

CO2.1: Trends in income inequality and income position of different household types

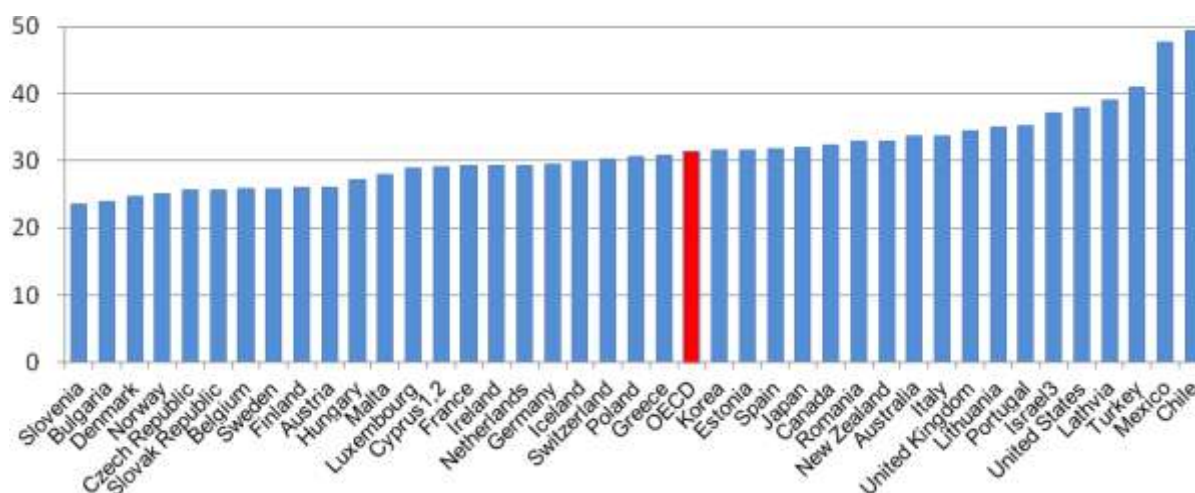
Definitions and methodology

Income inequality is measured here in terms of the distribution of household disposable income after taxes and transfers. To facilitate comparisons across households, disposable household income in cash is adjusted for household size with an elasticity of 0.5 (the square root scale). Indicators of income distribution used here include the Gini coefficient and the inter-decile income ratio (P90/P10). Values of the Gini coefficient range between 0 in the case of “perfect equality” and 100 in the case of “perfect inequality”; and the inter-decile income ratio concerns the ratio of the top and bottom deciles.

Key findings

There is much variation in levels of income inequality across OECD countries. In the late-2000s, the Gini coefficient of income inequality was lowest in Denmark and Slovenia and highest in Chile and Mexico (Chart CO2.1.A). Other measures of income inequality also show large differences across countries (Table CO2.1.A). For example, the income-decile (P90/P10) income ratio shows that people with incomes in the top decile had incomes more than 5 times higher than those of people in the bottom decile in Japan, Mexico, Turkey and the United States. Countries have similar ranking in inequality when measured using the Gini coefficient and the inter-decile (P90/P10) income ratio.

Chart CO2.1.A Gini coefficients of income inequality, mid-2000s*



*mid-2000s for non-OECD countries

1) Footnote by Turkey: The information in this document with reference to « Cyprus » relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus issue”. 2) Footnote by all the European Union Member States of the OECD and the European Commission: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus. 3) The data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD income distribution questionnaire, version January 2012, and Eurostat for non-OECD countries.

Other relevant indicators: CO2.2: Child poverty; SF1.2: Children in sole-parent families; LMF1.3: Maternal employment by family status; PF1.3: Family cash benefits; and, PF3.4 Childcare support.

Income inequality (gini coefficient) has risen over the past 25 years. This increase has been moderate but significant and it has affected two-thirds of OECD countries. Overall inequality measures have increased by 11% over the period (Table CO2.1.A). Increases have been most pronounced in Finland, (from a low base), the Netherlands and New Zealand.

