

### 3. GENERAL CONTEXT INDICATORS

## Household income

Disposable household income provides an indication of the goods and services families can purchase on the market. It is thus an objective indication of material quality of life, and it is used to measure poverty and inequality.

**In 2013 half of the population in Mexico had incomes of less than USD PPP 4 800, whereas half of the people in Luxembourg had incomes eight times higher (Figure 3.1).** Countries with low median household income included countries in Southern Europe, Turkey and much of Eastern Europe, as well as two Latin American countries – Chile and Mexico. Those with higher household incomes included Luxembourg, Norway and Switzerland.

**On average, between 2007 and 2013, OECD real median household disposable income remained stable, thanks to the effect of public cash transfers and personal income taxes (Figure 3.2).** Real median disposable income fell most in Greece by 8% per year, but also in Ireland and Spain by more than 3%. By contrast, disposable income increased significantly in Chile as well as to a lower extent in Israel and Poland.

Figure 3.2 focuses on the top and bottom 10% of the population. **While on average across OECD countries real median household disposable income and the average income of the top 10% remained almost stable, the income of the bottom 10% fell by almost 1% per year over the period 2007 to 2013.** Out of the 34 countries where data are available, the top 10% has done better than the poorest 10% in 21 countries (see also the “Income inequality” indicator in Chapter 5). This pattern was particularly strong in some of the countries where household income decreased the most. Incomes of poorer households fell by more than 5% annually in Italy and Spain, and by more than 10% in Greece.

Household income data are also available by age group. **Between 2007 and 2013, young people (18 to 25) suffered the most severe income losses, while elderly people (over 65) were largely shielded from the worse income effects of the crisis (Figure 3.3).** Across OECD countries, average household disposable income fell in real terms by around 0.6% per year among youth. Meanwhile, income was stable among the elderly (over 65). Large income losses among the youth took place particularly in Greece, but also in Ireland and Spain. Some gains were experienced in Chile and Sweden. Overall, young people were better off than elderly in only seven countries (Canada, Germany, Iceland, Mexico, Norway and Sweden) by less than 1%.

#### Definition and measurement

Data on annual median equivalised household disposable income come from the OECD Income Distribution Database. Disposable income is market income (income from work and capital) after taking into account public cash transfers received and direct taxes and social security contributions paid. It excludes in-kind services provided to households by governments and private entities, consumption taxes, and imputed income flows due to home ownership. People were attributed the income of their household. After subtracting taxes and adding cash transfers, household income provides an indication of the goods and services families can purchase on the market. Household income is adjusted for differences in the needs of households of different sizes with an equivalence scale that divides household income by the square root of household size. The adjusted income is then attributed to every person in the household.

For cross-country comparison, national currency measures of income were converted into US dollars (USD) using purchasing power parity (PPP) for private consumption exchange rates. These PPPs reflect the amount of a national currency required in each country to buy the same basket of goods and services as a dollar does in the United States. Both income and PPP estimates are affected by statistical errors, so differences between countries of 5% or less are not considered significant.

#### Further reading

OECD Income Distribution Database, <http://oe.cd/idd>.

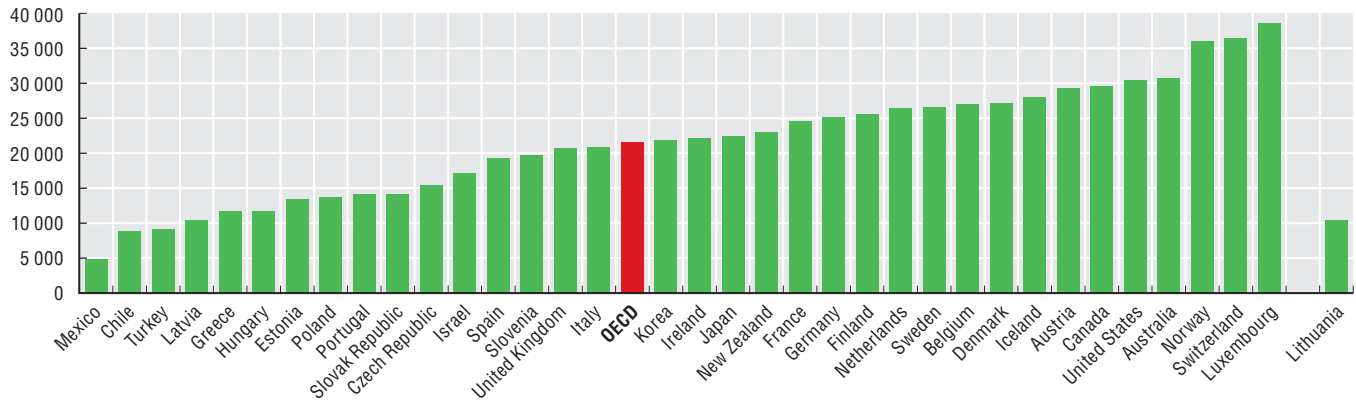
OECD (2015), *In It Together: Why Less Inequality Benefits All*, OECD Publishing, Paris, <http://oe.cd/init2015>.

#### Figure notes

Figures 3.2 and 3.3: Data were adjusted for a break in series due to a change in the standard methodology of household income as from 2012; no change available for Switzerland.

