



OECD Centre for
Opportunity and Equality

Evidence-based, policy-oriented research on inequalities

Understanding the drivers of income dynamics for a better policy-making

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OECD

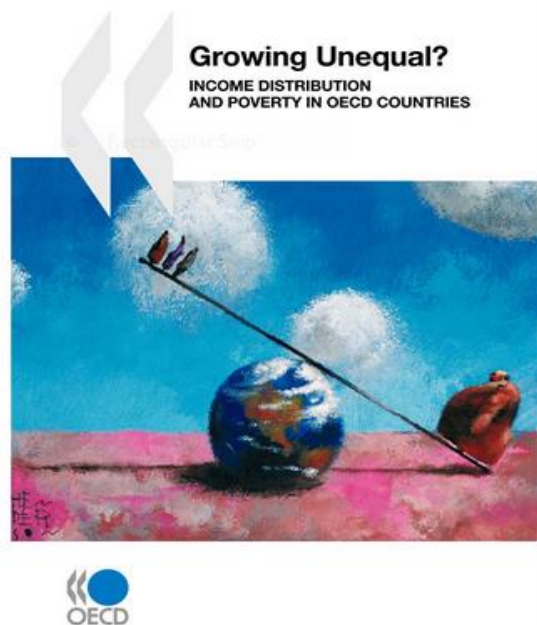
Tokyo, 20 December 2017

Inequality – in the heart of international policy discourse and policy debate

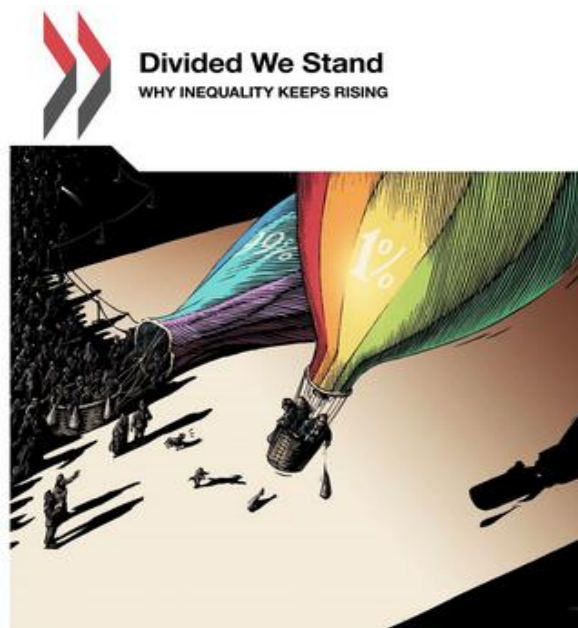


- “**Inequality** can no longer be treated as an afterthought. We need to focus the debate on **how the benefits of growth are distributed**” (A. Gurría, OECD)
- “This is the first time that the World Bank Group has set a **target for income inequality**” (Jim Yong Kim, World Bank)
- “Reducing excessive **inequality** is not just morally and politically correct, but it is **good economics**” (C. Lagarde, IMF)

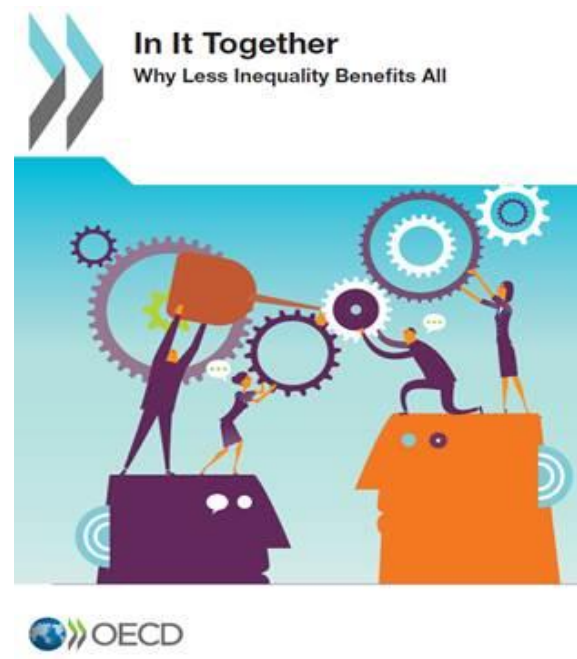
2008



2011



2015





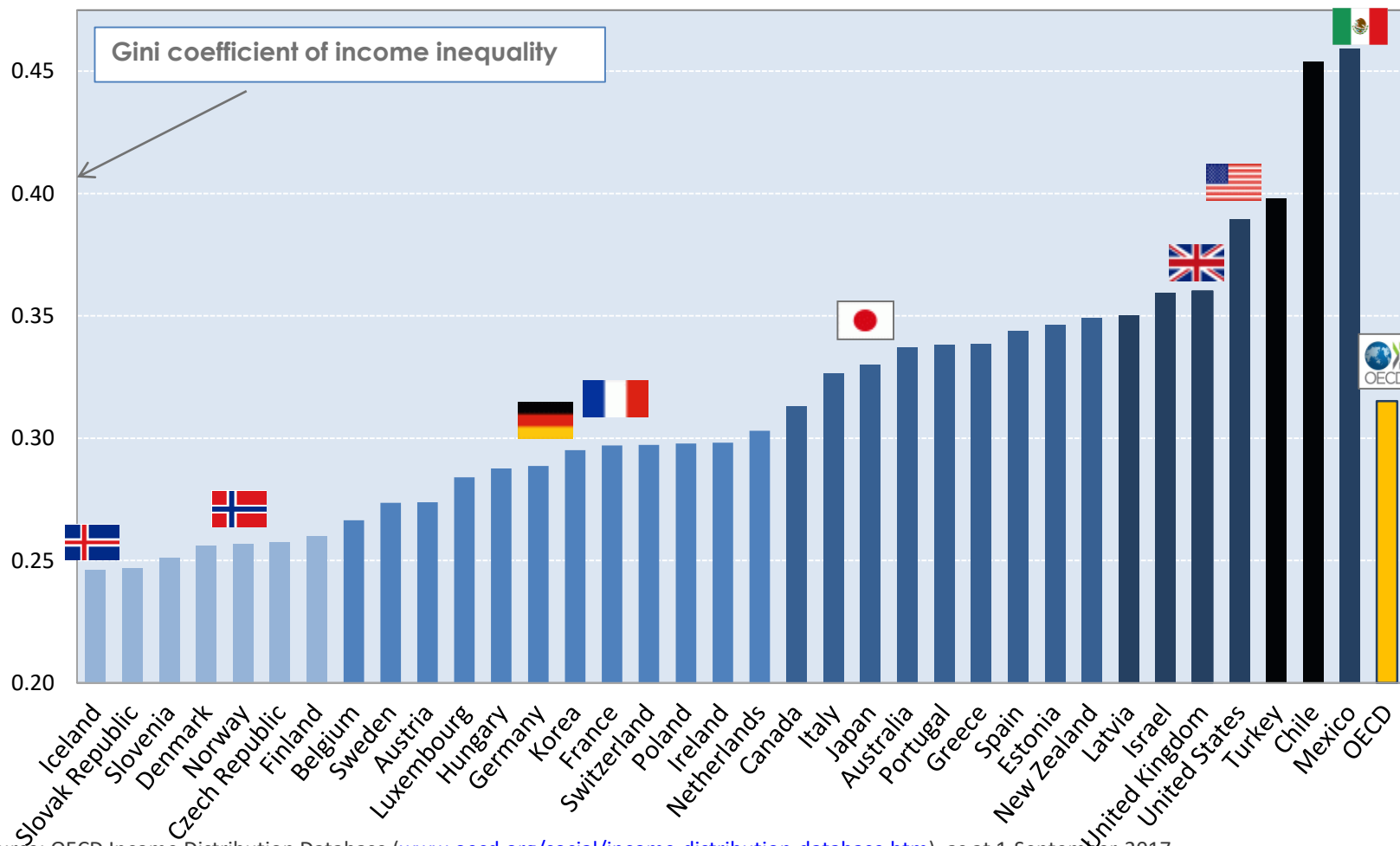
PART 1

TRENDS, DRIVERS AND REMEDIES TO INCREASING INCOME INEQUALITY IN JAPAN AND IN THE OECD AREA

Large country differences in levels of *income inequality*



日本における所得格差は、OECD 平均より高く、



Source: OECD Income Distribution Database (www.oecd.org/social/income-distribution-database.htm), as at 1-September-2017

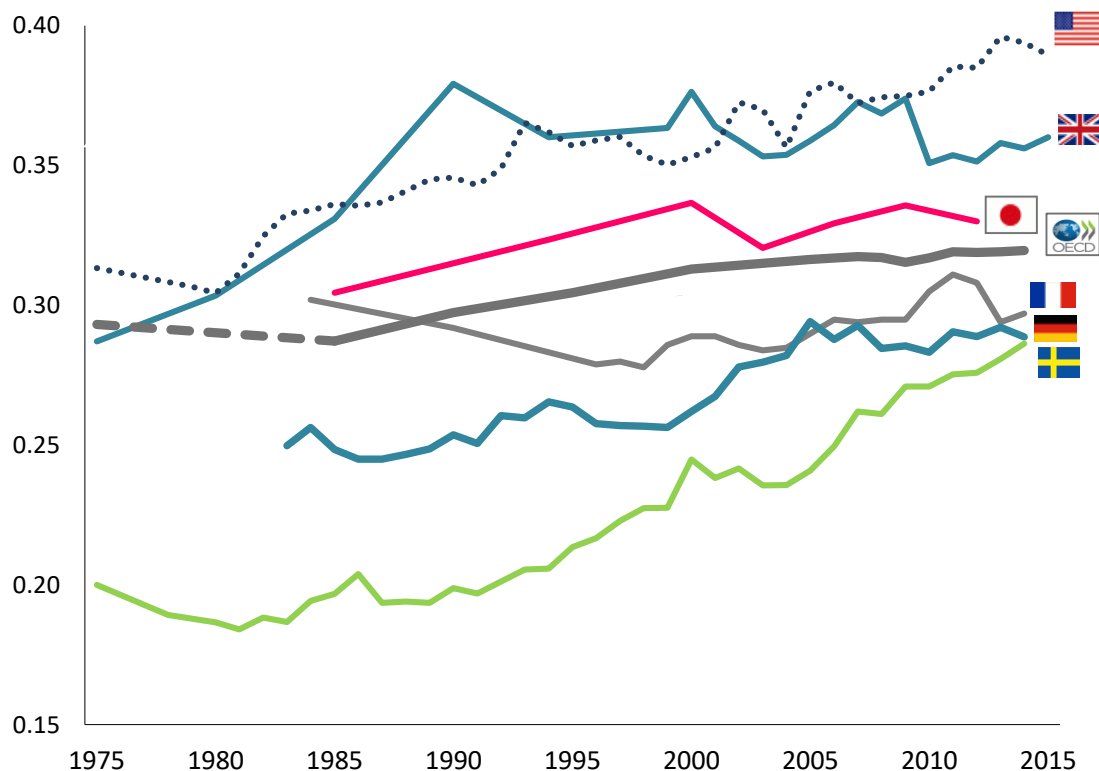
Note: the Gini coefficient ranges from 0 (perfect equality) to 1 (perfect inequality). Income refers to cash disposable income adjusted for household size.

Data refer to 2015 or latest year available.

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

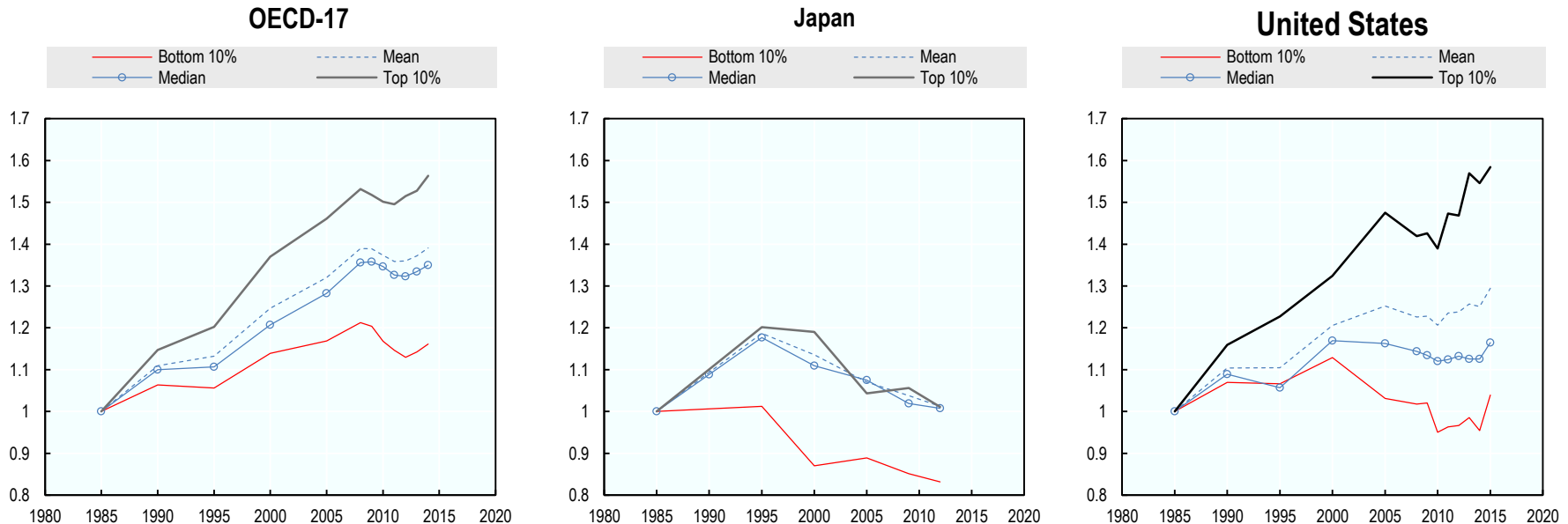


1980年代中盤から拡大している。これは、大半のOECD加盟国と同様の傾向である。日本では
Long-term trends in inequality of disposable income (Gini coefficient)





