

## Redistribution of income and wealth

One of the most pervasive consequences of the 2007-08 economic crisis has been the increase in income inequality to historically high levels in many OECD countries. Increasing income inequality could affect material conditions, human capital formation and access to opportunities for those at lower levels of the income distribution. Additionally, higher inequality could also lead to loss of trust in government and its capacity to implement policies that favour the many over the few. Governments' capacity to level the playing field for people by ensuring equality of opportunity and a minimum standard of living is key to avoiding social unrest and fostering well-being.

Governments can play a role in increasing or reducing income inequality through taxes (e.g. tax exemptions) and transfers (e.g. allowances or subsidies). The Gini coefficient is the standard measure of inequality representing the income distribution of the population within a given country. It takes the value of 0 when all households have identical income and 1 when one household has all the income. In 2016, on average income inequality before taxes reached 0.47 in OECD countries and declined to an average of 0.32 after government intervention. Redistribution levels are highest in European countries with consolidated welfare states, such as Finland (24.6 p.p.), Ireland (23.4 p.p.) and Belgium (23.3 p.p.).

Household wealth is more unequally distributed than household income, due to the very high levels of concentration at the top of the wealth distributions. Across OECD countries, the wealthiest 10% of households hold 52% of total net wealth, compared with 24% of total income held by the 10% of people at the top of the income distribution. Wealth inequality, as measured by the net wealth share held by the top 10% of households, is highest in the United States (79%) and the Netherlands (68%), and lowest in Japan (41%) and the Slovak Republic (34%).

Considering the distribution of wealth alongside that of income provides a more comprehensive view of the economic means available to cope with income changes. In OECD countries, many people who are not considered income poor are nevertheless economically vulnerable in the event of a sudden loss of income, e.g. through unemployment, family breakdown, or disability. If income were to stop suddenly, such people would not have enough readily available financial assets to keep living above the poverty line for at least three months. Economic vulnerability is highest in Latvia (62.2%) and Greece (55.4%). In turn, it is the smallest in Japan (13.6%) and Korea (4.3%) (Balestra and Tonkin, 2018). The high concentration of wealth and high levels of economic vulnerability shed light on governments' key role in contributing to reducing income inequalities.

### Methodology and definitions

Data are drawn from the *OECD Income Distribution Database* and *OECD Wealth Distribution Database*. Redistribution of income is measured by comparing Gini coefficients for household market income (i.e. total income from market sources not adjusted for public cash transfers and household taxes) and for household disposable income (i.e. net of direct government transfers and direct taxes) of the working age population. Net wealth includes both real-estate assets such as secondary homes and investment properties, and financial assets (e.g. voluntary pensions, personal savings and inheritances) net of liabilities. Pension wealth in the form of social security entitlements and defined benefit occupational pensions are excluded. An individual is asset-based poor if she belongs to a household with liquid financial wealth insufficient to support them at the level of the income poverty line for at least three months. Those asset-poor individuals who are not income poor are described here as being economically vulnerable. Economic vulnerability does not take into account social transfers (e.g. unemployment benefits) that people may receive in the event of some types of shocks. An individual is considered income poor when his/her household income is below a certain threshold, in this case 50% of the national median income before taxes (income poverty line).

### Further reading

Balestra, C. and R. Tonkin (2018), "Inequalities in household wealth across OECD countries: Evidence from the OECD Wealth Distribution Database", *OECD Statistics Working Papers*, No. 2018/01, OECD Publishing, Paris, <https://doi.org/10.1787/7e1bf673-en>

