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Income inequality

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INCOME INEQUALITY

Income inequalities are one of the most visible manifestations of differences in living standards within each country. High income inequalities typically imply a waste of human resources, in the form of a large share of the population out of work or trapped in low-paid and low-skilled jobs.

Definition

Income is defined as household disposable income in a particular year. It consists of earnings, self-employment and capital income and public cash transfers; income taxes and social security contributions paid by households are deducted. The income of the household is attributed to each of its members, with an adjustment to reflect differences in needs for households of different sizes (i.e. the needs of a household composed of four people are assumed to be twice as large as those of a person living alone).

Income inequality among individuals is measured here by four indicators. The Gini coefficient is based on the comparison of cumulative proportions of the population against cumulative proportions of income they receive, and it ranges between 0 in the case of perfect equality and 1 in the case of perfect inequality. The P90/P10 ratio is the ratio of the upper bound value of the ninth decile (i.e. the 10% of people with highest income) to that of the first decile; the P90/P50 ratio is the ratio of the upper bound value of the ninth decile to the median income; and the

P50/P10 ratio is the ratio of median income to the upper bound value of the first decile.

Comparability

Data used here were provided by national experts applying common methodologies and standardised definitions. In many cases, experts have made several adjustments to their source data to conform to standardised definitions. While this approach improves comparability, full standardisation cannot be achieved. Also, small differences between periods and across countries are usually not significant.

Results refer to different years. “Late-2000s” data refer to the income in 2008 in all countries except Japan (2006); Denmark, Hungary and Turkey (2007); and Chile (2009). “Mid-1990s” data refer to the income earned between 1993 and 1996. “Mid-1980s” data refer to the income earned between 1983 and 1987 in all countries for which data are available except Greece (1988); Portugal (1990); and the Czech Republic (1992). “Mid-1980s” data refer to the western Lander of Germany. “Late-2000s” data for Austria, Belgium, Ireland, Portugal and Spain are based on EU-SILC and are not deemed to be fully comparable with those for earlier years.

For non-OECD countries, 2008/9 Gini coefficients are not strictly comparable with OECD countries as they are based on per capita incomes except India and Indonesia for which per capita consumption was used.

Overview

There is considerable variation in income inequality across OECD countries. Inequality as measured by the Gini coefficient is lowest in Slovenia, Denmark and Norway and highest in Chile, Mexico and Turkey. It is above-average in Israel, Portugal and the United States, and below-average in the remaining Nordic and many Continental European countries. The Gini coefficient for the most unequal country (Chile) is double the value of the most equal country (Slovenia). Overall, the different measures of income inequalities provide similar ranking across countries.

From the mid-1980s to the late-2000s, inequality rose in 15 out of 19 countries for which longer-run data are available. The increase was strongest in Finland, New Zealand and Sweden. Declines occurred in France, Greece, and Turkey. Income inequality generally rose faster from the mid-1980s to the mid-1990s than in the following period.

With measurement-related differences in mind, non-OECD countries have higher levels of income inequality than OECD countries, particularly in Brazil and South Africa.

Sources

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Further information

Analytical publications

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Websites

- OECD Income Distribution and Poverty, www.oecd.org/els/social/inequality.
- OECD Social and Welfare Statistics, www.oecd.org/social/statistics.



