



UK income inequality & international comparisons

Standard Note: SN/EP/3870

Last updated: 30 July 2009 (*Next updates: Spring & July 2010*)

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Section Economic Policy & Statistics

In general terms income inequality increased over the past two decades. However, in recent years inequality has been broadly stable, and has declined on some measures.

There is no single 'official' measure of UK income inequality, a variety of measures are available from several sources. Two commonly used inequality indicators are:

Gini coefficients (summarise income equality in a single number): One source (FRS/FES) suggests that since 1979 household income inequality on this measure has increased by 14 percentage points from 26% (before housing costs), or by 10½ percentage points from 25 (after housing costs). Since 1996/97 the increase has been around 2½ percentage points on both measures, and changes between 2006/07 and 2007/08 saw inequality on both measures reach a record high since comparable data began in 1961.

Another source (EFS) suggests that inequality increased by around 8 or 9 percentage points since 1979 (depending on the definition of income used). The greatest increase in inequality took place from the early 1980s, with a slight levelling off after 1991, and has been relatively stable since 1995/96.

Income dispersal ratios compare two different points of the income distribution. Using the highest and lowest tenths of households' incomes, inequality increased from the mid-1980s, peaking around 1990, but has been stable more recently (EFS). Another source shows a more mixed picture depending on whether housing costs are deducted from income (FRS).

Among **European countries** the UK is the 6th most unequal on two measures (Gini coefficient and the ratio of income received by the highest and lowest fifths of the income distribution). Sweden and Slovenia had the lowest levels of inequality, Portugal and Romania the highest. Among **OECD countries** the UK is the 7th most unequal, with Turkey and Mexico most unequal, and Denmark and Sweden the least unequal.

Sources of income and inequality data and terminology are discussed in the 2004 Research Paper *Incomes, Wealth & Inequality* (Research Paper [04/70](#), parts I & II). Other Library briefings include: constituency-level income/earnings data availability and sources ([SN/EP/5017](#)); the Government's child poverty targets ([RP09/62 on the Child Poverty Bill](#), and [SN/EP/3314](#)); regional income poverty statistics ([SN/EP/4627](#)). The Institute for Fiscal Studies publishes an [historic dataset of incomes and inequality back to 1977](#) (FRS).

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1 Gini coefficients

The Gini coefficient is a widely used indicator of income inequality. It summarises how equal an income distribution is in a single figure, usually expressed as a percentage between 0% (complete equality, everyone has the same income) and 100% (complete inequality, one person has all the income). A useful short explanation of the concept is available from the Office for National Statistics (ONS) website.¹

Its advantage is simplicity, but its disadvantage is that two differing income distributions can have the same coefficient. Gini coefficients are often supplemented by other measures of income inequality to give a more detailed picture (see parts 2 and 3).

UK Gini coefficients are generally derived from two social surveys: the Expenditure & Food Survey (EFS) and the Family Resources Survey (FRS). Although the EFS is a relatively small survey, a detailed annual analysis, *Effects of Taxes & Benefits on Household Income*, is published which provides detailed information on the income distribution and redistribution through the tax/benefit system.² This research is also known as the 'Redistribution of Income' (ROI) analysis, and is generally published in May/June featuring data from the previous financial year.

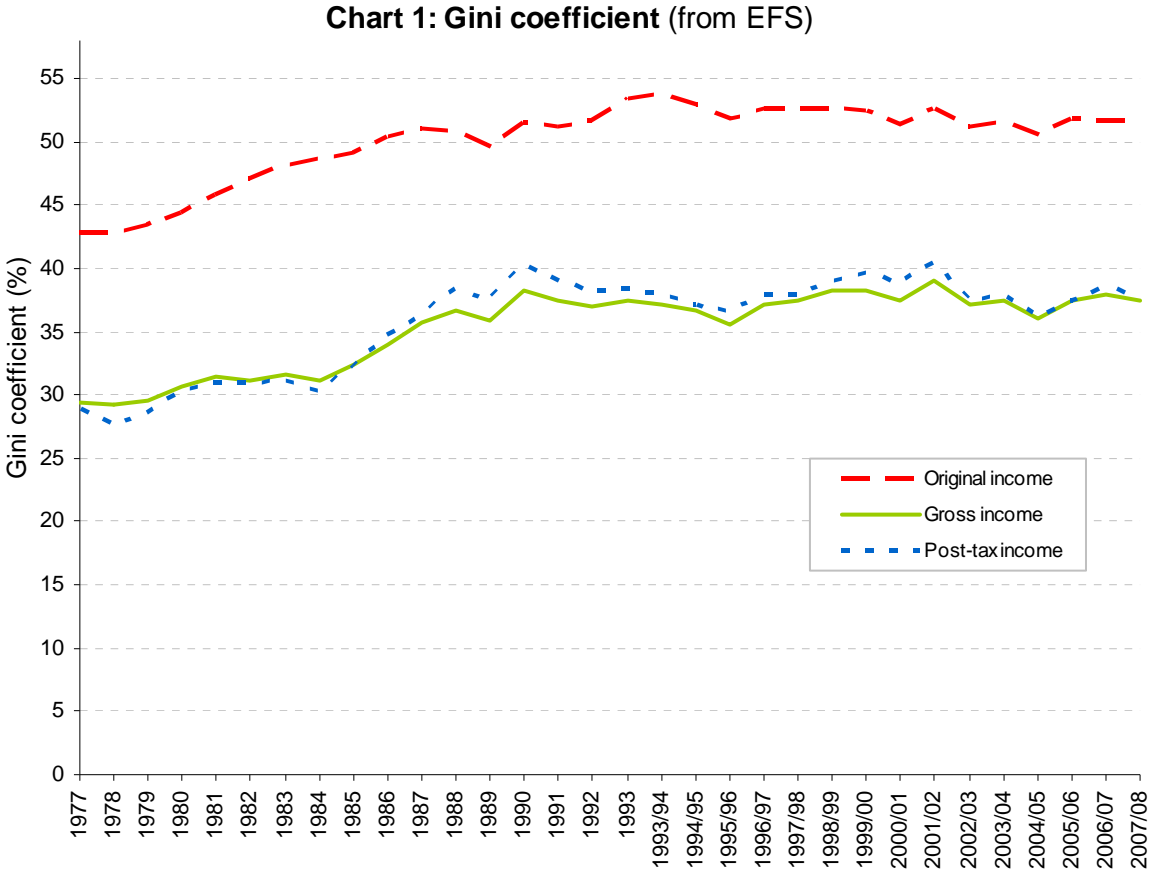
¹ www.statistics.gov.uk/about/methodology_by_theme/gini/default.asp

The FRS is a larger survey, but only a small set of headline inequality indicators are available, from the DWP’s annual *Households Below Average Income (HBAI)* report alongside an extensive analysis of income poverty, published in spring featuring data from the previous financial year. The ONS has noted that: “There are commonalities between HBAI and the estimates presented in this [ROI] analysis. Where this is the case, the two publications are broadly consistent in the main messages and trends.”³

Historical analyses of income inequality and redistribution, covering 1977 to 2006/07 and including data from both surveys, were published in December 2008.⁴ A bibliography of useful books held by the Library on historical inequality is included in [Annex D: Historical studies of UK inequality](#).

1.1 Expenditure & Food Survey (EFS) data (from 1977)

The EFS gives Gini coefficients for four stages of household income (which are explained in [Annex A: Income Measures](#)). Chart 1 (below) shows how inequality has changed between 1977 and 2006/07 for original income, gross income (including benefits) and income after tax.



Source: ONS, *Distribution of household income 1977 -2006/07* and others (see main text)

² See www.statistics.gov.uk/StatBase/Product.asp?vlnk=10336
³ “The effects of taxes and benefits on household income, 2007/08”, *ONS Statistical Bulletin*, 29 July 2009
⁴ ONS, “The distribution of household income 1977 to 2006/07” and “The distribution of household income 1977 to 2006/07”, both December 2008; from <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=10336>.

The chart shows inequality fluctuating but generally rising in the late 1970s and 1980s on all three measures shown. However, inequality has been relatively stable in recent years.

Table 1 below summarises the main historical changes (underlying data are in [Annex B: Data tables, table B1](#)). In 2007/08, depending on the measure used, inequality has either fallen compared with 1996/97 (by one percentage point for original income, and a slight fall for post-tax income), stayed unchanged or risen slightly (for gross income).

Compared with 2006/07, original income was slightly more unequal, inequality of gross and disposable income fell by half a percentage point, while post-tax income inequality declined by 0.8 percentage points.

Table 1: Income inequality (EFS): Changes

	Gini coefficients (various income stages)			
	Original income	Gross Disposable income	Post-tax income	
	<i>(percentage point changes)</i>			
1977-2007/08	8.9	8.0	7.3	8.9
1979-2007/08	8.2	7.9	7.2	9.2
1996/97-2007/08	-1.0	0.3	0.0	-0.2
2006/07-2007/08	0.1	-0.5	-0.5	-0.8

Source: See Appendix table B1

Taking a historical view, inequality has increased since 1977 by at least 7 percentage points on all four measures, including an almost 9 percentage-point rise for both original income and post-tax income. Since 1979, the changes are generally slightly less, apart from post-tax income where the change is slightly higher (a 9.2 percentage-point increase).

1.2 Family Resources Survey (FRS) data (from 1961)

Gini coefficients are calculated from the FRS for household income measured before and after housing costs have been deducted, from 1994/95 onwards.⁵ However, there is a break in the series, as data were only available for Great Britain; Northern Ireland was included in a UK-wide measure from 2002/03.

A similar trend is seen as with the Gini coefficient measures above. On both a before and after housing cost basis inequality has increased by around 3 percentage points between 1994/95 and 2007/08. The underlying data are given in [Annex B: Data tables, table B2](#).

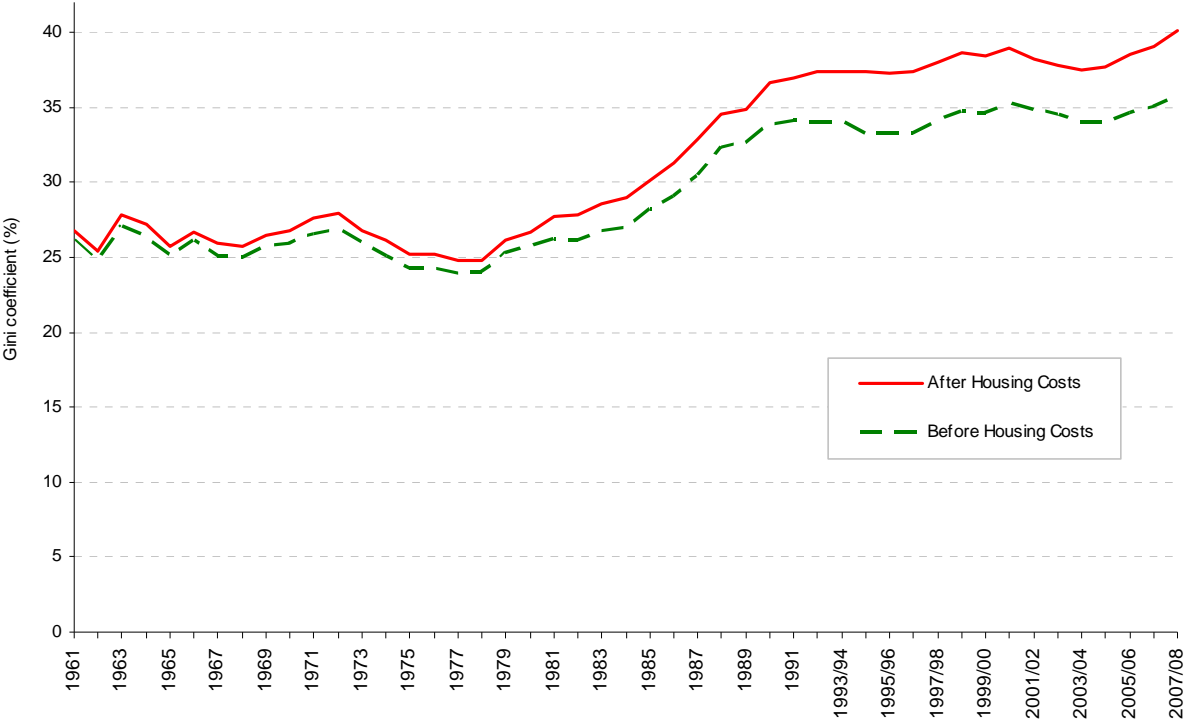
Research by the Institute for Fiscal Studies (IFS) extends this dataset back to 1961 by combining these data with those from its predecessor survey, the *Food & Expenditure Survey*.⁶ Chart 2 (overleaf) shows inequality from 1961 for income both before and after housing costs. The underlying data are in [Annex B: Data tables, table B3](#).

