

OECD Social, Employment and Migration Working Papers
No. 22

Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s

Michael Förster,

Marco Mira d'Ercole

https://dx.doi.org/10.1787/882106484586

OECD

DELSA/ELSA/WD/SEM(2005)1

OECD OCDE

Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s

Michael Förster and Marco Mira d'Ercole

22

OECD SOCIAL, EMPLOYMENT AND MIGRATION WORKING PAPERS

Unclassified **DELSA/ELSA/WD/SEM(2005)1**

Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development **10-Mar-2005**

English - Or. English

DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS
EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE

DELSA/ELSA/WD/SEM(2005)1
Unclassified

Cancels & replaces the same document of 18 February 2005

OECD SOCIAL, EMPLOYMENT AND MIGRATION WORKING PAPERS No. 22

INCOME DISTRIBUTION AND POVERTY IN OECD COUNTRIES IN THE SECOND HALF OF THE 1990S

Michael Förster and Marco Mira d'Ercole

JEL Classification: D3, I3

English - Or. English

JT00180148

Document complet disponible sur OLIS dans son format d'origine
Complete document available on OLIS in its original format

DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS

OECD SOCIAL, EMPLOYMENT AND MIGRATION WORKING PAPERS

This series is designed to make available to a wider readership selected labour market, social policy and migration studies prepared for use within the OECD. Authorship is usually collective, but principal writers are named. The papers are generally available only in their original language – English or French – with a summary in the other.

Comment on the series is welcome, and should be sent to the Directorate for Employment, Labour and Social Affairs, 2, rue André-Pascal, 75775 PARIS CEDEX 16, France.

The opinions expressed and arguments employed here are the responsibility of the author(s) and do not necessarily reflect those of the OECD

Applications for permission to reproduce or translate all or part of this material should be made to:

Head of Publications Service
OECD
2, rue André-Pascal
75775 Paris, CEDEX 16
France

Copyright OECD 2005

EXECUTIVE SUMMARY

This report provides evidence on income distribution and poverty in 27 OECD countries over the second half of the 1990s, using data that correct for many of the features that limit cross-country and inter-temporal comparisons in this field. Patterns for income distribution and relative poverty in the second half of the 1990s — a period of significant improvement in labour market conditions in most OECD countries — conform to many of the longer-term trends identified in previous OECD analysis, but also highlight some significant departures.

- Inequality in the distribution of household disposable income among the total population increased slightly over the second half of the 1990s, continuing the trend of the previous decade.
- Relative poverty, measured with respect to a threshold set at half of median income, affected in 2000 around 11% of the OECD population, with an increase since the mid-1990s that is similar to that of the previous decade. Absolute income poverty, which had declined by more than one-third in the decade from the mid-1980s to the mid-1990s, fell by close to one-fourth in the five years to 2000.
- Following steady increases in inequality in the distribution of market income among the population of working age in previous decades, several OECD countries reversed or halted this trend in the second half of the 1990s. Impacts on inequality in the distribution of disposable income and relative poverty have so far been muted because of a reduction in the effectiveness of public transfers and taxes in reaching those with greater needs.
- Relative poverty is, in most countries, most common among children than among the entire population, and this increased further in the second half of the 1990s. While child poverty rates are lower in countries with higher level of maternal employment, there is much diversity in country experiences, suggesting that specific factors increase risks of destitution for children in some OECD countries.
- Income of the elderly, relative to that of the rest of the population, stopped improving in the second half of the 1990s. Their poverty rates, measured using a relative threshold, also increased in several OECD countries, mainly reflecting changes in public transfers and taxes.

RESUME

Ce rapport examine la distribution des revenus et la pauvreté dans 27 pays de l'OCDE pour la deuxième moitié de la décennie 90, sur la base de données corrigées d'une grande partie des paramètres qui handicapent les comparaisons transnationales et intertemporelles dans ce domaine. L'évolution de la distribution des revenus et de la pauvreté au cours de la deuxième moitié de la décennie 90 – période d'amélioration notable de la situation du marché du travail dans la plupart des pays de l'OCDE – s'inscrit pour une grande part dans le prolongement des tendances à long terme qui se dégageaient des analyses précédentes, mais présente aussi quelques écarts notables par rapport à celles-ci.

- L'inégalité de la distribution du revenu disponible des ménages sur l'ensemble de la population s'est légèrement accentuée dans la seconde moitié de la décennie 90, prolongeant la tendance observée au cours de la décennie précédente.

- La pauvreté relative, mesurée par rapport à un seuil fixé à la moitié du revenu médian, touchait en 2000 environ 11 % de la population de l'OCDE, soit une élévation depuis le milieu des années 90 analogue à celle observée dans la décennie précédente. Quant à la pauvreté absolue, après un recul de plus d'un tiers dans la décennie précédente, elle a baissé de près d'un quart dans les cinq années considérées.

- Après une période d'accroissement constant au cours des décennies précédentes, l'inégalité des revenus marchands dans la population d'âge actif s'est réduite ou stabilisée dans plusieurs pays dans la deuxième moitié des années 90. Les incidences de ces changements de tendance sur l'inégalité dans la distribution du revenu disponible et sur la pauvreté relative ont été atténuées par la baisse d'efficacité des systèmes et d'imposition de transferts pour les catégories les plus défavorisées.

- Dans la plupart des pays, la pauvreté relative est plus répandue chez les enfants que dans l'ensemble de la population, et ce phénomène s'est encore accentué dans la deuxième moitié des années 90. Si les taux de pauvreté des enfants sont plus faibles dans les pays où le taux d'emploi des mères est plus élevé, la situation est très diverse selon les pays, ce qui donne à penser que les risques de pauvreté des enfants sont accrus dans certains pays de l'OCDE par des facteurs spécifiques.

- Les revenus des personnes âgées, par rapport au reste de la population, ont cessé de s'améliorer au cours de la période. Leurs taux de pauvreté, mesurés par rapport à un seuil relatif, ont par ailleurs augmenté dans plusieurs pays de l'OCDE, principalement en raison des modifications apportées aux systèmes et d'imposition de transferts.

ACKNOWLEGMENTS

This report has been made possible by the collaboration of experts from member countries who have provided data from national datasets based on common assumptions and definitions.

Data were provided by Peter Saunders and Peter Siminski, Social Policy Research Center, for Australia; Gudrun Biffl, Austrian Institute for Economic Research, for Austria; Brian Murphy and Shawna Brown, Statistics Canada, for Canada; Aleš Kaňka and Jaromir Kalmus, Czech Statistical Office, for the Czech Republic; Peter Bach-Mortensen and Lars Pantmann, Ministry of Finance, for Denmark; Heikki Viitamäki, Government Institute for Economic Research, for Finland; Saïda Khalfaoui, Pascal Chevalier and Nadine Legendre, Institut National de la Statistique et des Études Économiques, for France; Markus Grabka, German Institute for Economic Research, for Germany; Theodore Mitrakos, Bank of Greece, for Greece; Márton Medgyesi and Péter Szivós, TÁRKI Social Research Institute, for Hungary; Brian Nolan and Bertrand Maître, Economic and Social Research Institute, for Ireland; Gaetano Proto and Marco Di Marco, Istituto Nazionale di Statistica, for Italy; Yoshihiro Kaneko and Katsuhisa Kojima, National Institute of Population and Social Security Research, and Atshuiro Yamada, Keio University, for Japan; Frédéric Berger, Centre d' Etudes de Populations, de Pauvreté et de Politiques Socio-Economiques / International Networks for Studies in Technology, Environment, Alternatives, Development, for Luxembourg; Ana Laura Pineda Manriquez and Rodrigo Tadeo Negrete Prieto, Instituto Nacional de Estadística Geografia e Informatica, for Mexico; Hans de Kleijn, Central Bureau of Statistics, for the Netherlands; Caroline Brooking, Statistics New Zealand, for New Zealand; Jon Epland, Statistics Norway, for Norway; Malgosia Kalbarczyk, Centre for Social and Economic Research, for Poland; Daniel Mota, Instituto Nacional de Estatística, for Portugal; Olga Canto Sanchez, Universidade de Vigo, for Spain; Thomas Pettersson, Ministry of Finance, for Sweden; Anne Cornali-Schweingruber and Ueli Oetliker, Office fédéral de la statistique, for Switzerland; Murat Karakas and Ozlem Sarica, State Institute of Statistics, for Turkey; Asghar Zaidi, London School of Economics and Social Disadvantage Research Centre, Oxford, for the United Kingdom; John Coder, Sentier Research, Annapolis, for the United States.

Japanese data are based on tabulations prepared in the context of the "Research on Policy Planning and Evaluation Project" (H14-Seisaku-012), financed out of the Health and Labour Sciences Research Grants, courtesy of Yoshihiro Kaneko.

Michael Förster and Marco Mira d'Ercole are, respectively, Administrator and Principal Administrator at the OECD Social Policy Division. Useful comments on previous drafts of this paper were provided by Martine Durand, John P. Martin, Mark Pearson and Peter Whiteford, from the OECD Directorates for Employment, Labour and Social Affairs, as well as by delegates at the OECD Working Party on Social Policy. All remaining errors are the sole responsibility of the authors. The opinions expressed in this paper do not necessarily reflect those of the OECD or of its Member countries.

TABLE OF CONTENTS

EXECUTIVE SUMMARY 3

RESUME 4

INCOME DISTRIBUTION AND POVERTY IN OECD COUNTRIES IN THE SECOND HALF OF THE 1990S 8

1. Introduction 8
2. Trends in inequality and poverty for the entire population in the second half of the 1990s 9
   2.1. Levels of income inequality 9
   2.2. Trends in income distribution 12
   2.3. Levels and trends in income poverty 18
3. Labour markets, taxes and benefits: distributive effects on the population of working-age 23
   3.1. Recent trends in income distribution and relative poverty for the working-age population 24
   3.2. The influence of labour markets 25
   3.3. The role of taxes and public transfers 28
   3.4. Accounting for changes in poverty rates since the mid-1990s 30
4. Poverty and inequality among children and households with children 32
   4.1. Levels and trends in relative income and poverty 33
   4.2. The influence of household structure, mothers employment and benefit systems 33
5. Income adequacy in old age: effects of pension reforms on the retirement-age population 37
   5.1. Levels and trends in relative income and poverty among the elderly 37
   5.2. Public pension systems and their impacts on the elderly population 43
   5.3. Distributive patterns of public transfers and private capital income 45

BIBLIOGRAPHY 50

ANNEX 1. CHARACTERISTICS OF THE DATA USED IN THE ANALYSIS 52

ANNEX 2. POVERTY THRESHOLDS USED IN THE ANALYSIS 60

ANNEX 3. SUPPORTING TABLES 61

Tables

Table 1. Overall trends in income inequality: summary results for the entire population 14
Table 2. Gains and losses of income share by income quintile: entire population, mid-1990s to early 2000 15
Table 3. Trends in real household income at different points of the income ladder 18
Table 4. Levels and trends in the Gini coefficient of market income inequality among the working-age population 26
Table 5. Poverty rates in households with children under different household structure, mid-1990s and 2000 36

Figures

Figure 1. Gini coefficients of income concentration in 27 OECD countries, most recent year 10
Figure 2. Actual and perceived inequalities in the distribution of income 11
Figure 3. Relation between perceived inequalities and views about government's role in reducing them 12
Figure 4. Trends in absolute poverty rates 20
Figure 5. Relative poverty rates among the entire population 21
Figure 6. Relative poverty rates at different income thresholds 22
Figure 7. Income gaps of people living in relative poverty 23
Figure 8. A composite measure of relative poverty in OECD countries, 2000 23
Figure 9. Income inequality among the population of working age 24
Figure 10. Trends in inequality of market and disposable income among the working-age population 25
Figure 11. Relative poverty rates at the level of market income among the working-age population, non-employment of individuals and joblessness 27
Figure 12. Structure of poverty in households headed by a working-age head, by work attachment of household members 28
Figure 13. Relative poverty among households with a working-age head and social spending 29
Figure 14. Effects of taxes and transfers in reducing relative income poverty 29
Figure 15. Changes in relative poverty rates among households with a working-age head by components, mid-1990s to 2000 32
Figure 16. Relative poverty rates for children and the entire population 33
Figure 17. Relative disposable income of households with children, 2000 34
Figure 18. Relative poverty rates in households with children and single-parent households, 2000 35
Figure 19. Poverty among children and employment rates among mothers, 2000 35
Figure 20. Poverty rates before and after taxes and transfers, households with and without children, 2000 37
Figure 21. Quasi replacement rates for persons aged 66 to 75 38
Figure 22. Family structure among individuals living in households with an older head 39
Figure 23. Gini coefficient of income inequality among the elderly 42
Figure 24. Relative poverty rates among the elderly 42
Figure 25. Structure of poverty among persons living in households with a retirement-age head 43
Figure 26. Relative poverty among the elderly and pension systems 44
Figure 27. Changes in relative poverty rates among households with a retirement age head by components, mid-1990 to 2000 45
Figure 28. Distributive shape of public transfers and private capital income to the elderly and of disposable income to the working-age population, 2000 47
Figure 29. Income composition among the older population by income groups, OECD average 2000 49

Boxes

Box 1. Survey measures of high income 16
Box 2. Assessing poverty: consumption, assets and income measures 19
Box 3. Housing costs and poverty outcomes 41

INCOME DISTRIBUTION AND POVERTY IN OECD COUNTRIES IN THE SECOND HALF OF THE 1990S

1. Introduction

1. This paper extends to the end of the 1990s the analysis of income distribution and poverty provided in Burniaux *et al*. (1998) and Förster and Pearson (2002).[1] It illustrates some of the findings from a third wave of country submissions based on national household surveys and other micro datasets. These submissions are based on a standard questionnaire, which uses common assumptions and definitions to increase the degree of cross-country comparability (Annex 1). The data are based on the concept of equivalised disposable income of individuals (*i.e.* the disposable income of households, adjusted for household size) broken down by gross income components (*i.e.* before payment of direct taxes and social security contributions levied on individuals) and presented for a variety of socio-demographic characteristics of individuals and households. Efforts have been made to maximise the country coverage of the data — available for 27 OECD countries — so as to allow the identification of common trends.

2. The use of a common methodology and definitions allows us to overcome many of the comparability issues that limit cross-country and inter-temporal comparisons of income distribution and poverty among OECD countries. The data used in this paper, however, are not without limits. First, priority has been given to maximise country coverage rather than to collect continuous time series for each individual country. Second, while common definitions are used, the underlying data differ in some respects that escape standardisation: they are based on household surveys in most cases, but rely on a combination of survey and administrative data for a few countries (Belgium, Denmark, Sweden); further, even when household surveys are used, data for different countries are affected by differences in survey design, response rates and imputation methods used to integrate the survey data.[2] Third, the extent to which income and population data from household surveys match independent estimates (*e.g.* from national accounts) may differ across countries and over time, possibly distorting comparisons. Finally, the period covered ends around the year 2000 — a cyclical peak in most OECD countries.

3. Beyond these methodological aspects, other limits relate to the significance *for policy* of the comparisons undertaken in this paper. In this respect, two issues are important. First, the focus in this paper is on income distribution among individuals and households *at a point in time*: in other words, the data used do not allow us to distinguish between persistent and temporary conditions, or to track how conditions

---

1 While, for most countries, the data in this paper extend the series used in previous OECD publications, revised estimates are presented for Denmark, Germany, Hungary, Japan (based on a different survey), Mexico and the United States (based on the internal version of March *Current Population Survey)*. In addition, this report presents for the first time data for the Czech Republic, reunified Germany, Luxembourg, New Zealand, Poland, Portugal, Spain and Switzerland. No updates were available, at the time of writing, for Belgium and Spain. Updates refer to the year 2000 for most countries but to 1998/99 for Australia; 1999 for Austria and Greece; 2001 for Germany, Luxembourg, New Zealand and Switzerland; and 2002 for the Czech Republic, Mexico and Turkey.

2 Although "weighting" of responses is used to provide a more representative picture of the population in each country, this does not eliminate biases that can accompany low response rates.

change over the different stages of each individual's life-course. Second, this paper presents evidence on the impact of taxes and public transfers on income inequality and poverty irrespective of the goals of policies. In practice, the policies that most affect income distribution and poverty at a point in time pursue a variety of objectives – providing social insurance against various contingencies, improving economic efficiency, mobilising additional labour resources — rather than redistributing income *per se.* In these cases, the crucial issue is to design policies that achieve multiple goals simultaneously, and to shift trade-offs when such goals conflict with each other.

4. The paper is organised as follows. The first section identifies some of the stylised facts that characterise the experience of OECD countries over the second half of the 1990s in terms of income inequality and poverty among the entire population, comparing these with longer-term trends described in previous OECD studies. The second section looks at the experience of the population of working-age, with a special focus on the role of labour markets, taxes and welfare systems. The third section looks at the experience of children and of households with children. The last section considers the elderly population, and how changes in pension systems have affected their well-being and poverty risks.

2. Trends in inequality and poverty for the entire population in the second half of the 1990s

5. This section, which looks at data for the *entire* population, highlights both cross-country differences in the *levels* of the various inequality and poverty indicators, and ways in which *changes* over the second half of the 1990s differ from the long-term trends identified in previous OECD analysis. One problem, for analysis of changes over time, is that inequality and poverty indicators for individual countries refer to specific years that may differ in terms of the cyclical position of each country. In theory, changes between these years may not be fully representative of underlying trends. In practice, however, a comparison with "commonly used" measures of income inequality for several OECD countries suggests that this consideration is of limited importance for most countries.[3]

2.1. Levels of income inequality

6. Our starting point for assessing distributive patterns prevailing at the end of the XXIth century in OECD countries is represented by levels of inequality in the distribution of equivalised disposable income. Figure 1 displays one widely used summary indicator of income inequality – the Gini coefficient of income concentration[4] – in 27 OECD countries in the latest year available. Four groups of countries can be distinguished in terms of increasing levels of inequality:

- The four Nordic countries (Denmark, Sweden, Finland and Norway), together with Austria, the Czech Republic, Luxembourg and the Netherlands, all display Gini coefficients at around 26 (at least 15% less than the OECD average value).

[3] Annual time-series of "commonly used" measures of income inequality in nine OECD countries — shown in Atkinson (2002) — display relatively minor variations around the trend (with the exception of Italy), suggesting that the years used in this paper are quite representative of the values prevailing over the period considered.

[4] The Gini coefficient is defined as the area between the Lorenz curve (which plots cumulative shares of the population, from the poorest to the richer, against the cumulative share of income that they receive) and the 45^{o} line, taken as a ratio of the whole triangle. The values of the Gini coefficient range between 0 in the case of "perfect equality" (each share of the population gets the same share of income) and 100 in the case of "perfect inequality" (all income goes to the share of the population with the highest income).

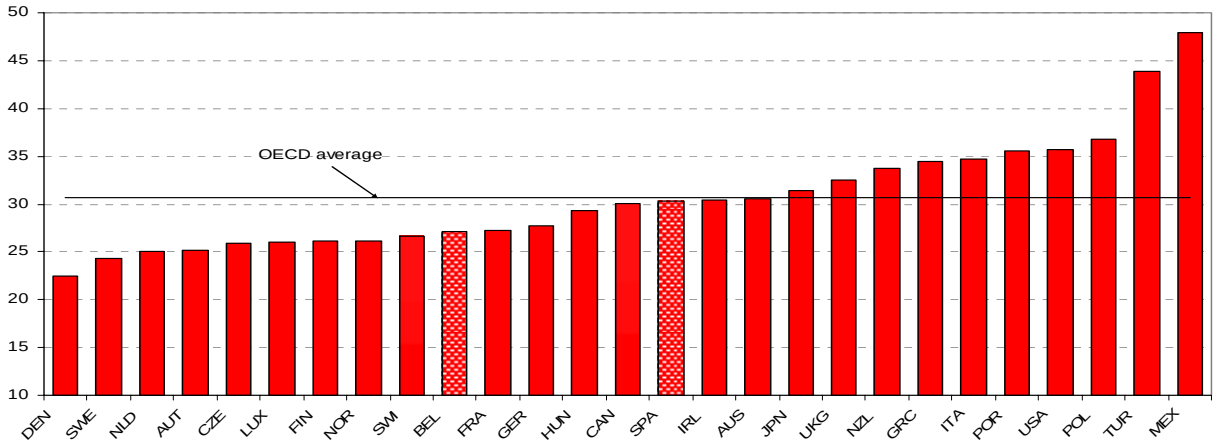
- Other Continental European countries, together with Hungary, Canada, Spain, Ireland and Australia show higher values of the Gini coefficient than those in the first group — between 27 and 30.5 — but still below the average value for the OECD as a whole.

- New Zealand, the United Kingdom and the United States, as well as Greece, Portugal, Italy[5], Japan and Poland, record values of the Gini coefficient between 31 and 36 — above the OECD average.

- Mexico and Turkey, with values of their Gini coefficients of around 45, are clear outliers in this league table – the difference between their Gini coefficient and that of Poland (the third highest country) is close to the difference between Poland's and that of lower inequality countries.

A simple OECD average of the Gini coefficient is 30.6 (29.4 when Mexico and Turkey are excluded).

Figure 1. Gini coefficients of income concentration in 27 OECD countries, most recent year



Note: The income concept used is that of disposable household income, adjusted for household size (e=0.5). Gini coefficients multiplied by 100. "Most recent year" refers to the year 2000 in all countries except 1999 for Australia, Austria and Greece; 2001 for Germany, Luxembourg, New Zealand and Switzerland; and 2002 for the Czech Republic, Mexico and Turkey; In the case of Belgium and Spain (countries shaded in the figure), the data refer to 1995.

Source: Calculations from OECD questionnaire on distribution of household incomes.

7. The Gini coefficient is just one measure of income concentration. Analysis of three additional income inequality indicators – the squared coefficient of variation (SCV), the mean-log deviation (MLD) and the inter-decile ratios[6] (Annex Table 3) – suggests, however, that the four broad country groups

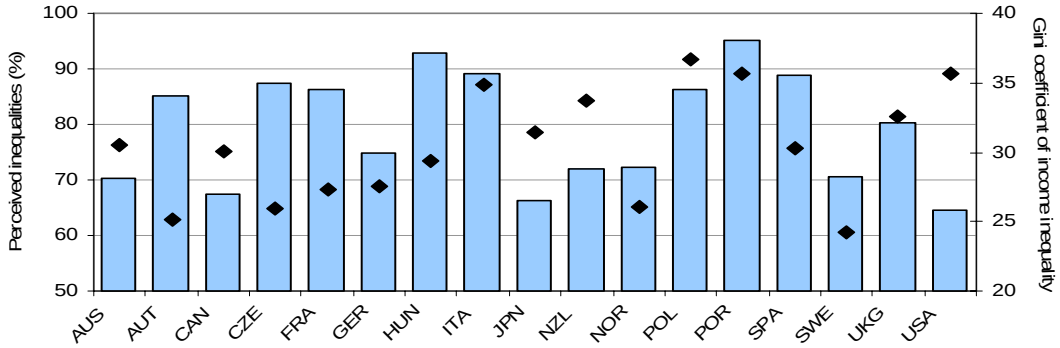
[5] In the case of Italy, income from financial assets is excluded from disposable income to ensure comparability with results from previous years. Its inclusion raises the Gini coefficient by around 7% (from 33.4, shown in Figure 1, to 35.7).

[6] The P90/P10 inter-decile ratio is the ratio of the lower bound value of the top income decile to that of the first. The squared coefficient of variation is the variance of average income of each decile, divided by the square of the average income of the entire population. The mean log deviation is the average value of the natural logarithm of the ratio of mean income to the income of each decile. All these summary indicators have different upper and lower bounds: the squared coefficient of variation has a lower bound of 0 and upper bound of infinity, while the mean log deviation and inter-decile ratio have a lower value of 1 and no upper bound. Also, each index differs in its sensitivity to changes at various points in the distribution. Relative to other indices, the Gini coefficient is less sensitive to changes at the two extremes of the distribution, while the Mean Log Deviation is more sensitive to changes at the bottom of the distribution, and the Squared Coefficient of Variation is more sensitive to changes at the top.

identified above are robust to the choice of the summary indicator.[7] In general, Nordic countries together with the Czech Republic and Luxembourg consistently display lower levels of income inequality. Also included in the lower-inequality group, according to the indicator used, are some other Western European countries (Austria and the Netherlands in the case of MLD; and Austria, France, Germany and Netherlands in the case of SCV). Hungary, other Western European countries and Japan tend to cluster around the middle of the ranking for all the indicators used, while Switzerland records below-average values for the Gini coefficient, decile ratio and MLD but scores somewhat higher on the SCV index (indicating greater concentration at the very top and greater equality across other parts of the income distribution). Higher inequality levels are consistently recorded by some Anglo-Saxon countries (especially New Zealand, the United Kingdom and the United States) and Southern European countries, while Turkey and Mexico record the highest inequality whatever the indicator used.

8. Country differences in these various inequality indicators, however, do not match closely measures of individuals' *perceptions* of whether income inequality is "too high" in the country where they live. Figure 2 plots data on the share of individuals that agree with the statement that income inequality is too large, based on surveys undertaken in 1999 under the *aegis* of the International Social Science Programme, and values of the Gini coefficient of income inequality discussed above. While in all OECD countries a majority of respondents agreed with the view that income differences were "too large" at the end of the 1990s, there are large differences across countries, from around 60% in the United States to 90% or more in Hungary, Italy and Portugal. The share of respondents perceiving income inequality as too large is lowest in the United States — where the Gini coefficient is above the OECD average — and highest in Portugal, where the Gini coefficient is also high. A weak association between real and perceived inequalities also holds when using other inequality indicators. This suggests that, beyond actual inequality, other factors play a significant role in shaping these perceptions.[8] Perceptions about income inequalities, however, critically shape attitudes towards government policies aimed to reduce them (Figure 3).

Figure 2. Actual and perceived inequalities in the distribution of income



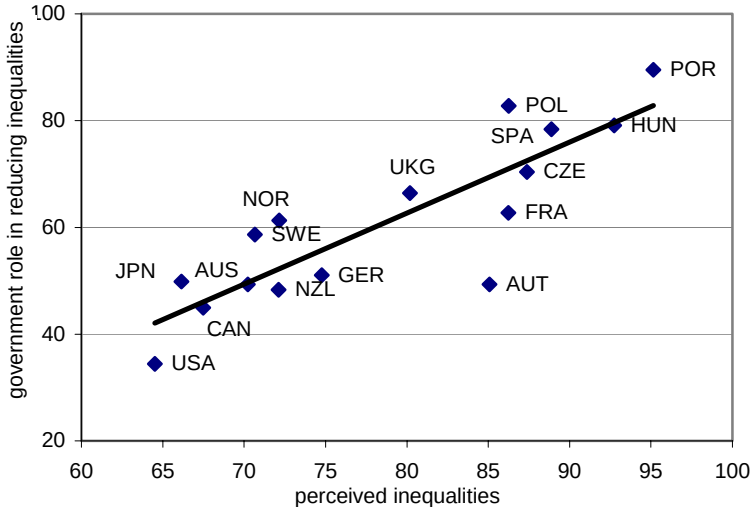
Note: Perceived inequalities in 1998 (shown as bars on the left-hand axis) are measured by the share of respondents who agree or strongly agree with the statement "differences in income are too large"; data for Italy refer to 1992. Actual inequalities are measured by the Gini coefficient of inequality in 2000 (1995 in the case of Italy) (shown as diamonds on the right-hand axis).

Source: Data from the International Social Science Programme and the OECD questionnaire on income distribution.

7 Data collected in previous waves also suggest that the grouping of countries in terms of levels of income inequality is relatively unaffected by different choices about scale economies in consumption.

8 Surhcke (2001), who analyses a range of determinants of perceptions towards income inequality, reports greater "tolerance" towards inequality among individuals with higher income, those who experienced upwards income mobility over the past ten years, those who believe that people get rewarded for effort, intelligence and skills, as well as among men, youths, and those living in smaller families. In his results, tolerance towards inequality is lower in countries with higher income inequality, and in those that underwent a transition from socialist regimes.

Figure 3. Relation between perceived inequalities and views about government's role in reducing them



Note: Data on government's role in reducing inequalities refer to the share of respondents who agree or strongly agree with the statement "it is the responsibility of governments to reduce inequalities".

Source: International Social Science Programme, 1992 and 1999.

2.2. Trends in income distribution

9. Table 1 summarises trends in the distribution of equivalised disposable income over three different time periods, based on movements in the value of the Gini coefficient. While, in general, the statistical significance of a given change in the Gini coefficient depends on the sample size and the design of different surveys, conventional benchmark are used in Table 1: changes in Gini coefficients between zero and 2% are characterised as "no change"; changes between 2% and 7% as "small"; changes in excess of 7% as "moderate"; and changes in excess of 12% as "strong". Countries are attributed to different columns of Table 1 according to the size of changes in the Gini coefficient over different time periods.[9] Main patterns, based on this conventional classification, are as follow:

- No common trend in income inequality is evident over the period from *the mid-1970s to mid-1980s*. Across the seven countries for which information is available, the Gini coefficient of income inequality increased in three, and narrowed in four. A simple average across the seven OECD countries shows a decline of 3.2% in the Gini coefficient of inequality – despite some pronounced movements in the various countries.
- There is stronger evidence of a common trend across OECD countries in the period from *the mid-1980s to the mid-1990s*. Over this decade, the Gini coefficient decreased in three of the 25 countries (only slightly in two of them), remained stable in five, and increased in the remaining 17 (by significant amounts in most of them).[10] A simple average across the countries

9 Because of its shorter length, however, a smaller cumulative percentage change of the Gini coefficient in the most recent period does not necessarily imply a deceleration in underlying trends.

10 Part of the significant increase in inequality in Norway may be explained by a major tax reform implemented in 1992. This reform expanded the tax base and, as a result, some formerly "invisible" capital income was identified in the data.

for which data are available over this period shows an increase of around 6% in the Gini coefficient of income inequality.

- No common trend in income inequality is apparent over the most recent period, *from the mid-1990s to 2000*. The Gini coefficient declined in five of the 24 countries for which information is available, was stable in 10, and increased in the other 9 (in most cases by small amounts).[11,12] A simple average across the 20 countries for which data are available since the mid-1980s shows a small rise in the Gini coefficient of income inequality in the second half of the 1990s (1%), as compared to stronger increases in the previous decade.[13] As the largest increases in the Gini coefficient occurred in countries characterised by low inequality, dispersion in inequality across countries narrowed in this period, in contrast to trends over previous decades.[14]

11 In the case of Mexico, however, national data based on the same household survey used in this paper point to an increase in inequality in the period from 1996 to 2000, followed by declines from 2000 to 2002.

12 For the United Kingdom, the data on income distribution and poverty used in this note (based on the *Family Expenditure Survey)* differ from those commonly used in most national discussions (based on the *Family Resource Survey).* While the latter survey has a sample size three times larger than the former, results are available for a shorter period. Recent trends based on the *Family Resource Survey,* as summarised by Brewer *et al.* (2004), point to a significant increase in the Gini coefficient of income inequality from 1996/97 to 2000/01, followed by small reductions in the two following years.

13 These "average" changes in inequality over the two periods are influenced by opposite movements in Mexico and Turkey, which recorded an increase in inequality from the mid-1980s to mid-1990s and strong declines between the mid-1990s and 2000. When excluding those two countries, the average Gini coefficient increased by 5% over the first period and by 2% over the past five years.

