

Regional disparities in household income

The disposable income of households can be seen as the maximum amount that a household can afford to spend on consumption goods or services without having to reduce its financial or non-financial assets or by increasing its liabilities. As such, it is a better indicator of the material well-being of citizens than gross domestic product (GDP) per inhabitant. Regions where net commuter flows are high may display a very high GDP per capita which does not translate into a correspondingly high income for their inhabitants.

Disparities in regional income per capita within countries are generally smaller than GDP per capita. Still, in 2009 the per capita income in the District of Columbia (United States) was twice as high as the country median income, and, in the bottom income state, Idaho, per capita income was roughly equivalent to the income of the median American in 1995. Similarly, in Chile, the Slovak Republic, Israel, Australia, Poland, Spain and the United Kingdom, inhabitants in the top income region were more than 30% richer than the median citizen (Figure 4.1).

Between 1995 and 2009, household income growth occurred with large regional variation both in countries displaying high income growth rates, such as Chile and the

United States, and in countries with limited income growth, such as Hungary and Germany (Figure 4.2).

While the regional range measures the distance between the richest and the poorest regions in a country, the Gini index of household disposable income provides a measure of disparities among all regions. According to this index, the Slovak Republic, Israel, Chile, and Italy were the OECD countries with the highest regional inequalities in 2009. Large increases in regional disparities between 1995 and 2009 are observed in the Czech Republic, the Netherlands, and Greece. In contrast, for the same period of time, regional disparities have decreased the most in Hungary, Chile and Israel (Figure 4.3).

A comparison between the regional household disposable income and the primary income (income generated primarily by market transactions) provides a measure of the public transfers to households. Current transfers to households significantly reduce the difference between the highest and lowest regional values; increases in the relative income level of regions (ratio between disposable income and primary income larger than 1), are found mostly in West Virginia, Mississippi, Kentucky (United States); Centro and Alentejo (Portugal); and Lubelskie (Poland) (Figures 4.4-4.5).

Definition

The primary income of private households is defined as the income generated directly from market transactions; i.e. the purchase and sale of factors of production and goods. These include in particular the compensation of employees. Private households can also receive income on assets (interest, dividends and rents) and from operating surplus and self-employment. Interest and rents payable are recorded as negative items for households.

The disposable income of private households is derived from the balance of primary income by adding all current transfers from the government, except social transfers in kind, and subtracting current transfers from the households such as income taxes, regular taxes on wealth, regular inter-household cash transfers and social contributions.

Regional disposable household income is expressed in USD purchasing power parities (PPP) at constant prices (year 2005).

The Gini index is a measure of inequality among all regions of a given country (see Annex C for the formula). The index takes on values between 0 and 1, with zero interpreted as no disparity.

The ratio between regional disposable and primary income gives an indication of the amount of public transfers to households. When the ratio is higher than 1, it means that the net current transfers to households are positive.

Source

OECD (2013), *OECD Regional Statistics* (database), <http://dx.doi.org/10.1787/region-data-en>.

OECD (2010), "Detailed National Accounts: Final consumption expenditure of households", *OECD National Accounts Statistics* (database). <http://dx.doi.org/10.1787/na-data-en>.

See Annex B for data sources and country-related metadata.

Reference years and territorial level

1995-2009; TL2.

Regional data are not available in Finland, Iceland, Mexico, Switzerland, and Turkey.

In addition, no data on primary income for Chile, Japan and New Zealand.

Further information

Interactive graphs and maps: <http://rag.oecd.org>.

Figure notes

4.1: As a percentage of country median disposable income per capita. Countries with fewer than three regions are excluded: Ireland, New Zealand and Slovenia.

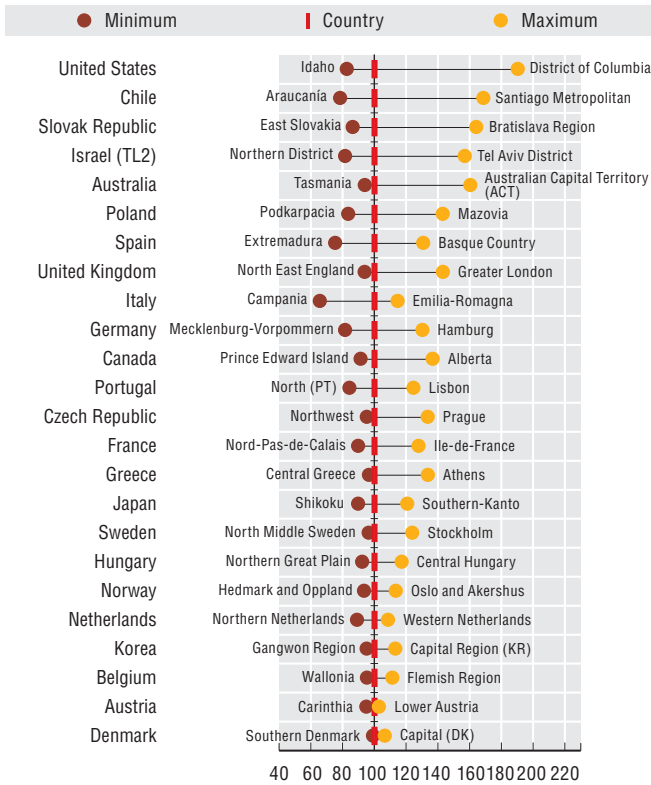
4.1-4.3: First available year: Canada, Chile, the Slovak Republic, and Israel 1996; Spain and Hungary 2000; Japan and Korea 2001; Norway 2004; Denmark 2007. Last available year: Norway, 2007; Italy 2008.

