

INCOME AT DIFFERENT POINTS OF THE DISTRIBUTION

Summary indicators of income inequality describe relative incomes within each country. Also important are differences in absolute levels of household disposable income for people at different points of the income distribution.

Definition

Income is defined as household disposable income in a particular year. It consists of earnings, self-employment and capital income and public cash transfers; income taxes and social security contributions paid by households are deducted. The income of the household is attributed to each of its members, with an adjustment to reflect differences in needs for households of different sizes (*i.e.* the needs of a household composed of four people are assumed to be twice as large as those of a person living alone).

Because of this adjustment for differences in needs, the income levels shown here (per consumption unit) differ from the per-capita measures shown in other parts of the *Factbook*. Income data for each country are adjusted for inflation with the consumer price index (CPI) for 2005 when the original income data refer to a different year. Incomes are converted into US dollars based on purchasing power parities (PPP) for actual consumption in 2005. PPPs are currency converters that equalise price levels between countries.

Overview

The median income per consumption unit is about 20 000 USD on average, ranging from around 5 000 USD in Mexico and Turkey to 36 000 USD in Luxembourg. When excluding the outliers on both ends, the variation across the remaining OECD countries remains large, from around 17 000 USD to around 28 000 USD.

Cross-country differences are much larger for people at the bottom of the distribution. The average income of the poorest people (*i.e.* those in the first decile of the distribution) ranges from less than 1 000 USD in Mexico to 15 000 USD in Luxembourg, with a country-ranking that differs significantly from that for median income – *e.g.* the United States (with the fourth-highest median income) falls by 16 positions while Sweden (ranked 17 in terms of median income) rises by 11.

For the richest people (*i.e.* those in the top decile of the distribution) average income is highest in the United States, at more than 93 000 USD, and lowest in the Slovak Republic, at 21 000 USD.

Comparability

Data used here were provided by national experts applying common methodologies and standardised definitions. In many cases, experts have made several adjustments to their source data to conform to standardized definitions. While this approach improves comparability, full standardisation cannot be achieved. Also, small differences across countries are usually not significant.

Differences in income levels may also reflect differences in the quality of the underlying sources, and the exclusion of some items (such as imputed rents and the value of goods produced for own consumption) whose importance varies across countries. Results may also differ across countries because of differences in the year to which tabulations refer (for details on the exact years, see “Measures of income inequality”).

Applying PPPs to different segments of the income distribution also assumes that poorer and richer households have identical consumption baskets. Despite these caveats, values of mean disposable income per consumption unit shown here are highly correlated with conventional measures of income per capita (Net National Income) based on national accounts.

Source

- OECD (2008), *Growing Unequal? Income Distribution and Poverty in OECD Countries*, OECD, Paris.

Further information

Analytical publications

- Atkinson, A. B., and A. Brandolini (2004), “Global World Income Inequality: Absolute, Relative or Intermediate?”, Paper presented at the 28th General Conference of the International Association for Research in Income and Wealth, Cork, 22-28 August 2004.

Websites

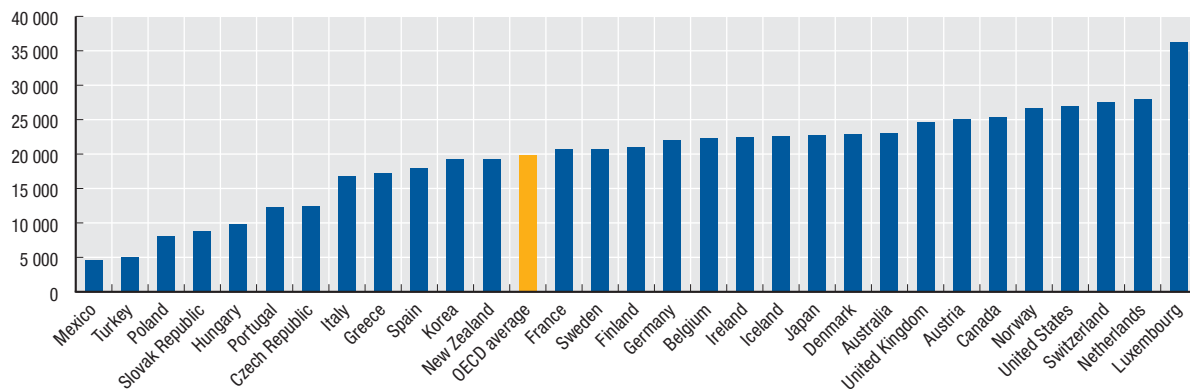
- OECD Social and Welfare Statistics, www.oecd.org/statistics/social.
- OECD work on income distribution and poverty, www.oecd.org/els/social/inequality.



