



GINI

Appendix to final report WP3

Francesco Bogliacino, Virginia Maestri

INTERMEDIATE **WORK PACKAGE 3 APPENDIX**
JULY 2012

GROWING INEQUALITIES' IMPACTS

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Bibliographic Information

Bogliacino, F., Maestri, V., (2012). Appendix to final report WP3. AIAS, GINI Intermediate Work Package 3 Appendix.

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Appendix to final report WP3

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Virginia Maestri

GINI seventh framework programme
Cooperation, theme 8
Socio-economic sciences and humanities
SSH-2009 – 2.2.1 Social inequalities,
their implications and policy options

July 2012
Intermediate Work Package 3 Appendix





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Appendix A. Stylized facts on the evolution of inequality for GINI Project countries

A.1 Inequality according to different data sources.

In the following series of graphs, we report the GINI for net disposable income using the OECD equivalence scale, but calculated from different data sources. The sources are OECD, LIS, RED, SWIID and Eurostat (EHP and then EU-SILC).

Figure A. 1 Australia



Figure A. 2 Austria

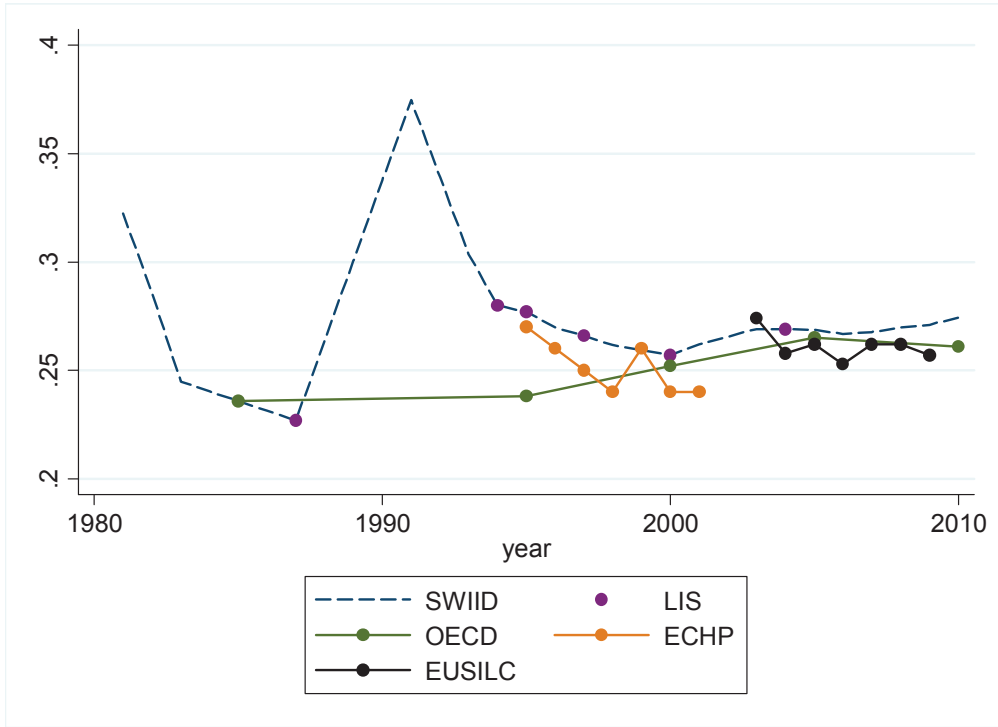


Figure A. 3 Belgium

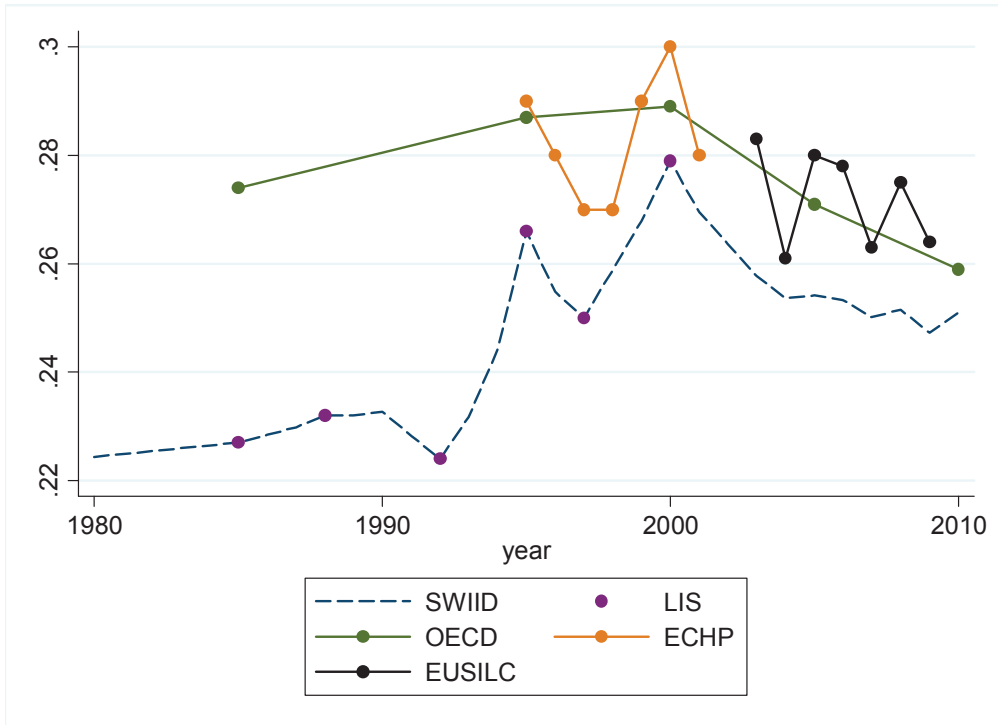




Figure A. 4 Canada

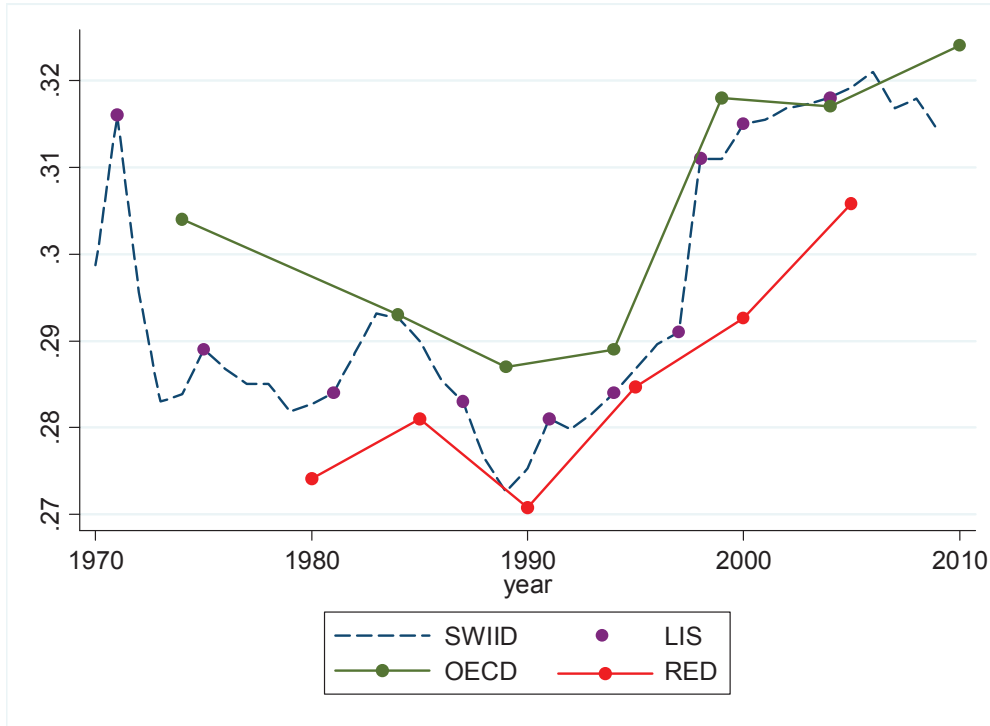


Figure A. 5 Czech republic

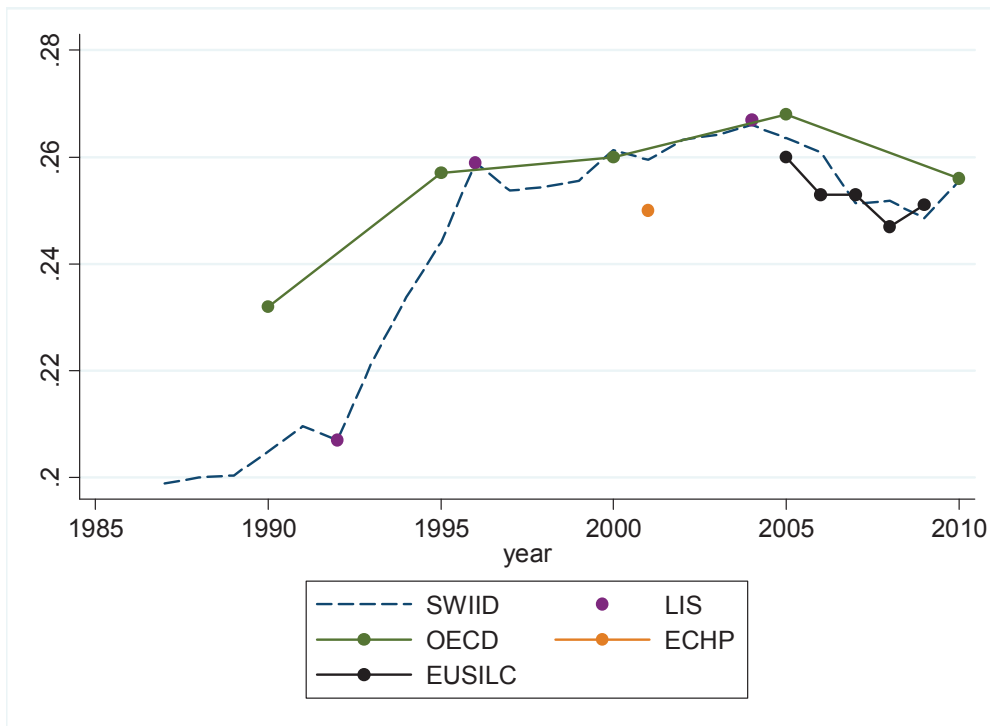


Figure A. 6 Denmark

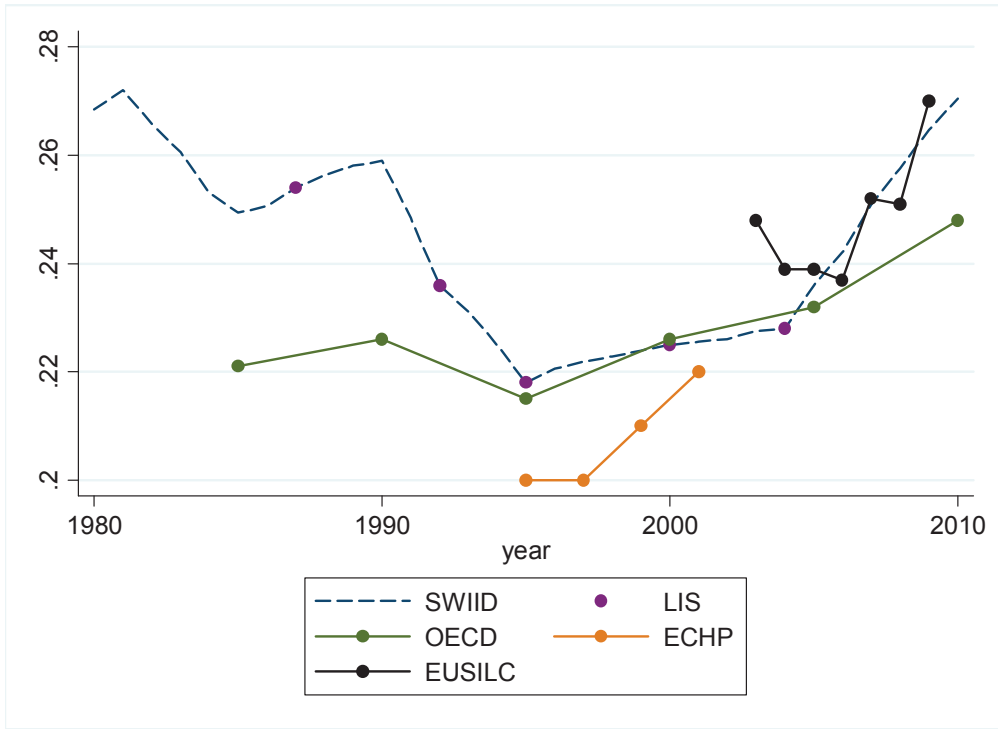


Figure A. 7 Finland

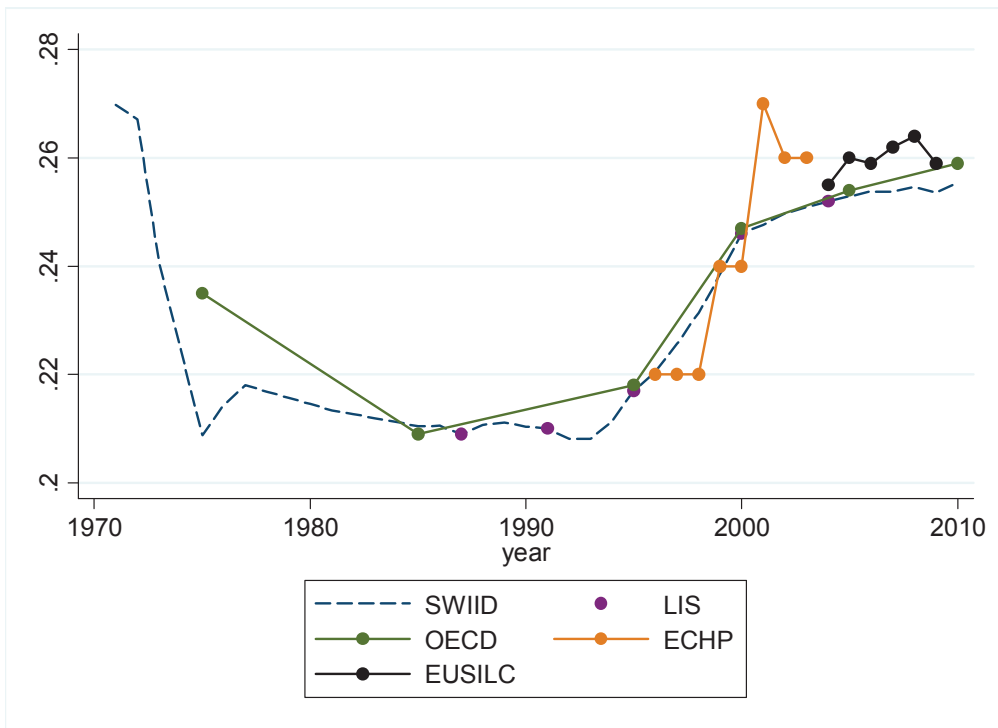




Figure A. 8 France

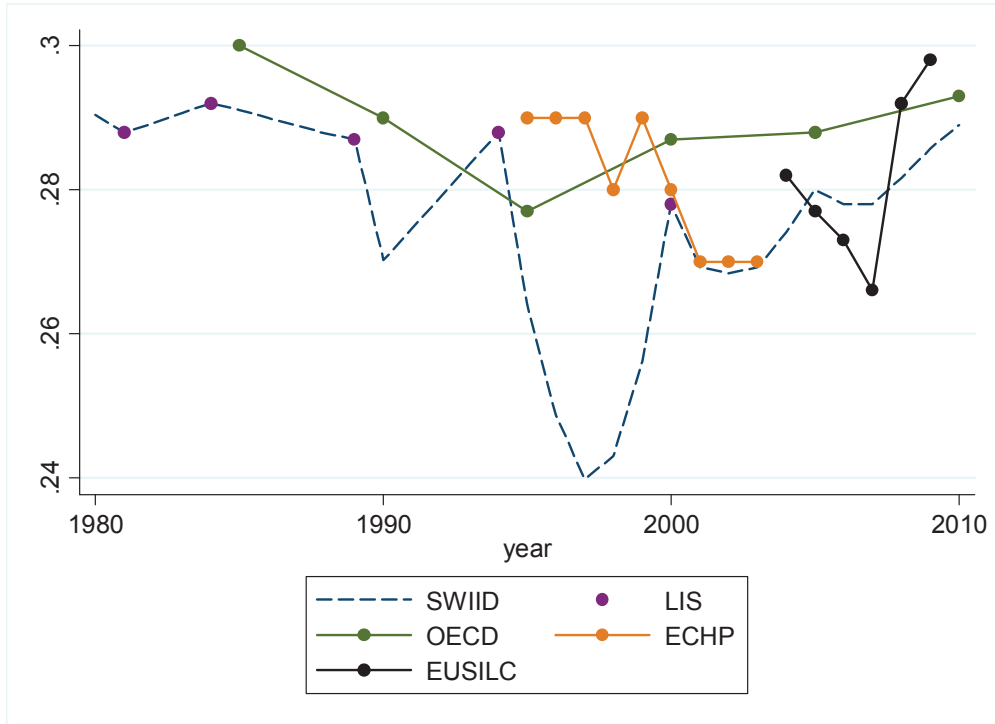


Figure A. 9 Germany

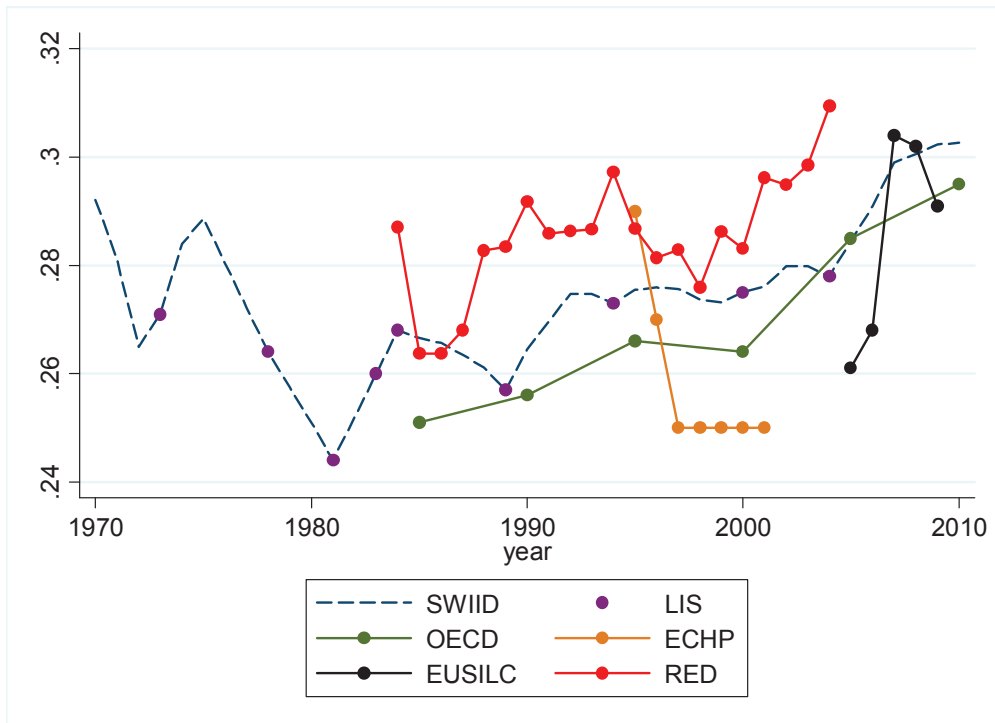




Figure A. 10 Greece

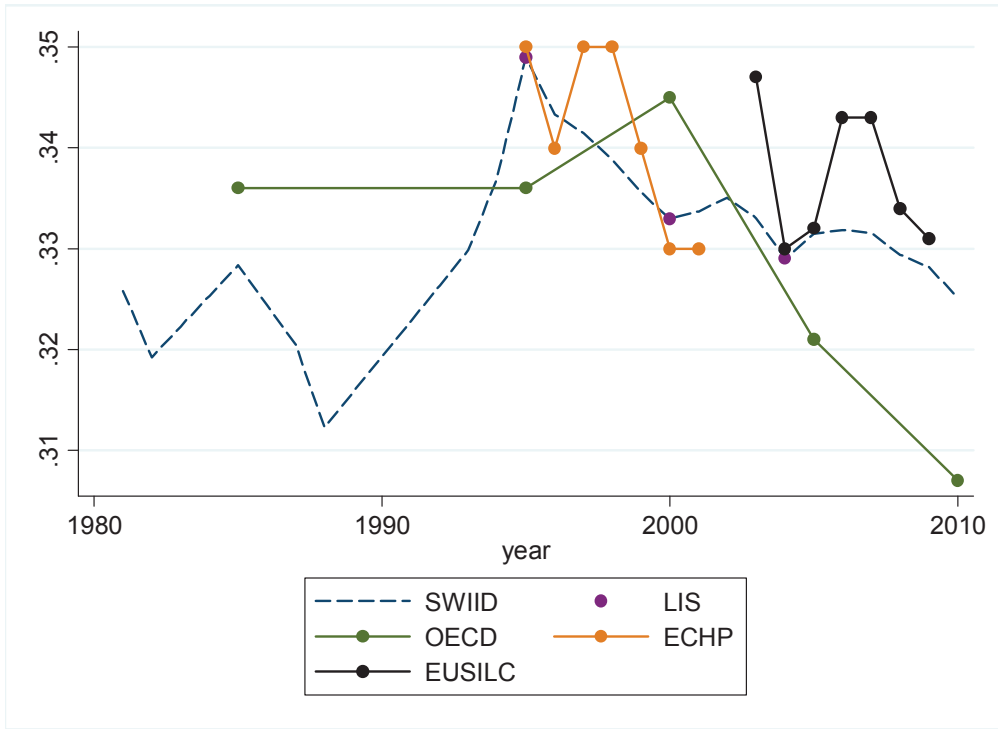
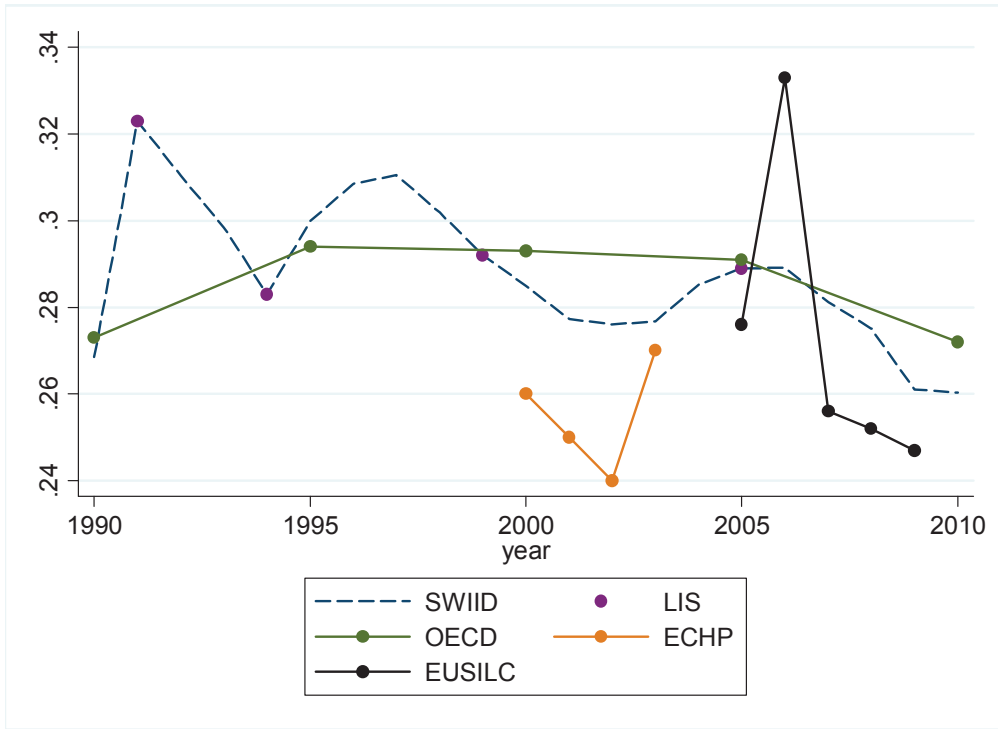


