Inequality Matters

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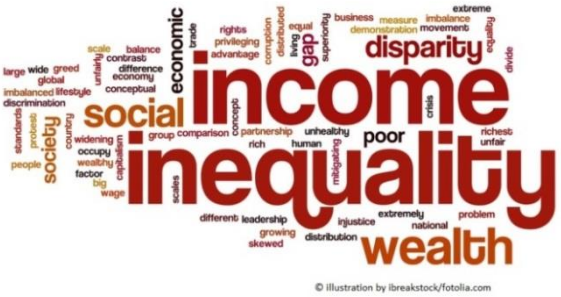
Dear readers,

LIS is closing up an exciting year! With the release of the new variable list in the first half of the year, we achieved higher comparability among the harmonised datasets. This enabled not only an eased cross-national comparison, but also allowed us to increase new data releases in the second half of the year (26 datasets). With the inclusion of MX18, we gladly announce the first dataset in LIS Wave XI. Likewise, we are happy to add two more countries for the LWS Database: Luxembourg (LU10/LU14) and Japan (JP04/JP09/JP11/JP14). In this context, LIS acknowledges the importance of continued funding by our contributing partners, which guarantees expanding data harmonisation efforts in 2020 and beyond. We just announced a new job opportunity for a Micro Data Expert at LIS.

The rise of radical populist parties counts as one of the more important developments in recent European political economics. Brian Burgoon, Sam van Noort, Matthijs Rooduijn, and Geoffrey Underhill combine in our first *Inequality Matters* article cross-sectional data on party preferences from the European Social Survey (ESS) with data from the LIS Database. They provide evidence that income stability, distributional position, and support or vote for radical parties can be well linked. The second *Inequality Matters* focuses on the growth of unit non-response in household surveys and its potential effect on biased estimates of income distribution measures. Using the US Current Population Survey (CPS) Salvatore Morelli and Ercio Munoz illustrate how one correction method works and how it can be implemented easily.



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In short, this issue's four *Highlights* cover the following topics: Dmitry Petrov Dóbrikov extends the definition of market income by inclusion of real estate annuities, financial annuities, and imputed rent. He exemplifies this exercise using the series of Spanish wealth data available in the LWS Database. Andrej Cupak and Piotr Paradowski present several new results from the growing LWS Database; they show the evolution of median net wealth, the composition of household assets and the distribution of net wealth. Rosa Melfi looks at CCT policies introduced in Uruguay around 2005-2006 and its effects in terms of poverty reduction among the population as a whole and also specifically among children. And last, Rozane Bezerra de Siqueira, José Ricardo Bezerra Nogueira, and Carlos Feitosa Luna examine the gap between poverty among children and among the elderly and how Brazil compares with other countries in this respect. The authors look at the incidence of social security transfers by age and by income group, as well as at the position of children and the elderly within the total income distribution in Brazil.

Enjoy reading! *Jörg Neugschwender, editor*

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Inequality Matters

Positional Deprivation and Support for Radical Parties

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Introduction

The rise of radical populist parties counts as one of the more important developments in recent European political economics. Such radicalism has long simmered in Europe's post-War electoral politics, but in recent years the gains for radical parties and programs have broadened and deepened. The broadening has touched countries that long resisted the radical tide, such as Germany and its radical right Alternative for Germany. The broadening goes further, as many mainstream parties of the center right and left have in recent years adopted some of the positions and rhetoric of radical parties (Van Spanje, 2010; Abou-Chadi, 2016). The deepening, meanwhile, involves the sustained electoral gains achieved by parties of both the radical right and left. On the right, this includes the Danish Freedom (DF) Party, the Dutch Party of Freedom (PVV), and Italy's League [formerly known as the Lega Nord (LN)]. On the left, radical left parties like Greece's Syriza and Spain's Podemos have become as influential as, or fully overshadow, both mainstream and radical right-wing parties. There are major differences between and among radical parties on both sides, such as on issues of migration and redistribution, but all radical parties share a focus on economic and political nationalism, Euroscepticism, and anti-system/anti-elite positioning (Hooghe et al., 2002; March and Mudde, 2005; Hopkin, 2019). The broadening and deepening of such radicalism poses major challenges to the economic and political policies that have long defined the Western democratic order, and may have unleashed potentially deeper challenges to the integrity of democracy itself.

Much existing research links support for radical parties to individual-level economic variables such as income and unemployment, or to macro-level economic variables such GDP growth, income inequality, or trade shocks. These factors do not, however, capture directly what many detailed qualitative-inductive studies of an anti-system backlash have identified as important: resentments at being *increasingly* discarded relative to others in the polity, particularly relative to those "unfairly" privileged (e.g. Hothschild 2016; Cramer 2016; Gest 2016). In Burgoon *et. al.* (2019) we try to capture this combination of dynamic (over time) and positional (relative to others) economic well-being by introducing the concept of positional deprivation, which we define as the degree to which an individual has seen his/her income decline/increase relative to others in the same society. Hence, while the existing literature has focused on the effect of inequality at the level of income we focus on inequality in the growth of income across different strata of a society's income distribution.

Combining data from the Luxembourg Income Study (LIS) and the European Social Survey (ESS) for 20 European democracies over the 2002 to 2014 period we find that individuals experiencing lower income gains, or greater losses, than the gains experienced by others in the income spectrum (e.g. the average, median, richest, poorest) are significantly more likely to support or vote for radical parties (i.e. net of the level of income and inequality). We find that these effects are economically substantial and are larger, for example, than subjective economic well-being, gender, and urban/rural residency, though still smaller than education.

Importantly, we also find that whether an individual supports a radical right- or a radical left party depends in turn on the type of positional deprivation he/she has experienced (i.e. net of any pre-existing left-right ideological positioning): positional deprivation relative to the wealthiest groups in society tends to spur support for radical left-wing parties, while positional deprivation relative to the poorest groups in society tends to spur support for radical right-wing parties. The rest of this article describes our study in more detail.

Data

Testing the effect of positional deprivation on radical voting is challenging as individual-level panel data on income and political preferences in country-years during which radical parties are present is not sufficiently available. To get around this data problem we therefore combine cross-sectional data on party preferences from the European Social Survey (ESS) with data on country-decile level income dynamics from the Luxembourg Income Study (LIS).

Using the ESS data we measure our main left-hand side variable as a nominal variable with 4 categories: (1) respondent feels currently closest to a non-radical/mainstream party; (2) respondent feels currently closest to a radical left-wing party; (3) respondent feels currently closest to a radical right-wing party; and (4) respondent feels

Table 1. Party classification

Country	Radical left-wing party	Radical right-wing party
Austria		Freedom Party of Austria (FPÖ), Alliance for the Future of Austria (BZÖ)
Belgium		Flemish Interest (VB), National Front Belgium (FNb)
Czech Repub.	Commun. Party Boh.&Mor. (KSCM)	Dawn (Úsvit Tomia Okamury)
Denmark	Socialist People's Party (SF) Red–Green Alliance (EL)	Danish People's Party (DF)
Finland	Left Alliance (VAS)	Finns Party/True Fins (PS)
France	French Communist Party (PCF) Worker's Struggle (LO) Revolut. Commun. League (LCR)	National Front (FN) National Republican Movement (MNR)
Germany	The Left (Die Linke) Party of Democratic Socialism (PDS)	The Republicans (REP) National Democratic Party (NPD)
Greece	Communist Party of Greece (KKE) Coalition of the Left (SYN/Syriza)	Popular Orthodox Party (LAOS) Gold.Dawn
Hungary	Workers Party (WP)	Jobbik (Movement for a Better Hungary)
Ireland	Sinn Fein (SF)	
Italy	Commun. Refoundation Party (PRC) Communists (Comunisti)	Northern League (LN) National Alliance (AN) Tricolor Flame (FT)
The Netherlands	Socialist Party (SP)	List Pim Frotuyn (LPF) Party of Freedom (PVV)
Norway	Red Party (Rodt) Socialist Left Party (SV)	Progress Party (FrP)
Poland		League of Polish Families (LPR) Congress of the New Right (KNP)
Slovakia	Communist Party Slovakia (KSS)	Slovak National Party (SNS)
Slovenia	Združena levica (ZL)	Slovene National Party (SNS)
Spain	United Left (IU/Podemos)	
Sweden	Left (V)	Sweden Democrats (SD)
Switzerland		Swiss People's Party (SVP/UDC) Freedom Party (FrP) Ticino League (LdT)
United Kingdom		British National Party (BNP) UK Independence Party (UKIP)

Source: Mudde (2007); March and Mudde (2005); March (2011); and Rooduijn and Burgoon (2018).

currently closest to no party. To classify parties as mainstream, radical right-wing, or radical left-wing we rely on the relatively well-established classification practices in the existing political science literature (see table 1). In the paper we show that the results are robust for a wide range of recoding of borderline cases.

Given that the ESS only measures a respondents' current income, and only measures this current income on the decile (rather than interval/ratio) level, we use LIS data to measure changes in real household income across deciles in a given country-year and match this data to the ESS. Our operationalization of the concept of positional deprivation therefore consists of the increase/decrease of the mean income growth for all deciles (or a particular decile) in a country's income distribution minus the growth of a respondents' own income decile during the previous five years. Figure 1 illustrates the type of data structure that underlies this approach. To illustrate, over the 1995 to 2005 time period respondents in the 5th decile in Germany would have experienced most positional deprivation according to our coding, because while income in Germany's 5th decile only grew 0.3% over this time period, income grew by 3.4% across the entire income distribution.