Trends in real household incomes at the bottom, the middle and the top, 1985 = 1

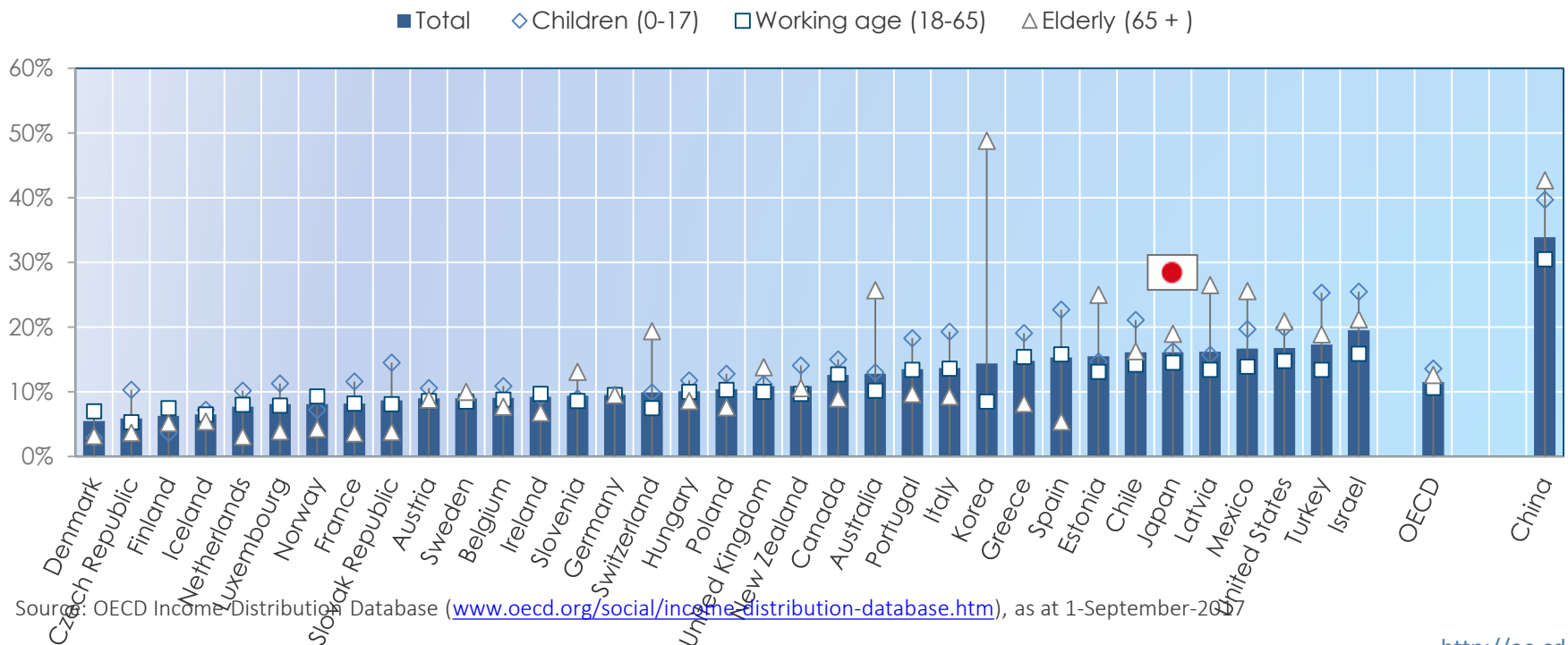


総じて、1985 年以降、日本では、家計収入の平均はほとんど増加しておらず（毎年約0.3%増加）、さらに下位10%の貧困層では家計収入が毎年約0.5%減少している。格差は2006－2009 年の金融危機の間にも引き続き拡大し、人口の上位10%富裕層の所得は横ばいだったものの、可処分所得は合計で5%減少した。

Poverty rates by age groups, OECD and China



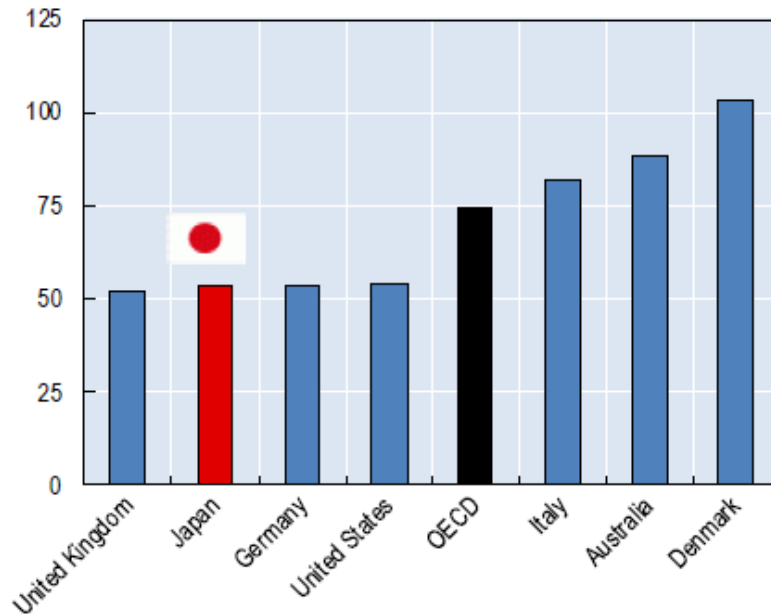
相対的貧困率（所得が国民の「中央値」の半分に満たない人の割合）は、日本では人口の約16%である＊（これはOECD 平均の11%を上回るもの）



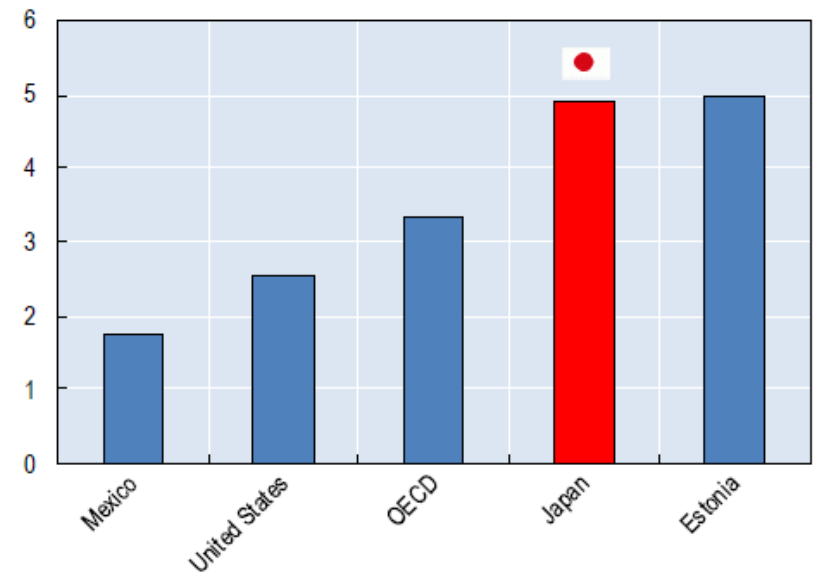
Old age poverty is a concern in Japan



Low pension levels for low earners in Japan
Net pension replacement rates for low earners (50% of average wage), % of previous net earnings



Japanese women have the highest level of life expectancy
Gender gap in life expectancy at 65, years



Source: United Nations (2015). See [\[Figure 3.2\]](#).

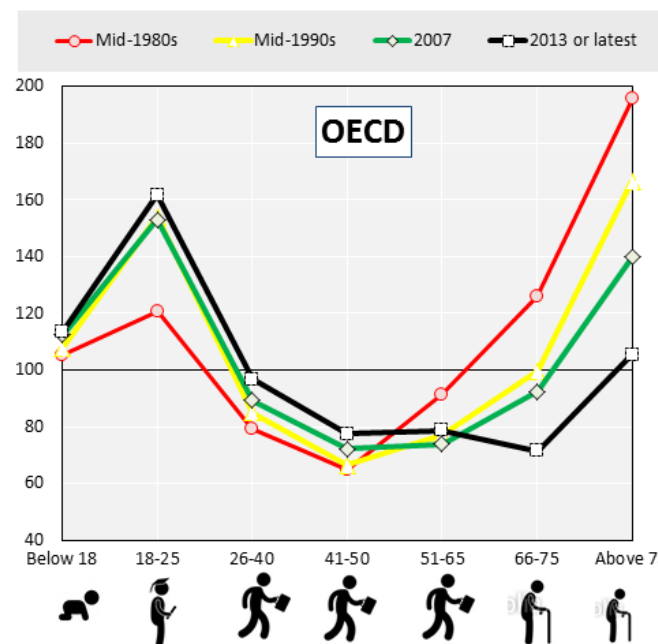
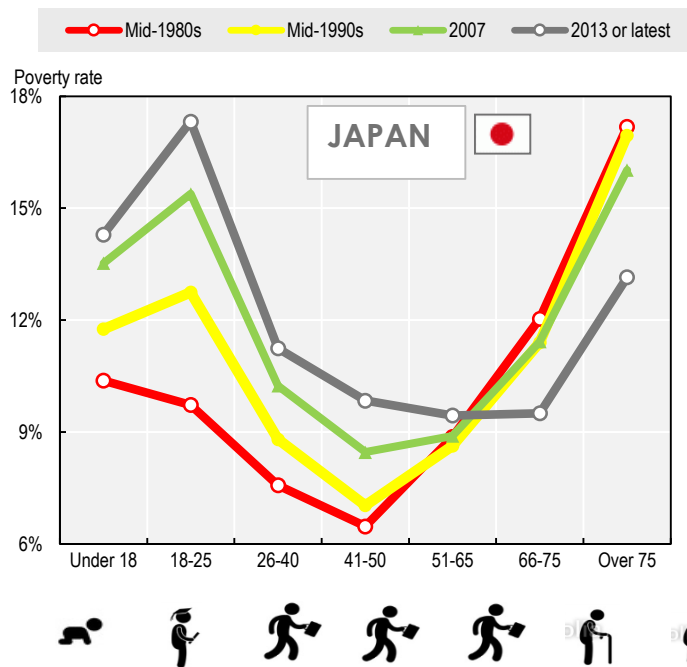
Source: OECD pension models in OECD Pensions at a Glance. See [\[Figure 5.19\]](#).

Poverty risks in old-age remains high



相対的貧困率は、世代間では、高齢者が最も高く、66 歳以上の約19%に影響をもたらしている。

Shift of poverty risks across generations at different ages in Japan and OECD



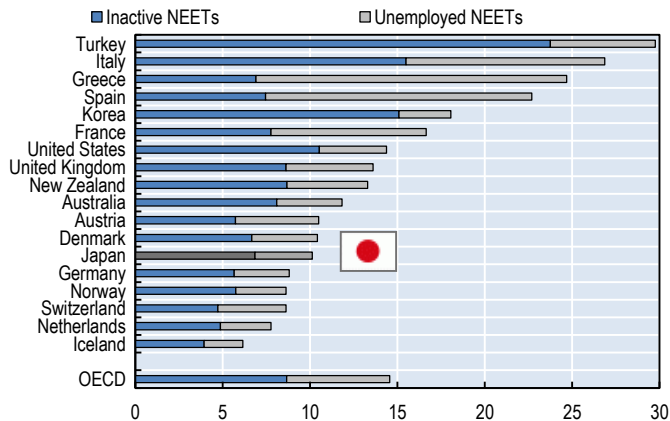
The challenge of youth poverty



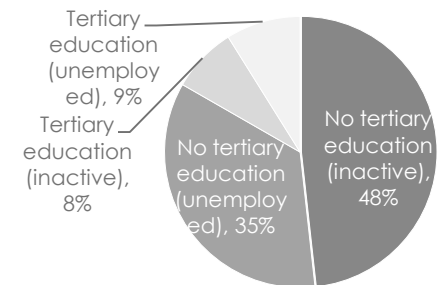
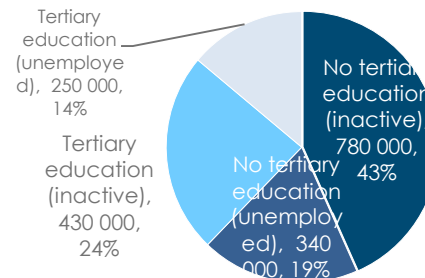
- Japan does well at ensuring that all young people leave the education system with a qualification.
- Young people in poverty are either:
 - Non regular workers, men
 - Low income and low future prospects
 - NEETs Not in Education, Employment and Training
 - Many live with their parents and are poor



Two thirds of NEETs in Japan do not look for a job



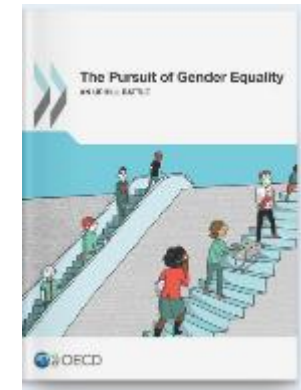
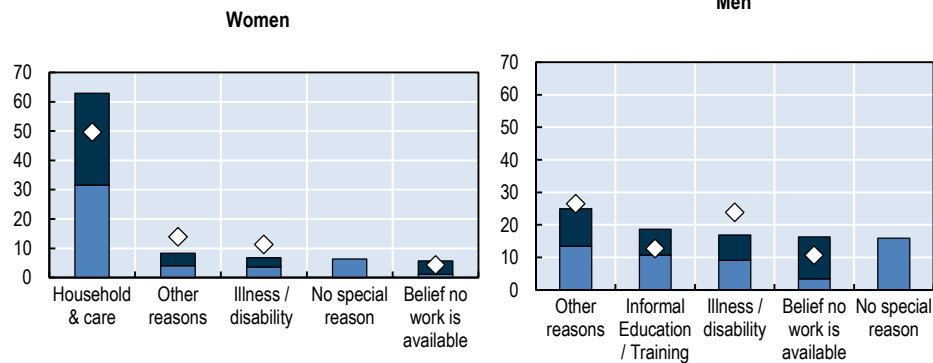
Many NEETs in Japan have tertiary education, and most of them are inactive



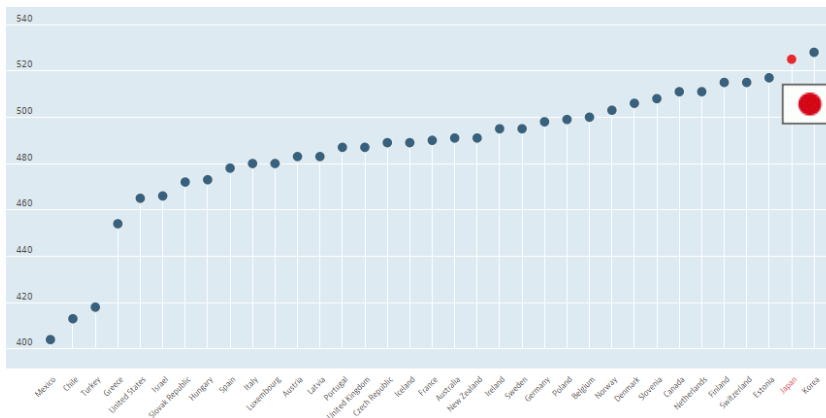
The case for addressing gender imbalances



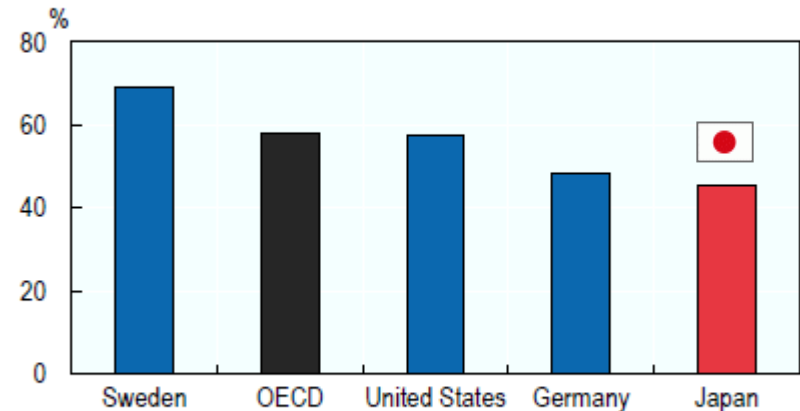
Main reasons for NEET inactivity among young women and men as percentages, 2014



