



## *The Legacy of Tony Atkinson in inequality analysis*

### **Highlights of the 2<sup>nd</sup> LIS/LWS Users Conference**

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The 2<sup>nd</sup> LIS Users Conference took place on the 3<sup>rd</sup> and 4<sup>th</sup> of May 2018 in the Belval Campus of the University of Luxembourg, where the LIS Luxembourg office is also located. The aim of the conference was to give a tribute to our former President Tony Atkinson and to his legacy in the field of inequality analysis. Sixteen papers were selected by a Scientific Committee that included: Andrea Brandolini (Bank of Italy), Tim Smeeding (Institute for Research on Poverty, University of Wisconsin-Madison, US), Daniele Checchi (University of Milano & LIS), Louis Chauvel (University of Luxembourg), Conchita D'Ambrosio (University of Luxembourg), Janet Gornick (The City University of New York (CUNY) & LIS), Aline Muller (Luxembourg Institute of Socio-Economic Research -LISER), Carmen Petrovici (LIS), and Philippe Van Kerm (University of Luxembourg & LISER). The selected papers covered many of the themes advanced by Tony in his remarkable academic career.

The conference was opened by Georg Mein, Dean of the Faculty of Language and Literature, Humanities, Arts and Education (University of Luxembourg) and François Bourguignon (Paris School of Economics, France & LIS President) who both welcomed the participants and emphasized the importance of the research in the field that is promoted also through conferences like ours.

The opening was followed by an introductory session in which Andrea Brandolini and Tim Smeeding highlighted Tony's contribution to the advancement of inequality and poverty research and how the presented papers are linked to the themes Tony was mostly concerned about. Among them: the extremes of the income distribution— from children poverty to those in the top of income & wealth distribution; the value of linking data for income and wealth from different sources, and the importance of the LIS /LWS databases in comparative research as well as the policy implications of the research outcomes. In his outstanding career, Tony also focused on historical analysis of top income shares, cross-national comparisons of income inequality, intergenerational mobility, as well as theoretical advancements like the development of new indexes to measure inequality. Furthermore, for all his research analysis, Tony paid particular attention to the quality of the data he was using (giving among others a valuable feedback for the improvement of the LIS databases), and these concerns were specifically tackled in several papers during the conference.

Symbolically, the first paper presented in the conference was one of the last papers Tony worked on with Christoph Lakner from World Bank & Centre for the Study of African Economies, University of Oxford (UK) on Factor Income Composition of Top Incomes in the United States between 1962–2006. Analysing such a long period of time, the authors observed a U-shape pattern of distribution: between '66 and '85 labour income was less associated with the top 1% of the income distribution in which capital income played a larger role, while after the mid '80s capital and labour income tended to be more closely associated and high earners were increasingly in the top 1%. The second paper analysed an even longer time period, 100 years of top income and inequalities in the Netherlands. The author, Wiemer Salverda from University of Amsterdam (Netherlands), also collaborated with Tony in some of his previous papers. In the Netherlands the correlation of labour income with the top 1% seems to

be decreasing till the mid '70 to increase afterwards, but in a less steep slope compared to the US and in a rather non-linear way, with a slight decline in the end of the '80s. François Bourguignon, the discussant of the first session, considered that the results of the Netherlands, where the Gini coefficient varies very little over time, cannot be generalized for other countries and we should look beyond the disposable income, and in particular at primary income to see more income dynamics. Furthermore, we should look as well towards other indicators that are incorporating more dimensions for a more detailed picture of inequality over time.

The second session continued with the topic of top incomes going into the dynamics of income mobility at the top of the distribution in Switzerland with a first presentation by Isabel Martínez from University of St. Gallen (Switzerland). Using matched social security and census data, her results showed that 11 out of 12 top earners in Switzerland are men and that the mobility at the top raised in the '80s and '90s, but was rather constant afterwards with a 78% probability of the current top 1% to still be there in the following year. The next paper looked at the women in top incomes with evidence from Sweden for a long period of time, presented by Jasper Roine from Stockholm School of Economics (Sweden) and showed that their proportion doubled since the '70s in the top 10 percent of the distribution, reaching about 30% and about 18% of the top 1%. Their results also showed that women at the top of the income distribution rely more on capital and tend to have partners also at the top while for men the inverse trend was observed. The discussant, Alessandra Casarico from Bocconi University (Milano, Italy) suggested that the first paper would benefit from a comparison with other countries, especially to answer to the question of why women are so poorly represented at the top. For the second paper, she recommended to investigate more into the role of capital gains and in what assets women invest compared to men. She also suggested to see if the causes of the change in trend could be further explained in terms of tax system, marriage market or gendered labour market sectors.

