



OECD Centre for Opportunity and Equality

Evidence-based, policy-oriented research on inequalities

Income and wealth inequality in OECD countries

Horacio Levy

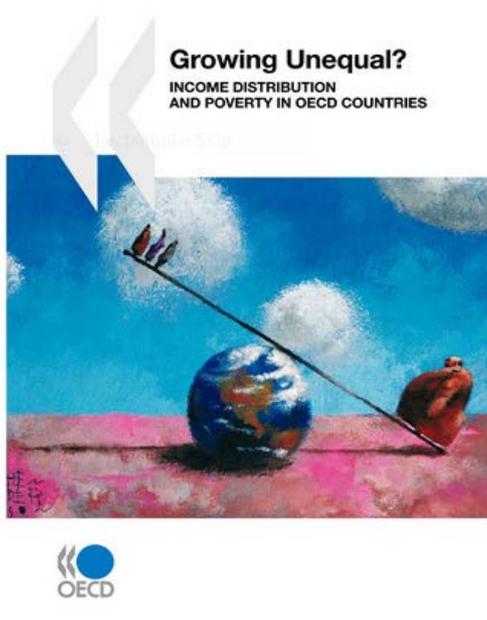
OECD Social Policy Division

Why do we care about inequality?

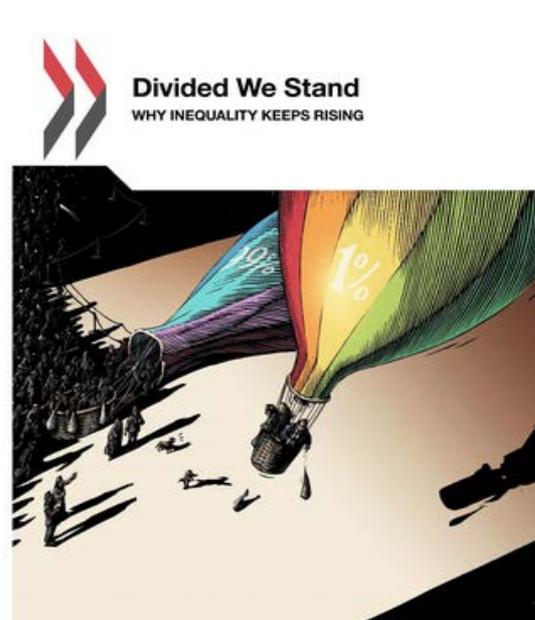


- *“Rising income inequality is the defining challenge of our times”* (President Obama, US)
- *“Inequality can no longer be treated as an afterthought. We need to focus the debate on how the benefits of growth are distributed”* (A. Gurría, OECD)
- *“Reducing excessive inequality is not just morally and politically correct, but it is good economics”* (C. Lagarde, IMF)

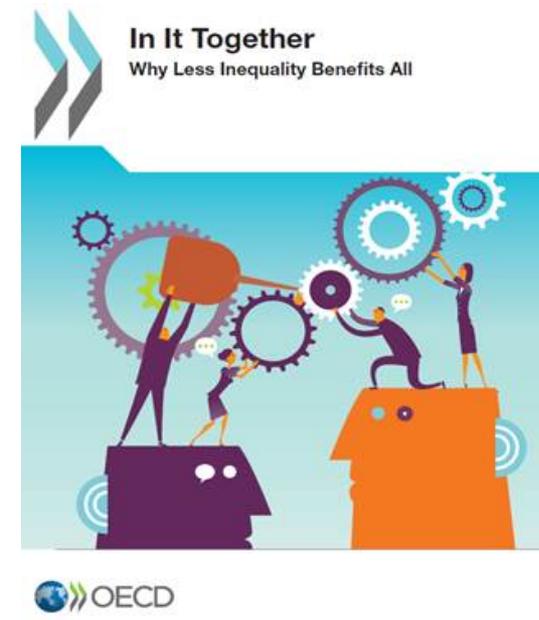
2008



2011



2015





Higher inequality drags down **economic growth** and harms opportunities

Income **inequality increased** in good and bad times

Poorer households are losing ground. But it is not only about poverty – it is about the **bottom 40%**

Non-standard work can create job opportunities but contributes to higher inequality

