

II. MATERIAL LIVING CONDITIONS



WHY DO THEY MATTER FOR WELL-BEING?

Income and wealth are essential components of the well-being of individuals and societies. Both income and wealth expand people's consumption possibilities, providing them with the resources to satisfy their needs. Wealth also allows individuals to smooth consumption over time and to protect them from unexpected shocks that could lead to poverty and destitution. Income and wealth also bring non-economic benefits, such as higher health status and education, higher life satisfaction and the possibility of living in safer and cleaner areas.

INDICATORS

Two indicators are presented here:

- Household net adjusted disposable income includes income from work, property, imputed rents attributed to home owners and social benefits in cash, net of direct taxes and social security contributions paid by households; it also includes social transfers in kind, such as education and health care, that households receive from governments. Income is measured net of the depreciation of capital goods that enter the production of of households' market services for their own use.
- Net financial wealth consists of various financial assets owned by households (e.g. cash, bonds and shares) net of all types of financial liabilities.

The first indicator provides a very good measure of income's contribution to well-being as the indicator is the broadest measure of households' consumption possibilities available within the national accounts system (OECD, 2007). The wealth measure used, however, excludes a range of assets that are critical for household material well-being (Campbell 2006), such as dwellings and land. In the future, it will be important that countries improve their capacity to generate high-quality data on these non-financial assets.

MEASURING AVERAGE OUTCOMES AND TRENDS

Household net adjusted disposable income per capita is highest in the United States but only one fifth as high as in Chile. Household income has increased in all OECD countries during the last fifteen years or so, with largest rises in the United States, Norway, Slovenia, the Slovak Republic and Estonia; household income has remained broadly stable in Japan and Italy. Among emerging countries, the Russian Federation is the only one that has available information on household adjusted disposable income. By OECD standards, this country displays a relatively low level of income; however, income has increased significantly in the last fifteen years or so.

Net financial wealth of households per capita is highest in the United States (where it is around 2.7 times higher than income) and lowest in the Slovak Republic, Norway and Poland. Since the mid-1990s, net financial wealth of households has increased in most OECD countries, notably in Israel, Germany and Sweden, but declined in Ireland, Switzerland and Greece. Significant falls were recorded in several countries following the recent financial crisis. There are no comparable statistics on households net wealth for emerging countries. Efforts should be made by these countries to upgrade their statistical capacity in this field.

WHAT DO WE KNOW ABOUT INEQUALITIES IN INCOME AND WEALTH?

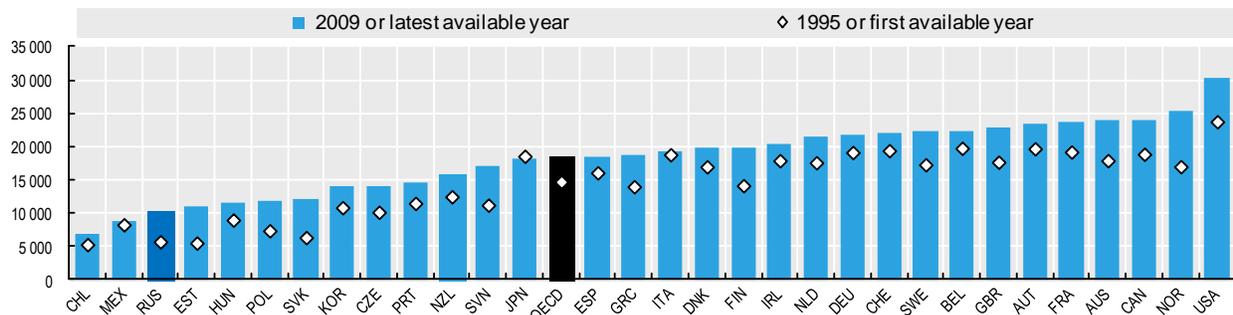
The income and wealth data shown here are based on national accounts concepts and do not allow to assess how income and wealth are distributed. However, income and wealth data based on national sources show that inequalities in the distribution of household disposable income are highest in Mexico and Chile and lowest in Nordic countries. Inequalities in the distribution of household wealth are typically twice as high as income (OECD, 2008). Between the mid-1980s and late 2000s, income inequalities have increased most in Sweden, New Zealand and Finland and decreased in Greece and Turkey (OECD 2011. forthcoming).

Household income is generally lower for youths and the elderly, although wealth is higher for the latter group. Having a job is one of the major determinant of household income, as jobless households are more likely to experience poverty and material deprivation (OECD, 2008).



