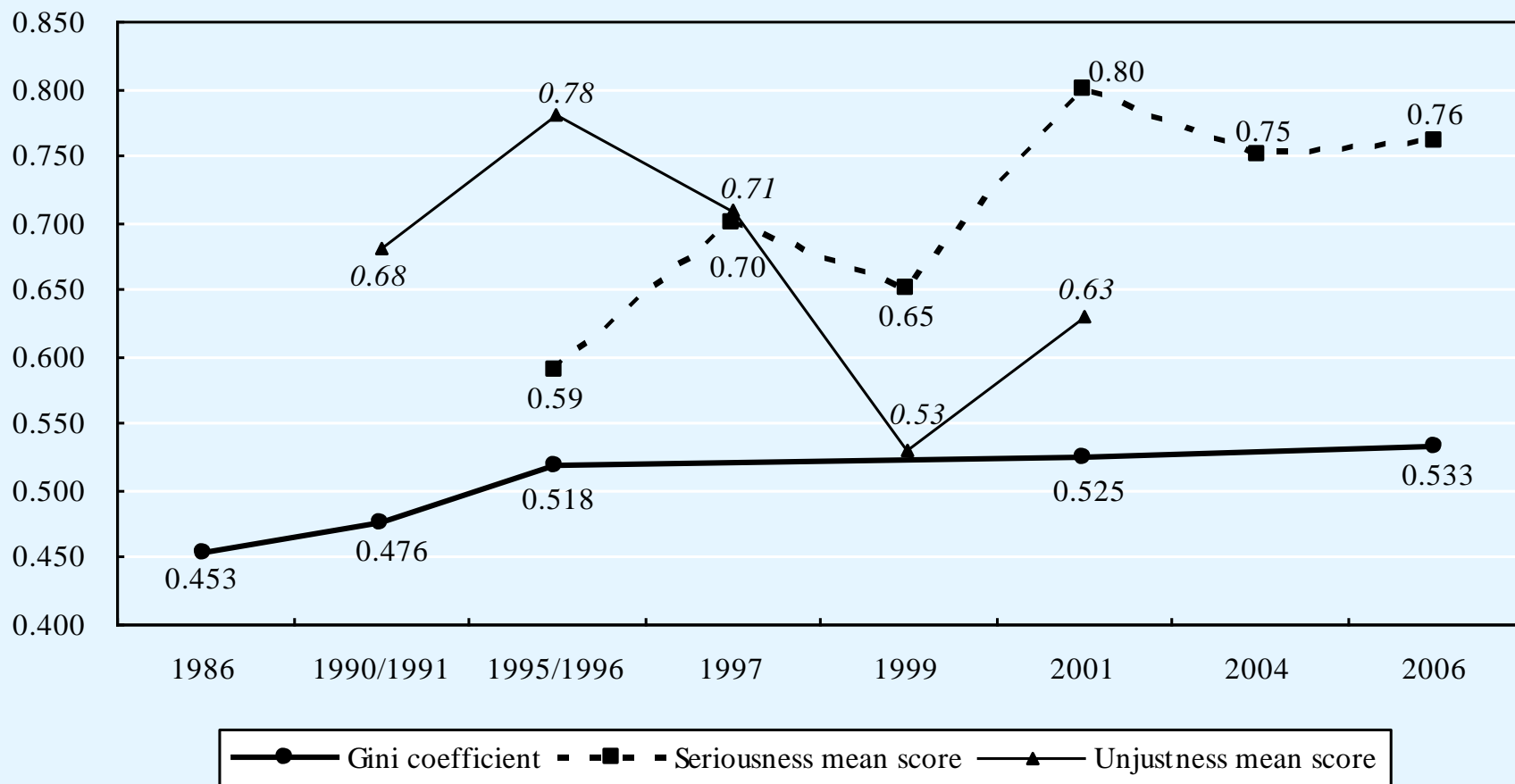


Figure 1 traces the trends in income inequality in both objective (i.e., the Gini coefficient) and subjective terms:

- The rise in the perceived seriousness of income disparities was more rapid than that of the Gini coefficient.
- Despite a continuous rise in the Gini coefficient, the perceived unjustness of income disparities showed a downward trend in the mid and late 1990s.
- The trend in the Gini coefficient would seem to fluctuate less than in both of the subjective measures of income inequality. Yet it should be noted that the years in which the two subjective measures exhibited prominent fluctuations, i.e., 1995 and 1999, lack comparable Gini coefficient estimates.
- The different trajectories of these three measures serve to illustrate the complex relationship between “actual” and subjective perceptions of income inequality.



# Determinants of Income Inequality Perceptions

Three common approaches to individual differences in attitudes towards inequality.

## 1. **The structural position thesis:**

Attitudes towards inequality are shaped and/or systematically distorted by a person's position in the stratification system or reward hierarchy. The higher a person's socio-economic position, the more income inequality a person believes to be legitimate.

