

CO2.1: Income inequality and the income position of different household types

Definitions and methodology

Income inequality is measured here in terms of the distribution of household post-tax-and-transfer (disposable) income. To facilitate comparisons across households, disposable household income is ‘equivalised’ or adjusted for household size with an elasticity of 0.5 (the square root scale). The indicators of income distribution used include the Gini coefficient – a summary measure of inequality that ranges from 0 in the case of “perfect equality” (where income is distributed evenly across the population) to 1 in the case of “perfect inequality” (where all income is earned by a single person) – and the S80/S20 income share ratio which refers to the ratio of average income of the top 20% to the average income of the bottom 20% of the income distribution.

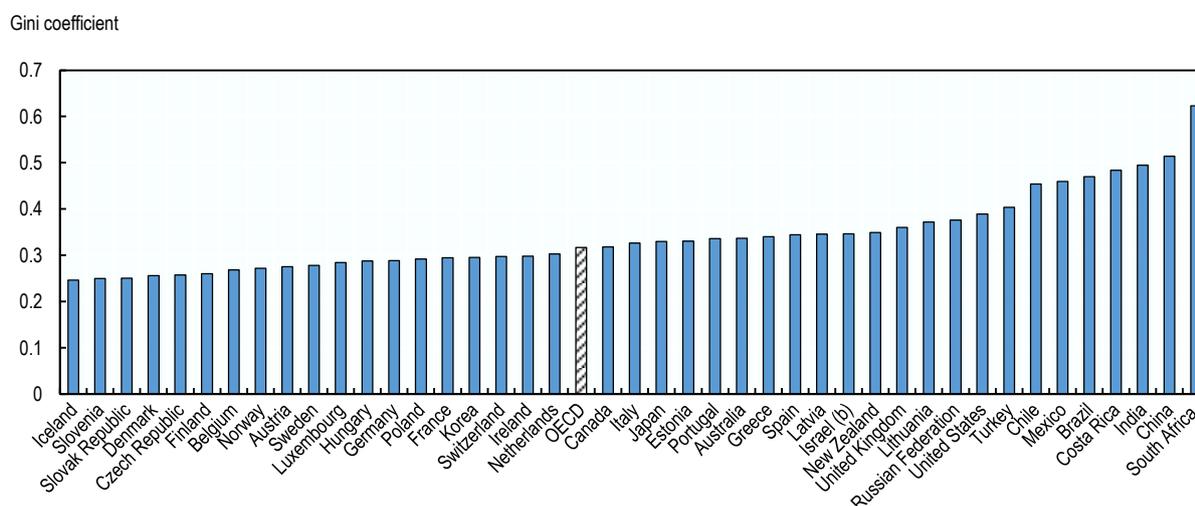
Data on the income position of different household types is presented through the mean disposable income of individuals from a given household type relative to the mean disposable income of individuals from a ‘base’ household – here, individuals in one-worker two-or-more-adult households with no children. The household types used are ‘single adult with at least one child’ and ‘two or more adults with at least one child’, with both further broken down by the employment status of the household: ‘jobless’ households (that is, no working age adult in the household is in paid employment), ‘one worker’ households (where only one working age adult in the household is in paid employment) and ‘two or more workers’ households (where two or more working age adults in the household are in paid employment). Again, in all cases household income is adjusted for each additional household member with an elasticity of 0.5.

Key findings

There is considerable variation in levels of income inequality across OECD countries. In 2015 (or the nearest year available), the Gini coefficient was lowest at 0.25 or less in Iceland and Slovenia, and highest at more than 0.40 in Turkey, Mexico and Chile (Chart CO2.1.A). Other measures of income inequality also show large differences across countries (Table CO2.1.A). For example, the income share ratio (S80/S20) shows that in 2015 (or nearest available) in Chile, Mexico, and the United States, the incomes of households in the top quintile were over eight times as large as those of households in the bottom quintile. By contrast, in Denmark and Iceland the incomes of households in the top quintile were slightly above three times the size of those of households those in the bottom quintile. Generally, countries rank similarly regardless of whether the Gini coefficient or the inter-quintile (S80/S20) income ratio measure is used to capture income inequality.

