

Growth in individuals' disposable incomes between 2005 and 2015: whose income improved?¹

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Summary

- Both the real gross domestic product and real gross wages in the Czech Republic (CR) increased substantially during the ten years that followed its accession to the European Union in 2004, despite the financial crisis. This only implies, however, that the economy and workers' earnings have developed over time; the same is not necessarily true of living standards.
- A better indicator of living standards is an individual's disposable income. We estimate individual disposable income as the net income of their household apportioned to each member of the household, including children and old people. Each individual's disposable income is thus influenced by the incomes of their household members, by taxation and social benefits, and by the size and structure of the household. We adjust the disposable income for inflation so that it better reflects changes in real purchasing power.
- Individuals' disposable incomes increased on average by 22 % between 2005 and 2015, and therefore more rapidly than real wages did (18 %). Therefore, in 2015 half of the Czech Republic's population had a monthly disposable income of more than 15 300 Kč and the mean monthly disposable income stood at 17 100 Kč.
- The relative differences in individuals' disposable incomes moderately decreased between 2005 and 2015, despite widely held beliefs to the contrary. From an international perspective, the Czech Republic thus remains one of the countries with the lowest inequality in disposable incomes.

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- There was an evident above-average increase in the disposable incomes of individuals in households with low incomes. This holds both for households of couples aged between 18 and 39 with children of pre-school age and for single parent households. On the other hand individuals with high incomes, for example single person households and couples without children, saw their disposable income increase at below the average rate. However, these individuals had some of the highest disposable incomes in 2005.
- There was an above-average increase in the disposable incomes of children under the age of 18, which can largely be explained by their parents' disposable incomes experiencing above-average growth.
- A change in social benefits (excluding pensions) contributed negatively to the overall growth of disposable incomes. A decrease in the real values of social benefits and a change in the number of beneficiaries led to individuals' disposable incomes decreasing by 2.5% on average.
- The overall increase in disposable incomes was most substantially influenced by growth in wages and pensions. Employment growth only contributed substantially to the growth in disposable incomes for certain types of households. For example, the gradual increases in retirement age resulted in an increase in employment in households whose eldest member was between 40 and 64 years old.