⁵ Department for Work and Pensions (DWP) produces the *Households Below Average Income* (HBAI) series, which is based on the FRS (research.dwp.gov.uk/asd/hbai.asp), specifically tables 2.1ts and 2.2ts in the 2007/08 edition.

⁶ Originally published alongside "Inequality and living standards in Great Britain: some facts", *IFS Briefing Note 19*, December 2002; www.ifs.org.uk/bns/bn19.pdf. The IFS publishes updated figures at <http://www.ifs.org.uk/bns/bn19figs.zip>, which also includes so other measures of inequality. This update accompanied "Poverty and Inequality in Britain: 2008", *IFS Commentary 105*, 2008; <http://www.ifs.org.uk/comms/comm105.pdf>.

This shows a substantial increase in inequality on both measures since 1961, particularly since the early 1980s. Over around a decade, from the mid-1990s to the mid-2000s, the two measures were comparatively stable. Compared with 1996/97 inequality rose by around 2.5 on both measures. The Gini coefficient fell from 2000/01 until 2003/04, before increasing again since. Between 2007/08 and 2006/07 inequality increased on both measures: by 1 percentage point for before housing costs income, and by slightly less (0.7%) for after housing costs income. It is now at its highest level since 1961 on both measures (40.1% before and 35.8% after housing costs).

Chart 2: Gini coefficients, 1961-2007/08 (FES/FRS)



Source: Institute for Fiscal Studies, "Poverty & Inequality" data tables (www.ifs.org.uk/bns/bn19figs.zip)

Historically, since 1961, the Gini coefficient measure of inequality has increased by 13.3 percentage points (before housing costs) and 9.7 percentage points (after housing costs). Since 1979, the rise in inequality was greater: 14.0 percentage points (before housing costs) and 10.5 percentage points (after housing costs).

2 Income dispersal ratios

An alternative measure of inequality, income dispersal ratios compare incomes at different points of the income distribution, e.g. an income near the top compared with another near the bottom. The P90/P10 ratio compares the 90th percentile with the 10th percentile, i.e. the bottom of the top 10% of the income distribution with the top of the lowest 10%. Other commonly used ratios are P72/25 (75th and 25th percentiles) and P80/P20 (80th and 20th).

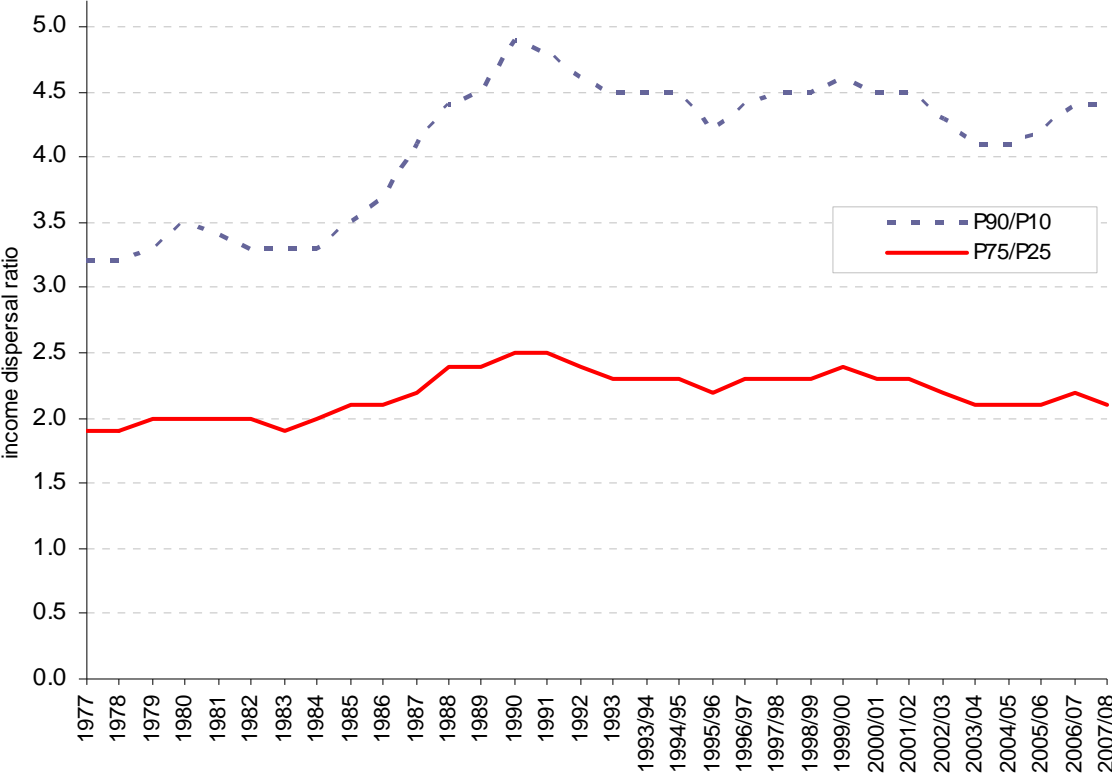
2.1 Expenditure & Food Survey (EFS)

P90/10 and P75/25 ratios for 1978-2007/08 from the EFS are in chart 3 (overleaf). The underlying data are in [Annex B: Data tables](#), table B1.

Both ratios increased from 1978 to reach a peak around 1990-1991, and both ratios have fallen since then. The P90/10 ratio has fluctuated more, declining notably in 1995/96, then

more recently from 2001/02 before increasing again since 2004/05. Compared with 1996/97 the P90/10 ratio is unchanged, while the P75/25 ratio has fallen slightly.

Chart 3: Income dispersal ratios (from EFS)



Source: ONS, *Distribution of household income 1977 -2006/07* and others (see text)

Over the whole period, since 1977 the P90/10 ratio has increased (by 1.2) while the P75/25 ratio increased slightly (by 0.2). The changes since 1979 are slightly lower for both measures. Therefore, the differential between the top and bottom 10% changed by more than that for the middle 50% of the household income distribution.

2.2 Family Resources Survey (FRS)

Some income dispersal data are available from the FRS back to 1994/95. Table 12 below compares ratios of the incomes of the median of the highest and lowest quintiles (20% bands), i.e. the P90/P10 ratio.⁷

Table 2: Top-Bottom quintile median ratios (FRS)
net equivalised household income, before/after housing costs

	1994/95	1996/97	2006/07	2007/08
Before housing costs	4.1	4.1	4.2	4.2
After housing costs	5.0	5.1	5.1	5.2

Source: DWP, HBAI 2007/08, table 2.1ts

⁷ The 90th and 10th percentiles being the middle – or median – of the top and bottom quintiles. More dispersal ratios are in the DWP’s HBAI report (research.dwp.gov.uk/asd/hbai.asp)

The ratio is broadly unchanged, being only slightly higher on both measures in 2007/08 than in 1994/95. Also the IFS historical dataset gives similar figures back to 1961, as well as two additional income dispersal ratios (P50/10 and P90/50), both before and after housing costs.⁸

The IFS historical dataset also includes the incomes for a number of different percentile points along the distribution for income measured either before or after housing costs, allowing various income ratios to be calculated back to 1961. These include the 5th, 10th, 15th, 25th, 30th, 35th, 45th, 50th, 55th, 65th, 70th, 75th, 85th and 90th percentiles.

3 Income shares

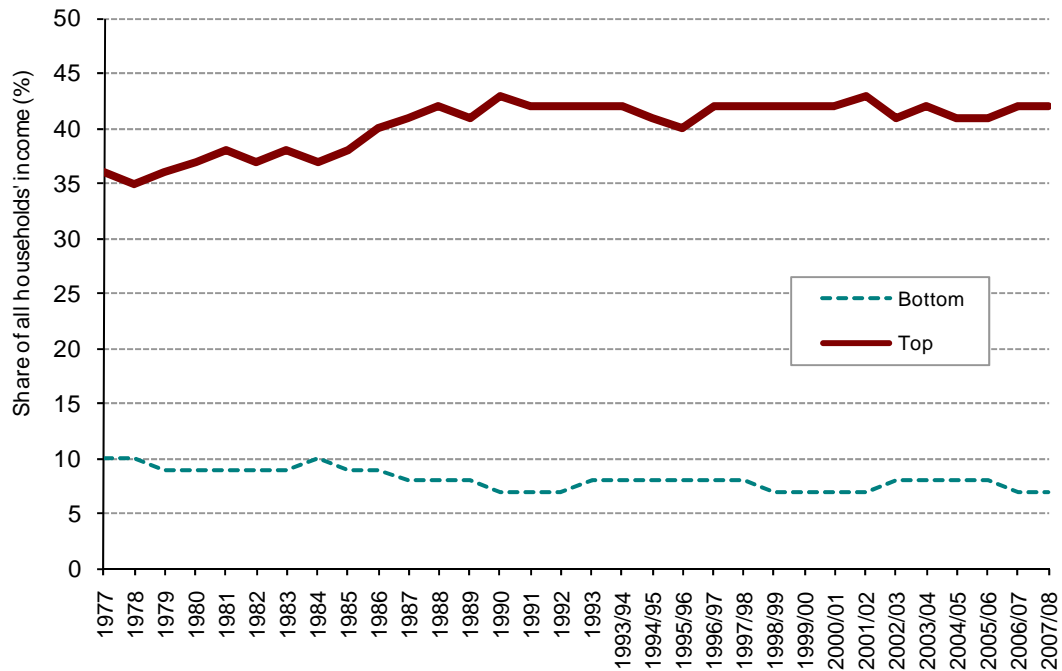
A further measure of inequality is the income share. This compares the percentage share of total household income earned by two different groups, such as the highest 20% (quintile) compared with the lowest 20%.

Chart 4 (below) shows the shares of total disposable household income received by the highest quintile and lowest quintiles. The underlying data (along gross, disposable and post-tax income data) back to 1977, are in [Annex B: Data tables](#), table B4.

The share of total disposable income going to the top 20% of households has increased by 6 percentage points since 1977, while the share going to the bottom 20% has decreased by 3 percentage points. Over the period 1996/97-2007/08 the share of the bottom 20% has fallen by 1 percentage point, while the share of the top 20% has remained the same, despite fluctuating in between, reaching its highest level (43%) in 2001/02.

⁸ Originally published alongside "Inequality and living standards in Great Britain: some facts", *IFS Briefing Note* 19, December 2002; www.ifs.org.uk/bns/bn19.pdf. The IFS publishes updated figures at <http://www.ifs.org.uk/bns/bn19figs.zip>, which also includes so other measures of inequality. This update accompanied "Poverty and Inequality in Britain: 2008", *IFS Commentary* 105, 2008; <http://www.ifs.org.uk/comms/comm105.pdf>.

