

Income and Wealth Inequality in Affluent Countries: “Inequality Within Countries and Analytical Challenges”

Janet C. Gornick

Professor of Political Science and Sociology, Graduate Center, City University of New York

Director, Stone Center on Socio-Economic Inequality

Director, US Office of LIS

with Nathaniel Johnson

Graduate Center, City University of New York

WIDER Development Conference – Join us in Helsinki on 13-15
September 2018





Introduction to LIS – an institution and a database

Empirical snapshot 1 – income inequality in high-income countries

Empirical snapshot 2 – the middle of the income distribution

Empirical snapshot 3 – incorporating middle-income countries

Empirical snapshot 4 – wealth inequality (time permitting)

Analytical Challenges at LIS



Introduction to LIS

LIS (“Cross-National Data Center in Luxembourg”) is a provider of cross-national, over-time, microdata (i.e., households and persons). Currently covers about 50 countries, mostly high- and upper-middle income, organized into 10 repeated cross-sections (“waves”), from 1980-2016.

LIS’ main value added:

- (1) labor-intensive work of data harmonization.
- (2) remote-execution system enables access to eligible researchers from universities, government agencies, and NGOs.

Primary focus is income data; also labor market, consumption, wealth variables.

Venue for teaching, training, research-sharing (Working Papers, conferences), and development of methodological standards; large virtual research community.

History of collaboration with supranational organizations, including OECD, World Bank, IMF, ILO, and several UN agencies.

And, of course, LIS has long been a data source for WIID, WIDER’s World Income Inequality Database.



Question 1

It has been widely reported that, since the 1980s, income inequality has increased in about 2/3 of high-income countries. Is that accurate? Has market income inequality increased? Disposable income inequality? Both?