Figure A. 11 Hungary



F



Figure A. 12 Ireland

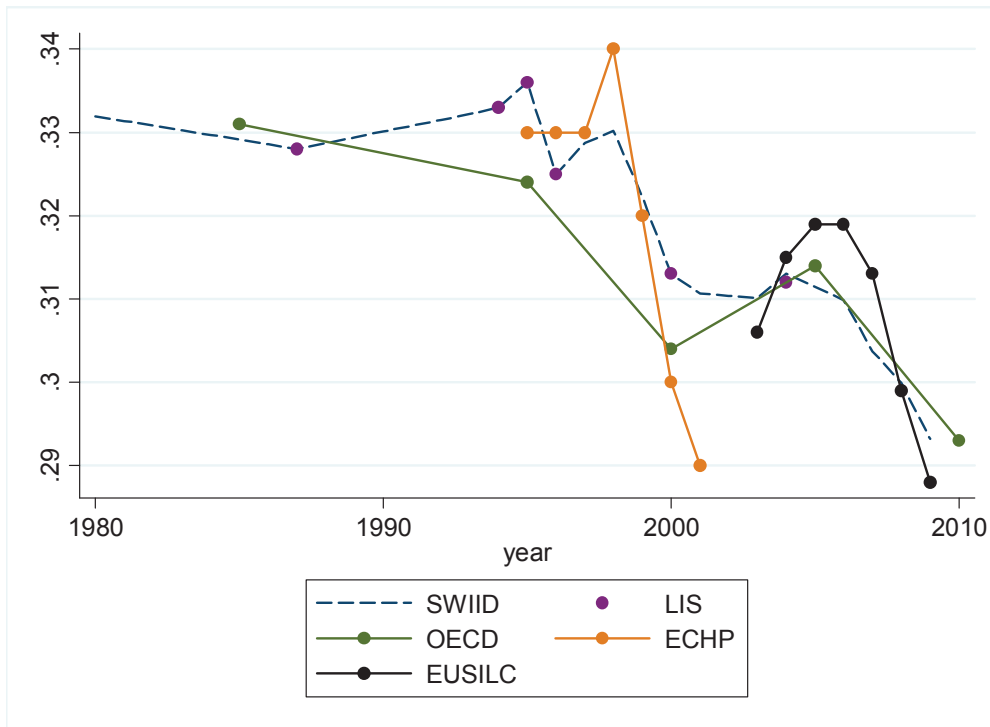


Figure A. 13 Italy

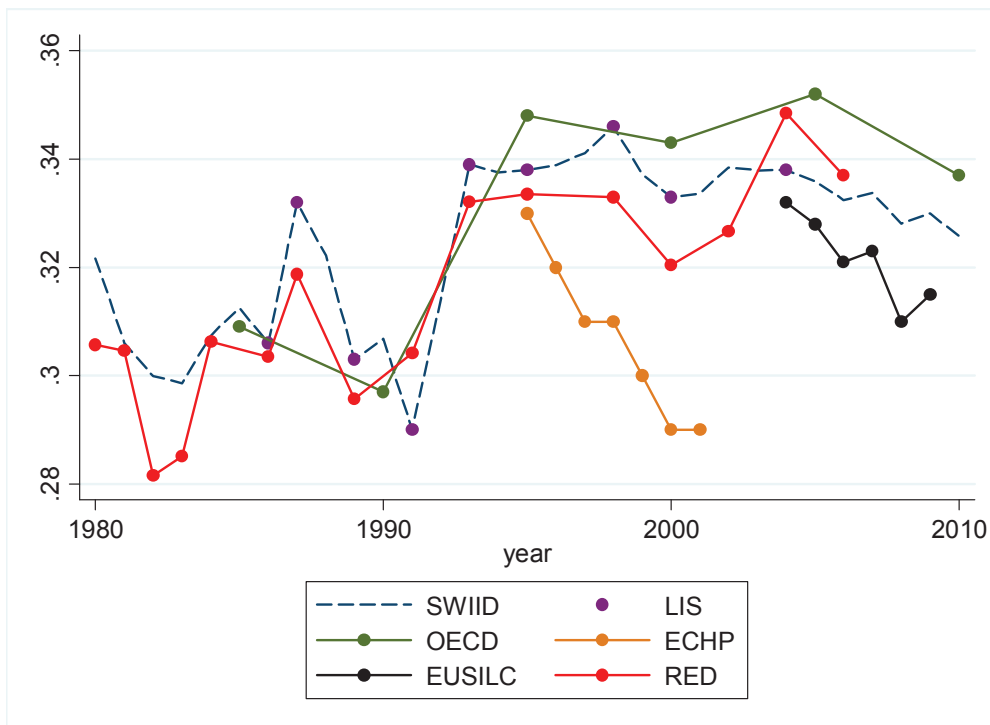


Figure A. 14 Luxembourg

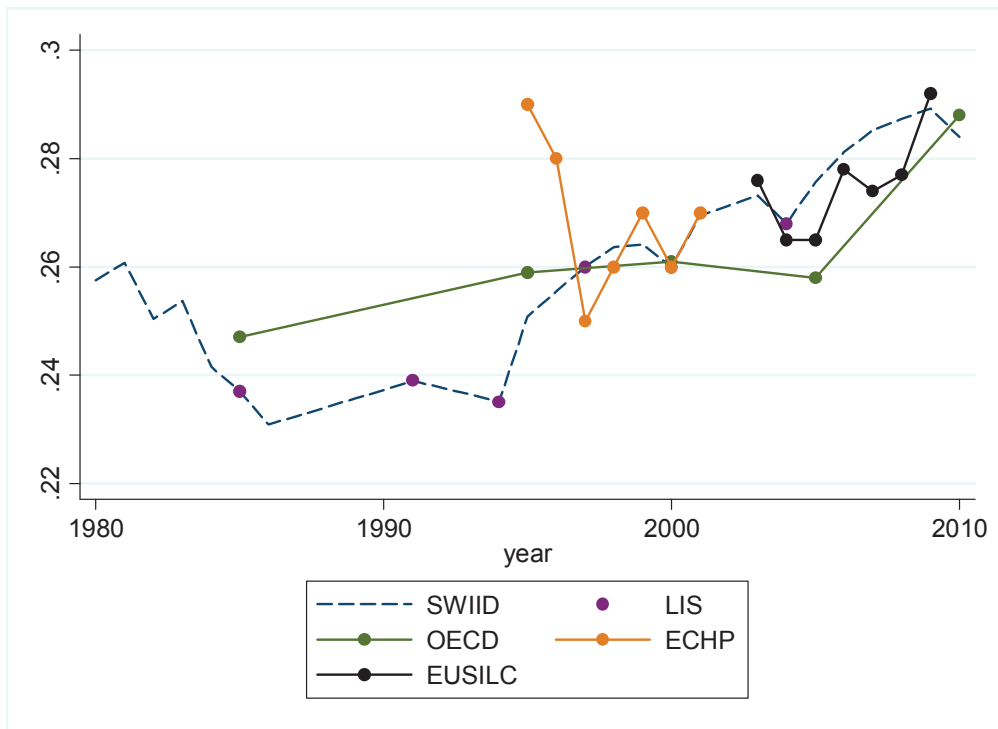


Figure A. 15 Netherlands

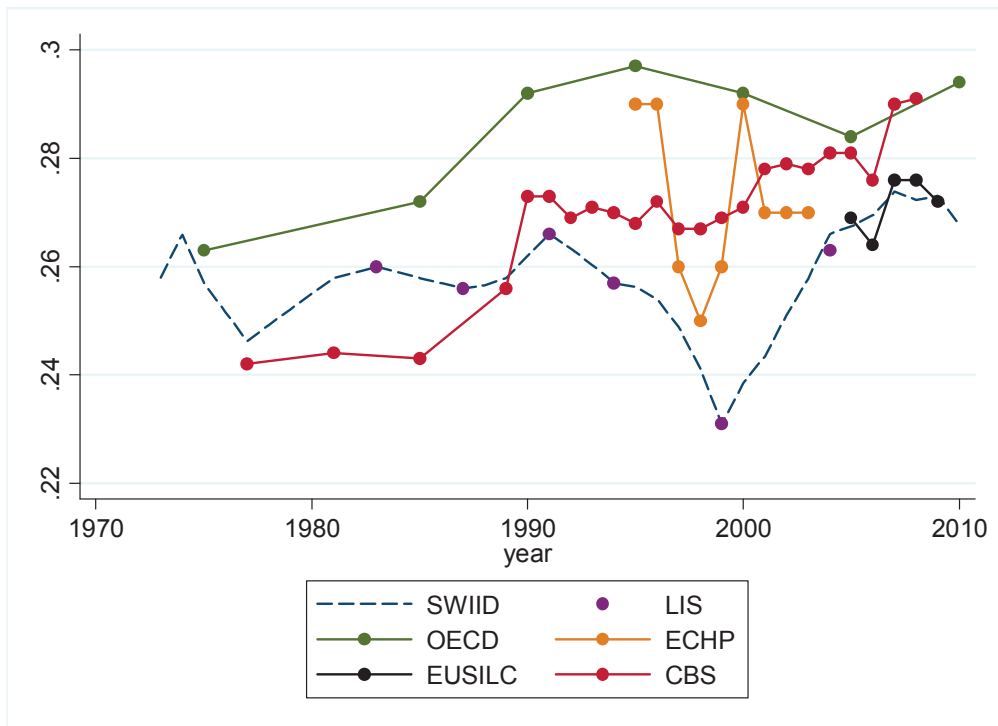




Figure A. 16 Poland

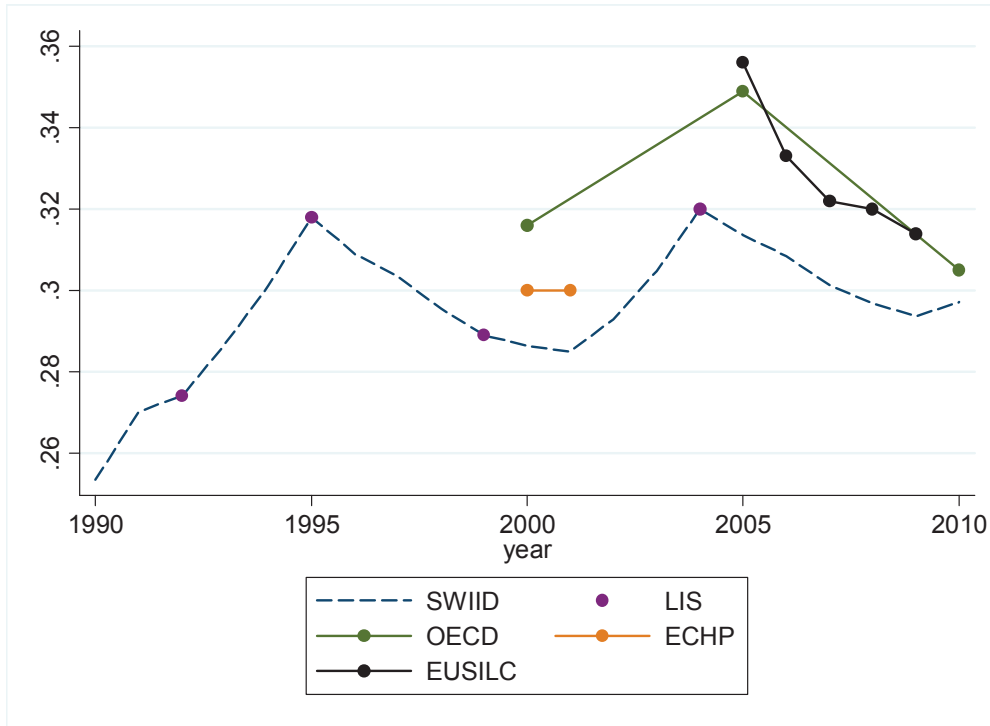


Figure A. 17 Portugal

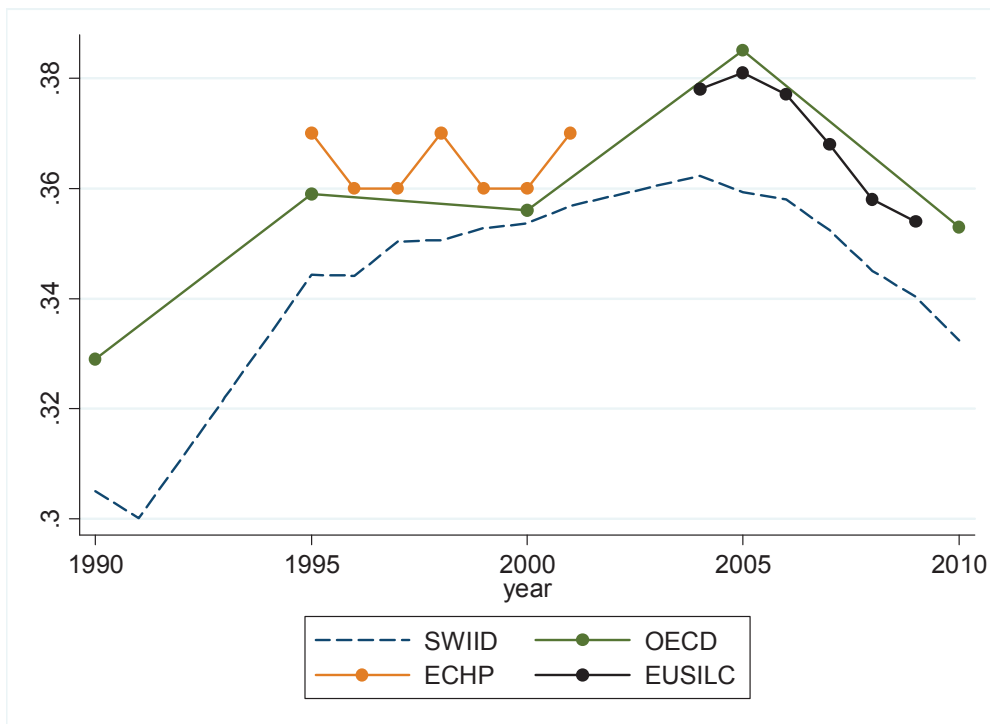


Figure A. 18 Slovak Republic



Figure A. 19 Spain

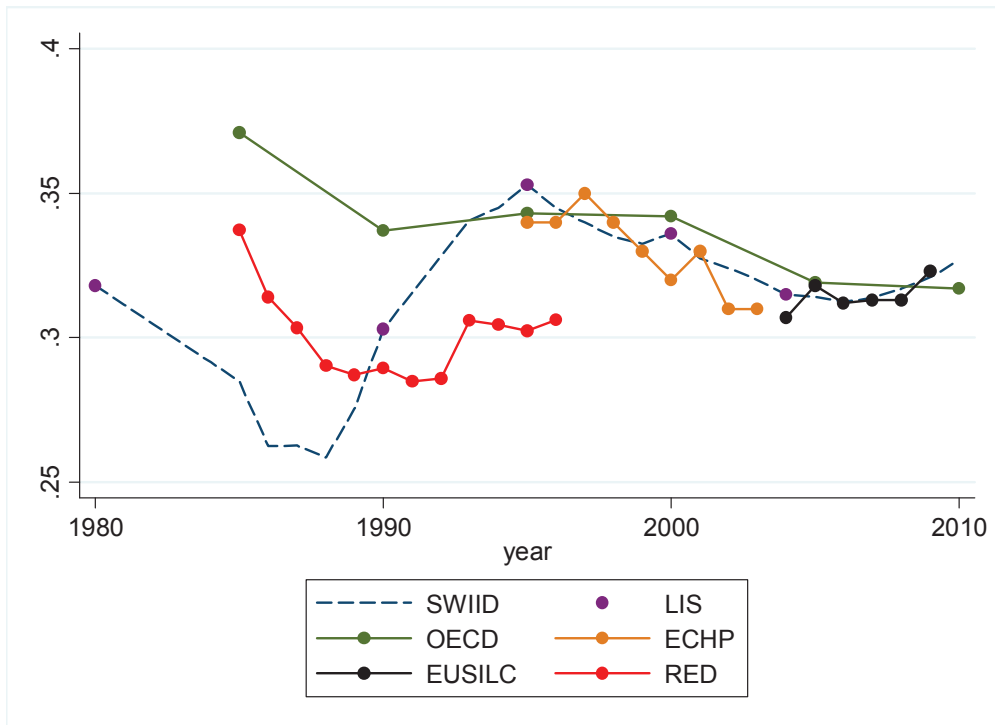




Figure A. 20 Sweden

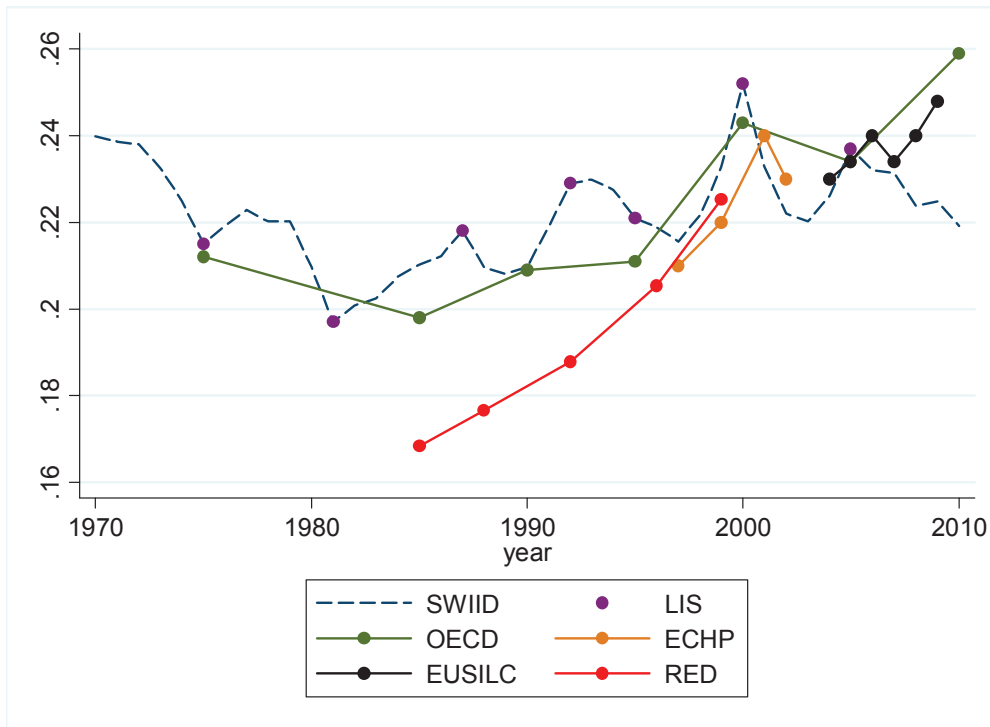


Figure A. 21 United Kingdom

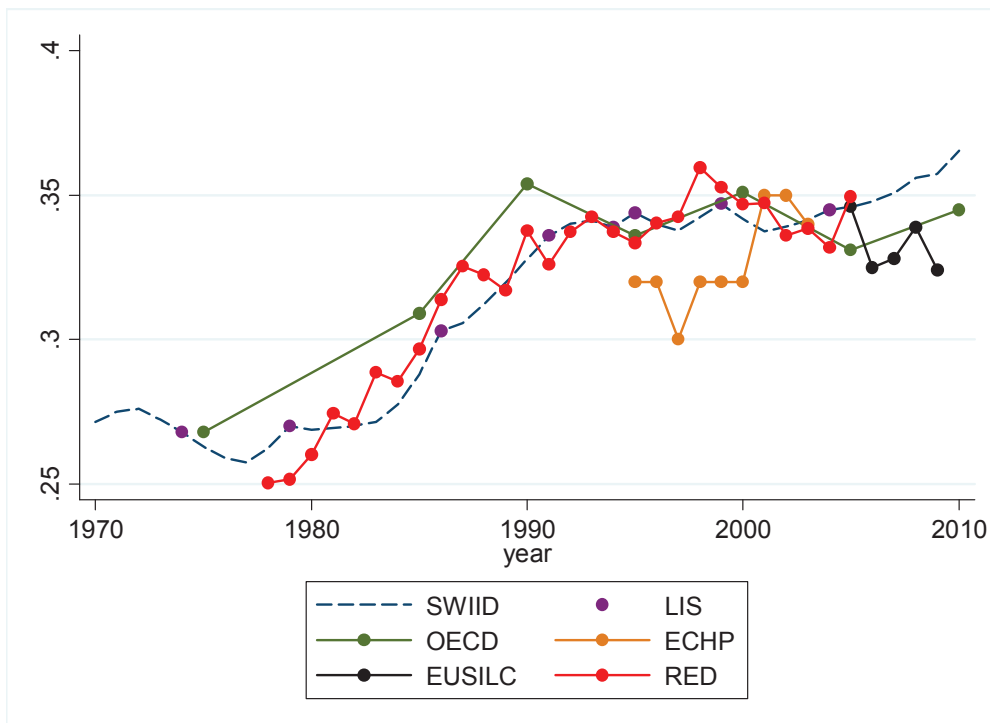
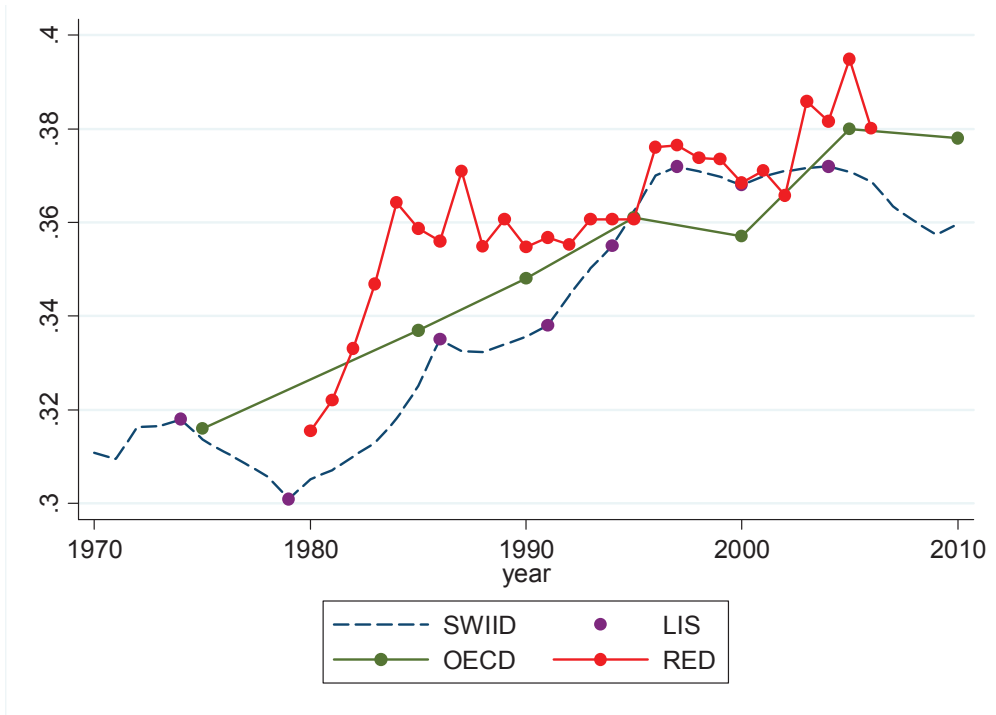


Figure A. 22 United States



A.2 Inequality according to different indicators.