More **women** in the workforce lowers inequality

High **wealth** concentration limits investment opportunities



1 Promote employment and **good-quality jobs**

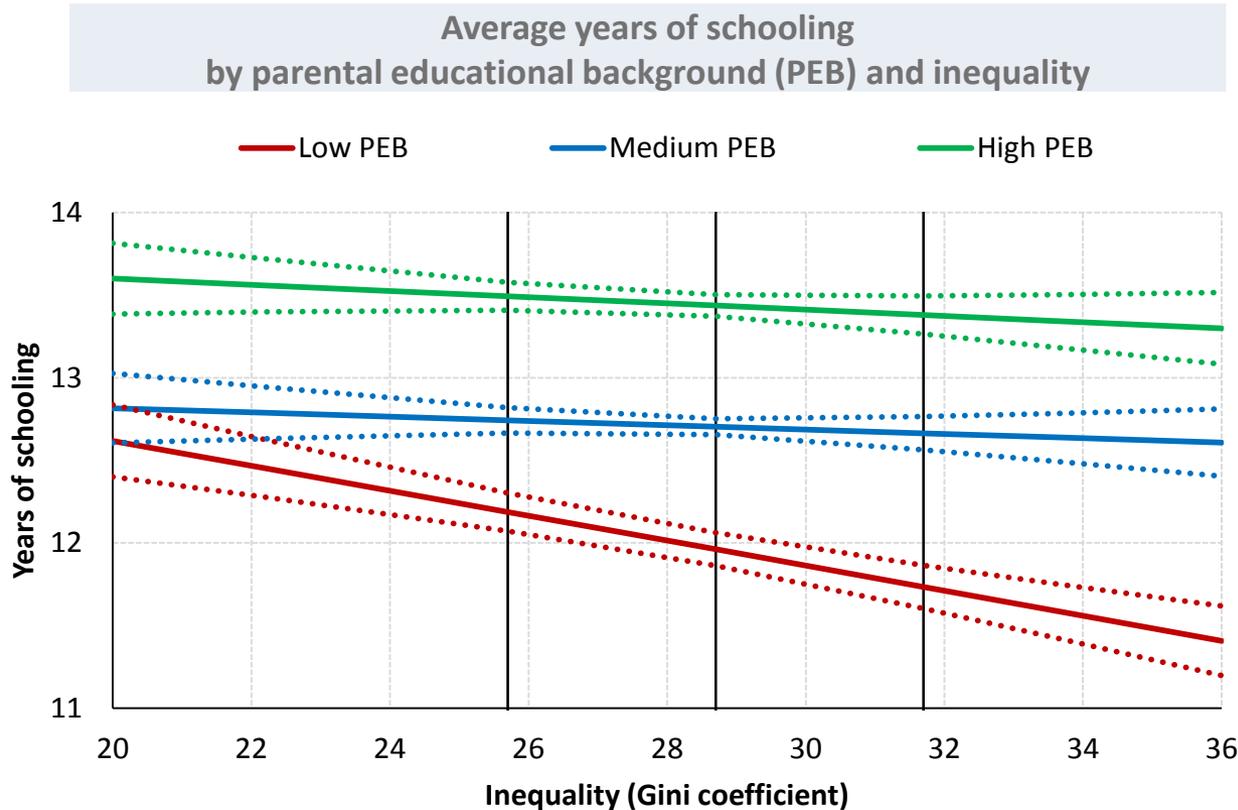
2 Foster **women's** participation in economic life

3 Strengthen quality **education** and **skills** development

4 Improve the design of **tax and benefit** systems for a more efficient **redistribution**



Inequality decreases average years of schooling, but mostly among individuals with low parental education

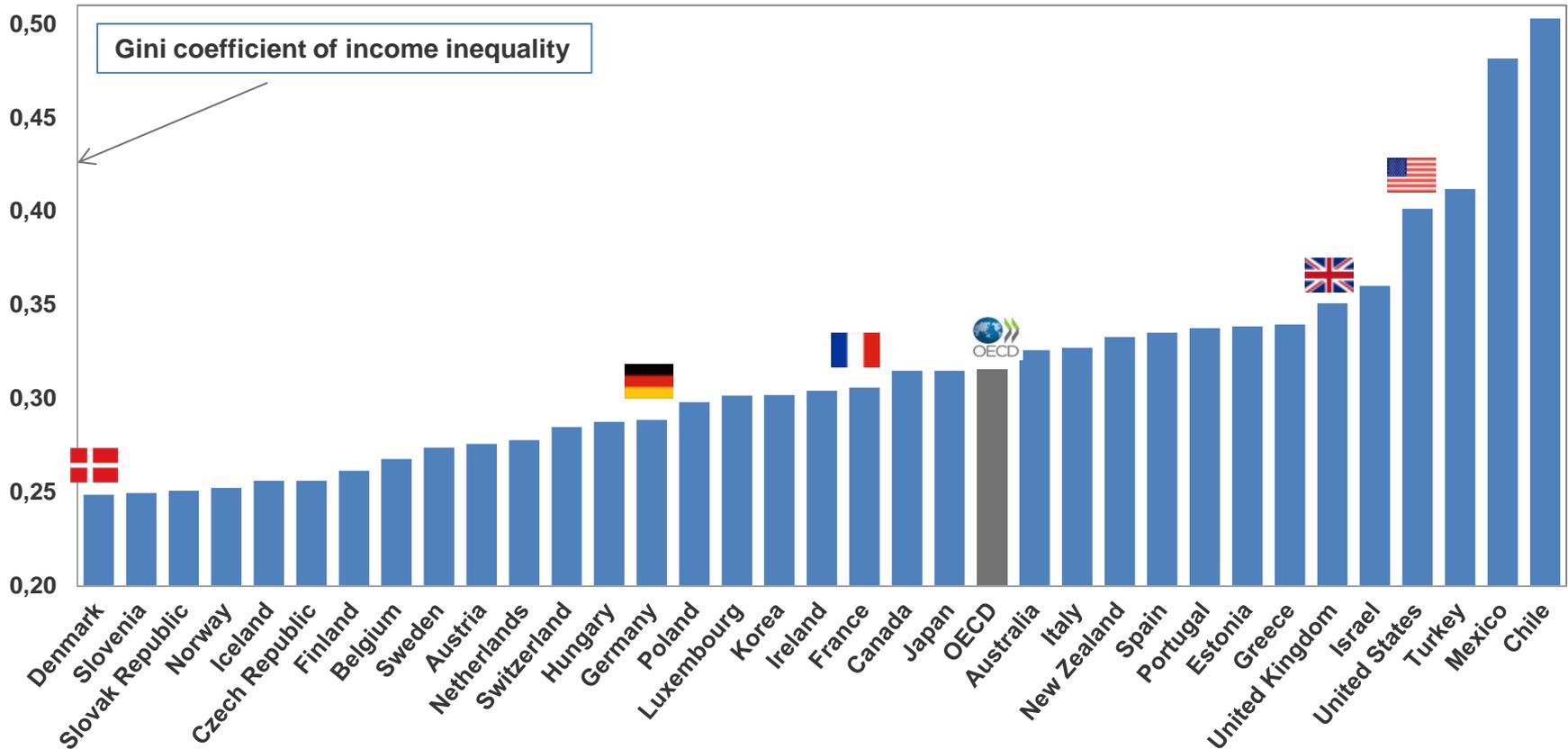


Higher inequality by ~5-6 Gini pts. (the current differential between Germany and United Kingdom) means ~half a year less average schooling of Low PEB individuals

Note: Low PEB: neither parent has attained upper secondary education; Medium PEB: at least one parent has attained secondary and post-secondary, non-tertiary education; High PEB: at least one parent has attained tertiary education. The bars indicate 95% confidence intervals.

