

Extract from
“Divided We Stand:
Why Inequality Keeps Rising”

OECD (2011)

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Table 1. Household incomes increased faster at the top

	Average annual change, in percentages		
	Total population	Bottom decile	Top decile
Australia	3.6	3.0	4.5
Austria	1.3	0.6	1.1
Belgium	1.1	1.7	1.2
Canada	1.1	0.9	1.6
Chile	1.7	2.4	1.2
Czech Republic	2.7	1.8	3.0
Denmark	1.0	0.7	1.5
Finland	1.7	1.2	2.5
France	1.2	1.6	1.3
Germany	0.9	0.1	1.6
Greece	2.1	3.4	1.8
Hungary	0.6	0.4	0.6
Ireland	3.6	3.9	2.5
Israel ¹	1.7	-1.1	2.4
Italy	0.8	0.2	1.1

Note: Income refers to disposable **household** income, corrected for household size and deflated by the consumer price index (CPI). Average annual changes are calculated over the period from 1985 to 2008, with a number of exceptions: 1983 was the earliest year for Austria, Belgium, and Sweden; 1984 for France, Italy, Mexico, and the United States; 1986 for Finland, Luxembourg, and Norway; 1987 for Ireland; 1988 for Greece; 1991 for Hungary; 1992 for the Czech Republic; and 1995 for Australia and Portugal. The latest year for Chile was 2009; for Denmark, Hungary, and Turkey it was 2007; and for Japan 2006. Changes exclude the years 2000 to 2004 for Austria, Belgium, Ireland, Portugal and Spain for which the surveys were not comparable.

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

Source: OECD Database on Household Income Distribution and Poverty.



Table 1. Household incomes increased faster at the top

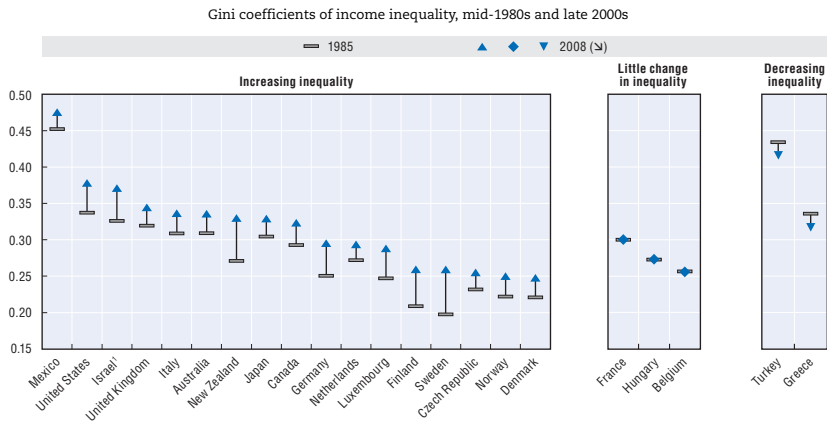
	Average annual change, in percentages		
	Total population	Bottom decile	Top decile
Japan	0.3	-0.5	0.3
Luxembourg	2.2	1.5	2.9
Mexico	1.4	0.8	1.7
Netherlands	1.4	0.5	1.6
New Zealand	1.5	1.1	2.5
Norway	2.3	1.4	2.7
Portugal	2.0	3.6	1.1
Spain	3.1	3.9	2.5
Sweden	1.8	0.4	2.4
Turkey	0.5	0.8	0.1
United Kingdom	2.1	0.9	2.5
United States	1.3	0.5	1.9
OECD27	1.7	1.3	1.9

Note: Income refers to disposable **household income**, corrected for household size and deflated by the consumer price index (CPI). Average annual changes are calculated over the period from 1985 to 2008, with a number of exceptions: 1983 was the earliest year for Austria, Belgium, and Sweden; 1984 for France, Italy, Mexico, and the United States; 1986 for Finland, Luxembourg, and Norway; 1987 for Ireland; 1988 for Greece; 1991 for Hungary; 1992 for the Czech Republic; and 1995 for Australia and Portugal. The latest year for Chile was 2009; for Denmark, Hungary, and Turkey it was 2007; and for Japan 2006. Changes exclude the years 2000 to 2004 for Austria, Belgium, Ireland, Portugal and Spain for which surveys were not comparable.

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

Source: OECD Database on Household Income Distribution and Poverty.