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

4. INCLUSION AND EQUAL ACCESS TO QUALITY SERVICES IN REGIONS

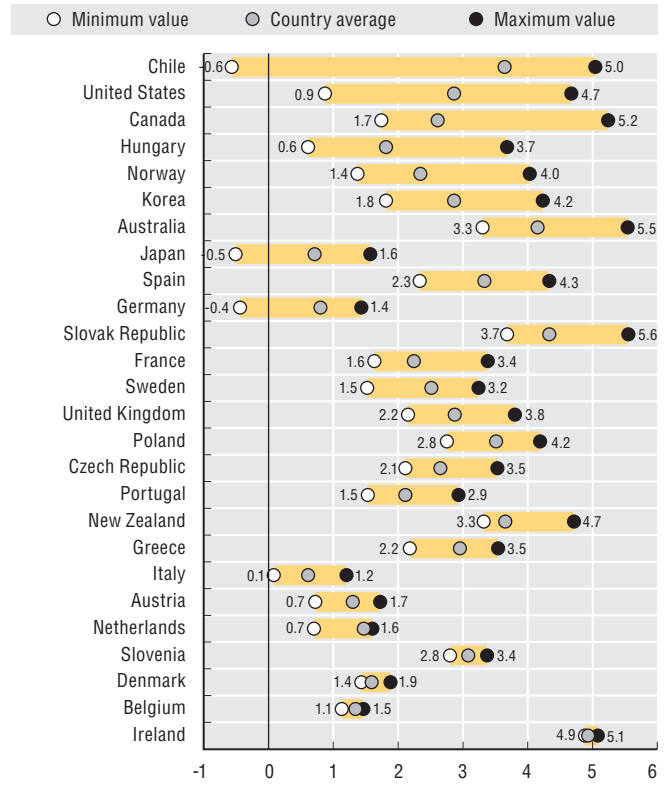
Regional disparities in household income

4.1. TL2 regional range in household income, as a % of income in the country's median region, 2010



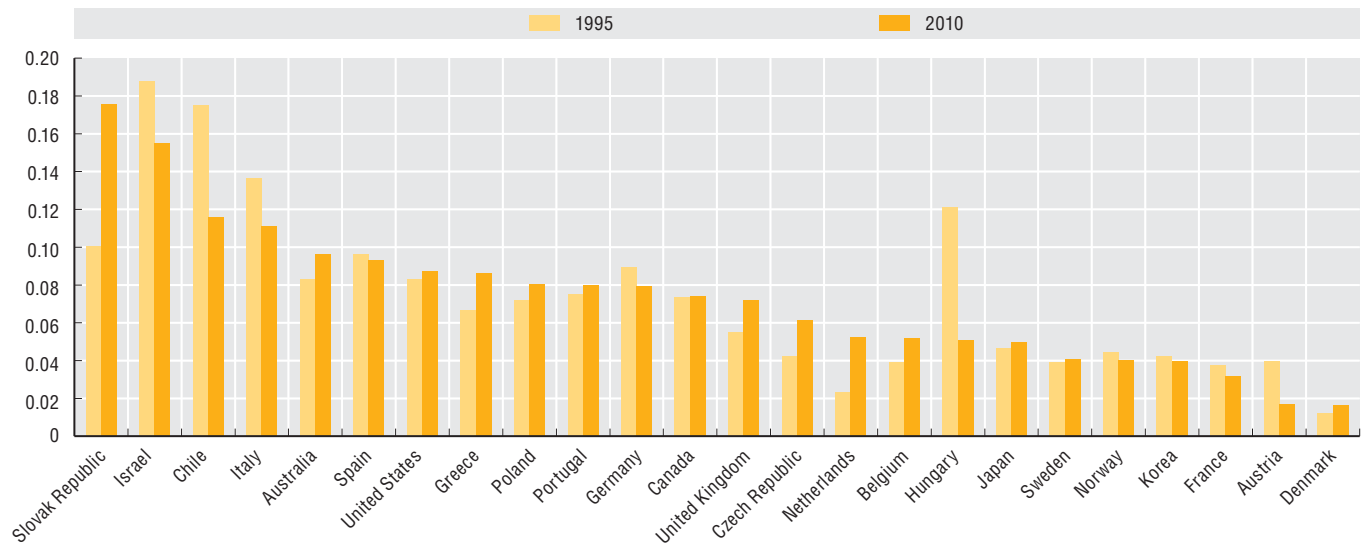
StatLink <http://dx.doi.org/10.1787/888932914178>