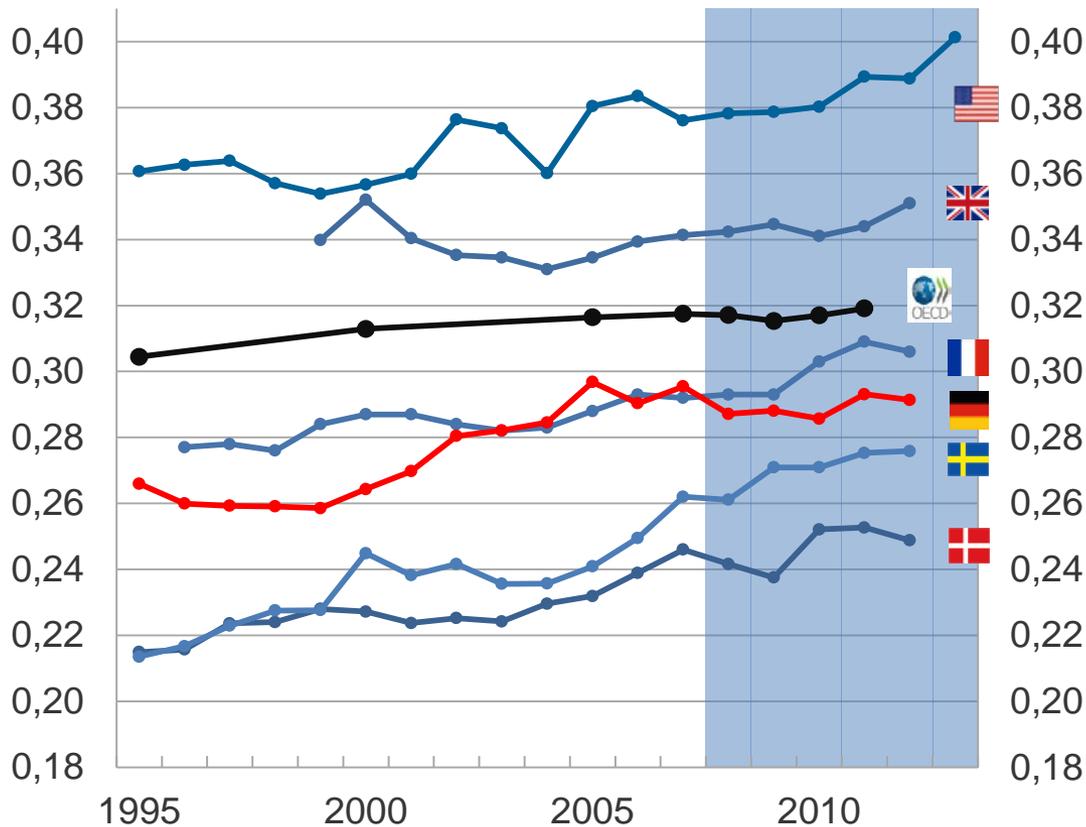


Inequality of disposable income (Gini coefficient)





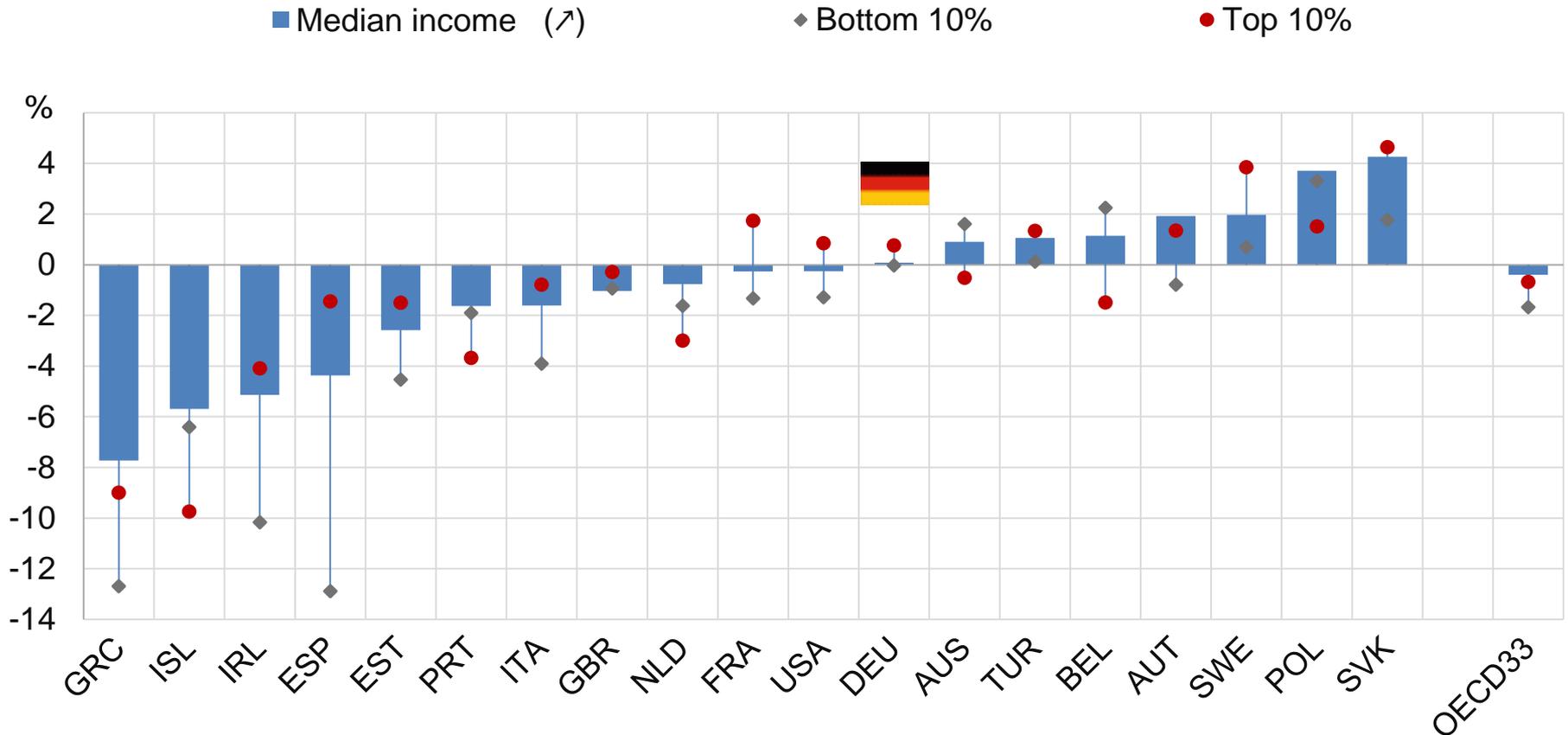
Long-term trends in inequality of disposable income (Gini coefficient)