Chart 4: Income shares of top & bottom 20% of disposable income distribution (EFS)



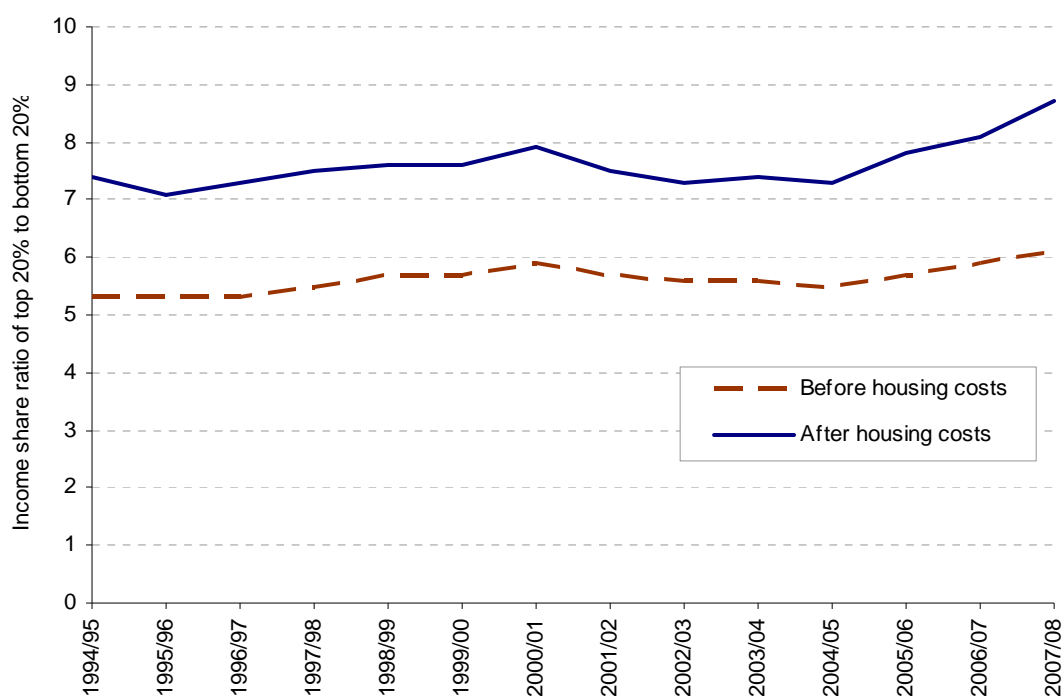
Source: National Statistics, *Effects of Taxes and Benefits on Household Income*, table 26, various years

The ratio of the share of the top 20% to the bottom 20% also rose over the period, from the top fifth having four times as much income as the bottom fifth in 1977, peaking at eight times as much in 2001/02, and since falling back to six times as much in 2007/08, the same as in the whole period from 1987 to 1999/2000.

The general patterns of change are nonetheless similar for all four measures. If one considers original income, as one might expect (given that it is before redistribution through the tax and benefit system) the share of the top quintile is higher and the share of the bottom quintile lower. For original income, the top fifth reached 26 times as much income as the bottom fifth (in 1993-1994/95, 1996/97-1997/98 and 1999/2000) and has since fallen to 17 times as much (note that these large fluctuations are largely due to the very low level of income on this measure received by the lowest fifth, 2% or 3%).

The FRS also includes some data for income share ratios. Chart 5 (below) shows the ratio of the share of income received by the top quintile to that by the bottom quintile since 1994/95. The underlying data are in [Annex B: Data tables](#), table B5.

Chart 5: Income share ratios, top/bottom 20% (FRS)



Source: DWP, *HBAI 2007/08*, table A3

The ratio for this inequality measure has risen compared with 1994/95, by 0.8 (before housing costs) or 1.3 (after housing costs). Inequality rose slightly to 2000/01 before falling back, then increasing again from 2004/05, since when it has risen by 0.6 (before housing costs) or 1.4 (after housing costs), surpassing the previous 2000/01 peak. Inequality of income (after housing costs) increased by 0.6 points between 2006/07 and 2007/08.

4 Commentary & IFS research on UK income inequality

Prior to the release of the 2007/08 data, the Treasury's Financial Services Secretary, Lord Myners noted in a House of Lords debate:⁹

On the latest data, the Gini coefficient—a measure of income inequality—is at a high level. However, since 1997-98, changes have been small compared with the sharp increases in inequality in the 1980s, when the Gini coefficient rose by almost 10 points.

On the release of the 2007/08 *Effects of Taxes & Benefits on Household Income* article figures received but the ONS' statistical bulletin noted that income inequality (based on Gini coefficients) was "almost unchanged", and that:¹⁰

The distribution of income across households in 2007/08 was almost the same as in 2006/07. This follows a period of rising inequality of disposable income between 2004/05 and 2006/07. The general trend of increase between 2004/05 and 2007/08 was due to increased inequality of original income. It was due in part to the faster rate of growth of wages and salaries and investment income in the upper part of the distribution compared with the lower part. During the 1990s and 2000s, there were periods of both rising and falling inequality, but the level of inequality remained high by

⁹ [HL Deb 1 Jun 2009 cWA44](#)

¹⁰ [The effects of taxes and benefits on household income, 2007/08](#)", *ONS Statistical Bulletin*, 29 July 2009

historical standards – the large increase which took place in the second half of the 1980s has not been reversed.

The BBC noted that inequality “remained at a high level”, but the “widening inequality in disposable income seen during the previous three years has halted”.¹¹

The Institute for Fiscal Studies also carries out an annual analysis of the Family Resource Survey data in its *Poverty and Inequality in Britain* series. The 2007/08 edition was published in May 2009.¹² The IFS found that the income distribution was “more or less the same as” in 2006/07; it summarised its findings on inequality as follows:¹³

- Income inequality has risen (on most measures) in each of the last three years and is now at its highest level since our comparable time series began in 1961.
- Real income growth was near-zero at almost every point of the income distribution last year, so that it would only be a slight exaggeration to say that we had the same income distribution in 2007–08 as we did in 2006–07. There was a small (but statistically insignificant) growth in incomes at the very top of the distribution, which explains the increase in inequality in an otherwise static income distribution.
- Taking the period 1996–97 to 2007–08 as a whole, incomes have grown relatively evenly across the bulk of the income distribution – in contrast to the period of Conservative government that preceded it, when income growth was unambiguously increasing in household income. However, income growth at the very top and very bottom of the distribution looks more similar to the pattern seen under the Conservatives – with the lowest growth at the very bottom of the income distribution over this period and the fastest growth at the very top.
- Considering each of Labour’s three terms individually, however, shows a more complicated picture – with income growth relatively even in Labour’s first term, unambiguously inequality-reducing in Labour’s second term and very much inequality-increasing in Labour’s third term.
- Given that individuals at the top of the income distribution receive a significant fraction of their income from savings and investments, and that a significant fraction of top earners work in the financial sector, the recent turmoil in financial markets is likely to significantly slow the growth in top incomes in the near future.

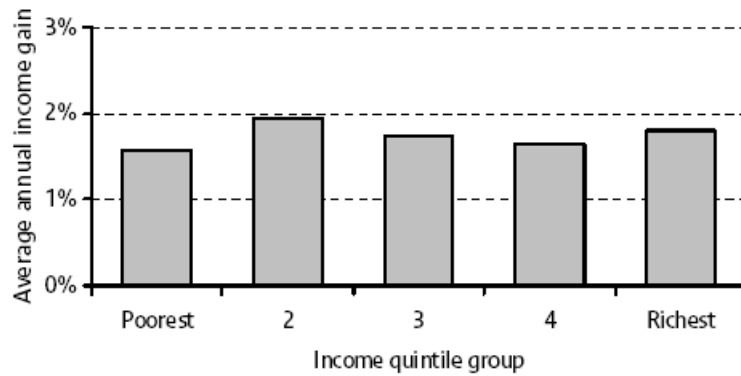
The report includes the following chart (figure 3.2 referred to in the summary above) showing changes in incomes by quintile (20% band) of household income from 1979 to 1996/97 and 1996/97 to 2007/08.

¹¹ “Rich and poor gap ‘remains high’”, *BBC News*, 29 July 2009

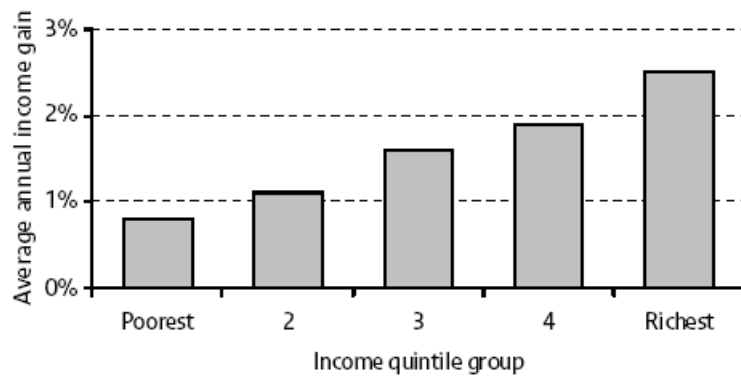
¹² “Poverty and Inequality in the UK: 2009”, *IFS Commentary 109* (ch 3), May 2009. Previous editions are available from the IFS website or Library holdings. See also presentation at: www.ifs.org.uk/conferences/hbai09_ali.pdf (slides 13-24 in particular).

¹³ *ibid.*, p1

Labour: 1996–97 to 2007–08



Conservatives: 1979 to 1996–97



Notes: The averages in each quintile group correspond to the midpoints, i.e. the 10th, 30th, 50th, 70th and 90th percentile points of the income distribution. Incomes have been measured before housing costs have been deducted.

Source: Authors' calculations using Family Expenditure Survey and Family Resources Survey, various years.

As the IFS report notes:¹⁴

It is important to remember that the pattern of income growth is strongly influenced by booms and recessions, and that our comparisons across periods of government cover different stages of various economic cycles and will be affected by this.

The IFS also analyses income growth at every percentile along the income distribution (for Great Britain). This is shown in the chart reproduced below (the underlying data have not been published):

¹⁴ *ibid.*, p18

Figure 3.4. Real income growth by percentile point, 1996–97 to 2007–08 (GB)



Notes: The change in income at the 1st percentile is not shown on this graph. Incomes have been measured before housing costs have been deducted. The differently-shaded bars refer to decile groups.
Source: Authors' calculations using Family Expenditure Survey and Family Resources Survey, various years.

As the report states:¹⁵

Between the 20th percentile point and the 85th percentile point, it is generally the lower parts of the distribution that have gained most over the period 1996–97 to 2007–08; by itself, this would be consistent with falling inequality. Below the 20th percentile point, however, the lower the income percentile, the lower the growth experienced, with real income falling in the very lowest part of the income distribution. Beyond the 85th percentile point, income growth is generally increasing in income, with a spike at the 98th and 99th percentile points. In previous years, we have pointed to the growth in the very top incomes as one driver of continued income inequality growth in recent years.

The report also discusses the effect of the recession and future policy on inequality, concluding:¹⁶

Given that individuals at the very top of the income distribution tend to receive a significant proportion of their income from savings and investments, the recent turmoil in financial markets is likely to significantly slow the growth in top incomes in the near future. All else being equal, this will tend to act as a force for reducing income inequality. It is too early to make firm predictions, however, as we do not yet know how the recession will affect incomes at other points of the distribution.

The IFS *Poverty & Inequality* report has an accompanying historic dataset of incomes and inequality back to 1977, referred to previously in this note.¹⁷ This dataset includes several additional measures of inequality for income measured before and after housing costs.

Income dispersal ratios (discussed above) are available for the 90th vs. 10th percentiles, and also 50th/10th and 90th/50th. Also included are mean log deviations and Atkinson coefficients:

¹⁵ *ibid.*, p20

¹⁶ *ibid.*, p29

¹⁷ See <http://www.ifs.org.uk/bns/bn19figs.zip>.

