INCOME INEQUALITY UPDATE

Rising inequality: youth and poor fall further behind

Insights from the OECD Income Distribution Database, June 2014

Directorate for Employment, Labour and Social Affairs

Statistics Directorate

New OECD data show that, well into the recovery from the global economic crisis, the distribution of pre-tax and transfer income remains significantly more unequal than it was before. Taxes and social transfers cushioned much of this increase of market income inequality, with relatively small changes in inequality of household disposable income. But, given the weakness of the recovery in most countries, the income of the poorest 10% of the population has continued to decline or to increase less than that of the richest 10%. Relative income poverty – the share of people with less than half of median income of their country in each year – was broadly unchanged between 2007 and 2011. But "anchored poverty" – with the value of the threshold fixed in real terms at the 2005 level – increased by 2 percentage points in the OECD area during this period, and by much more in countries most affected by the crisis such as Greece and Spain. A long-term pattern documented in previous OECD reports further intensified during the crisis-years: youth have replaced the elderly as the group experiencing the greater risk of income poverty.

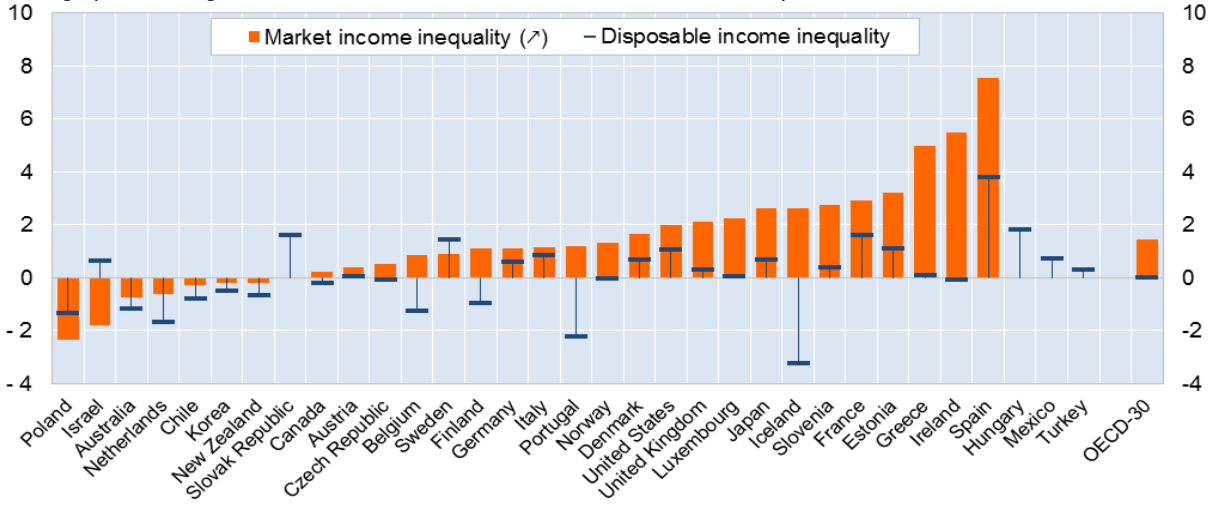
The distribution of income from work and capital has become more unequal

The distribution of "market income" (gross earnings and capital income) kept widening even as many countries recovered from the crisis. Measured by the Gini coefficient (which is 0 when everybody has the same income and 1 when one person has all the income), market income inequality rose by 1 percentage point or more in 20 OECD countries between 2007 and 2011/12 (orange bars in Figure 1). The largest increases occurred in those countries hit hardest by the crisis: Spain, Ireland, Greece, Estonia and Iceland but also in France and Slovenia. In Spain and Greece, inequality of market income widened considerably in the aftermath of the crisis, and kept increasing more recently as the crisis persisted: compared to 2010, it increased by another 1.5 and 3 percentage points, respectively, in 2011. Market income inequality also increased by more than 1 percentage point in 2011 in Germany, Luxembourg and Portugal, compared to 2010. By contrast, Australia, Canada, Ireland, Israel and Sweden recently reversed the trend and experienced a fall in market income inequality during 2011.

At the same time, inequality of disposable income increased by 1 percentage point or more between 2007 and 2011 only in a handful of countries while remaining stable overall in the OECD (blue dashes in Figure 1). Larger increases in disposable income inequality occurred in Spain (+ 4 points), as well as in France, Hungary and the Slovak Republic (close to +2 points). Germany and the United States, following a few years of stable inequality in disposable income, saw a significant increase in 2011 and 2012. On the other hand, the slight decrease in disposable income inequality continued in 2011 in Finland, Korea, the Netherlands, Poland and Portugal. Over the whole period, the fall in disposable income inequality was the largest in Iceland.

1 Market income inequality rose considerably

Percentage point changes in the Gini coefficient of household market and disposable incomes between 2007 and 2011



Notes: Data for 2007 refer to 2006 for Chile and Japan; and 2008 for Australia, France, Germany, Israel, Mexico, Norway, New Zealand, Sweden, and the United States. Data for 2011 refer to 2009 for Japan; 2010 for Austria and Belgium; and 2012 for Australia, Finland, Hungary, Korea, Mexico, the Netherlands and the United States. For Hungary, Mexico and Turkey data on market income inequality are not available. There is a break in the series in 2011 for the United Kingdom, and results are not strictly comparable. 2011 data for Ireland and the United Kingdom are provisional. OECD-30 average excludes Hungary, Mexico, Switzerland and Turkey.

