

Europe's top 1%: Who they are and how you get in

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Extreme inequality at the top of the earnings scale has been high and rising in countries around the globe. But who are the select few with the highest labour incomes? And what determines who they are?

That's the theme of my new working paper on Europe's 1%, which for the first time puts hard numbers on who the top earners are across 18 European countries. Answers to these questions are important. They inform debates on the causes of inequality and what governments can do to ensure that those who earn the highest incomes deserve them.

The data source I use is the Eurostat Structure of Earnings Survey for 2010. It is the largest harmonised dataset on earnings across Europe, covering 10 million people. The sample covers only employees, not self-employed, though checks suggest that self-employed make little difference to the results.

The analysis shows that the typical person in the top 1% is male, in his 40s or 50s, has a tertiary education degree, works in finance or manufacturing, and is a chief executive, manager or professional.

What determines who gets into the 1%? My paper suggests that two different sets of decisions matter: the choices you make, and the choices your governments make.

People with only secondary education are less likely to be in the 1%. Therefore, going to university improves the chances of earning a very high income.

The industry matters a lot. The average probability of being in the top 1% is 1%, but it is 3.8% for people working in finance, 2.7% for those in the ICT industry, and 2.5% for those in the professional services (see figure). At the other end of the spectrum, education and construction are two sectors for which the chances of earning a top income is low.

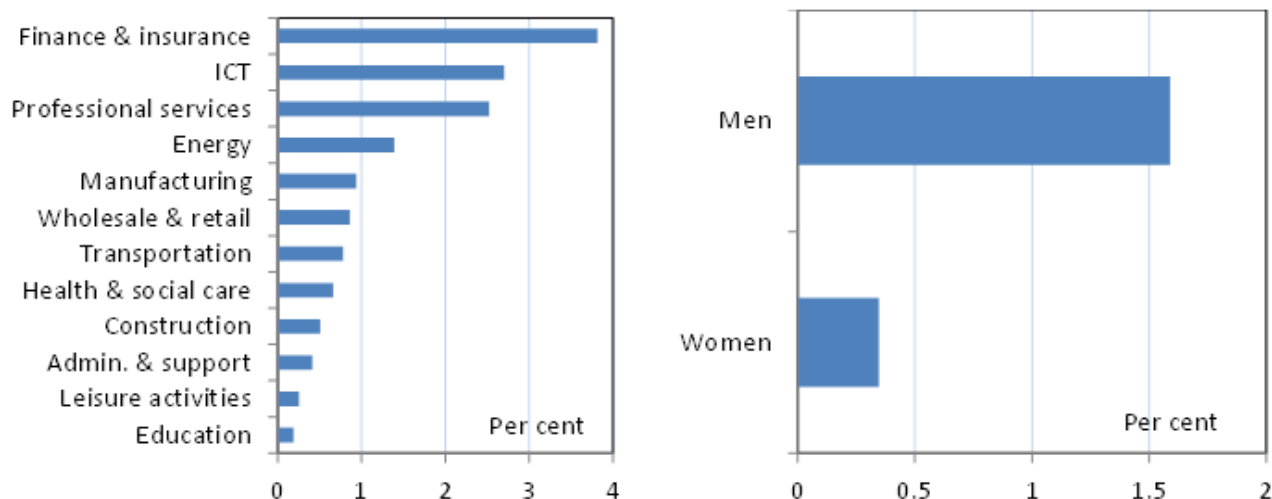
So, education and career paths, which to some extent are in everyone's hands, are important for who is in the 1%. But so can be institutions and policies. Let me highlight this with two examples.

Top earners are $4\frac{1}{2}$ years younger in Eastern than Western Europe. The difference is probably related to the economic transformation of Eastern Europe after the fall of the Iron Curtain. Workers already in the labour market during the 1980s, the last years of communism in the East, have less chance than in the West of having moved up to the top 25 years later.

A distinct feature of the top 1% is the large gender imbalance. The chance of being in the top 1% is much smaller for women, 0.3%, than men, 1.6% (see figure). Germany and Luxembourg have especially few women among top earners. What could be done about it? Comparing countries with one another shows that, where overall female employment is higher, more of the 1% are women. Thus, policies to broaden female participation in the labour market may also promote female representation at the top.

Men in finance have the highest chance of being in the 1%

Probability of earning a top 1% labour income by industry and by gender



Note: The panels depict the simple average across 17 (for industry) and 18 (for gender) European countries. In the left panel, public administration is removed from the sample as data for this industry are not available for all countries.

Source: Oliver Denk (2015), "Who Are the Top 1% Earners in Europe?", *OECD Economics Department Working Papers*, No. 1274, OECD Publishing, Paris