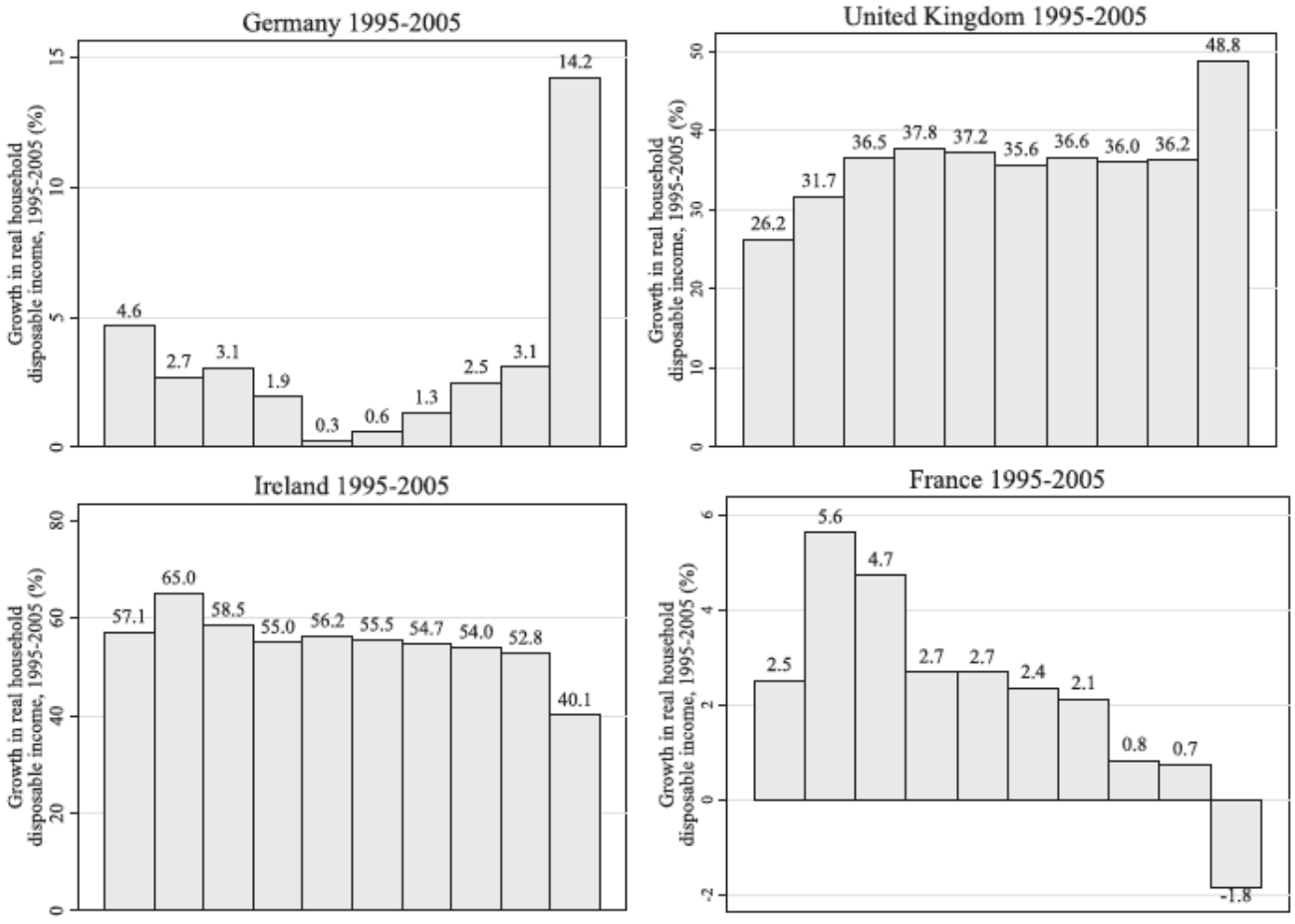
Empirical Strategy

To assess the relationship between positional deprivation and support for radical parties we estimate multinomial logit models with country fixed effects, time fixed effects, and a wide range of individual-level control variables. Identification relies on three key assumptions.

First, the Independence of Irrelevant Alternatives (IIA) assumption, which is presupposed by any multinomial model. In our case, the IIA assumption entails that, conditional on the covariates, the odds of any individual respondent choosing any of the four alternatives incorporated in our dependent variable does not depend upon whether a radical right-wing and/or left-wing party is present or absent in a particular country-year. Hausman and McFadden (1984) suggest that this assumption is likely to hold in our case. We also find substantively similar results when running individual logit/probit models on all outcomes separately, and this is an approach that does not rely on the IIA assumption.

Second, our estimates could be biased due to the fact that we are forced to proxy individual-level income dynamics with the income dynamic of the respondents' decile group, which we assume (s)he was in during the previous five-year period (based on the decile the ESS has coded him/her in at the end of the five-year period). This means that our measures of positional deprivation introduce significant measurement error because: (i) there may be significant within-decile differences in income dynamics relevant to political preferences which we can, however, average out by design, and (ii) we may miscode individuals that have moved into another decile over the previous five-year period. To the extent that this measurement error is not random and would bias regression coefficients downwards due to attenuation bias, it could affect the validity of our estimates. We address this issue by a robustness check whereby we include the dynamics of the decile above and below (separately) together with the income decile that a respondent is coded in. We find the results unchanged. This robustness check is likely to take care of this problem as respondents are unlikely to move up or down more than one decile in five years. To

Figure 1. Growth in disposable income by decile, selected countries 1995–2005



Source: Luxembourg Income Study (LIS) Database.

adjust for the autocorrelation generated by (i), we cluster the standard errors on the country-decile level in all our estimates.

Lastly, as is typical for observational data, our multinomial logit estimates may be biased due to confounding (i.e. unobserved variables that cause both positional deprivation and party support). To alleviate this concern we add country and time fixed effects, which control by design for all omitted variables that vary across countries and for all omitted variables that affect all respondents at the same time (i.e. common shocks). In addition to this we parametrically control for: subjective economic well-being, education, age, gender, nationality, religiosity, urban/rural residency, and left-right (ideological) self-placement. Nonetheless, we would like to make clear that we consider our results to reflect robust correlations rather than causation.

Results

Figures 2, 3, and 4 summarize our results. They report predicted probabilities of ESS respondents indicating that they feel closest to a radical right-wing or radical left-wing party (the vertical axis) at different levels of positional deprivation (the horizontal axis), holding all covariates at their means or medians. The dashed lines indicate 95% confidence intervals.

Figure 2 shows the effect of mean positional deprivation, defined as a country's average income growth minus the average income growth in the respondents' own income decile over the past five years. As can be seen the model estimates that seeing one's own income increase less rapidly, or decrease more steeply, as compared to the country' average, substantively increases the probability that one supports a radical party. More specifically, an increase in positional deprivation across the entire sample distribution increases the likelihood of supporting a radical right-wing or left-wing party by 2 and 4.2%, respectively. These effects are economically substantial as the unconditional mean of supporting any radical party is only 3% in this sample.

Figures 3 and 4 show that the effect of positional deprivation varies with regard to the reference group in ways that one may expect given the platforms of most radical right-wing and left-wing parties.

In figure 3 we see that when individuals see their own income increase less rapidly, or decrease more steeply, as compared to the richest 10% of society they are more likely to support a radical left-wing party, but not more likely to support a radical right-wing party (note again that an individual's pre-existing left-right ideological positioning is presumed to be constant). This is in line with the platforms of many radical left-wing parties which often portray the rich as having rigged the game in their favor, undeservingly getting richer and richer at the expense of the rest of society.

Figure 4, in contrast, shows that positional deprivation relative to the poorest 10% of the income distribution has the opposite effect: people who have seen less income growth as compared to the poorest decile are significantly more likely to support a radical right-wing party, but not significantly more likely to support a radical left-wing party. This is in line with many radical right-wing party platforms which focus on the poor, particularly poor migrants, that in their eyes are disproportionately advantaged by welfare state arrangements "meant" for natives.

Figure 2. General positional deprivation and support for radical left-wing and right-wing parties

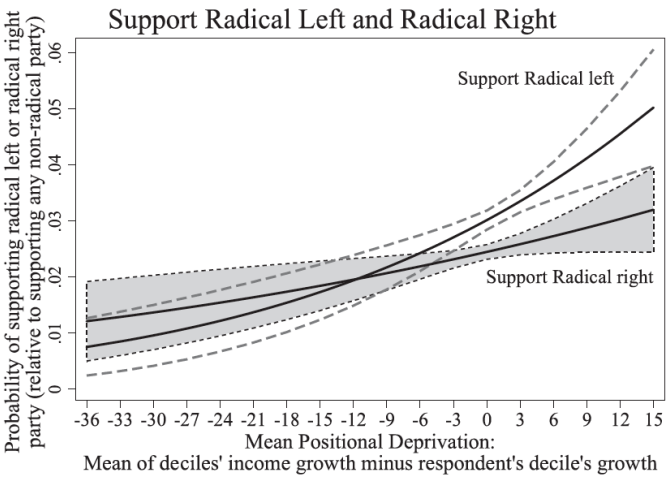


Figure 3. Upper-register positional deprivation and support for radical left-wing and right-wing parties

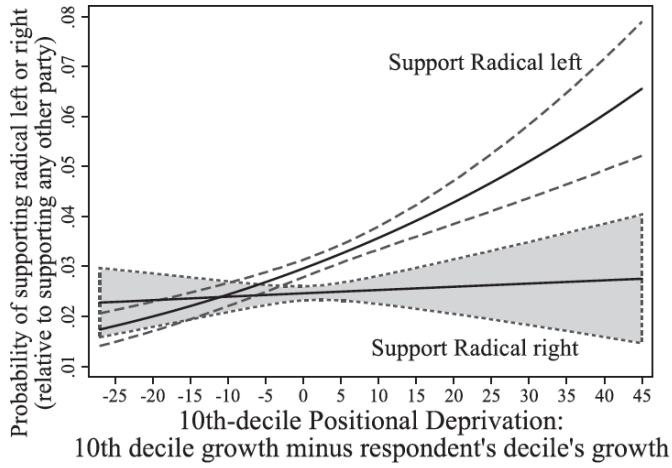
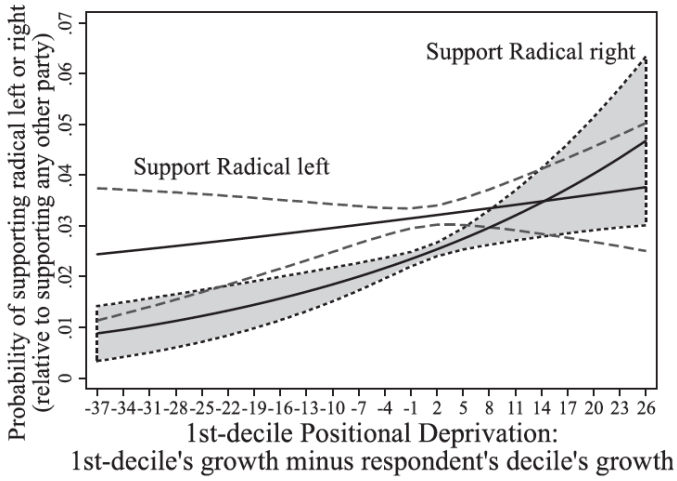


Figure 4. Lower-register positional deprivation and support for radical left-wing and right-wing parties



Policy Implications

Our study suggests that radical voters are not only motivated by their level of economic well-being, or how their standard of living has developed over time, but also care deeply about how their economic situation has changed over time relative to other groups in society. This has important policy implications as existing socio-economic policy generally does not take this relational and dynamic aspect of economic well-being into account. Future policy interventions may do so by employing mean tests that focus not only on the level of wealth/income but also the over-time experience of different societal groups. Considering this aspect of economic well-being is likely to be important for countering political radicalism and polarization.

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Can We Obtain Better Distributional Measures Correcting for Differential Unit Non-Response Bias in Household Surveys? An Illustration Using Data from the US Current Population Survey

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Introduction

Recent literature on economic inequality has focused a great deal of attention on the estimation of income concentration measures (e.g., the share of total income held by a small, rich segment of the population). One of the key findings of this new stream of literature is that estimates of income concentrations as derived from tax-administrative sources are generally higher and show a stronger positive trend than what is estimated via household survey data, especially for very high-end income groups.

Differences can be quite large at the very top, but relatively small as we move further down the income pyramid. Figure 1 depicts the existing gap between top income shares in the US as estimated from IRS tax data versus data from the household survey from the Current Population Survey (CPS).

Certainly, part of the difference can be reconciled by using similar units of analysis and income concepts between data sources, as shown in the figure below. Yet this strategy is not sufficient to fully explain the discrepancy in income shares obtained through the different sources.

