



# Statistics Netherlands: Income gaps stable and relatively small

- **Income gaps virtually unchanged over the period 2008-2012**
- **Developments on the housing market cause marginal growth income gaps**
- **Older people wealthier**
- **Well-to-do households mainly live in western part of the country and province of North Brabant**

The recession, which began late 2008, did not cause income inequality to grow. Income disparities are small in the Netherlands relative to other countries, although income differences between households started to grow once the situation on the housing market deteriorated. Today, Statistics Netherlands announced that the wealth gap between households has grown marginally as a result of the slumping housing market. Data are based on the publication 'Prosperity in the Netherlands 2014'.

## Income inequality remains stable

The average disposable household income was 33.2 thousand euros in 2012. For the sake of comparison, incomes have been corrected for size and composition of the household. The 20 percent households in the highest income category accounted for 36 percent of the total income. Income tax rates and national security contributions (AOW, Anw and AWBZ) are higher for high incomes and totalled 82.5 billion euros in 2011. The lowest 10-percent group of gross incomes paid 0.5 billion euros (0.6 percent), whereas the highest 10-percent group accounted for 31.3 billion euros (37.9 percent), more than 60 times as much.

In 0.6 percent of cases (45 thousand), households had negative incomes. They were usually self-employed individuals who had suffered losses. Just over 0.3 percent (25 thousand) of households earned more than 100 thousand euros. The majority of them were self-employed or directors/large shareholders. Income inequality among households in the Netherlands in 2012 was at the same level as in prior years, although there was a marginal increase in 2007, due to a favourable tax measure for directors/ large shareholders.

## Income distribution fairly even in the Netherlands

The distribution of incomes is fairly even in the Netherlands compared to other countries inside and outside Europe. The Netherlands is in the top 5 of European countries with the smallest differences in income. Slovenia is the most egalitarian country, followed by Sweden, the Czech Republic and Slovakia. Apart from Sweden, the prosperity levels in these countries are significantly lower than in the Netherlands. In Latvia, Bulgaria, Portugal, Spain and Greece, the distribution of wealth and income is much more unequally.

### **Wealthy senior citizens**

In 2012, the personal assets of households totalled 1,166 billion euros; an average of 157 thousand euros per household. Few households will recognise this situation. Half of households have less than 27 thousand euros and only a relatively small number of households have higher personal assets. Early 2012, 20 percent of the wealthiest households possessed 80 percent of total personal assets in the Netherlands. The comparison is somewhat deceptive because the value of wealth is closely related to age. If the age category is taken into account, wealth is much more evenly distributed. Age and personal wealth go hand in hand. Young people at the start of their careers have relatively low incomes and cannot afford to put money aside. When they buy a house, their mortgage debt is often high and when they get children their financial resources become even tighter. As people grow older, their financial position generally improves. Their income from labour based on work experience will increase, they will be offered better-paid jobs and their personal financial situation will improve. Their mortgage debt will also be reduced. When households grow older and reach retirement age, their incomes will be reduced, but many older house owners have (largely) paid off their mortgage debts. On average, their personal assets amounted to nearly 250 thousand euros in 2012.

As no data were available with respect to endowment and investment-based mortgages, the overall fiscal mortgage debt could not be worked out. Pension claims are not included in an individual's personal assets, because pensions cannot be claimed prior to the normal eligibility age. Currently, the pension system is organised in such a way that the amount accumulated in the pension fund becomes available gradually and cannot be left to third parties. If pension claims would be taken into account, the wealth gap would be smaller. Altogether, pension provisions for all households in the Netherlands exceeded 900 billion euros in 2012.

### **Slumping housing market causes income inequality to grow**

Differences in the value of personal assets varied considerably more over the period 2006-2012 than differences in income. Since 2009, inequality has grown, mainly as a result of house value depreciation and the growing mortgage debt among private house owners. The personal assets of less wealthy people almost entirely consist of the value of the house they live in minus the value of the mortgage. Proportionally, the depreciation of the overall value of their personal assets was more dramatic for less wealthy households than for more well-to-do households, who often have shares and savings they can rely on. As a result, differences in wealth between households tend to grow. If the market value of the house and the outstanding mortgage debt are not taken into account, the wealth gap has barely grown and the differences in wealth are directly caused by the housing market, which collapsed at the onset of the economic crisis.

Since late 2013, the first signs of recovery are apparent. In due course, it will become evident, whether the recovery of the housing market will reduce the wealth gap to a lower level.

### **Most well-off people live in western part of the country**

Households with high-incomes and/or high personal assets are predominantly found in municipalities in the western part of the country. The top ten includes the municipalities of Rozendaal, Bloemendaal, Laren, Blaricum, Naarden, Heemstede, Wassenaar, Oegstgeest, Alphen-Chaam and Westvoorne. More than 36 percent of households in the top ten of municipalities are well-off, i.e. more than twice the national average. Less prosperous households are found in municipalities in the north and east of the Netherlands. The poorest municipality is Pekela. With less than 7 percent, the proportion of wealthy households is also relatively low in the municipalities of Kerkrade, Brunssum and Heerlen in the province of Limburg.