14 The standard deviation of the Gini coefficient declined by around one fifth over the most recent period, after having increased by a similar amount in the period from the mid-1980s to the mid-1990s.

Table 1. Overall trends in income inequality: summary results for the entire population

	Strong decline	***Moderate decline***	***Small decline***	***No change***	***Small increase***	***Moderate increase***	***Strong increase***
Mid-1970s to mid-1980s	Greece	Finland Sweden	Canada		Netherlands	United States	United Kingdom
Mid-1980s to mid-1990s		Spain	Australia Denmark	Austria Canada France Greece Ireland	Belgium Germany Luxembourg Japan Sweden	Czech Rep. Finland Hungary Netherlands Norway Portugal United Kingdom United States	Italy Mexico New Zealand Turkey
Mid-1990s to 2000		Mexico Turkey	France Ireland Poland	Australia Czech Rep. Germany Hungary Italy Luxembourg Netherlands New Zealand Portugal United States	Austria Canada Denmark Greece Japan Norway United Kingdom		Finland Sweden

Note: "Strong decline/increase" denotes a change in income inequality above +/- 12%; "moderate decline/increase" a change between 7 and 12%; "small decline/increase " a change between 2 and 7%; "No change" changes between +/- 2%. Results are based on the values of the Gini coefficient in four reference years which may vary among countries. "2000" data refer to the year 2000 in all countries except 1999 for Australia, Austria and Greece; 2001 for Germany, Luxembourg, New Zealand and Switzerland; and 2002 for the Czech Republic, Mexico and Turkey; "Mid-1990s" data refer to the year 1995 in all countries except 1993 for Austria; 1994 for Australia, Denmark, France, Germany, Greece, Ireland, Japan, Mexico and Turkey; and 1996 for the Czech Republic and New Zealand; "Mid-1980s" data refer to the year 1983 for Austria, Belgium, Denmark and Sweden; 1984 for Australia, France, Italy and Mexico; 1985 for Canada, Japan, the Netherlands, Spain and the United Kingdom; 1986 data for Finland, Luxembourg, New Zealand and Norway; 1987 for Ireland and Turkey; 1988 for Greece; and 1989 for the United States. For the Czech Republic, Hungary and Portugal, the period mid-80s to mid-90s refers to early to mid-90s.

Source: Computations from OECD questionnaire on distribution of household incomes.

10. Different measures of inequality can give different indications about changes in inequality. Annex Table 3 shows Gini coefficients alongside the three other summary indicators of income inequality previously used: the income ratio between the top and bottom decile (P90/P10 ratio), the mean log deviation of equivalised disposable income, and the squared coefficient of variation. On average, two of the four indicators point to declines in inequality in the second half of the 1990s, following increases in the preceding decades; and to moderate increases when excluding Mexico and Turkey. With respect to the most recent period, all indices point to increases in income inequality in nine countries: Canada, Czech Republic, Denmark, Finland, Greece, Japan, New Zealand (where only two indicators are available), Sweden and the United Kingdom; and to declines in seven countries: France, Germany (old and new Länder together), Italy, Mexico, Poland, Portugal and Turkey (only two indicators available). For the remaining eight countries (and the old Länder of Germany), the various inequality indices move in different directions. Over the previous decade, indicators suggested an unambiguous increase in inequality in 13 countries (values in bold in Annex Table A.3), an unambiguous decrease in two (values in italics), and movements in different directions in 9.

11. Differences in the direction of changes in inequality provided by the different indicators partly reflect the different weight that each indicator gives to different portions of the distribution. It is therefore important to look closer at changes at different point of the distribution. When, for instance, persons in the middle of the distribution lose ground relative to those at the bottom and top, a “hollowing out” of the distribution occurs. Conversely, a widening of the distribution could reflect those at the bottom becoming poorer, those at the top improving their situation, or a combination of the two.

12. Previous OECD analyses have noted that, in the period from the mid-1980s to mid-1990s, changes in income distribution were dominated by movements at the higher end of the spectrum: in 16 out of 22 OECD countries persons in the top quintile increased their share of disposable income, while in eight countries those in the bottom quintile lost ground (moderately) relative to the average (Förster and Pearson, 2002). Developments in the most recent period (Table 2) are less clear-cut: persons in the bottom quintile lost ground slightly in seven countries, and gained slightly in two (Mexico and Turkey); those in the top quintile increased their share of household disposable income in eleven countries (substantially so in Finland and Sweden), while losing considerable ground in four. On the other hand, middle-income groups gained significantly at the expense of both lower and higher incomes groups in Ireland, and of higher incomes groups in Mexico, Poland and Turkey. In a majority of countries, and on average, income shares in the bottom, middle and top quintiles were broadly unchanged from the mid-1990s to 2000. Assessments of changes in the distribution at the top of the scale, however, critically depend on how accurate are survey measures of high income and on confidentiality limits applied by statistical agencies (Box 1).

Table 2. Gains and losses of income share by income quintile: entire population, mid-1990s to early 2000

	Bottom quintile	Middle quintiles	Top quintile
Australia	=	=	=
Austria	-	=	+
Canada	=	-	+
Czech Republic	=	=	=
Denmark	=	-	+
Finland	-	-	+++
France	=	=	=
Germany	=	+	=
Greece	=	-	+
Hungary	=	=	=
Ireland	-	+++	---
Italy	=	=	=
Japan	-	-	+
Luxembourg	=	=	=
Mexico	+	+++	---
Netherlands	=	=	=
New Zealand	=	=	=
Norway	=	-	+
Norway	=	+++	---
Portugal	=	=	=
Sweden	-	-	+++
Turkey	=	+++	---
United Kingdom	=	-	+
United States	=	=	=
OECD (unweighted)	=	=	=

Note: The table shows percentage point changes in the shares of equivalised disposable income received by each quintile of the population. +++ denotes an increase of more than 1.5 percentage points in the share of disposable income received by the each quintile group. + denotes increase of between 0.5 and 1.5 percentage point. = denotes changes between -0.5 and +0.5 percentage points. - denotes decrease between 0.5 and 1.5 percentage point. --- denotes decrease of more than 1.5 percentage points.

Source: Calculations from OECD questionnaire on distribution of household incomes.

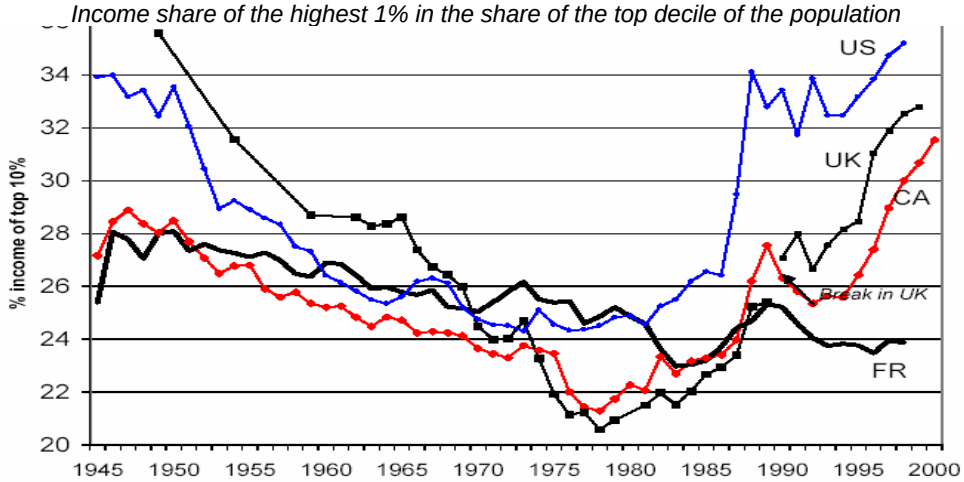
Box 1. Survey measures of high income

How good are the data used in this report at measuring high incomes? The short answer is "probably not very", although this varies among countries. Quality of data on high incomes depends on how broad is the income concept used, and on confidentiality norms applicable to persons with very high income. With regard to the first issue, the main feature is whether the income concept encompasses income sources that disproportionately accrue to the very rich. Capital gains are generally excluded from the income surveys of most OECD countries. Similarly, changes in the remuneration package of managers (e.g. the growing importance of stock options) have increased the importance of flows that are likely to be poorly or not recorded in household surveys. With regard to the second issue, the main feature is whether survey data "top code" income or earnings beyond a given threshold. Use of "top-coded" values will underestimate the extent of inequality at a point in time, while an increase in the share of the population that is "top coded" will dampen the recorded rise in income inequality.

While problems in the measurement of high income due to the exclusion of income streams that are most important for individuals at the top of the scale are common to most countries, "top coding" is a specific feature of the data for Japan and the United States. In the case of Japan, the data used here exclude persons with income three times above the standard deviation (1.6% of the total population in 1995 and 1.3% in 2001). In the case of the United States, most analysis of income distribution — including the one presented in Burniaux *et al.* (1998) and Förster and Pearson (2002) — rely on the "public use" version of the March supplement to the *Current Population Survey.* These data are however affected by confidentiality limits imposed upon different income sources and by changes over time in the methodology used by the Census Bureau with respect to top-coding. While analysts (including previous OECD work) have applied various adjustments to the public-use data to improve temporal consistency, these adjustments are only proximate. To remedy for his weakness, the US data used in this paper are based on the Census Bureau "internal use" version of the March CPS.*

Information about the importance of the narrow income concept used in household surveys for measuring high income in the United States is available from studies by the US Congressional Budget Office (CBO), which combines the Census data used in this paper with tax records to track income trends near the top of the distribution.** The CBO data show large real income gains for the top quarter and top 1% of the US population during the 1980s, and real losses for individuals in the bottom 50% of the population; over the 1990s, although real income gains are spread more widely than in the previous decade, income gains at the very top continued to exceed those at the bottom. Tax-based data for 4 OECD countries on the share of the equivalised disposable income accruing to the top 1% of the population (as a share of the income of the top decile), as presented in Atkinson (2002) and reproduced below, suggest large increases in this share in all countries except France.

Income share of the highest 1% in the share of the top decile of the population



Source: Atkinson (2002).

---

* The US data used in this paper remain affected, however, by changes in the maximum values recorded in the survey questionnaire (in 1979, 1985 and 1993) and by processing limits imposed by the Census Bureau to minimize the impacts of recording errors and prevent volatility of annual statistics. According to Welniak (2003), changes in recording limits had no effect on the Gini coefficient of (non-equivalised) household (pre-tax) income in 1979 and 1984, while increasing it by 2% in 1993.

** CBO also adds to the Census income data in-kind and non-cash-income (such as income from food stamps, housing assistance and health insurance coverage), tax-financed wage supplements (such as Earned Income Tax Credits) and deduct payments for income and payroll taxes. The CBO income concept refers to individuals and is adjusted for economies of scale in consumption.

13. Changes in income shares of different quintiles, as shown in Table 2, do not reflect the real income *changes* experienced by persons at different points of the income ladder. These absolute changes are a function of both trends in income inequality (how persons at different points of the income ladder fare relative to others) and of the overall pace of growth of household disposable income. Table 3 shows information on the annual rate of growth in equivalised disposable income in real terms (i.e. deflated by the increase in the consumer price index), based on the household surveys used in this paper, for people at different points in the income distribution over the decade since the mid-1980s and the 5-year period since the mid-1990s. Two main features emerge:

- First, most OECD countries experienced a higher real income growth in the second half of the 1990s, relative to the previous decade, when data are averaged across all individuals: the only exceptions are Japan, Mexico and Turkey — where equivalised disposable income declined in real terms since 1995 — and the Netherlands and the United States — where gains are lower than in the previous period.[15] In all other countries, the faster pace of real growth in equivalised disposable income on average implied that persons at all income levels experienced stronger gains than in the previous period.

- Second, differences in the pace of income growth across the distribution are often significant. At the lower end of the income distribution, for example, the decline in *average* real household income recorded in Japan in the period 1995-2000 seems to have mainly affected persons in the bottom two deciles. Persons in the top two deciles recorded larger gains than those at the bottom in most OECD countries in the second half of the 1990s, but the differences are smaller than those recorded in the previous decade.

14. It should be stressed, however, that the patterns highlighted by Table 3 are shaped by the specific features of the data and definitions used. First, the income concept used in household surveys differs in important respect from that embodied in the national-accounts measures conventionally used in analysis of living standards, and changes in the "coverage" of the survey data can distort trends over time.[16] Second, changes in equivalised disposable income are affected by both the overall trends in household income and by changes in household size across different income deciles.[17]

---

15 In the case of the United States, national accounts data show stronger gains in real per capita household income in the second half of the 1990s relative to the previous decade.

16 Analysis by Siminski *et al* (2003) suggests that the Australian data based on the *Household Expenditure Survey* used in this report are characterised by relatively low population estimates until the mid-1990s, and by estimates of gross income in 1975-76 that are well above those in later years; survey data for 1975-76 also produce relatively high estimates of per capita wages and salary income (as well as own-business income and income tax) and low estimates of per capita income from government transfers. Both effects skew the income distribution away from the bottom end and dampen growth in income relative to later periods. Because of these considerations, Australian data from the *Household Expenditure Survey* of 1975/76, as presented in the previous OECD reports, have been omitted from the present analysis.

17 Because of declines in average household size recorded by most OECD countries over this period, the gains in equivalised income shown in Table 3 are lower than those for per capita income.

Table 3. Trends in real household income at different points of the income ladder

	Average annual change mid-1980s to mid-1990s				*Average annual change mid-1990s to 2000*			
	Bottom 2 deciles	*Middle 6 deciles*	*Top 2 deciles*	*Average*	*Bottom 2 deciles*	*Middle 6 deciles*	*Top 2 deciles*	*Average*
Australia	0.1	-0.3	-0.4	-0.3	1.8	2.5	2.2	2.3
Belgium	1.1	0.5	1.0	0.7	..	..	..	..
Canada	0.3	-0.2	-0.1	-0.1	0.8	1.6	2.7	2.0
Czech Republic	..	..	..	..	0.4	0.6	0.7	0.6
Denmark	1.0	0.7	0.4	0.7	0.6	1.0	1.6	1.1
Finland	0.8	0.8	1.6	1.1	2.3	3.6	5.4	4.0
France	1.2	0.8	1.1	0.9	0.0	0.1	-0.2	0.0
Germany	0.6	1.3	1.4	1.3	0.4	0.7	0.6	0.6
Greece	0.3	0.1	0.1	0.1	3.0	2.9	3.8	3.3
Hungary	..	..	..	..	1.8	2.4	2.1	2.2
Ireland	3.1	2.5	2.4	2.5	5.2	7.7	5.4	6.6
Italy	-1.5	0.3	1.0	0.5	2.8	1.8	2.2	2.0
Japan	0.7	1.6	1.8	1.6	-1.9	-0.8	0.0	-0.7
Luxembourg	1.9	2.0	2.3	2.1	2.5	2.4	2.7	2.5
Mexico	0.6	1.0	2.8	2.1	1.1	0.3	-1.5	-0.7
Netherlands	0.5	1.5	1.7	1.5	2.6	2.3	2.1	2.3
New Zealand	-1.2	-0.6	1.3	0.2	1.3	2.3	2.3	2.3
Norway	-0.4	0.3	0.9	0.5	6.6	5.2	6.3	5.7
Poland	..	..	..	..	2.3	2.4	0.7	1.6
Portugal	..	..	..	..	5.0	4.1	4.4	4.3
Spain	3.1	2.4	1.9	2.3	..	..	..	..
Sweden	0.4	0.7	0.9	0.8	1.3	2.7	4.5	3.2
Switzerland	..	..	..	..	6.0	1.8	0.4	1.6
Turkey	-1.0	-1.0	1.7	0.5	0.2	0.4	-2.2	-1.0
United Kingdom	0.8	1.5	1.9	1.6	2.3	2.6	3.6	3.0
United States	1.1	0.9	1.6	1.2	0.7	0.9	0.5	0.7
OECD-20	*0.6*	*0.8*	*1.3*	*1.0*	*1.6*	*2.0*	*2.1*	*1.9*

Note: Survey data on household income have been deflated by the change in the consumer price index in each country. Data for Germany refer to old Länder. Exact years are specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

2.3. Levels and trends in income poverty

15. Changes in income distribution are of greater concern when they affect those at the bottom of the income scale. Over the second half of the 1990s, the greater attention paid to poverty in many OECD countries[18] has been accompanied by changes in the way poverty is conceptualised, *i.e.* as a multi-dimensional phenomenon that stretches beyond income to include inadequate access to learning, housing, poor health, and recourse to debt to meet ordinary living expenses. Consumption-based measures of poverty, based on peoples' access to various essential goods and services, have been used in national and

[18] At the World Summit on Social Development, held in 1995, governments agreed to the commitment of eradicating absolute poverty by a target date set by each country. At the regional level, the European Council agreed in December 2000 that the "fight against poverty and exclusion" should be pursued through the definition of commonly-agreed objectives for the European Union, the development of national action plans to meet these objectives, and the periodic reporting of progress through statistical indicators" (the 20 so-called "Laeken indicators"). At the national level, some countries have adopted explicit targets to reduce or eradicate poverty, either for the whole population (e.g. Ireland, in the context of its [2000] "National Anti-Poverty Strategy") or for selected sub-groups (e.g. the United Kingdom). Poverty goals have also often been set through "national sustainable development strategies" adopted by many countries in the wake of the 2002 World Summit on Sustainable Development.

regional contexts (Box 2) while subjective measures of poverty are explored in others.[19] While these alternative measures are important for in-depth poverty assessment[20], low income remains the dimension that is more suited for cross-country and times-series comparisons aimed at identifying common trends. At the same time, however, poor reporting of means-tested benefits and other survey features may also imply that data quality is low, in some countries, for those at the lower end of the income distribution.

Box 2. Assessing poverty: consumption, assets and income measures

The case for assessing poverty and inequality on the basis of *consumption* rather than current income is strong. As consumption streams are more closely related to long-term income, they avoid counting as poor many families that, when suffering temporary income falls, are able to maintain a constant standard of living by lower savings or higher borrowing. Studies that have relied on consumption data typically report lower rates of poverty and inequality, relative to income-based estimates. Evidence, limited to the United States, suggests that greater income inequality among individuals from 1972 to 1998 has not been matched by higher inequality in consumption (Krueger and Perri, 2002), as higher borrowing and lower asset holding allow to smooth income variations. Estimates for the United States also show that around one quarter of all households had asset holdings in 1999 insufficient to meet basic needs for more than three months (based on the *Panel Study of Income Dynamics*), with this share increasing to 40% when home equity is excluded (Caner and Wolff, 2004).

Data on consumption and ownership of different goods have been used to develop direct indicators of material well-being, measured in terms of ownership of appliances and electronic goods, housing and neighbourhood conditions, access to community services, and ability to meet basic needs (Census Bureau, 2003). Questions designed to asses the success of families in making ends meet are included in the *European Community Household Panel Survey* and in the US *Survey of Income and Program Participation.* In practice, however, the difficulties in deriving quality data on consumption and assets remain daunting, in particular in an international context. These difficulties relate to both the treatment of durable goods and work-related expenditures, as well as to how to aggregate measures of deprivation in specific areas (e.g. housing, heating) into a single index. More generally, consumption-based measures of poverty may be criticised on the ground that they relate to actual behaviour, as shaped by individuals' preferences, rather than to the resources constraining their decisions.

16. Even when limiting assessments of poverty to low income, differences in country practices are substantial. These differences are reflected in the poverty thresholds used to identify the poor. While some countries rely on an *absolute* threshold – typically the cost of a minimum basket of goods and services deemed to be required to assure minimum living standards, indexed over time[21] – others use measures of

19 For example, surveys for EU countries, based on questions about the extent to which the disposable (weekly) income of respondents falls below what they deem necessary to make ends meet, show "subjective" levels of poverty distinctly greater than those based on "objective" measure (based on a 60% disposable income threshold) but also little changes in country rankings (Gallie and Paugman, 2002). Förster *et al.* (2003) compare subjective poverty, income poverty and multiple deprivation measures across 18 countries of the enlarged EU: their results suggest that differences between "old" and "new" EU member states are less pronounced for subjective poverty than for deprivation and income poverty.

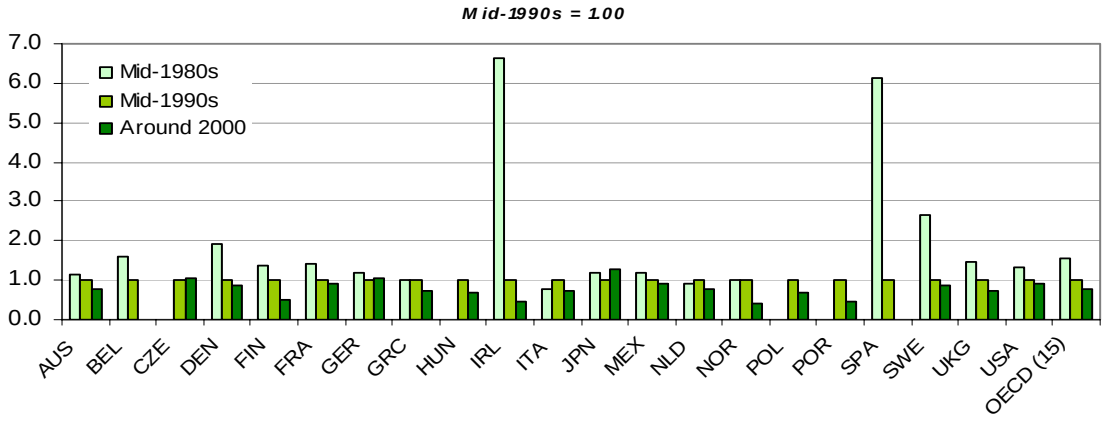
20 Alternative measures of poverty typically display little overlap with income-based measures. Data from the 1999 "Survey on Poverty and Social Exclusion in Britain", reviewed by Bradshaw and Finch (2003), show that despite the similar level of poverty on three different definitions — "income poverty", i.e. equivalent disposable income before housing costs less than 60% of the median (19%); "subjective poverty", i.e. respondents declaring that their household income is "a little" or "a lot" lower than the income they regard as required to keep households out of poverty (20%); and "deprivation", i.e. the proportion of households who cannot afford four or more (survey-based) "perceived necessities" (17%) — only 16% of all respondents are poor on at least two dimensions, and less than 6% are poor on all three of them.

21 For example, the official poverty line in the United States is defined as the costs of an adequate diet, multiplied times three (i.e. based on the assumption that food represents around ⅓ of household expenditure), adjusted annually for inflation. For a family of four, this poverty line was about half of the median disposable income of families of that type in the early 1960s, while it is now a little over one quarter. Mexico introduced in 2001 three poverty lines based on absolute thresholds (food poverty, poverty of capabilities and asset poverty), each of which is representative of different levels of unsatisfied needs.

the *relative* income of different groups. The use of either absolute or relative thresholds for measuring income poverty has important implications for policy, *inter alia* for assessing the role of economic growth in reducing poverty.[22] However, both absolute and relative income poverty provide important information to policy makers, and they are ultimately complementary. Moreover, while in theory these two approaches to the measurement of income poverty represent poles of a continuum of combinations, in practice the greater the commitment of governments to reducing poverty in all its dimensions, the lesser the conflict between them becomes.

17. Use of *absolute* thresholds poses difficult methodological issues in the context of cross-country comparisons (Förster 1994). One way to illustrate how the extent of "absolute" poverty has changed over time is to use a relative income threshold in a base year for each country and to keep it unchanged in real terms[23]. On this measure, all OECD countries have achieved significant reductions in absolute poverty since the mid-1980s (Figure 4). By 1995, absolute poverty was only one-sixth of the level it had reached ten years earlier in Ireland and Spain — countries that have undergone radical economic transformations — and close to 70% lower in Sweden. The decline has continued in the second half of the 1990s, with the Czech Republic, Germany and Japan as the sole exceptions. On average, across 15 OECD countries for which this information is available, absolute poverty rates have declined by more than one-third in the period from the mid-1980s to the mid-1990s, and by close to one-fourth in the (shorter) period from the mid-1990s to 2000.

Figure 4. Trends in absolute poverty rates



Note: Levels of absolute poverty rates in the mid-1990s are set equal to 1. Absolute poverty, as here defined, refer to thresholds set at 50% of median equivalised disposable income in the "base year", kept constant in real terms in the following years. The "base year" differs across countries (mid-1980s for most countries, except the Czech Republic, Hungary and Poland — where it refers to the mid-1990s — and Australia and the United States — where it refers to the mid-1970s). The OECD average value is the unweighted average of 15 OECD countries for which information is available both in the mid-1980s and in 2000. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

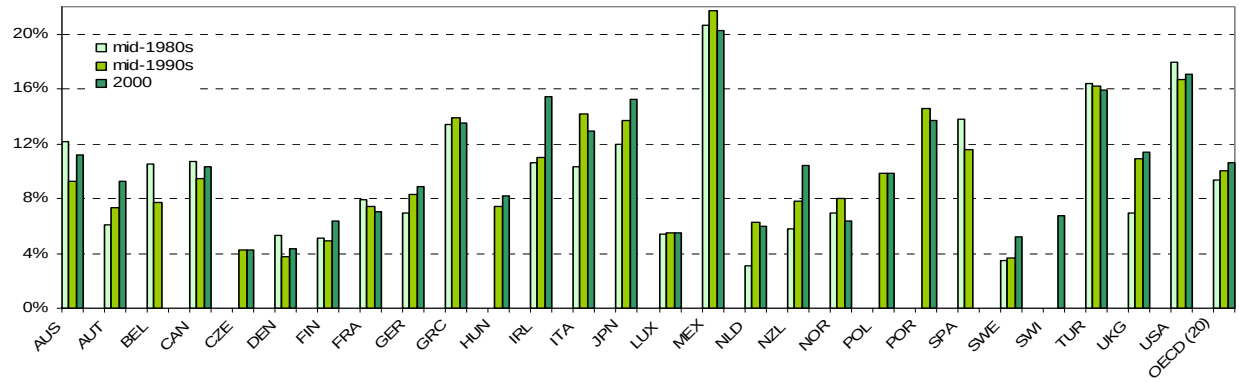
22 When poverty is defined with reference to an absolute threshold, higher economic activity (i.e. a shift to the right in the distribution of household income) will reduce poverty, although by decreasing amounts. As an illustrative example, Freeman (2001) calculates that — when income is assumed to be normally distributed — a 0.1 point increase of mean income (relative to its standard deviation) would reduce absolute poverty by 3.2 points when 30% of the population is in the bottom tail of the distribution, by 2.6 points when 20% of the population is in the bottom tail, and by 1.6 points when only 10% of the population is in that tail; he concludes that "the impact of an increase in income on [absolute] poverty falls roughly in half as poverty drops from 30% to 10%, due simply to the shape of the income distribution".

23 This is also the idea behind one of the 20 EU social inclusion indicators ("Laeken indicators"): the at-risk-of-poverty rate anchored at a moment in time (year t-3, uprated by inflation over the three years).

18. In some respects, however, measures of absolute income poverty are overly restrictive. Indeed, when family budgets are directly examined to determine the amount of resources needed to afford "decent living conditions", the range of expenditure items broadens beyond the necessities typically considered by absolute income measures: child-care costs, for example, hardly qualify as an essential item for meeting the basic needs of a person living on benefits, but become important when the same persons is expected to work. Also, the notion of relative income poverty seems to be better able to reflect risks that some individuals are excluded from the goods and services that are customary in any given society, which is an important dimension of social exclusion — a notion that has gained a central role in the social policy agendas of several OECD countries.[24] For these reasons, a *relative* measure of poverty (most often based on a threshold of half of the median income for the entire population, Annex 2) is used below as the main poverty measure.

19. Figure 5 shows levels of the poverty headcount, using a 50% median disposable income threshold. In 2000, the average poverty rate across 20 OECD countries — those for which information is available since the mid-1980s — was 10.6%, with an increase from the level recorded in the mid-1980s (9.4%) and in the mid-1990s (10.0%). The poverty rate, on this definition, increased over the second half of the 1990s by more than one percentage point in Australia, Austria, Finland, Ireland, Japan, New Zealand and Sweden, while it declined by one point or more in Norway, Italy and Mexico (from higher levels in the latter two countries). Beyond differences in trends, cross-country differences in the levels of poverty rates remain significant, ranging from less than 5% in the Czech Republic and Denmark to values above 15% in Ireland, Japan, the United States, Turkey and, in particular, Mexico.

Figure 5. Relative poverty rates among the entire population



Note: Poverty rates are defined as the share of individuals with equivalised disposable income less than 50% of the median for the entire population. Exact years are those specified in the note to Table 1.

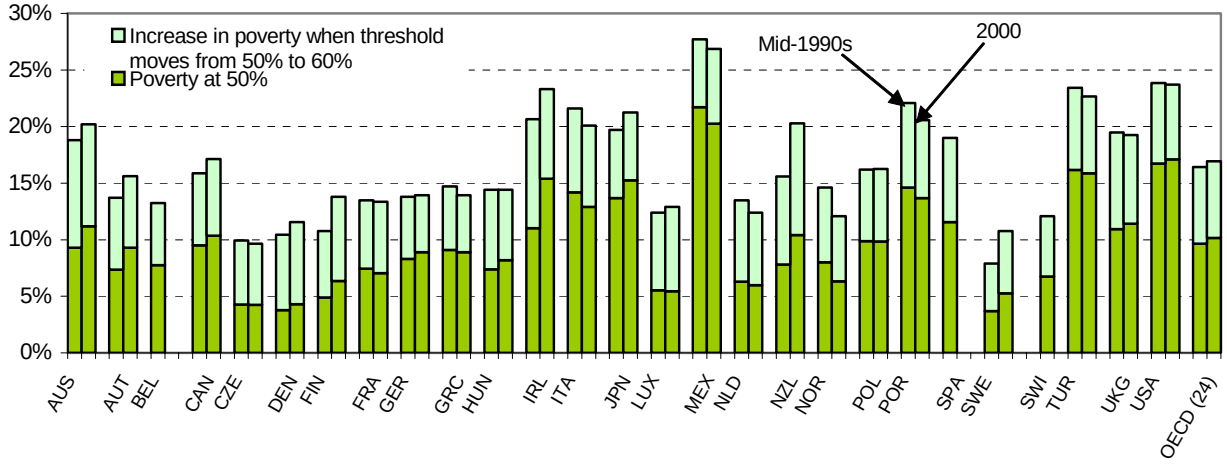
Source: Calculations from OECD questionnaire on distribution of household incomes.