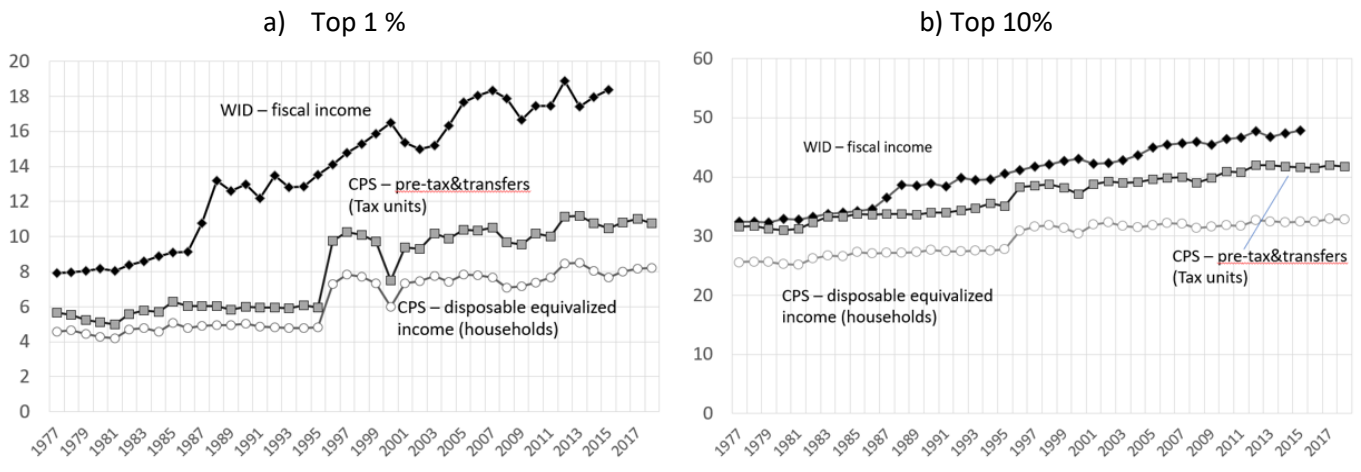
There is a growing recognition that household survey data may be less suitable than administrative sources to capture all income sources at the very top for a variety of reasons linked to the quality of the measurement of the upper tail of the distribution. There are, broadly speaking, two main problems. First, without an appropriate oversampling strategy for rich households, surveys might run into problems with small samples, which increase statistical volatility and can distort our representation of highly skewed distributions, such as those for income or wealth. Second, in survey data, non-random households may not be reachable, or willing to cooperate, or to disclose full information about their economic and financial conditions.

This note focuses specifically on the effect of differential unit non-response on key distributional measures; we do not address fundamental question of efficient sample design. Sample designs can have substantial, perhaps even larger, implications for estimates of concentration and inequality.

The growth of unit non-response in household surveys

Unit non-response rates in household surveys (i.e., the share of non-respondent households among total households that are sampled) have been increasing in recent decades (Meyer et al. 2015) and

Figure 1: Reconciling measures of top income shares across tax and survey data



Notes: data elaboration by the authors on CPS data. WID series is taken from wid.world

household surveys in the US are no exception. In the CPS, the aggregate non-response rate more than tripled between 1977 and 2018, increasing from approximately 4% to more than 14%.

As reported in Atkinson and Micklewright (1983), rising aggregate unit non-response rates may not necessarily create biases in estimations of the moments of income distribution, as long as the non-response pattern is random. However, there is growing evidence that unit non-response (e.g., missing households) and item non-response (e.g., missing specific information about the households) are directly associated with the economic status of the sampled households, such as their total income or wealth, among other characteristics.

This evidence is problematic. Kennickell (2019), in his introduction, argues that "[i]f differences in willingness of sample members to participate are not statistically independent with respect to the analytical dimension(s) of interest, then the measured distribution will differ from what would be estimated from the full sample and many classes of estimates made on such data will be biased". At the same time, Kennickell (2019) acknowledges, in his conclusions, that "[t]his fact appears to be insufficiently recognized by many practitioners who find 'significant' relationships when comparing estimates from different surveys". However, he suggests that "[s]ometimes data are available for calibration to address non-random effects in the response mechanism".

How then can we utilize information on differential unit non-response to adjust household income survey data to obtain better distributional estimates?

Accounting for differential unit non-response

It is, in principle, possible to address the issue of differential unit non-response along the income distribution without resorting to external administrative sources of data – which are typically difficult to access – other than the household survey.

Korinek *et al.* (2006, 2007) show how the latent income effect on household compliance (i.e. probability of response) can be consistently estimated with the available data on average response rates by any sampling strata. The information about the probability of non-response, estimated at the household level, could then be used to correct survey weights (e.g. to give more weight to those households that have lower probabilities of responding because of their high income level).

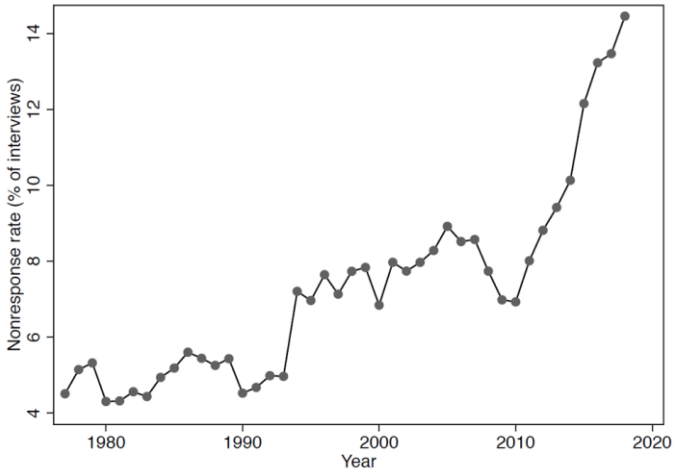
In practice, publicly available information on response rates is often available by geographic areas only (e.g., regions or sub regions). Indeed, Korinek *et al*. (2007) proposed a novel estimator to compute a survey compliance function using regional non-response rates. The estimator is based on the following moment condition for region j (with $j \in J$), where J is the total number of regions:

$$E\left[\sum_i \frac{m_{ij}^1}{P_i}\right] = \sum_i m_{ij} = m_j$$

where m_{ij}^1 is the total number of households with income i in region j that comply with the survey, m_{ij} is the total (unobserved) number of households with income i in region j, m_j is the total number of households sampled in region j, and P_i is the probability of response for household with income i.

Using CPS data from 1998 to 2004, Korinek *et al*. (2007) find a highly significant negative effect of income on survey unit response, which may bias income inequality estimates.

Figure 2. The rate of unit non-response in the US CPS data (1977-2018)



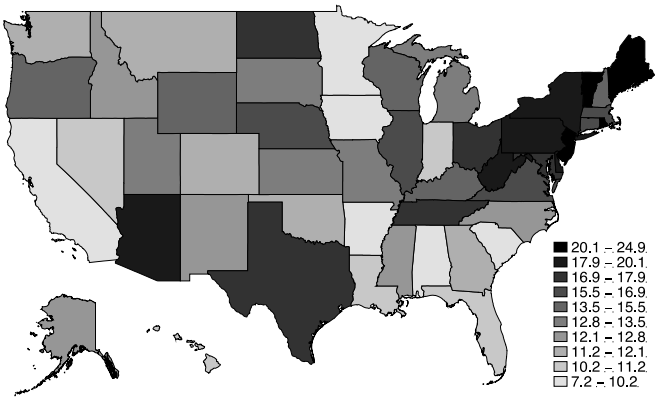
Notes: Data elaboration by the authors on CPS data.

Munoz and Morelli (2019) present a new Stata command to implement this method, <kmr>. To illustrate its use, the authors use data from the 2018 CPS downloaded from IPUMS (Flood *et al*. 2018), merged with the number of interviews and Type A non-responses (interviewer finds the household's address but obtains no interviews) obtained from the NBER CPS Supplements website. These data are sufficient to derive state-level non-response rates in the US, defined as Type A non-responses as a share of the sum of interviewed households and Type A non-responses. Figure 3 below reports geographical variation in non-response rates across the US states.

These data (described above) are used to estimate the probability of response as a function of total household gross income per capita. Gross income is factor income plus all public and private monetary transfers received, minus taxes paid. The estimates are in turn used to generate a set of corrected weights which allow re-estimation of distributional variables (e.g., Gini coefficients).

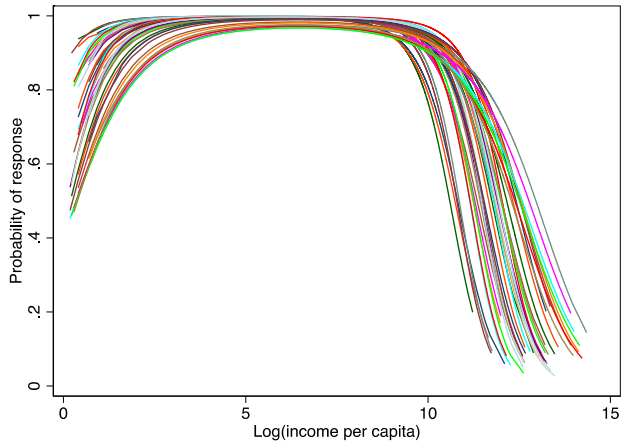
To illustrate the implications of Korinek *et al*.'s suggested correction method, Morelli and Munoz (2019) estimate the compliance function in the CPS data using the full set of available years, from 1977 to 2018, and show the effect that such weights-corrections may have on income inequality, income concentration, and income poverty. The compliance functions can be estimated for both pooled years or individual years. We illustrate the latter approach here.

Figure 3 CPS unit non-response rates by US States. 2018



Notes: Data elaboration by the authors on CPS data.

Figure 4 Estimated probability of response by total household income per capita using CPS data (1977-2018)



Notes: Data elaboration by the authors on CPS data.

Figure 4 indicates that all compliance functions, estimated for all available CPS waves, tell a similar story, namely that high levels of total household income are associated with systematically lower levels of response probability. The estimated compliance functions can then be used to adjust the survey weights. In other words, the few observations of rich households available in the sample of respondents will be given more weight. Figure 4 also suggests that lower compliance rates can also be found at the bottom of the distribution, suggesting that both tails of the income distribution should be given bigger weight.

Ideally, this type of adjustment ought to be applied using raw survey weights, before any corrections to the weights are implemented by the institutions administering the survey. However, raw survey weights are not generally available outside the data-producing institution. Hence, for the purpose of this exercise, we adjust weights that are assumed to be equal to 1.

Concluding remarks

Unit non-response rates, in the CPS data, grew significantly between 1977 and 2018. Given the direct connection between non-response probability and household income levels, the use of uncorrected income survey data may result in biased estimates of income distribution measures. In this note, we have illustrated how one correction method proposed by Korinek *et al*. (2007) works and how it can be implemented easily with a new user-written command in Stata, <kmr>.

