

How's life in your region?

Insights from income distribution and poverty in OECD regions

July 2014



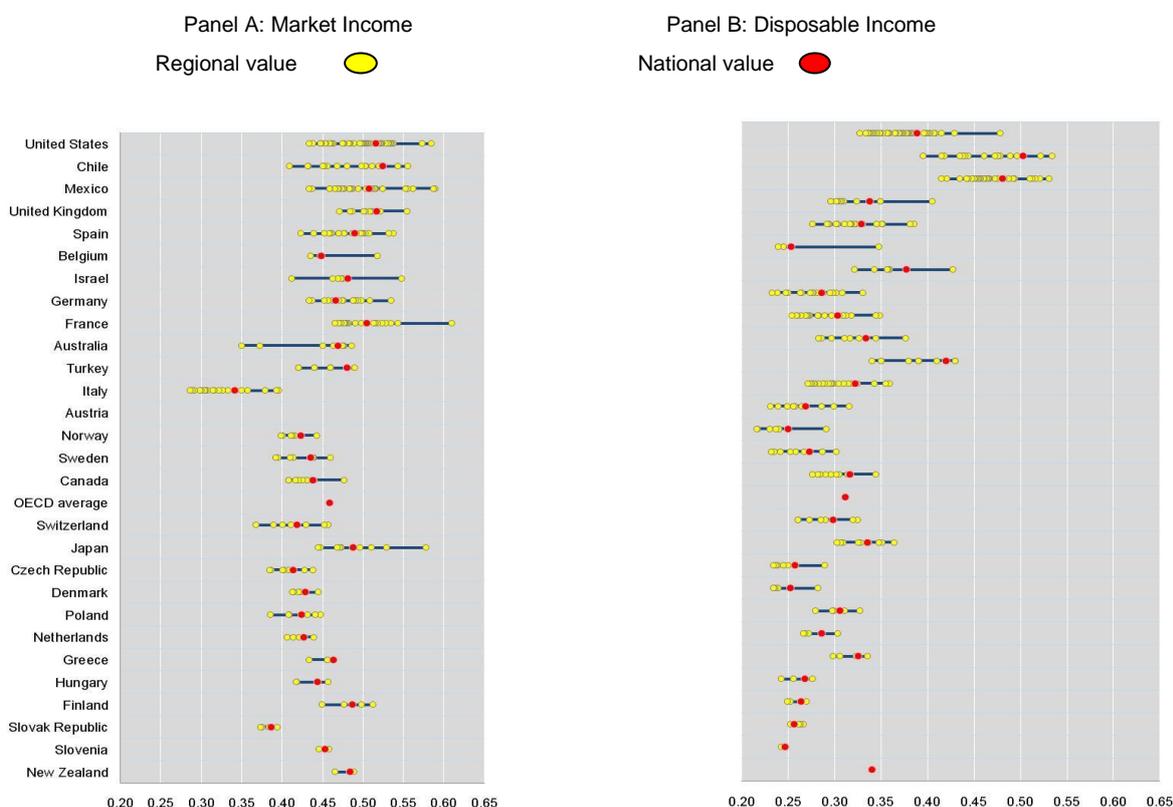
New OECD data show that differences in household income distribution and poverty are large not only among OECD countries but also across regions within a country. The availability of information on household income distribution and poverty at regional level, as well as on other aspects of quality of life, helps policy makers to focus their efforts and enhance the effectiveness of public interventions in a period of tight resources. The forthcoming OECD report *How's life in your region?* documents the importance of regional inequalities in many well-being dimensions in OECD countries, provides evidence on the determinants of income inequalities within and between regions, and discusses the links between income inequality and economic growth at regional level.

Regional data on the distribution of household income come with various warnings. Household surveys are rarely designed to be representative at the regional level; comparing regions in different countries is tricky, because their size varies; and these income numbers ignore the fact that the cost of living is usually lower in rural areas than in cities, which may have the effect of exaggerating inequality in a country. The new set of indicators of regional income inequality and poverty produced for 28 OECD countries extends the OECD Income Distribution Database (IDD) to NUTS2 regions in Europe and to large administrative regions (e.g. states in Mexico and United States) for non-European countries for the year 2010 and providing measures of the statistical reliability of these data.

Internationally comparable evidence on income inequalities in regions is thus possible thanks to the release of this set of regional data, among the main findings are the following (for more results and details on methods, see references at the end):

Regional differences in the distribution of household disposable income are high in all large OECD countries as well as in some small countries with a dominant urban centre. For example, the range between the Gini coefficients of the states of Chiapas and Tlaxcala in Mexico (around 0.15) is of the same magnitude as the difference in Gini coefficient between Mexico and the OECD average (Figure 1b). Data on market income show a much larger interregional variability than those on disposable household income, suggesting that taxes and social transfers cushion much of income inequalities both between and within regions. The effect of taxes and public transfers in reducing regional differences in income inequality is particularly large in Belgium, Finland, Germany, Italy and the United Kingdom (compare country distribution of regional Gini indexes in panels A and B of Figure).