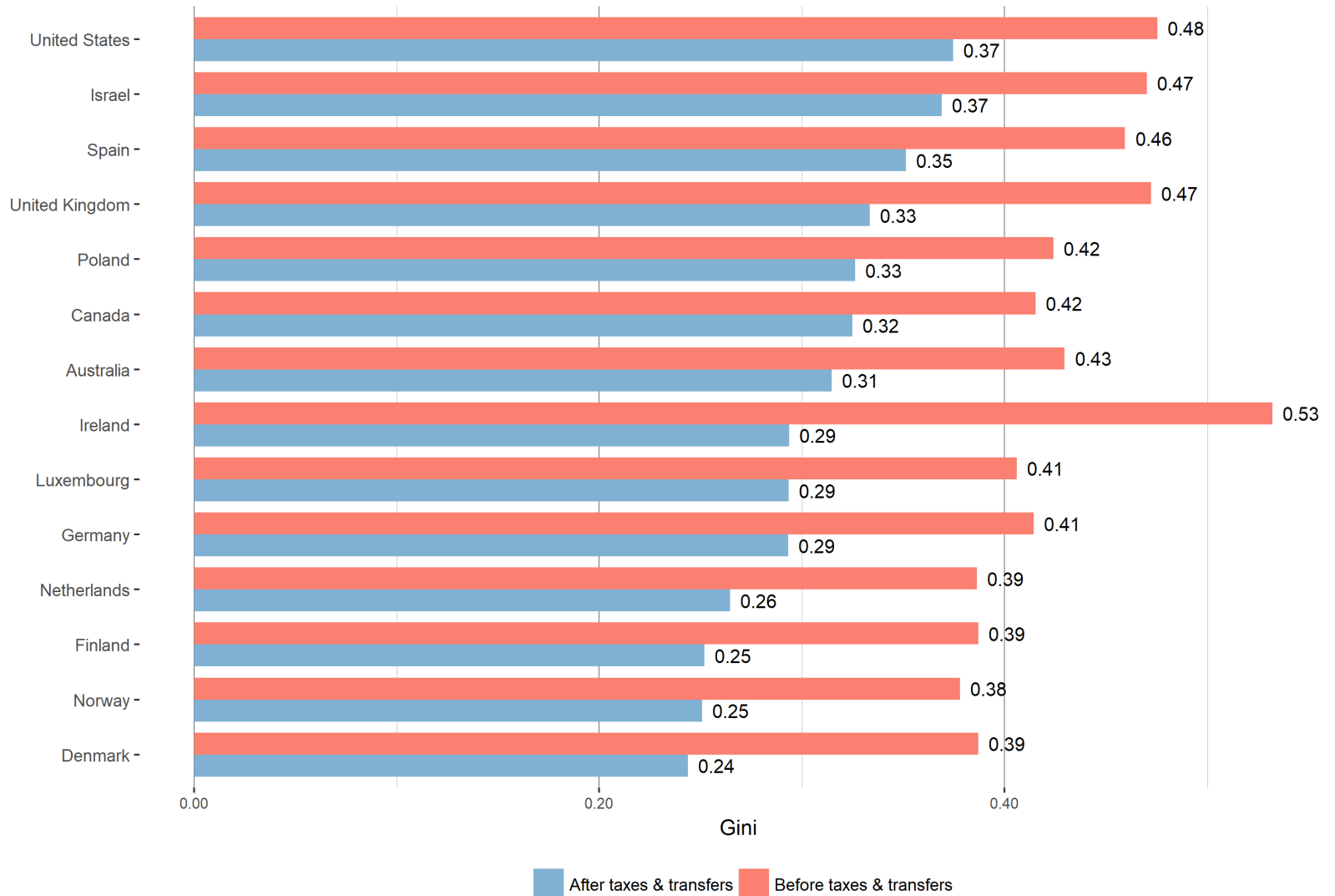


Household income inequality, non-elderly households

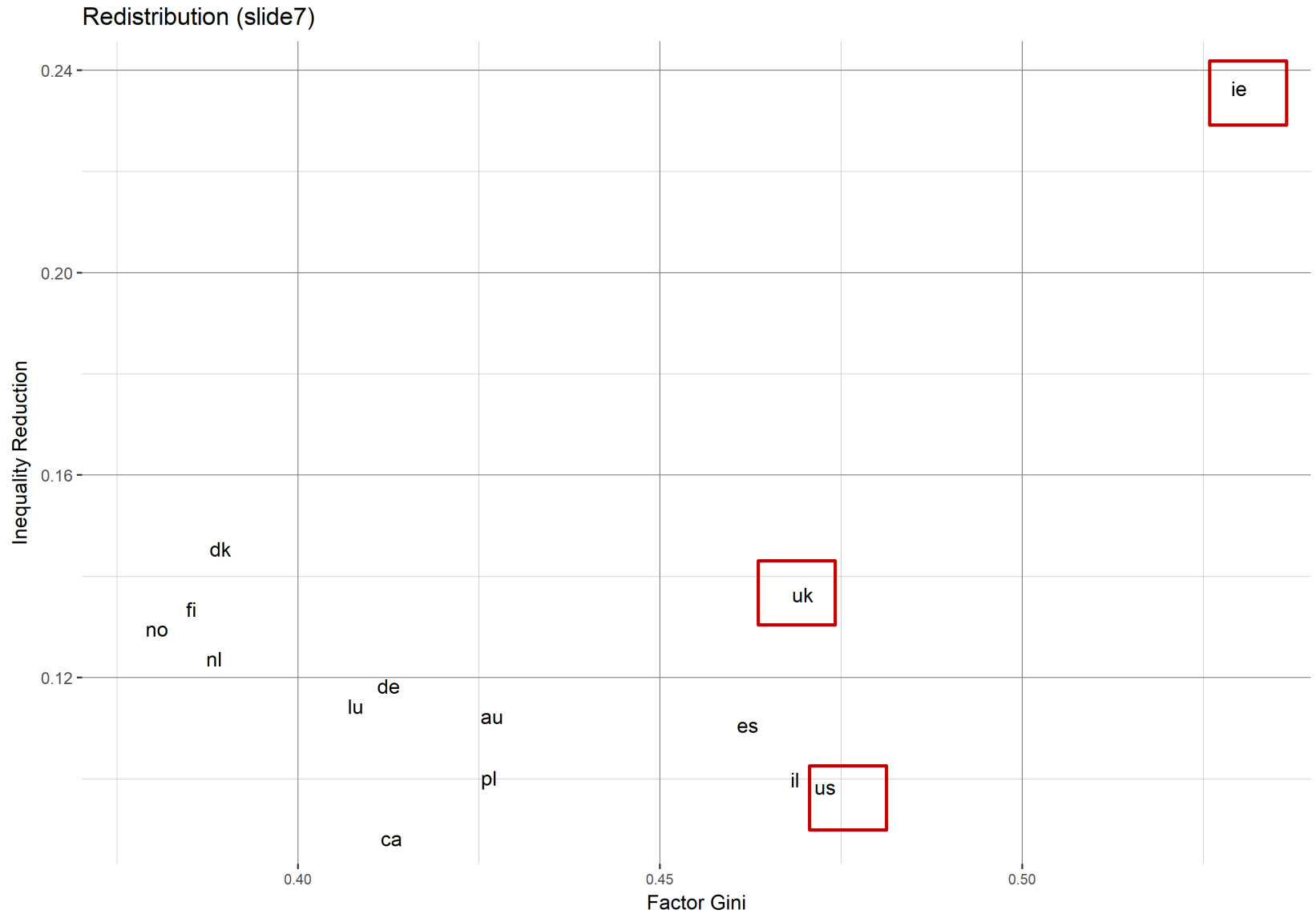
2013 (except Australia and Ireland – from 2010)