Figure 1. Income inequality increased in most, but not all OECD countries



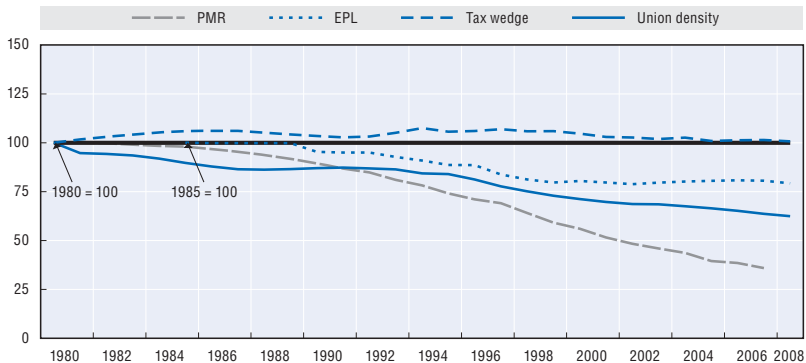
Note: Income refers to disposable **household** income. For data years see Table 1. Little change in inequality refers to changes of less than 2 percentage points.

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

Source: OECD Database on Household Income Distribution and Poverty.

Figure 4. Product and labour market regulations and institutions became weaker

Developments in product market regulation, employment protection legislation, tax wedges and union density, OECD average, 1980-2008 (1980 = 100)

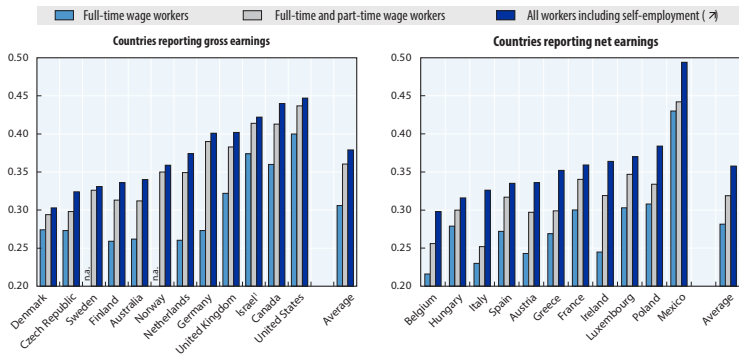


Note: "PMR" is a summary indicator for product market regulation. "EPL" is a summary indicator of the strictness of overall employment protection legislation (only available from 1985 onwards). "Tax wedge" refers to an average worker and is the sum of income tax and employees and employers payroll taxes as a percentage of labour costs. "Union density" is the number of union members as a proportion of all employees eligible to be members.

Source: See Chapter 1, Figure 1.18.

Figure 5. Levels of earnings inequality are much higher when part-timers and self-employed are accounted for

Earnings inequality (Gini coefficients) among full-timers, part-timers and all workers including the self-employed, mid-2000s



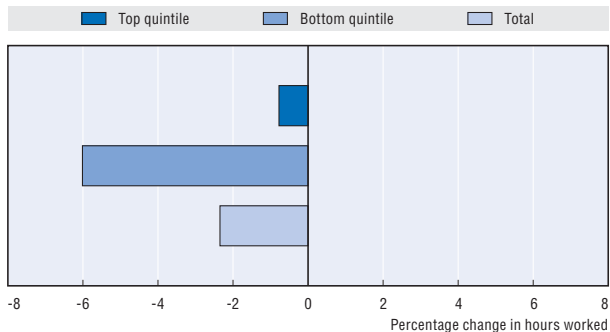
Note: Data presented on the **individual** level. Working-age individuals living in a working household. Countries are presented in increasing order of earnings inequality among all workers. Data refer to a year between 2003 and 2005, except for Belgium and France (2000).

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

Source: Chapter 4, Figure 4.1.

Figure 6. Hours worked declined more among lower-wage workers

Trends in annual hours worked by the bottom and top 20% of earners, OECD average, mid-1980s to mid-2000s

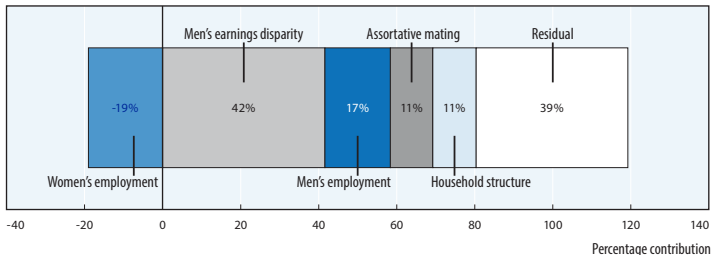


Note: Data presented on the **individual** level. Paid workers of working age.

Source: Chapter 4, Figure 4.5.