4.2. Annual TL2 regional household income growth, ranked by size of difference, 1995-2010



StatLink <http://dx.doi.org/10.1787/888932914197>

4.3. Gini index of TL2 regional disposable income, 1995 and 2010



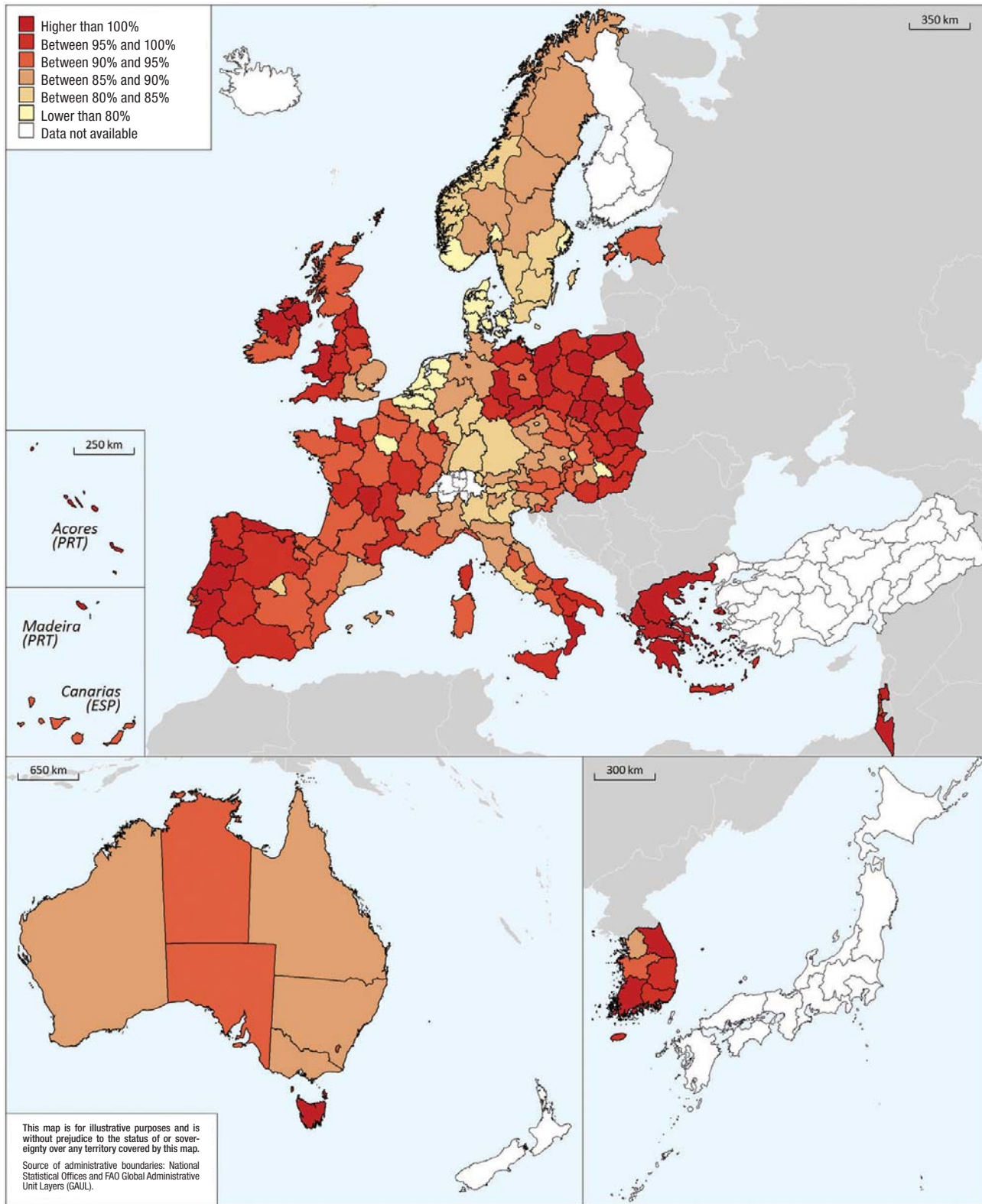
StatLink <http://dx.doi.org/10.1787/888932914216>