Market income and disposable income (DHI), Ginis

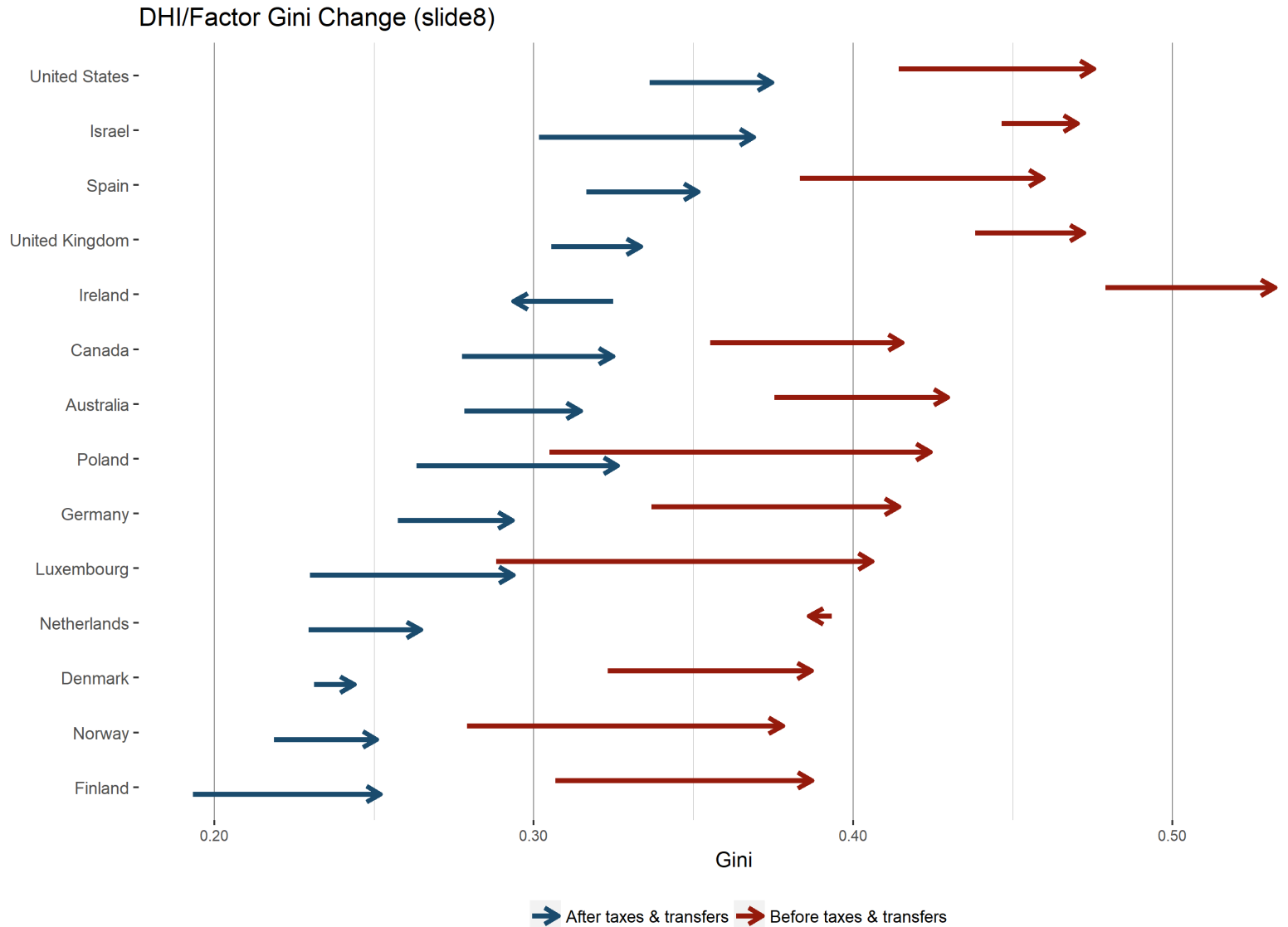
DHI/Factor Gini (slide6)



Market income and redistribution, [non-elderly households](#) 2013 (except Australia and Ireland – from 2010)



Market income and disposable income (DHI), Gini, non-elderly households – change, approx. 1985 to approx. 2013