It is not only about the top



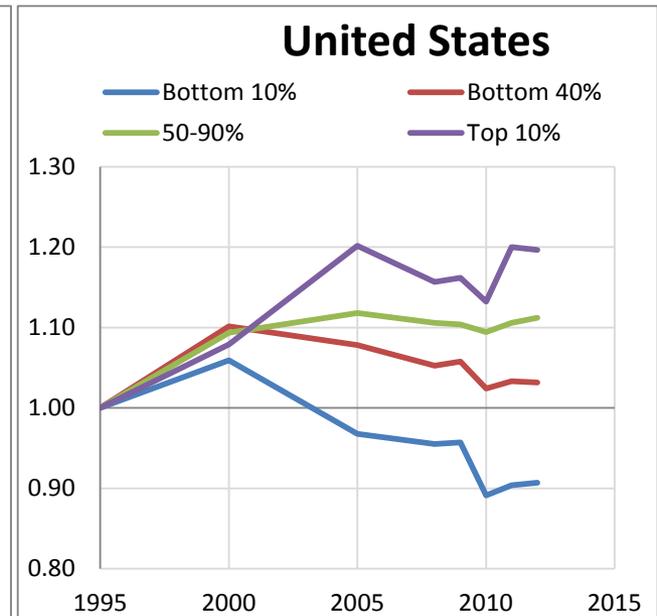
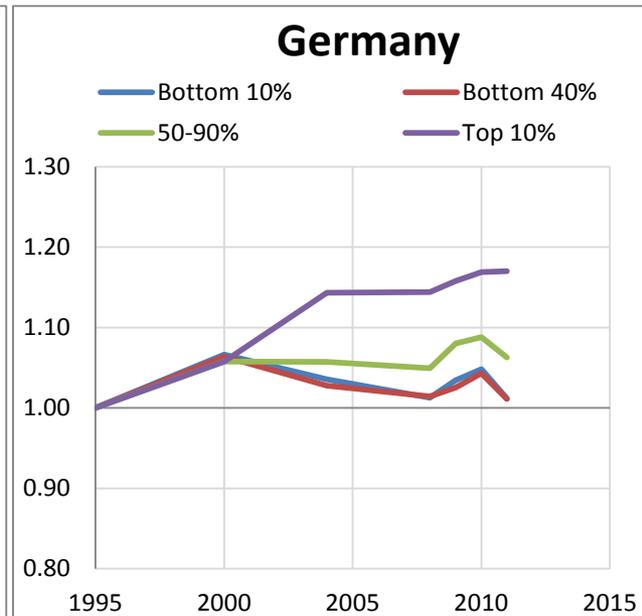
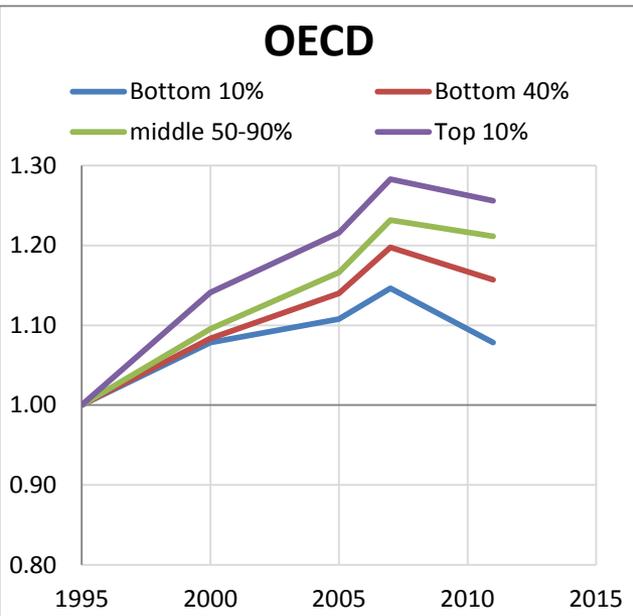
Annual percentage changes in household disposable income between 2007 and 2011



Lower incomes have been left behind



Trends in real household incomes at the bottom, the middle and the top, OECD average, 1985 = 1



Note: Income refers to disposable household income, corrected for household size. OECD is the unweighted average of 17 countries (Canada, Germany, Denmark, Finland, France, United Kingdom, Greece, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, New Zealand, Sweden and United States). See notes to Figure 3.5.