Figure 7. Demographic changes were less important than labour market trends in explaining changes in household earnings distribution

Percentage contributions to changes in household earnings inequality, OECD average, mid-1980s to mid-2000s

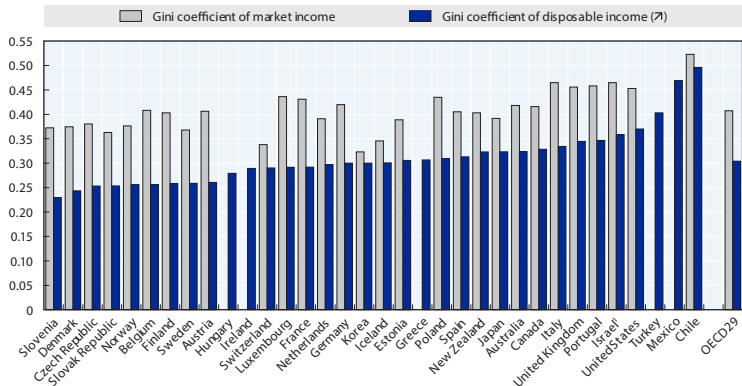


Note: Working-age population living in a household with a working-age head. Household earnings are calculated as the sum of earnings from all household members, corrected for differences in household size with an equivalence scale (square root of household size). Percentage contributions of estimated factors were calculated with a decomposition method which relies on the imposition of specific counterfactuals such as: "What would the distribution of earnings have been in recent year if workers' attributes had remained at their early year level?" The residual indicates the importance of unmeasured factors. These include other changes in household characteristics, such as trends in ageing or migration.

Source: Chapter 5, Figure 5.9.

Figure 9. Market incomes are distributed much more unequally than net incomes

Inequality (Gini coefficient) of market income and disposable (net) income in the OECD area, working-age persons, late 2000s



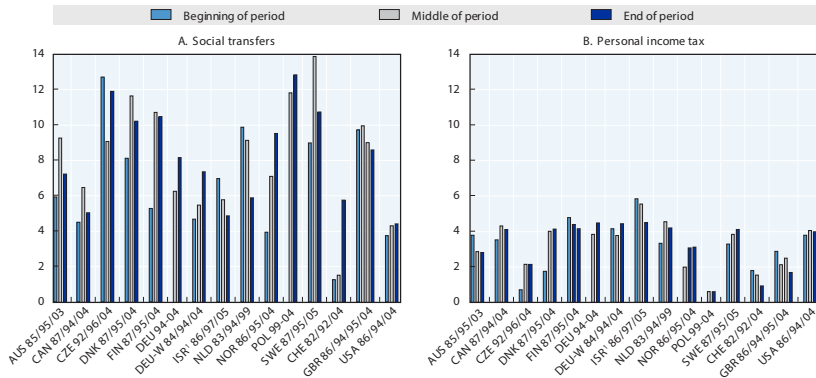
Note: Income refers to **household** income. Late 2000s refers to a year between 2006 and 2009. The OECD average excludes Greece, Hungary, Ireland, Mexico and Turkey (no information on market income available). Working age is defined as 18-65 years old. Countries are ranked in increasing order of disposable income inequality.

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

Source: Chapter 6, Figure 6.1

Figure 10. While market income inequality rose, redistribution through tax/transfers became less effective in many countries

Changes in cash redistribution of social transfers, personal income taxes and social security contributions, mid-1980s to mid-2000s

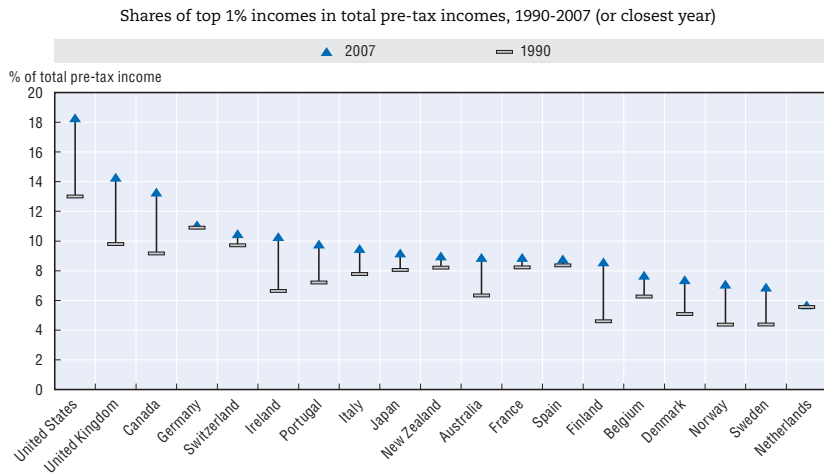


Note: Income refers to **individual** income. Redistribution is the difference between the Gini coefficients before and after the respective tax or benefit. Households headed by a working-age individual.