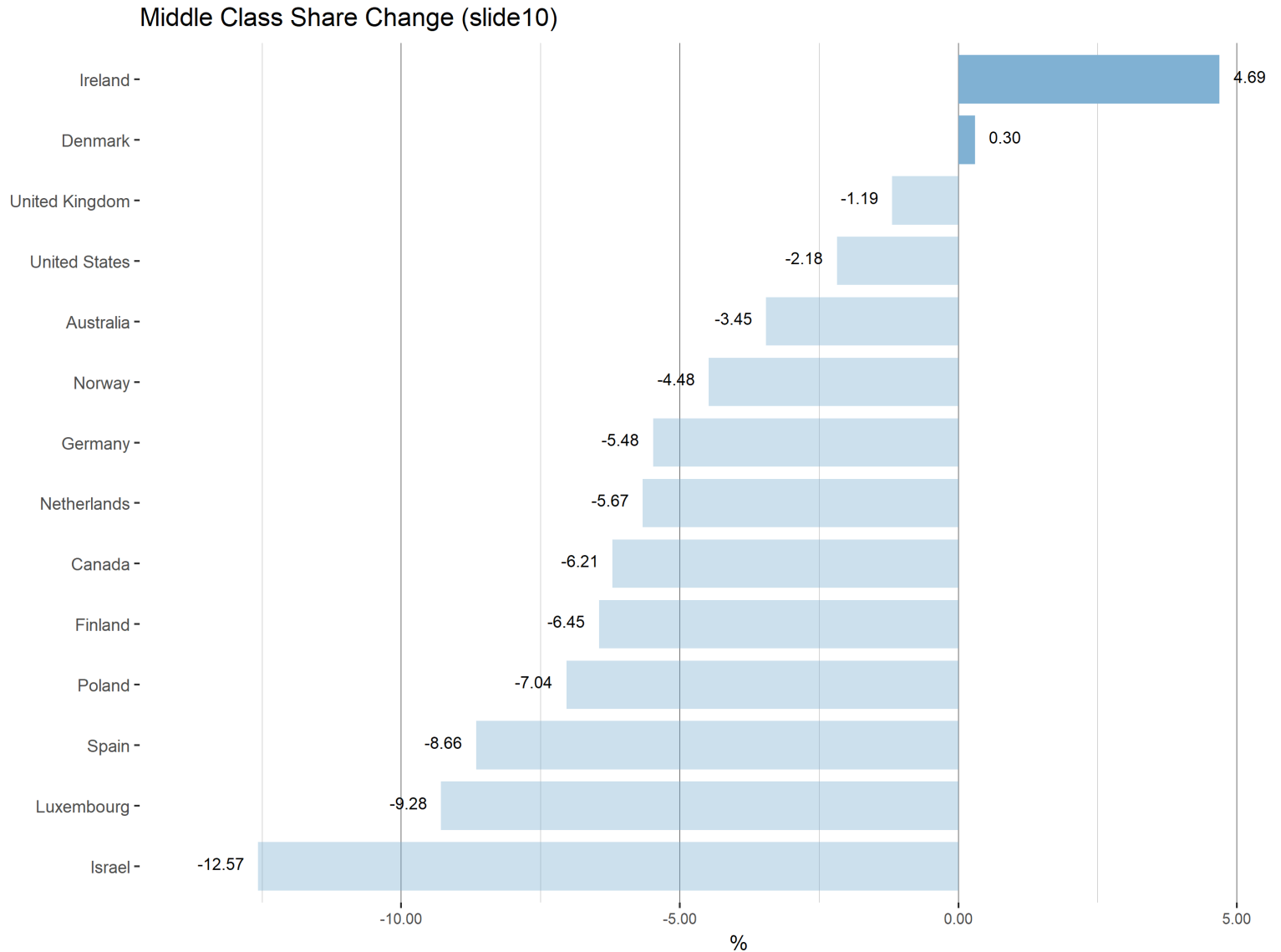


Question 2

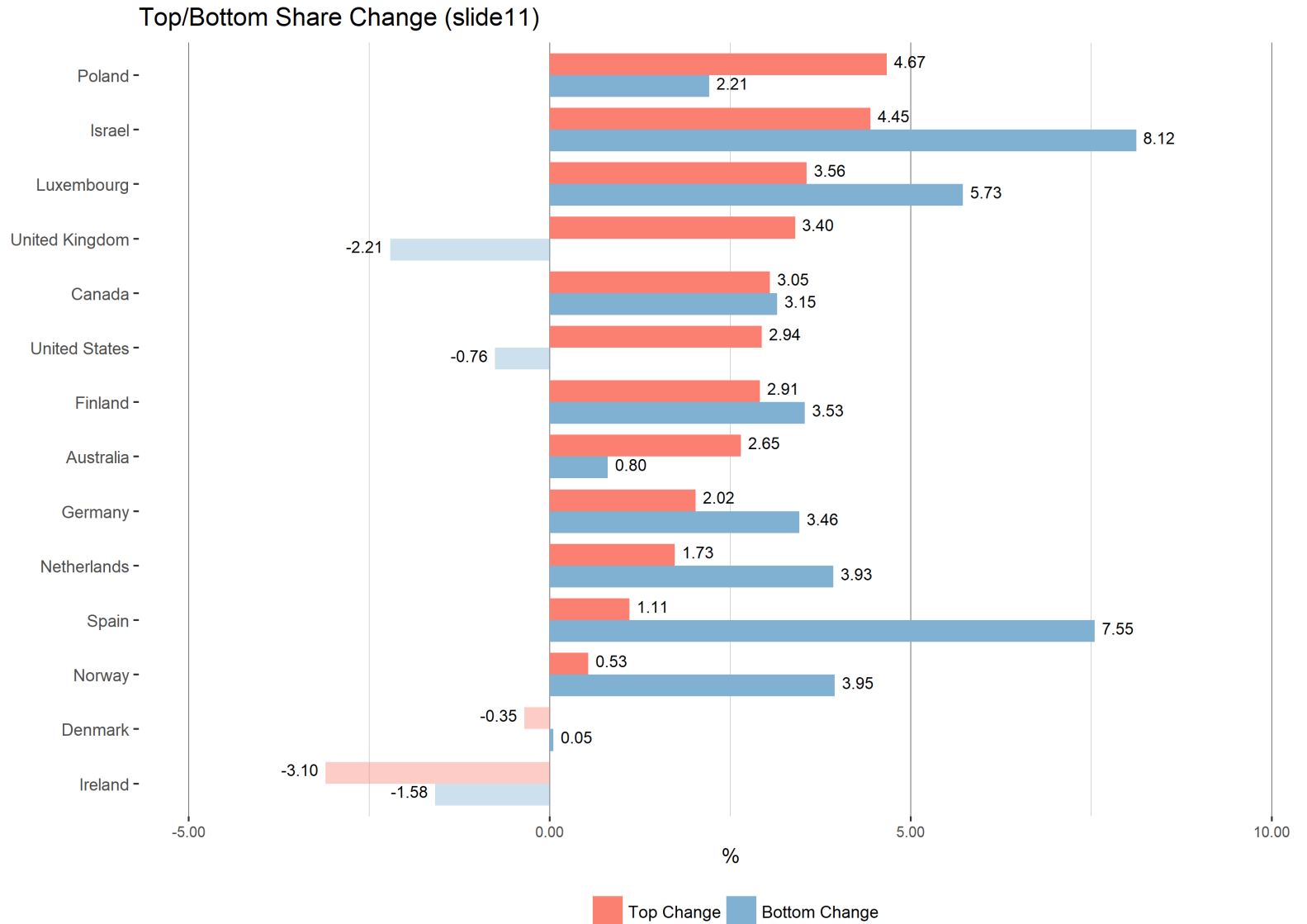
We hear a lot about “the hollowing out of the middle”. During the last three decades, what exactly has taken place in the middle of the income distribution? Has the size of “the middle” – defined by percentage deviations from the median – shrunk? Has the real income level of the middle fallen?