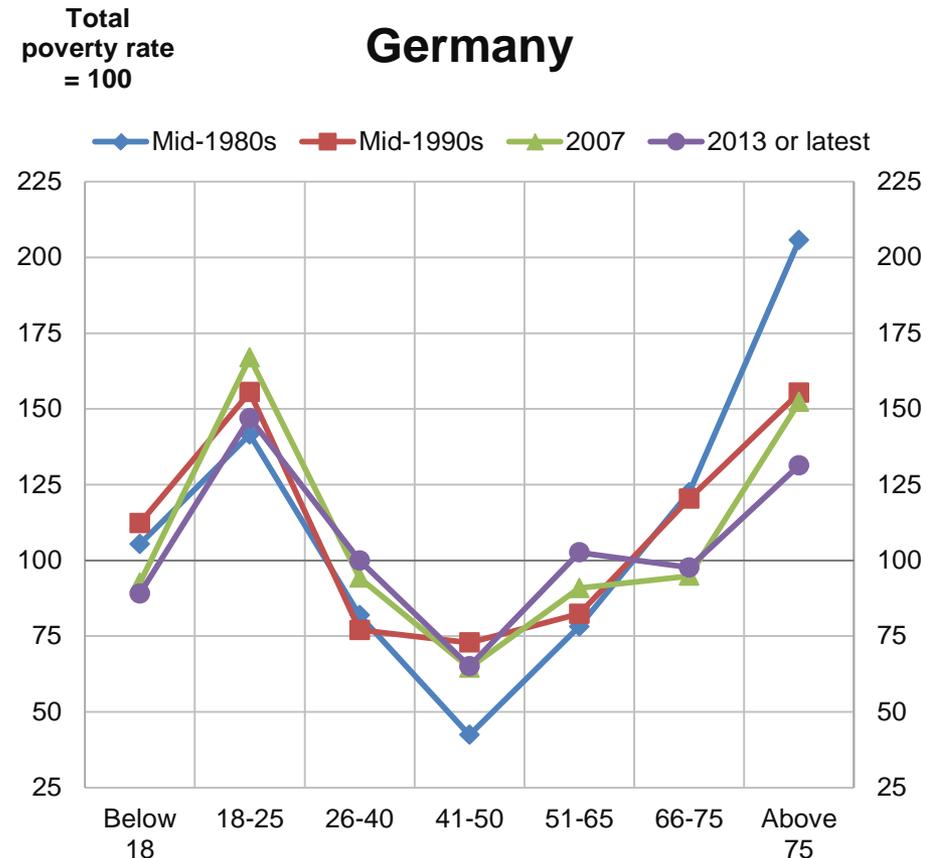
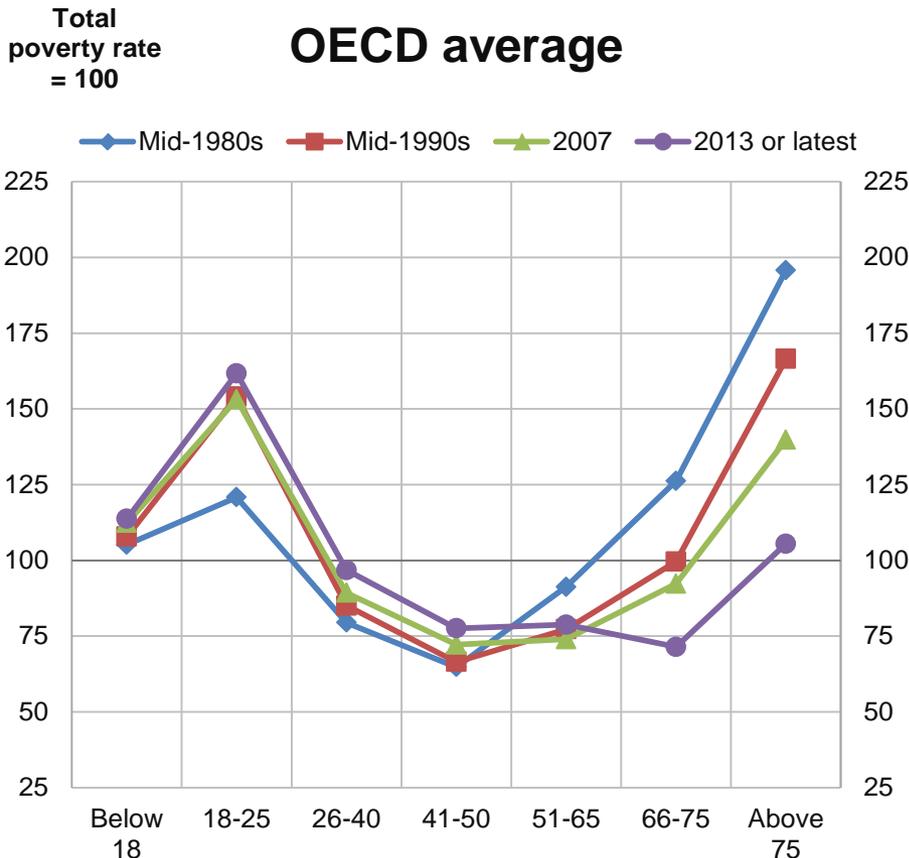
Source: OECD Income Distribution Database (IDD) www.oecd.org/social/income-distribution-database.htm.