Household net adjusted disposable income per capita

US dollars at 2000 PPPs

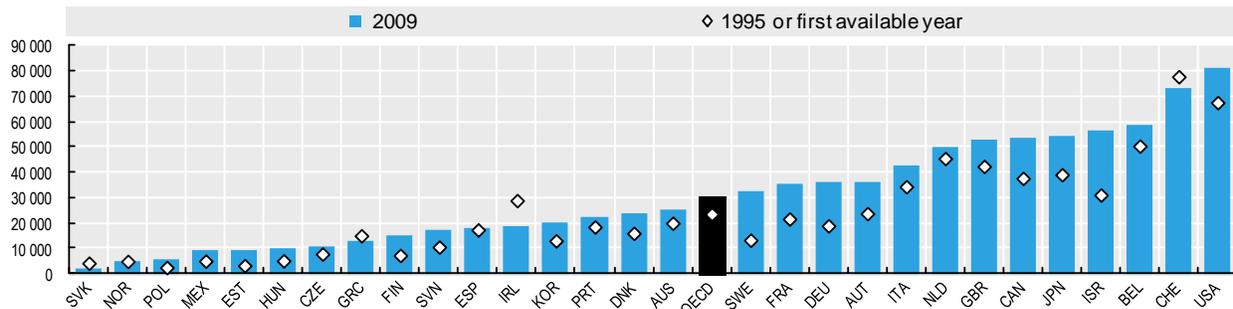


Note: Households include non-profit institutions serving households. Purchasing Power Parities are those for actual individual consumption of households. The first available year is 2000 for Greece and Spain; 2002 for Ireland and the Russian Federation and 2003 for Chile and Mexico. The latest available year is 2008 for Australia, Japan, Switzerland and the Russian Federation; 2010 for Finland.

Source: OECD, National Accounts data; Statistics New Zealand; OECD (2010), *National Accounts at a Glance*, OECD, Paris

Household net financial wealth per capita

US dollars at 2000 PPPs



Note: Households include non-profit institutions serving households. Purchasing Power Parities are those for private consumption of households. The first available year is 1997 for Mexico; 1999 for Switzerland; 2001 for Ireland, Israel and Slovenia, and 2002 for Korea.

Source: OECD, National Accounts data; Statistics New Zealand; OECD (2010), *National Accounts at a Glance*, OECD, Paris

For further reading

- Campbell, J.Y. (2006), *Household Finance*, NBER Working Paper N. 12149.
- OECD (2011), *The Causes of Growing Inequalities in OECD Countries*, OECD, Paris
- OECD (2010), *National Accounts at a Glance*, OECD, Paris.
- OECD (2008), *Growing Unequal? Income Distribution and Poverty in OECD Countries*, OECD, Paris.
- OECD (2007), *Understanding National Accounts*, OECD, Paris.



WHY DO THEY MATTER FOR WELL-BEING?

Both the availability of jobs and the earnings they pay are relevant for well-being. Not only they increase people's command over resources, but they also provide people with a chance to fulfil their own ambitions, to develop skills and abilities, to feel useful in society and to build self-esteem. Societies with high levels of employment are also richer, more politically stable and healthier. The experience of unemployment is one of the factors that have the strongest negative impact on people's subjective well-being, with effects that are much larger than the income loss associated with unemployment. There is also evidence that this impact persists over time and that psychological resilience to unemployment is low (Dolan et al., 2008).

INDICATORS

The indicators presented here refer to: the employment rate and the long-term unemployment rate.

- The first indicator is the share of the working age population (people aged from 15 to 64 in most OECD countries) who are currently employed in a paid job. Employed persons are those aged 15 and over who declare having worked in gainful employment for at least one hour in the previous week, following the standard ILO definition.
- The second indicator is the number of persons who have been unemployed for one year or more as a share of the labour force (the sum of the employed and the unemployed). Unemployed persons are those who are currently not working but are willing to do so and actively searching for jobs.

Both indicators shown here refer to 'jobs', as available earnings data have limited country coverage and are based on different definitions. Indicators for earnings will be included in the forthcoming "How's Life?" report.

The first indicator provides an indication of labour market inclusion. However the employment rate is not necessarily reflective of the well-being of individuals who have chosen to be out of the labour market and, as such, do not suffer from labour deprivation. The second indicator is conversely a better measure of involuntary job deprivation, as it focuses on those who are actively looking for a job. The people who have been unemployed for one year or more are exposed to greater risk of being socially excluded and deprived. The country coverage and comparability of indicators measuring the quality of employment (e.g. security of tenure, prospects for career development, working conditions, safety and health, fair wages, opportunities to develop skills, job satisfaction, recognition; UNECE 2010; ILO 2011) is limited and hence these indicators are not presented here.

