

Chapter 2

Household income

Household income and wealth have been shown to be important for a broad range of socio-economic outcomes, in areas as diverse as health, education and civic participation. Having insufficient income may hamper migrants' ability to function as autonomous citizens and have consequences on social cohesion. Beyond absolute income levels, household income distribution determines the extent to which some vulnerable groups, such as some immigrant households, are at risk of being left behind.

Participation in the labour market is the most important determinant of the level of household income. Labour earnings constitute by far the highest share of household income, some 75% in the OECD. Household income is strongly driven by the socio-demographic characteristics of household members, in particular the education and skills of the adults, the total number of children and the presence of young children, which may reduce the participation of women in the labour market. At the same time, social transfers as well as income and wealth taxes contribute to reshaping income distribution.

Two indicators are presented in this chapter: the household disposable income distribution (Indicator 2.1); the risk of poverty (Indicator 2.2). For a discussion on these indicators, refer to the section "Measurement" at the end of this chapter.

2.1. Household income distribution

Background information

Income data presented here refer to annual equivalised disposable income expressed in United States dollars (USD) at purchasing power parity (PPP) rates (OECD as a reference). Refer to the “Measurement” section at the end of the chapter for definitions. This excludes in-kind services provided to households by governments and private entities, consumption taxes, and imputed income flows resulting from home ownership. Only income of people living in private households is considered. A “top and bottom coding” is used, setting the maximum disposable income at ten times the median income, and the minimum disposable income at 1% of median disposable income.

Household immigrant status is defined by the head of household’s country of birth. An immigrant household is a household in which all persons declared responsible for the dwelling (one or two persons) were born abroad. A native-born household is one in which at least one native-born person is responsible for the household. Among native-born households, a mixed household is one in which one of the person responsible was born abroad. Each individual aged 15 or over is attributed the income of his/her household.

In all OECD countries for which data are available, immigrant household median income is lower than native-born income and, in half of the countries, it represents less than 80% of the native-born median income. Aside from Austria, mixed household median income is comparable with that of native-born households and is even substantially higher in the case of Australia, Norway, Portugal, Switzerland, the United Kingdom and the United States (Figure 2.1).

Immigrant household median income ranges from one to almost threefold across OECD countries (less than USD 10 000 in Estonia and Poland and up to USD 25 000 in Australia, Luxembourg, Norway, and Switzerland). This is less heterogeneous than for native-born median income, which ranges from 1 to 3.7 across OECD countries. Immigrant households in southern European countries and in Belgium present two disadvantages: low overall median income compared with other OECD countries and large differences with native-born households.

Larger inequalities (in terms of D9 to D1 ratio – Figure 2.2) among immigrant households observed in most countries are partly driven by the level of the highest decile. This is the case especially in Australia, Luxembourg, the United Kingdom, Switzerland and the United States, where the immigrant highest decile is the top five across OECD countries. In Australia and Luxembourg, the level of the highest decile is comparable among immigrant and native-born households. In most OECD countries, adults living in an immigrant household are largely over-represented in the lowest decile (Table 2.1). Notable exceptions are Hungary, Ireland, Israel*, Poland and Portugal. In Denmark, Finland and the Netherlands, nearly a third of adults living in an immigrant household have equivalised income within the lowest income decile (calculated for the whole population). Immigrants are under-represented among households in the highest income decile, except in Australia and Luxembourg.

The ratio of the median to the lowest decile (D5/D1) is similar among immigrant and native-born households, with the exception of Norway and Switzerland where inequality at the bottom half of the distribution is greater among foreign-born. Furthermore, in these two countries, as well as in Belgium, Denmark, France and Spain, the immigrant lowest decile is significantly lower than that for native-born. Conversely, in Central and Eastern European countries as well as in Ireland, Israel and Portugal, immigrant and native-born levels of the lowest decile are comparable. In absolute terms, immigrant household lowest decile is highest in Iceland, Ireland and Luxembourg.