Japanese girls have the best performance in mathematics in OECD countries



Female's share in bachelor's graduates is low 2014

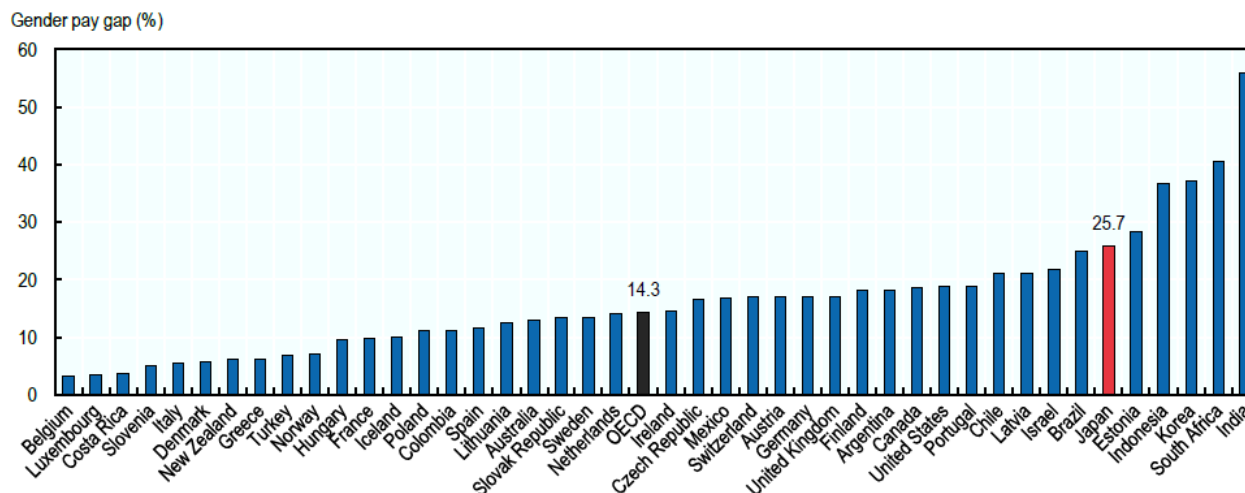


Sharp gender inequality in Japan



- Sharp **division of labour**, with women doing more than three quarters of the unpaid work and caregiving and men working very long office hours.
- Japan ranks among the **lowest in the OECD for women in management positions** and for the share of women on boards of directors, and Japan also fares badly in the number of women in leadership in public life .
- Women's **career interruptions** can contribute to gender gaps in pension entitlements and consequently affect **older women's likelihood of living in poverty**.

Gender pay gap, 2015 or latest available year

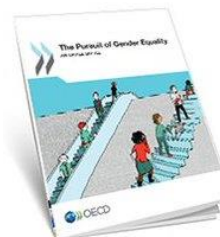
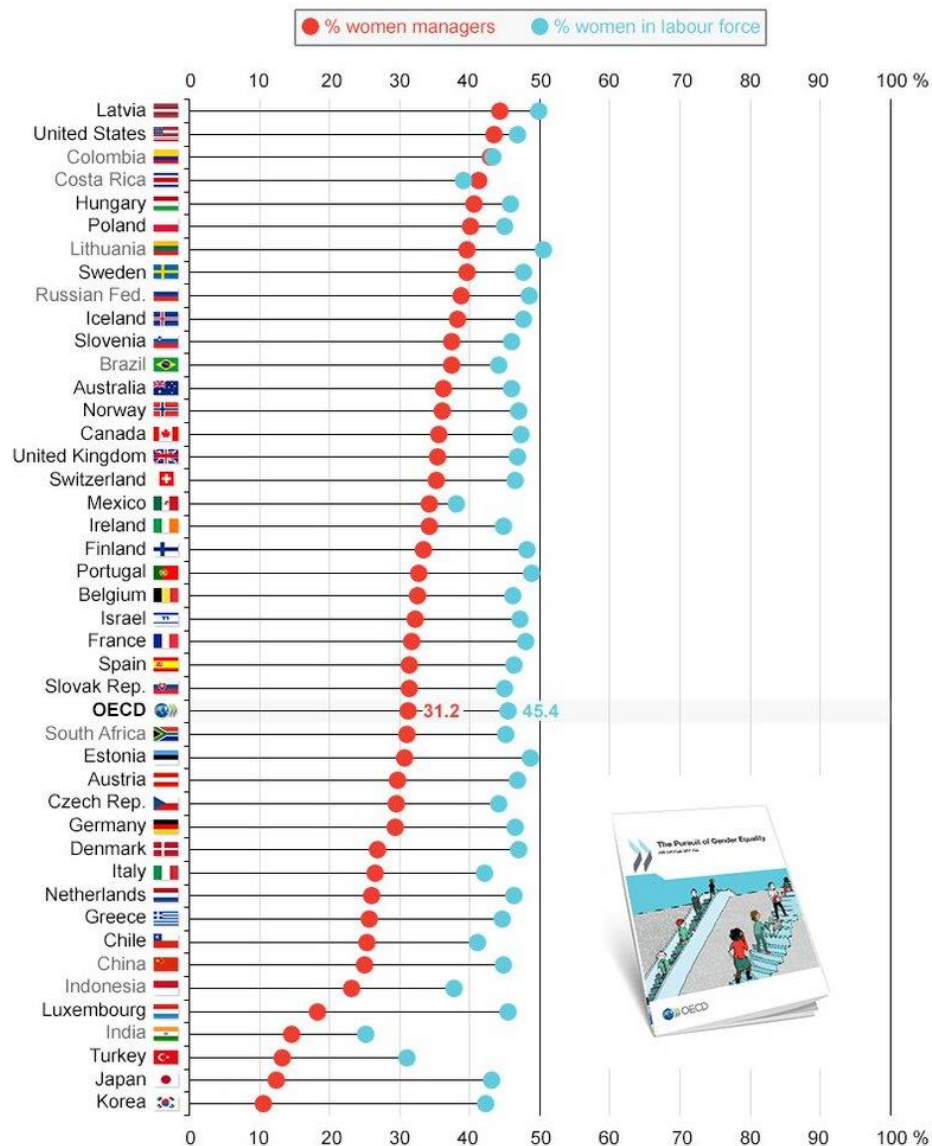


Notes: Gender gap in median earnings for full-time employees. The gender gap is defined as the difference between male and female median monthly earnings divided by male median monthly earnings for full-time employees. See [\[Figure 1.3\]](#)



Women are under-represented in management positions

Female share of managers and labour force, 2015 or latest available year

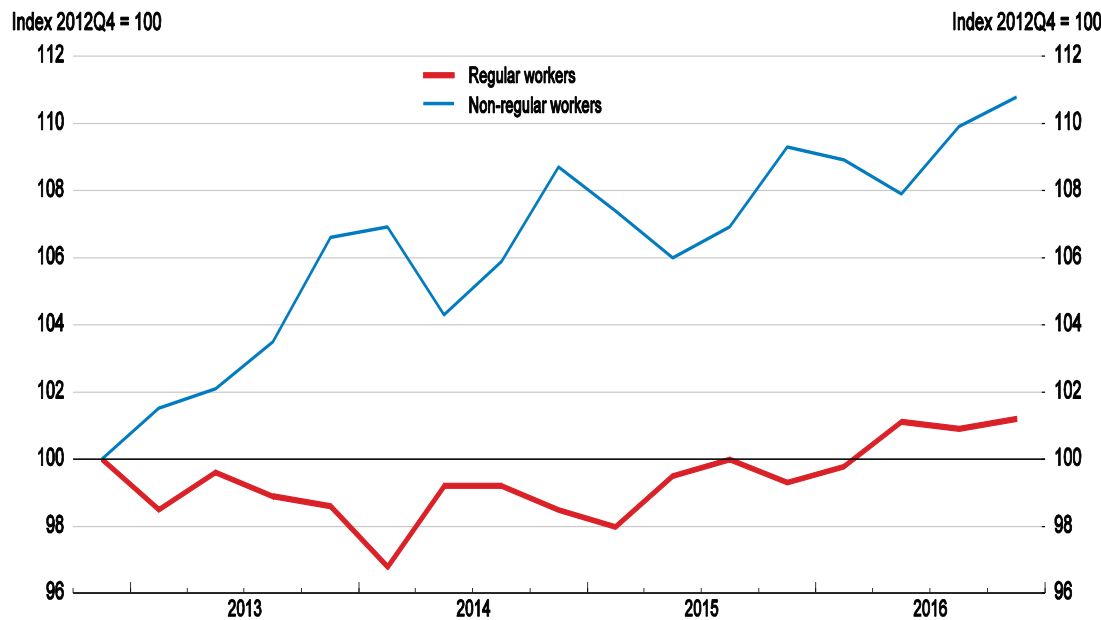


OECD partner countries and accession candidates are indicated in grey.

Source: OECD (2017), The Pursuit of Gender Equality: An Uphill Battle, Fig. 11.3.

More data on gender: oe.cd/gender.

The number of non-regular workers is rising rapidly in Japan



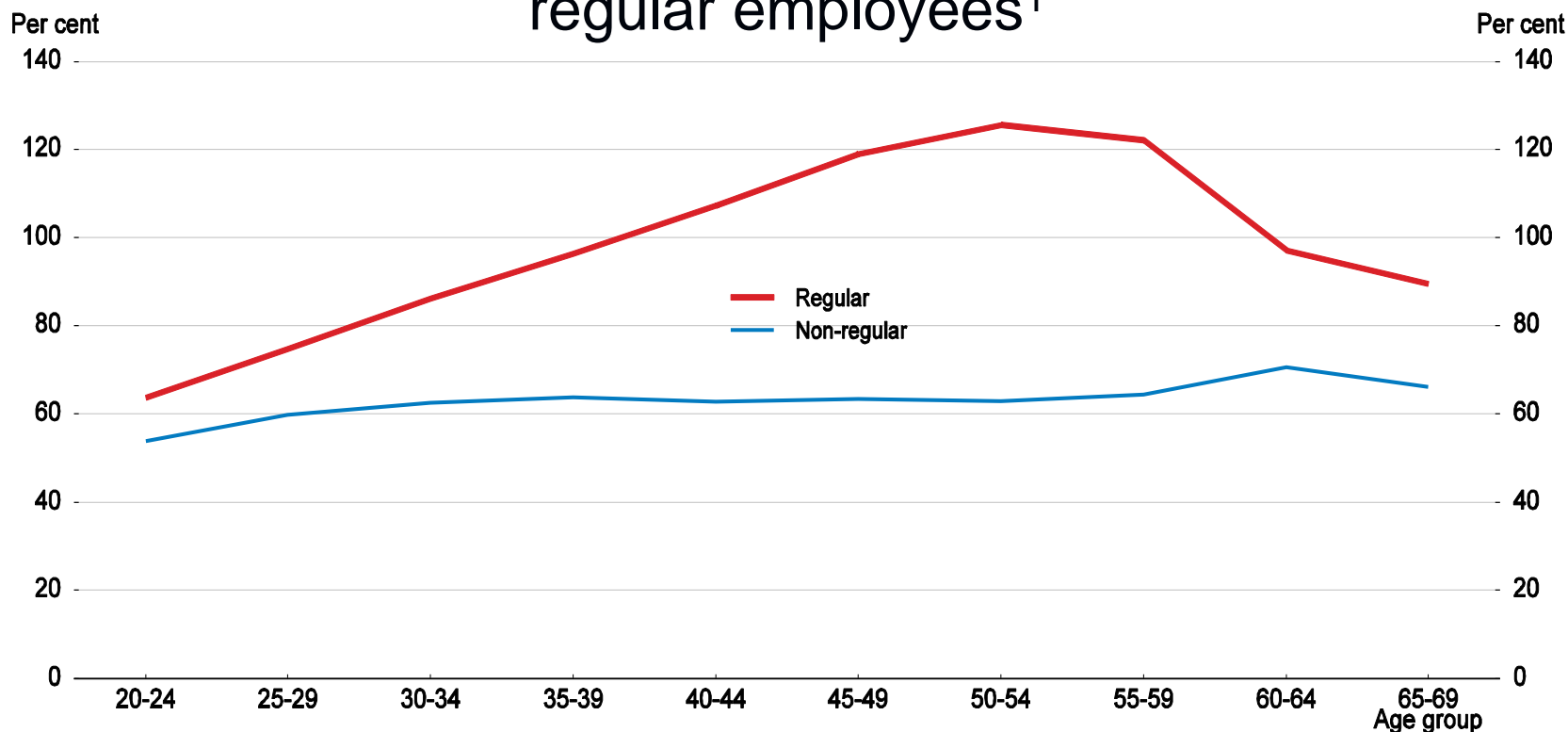
労働年齢人口の間で所得格差が拡大していることは、彼らの中で非正規労働者の割合が増加していることに関係している。非正規労働者の割合は、1990 年以降倍増しており、2012 年には約34%にまで達した。

Source: OECD, Economic Survey Japan, 2017 Ministry of Health, Labor and Welfare.

The wage gap between regular and non-regular workers is large



Wage as a percentage of the average wage of regular employees¹



1. In June 2015, excluding overtime payments and bonuses.

Source: Ministry of Health, Labor, and Welfare "Basic Survey on Wage Structure 2015".