MEASURING AVERAGE OUTCOMES AND TRENDS

There are large differences in employment rates across OECD countries, but there is also evidence of a general increase in most countries. Countries where the employment rate has increased the most in the last fifteen years or so are Spain, the Netherlands, Luxembourg and Italy. Conversely, the employment rate has declined considerably in Turkey and, to a lower extent, in the United States, Israel and the Czech Republic. In the Russian Federation, the only emerging country with comparable information on employment, the employment rate has increased in the last fifteen years, resulting in employment levels significantly above the OECD average.

Long-term unemployment rate is low on average in most OECD countries. It is virtually nil in Korea, Mexico and Norway but exceeds 7% in Spain and the Slovak Republic. Since the mid-1990s, the long-term unemployment rate has declined in many OECD countries, particularly so in Finland, Poland, Italy and Spain. Exceptions to this trend are the United States and Japan. Some of these patterns partly reflect the different timing and impacts of the recent financial crisis, and may change as a consequence of the sluggish recovery and persistent labour market slack in some of the countries where the developments over the last decades were the most favourable (OECD, 2010). The unemployment rate is slightly above the OECD average in the Russian Federation, but has been declining in the last fifteen years.

WHAT DO WE KNOW ABOUT INEQUALITIES IN JOBS?

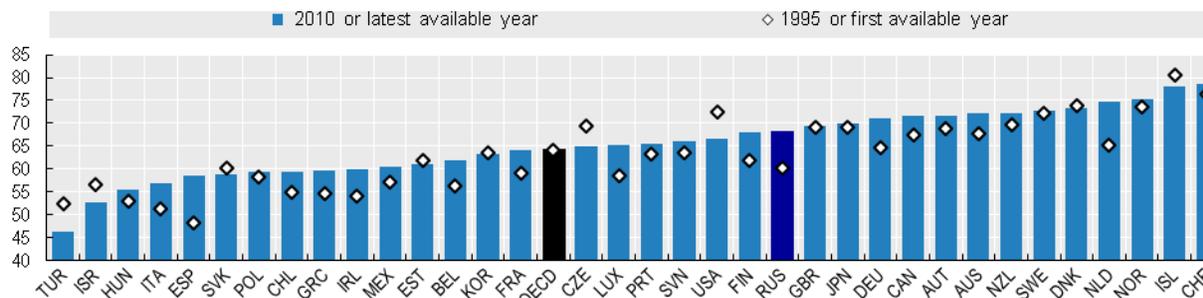
Employment rates are higher for prime age men and much lower for youth, women and persons nearing conventional retirement ages. Participation in the labour market also increases with education. Healthier individuals are more often employed than people with chronic illnesses and handicaps.

Long-term unemployment rates are particularly high for youth and for individuals with lower educational attainment. Long-term unemployment is also much higher among immigrants than the native born population (OECD, 2008; OECD, 2010).



Employment rate

Employed over population aged 15-64, percentages

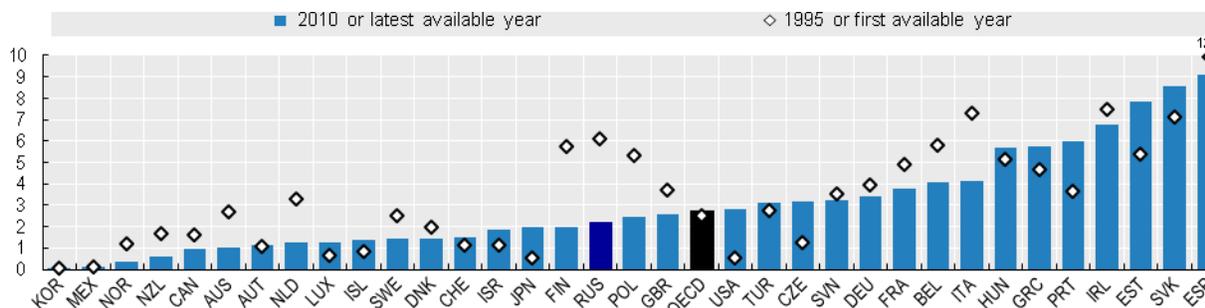


Note: The first available year is 1996 for Chile; 1999 for the Russian Federation; and 2002 for Estonia and Slovenia. The latest available year is 2008 for the Russian Federation. All latest available data are provisional.