## 2. **The dominant ideology thesis:**

An individual's beliefs and attitudes are influenced by the dominant values in society relating to stratification (e.g., beliefs in egalitarianism and meritocracy).

The stronger a person's egalitarian and non-meritocratic views, the more likely a person is to criticize income differences as being too large.

### **3. The reflection thesis:**

A person's beliefs reflect the situation prevailing in the real world.

The greater the degree of income inequality a person perceives there to be, the more likely that person is to regard income differences as too large.

- Other factors such as experiences related to personal stratification (e.g., income mobility) and expectations (e.g., expected future income position), and a changing zeitgeist (e.g., with the legitimacy of inequality decreasing over time, younger people are more opposed to inequality than older people) have also been found to be possible determinants of attitudes towards inequality.

Due to limitations in the available data, we could only select the following three sets of variables:

### **1. An individual's socio-economic position:**

- Measured by sex, age, education, occupation status, monthly household income, place of birth, and subjective social class.
- Males, younger people, the locally born, and those with a relatively high level of education, income, occupational status, and subjective social class usually occupy higher socio-economic positions.
- It was assumed that: people in higher socio-economic positions are less likely to perceive income disparities to be serious and unjust.

## **2. Individual stratification-related experiences and expectations:**

- Measured by:
  - (1) the financial capacity to make ends meet; and
  - (2) confidence in the prospects of one's family.
- It was assumed that: people whose family income is sufficient to pay for daily expenses and who anticipate an improvement in their family's standard of living would be less likely to perceive income disparities to be serious and unjust.

### 3. Attitudes towards inequality:

- Measured by:
  - (1) the attribution of the cause of poverty – whether poverty is a result of social or individual factors;
  - (2) a preference for redistribution – whether social welfare would make people less willing to rely on their own means to take care of themselves;
  - (3) a preference for redistributive government intervention – whether the government should cut social welfare;
  - (4) a commitment to redistributive government intervention – whether the government should introduce new taxes;
  - (5) trust in the government – whether the government pays more attention to the interests of the rich or to those of the people; and
  - (6) support for self-reliance – whether people should rely on their own means in times of public budget austerity.
- It was assumed that: people who adopt “individual” explanations of poverty, have no preference for redistribution nor for redistributive government intervention, trust the government in attending to public interests, and support self-reliance are less likely to perceive income disparities to be serious and unjust.

**Table 7** Odd ratios for the logistic regression of the perception and appraisal of income inequality on socio-demographic and attitudinal variables, 2001

	Seriousness				Justness			
	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4
Males [females]	0.74	—	0.64	0.65	0.83	—	0.94	1.01
Age [<30]								
30-54	1.38	—	1.22	1.10	1.26	—	1.27	1.21
≥55	1.00	—	1.08	0.90	1.10	—	1.10	1.12
Education [primary or below]								
Secondary	1.22	—	1.37	1.32	0.98	—	0.87	0.83
Tertiary	0.63	—	0.50	0.41	1.27	—	1.07	1.39
Occupation status [manual workers]								
Managerial/professional	0.79	—	0.76	0.67	1.25	—	1.11	1.15
Clerical/sales/service	0.78	—	0.84	0.81	1.24	—	1.34	1.35
Economically inactive	0.83	—	0.68	0.56	1.48	—	1.18	1.26
Monthly household income [<HK\$10,000]								
HK\$10,000-29,999	0.63	—	0.32*	0.28**	1.10	—	0.85	1.07
≥HK\$30,000	0.97	—	0.72	0.54	1.17	—	1.45	1.56
Unknown	0.98	—	0.75	0.59	1.09	—	1.25	1.48
Locally born [born outside Hong Kong]	1.50	—	1.48	1.29	1.25	—	1.13	1.06
Subjective social class [lower]								
Lower-middle	0.96	—	1.24	1.49	0.47**	—	0.60	0.57
Middle or above	0.58	—	0.79	1.10	0.29***	—	0.40**	0.41*
Financial capacity	—	1.02	1.07	1.14	—	0.87	0.86	0.83
Confidence in family's prospects	—	0.84	0.88	0.92	—	0.82	0.88	0.88
Attribution of poverty [social factors]								
Individual factors	—	0.56*	0.50*	0.68	—	0.29***	0.26***	0.28***
Indecisive	—	0.67	0.58	0.81	—	0.41**	0.33***	0.36**
Preference for redistribution	—	1.08	1.13	1.16	—	0.87	0.91	0.89
Preference for redistributive government intervention	—	0.85	0.90	1.03	—	0.80	0.79	0.79
Commitment to redistributive government intervention	—	0.90	0.90	0.84	—	0.92	0.96	0.99
Trust in government [rich fare better]								
People fare better	—	0.29***	0.26***	0.32**	—	0.44**	0.44**	0.59
Indecisive	—	0.53*	0.50*	0.63	—	0.38***	0.40***	0.44**
Support for self-reliance	—	1.18	1.16	1.11	—	1.12	1.13	1.09
Perceived seriousness of income disparities	—	—	—	—	—	—	—	4.22***
Perceived justness of income disparities	—	—	—	4.31***	—	—	—	—
n	730	592	560	514	655	545	516	514
Model $\chi^2$	23.21	31.07**	57.58***	84.76***	27.51*	94.40***	106.74***	134.27***
Nagelkerke R <sup>2</sup>	0.051	0.082	0.158	0.243	0.056	0.216	0.253	0.312

\* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001.

