

Definition and measurement

Data on income difficulties is drawn from the Gallup World Poll. The Gallup World Poll is conducted in over 140 countries around the world based on a common questionnaire, translated into the predominant languages of each country. With few exceptions, all samples are probability based and nationally representative of the resident population aged 15 years and over in the entire country, including rural areas. While this ensures a high degree of comparability across countries, results may be affected by sampling and non-sampling error. Sample sizes vary between around 1 000 and 4 000, depending on the country. The Gallup data for this question does not include Switzerland. The data used is the response to the question “Which one of these phrases comes closest to your own feelings about your household’s income these days?”. The following four responses are possible: Living comfortably on present income, Getting by on present income, Finding it difficult on present income, Finding it very difficult on present income. The statistics presented combines the last two categories. Rates calculated omitted don’t knows and refused from the denominator. This non-response was 11% in Italy and also high in the Russian Federation and Belgium (7%). Household income data sources are described in CO1 and income distribution data in EQ1 and EQ2.

The Gini coefficient is a measure of income inequality. Values range between 0 – perfect equality – and 1 – all income goes to one person.

Whether or not people report experiencing difficulties in living on their income is an alternative equity measure.

The measure incorporates both a subjective component – self-assessed difficulties, possibly relative to a local refer-

ence point – and spending dimensions, both of which are not captured by the other income and income inequality measures used here as equity indicators.

About half the people in Hungary, Turkey, Greece and Mexico experienced income difficulties in the latest data (Panel A, EQ3.1). The OECD average was about one in four people. The Nordic countries had low rates, with the exception of Iceland. One in ten or fewer Danes, Norwegians and Swedes experience income difficulties.

The economic crisis has affected the numbers of people having income difficulties in many countries (Panel B, EQ3.1). But changes show considerable variation between countries. Austria, Estonia and Portugal seemed relatively immune to the crisis, with reductions in numbers of people in income difficulties. On the other hand double digit rises in the proportion of people having income difficulties were reported in Greece, Hungary, Ireland, Mexico, Spain and Turkey.

Income difficulties appear to be closer to an absolute than a relative equity measure, at least within the OECD (EQ3.2 and EQ3.3). While there is a significant relationship between income inequality and the income difficulties question, the relationship is strongest between absolute household income and inequality (poverty cross-plots show a similar relationship to income inequality). Both correlations generally provide some support for the validity of the measure. The Gini coefficient is especially high in Mexico, given the number of people reporting income difficulties. This may be because many poorer people in Mexico may be peasants supplementing low market income with considerable subsistence production.

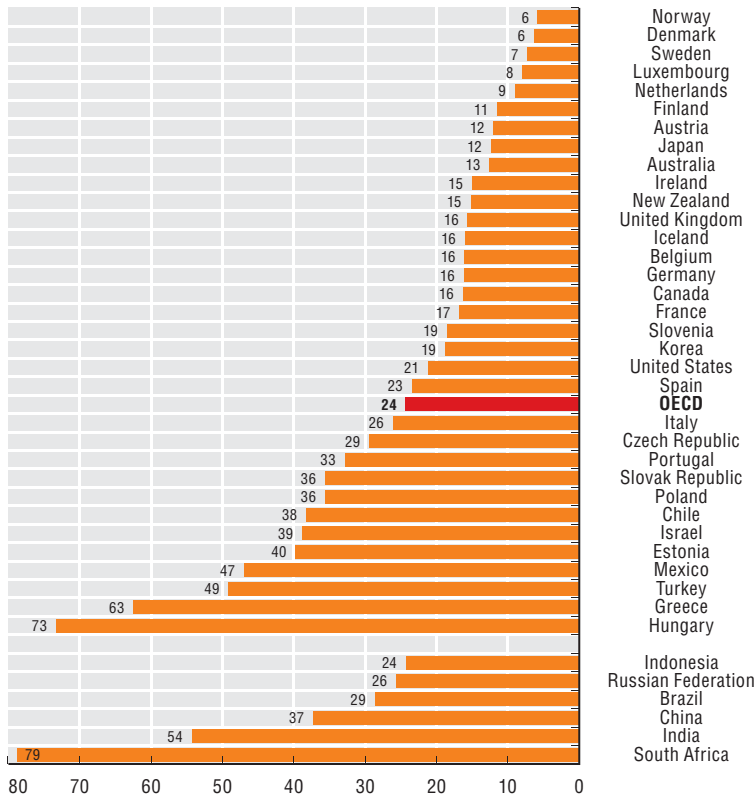
Figure note

Figure EQ3.1: Data for change are not available for Norway, Luxembourg, Iceland, Slovenia and the Slovak Republic. 2006/10 for France, 2007/09 for Estonia, Israel and South Africa, 2008/10 for Finland, Austria, Ireland, and Portugal.