### Figure notes

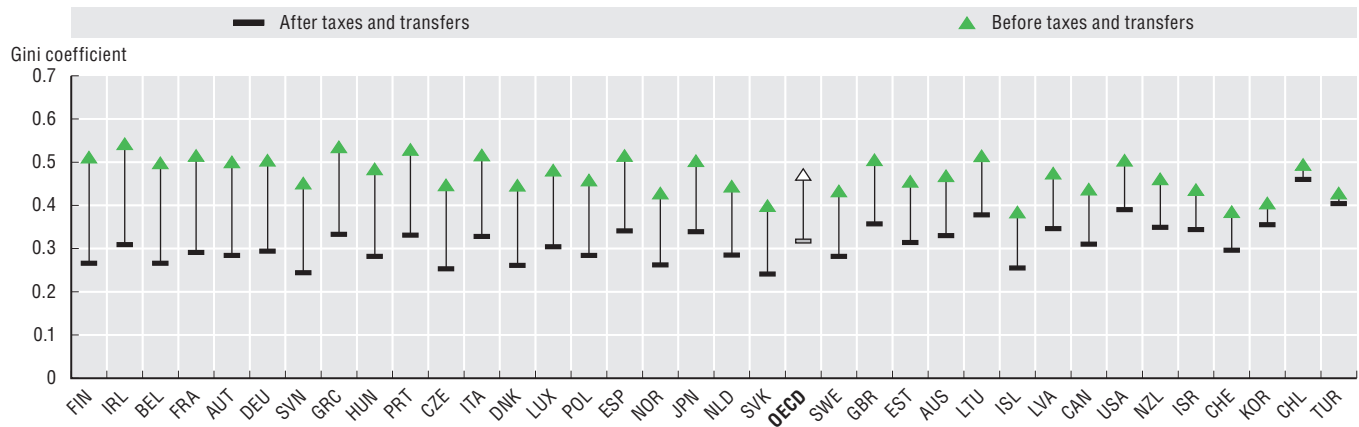
On data for Israel, see <http://doi.org/10.1787/888932315602>.

10.7: Data for Finland, Norway, Sweden, United Kingdom, Canada, the United States, Israel, Korea and Chile are for 2017, and for New Zealand for 2014 rather than for 2016. Data for Japan, Iceland, Switzerland and Turkey are for 2015 rather than 2017. Market income is post taxes and before transfers for Mexico and Turkey, so data are not strictly comparable.

10.8: Data for Finland, Latvia, the Netherlands, the United Kingdom, and the United States are for 2016; for Australia, Hungary, and New Zealand are for 2014; and for Japan are for 2012. In some cases, methodological issues may affect relative positions of countries.

10.9: Data for Canada are for 2016; for Australia, Austria, Belgium, Chile, France, Germany, Greece, Hungary, Italy, Japan, Latvia, Luxembourg, New Zealand, Norway, Poland, the Slovak Republic and Slovenia are for 2014; for Estonia, Finland, Ireland, Portugal, and the United States are for 2013; and for Spain are for 2012. In some countries, income data from the wealth survey lags the assets data, which may affect cross-country comparability.

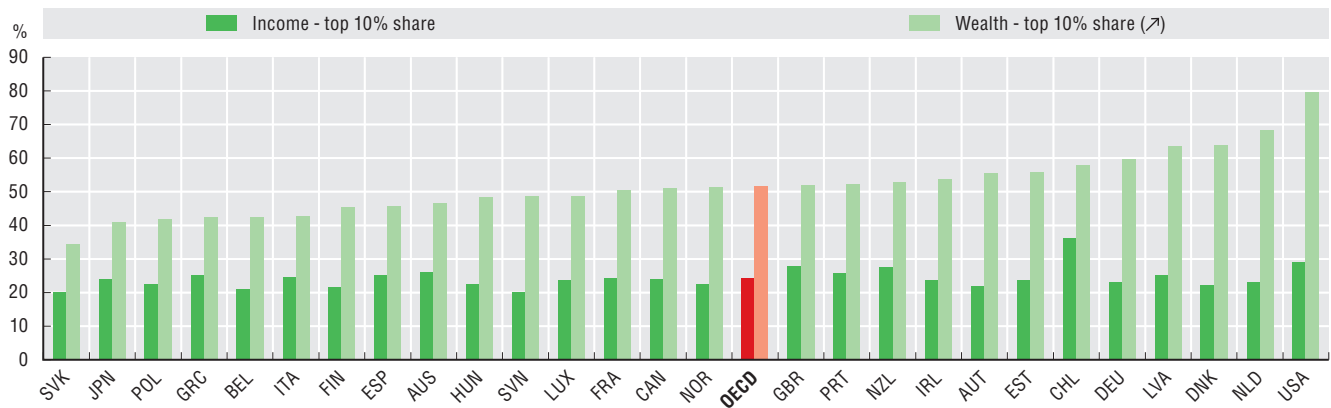
## 10.7. Differences in household income inequality pre and post-tax and government transfers, 2016