20. The relative poverty rates shown in Figure 5, while providing a convenient benchmark for cross-country comparisons, are however limited in two main respect. First, relative poverty is measured with respect to an arbitrary threshold. When large proportions of the population are clustered just around this threshold, small changes in their income can lead to large changes in headcount rates. To examine the sensitivity of results to alternative choices of the poverty line, Figure 6 shows poverty rates measured with respect to both the 50% thresholds and the 60% line that is now commonly used by EUROSTAT as one of

[24] The notion of social exclusion is broader than that of poverty. Atkinson (1998) identifies three common elements shared by all definitions of social exclusion: *relativity* (*i.e.* exclusion can only be judged by looking at a person's, or group's, circumstances relative to those of others in a given place); *agency* (*i.e.* exclusion implies an act by some agents, either the excluded person herself or third parties); and *dynamics* (*i.e.* exclusion reflects not just current circumstances, but dim prospects for the future).

their main indicators ("at-risk-of-poverty rate"). Figure 6 suggests that, in all OECD countries reviewed, a significant share of the population (8% or more in Ireland, Australia and New Zealand) is clustered between the 50% and 60% thresholds. In Germany, Hungary and the United States, the increase in poverty rates measured with respect to the 50% threshold over the second half of the 1990s largely reflected a decline in the number of persons with income between 50 and 60% of the median; conversely, in Australia, Denmark and many other countries, the increase in poverty measured with respect to the 50% threshold over the same period was accompanied by a similar increase in poverty rates based on the higher threshold. Persons with equivalised disposable income below 60% of the median may not be counted as poor when assessed with respect to more conservative thresholds, but still face difficulties in making ends meet.[25]

Figure 6. Relative poverty rates at different income thresholds



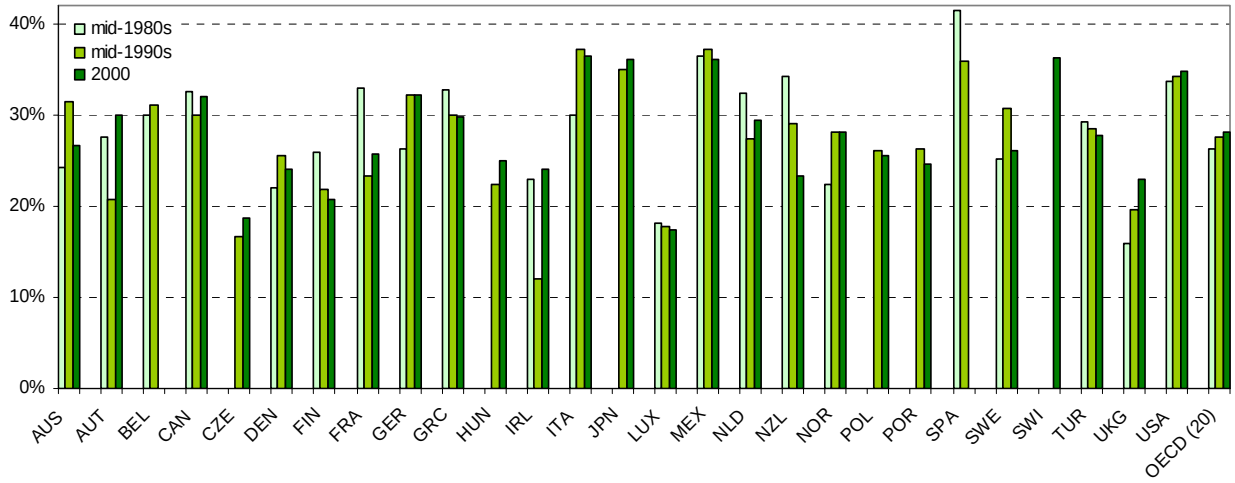
Note: Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

21. Second, the headcount is just one dimension of poverty. Also important is the income level of poor individuals. Poverty gaps – the extent to which the average income of the poor falls below the 50% median income threshold – declined in the second half of the 1990s in about half the countries (considerably in Australia, New Zealand and Sweden) while increasing in the other half (considerably in Austria and Ireland, Figure 7). Overall, across the 24 countries shown for 2000, average disposable income of the poor was 29% lower than the poverty line. A synthetic measure of poverty, which takes into account both poverty rates and gaps (Teekens and Zaidi, 1990), indicates that the income transfer needed to raise all those living below the poverty line to that level ranged in 2000 between a high of 7% of (equivalised) disposable income in Mexico and a low of less than 1% in the Czech Republic and Luxembourg (Figure 8). Survey measures of income at the lower end of the spectrum are, however, less reliable than headcounts.

[25] The proportion of people falling below the 50% threshold, as a share of those falling below the 60% line, is between 50% and 60% in most OECD countries, ranging between 50% or less in the Nordic countries and the Netherlands and 70% or more in Japan, Mexico, Turkey and the United States.

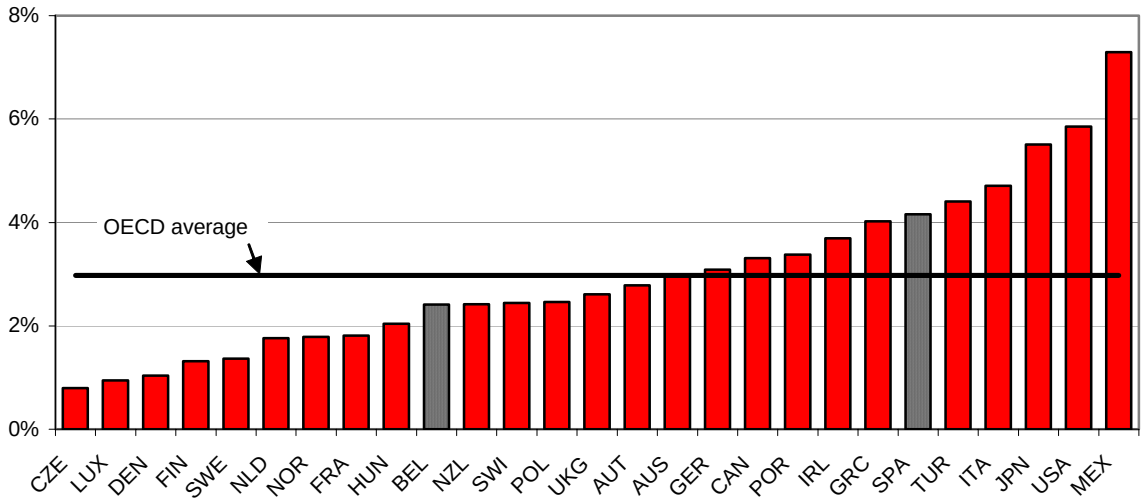
Figure 7. Income gaps of people living in relative poverty



Note: Income poverty gaps are defined as the difference of the average income of the poor and the national poverty threshold, in percent of that threshold. Thresholds are set at 50% of the median income for the entire population. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

Figure 8. A composite measure of relative poverty in OECD countries, 2000



Note: The composite poverty index is the poverty rate multiplied by the poverty gap. It measures the size of the income transfer that would be required to raise all those in poverty up to the poverty threshold of 50% of median equivalised disposable income. Data for Belgium and Spain refer to 1995. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

3. Labour markets, taxes and benefits: distributive effects on the population of working-age

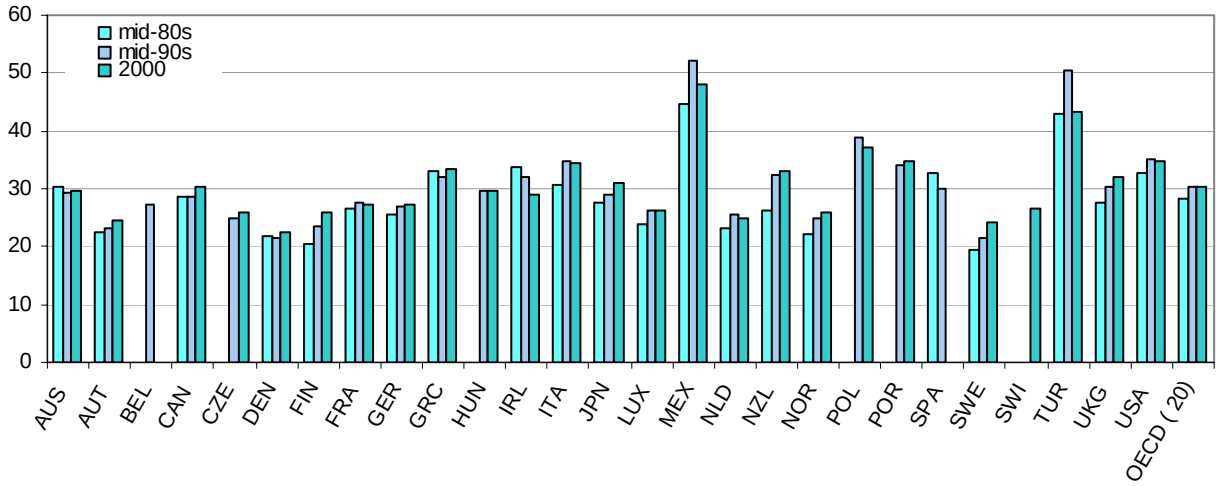
22. Determinants of income inequality and poverty differ across groups, reflecting their demographic characteristics (*e.g.* the importance of lone parenthood) and the composition of their resources (*e.g.* the extent to which individuals depend on earnings or government transfers for their daily living). This section

presents information about the population of working age (18 to 65).[26] First, it briefly describes the extent to which changes in income distribution and relative income poverty for this group depart from those observed for the entire population. Second, it discusses the relative importance of labour market conditions and of tax and welfare systems in shaping these trends. Third, it presents a simple decomposition of changes in relative poverty for the working-age population according to its main proximate determinants.

3.1. Recent trends in income distribution and relative poverty for the working-age population

23. Persons of working age represent the largest share of the total population in all countries reviewed. As a result – unsurprisingly – the main trends in inequality and poverty among this group largely follow those described for the entire population. The Gini coefficient of income inequality among the population of working-age was stable in 2000 relative to the mid-1990s on average. This, however, mainly reflected the strong declines recorded in Mexico, Turkey and Ireland; in most OECD countries, the Gini coefficient increased in this period, with the increase being around 10% or more in Finland and Sweden (Figure 9).

Figure 9. Income inequality among the population of working age



Note: Data for Canada and Sweden are adjusted for breaks in series. Data for Germany refer to old Länder. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

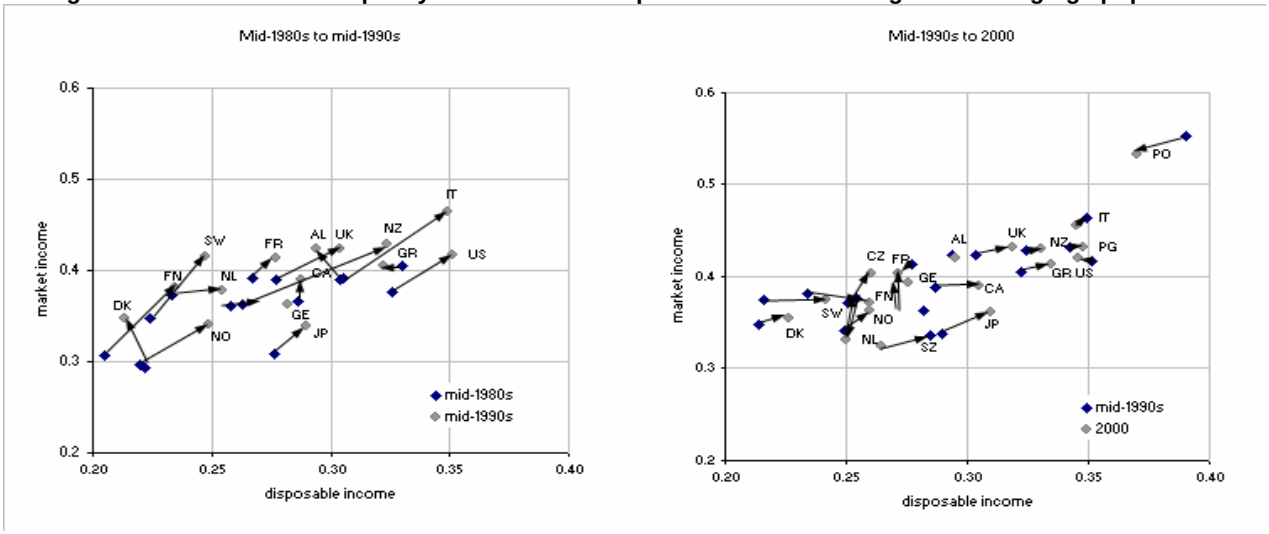
24. Findings are similar when looking at relative poverty, measured with respect to a 50% median threshold. On average, across 24 countries, 8.7% of the working-age population had income of less than half of the median around 2000 (1 ½ points lower than for the total population), with little change relative to the mid-1990s. Relative poverty rates increased in most countries during this period, including in some of the countries (e.g. Greece) that recorded declines in poverty rates for the entire population.

[26] This age range differs from that used in other OECD publications to identify the working-age population in order to assure consistency with internationally-agreed definitions of children (persons aged less than 18).

3.2. The influence of labour markets

25. Market income (earnings, self-employment and capital income) represents the largest component of the disposable income of the working-age population[27] and has been — over the two decades to the mid-1990s — the main driver of changes in income inequality (Förster and Pearson, 2002).[28] Indeed, inequality in market income had been widening *everywhere* in the decade from the mid-1980s to the mid-1990s, a widening that translated in several OECD countries into larger inequalities in the distribution of disposable income (Figure 10, 1st panel). In this respect, the second half of the 1990s represents a significant departure from previous trends. The employment gains that most OECD countries experienced in the second half of the 1990s[29] have led to an increase in the share of earnings and self-employment in the disposable income of the working-age population (on average by around 2.5 points) and to a corresponding decline in the share of capital incomes and public transfers. Partly as a result, the Gini coefficient of market income inequality for the population of working-age declined in around one third of the countries over the second half of the 1990s, while it increased only marginally in most other countries: only in the Czech Republic, Germany, Japan and Norway did market income inequality increase significantly in the second half of the 1990s (Table 4).

Figure 10. Trends in Inequality of market and disposable income among the working-age population



Note: Gini coefficients for market (vertical axis) and disposable income (horizontal axis) among the working-age population. Arrows pointing to the upper-right corner in each panel indicate an increase in inequality for both market and disposable income. Data for Germany refer to old länder. Data for Canada and Sweden take account of breaks in series in the mid-1990s. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

---

27 For a number of countries (Austria, Greece, Hungary, Luxembourg, Mexico, Poland and Spain), tax data are not available separately. The analysis on market versus disposable incomes presented in this and later sections is therefore restricted to a sub-set of countries.

28 The Gini coefficient for market income increased by around 9% in the period from the mid-1970s to the mid-1980s (across 7 OECD countries) and by 11% in the period from the mid-1980s to the mid-1990s (across 14 countries), while it was almost stable (an increase of less than 1%) in the second half of the 1990s.

29 The employment to population ratios among the working-age population, across the OECD area as a whole, increased from 64.3% in 1995 to 65.7% in 2000. Two-thirds of the countries registered an increase in employment rates, with increases of 5 points of more in Ireland, the Netherlands, Spain, New Zealand and Norway (OECD, 2003).

Table 4. Levels and trends in the Gini coefficient of market income inequality among the working-age population

	Levels 2000	Percentage point changes	
		mid-80s to mid-90s	mid-90s to 2000
Australia	42.1	3.4	-0.2
Canada	39.0	2.2	0.1
Czech Republic	40.4	2.8	3.3
Denmark	35.5	5.2	0.7
Finland	37.1	7.6	-1.1
France	40.3	2.2	-1.0
Germany	39.3	0.3	3.0
Ireland	39.1	..	..
Italy	45.6	7.2	-0.8
Japan	36.2	2.9	2.3
Netherlands	33.2	0.4	-4.5
New Zealand	43.0	6.6	0.2
Norway	36.3	4.7	2.2
Portugal	43.3	3.5	0.2
Sweden	37.5	6.9	0.1
Switzerland	32.4	..	..
United Kingdom	43.2	3.4	0.8
United States	42.0	4.1	0.2
OECD (16)	39.6	4.0	0.3

Note: Data for Germany refer to old Länder. For Czech Republic and Portugal, "mid 80s" refer to 1992 and 1990, respectively. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes

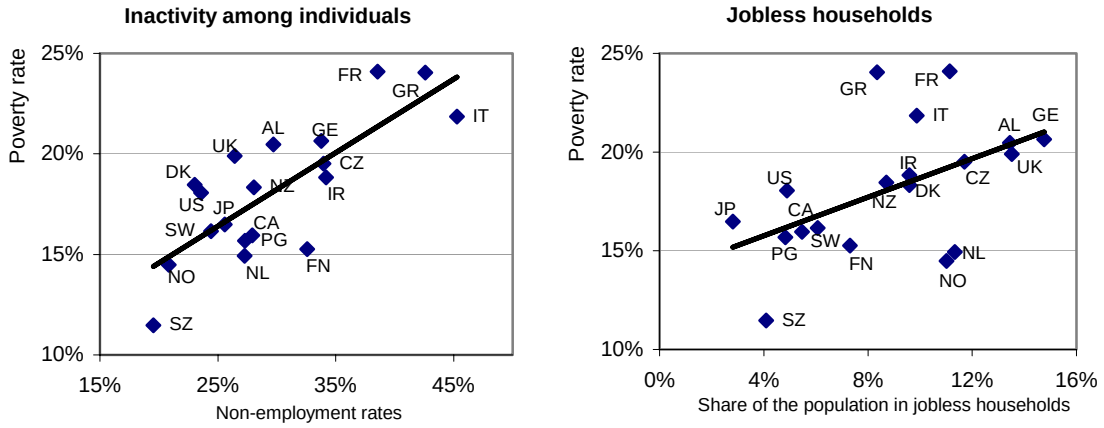
26. The influence of labour market conditions on inequality and poverty at the level of market income reflects changes in both the weight of earnings, self-employment and capital income, and in the degree of inequality of each component. In almost all countries covered in this paper, self-employment and, in particular, capital income are more unequally distributed than earnings. Annex Table A.4 provides one measure of the degree of inequality in the distribution of the individual components of market income, *i.e.* the share of earnings, self-employment income and capital income going to the bottom, top and middle quintiles of the working-age population. In most countries, the bottom quintile of the working-age population receives between 4 and 5% of all earnings (3% or lower in Australia, New Zealand and the United Kingdom) while the top quintile receives some 40%. Both self-employment income and capital income are more concentrated towards both tails of the distribution than earnings (between 6 and 7% accrue to the bottom quintile, and as much as 50% goes to the top quintile). Over the second half of the 1990s, however, the share of earnings going to the lower quintile increased in many countries, often after declines in the previous decade.[30]

27. The relationship between labour markets, on one side, and income inequality and poverty, on the other, is crucial for social policies. At the level of individuals, higher employment increases the well-being of those at greatest risk of social exclusion and poverty. Across countries, those with lower non-

[30] This is not the case of self-employment and capital incomes: their share going to the bottom (and often the middle) quintile decreased in most countries in the late 1990s, while that going to the top quintile increased (Anglo-Saxon countries being an exception), continuing the trend of the previous decade.

employment rates (in particular for women) experience lower poverty rates *at the level of market income* among the population of working age (Figure 11, panel a). The relationship is stronger when account is taken of the way in which employment is distributed among households, as countries with similar levels of employment (*e.g.* Japan and Australia, where employment-to-population ratios are slightly above 70%) show large differences in the share of the working-age population living in households where no adult works (ranging from less than 3% in Japan to more than 13% in Australia).

Figure 11. Relative poverty rates at the level of market income among the working-age population, non-employment of individuals and joblessness



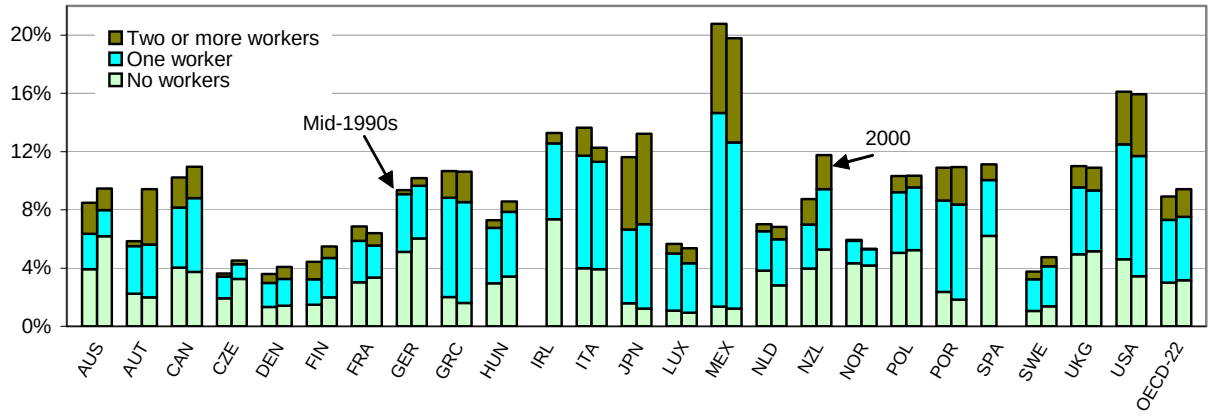
Note: Relative poverty rates of individuals aged 18 to 65. Non-employment rates of persons aged 16 to 64, from labour force surveys. Joblessness is the share of the total population living in households with a working-age head and where no one works. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

28. While cross-country differences in the extent of non-employment and joblessness go a long way towards explaining differences in market income inequality, the *quality of jobs* also matter, especially for those in the lower tail of the distribution. Jobs are increasingly diverse, and some of them provide little protection from risks of poverty. While the risk of falling into poverty is much higher for households with no adult in employment than for those where someone works, households with one or more workers represent a very substantial proportion of the income-poor in all OECD countries.[31] Even households with two or more workers are not immune from the risk of inadequate income, especially in Austria, Greece, New Zealand, Portugal, Switzerland and the United States. Further, since 1995, the share of income-poor households with at least one worker has increased in around half of the countries shown in Figure 12.

[31] However, this partly reflects the inclusion — among household with workers — of the self-employed, whose income is often under-recorded in household surveys, as well as of people with part-time and part-year jobs. With reference to the latter, persons who worked full-time full-year in the United States in 1999 had an (absolute) poverty rate of 2.6%, as compared to 13% for those who worked either part-time or for only part of the year and 20% for those who did no paid work at all during the year (Freeman, 2001).

Figure 12. Structure of relative poverty in households headed by a working-age head, by work attachment of household members



Note: The height of each bar represents the poverty rate (using a 50% threshold) of persons living in households with a head of working age in each country. Data for Germany refer to old Länder. Exact years are those specified in the note to Table 1.

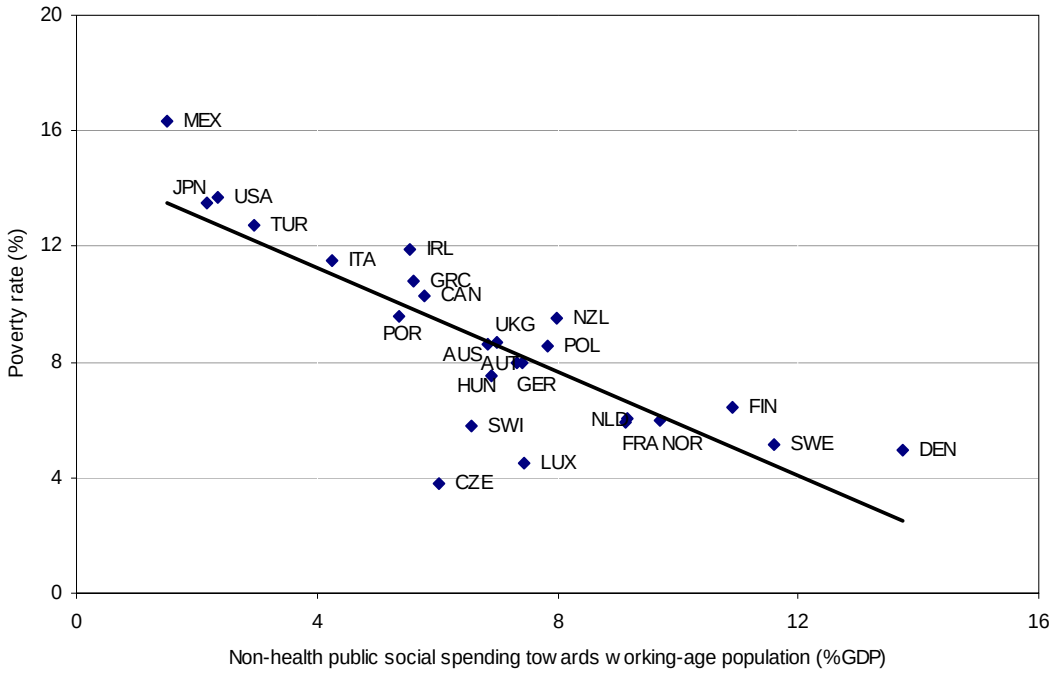
Source: Calculations from OECD questionnaire on distribution of household incomes.

3.3. The role of taxes and public transfers

29. The relationship between employment levels and relative poverty at the level of *disposable income*, however, does not follow simple patterns: in other terms, countries where non-employment (among individuals) and joblessness (at the household level) are lower do not consistently show lower rates of relative income poverty. This is because, beyond the levels and quality of jobs, government policies play a significant role in accelerating or moderating trends in income distribution and poverty. The relationship between government policies and poverty outcomes is striking: across countries, relative poverty rates among the working-age population are lowest where (non-health) social spending on the working-age population is highest (Figure 13). [32] Within each country, the combined effect of the tax and benefit systems is to lift out of relative income poverty more than half of the population at risk, on average (Figure 14). This effect, which ranges between around one-fourth of those below the poverty threshold before taxes and transfers in the United States and more than two-thirds in Denmark, declined however over the second half of the 1990s in most OECD countries, as the growth of real benefits most often lagged that of median disposable income.

[32] Other means through which governments influence poverty and income inequality include policies aimed at changing the distribution of skills among the population (in particular, at increasing the earnings potential of those most exposed to poverty risks), at supporting the earnings of workers at the bottom of the pay scale (for example through minimum wage provisions), and at addressing the specific barriers to labour farce participation faced by disadvantaged groups.

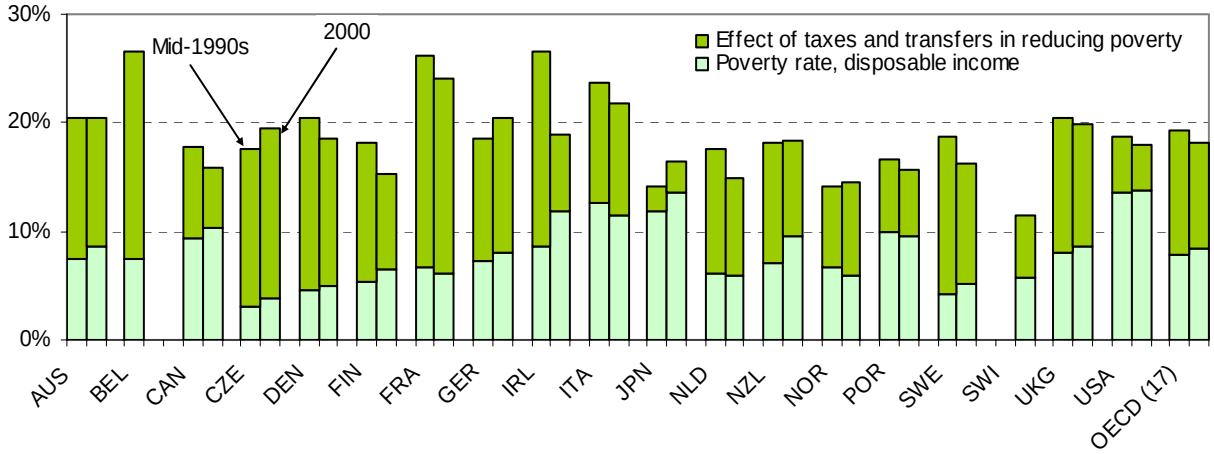
Figure 13. Relative poverty among the working-age population and social spending, 2000



Note: Social spending is defined as public social spending excluding health, old-age and survivor benefits, as a share of GDP. Poverty rates are measured with respect to a threshold set at half of the median equivalised household disposable income. Exact years are those specified in the note to Table 1.

Source: OECD Social Expenditure database and data from the OECD income distribution questionnaire.

Figure 14. Effects of taxes and transfers in reducing relative income poverty



Note: The "light" bar is the poverty rate at the level of disposable income, the "dark" bar is the arithmetic difference between the poverty rates at the levels of market and disposable income. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

30. Both taxes paid by the population of working-age (income and payroll taxes) and public transfers received by the same group reduce inequalities in the distribution of disposable income: taxes are mainly

paid by the richer, while public transfers mainly accrue to the poorer. An indicator of the relative role of taxes and transfers in reducing income inequalities ("pseudo"-Gini coefficient of each of the income components) shows that, in all countries, taxes are more concentrated than transfers, although the extent to which this is the case declined over the second half of the 1990s.[33] The extent of concentration of public non-pension transfers to persons at the bottom quintile of the income scale increased significantly in the second half of the 1990s in most countries, continuing a trend already observed in the previous decade, while declining only in Greece, Germany, Luxembourg, Ireland and Poland (Annex Table A.5). In turn, the proportion of non-pension transfers accruing to the six middle income quintiles decreased in most countries and on average, while changes at the top have been much less pronounced. Changes have been smaller in the case of taxes, with greater concentration of taxes at the top of the income distribution in a majority of countries, but reductions in Australia, France, Ireland, Japan, Portugal and the United States.

3.4. Accounting for changes in poverty rates since the mid-1990s

31. Although both taxes and public transfers reduce income inequality and poverty at a point in time – for a given distribution of market income – they also distort decisions of private agents in terms of employment and work efforts. Marginal effective tax rates, which are one cause of these distortions, are typically high at both ends of the income distribution, and they may contribute to poverty traps among many individuals relying on benefits as well as to reductions in work effort, or attempts to escape taxation, by individuals with high earnings. Reforms implemented by several OECD countries during the second half of the 1990s (generally in the form of earnings top-up for low-paid workers, and of greater pressures put on persons relying on benefits to take up suitable employment offers) have aimed at reducing these distortions so as to improve work incentives for individuals with low income.

32. How have these reforms affected changes in poverty? Efforts to address this question have typically followed two tracks. The first relies on individual records, assessing what poverty rates would be today if the structure of wages, hours of work, and government benefits had remained at some base-year level; while this approach does not account for behavioural changes following reforms, it allows tracking the same individual over time.[34] A second approach, which is easier to implement when comparing a large number of countries, relies on aggregate data.[35] This approach is used here to account for changes in relative poverty rates among individuals living in households with a working-age head. A simple shift-share analysis is used to decompose changes in relative poverty rates into three components:

- the part due to changes in market-income poverty for each group, while keeping constant both population structure and the effectiveness of taxes and transfers in reducing poverty;

---

33 The only exceptions are Germany, New Zealand, Norway and the United States. Italy is the only country where public transfers to persons of working age are unequally distributed (i.e. higher income groups receive a larger share than lower-income ones), reflecting the importance of earnings-related pensions (which tend to increase with income) received by persons of working-age.

34 Based on this approach, Dickens and Ellwood (2001) argue that demographic conditions (e.g. a greater incidence of single-parent households), earnings structure (e.g. wider earnings distributions) and work efforts (i.e. the combined effect of changes in activity rates and hours worked) account for a similar share of the increase in relative poverty in the United Kingdom from 1979 to 1999, while greater generosity in government benefits contributed to reduce poverty rates over the same period; in the United States, the increase in relative poverty over the same period mainly reflected demographic changes and, to a less extent, changes in earnings structure; higher work efforts contributed to lower poverty, while changes in government benefits did not exert significant influence in either direction.

35 Most often, studies using aggregate data regress poverty rates against a range of possible determinants, and use results to compare situations at two points in time. However, results from this type of analysis have been found to be typically unstable and sensitive to the specification used.

- the part due to changes in the effectiveness of taxes and transfers in reducing market-income poverty for each group, for given population structure and market-rate poverty; and
- the part due to changes in population structure, for given market-income poverty and effectiveness of tax and transfers in reducing poverty of that group.[36]

While mechanical decompositions of this type cannot reflect the complex interrelations between each pair of variables[37], and the effects of various factors on the income of each individual, they do provide a convenient summary of the relative role played by various factors.[38] At the same time, however, the detailed breakdown used for this decomposition may imply that results are affected by the small sample size of surveys.