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

Source: Chapter 7, Figure 7.3.

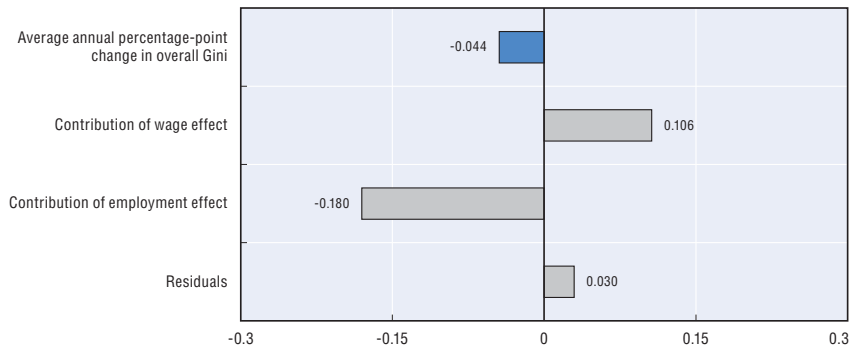
Figure 12. The share of top incomes increased, especially in English-speaking countries



Note: 2007 values refer to 2006 for Belgium, France and Switzerland; 2005 for Japan, Netherlands, New Zealand, Portugal, Spain and the United Kingdom; 2004 for Finland; and 2000 for Germany and Ireland. Countries are ranked by decreasing shares in the latest year.

Source: Chapter 9, Figure 9.A2.2.

Figure 3.2. Estimated contributions of wage dispersion and employment effects to overall earnings inequality among the working-age population



Note: Data presented on the **individual** level. The contribution of each variable is computed as the average annual change in the variable multiplied by the regression coefficient (Table 3.1) on that variable.

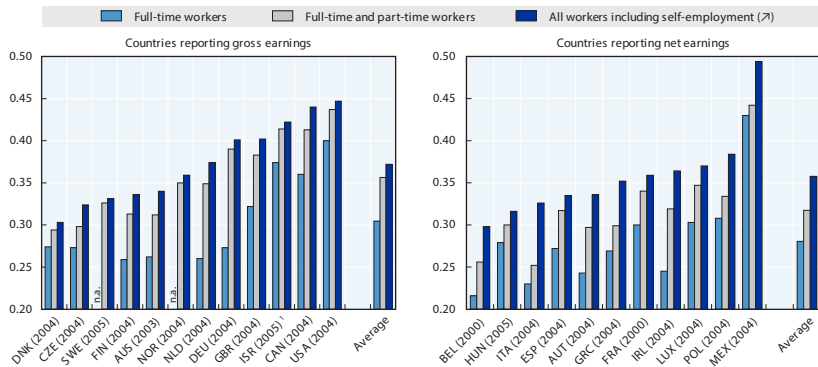
Source: OECD Secretariat calculations from the Luxembourg Income Study (LIS).

Table 3.A2.1. Simulation of the wage and employment effects by country, entire working-age population

	Actual Gini coefficient of earnings			Decomposition of change in Gini coefficient		
	First year	Last year	Change (2)-(1)	Wage inequality effect	Employment effect	Residuals
	(1)	(2)	(3)	(4)	(5)	(6)
Australia (85-03)	0.531	0.533	0.002	0.001	0	0.001
Austria (94-04)	0.542	0.503	-0.039	0	-0.041	0.002
Belgium (85-00)	0.546	0.546	0	0.032	-0.031	-0.001
Canada (87-04)	0.516	0.539	0.023	0.029	-0.013	0.007
Czech Republic (92-04)	0.446	0.488	0.042	0.029	0.005	0.008
Denmark (87-04)	0.428	0.446	0.018	0.01	-0.001	0.009
Finland (87-04)	0.412	0.449	0.037	0.005	0.024	0.008
France (81-00)	0.482	0.517	0.035	0.036	-0.013	0.012
Germany (84-04)	0.537	0.517	-0.02	0.036	-0.065	0.009
Greece (95-04)	0.614	0.564	-0.05	0.009	-0.061	0.002
Hungary (91-05)	0.578	0.562	-0.016	-0.036	0.019	0.001
Ireland (94-04) ¹	0.609	0.543	-0.066	-0.02	-0.05	0.004
Israel (79-05)	0.591	0.598	0.007	0.025	-0.022	0.004
Italy (87-04)	0.579	0.553	-0.026	0.019	-0.048	0.003
Luxembourg (85-04)	0.541	0.538	-0.003	0.06	-0.074	0.011
Mexico (84-04)	0.69	0.657	-0.033	-0.006	-0.041	0.014
Netherlands (83-04)	0.645	0.515	-0.13	0.039	-0.17	0.001
Norway (79-04)	0.405	0.441	0.036	0.024	0.004	0.008
Poland (92-04)	0.61	0.653	0.043	0.055	-0.013	0.001
Spain (95-04)	0.635	0.528	-0.107	-0.031	-0.079	0.003
Sweden (81-05)	0.395	0.431	0.036	0.009	0.024	0.003
Switzerland (00-04)	0.446	0.43	-0.016	-0.013	-0.004	0.001
United Kingdom (86-04)	0.59	0.558	-0.032	0.026	-0.067	0.009
United States (79-04)	0.519	0.56	0.041	0.036	-0.011	0.016

1. Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>
 Source: OECD Secretariat calculations from the Luxembourg Income Study (LIS).

Figure 4.1. Earnings inequality (Gini coefficient) among full-time workers, full-time and part-time workers and all workers, mid-2000s

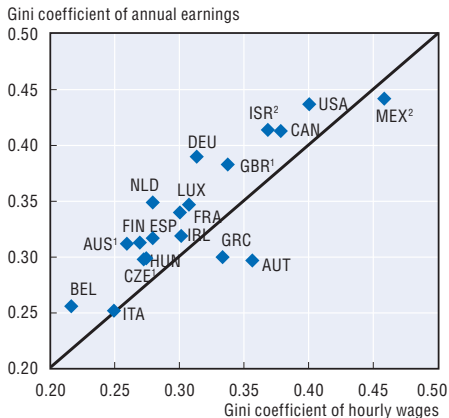


Note: Data presented on the **individual** level. Samples are restricted to the civilian working-age population (25-64 years). n.a.: Not available.

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

Source: OECD Secretariat calculations from the Luxembourg Income Study (LIS).

Figure 4.4. Inequality of hourly wages versus inequality of annual earnings, all paid workers



Note: Data presented on the **individual** level. Samples are restricted to all paid workers (aged 25-64) with positive wages/positive hours worked during the reference year. Data refer to the year 2004, except for Australia (2003), Belgium and France (2000). For Finland, hourly wage is calculated based on imputed hours worked per week.

1. Hourly wage is calculated based on imputed weeks worked.

2. Hourly wage is calculated based on working 52 weeks. Information on data for Israel:

<http://dx.doi.org/10.1787/888932315602>.

Source: OECD Secretariat calculations from the Luxembourg Income Study (LIS).

Table 4.1. Decomposition of the variance of log annual earnings, paid workers, mid-2000s

	Var(ln_annual earnings)	Var(ln_hourly wages)	Var(ln_annual hours)	2xCov(ln_hwage, ln_ahours)
	(1)	(2)	(3)	(4)
Panel A. Countries reporting gross earnings				
Australia 2003 ¹	0.460 (1.00)	0.210 (0.457)	0.255 (0.554)	-0.005 -(0.011)
Canada 2004	1.539 (1.00)	0.934 (0.607)	0.222 (0.144)	0.383 (0.249)
Czech Republic 2004 ¹	0.416 (1.00)	0.300 (0.721)	0.055 (0.132)	0.061 (0.147)
Finland 2004	1.085 (1.00)	0.553 (0.510)	0.233 (0.215)	0.298 (0.275)
Germany 2004	1.089 (1.00)	0.441 (0.405)	0.333 (0.306)	0.315 (0.289)
Israel 2005 ²	0.769 (1.00)	0.504 (0.655)	0.198 (0.257)	0.066 (0.086)
Netherlands 2004	0.877 (1.00)	0.394 (0.449)	0.286 (0.326)	0.197 (0.225)
United Kingdom 2004 ¹	0.700 (1.00)	0.347 (0.496)	0.229 (0.327)	0.123 (0.176)
United States 2004	0.972 (1.00)	0.600 (0.617)	0.218 (0.224)	0.154 (0.158)
Average	0.879	0.476 (0.546)	0.225 (0.276)	0.177 (0.177)
		Corr(AE, hw) = 0.91	Corr(AE, ah) = 0.43	

Note: Data presented on the **individual** level. Samples are restricted to all paid workers (aged 25-64) with positive wages and positive hours worked during the reference year. For Finland, hourly wage is calculated based on imputed hours worked per week. Numbers in parentheses refer to the fraction of variance of log annual earnings.