Source: OECD(2016) Income Distribution Database.

StatLink <https://doi.org/10.1787/888934033251>

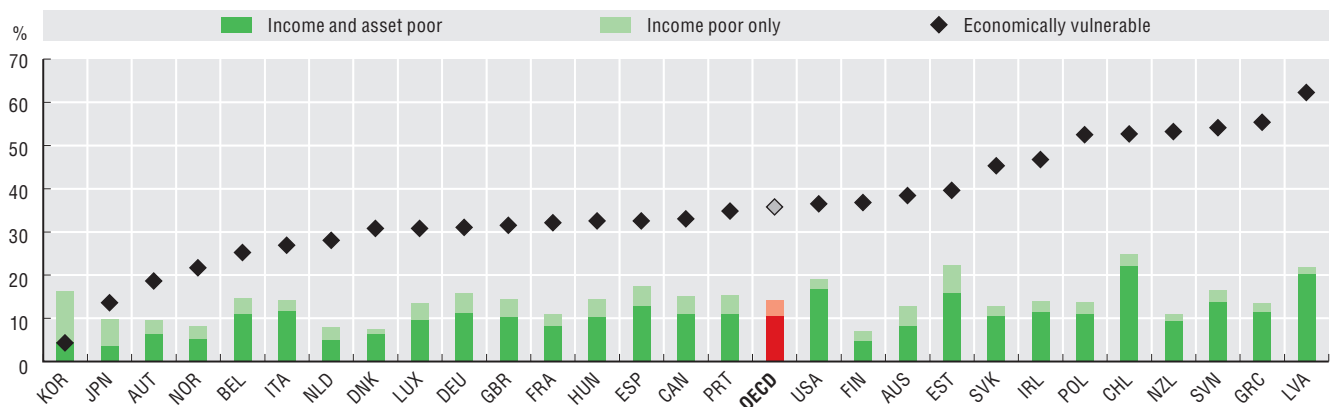
## 10.8. Shares of household income and wealth held by units in the top 10 of the distribution, 2015 or latest year available



Source: Balestra and Tonkin (2018), based on the OECD Wealth Distribution Database and OECD Income Distribution Database.

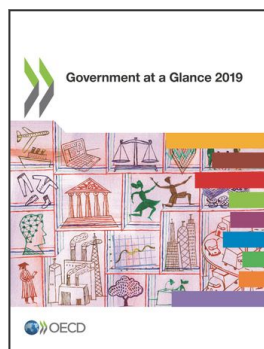
StatLink <https://doi.org/10.1787/888934033270>

## 10.9. Percentage of individuals experiencing income and/or asset-based poverty, 2015 or latest available year



Source: Balestra and Tonkin (2018), based on the OECD Wealth Distribution Database.

StatLink <https://doi.org/10.1787/888934033289>



**From:**  
**Government at a Glance 2019**

**Access the complete publication at:**

<https://doi.org/10.1787/8ccf5c38-en>

**Please cite this chapter as:**

OECD (2019), “Redistribution of income and wealth”, in *Government at a Glance 2019*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/79321fa3-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).