The conference continued with a session on single parents and social policies targeting them. Using LIS data, Laurie Maldonado from the Stone Center on Socio-Economic Inequality (US) reviewed the redistribution effects and work-family policy in 45 countries. She concluded that in the US single parents are the worse off compared with other countries. Consequently, US can draw lessons from other countries regarding the implementation of policies for children benefits, paid leave for both parents, etc. in order to reduce poverty among single parents. Eva Sierminska from LISER talked about single parents and “wealth-being”. Using the latest wave of Luxemburg Wealth Study database (LWS), she found out that home ownership and income have a positive effect on wealth, however single parents have, in average, lower wealth than the general population and that means tested benefits may affect the wealth accumulation of the single-parents. The discussant, Konstantinos Tatsiramos from University of Luxembourg & LISER, suggested for the first paper to go further in the analysis and to compare single-parents with coupled parents, while analysing the impact of social benefits on poverty reduction, and also to investigate if there is a variation in policy measures over time that could explain the variation in poverty rates. For the second paper he recommended to look into the role of inheritance and family transfers in wealth accumulation.

The last session of the day, focused on child poverty, started with a paper that looked at the effect of *labour income and social transfers on child poverty* using LIS, presented by Bruce Bradbury from the Social Policy Research Centre, University of New South Wales (Australia) and Markus Jäntti from the Swedish Institute for Social Research (SOFI), Stockholm University (Sweden). Their results stressed the role of transfers in reducing poverty in time of crises, compensating for the loss in market income. Across countries differences were observed: real income dramatically decreased in Southern Europe (Greece, Italy, Spain), while it increased in Northern European countries and Canada. The

discussant of the session, Anne-Catherine Guio from LISER, suggested to develop further on which transfers play the largest role in poverty reduction and to detail more on the characteristics of low-income households with children in different countries. The second paper of the session, presented by Yixia Cai from the Institute for Research on Poverty, University of Wisconsin-Madison (US) focused on *lessons from Atkinson for the fight against deep child poverty*. The authors stressed that tackling deep poverty should be the number one target of policy makers. They observed a reduction of child poverty in the middle income countries and an increase in US. Their recommendation was that a universal child benefit is needed in order to reduce extreme poverty among families with children. The discussant inquired about the choice of the rather low threshold for defining extreme poverty and showed the difference which the inclusion of own consumption makes in the estimation of poverty rate, decreasing the values in many EU countries.

The highlight of the conference was the keynote lecture on European Poverty by Stephen Jenkins from London School of Economics (UK) that was an *homage* to Tony Atkinson, considered as “*a true European and internationalist dedicated to reducing poverty everywhere*”. The main topics covered in the lecture were: latest improvements on poverty monitoring in Europe, the progress done on EU poverty reduction and why it has remained below the expectations, and conceptual and measurement issues. Way ahead of others, already in the ‘80s, Tony considered that antipoverty policy should be an integral part of other social and economic policies. Stephen pointed out that we should always look at the link between policy, vulnerable groups that are targeted by the policy, and the indicators that monitor how efficient the policy was in reaching its goals. Regarding the monitoring, the choice of the material deprivation approach raises challenges as the fact that the multiple deprivation common EU list is not updated while income poverty indicators are updated with the changes in national living standards. Among the reasons why poverty reduction has been under the expectations in Europe was the fact that the social inclusion policy was not prioritized as high as economic and employment growth policies. So far, policies implemented in EU countries for raising employment and growth did not automatically reduce poverty as was expected. Furthermore, EU countries had different objectives and by prioritizing national policies over a common EU policy, the antipoverty goals were not achieved in all Members States. The main message of the lecture was that we have to stay optimistic about the future: “*to make progress happen, you have to believe, optimistically, that progress is possible*” and this is one of the core lessons Stephen learned from Tony who was “*a progressive and optimistic mind-set*” for those who knew him closely.