Mean log deviation (MLD) measures the expected percentage difference between the income of a randomly-selected individual and overall mean income. The Atkinson measure allows one to choose a value for society's aversion to inequality, defining the amount that society considers it necessary to give to a 'poor' person, having taken a given amount of income from a 'rich' person, in order to keep overall social welfare the same.

[...] Inequality as measured by the Gini coefficient, MLD and Atkinson measures rose through the late 1990s, rising most strongly according to MLD. These measures then fell back by 2004–05 to levels just above those seen in 1996–97.

The Joseph Rowntree Foundation also published three relevant reports on 22 June 2009:

- Barber, B., Devaney E. & Stroud, P., "[What are the implications of attitudes to economic inequality?](#)";
- Sheldon, R., Platt, R. & Jones, N., "[Political debate about economic inequality: An information resource](#)";
- Bamfield L. & Horton, T., "Understanding attitudes to tackling economic inequality", , [summary](#) and [full report](#).

5 European inequality comparisons

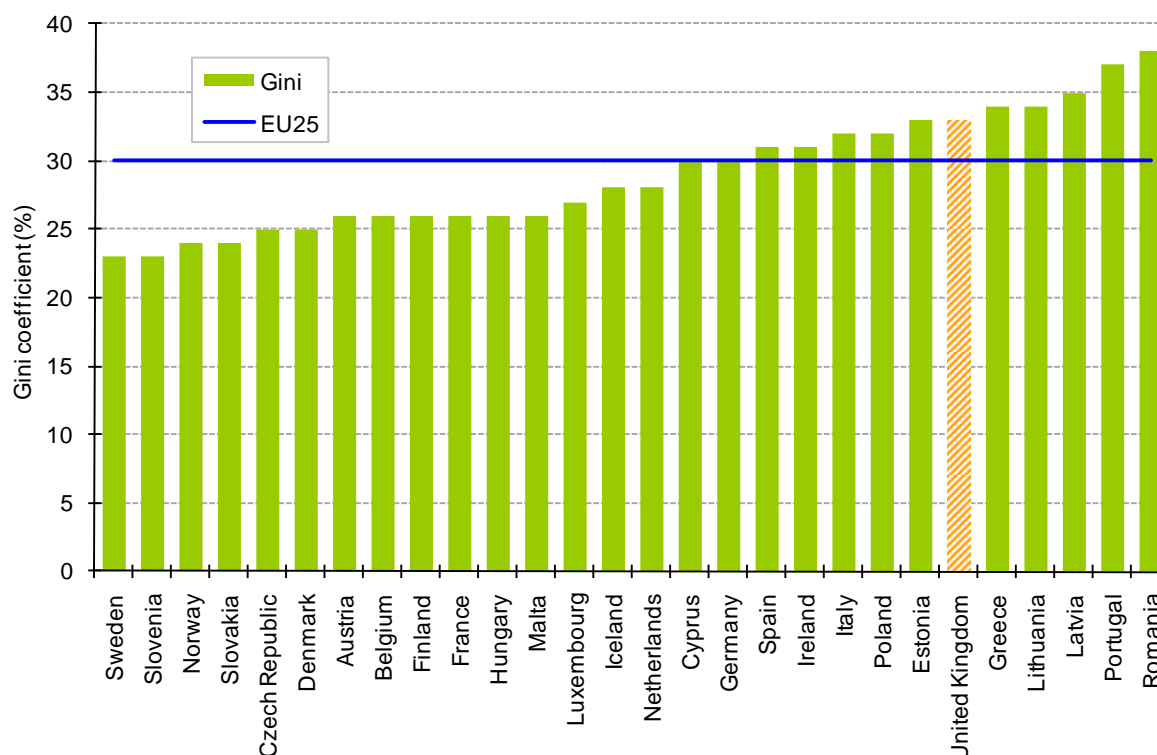
International comparisons of income inequality data are limited, partly due to data availability and comparability issues. There is a common approach to measuring inequality in the European Union (EU) and some neighbouring countries enabling some comparisons.

Eurostat, the EU's statistical agency, produces statistics derived from the EU-wide Income, Social Inclusion & Living Conditions (EU-SILC) survey. This was launched between thirteen current EU countries plus Norway and Iceland in 2004, with the remainder of EU25 countries joining in 2005, then Bulgaria and Romania in 2006 (along with Turkey and Switzerland). Two income inequality measures are produced: Gini coefficients, and top/bottom quintile income shares ratios.

5.1 Gini coefficients

Chart 6 (below) shows Gini coefficients for European countries in 2007, with figures for the EU25 (Member States prior to the accession of Romania and Bulgaria) as a whole included as a line, with the UK is highlighted as the hatched bar:

Chart 6: Inequality (Gini coefficient) in Europe, 2007



Source: EU-SILC via Eurostat database, accessed 29 July 2009

This shows that in 2007 the UK was placed 6th most unequal among the 28 European countries for which data were available, with a Gini coefficient of 33%. This was above the EU25-wide figure of 30%. Inequality was highest in Romania (38%), followed by Portugal (37%). Inequality was lowest in Sweden and Slovenia (23%), followed by Norway and Slovakia (24%).

In 2006, the UK had ranked 9th, with a Gini coefficient of 32% (the EU figure was 30%). In that year, inequality was highest in Latvia (39%) and Portugal (38%) and lowest in Bulgaria, Denmark, Sweden and Slovenia (all 24%).

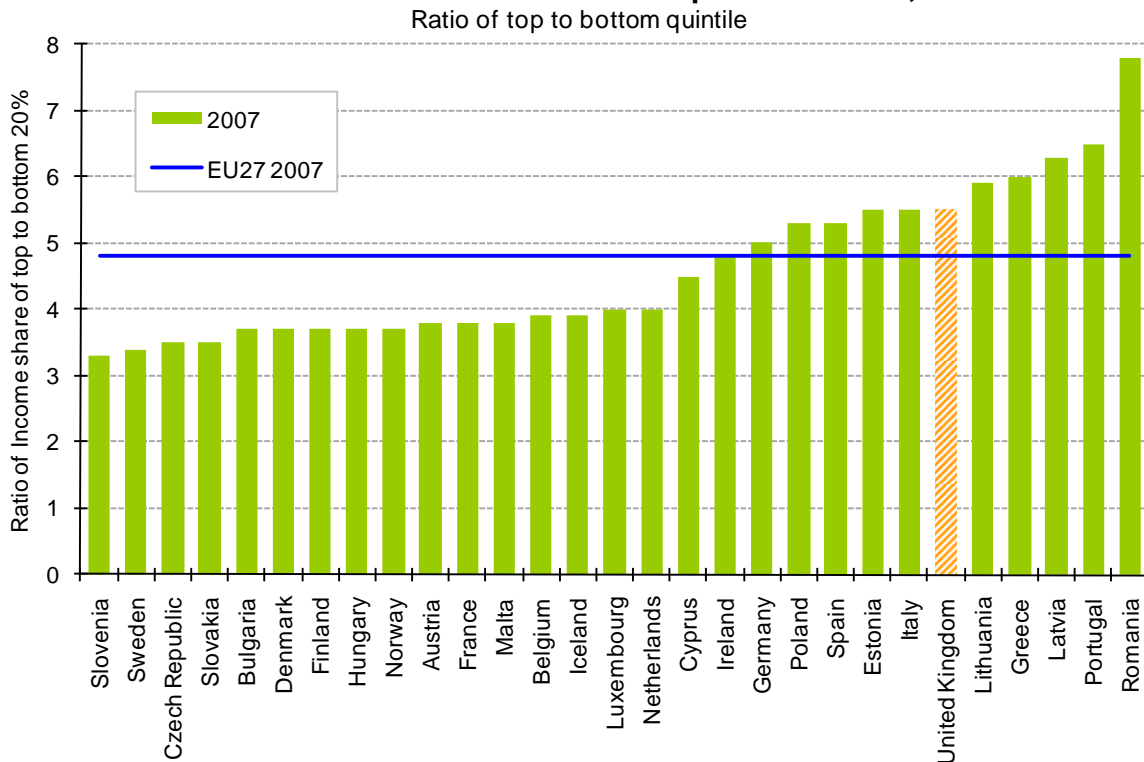
Data is available back to 1995 for 13 of these countries. The UK's Gini coefficient was 1 percentage point higher in 2007 than in 1995. Compared with 1997, UK inequality in 2007 was 3 percentage points higher, although it is 2 percentage points lower than the peak in this period, of 35% in both 2001 and 2002. Denmark saw its Gini coefficient increase by 5 percentage points between 1995 and 2007 (from 20% to 25%); Germany's increased by 1 percentage point while Portugal's was unchanged. The other nine countries saw inequality fall. The greatest reductions were in Spain, France and Belgium (all down 3 percentage points, Spain from the highest initial level, 34%).

All the underlying data are in [Annex B: Data tables, table B6](#), or available [directly from the Eurostat statistical database](#).

5.2 Income shares

Ratios of the share of total income received by the highest and lowest quintiles for 29 European countries are shown in chart 7 (below).

Chart 7: Income share ratios in European countries, 2007



Source: EU-SILC via Eurostat database, accessed 29 July 2009

This shows a broadly similar picture as the Gini coefficient (chart 6, previous page). The UK is placed 6th most unequal on this measure as well, alongside both Estonia and Italy (in these countries the top fifth of the income distribution have 5.5 times as much income as the lowest fifth). Romania and Portugal have the highest ratios (7.8 and 6.5 respectively), while Slovenia has the lowest (3.3), followed by Sweden (3.4) and then the Czech Republic and Slovakia (3.5 for both).

In 2006, the UK had ranked 9th, (again the same as on the Gini measure) with a slightly lower ratio of 5.4. Inequality was highest in Romania (7.8) and lowest in Slovenia (3.3).

Data are available back to 1995 for 13 of these countries (not the same countries as for Gini coefficients). The UK's income share ratio was up by 0.3 (to 5.5) in 2007 compared with 1995, and up by 0.8 compared with 1997, but below 2005 peak of 5.5.

Denmark saw its ratio increase by 0.8 between 1995 and 2007 (from 2.9 to 3.7), while the ratio also increased in Germany (by 0.4). The remaining nine European countries for which data are available saw their ratios fall over this period: Portugal's ratio was down 0.9, while that of France was down 0.7.