In the following set of graphs we show a set of indicators (Gini, Varlog, P90-50 and P50-10 ratios) for earnings. The datasource is RED.

Figure A. 23 Canada: P-Ratios

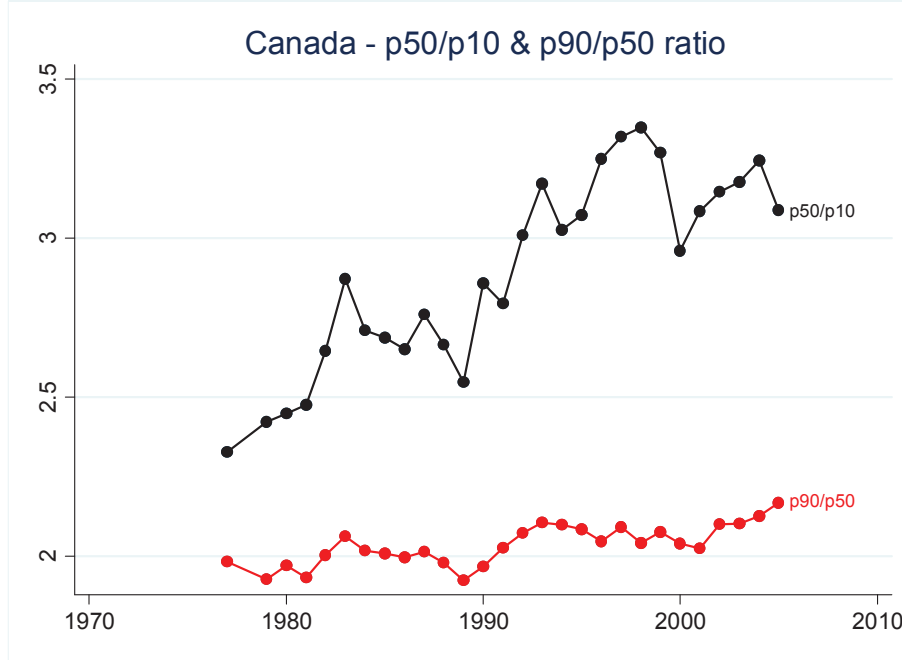


Figure A. 24 Canada. Var-Log and Gini

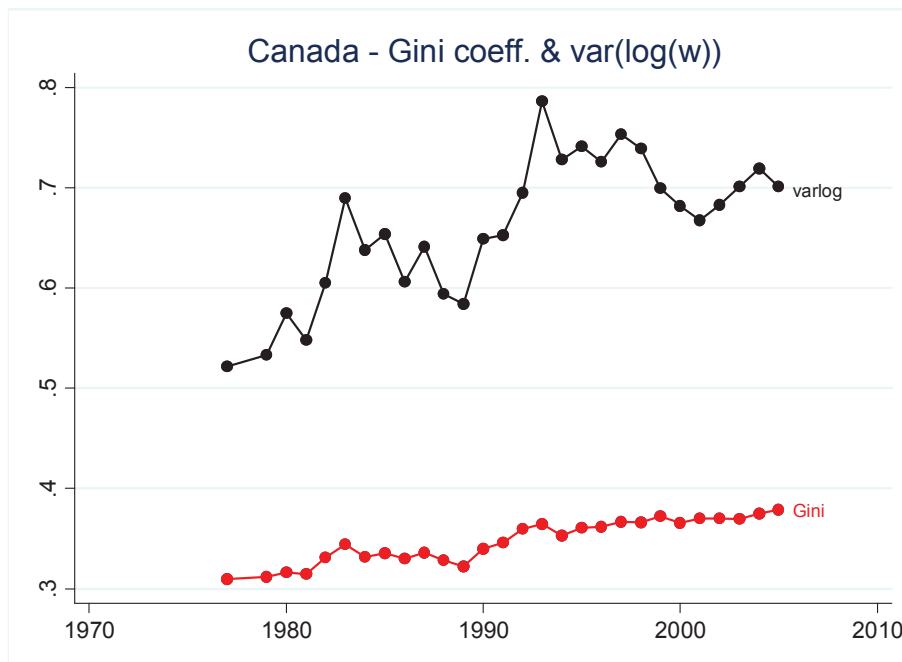


Figure A. 25 Great Britain: P-Ratios

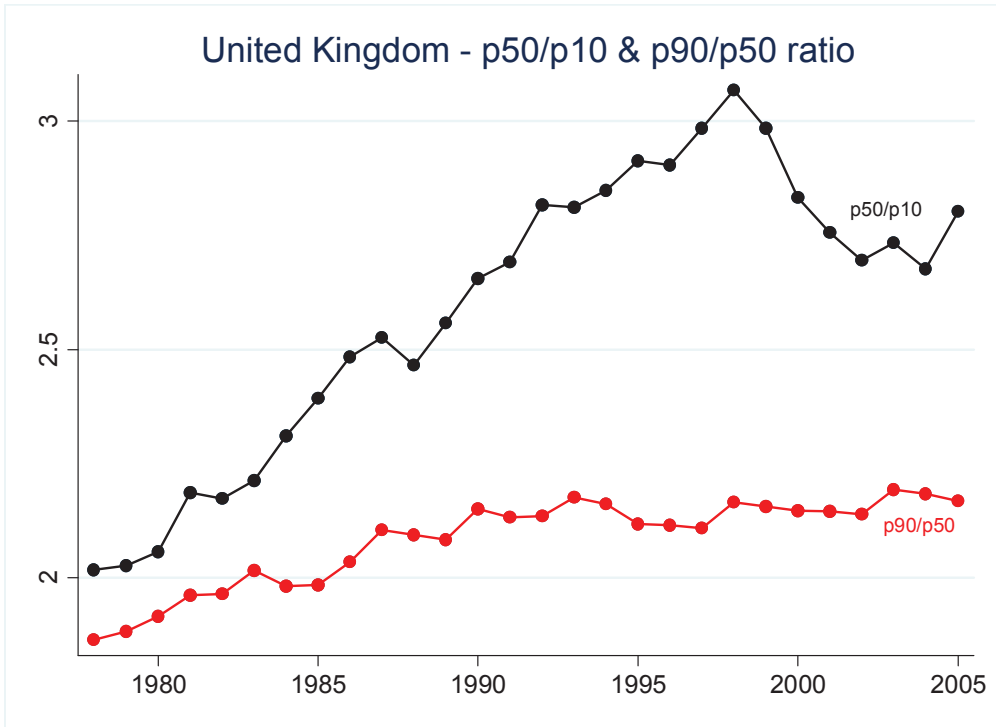


Figure A. 26 Great Britain: Var-Log and GINI

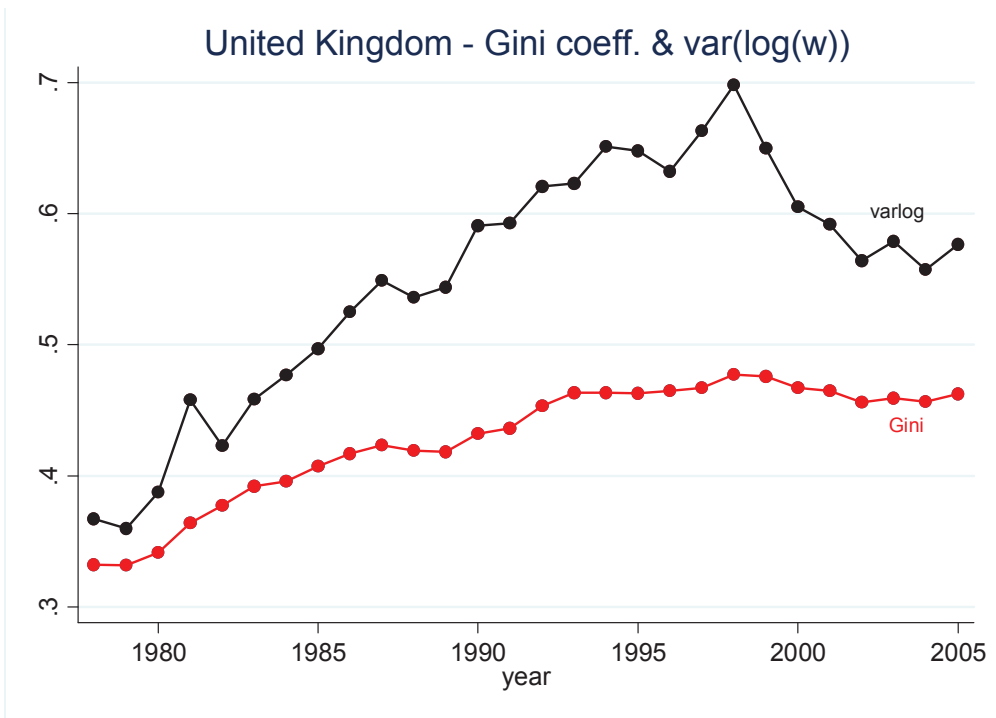




Figure A. 27 Italy: P-Ratios

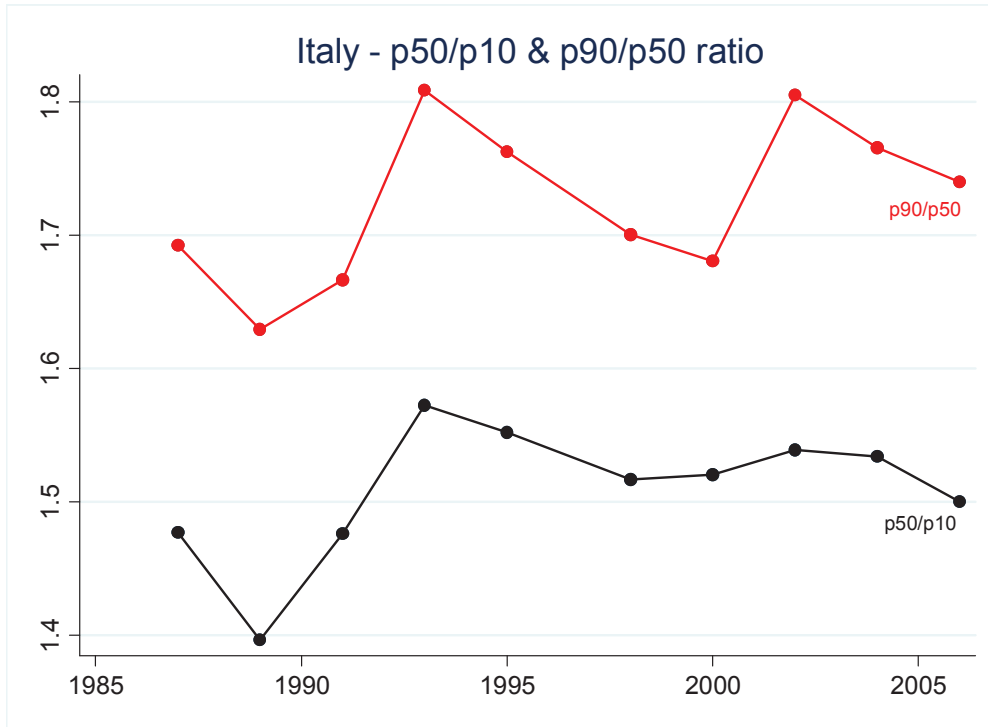


Figure A. 28 Italy: Var-Log and Gini

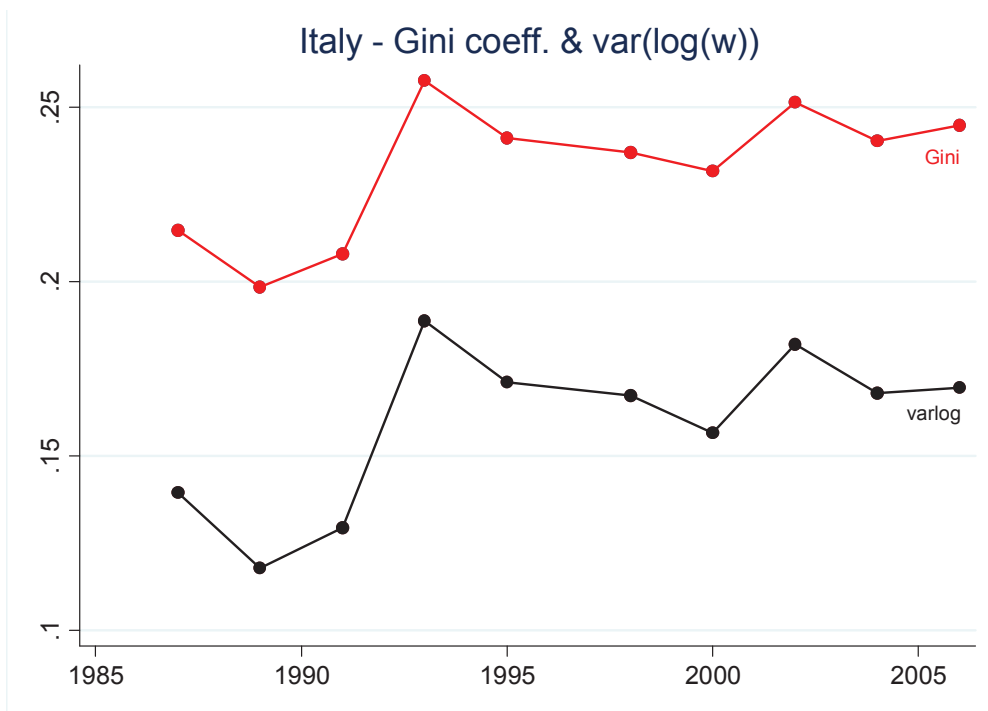


Figure A. 29 Spain: P-Ratios

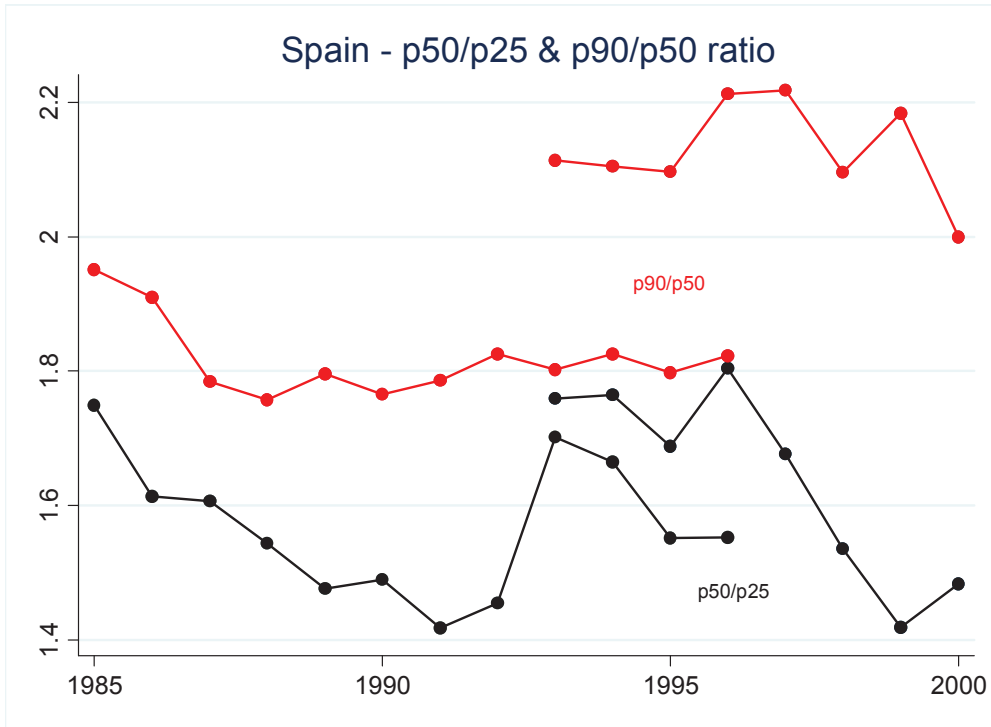


Figure A. 30 Spain: Var-Log and GINI

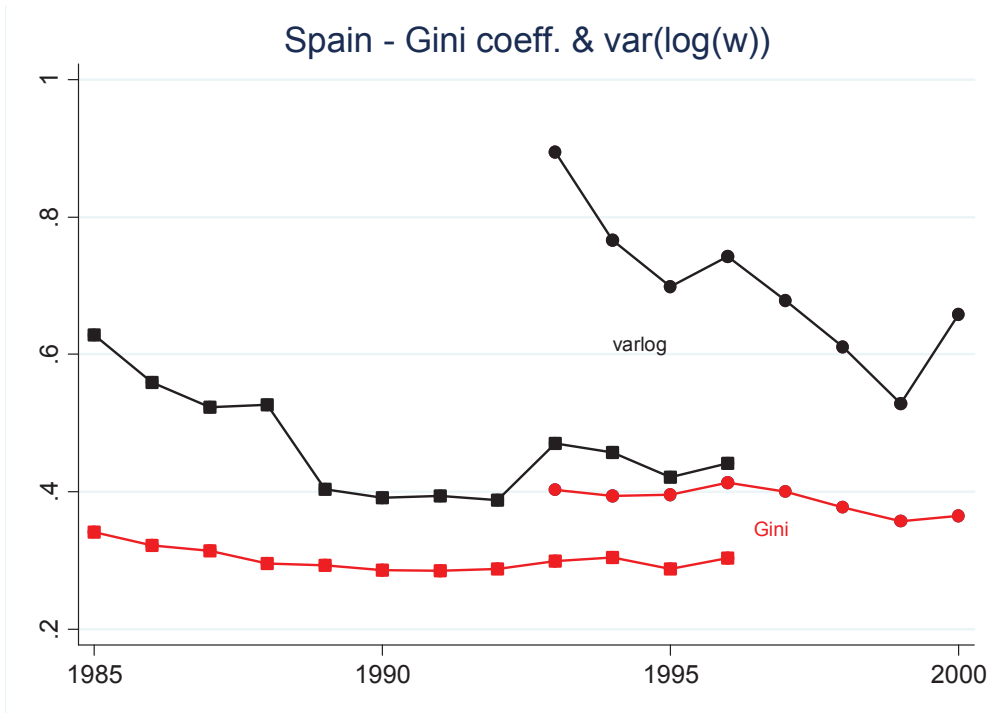




Figure A. 31 Germany: P-Ratios

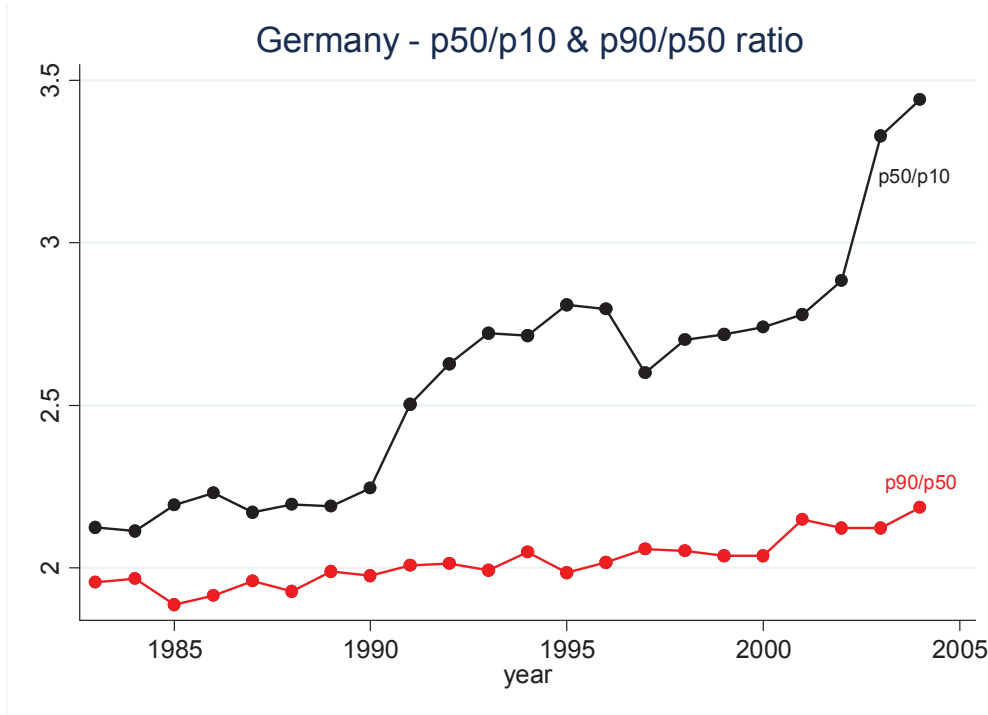


Figure A. 32 Germany: Var-Log and GINI

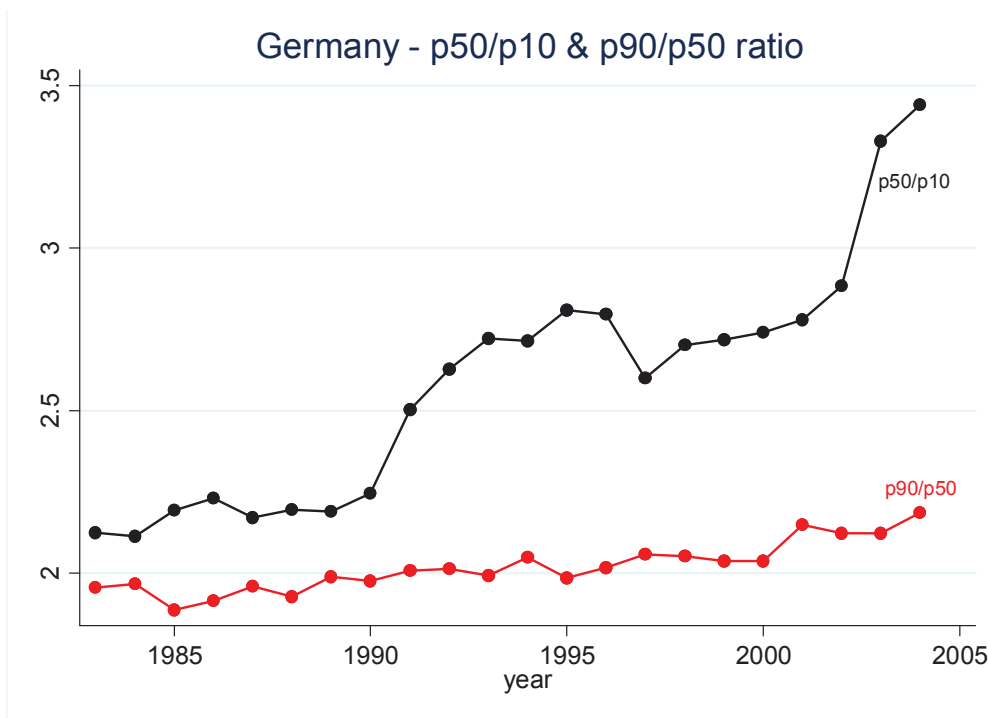


Figure A. 33 Sweden: P-Ratios

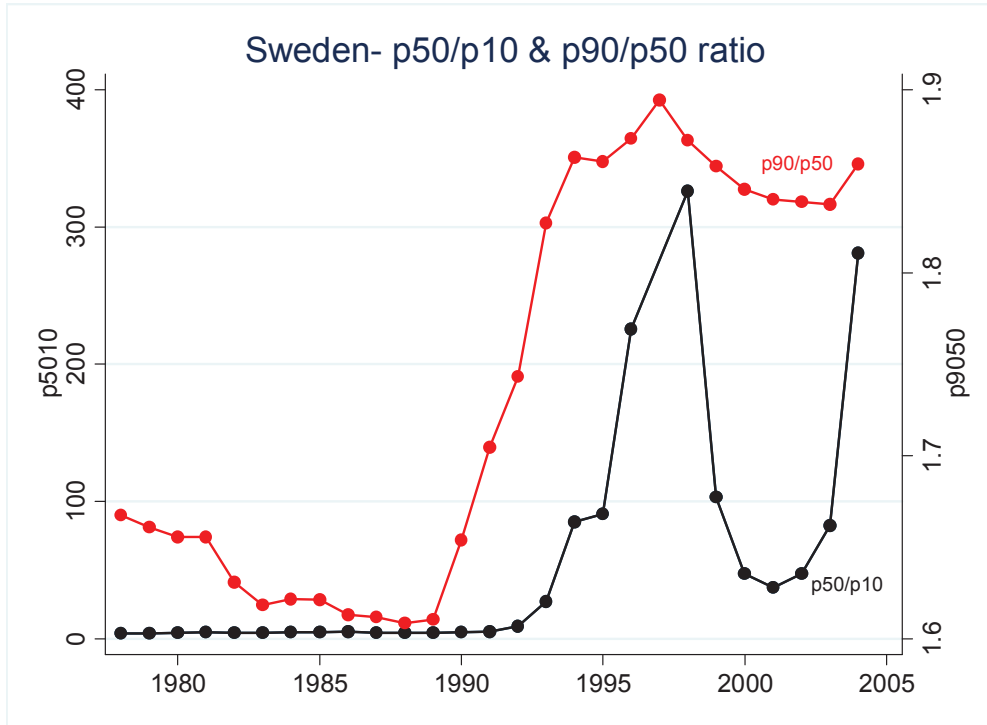


Figure A. 34 Sweden: Var-Log and Gini