Income inequality

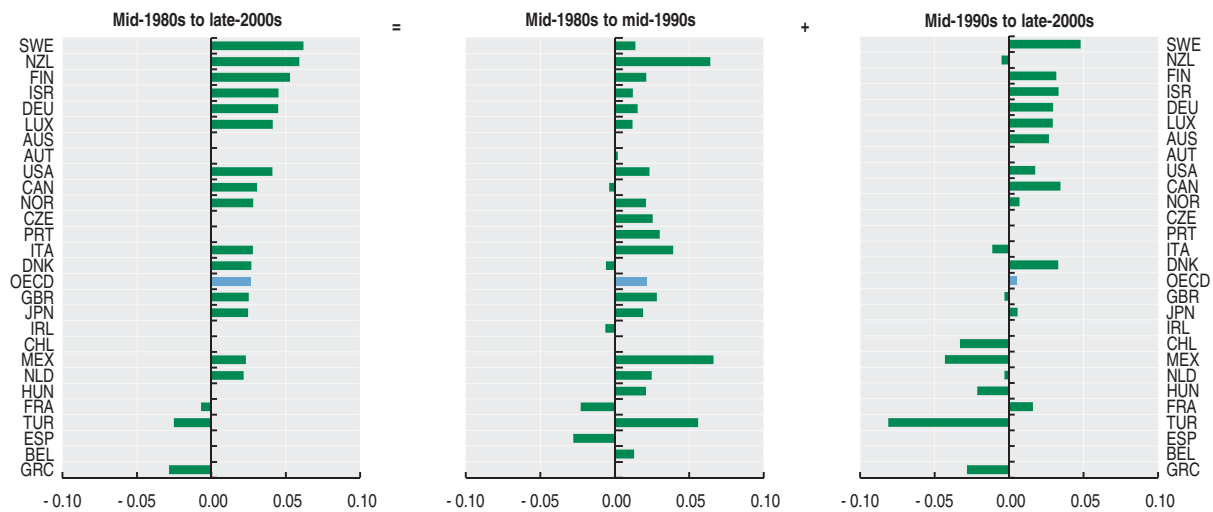
Different summary measures, level and rank from low to high inequality, late 2000s

	Gini coefficient		Interdecile ratio P90/P10		Interdecile ratio P90/P50		Interdecile ratio P50/P10	
	Level	Rank	Level	Rank	Level	Rank	Level	Rank
Australia	0.34	26	4.5	24	2.0	23	2.1	20
Austria	0.26	9	3.2	9	1.8	9	1.8	8
Belgium	0.26	6	3.3	11	1.7	6	1.9	16
Canada	0.32	23	4.2	21	1.9	19	2.1	19
Chile	0.49	34	8.5	33	3.2	34	2.7	33
Czech Republic	0.26	4	2.9	2	1.7	7	1.7	2
Denmark	0.25	2	2.8	1	1.6	1	1.7	4
Estonia	0.32	21	4.3	22	2.0	26	2.3	25
Finland	0.26	8	3.2	7	1.7	5	1.9	10
France	0.29	12	3.4	14	1.9	17	1.8	7
Germany	0.30	15	3.5	15	1.8	14	1.9	14
Greece	0.31	18	4.0	19	2.0	21	2.2	21
Hungary	0.27	10	3.1	6	1.7	8	1.8	6
Iceland	0.30	16	3.2	10	1.8	11	1.7	3
Ireland	0.29	13	3.7	17	1.9	16	2.2	22
Israel	0.37	30	6.2	32	2.3	30	2.7	32
Italy	0.34	27	4.3	23	2.0	27	2.1	18
Japan	0.33	24	5.0	29	2.0	24	2.4	29
Korea	0.31	19	4.8	27	1.9	18	2.4	28
Luxembourg	0.29	11	3.4	13	1.8	12	1.9	9
Mexico	0.48	33	9.7	34	3.0	33	2.9	34
Netherlands	0.29	14	3.3	12	1.8	13	1.9	12
New Zealand	0.33	25	4.2	20	2.1	28	2.1	17
Norway	0.25	3	3.0	3	1.6	2	1.8	5
Poland	0.31	20	4.0	18	2.0	22	2.4	27
Portugal	0.35	29	4.9	28	2.3	31	2.2	24
Slovak Republic	0.26	5	3.1	5	1.8	10	1.9	13
Slovenia	0.24	1	3.0	4	1.6	3	1.9	11
Spain	0.32	22	4.6	25	2.0	20	2.3	26
Sweden	0.26	7	3.2	8	1.7	4	1.7	1
Switzerland	0.30	17	3.7	16	1.9	15	1.9	15
Turkey	0.41	32	6.2	31	2.5	32	2.7	30
United Kingdom	0.34	28	4.6	26	2.0	25	2.2	23
United States	0.38	31	5.9	30	2.2	29	2.7	31
EU 27	..	..	..	..	..	..	..	..
OECD	0.31	..	4.3	..	2.0	..	2.1	..
Brazil	0.55	..	..	..	..	..	..	..
China	0.41
India	0.38
Indonesia	0.37
Russian Federation	0.42
South Africa	0.70

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Trends in income inequality

Percentage point changes in the Gini coefficient



StatLink <http://dx.doi.org/10.1787/888932707040>