Taxes and social transfers have cushioned the rise in market income inequality

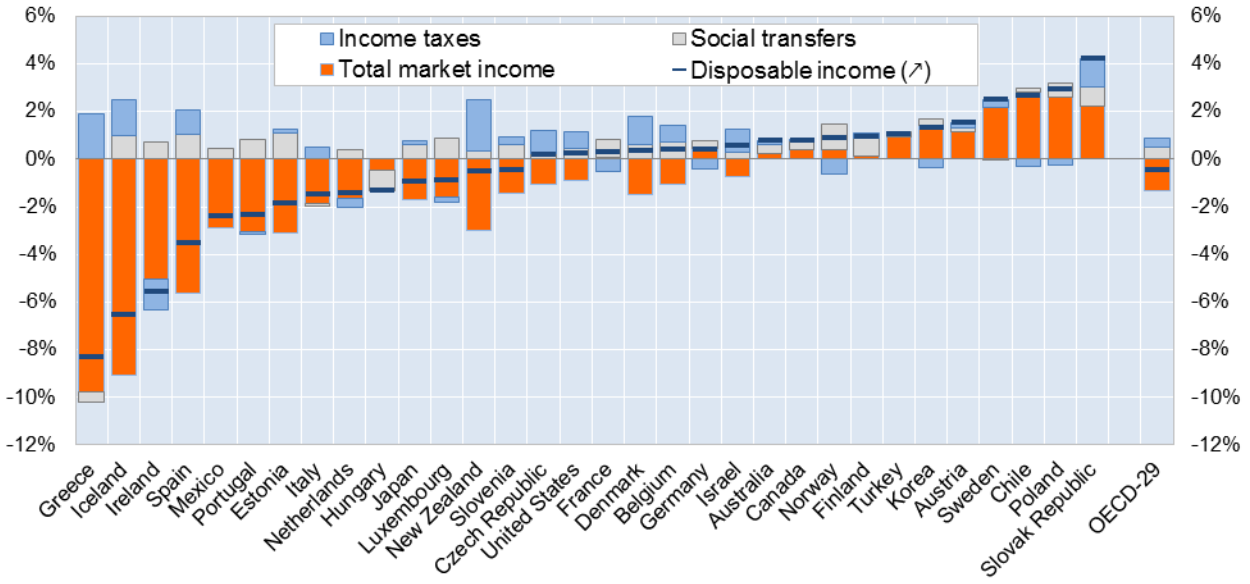
Redistribution, gauged by the difference between market and disposable income inequality, has played an important role in cushioning market income inequality. However, the role played by taxes and transfers differed across countries. It was particularly large in Iceland, Portugal and Belgium where inequality of market income rose while inequality of disposable income fell. Similar patterns were observed in Greece, Ireland and Slovenia.

In a few countries, however, redistribution declined, with disposable income inequality increasing more than market income inequality between 2007 and 2011. This was the case of Sweden, the Slovak Republic and especially Israel, where market income inequality declined while after-tax inequality increased. In Poland, market income inequality fell by more than disposable income inequality.

Taxes and transfers have also cushioned the fall in real terms of average "take home" income (Figure 2). Public transfers increased in all but four countries between 2007 and 2011 (with falls in Greece, Hungary and Italy and stability in Sweden) while taxes also contributed to preserve household disposable income, although by a lesser amount.

2 Taxes and social transfers mitigated falls in market income in most OECD countries

Annual percentage changes in household disposable income between 2007 and 2011, by income component



For reference years, see notes to Figure 1. Market incomes are reported net of taxes in Hungary, Mexico and Turkey. A positive sign of income taxes indicates a lower tax burden in total income. OECD-29 average excludes Hungary, Mexico, Turkey (for which data on taxes are not available), the United Kingdom (for which no comparable data for 2011 are available) and Switzerland (for which 2007 data are not available). 2011 data for Ireland are provisional.

The pain was not shared evenly

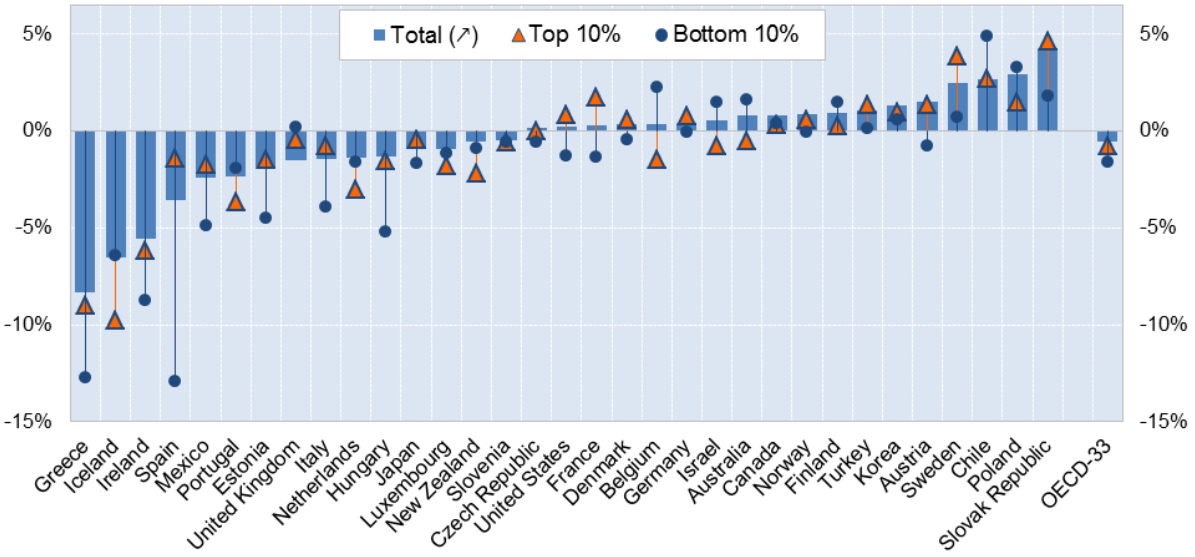
Lower income households either lost more during the crisis or benefited less from the recovery. Across the OECD countries, real household disposable income stagnated. Meanwhile, the income of the bottom 10% of the population declined from 2007 to 2011 by 1.6% per year (Figure 3). Focusing on the top and bottom 10% of the population in 2007 and in the latest year available shows that, on average across the OECD, the drop in income was twice as large for the bottom 10% compared with the top 10%. Out of the 33 countries where data are available, the top 10% has done better than the poorest 10% in 19 countries.