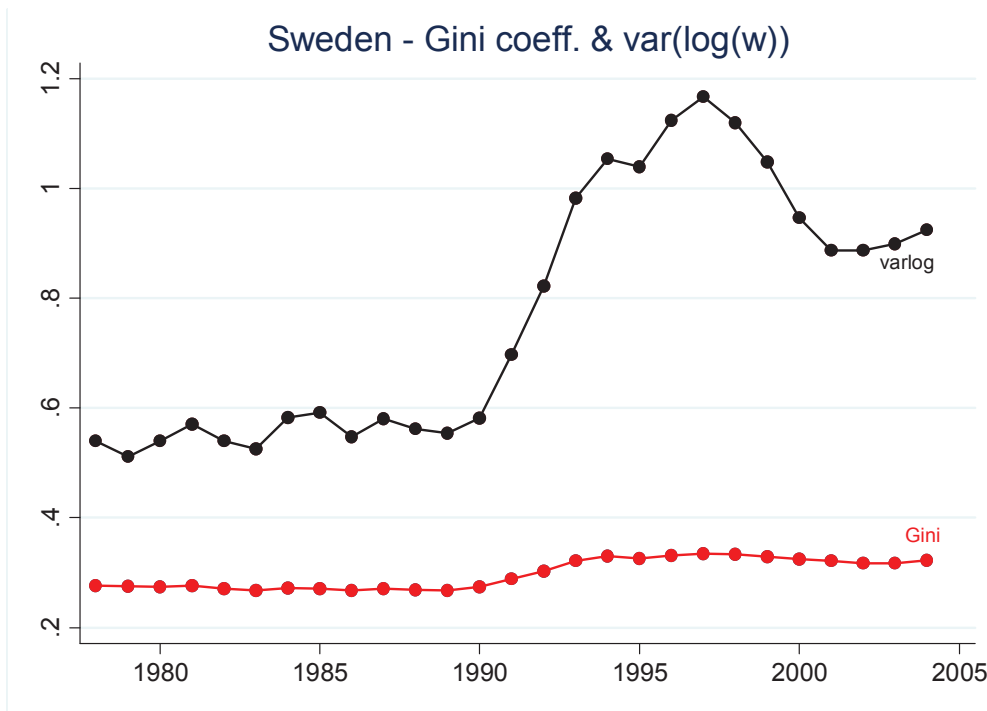




Figure A. 35 US: P-Ratios

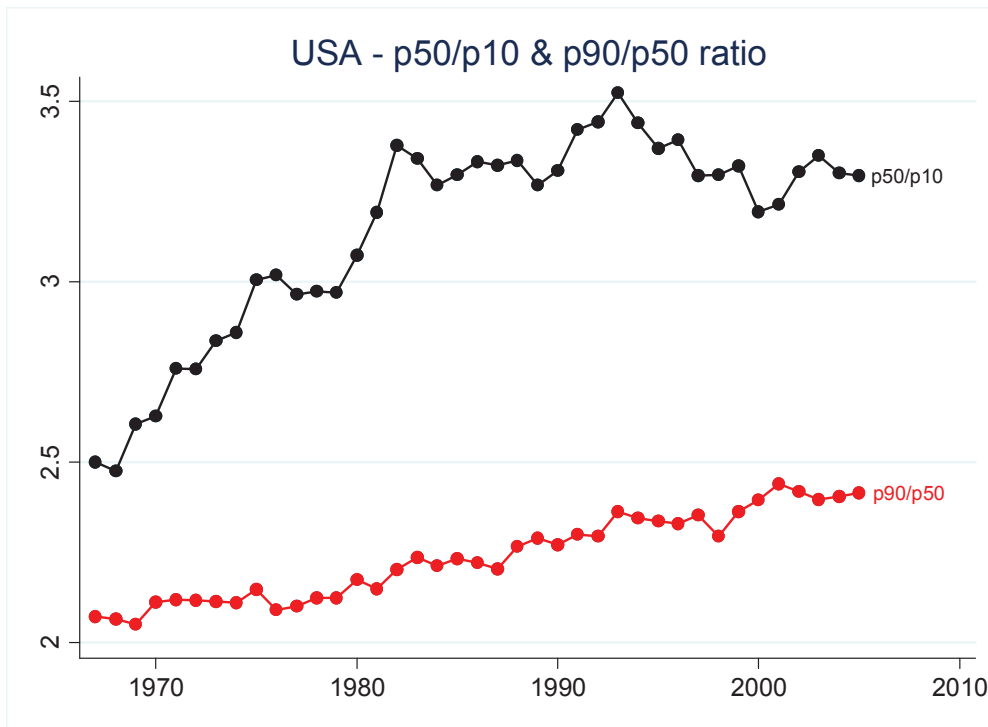
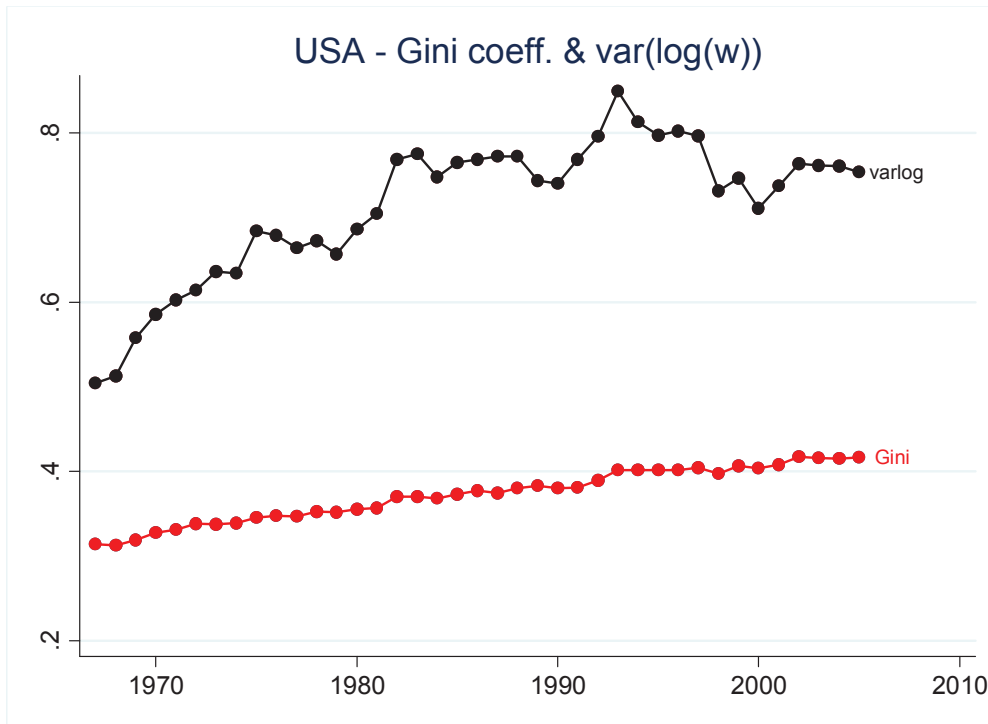


Figure A. 36 US: Var-Log and Gini



A.3. Different patterns of Inequality

Figure A. 37 Canada: Var-log of different series

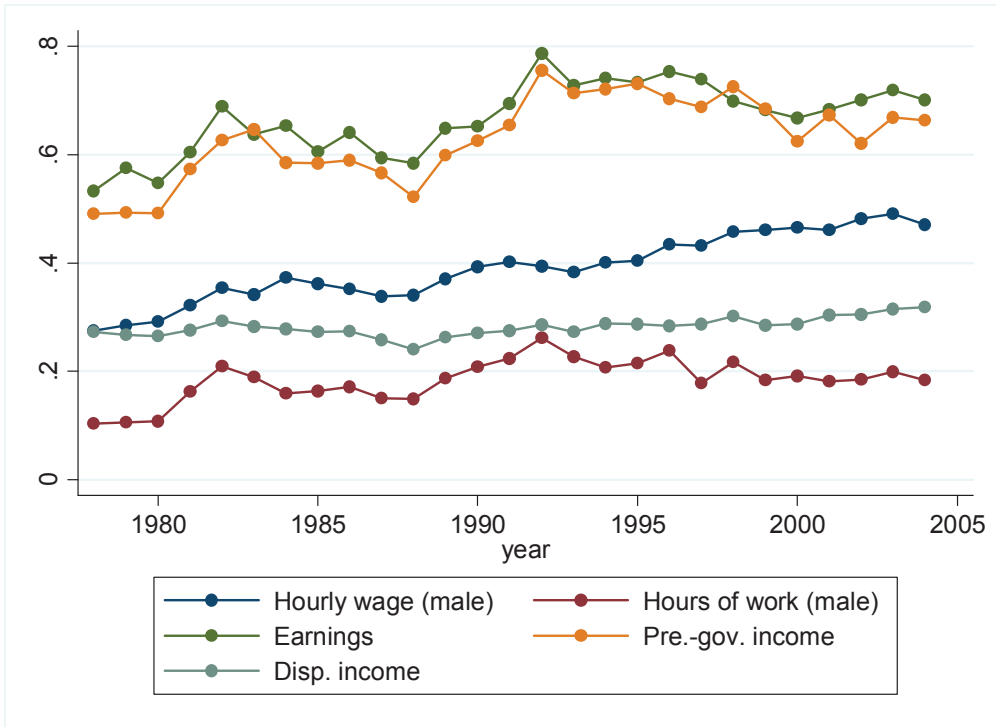


Figure A. 38 Germany: Var-log of different series

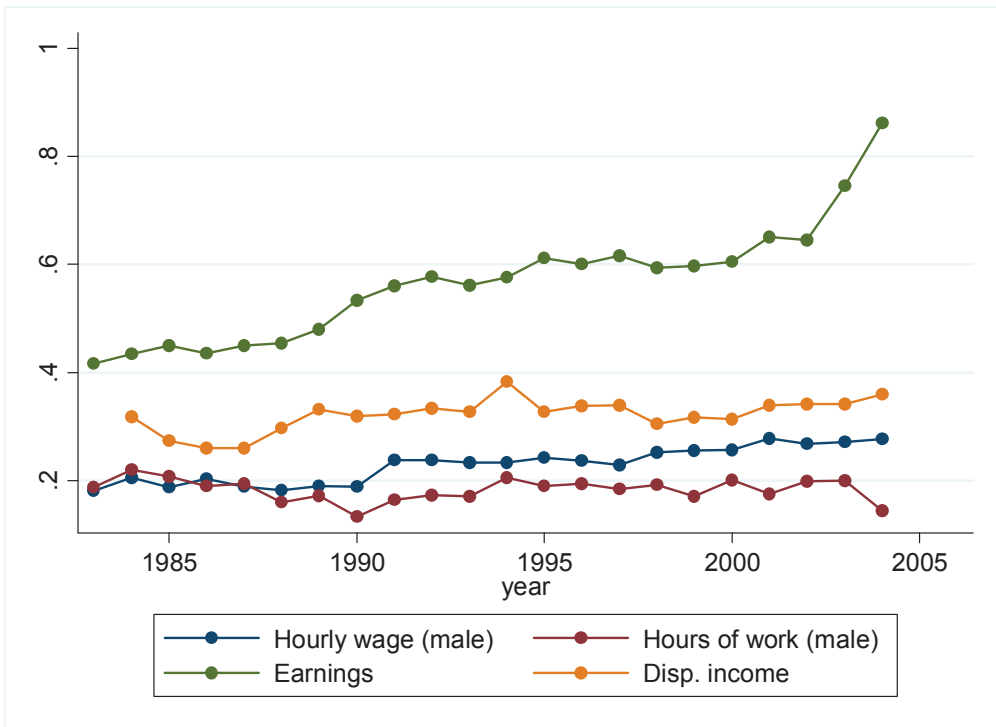




Figure A. 39 Sweden: Var-log of different series

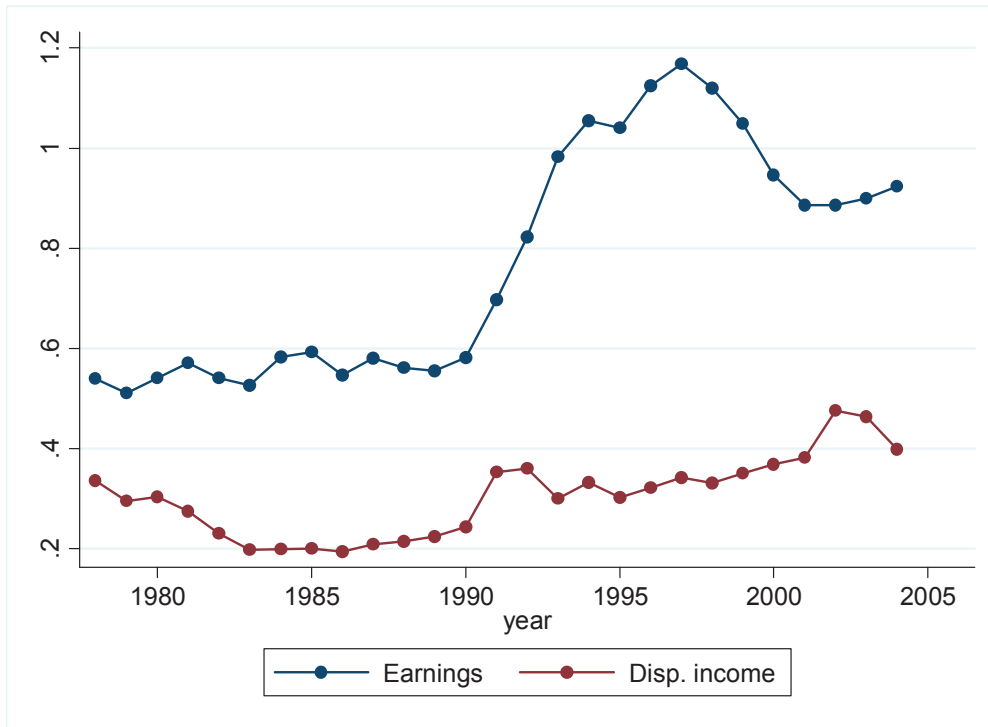


Figure A. 40 Italy: Var-log of different series

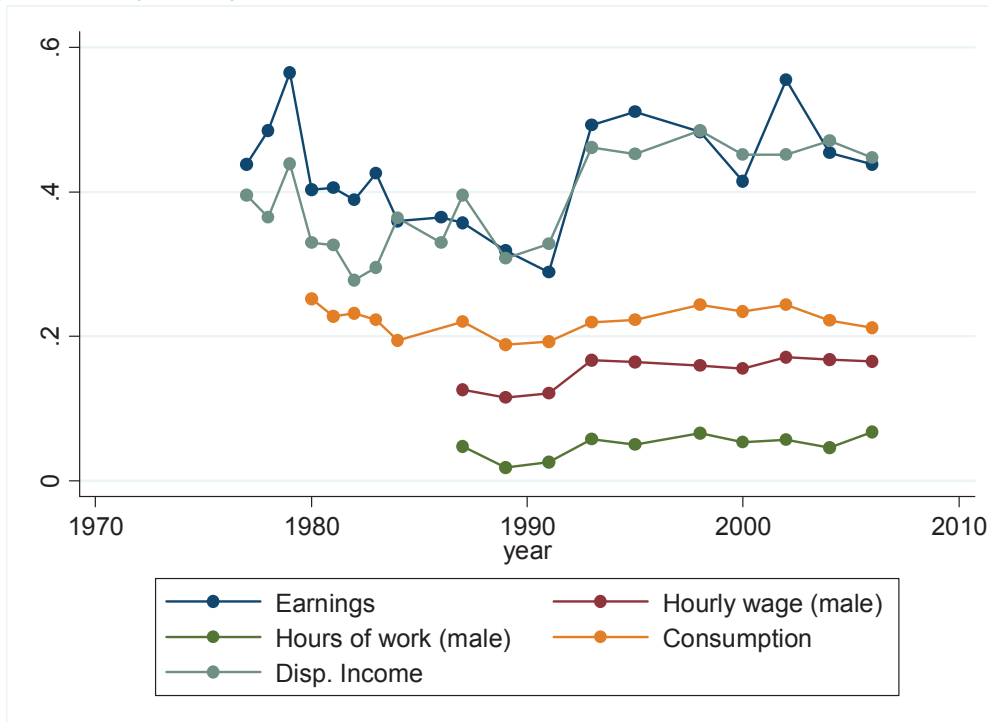


Figure A. 41 United Kingdom: Var-log of different series

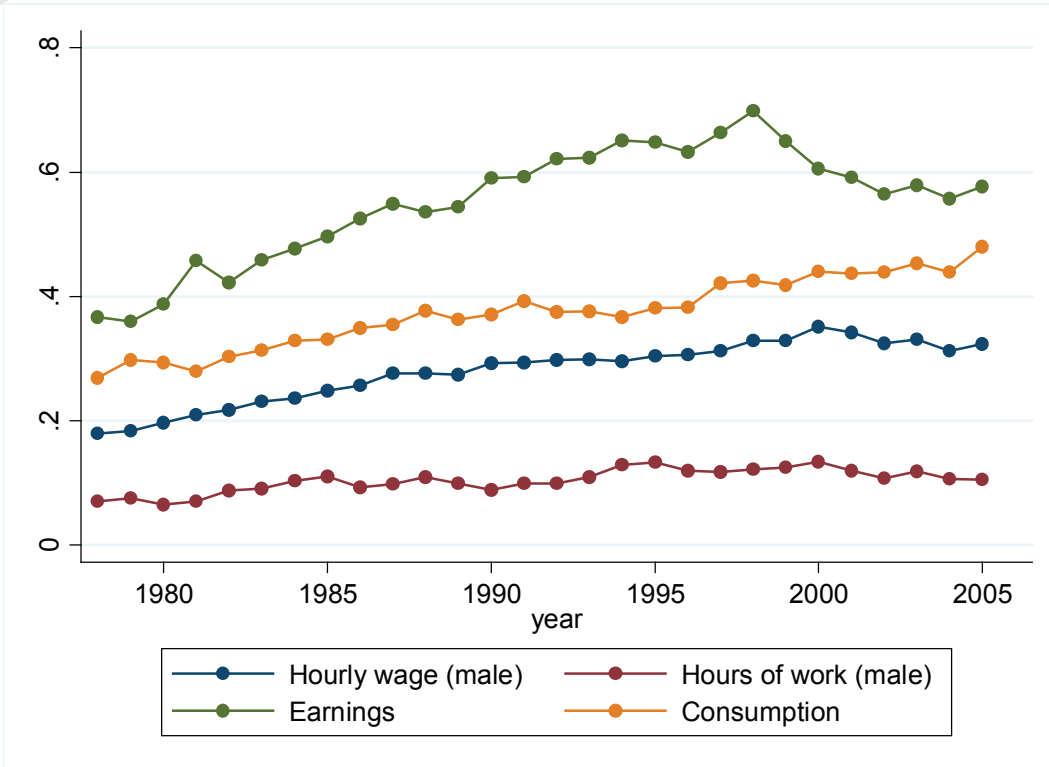
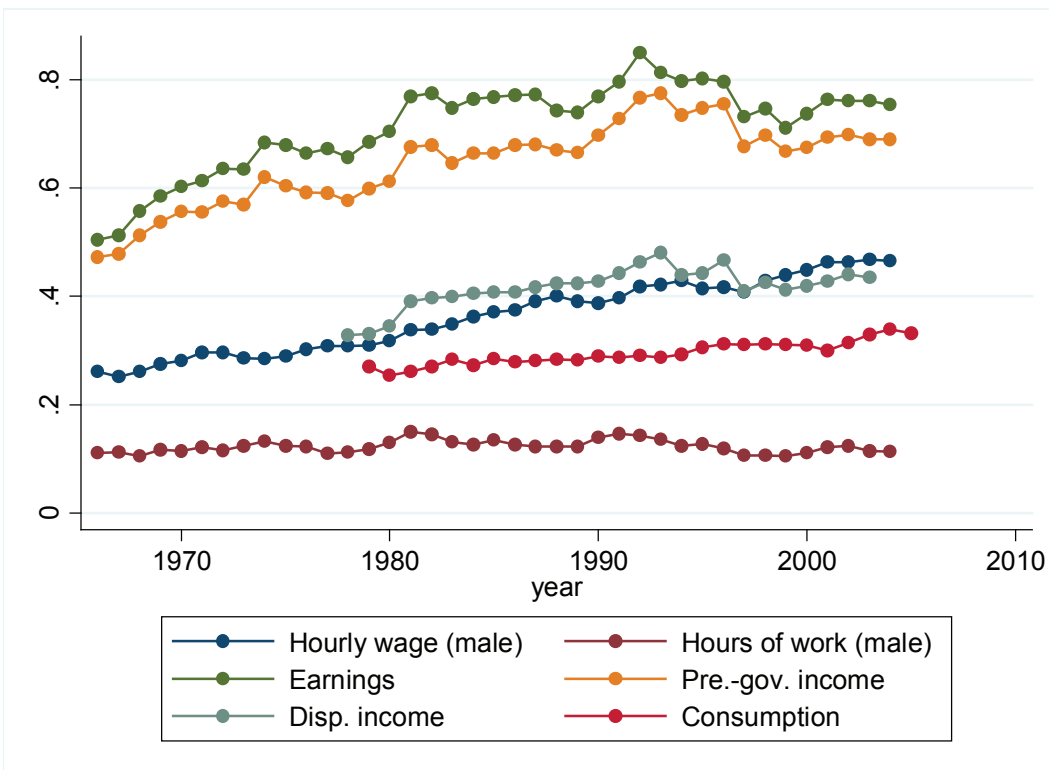


Figure A. 42 USA: Var-log of different series





A.4. Top Income Shares and their evolution

The following table illustrates the income definition used for the calculation of top income shares in each country. Definitions are taken from the World Top Income Database.