33. Figure 15 shows results applied to changes in relative poverty rates for persons living in households with a head of working-age over the second half of the 1990s, with population broken down by work attachment of adult members (i.e. no adult in the household working, only one adult working, and two or more adults working). In the case of Australia, for example, relative poverty rates of persons living in households with a head of working age increased by 1 point in the second half of the 1990s (shown with a "diamond" in Figure 15): changes in market-income poverty and in the relative size of the three types of households (a slight decline in the share of persons in households where no one works) contributed to reduce poverty rates (by 0.4 points in the first case, marginally in the second) but their effect was more than offset by a (1.4 point) reduction in the poverty-reducing effect of taxes and transfers. (The sum of the 3 bars for each country equals the change in the relative poverty rate).

34. Figure 15 suggests that, while reforms to taxes and transfers systems introduced in the second half of the 1990s may have contributed to higher employment and lower market-income poverty in several countries, their effects were often offset by a smaller impact of taxes and transfers in reducing poverty. Overall, despite much diversity in country experiences in terms of overall changes in poverty rates, higher market-income and changes in population structure (declines in the share of workless households and increases in that of two-worker households) contributed to lower total poverty in a majority of countries (with the exception of Germany, Japan, New Zealand and Portugal, in the first case; and of Finland and Germany in the second) over this period. However, in most cases these positive developments were offset by a reduction in the effect of taxes and transfers in reducing poverty (with the exceptions of France,

---

36 In this exercise, the aggregate poverty rate, at the level of disposable income, is expressed as a weighted sum of group-specific poverty rates, with these rates expressed as the product of market-income poverty and of a coefficient expressing the effect of taxes and transfers in reducing market-income poverty.

$$PR_t = \sum PR^i_t = \sum [PR(MI)^i_t * (1 - \beta)^i_t] * \alpha^i_t$$

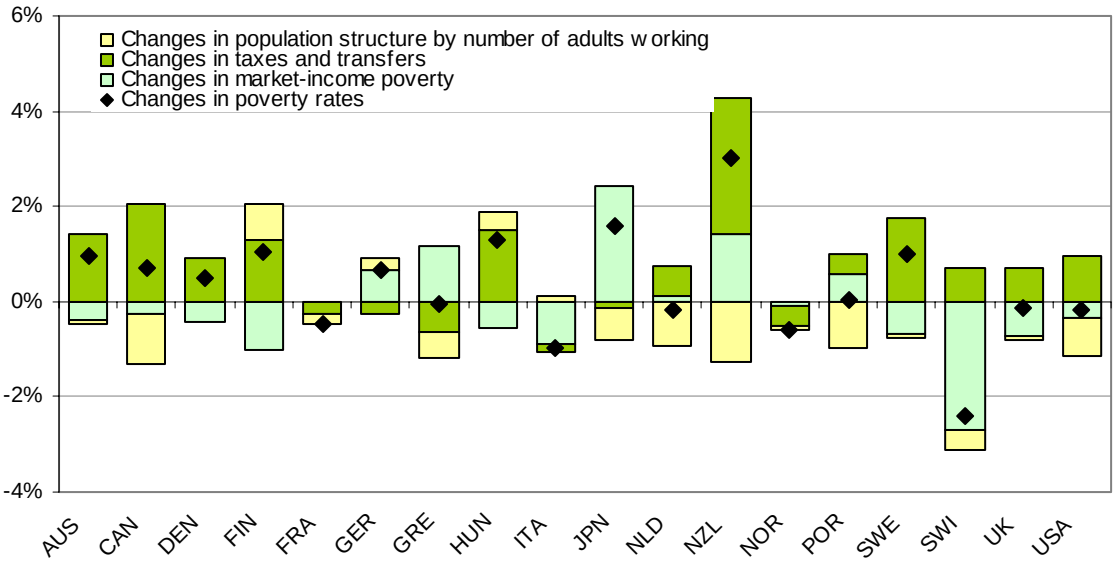
where PR is the poverty rate at times t, at the level of disposable income, for each group *i*; PR(MI) is the poverty rate at times t, at the level of market income, for each group; (1- β) is the poverty-reducing effect of taxes and transfers for each group; and α is the population share. When analysing changes over time in the poverty count, changes in one variable are multiplied by the average value (between two points in time) of the other two variables (to avoid explicit consideration of interaction terms between each pair of variables).

37 Changes in benefit level, for example, may encourage previously inactive individuals to take-up jobs, leading to positive effects (i.e. a reduction is poverty) for both household structure (decline in workless households) and market-income poverty (higher earnings as former benefit recipients enter employment).

38 Danziger and Gottshalk (1995) apply a shift-share decomposition to changes in (absolute) poverty in the United States from 1949 to the early 1990s; they concluded that changes in income for each demographic group dominate, while changes in the demographic composition played a minor role.

Germany[39], Greece, Italy and Norway).[40] In interpreting these results, it should be noted that a "smaller" poverty-reducing effect of net public transfers may reflect an increase in real benefits lagging that of median disposable income, and lower benefit take-up, rather than cuts in the value of benefits in real terms.

Figure 15. Changes in relative poverty rates among households with a working-age head by components, mid-1990s to 2000



Note: Data are based on a shift-share analysis applied to population living in households with a head of working age, broken by work attachment of household members (i.e. distinguishing between households with no workers, with one adult working, and with two or more adults working). The sum of the three components (shown ah bars) is equal to the total change in poverty rate (shown with a dark "diamond"). Exact years are those specified in the note to Table 1.

Source: Calculations based on the Calculations from OECD questionnaire on distribution of household incomes.

4. Poverty and inequality among children and households with children

35. Poverty is a special concern when it affects individuals who cannot be held responsible for their situation and who are especially vulnerable to its consequences. These considerations have led to the explicit formulation of policy "targets" for child poverty in some OECD countries (*e.g.* the United Kingdom) and to greater attention paid to children in the social policy agendas of most of them.[41] This

39 In Germany, reforms introduced in 1996 increased child benefits and social minima (*Steuerfreies Existenzminimum).*

40 When looking at the household structure of the population (number of children and of adults present in the same households, i.e. four groups), this analysis also suggests that changes in population structure contributed to increase poverty in Australia, Germany, Netherlands, Sweden and the United Kingdom (mainly because of more persons living alone) and to reduce it (marginally) in the United States.

41 In the United Kingdom, a quantified target has been set to reduce the number of children living in low-income households by a quarter by 2004-05 as a contribution to the broader target of halving child poverty by 2010 and eradicating it by 2020. In Canada, the commitment was to "seek to eliminate child poverty" but no definition or indicator was agreed. The "New Zealand's Agenda for Children" (June 2002) embodies a commitment to eliminate child poverty. Among other EU countries, the setting of targets for child poverty is explicit in the National Action Plan of Greece, while other countries (e.g. Germany) have set targets in areas that may have an important impact on child poverty (such as cutting the number of youth not having obtained vocational qualifications by half by 2010).

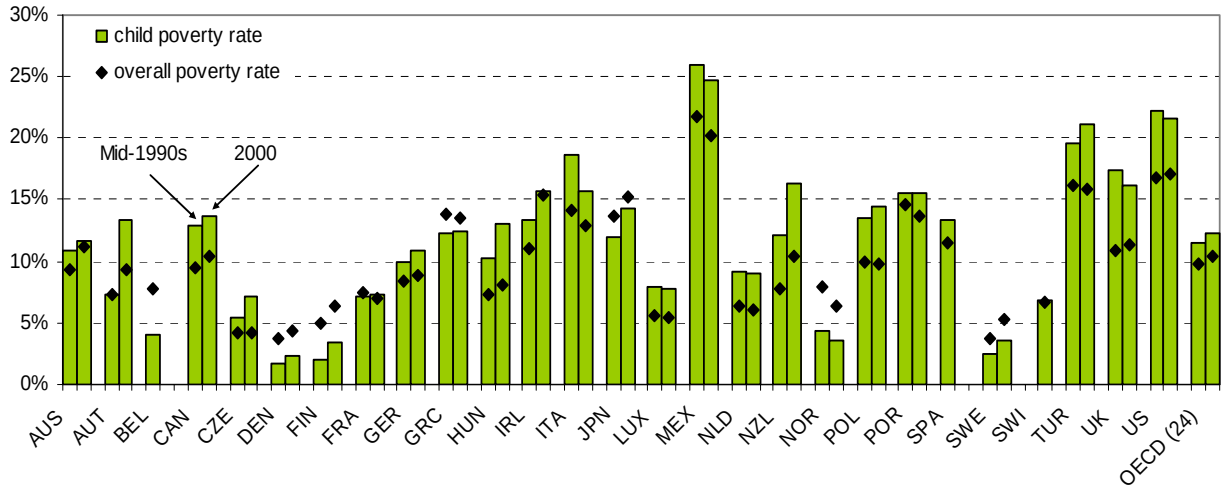
section looks at the recent record of OECD countries with respect to poverty among children and their families. It should be stressed, however, that results described below are critically shaped by how we adjust household income for household size (using the square root of household size): other assumptions about household equivalence of scale, for example, may significantly reduce the number of children that are counted as poor in any country.

4.1. Levels and trends in relative income and poverty

36. On average, across 23 OECD countries, around 12% of all children fell below the (50%) poverty threshold in 2000, an increase of close to 1 point relative to the level of the mid-1990s. Child poverty rates are especially low in the Nordic countries, where fewer than 4% of all children are poor, followed by France, Switzerland and the Czech Republic, with rates of around 7%. Child poverty is high in Mexico, Turkey and the United States, where it exceeds 20%, but also in Ireland, Italy, New Zealand, Portugal and the United Kingdom, where it is above 15% (Figure 16). Austria and New Zealand experienced significant increases in child poverty in the second half of the 1990s, while Italy recorded a significant decline.

37. In most countries, relative poverty rates among children are also higher than for the entire population (Figure 16), but with much variation across countries: in the Nordic countries and Belgium, child poverty rates are between ½ and ⅔ of the overall rate, while in the Czech Republic, the Netherlands, Hungary and New Zealand child poverty rates exceed overall poverty by 50% or more. These differences suggest that specific factors increase risks of poverty for children in some OECD countries.[42]

Figure 16. Relative poverty rates for children and the entire population



Note: Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

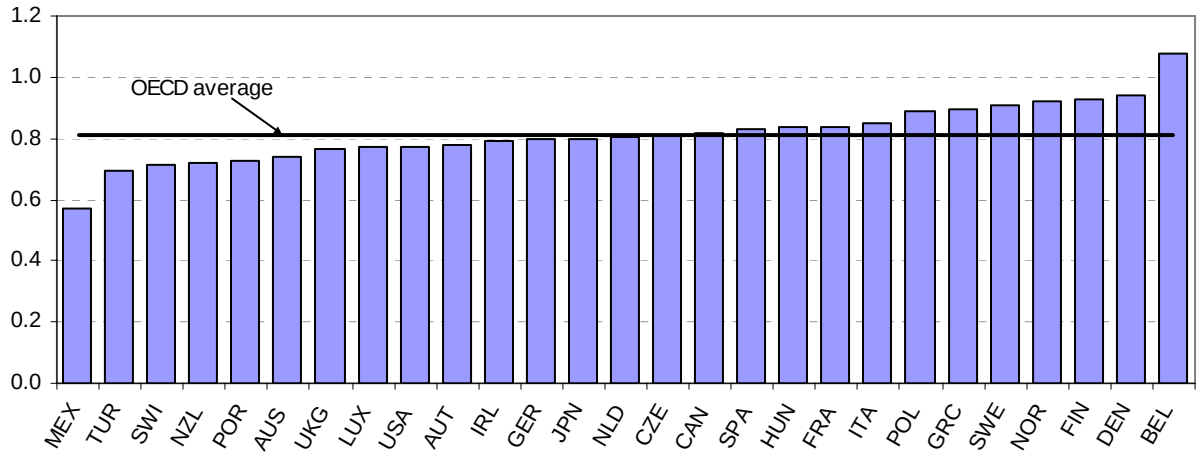
4.2. The influence of household structure, mothers employment and benefit systems

38. While several factors contribute to child poverty, three of the most important relate to the characteristics of the households where children live, to the employment status of their mothers, and to the role of taxes and transfers in reducing poverty risks. With reference to the first factor, the equivalised

42 On average, children constitute around a quarter of the poor population, with this share being 15% or less in Nordic countries, and 35% or more in the Czech Republic, Mexico, New Zealand, Poland, Turkey and the United Kingdom.

disposable income of households with children (and a head of working age) is, on average, slightly above 80% of that of households with no children: the relative income of households with children is highest in the Nordic countries and Belgium, and lowest in Mexico and, to a lesser extent, Australia, New Zealand, Portugal and Turkey (Figure 17). Households with children generally have higher rates of relative poverty than those without children, and this difference increased over the past two decades.[43] Among households with children, relative poverty rates are highest among single parents — at 40% or more in Australia, Canada, New Zealand, the United Kingdom and the United States, and over 50% in Ireland, Japan, Spain and Turkey — and, during the past 15 years, this increased the most in France, the Netherlands, New Zealand and the United Kingdom (while they it in some Nordic countries).

Figure 17. Relative disposable income of households with children, 2000



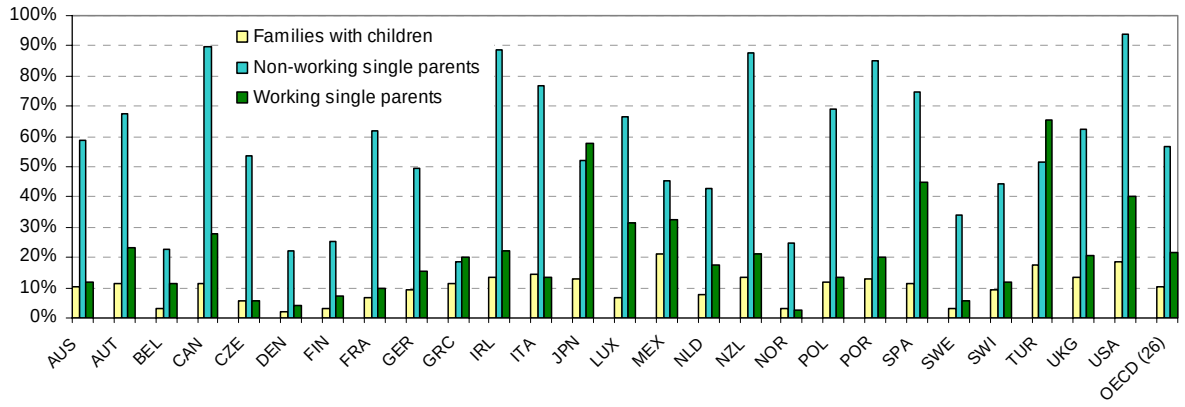
Note: Relative to households without children. Countries are ranked in increasing order of relative income. Data for Belgium and Spain refer to 1995. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

39. In many countries, however, it is not living in single-parent households *per se* that increases poverty, but rather the employment status of the parent. On average, the poverty rate for single parents (at 32%) is three times higher than for all families with children; however, among those where the single parent is jobless, the poverty rate reaches 57% (while it falls to 21% among those where the parent is employed). Having an employment therefore reduces poverty risks among single parents by more than 60%, although Greece, Japan and Turkey are notable exceptions. In several countries – notably the Australia, Italy Norway and Sweden – the poverty rate among single parents with a job is not that much different from the overall rate for families with children (Figure 18). Having a job also reduces the probability of falling into poverty for couples with children (by almost ¾ in the case of couples where both parents work, relative to those where only one parent does). Because of these patterns, OECD countries with higher employment rates among mothers also experience lower rates of child poverty (Figure 19).

[43] On average, across 20 OECD countries, relative poverty rates of households with children were 17% higher than those of households without children in the mid-1980s, 22% higher in the mid-1990s, and 27% higher in 2000.

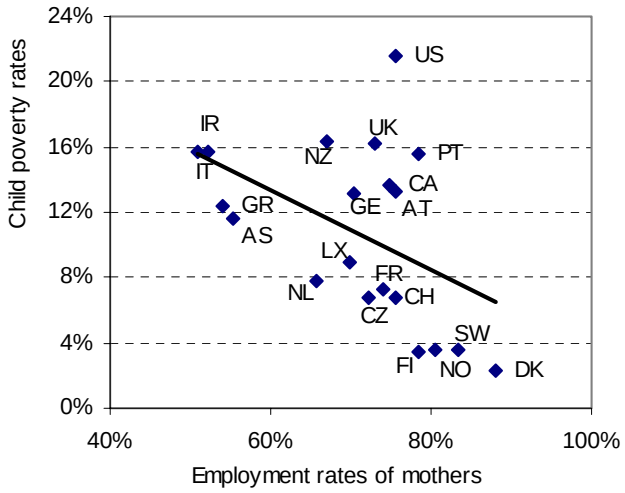
Figure 18. Relative poverty rates in households with children and single-parent households, 2000



Note: Poverty thresholds at 50% of median income for the entire population. Data for Belgium and Spain refer to 1995. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

Figure 19. Poverty among children and employment rates among mothers, 2000



Note: Employment rates among women aged 25 to 54 with one and two or more children aged 15 or less (16 in the case of New Zealand and Sweden). Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes and OECD (2002), Employment Outlook, Paris.

40. Changes in household composition — in terms of both household types and work attachment of different households — have influenced trends in poverty rates for households with children. Table 4 compares relative poverty rates for households with children in the mid-1990s and 2000 (1st and 2nd columns) in each country with those that would have prevailed had household structure remained as in 1985 (4th and 5th columns); rates under "unchanged population structure" refer to relative poverty rates under assumptions of constant shares of single and couple families, as well as of constant shares in households with no, one and two or more workers. In most countries, differences between actual and re-weighted rates are less than one percentage point in 1995, and below 2 points in 2000. Changes in household structure since the mid-1980s (3rd and 6th columns) have worsened trends in relative poverty for households with children in ten countries: Australia, Denmark and Norway (dampening the decline) as well as in the Czech Republic, Finland, France, Japan, Germany, New Zealand and the United Kingdom

(accentuating the increase). In the remaining 11 countries, changes in household structure have tended to smooth changes in relative poverty among households with children.

Table 5. Poverty rates in households with children under different household structure, mid-1990s and 2000

	Actual population structure			Unchanged population structure		
	Mid 1990s	2000	Point changes since mid-1980s	Mid 1990s	2000	Point changes since mid-1980s
Australia	9.4	10.2	-3.3	8.9	9.1	-4.4
Austria	5.5	11.5	7.0	7.0	13.5	8.9
Canada	11.0	11.5	-7.2	11.6	14.0	-4.7
Czech Republic	4.2	5.6	3.5	3.2	2.5	0.5
Denmark	1.5	2.1	-0.8	1.3	1.8	-1.2
Finland	1.9	3.3	0.9	1.8	2.1	-0.3
France	6.7	6.7	0.5	6.5	6.0	-0.2
Germany	8.6	10.4	4.5	6.7	8.1	2.2
Greece	11.1	11.1	-0.2	12.4	12.7	1.4
Italy	17.1	14.3	4.1	16.0	14.5	4.3
Japan	11.1	12.9	2.7	10.6	12.2	2.0
Luxembourg	7.2	6.9	1.4	6.6	7.4	2.0
Mexico	21.8	21.3	0.7	22.8	22.7	2.1
Netherlands	7.6	7.6	4.6	7.5	9.4	6.4
New Zealand	10.3	13.6	5.8	7.6	11.6	3.8
Norway	3.6	2.9	-0.3	2.8	2.2	-0.9
Portugal	12.6	13.1	3.4	14.0	16.2	6.6
Spain	11.5	..	-3.8	13.5	..	-1.8
Sweden	2.2	3.2	0.7	2.3	3.5	1.0
United Kingdom	14.6	13.6	5.5	13.7	13.0	4.9
United States	18.7	18.4	-2.6	20.4	21.8	0.8

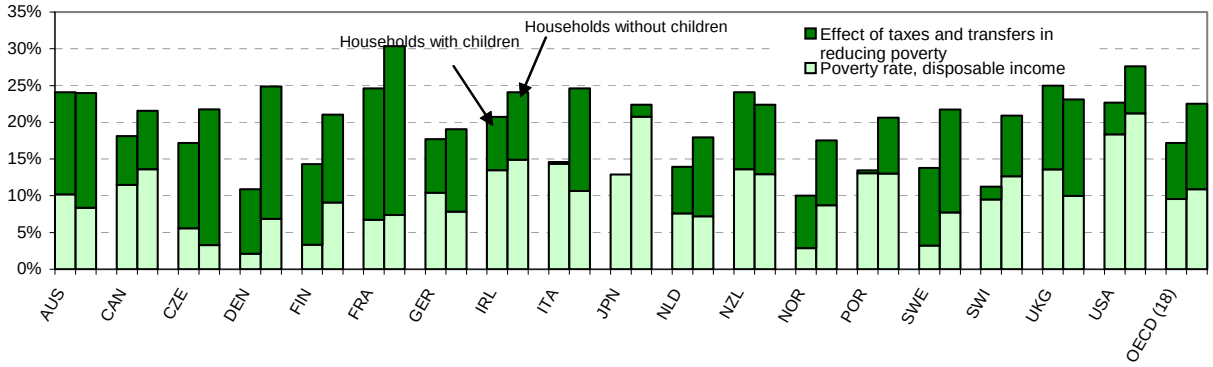
Notes: Poverty thresholds at 50% of the median income for the entire population. Re-weighted poverty rates are calculated by holding constant the shares of five household groups (single parents with and without work, two or more adult households with children with no worker, one and two or more workers) at the mid-1980s level (1990 level in the Czech Republic and Portugal). Patterns highlighted are only proximate, as they do not allow for changes in poverty thresholds as household structure varies. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

41. The last factor impacting on poverty among households with children is the tax and benefit system. While taxes and transfers reduce the extent of relative income poverty among all households, their effect is significantly lower in the case of households with children. On average, across 18 OECD countries, taxes and transfers lift out of market-income poverty more than half of the persons in households without children, but only 44% of those in households with children (Figure 20); the effects of taxes and transfers in reducing poverty among households with children is especially low in Japan, Italy and Portugal. Indeed, while tax and benefit systems in all OECD countries provide preferential advantages to households with children, these advantages are smaller than estimates of the higher household costs of larger families that are implicit in the elasticity used in this (and most others) studies to equivalised household income.[44]

[44] The impact of taxes and transfers in reducing poverty also varies across different types of households with children. In most OECD countries, taxes and transfers have the largest poverty-reducing effect on households with children without work. Changes in patterns of support since the mid-1990s are limited.

Figure 20. Poverty rates before and after taxes and transfers, households with and without children, 2000



Note: The "light" bar is the poverty rate at the level of disposable income, the "dark" bar is the arithmetic difference between the poverty rates at the levels of market and disposable income. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

5. Income adequacy in old age: effects of pension reforms on the retirement-age population

42. Most persons of retirement age (above 65) have withdrawn from the labour market, and depend on pensions and capital income for much of their daily living. Differences in the structure of their income, as compared to persons of working age, alter the mix of factors that most influence income inequality and relative poverty among those belonging to this age group.

5.1. Levels and trends in relative income and poverty among the elderly

43. Recent trends in income distribution and poverty among the elderly need to be described against the backdrop of longer-term trends towards significant improvement in their economic situation. Past OECD studies have highlighted steady gains in the relative incomes of prime-aged and elderly persons – especially those around retirement-age – in all OECD countries, as well as declines of their relative poverty rates – both in absolute terms and relative to other age groups (e.g. OECD 1998, OECD 2001, Förster and Pearson 2002). Historically, income inequality among the elderly population has also tended to be lower than among the population of working-age, and to decrease – or to increase by less – over time.

44. Changes since the mid-1990s suggest some departures from these long-term patterns. Annex Table A.6 presents data on the income of individuals by age, relative to that of the entire population, and changes in that profile since the mid-1990s and mid-1980s.[45] While the shape of equivalised disposable income by age of individuals is well established – higher relative income until an age of 41 to 50, followed by steady declines in later years – changes for the OECD average since 1995 suggest that:

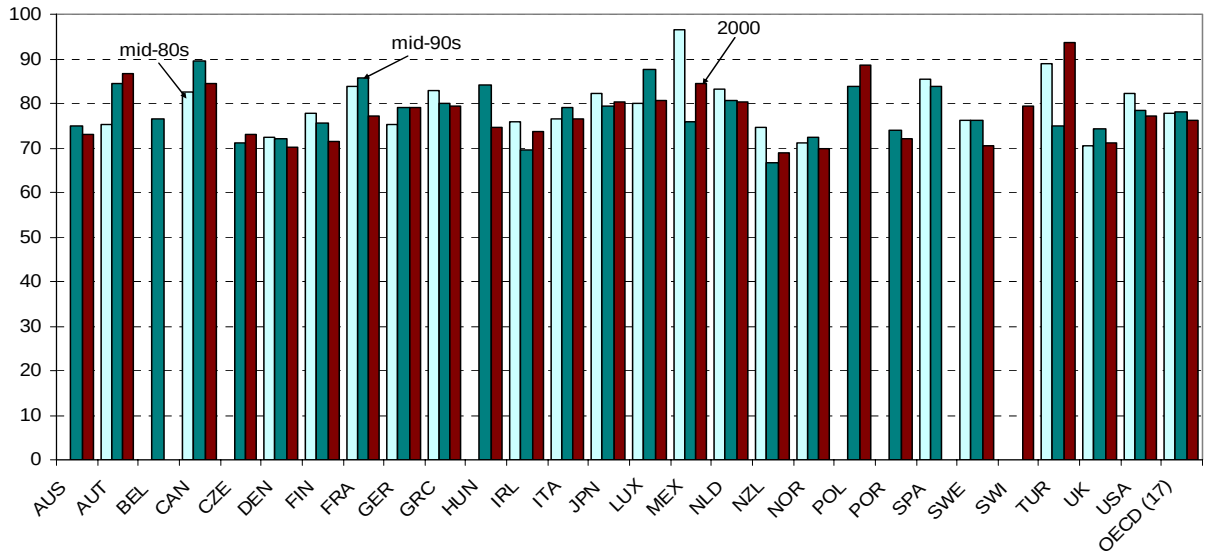
- Relative incomes of youths (18 to 25) continued to fall as in the previous decade, but at a much lower pace. Children (aged less than 18) experienced small increases in their relative income, as compared to virtual stability in the previous decade.

45 These data on relative incomes take into account changes in population shares: an increase in the share of the elderly (with lower income) will depress overall income and suggest an increase in their relative position that only reflects their higher weight in the population. To avoid this potential bias, Annex Table A.6 uses a constant population structure at the base year to describe changes in relative income by age groups.

- Prime-age adults (aged 41 to 50) experienced significant losses in relative income in the second half of the 1990s, which exceeded the gains of the preceding decade.
- Persons in later working-life (51 to 65) experienced further improvements in their relative incomes.
- Elderly persons (66 to 75) recorded small declines in their relative income, which contrast with significant gains in the previous decades, while the relative position of the very elderly (76 and over) was broadly stable.

45. Declines in the relative income of persons aged 66 to 75 over the second half of the 1990s occurred in about half of the countries reviewed, and were particularly evident in Canada, France, Hungary, Luxembourg and Sweden (between 5 and 7 percentage points). In most of these countries, these declines followed improvements recorded over the 1980s. Recent trends are more diverse for the very elderly: these experienced substantial increases in relative incomes (6 points or more) in Austria, Greece and Turkey, but large falls in Finland, Ireland, Italy, Poland and Sweden.[46] A more generalised decrease in relative incomes is experienced by adults aged 41 to 50, with the exception of Finland, Greece, Japan and Portugal. "Quasi-replacement rates" for younger senior citizens, *i.e.* income levels of those aged 66-75 relative to that of persons aged 51 to 65, are — in most OECD countries — between 70 and 80%, and close to 90% in Austria, Poland and Turkey (Figure 21); and they fell in a majority of OECD countries — in particular in Canada, Finland, France, Hungary, Luxembourg and Sweden — in the second half of the 1990s.

Figure 21. Quasi-replacement rates for persons aged 66 to 75



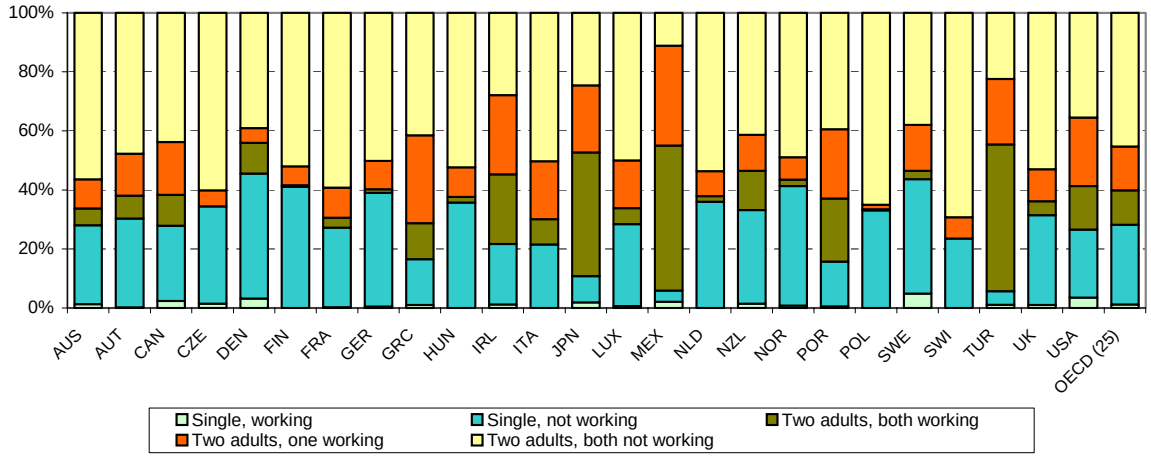
Note: Quasi-replacement rates are defined as the mean disposable income of persons aged 66 to 75, relative to the mean disposable income of persons aged 51 to 65. For calculating relative income changes, population shares have been kept constant at the value recorded at the beginning of the period (mid-1980s, except for Czech Republic, Hungary, Poland and Portugal, where this is 1990). Data for Germany refer to old Länder. The OECD average refers to the average of 17 countries for which information is available in all three years (except Mexico and Turkey). Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes

[46] Some of the limits in using "current income" for assessing well-being of the elderly are discussed in Box 3.

46. Differences across countries in the relative income of elderly people reflect differences in both family structures and in social protection systems. The role of family structures is highlighted by looking at households with a head of retirement-age (Figure 22). Individuals living in these households represent roughly 16% of the total population across the 24 countries shown, and their share exceeds by around 8% that of all elderly individuals.[47] Beyond its size, there is much variation in family types. While in Greece, Mexico, Portugal and Turkey more than 80% of persons belonging to households with a retirement-age head live in households with two or more adults (i.e. couples of two elderly persons, or households composed of different generations), this proportion is less than 60% in Nordic countries. On average, around a third of all persons living in households with an elderly head in 2000 were living alone, and most often this person was not working. Elderly persons living alone are predominantly women, reflecting higher life-expectancy in old age and lower probability of entering a new union after separation or death of their partner. Across the OECD countries covered, only one out of four persons living in households with an older head was in employment. There is, however, significant variation across countries in this share, which ranges from less than 7% in the Czech Republic, Finland, Poland and Switzerland, to 40% or more in Greece, Ireland, Japan, Mexico, Portugal, Turkey and the United States.[48] These differences are likely to mainly reflect the frequency of "work" (often part-time and occasional) following retirement from a person's main career, rather then delayed retirement from a full-time job until later ages.[49]

Figure 22. Family structure among individuals living in households with an older head, 2000



Source: Calculations from OECD questionnaire on distribution of household incomes.