Households with disposable income between half and twice the median, [non-elderly households](#) – percentage point change, approx. 1985 to approx. 2013

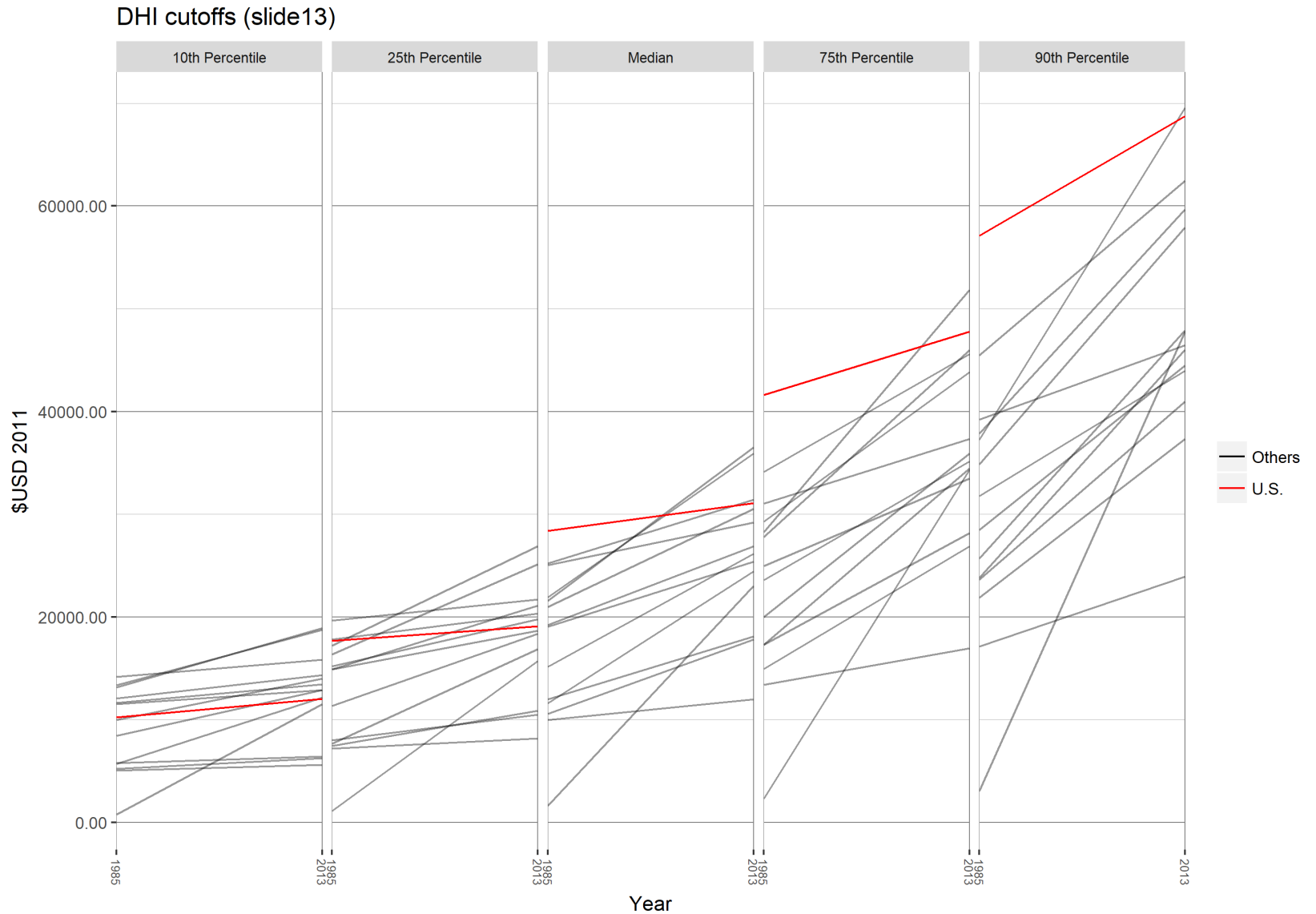


“Where have they gone?” – up or down?
percentage point change, approx. 1985 to approx. 2013



Disposable income (DHI) levels, [non-elderly households](#)

