

### Household income in metropolitan areas

People living in metropolitan areas have higher income than those living outside metropolitan areas. According to the estimation of household disposable income in 18 OECD countries, based in most cases on tax records, the average income in metropolitan areas is on average 17% higher than elsewhere (Boulant et al., 2016). The income *premium* in metropolitan areas with respect to the national average is always positive, with the exceptions of Belgium, but it can differ significantly across countries (Figure 4.23). Mexico is the country where the difference between income of metropolitan and non-metropolitan residents is the highest (68%), followed by Hungary (37%), Estonia (34%) and Chile (23%). It should be acknowledged, however, that relatively higher incomes do not necessarily imply a higher purchasing power available to metropolitan residents. In fact, differences in living costs between locations can offset partially earning differences across urban and rural places.

#### Definition

The disposable income of private households is derived by adding transfers and subtracting taxes from the market income. The market income of private households is composed by wages and salaries, income from capital and private transfers, such as remittances, private pensions, etc. Taxes include personal income taxes and social security contributions by the employees. On the other hand, transfers include direct cash and in-kind transfers, such as cash transfers, free food transfers, school feeding programmes, etc.

Disposable income per equivalent household is expressed in USD purchasing power parities (PPP) at constant prices (year 2010). The equivalence scale consists in dividing household income by the square root of the average household size.

The Gini coefficient is a measure of inequality among all inhabitants of a given metropolitan area (see Annex C for the formula). The index takes on values between 0 and 1, with zero interpreted as a situation in which the income of all households is the same (no inequality).

Larger metropolitan areas have on average higher income, but also higher inequalities. Larger cities often concentrate the most skilled people with high-income and this is reflected in the observed inequality. Gini coefficients for household disposable income were estimated for 121 metropolitan areas in 11 OECD countries. According to these estimations, large differences within countries can be observed in the income inequality of the different metropolitan areas. For example, in the United States, the metropolitan areas of Albany, NY and Columbia, SC had a Gini coefficient for household disposable income close to 0.30, which was much lower than those encountered in Miami, FL and in McAllen, TX (close to 0.43), in 2014. Similarly, income inequalities in Brussels was 0.38 in 2013, much higher than in Antwerp, Liège and Gent, where the Gini coefficient ranged between 0.29 and 0.31. Mexico is another country showing large differences in income inequality across its largest cities. Differently from Belgium, however, the capital city, which is also the largest metropolitan area, does not record the highest levels of income inequality. The Gini coefficient in Reynosa was 0.41 in 2010, significantly lower than in the metropolitan area of Tuxtla Gutiérrez (0.50) (Figure 4.24).

#### Source

OECD (2015), *OECD Regional Statistics* (database), <http://dx.doi.org/10.1787/region-data-en>.

Boulant, J., M. Brezzi and P. Veneri (forthcoming) "Income levels and inequality in metropolitan areas: a comparative approach in OECD countries", *OECD Regional Development Policy Working Papers*.

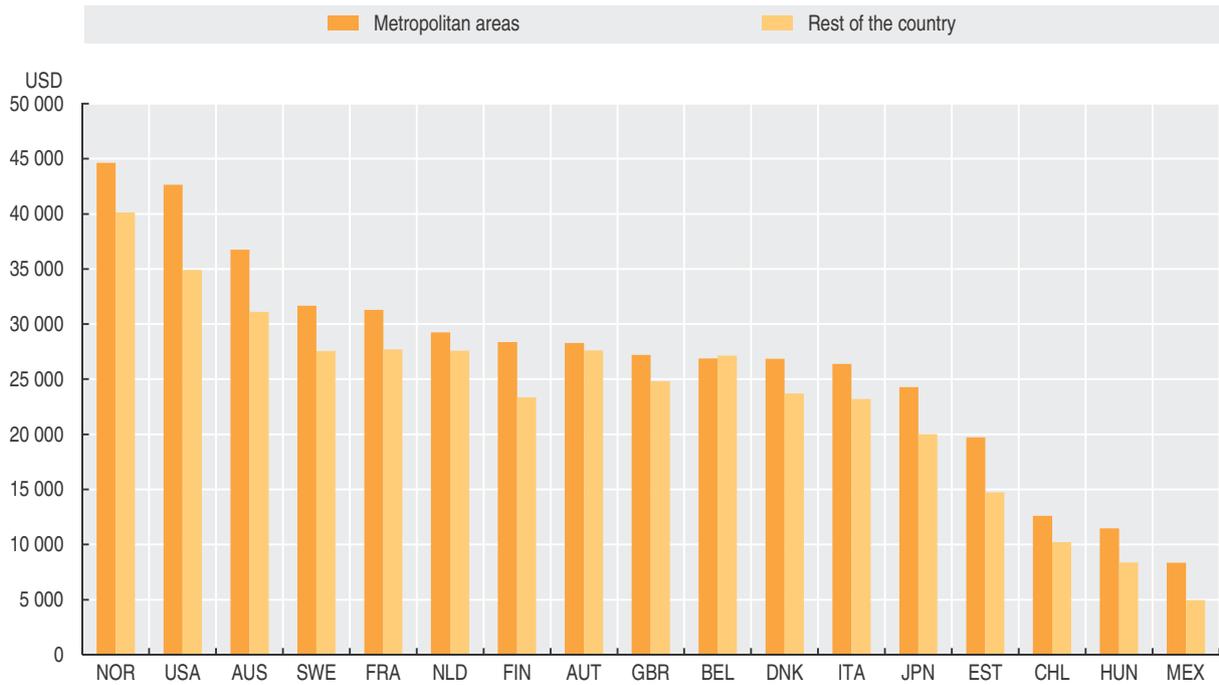
See Annex B for data sources and country-related metadata.

