

In It Together

Why Less Inequality Benefits All

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Why do we care about inequality?

Three major OECD studies since 2008:

Growing Unequal?
INCOME DISTRIBUTION
AND POVERTY IN OECD COUNTRIES



**Mehr Ungleichheit
trotz Wachstum?**
EINKOMMENSVERTEILUNG UND ARMUT
IN OECD-LÄNDERN



Divided We Stand
WHY INEQUALITY KEEPS RISING

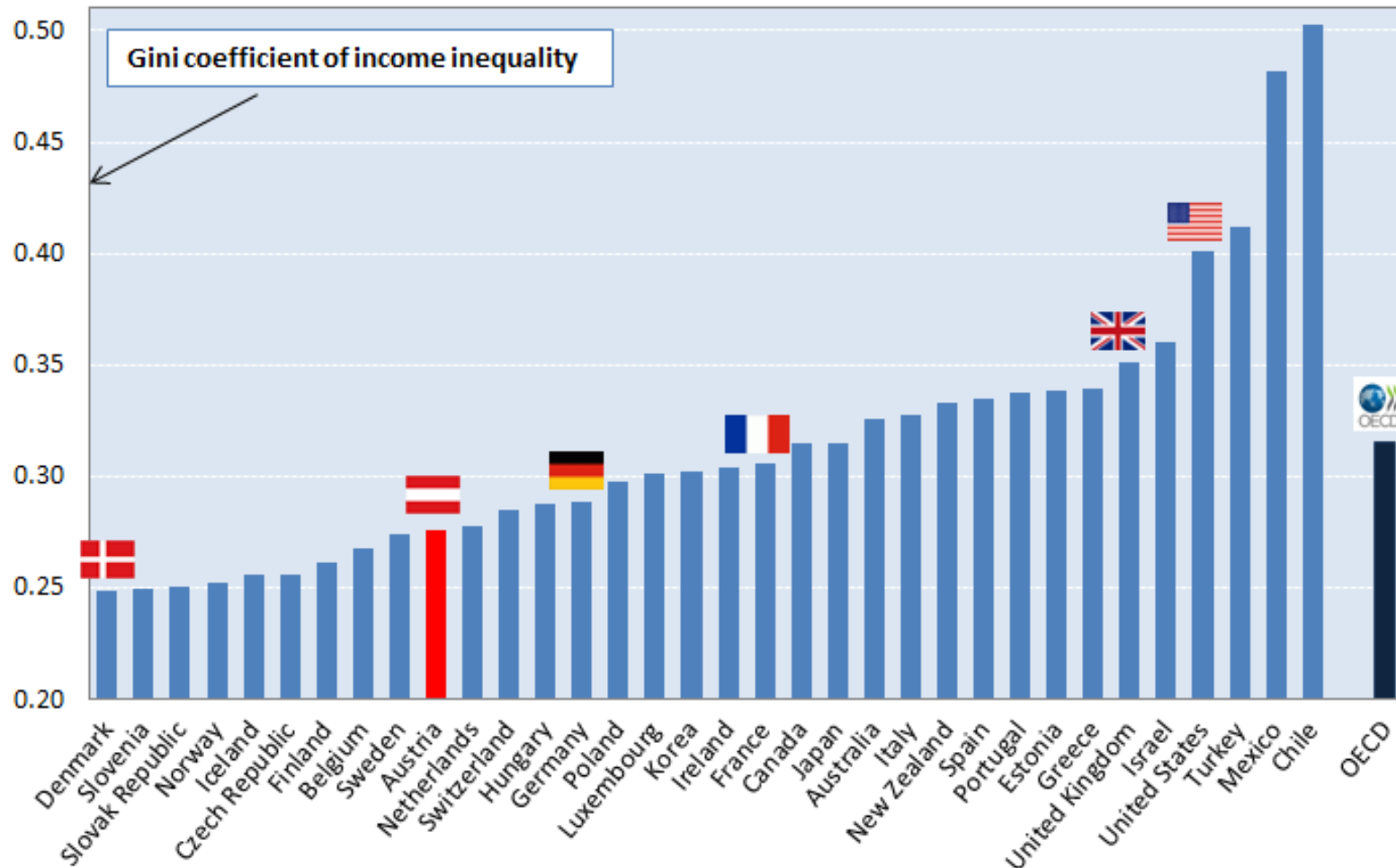


In It Together
Why Less Inequality Benefits All





Large country differences in levels of *income* inequality






Source: : OECD (2015), "In It Together", <http://www.oecd.org/social/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm>;
OECD Income Distribution Database (www.oecd.org/social/income-distribution-database.htm),

Note: the Gini coefficient ranges from 0 (perfect equality) to 1 (perfect inequality). Income refers to cash disposable income adjusted for household size. Data refer to 2013 or latest year available.