Several measures of job quality suggest that non-standard workers are worse off

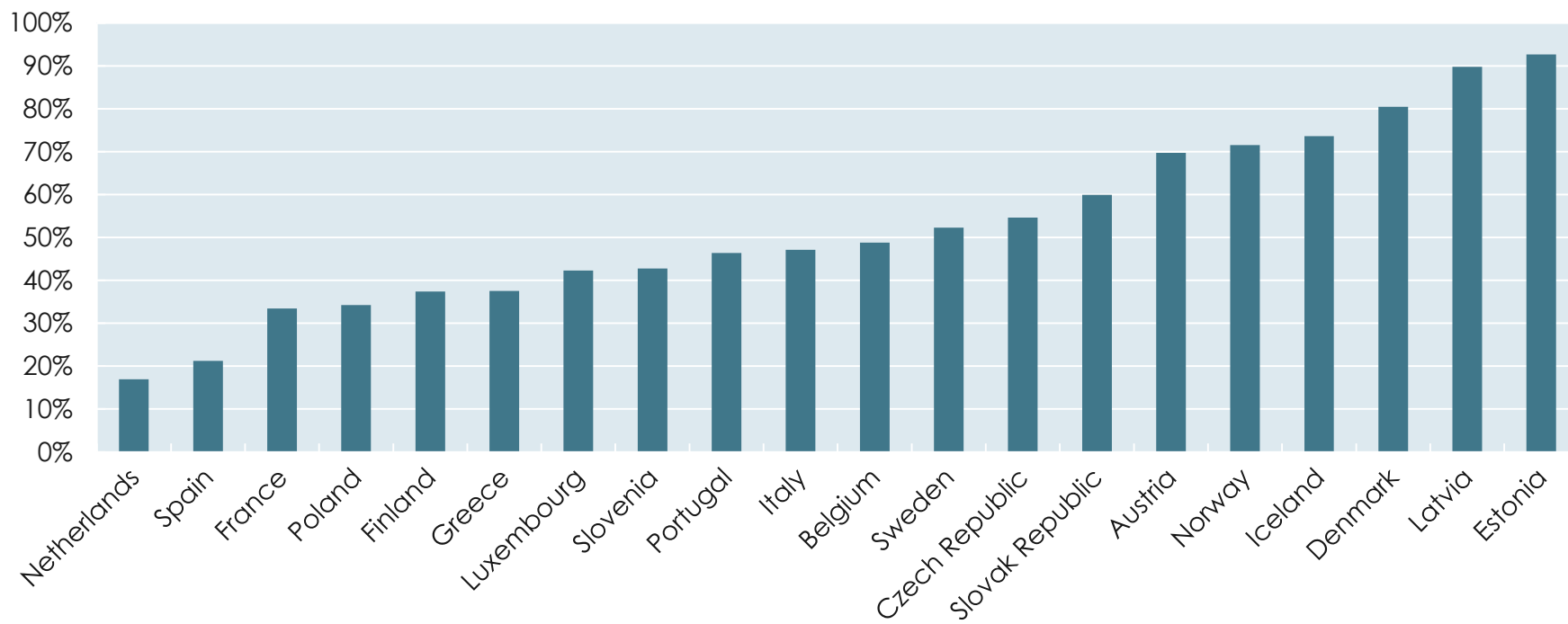


- hourly wages are **lower**;
- job **insecurity** is higher;
- they provide less **training**.
- and report a higher level of **job strain**
- they do not necessarily improve **labour market prospects**, e.g. by a higher probability to move to a more stable job

時間給で見ると、非典型労働者（自営業者、臨時フルタイム労働者、パートタイム労働者）は典型労働者よりも低く支払われている。有期契約労働者は典型労働者より1時間につき30%給料が低く、パートだと46%低い（図3 参照）。非典型労働者にOJTを提供している企業は、わずか28%である。非典型労働に頼っている家計の貧困率は20%でOECD平均22%に近く、典型労働の4倍（OECD平均：5倍）となっている。



Share of non-standard workers in standard employment 3 years later (2011-2014)




Source: EU-SILC survey, OECD calculations

Rules of social protection for self-employed differ across countries



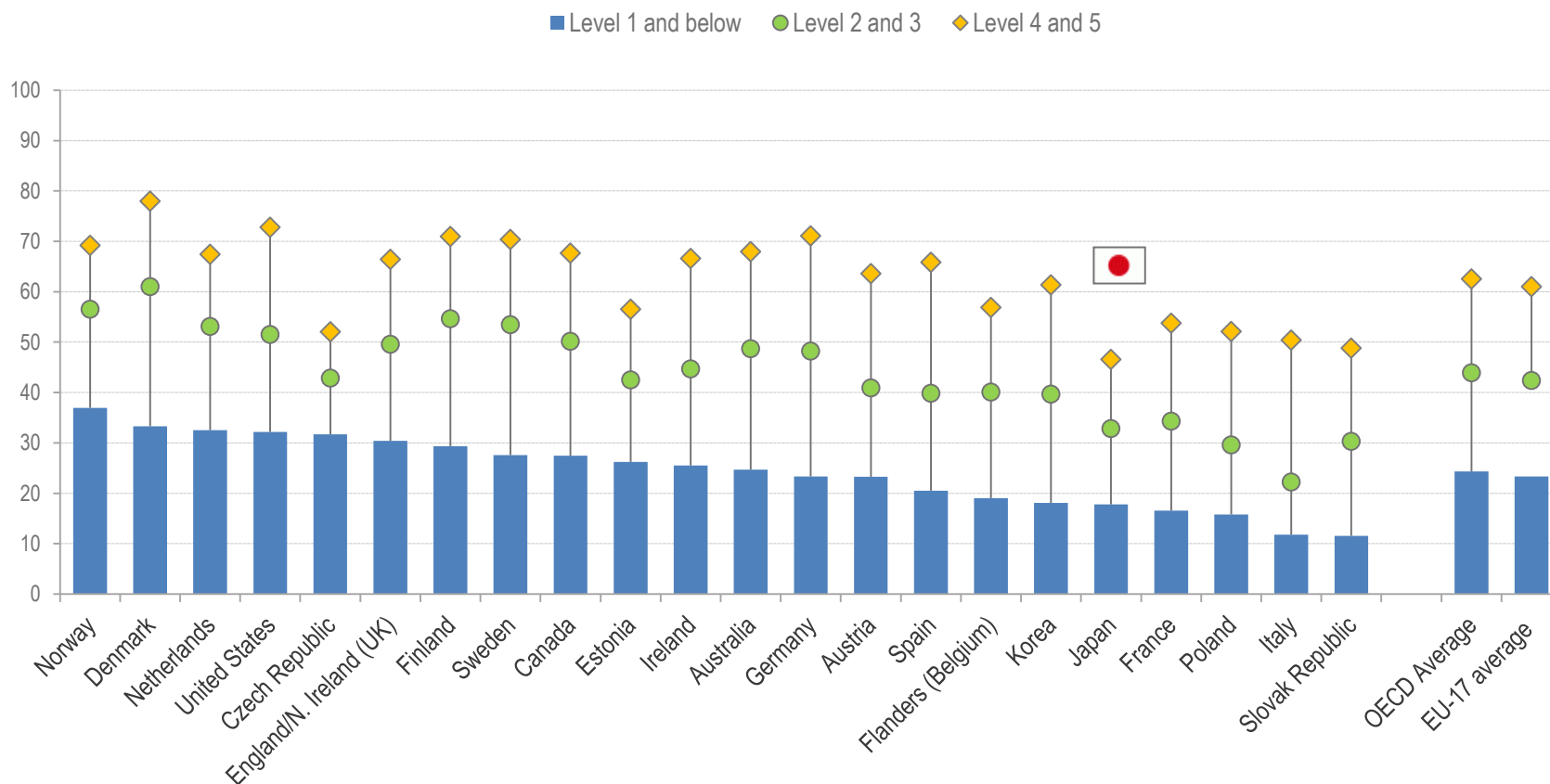
Benefit rules for the self-employed are different from those of standard workers, 2010

	Old age, invalidity	Health	Accidents	Unemployment	Family
Australia					
Canada					
France					
Germany					
Italy					
Japan 					
Korea					
Mexico					
Portugal					
Turkey					
United Kingdom					
United States					

	No benefit
	Optional enrolment
	Different rules from standard workers
	Same rules as the general scheme



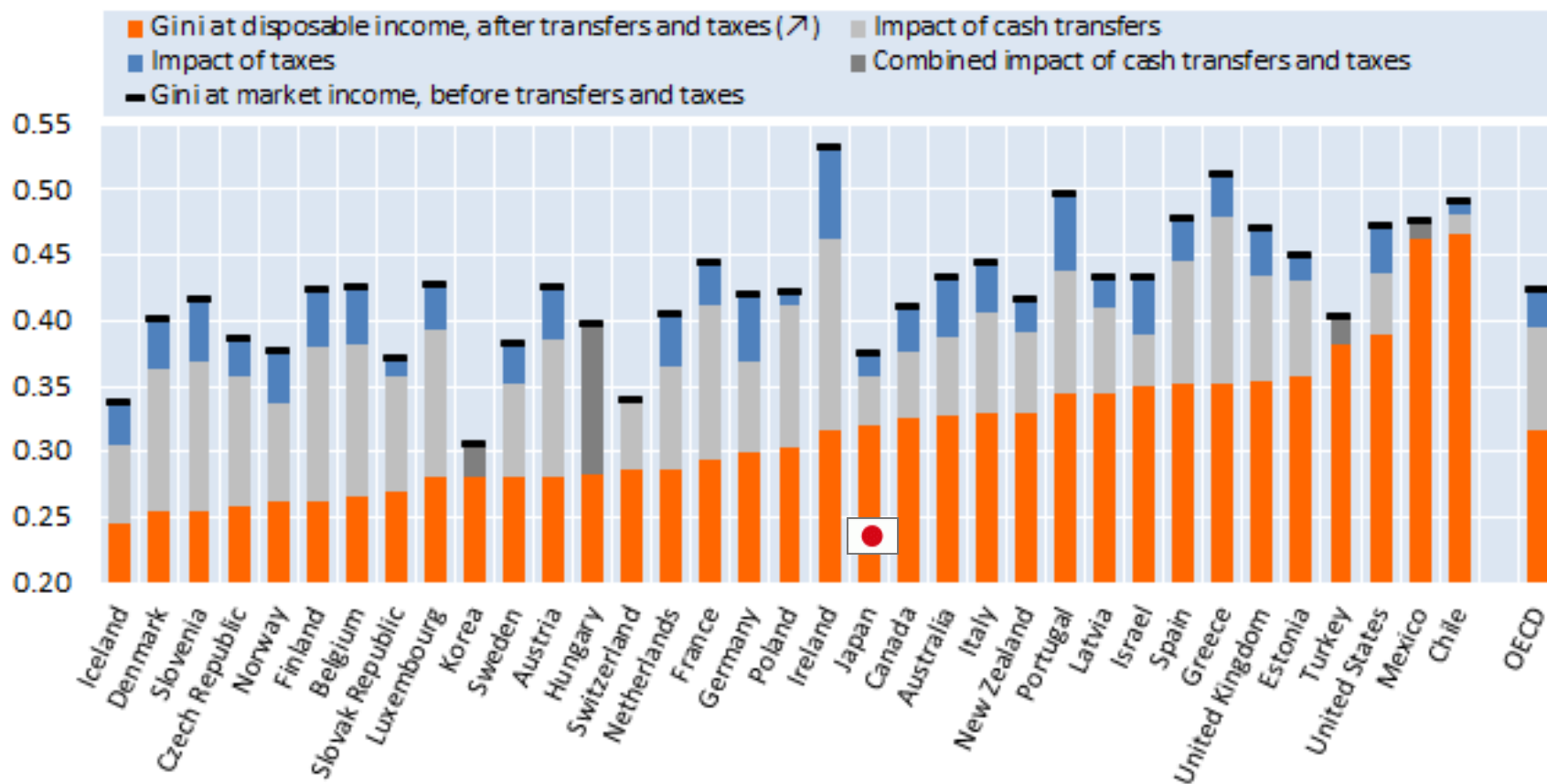
Percent of workforce in job-related education and training by level of proficiency in literacy

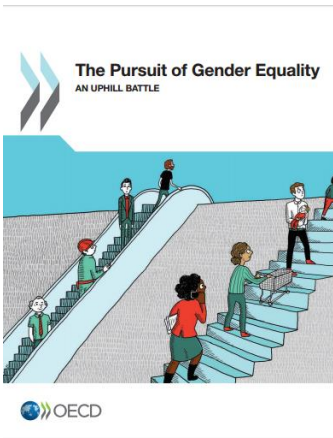
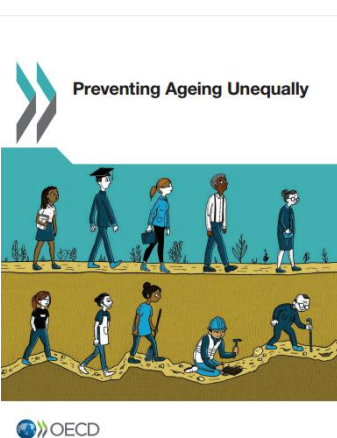
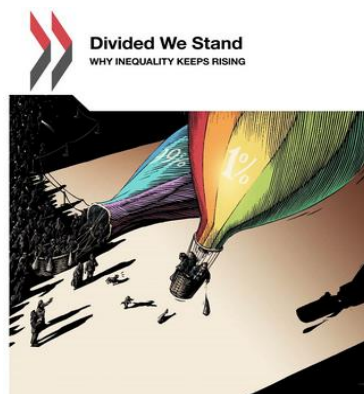
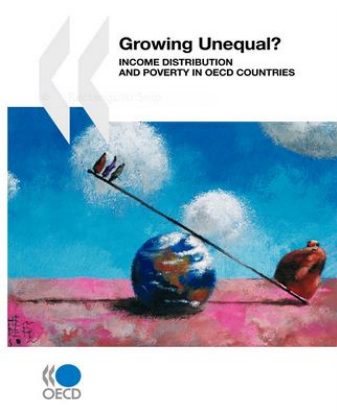


Redistribution lowers inequality, but to different extents



Inequality of market and disposable income, working-age population







English Français Español Italiano 日本語 他の言語

全国民と比べたあなたの所得割合は？

あなたの家計収入を考えた時、あなたは自分が裕福だと感じますか？ 貧しい、あるいは平均的だと感じますか？ 多くの人は他と比較するすべを知らないか、あるいは間違っただ考えを持っています。しかしここでは10の質問に答えるだけで、どれだけの世帯が自分より裕福あるいは貧しいかを把握でき、また自分の理想とする世界と比較する事が可能です。

このツールの方法論について、より詳細はここをクリック

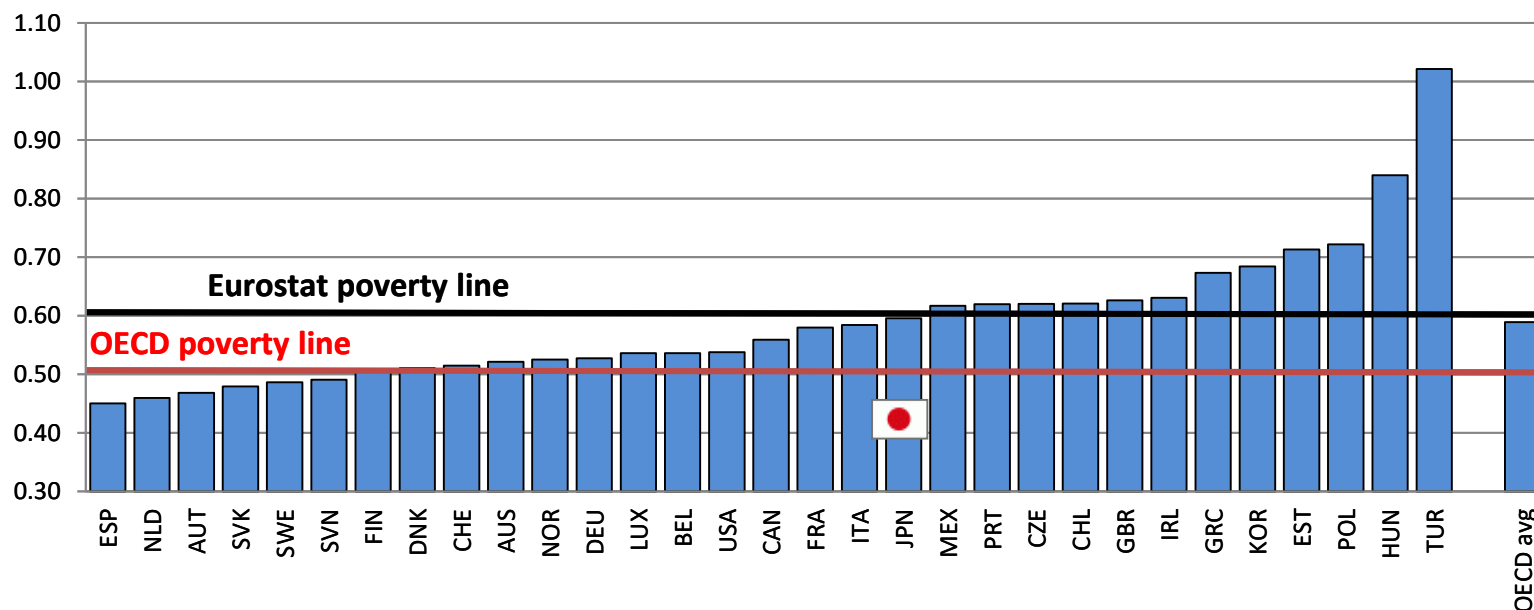
始めましょう

- 1 あなたについて教えてください
- 2 あなたの理想的な世界を教えてください
- 3 現実では...