47 This reflects the existence, within households with a retirement-age head, of younger spouses and — less often — their children. The ratio between persons living in households with a retirement-age head and the elderly population varies widely across countries, between values of 80% or less in Hungary and Poland — where many elderly live with their offspring — and 130% or more in Ireland and Portugal — where many teenagers and young adults continue to live in the parental home. These differences across countries may also reflect differences in the definition of "household heads" used in various surveys.

48 This share can reflect different situations, as family members with jobs can be either younger persons living in a multi-generational household, or elderly workers themselves. The first pattern is more common in Mexico and Southern Europe, the second in Anglo-Saxon countries.

49 The "work status" of different household types is defined on the basis of the presence or absence of earnings and self-employment income, rather than on the "self-reported" perceptions of survey respondents (with the exception of Germany).

47. Differences across countries in the structure of income of the elderly are also important. Public transfers (mainly old-age pensions) and capital income represent the largest components of the disposable income of the elderly representing, respectively, about two thirds and close to 30% of disposable income across the 17 countries for which information is available on all income sources (Annex Table 8). There is some evidence of a reduction in the share of public transfers in total income in about half the OECD countries. In several countries, the tax burden on elderly people also declined, in particular in Denmark, the Netherlands and New Zealand. The share of earnings (including self-employment income) in total income of the elderly remained stable on average, while increasing significantly in Ireland and New Zealand an decreasing in the Czech Republic, Hungary, Poland, Portugal and, in particular, Japan. The share of capital income slightly increased, in particular in some European countries.

48. Changes in family types and income structure have affected both income inequality and relative poverty among the elderly. In a majority of countries (Greece, Ireland, Japan, Mexico, Portugal, Switzerland, Turkey and the United States are exceptions), income inequality among the elderly (Gini coefficients) remains lower than among the population of working age;[50] and was broadly constant (on average) both in the decade from the mid-1980s to the mid-1990s and in the second half of the 1990s (although it increased slightly in Denmark, Finland, Ireland and New Zealand, Figure 23). Their relative poverty rate, at around 14% in 2000 across the 23 countries for which longer-trend data are available, decreased by 1 ½ points between the mid-1980s and mid-1990s and remained broadly stable during the past 5 years[51] (Figure 24) — although, when excluding Mexico and Turkey, it increased by almost 1 percentage point over the second half of the 1990s. However, cross-county averages hide great diversity of experience, with almost as many countries experiencing a decline in old-age poverty as those witnessing increases. In Ireland, the large increase in relative poverty rates among the elderly reflected strong growth in median income in real terms, and the failure of elderly income to increase at the same pace, rather than lower economic conditions among the elderly *per se*. Moreover, assessing resources in retirement through monetary income may exaggerate poverty risks for the elderly, as it does not take into account lower work-related expenditures and housing costs following retirement, and higher asset holding among the elderly (Box 3).

50 This has not always been the case: in the mid-1970s, inequality among the elderly was higher than among the working-age population in nine of the ten countries for which information is available; and in the mid-1980s, this concerned 12 of the 20 countries.

51 Among the elderly, those aged 76 and above have a much higher poverty risk than those aged 66 to 75, in almost all OECD countries (see Annex Table A.7)

Box 3. Housing costs and poverty outcomes

Most international comparisons of inequality and poverty among the elderly – including those presented in this paper – are based on current income. The capacity of households to respond to needs, however, depends on both income and expenditure. Housing costs, in particular, are the largest single component of household spending, and are a significant determinant of household ability to make ends meet. Government policies affect housing costs through both provision of subsidised housing to low-income groups, and through tax advantages to encourage home ownership. Some OECD countries (e.g. the United Kingdom) have translated the recognition of the importance of housing costs into the adoption of measures of poverty, both before and after housing costs.*

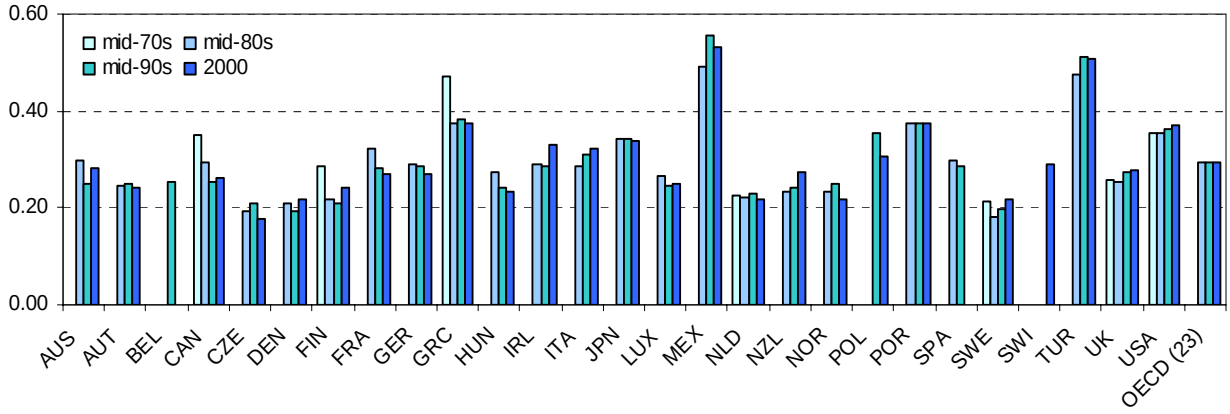
As patterns of home ownership differ both across demographic groups (being higher among the elderly than among persons of working age) and countries (higher in Anglo-Saxon and Southern European countries than in Nordic and Continental European countries), housing costs significantly affect comparisons of the extent of poverty. An indication of the impact of housing costs is provided by the figure below, which uses matched data from income and expenditure surveys in Australia and Finland around the mid-1990s (Ritalkallio, 2003). This poverty measures relies on thresholds defined both before and after *actual* housing costs (expenditures for heating, electricity, water, repairs and maintenance, mortgage repayments and interest costs): in the case of the "after-housing-costs" poverty, the threshold is defined as 50% of (average) equivalised disposable income less the (average) equivalent rent paid by renters. Panel *a*, which shows poverty rates and gaps (i.e. the shortfall of the disposable income of the poor from the poverty line), shows that consideration of actual housing costs reduces poverty rates but increases poverty gaps in both Australia and Finland, significantly narrowing differences between the two countries. Panel *b*, which shows poverty rates among individuals of different ages, shows that consideration of housing costs lower poverty rates among the elderly, to a point where their poverty risk is lower than that of youths.



Source: Ritakallio (2003).

* Consideration of housing costs in the measurement of poverty raises the difficult issue of how to measure support provided by governments through housing provided at subsidised rents. Changes in the form of government support (i.e. from social housing to housing cash benefits), as implemented in several OECD countries over the 1980s and 1990s, could distort assessment of trends in poverty (i.e. increases in cash income that do not correspond to improvements in the situation of low-income families).

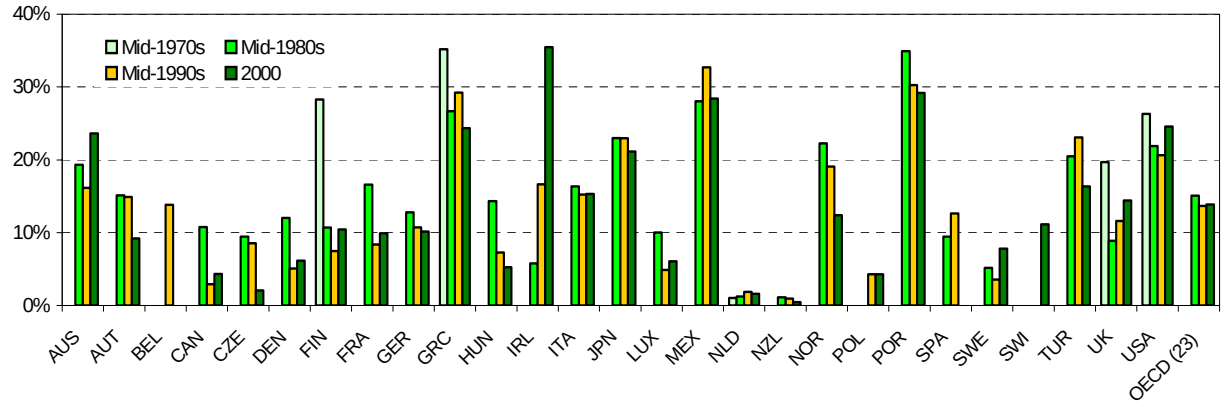
Figure 23. Gini coefficient of income inequality among the elderly



Note: Mid-1990s refer to early 1990s for Czech Republic, Hungary and Portugal. OECD (23) excludes Belgium, Poland, Spain and Switzerland. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

Figure 24. Relative poverty rates among the elderly

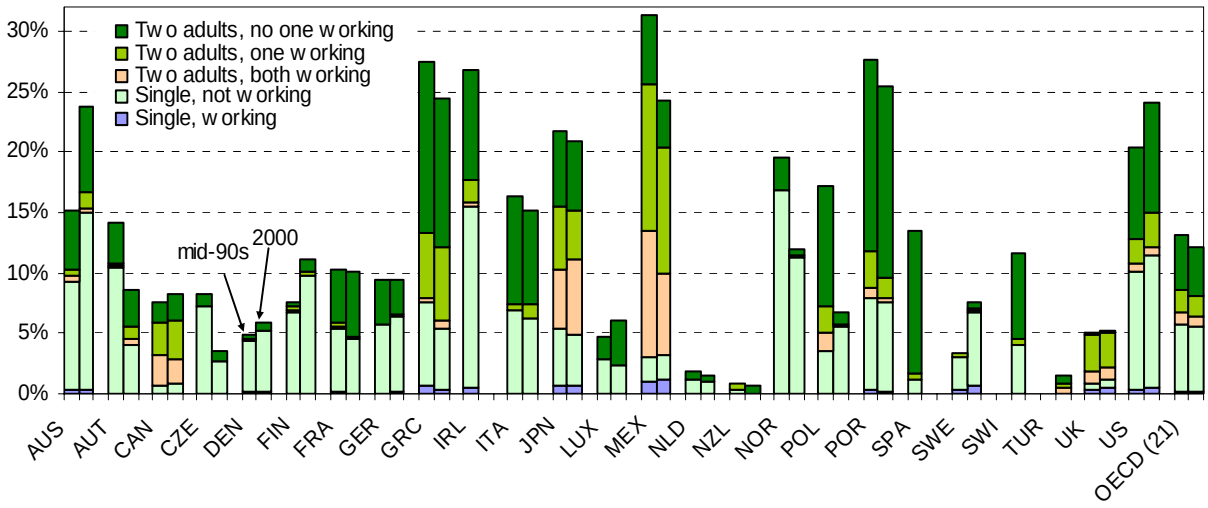


Note: The poverty thresholds are set at 50% of the median income for the entire population. Elderly refer to the population aged 66 and above. Mid-1990s refer to early 1990s for Czech Republic, Hungary and Portugal. OECD (23) excludes Belgium, Poland, Spain and Switzerland. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

49. Relative income poverty among the elderly tends to be concentrated among the very old and those living alone. Elderly people living alone and not working are, in all countries, at greater risk of poverty than other elderly, and this risk increased in the second half of the 1990s in Australia, Denmark, Finland, Germany, Sweden, the United Kingdom and the United States. Most of these are women, often widows with limited or no own pension entitlements. As a result of changes in both poverty risks and in the shares of the various household types, elderly persons living alone and not working make up the largest share of the poor in many OECD countries (Figure 25). However – in Canada, Greece, Ireland, Japan, Poland, Portugal, the United Kingdom and the United States – many poor elderly are both living with a partner and in a household with earnings. Conversely, in all countries, persons living alone and working, and those where both adults work, represent a small proportion of the poor.

Figure 25. Structure of poverty among persons living in households with a retirement-age head



Note: The height of each bar represents the poverty rate (using a 50% threshold) of persons living in households with a retirement-age head. Data for Germany refer to old Länder. "Two adults" refer to households with two or more adults. Exact years are those specified in the note to Table 1.

Source: Calculations from OECD questionnaire on distribution of household incomes.

5.2. Public pension systems and their impacts on the elderly population

50. Given their weight in the disposable income of elderly people, public pensions play a major role in shaping income adequacy and poverty risks for this group of the population. When considered together, public transfers and taxes reduced inequality and poverty among the elderly in 2000 by more than they do with respect to the population of working-age. However, in a majority of countries this effect weakened over the second half of the 1990s (with the exceptions of the Czech Republic, France, Italy, Portugal and Sweden with respect to income inequality; and the same countries except Sweden but including the Netherlands and Norway with respect to poverty).

51. Outcomes in terms of relative poverty among the elderly are affected by several features of public pension systems. The amount of spending on old-age pensions (public and private mandatory spending), however, does little by itself to influence poverty among the retirement-age population. Figure 26 highlights no relationship across countries (panel *a*): in fact, some of the countries with higher spending on old-age pensions (e.g. Italy, France and Germany) experience higher poverty rates among the elderly than countries with much lower spending levels. This lack of association between pension spending and poverty outcomes reflects the importance of earnings-related pensions, and differences in the ceilings that are applied to high earnings. Indeed, where pension benefits increase in line with previous earnings, they may have a regressive impact on income distribution and relative poverty among the elderly.

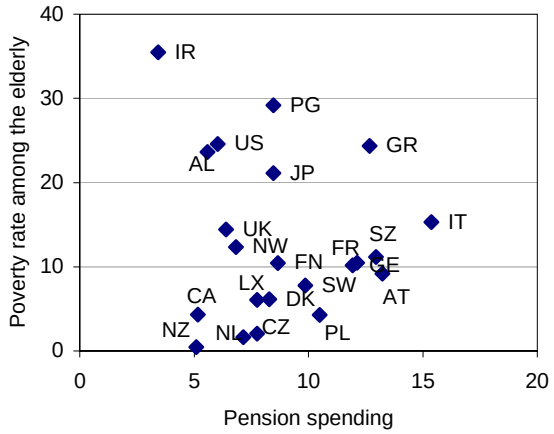
52. Other features of pension systems are likely to matter more for poverty outcomes among the elderly than aggregate spending, although the co-existence in a point in time of different rules applying to various groups of persons make it difficult to disentangle their importance.[52] Among the features that are

[52] Among these pension parameters is whether benefits are indexed to prices, earnings, or some combination of the two. In order to control expenditures, several OECD countries moved over the 1990s from wage to price indexation, a move which may tend to increase relative poverty among the elderly over time. To

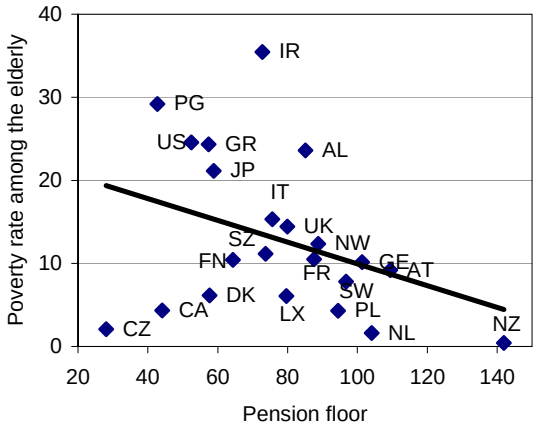
most obviously related to poverty outcomes are pension floors provided by public pension and welfare systems. OECD countries vary significantly in the tools they use to minimise poverty risks among the elderly: some rely on "minimum pensions", limited to persons with past contributory records, others on "basic" pensions, provided to all elderly citizens irrespectively of past contributions (but often subject to residence and means tests), and others yet on the general social assistance schemes applying to the entire population. In general, countries where pension floors – expressed as a ratio of the poverty line – are higher tend to display lower relative poverty rates among the elderly (panel b); the relation is however weak, as other characteristics — *e.g.* the extent to which the elderly share in the resources of extended households — impact on relative poverty in old-age.

Figure 26. Relative poverty among the elderly and pension systems

Poverty among the elderly and pension spending



Poverty among the elderly and pension floors



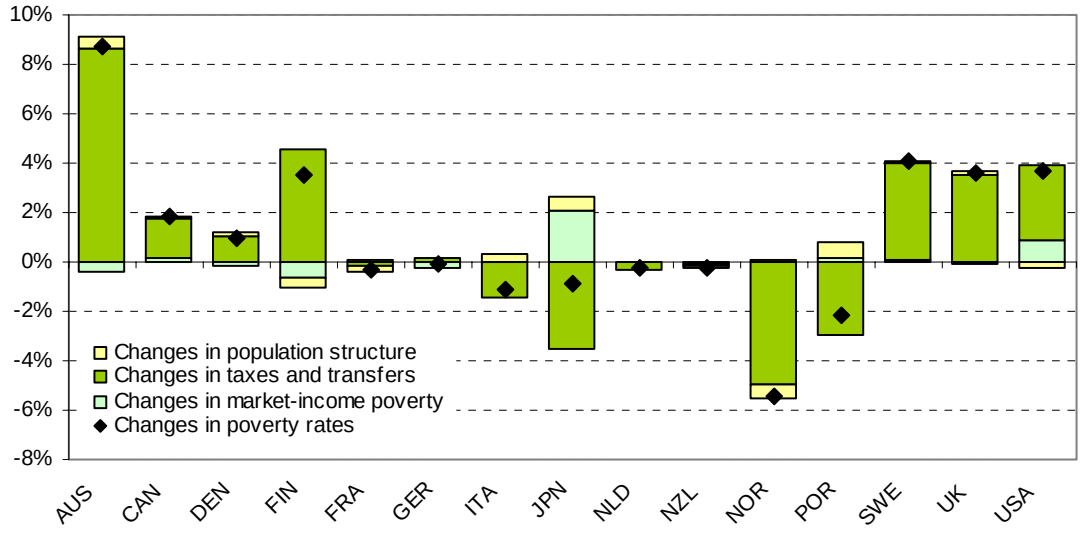
Note: Public and mandatory private social spending for old-age and survivor benefits, as a share of GDP. Pension floors, expressed as a percentage of the 50% median income threshold, refer to the levels of "basic" or "targeted" pensions in first-tier pension systems of OECD countries.

Source: OECD income distribution questionnaire, social expenditure and pension-monitoring databases.

53. Despite the lack of a significant association between pension spending and poverty across countries, changes in the generosity of public transfers and taxes have played the largest role in shaping changes in poverty risks among the elderly within individual countries. Figure 27 applies the same shift-share analysis described in Section 3 to changes (over the second half of the 1990s) in relative poverty rates among persons living in households with a retirement-age head, broken down by whether individuals are living alone or with other adults, and by the work status of household members. It suggests that, in all countries where changes in relative poverty rates are significant, they have been driven by changes in taxes and public transfers received by this group. Changes in the population structure have generally been minor, while changes in market income have tended to reduce risks of poverty in Australia, Canada and Finland, and to increase it in Japan and the United States. As in the case of the working-age population, a positive contribution of taxes and public transfers to higher relative poverty among the elderly may reflect increases in real benefits that lag those of median income, rather than declines in the real value of benefits.

offset this effect, some countries have introduced specific measures to protect those more exposed to poverty risks (e.g. the Minimum Income Guarantee in the United Kingdom).

Figure 27. Changes in relative poverty rates among households with a retirement age head by components, mid-1990 to 2000



Note: Data are based on a shift-share analysis applied to population living in households with a head of retirement-age, broken by work attachment of household members (i.e. distinguishing between households with no workers, with one adult working, and with two or more adults working). The sum of the three components (shown as bars) is equal to the total change in poverty rate (shown as a "diamond"). Exact years are those specified in the note to Table 1.

Source: Calculations based on the Calculations from OECD questionnaire on distribution of household incomes.

5.3. Distributive patterns of public transfers and private capital income

54. The distribution of public transfers (mainly old-age pensions[53]) and capital income (which includes private and occupational pensions) differs in important ways.[54] Because of these differences,

53 On average, about 90% of public transfers going to the elderly are made up by old-age pensions, with somewhat lower shares in the Anglo-Saxon countries and close to 100% in Continental European countries. These differences, however, may partly reflect differences in classification of income transfers across countries.

54 The measurement of income from occupational and private pension schemes raises difficult issues. According to the recommendations of the "Expert Group on Household Income Statistics" (the Canberra Group), current transfers received by households ("payments and receipts which are made without a matching *quid pro quo* in the period in which they are paid/received") should include "employment-related pensions and other insurance benefits paid from private employer's schemes" and "government schemes run entirely for benefit of government employees", while excluding "lump-sum retirement payouts" (recorded as capital transfers) and "benefits from private insurance schemes where... participation in the scheme is entirely at the discretion of the contributor" (the latter being recorded as either non-life insurance, outside the scope of income, or as property income, when akin to payments from an annuity or similar investment instrument). In practice, it is unclear to what extent these conventions are strictly followed. As a result, because of the wide variety of private pension arrangements in OECD countries, benefits from private pension funds that are substantially similar may be classified differently by various countries. For the purpose of this analysis, private and occupational pensions are recorded among "capital incomes", although there are exceptions (Austria, the Czech Republic, Hungary, Italy and Mexico; in these countries, however, private pensions remain relatively under-developed).

reforms aimed at increasing the diversification of income sources in retirement may have distributive implications. One way to assess distributive patterns of public transfers and capital income is through "pseudo-Lorenz" curves. Figure 28 show these curves for public transfers (black dotted line) and capital income (black continuous line) among the retirement-age population, as well as that for disposable income of the working-age population (dashed line). The latter displays a familiar shape: on average, around 3% of disposable incomes accrue to working-age individuals in the lowest decile, 8% to those in the two lowest deciles, and around one fourth to persons in the highest decile of the working-age population.

55. The extent to which pseudo-Lorenz curves for public transfers depart from the pattern for disposable income of working-age persons varies across countries. In countries where public pension systems are mainly earnings-related, as in the case of France, the (dotted) line for public transfers follows closely the (dashed) line for disposable incomes of persons of working age. In Canada, Ireland, the Netherlands, New Zealand and the United Kingdom, on the other side, pseudo-Lorenz curves for public transfers are close to the 45° line, as all persons receive a similar public pension. In Finland, public pensions are distributed progressively (the pseudo-Lorenz curve lies above the 45°line), as the share that goes to individuals in the lowest deciles exceeds that accruing to those at the top of the distribution. In Australia and Ireland, the middle deciles seem to profit relatively more from public pensions than both the poor and the rich. Despite these differences, however, public pensions are – on average and in all countries – more equally distributed than disposable income of the working-age population.

56. Private capital income of the elderly is far more unequally distributed than public transfers. In Italy, for instance, more than 80% of this income source goes to the top 20 % of the retirement-age population and this percentage exceeds 65% in the Czech Republic, Greece, Luxembourg and New Zealand. On average, a little over 10% of private capital income accrues to the poorer half of elderly people, while more than 40% accrues to the top decile. In general, over the past five years, the share of private pensions and capital incomes in total incomes of the elderly increased in about half of the countries under review. In the case of Finland, this increase took place about equally across all income groups; in other countries, however, this increase affected primarily richer and middle income groups (***e.g.*** Denmark, Germany, Luxembourg, Ireland, Italy, Japan and the United Kingdom, Annex Table A.8).

57. Evidence on the distributive pattern of public and private income sources underscores the extent to which resources of older people continue to be highly differentiated across the income ladder. On average, across the OECD countries reviewed in this paper, public transfers still account for almost *all* of the disposable income of the bottom quintile of the elderly population (Figure 29) and close to 80% of the incomes of the middle 60% of the distribution. Only individuals in the top quintile of the distribution enjoy a 'balanced' mix of income streams, where public transfers, private capital income, and earnings contribute about equally. Country differences around this average, however, are significant. In Finland, for example, the share of occupational pensions – which are included here among capital income – constitutes some 70% of the disposable income of the elderly, as compared to only 20% for public pensions, and are distributed much more equally than in other countries. This reflects the more institutional role of such pensions in the Finnish retirement system – and their management by social security institutions.

Figure 28. Distributive shape of public transfers and private capital income to the elderly and of disposable income of the working-age population, 2000

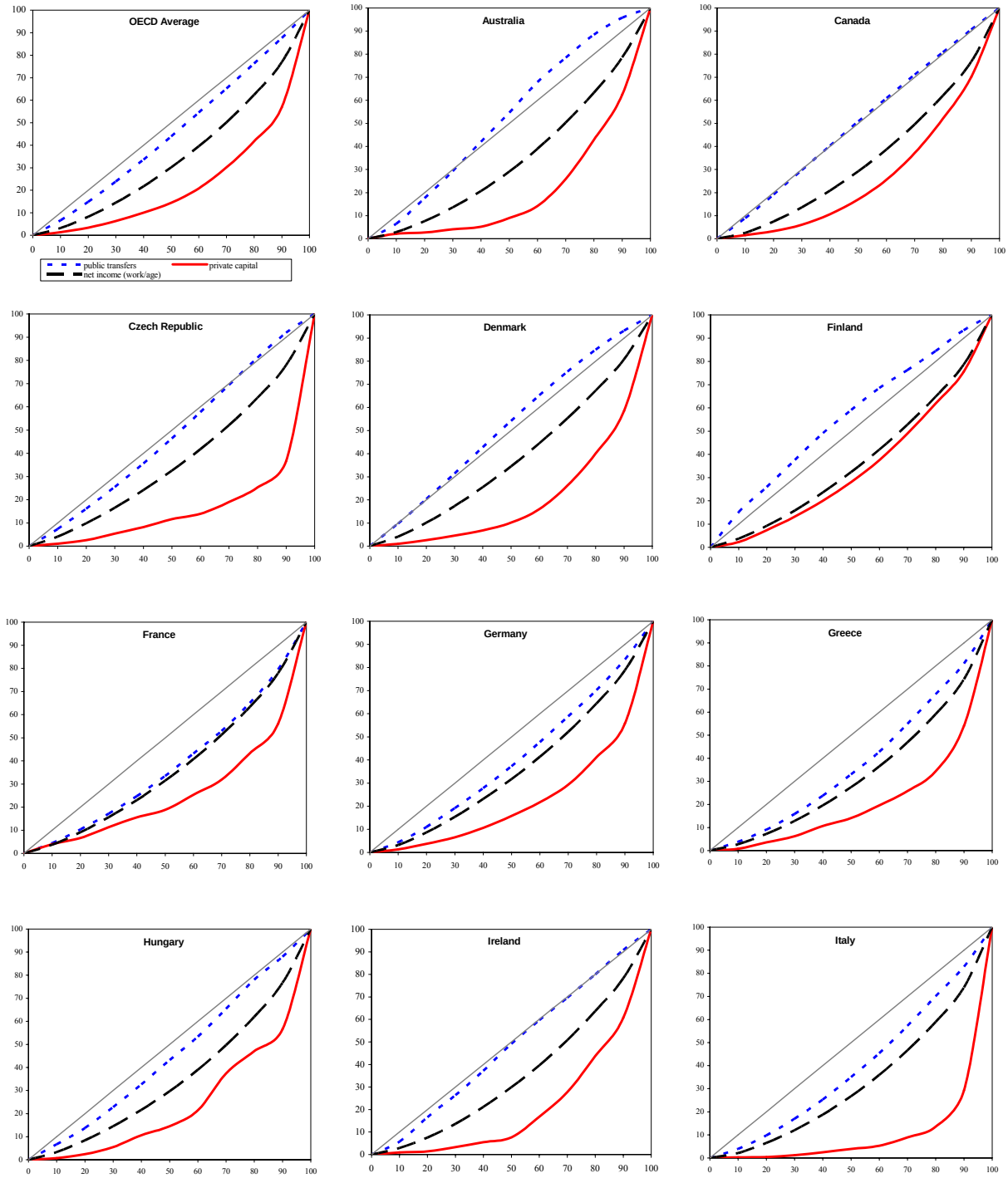
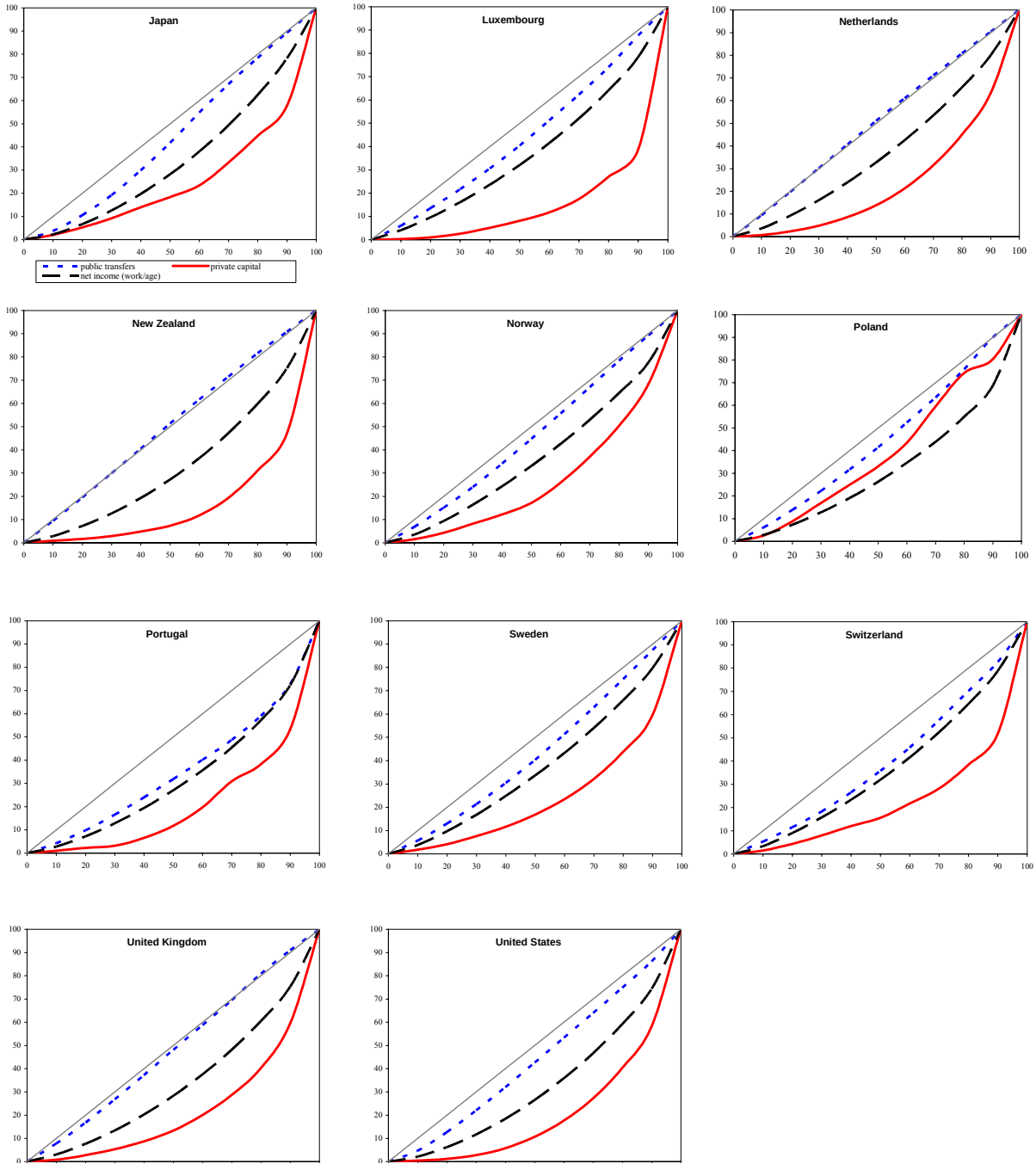
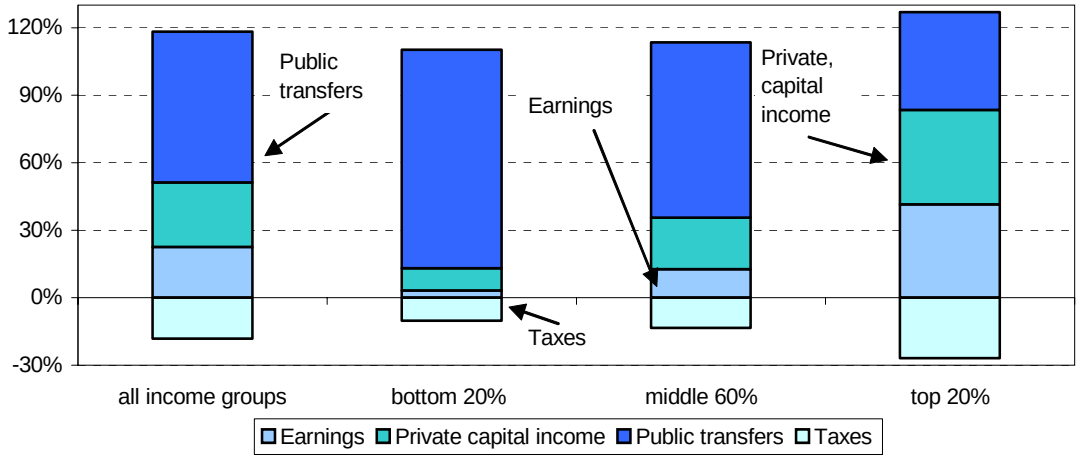


Figure 28. Distributive shape of public transfers and private capital income to the elderly and of disposable income of the working-age population, 2000 (cont.)