It is not just about income: *Wealth* is much more unequally distributed

Share of income and wealth going to different parts of the income and wealth distribution, respectively, around 2013

	OECD 		USA 		AUSTRIA 	
	income	wealth	income	wealth	income	wealth
top 10%	25%	50%	29%	76%	22%	62%
next richest 50%	55%	47%	55%	24%	55%	37%
bottom 40%	20%	3%	16%	0%	23%	1%

Source: OECD (2015), "In It Together", <http://www.oecd.org/social/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm> .
OECD wealth questionnaire and ECB-HFCS survey and OECD Income Distribution Database (www.oecd.org/social/inequality.htm)
Note: Income refers to disposable household income, corrected for household size. Wealth refers to net household wealth.



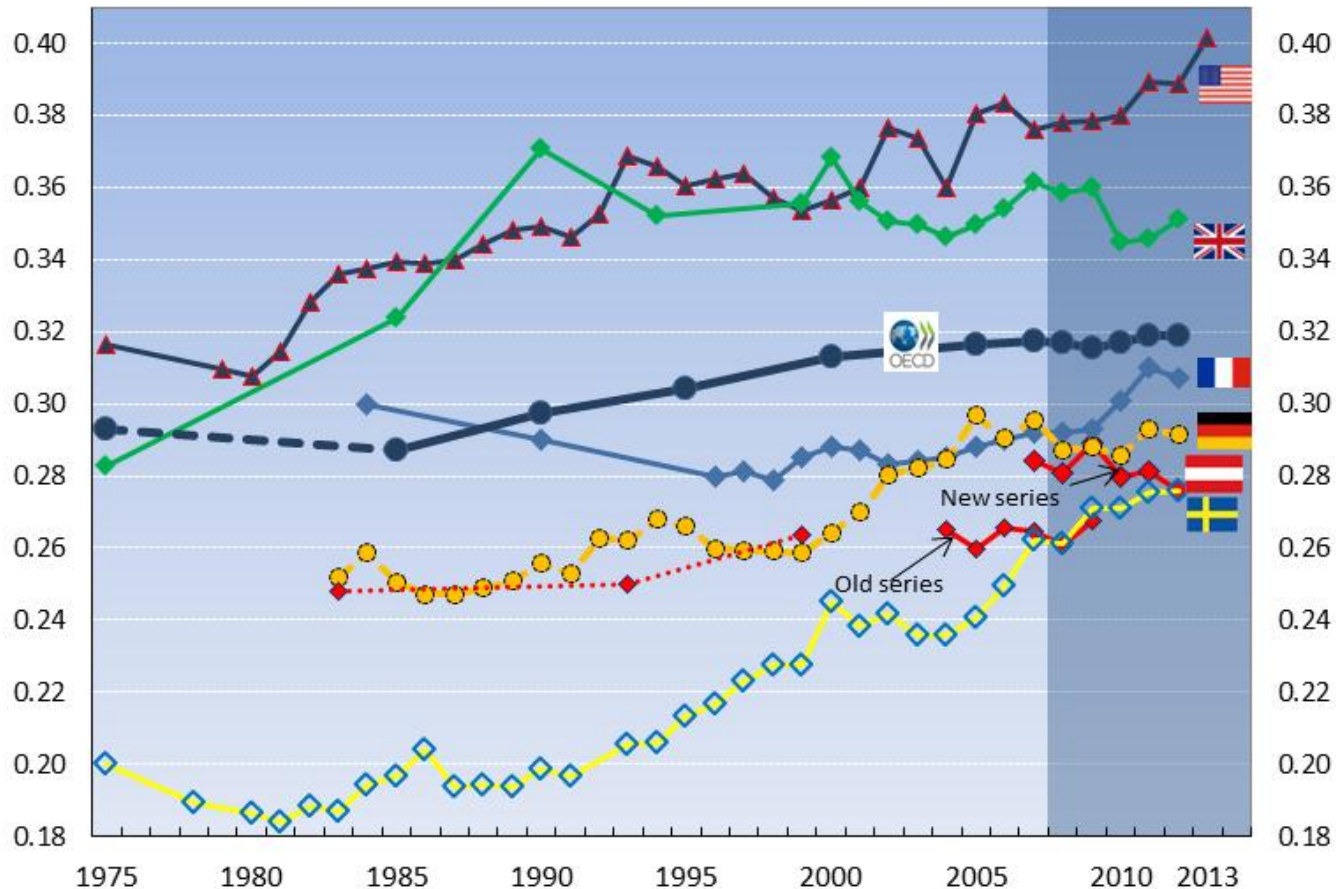
Over the long run, income inequality increased in a large majority of OECD countries