#### Reference years and territorial level

Disposable income per equivalent household: Mexico, 2010; Australia and France, 2011; Austria and United Kingdom, 2012; Estonia, Finland and United States, 2014.

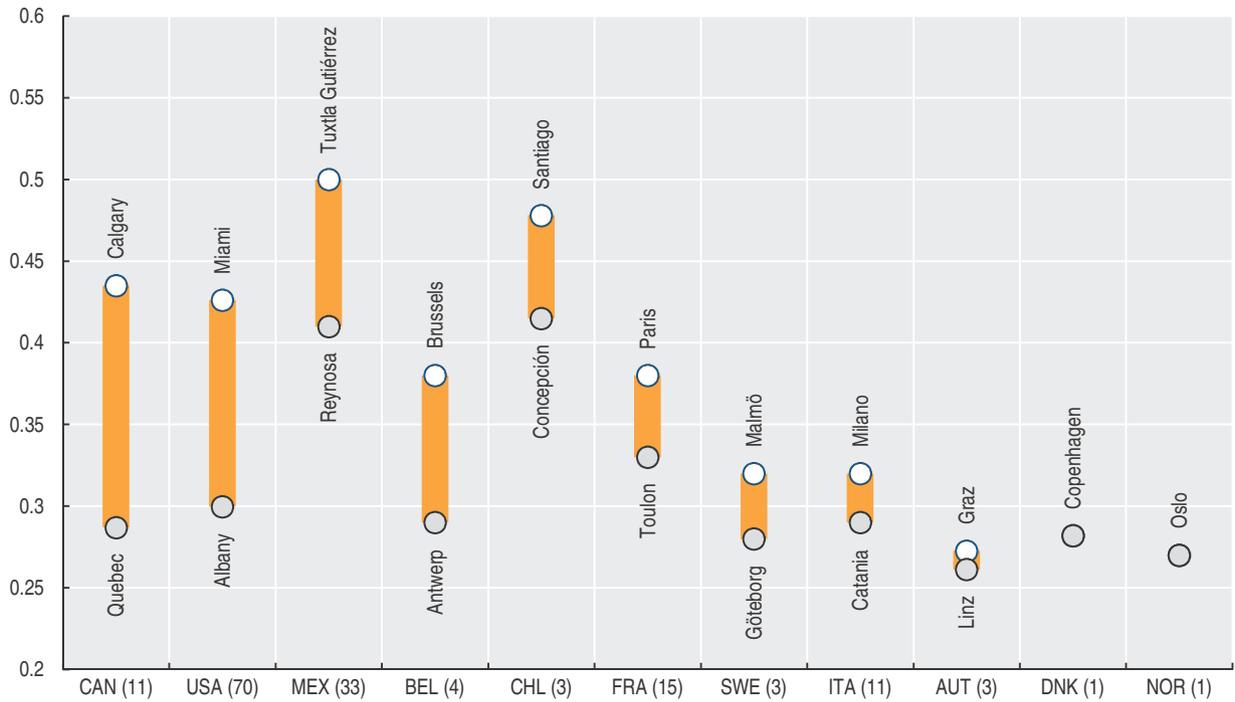
Gini coefficient for household disposable income: Mexico 2010; France, 2011; Austria, 2012; United States, 2014.

**4.23. Metropolitan and non metropolitan disposable income per equivalent household, 2013**

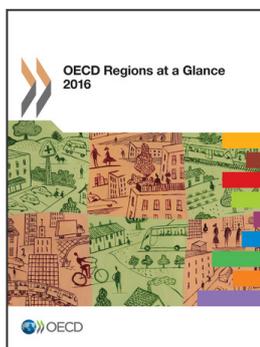


StatLink <http://dx.doi.org/10.1787/888933364034>

**4.24. Minimum and maximum Gini coefficients for household disposable income in metropolitan areas, 2013**



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