### 3.1. Median income varies by a factor of 8 from USD 4 800 and USD 38 500

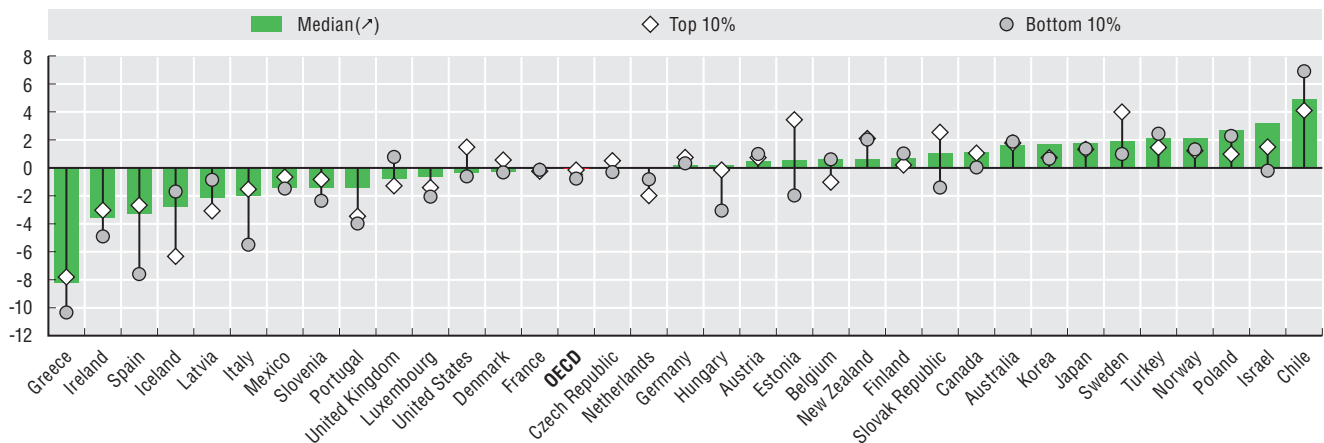
Annual median equivalised disposable incomes, in 2013, USD at PPP rates



StatLink <http://dx.doi.org/10.1787/888933405112>

### 3.2. Poorer households tended to lose more or gain less between 2007 and 2013

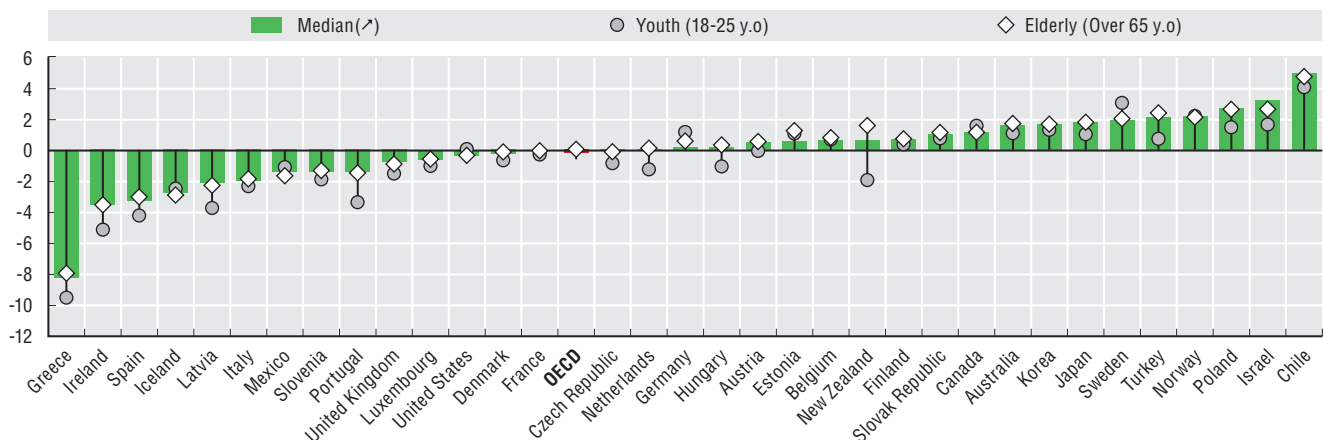
Annual percentage changes in real household disposable income between 2007 and 2013, by income group



StatLink <http://dx.doi.org/10.1787/888933405123>

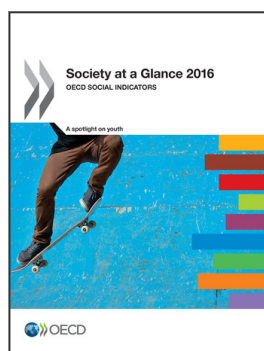
### 3.3. Disposable income has fallen most among youth between 2007 and 2013

Annual percentage changes in real disposable income between 2007 and 2013, by age group



Source: OECD Income Distribution Database (<http://oe.cd/idd>).

StatLink <http://dx.doi.org/10.1787/888933405130>



**From:**  
**Society at a Glance 2016**  
OECD Social Indicators

**Access the complete publication at:**  
<https://doi.org/10.1787/9789264261488-en>

**Please cite this chapter as:**

OECD (2016), "Household income", in *Society at a Glance 2016: OECD Social Indicators*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/soc\\_glance-2016-6-en](https://doi.org/10.1787/soc_glance-2016-6-en)

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).