- The gap between rich and poor is at its highest level since thirty/forty years
- The richest 10% earn close to 10 times more than the poorest 10%
- This is up from a ratios of:
 - 7:1 (1980s);
 - 8:1 (1990s);
 - 9:1 (early 2000s)
- Inequality increased in good times, and it increased in bad times
- Inequality increased in egalitarian and less egalitarian countries alike



Rather than continuous long-term trends, “waves”/“episodes” of inequality increases

Long-term trends in inequality of disposable income (Gini coefficient)



Source: OECD (2015), “In It Together”, <http://www.oecd.org/social/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm> OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm.

Note: Income refers to disposable income adjusted for household size.



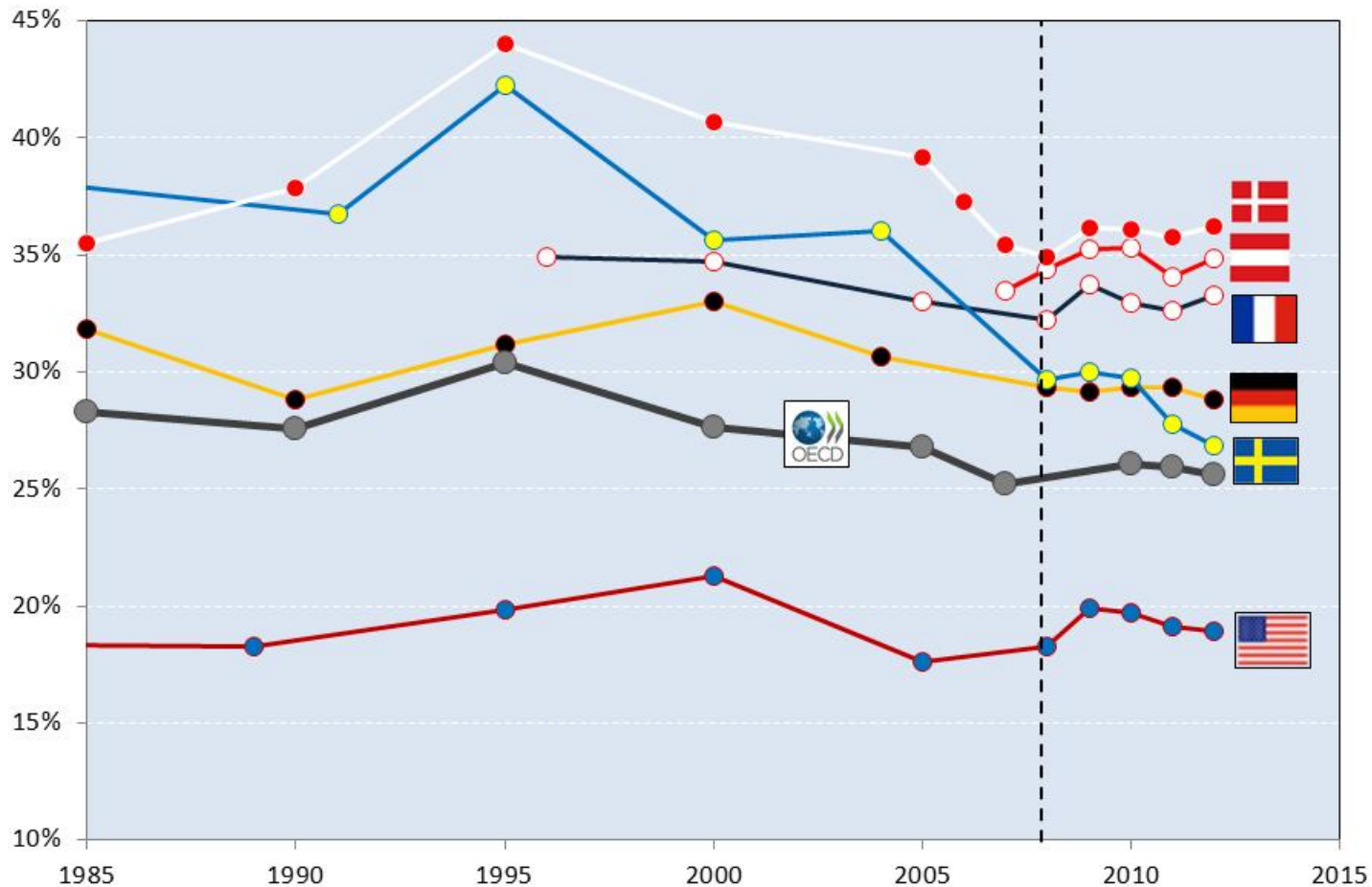
New employment patterns contributed to inequality