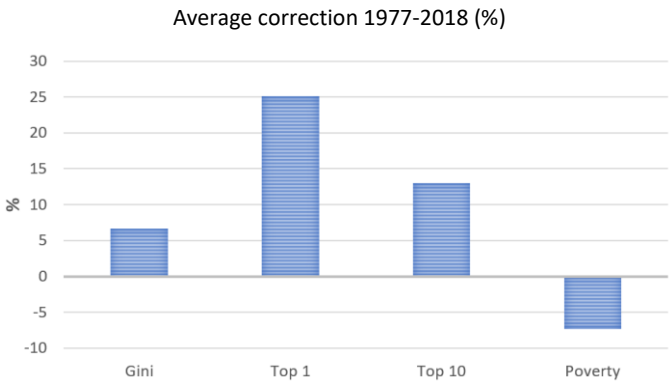
By applying the method by Korinek *et al*. (2007) on CPS data for each year from 1977 to 2018 we estimate an average positive correction of 6.6% for the Gini coefficient and average negative correction of 7.3% for the poverty rates. The top 1%, instead, may be underestimated by approximately 25% (see Figure 5).

Given the profound policy implications of such an exercise, we emphasize that more research is needed, for a variety of reasons.

First, there is large year by year variability underlying the estimated average correction rates. Moreover, the average adjustments are sensitive to whether the compliance function is estimated by pooling years of observations or not.

Second, and as pointed out in Deaton (2005), the correction for unit non-response may also result in inequality estimates that could be lower than the uncorrected ones: "…with greater non-response by the rich, there can be no general supposition that estimated inequality will be biased either up or down by the selective undersampling of richer households. (The intuition that selective removal of the rich should reduce measured inequality, which is sometimes stated as obvious in the literature, is false, perhaps because it takes no account of reduction in the mean from the selection.)" (p. 11).

Figure 5 Correction of survey weights controlling for differential unit non-response bias: average % effect on distributional and poverty measures using CPS data (1977-2018)



Notes: Data elaboration by the authors on CPS data.

Third, the correction results may be sensitive to the number of regions considered (Hlasny and Verme, 2018).

Fourth, the method described here relies solely on within-survey data and pure re-weighting with no replacing of observations and provides reasonable results under the condition that the maximum income reported in the household survey data is not too dissimilar from the "real" maximum income (i.e., the support of the income distribution is the same). This condition is usually not met. To overcome this main limitation, new fruitful avenues of research include merging household survey data with external information (e.g. tax administrative sources), before modifying survey weights (Blanchet, Flores, and Morgan, 2019).

Although, different correction methods might agree on the fact that income distribution estimates are misrepresented using household survey data, analysts would ideally combine multiple correction approaches to reach reasonable conclusions about the extent and direction of such biases.

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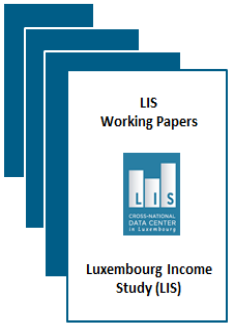
Working Papers & Publications



Focus on 'Why is the American South Poorer? ' **LIS WP No.778 by** ***Regina S. Baker*** ✉ **(University of Pennsylvania)**

While American poverty research has devoted greater attention to poverty in the Northeast and Midwest, poverty has been persistently higher in the U.S. South than other regions. Thus, this study investigates the enduring question of why poverty is higher in the South. Specifically, it demonstrates the role of power resources as an explanation for this regional disparity, yet also considers family demography, economic structure, and racial/ethnic heterogeneity. Using six waves (2000-2016) of U.S. Census Current Population Survey data from the Luxembourg Income Study (N=1,157,914), this study employs a triangulation of analytic techniques: (1) tests of means and proportions differences, (2) multi-level linear probability models of poverty, and (2) binary decomposition of the South/Non-South poverty gap. The comparison of means associated with the power resources hypothesis yield the largest substantive differences between the South and the Non-South. In the multi-level models, adjusting for power resources yields the largest declines in the South coefficient. Binary decomposition results indicate that power resources are the second most influential factor explaining the South/Non-South poverty gap. Overall, power resources are an important source of the South/Non-South poverty gap, though economic structure and other factors certainly also play a role. Results also suggest an important interplay between power resources and race. Altogether, these results underscore the importance of the macro-level characteristics of places, including political and economic contexts, in shaping individual poverty and overall patterns of inequality.

LIS working papers series

LIS working papers series - No. 775
"Big Mac Real" Income Inequality: A Multinational Study
by Orkideh Gharehgozli, Vidya Atal

LIS working papers series - No. 776
"Big Mac Affordability" and Real Income Inequality Across Countries
by Orkideh Gharehgozli, Vidya Ata
Published in *the Applied Economics Letters* (First published online 17 October 17, 2019.
https://doi.org/10.1080/13504851.2019.1679342.

LIS working papers series - No. 777
Poverty in Old Age
by Bernhard Ebbinghaus, Kenneth Nelson, Rense Nieuwenhuis
Published in *the Routledge International Handbook of Poverty*, edited by Bent Greve, 257–267. New York, NY: Routledge, 2019.

LIS working papers series - No. 778
Why is the American South Poorer?
by Regina S. Baker
Forthcoming in *the Social Forces*

LIS working papers series - No. 779
It Takes Two to Tango : Income and Payroll Taxes in Progressive Tax Systems
by Victor Amoureux, Elvire Guillaud, Michaël Zemmour

LIS working papers series - No. 780
Deep and Extreme Child Poverty in Rich and Poor Nations: Lessons from Atkinson for the Fight Against Child Poverty
by Yixia Cai, Timothy Smeeding
Published in *the Italian Economic Journal* (2019).
https://doi.org/10.1007/s40797-019-00116-w.

Data News

Data releases

Luxembourg Income Study (LIS)

Chile

One new dataset from Chile CL17, (Wave X), has been added to the LIS Database. The datasets is based on the corresponding waves of the National Socio-Economic Characterization Survey (CASEN) carried out by the Ministry of Social Development. For users familiar with the CASEN data, please note that the income data included in LIS does not include the adjustment to the National Accounts numbers.

Denmark

One new dataset from Denmark DK16, (Wave X), has been added to the *LIS Database*. The dataset is from the 2016 data from the Law Model, the micro simulation model maintained by the Ministry of Economic Affairs and the Interior and based on information extracted from administrative records from Statistics Denmark.

Germany

One new dataset from Germany DE16, (Wave X), has been added to the *LIS Database*. The dataset is from the 2017 data (wave 34) of the German Socio-Economic Panel (GSOEP), which is carried out by the German Institute for Economic Research (DIW).

Mexico

Three new datasets from Mexico, MX14 (Wave IX), MX16 (Wave X) and MX18 (Wave XI), have been added to the *LIS Database*. The datasets are from the Household Income and Expenditure Survey and are provided by the National Statistical Institute.

Peru

One new dataset from Peru, PE16 (Wave X) has been added to the *LIS Database* The dataset is from the 2016 wave of the National Household Survey (Encuesta Nacional de Hogares – ENAHO) from the National Institute of Statistics and Informatics (Instituto Nacional de Estadística e Informática – INEI).

Slovenia

One new dataset from Slovenia, SI15 (Wave X), has been added to the *LIS* Database. The dataset is from the 2015 wave of Household Budget Survey (HBS), which is carried out by the Statistical Office of the Republic of Slovenia.

Luxembourg Wealth Study (LWS)

Japan

LIS is delighted to announce the addition of Japan to the LWS Database. Four data points have been added to the *LWS Database*; JP14 (Wave IX), JP11 (Wave VIII), JP09 (Wave VII), and JP04 (Wave VI). The 2004 data point is based on the Keio Household Panel Survey (KHPS) while the rest of the series is based on the Japan Household Panel Survey (JHPS), acquired from Panel Data Research Center at Keio University (Japan).

Germany

One new datasets from Germany, DE17 (Wave X) has been added to the LWS Database. The dataset is based on the wealth module included in the 2017 (34/BH) wave of the German Socio-Economic Panel (GSOEP) carried out by German Institute for Economic Research (DIW), the same survey included in the LIS *Database*.

Due to the different convention for naming datasets in LIS and LWS (whereby in LIS they follow the income reference year and in LWS the wealth reference year), this dataset corresponds to DE16 in the LIS *Database*.

Luxembourg

LIS is happily announcing the addition of Luxembourg to the LWS Database. Two data points have been added to the *LWS Database*; LU14 (Wave IX), LU10 (Wave VIII). The datasets are based on the Luxembourg Household Finance and Consumption Survey (HFCS), acquired from Banque Centrale du Luxembourg (BCL).

Data revisions

Luxembourg Income Study (LIS)

Chile - Education related variables have been revised for the entire series, and for CL15 substantial revisions for the income variables were carried out.

Denmark - Variable *indd1* (industry 21-category ISIC 4) has been added to DK13, and DK10.

Slovenia - Education related variables have been revised for SI12.

Mexico - Income and consumption related variables were substantially revised for datasets MX08, MX10, and MX12, so as variables *marital, ethnic_c , dweltyp,* and *own, and* education-related variables.
Labor market related variables (including occupation, industry, *lfs* , and *emp*) were mostly reviewed for the entire series.
Variable *relation* was reviewed for MX84, MX89, MX92, MX94 , MX08, MX10, and MX12, with impact on *hhtype.*

Peru - Variable *ind1_c* has been updated to Rev. 4 classification in PE13. Income sections private transfers, public transfers (excluding pensions), and pensions have been slightly revised for consistency in datasets PE07, PE10, and PE13.

Luxembourg Wealth Study (LWS)

Italy - wealth-related variables in datasets IT95 and IT00 have been converted to current currency EUR.

LIS/LWS Data Release Schedule

	Spring 2020	Summer 2020
LIS Database		
Belgium		BE04/07/10/13/16
Canada		CA16
Czech Republic	CZ16	
Estonia	EE16	
Greece	GR16	
Ireland		IE13/16
Italy	IT16	
Laos	LA02/07/12	
Latvia	LV13/LV16	
Lithuania	LT16	
Norway		NO16
South Africa	ZA15/17	
Vietnam		VN93/98/02/04/06/08/10
LWS Database		
Chile		CL07/12/14/17
Italy	IT16	
Norway		NO16
South Africa	ZA15/17	
United Kingdom	UK13/15	

Highlights

The Role of Non-Labor Household Income in Shaping Inequality Trends in Spain?

Dmitry Petrov Dóbrikov ✉, (University of Alcalá de Henares)

The growing disparities in the distribution of household incomes over the course of the past decades in most OECD countries, especially since the onset of the crisis, has steered the attention of academic analysis towards explaining its determinants. The trend of market income inequality is frequently analyzed to determine whether the evolution of disposable income inequality, after taxes and transfers, is more connected to the allocation of primary income or to the effects of redistributive policies. In fact, the OECD (2015) points out that during the recent weak economic recovery in developed economies, income inequality before taxes and benefits has continued to rise while the cushioning effect of taxes and benefits has become weaker, accelerating the overall upward trend in disposable income inequality. This result underlines the growing relevance of primary income inequality to explain changes in individual well-being.