Chart CO2.1.A. Gini coefficient on disposable income, 2015 or latest available year^a

Gini coefficient on disposable (after tax and transfer) equivalised household income



a) Data for Israel and Costa Rica refer to 2016, for Australia, Denmark, Germany, Hungary, Iceland, Ireland, Italy, Luxembourg, Mexico, New Zealand, and Switzerland to 2014, for Brazil to 2013, for Japan to 2012, and for China, India and the Russian Federation to 2011. Data for South Africa and for the Netherlands in 2015 and 2014 are provisional.

b) 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.

Source: [OECD Income Distribution Database](#)

Table CO2.1.A. Measures of income inequality, 2007, 2014 and 2015 or nearest available year^a

Gini coefficient and S80/S20 income quintile ratio on disposable (after tax and transfer) equivalised household income

	Gini coefficient			S80/S20 income share ratio		
	2007	2014	2015 or latest available year	2007	2014	2015 or latest available year
Australia	0.338 e	0.326	0.337	5.8 e	5.5	5.7
Austria	0.284	0.274	0.276	4.4	4.1	4.2
Belgium	0.277	0.266	0.268	4.1	3.9	4.0
Canada	0.317	0.313	0.318	5.3	5.2	5.5
Chile	0.480	0.465	0.454	11.8	10.6	10.0
Czech Republic	0.256	0.257	0.258	3.6	3.7	3.7
Denmark	0.244 e	0.254	0.256	3.4 e	3.6	3.6
Estonia	0.313	0.346	0.330	5.2	6.2	5.8
Finland	0.269	0.257	0.260	3.9	3.7	3.7
France	0.292 e	0.293	0.295	4.3 e	4.4	4.4
Germany	0.285	0.292	0.289	4.3	4.4	4.4
Greece	0.329	0.339	0.340	5.6	6.4	6.4
Hungary	0.271 e	0.289	0.288	3.9 e	4.5	4.5
Iceland	0.286	0.241	0.246	4.1	3.4	3.6
Ireland	0.304	0.308	0.298	4.6	4.8	4.6
Israel (b)	0.365 e	0.360	0.346	7.5 e	7.1	6.5
Italy	0.313	0.325	0.326	5.2	5.8	5.9
Japan	0.329 e	0.336	0.330	6.0 e	6.2	6.1
Korea	0.312 e	0.302	0.295	5.6 e	5.4	5.1
Latvia	0.374	0.350	0.346	7.3	6.4	6.3
Luxembourg	0.277	0.280	0.284	4.0	4.2	4.2
Mexico	0.450 e	0.457	0.459	10.8 e	11.5	10.4
Netherlands	0.308 e	0.305	0.303	4.6 e	4.6	4.6
New Zealand	0.330 e	0.333	0.349	5.3 e	5.3	5.8
Norway	0.250	0.257	0.272	3.7	3.9	4.1
Poland	0.316	0.298	0.292	5.0	4.7	4.6
Portugal	0.361	0.338	0.336	6.3	5.9	5.8
Slovak Republic	0.245	0.247	0.251	3.5	3.7	3.7
Slovenia	0.239	0.251	0.250	3.5	3.7	3.7
Spain	0.324	0.344	0.345	5.2	6.6	6.5
Sweden	0.259 e	0.274	0.278	3.9 e	4.1	4.2
Switzerland	0.298 e	0.295	0.297	4.6 e	4.4	4.6
Turkey	0.409 e	0.398	0.404	7.8 e	7.7	7.8
United Kingdom	0.373	0.356	0.360	6.6	6.0	6.1
United States	0.374 e	0.394	0.390	7.9 e	8.7	8.3
OECD	0.318 e	0.316	0.317	5.5 e	5.5	5.5
Brazil	0.510	0.483	0.470	15.3	13.9	12.5
China	..	..	0.514	..	..	28.3
Costa Rica	.. ..	0.479	0.484	.. ..	5.5	5.7
India	0.482 ..	..	0.495	12.5 ..	..	13.4
Lithuania	0.338	0.381	0.372	5.8	7.4	7.1
Russian Federation	..	.. ..	0.376	.. ..	..	7.1
South Africa	..	.. ..	0.623	.. ..	..	41.1