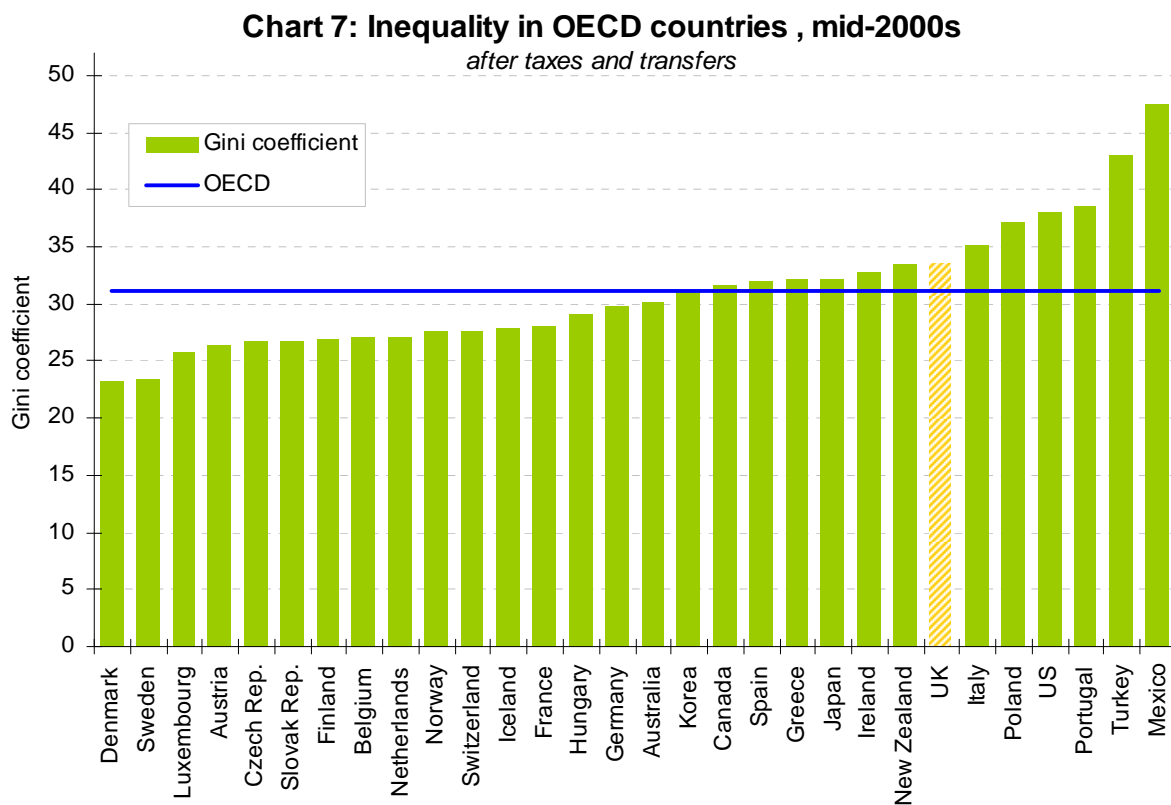
The underlying data and historical series are in [Annex B: Data tables, table B6](#) or [directly from the Eurostat statistical database](#).

Further datasets are also available from the [Eurostat database](#) (under "Income and living conditions"), including income by age and gender, household type, education level, tenure and by income groups (quantiles, and also by age and gender).

6 Inequality in OECD countries

The developed economies group, the Organisation for Economic Co-operation and Development (OECD), published a detailed report on income inequality and poverty in its 30 member countries, *Growing Unequal?*, in October 2008.¹⁸ The report contains a range of indicators along the lines of those outlined for the UK above, but calculated on a different (and non-comparable) basis to the European data in the previous section. Some previous OECD research is summarised in [Annex C: Previous OECD inequality research](#).

At the middle of this decade the highest levels of inequality were seen in Turkey and Mexico, using Gini coefficients based on income after taxes and transfers. The UK had the 7th highest level of inequality (Gini of 33.5%), 8% higher than across the OECD as a whole (with a Gini of 31.1%) with only Italy, Portugal and Poland having higher levels among EU countries. The US had the 4th highest level of inequality. In contrast, the lowest levels of inequality were seen in Denmark and Sweden, followed by a further seven EU countries with Gini coefficient around 26-27%.



Source: OECD.Stat database (extracted 30 Oct 2008)

The underlying data with historical data (extent varies by countries, some available to mid-1970s), and a second set of Gini coefficients based on income before taxes and transfers, is available in [Annex B: Data tables, table B7](#) and [directly from the OECD website](#). The OECD report also provides inter-quintile share ratios between the top and lowest quintiles, and the income dispersal ratio between the 90th and 10th percentiles.

¹⁸ OECD, *Growing Unequal? Income distribution and poverty in OECD countries*, October 2008; [report homepage](#), [summary](#) and [full text from SourceOECD](#) (Parliamentary network users only). Statistics available from OECD.Stat: [country reports](#) and [international indicator comparisons](#).

The report found that more than three-quarters of OECD countries had seen inequality rise over the twenty years since the mid-1980s, while France, Greece and Spain had seen a narrowing of inequality over those 20 years.¹⁹

As regards the UK, the report found that as with most of the countries concerned, inequality in the UK had increased over the 20 years between the mid-1980s and the mid-2000s, with the Gini coefficient increasing by a fifth from 28.2% to 33.5%. The report also found that UK inequality had fallen since 2000.²⁰ The author of the report, Mark Pearson, called this “remarkable”,²¹ saying:²²

Both ends of the distribution have been getting richer [...] But the poor have been getting richer more rapidly than the rich. Since the year 2000, their income growth has been about three times larger than the rich.

However, he also noted that this trend had “flattened off” since 2005 (although this period is not included within the report).²³ The OECD report was also raised in a House of Lords debate.²⁴

The OECD noted that across developed countries inequality had increased “because rich households have done significantly better than middle-class and poor households”, while changes in demography and the labour market “contributed greatly to this rise in inequality.” It noted that wages had improved for the already well-paid, that rates of employment among less-educated people had fallen, and that there had been an increase in households with a single adult.²⁵

The report noted that tax and benefit systems has been used “to offset the trend towards more inequality”, without which “the rise in inequality would have been even more rapid.” However, the report also found that while tax-benefit systems “had helped to redistribute wealth and curb poverty but their effectiveness had reduced in the past 10 years.”²⁶

The OECD’s Secretary General highlighted that the “largest part of the increase in inequality comes from changes in the labour markets [...] Low-skilled workers are having ever-greater problems in finding jobs.”²⁷ The report recommends improved education “to achieve growth which benefits all, not just the elites”, with measures to increase employment.

¹⁹ “Gap between rich and poor widens”, *Financial Times*, 22 October 2008, p5

²⁰ “Wealth gap stays high despite some success on inequality”, *Financial Times*, 22 October 2008, p5

²¹ “Rich and poor gap 'narrows' in UK”, *BBC News Online*, 21 October 2008

²² “Wealth gap narrows faster in UK than other developed countries”, guardian.co.uk, 21 October 2008. The real income growth of the top 20% was 1.5% annually, while it was 2.4% for the lowest fifth (“Gap between rich and poor narrows, but UK is still one of the world’s most unequal countries”, *The Guardian*, 22 October 2008).

²³ “Rich and poor gap 'narrows' in UK”, *BBC News Online*, 21 October 2008

²⁴ [HL Deb 23 Oct 2008, c1232-35](#)

²⁵ “Income inequality and poverty rising in most OECD countries”, *OECD press release*, 21 October 2008

²⁶ “Gap between rich and poor widens”, *Financial Times*, 22 October 2008, p5

²⁷ *ibid.*

Annex A: Income Measures

The income measures used in section B are summarised below:

Measure	Definition
Original income	that received directly (primarily from earned employment, self-employment, savings and investments), but not benefit income
Gross income	the above plus direct cash benefits (contributory, such as pensions, and non-contributory, e.g. child benefit, housing benefit and income support, and from 2003/04 those elements of tax treated as cash benefits, see below)
Disposable income	the above less direct payroll taxes (income tax and National Insurance contributions), local taxes (such as council tax or domestic rates in Northern Ireland) and those elements of tax credits treated as a negative income tax (see below)
Post-tax income	the above less indirect and 'intermediate' taxes
Final income	The above plus estimates of the value of so-called 'benefits in kind' (e.g. state education, the NHS, school meals and transport subsidies)

Annex B: Data tables

Table B1 shows the six measures of income inequality available from the *Expenditure & Food Survey* (EFS), Gini coefficients for four income measures and two income dispersal ratios. These cover the whole of the UK since 1977:

Table B1: Income inequality (EFS), 1977-2007/08 (a)

all households, % (Ginis), & income ratios for disposable income

	Gini coefficients (various income stages)				(disposable) Income Ratios (b)	
	Original income	Gross income	Disposable income	Post-tax income	P90/P10	P75/P25
1977	42.8	29.5	26.7	28.9	3.2	1.9
1978	42.8	29.3	25.9	27.6	3.2	1.9
1979	43.5	29.6	26.8	28.6	3.3	2.0
1980	44.4	30.7	28.0	30.4	3.5	2.0
1981	45.9	31.4	28.4	31.0	3.4	2.0
1982	47.1	31.1	28.1	30.9	3.3	2.0
1983	48.2	31.6	28.2	31.2	3.3	1.9
1984	48.6	31.2	27.7	30.3	3.3	2.0
1985	49.1	32.4	29.1	32.2	3.5	2.1
1986	50.4	33.9	31.0	34.8	3.7	2.1
1987	51.1	35.7	32.8	36.4	4.1	2.2
1988	50.9	36.6	34.6	38.4	4.4	2.4
1989	49.7	35.8	33.8	37.4	4.5	2.4
1990	51.5	38.3	36.5	40.3	4.9	2.5
1991	51.2	37.4	35.2	39.0	4.8	2.5
1992	51.7	37.0	34.4	38.2	4.6	2.4
1993	53.5	37.5	34.5	38.4	4.5	2.3
1993/94	53.7	37.2	34.0	37.9	4.5	2.3
1994/95	52.9	36.6	33.4	37.1	4.5	2.3
1995/96	51.9	35.6	32.6	36.6	4.2	2.2
1996/97	52.7	37.2	34.0	38.0	4.4	2.3
1997/98	52.7	37.5	34.1	38.0	4.5	2.3
1998/99	52.7	38.3	35.0	39.0	4.5	2.3
1999/00	52.5	38.3	35.3	39.6	4.6	2.4
2000/01	51.3	37.5	34.6	38.9	4.5	2.3
2001/02	52.6	39.0	36.0	40.4	4.5	2.3
2002/03	51.2	37.1	33.5	37.4	4.3	2.2
2003/04	51.7	37.4	33.7	37.9	4.1	2.1
2004/05	50.6	36.1	32.3	36.1	4.1	2.1
2005/06	51.9	37.4	33.7	37.4	4.2	2.1
2006/07	51.6	38.0	34.5	38.6	4.4	2.2
2007/08	51.7	37.5	34.0	37.8	4.4	2.1
<i>Changes:</i>	<i>(percentage point changes)</i>				<i>(changes in ratio)</i>	
1977-2007/08	8.9	8.0	7.3	8.9	1.2	0.2
1979-2007/08	8.2	7.9	7.2	9.2	1.1	0.1
1996/97-2007/08	-1.0	0.3	0.0	-0.2	0.0	-0.2
2006/07-2007/08	0.1	-0.5	-0.5	-0.8	0.0	-0.1

Notes: (a) From 1990 includes company car benefit and beneficial house purchase loans from employers; from 1996/97 based on estimates for the sample grossed to population totals.

(b) P90/P10 = ratio of the income at 90th percentile to 10th; P75/P25 = ratio of 75th percentile to 25th

Sources: National Statistics, *Effects of taxes and benefits on household income* - various years inc 2007/08 (tables 27 & fig 5), ONS, Distribution of household income 1977-2006/07, fig 6 and

DWP, *pers. comm.*, 25 June 2009

Table B2 shows four measures of inequality (UK from 2002/03, Great Britain previously), based *Family Resources Survey* (FRS) data: Gini coefficients and the ratio of the share of total income received by the top and the bottom quintiles (20% bands), in each case for income measured before and after housing costs.

