

INCOME INEQUALITY

Income inequalities are one of the most visible manifestations of differences in living standards within each country. In many OECD countries, income inequalities reflect developments in the labour market, as well as in tax and transfer systems.

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.

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 Palma index is the ratio between the income share of the top 10% and the bottom 40%; S90/S10 is the ratio of the average income of the 10% richest to the 10% poorest; S80/S20 of the average income of the 20% richest to the 20% poorest. P90/P10 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; P90/P50 of the upper bound value of the ninth decile to the median income; and P50/P10 of median income to the upper bound value of the first decile.

Comparability

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

Results refer to different years. “2012 or latest year available” data refer to the income in 2012 in all countries except Japan (2009); Indonesia and Russia (2010); Brazil, Canada and Chile (2011); India (2013); and China (2014). “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 Czech Republic (1992) and Hungary (1991).

For the emerging economies except Russia, 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 ranges from 0.25 in Denmark to approximately twice that value in Chile and Mexico. The Nordic and Central European countries have the lowest inequality in disposable income while inequality is high in Chile, Israel, Mexico, Turkey and the United States. Alternative indicators of income inequality suggest similar rankings. The gap between the average income of the richest and the poorest 10% of the population was almost 10 to 1 on average across OECD countries in 2012, ranging from 5 to 1 in Denmark to five times larger in Chile and Mexico.

From the mid-1980s to around 2012, inequality rose in 16 out of 18 countries for which longer-run data are available. The increase was strongest in Finland, Luxembourg and Sweden. Declines occurred in Turkey, and Greece to a lesser extent. Income inequality generally rose faster from the mid-1980s to the mid-1990s than in the following periods.

With measurement-related differences in mind, the emerging economies have higher levels of income inequality than most OECD countries, particularly Brazil and South Africa. Comparable data from the early 1990s suggest that inequality increased in Asia, decreased in Latin America and remained very high in South Africa.

Sources

- OECD (2015), *OECD Social and Welfare Statistics* (Database).

Further information

Analytical publications

- OECD (2015), *How's Life? Measuring Well-being*, OECD Publishing.
- OECD (2015), *In It Together: Why Less Inequality Benefits All*, OECD Publishing.
- OECD (2011), *Divided We Stand, Why Inequality Keeps Rising*, OECD Publishing.
- OECD (2008), *Growing Unequal? Income Distribution and Poverty in OECD Countries*, OECD Publishing.

Statistical publications

- OECD (2014), *Society at a Glance: OECD Social Indicators*, OECD Publishing.

Websites

- OECD Centre for Opportunity and Equality, <http://oe.cd/cope>.
- OECD Income Distribution Database (supplementary material), www.oecd.org/social/incomedistribution-database.htm.

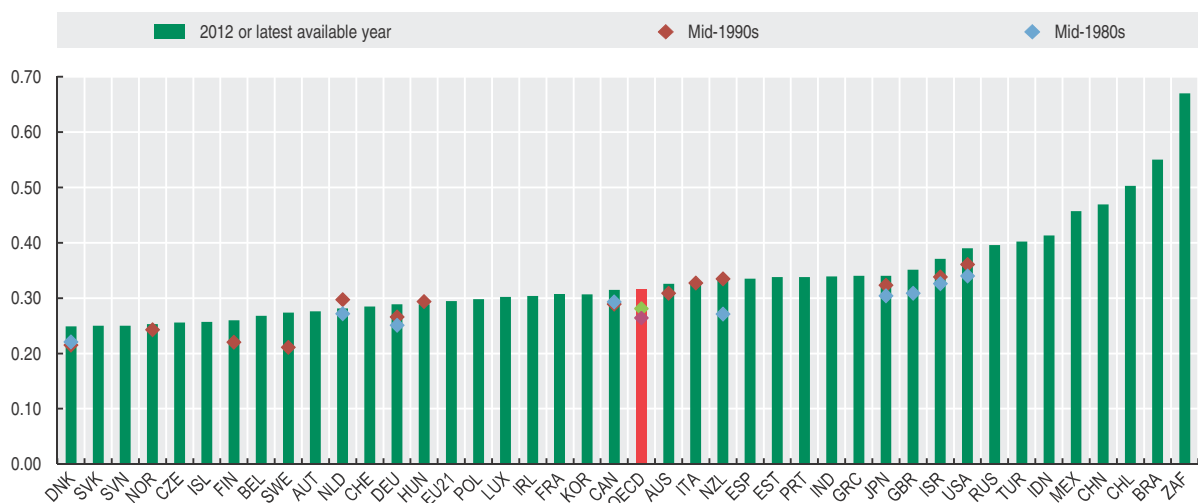

Income inequality

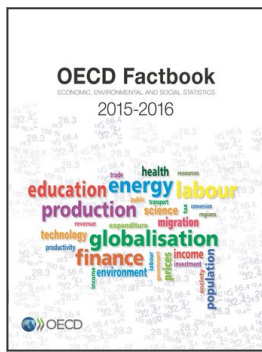
Different summary inequality measures, 2012 or latest year available