Table A. 1 Income definition for the top share

COUNTRY	INCOME DEFINITION
AUSTRALIA	Actual gross income; adjustment made to taxable income prior to 1957
CANADA	Gross income, adjusted for the grossing up of dividend income
DENMARK	Gross taxable income
FRANCE	Gross income, net of employee social security contributions
FINLAND	1920-1992: taxable income/1949-2003: gross income
JAPAN	Gross income (significant capital income base erosion after 1946)
ITALY	Gross income but excluding interest income
PORTUGAL	Gross income
SPAIN	Gross income
SWEDEN	Gross income including transfers
UNITED KINGDOM	Prior to 1975 income net of certain deductions; from 1975 total income
UNITED STATES	Gross income, adjusted for net income deductions

Figure A. 43 Top 0.1% country group 1

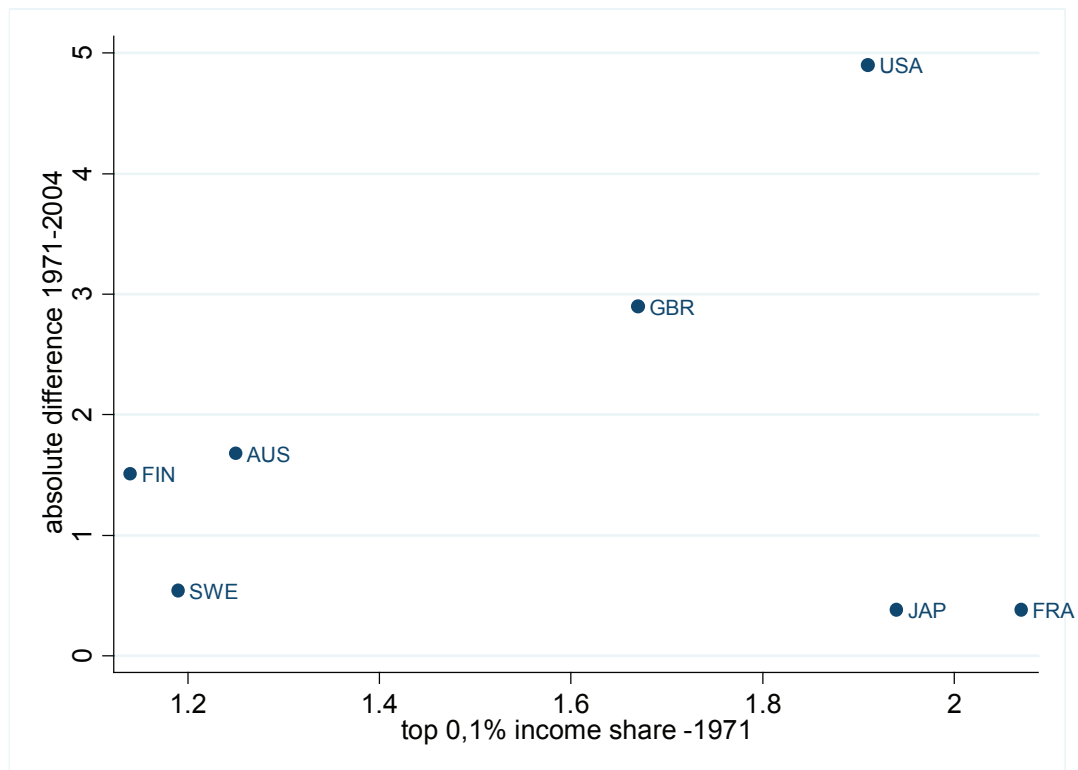


Figure A. 44 Top 0.1% country group 2

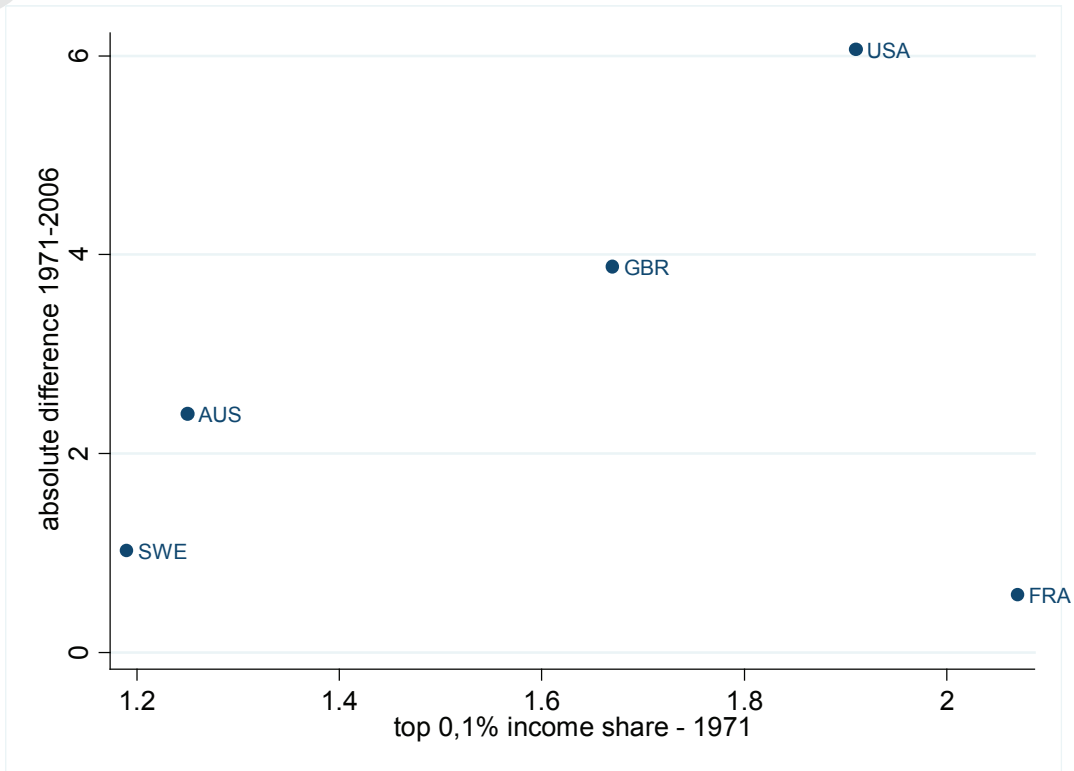


Figure A. 45 Top 0.1% country group 3

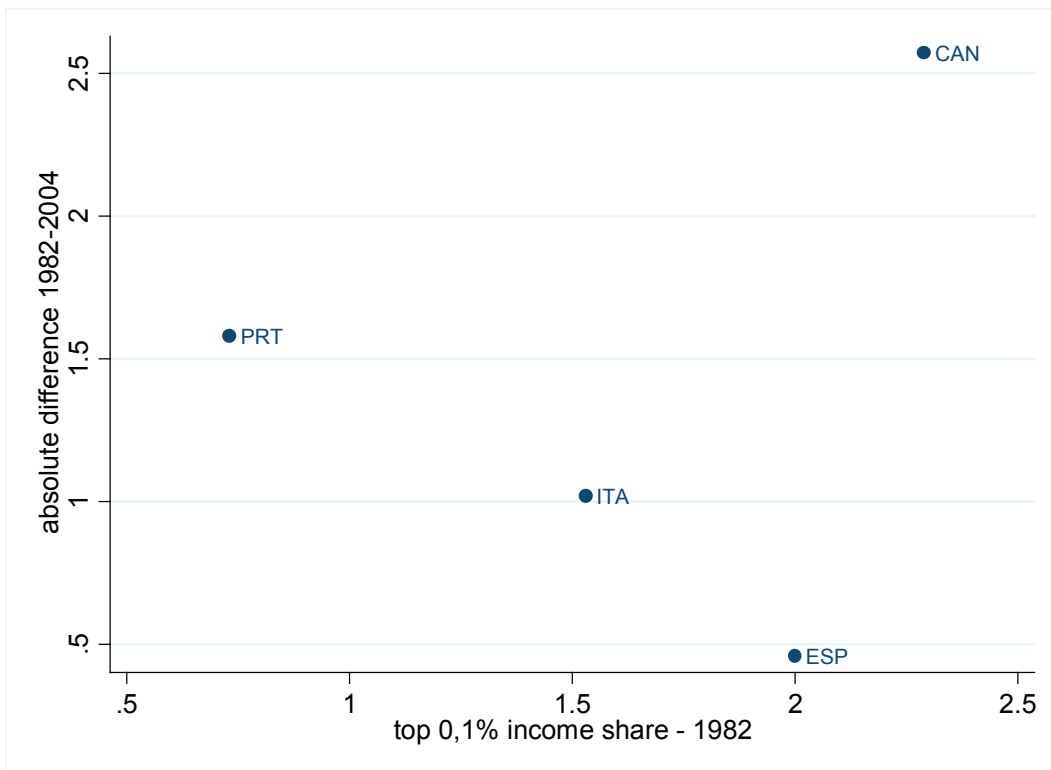




Figure A. 46 Top 1% country group 1

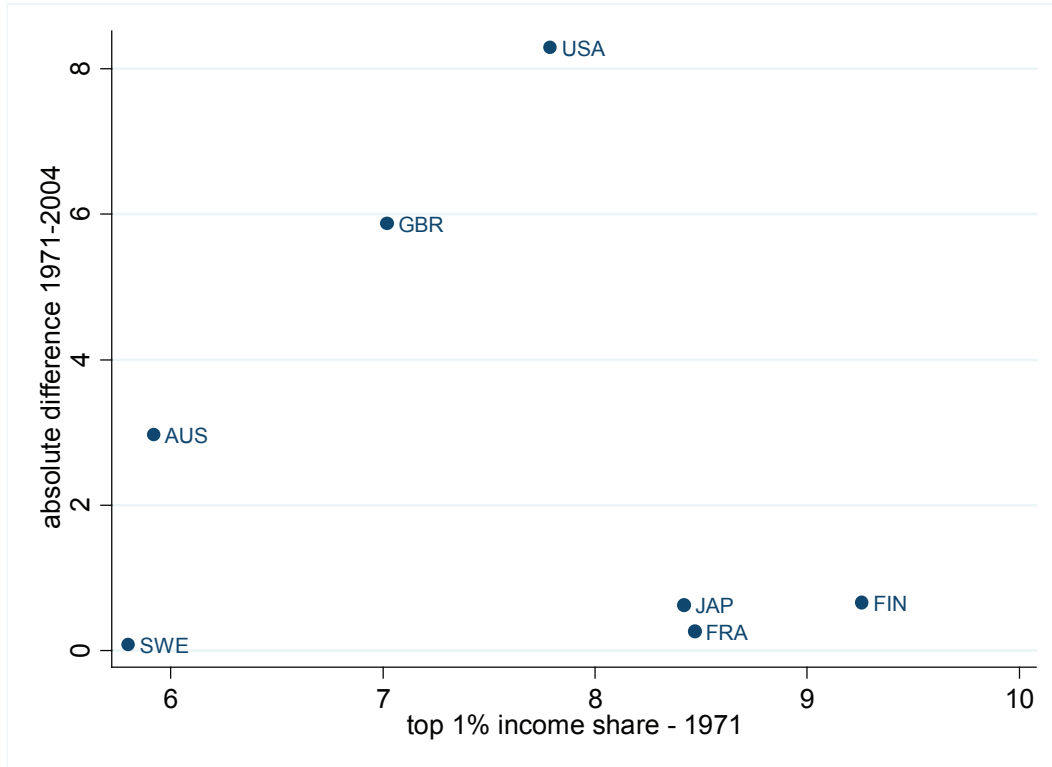


Figure A. 47 Top 1% country group 2

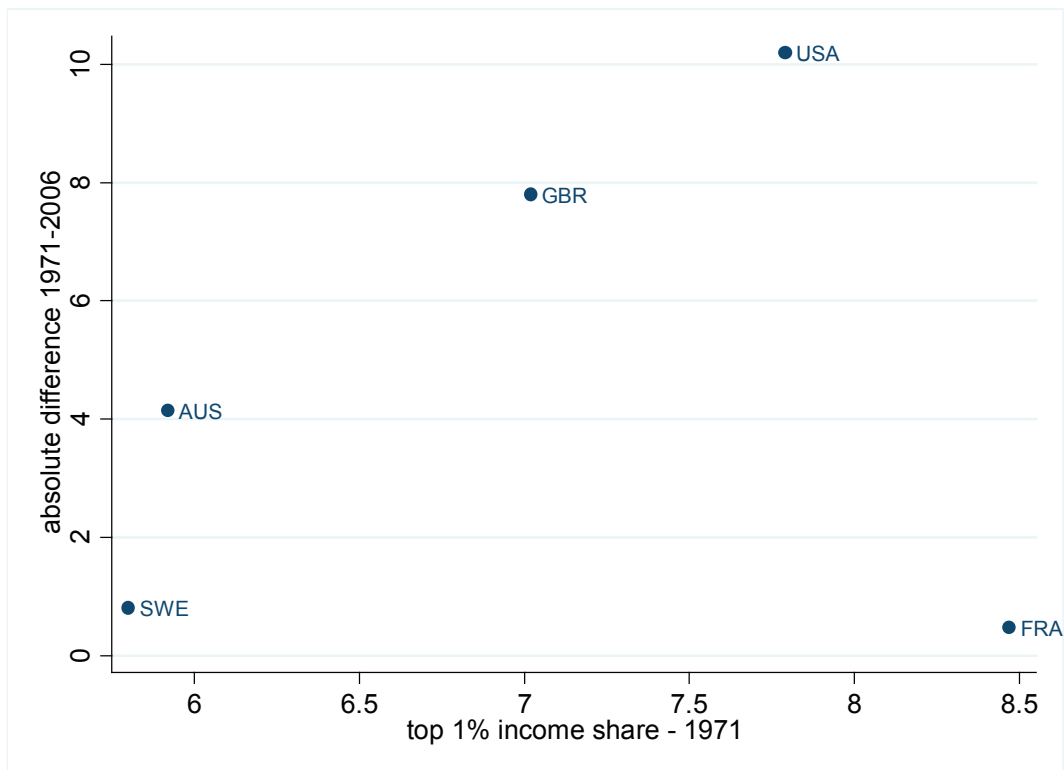


Figure A. 48 Top 1% country group 3

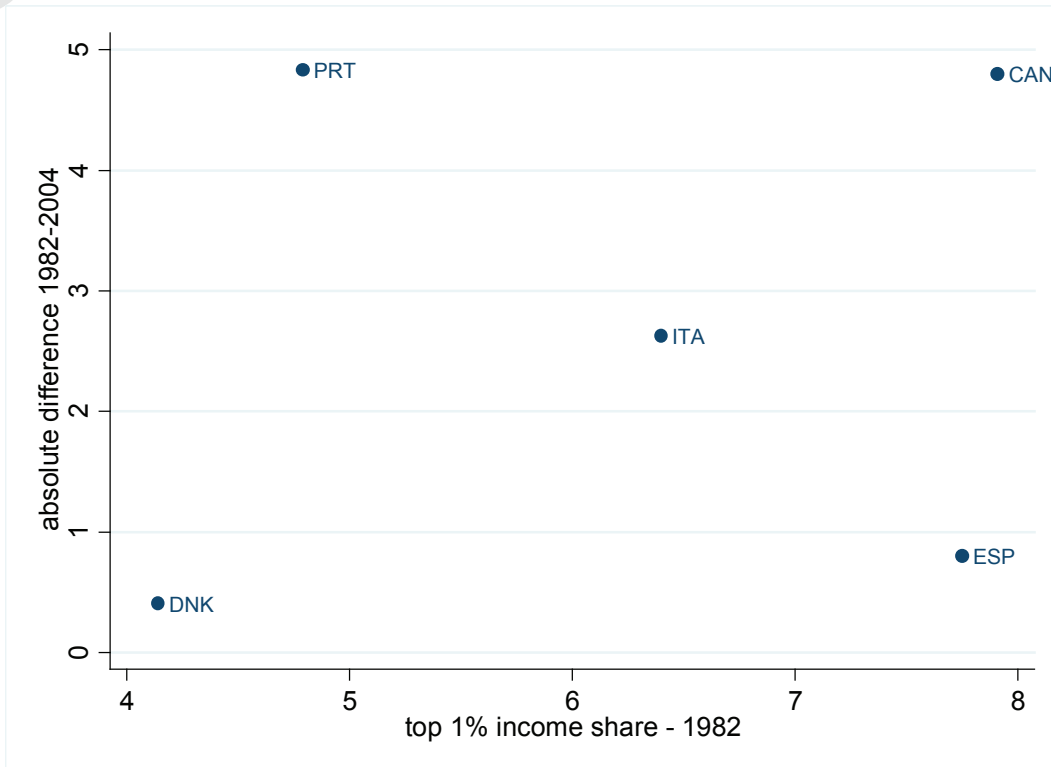


Figure A. 49 Top 5% country group 1

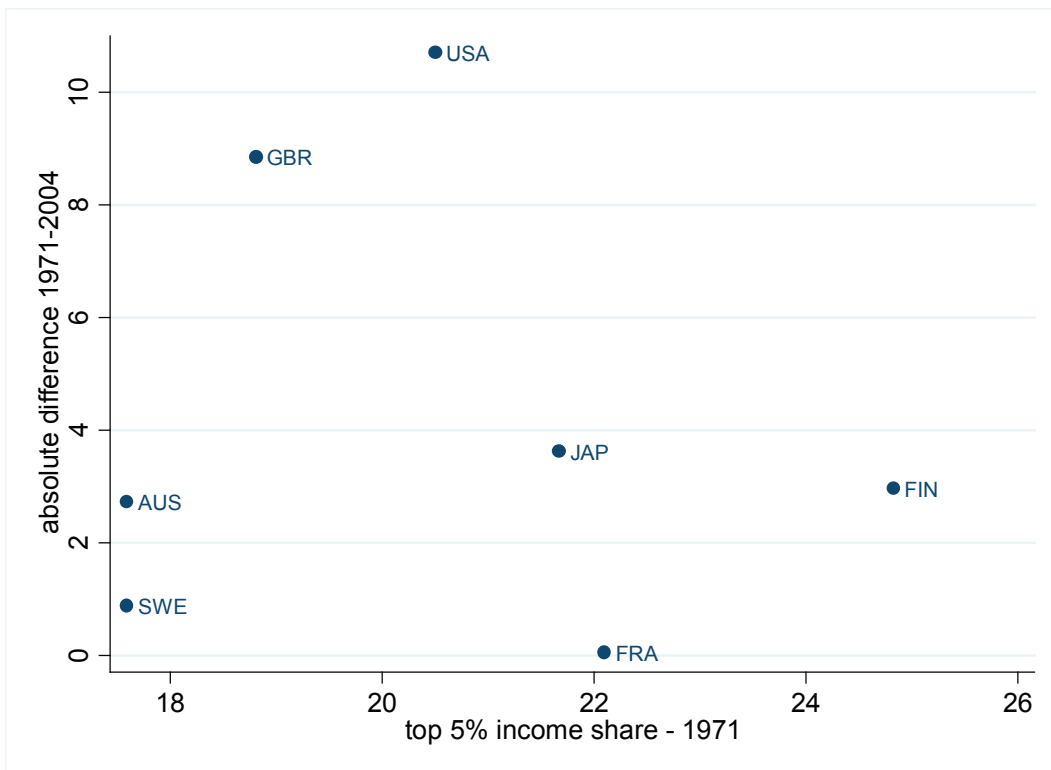




Figure A. 50 Top 5% country group 2

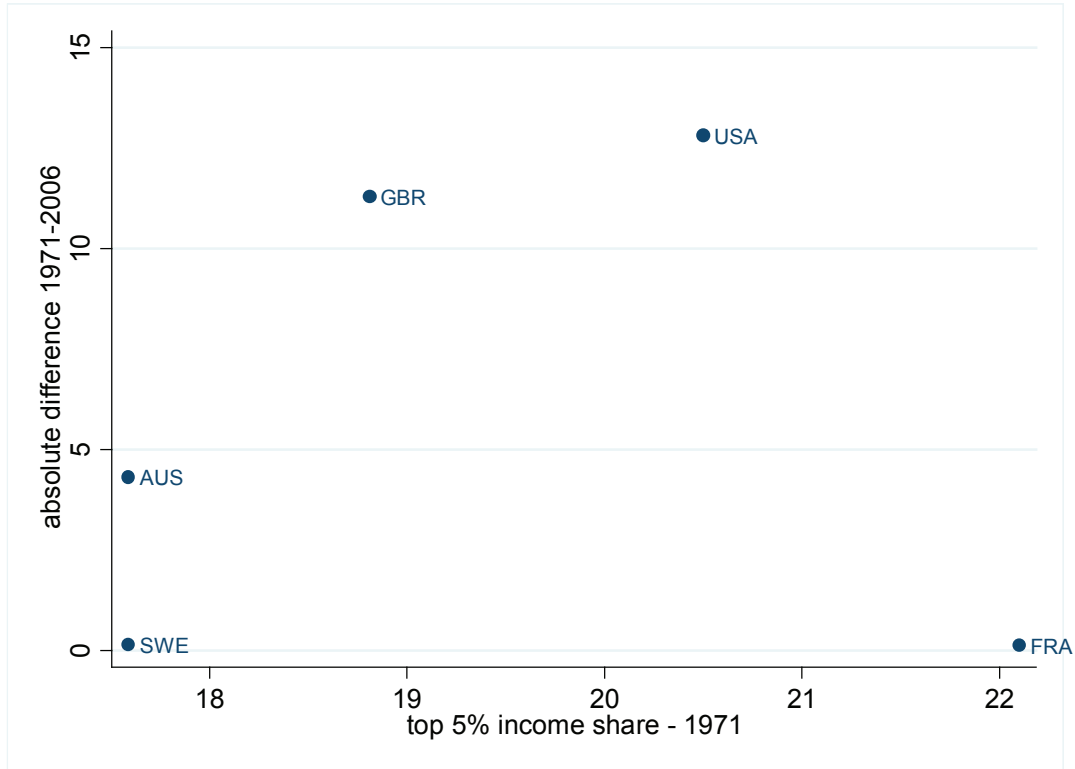
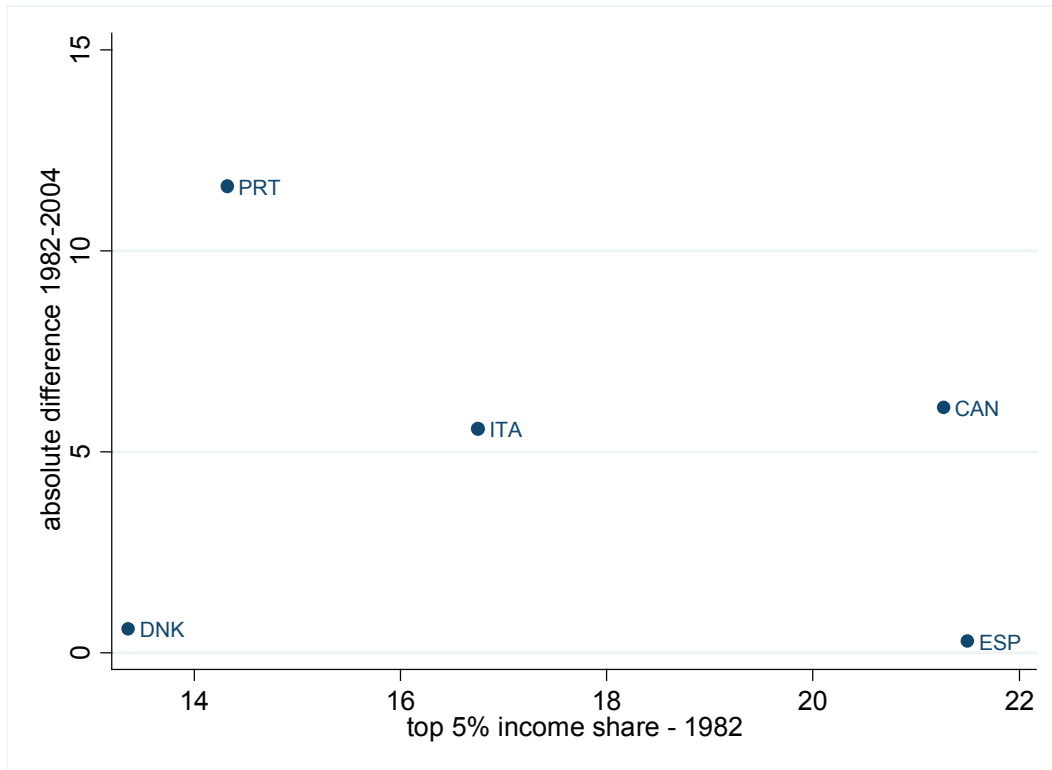


Figure A. 51 Top 5% country group 3







Appendix B. Inter-linkages among different sources of inequality

There is a generalized impression that inequality is somehow related with problem such as poverty and the material deprivation. Our understanding of the relationship among these measures is rather limited. The same holds for the relationship between income and wealth inequality. In this section we limit ourselves to the presentation of the statistical correlation.

We start by plotting the association between income and wealth inequality. Both measures are affected by some biases: 1) income inequality does not keep into account in-kind benefits and imputed rents; 2) wealth inequality does not keep into account public pensions and human capital stocks. OECD (2008) shows that the inclusion of the in kind benefits has a progressive effect, while the effect of the inclusion of the items mentioned sub 2) are difficult to estimate, especially given that the institutional differences affect the incentives to accumulate wealth. One possible way to arrive to a less biased estimate of both and, also, to a potential association between the two variables (wealth and income) is the use of income net-worth as discussed by Weisbrod and Hansen (1968): it consists of transforming the net worth into a constant flow of income, using both an interest rate and life expectancy to discount. Unfortunately no data are available.