Source: Calculations from OECD questionnaire on distribution of household incomes.

Figure 29. Income composition among the older population by income groups, OECD average 2000



Source: Calculations from OECD questionnaire on distribution of household incomes.

BIBLIOGRAPHY

Atkinson A., L. Rainwater and T. Smeeding (1995), *Income Distribution in OECD Countries. Evidence from the Luxembourg Income Study*, OECD, Paris.

Atkinson, A. B. (1998), "Social Exclusion, Poverty and Unemployment", in Atkinson A. B. and J. Hills (eds.), *Exclusion, Employment and Opportunity*, Centre for Analysis of Social Exclusion, London School of Economics, Case Paper No. 4, London.

Atkinson A. B. (2002), "Income Inequality in OECD Countries: Data and Explanations", CESifo Working Paper No. 881.

Bradshaw J. and N. Finch (2003), "Overlaps in Dimensions of Poverty", *Journal of Social Policy*, 32,4, Cambridge.

Brewer M., A. Goodman, M. Myck, J, Shaw and A. Shephard (2004), "Poverty and Inequality in Britain: 2004", The Institute For Fiscal Studies, Commentary No. 96, London.

Burniaux J.M., T.-T. Dang, D. Fore, M.F. Förster, M. Mira d'Ercole and H. Oxley (1998), "Income Distribution and Poverty in Selected OECD Countries", *OECD Economics Department Working Paper*, No 189, March.

Caner A. and E. N. Wolff (2004), "Asset Poverty in the United States", *Public Policy Brief* No. 76, The Levy Economic Institute of Bard College, Annandale-on-Hudson.

Census Bureau (2003), "Supplemental Measures of Material Well-being : Expenditures, Consumption, and Poverty, 1998 and 2001", *Current Population Reports,* Special Studies, September.

Cohen-Solan M. and M. Leliévre (2003), « Niveau de vie et risqué de pauvreté parmi les retraités des pays européens », *Études et Résultats,* Direction de la Recherche des Études de l'Évaluation et des Statistiques, Ministère des Affaires sociales, du Travail et de la Solidarité, January, Paris.

Förster, M (1994), "Measurement of Low Incomes and Poverty in a Perspective of International Comparisons". *OECD Labour Market and Social Policy Occasional Paper,* No. 14. Paris.

Förster, M. and M. Pearson (2002), "Income Distribution and Poverty in the OECD Area: Trends and Driving Forces", *OECD Economic Studies*, No.34, Paris.

Förster, M., F. Mass and B. Marin *eds.* (2003), "Understanding Social Inclusion in a Larger Europe: An Open Debate". EUROSOCIAL 71/03, European Centre for Social Welfare Policy and Research, Vienna.

Freeman R. B. (2001), "The Rising Tide Lifts….?", National Bureau of Economic Research Working Paper 8155, March, Cambridge.

Gallie D. and S. Paugman (2002), *Social Precarity and Social Integration,* European Commission, Employment & social affairs, October, Brussels.

Greenstein R. and I. Shapiro (2003), "The New, Definitive CBO Data on Income and Tax Trends", Center on Budget and Policy Priorities, September, Washington D.C.

Goodman A., M. Myck and A. Shephard (2003), "Sharing in the Nation's Prosperity? Pensioner Poverty in Britain", Institute for Fiscal Studies, London.

Krueger A. and F. Perri (2002), "Does Income Inequality Lead to Consumption Inequality?", National Bureau of Economic Research Working Paper No. 9202, Cambridge.

OECD (1998), *Maintaining Prosperity in an Ageing Society,* OECD, Paris.

OECD (2001), *Ageing and Income,* OECD, Paris.

OECD (2002), *OECD Employment Outlook 2002,* OECD, Paris.

OECD (2003), "More and Better Jobs? Aggregate Performance During the Past Decade", *OECD Employment Outlook,* OECD, Paris.

Siminski, P. Saunders, S. Waseem and B. Bradbury (2003), "Reviewing the Intertemporal Consistency of ABS Household Income Data with External Aggregates", *Australian Economic Review*, Vol. 33, Issue 3, September.

Ritakallio T.M. (2003), "The Importance of Housing Costs in Cross-National Comparisons of Welfare (State) Outcomes", Department of Social Policy, University of Turku, Turku.

Teekens, R. and A. Zaidi (1990), "Relative and absolute poverty in the European Community", *Analysing Poverty in the European Community*, EUROSTAT, Luxemburg.

UNICEF (2000), "A League Table of Child Poverty in Rich Countries", Innocenti Report Card, Issue No. 1, June, Florence.

Welniak E. J. (2003), "Measuring Household Income Inequality Using the CPS", *Special Studies in Federal Tax Statistics,* Annual Meetings of the American Statistical Association.

ANNEX 1. CHARACTERISTICS OF THE DATA USED IN THE ANALYSIS

58. This annex describes the main features of the data used in this paper: both those that are common to the datasets of different countries and those that differ across countries and that are likely to distort comparisons. The basic concept underlying the data and indicators presented in this paper is that of *household disposable income*. To account for possible scale economies in consumption, household income is "equivalised" using the square root of household size.[55] Information is presented for various breakdowns of individuals and households: age of individuals, in the first case; age of the household head (below and above 65), presence of children (persons aged below 18), presence of other adults, and work status of household members (allowing to distinguish between households with zero, one, and two or more workers), in the second.

59. Because of the emphasis, in this paper, on changes in income inequality and poverty, an effort was made to improve data comparability over time for individual countries. To that effect, in cases of major changes in national survey methods (e.g. Sweden and Canada in 1995)[56], data have been collected on both the "old" and "new" bases, so as to allow chain-linking of various indicators. The use of a common questionnaire and methodology (e.g. in terms of equivalence of scales, income components, and poverty thresholds) also allows better comparisons of levels of the different variables across countries. However, the national data used in this paper differ in certain aspects that escape "standardisation" across countries, and this may affect cross-country comparisons. Detailed characteristics of country data are shown in Annex Table 1. Some of the main features that may affect comparisons across countries and time include the following:

- ***Differences in the definition of households***. For most countries, households refer to a group of people living in the same house and having common provisions for essential items. In some countries, however, children above a given age are considered as a separate household unit (e.g. Sweden until the mid-1990s), even if living in their parents' home. More restrictive definitions of "household" will tend to reduce household size and equivalised income (and increase poverty rates) relative to other countries.

- ***Period over which income is assessed***. Data generally refer to income in the year preceding the interview, with the exception of Austria (date relate to monthly income) and Spain (data relate to quarterly income). Even for countries where annual income data are shown, however, income may be assessed over a shorter reference period and then converted to an "annual equivalent" (e.g., data refer to weekly income in the United Kingdom, while in Australia the reference period differs across income sources). Countries using shorter reference periods to measure income will generally display higher poverty rates because of the greater volatility of weekly income and higher probability of recording periods of "temporary" income shortfalls (i.e. poverty rates are likely to be higher than would have been found had income been recorded on an annual basis).

---

55 This implies that, to keep economic well-being unchanged, household income needs to increase by 41% when a second member joins the household, by a further 32% for a third one, and by 26% for the fourth.

56 In the case of Canada, the *Survey of Labour and Income Dynamics* is used in place of the *Survey of Consumer Finances* starting in 1995. In the case of Sweden, the definition of households changed in 1995.

- ***Gross and net income.*** All income components are generally reported on a "gross" basis, i.e. before deduction of direct and payroll taxes (social security contributions) paid by individuals and households. Exceptions are Austria, the Czech Republic (for 2000), Greece, Hungary, Mexico, Poland, Spain and Turkey, where income components are recorded on a "net" basis (i.e. information on taxes paid is not available). Even for countries where taxes are separately identified, however, there are differences in the way these are computed, with some countries relying on data as reported by respondents (e.g. Japan, France), others on values from tax records (e.g. Belgium, Denmark), and others still on values "imputed" though microsimulation models applied to individual records (e.g. Italy, New Zealand, Portugal). In the latter case, cross-country differences in the details and assumptions used (e.g. with respect to tax evasion) may affect the comparability of results.[57]

- ***Income components.*** The data generally distinguish between earnings (broken down into the earnings of the household head, of the spouse and of other household member)[58]; self-employment income; capital income (rents, dividends and interest); and current transfers received by households.[59] Capital income is generally limited to income paid in cash (however, in the case of Denmark, Germany and Turkey, imputed rents of home-owners are included). Current transfers refer to cash transfers paid by government to individuals and households. Because of the exclusion of in-kind transfers, changes in the nature of government support (e.g. from provision of social housing at subsidised rates to housing benefits paid in cash) may distort results. Private transfers are generally included with capital incomes, with a few exceptions[60]. In some cases (e.g. the United States), microsimulation models have been used to impute values of some cash benefits (Earned Income Tax Credit, food stamps and housing benefits) that are not recorded in surveys.

- ***Recording of private pensions.*** There are large differences across countries in terms of the nature and institutional arrangements governing private pensions. These differences relate both to their mandatory or voluntary character, and to the nature of the agencies that are responsible for their management and administration (i.e. in some cases, they may be part of the social security administration, while in others they may be fully private). Also, private pensions are sometimes not separately identified in the household surveys of some countries. Because of these differences, private pensions that are substantially similar may be recorded differently across countries: as part of "capital income" in most countries, or as part of "public transfers" in Austria, the Czech Republic, Germany (prior to 2001)[61], Hungary, Italy and Mexico (in these countries, however, private pensions are very small). No attempt has been made to correct for these discrepancies in classifications.

---

57 For example, because of the complexities of the German tax system, only standard deductions are considered by the German micro-simulation model used to generate the data presented in this paper.

58 This breakdown of earnings, however, is not available in the case of Hungary, Norway and a few other countries.

59 Negative income components are generally bottom coded to zero.

60 In Sweden, for instance, part of alimonies are included in current government transfers as, for a number of families, there is a public intermediary between the parents.

61 In Germany, private pensions are included in "capital income" only in 2001; for previous years, when private pensions were not separately identified in the survey, they are included in "public transfers".

Annex Table A.1. National sources and data adjustments

Country	*Survey-source*	*Year to which income refers*	*Period over which income is assessed*	*Sample size and response rate most recent year*	*Definition of households*	*Recorded income*	*Integration of survey data*	*Other data features*
Australia	*Household Expenditure Survey*	1984 1989 1994 1999	June to June, except 1984 (calendar year)	About 8,900 households and 78% response rate	Persons living together in a private dwelling and having common provision for food and other essentials of living	Current income from wages and salaries and government transfers. Annual income from other sources is pro-rated to a weekly equivalent	Personal income taxes were collected until 1993-94 and imputed thereafter	Negative income bottom coded to zero. Features of the 1975/76 survey skew the distribution away from the bottom end, distorting analysis of changes over time.
Austria	*Micro census*	1983 1993 1999		67% for income questions		Net income. Incomes are monthly averages. Income data exclude capital incomes and self-employment incomes (if the self-employed person is the household head)	All income data are collected net of taxes and social security contributions and those are not imputed.	Income components asked on individual level. Imputation of non-response (1993, 1999).
Canada	*Survey of Consumer Finances* *Survey of Labour and Income Dynamics*	1975 1985 1995 1995 2000	Income over the full calendar year	About 30,000 households and 85% response rate	A person, or group of persons, residing in a dwelling	Market income and government benefits, net of income taxes	Amounts received through some government transfers derived from other sources. Survey data on taxes are complete and do not require imputation	Income items which were coded as non-response in SLID were set to zero
Czech Republic	*Micro census*	1992 1996 2002		About 38,000 dwellings and 76% response rate	Private households	Annual disposable income in each year. For 1992 no information on "taxes" is available		No imputation, no negative incomes.

Country	*Survey-source*	*Year to which income refers*	*Period over which income is assessed*	*Sample size and response rate most recent year*	*Definition of households*	*Recorded income*	*Integration of survey data*	*Other data features*
Denmark	*The Danish Law Model System*	1983 1994 2000	Annual income	About 170,000 persons. For all these persons, income data are based on registers.	Couples include both married and cohabitating partners. Children above 17 living at home are considered as separate households	Disposable income net of personal taxes and contributions to private pension schemes	Data are derived from several tax and benefits registers (the Danish Law Model is not a survey).	Negative incomes are set to zero. Payments from private pension schemes are included in capital income
Finland	*Household Budget Survey* *Finnish Income Distribution Survey*	1976 1986 1995 2000		Around 13,000 households and 75% response rate	Persons living in private households			
France	*Family Budget Survey*	1984 1989 1994 2000	Annual income if the 12 moths preceding the survey	Around 10,000 households and 70% response rate	Persons living in the same housing unit	Values for individual income components are aggregated into total income	Income, housing and property taxes as declared in the survey. Social security contributions paid by workers are excluded. Capital income in 2000 estimated by applying an average rate of return to survey-measure of asset holdings	Negative incomes are replaced with values over the three preceding years. Missing data are imputed.
Germany	*Socio-Economic Panel*	1984 1989 1994 2001 (old länder) 1994 2001 (all länder)	Annual income in the year preceding the survey	Around 13,000 households, initial response rate over 50%, cross-sectional response rate over 95%	People living together and sharing their income	Self-employment income is included in "earnings", occupational pensions in “current transfers”, private pensions in “capital income”	Direct taxes and social-security contributions paid by workers are imputed from micro-simulation models	Income below the social minimum of DM 5000 per year is excluded.

Country	*Survey-source*	*Year to which income refers*	*Period over which income is assessed*	*Sample size and response rate most recent year*	*Definition of households*	*Recorded income*	*Integration of survey data*	*Other data features*
Greece	*Household Budget Survey*	1974 1988 1994 1999		96% 93% 86% 84%	Private households	All incomes in cash, net of taxes and social insurance contributions		Missing incomes - households that did not provide income information - excluded from the sample
Hungary	*Hungarian Household Panel* *Household Monitor Survey*	1991 1995 2000	From April of the year in question to following March	About 2,000 households and 67% response rate	Private households	Incomes in cash, net of taxes and social insurance contributions		No negative incomes. Missing incomes excluded in 1992, partly replaced by imputed values in 1996 and 2001
Ireland	*Survey of Income Distribution Living in Ireland Survey*	1987 1994 2000	Current weekly income	About 3,500 households and 69% response rate	Persons living together, sharing budget arrangements, and meeting at least once per week for meals. Persons temporarily absent and living in collective households also included	Income excluding non-monetary components		
Italy	*Bank of Italy Survey of Household Income and Wealth*	1984 1991 1993 1995 2000	Annual income	About 8,000 households and 38% response rate	Persons living in the same dwelling and contributing part of their income to the household	Disposable income Income from financial assets (not available in 1984), “gifts” and family benefits excluded in all years.	Gross income data based on a micro-simulation model to estimate income taxes and social security contributions paid by workers	Micro-simulation models used for 1995 and 2000 differ slightly from that used for previous years. Private transfers and pensions (minor items in Italy) are included in "public transfers"

Country	*Survey-source*	*Year to which income refers*	*Period over which income is assessed*	*Sample size and response rate most recent year*	*Definition of households*	*Recorded income*	*Integration of survey data*	*Other data features*
Japan	*Comprehensive Survey of Living Condition of the People on Health and Welfare*	1985 1995 2000	Annual income in the year preceding the survey	About 32,000 households and 80% response rate	Persons sharing the same housing unit and livelihood. Data exclude households headed by a person aged less than 17, and all individuals whose age is not recorded	Gross income All income items as reported in the survey	Negative disposable income allowed, negative values for income components set to zero	Persons with income three times larger than the standard deviation excluded (1.6% of all persons in 1995 and 1.3% in 2000)
Luxembourg	*Panel Socio-Economique Liewen zu Lëtzebuerg*	1986/87 1996 2001	Annual income	About 2,300 households and 57% response rate		All types of incomes in cash, net of taxes and social insurance contributions		Include all private households in which at least one person belongs to national social security system (around 97% of the population). Negative incomes set to zero
Mexico	*Survey of Household Income and Expenditure*	1984 1994 2002	Income in the 3rd quarter of each year.	About 20,000 households and 85% response rate in 2002	Persons normally sharing a housing unit and having common expenditure for food	Quarterly cash income net of direct taxes and soc. security contributions. Income items as reported in the survey	Private pensions cannot be separately identified and are included in "public transfers"	
Netherlands	*Income Panel Survey*	1977 1985 1990 1995 2000		About 82,000 households and 100% response rate (data from tax registers)	Persons living at the same dwelling and running a common budget			Data exclude persons with zero or negative disposable household income
New Zealand	*Household Economic Survey*	1986 1991 1996 2001	June to June in all years except 2001 (June to March period)	About 2,800 households and 73% response rate	Persons sharing a private dwelling and normally spending four or more nights a week in it	Disposable income All receipts received regularly or of a recurring nature	Direct taxes and social security contributions paid by households imputed through microsimulation models	Missing incomes are treated as zeros

Country	*Survey-source*	*Year to which income refers*	*Period over which income is assessed*	*Sample size and response rate most recent year*	*Definition of households*	*Recorded income*	*Integration of survey data*	*Other data features*
Norway	*The Income Distribution Survey*	1986 1995 2000	Calendar year	About 13,000 households and 75% response rate	All individuals in the same dwelling having common housekeeping	Annual disposable income. All income data collected from registers		No missing data, negative income set to zero. Non-respondents included in sample with missing data replaced by data from registers
Poland	*Consortium for Household Economic Research Panel Database*	1995 2000		About 7,700 households and 100% response rate		Annual disposable income		Missing values imputed or set to zero
Portugal	*Household Budget Survey*	1980 1990 1995 2000	Income in the year preceding the interview	About 10,000 households and response rate close to 100% in all years	Persons living in the same dwelling	Gross income, excluding all non-monetary components		
Spain	*Continuous survey of household budgets*	1985 1990 1995	Income in the 2nd quarter of each year	About 3,200 households and 90% response rate in 1995	Persons sharing a common budget	Quarterly disposable income		All income components are on a net basis
Sweden	*Income Distribution Survey*	1975 1983 1991 1995 2000	Calendar year	About 14,500 households and 75% response rate. Data based on tax registers, complemented with survey data.	All individuals living together and sharing household resources.	Annual disposable income. All income data collected from tax records		No missing incomes, negative incomes included, households with negative disposable incomes deleted.
Switzerland	*Income and Consumption Survey*	1998 2000 2001		About 3,700 households and 35% response rate		Monthly gross and net income		No negative incomes, missing incomes imputed

Country	*Survey-source*	*Year to which income refers*	*Period over which income is assessed*	*Sample size and response rate most recent year*	*Definition of households*	*Recorded income*	*Integration of survey data*	*Other data features*
Turkey	*Household Income and Consumption Survey*	1987 1994 2002						
United Kingdom	*Family Expenditure Survey*	1975 1985 1991 1995 2000	Income at the time of the interview for most items (over the previous 12 months for capital and self-employment income)	About 10,000 households and 60% response rate	Persons living in the same dwelling	Weekly gross income		Missing values excluded, negative values included
United States	*Current Population Survey*	1974 1984 1995 2000	Year preceding the March interview	About 50,000 households and 95% response rate	Persons occupying a housing unit.	Gross annual income	Model-based estimates of taxes paid by each household and in-kind government benefits added to survey data of gross annual income	Negative values allowed when below $10

ANNEX 2. POVERTY THRESHOLDS USED IN THE ANALYSIS

60. The thresholds used in this paper to measure relative poverty are based on percentages (50% and 60%) of the median equivalised disposable income of all individuals, where household disposable income is equivalised using the square root of household size. These thresholds, for the latest available year, are shown in Annex Table 2. For example, for the United States, median equivalised disposable income of all individuals in 2000 is USD 23,954 per year (in current prices), and the poverty threshold (at 50% of the median) is USD 11,977 (second column). To ease interpretation, thresholds can also be expressed on a "non-equivalised" basis (i.e. with no adjustment for household size). A person living alone (whose "equivalised" and "non-equivalised" income are identical) will be considered as (relative) "poor" when his disposable income is less than USD 11,977 (column 3), while a household composed of two adults and one child will be counted as poor when its total household income is less than USD 20,745 (column 5). It should be noted, however, that these "non-equivalised" thresholds differ from those that would be obtained by applying a different elasticity for household size to micro data (*e.g.* if all individuals had been ranked by their household income, with no adjustment for household size, median income and poverty thresholds would have differed from those shown below). Annex Table 2 also shows (in the last column) values of the poverty thresholds for a singe adult as a percentage of the take-home pay of an average production worker; in most OECD countries, poverty thresholds for a single person are in a range between 40% and 60% of the take-home pay of an average production worker, although they are higher (Hungary) and lower (Australia, Japan, Mexico, New Zealand, Poland and Turkey) in some countries.

Annex Table 2. Values of the thresholds used in this paper for measuring relative poverty at half of median disposable income

			Poverty thresholds, non-equivalised disposable household income				
	Latest year	50% of nominal equivalised disposable household income, nat. curr.	Single adult	Single adult with one child	Two adults with one child	Two adults with two children	Poverty threshold for a single adult relative to take-home pay of an average production worker
Australia	1999	10,617	10,617	15,015	18,389	21,234	36%
Austria	1999	104,972	104,972	148,453	181,817	209,944	47%
Canada	2000	13,019	13,019	18,412	22,550	26,039	49%
Czech Rep.	2000	63,025	63,025	89,131	109,163	126,051	46%
Denmark	2000	83,391	83,391	117,933	144,438	166,783	53%
Finland	2000	49,733	49,733	70,333	86,139	99,465	49%
France	2000	48,284	48,284	68,284	83,631	96,568	48%
Germany	2001	14,998	14,998	21,210	25,977	29,996	40%
Greece	1999	1,359,057	1,359,057	1,921,997	2,353,956	2,718,114	49%
Hungary	2000	361,892	361,892	511,792	626,815	723,783	63%
Ireland	2000	6,668	6,668	9,429	11,549	13,335	48%
Italy	2000	11,601	11,601	16,406	20,093	23,201	41%
Japan	2000	138	138	195	239	276	38%
Luxembourg	2001	552,877	552,877	781,887	957,612	1,105,755	60%
Mexico	2002	13,050	13,050	18,455	22,603	26,100	23%
Netherlads	2000	20,325	20,325	28,743	35,203	40,649	51%
New Zealand	2001	10,208	10,208	14,436	17,681	20,416	33%
Norway	2000	99,701	99,701	140,999	172,687	199,402	52%
Poland	2000	5,740	5,740	8,117	9,941	11,479	37%
Portugal	2000	718,005	718,005	1,015,412	1,243,621	1,436,009	57%
Sweden	2000	78,833	78,833	111,486	136,542	157,665	52%
Switzerland	2001	22,384	22,384	31,656	38,770	44,768	45%
Turkey	2002	1,468,727	1,468,727	2,077,094	2,543,910	2,937,454	21%
United Kingdom	2000	5,981	5,981	8,459	10,360	11,962	43%
United States	2000	11,977	11,977	16,938	20,745	23,954	52%

Note: Data refer to annual disposable income. Values, as reported in country questionnaires, for the most recent year are expressed in prices of the base year. For the purpose of this table, these values have been adjusted in line with changes in the consumer price index. "Equivalised" disposable income is household disposable income divided by household size at the power 0.5.

ANNEX 3. SUPPORTING TABLES

Annex Table A.3. Trends in four income inequality indicators for the entire population

	Levels most recent year				Percentpoint change											
					Gini			P90/P10 decile ratio			SCV			MLD		
	Gini	P90/P10	SCV	MLD	Mid-70s to Mid-80s	Mid-80s to Mid-90s	Mid-90s to 2000	Mid-70s to Mid-80s	Mid-80s to Mid-90s	Mid-90s to 2000	Mid-70s to Mid-80s	Mid-80s to Mid-90s	Mid-90s to 2000	Mid-70s to Mid-80s	Mid-80s to Mid-90s	
Australia	30.5	4.1	33.7	17.4	..	-0.7	0.0	..	-0.4	0.2	..	1.2	-3.4	..	0.5	
Austria	25.2	3.3	22.5	5.6	..	0.2	1.4	..	0.1	0.3	..	1.4	1.2	..	-0.2	
Belgium*	27.2	3.2	41.6	14.0	..	1.2	..	..	-0.0	..	..	9.1	..	..	0.4	
Canada	30.1	3.8	55.9	16.2	-0.8	-0.4	**1.8**	-0.6	-0.2	**0.2**	4.0	0.7	**22.6**	-2.5	-1.0	
Czech Republic	26.0	3.0	36.0	11.2	..	**2.6**	**0.2**	..	**0.3**	**0.1**	..	**5.3**	**0.2**	..	**1.9**	
Denmark	22.5	2.7	38.2	9.2	..	*-1.6*	**1.2**	..	*-0.2*	**0.1**	..	*-6.1*	**9.6**	..	*-1.6*	
Finland	26.1	3.1	72.1	11.8	*-2.8*	**2.1**	**3.3**	*-0.5*	**0.1**	**0.3**	*-3.7*	**7.8**	**47.9**	*-3.0*	**1.2**	
France	27.3	3.4	31.3	12.8	..	0.3	*-0.5*	..	0.1	*-0.0*	..	6.9	*-9.1*	..	-0.8	
Germany	27.7	3.5	32.0	14.1	..	..	*-0.6*	..	..	*-0.0*	..	..	*-1.4*	..	..	
Germany old Länder	27.5	3.5	31.5	14.4	..	1.4	-0.2	..	0.2	0.1	..	-0.2	-0.1	..	2.4	
Greece	34.5	4.8	64.8	20.9	*-7.7*	0.0	**0.9**	*-2.1*	-0.2	**0.1**	*-47.9*	1.1	**8.2**	*-11.5*	-0.3	
Hungary	29.3	3.6	35.6	14.7	..	**2.1**	0.1	..	**0.3**	0.1	..	**12.1**	-10.8	..	**1.7**	
Ireland	30.4	4.4	36.0	16.0	..	-0.6	-2.1	..	-0.1	0.3	..	32.0	-60.0	..	-3.0	
Italy	34.7	4.6	66.8	24.3	..	**4.2**	*-0.1*	..	**0.9**	*-0.2*	..	**29.6**	*-3.1*	..	**7.6**	
Japan	31.4	4.9	33.6	19.6	..	**1.7**	**1.9**	..	**0.5**	**0.5**	..	**2.6**	**4.3**	..	**2.5**	
Luxembourg	26.1	3.2	30.7	11.2	..	**1.2**	0.2	..	**0.2**	-0.0	..	**2.6**	3.4	..	**1.0**	
Mexico	46.7	9.3	142.3	41.2	..	**6.9**	*-4.1*	..	**2.2**	*-1.6*	..	**154.6**	*-121.2*	..	**11.7**	

Annex Table A.3. Trends in four income inequality indicators for the entire population (cont.)

	Levels most recent year				Percentpoint change											
					Gini			P90/P10 decile ratio			SCV			MLD		
	Gini	P90/P10	SCV	MLD	Mid-70s to Mid-80s	Mid-80s to Mid-90s	Mid-90s to 2000	Mid-70s to Mid-80s	Mid-80s to Mid-90s	Mid-90s to 2000	Mid-70s to Mid-80s	Mid-80s to Mid-90s	Mid-90s to 2000	Mid-70s to Mid-80s	Mid-80s to Mid-90s
Netherlands	25.1	3.0	30.8	11.7	**0.7**	**2.1**	-0.4	**0.1**	**0.4**	-0.1	**2.7**	**2.5**	5.8	**0.6**	**2.3**
New Zealand	33.7	4.4	..	..	..	**6.1**	**0.6**	..	**0.6**	**0.4**	..	..	..	..	..
Norway	26.1	2.8	31.6	13.5	..	**2.2**	0.5	..	**0.1**	-0.2	..	**2.3**	1.1	..	**3.1**
Poland	36.7	4.2	118.3	23.7	..	..	*-2.1*	..	..	*-0.1*	..	..	*-93.5*	..	..
Portugal	35.6	5.0	59.2	21.4	..	**3.0**	*-0.3*	..	**0.4**	*-0.1*	..	**14.5**	*-3.1*	..	**3.6**
Spain*	30.3	4.1	36.9	20.4	..	*-2.5*	..	..	*-0.8*	..	..	*-41.7*	..	..	*-5.6*
Sweden	24.3	2.8	45.4	10.6	*-1.6*	1.4	**3.1**	*-0.2*	0.1	**0.3**	*-2.1*	8.0	**25.1**	*-1.8*	2.0
Switzerland	26.7	3.2	39.9	13.6	..	..	..	..	..	..	..	..	..	..	..
Turkey	43.9	6.5	145.2	33.6	..	**5.6**	*-5.2*	..	**0.3**	*-0.3*	..	..	..	..	..
United Kingdom	32.6	4.2	60.4	18.8	**3.8**	**2.5**	**1.4**	**0.5**	**0.5**	**0.1**	**10.3**	**8.6**	**17.7**	**3.1**	**3.0**
United States	35.7	5.4	75.5	24.8	**2.1**	2.4	-0.5	**0.7**	-0.0	-0.1	**4.1**	30.5	2.8	**2.3**	2.5
OECD 25	30.8	4.2	51.9	16.7			-0.1			0.0			-6.8		
OECD 20	30.8	4.3	50.2	16.7		1.8	0.2		0.3	0.1		15.9	-2.6		1.8
OECD 18	29.1	3.9	44.8	15.2		1.4	0.7		0.2	0.2		7.7	4.3		1.2

Notes: Most recent year refers to year around 2000, except for Belgium and Spain (1995). For Czech Republic, Hungary and Portugal, the period labelled "Mid-80s to mid-90s" refers to that from "early to mid-90s". OECD25 average includes all countries for which data are available for mid-90s and 2000. OECD20 average includes all countries for which data were available for mid-80s, mid-90s and 2000 and excludes Belgium, the Czech Republic, Hungary, Poland, Portugal, Spain and Switzerland. OECD18 average excludes, in addition, Mexico and Turkey. OECD25 uses data for reunified Germany, OECD20 and OECD18 use data for old Länder only.