- When asked about the income that a household like theirs would need to avoid poverty, users in most OECD countries indicate **a level between 50 and 60% of median income**; above 60% in GRC, KOR, EST, POL; above 70% in HUN and TUR

Average subjective poverty line as share of median disposable income, by country



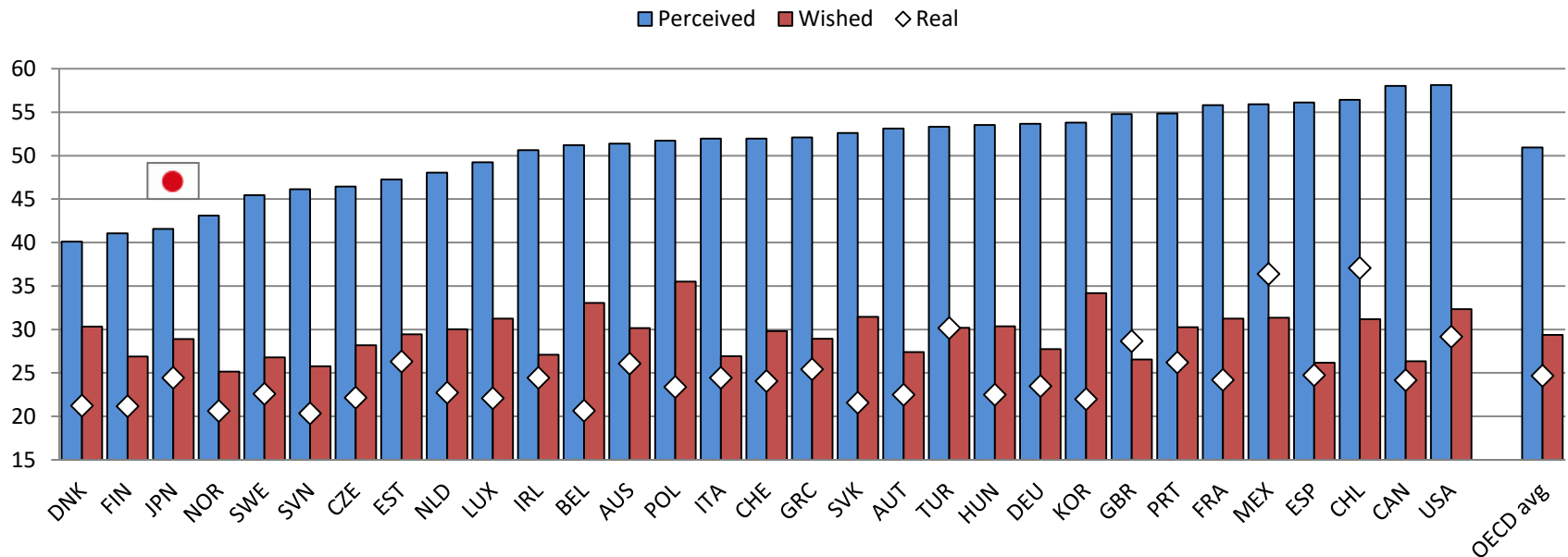
*Computed on users' answers to the question: "In your country, you would consider a household like yours poor if its income was below..."

Income share of the top 10%



- When asked about the income share of the richest 10%, users indicate a level between 40% and 60% of total income, i.e. much higher than the level shown by OECD statistics → How users interpret the question? (too difficult?; are they thinking of wealth instead of income?)

Perceived, wished and actual top 10% income share, by country



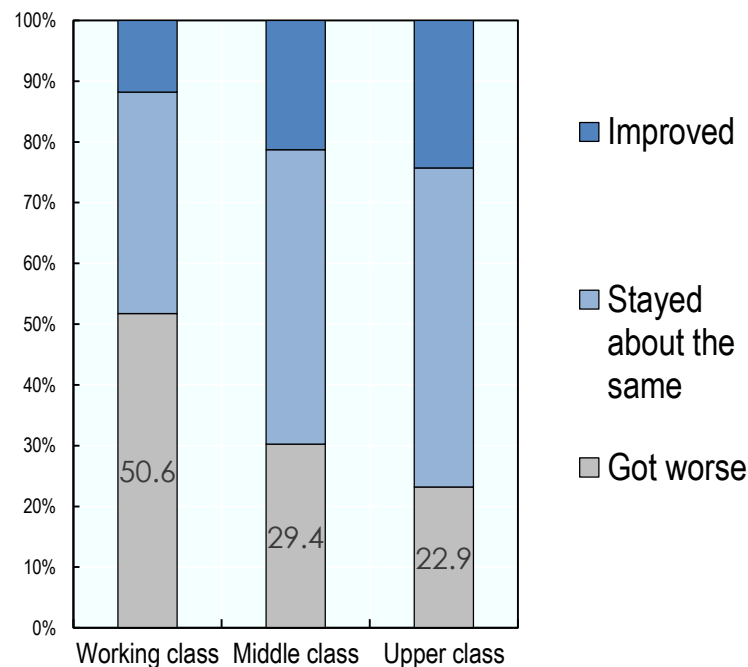
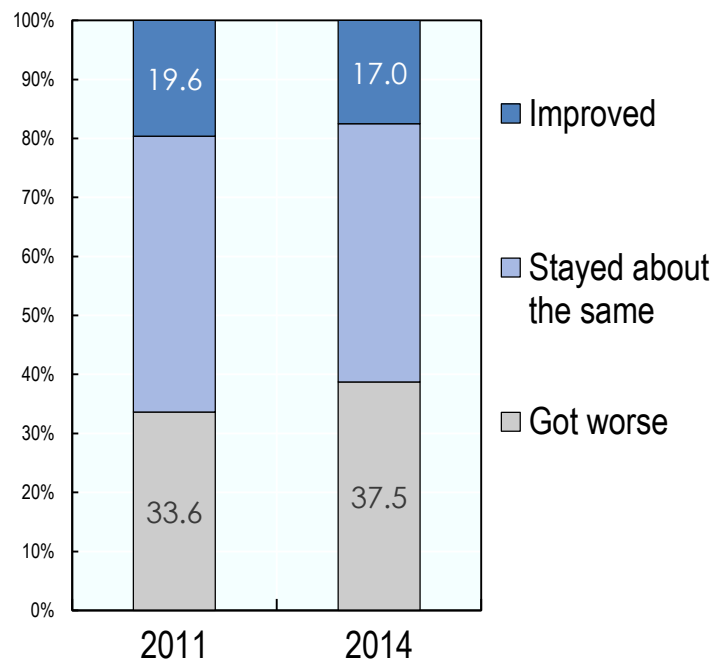
Source: OECD Compare your Income tool

Perceptions about individual income trajectories

More people say that their situation has got worse



Change in the past 5 years: Share of people who think that their situation has...

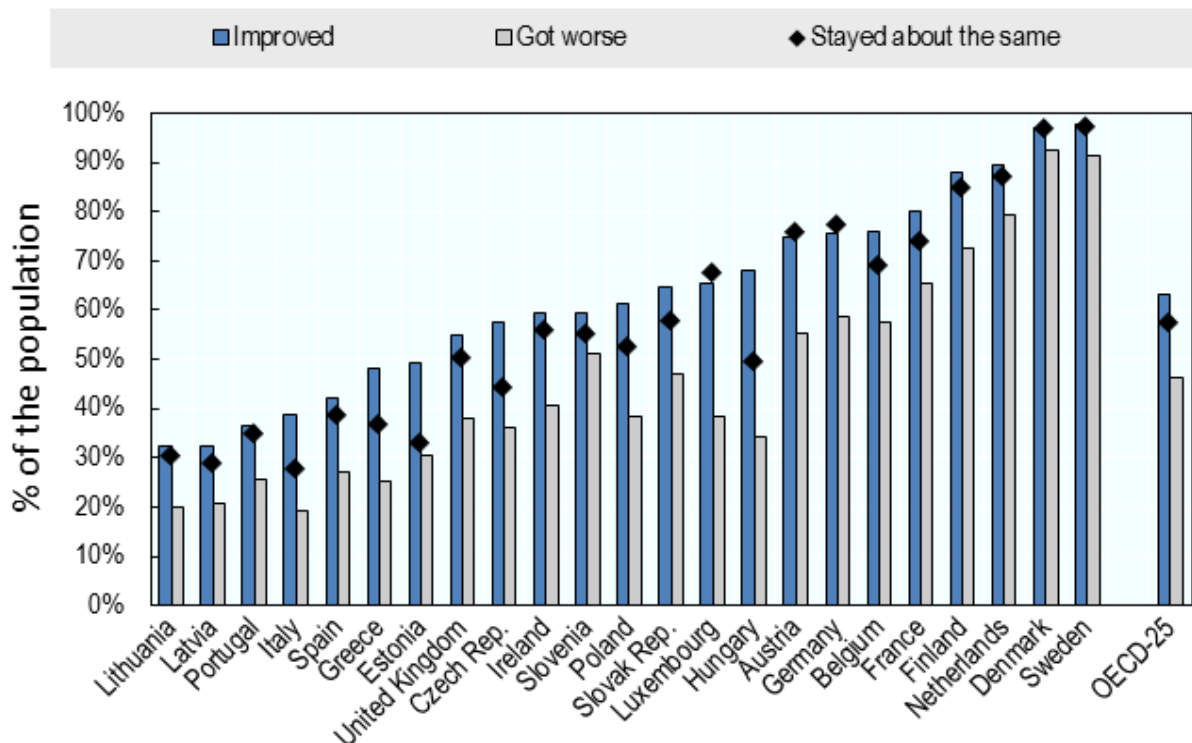




People with a deteriorating economic situation over the past five years are less likely to feel that their voice counts

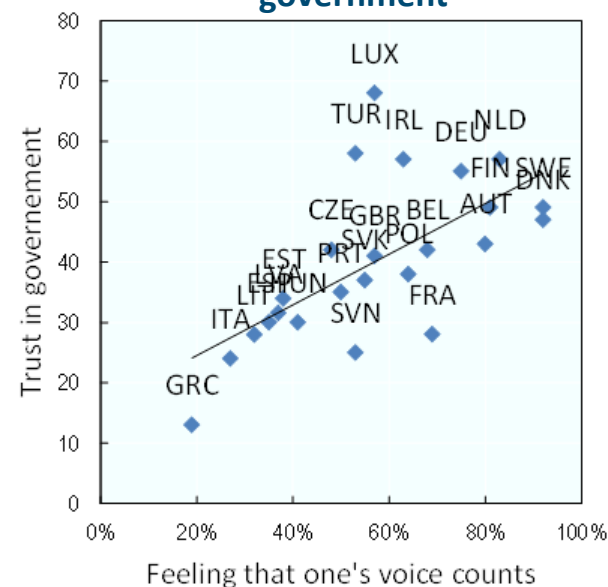
Change in the past 5 years:

Share of people who think that their situation has...



Empowerment and trust in governments are strongly linked

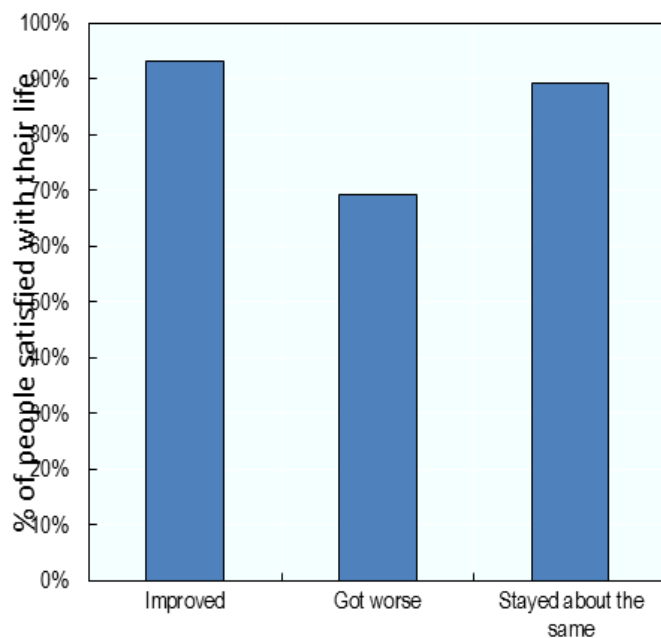
% of people feeling that their voice counts at national level and % of individuals trusting their national government



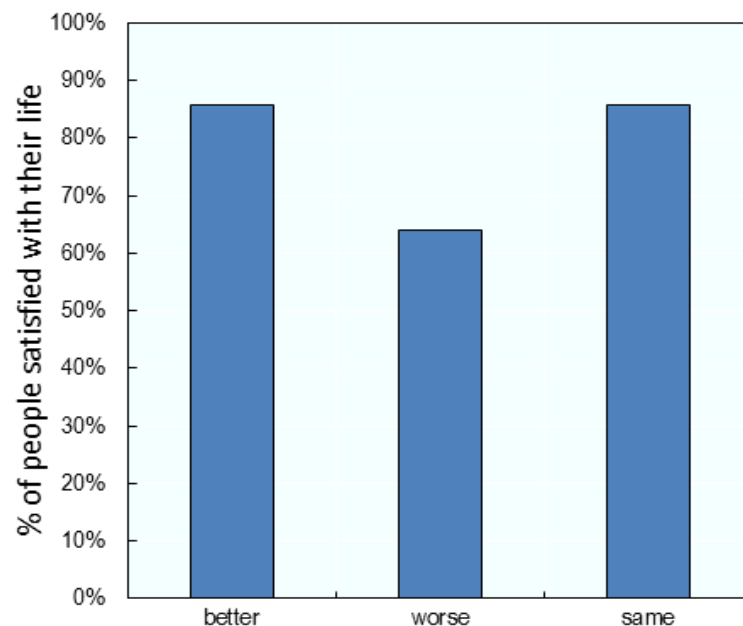


Average happiness by perception of the household financial situation over the past five years and next 12 months

Financial situation of the household over the past 5 years



Expectations for the financial situation of the household over the next 12 months





PART 2

HOW INCOME DYNAMICS CAN HELP TO BETTER UNDERSTAND INEQUALITY



- 1 Why do we care about social mobility? The consequences of low social mobility and what to do about it
- 2 Income dynamics and mobility over the life course
- 3 Time is money - What drives income mobility?
- 4 How parental background affects chances early in life: transmission of health and education
- 5 From one generation to the next: mobility of socio-economic status
- 6 Towards social-mobility friendly policies



“If income mobility were very high, the degree of inequality in any given year would be unimportant, because the distribution of lifetime income would be very even”

Paul Krugman 1992

How are gains and losses shared?



