3.2 INEQUALITY IN EUROPE – WOMEN, MEN AND COUPLES

Although we know a fair amount about processes shaping income inequality of men and women on the labour market and within households, this is not true about such inequalities themselves. In what follows, I would like to show for the whole of Europe that income inequality between as well as within the two genders, that is among women and men, together with patterns of cohabitation and employment are important drivers of overall income inequality. We shall see that these drivers show remarkable differences across geographic areas in Europe and have changed considerably during the 2009–2012 crisis.

The basis of this section is Benczúr et al. (2017), which uses an EU-wide individual database, considers different income sources and computes different inequality measures to look at income inequality in the EU as a whole. Because there are significant differences among them, I use the geographic areas as defined there: North-west- (NW), Southern- (SO) and Central and Eastern Europe (CEE). The following calculations use data from the years 2006–2014 for the 25–60 years old population with personal income.

One can characterise the income inequality between men and women with differences in the share of those with non-zero income and that in average income levels among them. After the 2009 crisis, an increasingly larger percentage of women earned labour income, both in the whole of the EU and in each area considered. At the same time, the share of working men has decreased, especially in Southern Europe. Differences in income levels are substantial: in Europe, a man commands 50–70 per cent more labour- and personal income on average than a woman – see the first half of Table 3.2.1.

If, instead of relying solely on personal income, cohabiting partners share half of that with each other, the disposable income of women increases by 15–30 per cent, and that of men decreases by 18–30 per cent in the EU as a whole (see the second half of Table 3.2.1). The same is true in all geographic areas, but the gain of women and the loss of men is much lower in Central and Eastern Europe than elsewhere. Inequality between the average woman and man is thus similar in the case of personal- and labour income but is likely to decrease notably if partners pool income.

The level of average income is always lower in the case of women than in the case of men, but inequality (measured by the log-variance of income) is higher for women – see Figure 3.2.1. The difference is relatively small in Central and Eastern Europe (inequality is larger only by 15 per cent among women than among men), while much larger elsewhere (the difference is be-
between 30–60 per cent). These differences are due to the components of annual labour income, mostly months and hours worked [Benczúr et al. (2017) discusses the details]. Participation patterns of women and men in Southern Europe changed considerably during the crisis years, and this also affected inequality, decreasing differences among women and men. Indeed: inequality among men rose dramatically, from a level typical of North-west Europe to that characteristic of Central and Eastern Europe. A change towards a similar direction, but of smaller magnitude took place in North-west Europe too. Inequality levels of income shared among partners are smaller in all years and areas than the already low levels of men (measured in log variance, assuming equal sharing).

Table 3.2.1: Average annual income levels for women and men in geographic areas of the European Union (in thousands of Euros at 2015 prices, adjusted for purchasing power parity; 25–60-year-olds commanding personal income)

<table>
<thead>
<tr>
<th></th>
<th>Labour income</th>
<th>Personal income</th>
<th>Shared</th>
<th>Shared/personal</th>
</tr>
</thead>
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<tr>
<td></td>
<td>Women Men</td>
<td>Women Men</td>
<td>Together Women Men</td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td>14 15 27 25</td>
<td>16 16 29 27</td>
<td>21 21</td>
<td>131 128 72 76</td>
</tr>
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<td>18 19 34 32</td>
<td>20 20 36 34</td>
<td>26 26</td>
<td>130 130 72 76</td>
</tr>
<tr>
<td>SO</td>
<td>14 13 26 21</td>
<td>15 14 28 23</td>
<td>20 18</td>
<td>130 125 70 76</td>
</tr>
<tr>
<td>CEE</td>
<td>7 9 11 14</td>
<td>8 10 12 14</td>
<td>10 12</td>
<td>119 115 79 82</td>
</tr>
</tbody>
</table>

*Remark:* The modified OECD scale was used to calculate per capita household income and the PPI indicator of Eurostat to adjust for differences in purchasing power.

*Source:* Own calculations based on EU–SILC microdata.

The overall gain coming from income pooling among partners depends on the prevalence of cohabitation and labour market activity of partners as well
as the correlation between incomes. About two-thirds of the Europeans in the sample cohabits in partnership – see the first panel of Figure 3.2.2. The same proportion is somewhat above the EU-average in Central and Eastern Europe and below that in Southern Europe but exhibits a decreasing trend over time almost everywhere (the North-west after the Crisis being an exception). An increasing number of partners work in all geographic areas. Both the share of dual-earner couples and its increase is the largest in North-west Europe, followed by that in Central and Eastern Europe, while Southern Europe comes last with a rather low level. The rightmost panel of Figure 3.2.2 shows that there are considerable differences across areas also in terms of the correlation of partners’ incomes. The correlation is positive and relatively strong in the CEE, not significantly different from zero in the North-west, while in Southern Europe it is measured in-between, around the EU average.

Figure 3.2.2: Household characteristics and their effect on pooled income

![Graph showing household characteristics and their effect on pooled income]

Source: Own calculations based on EU-SILC microdata.

Based on the differences among and the trends of the components of inequality, we see that it is their interaction that shapes inequality among men and women living in partnership. Couples residing in North-west Europe experience a drop in income inequality not only because of the above-average demographic potential of cohabitation but also because of the small correlation between the income of the partners. Quite the opposite happens in Central and Eastern Europe, where the large positive correlation between income sources cancels the more modest, but still favourable demographic and labour market potential. This cancellation is the reason why income inequality across women does not change significantly when passing to pooled income. The same underlying mechanisms and the dramatic changes in labour market participation of women and men explain why the gain from pooled income decreases over time in the case of women in Southern Europe.
3.2 Inequality in Europe – Women, Men and Couples

References