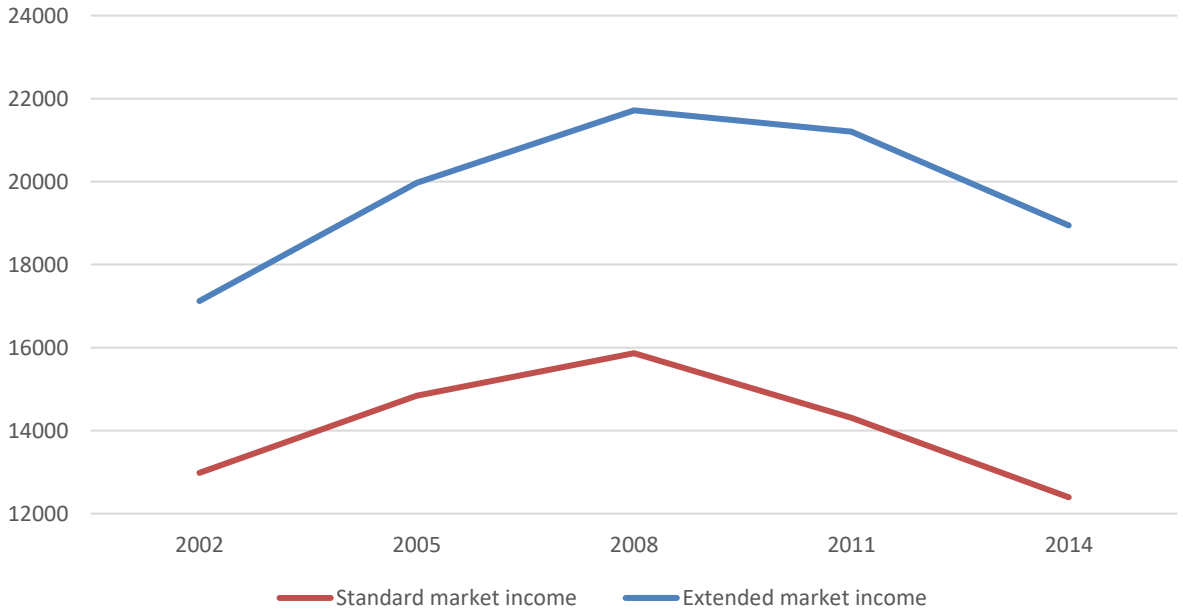
In a previous study, the OECD (2012) highlighted that, before taxes and transfers, income dispersion mainly reflects labor market outcomes. For the working age population in the late 2000s, labor market income represents around 75% of the dispersion on average in the OECD, as compared with just 25% for self-employment and capital income combined. Most of the previous literature therefore relates such growing income dispersions to the functioning of labor markets, mainly due to increasing unemployment rates or growing wage dispersion (mostly the top versus the rest) and this has implied that the focus has been on labor earnings (also in gross and net income inequality), while capital and self-employment income have hardly been addressed.

With the important exception of Piketty and Saez (2014), non-labor market income, e.g. capital income and other sources of income, have hardly been considered relevant for explaining changes in market income inequality. Nevertheless, it is well known that capital gains, assets, property and wealth are much more unequally distributed than labor income in developed countries and their distribution has strong implications for individual well-being. In this context, we believe that it would be very interesting to complete the study of market income inequality considering the different flows of capital income to households at different positions of the income distribution curve. In fact, as Brun and Gonzalez (2017) show, owners of equity benefit from rises in value (due to monopolistic mark-ups) and from increasing equity returns, while households whose incomes rely on labor suffer from the decrease of the returns on human capital.

The aim of this study is to provide a detailed analysis of the weight of the different income sources divided into labor income and non-labor income in shaping market income inequality in Spain, one of the countries that experienced a larger GDP contraction during the recession and with a high percentage of home ownership. We pay attention to the measurement of the income value (as an approximation to well-being) accruing from ownership of a home and other assets. We base our calculations on Wolff *et al.*'s (2012) methodology for the US and calculate an imputed rent for the main owner-occupied housing net of mortgage debt. We also check the robustness of our results by computing the income generated by the household financial asset portfolio as a lifetime annuity.

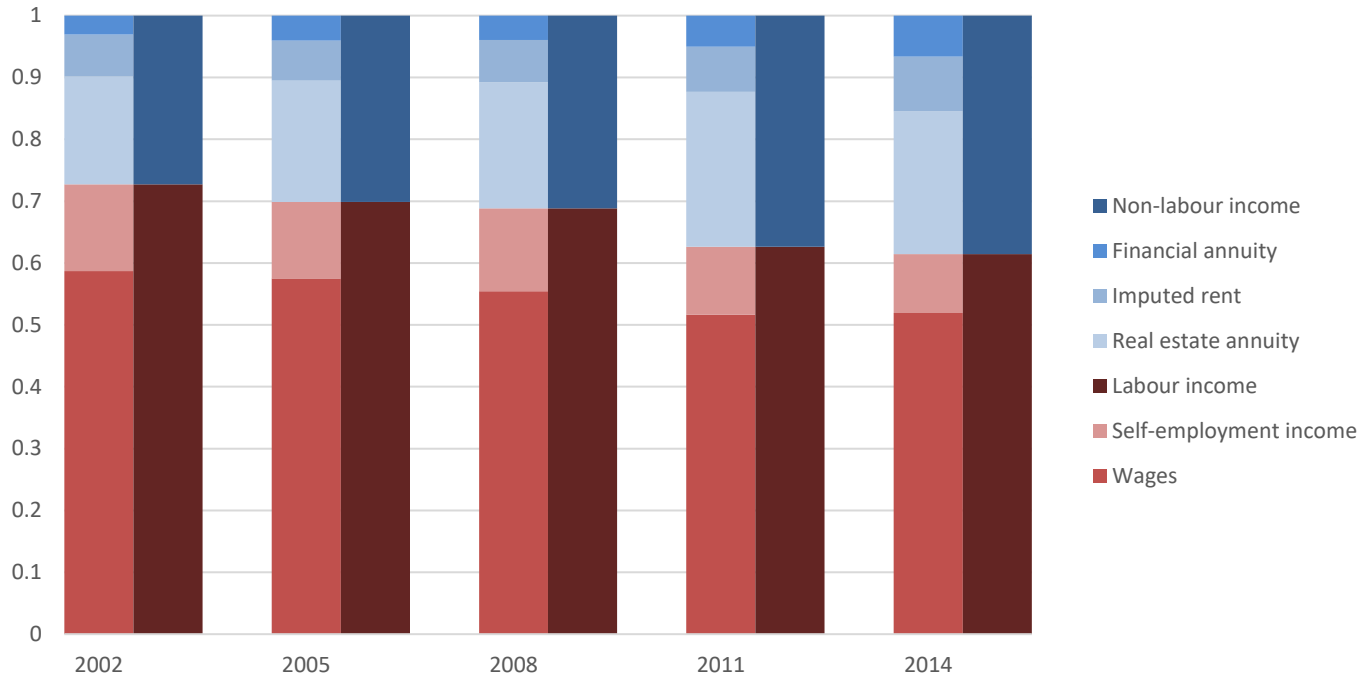
We first analyze the evolution of our extended market income in contrast to the standard definition. In both cases, there was an important increase in market income from 2002 up to the financial crisis. Then, due the economic downturn, the level of the extended market income for 2014 fell to the levels of before 2005 and the standard market income was at the lowest level in the period of analysis. In Figure 1, it can be observed that the standard market income fell more sharply than the extended market income after 2008. The use of long term rates

Figure 1. Household equivalized market income in Spain, 2002-2014



Source: Own construction using the Luxembourg Wealth Study (LWS) Database - Encuesta Financiera de las Familias (EFF),2002 to 2014.
Notes: Extended market income is the sum of labor income, self-employment, real estate annuities, financial annuities, and imputed rents. The financial assets also incorporate the income from private pensions and bonds. Standard market income includes the labor income, self-employment and capital income (property income plus realized capital gains).

Figure 2. Extended household equivalized labor and non-labor market income, 2002-2014



Source: Own construction using the Luxembourg Wealth Study (LWS) Database - Encuesta Financiera de las Familias (EFF), 2002 to 2014.

of return for computing the annuities of non-labor income could explain this difference.

If we consider the sources of our extended measure of market income (Figure 1), most remarkable is the downturn trend in labor and self-employment income especially after 2008, as a consequence of the deteriorating conditions in the labor market. In contrast, it highlights the enormous importance of real estate annuities, which in 2011 represented 23% of market income. However, it lost weight in 2014, and in absolute terms it fell to the levels seen before the financial crisis, due to decreasing house prices. However, it still preserves a significant weight in total income, because the fall in labor income was even sharper. Interestingly, the weight of the annuity from financial assets has grown more than 50% since 2002, representing around 7% of market income. These assets could be an alternative for the lower profitability of housing assets, revealing a change in the composition of household asset portfolios. Finally, the imputed rents have also gained importance since 2002 and accounted for 8% of market income in 2014. The main residence maintained its dominant influence on well-being in Spain despite the severe financial conditions after 2008.

Figure 2 shows the increasing relevance of non-labor income in our extended measure of household well-being in recent years. While in 2002 non-labor income constituted 27 percent of total household extended income, in 2014 it had become more than 38 percent. This first result underlines the importance of considering other, non-labor market income flows to households when aiming to evaluate differences in household well-being and inequality trends. Indeed, labor income weight has fallen from 72% of market income in 2002, to 61% in 2014. This downturn was particularly important after the financial crisis, when the drop of this source of income was 11%. In contrast, non-labor income has gained relevance in both relative and in absolute terms.

To conclude, our extended income measure shows the continuous increase of non-labor income between 2002 and 2014. It is possible to transform the importance of real estate assets for the Spanish household wealth portfolio into a measurable source of well-being. The constant increase of imputed rents confirms the relevance of the main residence as a constant source of well-being in Spain. This growth has been steady even in the dramatic context of the real estate market after the financial crisis. Additionally, the extraordinary importance of the remaining real estate assets shows that they act as one of the main investments of Spanish households. However, due to the drastic drop in house prices their weight in our extended market income fell to levels lower than those in 2008. Therefore, Spanish households changed their wealth portfolio in favor of financial assets, which in 2014 represented 6% of our extended market income. We find that the drop of labor income as a result of the fall in employment and the deterioration of labor market conditions was partially offset until 2011 by the prominence of real estate annuities, the importance of imputed rents and the permanent increase in financial annuities.

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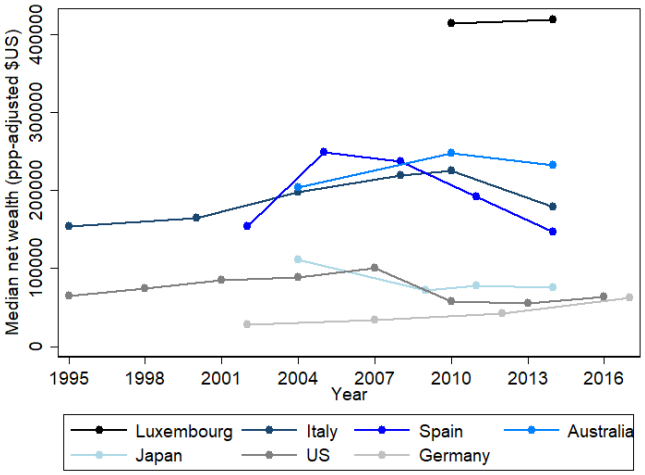
The Luxembourg Wealth Study Database Is Growing: Some New Results

Andrej Cupak ✉, (LIS)
Piotr Paradowski ✉, (LIS and Gdańsk University of Technology)

With the emerging national surveys on household balance sheets and with the successful acquisition and harmonization of such datasets, the Luxembourg Wealth Study (LWS) Database has grown to one of the largest comparable databases on household wealth in the world. Currently, it covers nearly 20 countries. Recently, a new series of microdata has been added to the database for countries such as Luxembourg, Spain, and Japan. Furthermore, other countries, which have been less covered in the empirical literature, such as Chile or South Africa, will become part of the database in the near future. Expansion of the LWS Database and its cross-country perspective should allow researchers to shed light on interesting research topics such as, amongst others, differences in the composition of assets and liabilities across countries (e.g. Badarinza *et al.*, 2016) or the study of differences in wealth distribution (e.g. Cowell *et al.*, 2017). The main goal of this short note is to present several new results obtained from a comparative perspective, especially for the newly added countries.