Table CO2.1.A Inequality measures, mid-1980s to late-2000s

Country	Gini coefficients				P90/P10 Decile ratios		
	mid 80s	mid 90s	mid 00s	late 00s	mid 90s	2000	2008
Australia	-	0.30	0.31	0.34	4.12	4.27	4.55
Austria	0.23	0.23	0.27	0.26	2.98	3.32	3.20
Belgium	-	0.28	0.27	0.26	3.53	3.79	3.32
Bulgaria	-	-	0.24	0.24	-	-	-
Canada	0.29	0.29	0.32	0.32	3.75	3.98	4.18
Cyprus ^{1,2}	-	-	0.29	0.29	-	-	-
Czech Republic	-	0.25	0.27	0.26	2.82	3.07	2.91
Denmark	0.21	0.21	0.23	0.25	2.49	2.58	2.79
Estonia	-	-	0.33	0.32	-	-	4.28
Finland	0.20	0.23	0.27	0.26	2.84	3.16	3.18
France	-	0.28	0.28	0.29	3.55	3.50	3.45
Germany	0.26	0.27	0.30	0.30	3.42	3.41	3.54
Greece	0.33	0.32	0.31	0.31	4.29	4.59	4.02
Hungary	-	0.30	0.30	0.27	3.67	3.75	3.15
Iceland	-	-	0.29	0.30	-	-	3.21
Ireland	0.34	0.32	0.32	0.29	4.34	4.38	3.70
Italy	0.31	0.35	0.35	0.34	4.83	4.52	4.30
Japan	0.28	0.32	0.31	0.32	4.45	4.99	5.02
Korea	-	-	0.30	0.32	-	-	4.82
Lathvia	-	-	0.39	0.39	-	-	-
Lithuania	-	-	0.35	0.35	-	-	-
Luxembourg	0.24	0.26	0.26	0.29	3.23	3.24	3.44
Malta	-	-	0.28	0.28	-	-	-
Mexico	0.45	0.52	0.47	0.48	10.59	10.20	9.68
Netherlands	0.23	0.25	0.27	0.29	3.24	3.26	3.34
New Zealand	0.26	0.33	0.33	0.33	4.25	4.44	4.17
Norway	0.22	0.25	0.28	0.25	2.91	2.82	2.98
Poland	-	-	0.38	0.31	-	4.11	4.05
Portugal	-	0.34	0.38	0.35	4.70	4.77	4.86
Romania	-	-	0.33	0.33	-	-	-
Slovak Republic	-	-	0.27	0.26	-	-	3.12
Slovenia	-	-	0.24	0.24	-	-	3.02
Spain	0.33	0.28	0.31	0.32	4.72	4.63	4.55
Sweden	0.22	0.22	0.24	0.26	2.56	2.87	3.17
Switzerland	-	-	0.27	0.30	-	3.21	3.66
Turkey	0.43	0.51	0.42	0.41	6.71	-	6.15
United Kingdom	0.28	0.30	0.34	0.34	4.06	4.64	4.56
United States	0.33	0.35	0.37	0.38	5.30	5.13	5.90
OECD	0.28	0.30	0.31	0.31	4.13	4.10	4.26

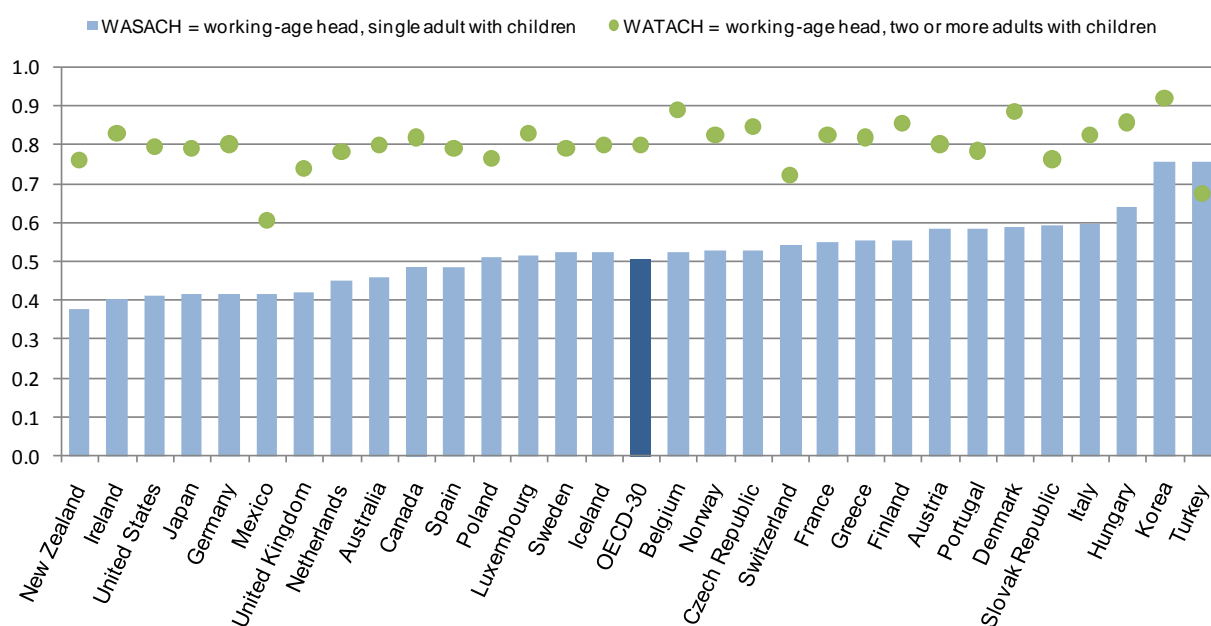
Notes: 1, 2 See notes 1 and 2 to Chart CO7.1

Source: OECD income distribution questionnaire, version January 2012, and Eurostat for non-OECD countries.