YEAR 0	YEAR 1
1	1
5	5
10	10
20	20

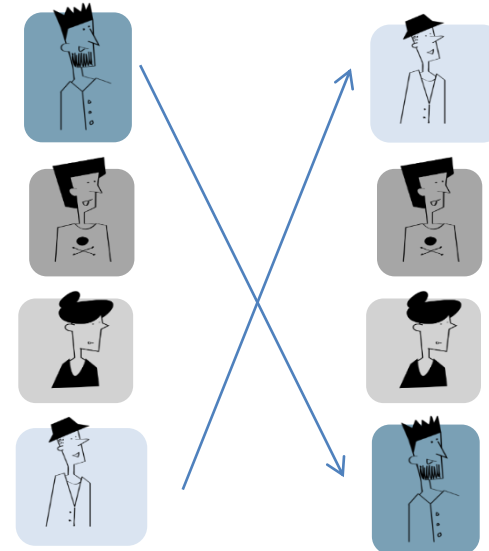
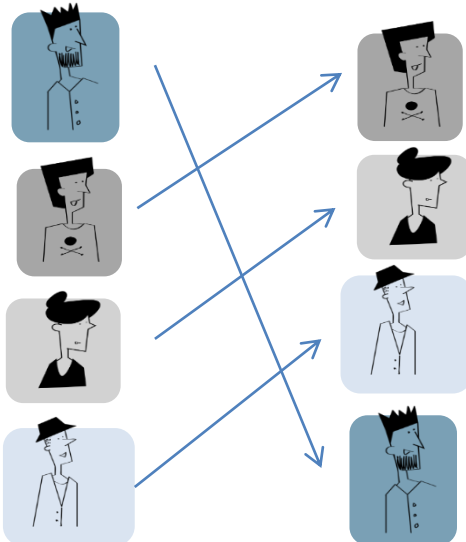
YEAR 0	YEAR 1
1	2
5	10
10	20
20	40

YEAR 0	YEAR 1
1	20
5	40
10	2
20	10

Gini = 0.431 → 0.431

Gini = 0.431 → 0.431

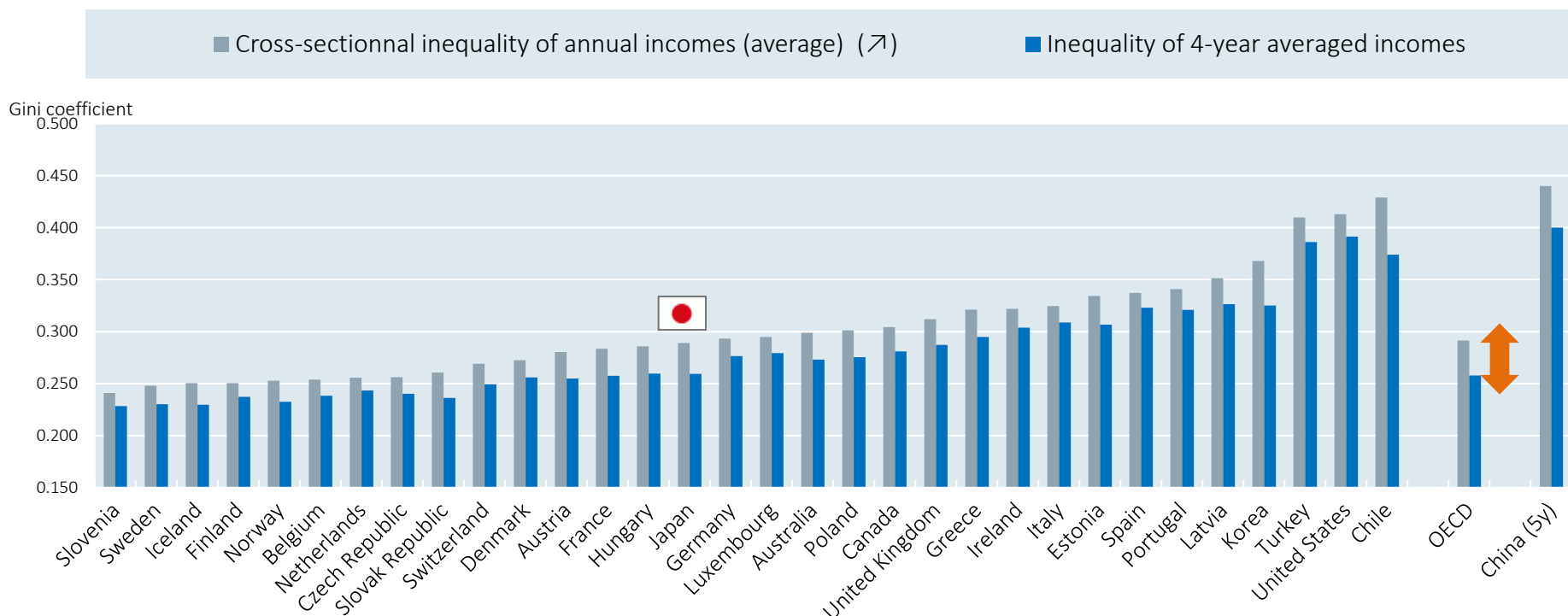
Gini = 0.431 → 0.431



Greater inequality is not associated with larger mobility



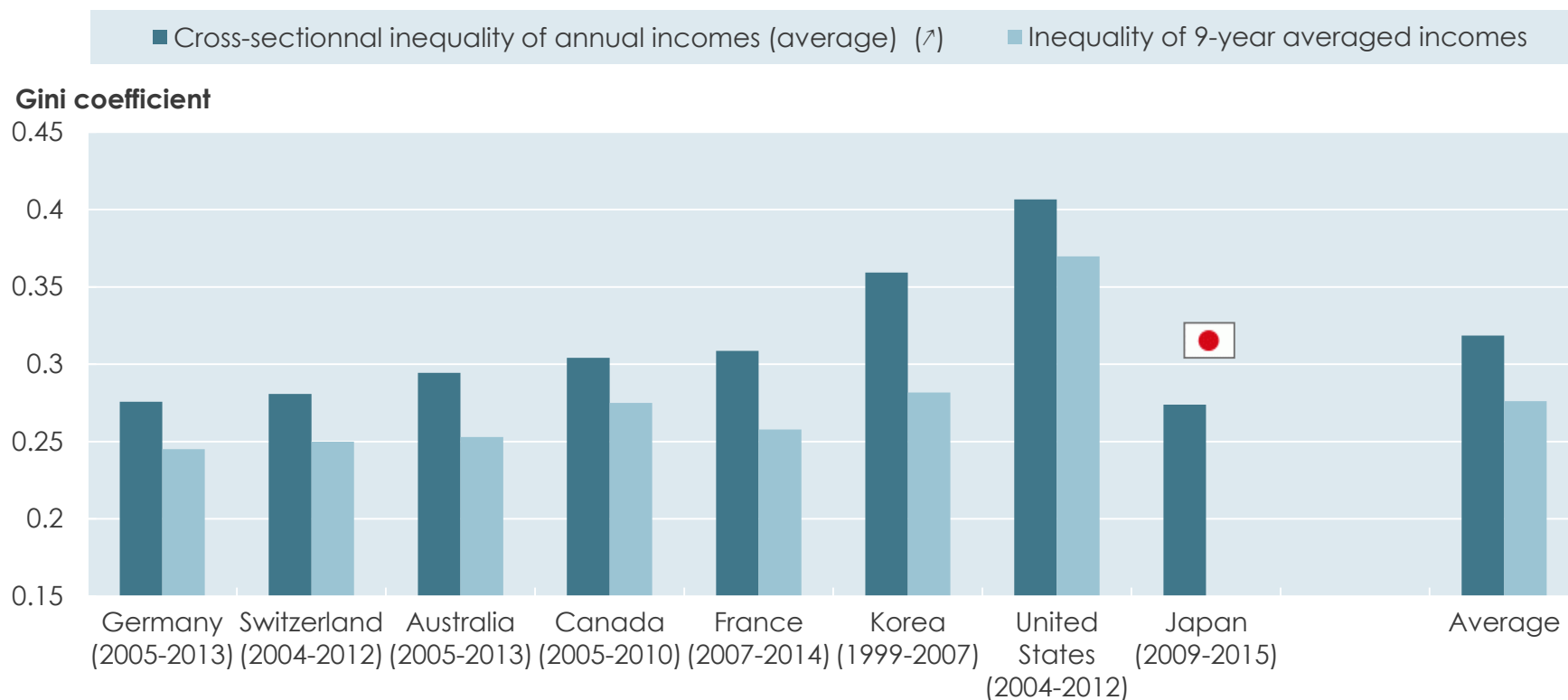
Average income inequality and inequality of averaged incomes (4 years)



Data refer to the working-age population (18-65). Data refer to 2011-2014 for all countries except Switzerland (2009-2012), Japan, Germany, the United Kingdom and Ireland (2010-2013) Turkey (2008-2011) and Chile (2006-2009). For the United States, as data is collected on a biannual basis, the result is based on the average between results for a 3 year- and a 5 year-panels. Source: Cross-National Equivalent File (CNEF), Ohio State University, European Survey on incomes and living conditions (EU-SILC), Eurostat, National Statistics on Incomes and Living conditions (SRCV) for France, Income and Living Conditions Survey, Panel Casen Survey, Chan et al. (2017) for China. OECD Secretariat calculation.



Average income inequality and inequality of averaged incomes (9 years or closest)



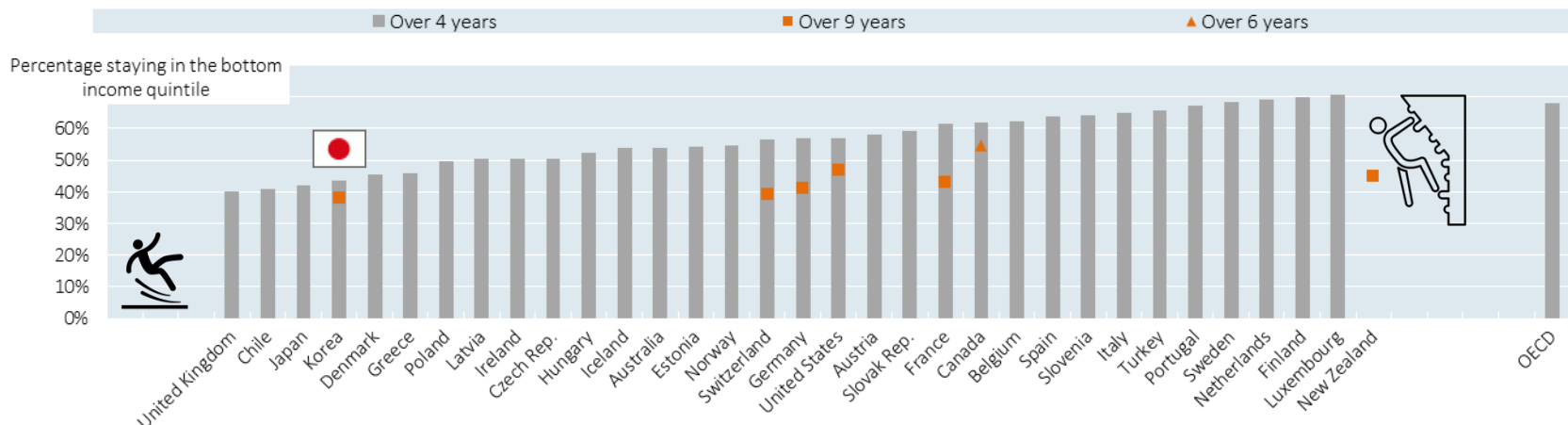
Data refer to the working-age population (18-65).

Source: Cross-National Equivalent File (CNEF), Ohio State University, National Statistics on Incomes and Living conditions (SRCV) for France, Income and Living Conditions Survey, OECD Secretariat calculation.