Taking the example of two of the countries hardest hit by the crisis, Greece and Spain, Figure 4 shows that in Spain the income of the bottom 10% declined more than that of the top 10% in all years except 2010. Besides, 2009 saw the income of the top 10% increase. In Greece, the crisis led to a change in the pattern of real income adjustment at the bottom and at the top, with a gradual increase in the gap between the rich and the poor over the years. In 2008, income of the poorest households actually increased in the context of a deep recession, fairly stagnant average disposable income and large drops among high income groups. But while in 2009 disposable income remained fairly constant across different groups, later years (2010 and 2011) showed a much greater fall for bottom households than for middle and especially top income households.

As for other countries, income losses eased in 2011 in Estonia, Iceland and Mexico. Countries where fiscal measures aimed to reduce the burden for the poorest households including Iceland, the Netherlands, New Zealand and Portugal saw the incomes of the bottom 10% decline by a smaller amount than those at the top in the most recent year.

3 Poorer households tended to lose more or gain less

Annual percentage changes in household disposable income between 2007 and 2011, by income group



For reference years, see notes to Figure 1. There is a break in the series in 2011 for the United Kingdom, and results are not strictly comparable. 2011 data for Ireland and the United Kingdom are provisional.

4 Incomes developed differently at the top and the bottom through the crisis years

Percentage annual changes in real household disposable income by year and by income group

Poverty trends differed across countries

OECD countries continue to display huge differences in relative income poverty (the share of individuals with an equivalised disposable income below 50% of the national median), which ranged from 6% in Iceland, the Czech Republic and Denmark to more than 20% in Mexico and Israel in 2011 (Figure 5).

Relative income poverty was broadly unchanged between the onset of the crisis and 2011 in the OECD area as a whole. But it increased significantly in Turkey and Hungary (by 2 and 4 percentage points, respectively), as well as in Greece, the Netherlands, Poland, the Slovak Republic, Spain and Sweden (where it rose by more than 1 point), while it declined in Chile, Finland, New Zealand, Portugal, the United Kingdom and Estonia. In other OECD countries, changes were below 1 percentage point.

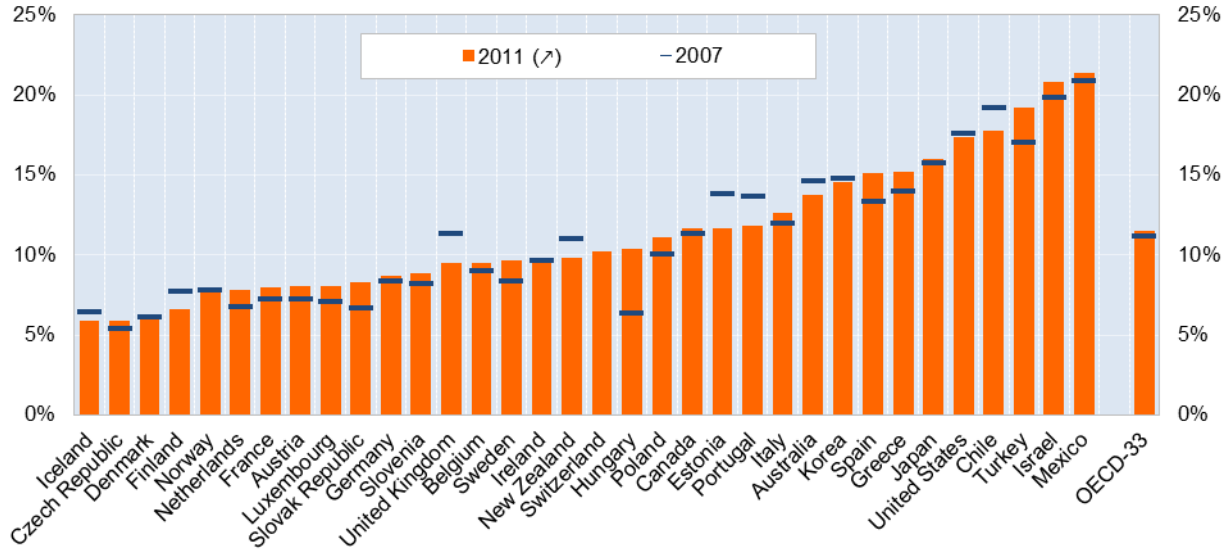
By construction, the rates of relative poverty shown in Figure 5 remain unchanged when the income of the poor falls at the same pace as that of the median person. It is hence important to complement information on relative income poverty, which is based on thresholds that change every year, with data based on a threshold that is kept unchanged in real terms at some base-year level (2005, in the data shown in Figure 6). Overall, between 2007 and 2011, "anchored" poverty rose more steeply than relative income poverty, erasing a significant part of the gains in living standards achieved by low-income households over the past 20 years.