Source: OECD Labour Force Statistics database; OECD (2010), *Employment Outlook: Moving beyond the Job Crisis*, OECD, Paris

Long-term unemployment rate

Long-term unemployed over labour force, percentages



Note: The first available year is 1999 for the Russian Federation; and 2002 for Estonia and Slovenia. The latest available year is 2008 for the Russian Federation. All the latest available data are provisional. The values for Iceland and Luxembourg are uncertain.

Source: OECD Labour Force Statistics database; OECD (2010), *Employment Outlook: Moving beyond the Job Crisis*, OECD, Paris

For further reading

- P. Dolan, T. Peasgood, and M. White (2008), "Do we really know what makes us happy? A review of the economic literature on the factors associated with subjective well-being", *Journal of Economic Psychology* 29, p. 94-122
- OECD (2010), *Employment Outlook 2010, Moving Beyond the Jobs Crisis*, OECD, Paris. (www.oecd.org/employment/outlook)
- OECD (2008), *Growing Unequal? Income Distribution and Poverty in OECD Countries*, OECD, Paris. (www.oecd.org/els/social/inequality/GU)
- ILO (2011). *Regulating for Decent Work: New Directions in Labour Market Regulation*, forthcoming. (<http://www.ilo.org/global/topics/decent-work/lang--en/index.htm>)
- UNECE (2010), *Measuring Quality of Employment, Country pilot reports*, Geneva.

WHY DOES IT MATTER FOR WELL-BEING?

➤ *Having an adequate accommodation is at the top of the hierarchy of human material needs. Housing is the largest component of many households' expenditures and is central to people's ability to meet basic needs. In addition, poor housing conditions can affect people's health status (both mental and physical), family functionings (e.g. relations between household members and the development of children) and the conduct of basic social activities such as inviting people at home.*

INDICATORS

➤ *The key indicators of housing conditions presented here refer to the average number of rooms per person in a dwelling; and the percentage of dwellings without access to basic facilities.*

- *The first indicator signals whether the persons occupying a dwelling are living in crowded conditions. It is measured as the number of rooms in a dwelling divided by the number of persons living in the dwelling.*
- *The second indicator provides an assessment of the potential deficits and shortcomings of accommodation focusing on facilities for personal hygiene. Two basic facilities are considered here: a lack of indoor flushing toilet (measured as the percentage of dwellings not having indoor flushing toilet for the sole use of their household); and the absence of a bathroom (measured as the percentage of people having neither a bath nor a shower in their dwelling).*

➤ *The first indicator may not reflect well-being of individuals who have traded-off between the size of the dwelling and its location, for instance deciding to live in urban areas as opposed to rural ones. The second indicator sheds light on the quality of accommodation and provides a proxy measure of the notion of 'decent housing' (Galster, 1987). Additional basic aspects of housing conditions, such as the healthiness of environment and adequate heating should also be considered, but this is not possible due to the lack of relevant indicators (Boarini and Mira d'Ercole, 2006; Andrews et al., 2011).*

MEASURING AVERAGE OUTCOMES

➤ *Living space requirements, in terms of having at least one room per person, appear to be generally fulfilled in all OECD countries. One exception is Turkey, where the average number of rooms per person is only 0.7 room. There are significant differences in the number of rooms per person across the OECD, ranging between 1.2 rooms per person (or less) in some Eastern European countries and Israel and 2 rooms per person (or more) in Australia, Belgium, Canada and New Zealand.*

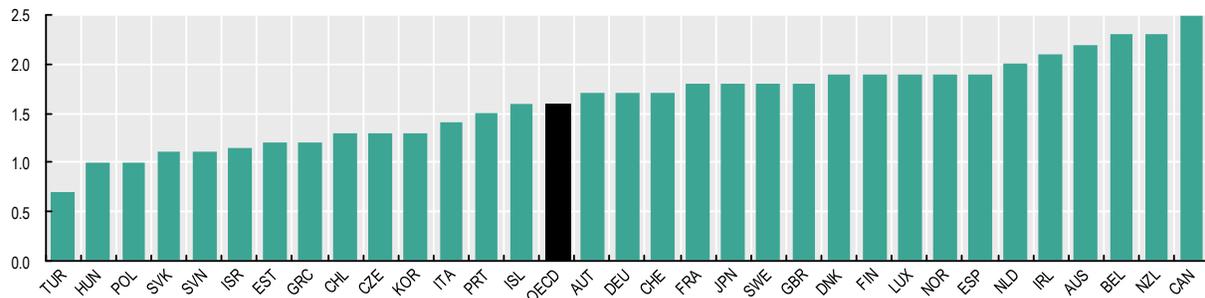
➤ *The lack of basic housing facilities is almost non-existent in the majority of OECD countries (with only 1 or 2 % of respondents claiming to have such a problem). However, in some OECD countries, a non negligible share of the respondents is facing problems in their access to standard accommodation. Relatively poor housing conditions prevail in Estonia, Chile, Hungary and Poland, as well as in Japan, Korea, Mexico and, especially, Turkey, where almost 18% of surveyed people express that they have no indoor flushing toilets.*