1. Hourly wage is calculated based on imputed weeks worked.

2. Hourly wage is calculated based on working 52 weeks. Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Source: OECD Secretariat calculations from the Luxembourg Income Study (LIS).

Table 4.1. Decomposition of the variance of log annual earnings, paid workers, mid-2000s

Var(ln_annual earnings)	Var(ln_hourly wages)	Var(ln_annual hours)	2xCov(ln_hwage, ln_ahours)
(1)	(2)	(3)	(4)

Panel B. Countries reporting net earnings

Austria 2004	0.532 (1.00)	0.386 (0.726)	0.267 (0.502)	-0.121 -(0.227)
Belgium 2000	0.358 (1.00)	0.209 (0.584)	0.139 (0.388)	0.010 (0.028)
France 2000	0.654 (1.00)	0.273 (0.417)	0.308 (0.471)	0.073 (0.112)
Greece 2004	0.440 (1.00)	0.318 (0.723)	0.191 (0.434)	-0.069 -(0.157)
Hungary 2005	0.498 (1.00)	0.299 (0.600)	0.156 (0.313)	0.043 (0.086)
Ireland 2004	0.604 (1.00)	0.264 (0.437)	0.340 (0.563)	0.000 (0.000)
Italy 2004	0.326 (1.00)	0.238 (0.730)	0.137 (0.420)	-0.049 -(0.150)
Luxembourg 2004	0.582 (1.00)	0.330 (0.567)	0.200 (0.344)	0.052 (0.089)
Mexico 2004 ²	0.846 (1.00)	0.813 (0.961)	0.142 (0.168)	-0.108 -(0.128)
Spain 2004	0.529 (1.00)	0.280 (0.529)	0.208 (0.393)	0.041 (0.078)
Average	0.537	0.341 (0.627)	0.209 (0.400)	-0.013 -(0.027)
		Corr(AE, hw) = 0.78	Corr(AE, ah) = 0.31	

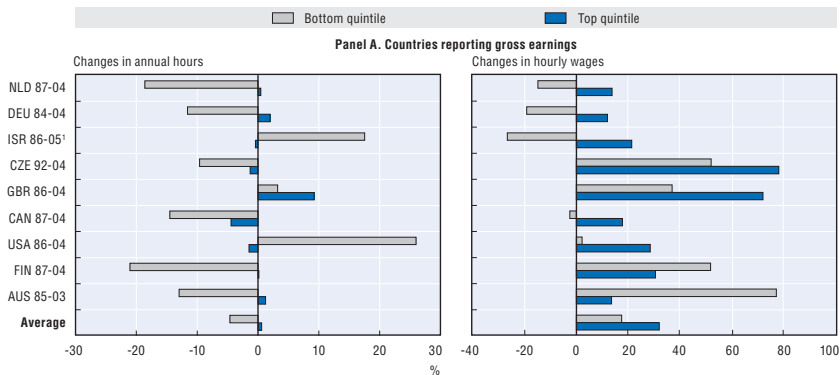
Note: Data presented on the **individual** level. Samples are restricted to all paid workers (aged 25-64) with positive wages and positive hours worked during the reference year. For Finland, hourly wage is calculated based on imputed hours worked per week. Numbers in parentheses refer to the fraction of variance of log annual earnings.

1. Hourly wage is calculated based on imputed weeks worked.

2. Hourly wage is calculated based on working 52 weeks. Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Source: OECD Secretariat calculations from the Luxembourg Income Study (LIS).

Figure 4.5. Changes in annual hours worked and in hourly real wages by earnings quintile, mid-1980s to mid-2000s

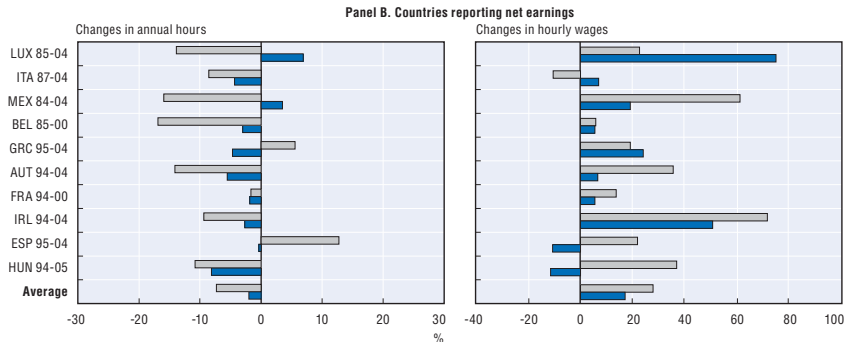


Note: Data presented on the **individual** level. Samples are restricted to all paid workers (aged 25-64) with positive wages and positive hours worked during the reference year with information on annual hours worked. Mean wages in national currencies at constant 2005 values. Countries ranked in descending order of changes in earnings inequality (see Table 4.A1.2).

