

Income and Wealth Inequality in Japanese Households

Insights from Global Gini Coefficients

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Higher Gini Coefficient for the Retirement Age

Regarding the disposable income:

- Japan's Gini coefficient is lower than emerging countries but higher than most developed countries except the US and the UK.
- In Japan, the Gini coefficient is slightly higher for the retirement age than working-age.

Gini (disposable income, post taxes and transfers)

country	total population	country	18-65	country	above 65
Sweden(2020)	0.276	Sweden(2020)	0.271	Germany(2019)	0.270
Canada(2020)	0.28	Canada(2020)	0.280	France(2019)	0.275
France(2019)	0.292	France(2019)	0.297	Canada(2020)	0.278
Germany(2019)	0.296	Germany(2019)	0.299	Sweden(2020)	0.282
Switzerland(2019)	0.316	Switzerland(2019)	0.304	Russia(2017)	0.292
Russia(2017)	0.317	Australia(2020)	0.309	Spain(2019)	0.303
Australia(2020)	0.318	Russia(2017)	0.312	Italy(2018)	0.315
Spain(2019)	0.32	Korea(2020)	0.312	Australia(2020)	0.319
Italy(2018)	0.33	Spain(2019)	0.319	UK(2020)	0.319
Korea(2020)	0.331	Japan(2018)	0.324	Switzerland(2019)	0.326
Japan(2018)	0.334	Italy(2018)	0.333	Japan(2018)	0.339
UK(2020)	0.355	UK(2020)	0.355	Korea(2020)	0.376
US(2021)	0.375	US(2021)	0.372	Turkey(2019)	0.402
Turkey(2019)	0.415	Turkey(2019)	0.405	US(2021)	0.409
Mexico(2020)	0.42	Mexico(2020)	0.418	Brazil(2016)	0.429
Brazil(2016)	0.481	Brazil(2016)	0.474	Mexico(2020)	0.451
India(2011)	0.495	India(2011)	0.492	India(2011)	0.536
China(2011)	0.514	China(2011)	0.505	China(2011)	0.545
South Africa(2017)	0.618	South Africa(2017)	0.614	South Africa(2017)	0.609

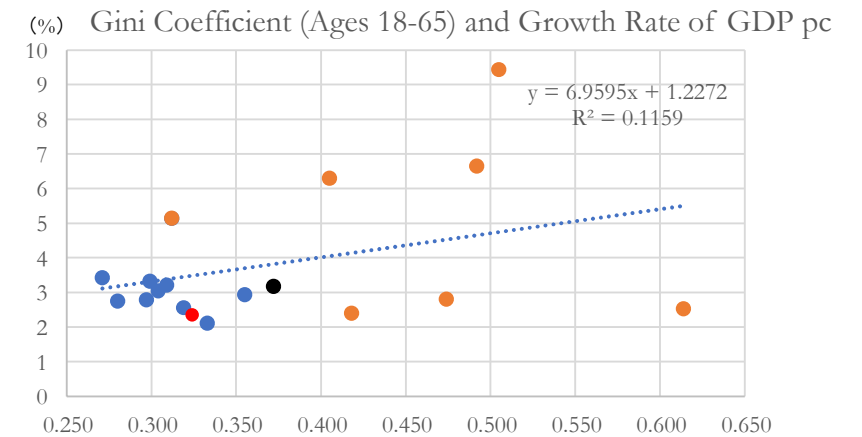
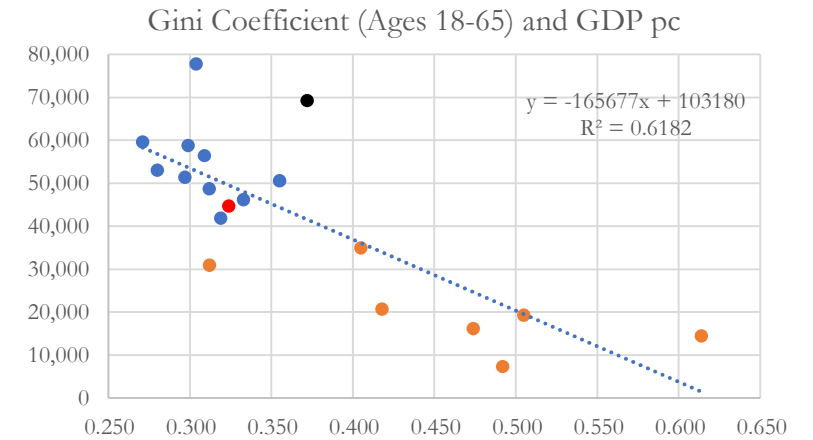
Source: OECD data

⇒ The pension system and policies in Japan are not effectively addressing income inequality.

High Gini Coefficient \neq High Growth Rate

- In general, wealthier countries have lower Gini coefficients.
- There is a slight positive correlation between GDP pc growth over the past 20 years and the Gini coefficient of disposable income, which is primarily driven by emerging economies and not shown among developed countries.

\Rightarrow Addressing inequality through measures such as tax systems and social security programs does not necessarily undermine economic growth. Thus, it is socially preferable to implement them.

