PRESS RELEASE WRR FACTSHEET

Factsheet Economic inequality in the Netherlands in 8 figures

WRR investigates economic inequality in the Netherlands and its consequences.

Economic inequality is high on the international agenda. The WRR Factsheet Economic inequality in the Netherlands in 8 figures looks at income, wage and wealth inequality in the Netherlands and their potential consequences for the economy, society and politics. This Factsheet is based on the Dutch-language publication Hoe ongelijk is Nederland? Een verkenning van de ontwikkeling en gevolgen van economische ongelijkheid (‘How unequal is the Netherlands? An exploration of the development and consequences of economic inequality’), with contributions from several academics.

Income inequality comparatively low, wealth inequality on the high side

It is not possible to give a simple, unambiguous answer to the question of how unequal the Netherlands is. Economic inequality can be viewed and measured in various ways:

- Measured using the Gini-coefficient (where 0 expresses complete equality and 1 complete inequality), income inequality in the Netherlands is low and stable in an international perspective, with a figure of 0.29 in 2010. This compares with an average across the OECD of 0.32. This is due in part to the strongly redistributive nature of the Dutch tax and social security systems, particularly for older people (aged over 65).
- At the same time, the gap between the top and bottom 10 percent in the income distribution has widened in recent decades.
- Wealth inequality in the Netherlands is on the high side by international standards. While the top 10 percent in the wealth distribution own 61 percent of the total wealth in the Netherlands, the lowest 60 percent hold just 1 percent (aggregated and rounded off) of total wealth. More research is needed into wealth inequality in particular.
Consequences for trust and economic growth
The WRR commissioned studies of the potential social, political and economic consequences of economic inequality – the ‘instrumental approach’ to economic inequality. These studies revealed that:

- More income inequality is associated with less upward social mobility.
- More income inequality is associated with less social trust, i.e. the mutual trust among citizens.
- More income inequality is associated with less political trust among all citizens. Trust in the constitutional democracy and in Parliament, in particular, decline as income inequality increases.
- More income inequality can hold back economic growth, for example because high income groups spend a smaller proportion of their income on consumption, leading to less effective demand.

Economic inequality not only a matter for government policy
Those advocating less economic inequality often propose redistributive policy measures, such as less tax on labour and more tax on wealth. However, consideration could also be given to ‘predistribution’. This approach attempts to reduce the (growing) pay differentials on the labour market, rather than ‘repairing’ economic inequality afterwards through the tax and social security systems. This can be achieved through collective bargaining negotiations, for example, or by reforming companies (for example to create associations and co-operatives), or through consumer pressure (consumers could deliberately choose products made by companies with low pay differentials). Employers’ and employees’ representatives, businesses and consumers can thus also play a role; economic inequality is not just a matter for government.

Note for editors
The Netherlands Scientific Council for Government Policy (WRR) serves as an independent advisory body for the Dutch government. Its task is to provide sound information on developments that may affect society in the long term, to identify obstacles and problems and to provide new perspectives and policy alternatives.