The second day of the conference started with a presentation by Laura Harvey from University of Leicester (UK) who, using LIS and LWS databases, investigated how inequality would look in a society where, except age, all individuals have the same characteristics. The authors found that, even in such an ‘equal’ society, there is a considerable amount of income and wealth inequality and that inequality is increased by demographic factors. Nevertheless, there were some significant differences among selected countries: Norway had the highest wealth inequality, while the lowest was in Australia, even after adjusting the Gini to account for natural inequality. The discussant of the session, Conchita d’Ambrosio from University of Luxembourg, suggested to the authors to try comparing the yearly median incomes as well, or the mean of each year to the mean of all years to get a better picture of inequality. Looking at the inequality of equal mating by selecting the couples from LIS database, Jo Thori Lind from University of Oslo (Norway) showed that intra-household sharing rules of resources affects the choice of spouse. The effect of matching was more pronounced at the bottom in the Nordic countries, while for middle income countries, the effect is more pronounced at the top of the income distribution. The discussant suggested to explore further whether their findings regarding

the fact that the effect of sharing resources is larger than the effect of flocking holds in the case of absolute inequality as well.

Looking at absolute intergenerational mobility, another topic that Tony worked on, Yonatan Berman from Paris School of Economics (France) found out that it is decreasing in all developed countries. Moreover, the rising inequality has a significant negative effect on absolute mobility. The discussant of the session, Tim Smeeding from the Institute for Research on Poverty, University of Wisconsin-Madison (US), pointed out that we should be cautious when generalizing results from several developed and developing countries to a global mobility trend. Analysing inequality from a joint income and wealth perspective in the US using LWS data, Louis Chauvel and Eyal Bar-Haim from University of Luxembourg showed that income and wealth inequality increased between 1995 and 2016 and in the same time wealth and income association increased. Consequently, income rich and wealth rich people are more the same people. The discussant suggested to look as well at inter-vivo transfers that can play even a greater role than inheritance in wealth inequality.

Following the suggestion of Tony Atkinson to adjust survey Gini's using tax top income shares, Charlotte Bartels from the German Institute for Economic Research (DIW, Germany) showed how they imputed top incomes from the World Inequality Database (WID) in survey data. The top-corrected Gini coefficients were higher than only survey based ones, especially for Germany and UK. Sofie Walzl from LISER tackled the same issue: missing the wealthy in the Household Finance and Consumption Survey (HFCS). She proposed among the solutions: oversampling at top or adjustment from external sources like national rich lists. The discussant, Michael Ziegelmeier from Central Bank of Luxembourg (BCL) highlighted that the main contribution of both papers is to improve the quality of the survey data, by correcting for top income shares. He also suggested to the authors to consider sharing top-corrected income and wealth data with the research community that could benefit from the work they have done because the quality of the data is essential for research analysis.

In the last session, Rense Nieuwenhuis from SOFI, Stockholm University (Sweden) was investigating if the potential for compensating poverty by women's employment growth has been exhausted, concluding that this is the case in most countries. The discussant of the session, Janet Gornick from The City University of New York (CUNY) & LIS, found the authors' conclusion to be too pessimistic, hoping that we still can achieve the goal of 75% employment rate by 2020. What better way to end the papers presentations than by settling the dispute between the absolutists and relativists of the inequality measures with a paper presented by Benoit Decerf from University of Namur (Belgium). He introduced the measure he developed with his co-author to take both sides into consideration and tested the robustness of hybrid poverty comparisons under unequal growth in the US. The discussant suggested to the authors to adjust for the cost of living by State that would show a significantly different picture of inequality across US.

The conference ended with a round table with the LIS team during which the (potential) users gave their feed-back about our database and future developments. Furthermore, the conference social dinner, that took place in an Italian restaurant in the Belval Campus, created new opportunities to exchange ideas among researchers in a convivial atmosphere.

The conference was a beautiful homage to our former President Tony Atkinson. All the papers and the presentations from this year's conference can be consulted on [our website](#). The papers presented in the first edition can be found [here](#) and presentations [here](#). Given the success of the first two editions of our Users Conference, we are planning to organise a third one; please check our website for news and updates.