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

Source: OECD Secretariat calculations from the Luxembourg Income Study (LIS).

Figure 4.5. Changes in annual hours worked and in hourly real wages by earnings quintile, mid-1980s to mid-2000s

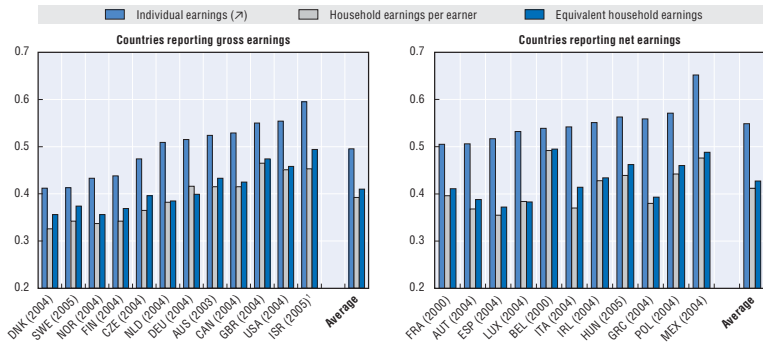


Note: Data presented on the **individual** level. Samples are restricted to all paid workers (aged 25-64) with positive wages and positive hours worked during the reference year with information on annual hours worked. Mean wages in national currencies at constant 2005 values. Countries ranked in descending order of changes in earnings inequality (see Table 4.A1.2).

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

Source: OECD Secretariat calculations from the Luxembourg Income Study (LIS).

Figure 5.1. Inequality (Gini coefficient) of annual earnings among **individuals and households**, all working-age households (including individuals and households with no earnings)

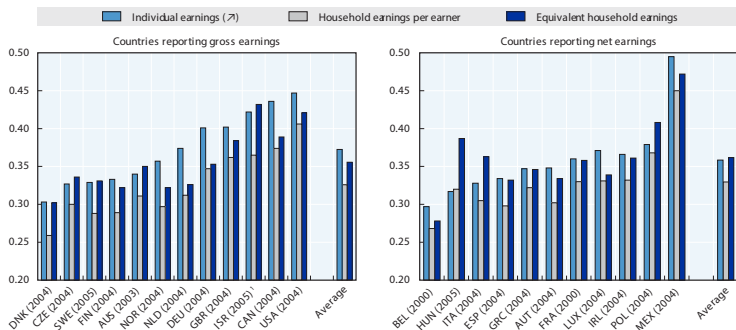


Note: Samples are restricted to the working-age population (25-64 years) living in a household with a working-age head. Estimates include individuals and households with no earnings. Equivalent household earnings are calculated as the sum of earnings from all household members, corrected for differences in household size with an equivalence scale (square root of household size).

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

Source: OECD Secretariat calculations from the Luxembourg Income Study (LIS).

Figure 5.2. Inequality (Gini coefficient) of annual earnings among **individuals and households, workers and working households**

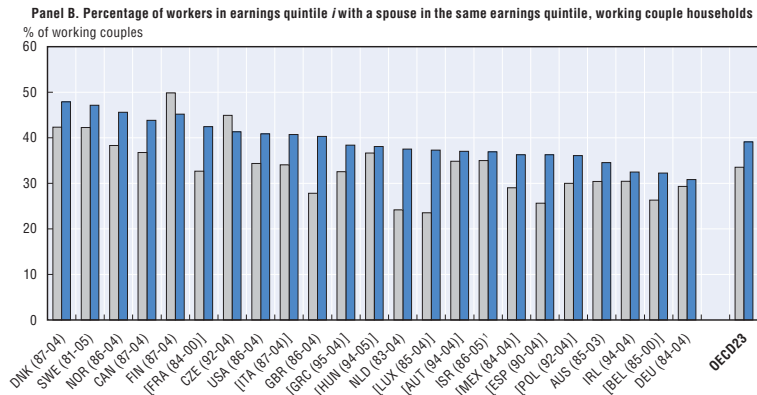


Note: Samples are restricted to the working-age population (25-64 years) living in a household with a working-age head and positive earnings. Equivalent household earnings are calculated as the sum of earnings from all household members, corrected for differences in household size with an equivalence scale (square root of household size).