Note: Data refer to the total population and are based on equivalised household disposable income, i.e. income after taxes and transfers adjusted for household size. The Gini coefficient takes values between 0 (where every person has the same income), and 1 (where all income goes to one person). The S80/S20 income

share ratio refers to the ratio of average income of the top 20% to the average income of the bottom 20% of the income distribution. Values refer to income earned in the year.

In the case of most countries, values for the three years are based on the same income definition (wave 7). In the case Australia, Denmark, France, Germany, Hungary, Israel, Japan, Korea, Mexico, the Netherlands, New Zealand, Norway, Sweden and Turkey, the values shown (marked with "e") are Secretariat estimates that correct for breaks in the series due to changes in the OECD income definition, changes in the survey-vehicle (Israel), and survey-improvements (France and the United States), through an adjustment factor based on different estimates for the same year. Vertical lines indicate breaks in the series that could not be corrected. Small changes in estimates between years should be treated with caution as they may not be statistically significant. Values for Japan are based on the Comprehensive Survey of Living Conditions; other surveys for Japan, such as the National Survey of Family Income and Expenditure, show lower levels of income inequality and poverty than those reported here. Values for the OECD average consider only countries for which data are available for all the years included in the table (31 OECD countries for all the indicators except anchored poverty, for which the OECD average is limited to 23 countries). The OECD average for income shares in total income includes all 35 OECD countries, as comparable data referring to the latest available year are available for all OECD countries.

a) Latest available data refer to 2016 for Israel and Costa Rica refer, to 2014 for Australia, Denmark, Germany, Hungary, Iceland, Ireland, Italy, Luxembourg, Mexico, New Zealand, and Switzerland, to 2013 for Brazil, to 2012 for Japan, and to 2011 for China, India and the Russian Federation. Data shown for "2014" refer to 2015 for Costa Rica and Israel; 2013 for Chile, Denmark, Germany, Iceland, Ireland, Italy, Norway, Sweden, Switzerland and Turkey; to 2012 for Australia, Hungary, Mexico and New Zealand; to 2011 for Brazil; and to 2009 for Japan. Data shown for "2007" refer to 2004 for India; to 2006 for Brazil and Japan; 2008 for Australia, France, Germany, Israel, Mexico, New Zealand, Norway, Sweden and the United States; and to 2009 for Chile and Switzerland. Data for South Africa and for the Netherlands in 2015 and 2014 are provisional.