For the OECD area as a whole, "anchored" poverty increased from 8.4% in 2007 to 10.4% in 2011 (Annex Table). In Greece, "anchored" poverty increased by almost 15 percentage points over the four years to 2011, with large increases (between 9 and 3 points) also experienced in Ireland, Spain, Iceland, Hungary and Mexico. Conversely, "anchored" poverty declined by almost 6 points in Chile, and by 2 points in Finland. In other OECD countries, changes in "anchored" poverty were within a range of +/- 1 percentage point bands.

While, in general, relative and "anchored" poverty move in the same direction, this is not always the case. For example, in the Slovak Republic, Poland and Sweden, "anchored" poverty fell at the same time as relative poverty remained unchanged or increased; conversely, in New Zealand, Portugal and Estonia, "anchored" poverty rates increased while relative poverty declined (Figure 6).

5 Relative poverty in OECD countries affects 12% of the population, on average

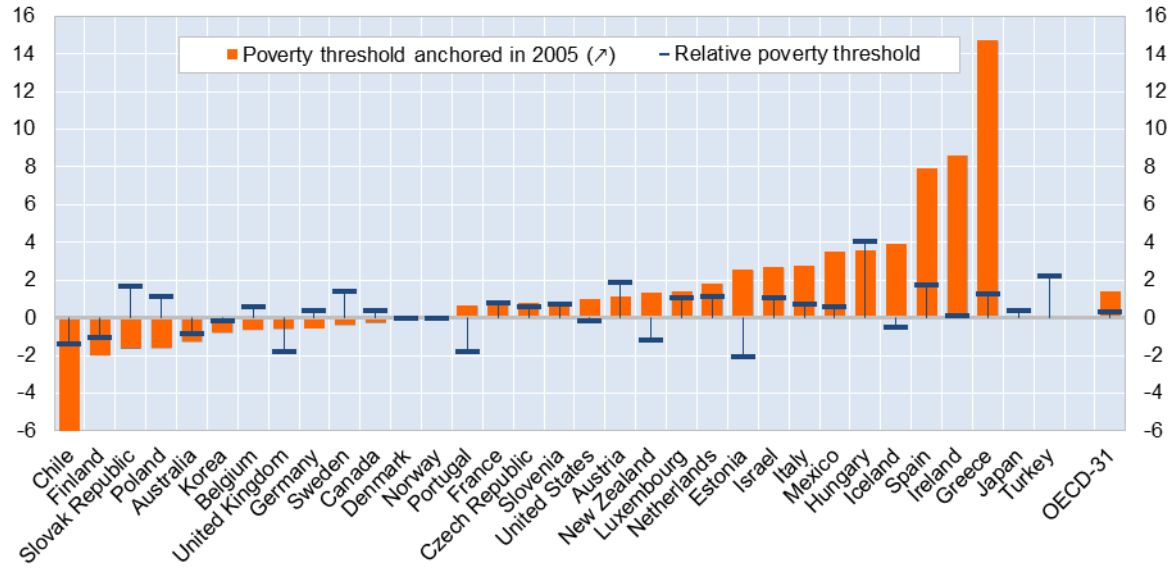
Relative income poverty rates, 2007 and 2011



For reference years, see notes to Figure 1. Income poverty is defined as the share of people living in households with less than 50% of median disposable income in their country. There is a break in the series in 2011 for the United Kingdom, and results are not strictly comparable. 2011 data for Ireland and the United Kingdom are provisional.

6 The evolution of poverty differs if the threshold is "anchored" at the time before the crisis

Percentage point changes in relative and "anchored" poverty rates between 2007 and 2011



For reference years, see notes to Figure 1. Changes in income poverty measured using relative and anchored poverty line based on 50% of current and of 2005 median income in each country, respectively. Estimates for anchored poverty are not available for Japan and Turkey. Data for 2007 are not available for Switzerland. There is a break in the series in 2011 for the United Kingdom, and results are not strictly comparable. 2011 data for Ireland and the United Kingdom are provisional.

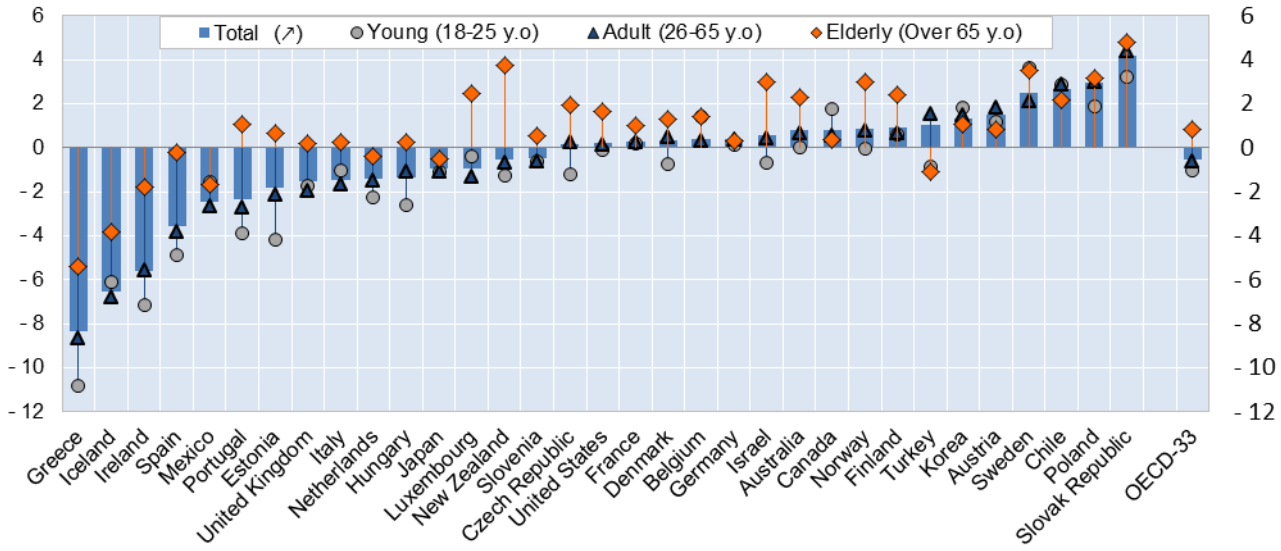
Changes in income and poverty differ significantly across groups: who did lose ground the most?