The household type in which one lives has a bearing on the place in the income distribution (Chart CO2.1.B). In general, average disposable income is lowest among sole-parent families, followed by that of two adult couple families with children (with a head of household of working age) and highest among couples with no children. On average, sole-parent families in OECD countries have incomes that are less than half that of couple families without children, and this income gap is most significant in Germany, Ireland, Japan, Mexico, New Zealand, the United Kingdom and the United States. Incomes of couple families with children are about 20% lower than incomes of couple families without children; the income difference between couple families with and without children is 33% in Turkey and 40% in Mexico.

Chart CO2.1.B Relative income by household type, mid-2000s

Household disposable income relative to couples with a working-age head without children



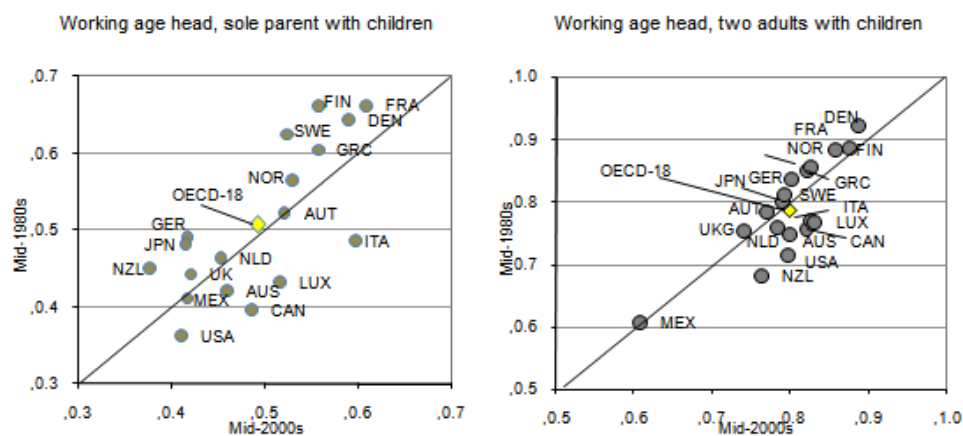
Source: OECD income distribution questionnaire, version January 2011

Trends in income inequality reflect changes in income within and between demographic groups. Chart CO2.1.C plots the income of various household types at two points in time (the most recent year, on the horizontal axis; and the mid-1980s, on the vertical one) relative to that of couple households with children whose head is of working age. Countries with outcomes above the diagonal are those in which relative income for the group considered has fallen.

In general, countries are evenly distributed on the two sides of the diagonal. In comparison to other countries, the income position of sole parents has weakened over time in Finland, Germany, Japan, New Zealand and Sweden, whereas it improved in Canada, Italy and Luxembourg. In Canada, New Zealand and the US, the relative income position of couples with children improved most significantly, while the on average across the OECD, the relative income position of these households changed little.

Chart CO2.1.C Relative income by household type, mid-1980s and mid-2000s

Household disposable income relative to couples with a working-age head of household without children



Source: OECD income distribution questionnaire, version January 2011

Comparability and data issues

Household disposable income is measured as income after the deduction of direct taxes and social security contributions paid by households, and does not account for non-cash income components such as in-kind services provided to households by governments and private entities, consumption taxes, and imputed income flows linked to ownership of housing and other types of assets.

Tabulations on the distribution of household income are provided to the OECD by national experts using common assumptions and definitions across countries. For some countries, however, these data may differ in some aspects that escape standardisation, such as the definition of households and the period over which income is assessed. Finally, these survey data may be affected by different types of sampling and non-sampling errors.

Data on the Gini coefficient and the quintile share ratios for non-OECD countries was derived from Eurostat Tables on Living Conditions and Welfare, data refers to 2005.

Sources and further reading: OECD (2008), Growing Unequal –Income Distribution and Poverty in OECD Countries, OECD, Paris (www.oecd.org/els/social/inequality); and, Income poverty and social exclusion in the EU25, 2005; Eurostat Living conditions in Europe, 2007 edition, data 2002-2005; 2007, Eurostat.