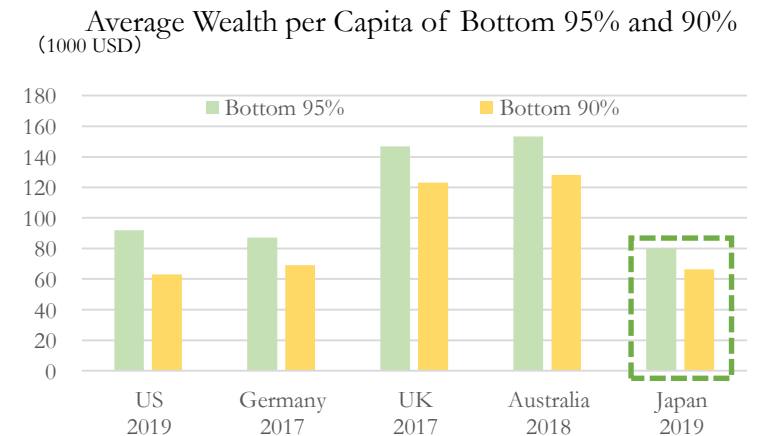
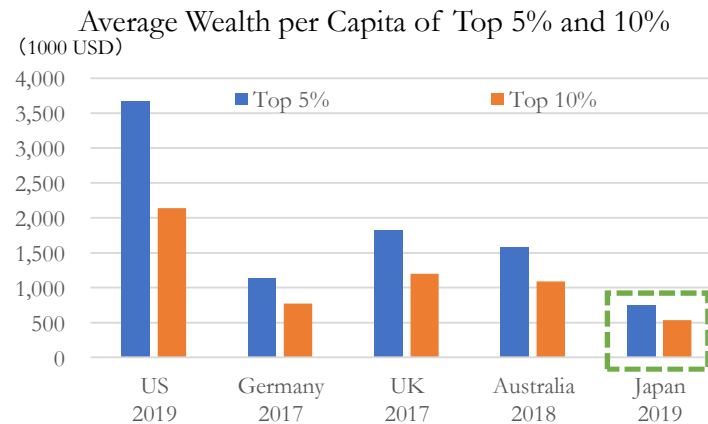
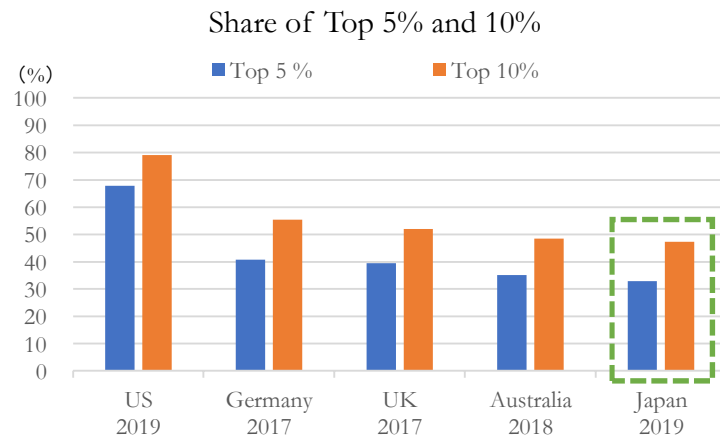


Red: Japan, Black: USA, Blue: Other Developed Countries
Orange: Emerging Countries

Wealth in Japan: the Rich Aren't so Rich

While the wealth inequality in Japan is relatively small compared to other developed countries, average wealth levels of both affluent and non-affluent individuals are not high among developed countries.

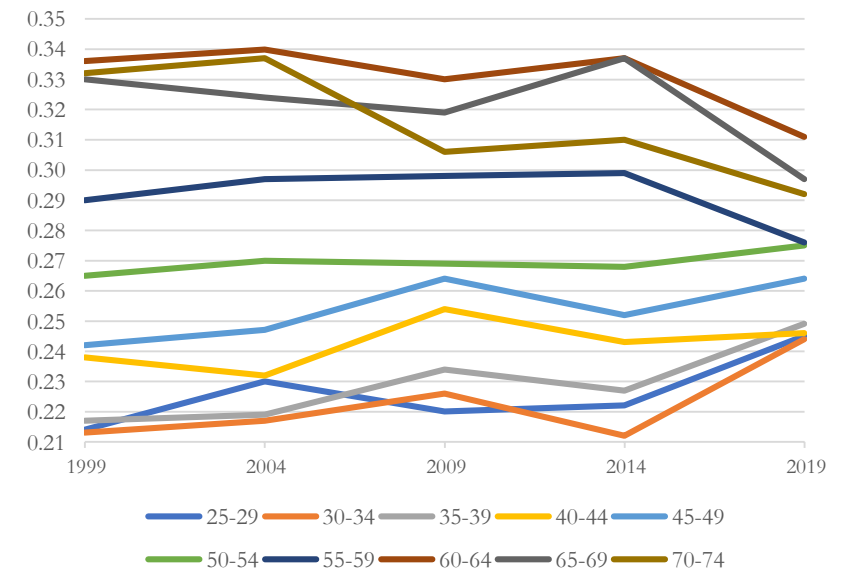
⇒ Japanese wealth should be fostered overall.



Increasing Gini Coefficient within working population in Japan

- In terms of income, the Gini coefficient for older people is relatively high but now tend to decrease. This may be due to an increasing number of people continuing to work.
- The Gini coefficient for the working population is expanding. This can be attributed to the shift from a traditional seniority-based to a merit-based reward system and the rise in non-regular employees.

Gini Coefficient by Age Group of Household Head in Japan



⇒ The widening income disparity among the working population would lead to an expansion of wealth gaps in the future.

In Pursuit of Both Growth and Inequality Mitigation

- Higher income correlates with increased savings rates, widening the wealth gap beyond the income gap.
- Wealthier individuals often exhibit a higher risk tolerance, enabling them to invest in lucrative products with higher risks.

⇒ This amplifies the disparity in wealth compared to income inequality.

Instead of viewing growth and inequality reduction as mutually exclusive, it is essential to pursue both simultaneously. To achieve this and increase household wealth, measures such as addressing the disparities through tax policies and promoting investment among non-wealthy individuals should be implemented.

We welcome your comments on promoting sound investments!

For further information, please visit the following URL: <https://www.toushin.or.jp/statistics/Tsumiken/reports-r/> to view Report No. 8.

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