Table B2: Income inequality (FRS)

	Gini coefficient (%)		Top-to-Bottom (80/20) quintile income share ratio	
	Before Housing Costs	After Housing Costs	Before Housing Costs	After Housing Costs
1994/95	33	37	5.3	7.4
1995/96	33	37	5.3	7.1
1996/97	33	37	5.3	7.3
1997/98	34	38	5.5	7.5
1998/99	35	39	5.7	7.6
1999/00	35	38	5.7	7.6
2000/01	35	39	5.9	7.9
2001/02	35	38	5.7	7.5
2002/03	34	38	5.6	7.3
2003/04	34	38	5.6	7.4
2004/05	34	38	5.5	7.3
2005/06	35	39	5.7	7.8
2006/07	35	39	5.9	8.1
2007/08	36	40	6.1	8.7
<i>Changes:</i>	<i>(Percentage point changes)</i>		<i>(Changes in ratio)</i>	
1994/95-2007/08	3	3	1	1
1996/97-2007/08	3	3	1	1
2006/07-2007/08	1	1	0	1

Source: DWP, HBAI 2007/08, tables 2.1ts and 2.2ts

Table B3 shows an Institute for Fiscal Studies dataset based on FRS data combined with predecessor surveys back to 1961, giving Gini coefficients and P90/10 income dispersal ratios for income before and after housing costs.²⁸

Table B3: Inequality, Gini & P90/10 (FES/FRS), 1961-2007/08

Year	Gini coefficients (%)		90/10 ratio	
	BHC	AHC	BHC	AHC
1961	26.8%	26.1%	3.2	3.2
1962	25.4%	24.8%	3.1	3.2
1963	27.8%	27.1%	3.3	3.4
1964	27.2%	26.4%	3.3	3.3
1965	25.7%	25.1%	3.1	3.1
1966	26.7%	26.1%	3.2	3.2
1967	25.9%	25.1%	3.0	3.0
1968	25.7%	25.0%	3.0	3.0
1969	26.5%	25.7%	3.1	3.2
1970	26.8%	25.9%	3.2	3.3
1971	27.6%	26.6%	3.3	3.4
1972	27.9%	26.9%	3.4	3.6
1973	26.8%	25.9%	3.2	3.3
1974	26.1%	25.1%	3.1	3.2
1975	25.2%	24.3%	3.0	3.1
1976	25.2%	24.3%	3.0	3.1
1977	24.8%	23.9%	3.0	3.0
1978	24.8%	24.0%	2.9	3.0
1979	26.1%	25.3%	3.1	3.2
1980	26.7%	25.7%	3.2	3.3
1981	27.7%	26.3%	3.2	3.4
1982	27.8%	26.1%	3.1	3.4
1983	28.6%	26.8%	3.2	3.4
1984	29.0%	27.0%	3.2	3.5
1985	30.1%	28.2%	3.4	3.6
1986	31.3%	29.1%	3.5	3.9
1987	32.9%	30.5%	3.8	4.2
1988	34.5%	32.3%	4.1	4.5
1989	34.9%	32.7%	4.1	4.5
1990	36.6%	33.9%	4.4	4.8
1991	37.0%	34.1%	4.4	4.9
1992	37.4%	34.0%	4.3	5.0
1993/94	37.4%	34.0%	4.2	5.0
1994/95	37.4%	33.3%	4.1	5.0
1995/96	37.3%	33.3%	4.1	4.9
1996/97	37.4%	33.3%	4.1	5.1
1997/98	38.0%	34.1%	4.2	5.1
1998/99	38.6%	34.8%	4.2	5.1
1999/00	38.4%	34.6%	4.2	5.0
2000/01	39.0%	35.3%	4.2	5.0
2001/02	38.2%	34.9%	4.1	4.8
2002/03	37.8%	34.5%	4.1	4.8
2003/04	37.5%	34.0%	4.0	4.9
2004/05	37.7%	34.0%	4.0	4.8
2005/06	38.5%	34.6%	4.1	5.0
2006/07	39.1%	35.1%	4.2	5.1
2007/08	40.1%	35.8%	4.2	5.2
<i>Changes:</i>	<i>(Percentage points)</i>		<i>(Change in ratio)</i>	
1961-2007/08	13.3	9.7	1.0	2.0
1979-2007/08	14.0	10.5	1.1	2.1
1996/97-2007/08	2.7	2.5	0.1	0.2
2006/07-2007/08	1.0	0.7	0.1	0.1

Note: Great Britain only up to 2002/03; thereafter UK-wide

Family Expenditure Survey to 1993/94, thereafter Family Resources Survey

Source: IFS, "Poverty and Inequality" data tables; www.ifs.org.uk/bns/bn19figs.zip

²⁸ Latest data at <http://www.ifs.org.uk/bns/bn19figs.zip>.

Table B4 shows how the share of total income going to the top and bottom 20% of income earners in the UK, and the ratio between them, has changed since 1977.²⁹

Table B4: Income shares for top & bottom 20%, 1977-2007/08 (a) (EFS)
all households ranked by equivalised disposable income, % of all household income

	Original income			Gross income			Disposable income			Post-tax income		
	quintile		ratio	quintile		ratio	quintile		ratio	quintile		ratio
	Bottom	Top		Bottom	Top		Bottom	Top		Bottom	Top	
1977	4	43	11	9	37	4	10	36	4	9	37	4
1978	3	43	14	9	37	4	10	35	4	10	36	4
1979	2	43	22	9	37	4	9	36	4	10	37	4
1980	2	44	22	8	38	5	9	37	4	9	38	4
1981	3	46	15	8	39	5	9	38	4	9	39	4
1982	3	46	15	9	39	4	9	37	4	9	39	4
1983	3	47	16	9	39	4	9	38	4	9	39	4
1984	3	47	16	9	39	4	10	37	4	9	38	4
1985	2	47	24	8	40	5	9	38	4	9	39	4
1986	3	49	16	8	41	5	9	40	4	8	41	5
1987	2	50	25	7	43	6	8	41	5	8	43	5
1988	2	50	25	7	43	6	8	42	5	7	44	6
1989	2	49	25	7	42	6	8	41	5	7	43	6
1990	2	51	26	7	44	6	7	43	6	6	45	8
1991	2	50	25	7	44	6	7	42	6	7	44	6
1992	2	50	25	7	43	6	7	42	6	7	44	6
1993	2	52	26	7	44	6	8	42	5	7	44	6
1993/94	2	52	26	7	44	6	8	42	5	7	44	6
1994/95	2	51	26	7	43	6	8	41	5	7	43	6
1995/96	3	50	17	7	43	6	8	40	5	7	43	6
1996/97	2	51	26	7	44	6	8	42	5	7	44	6
1997/98	2	51	26	7	44	6	8	42	5	7	44	6
1998/99	3	52	17	7	44	6	7	42	6	6	45	8
1999/00	2	52	26	7	44	6	7	42	6	6	45	8
2000/01	2	50	25	6	44	7	7	42	6	6	44	7
2001/02	3	52	17	6	45	8	7	43	6	6	46	8
2002/03	3	50	17	7	43	6	8	41	5	6	43	7
2003/04	3	51	17	7	44	6	8	42	5	7	44	6
2004/05	3	50	17	7	43	6	8	41	5	7	43	6
2005/06	3	51	17	7	44	6	8	41	5	7	43	6
2006/07	3	51	17	7	44	6	7	42	6	6	44	7
2007/08	3	51	17	7	44	6	7	42	6	6	44	7
<i>Percentage point changes in shares/change in ratio</i>												
1977-2007/08	-1	8	6	-2	7	2	-3	6	2	-3	7	3
1979-2007/08	1	8	-5	-2	7	2	-2	6	2	-4	7	4
1996/97-2007/08	1	0	-9	0	0	0	-1	0	1	-1	0	1
2006/07-2007/08	0	0	0	0	0	0	0	0	0	0	0	0

Notes: (a) From 1990 includes company car benefit and beneficial house purchase loans from employers; from 1996/97 based on estimates for the sample grossed to population totals.
(b) P90/P10 = ratio of the income at 90th percentile to 10th; P75/P25 = ratio of 75th percentile to 25th

Sources: National Statistics, *Effects of taxes and benefits on household income* - various years
(2005/06-2007/08: table 26; 2001/02, table 26; 1998/99, appx 2, table 1, 1997/98, appx 2, table 1)

²⁹ Full dataset for all quintiles at http://www.statistics.gov.uk/downloads/theme_social/Taxes_Benefits_2005-2006/Taxes_Benefits_2005_06.pdf, p38

Table B5 shows the ratio of the share of total income going to the top 20% and the bottom 20% of the income distribution in each year, on both before and after housing costs bases, since 1977.

Table B5: Income share ratios, top/bottom 20% (FRS)
share of total income received

	Top to Bottom quintile income share ratio	
	Before Housing Costs	After Housing Costs
1994/95	5.3	7.4
1995/96	5.3	7.1
1996/97	5.3	7.3
1997/98	5.5	7.5
1998/99	5.7	7.6
1999/00	5.7	7.6
2000/01	5.9	7.9
2001/02	5.7	7.5
2002/03	5.6	7.3
2003/04	5.6	7.4
2004/05	5.5	7.3
2005/06	5.7	7.8
2006/07	5.9	8.1
2007/08	6.1	8.7
<i>Change in ratio</i>		
1994/95-2007/08	0.8	1.3
1996/97-2007/08	0.8	1.4
2006/07-2007/08	0.2	0.6

Source: DWP, HBAI 2007/08, table 2.2ts

Table B6 shows inequality across the EU based on the Gini coefficient, with data going back to 1995 where this is available, and with changes between 1995 and 2006 and since 1997:

Table B6: Income inequality in European countries, 1995-2007

Gini coefficients, %

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Changes (% points)	
														1995-2007	1997-2007
Austria	27	26	25	24	26	24	24	..	27	26	26	25	26	-1	1
Belgium	29	28	27	27	29	30	28	..	28	26	28	28	26	-3	-1
Bulgaria	..	..	..	..	..	25	26	26	24	26	25	24	..	..	..
Croatia	..	..	..	..	..	..	..	..	29	**	..	..	..	..	..
Cyprus	..	..	29	..	..	..	..	..	27	..	29	29	30	..	1
Czech Republic	..	..	..	..	..	..	25	..	..	..	26	25	25	..	..
Denmark	20	..	20	..	21	..	22	..	25	24	24	24	25	5	5
Estonia	..	..	..	..	..	36	35	35	34	37	34	33	33	..	..
Finland	..	22	22	22	24	24	27	26	26	25	26	26	26	..	4
France	29	29	29	28	29	28	27	27	27	28	28	27	26	-3	-3
Germany	29	27	25	25	25	25	25	..	..	..	26	27	30	1	5
Greece	35	34	35	35	34	33	33	..	35	33	33	34	34	-1	-1
Hungary	..	..	..	..	..	26	25	24	27	..	28	33	26	..	..
Iceland	..	..	..	..	..	..	..	..	..	24	25	26	28	..	..
Ireland	33	33	33	34	32	30	29	..	31	32	32	32	31	-2	-2
Italy	33	32	31	31	30	29	29	..	..	33	33	32	32	-1	1
Latvia	..	..	..	..	..	34	..	..	..	..	36	39	35	..	..
Lithuania	..	..	..	..	..	31	31	..	..	..	36	35	34	..	..
Luxembourg	29	28	25	26	27	26	27	..	28	26	26	28	27	-2	2
Malta	..	..	..	..	..	30	..	..	..	..	28	28	26	..	..
Netherlands	29	29	26	25	26	29	27	27	27	..	27	26	28	-1	2
Norway	..	..	..	..	..	..	..	..	27	25	28	30	24	..	..
Poland	..	..	..	..	..	30	30	..	..	..	36	33	32	..	..
Portugal	37	36	36	37	36	36	37	..	..	38	38	38	37	0	1
Romania	..	..	..	..	..	29	30	30	30	31	31	33	38	..	..
Slovakia	..	..	..	..	..	..	..	..	..	..	26	28	24	..	..
Slovenia	..	..	..	..	..	22	22	22	22	..	24	24	23	..	..
Spain	34	34	35	34	33	32	33	31	31	31	32	31	31	-3	-4
Sweden	..	..	21	..	22	..	24	23	..	23	23	24	23	..	2
Turkey	..	..	..	..	..	..	..	46	45	**	..	..	..	..	..
United Kingdom	32	32	30	32	32	32	35	35	34	..	34	32	33	1	3
European Union 15	31	30	29	29	29	29	29	..	30	30	30	29	30	-1	1
European Union 25	..	..	..	29	29	29	29	..	29	30	30	30	30	..	..
New Members (2004)	..	..	..	..	..	..	29	29	29	30	32	32	30	..	..