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Regional disparities in household income

4.4. Regional disposable income of private households as a % of primary income: Asia, Europe and Oceania, 2010

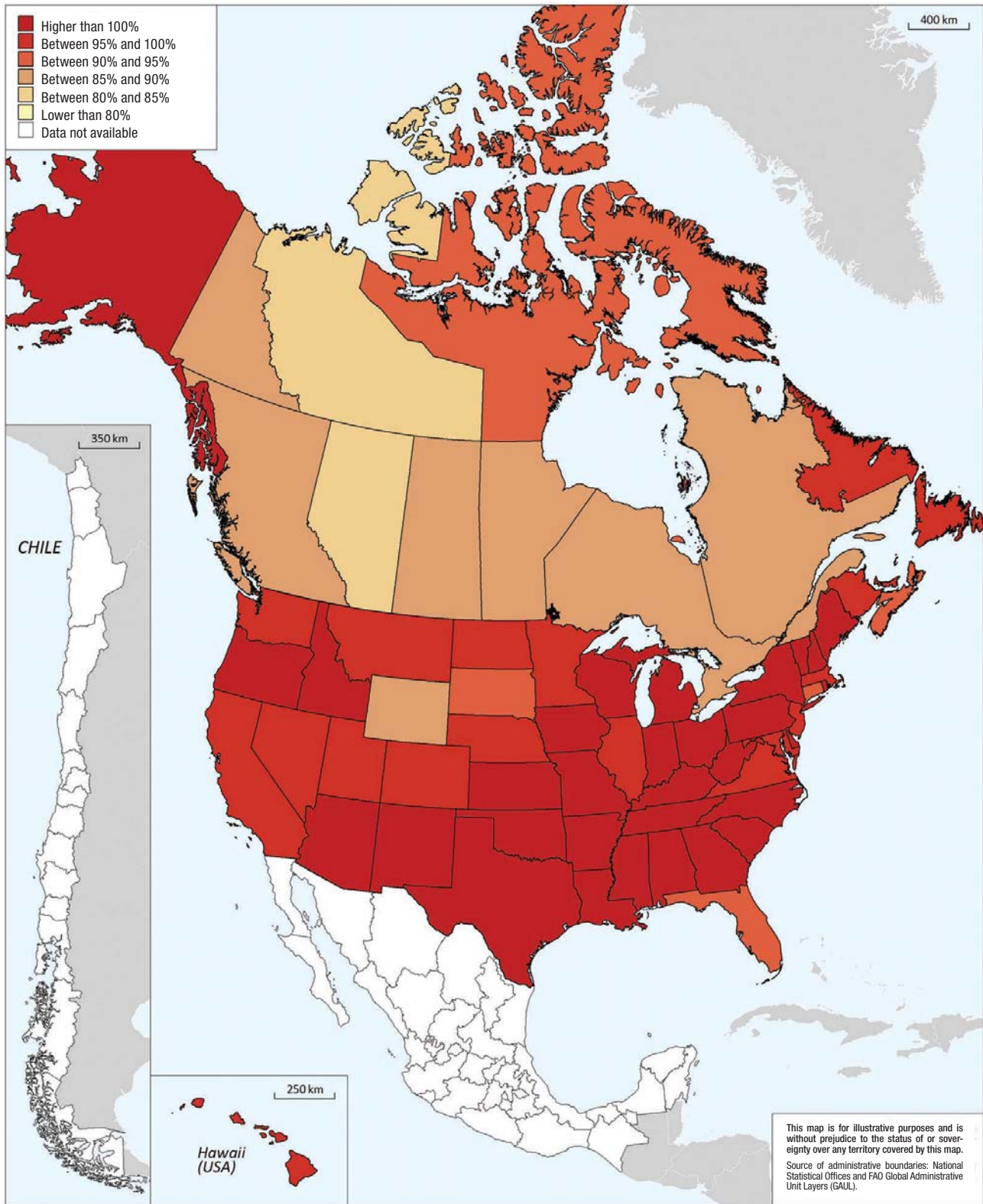
TL2 regions



StatLink  <http://dx.doi.org/10.1787/888932915736>

4.5. Regional disposable income of private households as a % of primary income: Americas, 2010

TL2 regions



StatLink  <http://dx.doi.org/10.1787/888932915755>



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