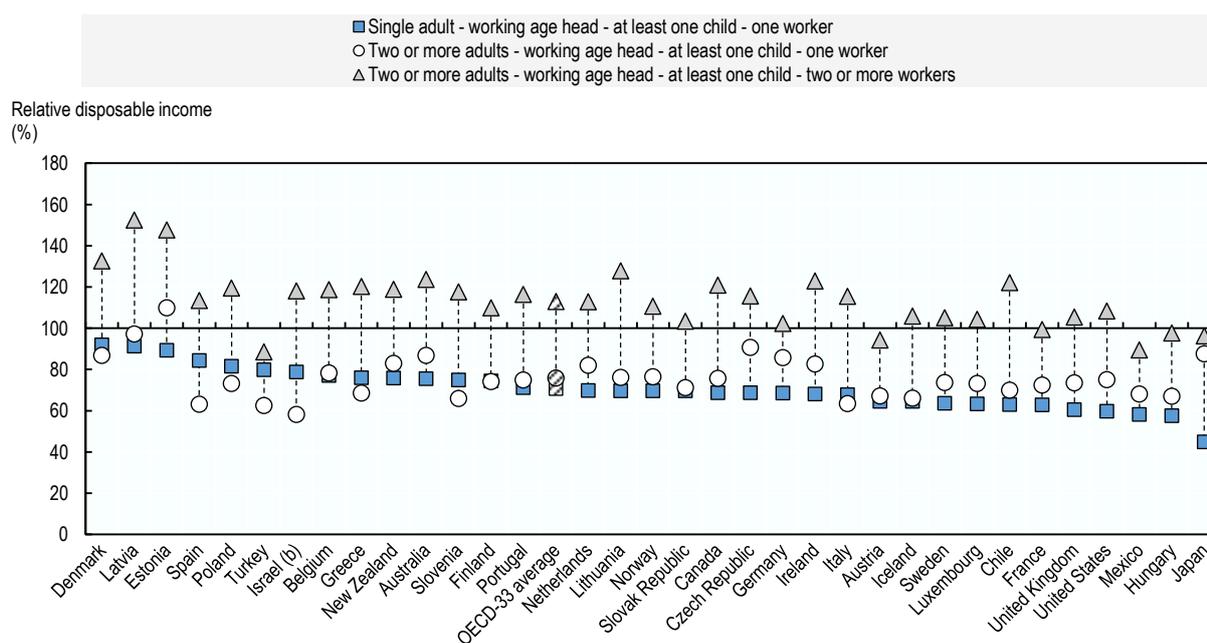
b) The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: [OECD Income Distribution Database](#)

The type of household in which an individual lives has a bearing on their place in the income distribution (Chart CO2.1.B). In general, mean disposable income is lowest in single adult households with children, although in many countries the mean disposable income of individuals in two-or-more-adult households with children and only one worker is only slightly higher – and in some countries actually slightly lower – than that for single-adult households with children and one worker. On average across OECD countries, individuals in one-worker single-adult households with children have mean incomes that are around 70% of those from childless one-worker two-or-more-adult households, with the gap largest in Mexico, Hungary, and Japan. The mean disposable income of individuals in one-worker two-or-more-adult households with children is on average around 76% of the mean disposable income of individuals in childless one-worker two-or-more-adult households, while the mean disposable income of individuals in two-or-more-worker two-or-more-adult households with children is on average about 113% of the mean disposable income for an individual in a childless one-worker two-or-more-adult household.

Chart CO2.1.B. Relative disposable income by household type, 2015 or latest available year^a

Mean disposable (after tax and transfer) equivalised income by household type as a proportion (%) of mean disposable equivalised income for individuals in households with two or more adults, a working age head, no children and one worker



a) See note to Chart CO2.1.A

b) See note b) to Chart CO2.1.A

Source: [OECD Income Distribution Database](http://www.oecd.org/els/family/database.htm)

Comparability and data issues

Household disposable income is measured as income after the receipt of benefits and the deduction of direct taxes and social security contributions paid by households, and does not account for non-cash income components such as in-kind services provided to households by governments and private entities, consumption taxes, and imputed income flows linked to ownership of housing and other forms of assets such as capital gains income.

Data in all cases come from the OECD Income Distribution Database (IDD), which itself is based on information from various national and cross-national household surveys. Detailed information on the sources and methods used in the OECD IDD is available on the [IDD website](http://www.oecd.org/els/family/database.htm).

Sources and further reading: OECD (2008), Growing Unequal –Income Distribution and Poverty in OECD Countries, OECD, Paris (www.oecd.org/els/social/inequality); OECD (2018) Income distribution database (<http://www.oecd.org/social/income-distribution-database.htm>); OECD (2011) [Divided We Stand: Why Inequality Keeps Rising](http://www.oecd.org/els/inequality), OECD, Paris ; (OECD (2015), In It Together: Why Less Inequality Benefits All, OECD, Paris. DOI : <http://dx.doi.org/10.1787/9789264235120-en>;