Over the four years since the onset of the crisis, young people (aged 18 to 25) suffered the most severe income losses, while elderly people (over 65) were largely shielded from the worse effects of the crisis (Figure 7). Across the OECD countries, average household disposable income fell in real terms by around 1% per year among youth and by 0.7% among prime-age adults (i.e. those aged 26 to 65). Meanwhile, among the elderly (i.e. those aged over 65) real household disposable income increased by 0.9% per year, on average. Significant income losses among the youth took place in Greece, Iceland and Ireland, with large declines also recorded in Spain, Estonia, Portugal, Hungary and the Netherlands. Large gains were experienced only in Chile, the Slovak Republic and Sweden. Household disposable income of prime-age adults fell in about half of the OECD countries, though at a smaller pace than for younger individuals. The disposable income of elderly people increased in real terms or remained flat almost everywhere, with the exception of Iceland and Greece (where it declined significantly) as well as of Mexico and Ireland (where the decline was more modest). Elderly people benefitted from significant income gains in both New Zealand and the Slovak Republic (around 4% per year).

These differential patterns of income growth are reflected in the evolution of the income-poverty risk, i.e. relative to the total population (Figure 8). Previous OECD reports highlighted that over the past 25 years youth replaced the elderly as the group experiencing the greater risk of income poverty. The recent crisis has accentuated this trend. By 2011, people aged 66 to 75 faced a risk of poverty that was 25 % lower than the population average, and which was (for the first time since OECD data are collected) the lowest among all population groups. Prime-age adults show lower poverty rates than the entire population.

7 Since the crisis, disposable income has fallen in real terms for all age groups except the elderly

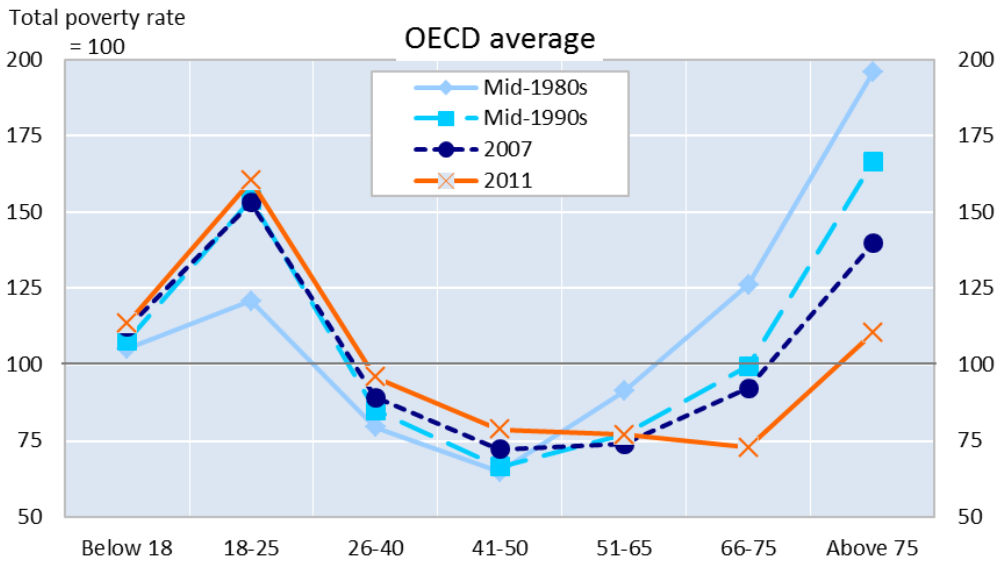
Annual percentage changes in disposable income between 2007 and 2011 by age group



For reference years, see notes to Figure 1. There is a break in the series in 2011 for the United Kingdom, and results are not strictly comparable. 2011 data for Ireland and the United Kingdom are provisional. 2007 data are not available for Switzerland.

8 The risk of poverty has shifted from the elderly to the young

Poverty rate of the entire population in each year = 100, mid-1980s to 2011, OECD average



Note: OECD un-weighted average for 18 OECD countries for which data are available from the mid-1980s: Canada, Denmark, Finland, France, Germany, Greece, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Sweden, Turkey, the United Kingdom, the United States. 2011 data for the United Kingdom are provisional.