First, there are remarkable differences in the household net worth levels across countries and over time. A glance at Figure 1 shows that median disposable net worth is the largest in Luxembourg with more than four hundred thousand $US. On the other hand, the lowest level of wealth can be seen in Germany, approaching around fifty thousand $US for the year 2017. Some of the considered countries experienced a drop in household wealth, especially after the financial crisis, but have more recently experienced a slight recovery (e.g. the United States). A remarkable hump-shaped pattern can be observed for the median net wealth evolution in Spain, with steady growth up to 2004 followed by a sharp decline. Finally, the median household net wealth in Italy steadily grew from 1995, peaked in 2010 at the level of above two hundred thousand $US, and then dropped by around 20% between 2010 and 2014.

Figure 1: Evolution of median net wealth across countries and over time



Notes: calculations carried out using survey weights and accounting for multiply-imputed data. Furthermore, all nominal values are expressed in 2011 $US prices using PPP deflators. Net wealth consists of real and financial assets (excluding pensions) less the liabilities. For Japan, business equity, consumer goods, and other real estate liabilities were not collected.

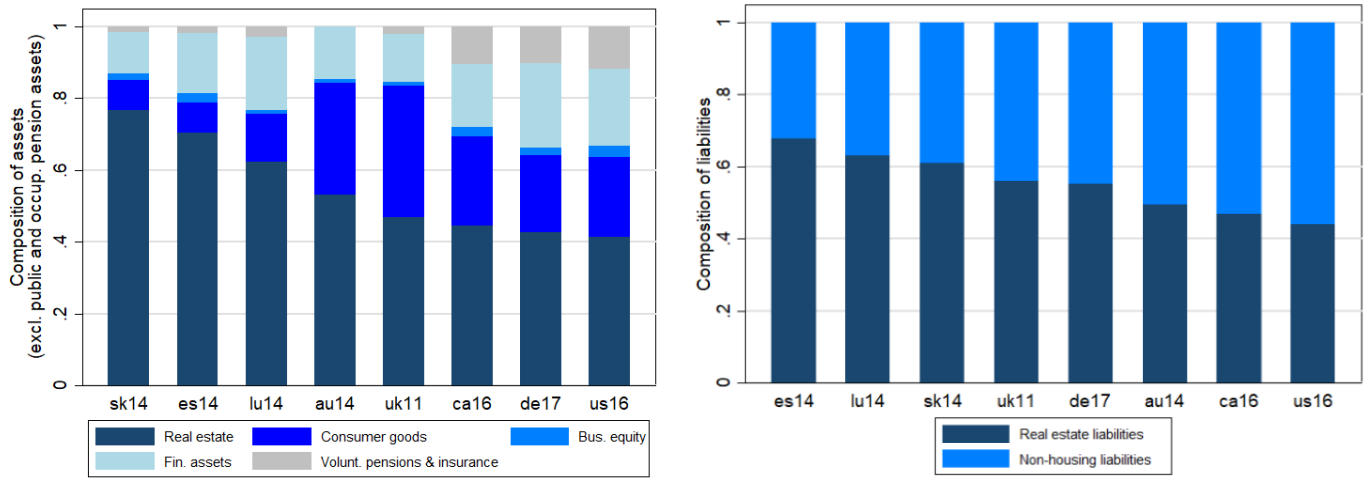
Source: Luxembourg Wealth Study (LWS) Database.

Second, when it comes to the allocation of household wealth to different asset classes, we can also notice substantial heterogeneity across countries. Figure 2 offers two views: composition of assets and composition of debts. While housing plays a very important role in household portfolios for countries such as Slovakia, Spain, and Luxembourg, it is less significant for the Anglo-Saxon countries and Germany. On the other hand, the importance of financial and private pension assets is more remarkable in Canada, Germany, and the US as compared to the first group of countries. As regards the composition of liabilities, similarly to asset composition, debts contracted for real estate acquisitions have bigger importance in Spain, Luxembourg, and Slovakia, as compared to Canada, and the US, where non-housing liabilities constitute almost 60% of the total debts.

Figure 2: Composition of household assets and liabilities across countries

a) Composition of assets

b) Composition of liabilities



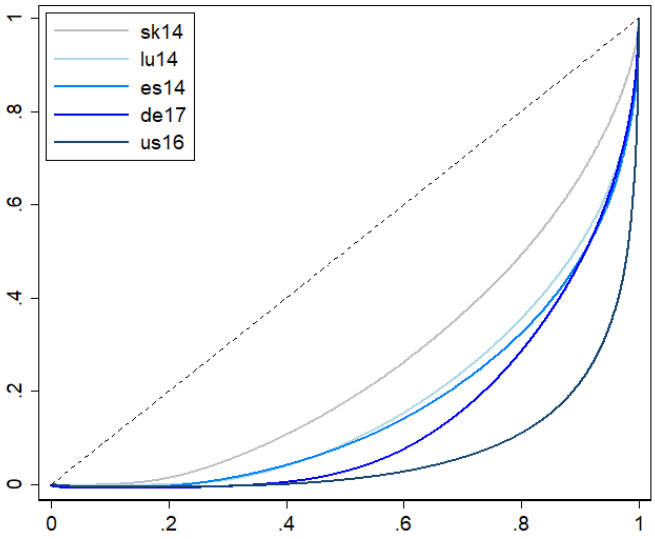
Notes: calculations carried out using survey weights and accounting for multiply-imputed data. Household assets do not include social security and occupational pension assets. Pension assets in Australia were collected at the aggregate level, thus the voluntary private pensions and life insurance cannot be separated. Although private pension assets make up a rather large portion of household portfolios in Australia, they cannot be presented in this chart for reasons of comparability.

Source: Luxembourg Wealth Study (LWS) Database.

Finally, Figure 3 offers a picture of the net wealth distribution across selected countries. It is well known that wealth is much more unequally distributed than household income or consumption. In this figure, we can see that while in Slovakia the top 10% of households hold slightly above 20% of the total nation's wealth, in the US the situation is exactly the opposite with around 80% of the country's wealth held by the top 10% of households. Wealth inequality is comparable across Spain, Luxembourg, and Germany, especially in the upper part of wealth distribution. Cross-country differences in wealth inequality might be explained by differences in the composition of household assets (see Figure 2). For example, Lindner (2015) found that wealth held in households' main residence has the most equalizing effect on overall wealth distribution. In contrast, self-employment business assets tend to increase wealth inequality the most.

We believe that this snapshot of results will catch the attention of LWS Database users and encourage them to conduct fruitful research beyond the simple descriptive statistics presented in this highlight.

Figure 3: Distribution of net wealth across countries



Notes: calculations carried out using survey weights and accounting for multiply-imputed data. Household wealth also includes voluntary private pensions and life insurance.

Source: Luxembourg Wealth Study (LWS) Database.

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Poverty Reduction Programmes in 2007 in Uruguay: A Comparative Study of PANES and Food Access Policies

Rosa Melfi ✉, (Sapienza University of Rome)

If absolute poverty is no longer a problem in most European countries since the post-war period, it still plays a huge role in many regions of the world such as Africa, Latin America and a large part of Asia. According to Sen (1985) poverty does not just mean a lack of income; it also means malnutrition, no access to education, social exclusion and discrimination, lack of participation in decision-making, etc. In order to reduce poverty levels, many countries have in recent years begun to implement policies aimed at achieving these goals. According to Fiszbein *et al*. (2009), among the various policies implemented, CCTs (Conditional Cash Transfers) especially seem to have had the highest impact in achieving the goal of poverty reduction and of improving people's living conditions. CCTs are programmes that transfer cash to poor households on the condition of satisfying specific criteria. They have become very popular since the 1990s and were first introduced in Brazil and Mexico. Today many Latin American countries have implemented various conditional cash transfer programmes.

This article will focus on policies introduced in Uruguay around 2005-2006 and its effects in terms of poverty reduction among the population as a whole and also specifically among children:

- *PANES (Plan de Atención Nacional a la Emergencia Social)* is the first anti-poverty programme launched in Uruguay. It lasted from 2005 until 2007, and, according to Manacorda *et al. (2009),* its aim was to alleviate the economic crisis that affected the country and thus reduce poverty levels. The action plans of this policy were applied through two methods: CCTs for the main part and direct government interventions. The sub-programmes of PANES[1] are:

  1. Citizen's income: It includes one transfer per household when different conditions are met (getting regular check-ups at the doctor, the education of the children, community activities).

  2. Building exit routes: the main purpose is to reduce the situations of social emergencies.

  3. Working for Uruguay: emergency employment plans that promote environmental improvements and social initiatives in poorer areas of the country.

  4. Assistance to the homeless: through the provision of shelter, breakfast and dinner, etc.

  5. Habitat improvements: programme for the areas where families receiving *PANES* benefits live.

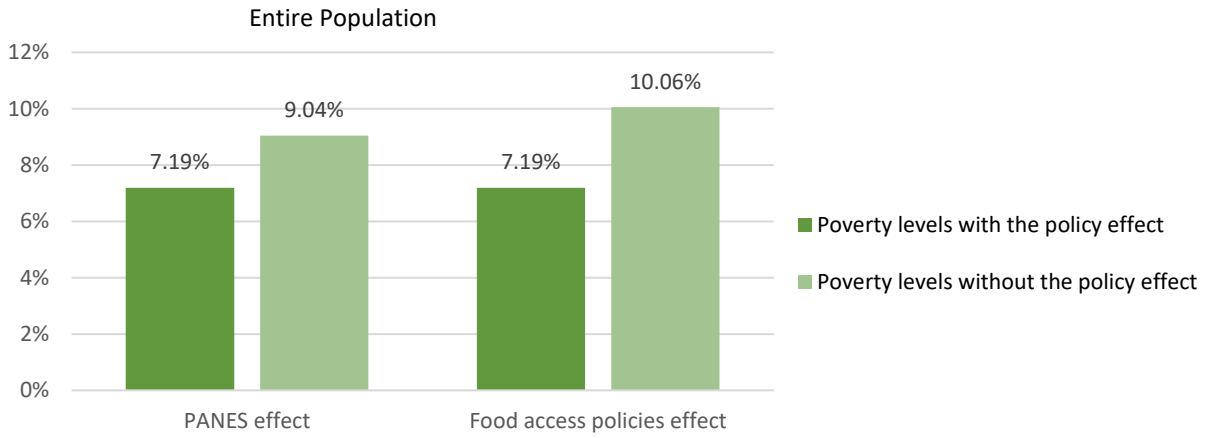
  6. Microenterprise development programme: it aims to finance projects undertaken by small enterprises.