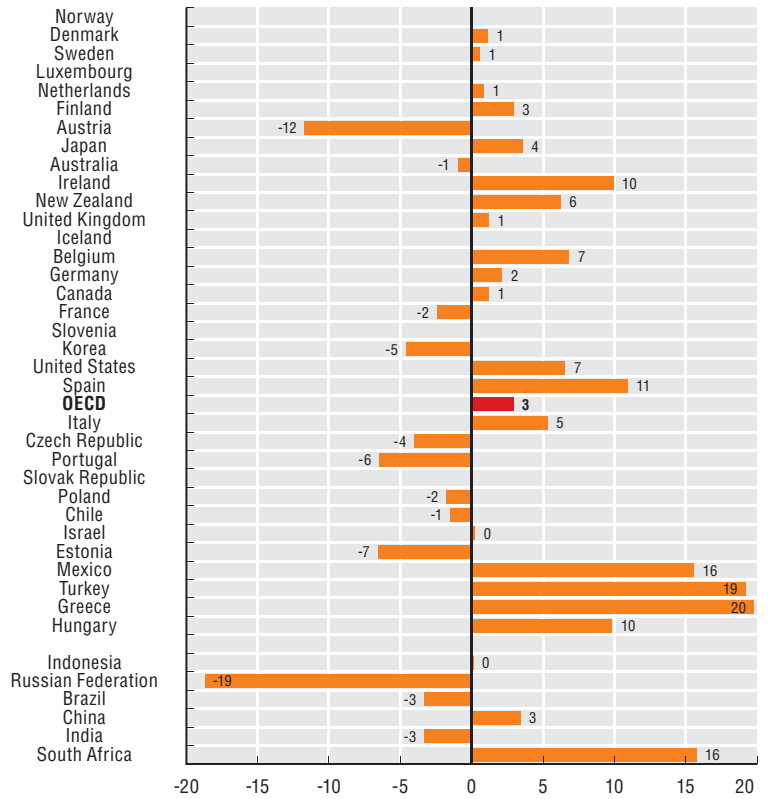
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

EQ3.1. A quarter of people in OECD have income difficulties and it is rising because of the crisis

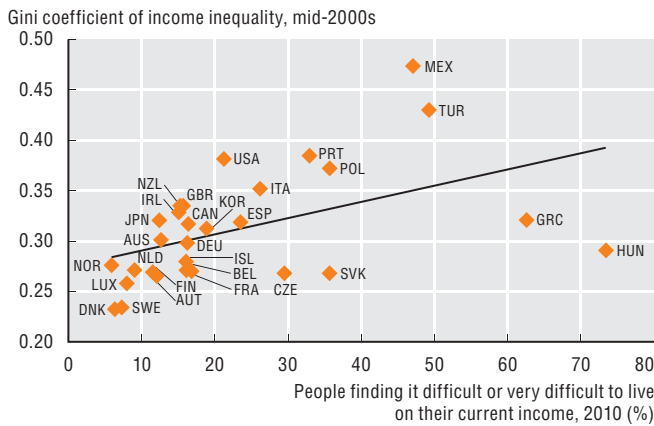
Panel A. Percentage of people finding it difficult or very difficult to live on their current income, 2010 (↗)



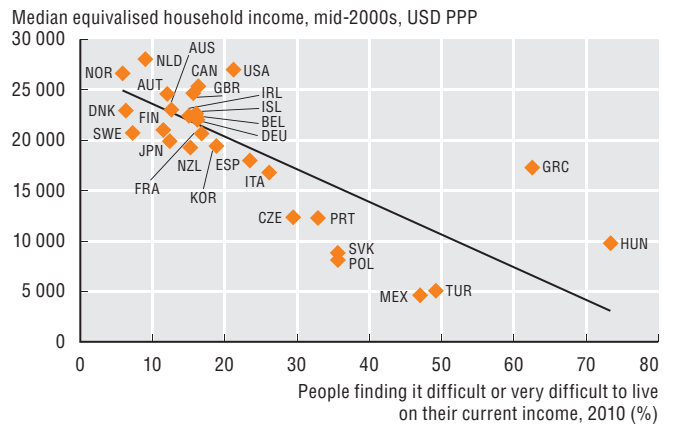
Panel B. Change in the percentage of people finding it difficult or very difficult to live on their current income between 2007 and 2010, percentage points



EQ3.2. Income difficulties are positively related to income inequality



EQ3.3. Income difficulties are more strongly inversely related to household income



Source: Gallup World Poll (www.gallup.com), OECD (2008), *Growing Unequal? Income Distribution and Poverty in OECD Countries* (www.oecd.org/els/social/inequality).
StatLink <http://dx.doi.org/10.1787/888932381912>



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