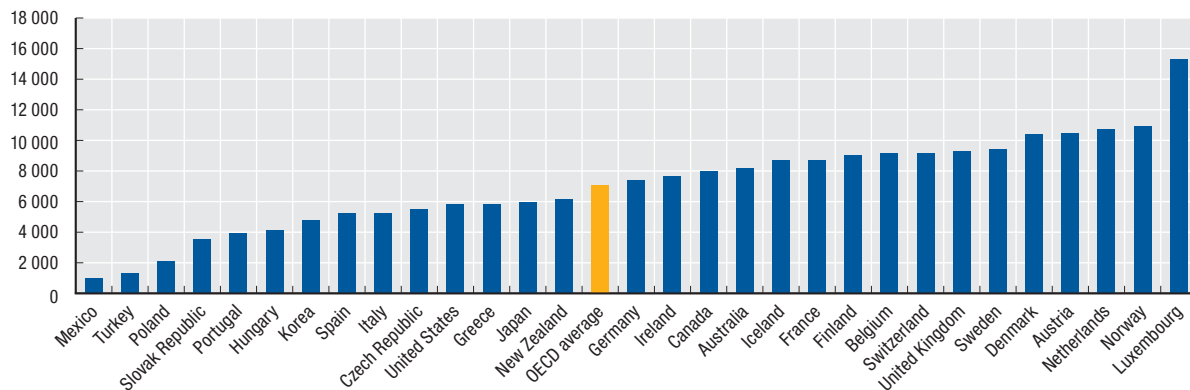
Income levels for people at different points in the distribution

US dollars and PPPs, mid-2000s

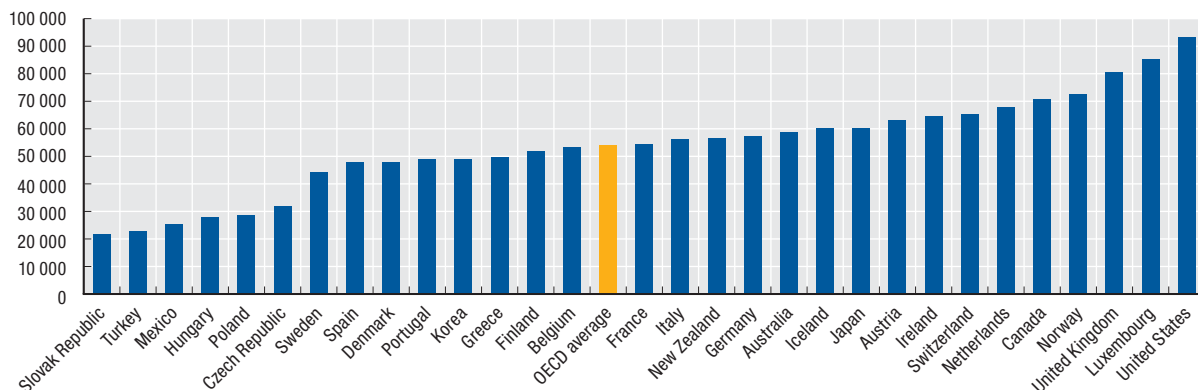
Median income



Average income of the bottom decile

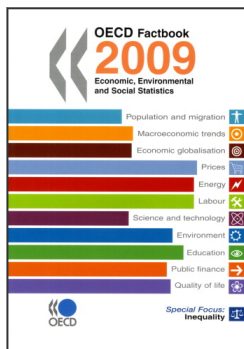


Average income of the top decile



StatLink <http://dx.doi.org/10.1787/540073745865>

A corrigendum has been issued for this page. See: <http://www.oecd.org/dataoecd/18/63/42445136.pdf>



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