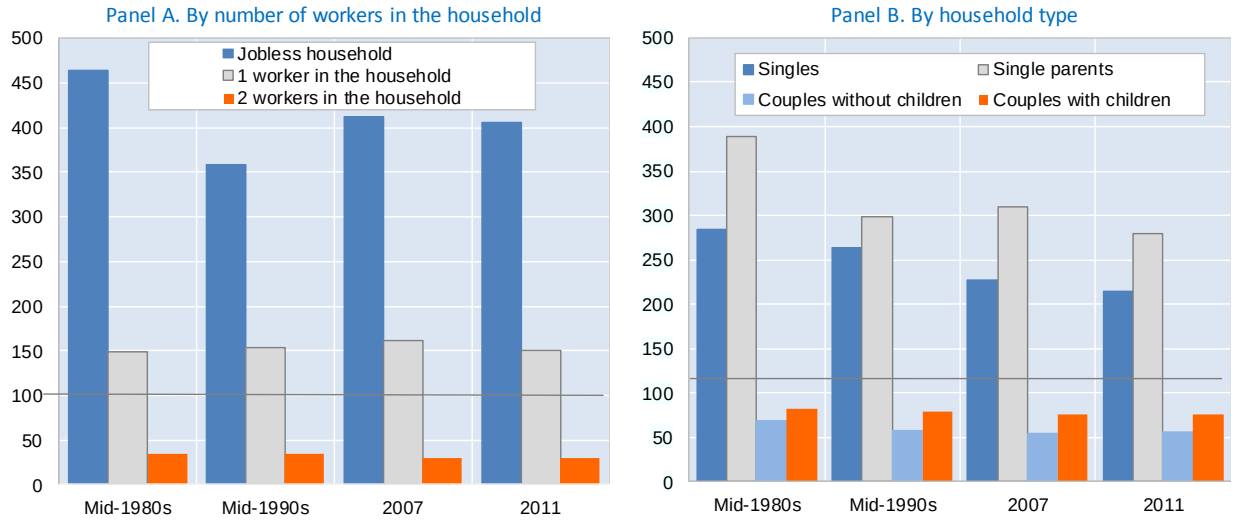
Likewise, the risk of income-poverty is unevenly distributed among household types, although changes since 2007 have been more subdued than observed across age-groups. OECD-wide average estimates of the risk of income poverty by household type are shown in Figure 9, for households with a working-age head and for the average of the 16 OECD countries with available data spanning back to the mid-1980s.

In 2011, the risk of income-poverty was four times higher among jobless households than for the reference population (all individuals living in a household with a working age head, Figure 9, Panel A). One-worker households also experienced a risk of poverty around 50% higher than for the reference population. While this risk was two thirds lower among households with two or more workers, even these households are not fully shielded by this risk.

Across OECD countries, the risk of poverty among singles and single parents remains disproportionally high, although it decreased significantly over time (between -25% and -30%, Figure 9, Panel B). In 2011, singles and single parents were between two and three times more likely to be poor than the reference population. Couples with and without children were instead at a much lower risk of poverty (25 to 45 points lower than the reference population, respectively), a risk that decreased marginally over time.

9 Relative poverty remains high among jobless households and single parents

Poverty rate of households with working-age heads in each year = 100, mid-1980s to 2011, OECD average



Note: OECD un-weighted average for 16 OECD countries for which data are available from the Mid-1980s: Canada, Denmark, Finland, France, Germany, Greece, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Sweden and the United States.

Annex Table: Key indicators on the distribution of household disposable income and poverty