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

Income poverty risk has shifted from the elderly to the young



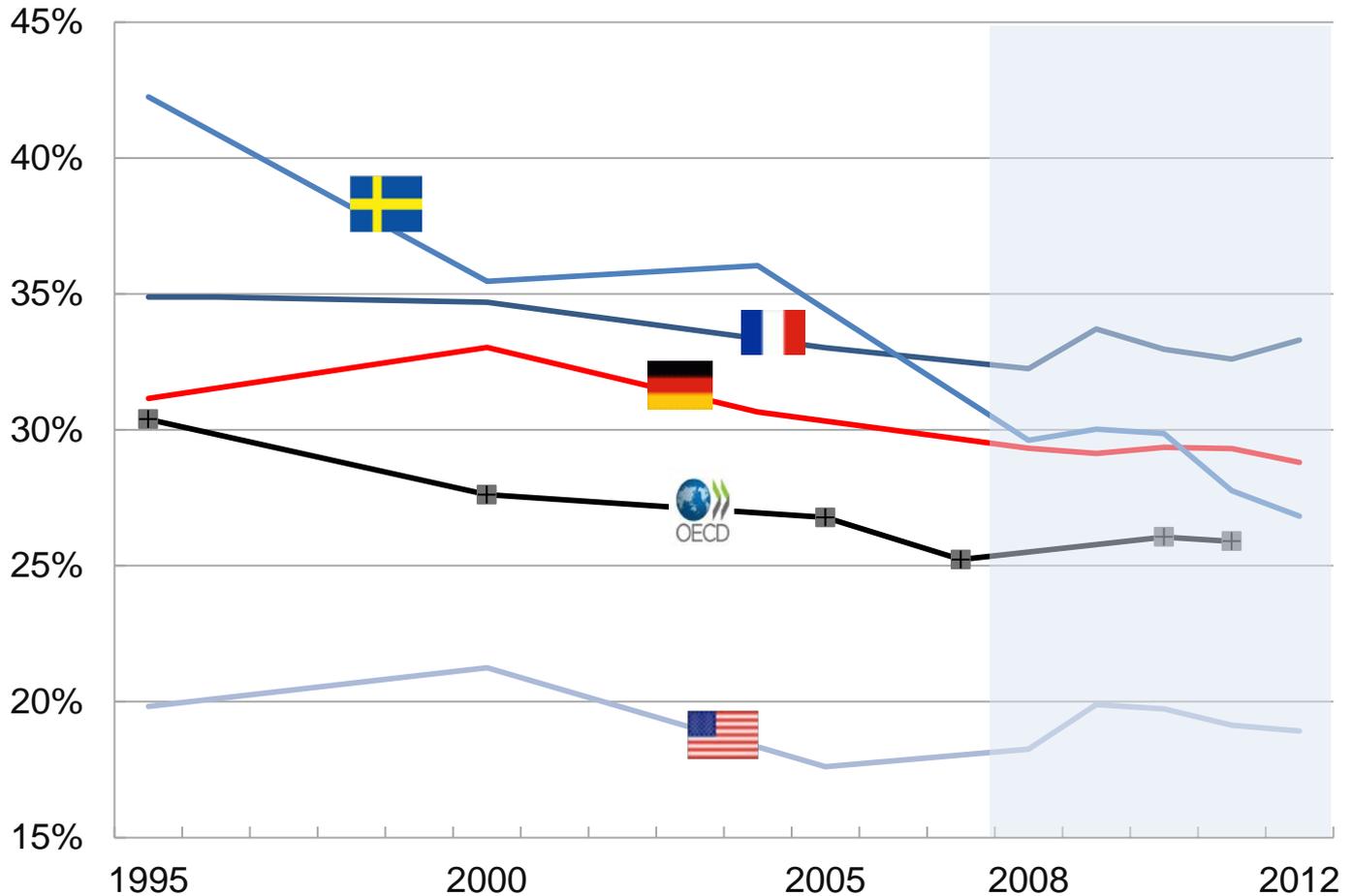
Relative poverty rate of the entire population in each year = 100, mid-1980s to 2013 or latest available year



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, United Kingdom, United States. **10/15**
 Source: OECD Income Distribution Database (via www.oecd.org/social/income-distribution-database.htm)
 * Information on data for Israel: <http://dx.doi.org/10.1787/888932315602> <http://oe.cd/cope>



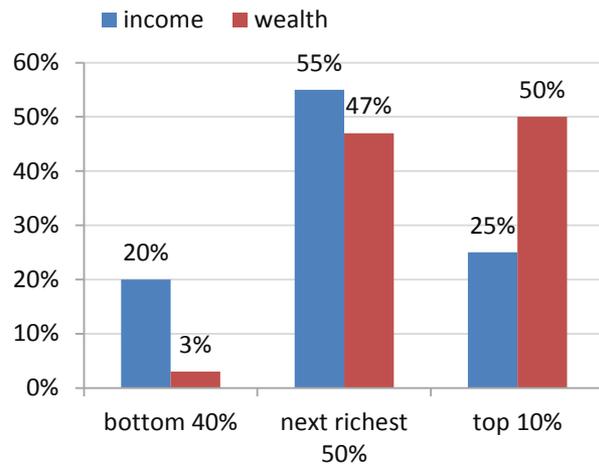
Trends in market income inequality reduction, working age population