Annex Table A.4. Distribution of market income components and disposable income across quintile groups, working-age population

	Earnings			Self-employment income			Capital income			Disposable income		
	bottom quintile	six middle deciles	top quintile	bottom quintile	six middle deciles	top quintile	bottom quintile	six middle deciles	top quintile	bottom quintile	six middle deciles	top quintile
Australia, 1999	**1.6**	**54.3**	**44.0**	**6.4**	**54.2**	**39.4**	**9.2**	**53.6**	**37.2**	**7.6**	**55.6**	**36.8**
change, 1984-1994	-1.3	16.0	-14.7	-2.3	9.1	-6.8	-1.0	-4.0	5.0	0.2	0.7	-0.9
change, 1994-1999	-0.1	-18.3	18.4	0.5	2.6	-3.1	1.2	6.0	-7.3	0.0	-0.1	0.1
Belgium, 1995	**3.3**	**57.7**	**39.1**	**4.7**	**29.4**	**65.9**	**3.0**	**24.1**	**72.9**	**8.7**	**54.8**	**36.4**
Canada, 2000	**4.3**	**55.1**	**40.6**	**8.6**	**35.7**	**55.6**	**6.5**	**49.1**	**44.4**	**7.5**	**54.5**	**38.0**
change, 1985-1995	0.9	-2.1	1.2	2.4	13.8	-16.2	1.1	10.4	-11.5	2.4	-0.8	-1.6
change, 1995-2000	-0.3	-1.3	1.6	2.4	-2.1	-0.3	0.0	3.7	-3.7	-0.5	-0.8	1.4
Czech Republic, 2002	5.9	55.3	38.8	4.4	35.4	60.2	13.7	31.4	54.9	9.8	54.1	36.1
change, 1996-2002	-0.2	-2.1	2.2	-0.1	4.8	-4.7	6.7	3.1	-9.8	-0.4	-0.3	0.7
Denmark, 2000	**4.6**	**58.0**	**37.5**	**5.0**	**39.6**	**55.4**	**6.0**	**39.1**	**54.8**	**10.2**	**57.2**	**32.7**
change, 1983-1994	-1.2	-1.0	2.2	-8.3	-6.4	14.7	-1.5	2.2	-0.7	0.1	0.6	-0.7
change, 1994-2000	0.2	0.0	-0.2	-0.6	-0.7	1.3	-5.4	-6.7	12.1	-0.4	-0.6	0.9
Finland, 2000	**3.8**	**56.7**	**39.6**	**6.0**	**43.2**	**50.8**	**10.5**	**46.0**	**43.5**	**9.2**	**55.6**	**35.2**
change, 1986-1995	-2.5	-2.3	4.8	-4.5	-5.6	10.0	-5.2	0.7	4.5	-0.6	-1.7	2.3
change, 1995-2000	0.5	1.4	-1.9	-1.6	-1.7	3.3	-1.2	-7.8	9.0	-0.8	-0.9	1.6
France, 2000	**5.5**	**54.6**	**39.9**	**7.0**	**32.4**	**60.6**	**8.5**	**40.2**	**51.3**	**9.1**	**54.2**	**36.7**
change, 1984-1994	-0.4	-0.5	0.9	-3.9	-4.7	8.7	-1.1	-4.5	5.6	0.0	-1.0	1.0
change, 1994-2000	0.1	0.0	0.0	-0.8	2.4	-1.6	0.6	2.9	-3.4	0.0	0.3	-0.3
Germany (old Länder), 2001	**5.7**	**59.4**	**34.9**	**1.5**	**25.5**	**73.0**	**7.7**	**36.3**	**56.0**	**8.5**	**55.7**	**35.8**
change, 1984-1994	-0.8	-0.7	1.5	0.8	0.6	-1.4	-0.4	3.9	-3.4	-0.9	0.3	0.6
change, 1994-2001	-0.4	0.8	-0.4	-1.5	-5.8	7.3	-2.6	3.2	-0.6	-0.1	-0.1	0.2

Annex Table A.4. Distribution of market income components and disposable income across quintile groups, working-age population (cont.)

	Earnings			Self-employment income			Capital income			Disposable income		
	bottom quintile	six middle deciles	top quintile	bottom quintile	six middle deciles	top quintile	bottom quintile	six middle deciles	top quintile	bottom quintile	six middle deciles	top quintile
Germany, 2001	**4.9**	**58.5**	**36.6**	**1.5**	**27.2**	**71.3**	**8.3**	**34.8**	**56.9**	**8.4**	**55.4**	**36.1**
change, 1994-2001	-0.6	0.3	0.3	-1.4	-0.6	1.9	-1.4	3.5	-2.0	-0.1	0.3	-0.2
Ireland, 2000	**3.1**	**57.4**	**39.5**	**6.3**	**45.1**	**48.5**	**6.9**	**48.1**	**45.0**	**7.5**	**56.2**	**36.2**
change, 1987-1994	0.0	0.3	-0.3	1.0	3.2	-4.2	0.5	0.1	-0.6	0.7	0.5	-1.2
change, 1994-2000	1.3	3.8	-5.1	1.0	7.5	-8.5	0.5	2.1	-2.6	-0.2	3.5	-3.2
Italy, 2000	**5.9**	**61.5**	**32.6**	**3.1**	**27.6**	**69.3**	**1.8**	**23.4**	**74.8**	**6.5**	**52.5**	**41.0**
change, 1984-1995	-1.8	-0.3	2.1	-0.4	-6.1	6.6	-2.0	-5.7	7.7	-1.6	-1.2	2.8
change, 1995-2000	0.8	2.3	-3.1	-1.0	-1.4	2.4	-0.2	-12.6	12.8	0.2	0.0	-0.1
Japan, 2000	**5.0**	**55.5**	**39.6**	**14.3**	**51.7**	**34.0**	**12.3**	**41.3**	**46.4**	**6.7**	**55.7**	**37.5**
change, 1985-1994	-0.8	-0.5	1.3	-3.7	1.6	2.1	0.5	5.7	-6.2	-0.7	0.3	0.5
change, 1994-2000	-0.1	-0.7	0.9	-1.8	0.9	0.9	-3.6	2.3	1.3	-0.7	-0.6	1.3
Netherlands, 2000	**5.3**	**57.9**	**36.8**	**4.9**	**37.2**	**57.9**	**4.7**	**58.3**	**37.0**	**9.2**	**56.6**	**34.2**
change, 1985-1995	-1.7	0.2	1.5	0.6	2.5	-3.0	0.0	7.5	-7.5	-1.3	0.4	0.9
change, 1995-2000	1.1	0.1	-1.2	-0.1	-0.1	0.2	-0.3	-5.8	6.1	0.2	0.1	-0.2
New Zealand, 2001	**3.2**	**54.3**	**42.5**	**5.2**	**42.1**	**52.7**	**4.7**	**35.9**	**59.4**	**7.2**	**52.6**	**40.2**
change, 1986-1996	-2.2	-1.5	3.6	-2.4	-12.2	14.6	1.0	-0.5	-0.5	-1.4	-3.2	4.6
change, 1996-2001	0.0	-1.2	1.2	0.8	10.7	-11.5	-1.6	-8.1	9.7	-0.4	-0.1	0.4
Norway, 2000	**5.7**	**58.8**	**35.5**	**5.7**	**40.3**	**54.0**	**5.2**	**27.4**	**67.4**	**9.4**	**55.0**	**35.6**
change, 1986-1995	-2.6	0.0	2.6	-1.4	-3.1	4.5	-3.7	-16.9	20.5	-1.2	-0.5	1.6
change, 1995-2000	0.4	-2.3	1.9	2.3	6.5	-8.9	-1.0	-6.6	7.6	0.2	-1.6	1.4
Portugal, 2000	**4.9**	**48.3**	**46.9**	**11.1**	**49.4**	**39.5**	**4.2**	**35.7**	**60.1**	**7.2**	**50.0**	**42.8**
change, 1990-1995	-1.6	-3.4	5.0	-1.9	-5.7	7.7	-8.9	-8.5	17.4	-3.1	-2.6	5.7
change, 1995-2000	0.5	-1.5	1.0	0.9	-1.2	0.3	-0.4	-3.0	3.4	0.1	-1.1	1.0

Annex Table A.4. Distribution of market income components and disposable income across quintile groups, working-age population (cont.)

	Earnings			Self-employment income			Capital income			Disposable income		
	bottom quintile	six middle deciles	top quintile	bottom quintile	six middle deciles	top quintile	bottom quintile	six middle deciles	top quintile	bottom quintile	six middle deciles	top quintile
Sweden, 2000	**5.0**	**56.0**	**39.1**	**12.8**	**52.4**	**34.8**	**4.2**	**34.7**	**61.1**	**9.8**	**56.2**	**34.1**
change, 1983-1995	-0.3	-1.4	1.6	-5.3	-2.8	8.1	1.4	-0.4	-1.1	1.2	-1.6	0.4
change, 1995-2000	-0.3	-0.6	0.9	-6.8	-1.7	8.6	-0.6	-4.1	4.7	-0.8	-1.1	1.9
Switzerland, 2001	**6.8**	**55.8**	**37.4**	**19.5**	**46.9**	**33.6**	**17.4**	**48.4**	**34.2**	**9.1**	**55.5**	**35.4**
United Kingdom, 2000	**3.0**	**54.3**	**42.6**	**4.2**	**32.8**	**63.0**	**5.8**	**51.3**	**42.8**	**7.7**	**52.9**	**39.4**
change, 1985-1995	-0.3	-2.9	3.2	-1.9	0.4	1.4	-1.8	0.7	1.2	-0.8	-1.2	2.0
change, 1995-2000	0.1	0.0	-0.1	-1.5	-8.2	9.7	0.6	1.8	-2.4	-0.3	-0.9	1.1
United States, 2000	**4.1**	**51.1**	**44.8**	**4.5**	**44.1**	**51.4**	**3.8**	**38.6**	**57.5**	**6.2**	**53.0**	**40.8**
change, 1984-1995	-0.2	-3.9	4.1	-0.5	-2.0	2.4	-1.0	-3.0	4.0	-0.2	-2.2	2.4
change, 1995-2000	0.3	-0.1	-0.2	-1.3	2.2	-0.9	0.5	1.3	-1.9	0.0	0.4	-0.5
Average (17) 2000	**4.5**	**55.8**	**39.7**	**6.5**	**40.5**	**52.9**	**6.8**	**40.6**	**52.6**	**8.2**	**54.6**	**37.2**
change 85-95	-1.1	-0.1	1.2	-2.0	-1.5	3.5	-2.0	-2.1	4.1	-0.6	-0.8	1.4
change 95-2000	0.2	-1.2	0.9	-0.5	0.9	-0.3	-0.4	-1.7	2.1	-0.2	-0.2	0.5

Note: Average (17) excludes Belgium and Switzerland.

Annex Table A.5. Distribution of non-pension transfers and taxes across quintile groups, working-age population

	Public non-pension transfers			Direct taxes		
	bottom quintile	six middle deciles	top quintile	bottom quintile	six middle deciles	top quintile
Australia, 1999	**46.3**	**50.4**	**3.3**	**0.8**	**47.3**	**51.8**
change, 1984-1994	-0.2	3.5	-3.4	-4.8	-5.2	10.0
change, 1994-1999	2.2	-2.3	0.1	0.0	0.5	-0.5
Austria, 1999	**28.8**	**59.7**	**11.5**	**..**	**..**	**..**
change, 1983-1993	2.6	-0.7	-1.9	..	..	..
change, 1993-1999	5.7	-2.9	-2.8	..	..	..
Belgium, 1995	**27.4**	**59.4**	**13.2**	**1.3**	**49.4**	**49.3**
Canada, 2000	**25.3**	**54.8**	**19.9**	**3.8**	**49.1**	**47.1**
change, 1985-1995	-0.5	-1.5	2.0	0.6	1.2	-1.7
change, 1995-2000	4.8	-5.4	0.6	0.1	-2.3	2.2
Czech Republic, 2002	**46.2**	**46.9**	**6.9**	**4.0**	**47.4**	**48.6**
change, 1996-2002	10.6	-9.6	-1.0	-0.3	-2.7	3.0
Denmark, 2000	**33.2**	**58.5**	**8.3**	**6.2**	**53.3**	**40.6**
change, 1983-1994	6.6	-3.1	-3.4	0.3	-3.3	3.0
change, 1994-2000	3.7	-1.6	-2.1	-0.8	-1.9	2.7
Finland, 2000	**38.0**	**54.0**	**8.0**	**4.3**	**49.9**	**45.8**
change, 1986-1995	1.9	-0.1	-1.8	-0.5	-1.4	2.0
change, 1995-2000	7.3	-6.6	-0.7	-0.7	-1.3	2.0
France, 2000	**33.5**	**56.3**	**10.2**	**7.0**	**37.6**	**55.3**
change, 1984-1994	4.7	-2.2	-2.5	-3.1	-3.8	6.9
change, 1994-2000	1.9	-2.6	0.7	1.1	0.4	-1.5
Germany (old Ld.), 2001	**27.1**	**56.5**	**16.4**	**3.9**	**53.0**	**43.1**
change, 1984-1994	-3.7	4.2	-0.5	-0.7	1.8	-1.1
change, 1994-2001	-7.3	0.6	6.7	-0.6	-1.0	1.7
Germany, 2001	**28.0**	**56.6**	**15.4**	**3.3**	**52.1**	**44.6**
change, 1994-2001	-5.0	-1.1	6.2	-0.7	-1.1	1.8
Greece, 1999	**12.1**	**58.1**	**29.9**	**..**	**..**	**..**
change, 1988-1994	-1.4	0.0	1.4	..	..	..
change, 1994-1999	-4.4	-2.7	7.2	..	..	..
Hungary, 2000	**25.5**	**56.7**	**17.8**	**..**	**..**	**..**
change, 1991-1995	4.8	-4.8	0.0	..	..	..
change, 1995-2000	0.5	-1.3	0.8	..	..	..
Ireland, 2000	**34.2**	**55.1**	**10.6**	**2.0**	**50.4**	**47.6**
change, 1987-1994	1.4	0.8	-2.2	-0.2	0.1	0.1
change, 1994-2000	-1.5	-3.7	5.2	0.6	3.1	-3.7

Annex Table A.5. Distribution of non-pension transfers and taxes across quintile groups, working-age population (cont.)

	Public non-pension transfers			Direct taxes		
	bottom quintile	six middle deciles	top quintile	bottom quintile	six middle deciles	top quintile
Italy, 2000	**20.8**	**57.9**	**21.2**	**3.3**	**47.7**	**48.9**
change, 1984-1995	-2.3	-0.8	3.1	-2.0	-2.3	4.3
change, 1995-2000	2.1	4.9	-6.9	-0.3	-0.3	0.6
Japan, 2000	**36.7**	**45.6**	**17.8**	**7.9**	**52.8**	**39.3**
change, 1985-1994	-5.5	8.6	-3.1	-2.4	-0.3	2.7
change, 1994-2000	3.9	-7.5	3.6	1.5	1.3	-2.8
Luxembourg, 2001	**26.6**	**58.7**	**14.7**	**..**	**..**	**..**
change, 1986-1996	-2.1	4.2	-2.1	..	..	..
change, 1996-2001	-1.7	2.5	-0.7	..	..	..
Netherlands, 2000	**47.1**	**45.6**	**7.4**	**5.8**	**54.2**	**39.9**
change, 1985-1995	4.9	-4.3	-0.6	-1.3	0.3	1.0
change, 1995-2000	4.2	-1.7	-2.5	-0.2	-0.4	0.6
New Zealand, 2001	**47.4**	**48.6**	**4.0**	**1.9**	**46.2**	**51.9**
change, 1986-1996	5.2	-4.0	-1.2	-2.7	-1.3	4.0
change, 1996-2001	1.4	-2.2	0.7	0.0	-3.8	3.8
Norway, 2000	**31.9**	**56.1**	**12.0**	**5.1**	**52.8**	**42.1**
change, 1986-1995	1.5	1.3	-2.7	-1.8	-3.1	4.9
change, 1995-2000	1.4	-2.8	1.4	0.4	-1.7	1.3
Portugal, 2000	**14.1**	**57.3**	**28.6**	**3.8**	**39.5**	**56.6**
change, 1990-1995	**21.8**	**57.9**	**20.4**	**4.8**	**39.5**	**55.8**
change, 1995-2000	-3.1	5.2	-2.2	-1.2	-9.5	10.8
Poland, 2000	**20.8**	**66.5**	**12.8**	**..**	**..**	**..**
change, 1995-2000	1.7	2.2	-4.0	..	..	..
Spain, 1995	**26.0**	**61.8**	**12.1**	**..**	**..**	**..**
change, 1985-1995	3.9	0.7	-4.6	..	..	..
Sweden, 2000	**33.0**	**55.7**	**11.4**	**6.1**	**52.8**	**41.2**
change, 1983-1995	2.3	0.6	-2.9	1.2	0.3	-1.5
change, 1995-2000	1.2	-3.1	1.9	-1.0	-1.1	2.1
Switzerland, 2001	**29.4**	**58.6**	**11.9**	**12.9**	**53.0**	**34.1**
United Kingdom, 2000	**62.2**	**35.5**	**2.4**	**2.5**	**48.1**	**49.5**
change, 1985-1995	-2.0	3.1	-1.1	-0.3	-5.8	6.1
change, 1995-2000	2.3	-2.4	0.0	-0.2	-0.5	0.7
United States, 2000	**33.6**	**50.9**	**15.5**	**1.8**	**41.1**	**57.1**
change, 1984-1995	-2.7	-0.8	3.6	-0.3	-6.0	6.2
change, 1995-2000	-0.3	-0.2	0.5	0.0	0.6	-0.6
Average (17) 2000	**36.4**	**52.1**	**11.5**	**4.2**	**48.4**	**47.4**
change 85-95	1.2	0.3	-1.5	-1.3	-2.4	3.8
change 95-2000	2.7	-2.7	0.0	0.0	-0.7	0.6

Note: Average (17) excludes Austria, Belgium, Greece, Hungary, Luxembourg, Poland, Spain and Switzerland.

Annex Table A.6. Relative disposable incomes and population shares by age groups

Per cent, and changes in percentage points

	Age 0-17		Age 18-25		Age 26-40		Age 41-50		Age 51-65		Age 66-75		Age 76 and over	
	Relative income	*Pop. share*	*Relative income*	*Pop. share*	*Relative income*	*Pop. share*	*Relative income*	*Pop. share*	*Relative income*	*Pop. share*	*Relative income*	*Pop. share*	*Relative income*	*Pop. share*
Australia, 1999	87.6	25.5	120.4	9.7	108.6	30.9	122.0	13.2	92.0	9.0	67.0	7.4	63.5	4.3
change, 1984-1994	-2.0	-4.5	-9.5	0.4	..	..	..	..	..	..	..	..	..	..
change, 1994-1999	3.0	-0.6	0.1	-1.3	-2.1	0.4	-1.4	0.3	2.1	0.5	-0.5	0.1	-2.3	0.5
Austria, 1999	86.2	21.2	110.9	9.3	101.6	24.7	113.1	13.3	109.2	16.7	94.5	8.7	88.3	6.0
change, 1983-1993	0.1	-3.3	-0.8	0.4	-2.5	2.2	-0.9	1.2	-1.1	0.3	7.9	-1.1	1.4	0.3
change, 1993-1999	-3.6	-0.2	1.6	-2.8	0.1	0.5	-2.9	0.6	1.7	1.0	3.6	0.5	8.0	0.3
Belgium, 1995	104.9	21.5	82.6	9.8	102.2	22.5	117.5	14.0	108.0	15.9	82.6	9.9	70.7	6.4
Canada, 2000	89.2	23.0	103.0	10.9	101.4	23.2	110.5	16.1	112.1	14.9	94.7	7.7	86.0	4.4
change, 1985-1995	0.0	-1.5	-2.2	-3.9	-2.5	0.0	-2.5	3.7	3.1	-0.1	7.7	1.1	10.3	0.7
change, 1995-2000	1.7	-1.5	3.8	-0.2	2.0	-2.0	-6.2	1.3	-1.8	1.8	-7.1	-0.2	-3.3	0.7
Czech Republic, 2002	89.0	20.5	113.0	11.3	103.9	22.1	113.2	13.9	108.1	19.8	78.9	7.9	76.2	4.5
change, 1992-1996	-5.4	-2.2	3.6	2.2	-1.1	-0.6	0.6	0.7	7.3	0.0	0.6	0.5	-0.1	-0.5
change, 1996-2002	-4.9	-2.7	-0.7	-1.3	2.2	2.6	-4.4	-2.5	5.5	3.5	6.1	-0.8	5.3	1.1
Denmark, 2000	99.0	30.7	91.2	9.8	101.8	16.4	116.6	11.4	114.4	18.4	80.4	7.3	71.0	6.0
change, 1983-1994	0.7	-2.7	-7.2	0.3	-6.2	-0.3	4.1	2.5	4.6	-0.1	3.0	-0.7	3.1	0.9
change, 1994-2000	-0.9	1.1	-3.9	-1.4	-1.8	-0.1	-3.8	-1.6	6.7	2.4	2.8	-0.6	1.9	0.3
Finland, 2000	97.8	22.2	88.4	10.2	103.2	19.9	114.4	15.2	113.3	17.7	80.9	9.2	68.7	5.5
change, 1986-1995	2.8	-1.2	-9.2	-3.0	-0.4	-2.8	-1.9	4.2	4.7	0.7	1.4	1.3	0.8	0.8
change, 1995-2000	-3.1	-1.0	0.2	0.8	0.8	-2.4	0.3	-1.4	5.3	2.2	-0.7	1.0	-6.0	0.7

Annex Table A.6. Relative disposable incomes and population shares by age groups (cont.)

	Age 0-17		Age 18-25		Age 26-40		Age 41-50		Age 51-65		Age 66-75		Age 76 and over	
	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share
France, 2000	93.4	24.0	98.2	9.1	99.7	21.5	111.6	14.5	114.6	15.1	88.5	8.9	86.4	6.9
change, 1984-1994	0.4	-3.2	-5.0	-2.0	-5.9	-0.9	2.7	4.0	6.5	-1.9	7.4	3.0	0.4	1.1
change, 1994-2000	-1.5	-0.2	1.6	-0.8	-0.3	-0.6	-3.0	0.0	5.1	1.3	-5.2	-1.1	4.0	1.4
Germany (old Länder), 2001	89.1	19.3	95.8	8.6	100.2	22.2	114.3	14.5	113.1	19.8	89.4	8.6	83.5	7.1
change, 1984-1994	-3.0	-0.2	-3.1	-3.2	-4.2	3.6	8.5	-2.1	0.7	1.6	4.8	0.9	0.4	-0.6
change, 1994-2001	0.4	0.2	-0.1	-1.2	0.0	-1.5	-6.1	1.4	3.0	0.2	2.4	-0.1	2.2	1.0
Germany, 2001	90.0	18.8	95.8	8.9	100.2	22.0	113.1	14.7	112.0	19.9	88.8	8.8	83.8	7.0
Greece, 1999	96.5	18.6	97.9	10.4	106.2	20.8	115.1	12.8	103.5	19.4	82.0	11.3	79.7	6.7
change, 1988-1994	3.5	-2.6	0.1	-1.3	1.1	0.9	1.2	0.9	-2.1	-0.1	-4.8	2.2	-6.9	0.0
change, 1994-1999	-1.2	-2.7	-6.1	0.0	-3.3	0.0	2.5	0.2	3.8	0.3	2.4	1.2	7.9	1.0
Hungary, 2000	92.9	18.1	109.2	13.0	105.7	18.4	109.2	15.8	107.8	18.5	80.3	10.2	82.3	6.0
change, 1991-1995	-6.2	-0.4	1.9	1.1	-2.2	0.3	2.9	0.9	3.8	-1.6	6.6	0.4	1.7	-0.6
change, 1995-2000	-0.6	-5.7	-1.8	1.5	3.5	-3.0	-9.9	3.0	6.4	3.0	-5.0	-0.4	3.8	1.6
Ireland, 2000	91.1	27.6	114.3	13.0	113.2	22.0	106.2	13.0	105.2	13.7	77.4	6.6	64.4	4.0
change, 1987-1994	2.1	-3.3	-12.4	0.5	4.1	-1.1	8.8	2.9	-1.1	0.0	-7.8	0.0	-12.8	1.0
change, 1994-2000	2.2	-5.6	-3.0	0.6	4.5	2.3	-5.8	0.7	-5.6	1.5	0.5	0.3	-6.3	0.2
Italy, 2000	89.1	17.8	101.8	10.0	105.6	23.1	105.3	14.1	112.8	18.2	86.2	10.1	77.2	6.7
change, 1984-1995	-3.4	-3.9	-2.2	-1.0	-1.3	0.6	0.9	-0.9	3.5	1.3	5.7	2.1	5.4	1.7
change, 1995-2000	2.3	-0.8	-2.8	-2.4	0.6	0.7	-1.4	0.7	1.6	0.3	-1.8	0.1	-6.1	1.5
Japan, 2000	90.6	18.5	104.3	8.1	98.5	18.3	109.2	13.4	113.0	20.5	90.6	12.9	88.8	8.2
change, 1985-1994	-1.4	-5.7	-1.8	0.9	2.0	-4.1	1.0	1.3	1.7	2.0	-1.9	3.8	-5.4	1.8
change, 1994-2000	-0.5	-2.3	-1.4	-2.1	0.1	-0.2	0.4	-2.2	0.3	1.8	1.1	2.8	1.7	2.3

Annex Table A.6. Relative disposable incomes and population shares by age groups (cont.)

	Age 0-17		Age 18-25		Age 26-40		Age 41-50		Age 51-65		Age 66-75		Age 76 and over	
	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share
Luxembourg, 2001	87.8	22.5	98.7	9.4	109.0	25.0	101.0	14.6	112.4	15.4	90.6	7.4	91.3	5.9
change, 1986-1996	-1.3	-1.4	-7.1	-3.0	-0.2	3.2	0.9	0.0	3.9	-0.1	11.6	0.7	-3.1	0.8
change, 1996-2001	1.2	0.6	-4.4	-0.4	7.3	-1.0	-9.2	0.9	2.0	-0.3	-6.1	0.1	-0.8	0.2
Mexico, 2002	85.4	38.8	111.7	14.2	117.7	21.7	119.2	10.4	118.3	9.6	100.1	3.5	80.6	1.8
change, 1984-1994	-4.0	-6.2	-3.8	1.2	3.3	2.7	23.0	0.9	10.2	0.9	-15.5	0.2	-6.7	0.3
change, 1994-2002	1.4	-4.7	1.6	-1.5	1.0	1.4	-12.1	2.1	-5.9	1.7	5.7	0.8	3.5	0.2
Netherlands, 2000	89.3	22.0	98.7	9.5	105.6	23.9	110.0	14.6	112.6	16.3	90.6	8.2	82.5	5.5
change, 1985-1995	0.0	-2.4	-7.3	-2.7	3.1	0.5	5.3	3.0	0.0	0.4	-2.7	0.7	-4.3	0.6
change, 1995-2000	-0.1	0.1	1.6	-1.3	0.4	-0.9	-4.4	-0.3	0.6	2.1	0.2	-0.2	3.0	0.4
New Zealand, 2001	85.6	27.8	106.9	10.2	106.9	22.7	116.5	14.5	115.1	14.3	79.5	6.3	74.0	4.2
change, 1986-1996	-0.2	-2.4	-9.1	-1.9	1.1	0.7	12.4	2.6	0.2	-0.5	-8.7	0.7	3.7	0.6
change, 1996-2001	2.2	-0.4	-4.9	-1.6	3.5	-0.9	-12.2	1.1	2.5	1.6	4.4	-0.3	-1.8	0.6
Norway, 2000	98.5	23.4	95.7	10.0	100.1	22.6	117.3	13.7	117.4	16.0	82.1	7.5	63.1	6.9
change, 1986-1995	1.1	-1.4	-11.1	-1.4	-3.8	-0.3	2.5	3.2	7.4	-0.8	6.7	-0.6	1.1	1.4
change, 1995-2000	0.9	0.2	1.9	-1.5	-0.6	0.1	-3.2	-0.4	0.7	2.1	-2.3	-0.8	1.8	0.2
Poland, 2000	91.9	30.6	106.7	9.5	106.0	18.1	101.4	17.0	107.1	15.2	95.0	6.8	94.4	2.7
change, 1995-2000	0.8	-1.5	1.9	0.9	3.2	-1.2	-0.2	1.3	-3.2	-0.3	2.5	0.3	-28.4	0.4
Portugal, 2000	89.0	21.0	113.6	11.7	103.5	23.0	115.6	13.2	110.5	16.7	79.5	9.1	72.7	5.5
change, 1990-1995	-1.4	-7.1	-2.3	2.0	-0.9	-0.2	3.1	1.3	3.0	0.1	1.1	2.0	-4.6	1.9
change, 1995-2000	-4.9	2.3	6.4	-1.4	-6.0	4.5	0.5	0.1	6.1	-2.2	2.3	-1.7	4.7	-1.4
Spain, 1995	92.6	22.0	100.7	14.1	108.2	20.6	110.6	12.3	102.6	17.0	85.9	8.4	94.9	5.6
change, 1985-1995	0.3	-8.0	-1.7	0.3	-3.9	1.9	9.5	1.0	-0.9	0.9	-2.5	2.7	2.2	1.3

Annex Table A.6. Relative disposable incomes and population shares by age groups (cont.)