Figure 1. Regional values of Gini index in market and disposable household income, around 2010

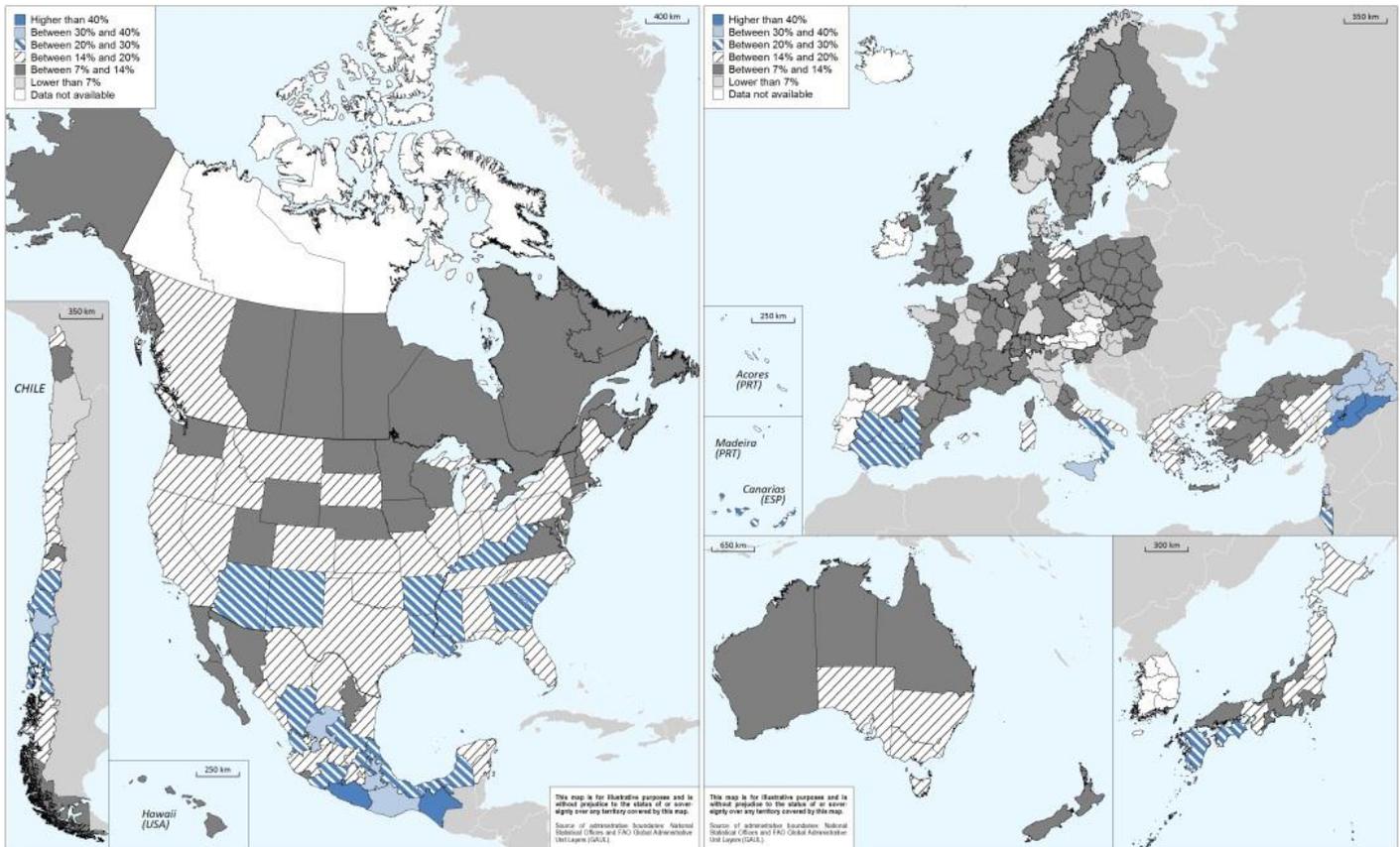


Note: Countries are ordered by the difference between maximum and minimum values of the Gini coefficient for the regional household disposable income. Each point in the panel represents a region. The Gini index of market income in Austria is not available.

Source: Elaborations on OECD Income Distribution Data at regional level.

In nine countries differences in income poverty across regions are larger than the difference among OECD countries. In Belgium, Chile, Germany, Italy, Israel, Mexico, Spain, Turkey and the United States the inter-regional difference of the relative poverty rates is larger than the difference between the Czech Republic and Mexico, the OECD countries with the lowest and the highest relative poverty rates, respectively, when considering a poverty line defined at 50% of the national median income. In Belgium, Italy, Mexico and Turkey the relative poverty incidence is twice as high as the country value (figure 2).

Figure 2. Regional relative poverty rates, around 2010



Note: Poverty headcounts with poverty line defined at 50% of the national median income.

Source: Elaborations on OECD Income Distribution Data at regional level

Source:

The dataset of regional income distribution and poverty estimates can be downloaded here <http://stats.oecd.org/Index.aspx?DataSetCode=RWB>

References:

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