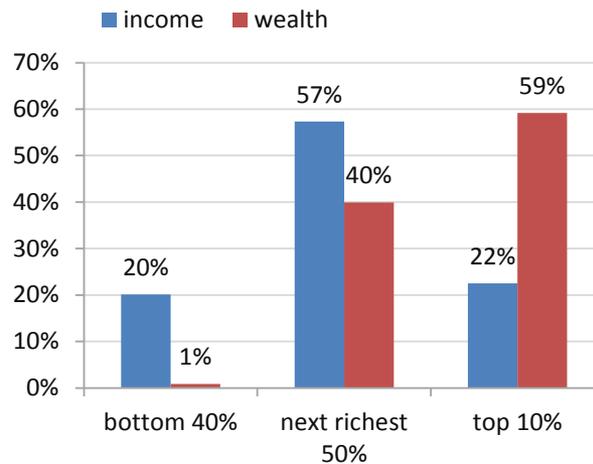


Share of income and wealth going to different parts of the income and wealth distribution, respectively, around 2013

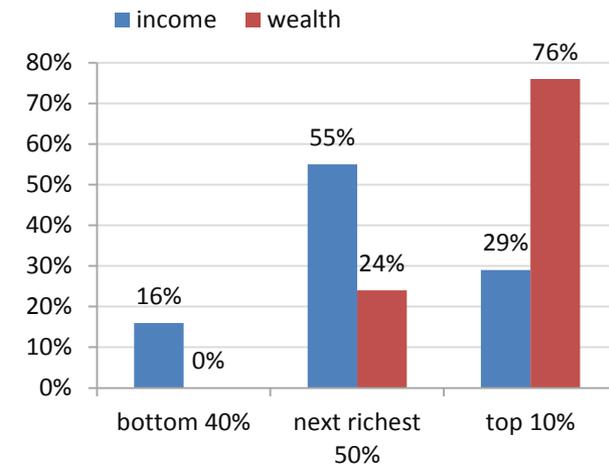
OECD



Germany



United States



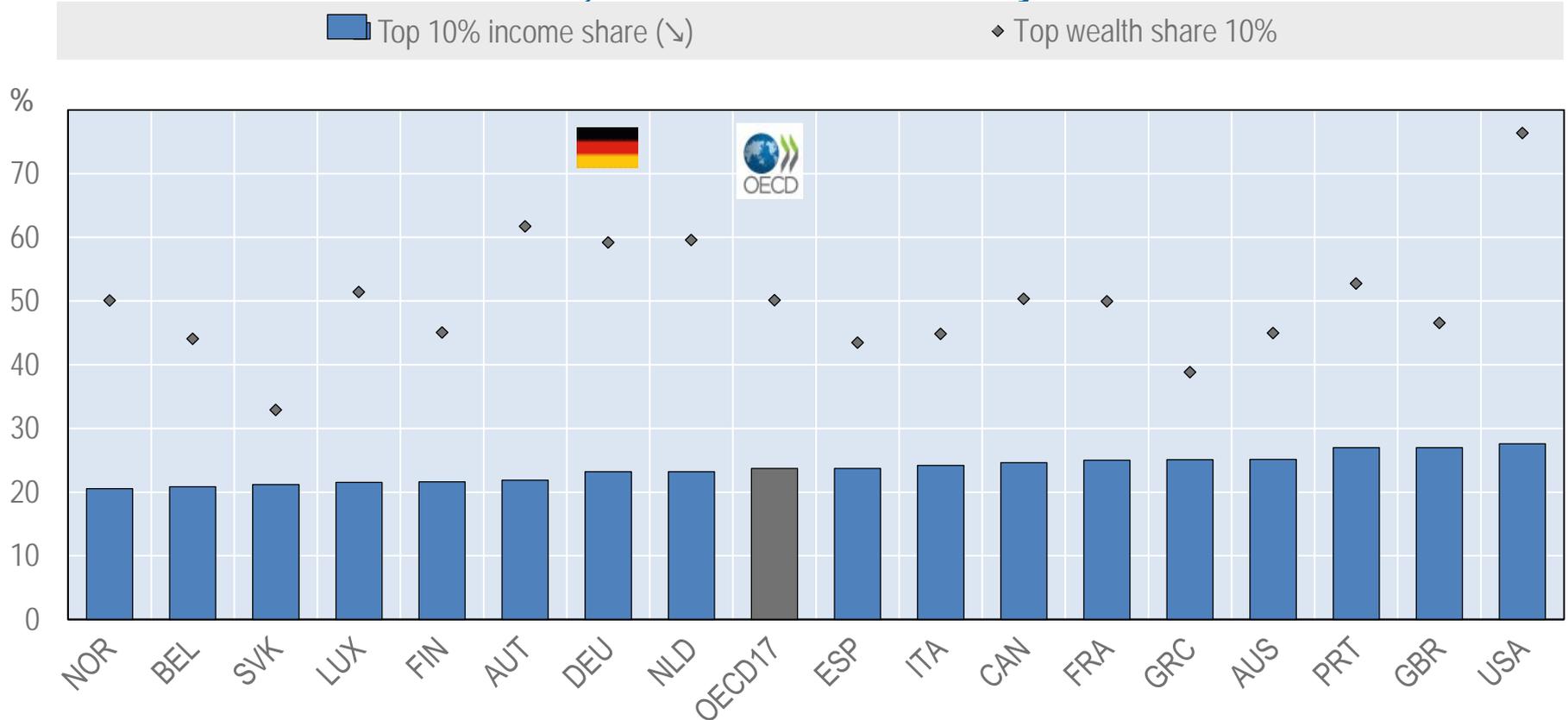
Source: OECD wealth questionnaire and ECB-HFCS survey and OECD Income Distribution Database (www.oecd.org/social/inequality.htm, OECD (2015), "In It Together".