- A second set of programmes was launched in 2007 under the heading of *food access policies*. These programmes aim to provide access to food for various poor segments of the population. They can be differentiated as follows[2]:

  1. Food baskets for critical situations, for pensioners and for people with diseases.
  2. In-kind food assistance for the malnourished.
  3. Food assistance at school.
  4. The Food card included in the *PANES* programme.
  5. Other kinds of food assistance.

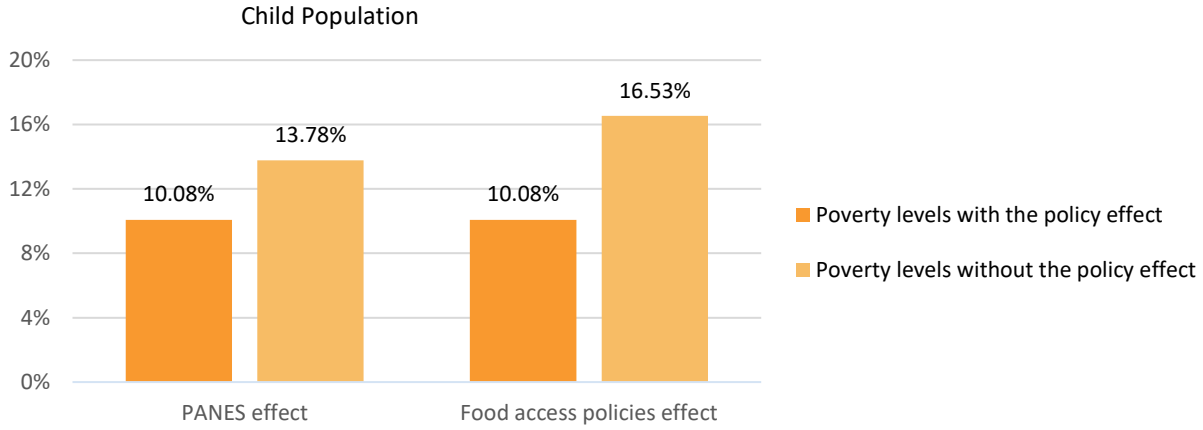
The following graphs show the effect in terms of extreme poverty reduction of the two policies. The poverty line is defined as 40% of the median value calculated on income distribution. In order to account for economies of scale, the *"LIS equivalence scale"* [3] has been applied. The reference scenario in this analysis is the poverty rate obtaining if the policy had not been applied. The figures compare poverty rates before *PANES/food access programs* and after receiving *PANES/food access policies*.

Figure 1: The effect of *PANES* and *food access policies* on poverty levels in 2007 calculated for the entire population



Source: Luxembourg Income Study (LIS) Database.

Figure 2: The effect of *PANES* and *food access policies* on poverty levels in 2007 calculated for the entire child population[4]



Source: Luxembourg Income Study (LIS) Database.

Figure 1 shows the effects of the two programmes on the extreme poverty rate across the overall population. *PANES* achieves a reduction of about 2% (from 9.2 % to 7.2%) and the *food access policies* a reduction of about 3% (from 10.1% to 7.2%).

Figure 2 looks at the situation among children only, who are one of the target groups. First, there is a higher level of child poverty (10.08% compared to the overall level of 7.2%); but equally, it shows the higher impact of the two policies in terms of extreme poverty reduction. Without the "*PANES effect*" child poverty would have been estimated around 13.8% (almost 4% higher), while without the "*food access policies effect*" the poverty rate would have been estimated to around 16.5% (almost 6.5 % higher).

The overall study thus shows the very significant impact of the two policies on reducing poverty and improving living conditions especially among the child population. This study is illustrative and could be adapted to many other similar programs targeted at alleviating poverty.

1 The analysis of the policy does not include the food card that is already part of the programme PANES because it has been included in the food access policies.

2 See METIS for more detailed information, available at: https://www.lisdatacenter.org/frontend#/database/1/selection

3 Defined as the square root of the number of family members.

4 Defined as the number of people under the age of 17.

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Poverty in Brazil: A Tale of Two Rates

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Brazil, despite being a relatively young country with 10.2% of the population aged 65 or more compared with 25.6% under 18, has a social security system that has traditionally focused on the protection of the elderly. It was not before the beginning of the 21st century that social protection in the country started to include programs targeted at families with children, aimed at reducing poverty among them. The conditional cash transfer program *Bolsa Família* (Family Allowance), one of the largest such programs in the world, was introduced in Brazil in 2003. In this note we use the Luxembourg Income Study (LIS) Database to examine whether these distinctive features of Brazilian social policy are reflected in the gap between poverty among children and among the elderly and how Brazil compares with other countries in this respect. We also look at the incidence of social security transfers by age and by income group, as well as at the position of children and the elderly within the total income distribution in Brazil.

LIS Key Figures provide estimates of poverty rates for three relative poverty lines: 40%, 50%, and 60% of the country median equivalised household disposable income.[1] Figure 1 shows poverty rates for children (under 18 years), the elderly (65 years and over), and the overall population in LIS countries based on the 40% of median income threshold, which can be interpreted as severe poverty (Mazeikaite 2019). It can be seen that of all 49 LIS countries, Brazil has the highest child poverty rate (24.3%). In contrast, the relative poverty rate among the elderly in Brazil (1.9%) is one of the lowest. LIS Key Figures also estimate that in 2013 the child poverty rate in Brazil was lower (20.2%), which means that children's wellbeing decreased relative to the rest of the population between 2013 and 2016. Among the elderly, however, the tendency in that period was an improvement in their relative position.

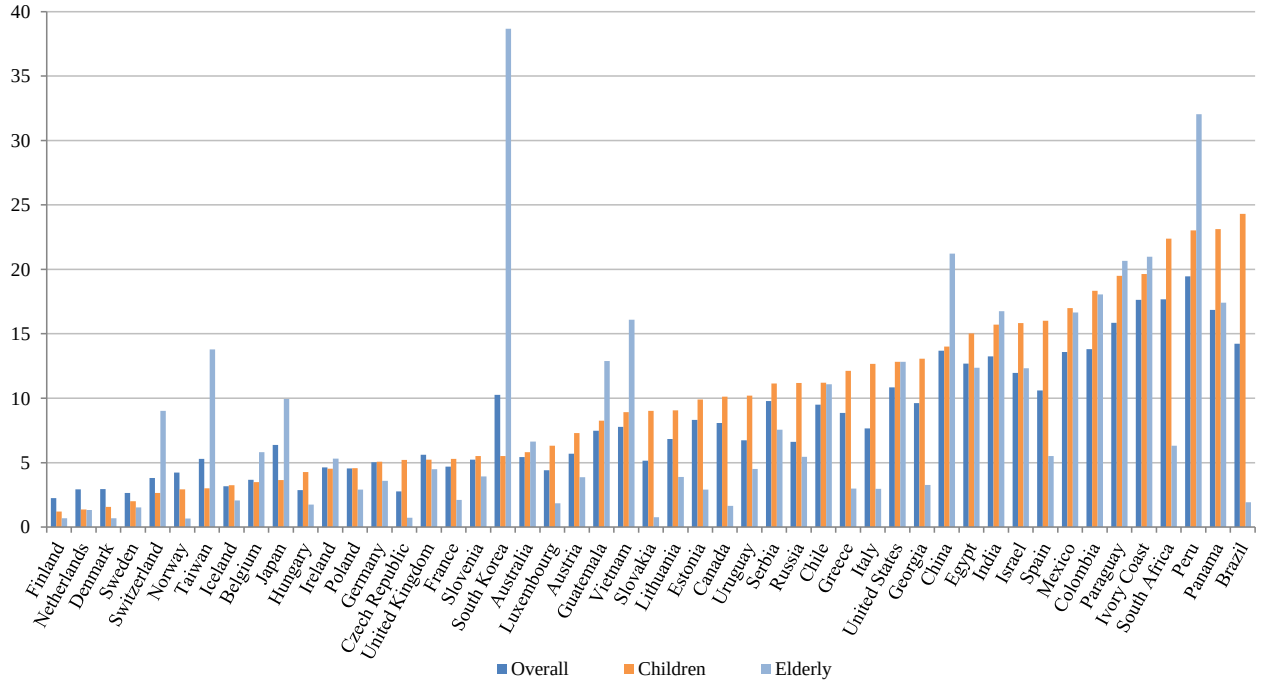
The fact that the social security system in Brazil guarantees a basic pension to all elderly people in low income households, with a value set equal to the legal minimum wage, whose value has stayed just above the country's median per capita income, can explain the very low rate of relative poverty among the elderly. However, the concentration of social spending on pensions goes well beyond the basic pension scheme and also reflects the quite generous retirement rules prevailing till recently, particularly for public servants. Figures 2 and 3, elaborated using LIS microdata, corroborate these points. Figure 2 shows that the average social benefit paid to households headed by young people is much lower than that paid to households headed by older people, including those aged around 50, since the social security rules allowed such an early retirement. Figure 3, in its turn, shows that children are disproportionately concentrated in the bottom decile of the income distribution (17.6%), while more than one third (34.2%) of social security transfers goes to the top two deciles.

The descriptive results presented in this note show that child poverty in Brazil is very high compared to national and international poverty rates, and that to a great extent this reflects the way public resources are distributed among age and income groups. While poverty at any age is of concern, there is near universal consensus that poverty among children deserves especial attention, not only for ethical reasons but also due to severe lifelong consequences such as poor health and reduced performance at school and also in the labour market later in life. Recently, Brazil underwent a reform of its social security system aimed at reducing spending on pensions, whose high level has critically limited investment in other social areas. Our findings highlight that this is a crucial measure and that tackling child poverty should be seen as a major priority in the Brazilian social agenda.

1 The procedure used by LIS to account for economies of scale is to divide household income by the square root of household members. For more details on LIS methodology, see LIS Key Figures.