Notes: .. = not available; ** = data reported '0' Gini coefficient

Source: Eurostat, EU-SILC database via Eurostat database, accessed 31 October 2008 & 29 July 2009

Table B7 shows inequality in the EU based on the share of income received by the top and bottom 20% of the population, with times series back to 1995:

Table B7: Income shares ratios in European countries, 1995-2007

Ratio of share of income of top quintile to lowest quintile

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Changes in ratio	
														1995-2007	1997-2007
Austria	4.0	3.8	3.6	3.5	3.7	3.4	3.5	..	4.1	3.8	3.8	3.7	3.8	-0.2	0.2
Belgium	4.5	4.2	4.0	4.0	4.2	4.3	4.0	..	4.3	3.9	4.0	4.2	3.9	-0.6	-0.1
Bulgaria	..	..	..	..	..	3.7	3.8	3.8	3.6	4.0	3.7	5.1	3.7	..	..
Croatia	..	..	..	..	..	..	..	..	4.6	..	..	..	..	..	..
Cyprus	..	..	..	..	..	..	..	..	4.1	..	4.3	4.3	4.5	..	..
Czech Republic	..	..	..	..	..	..	3.4	..	..	..	3.7	3.5	3.5	..	..
Denmark	2.9	..	2.9	..	3.0	..	3.0	..	3.6	3.4	3.5	3.4	3.7	0.8	0.8
Estonia	..	..	..	..	..	6.3	6.1	6.1	5.9	7.2	5.9	5.5	5.5	..	..
Finland	..	3.0	3.0	3.1	3.4	3.3	3.7	3.7	3.6	3.5	3.6	3.6	3.7	..	0.7
France	4.5	4.3	4.4	4.2	4.4	4.2	3.9	3.9	3.8	4.2	4.0	4.0	3.8	-0.7	-0.6
Germany	4.6	4.0	3.7	3.6	3.6	3.5	3.6	..	..	..	3.8	4.1	5.0	0.4	1.3
Greece	6.5	6.3	6.6	6.5	6.2	5.8	5.7	..	6.4	5.9	5.8	6.1	6.0	-0.5	-0.6
Hungary	..	..	..	..	..	3.3	3.1	3.0	3.3	..	4.0	5.5	3.7	..	..
Iceland	..	..	..	..	..	..	..	..	..	3.4	3.5	3.7	3.9	..	..
Ireland	5.1	5.1	5.0	5.2	4.9	4.7	4.5	..	5.0	5.0	5.0	4.9	4.8	-0.3	-0.2
Italy	5.9	5.6	5.3	5.1	4.9	4.8	4.8	..	..	5.7	5.6	5.5	5.5	-0.4	0.2
Latvia	..	..	..	..	..	5.5	..	..	..	..	6.7	7.9	6.3	..	..
Lithuania	..	..	..	..	..	5.0	4.9	..	..	..	6.9	6.3	5.9	..	..
Luxembourg	4.3	4.0	3.6	3.7	3.9	3.7	3.8	..	4.1	3.9	3.9	4.2	4.0	-0.3	0.4
Malta	..	..	..	..	..	4.6	..	..	..	..	3.9	4.0	3.8	..	..
Netherlands	4.2	4.4	3.6	3.6	3.7	4.1	4.0	4.0	4.0	..	4.0	3.8	4.0	-0.2	0.4
Norway	..	..	3.3	3.4	3.3	3.3	3.5	3.2	3.8	3.6	4.1	4.6	3.7	..	0.4
Poland	..	..	..	..	..	4.7	4.7	..	..	..	6.6	5.6	5.3	..	..
Portugal	7.4	6.7	6.7	6.8	6.4	6.4	6.5	7.3	7.4	6.9	6.9	6.8	6.5	-0.9	-0.2
Romania	..	..	..	..	..	4.5	4.6	4.7	4.6	4.8	4.9	5.3	7.8	..	..
Slovakia	..	..	..	..	..	..	..	..	..	..	3.9	4.0	3.5	..	..
Slovenia	..	..	..	..	..	3.2	3.1	3.1	3.1	..	3.4	3.4	3.3	..	..
Spain	5.9	6.0	6.5	5.9	5.7	5.4	5.5	5.1	5.1	5.1	5.4	5.3	5.3	-0.6	-1.2
Sweden	..	..	3.0	..	3.1	..	3.4	3.3	..	3.3	3.3	3.5	3.4	..	0.4
Switzerland	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Turkey	..	..	..	..	..	..	..	10.8	9.9	..	..	..	..	..	..
United Kingdom	5.2	5.0	4.7	5.2	5.2	5.2	5.4	5.5	5.3	..	5.8	5.4	5.5	0.3	0.8
European Union 15	5.1	4.8	4.7	4.6	4.6	4.5	4.5	..	4.6	4.8	4.8	4.7	4.9	-0.2	0.2
European Union 25	..	..	..	4.6	4.6	4.5	4.5	..	4.6	4.8	4.9	4.8	4.8	..	..
European Union 27	..	..	..	..	..	..	..	..	..	..	4.9	4.8	4.8	..	..

Notes: .. = not available

Source: Eurostat, EU-SILC database via Eurostat database, accessed 31 October 2008 & 29 July 2009

Table B8 shows trends in income inequality (Gini coefficients) in OECD countries back to the mid-1970s where data are available, for income both before and after taxes/transfers.

Table B8: Gini coefficients, OECD countries, various years 1970s-2000s

	Before taxes and transfers						After taxes and transfers					
	mid-70s	mid-80s	c.1990	mid-90s	c.2000	mid-2000s	mid-70s	mid-80s	c.1990	mid-90s	c.2000	mid-2000s
Australia	..	..	..	46.7	47.6	45.8	..	..	..	30.9	31.7	30.1
Austria	..	..	..	..	..	43.3	..	23.6	..	23.8	25.2	26.5
Belgium	..	44.9	..	47.2	46.4	49.4	..	27.4	..	28.7	28.9	27.1
Canada	37.7	39.3	..	41.8	42.0	43.6	29.5	28.7	..	28.3	30.1	31.7
Czech Republic	..	..	..	44.2	47.2	47.3	..	..	23.2	25.7	26.0	26.8
Denmark	..	37.3	39.6	41.7	41.5	41.7	..	22.1	22.6	21.5	22.6	23.2
Finland	34.3	33.1	..	39.1	38.6	38.6	23.5	20.7	..	22.8	26.1	26.9
France	..	52.4	51.0	48.2	49.6	48.2	..	31.3	30.2	28.1	28.1	28.1
Germany	..	44.1	41.9	45.8	47.6	50.7	..	25.7	25.8	27.2	27.0	29.8
Greece	44.8	42.6	..	44.6	46.6	45.4	41.2	33.6	..	33.6	34.5	32.1
Hungary	..	..	45.2	49.6	46.3	49.7	..	..	27.3	29.3	29.3	29.1
Iceland	..	..	..	..	..	36.8	..	..	..	..	..	28.0
Ireland	..	..	..	..	43.4	41.6	..	33.1	..	32.4	30.4	32.8
Italy	..	42.0	43.7	50.8	51.6	55.7	..	30.9	29.7	34.8	34.3	35.2
Japan	..	34.5	..	40.3	43.2	44.3	..	30.4	..	32.3	33.7	32.1
Korea	..	..	..	..	..	33.8	..	..	..	..	..	31.2
Luxembourg	..	38.3	..	42.7	42.1	45.4	..	24.7	..	25.9	26.1	25.8
Mexico	..	..	..	..	..	..	..	45.2	..	51.9	50.7	47.4
Netherlands	42.3	47.0	47.1	48.0	42.1	42.3	25.1	25.9	27.8	28.2	27.8	27.1
New Zealand	..	40.8	46.8	48.8	48.4	47.3	..	27.1	31.8	33.5	33.9	33.5
Norway	..	35.4	..	39.9	41.3	43.3	..	23.4	..	25.6	26.1	27.6
Poland	..	..	..	..	..	56.8	..	..	..	..	31.6	37.2
Portugal	45.7	..	43.6	49.0	47.9	54.2	35.4	..	32.9	35.9	35.6	38.5
Slovak Republic	..	..	..	..	..	45.9	..	..	..	..	..	26.8
Spain	..	..	..	38.4	36.8	33.8	..	37.1	33.7	34.3	34.2	31.9
Sweden	38.9	40.4	40.8	43.8	44.6	43.2	21.2	19.8	20.9	21.1	24.3	23.4
Switzerland	..	..	..	..	35.0	35.2	..	..	..	..	27.9	27.6
Turkey	..	..	..	..	..	..	..	43.4	..	49.0	..	43.0
United Kingdom	35.5	44.0	46.1	47.6	48.1	46.0	28.2	32.5	37.3	35.4	37.0	33.5
United States	37.5	40.4	42.3	45.0	45.0	45.7	31.6	33.8	34.9	36.1	35.7	38.1
OECD Total	..	..	..	..	..	44.8	..	..	..	..	..	31.1

Notes: (n/a) = not available

Source: OECD, *OECD.Stat* (extracted 30 Oct 2008) [data from OECD (2008)]

Annex C: Previous OECD inequality research

A further OECD report, *Society at a Glance*, included comparisons of inequality in 1990, 1995, 2000 and 2003.³⁰ The report looks at two measures: the D9/D5 (comparing earnings in the top 10% of individuals with the median) and the D5/D1 (comparing the bottom 10% earners with the median). These figures should be used with caution, as there are issues of data comparability between countries and reference periods vary.

Between 1990 and 2003, the D9/D5 for most OECD countries increased moderately. The ratio for the OECD-11 countries³¹ increased on average by 4% between 1990 and 2003, whereas for the UK, this increase was almost 6%. The largest increases (10% since the early 1990s) were experienced in Australia, Denmark and Sweden, and the D9/D5 actually fell in Japan over that time period.³² The lower half of the distribution, however, changed little over time, increasing slightly on average.

The 2007 OECD *Employment Outlook* report³³ also looked at earnings inequality in a chapter entitled "OECD Workers in the Global Economy: Increasingly Vulnerable?". The report includes several graphs showing the change in earnings inequality for 10 OECD countries³⁴ since 1980. Figure 8 shows earnings inequality in terms of the ratio between the earnings of the 90th percentile of earners and the 10th percentile. On this measure, there has been a clear upward trend in the UK:

³⁰ www.oecd.org/document/24/0,2340,en_2649_37419_2671576_1_1_1_37419,00.html;
See data spreadsheet: www.oecd.org/dataoecd/34/11/34542691.xls, Data Chart EQ2.1; Full report via SourceOECD:
<http://oberon.sourceoecd.org/vl=7414734/cl=14/nw=1/rpsv/ij/oecdthemes/99980142/v2007n3/s1/p11>

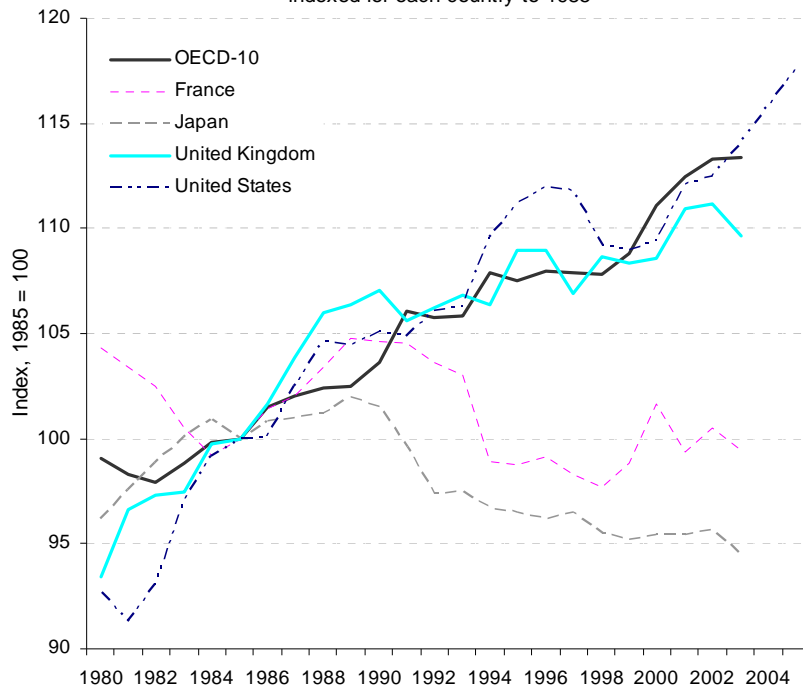
³¹ Austria, Denmark, Finland, France, Germany, Italy, Japan, Korea, Spain, UK and US.