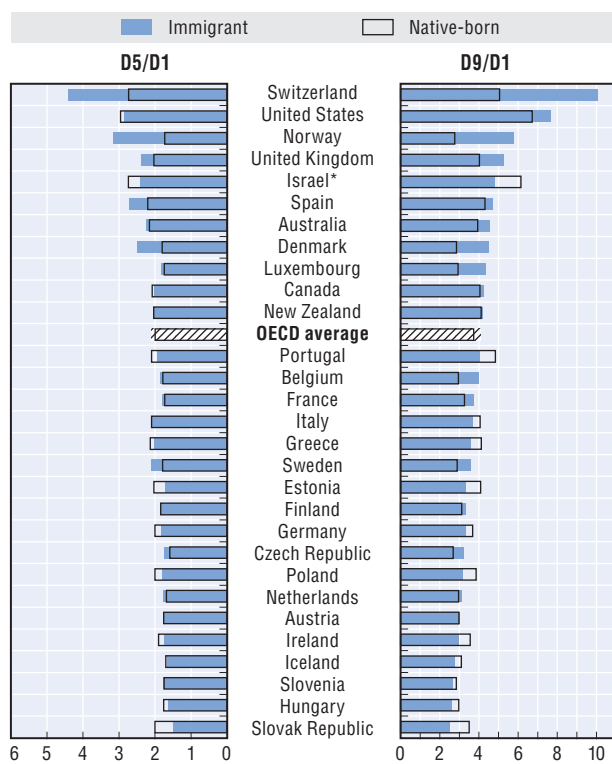
Figure 2.1. **Distribution of annual equivalised disposable income by household immigration status, 2008**

US dollars in 2008 current prices



StatLink <http://dx.doi.org/10.1787/888932734837>

Figure 2.2. **Income distribution by household immigration status, 2008**



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Notes and sources are at the end of the chapter.

Table 2.1. **Share of persons living in an immigrant household in lowest and highest deciles, 2008**

	Percentages	
	% in the lowest decile	% in the highest decile
Australia	15.6	9.9
Austria	21.1	4.2
Belgium	26.3	7.3
Canada	15.8	7.1
Czech Republic	23.0	6.2
Denmark	32.0	4.0
Estonia	11.0	4.2
Finland	31.5	4.0
France	27.8	4.7
Germany	13.8	4.2
Greece	18.0	2.3
Hungary	8.2	8.7
Ireland	10.8	3.5
Iceland	21.8	3.6
Israel*	8.1	6.0
Italy	15.6	3.3
Luxembourg	17.4	11.3
Netherlands	30.4	4.4
New Zealand	14.5	7.1
Norway	28.7	5.9
Poland	10.3	3.8
Portugal	10.7	5.0
Slovenia	13.2	3.8
Spain	19.0	2.5
Sweden	20.3	6.6
Switzerland	14.3	8.0
United Kingdom	18.5	8.5
United States	15.4	6.7
OECD average	18.3	5.6

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2.2. Poverty

Background information

The poverty is defined in this section as the percentage of individuals having less than half of the median equivalised disposable income (see the previous section for definitions of incomes and household immigration status). Each individual is attributed the income of his/her household. The poverty rate for persons aged 15 and over as well as that for children (aged 0 to 14) are presented. Children, like any household member, are attributed the immigrant status of the household. The term “immigrant (native-born)” poverty rate refers to the poverty rate among individuals living in an immigrant (native-born) household.

On average across OECD countries, 17.3% of immigrants are at risk of poverty, compared with 15% of the native-born population. In all OECD countries for which data are presented, the immigrant poverty rate is higher than that of the native-born. In Estonia, Ireland, Israel, Portugal, Poland and Slovenia, however, both rates are comparable and relatively low in international comparisons. Conversely, in Denmark, Finland, the Netherlands and Norway, as well as in France and Belgium, the immigrant poverty rate is 3.7 to 4.5 times higher than that of the native-born (Table 2.2). This is an issue, especially in Belgium and France where immigrant households represent more than 10% of all households.

Immigrant poverty rates are highest in the Netherlands, Nordic countries (except Sweden), Spain, Switzerland and the United States. In Denmark, Finland and the Netherlands, the relative importance of humanitarian migrants could be one explanatory factor for high poverty rates among immigrants, while in Spain it could be due to recent flows of migrants responding to a demand for low skilled jobs.

The region of origin of immigrant households matters. In Finland, Iceland, Luxembourg, the Netherlands, Norway and the United Kingdom, poverty rates among persons living in an immigrant household, all of whose heads were born outside the European Union, are more than twice as high as the rates among European Union immigrant households (where at least one head of household is born in the European Union). In all these countries, poverty rates for native-born and European Union foreign-born households are comparable (Figure 2.3).