– approx.1985 to approx. 2013; 10th, 25th, 50th, 75th, and 90th percentiles



Question 3

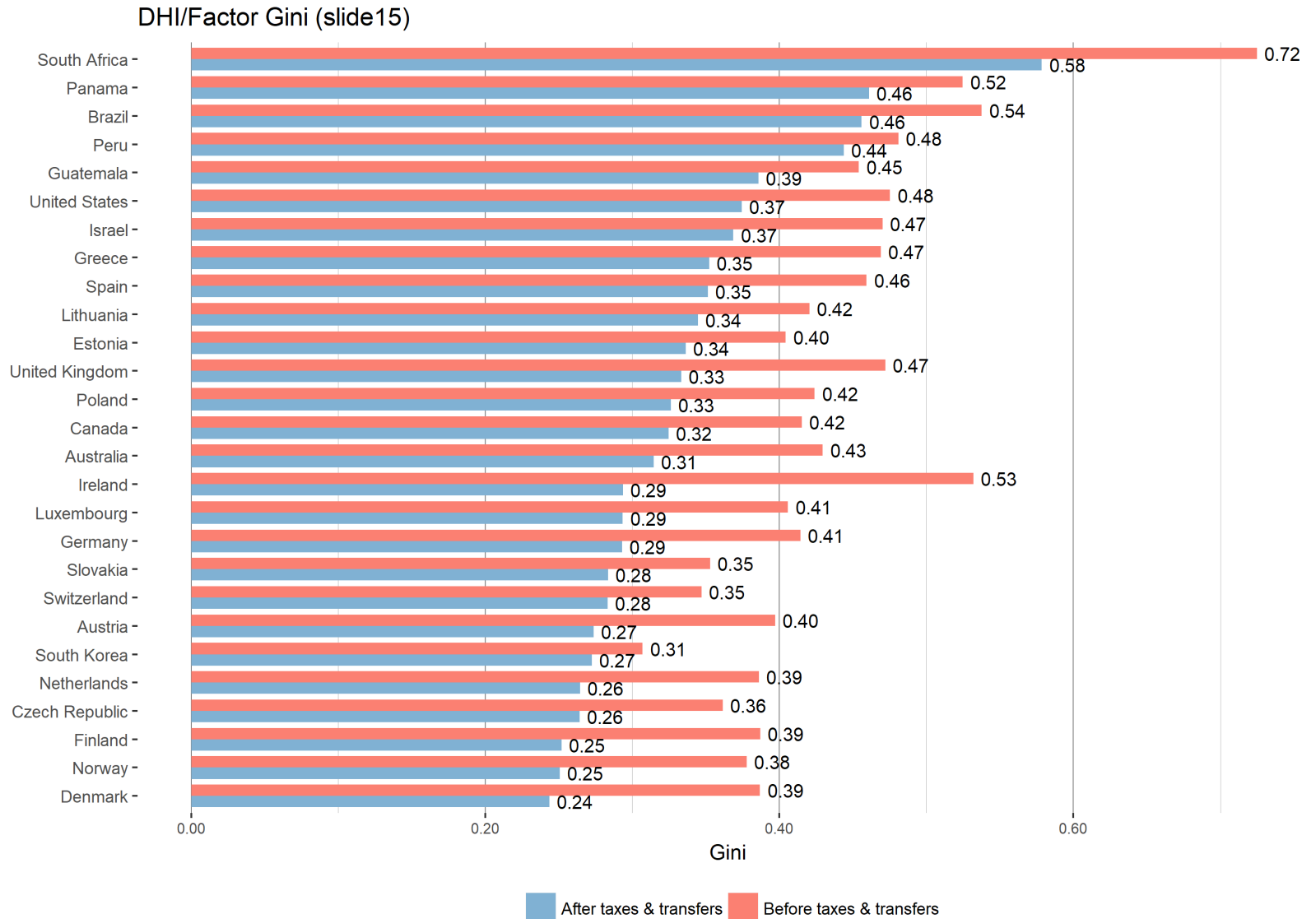
How do contemporary patterns of income inequality differ between high- and middle-income countries?



Household income inequality, [non-elderly households](#)

2013 (except Australia and Ireland -2010, Israel, South Africa, South Korea – 2012, Guatemala – 2014)

