



PRESS RELEASE

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(Study) Income inequality in Europe, 1980-2017

Thomas Blanchet, Lucas Chancel and Amory Gethin introduce a new method to better capture the evolution of inequalities across Europe.

“Income growth for richest Europeans was 5 times higher than for the poorest half of the population since 1980.”

Rise of inequalities between European citizens

Despite the European Union policies promoting economic convergence between countries, the results of this study show that there has been no real convergence of average incomes between countries in recent decades, and inequalities have increased in almost all countries. The consequence is a widening of income gaps between European citizens (see Figure 1). In the future, if the European Union wishes to contain the increase of inequalities, it will have to finance its public services in an equitable way, for example through a more progressive taxation.

Lucas Chancel, co-director of the World Inequality Lab and co-author of the study, stresses *“Our study demonstrates that inequalities between European citizens are essentially a within-country issue - there are poor Germans and rich Greeks. The question is thus not primarily about increasing transfers between European countries, but about how European countries coordinate to make sure that multinational and wealthy individuals pay their fair share of taxes - so as to adequately finance public services which are the corner stone of the European social model.”*

Resilience of the European social model compared to the American one

In line with the results published in the *World Inequality Report 2018*, this study shows that the rise of income inequalities in Europe is less pronounced than in the United States: since 1980, the average income of the top 0.001% of the richest European citizens grew 5 times faster than the bottom 50%. However, the results indicate that the resilience of the European model is mostly due to a greater equality of pre-tax income (notably through public services) rather than the efficiency of the tax redistribution system (see Figure 2).

Amory Gethin, research fellow at the World Inequality Lab and coauthor of the study, emphasizes that: *“European countries have been much more successful at containing inequalities than the US. This is largely due to the greater progressivity of labor market and social policies in Europe - minimum wages, social protection, universal healthcare and equal access to education - which are key to ensuring a more inclusive growth.”*

Inequalities between European countries now comparable

How has growth been distributed in Europe in recent decades? For the first time, income inequality is comparable across European countries since 1980. This new report systematically analyzes the evolution of pre- and post-tax income of each income class within each country, making it possible to understand the effect of different redistribution systems on income gaps. The new statistical approach developed for this report corrects the household surveys data with the aid of fiscal data and national accounts, with the aim of following the evolution of top incomes in greater detail. The combination of

these different sources is based on a considerable amount of harmonization work carried out in a fully transparent and systematic manner.

Thomas Blanchet, statistics coordinator at the World Inequality Lab and co-author of the study, said “*It is the first time that all sources for the distribution of income — survey, tax and national accounts data — are being mobilized and combined through a consistent methodology. As a result, we are now able to track how national income growth has been shared over the last four decades more precisely than what was possible before, especially for top incomes.* »

Where do you rank in the income distribution?

To better understand where each of us ranks on the income ladder within any European country, as well as within Europe or anywhere in the world, the World Inequality Lab has developed an income comparator, the first of its kind, available online and based on the data mobilized in this report <https://wid.world/fr/simulator>

Read the study online: [WID.world/europe2019](https://wid.world/europe2019)

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Figures

Figure 1: Distribution of European growth, 1980-2017: growth of average income by percentile

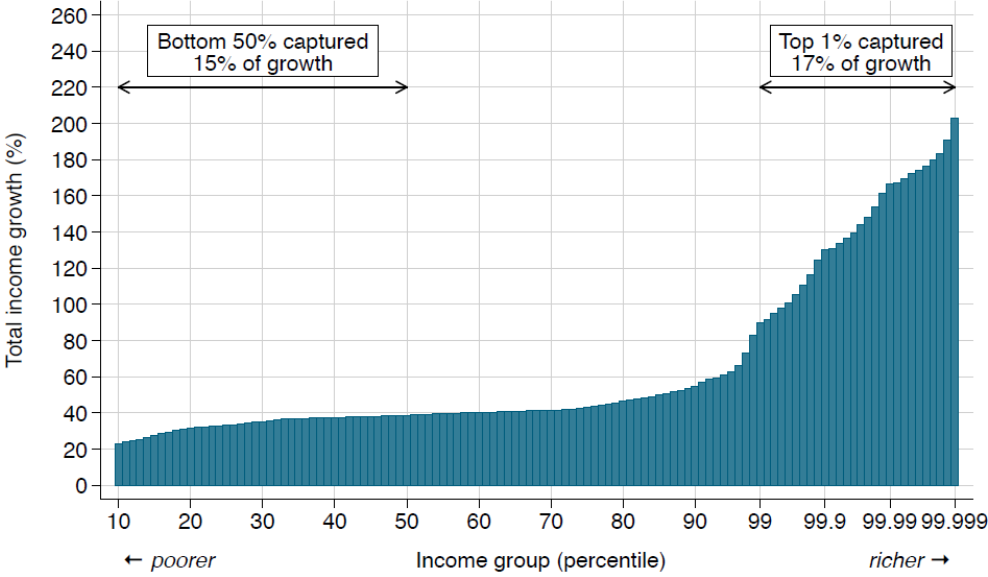


Figure 2: Income inequality in Europe and the United States: bottom 50% vs top 1% income share, 1980