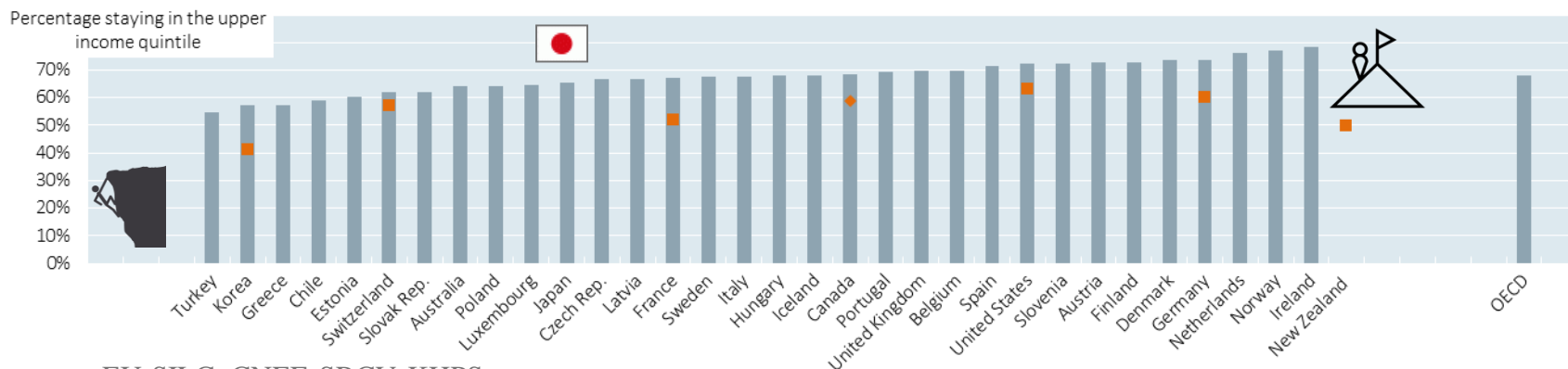
Relative income changes at the bottom and the top of the distribution



Sticky floors at the bottom



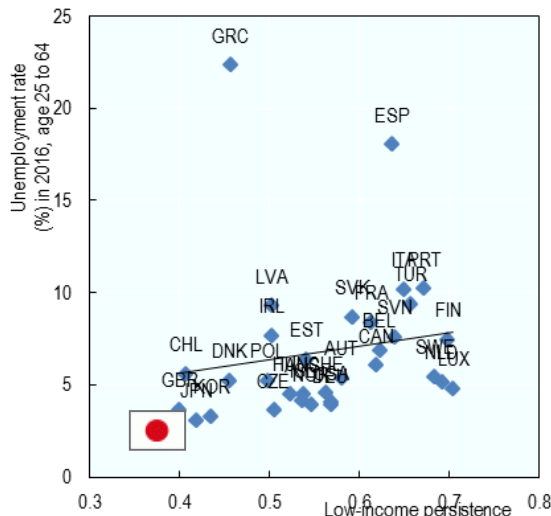
Glass floors at the top



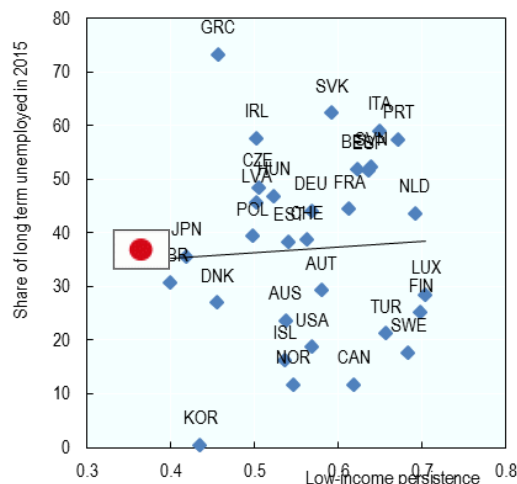
Possible drivers of low-income persistence



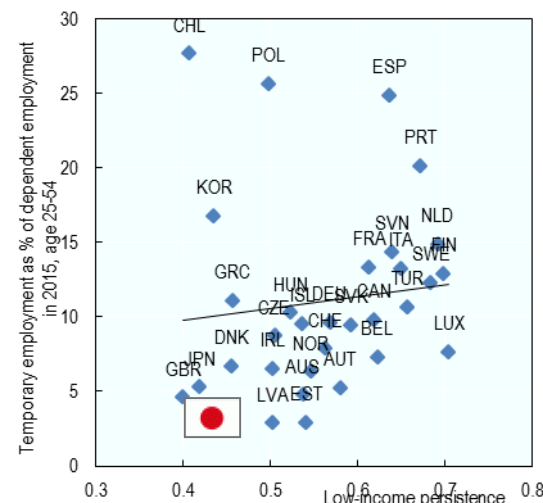
Unemployment rate



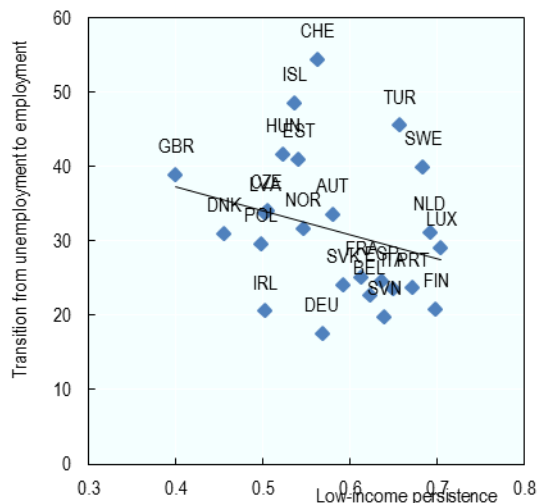
Long term unemployed



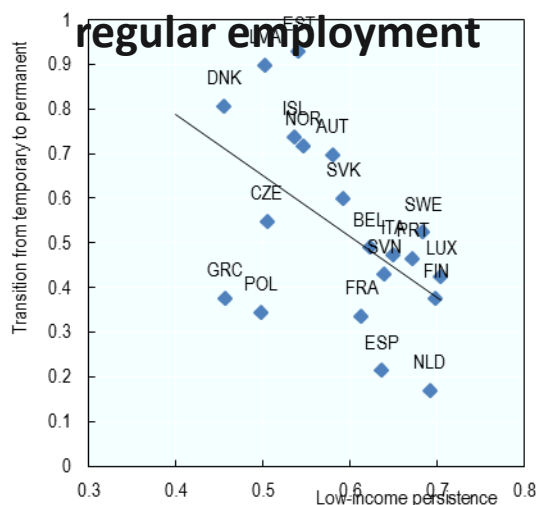
Temporary employment



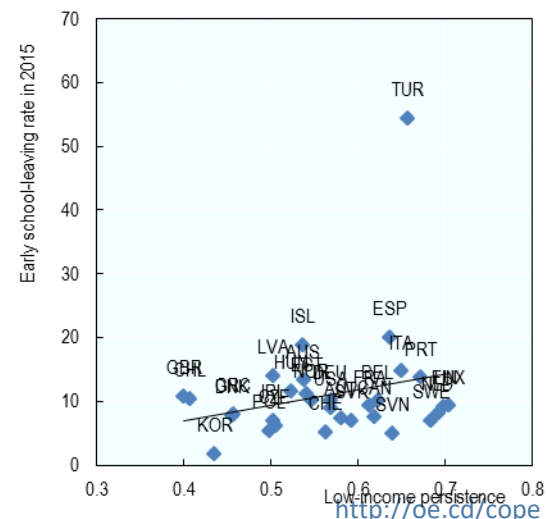
Transition U-E



Transition from non-regular to regular employment



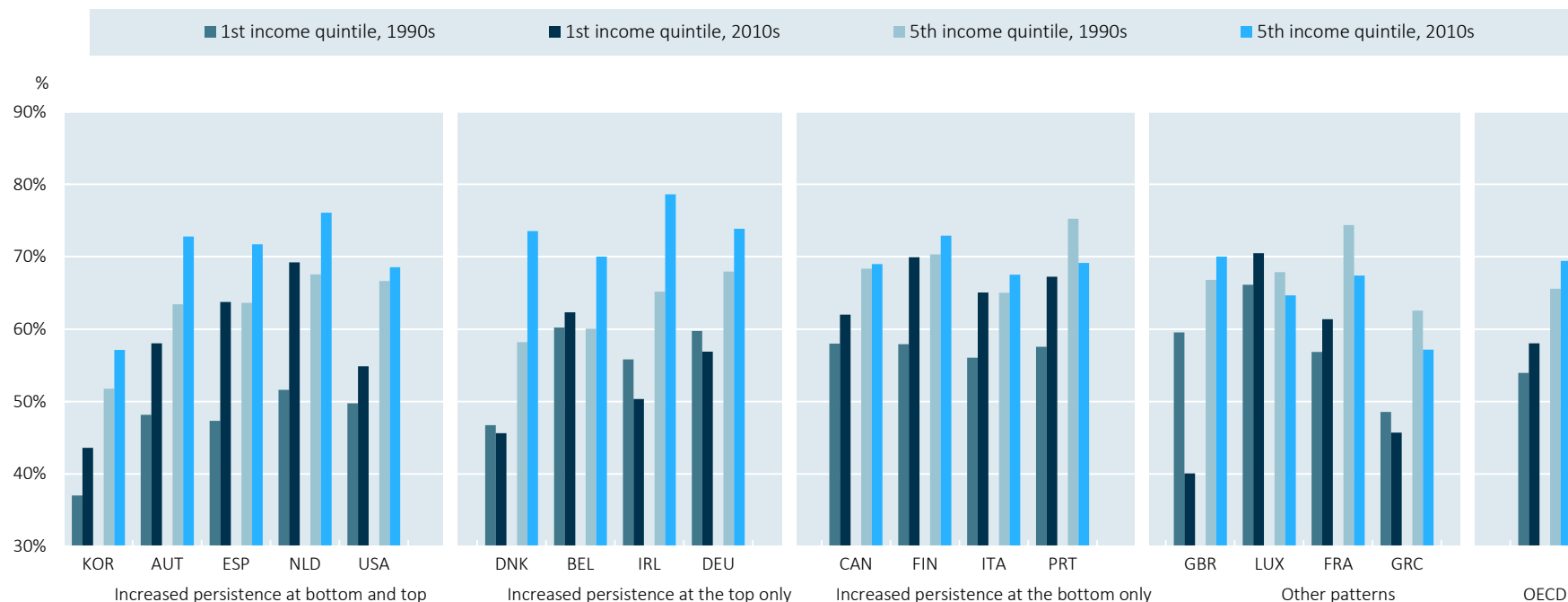
Early school leaving





Trends in income persistence in the bottom and top quintile of the income distribution

Share of individuals staying in the same income quintile over 4 years during the late 1990s and the early 2010s



Sources : EU-SILC, CNEF, SRCV, KHPS



The role of labour market events

Drivers of income mobility

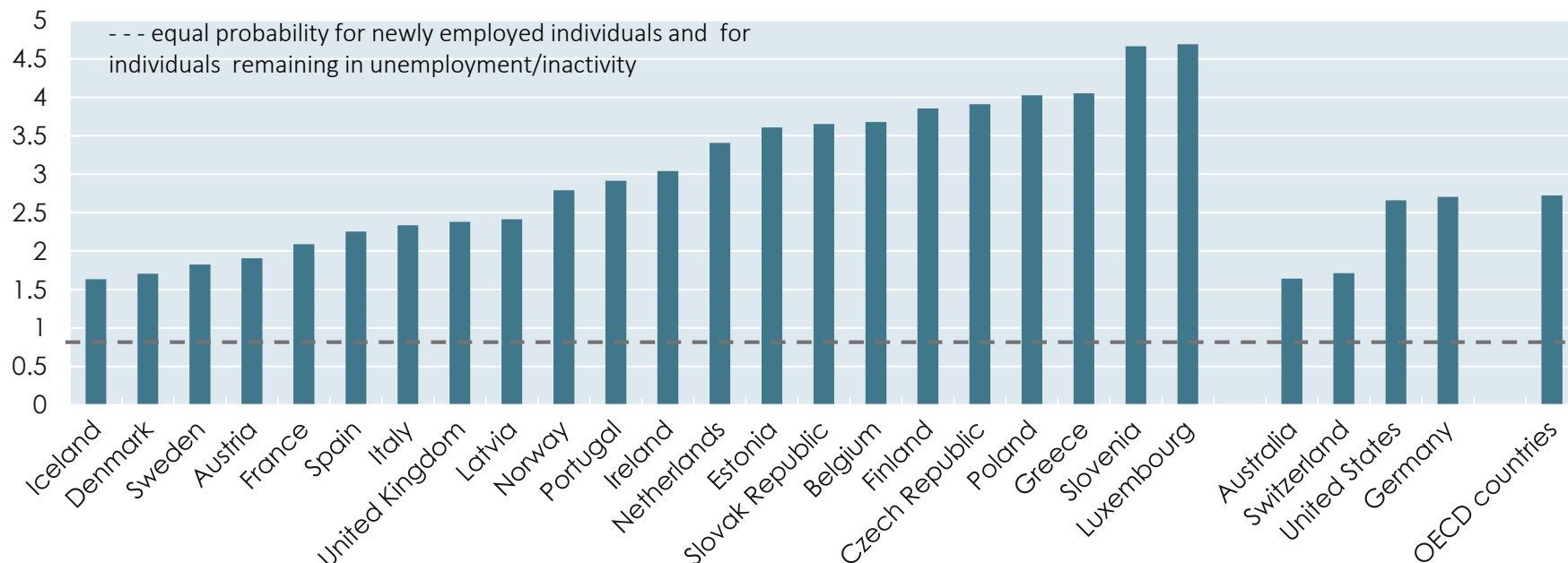


- 2 types of drivers: labour market and household events
- Labour market events
 - Impact of becoming unemployed
 - Impact of getting a job (a non-standard work) on poverty/incomes
- Household-related events
 - Impact of divorce
 - Impact of having a child
- Labour market matters more than household events in general
 - Household events are crucial to explain entries into poverty*
 - Labour market events drive exits from poverty
 - Taxes and transfer systems can prevent the negative impact of household events

Getting a job is not always driving income increases (provisionnal)



Chances of experiencing an income increase of 20% or more for individuals going from unemployment to employment compared to individuals remaining unemployed average 2007-2012



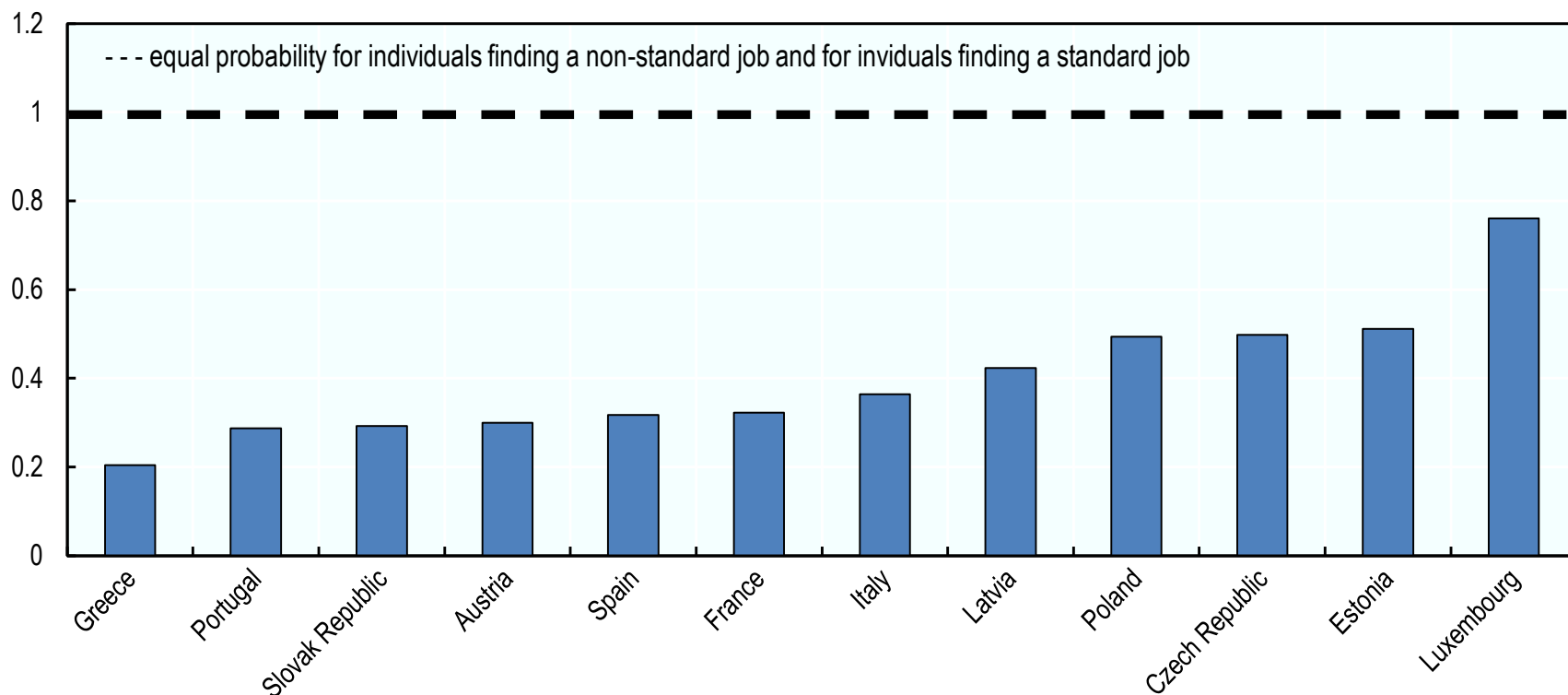
* Japan : data from 2008 to 2012

Sources : EU-SILC, CNEF, SRCV, KHPS



Chances of exiting poverty

when taking up a non-standard employment compared to individuals who take up a standard employment