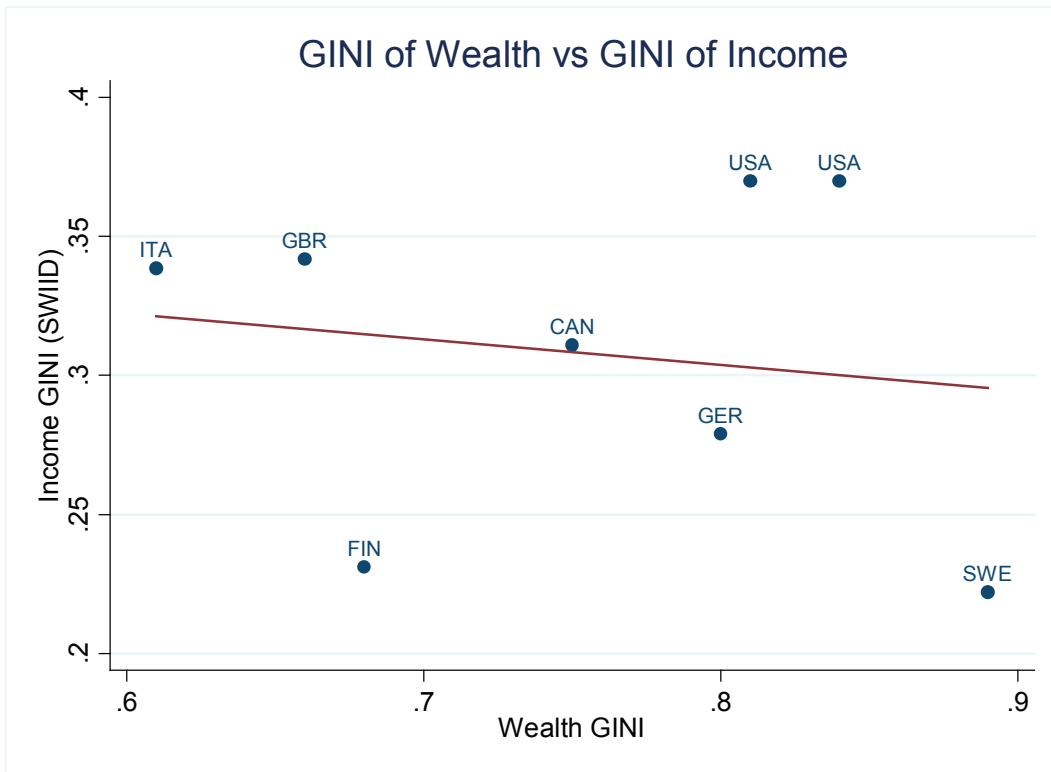
In the figures below we plot Gini of Wealth taken from OECD (2008) for a selection of countries against Gini of Income taken from LIS. Whenever the years of the survey do not match we correct for the trend of Income Gini using data from SWIID (Slot, 2009). Besides the US, which stands as a deeply unequal society; the evidence for Europe shows a negative correlation. In Chapter 3 we will provide also some analytical discussion of the possible causes.

In the same Appendix B we also plot the main associations between a set of common indicators: a) GDP per capita measured in purchasing power parity; b) poverty rate, measured as the share of persons with less than 60% of median equivalized income; c) GINI index of disposable income; d) measures of material deprivation and severe material deprivation, expressed as having at most four (respectively three) items of a bundle of fundamental goods (for a detailed definition see Eurostat). The source for the data is Eurostat.

GDP per capita is strongly and negatively associated with indicators of poverty and material deprivation, supporting the fundamental statement that growth is a necessary condition for poverty reduction. Inequality is positively associated with material deprivation, severe and not severe, and poverty. The association is weak for the first

measure and strong for the poverty rate, but in both cases data tend to be clustered, suggesting the possibility of “multiple equilibria”, namely the potential coexistence of different distribution of incomes for a given growth rate.

Figure B. 1 Income Inequality versus Wealth Inequality



Source: GINI of Wealth is taken from OECD (2008), GINI of Income is taken SWIID data (Solt, 2009).

Figure B. 2 Gini of Wealth for selected countries in 2000. Source: UNU WIDER (2009)

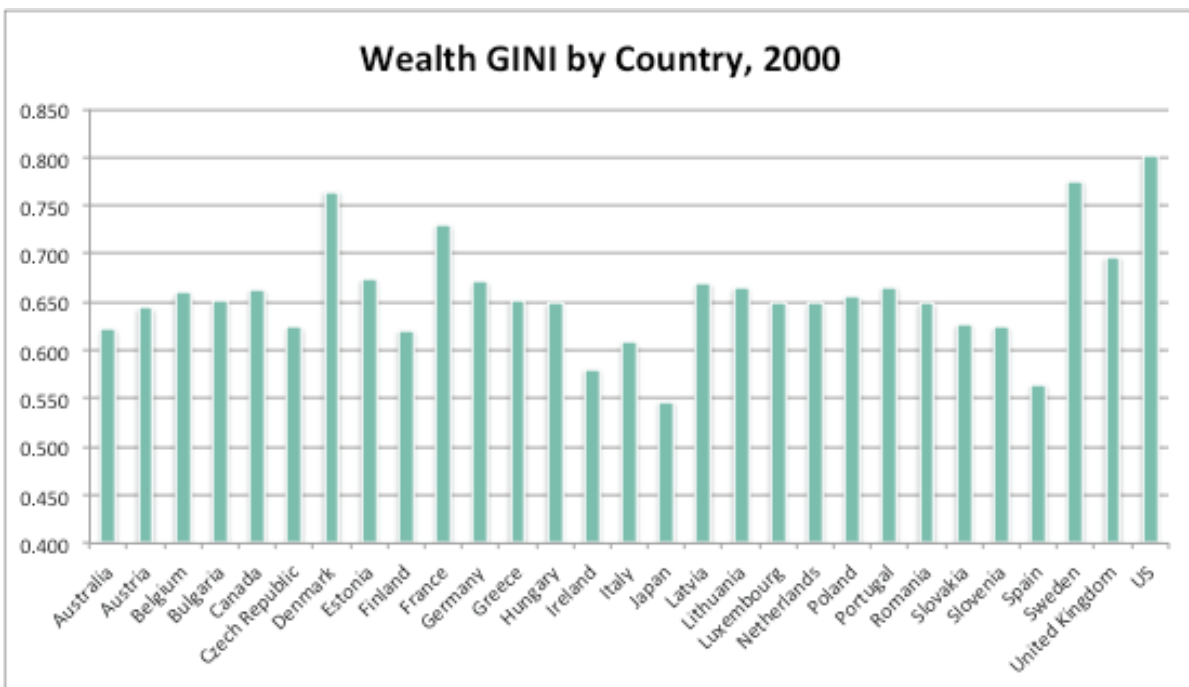




Figure B. 3 Gini of Wealth for selected countries in 2011. Source: Global Wealth Report Credit Suisse 2011 (Shorrocks et al., 2011).

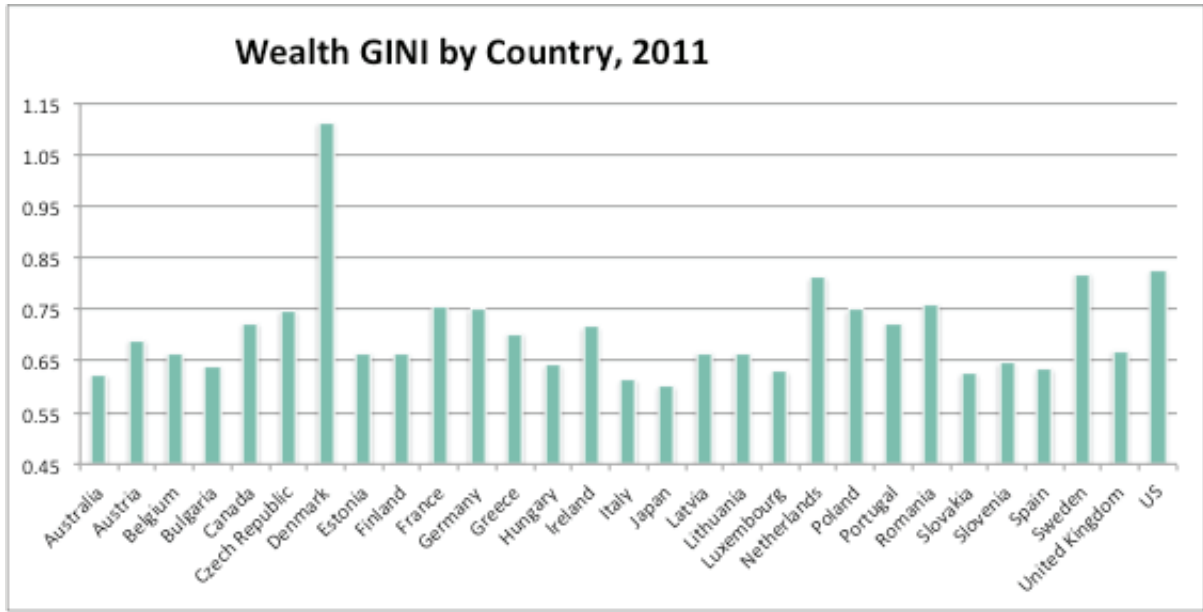


Figure B. 4 GDP per capita versus material deprivation for a selection of countries in 2005. Source: Eurostat

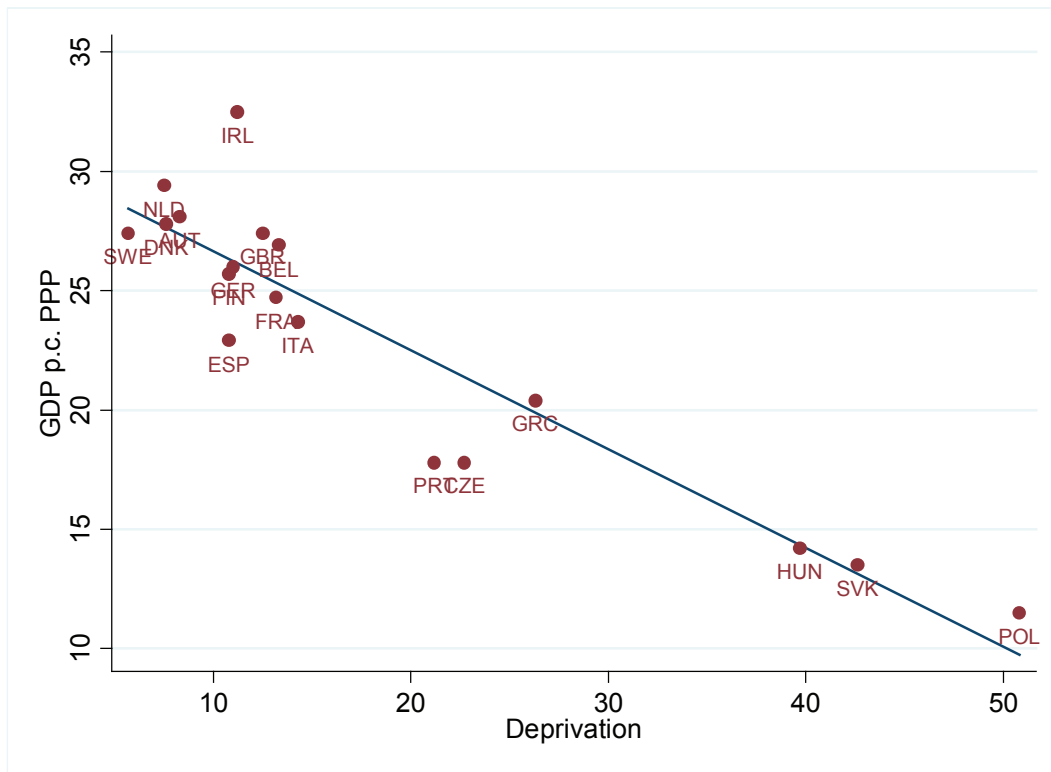


Figure B. 5 GDP per capita versus severe material deprivation for a selection of countries in 2005. Source: Eurostat

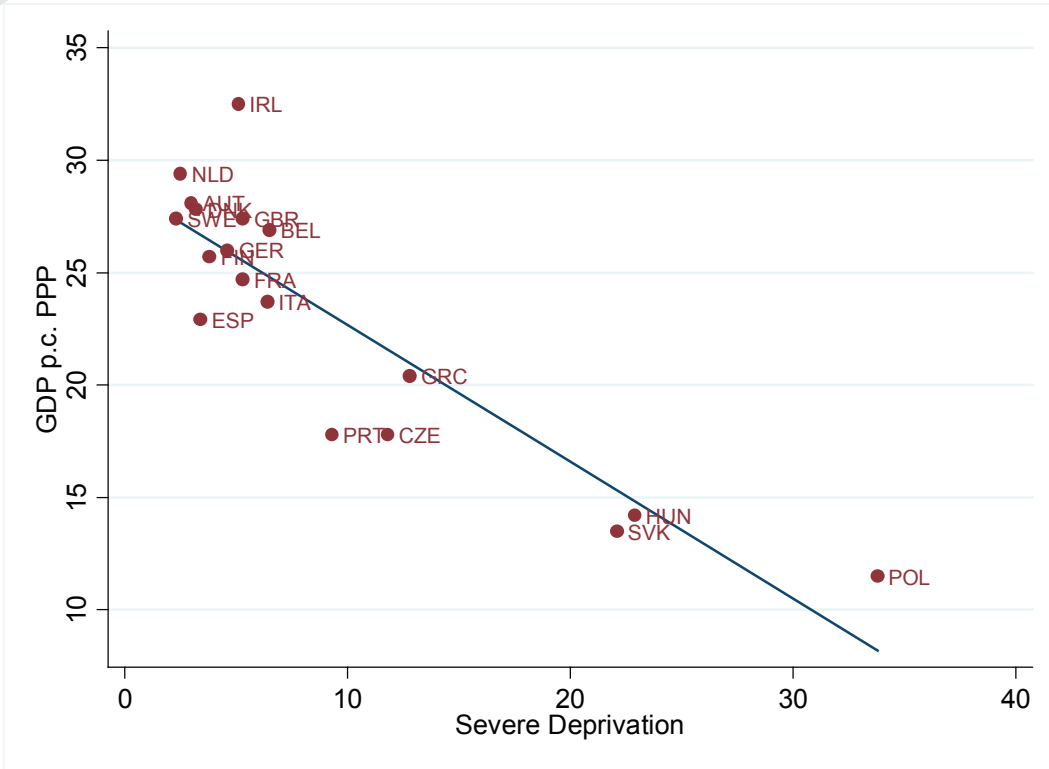


Figure B. 6 Gini versus material deprivation for a selection of countries in 2005. Source: Eurostat

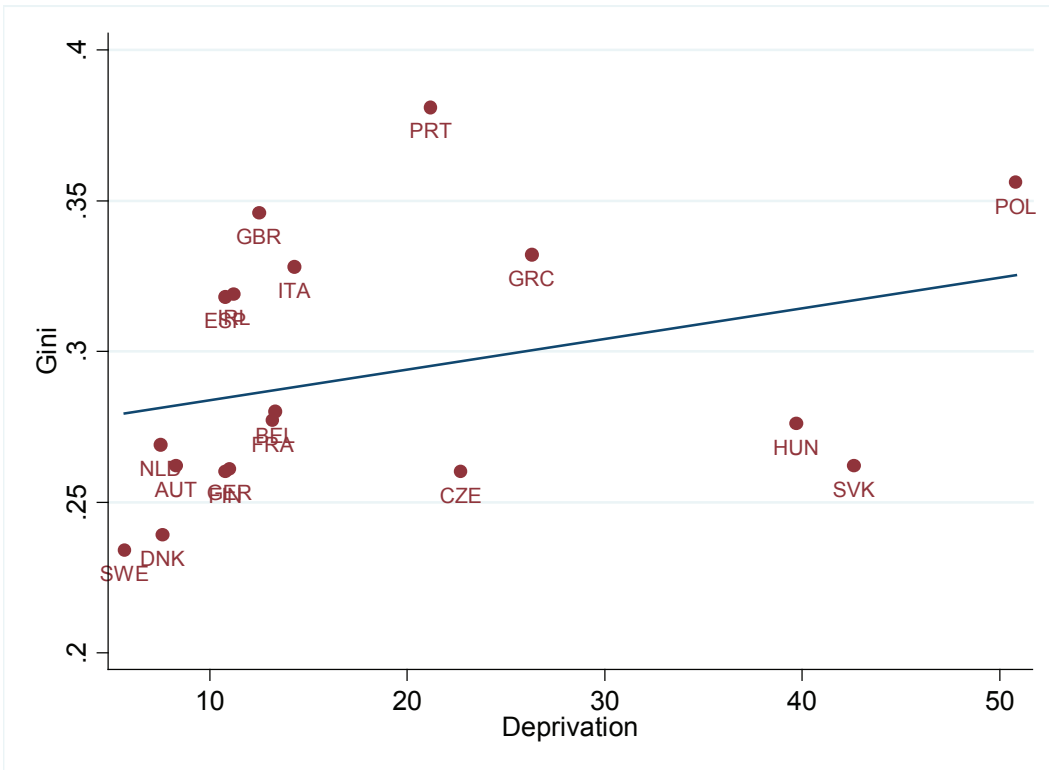




Figure B. 7 Gini versus severe material deprivation for a selection of countries in 2005. Source: Eurostat

