INCOME INEQUALITY

Income inequality indicates how material resources are distributed across society. Some consider high levels of income inequality to be morally undesirable. Others believe that income inequality is bad because it causes conflict, limits co-operation or creates psychological and ultimately physical stresses. Often the policy concern is more for the direction of changes in inequality, rather than for its level.

Keeping measurement-related differences in mind, income inequality is high in the Asia/Pacific region compared to the OECD (Figure 5.4). In 2016, income inequalities were widest in Malaysia and China with Gini coefficients on income inequality at above 0.40, compared to around 0.25 in Kazakhstan and the Kyrgyz Republic. Over the past decade, income inequality across the Asia/Pacific economies remained around 0.35, which is above the OECD average (0.32). Some Asia/Pacific countries like the Fiji, the Kyrgyz Republic, Mongolia and Thailand experienced a reduction in income inequality over the past 10 years, while significant increases in income inequality were recorded in Armenia and Sri Lanka.

The gap between the average income and consumption of the richest and the poorest 10% of the population is similar in the Asia/Pacific economies and the OECD countries (Figure 5.5). The gap appears widest in Malaysia, and smallest in Kazakhstan and the Kyrgyz Republic. During the past decade, the gap declined in Bhutan, China, Fiji, Kazakhstan, the Kyrgyz Republic, Mongolia, and Thailand while it increased in Armenia, Lao PDR, Pakistan, Sri Lanka, Tajikistan and Viet Nam.

The relationship between income inequality and economic growth has stimulated much theoretical and empirical research over the past decades. But no consensus on the strength or even the sign of the inequality-growth nexus has yet been reached. There does not appear to be a clear country-correlation between economic growth and changes in inequalities among Asia/Pacific countries (Figure 5.6).

Definition and measurement

The main indicator of income distribution used is the Gini coefficient. Values of the Gini coefficient range from 0 in the case of “perfect equality” (each person receives the same income) and 1 in the case of “perfect inequality” (all income goes to the person with the highest income).

The indicator is the S90/S10 income decile share, corresponding to the gap between the mean incomes or consumption of the richest and the poorest 10% of the population.

OECD measures of inequality are based on income. For Asian developing countries, where most people are self-employed in agriculture or casual labourers, income data is often not relevant or non-existent. For most countries, inequality measures are expenditure-based. Thus country comparisons should be made with caution, as expenditure-based measures typically show lower inequality than do income-based measures. Data for non-OECD Asian countries are from the World Bank Development Research Group (http://data.worldbank.org/indicator) and data for OECD countries (based on equivalised disposable income) are from the OECD Income Distribution Database available at www.oecd.org/social/income-distribution-database.htm
Figure 5.4. **Income inequality of the Asia/Pacific remains higher than the OECD average**

Gini coefficient, 2008 and 2016 or latest year available

Note: The Asia/Pacific average does not include OECD four countries in this region.

Source: World Bank, World Development Indicators; OECD Income Distribution Database for OECD countries.

StatLink: [http://dx.doi.org/10.1787/888933900325](http://dx.doi.org/10.1787/888933900325)

Figure 5.5. **S90/S10 income ratio in most Asia/Pacific economies declined over last decade**

Interdecile ratio S90/S10, 2008 and 2016 or latest year available

Note: The OECD average does not include Colombia.

Source: World Bank, World Development Indicators; OECD Income Distribution Database for OECD countries.

StatLink: [http://dx.doi.org/10.1787/888933900344](http://dx.doi.org/10.1787/888933900344)

Figure 5.6. **Economic growth and income inequality seem unrelated**

Real annual average growth in GINI (2008-16)

Real annual average growth in GDP per capita (2008-16)

Source: World Bank, World Development Indicators; OECD Income Distribution Database for OECD countries.

StatLink: [http://dx.doi.org/10.1787/888933900363](http://dx.doi.org/10.1787/888933900363)