	Age 0-17		Age 18-25		Age 26-40		Age 41-50		Age 51-65		Age 66-75		Age 76 and over	
	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share	Relative income	Pop. share
Sweden, 2000	98.3	22.5	91.7	9.2	99.1	20.3	111.8	13.5	125.3	17.6	88.3	9.0	68.6	7.9
change, 1983-1995	-2.2	-0.3	-10.7	-0.4	-4.7	-1.2	0.8	2.7	7.7	0.6	5.8	-0.2	8.8	-1.3
change, 1995-2000	2.9	0.1	0.5	-0.5	1.4	-0.6	-2.8	-0.8	2.9	2.1	-5.0	-1.2	-7.5	1.1
Switzerland, 2001	85.5	25.8	109.2	5.9	101.2	22.3	109.5	15.8	114.5	17.7	91.0	8.6	78.2	4.0
change, 1998-2001	1.5	2.3	4.4	-2.3	0.6	-5.6	1.4	1.5	-5.1	1.9	-3.4	1.3	-1.3	1.0
Turkey, 2002	87.8	35.2	101.2	13.7	103.8	22.1	122.4	12.1	115.6	10.7	108.3	4.8	125.1	1.4
change, 1987-1994	-4.1	-3.4	2.1	-0.1	2.7	1.9	10.8	1.0	2.9	0.2	-14.1	0.5	-3.8	-0.1
change, 1994-2002	3.1	-3.7	-10.0	-0.3	0.8	0.0	-5.0	2.1	-3.6	0.0	19.1	1.6	23.1	0.2
United Kingdom, 2000	88.4	25.6	106.2	8.5	108.0	21.7	121.3	13.2	108.5	16.8	77.2	8.7	71.0	5.5
change, 1985-1995	-3.8	-0.1	-2.2	-2.7	1.3	0.5	-0.5	2.3	2.6	-1.2	5.9	0.5	2.0	0.7
change, 1995-2000	2.6	-0.7	-5.4	0.1	1.5	-1.2	-1.7	-0.2	0.7	1.9	-2.7	-0.1	-3.2	0.4
United States, 2000	86.7	26.2	93.6	9.7	103.5	21.5	113.9	15.6	121.4	15.0	96.8	6.5	80.6	5.4
change, 1984-1995	2.5	0.1	-5.1	-2.5	-1.8	-0.8	0.7	3.8	3.1	-1.1	-0.3	-0.2	-2.4	0.7
change, 1995-2000	2.6	-0.7	0.0	0.4	1.2	-2.5	-4.3	0.9	-2.3	2.0	-2.0	-0.4	-1.5	0.4
OECD 25, 2000	90.7	24.3	103.2	10.2	104.5	21.9	112.8	14.0	111.9	16.1	86.7	8.1	79.8	5.3
OECD 17, 2000	91.7	23.1	99.8	9.8	103.7	21.8	112.3	14.0	113.2	16.8	86.3	8.5	77.8	6.1
change 85-95	-0.1	-2.1	-5.7	-1.6	-1.3	0.0	2.6	2.1	2.7	0.1	2.4	0.8	0.0	0.7
change 95-00	0.5	-0.8	-1.3	-0.8	1.0	-0.6	-3.7	0.1	1.6	1.4	-1.0	0.0	-0.3	0.7

Notes: For calculating relative income changes, population shares have been kept constant at the beginning of the period. OECD 25 include all countries except Belgium and Spain. OECD 17 includes countries for which observations were available for all three points in time and excludes Australia, Belgium, Czech Republic, Hungary, Mexico, Poland, Portugal, Spain, Switzerland and Turkey.

Source: calculations from OECD distribution indicators (2004).

Annex Table A7. Poverty rates and poverty shares, by age groups

Per cent, and changes in percentage points, mid-1990s to 2000

	Poverty rates of persons at age								Poverty shares of persons at age						
	0-17	18-25	26-40	41-50	51-65	66-75	76 +	Total	0-17	18-25	26-40	41-50	51-65	66-75	76 +
Australia, 1999	11.6	5.6	8.0	8.6	14.0	20.6	28.8	11.2	26.4	4.8	22.1	10.2	11.3	13.6	11.0
1994-1999	0.7	-0.5	1.1	3.1	-0.3	6.7	8.3	1.9	-4.0	-2.4	-0.5	2.5	-1.7	2.7	2.8
Austria, 1999	13.3	8.8	8.9	6.5	7.3	7.6	11.6	9.3	30.3	8.9	23.8	9.3	13.2	7.1	7.5
1993-1999	6.0	2.1	2.8	3.1	0.9	-5.1	-6.6	1.9	9.2	-2.1	3.5	3.4	-0.5	-6.9	-6.6
Belgium, 1995	4.1	18.6	6.4	4.1	5.1	10.7	18.6	7.8	11.3	23.4	18.4	7.4	10.5	13.7	15.2
Canada, 2000	13.6	11.8	9.8	8.7	11.6	4.0	5.0	10.3	30.3	12.4	21.9	13.6	16.7	2.9	2.1
1995-2000	0.8	-1.2	0.9	1.2	2.2	1.2	1.8	0.8	-2.7	-2.7	-1.7	1.8	3.8	0.6	0.9
Czech Republic, 2000	7.2	4.4	5.1	3.3	2.3	1.3	3.5	4.3	34.6	11.6	26.4	10.9	10.6	2.3	3.7
1996-2000	1.7	0.9	1.1	1.3	-0.4	-5.8	-9.0	0.0	4.7	1.4	8.4	3.0	0.5	-11.9	-6.1
Denmark, 2000	2.4	15.5	4.8	1.9	1.5	3.8	9.0	4.3	16.8	35.1	18.1	4.9	6.2	6.4	12.5
1994-2000	0.6	2.3	1.0	0.4	-0.2	0.9	0.9	0.6	3.0	-4.0	1.6	-0.3	-0.7	0.3	0.2
Finland, 2000	3.4	15.5	3.8	4.9	5.5	7.0	16.1	6.4	12.0	24.7	12.0	11.7	15.4	10.2	14.0
1995-2000	1.4	0.1	0.6	1.4	0.9	1.5	5.3	1.5	2.2	-4.7	-2.5	-0.2	0.8	0.9	3.5
France, 2000	7.3	7.6	5.6	5.2	6.6	9.9	11.3	7.0	24.8	9.8	17.1	10.6	14.0	12.6	11.1
1994-2000	0.2	-0.7	-0.4	-0.7	-1.2	1.5	-3.5	-0.4	1.7	-1.2	-0.8	-0.8	-0.4	1.2	0.2
Germany (old Ld), 2001	13.1	15.6	9.6	4.9	9.0	8.9	11.1	10.0	25.3	13.5	21.2	7.1	17.7	7.6	7.9
1994-2001	2.5	1.9	0.9	-1.7	1.1	0.3	-1.3	0.6	3.0	1.3	-1.7	-1.6	2.5	-0.5	-2.1

Annex Table A7. Poverty rates and poverty shares, by age groups (cont.)

	Poverty rates of persons at age								Poverty shares of persons at age						
	0-17	18-25	26-40	41-50	51-65	66-75	76 +	Total	0-17	18-25	26-40	41-50	51-65	66-75	76 +
Germany, 2001	10.9	13.7	8.4	4.1	7.9	9.7	10.7	8.9	23.1	13.6	20.8	6.8	17.6	9.6	8.5
1994-2001	0.9	1.8	1.6	-0.2	0.6	-0.8	-1.2	0.6	-0.3	-0.4	1.6	0.0	0.2	-1.1	0.0
Greece, 1999	12.4	11.3	9.4	8.3	13.6	22.2	28.0	13.5	17.0	8.7	14.4	7.9	19.5	18.6	13.9
1994-1999	0.0	2.4	0.8	-0.2	-1.1	-3.5	-7.6	-0.3	-2.0	2.1	1.5	0.1	-0.8	-0.1	-0.8
Hungary, 2000	13.1	7.1	7.5	8.2	7.2	5.5	4.8	8.1	29.3	11.4	17.0	16.0	16.5	6.9	3.5
1995-2000	2.8	0.0	0.8	2.2	2.2	-0.2	-6.2	0.8	-4.3	0.2	-2.6	5.4	5.9	-1.3	-3.1
Ireland, 2000	15.7	7.2	10.1	12.2	18.9	31.1	42.6	15.4	28.2	6.1	14.5	10.4	16.8	13.2	11.1
1994-2000	2.3	2.2	0.0	4.9	7.8	14.8	25.4	4.4	-12.2	0.5	-3.7	2.2	4.5	3.9	5.1
Italy, 2000	15.7	14.0	11.0	11.7	10.7	14.6	16.4	12.9	21.7	10.9	19.7	12.8	15.1	11.4	8.5
1995-2000	-2.9	0.4	-3.1	1.2	-1.2	-0.1	0.2	-1.3	-2.7	-1.0	-2.5	2.9	0.1	1.1	2.6
Japan, 2000	14.3	16.6	12.4	11.7	14.4	19.5	23.8	15.3	17.4	8.9	14.9	10.3	19.4	16.4	12.7
1994-2000	2.3	2.5	2.0	1.5	1.0	-1.7	-2.3	1.6	-1.0	-1.7	0.8	-1.4	1.0	0.8	1.5
Luxembourg, 2001	7.8	4.1	5.2	4.0	4.2	3.8	9.0	5.5	32.0	7.0	23.6	10.7	12.0	5.1	9.7
1996-2001	-0.1	-1.5	-0.5	-0.8	1.1	1.4	0.9	-0.1	0.8	-2.9	-3.1	-1.2	3.1	2.0	1.3
Mexico, 2002	24.8	14.0	16.4	15.1	20.9	24.1	36.6	20.3	47.4	9.8	17.5	7.8	9.9	4.2	3.3
1994-2002	-1.2	-0.3	-2.0	-2.1	0.8	-4.6	-2.7	-1.5	-4.6	-0.5	0.4	1.2	2.6	0.7	0.4
Netherlands, 2000	9.0	14.4	6.0	3.7	2.9	1.5	1.8	6.0	33.0	22.8	23.9	9.0	7.9	2.1	1.7
1995-2000	-0.1	-1.7	-0.1	0.7	0.8	-0.2	-0.3	-0.3	1.4	-4.8	-0.1	1.9	3.1	-0.2	0.0
New Zealand, 2001	16.3	12.7	9.5	7.8	8.9	0.4	0.5	10.4	43.5	12.5	20.8	10.9	12.2	0.2	0.2
1996- 2001	4.2	5.2	1.9	1.1	3.2	-0.6	-0.4	2.6	-0.2	1.1	-2.2	-0.6	3.0	-0.6	-0.2

Annex Table A7. Poverty rates and poverty shares, by age groups (cont.)

	Poverty rates of persons at age								Poverty shares of persons at age						
	0-17	18-25	26-40	41-50	51-65	66-75	76 +	Total	0-17	18-25	26-40	41-50	51-65	66-75	76 +
Norway, 2000	3.6	17.8	5.1	2.8	2.6	5.5	19.9	6.3	13.4	28.2	18.3	6.1	6.6	6.6	21.6
2000-1995	-0.8	0.1	-0.2	0.5	-1.7	-4.0	-11.2	-1.7	0.6	2.9	3.4	2.0	-0.8	-3.3	-4.2
Poland, 2000	14.5	8.4	10.6	9.3	5.5	4.0	5.0	9.8	44.9	8.1	19.5	16.1	8.5	2.8	1.4
2000-1995	0.9	-0.9	0.6	-0.5	-0.2	-1.0	2.9	0.0	0.9	0.0	0.0	0.5	-0.5	-0.5	0.9
Portugal, 2000	15.6	7.2	8.7	8.7	13.2	25.4	35.4	13.7	23.9	6.2	14.5	8.4	16.1	16.8	14.1
2000-1995	0.0	-0.2	-0.2	-0.4	-0.2	-0.1	-2.4	-0.9	3.9	-0.5	3.3	0.3	-1.2	-2.0	-3.7
Spain, 1995	13.3	13.3	9.4	8.6	11.7	14.8	9.3	11.5	25.4	16.3	16.7	9.2	17.1	10.8	4.6
Sweden, 2000	3.6	14.4	4.9	2.8	2.4	4.6	11.5	5.3	15.6	25.2	18.9	7.1	8.2	7.8	17.3
2000-1995	1.1	2.0	1.5	0.6	0.4	2.2	6.2	1.6	0.4	-7.4	0.0	-1.1	-0.6	1.3	7.5
Switzerland, 2001	6.8	5.5	5.9	3.7	7.6	10.4	12.7	6.7	26.0	4.8	19.6	8.7	19.9	13.4	7.5
2001-1998	-3.6	-5.3	-0.7	-3.7	0.7	0.2	-5.1	-1.9	-2.4	-5.4	-2.0	-3.6	7.4	4.6	1.4
Turkey, 2002	21.1	12.5	15.4	10.7	9.9	16.7	15.3	15.9	46.7	10.8	21.4	8.1	6.7	5.0	1.3
2002-1994	1.4	-0.2	1.7	-1.4	-4.4	-4.9	-11.9	-0.3	-0.6	-0.2	2.7	0.6	-2.8	0.8	-0.6
United Kingdom, 2000	16.2	11.9	8.7	7.9	7.6	11.4	19.2	11.4	36.3	8.8	16.6	9.2	11.2	8.6	9.3
2000-1995	-1.2	1.6	-0.8	2.1	1.2	1.6	4.4	0.5	-5.4	0.9	-3.3	2.1	2.5	0.8	2.4
United States, 2000	21.7	19.1	13.8	11.0	13.0	20.3	29.6	17.1	33.3	10.9	17.3	10.0	11.4	7.7	9.4
2000-1995	-0.6	0.2	0.1	0.8	0.0	3.4	4.0	0.4	-2.6	0.3	-2.3	1.1	1.3	0.7	1.7
OECD 24, 2000	12.3	11.5	8.7	7.5	8.9	11.4	16.5	10.4	28.4	13.2	19.0	9.9	12.6	8.3	8.7
Change 1995-2000	0.9	0.7	0.5	0.8	0.5	0.1	-0.2	0.5	-0.6	-1.1	0.1	1.1	0.9	-0.4	0.2

Note: Poverty threshold set at 50% of the median disposable income of the total population. OECD (24) excludes Belgium, Spain and Switzerland.

Annex Table A.8. Income composition of the older population

Panel 1. Level 2000

	Australia	Canada	Czech Rep.	Denmark	Finland	France	Germany	Greece	Hungary	Ireland	Italy	Japan	Luxembourg	Mexico	Nether-lands	New Zealand	Norway	Poland	Portugal	Sweden	Switzerland	Turkey	United Kingdom	United
Total																								
Earnings	24	24	21	15	16	11	12	29	18	38	33	56	11	67	12	21	16	34	32	12	18	42	11	
Capital, private	34	45	2	50	90	5	15	11	3	16	4	8	12	15	46	30	32	2	6	30	18	54	46	
Public transfers	52	49	82	75	22	95	85	60	79	51	82	49	77	18	60	70	75	64	69	96	96	5	52	
Taxes	-10	-18	-5	-40	-27	-10	-12	..	..	-6	-19	-13	..	..	-17	-21	-23	..	-7	-38	-33	..	-9	
Low incomes																								
Earnings	2	4	0	1	1	2	3	9	3	2	3	21	0	48	0	0	1	6	3	1	8	56	1	
Capital, private	9	14	0	10	59	3	6	6	1	3	0	7	1	30	9	4	12	2	2	11	9	33	13	
Public transfers	91	92	99	120	49	106	99	85	96	95	98	86	98	22	96	116	95	92	95	107	126	11	87	
Taxes	-2	-10	0	-31	-9	-11	-7	..	..	-1	-2	-13	..	..	-5	-20	-8	..	0	-18	-43	..	-1	
Middle incomes																								
Earnings	5	15	4	6	6	9	7	22	8	23	15	43	8	65	5	10	7	17	28	4	11	49	7	
Capital, private	26	41	1	36	93	3	10	7	3	14	1	6	6	14	36	18	27	3	5	22	11	45	33	
Public transfers	72	57	99	92	24	95	92	71	89	66	97	62	86	21	69	89	86	80	72	109	105	7	65	
Taxes	-3	-13	-1	-33	-23	-8	-9	..	..	-2	-13	-12	..	..	-10	-18	-20	..	-4	-35	-27	..	-5	
High incomes																								
Earnings	56	44	60	35	35	15	22	39	41	64	62	78	19	69	25	40	38	61	40	28	32	35	19	
Capital, private	50	59	4	87	96	8	24	16	5	22	8	11	25	15	73	53	48	1	9	50	29	62	72	
Public transfers	16	26	49	33	9	91	70	44	54	25	60	27	56	17	34	33	48	38	63	72	77	3	26	
Taxes	-21	-29	-13	-55	-40	-14	-16	..	..	-11	-30	-16	..	..	-32	-25	-33	..	-12	-50	-38	..	-17	

Annex Table A.8. Income composition of the older population

Panel 2. Percentage point changes, mid-1990s -2000

	Australia	Canada	Czech Rep.	Denmark	Finland	France	Germany	Greece	Hungary	Ireland	Italy	Japan	Luxembourg	Mexico	Nether-lands	New Zealand	Norway	Poland	Portugal	Sweden	Switzerland	Turkey	United Kingdom	United
Total																								
Earnings	3.5	2.7	-4.8	-1.4	2.1	1.8	-2.2	0.9	-5.2	6.0	1.0	-11.3	-4.9	-4.3	-1.2	6.1	-2.6	-4.9	-5.7	1.7	..	..	-3.2	
Capital, private	3.2	-0.4	-0.3	5.8	10.7	-2.3	1.9	-1.4	0.6	2.3	0.9	1.2	3.6	-1.0	-1.5	-5.9	-1.1	0.3	-2.7	-0.7	..	..	2.8	
Public transfers	-6.7	-2.2	3.9	-9.8	-12.8	0.0	1.2	0.5	4.6	-7.9	-1.6	9.2	1.3	5.3	-2.9	-6.4	3.4	4.4	8.6	1.5	..	..	-1.0	
Taxes	0.0	-0.1	1.1	5.5	-0.1	0.5	-1.0	..	..	-0.4	-0.3	0.9	..	..	5.6	6.2	0.2	..	-0.2	-2.5	..	..	1.3	
Low incomes																								
Earnings	-0.3	1.7	0.0	-0.1	-0.1	-0.5	0.6	-2.6	0.4	-0.5	0.5	-4.4	-1.2	-6.5	-0.4	-1.7	0.7	-1.5	-1.9	-0.4	..	..	-0.4	
Capital, private	-1.0	2.8	-0.1	0.1	11.4	-0.7	-3.1	-3.5	-1.0	-2.0	-0.9	0.2	0.4	-0.9	-0.3	0.5	1.5	1.0	-0.1	-2.8	..	..	-0.2	
Public transfers	1.8	2.4	0.1	-4.3	-10.3	4.7	3.5	6.2	0.6	2.9	0.2	6.9	0.8	7.4	-5.4	-0.4	0.0	0.5	1.3	6.1	..	..	0.2	
Taxes	-0.6	-6.9	0.0	4.3	-0.9	-3.6	-1.0	..	..	-0.4	0.2	-2.7	..	..	6.1	1.6	-2.2	..	0.8	-2.9	..	..	0.4	
Middle incomes																								
Earnings	1.1	1.2	-1.1	0.4	-0.2	1.7	-1.2	-1.3	-3.7	7.0	-1.9	-13.1	-0.4	-1.1	-0.6	5.5	-1.0	0.1	0.9	-0.1	..	..	-1.3	
Capital, private	6.0	2.2	-0.2	4.5	12.8	-1.4	1.3	-1.6	1.0	2.9	-0.3	0.7	1.5	-2.1	-1.0	-5.1	0.6	0.6	-1.2	-1.4	..	..	3.0	
Public transfers	-6.7	-2.8	1.1	-9.3	-13.1	-1.0	0.4	2.9	2.6	-9.4	1.6	12.2	-1.1	3.2	-3.2	-5.4	1.1	-0.7	1.2	4.7	..	..	-2.0	
Taxes	-0.5	-0.6	0.2	4.4	0.4	0.7	-0.6	..	..	-0.6	0.6	0.2	..	..	4.9	5.0	-0.8	..	-0.9	-3.2	..	..	0.3	
High incomes																								
Earnings	5.5	5.1	-7.9	-6.7	4.4	2.7	-3.6	4.2	-6.5	3.4	3.2	-9.6	-12.9	-6.0	-2.3	7.1	-3.3	-6.5	-13.4	4.6	..	..	-6.5	
Capital, private	-1.3	-5.6	-0.3	7.2	6.1	-4.0	4.6	-0.7	0.6	1.9	2.7	2.1	7.8	-0.5	-1.7	-11.5	-2.4	-0.3	-4.6	-0.1	..	..	3.5	
Public transfers	-5.9	-2.1	6.2	-9.3	-11.5	0.1	0.8	-3.5	5.9	-5.8	-4.9	5.2	5.1	6.5	-2.4	-5.4	4.6	6.7	17.6	-4.4	..	..	0.0	
Taxes	1.8	2.5	2.0	8.8	1.1	1.2	-1.7	..	..	0.4	-1.0	2.3	..	..	6.4	9.7	1.1	..	0.4	-0.1	..	..	2.9	

Note: Low incomes: bottom 20%, middle incomes: middle 60%, high incomes: top 20%. OECD (17) excludes countries for which not all income components or years are available: Greece, Hungary, Luxembourg, Mexico, Poland, Switzerland and Turkey.

Annex Table A.9 Comparison of inequality and poverty indices with other sources: EUROSTAT and LIS

		Reference years			*Poverty rates, 60% median*			*Gini coefficient*			*S80/S20*	
		OECD	Eurostat	LIS	OECD	Eurostat	LIS	OECD	Eurostat	LIS	OECD	Eurostat
Australia	Mid-90s	1994	..	1994	19	..	22	31	..	31	4.8	..
	2000	1999	..	..	20	..	..	31	..	..	4.9	..
Austria	Mid-90s	1993	**1994**	**1994**	14	13	15	24	27	28	3.5	4.0
	2000	1999	1999	**1997**	16	12	14	25	24	27	3.9	3.4
Belgium	Mid-90s	1995	1995	**1997**	13	15	14	27	28	25	4.0	4.2
	2000	..	2000	..	..	13	..	..	28	..	..	4.0
Canada	Mid-90s	1995	..	**1994**	16	..	18	28	..	28	4.3	..
	2000	2000	..	2000	17	..	18	30	..	30	4.8	..
Czech Rep.	Mid-90s	1996	**1995**	1996	10	8	11	26	24	26	3.5	3.3
	2000	2000	**2001**	..	10	8	..	26	25	..	3.6	3.4
Denmark	Mid-90s	1994	1994	**1995**	10	10	..	21	20	..	3.0	2.9
	2000	2000	2000	..	12	11	..	23	22	..	3.1	3.0
Finland	Mid-90s	1995	1995	1995	11	8	9	23	22	22	3.2	3.0
	2000	2000	2000	2000	14	11	12	26	24	25	3.7	3.5
France	Mid-90s	1994	1994	1994	14	15	14	28	29	29	4.1	4.5
	2000	2000	2000	..	13	15	..	27	27	..	4.0	4.0
Germany	Mid-90s	1994	1994	1994	..	15	13	28	27	26	4.3	4.6
	2000	2001	2001	2000	15	11	13	28	25	25	4.3	3.6
Greece	Mid-90s	1994	1994	..	22	22	..	34	35	..	5.8	6.5
	2000	1999	1999	..	21	20	..	35	33	..	6.0	5.8
Hungary	Mid-90s	1995	..	**1994**	14	..	15	29	..	32	4.3	..
	2000	2000	2000	1999	14	10	13	29	23	30	4.4	3.4
Ireland	Mid-90s	1994	1994	**1995**	21	19	21	32	33	34	5.0	5.1
	2000	2000	2000	..	23	21	..	30	29	..	5.0	4.7
Italy	Mid-90s	1995	1995	1995	22	20	21	35	32	34	6.4	5.6
	2000	2000	2000	2000	20	19	20	35	29	33	6.2	4.8
Luxembourg	Mid-90s	1995	1995	**1994**	12	12	10	26	29	24	3.7	4.3
	2000	2000	2000	2000	13	12	13	26	26	26	3.5	3.7
Mexico	Mid-90s	1994	..	1994	28	..	28	52	..	50	15.6	..
	2000	2002	..	2002	27	..	27	48	..	47	12.6	..
Netherlands	Mid-90s	1995	1995	**1994**	14	12	13	26	29	25	3.7	4.4
	2000	2000	2000	1999	12	11	13	25	26	25	3.6	3.8
Norway	Mid-90s	1995	1995	1995	15	12	13	26	..	24	3.8	3.3
	2000	2000	2000	2000	12	10	12	26	..	25	3.7	3.2
Poland	Mid-90s	1995	..	1995	16	..	18	39	..	32	6.2	..
	2000	2000	2000	**1999**	16	16	15	37	30	29	5.9	4.7
Portugal	Mid-90s	1995	1995	..	22	21	..	36	36	..	6.4	6.7
	2000	2000	2000	..	21	20	..	36	37	..	6.2	6.5
Spain	Mid-90s	1995	1995	..	19	18	..	30	34	..	5.2	5.6
	2000	..	2000	..	..	19	..	..	33	..	..	5.5
Sweden	Mid-90s	1995	**1996**	1995	8	9	10	21	21	22	2.9	3.0
	2000	2000	2000	2000	11	10	12	24	24	25	3.4	3.4
Turkey	Mid-90s	1994	1994	..	23	23	..	49	49	..	11.3	10.9
	2000	2001	2001	..	23	25	..	44	46	..	9.3	11.2
United Kingdom	Mid-90s	1995	1995	1995	19	18	22	31	32	34	4.9	5.2
	2000	2000	2000	1999	19	17	21	33	31	35	5.2	5.2
United States	Mid-90s	1995	..	**1994**	24	..	24	34	..	36	6.6	..
	2000	2000	..	2000	24	..	24	34	..	37	6.4	..

Note: neither EUROSTAT nor LIS estimates are available for Japan, New Zealand and Switzerland (after 1992). Years refer to the period over which income is assessed. They are in bold when differing by source.

Source: Newcronos database for EUROSTAT estimates. LIS keyfigures from LIS website http://www.lisproject.org/keyfigures/, as at 21 January 2005.

OECD SOCIAL, EMPLOYMENT AND MIGRATION WORKING PAPERS

Most recent releases are:

No. 21 *DESIGN CHOICES IN MARKET COMPETITION FOR EMPLOYMENT SERVICES FOR THE LONG-TERM UNEMPLOYED* (2004)
Ludo Struyven

No. 20 *BENEFIT COVERAGE RATES AND HOUSEHOLD TYPOLOGIES: SCOPE AND LIMITATIONS OF TAX-BENEFIT INDICATORS* (2004)
Herwig Immervoll, Pascal Marianna and Marco Mira D'Ercole

No. 19 *AVERAGE AND MARGINAL EFFECTIVE TAX RATES FACING WORKERS IN THE EU. A MICRO-LEVEL ANALYSIS OF LEVELS, DISTRIBUTIONS AND DRIVING FACTORS* (2004)
Herwig Immervoll

No. 18 *INDICATORS OF UNEMPLOYMENT AND LOW-WAGE TRAPS (Marginal Effective Tax Rates on Employment Incomes)* (2004)
Giuseppe Carone, Herwig Immervoll, Dominique Paturot and Aino Salomäki

No. 17 *TAKE-UP OF WELFARE BENEFITS IN OECD COUNTRIES: A REVIEW OF THE EVIDENCE* (2004)
Virginia Hernanz, Franck Malherbet and Michele Pellizzari

No. 16 *THE SWEDISH ACTIVITY GUARANTEE* (2004)
Anders Forslund, Daniela Froberg and Linus Lindqvist

No. 15 *LOW FERTILITY RATES IN OECD COUNTRIES: FACTS AND POLICY RESPONSES* (2003)
Joëlle Sleebos

No. 14 *NATIONAL VERSUS REGIONAL FINANCING AND MANAGEMENT OF UNEMPLOYMENT AND RELATED BENEFITS: THE CASE OF CANADA* (2003) David Gray

No. 13 *THE COMPETITIVE MARKET FOR EMPLOYMENT SERVICES IN THE NETHERLANDS* (2003) Ludo Struyven and Geert Steurs

No. 12 *TOWARDS SUSTAINABLE DEVELOPMENT: THE ROLE OF SOCIAL PROTECTION* (2003) Marco Mira d'Ercole and Andrea Salvini

No. 11 *INDIVIDUAL CHOICE IN SOCIAL PROTECTION: THE CASE OF SWISS PENSIONS* (2003) Monika Queisser and Edward Whitehouse

No. 10 *IMPROVING WORKERS' SKILLS: ANALYTICAL EVIDENCE AND THE ROLE OF THE SOCIAL PARTNERS* (2003) Wooseok Ok and Peter Tergeist

No. 9 *THE VALUE OF PENSION ENTITLEMENTS: A MODEL OF NINE OECD COUNTRIES* (2003) Edward Whitehouse

No. 8 *FINANCIAL RESOURCES AND RETIREMENT IN NINE OECD COUNTRIES: THE ROLE OF THE TAX SYSTEM* (2003) Edward Whitehouse and Gordon Keenay

No. 7 *THE IMPACT OF PARENTAL LEAVE ON MATERNAL RETURN TO WORK AFTER CHILDBIRTH IN THE UNITED STATES* (2003) Sandra L. Hofferth and Sally C. Curtin

No. 6 *SOCIAL POLICIES, FAMILY TYPES AND CHILD OUTCOMES IN SELECTED OECD COUNTRIES* (2003) Sheila B. Kamerman, Michelle Neuman, Jane Waldfogel and Jeanne Brooks-Gunn

No. 5 *CHILD LABOUR IN SOUTH ASIA* (2003) Eric V. Edmonds

No. 4 *CHILD LABOUR IN AFRICA* (2003) Sonia Bhalotra

Recent available working papers can be found on the OECD website: www.oecd.org/els/workingpapers.

Other series of working papers available include OECD Health Working Papers at
www.oecd.org/els/health/workingpapers

RECENT RELATED OECD PUBLICATIONS:

SOCIETY AT A GLANCE – OECD Social Indicators, 2005 Edition

BENEFITS AND WAGES: OECD Indicators 2004

BABIES AND BOSSES: Reconciling Work and Family Life, Volume 3, New Zealand, Portugal, Switzerland (2004)

OECD EMPLOYMENT OUTLOOK (2004)

REFORMING PUBLIC PENSIONS: SHARING THE EXPERIENCES OF TRANSITION AND OECD COUNTRIES (2004)

ASSET BUILDING AND THE ESCAPE FROM POVERTY: A NEW WELFARE POLICY DEBATE (2003)

MANAGING DECENTRALISATION: A NEW ROLE FOR LABOUR MARKET POLICY (2003)

COMBATING CHILD LABOUR: A REVIEW OF POLICIES (2003)

AGEING AND EMPLOYMENT POLICIES – SWEDEN (2003)

AGEING AND EMPLOYMENT POLICIES – BELGIUM (2003) (French version only with Executive summary in English)

BABIES AND BOSSES: Reconciling Work and Family Life, Volume 2, Austria, Ireland and Japan (2003)

A DISEASE-BASED COMPARISON OF HEALTH SYSTEMS – What is Best and at What Cost? (2003)

TRANSFORMING DISABILITY INTO ABILITY: Policies to Promote Work and Income Security for Disabled People (2003)

HEALTH AT A GLANCE: OECD Indicators (2003)

BABIES AND BOSSES: Reconciling Work and Family Life, Volume 1, Australia, Denmark and the Netherlands (2002)

PRIVATE FINANCE AND ECONOMIC DEVELOPMENT (2003)

ENTREPRENEURSHIP AND LOCAL DEVELOPMENT: PROGRAMME AND POLICY RECOMMENDATIONS (2003)

THE NON-PROFIT SECTOR IN A CHANGING ECONOMY (2003)

TRENDS IN INTERNATIONAL MIGRATION: SOPEMI (2003)

SOCIETY AT A GLANCE (2002)

TOWARDS ASIA'S SUSTAINABLE DEVELOPMENT – The Role of Social Protection (2002)

MEASURING UP: IMPROVING HEALTH SYSTEMS PERFORMANCE IN OECD COUNTRIES (2002)

BENEFITS AND WAGES – OECD Indicators (2002)

For a full list, consult the OECD On-Line Bookstore at www.oecd.org, or write for a free written catalogue to the following address:

OECD Publications Service
2, rue André-Pascal, 75775 PARIS CEDEX 16
or to the OECD Distributor in your country