- Non-standard work arrangements increased
- Those provide less job quality:
 - hourly wages;
 - job security;
 - training;
 - job strain;
 - social protection
- “Stepping-stone” effects do exist, but mostly for prime-age and older workers;
- ..and the household constellation matters



..., and redistribution became weaker in most countries until the onset of the crisis

Trends in market income inequality reduction, working age population



Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm



Why do we care about high and rising inequalities?

- Social concerns
- Political concerns
- Ethical concerns
- *Economic* concerns: does inequality affect growth?
A long-standing, controversial debate:
 - Inequality might **increase** growth (incentives !)
 - Inequality might **decrease** growth (missed opportunities !)



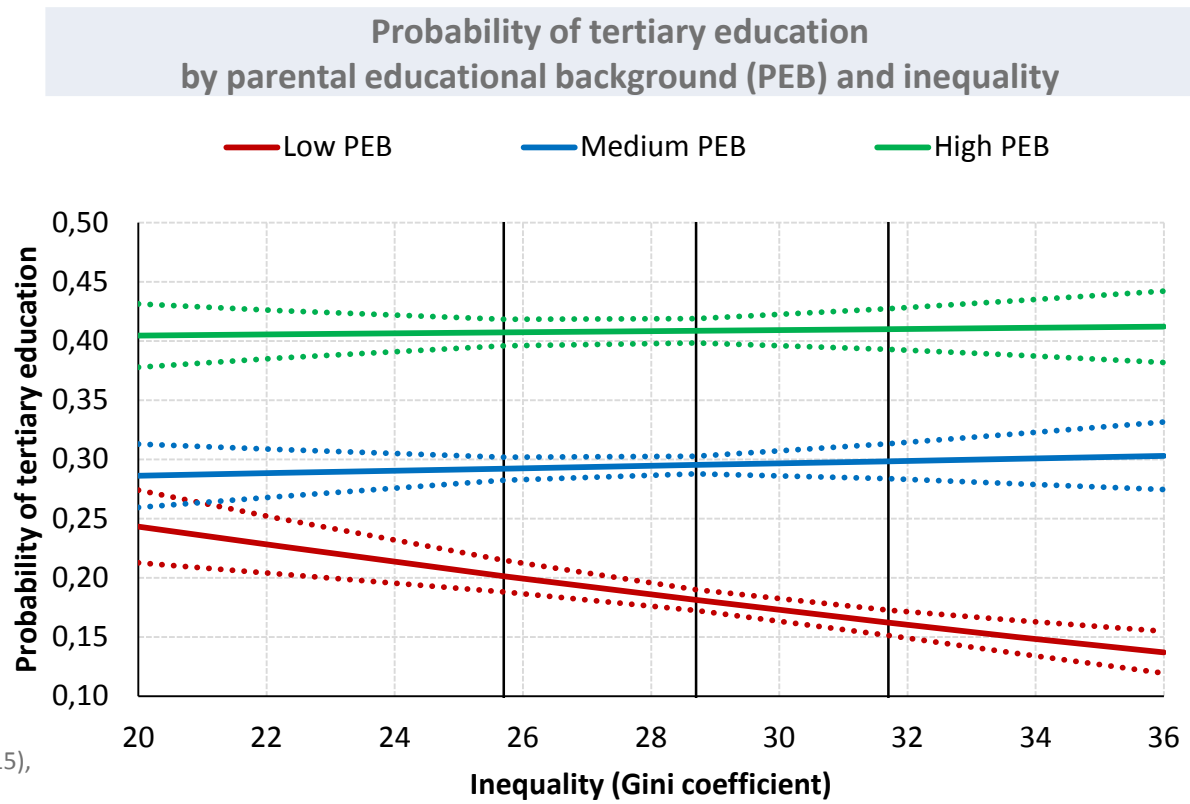
Inequality and growth: main findings from the recent OECD study