Notes: Income disparities are serious = 1, others = 0.  
Income disparities are unjust = 1, others = 0.  
The respective reference groups of independent variables are in parentheses.

Logistics regressions were conducted to explore how individual socio-economic positions and inequality-related attitudinal orientations affect the perception and appraisal of income inequality (Table 7) :

1. The explanatory powers were significantly stronger in explaining the perceived justness than the perceived seriousness of income disparities. The difference was particularly notable in Model 2, where inequality-related attitudinal variables explained 21.6% of the variance in the evaluation of distributive justice, while the explained variance in perceived seriousness was only 8.2%.
2. The effects of inequality-related attitudinal variables were stronger than socio-economic position variables in explaining both the perception and appraisal of income inequality, especially the latter. While inequality-related attitudinal variables explained 21.6% of the variance in the perceived justness of income disparities, individual socio-economic positions could explain only 5.6% of the variance in this respect.

3. Our findings seemed to give partial, albeit rather direct, support to the structural position thesis:

- People with a middle level of income were 0.72 times less likely than low-income people to perceive existing income disparities to be a serious problem (in Model 4, the odd ratio was 0.28).
- Those who identified with the middle class or above were about half as likely as those who identified with the lower class to consider existing income disparities to be unjust (in Model 4, the odd ratio was 0.41).

4. People with different stratification-related experiences and expectations, i.e., the financial capacity to make ends meet and confidence in the prospects of one's family, varied slightly in their perception and appraisal of income inequality.



5. Inequality-related attitudes showed a similar pattern in shaping the perception and appraisal of income inequality.

- The perceived justness/seriousness of income disparities stood out as the most influential factor, followed by attribution of poverty and trust in the government.
- Those who did not consider existing income disparities to be unjust or serious, blamed poverty on the poor themselves, and trusted the government to pay attention to the interests of the people were less likely than their counterparts to perceive existing income disparities to be serious or unjust.

- For example, those who regarded existing income disparities as unjust were about 4.31 times more likely than those who thought otherwise to perceive income disparities to be a serious problem. In a similar vein, those who regarded existing income disparities as serious were about 4.22 times more likely than those who thought otherwise to judge existing income disparities to be unjust.
- Other attitudes, such as a preference for redistribution, a preference for and commitment to redistributive government intervention, and support for self-reliance, appeared to have an insignificant independent impact.

# Conclusion and Discussion

- The problem of income inequality, in both objective and subjective terms, in Hong Kong is worse than in many other affluent societies. The high level of concern over the issue is undoubtedly rooted in the cultural tradition and fuelled by the aggravating reality.
- While the government has the resources to alleviate poverty and public awareness and disapproval of income disparities have been persistently high, there is little sign of Hong Kong becoming a “social volcano” on the verge of exploding due to anger over growing income gaps. The popular understanding of poverty is still biased towards “individual” explanations, and is embedded in a culture of self-amelioration.

- People in different socio-economic positions also differed only slightly in their perception and appraisal of income inequality. Not only did people of different sexes and ages hold similar attitudes, but even the classical stratification variables of education and occupation were not statistically significant.
- This individualized and meritocratic ideology forms the backbone of the “Hong Kong dream” or the “Hong Kong myth”; i.e., the belief in Hong Kong as a land of opportunities.
- Despite the widening polarization of incomes, only a minority of people do not believe that there are enough opportunities for the poor to improve their economic standing.
- It is this capitalist ethos that is causing the government and the people to undermine or ignore the economic and political foundations of poverty.

- A vivid example can be found in the core strategy recommended by the Commission on Poverty “to promote the policy of ‘From Welfare to Self-reliance’”. Rather than dealing with the structural causes of poverty, even the policy-makers are more inclined to emphasize individual strategies for closing the income gap.
- This epitomizes both an unwavering faith in the market mechanism and a bias towards the “blaming-the-poor” approach.
- Stigmatizing the poor is definitely not a feasible approach to dealing with the problem of increasing income inequality.
- Our findings show that certain attitudes towards inequality are important predictors of perceptions of income inequality. These attitudes also mediate the effect of socio-economic positions on perceptions of income inequality.
- Future work should shed light on these mechanisms as well as on the social sources of such attitudes.