	Gini coefficient (disposable income, post taxes and transfers)	Palma ratio (S90/S40 disposable income decile share)	S90/S10 disposable income decile share	S80/S20 disposable income quintile share	P90/P10 disposable income decile ratio	P90/P50 disposable income decile ratio	P50/P10 disposable income decile ratio
Australia	0.33	1.2	8.8	5.5	4.4	2.0	2.2
Austria	0.28	1.0	7.0	4.3	3.5	1.8	2.0
Belgium	0.27	0.9	5.9	4.0	3.4	1.7	2.0
Canada	0.32	1.2	8.6	5.2	4.2	1.9	2.1
Chile	0.50	3.3	26.5	13.0	8.5	3.3	2.6
Czech Republic	0.26	0.9	5.4	3.6	3.0	1.8	1.7
Denmark	0.25	0.9	5.2	3.5	2.8	1.6	1.7
Estonia	0.34	1.3	9.6	5.8	4.7	2.2	2.1
Finland	0.26	0.9	5.4	3.7	3.1	1.7	1.8
France	0.31	1.2	7.4	4.6	3.6	1.9	1.9
Germany	0.29	1.1	6.6	4.3	3.5	1.9	1.9
Greece	0.34	1.3	12.3	6.3	4.9	1.9	2.5
Hungary	0.29	1.0	7.3	4.5	3.8	1.8	2.0
Iceland	0.26	0.9	5.6	3.7	3.0	1.7	1.7
Ireland	0.30	1.1	7.4	4.7	3.8	2.0	1.9
Israel	0.37	1.6	13.7	7.5	6.1	2.2	2.7
Italy	0.33	1.3	11.4	5.8	4.4	2.0	2.2
Japan	0.34	1.3	10.7	6.2	5.2	2.0	2.6
Korea	0.31	1.1	10.2	5.5	4.8	1.9	2.5
Luxembourg	0.30	1.1	7.1	4.6	3.6	1.9	1.9
Mexico	0.46	2.5	25.1	11.5	8.1	2.8	2.9
Netherlands	0.28	1.0	6.8	4.2	3.3	1.8	1.9
New Zealand	0.33	1.3	8.2	5.3	4.2	2.1	2.0
Norway	0.25	0.9	6.2	3.8	3.0	1.6	1.9
Poland	0.30	1.1	7.3	4.7	3.9	1.9	2.0
Portugal	0.34	1.3	10.1	5.9	4.7	2.1	2.2
Slovak Republic	0.25	0.8	5.7	3.7	3.2	1.7	1.9
Slovenia	0.25	0.8	5.5	3.7	3.3	1.7	2.0
Spain	0.34	1.3	11.7	6.1	4.9	2.0	2.4
Sweden	0.27	1.0	6.3	4.1	3.3	1.7	1.9
Switzerland	0.29	1.0	6.7	4.3	3.5	1.8	1.9
Turkey	0.40	1.9	14.0	7.8	6.0	2.5	2.4
United Kingdom	0.35	1.5	10.5	5.9	4.2	2.1	2.0
United States	0.39	1.8	17.9	8.5	6.2	2.3	2.8
EU 28	0.29	1.1	7.7	4.7	3.8	1.9	2.0
OECD	0.32	1.3	9.5	5.5	4.3	2.0	2.1
Brazil	0.55	..	..	..	..	..	..
China	0.47	..	..	..	..	..	..
India	0.34	..	..	..	..	..	..
Indonesia	0.41	..	..	..	..	..	..
Russian Federation	0.40	..	..	..	..	..	..
South Africa	0.67	..	..	..	..	..	..

 1 2 <http://dx.doi.org/10.1787/88893336302>
Trends in income inequality

Percentage point changes in the Gini coefficient


 1 2 <http://dx.doi.org/10.1787/888933335119>



From:
OECD Factbook 2015-2016
Economic, Environmental and Social Statistics

Access the complete publication at:
<https://doi.org/10.1787/factbook-2015-en>

Please cite this chapter as:

OECD (2016), "Income inequality", in *OECD Factbook 2015-2016: Economic, Environmental and Social Statistics*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/factbook-2015-20-en>

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.