Families with children and low earnings potential are particularly at risk of living in poverty. Children living in an immigrant household are systematically more at risk of living in poverty than their native-born counterparts (Figure 2.4). The immigrant child poverty rate is the highest in Belgium, Spain and the United States. This is particularly worrying in countries where children living in immigrant households represent a high percentage of all children, namely Belgium and the United States. High child poverty rates among immigrant households could be related to the relatively lower participation in the labour market of immigrant women having children and, in some countries (especially Belgium and the United States), to the higher average number of children in immigrant households compared with that of native-born.

Labour market access is a major factor contributing to poverty risk reduction, even if employment does not prevent poverty, especially among households with children. Sample sizing does not make it possible to calculate the jobless poverty rate for many countries. However, for the few countries for which it is possible (Belgium, Canada, France and the United States), immigrant jobless households are much more disadvantaged than their native-born counterparts, probably because work is their major source of income. In addition, when they become jobless, the lack of a reliable social network may bring with it difficulties that put them at risk of chronic poverty.

Table 2.2. **Poverty rates by household immigrant status, 2008**

	Percentage	
	Individuals living in an immigrant household	Ratio to the native-born households
Australia	20.2	1.7
Austria	15.0	2.9
Belgium	21.9	3.8
Canada	22.9	1.8
Czech Republic	10.1	2.5
Denmark	25.6	4.0
Estonia	11.0	1.1
Finland	24.5	3.7
France	21.1	4.0
Germany	13.8	1.4
Greece	22.3	2.0
Hungary	1.5	0.3
Iceland	10.5	2.1
Ireland	9.0	1.2
Israel*	16.6	1.0
Italy	17.8	1.7
Luxembourg	13.4	3.6
Netherlands	24.0	4.5
New Zealand	14.6	1.6
Norway	23.6	3.9
Poland	10.3	1.0
Portugal	14.4	1.2
Slovak Republic	14.7	2.4
Slovenia	8.3	1.3
Spain	23.7	1.9
Sweden	16.4	2.5
Switzerland	25.7	1.8
United Kingdom	19.0	1.9
United States	31.2	1.8
OECD average	17.3	2.2


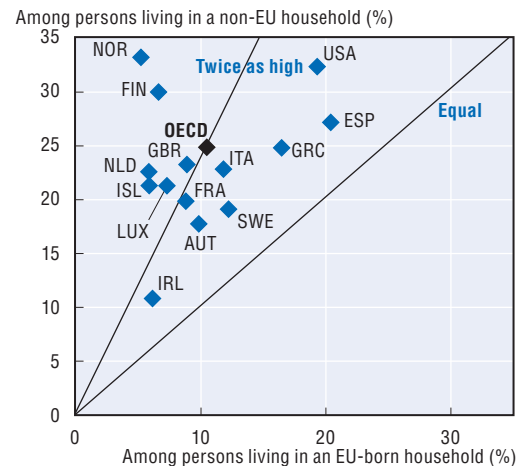
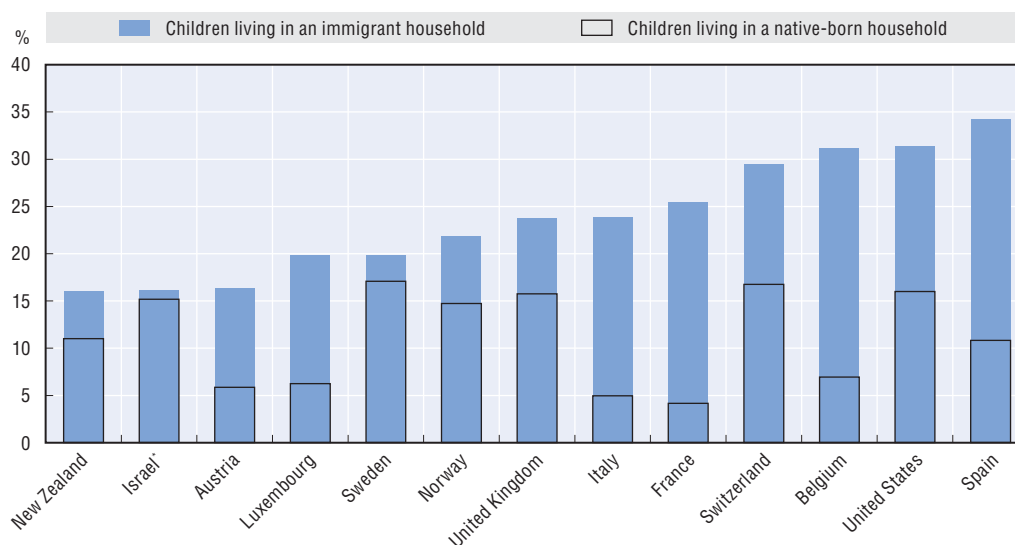
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Figure 2.3. **Immigrant household poverty rates by origin, 2008**