³² *Society at a Glance – OECD Social Indicators*, 2006, p70

³³ OECD, *Employment Outlook 2007*, June 2007, available through SourceOECD

³⁴ Based on an unweighted average of the following countries: Australia, Denmark, Finland, France, Japan, the Netherlands, Poland, Sweden, the UK and the US.

Figure 8 - evolution of earnings inequality, OECD countries, P90/P10
indexed for each country to 1985



Source: OECD <http://dx.doi.org/10.1787/023606104414>

In 16 of the 19 OECD member countries for which there are data, the earnings of the best-paid 10% grew faster than those of the lowest paid 10% between 1994 and 2005. Of the countries examined, only Ireland, Spain and Japan saw inequality decrease by this measure.³⁵

Figure 9 overleaf shows a different perspective, comparing the earnings ratio of the 50th percentile and the 10th percentile of earners. By this measure, inequality in the UK actually decreased from 1995 to 2005, going from an earnings ratio of 1.85 to 1.79 (best paid 50% to worst paid 10%). The average for the OECD increased from 1.70 to 1.73 from 1995 to 2005.³⁶

³⁵ "Dangers of globalisation overblown says OECD in move to calm fears", *Financial Times*, 20 June 2007, p8

³⁶ OECD, *Employment Outlook 2007*, June 2007, p268

Figure 9 - evolution of earnings inequality, OECD countries, P50/P10
indexed for each country to 1985

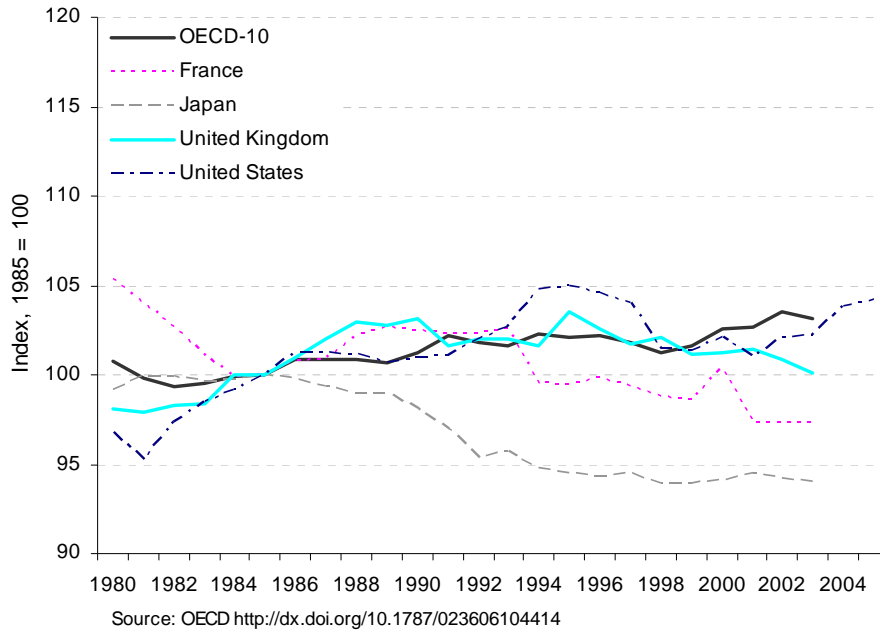
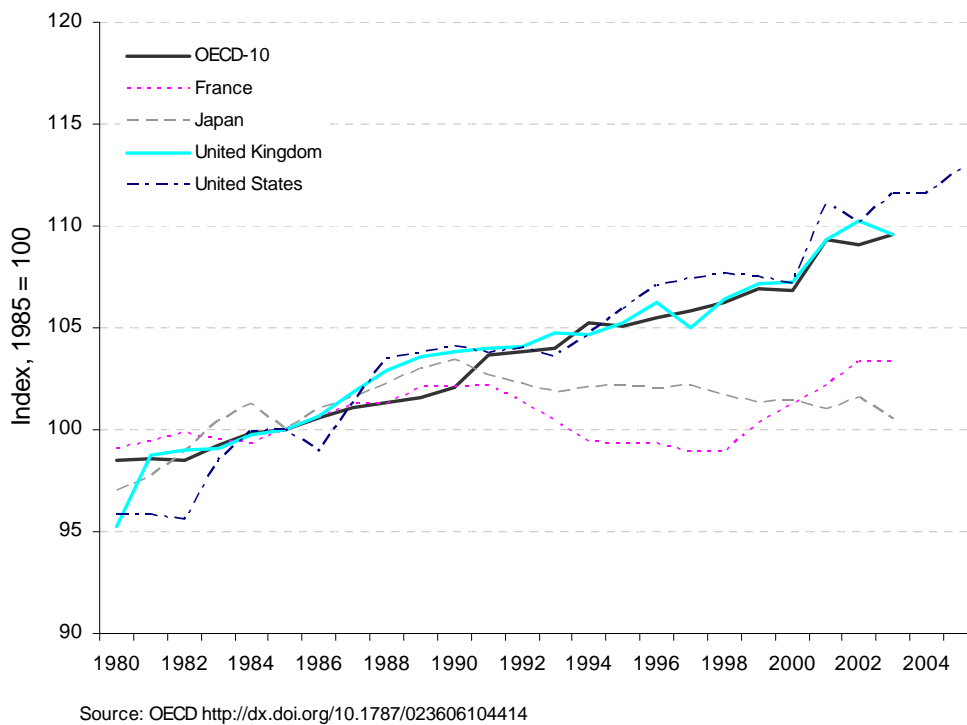


Figure 10 reproduces the third graph in the series presented by the OECD. It shows the development of earnings inequality over time using the ratio of the top 10th percentile of earners to the 50th percentile.

Figure 10- earnings inequality, OECD countries, P90/P50
indexed for each country to 1985



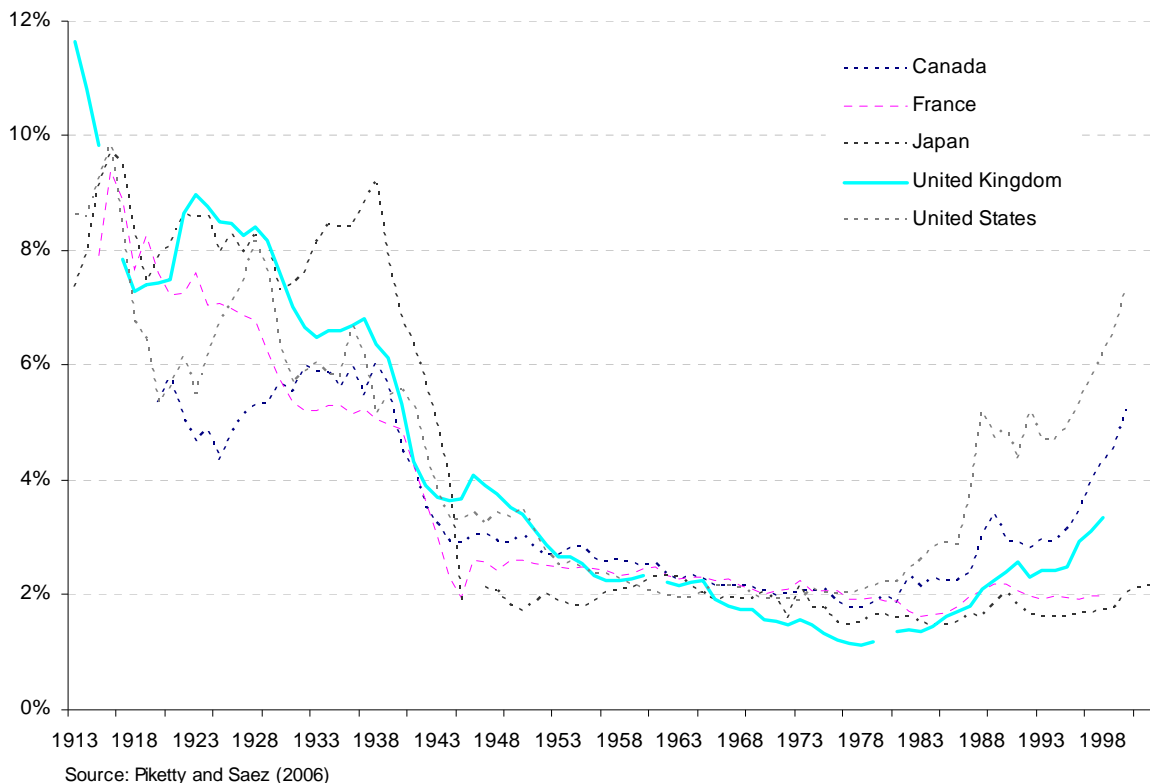
On the basis of these graphs, the OECD observes:

- earnings inequality has tended to increase over the past several decades; and
- all of the cumulative increase in earnings dispersion since 1990 has occurred in the top half of the earnings distribution.³⁷

In other words, the rise in inequality has not taken the form of declining wages for low-skill workers.³⁸

A separate study³⁹ cited in *Employment Outlook 2007* examines the change in the income share accruing to the top 0.1% of income earners since 1913. Figure 11, below, reproduces the findings of this study. It shows the dramatic drop in the share of income accruing to the top 0.1% over most of the 20th century, reflecting reduced income inequality at the top. However, in the past few decades, the 0.1% income share has grown in the UK, Canada and particularly the US. The OECD suggests that this trend indicates that globalisation is presenting opportunities for “elite” workers and investors. The fact that France and Japan have not experienced a similar increase in income inequality at the very top over the past several decades is attributed to differences in national policies and institutions.⁴⁰

Figure 11 - Top 0.1% income share in 5 OECD countries, 1913-2005



³⁷ OECD, *Employment Outlook 2007*, June 2007, p116

³⁸ *ibid.*, p117

³⁹ Piketty and Saez, “The Evolution of Top Incomes: A Historical and International Perspective”, *American Economic Review*, Vol. 96, No. 2, pp200-205

⁴⁰ *ibid.*, p117

Annex D: Historical studies of UK inequality

The following books are available in Library holdings:

Atkinson, A.B., et al, *Distribution of personal wealth in Britain*, 1978 [Statistics holdings, Derby Gate, shelf reference 410.35]

Borooah, Vani K., et al, *Regional income inequality and poverty in the United Kingdom*, 1991 [Stats 410.35]

Fiegehen, G.C., et al, *Poverty and progress in Britain 1953-73*, 1977 [Stats 410.35]

Gazeley, Ian, *Poverty in Britain, 1900-1965*, 2003 [Main Library 362.5-GAZ; Stats 410.35]

Hills, John, *Inequality and the state*, 2004 [ML 323.42-HIL; Stats 410.35]

Hills, John, *New inequalities*, 1996 [ML 320.22-HIL; Stats 410.35]

Rubinstein, W.D., *Wealth and inequality in Britain*, 1986 [ML 330.22-RUB; Stats 410.35]

Taylor, Arthur J., *The standard of living in Britain in the Industrial Revolution*, 1975 [ML 306.09-TAY; Stats 410.35]