WHAT DO WE KNOW ABOUT INEQUALITIES IN HOUSING CONDITIONS?

➤ *People with lower household incomes are more likely to face poorer housing conditions: the likelihood of living without indoor flushing toilets falls with income and the number of rooms available increases with it. Age also strongly influences housing conditions: in Europe, the average number of rooms per person increases according to the age of the person, although lack of indoor flushing toilets is mostly cited by respondents in the oldest age categories (Domanski et al., 2006).*

Rooms per person

Average number, 2009 or latest available year

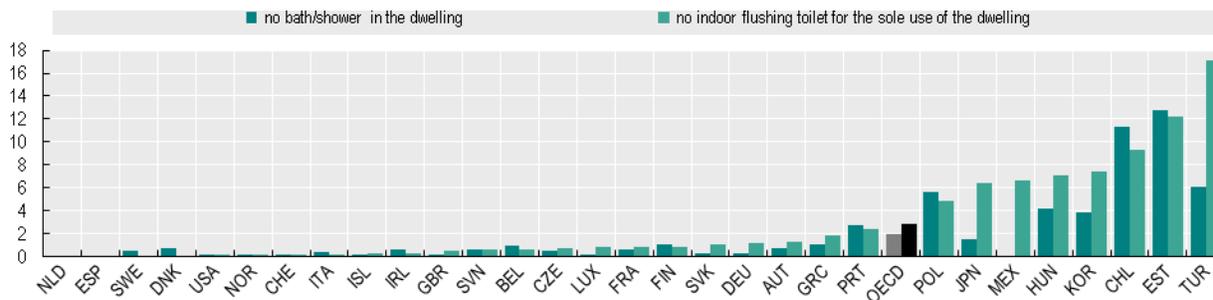


Note: Data refer to 2000 for Turkey; 2001 for Chile; 2005 for Korea; 2006 for Australia, Canada, New Zealand; and 2008 for Israel and Japan. The value for Australia is based on OECD calculation.

Source: European Union Statistics on Income and Living Conditions (EU-SILC); National Statistical Offices (NSOs) and OECD calculations.

Dwellings without basic facilities

Percentage of people, 2009 or latest available year



Note: Data refer to 2000 for Turkey; 2001 for Chile; 2005 for Korea and Mexico; and 2008 for Japan. For Chile, the first indicator refers to dwellings without a shower, while for Japan it refers to people without a bathroom, even if there is a bathtub on the premises. For Turkey, the indicator refers to households without a place surrounded by walls with a separate door and used for bathing, while in the case of the United States it refers to total occupied dwellings with neither bathtub nor shower. The second indicator refers to the absence of a toilet in the dwelling for Chile, in inhabited private dwellings for Mexico, inside the housing unit for Turkey and to occupied dwellings without flushing toilet for the United States.

Source: European Union Statistics on Income and Living Conditions (EU-SILC) and National Statistical Offices (NSOs) of Chile, Japan, Mexico, Turkey, the United States.

For further reading

- Andrews D., et al., (2011), "Housing Markets and Structural Policies in OECD Countries", *OECD Economics Department Working Papers, No. 836*, OECD, Paris.
- Boarini, R. and M. Mira d'Ercole (2006), "Measures of Material Deprivation in OECD Countries", *OECD Social, Employment and Migration Working Papers, No. 37*, OECD, Paris.
- Domanski, H. et al., (2006), "First European Quality of Life Survey: Social dimensions of housing", *European Foundation for the Improvement of Living and Working Conditions*, Luxembourg.
- Galster G. (1987), *Homeowners and Neighbourhood Reinvestment*, Duke University Press, Durham, NC.