- Higher income inequality *lowers* economic growth in the long-term
 - Increasing income inequality by 1 Gini point lowers the growth rate of GDP per capita by ~0.12 %-points per year
- This is driven by disparities at the lower end of the distribution, incl. lower middle classes, not just the poor
- Redistribution through taxes and transfers has *not* led to bad growth outcomes



The role of inequality and family background for formal education

Inequality lowers the probability of tertiary education, but only among individuals with low parental education ...



'Parent's income has become an almost perfect predictor of university access.' Piketty, p.485

Source: OECD (2015), "In It Together"

Increasing inequality by ~10 Gini pts. (Austria-US difference) lowers the probability of tertiary education of Low PEB individuals by ~6 percentage points

Note: Low PEB: neither parent has attained upper secondary education; Medium PEB: at least one parent has attained secondary and post-secondary, non-tertiary education; High PEB: at least one parent has attained tertiary education. The bars indicate 95% confidence intervals.



In It Together: Hauptergebnisse

- In vielen Ländern hat Einkommensungleichheit einen Rekordwert erreicht
- Ärmere Haushalte bleiben zurück. Aber es geht nicht nur um Armut – es geht um die unteren 40 Prozent der Bevölkerung
- Atypische Formen der Arbeit haben zu Ungleichheit beigetragen
- Hohe Vermögenskonzentration beeinträchtigt Investitionsmöglichkeiten für viele
- Zunehmende Ungleichheit bremst Wirtschaftswachstum und hemmt Zukunftschancen für viele Haushalte
- Je mehr und intensiver Frauen am Erwerbsleben teilnehmen, umso geringer die Einkommensungleichheit



Politikmaßnahmen, um zunehmender Ungleichheit entgegen zu treten

Vier Politikbereiche für ein erfolgreiches Maßnahmenpaket:

- Förderung der Arbeitsmarktpartizipation von Frauen in Vollzeitbeschäftigungsverhältnisse;
- Förderung von Beschäftigungsmöglichkeiten und Arbeitsplatzqualität: Maßnahmen für mehr *und* bessere Jobs
- Investition in Aus- und Weiterbildung: Fokus auf die ersten Jahre und Familien mit Kindern, sowie auf lebenslanges Lernen
- Verbesserung bestehender Steuer-Transfer-Systeme für eine effizientere Umverteilung



Thank you for your attention!

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www.oecd.org/social/inequality-and-poverty.htm

Includes: "COMPARE YOUR INCOME" WEB TOOL →

The screenshot shows the 'What's your share of the pie?' web tool interface. At the top left, the title 'What's your share of the pie?' is displayed. To the right, there are language options: English, Français, Español, Italiano, and Deutsch. Below the title, a paragraph explains the tool's purpose: 'When you think about your household's income, do you feel rich, poor, or just average? Most of us have no idea – or the wrong idea – of how we compare with the rest of the population. But here, in 10 clicks, you can find out how many households are better or worse off than yours, and see how your ideal world compares.' A teal arrow labeled 'Get Started' points to the right. Below this, a list of three steps is shown: 1. Tell us about you, 2. Tell us about your ideal world, and 3. In reality... The background features a stylized globe with a person silhouette on top, and a smaller globe with a hand holding it. The OECD logo is in the bottom left corner.

What's your share of the pie?

English Français Español Italiano Deutsch

When you think about your household's income, do you feel rich, poor, or just average? Most of us have no idea – or the wrong idea – of how we compare with the rest of the population. But here, in 10 clicks, you can find out how many households are better or worse off than yours, and see how your ideal world compares.

[Click here to learn more about the methodology used to build this tool.](#)

Get Started

- 1 Tell us about you
- 2 Tell us about your ideal world
- 3 In reality...

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