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

Source: OECD Secretariat calculations from the Luxembourg Income Study (LIS).

Figure 5.7. Degree of assortative mating, stricter and broader definitions

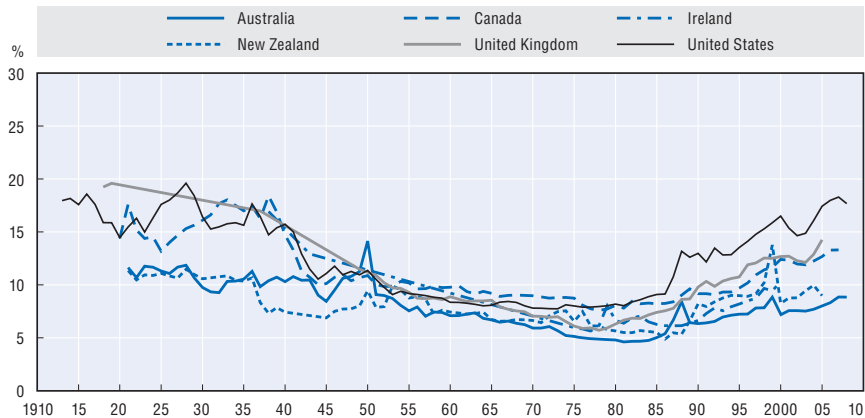


Note: Refers to couple households with both partners working. Earnings refer to net earnings for countries in brackets and to gross earnings for other countries.

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

Source: OECD Secretariat calculations from the Luxembourg Income Study (LIS).

Figure 9.1. Top 1% income share, 1910-2008



Source: Income refers to **individual** income. Alvaredo et al. (2011). Country delegate information: Australia (2000-2008) and Canada (1970-2007).



Table 9.1. Share of top 1% in selected years

	1970	1980	1990	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	5.9	4.8	6.3	7.2	7.6	7.6	7.5	7.7	8.0	8.3	8.9	8.8
Belgium	..	7.0	6.3	7.0	6.7	7.3	7.2	7.6	7.5	7.7	..	..
Canada	9.0	8.1	9.2	12.4	12.3	12.0	11.9	12.3	12.7	13.3	13.3	
Denmark	..	5.2	5.1	6.6	6.3	5.8	6.3	6.6	6.3	7.1	7.4	6.5
Finland	9.9	4.3	4.6	8.8	8.0	7.9	7.9	8.6	..	..	..	..
France	8.3	7.6	8.2	8.3	8.4	8.5	8.6	8.7	8.7	8.9	..	..
Germany	11.3	10.8	10.9	11.1	..	..	..	..	..	..	..	..
Ireland	..	6.7	6.6	10.3	..	..	..	..	..	..	..	..
Italy	..	6.9	7.8	9.1	9.3	9.3	9.4	9.0	9.1	9.4	9.5	9.4
Japan	8.2	7.2	8.1	8.2	8.5	8.7	8.8	9.0	9.2	..	..	..
Netherlands	8.6	5.9	5.6	..	..	..	5.2	5.5	5.6	..	..	..
New Zealand	6.6	5.7	8.2	8.3	8.8	8.8	9.5	10.0	9.0	..	..	..
Norway	6.0	4.7	4.4	8.3	7.0	9.4	9.7	10.3	13.8	6.5	7.1	7.5
Portugal	..	4.3	7.2	9.1	9.7	9.0	9.1	9.6	9.8	..	..	..
Spain	..	7.5	8.4	8.8	8.8	8.5	8.6	8.6	8.8	..	..	..
Sweden	6.2	4.1	4.4	6.0	6.0	5.7	5.5	5.7	6.3	6.6	6.9	7.1
Switzerland	11.6	8.8	9.7	..	..	..	9.6	9.9	10.1	10.5	..	..
United Kingdom	7.1	..	9.8	12.7	12.7	12.3	12.1	12.9	14.3	..	..	..
United States	7.8	8.2	13.0	16.5	15.4	14.6	14.9	16.1	17.4	18.0	18.3	17.7

Note: The data in the first four columns relate to the nearest available year.

Source: Alvaredo et al. (2011). Country delegate information: Australia (2000-2008), Canada (1970-2007), Italy (2005-2008), Netherlands (2003-2005), Norway (1991-2008) and Switzerland (1970-2006); Roine and Waldenström (2008); Sweden (2007-2008).