	Gini coefficient			S90/S10 income share ratio			Income share in total income						Poverty rate (relative threshold)							Poverty rate (threshold "anchored" in 2005)			
							Bottom 10%	Bottom 20%	Bottom 40%	Top 40%	Top 20%	Top 10%	Total			By age group, 2011					Total			
	2007	2010	2011	2007	2010	2011	2011 or latest available year, percentages						2007	2010	2011	Children (< 18)	Youth (18-25)	Adult (26-65)	Elderly (> 65)	Working poor	2007	2010	2011	
Australia	0.336	0.334	0.324	9.3	8.9	8.5	2.9	7.3	19.8	63.0	39.7	24.4	14.6	14.4	13.8	13.0	7.8	11.0	33.4	4.3	..	8.2	6.9	Australia
Austria	0.269	0.269	0.282	5.7	6.1	7.1	3.1	8.4	22.4	59.6	36.7	22.2	7.2	8.1	9.0	9.1	12.1	8.0	10.5	7.1	6.3	6.1	7.4	Austria
Belgium	0.277	0.264	..	6.5	5.8	..	3.6	8.9	22.9	58.4	35.1	20.8	9.0	9.5	..	12.7	8.8	8.2	10.5	4.5	8.4	7.8	..	Belgium
Canada	0.318	0.319	0.316	8.5	8.6	8.5	2.8	7.6	20.4	62.2	39.2	24.2	11.3	11.9	11.7	14.2	13.1	11.6	6.8	8.6	3.9	3.7	3.6	Canada
Chile	0.511	0.510	0.503	29.5	30.1	26.5	1.5	4.3	12.5	75.3	56.4	40.9	19.2	18.4	17.8	23.5	15.1	15.1	20.5	14.3	20.6	16.9	14.7	Chile
Czech Republic	0.257	0.258	0.256	5.3	5.6	5.5	4.0	9.7	24.3	57.8	35.5	21.6	5.4	6.5	5.9	9.4	7.3	5.5	2.4	4.3	3.5	4.1	4.3	Czech Republic
Denmark	0.246	0.252	0.253	5.1	5.3	5.3	4.0	9.7	24.0	57.5	34.7	21.0	6.1	6.0	6.0	3.8	21.5	3.7	7.1	4.0	5.0	4.5	4.9	Denmark
Estonia	0.312	0.317	0.323	8.0	8.9	9.1	2.6	7.2	19.7	63.1	39.3	23.6	13.8	11.6	11.7	11.4	14.6	12.4	7.4	8.4	4.8	7.5	7.3	Estonia
Finland	0.270	0.265	0.261	5.8	5.6	5.5	3.9	9.5	23.7	58.2	35.5	21.5	7.7	7.4	6.6	3.0	15.2	5.6	9.4	3.5	6.5	5.1	4.5	Finland
France	0.293	0.303	0.309	6.8	7.2	7.4	3.4	8.5	21.6	61.5	39.7	25.5	7.2	7.9	8.0	10.8	13.2	6.9	4.5	7.2	..	6.8	7.0	France
Germany	0.287	0.286	0.293	6.7	6.7	6.9	3.4	8.6	22.2	60.5	38.1	23.7	8.5	8.8	8.7	8.1	12.7	8.1	8.9	3.1	9.2	8.1	8.7	Germany
Greece	0.335	0.338	0.335	10.7	11.0	12.6	1.9	6.3	18.8	63.4	39.7	24.4	14.0	14.3	15.2	20.4	21.6	15.0	7.3	14.1	12.1	17.1	26.8	Greece
Hungary	0.272	0.272	0.290	6.0	6.0	7.3	3.1	8.2	21.7	60.3	37.2	22.5	6.4	6.8	10.4	16.7	11.4	9.4	5.2	7.6	..	9.3	12.9	Hungary
Iceland	0.283	0.246	0.251	6.5	5.6	5.6	3.7	9.7	24.4	57.5	34.7	20.9	6.5	6.3	5.9	7.7	7.3	5.3	3.3	5.3	4.0	8.1	7.9	Iceland
Ireland	0.303	0.313	0.302	6.9	8.4	7.7	3.0	8.1	21.3	61.3	38.2	23.3	9.6	8.7	9.7	10.3	11.2	9.2	5.2	9.4	7.3	11.9	15.9	Ireland
Israel	0.371	0.376	0.377	13.4	13.6	12.5	2.0	5.7	16.6	66.5	42.1	25.6	19.9	20.9	20.9	28.5	20.4	15.7	20.6	15.0	..	13.2	17.8	Israel
Italy	0.313	0.321	0.321	9.0	10.5	10.2	2.4	7.1	20.0	62.4	39.3	24.4	11.9	13.0	12.6	17.3	13.2	11.7	10.6	11.2	11.0	13.2	13.7	Italy
Japan	0.329	0.336	..	10.3	10.7	..	2.3	6.5	18.9	63.7	40.0	24.4	15.7	16.0	..	15.7	18.7	13.9	19.4	12.9	..	19.6	..	Japan
Korea	0.312	0.310	0.307	10.0	10.5	10.2	2.2	6.8	20.2	61.4	37.5	22.3	14.8	14.9	14.6	9.1	9.6	10.0	48.6	..	14.4	14.0	13.6	Korea
Luxembourg	0.276	0.271	0.276	6.1	5.8	5.9	3.7	9.0	22.6	59.5	36.5	22.0	7.1	7.2	8.1	11.8	8.1	7.8	2.7	7.7	7.1	7.1	8.5	Luxembourg
Mexico	0.475	0.466	0.482	26.8	28.5	30.5	1.2	3.9	12.5	73.9	52.9	36.7	20.9	20.4	21.4	25.8	15.0	18.6	31.2	19.0	17.6	19.7	21.1	Mexico
Netherlands	0.295	0.283	0.278	7.1	6.6	6.6	3.4	8.9	22.9	59.2	36.8	22.7	6.7	7.2	7.8	10.6	20.0	6.2	1.6	6.4	6.1	6.4	7.9	Netherlands
New Zealand	0.330	0.324	0.323	8.3	8.3	8.0	3.1	7.7	20.2	63.0	40.1	24.7	11.0	11.9	9.8	14.0	9.4	8.1	9.0	4.8	5.5	7.2	6.8	New Zealand
Norway	0.250	0.249	0.250	5.9	6.0	6.1	3.4	9.2	24.3	57.0	34.3	20.5	7.8	7.5	7.7	5.4	28.9	5.4	4.3	6.4	..	5.2	5.1	Norway
Poland	0.317	0.307	0.304	8.3	7.9	7.7	3.1	7.9	21.1	61.4	38.4	23.5	10.1	11.0	11.1	13.1	12.1	10.5	10.3	9.4	5.8	4.4	4.2	Poland
Portugal	0.364	0.345	0.341	10.6	9.4	9.9	2.7	7.2	19.6	63.9	41.8	26.7	13.7	11.4	11.9	16.9	12.9	11.3	8.0	9.3	11.8	10.2	12.5	Portugal
Slovak Republic	0.246	0.263	0.261	5.2	6.1	5.8	3.5	9.0	23.2	58.5	35.1	20.5	6.6	7.8	8.3	12.8	7.4	7.6	6.3	5.9	3.7	2.4	2.1	Slovak Republic
Slovenia	0.241	0.246	0.245	5.3	5.4	5.3	3.7	9.4	24.1	57.1	33.8	19.6	8.2	9.3	8.9	7.8	5.1	8.3	15.2	5.7	6.1	7.0	7.0	Slovenia
Spain	0.306	0.334	0.344	8.4	12.1	13.8	1.8	6.0	18.3	64.3	40.5	24.6	13.3	15.0	15.1	21.7	17.9	14.8	7.0	11.9	10.4	15.5	18.3	Spain
Sweden	0.259	0.269	0.273	5.8	6.1	6.3	3.4	8.7	22.7	59.0	35.9	21.8	8.4	9.1	9.7	9.4	18.1	8.0	10.1	6.3	..	5.4	5.1	Sweden
Switzerland	..	0.298	0.289	..	7.3	6.9	3.3	8.5	22.0	60.2	37.4	23.0	..	9.5	10.3	10.5	7.6	6.9	24.0	..	..	7.7	7.6	Switzerland
Turkey	0.409	0.417	0.412	14.5	16.1	15.2	2.1	5.6	16.0	69.0	47.4	31.7	17.0	19.2	19.2	28.4	16.2	14.4	18.4	17.8	..	..	..	Turkey
United Kingdom	0.341	0.341	0.344	9.8	10.0	9.6	2.9	7.5	19.7	64.0	42.2	27.6	11.3	10.0	9.5	9.5	11.5	8.7	10.5	5.4	11.2	10.6	10.6	United Kingdom
United States	0.378	0.380	0.389	15.1	15.9	16.5	1.7	5.4	16.3	67.5	44.3	28.4	17.3	17.4	17.4	20.8	21.6	14.6	18.8	11.7	..	18.1	18.3	United States
OECD	0.314	0.314	0.315	9.3	9.6	9.6	2.9	7.7	20.6	62.1	39.3	24.4	11.1	11.3	11.5	13.9	14.0	10.0	10.8	8.5	8.4	9.2	10.4	OECD