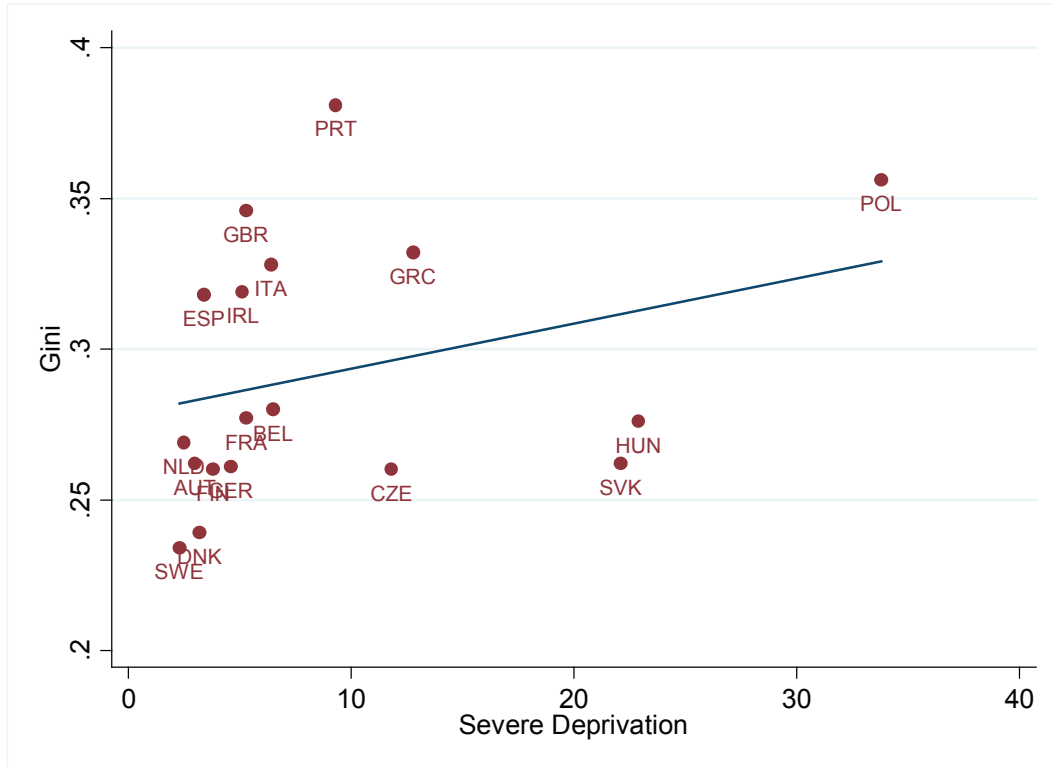


Figure B. 8 Gini versus poverty rate for a selection of countries in 2005. Source: Eurostat

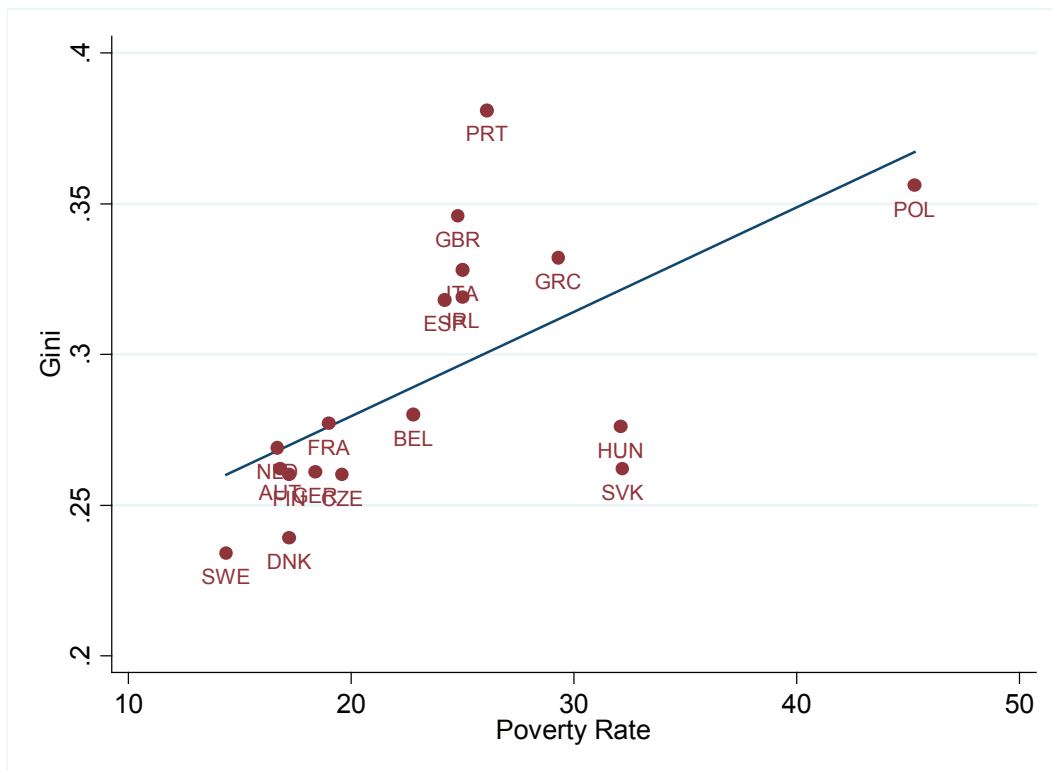
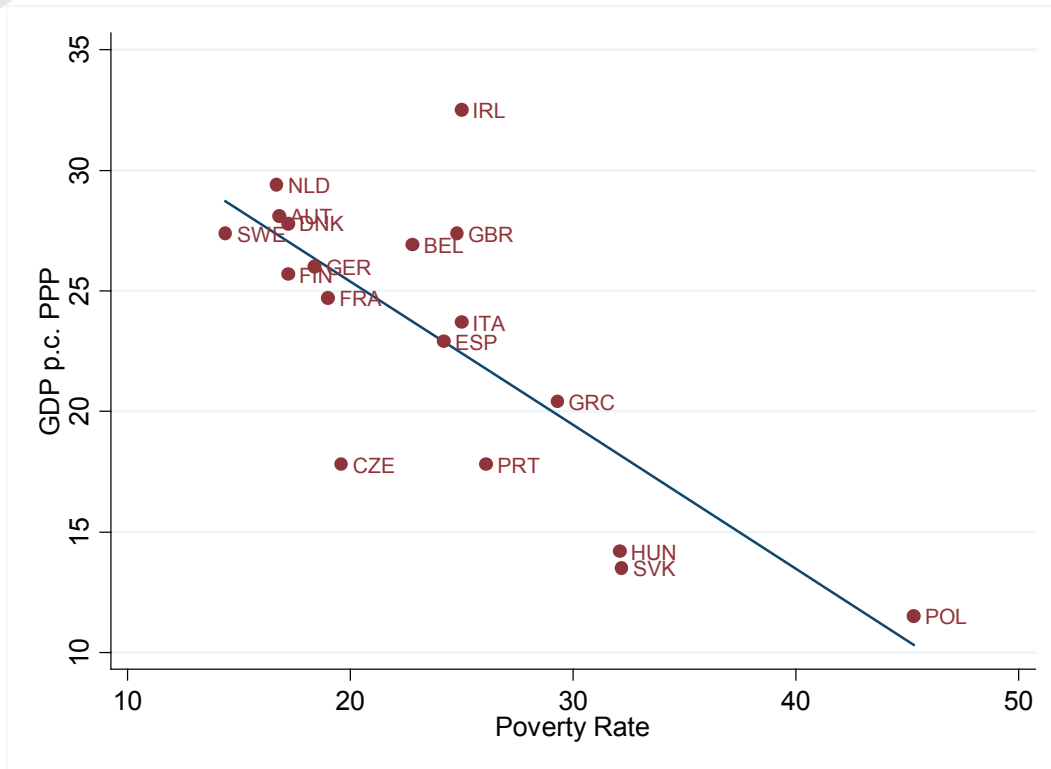


Figure B. 9 GDP per capita versus poverty rate for a selection of countries in 2005. Source: Eurostat



Appendix C. Estimated coefficients from Mincerian regressions for wages

Figure C. 1 Australia: Estimated coefficients from a Mincerian regression. Source: LIS

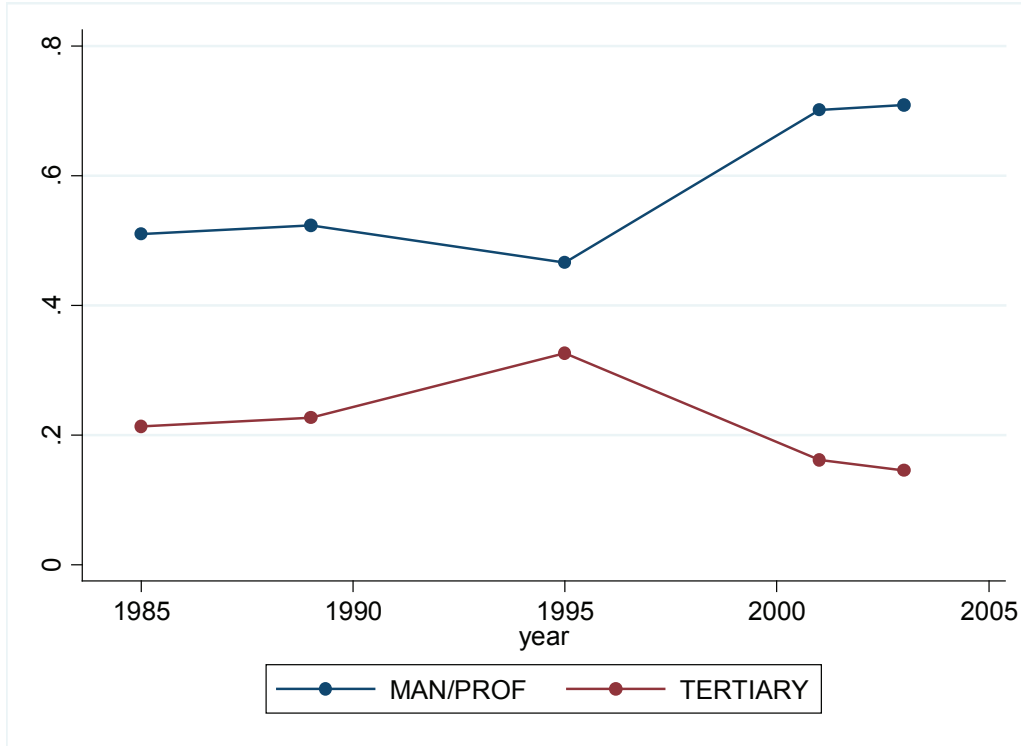


Figure C. 2 Australia: Estimated coefficients from a Mincerian regression. Source: LIS

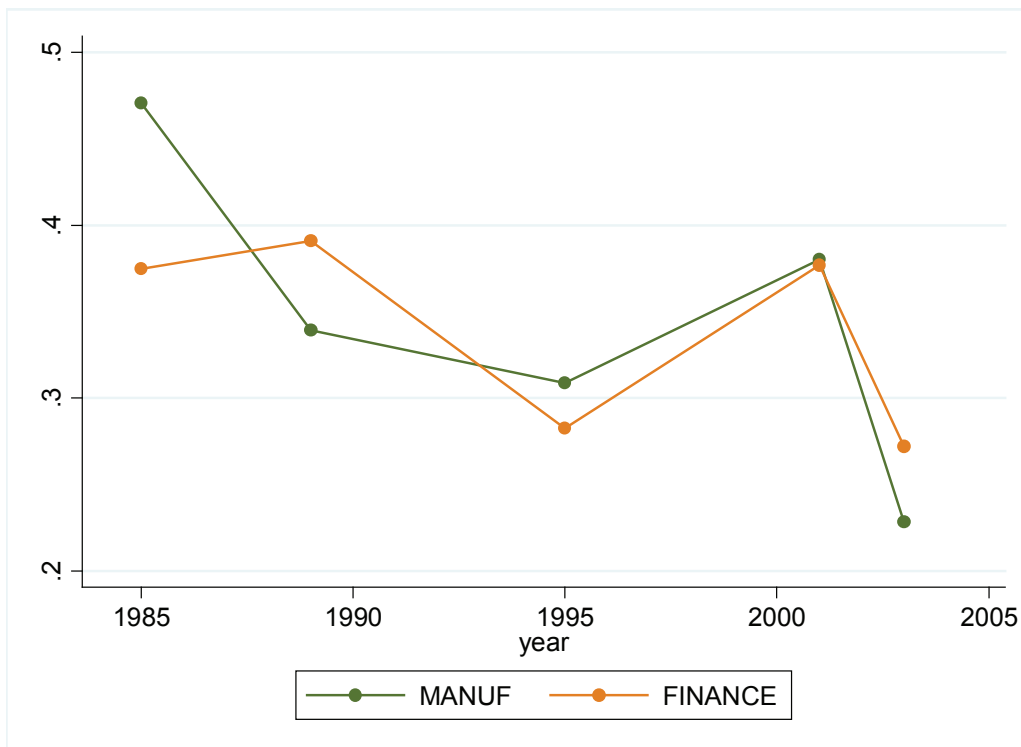


Figure C. 3 Austria: Estimated coefficients from a Mincerian regression. Source: LIS

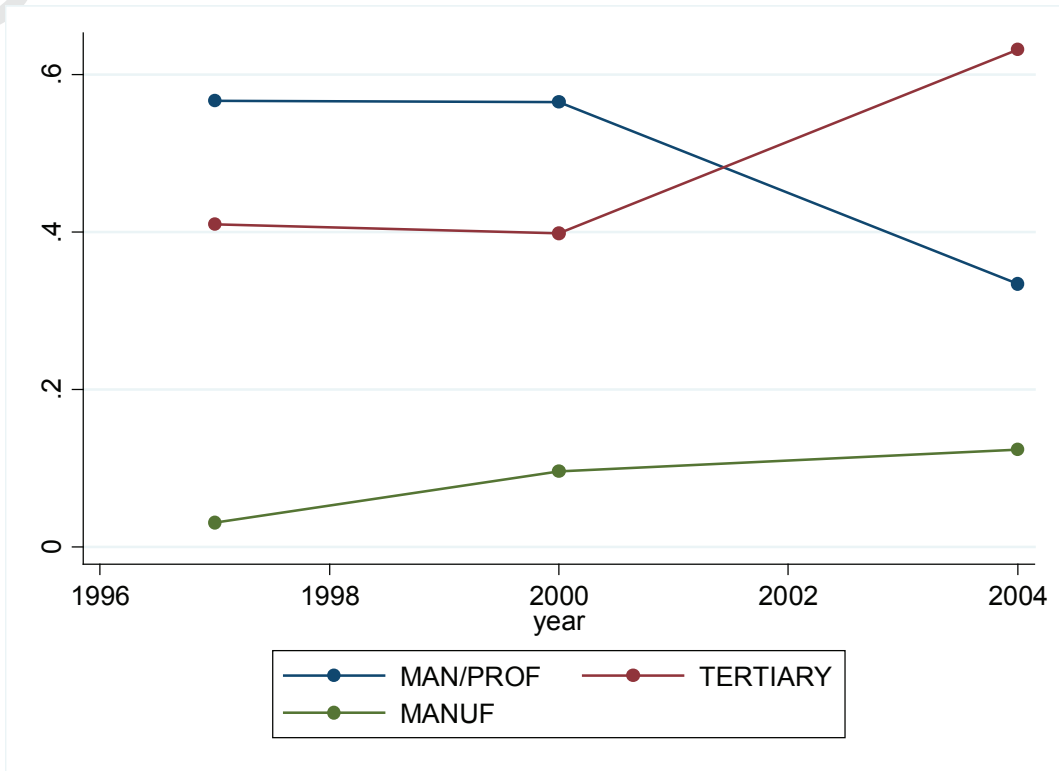


Figure C. 4 Belgium: Estimated coefficients from a Mincerian regression. Source: LIS

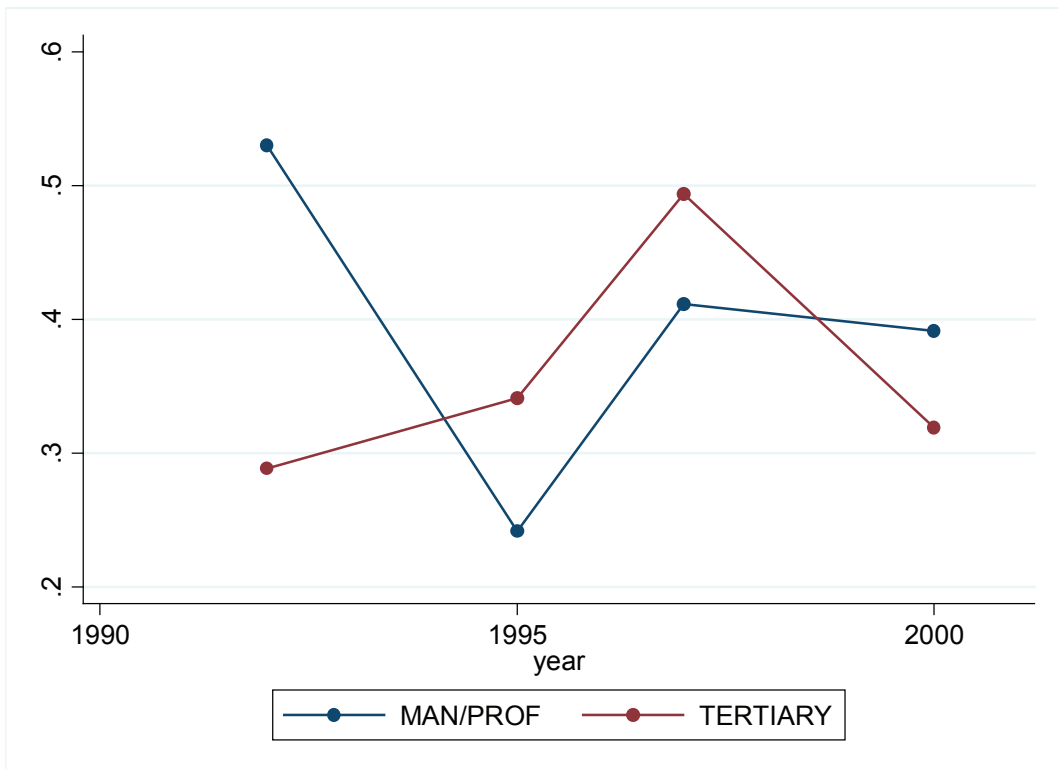




Figure C. 5 Belgium: Estimated coefficients from a Mincerian regression. Source: LIS

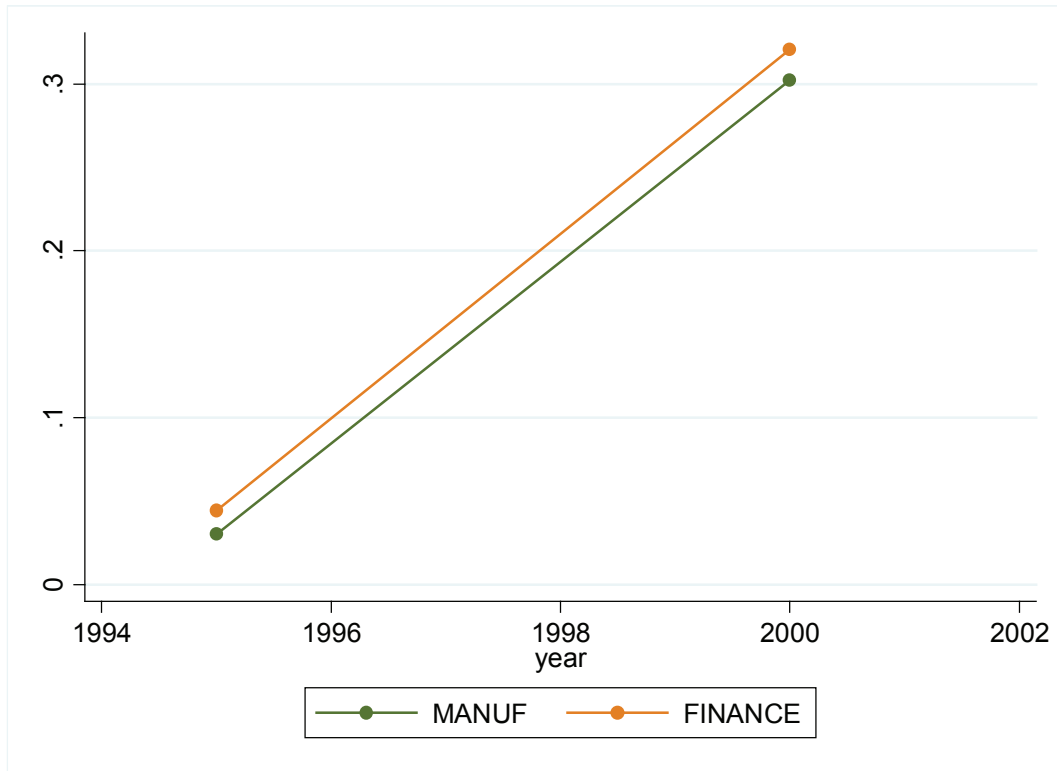


Figure C. 6 Canada: Estimated coefficients from a Mincerian regression. Source: LIS