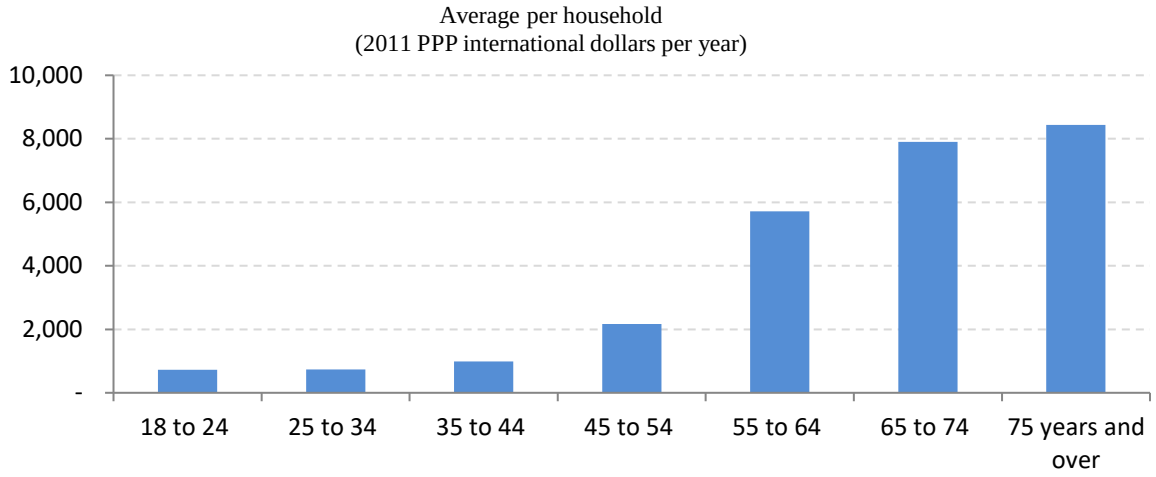
Figure 1: Relative poverty rates for the overall population, children and elderly

% of individuals with household income below 40% of median



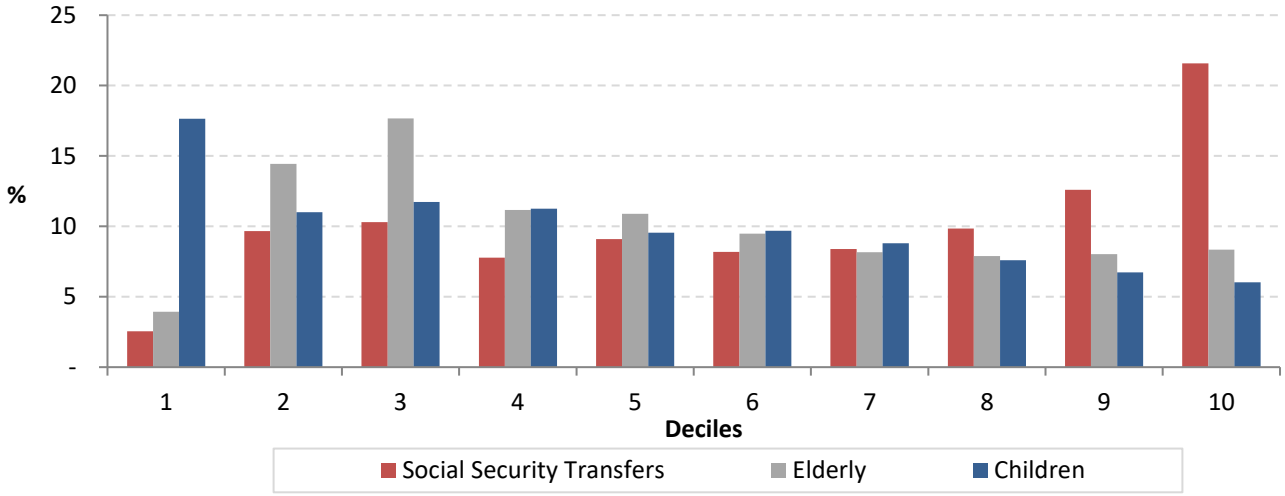
Source: Elaborated by the authors from LIS Key Figures.
Note: Figures refers to 2016 in the case of Brazil and to the latest available year for other countries.

Figure 2: Equivalised social security transfer by age of the head of the household, 2016, Brazil



Source: Elaborated by the authors from 2016 LIS database for Brazil.
Note: Averages are calculated among households receiving social security transfers.

Figure 3: Distribution of children, elderly and total social security transfers by decile group, 2016, Brazil



Source: Elaborated by the authors from 2016 LIS database for Brazil.
Note: Households are grouped into deciles based on their equivalised disposable income.

References

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News, Events and Updates

New job opportunity at LIS, Luxembourg – Microdata Expert

LIS is seeking applications for a Microdata Expert. The position involves joining the LIS data team in producing harmonised datasets. This includes evaluating the original datasets structure and quality (possibly working with data providers), harmonising original variables, documenting harmonisation methods and dataset specificities, assisting and instructing users. The successful candidate will have: i) a Master in statistics, sociology, economics, demography, or another social science; ii) extensive experience in management of large micro datasets with a focus on income, consumption or wealth.; iii) knowledge of STATA is required; knowledge of R is an asset, as is experience working with the LIS data.; iv) excellent command of English is required, other languages are an asset; v) strong quantitative skills, abilities
to pay attention to detail and to work closely within a team in a cooperative way. For more information, see here.

Press Conference – Signing of an agreement between the Luxembourg Cooperation and LIS

A press conference was held on the 11th of December to announce signing an agreement between Luxembourg Cooperation and LIS. The Minister for Cooperation Mme Paulette Lenert, LIS President François Bourguignon and LIS Director Daniele Checchi informed the press about the generous financial contribution of the MAEE aimed at providing unlimited access to the LIS data to the staff of the Organisation of the United Nations (ONU), as well as the agencies, funds, programmes and other institutions that are part of the UN System (with the exception of the specialised institutions) for a period of 5 years (2020-24).
The announcement of UN access to the LIS Data, is available here.

LIS Introductory Summer Workshop, 6-10 July 2020

Upon the success of the first collaboration between LIS, the University of Luxembourg and LISER, to co-organize the LIS 2019 Summer Workshop, the three institutions will continue to join forces to organize and teach the 2020 "*Summer Workshop on Inequality and Poverty Measurement".* This workshop, taught in English, is a one-week intensive course designed to introduce researchers in the social sciences to comparative research on income and wealth distribution, employment and social policy, using the harmonised Luxembourg Income Study (LIS) and the Luxembourg Wealth Study (LWS) Databases. Attendees will be trained to use both databases independently and will have the opportunity to:

- Acquire advanced knowledge about methods used in inequality research
- Gain skills related to the study of comparative inequality
- Learn in detail about the LIS and LWS data and develop ties with LIS' large international network.

More information on how to apply, and related practicalities will be announced soon, stay tuned for the updates!

LIS acquired Laos Expenditure and Consumption Surveys (LECS)

We are happy to announce that last August LIS has signed a Data Agreement with Laos Statistics bureau (LSB). By which, LIS will harmonize the three waves of the Laos Expenditure and Consumption Survey (LECS), and make them accessible through our remote-execution system (LISSY) as an addition to our Luxembourg Income Study (LIS) Database. Stay tuned for more updates!

Visiting Scholar Program: InGRID and LIS

Since 2014, LIS is a partner with InGRID (Inclusive Growth Research Infrastructure Diffusion), a network of European research infrastructures that helps the social science community to conduct top-notch research that contributes to a European policy strategy of inclusive growth. One of the integral activities of the InGRID-2 project is the visiting grants that provides transnational access to research infrastructures with data and expertise within different fields, among which is poverty and living conditions pillar. Thanks to the sponsorship of InGRID project more than 20 researchers from different EU Member States and associated countries were able to visit the LIS venue in Luxembourg and directly work on the LIS/LWS Database. (see here). So far, LIS hosted scholars from Belgium, Czech Republic, France, Georgia, Germany, Greece, Israel, Italy, Netherlands, Poland, Serbia, Spain, and Switzerland. The projects undertaken by the scholars fell under different themes mainly in comparative and cross-country analysis on poverty and inequality on developed and developing countries, in addition to the thriving research using the LWS database including risk aversion, relationship between wealth and income inequality.
We would like to encourage researchers to apply for a funded visit on-site through the European Commission's H2020 Framework Programme, the InGRID-2 project, to work directly on the LIS/LWS microdata (see here). We would also like to encourage researchers to take part in the InGRID events (see here) in the forthcoming months.

Visiting scholars

During this quarter, LIS welcomed two visiting scholars who came to work onsite with the LIS Databases namely Rosa Melfi, and Dmitry Petrov Dóbrikov. Rosa received an Academic Scholarship from Sapienza University (Rome), where she is enrolled, for preparing part of her master's thesis abroad. During her stay at LIS, Rosa studied the inequality and poverty levels on different income definitions and analysed the role (in terms of reducing the level of inequality) of government redistribution and different fiscal transfers on six countries that experienced a period of crisis, focusing on both developed that developing countries. Dmitry is a PhD student at University of Alcalá de Henares, his research is dedicated to the measurement of wealth as another source of well-being for households. He has been estimating the weight of the different income sources in shaping market income inequality in Spain in a whole decade (2002-2014) incorporating asset value (owner-occupied housing and wealth assets) as a flow in household market incomes. During his visit, he extended his research to include other countries using the LWS *Database* in comparison with Spain.

Highlights of the first ERF-LIS conference on "Inequality trends around the Mediterranean"

On the 5th of December, the first ERF-LIS conference "*Inequality trends around the Mediterranean*" was held in Cairo. The conference is part of a collaboration initiative between LIS and the Economic Research Forum to promote academic research on inequality and poverty and development/evaluation of evidence-based policies.

During the conference, eight research papers have been discussed. These papers exploit the richness of the common ERF-LIS *Database* that complies microdata from both the LIS and the ERF Databases into a common template. For more information on the conference and the discussed papers, see here.

LIS mini workshop in Bologna University

In October, LIS was invited by the Political Science Department in Bologna University to deliver a mini workshop on the usage of the LIS *Database*. The workshop included around 17 Master's students who were introduced to the LIS *Database*, the variables structure, the usage of the LISSY system, and potential research areas.

News from the Stone Center on Socio-Economic Inequality – Home to the US Office of LIS

Affiliated Scholars

In September, the Stone Center welcomed its inaugural cohort of Affiliated Scholars. This group includes 28 inequality scholars from universities and institutes around the world. These diverse scholars will engage with the Stone Center in various ways, including collaborating with the Center's core faculty, postdocs, and students; participating in seminars and events; and/or publicizing their research via the Stone Center website and (forthcoming) Working Paper series. The Stone Center looks forward to adding new cohorts of Affiliated Scholars in the future. The scholars in this first cohort are listed here.

Among the new Affiliated Scholars are several long-time LIS/LWS data users and colleagues, including David Brady, Chico Ferreira, Nancy Folbre, Stephen Jenkins, Arthur Kennickell, Nora Lustig, Brian Nolan, Lane Kenworthy, Zach Parolin, and Philippe Van Kerm.

New Website

The Stone Center launched a new website in October. The new site allows the Stone Center to better showcase research, partnerships, and engagement with their colleagues and the public. The site hosts archives of videos of Center-related events, curated news, and select research by Stone Center scholars.

The site also contains a new curated digital library on wealth inequality, the first publicly-available component of the Stone Center's GC Wealth Project – a multi-year collaboration that will expand access to research and information on wealth inequality, including a focus on high-end wealth.

Stone Center Postdoctoral Scholars Program – Round 2

The Stone Center has posted applications for two additional postdoctoral scholars ("postdocs"), to start in September 2020. The Center's first two postdocs – Bilyana Petrova and Marco Ranaldi – joined the Stone Center in September 2019.

The Stone Center's postdoc program enables scholars, with a recent Ph.D., to spend two years producing empirical research on topics such as earnings, income, and wealth inequality, and contributing to the work of the Center. Priority will be given to candidates conducting research in the following areas:

- distribution of earnings, income, wealth, and/or consumption
- intergroup disparities (gender, race, ethnicity, migration status)
- politics of inequality
- social mobility
- history of inequality

Each postdoc receives an annual salary of $87,000, benefits including health insurance, funding to hire CUNY Graduate Center students as research assistants, and additional support to help offset the costs of hardware and software, books and journals, and travel.

Further information about these positions, and a link to the application, are here. The deadline is 22 December.

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