Notes: Data shown for 2007 refer to 2006 for Chile and Japan; 2008 for Australia, France, Germany, Israel, Mexico, New Zealand, Norway, Sweden and the United States. Data for 2010 refer to 2009 for Chile, Hungary, Japan, New Zealand and Switzerland. Data for 2011 refer to 2009 for Japan; 2010 for Belgium; 2012 for Australia, Finland, Hungary, Korea, Mexico, the Netherlands and the United States. There is a break in the series in 2011 for Austria and the United Kingdom. 2011 data for the United Kingdom and Ireland are provisional. 2011 data for Austria are not comparable to earlier years. The OECD average for 2007 includes 2009 data for Switzerland. The OECD average for 2011 includes 2009 data for Japan and 2010 data for Belgium.

Income distribution data refers to the total population and are based on equivalised household disposable income, i.e. disposable income adjusted for household size. The Gini coefficient takes values between 0 for a perfectly equal income distribution where every person has the same income, and 1 which refers to a situation of maximum inequality where all income goes to one person. TheS90/S10 income share ratio refers to the ratio of average income of the top 10% to the average income of the bottom 10% of the income distribution. Working poor are those living in households with a working age head and at least one worker with income below the poverty line.

The OECD Income Distribution Database (IDD - via http://oe.cd/idd)

To benchmark and monitor income inequality and poverty across countries, the OECD relies on a dedicated statistical database. This database is based on national sources (household surveys and administrative records) and on common definitions, classifications and data-treatments. All the indicators available through this database are based on the concept of "equivalised household disposable income", i.e. the total market income received by all household members (gross earnings, self-employment income, capital income), *plus* the current transfers they receive, *less* the taxes and social security contributions they pay. Household income is adjusted for differences in the needs of households of different sizes with an equivalence scale that divides household income by the square root of household size. While household income is only one of the factors shaping people's economic well-being, it is also the one for which comparable data for all OECD countries are most common. Income distribution has a long-standing tradition within household-level statistics, with regular data collections going back to the 1980s (and sometimes earlier) in many countries, and standard concepts and definitions provided by the *Canberra Group Handbook on Household Income Statistics* (UN, 2011).

The method of data collection used for the OECD IDD aims to maximise internationally comparability as well as inter-temporal consistency of data. This is achieved by a common set of protocols and statistical conventions (e.g. on income concepts and components) to derive comparable estimates. The information collected by the OECD is more up-to-date relative to that available through many other statistical sources, but still reflects the long time-lags that characterise data collection in this field in most OECD countries. For most OECD countries, estimates are provided to the OECD through a network of national data providers in the form of semi-aggregated tabulations, and are based on those national sources that are deemed to be most representative for each country: one disadvantage of this approach is that it does not allow accessing the original micro-data, which constrains the subsequent analysis that can be performed. Except for Finland and Switzerland, for those European countries whose base-source is the EU Statistics on Income and Living Conditions (EU-SILC), estimates are generated by the OECD from the microdata included in the User DataBase disseminated by the Statistical Office of the European Union twice a year.

The data collection is undertaken via a standardised questionnaire. Selected data from this questionnaire can be obtained through an OECD.Stat cube available at http://stats.oecd.org/Index.aspx?DataSetCode=IDD. Due to the increasing importance of income inequality and poverty issues in policy discussion, the database is now annually updated. The OECD is currently extending its database to a number of accessions and key partner countries (Brazil, China, Colombia, India, Indonesia, Russia and South Africa). Such extension will however require changing the income definition used by the OECD in the past (as well as in the present brief) to account for income sources (such as non-market production of goods for own use) that are important in most of these countries. Data based on this revised definition (as well as on a more detailed breakdown of income sources) will be released in 2015.

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Further reading:

OECD (2011), *Divided We Stand: Why Inequality Keeps Rising*, www.oecd.org/social/inequality.htm

Förster, M., A. Llena-Nozal and V. Nafilyan (2014), "Trends in Top Incomes and their Taxation in OECD Countries", OECD SEM Working Paper n°159, www.oecd.org/els/workingpapers

References:

United Nations (2011), *Canberra Group Handbook on Household Income Statistics, 2nd Edition,* United Nation Economic Commission for Europe, Geneva.

Source:

Please source this document as: OECD (2014), "*Income Inequality Update - June 2014*".

This document as well as all figures and underlying data can be downloaded via www.oecd.org/social/inequality.htm

Notes:

Throughout this document, (↗) (or ↘) in the legend relates to the variable for which countries are ranked from left to right in increasing (or decreasing) order.

The statistical 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.

This document and any 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.

The OECD wishes to acknowledge the contribution of national data providers and experts to this database.