

3. GENERAL CONTEXT INDICATORS

Household income

In 2010 half of the people in Mexico had incomes of less than USD 4 500. Half of the people in Luxembourg had incomes about eight times higher (Figure 3.1, Panel A). Countries with low 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 Norway and Switzerland.

In most OECD countries incomes from work and capital (i.e. market income) fell considerably between 2007 and 2010 (Figure 3.1, Panel B). Higher unemployment and lower real wages brought down household market income, particularly in Estonia, Greece, Iceland, Ireland, Mexico, New Zealand and Spain (5% or more per year). By contrast, market income increased significantly in Chile and Poland as well as to a lower extent in Austria, Germany and the Slovak Republic. On average, between 2007 and 2010, real household disposable income declined by much less than the market income (-0.5%), thanks to the effect of public cash transfers and personal income taxes. At the same time, incomes from work and capital fell by 2% per year.

Figure 3.2 focuses on the top and bottom 10% of the population. While on average across OECD countries real average household disposable income and the average income of the top 10% remained almost stable, the income of the bottom 10% fell by 2% per year over the period 2007 to 2010.

Out of the 33 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. In Italy and Spain, while the income of the top 10% remained broadly stable, the average income of the poorest 10% in 2010 was much lower than in 2007. Incomes of poorer households also fell by more than 5% annually in Estonia, Greece, Iceland, Ireland and Mexico. Among these countries, Iceland was the only one where the decrease in average annual income at the top (-13%) exceeded that of the bottom (-8%).

Definition and measurement

Household income provides an indication of the goods and services families can purchase on the market. It is thus an absolute objective indication of material quality of life.

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 deduction of direct taxes and payment of social security contributions. 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 welfare benefits, household income provides an indication of the goods and services families can purchase on the market.

Household income is adjusted for family size and the adjusted measure is attributed to every person in that household. Half of all people have higher income than the median and the other half lower.

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*,
www.oecd.org/social/income-distribution-database.htm.
- OECD (2011), *Divided We Stand: Why Inequality Keeps Rising*,
OECD Publishing, Paris,
<http://dx.doi.org/10.1787/9789264119536-en>.

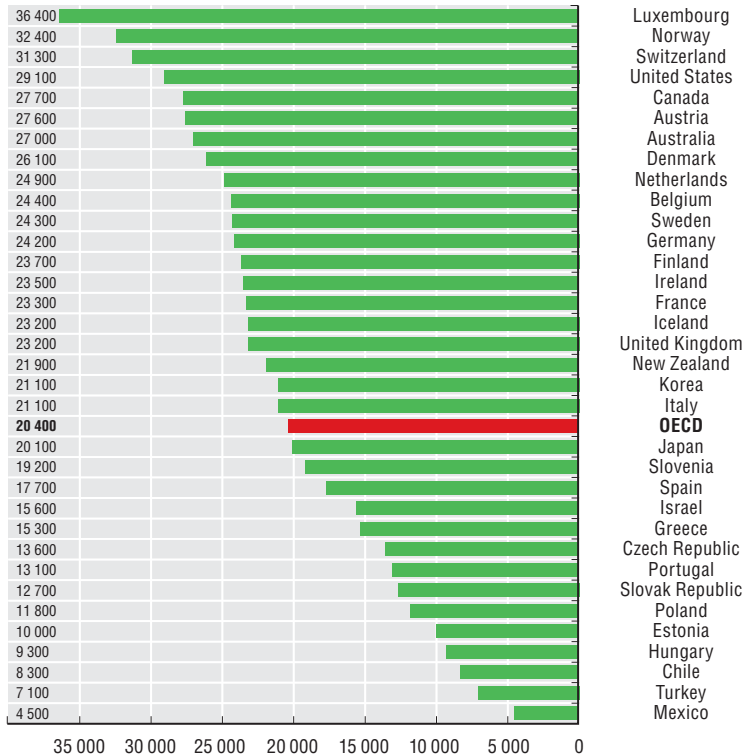
Figure notes

Figures 3.1, Panel B and 3.2: 2007 refers to 2006 for Chile and Japan. 2008 for Australia, Finland, France, Germany, Israel, Italy, Mexico, New Zealand, Norway, Sweden and the United States. 2010 refers to 2009 for Hungary, Japan, New Zealand, Switzerland and Turkey. 2011 for Chile.