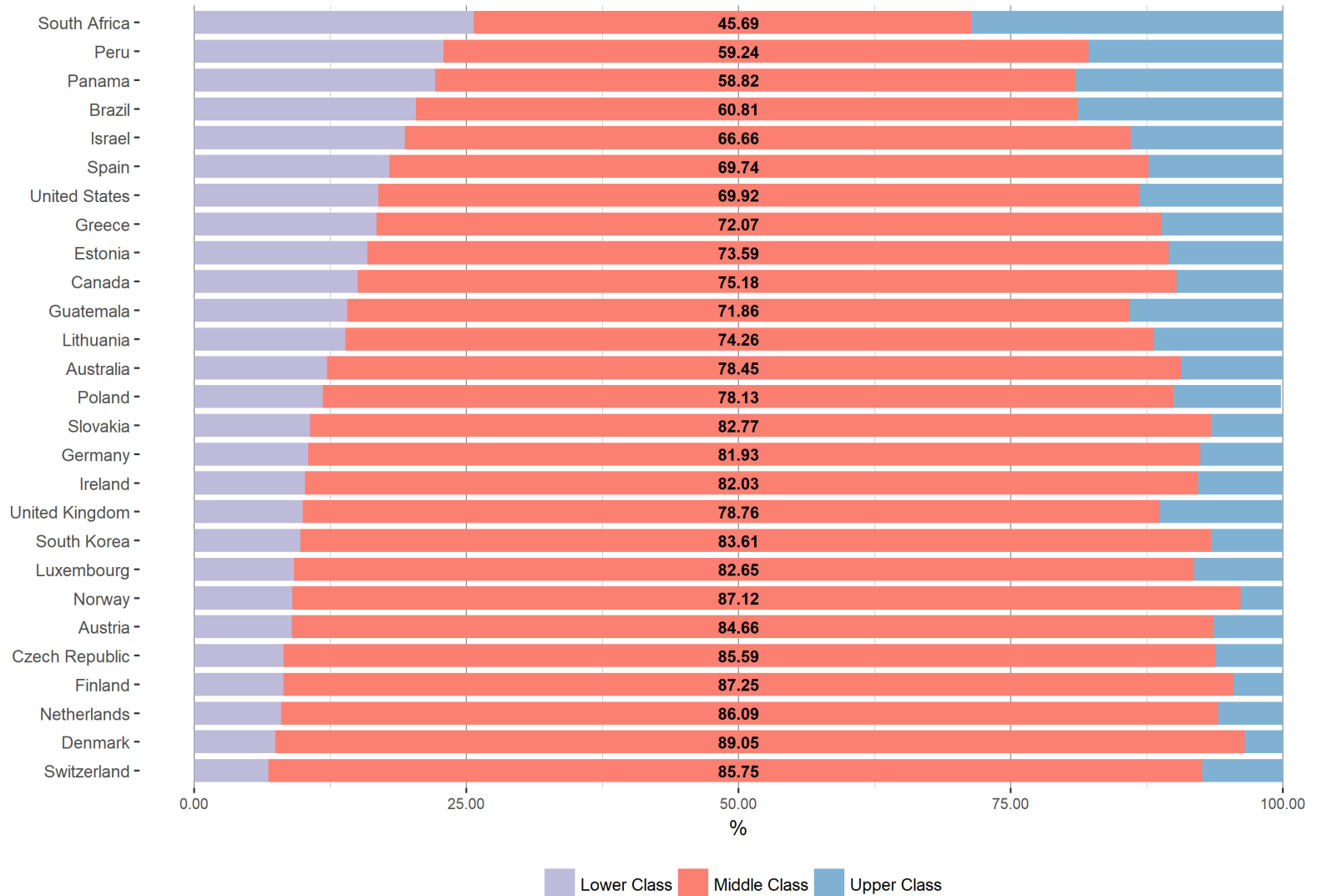
Market income and disposable income (DHI), Ginis



Disposable income, [non-elderly households](#), 2013

% of households < 50% median, 50-200% median, 200%+ median

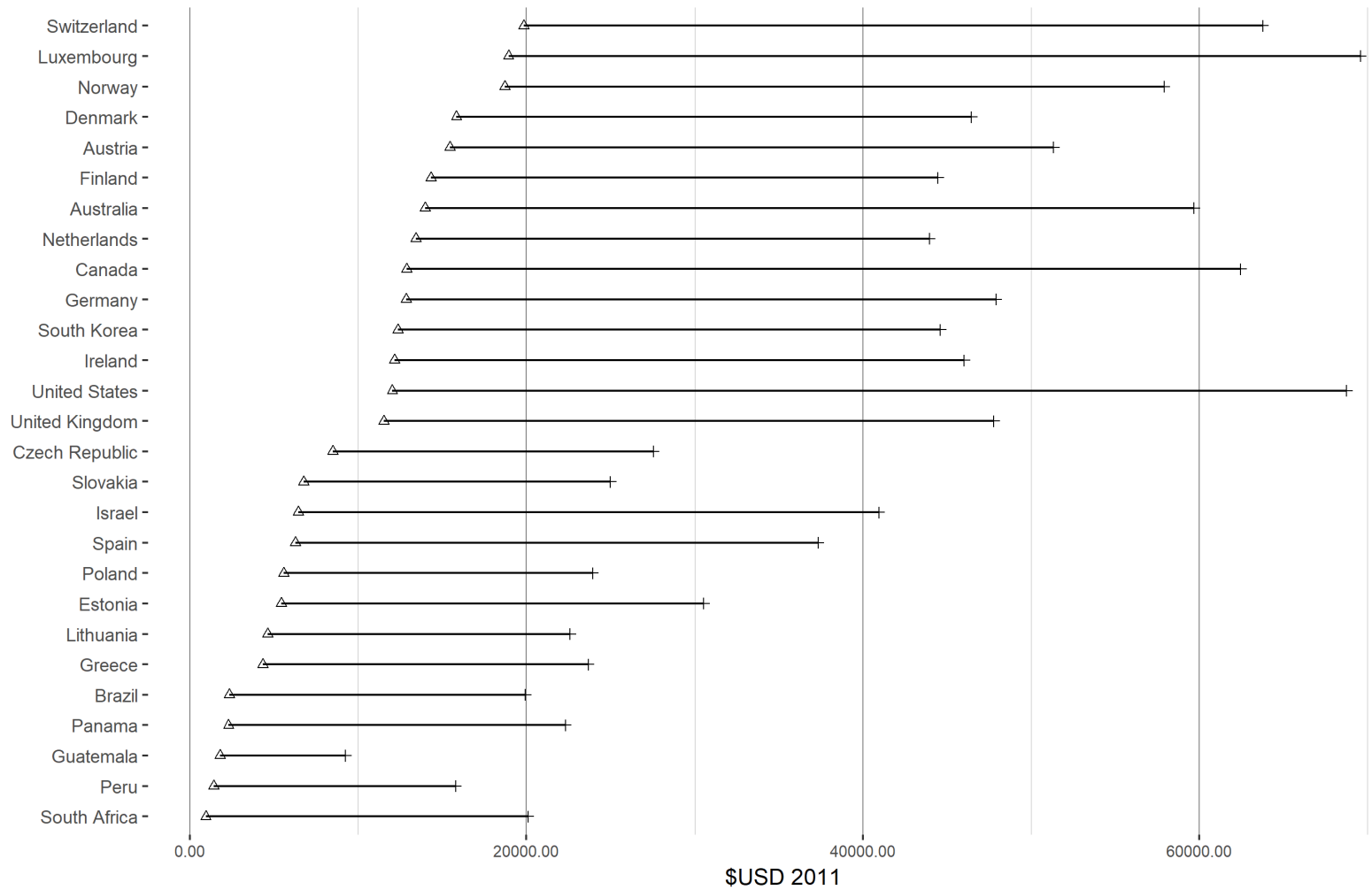
Middle Class Shares (slide16)