Note: : Income refers to disposable household income, corrected for household size. Wealth refers to net private household wealth.

Wealth and income distribution weakly correlate



Share of top 10% of household disposable income and top 10% of household net wealth, 2012 or latest available year



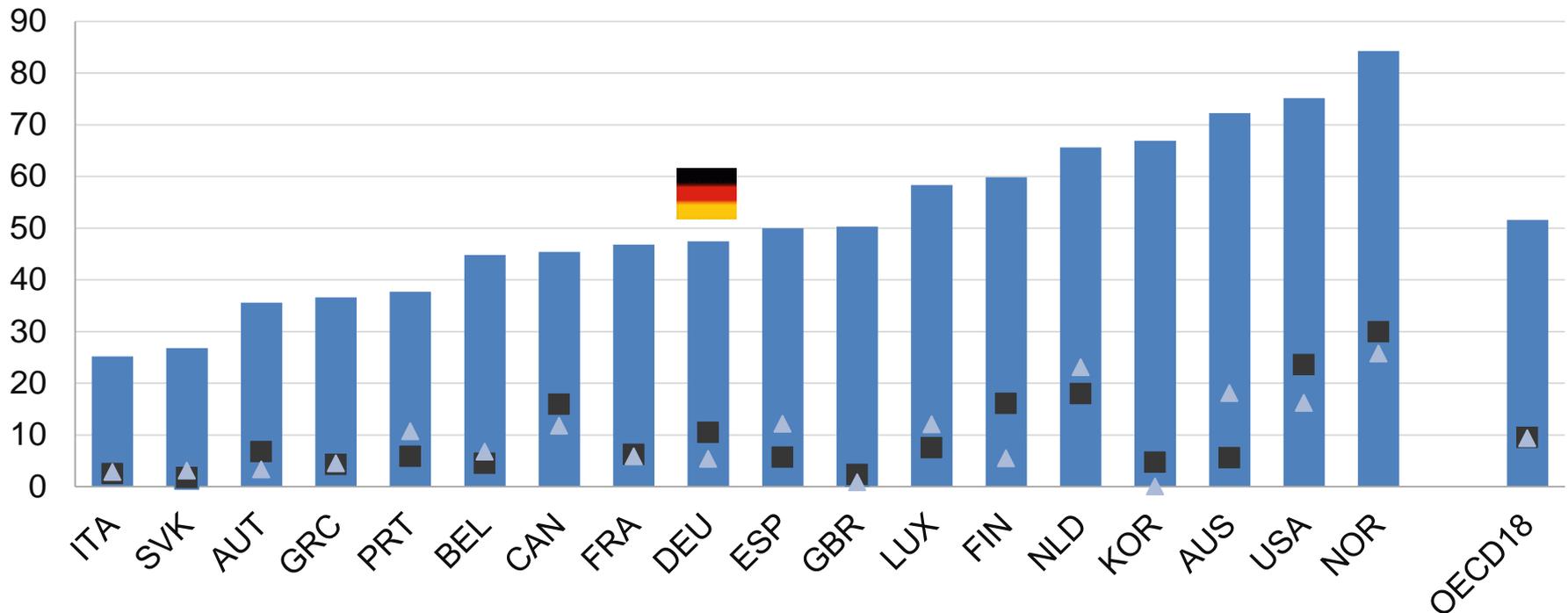
Note: Income refers to disposable household income, corrected for household size. Wealth refers to net private household wealth. Data refer to the shares of the richest 10% of income earners (bars) and of the richest 10% of wealth holders (diamonds), respectively.

Source: OECD Wealth Distribution Database and OECD Income Distribution Database (www.oecd.org/social/income-distribution-database.htm).



Half of all households have debts and one tenth is over-indebted:
 Percentage of indebted and over indebted households, 2012 or latest available year

■ % of indebted households (↑) ■ % of households with debt-to-asset ratio above 75% ▲ % of households with debt to income ratio above 3



Source: OECD wealth questionnaire and ECB-HFCS survey, OECD (2015, "In It Together").




Growing Unequal?
INCOME DIST AND POVERTY

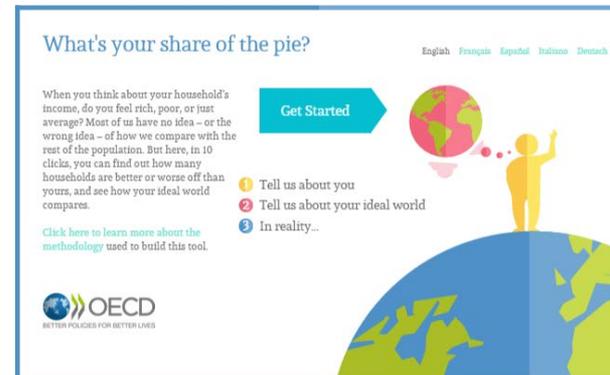
Divided We Stand
WHY INEQUALITY KEEPS RISING

In It Together
Why Less Inequality Benefits All

OECD



OECD Centre for Opportunity and Equality
Evidence-based, policy-oriented research on inequalities



What's your share of the pie? English Français Español Italiano Deutsch

When you think about your household's income, do you feel rich, poor, or just average? Most of us have no idea – or the wrong idea – of how we compare with the rest of the population. But here, in 10 clicks, you can find out how many households are better or worse off than yours, and see how your ideal world compares.

Get Started

- 1 Tell us about you
- 2 Tell us about your ideal world
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www.oecd.org/social/inequality-and-poverty.htm

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