Persons living in an EU versus a non-EU-born household

Figure 2.4. **Child (0-14) poverty rate by household immigrant status, 2008**

Percentage



Notes and sources are at the end of the chapter.

Measurement

Indicators of wealth are not presented in this publication since the available statistical sources are not reliable enough to depict immigrants' situation accurately. In particular, information on the value of property owned abroad is not available.

Data presented in this chapter refer to annual household equivalised disposable income. Disposable income provides an indication of the goods and services households can purchase on the market using current income sources and without increasing its level of debt. It is composed of the sum of all labour earnings (wages, salaries, self-employment income), capital income, savings, private and public transfers, minus income taxes and social contributions.

Two indicators have been selected for presentation: the household disposable income distribution (Indicator 2.1) and the incidence of poverty (Indicator 2.2). The former indicator presents median income as well as lowest and highest deciles. Median income (D5) cuts income distribution into lower and upper halves. Ten percent of people have income lower than the first decile (D1) and 10% have income higher than the ninth decile (D9). The ratio D9/D1, the inter-decile ratio, is used as an indicator of income inequality. The ratio D5/D1 focuses on the bottom half of the distribution, while the ratio D9/D5 focuses on the top half. The latter indicator (poverty) is defined as the proportion of the immigrant and native-born populations, respectively, having less than half of the median income (calculated for the entire population) in each country. While this definition makes it possible to compare the incidence of relative poverty across countries, it does not take into account differences in absolute income levels across countries. Furthermore, such poverty indicators do not take into account the non-financial dimensions of poverty.

In order to equalise the purchasing power of different currencies, the OECD purchasing-power parity conversion rate has been applied to both indicators. To take into account the size and composition of households, household income is divided by the equivalent household size, which attributes a weight of 1 to the first adult, 0.5 to any other household member aged 14 and over and 0.3 to each child under 14 years. These factors take into account economies of scale in multiple-person households.

Notes, sources and further reading

Notes

Figure 2.3: United States data refer to immigrants born in an OECD high-income country versus another country (instead of European Union versus non-European Union country).

* Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Sources

European Union Statistics on Income and Living Conditions (EU-SILC) 2009; 2008 for Portugal; Swiss Household Panel (SHP) 2009; Household, Income, and Labour Dynamics in Australia (HILDA) 2009; 2009 Canadian Survey of Labour and Income Dynamics (SLID); Israeli Labour Force Survey 2009; New Zealand Household Economic Survey (HES) 2009; US Current Population Survey (CPS) 2009.

All panel designs tend to under represent recent arrivals. In the case of EU-SILC and SLID the panel is renewed every four years; in the CPS every two years. The samples are

cross-sectionally representative only for the first wave of a new panel; only newly arriving immigrants who join a resident household, *e.g.* through family reunification and formation, are captured. In HILDA, new arrivals after 1999 are only included if they are in previously resident households. As Australia had significant intakes of migrants between 1999 and 2009, and has had an increased focus on highly educated labour migrants since the mid-1990s, the estimates thus tend to be biased.

Further reading

OECD (2009), “Is Work the Best Antidote to Poverty”, Chapter 3 in *OECD Employment Outlook*, OECD Publishing, Paris.

OECD (2011a), *Society at a Glance – OECD Indicators*, OECD Publishing, Paris.

OECD (2011b), *Divided We Stand – Why Inequality Keeps Rising*, OECD Publishing, Paris.