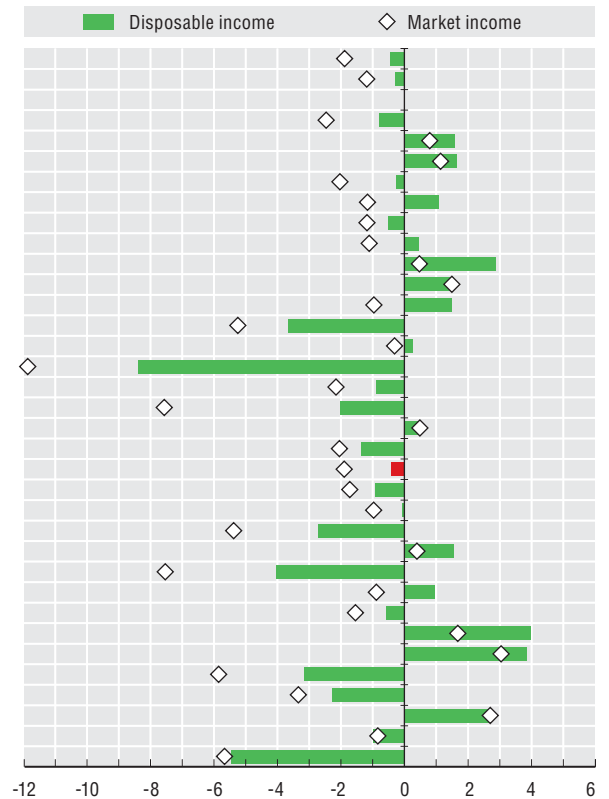
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

3.1. Household income of OECD countries varies between USD 4 500 and USD 36 400

Panel A. Annual median equivalised disposable household income in USD at current prices and current PPPs in 2010 (rounded at nearest 100)

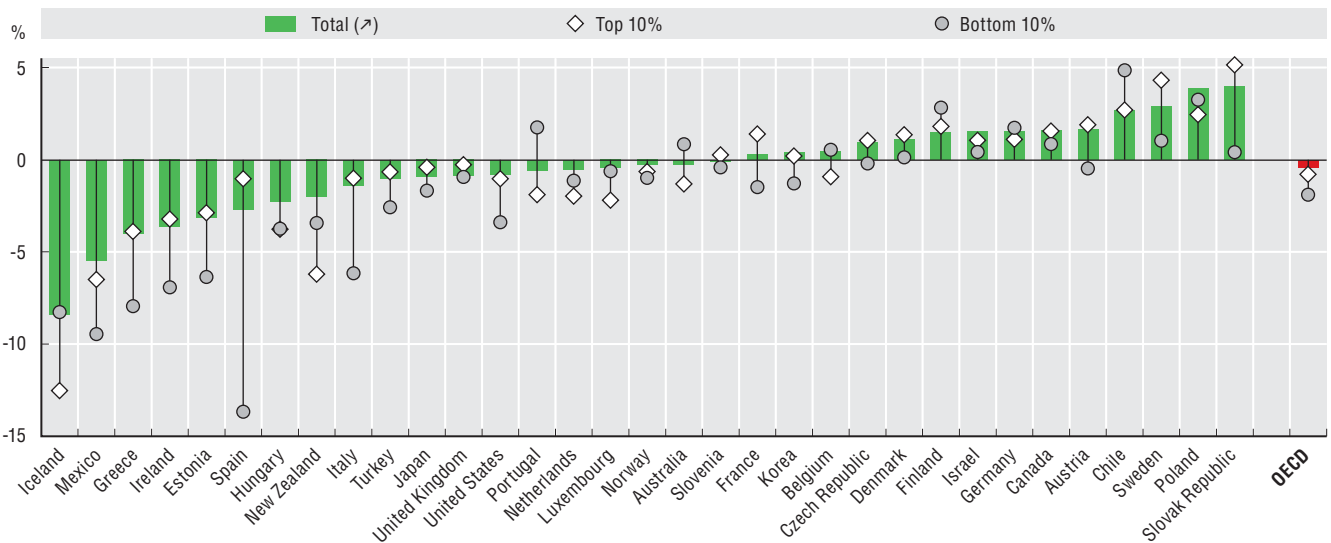


Panel B. Annual percentage changes in household equivalised disposable and market incomes between 2007 and 2010



3.2. Poorer households tended to lose more or gain less between 2007 and 2010

Annual percentage changes in disposable income between 2007 and 2010, by income group



Source: OECD Income Distribution Database (www.oecd.org/social/income-distribution-database.htm), accessed on 10 September 2013.

StatLink <http://dx.doi.org/10.1787/888932966276>



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