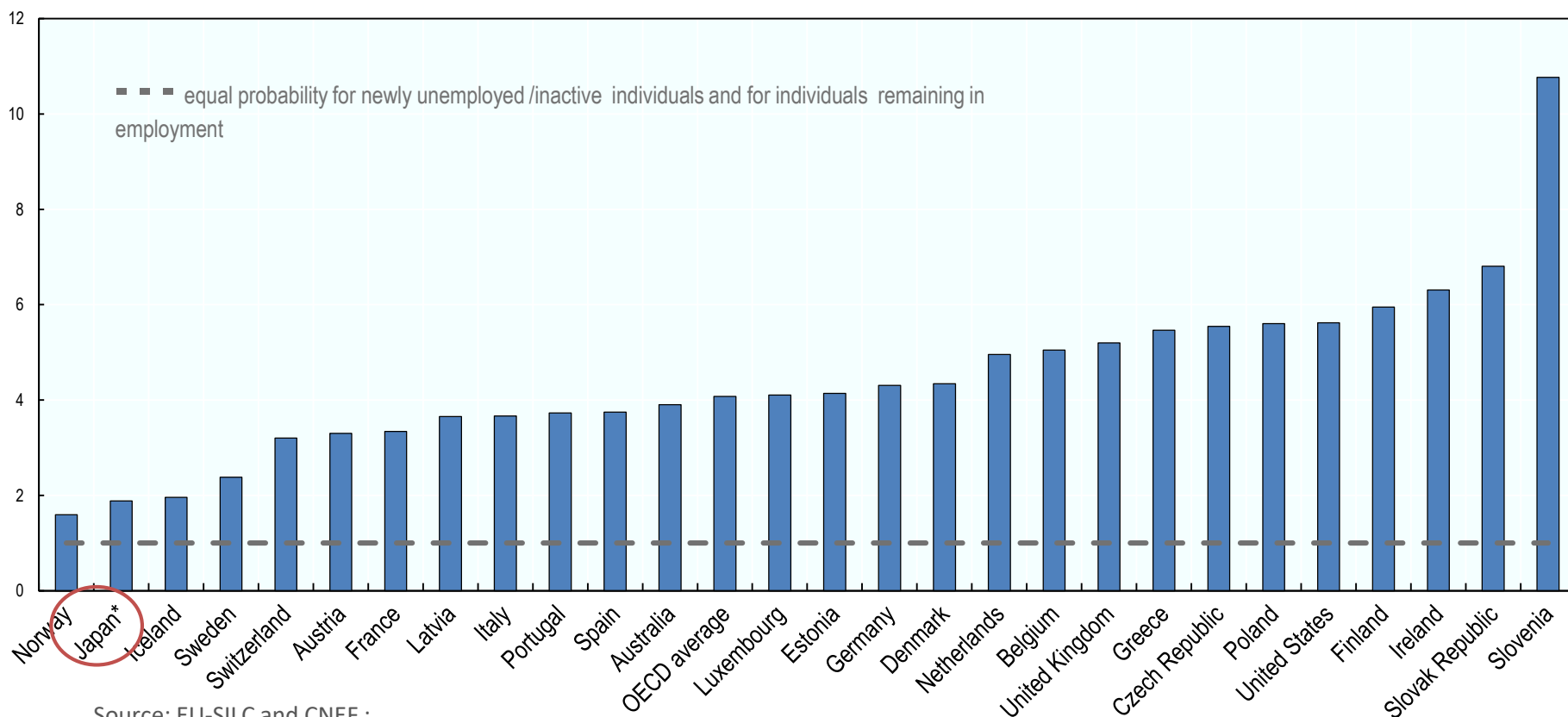
Note: Poverty is defined as having a equivalised household disposable income inferior to 50% of the median household equivalised disposable income. Data refer to 2007 – 2012.

Source: OECD Secretariat calculations based on Eurostat, EU-SILC survey.

Labour market drivers of (downward) mobility (provisionnal)



Chances of experiencing an income decrease of 20% or more for individuals moving from employment to non-employment compared to individuals remaining in employment



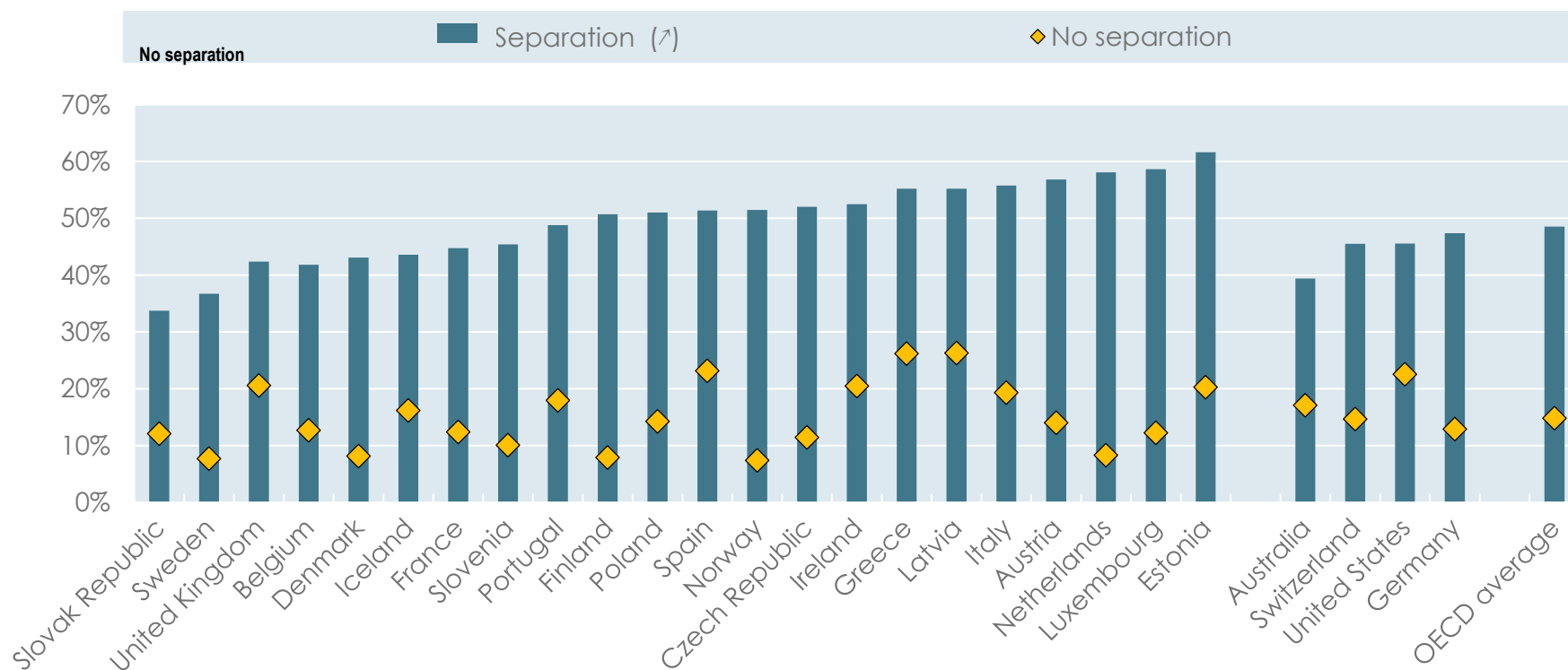
Source: EU-SILC and CNEF ;

Note: incomes refer to equivalised disposable household income of the working-age population. 2007-2012 yearly averages

Impact of divorce on income losses



Share of the population experiencing an income decrease of 20% or more by divorce status



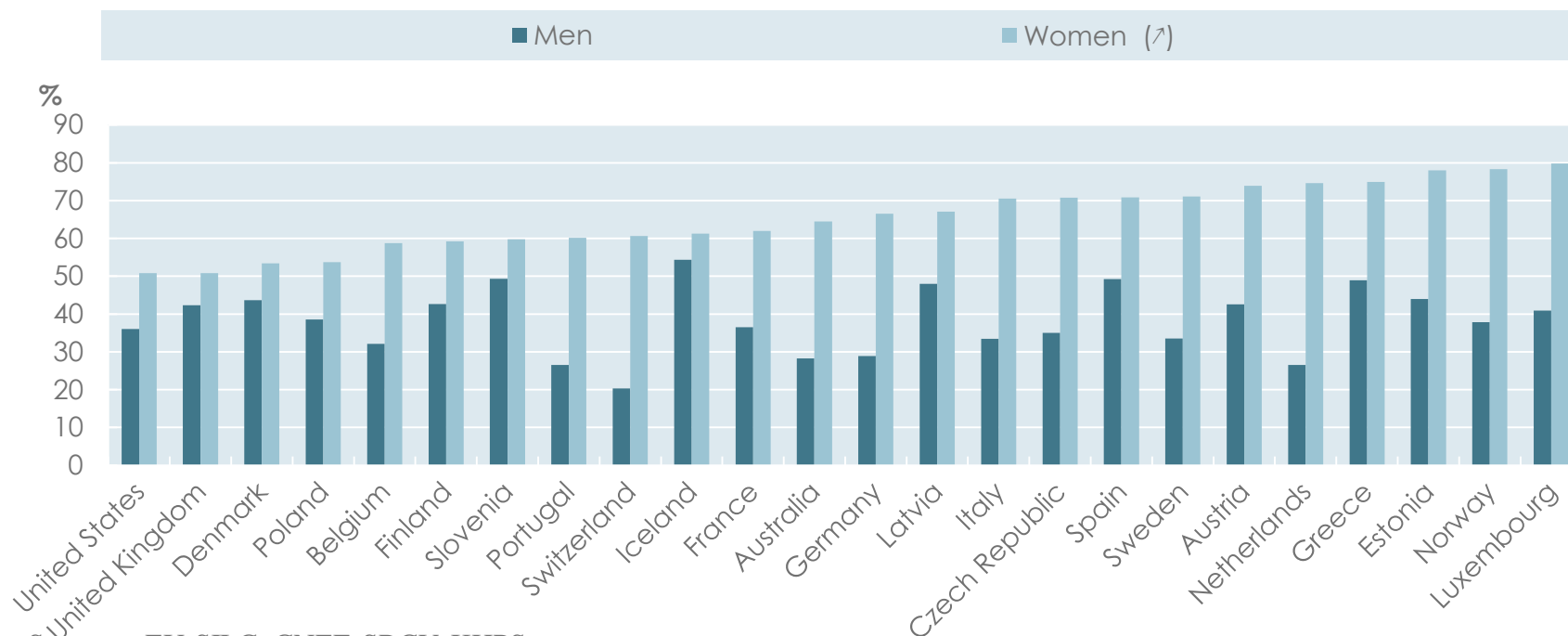
Sources : EU-SILC, CNEF, SRCV, KHPS

Divorce exposes women to greater income vulnerability



Women are more likely than men to suffer a heavy loss of income after divorce or separation

Percentage of the recently separated population who experienced a year-on-year decrease of 20% or more in their household disposable income, by sex, 2008-11



Sources : EU-SILC, CNEF, SRCV, KHPS



Conclusion

Discussion

Policy conclusions

How much mobility do we want ?



« Mobility is [...] the opposite of persistency, and can be interpreted as the opportunity for the poor to improve their relative income position in a lifetime perspective. »

« **We do not take the stand that mobility is necessarily good, but that the lack of it is bad**, as it signals a lack of opportunity to move in the earnings distribution over the lifetime: **in the absence of mobility the same individuals are stuck at the bottom of the distribution**, hence annual earnings differentials are **transformed into lifetime earnings differentials**. »

Solognon, O'Donoghue 2002



- Invest in (affordable) early **high-quality education and care** and support to parenting skills
- Promote equal opportunities at school by supporting **disadvantaged schools**
- Address and reduce inequalities in **extra-curricular activities**
- Encourage more **equal access to higher education**, especially to top schools

Challenges for Japan

- **Strengthen access to pre-primary school and consider developing childcare opportunities**

Examples:

- Mobility of school teachers and principals across school in Japan and Korea
- Specially-trained teachers to support struggling students in Finland
- Equal or greater educational resources in Canada provided to immigrant students, compared to non-immigrant students.

Giving **young people** a right start



- Grant **young people** the right start in the labour market by providing second chance learning, pre-apprenticeships and improving non-cognitive skills
- Address other **occupational barriers** for youth (networking, unpaid internships, access to some occupations)

Current challenges for Japan



- ✓ Develop and promote vocational training
- ✓ Strengthen active labour market policies towards young people (outreach)

Improving **job quality** and career mobility



- Strengthen **active labour market policies** to support returns to employment
- Ensure access to **lifelong learning** for the low-skilled
- Find the right balance between labour market flexibility and career mobility

Current challenges for Japan



- ✓ Address the **large labour market dualism**
- ✓ Improving access to **training**, especially for the low-skilled/non-regular workers
- ✓ Promoting public policies that encourage **gender equality in work**, to help women build strong careers and take on leadership roles in society ; **Supporting women** in accessing management positions and boards of directors
- ✓ Developing **work-life balance measures**, for example by introducing a binding ceiling for overtime work

Examples

- Work experience phase , Australia: measures to help long term unemployed based on skills acquisition and work experience
- Intensive and specific case management and interventions, such as the **individualised action plans** and employment service centres in Japan.

Improving equality of opportunity through **taxation and social protection**



- Review forms of wealth taxes such as inheritance taxes
- Encourage low-income households increase their savings
- Consider tax credits for low-income households
- Reform social protection to adapt to changing labour markets and more job mobility

Current challenges for Japan

- **Social insurance coverage** for non-regular workers is limited

Examples

- ✓ **The United States** has the Earned Income Tax Credit (EITC) has been credited with reductions in poverty and is also related to better health of children in recipient families through three channels: family income, maternal employment, and health insurance coverage patterns.
- ✓ **France** introduces a compte personnel d'activité in 2017 (Individual training account) which regroups the individual learning account, and gives entitlements for training.

ありがとうございます



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