Disposable income levels, [non-elderly households](#), 2013

International dollars, 10th percentile, 90th percentile

Distribution (slide17)



Percentile △ 10th + 90th

Question 4

What do we know about the distribution of wealth across households in high-income countries, after the crisis? To what extent are income and wealth jointly distributed across households?



Income and wealth Ginis, 2010-2014 period
(households with non-elderly heads)

		INCOME GINI	WEALTH GINI
Australia	2010	0.318	0.629
Canada	2012	0.336	0.690
Finland	2013	0.256	0.643
Italy	2014	0.329	0.599
United Kingdom	2011	0.355	0.641
United States	2013	0.473	0.878

Data source (both income and wealth results): LWS Database.
Wealth is disposable net worth, which is household non-financial and financial assets (excluding pensions) minus all liabilities



Income and wealth shares, 2010-2014 period
 (income in the income distribution, wealth in the wealth distribution)
 (households with non-elderly heads)

INCOME SHARES				
		Bottom 20% of the income distribution	Middle 60% of the income distribution	Top 20 of the income distribution
Australia	2010	7.4%	53.3%	39.3%
Canada	2012	6.3%	53.6%	40.0%
Finland	2013	9.3%	55.8%	34.9%
Italy	2014	6.6%	54.3%	39.1%
United Kingdom	2011	6.6%	51.2%	42.0%
United States	2013	5.1%	42.1%	52.7%
WEALTH SHARES				
		Bottom 20% of the wealth distribution	Middle 60% of the wealth distribution	Top 20 of the wealth distribution
Australia	2010	0.8%	35.0%	61.2%
Canada	2012	0.1%	29.7%	70.2%
Finland	2013	0.1%	35.5%	64.2%
Italy	2014	0.6%	39.2%	59.9%
United Kingdom	2011	0.7%	34.3%	63.7%
United States	2013	0.001%	9.5%	89.9%

Income and wealth inequality, 2010-2014 period - joint distribution (households with non-elderly heads)

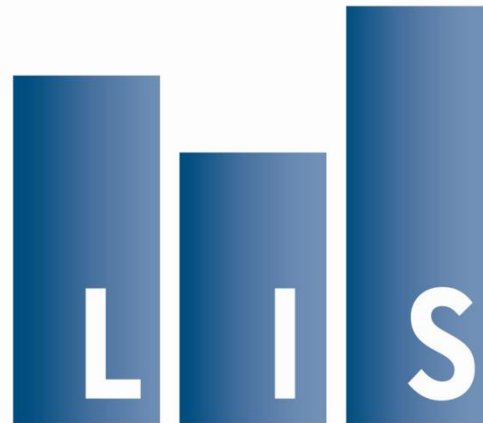


LIS: Cross-National Data Center in Luxembourg.

Producing harmonized cross-national income/wealth microdata - analytical and other challenges

- Selecting countries and datasets:
 - Cross-national comparability (fewer) versus global coverage (more)
 - Hard-to-acquire priorities versus easily-available datasets
- Assessing data quality (when is a dataset good enough to include?):
 - What is the minimum “signal-to-noise ratio”?
- Editing datasets and/or imputing missing data:
 - Are we a data creator or a data custodian?
- Designing scope of variable list and level of variable disaggregation:
 - Detail versus user-friendliness
 - More information per dataset versus more datasets
- Constructing documentation:
 - Balancing back-end investment with front-end needs
- Moving beyond income and/or beyond household surveys:
 - Constancy versus change





CROSS-NATIONAL
DATA CENTER
in Luxembourg

Thank You

Janet C. Gornick

Director, Stone Center on Socio-Economic Inequality
Director, US Office of LIS