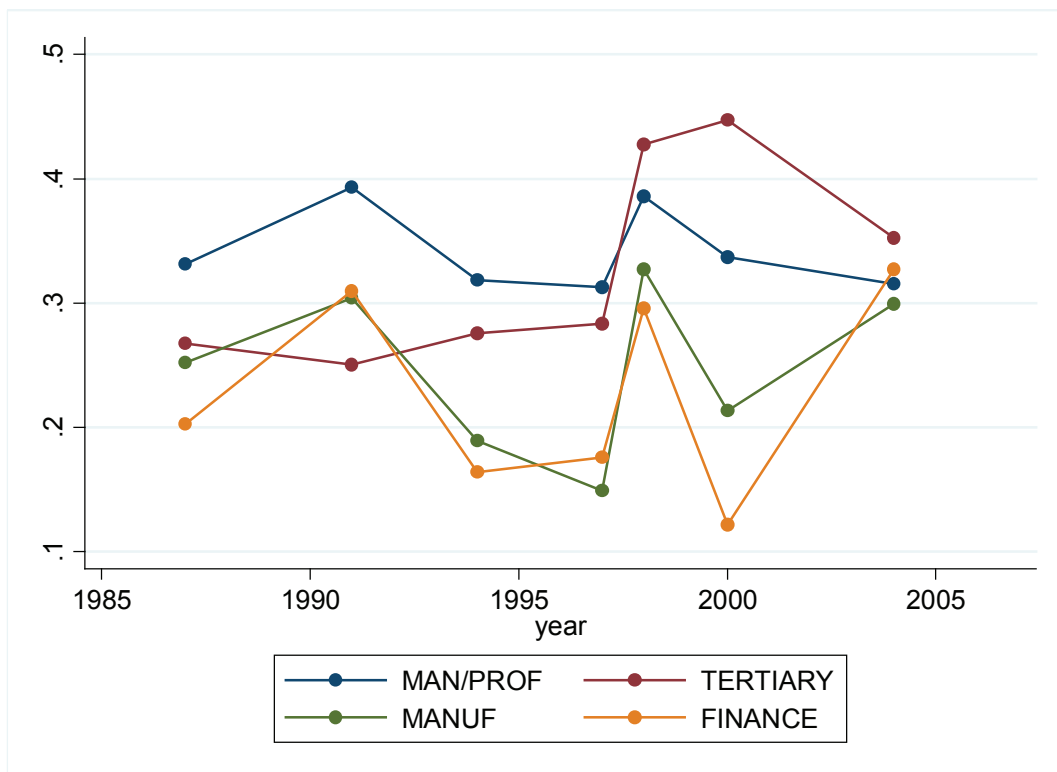




Figure C. 7 Denmark: Estimated coefficients from a Mincerian regression. Source: LIS

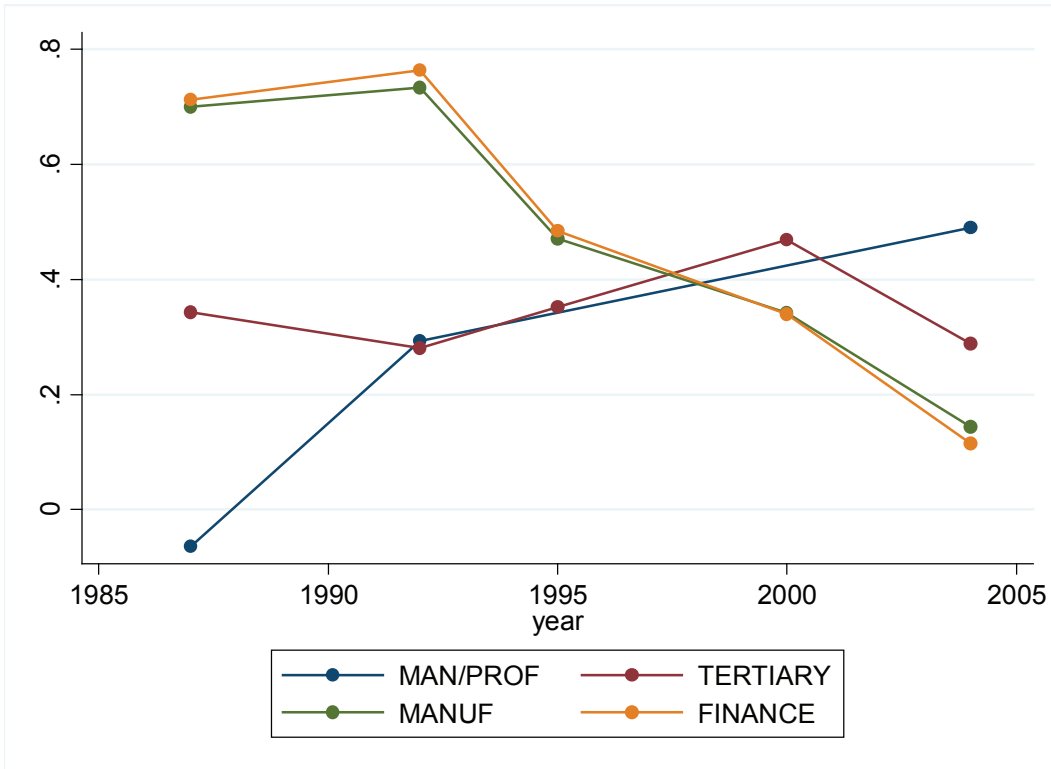


Figure C. 8 Finland: Estimated coefficients from a Mincerian regression. Source: LIS

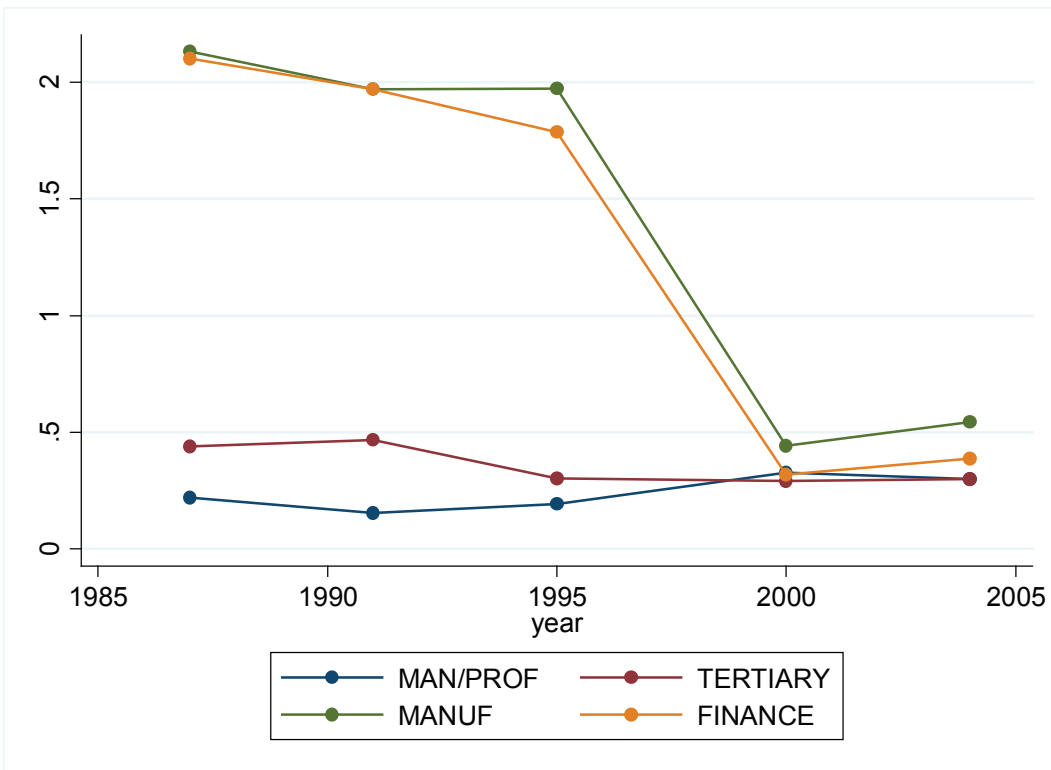




Figure C. 9 France: Estimated coefficients from a Mincerian regression. Source: LIS

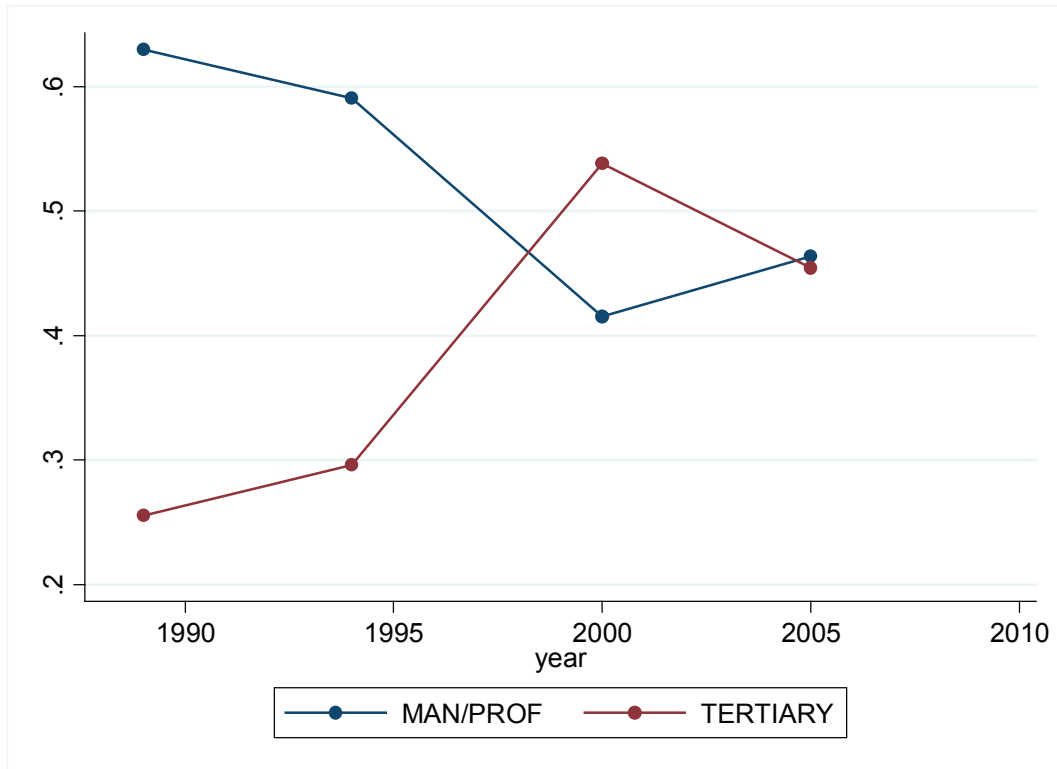


Figure C. 10 France: Estimated coefficients from a Mincerian regression. Source: LIS

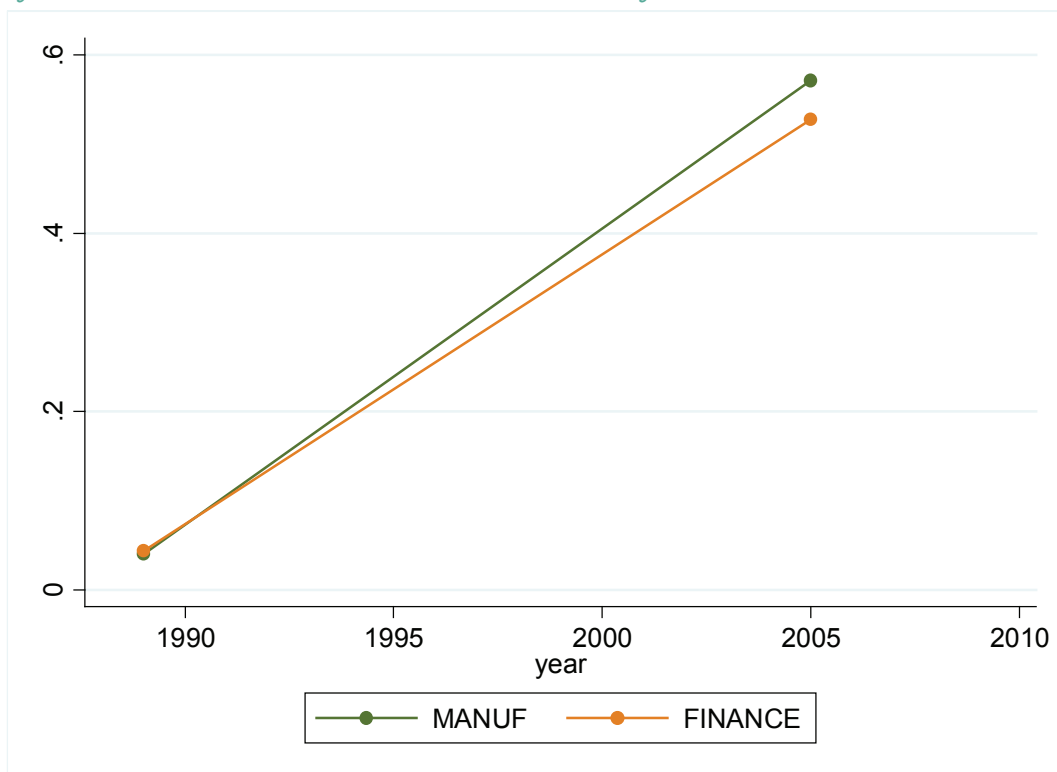




Figure C. 11 Germany: Estimated coefficients from a Mincerian regression. Source: LIS

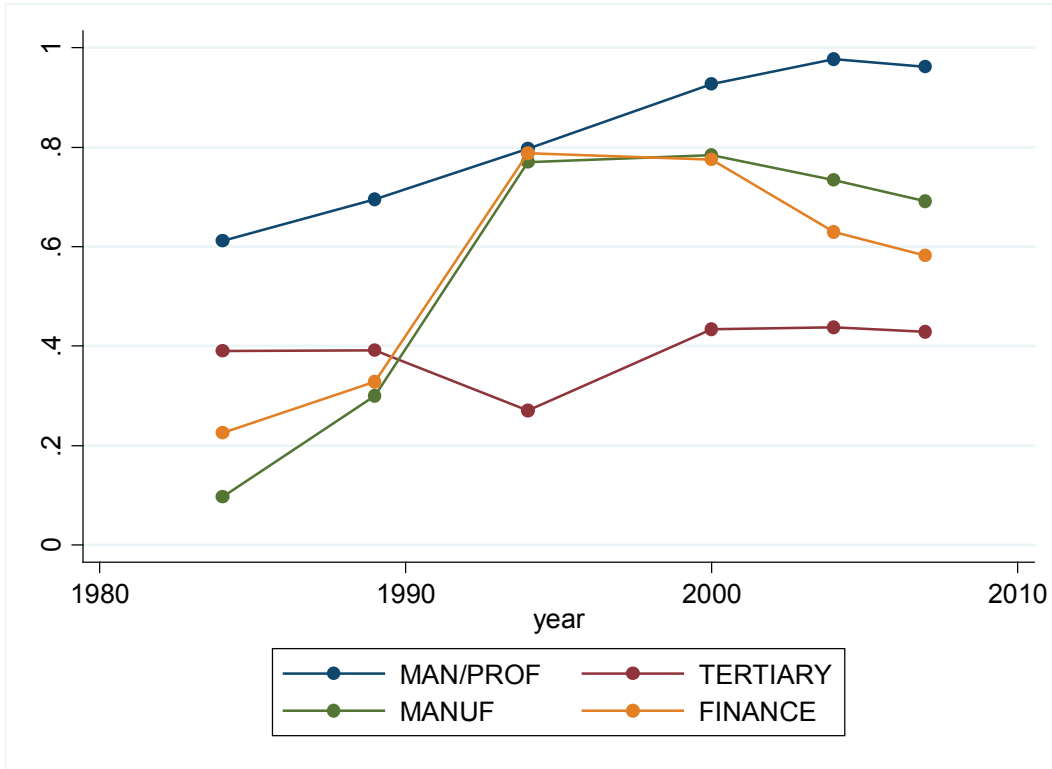


Figure C. 12 Hungary: Estimated coefficients from a Mincerian regression. Source: LIS

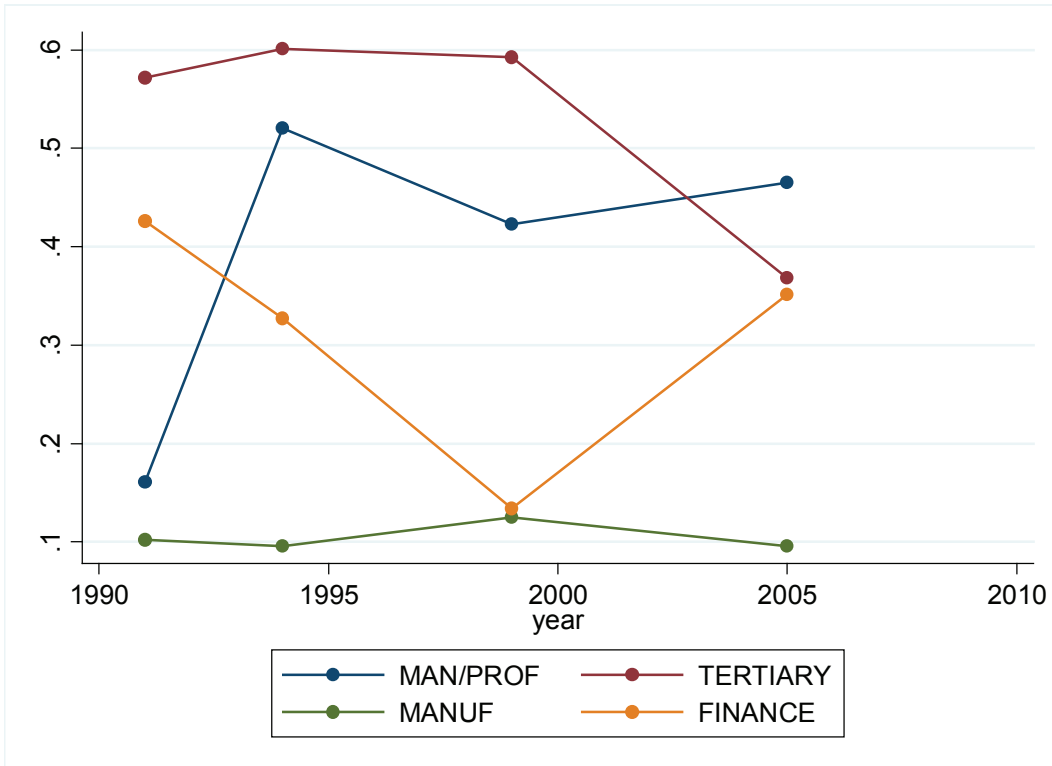




Figure C. 13 Ireland: Estimated coefficients from a Mincerian regression. Source: LIS

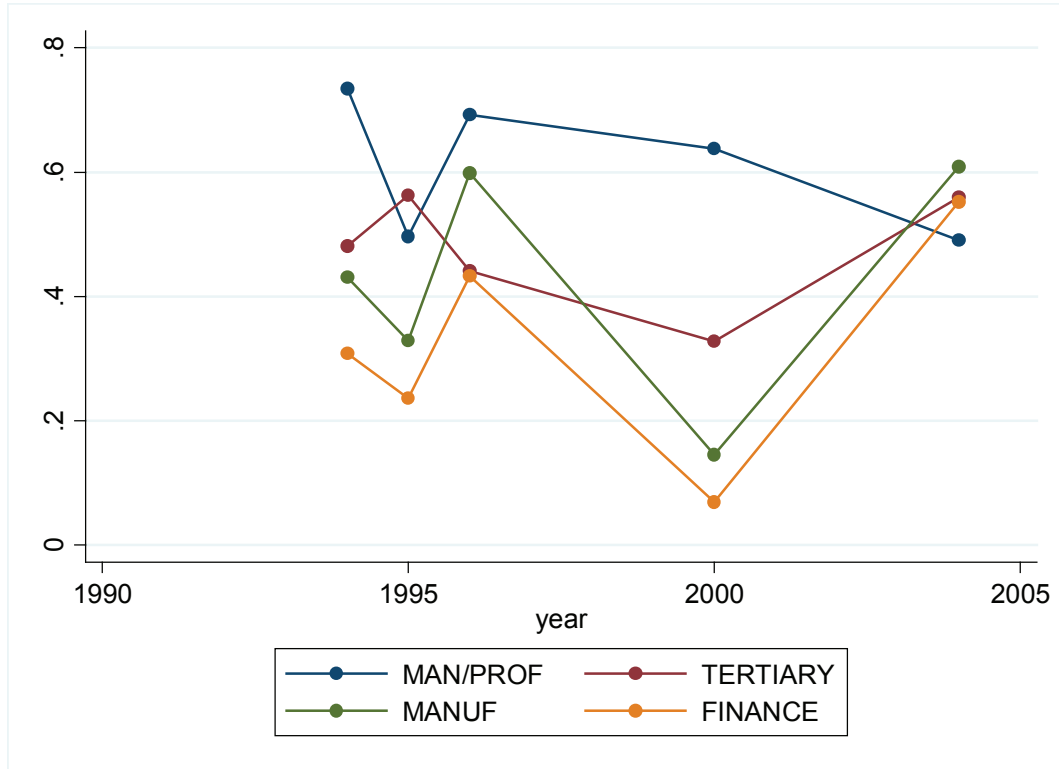


Figure C. 14 Italy: Estimated coefficients from a Mincerian regression. Source: LIS

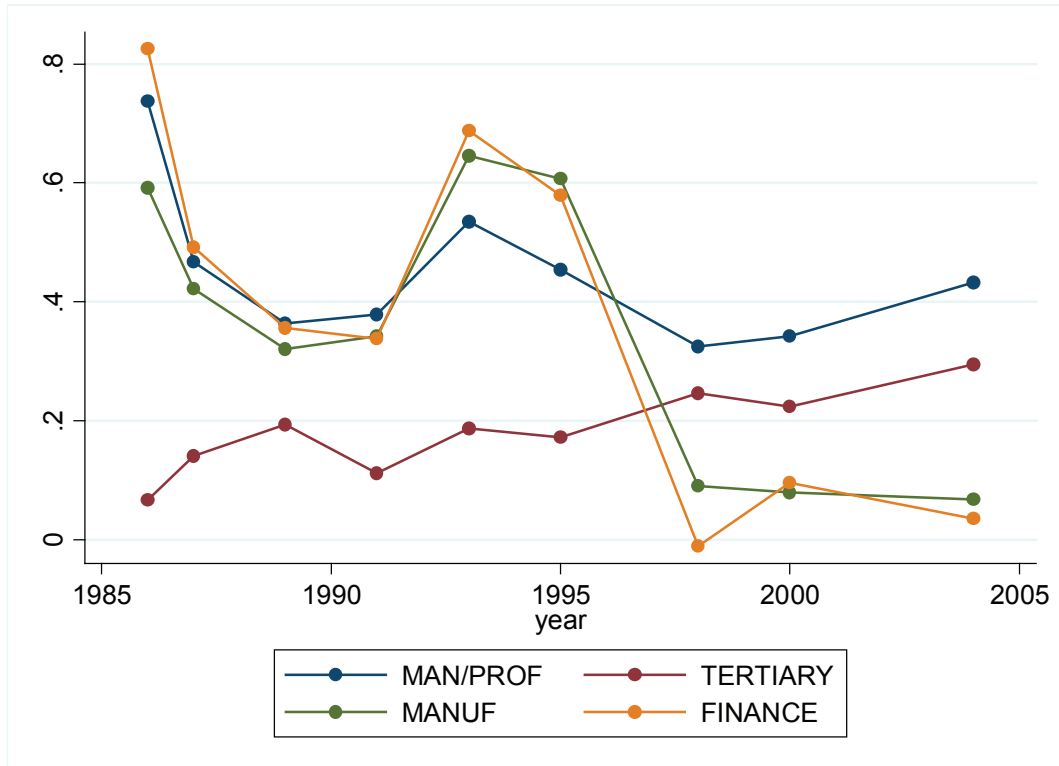




Figure C. 15 Luxembourg: Estimated coefficients from a Mincerian regression. Source: LIS

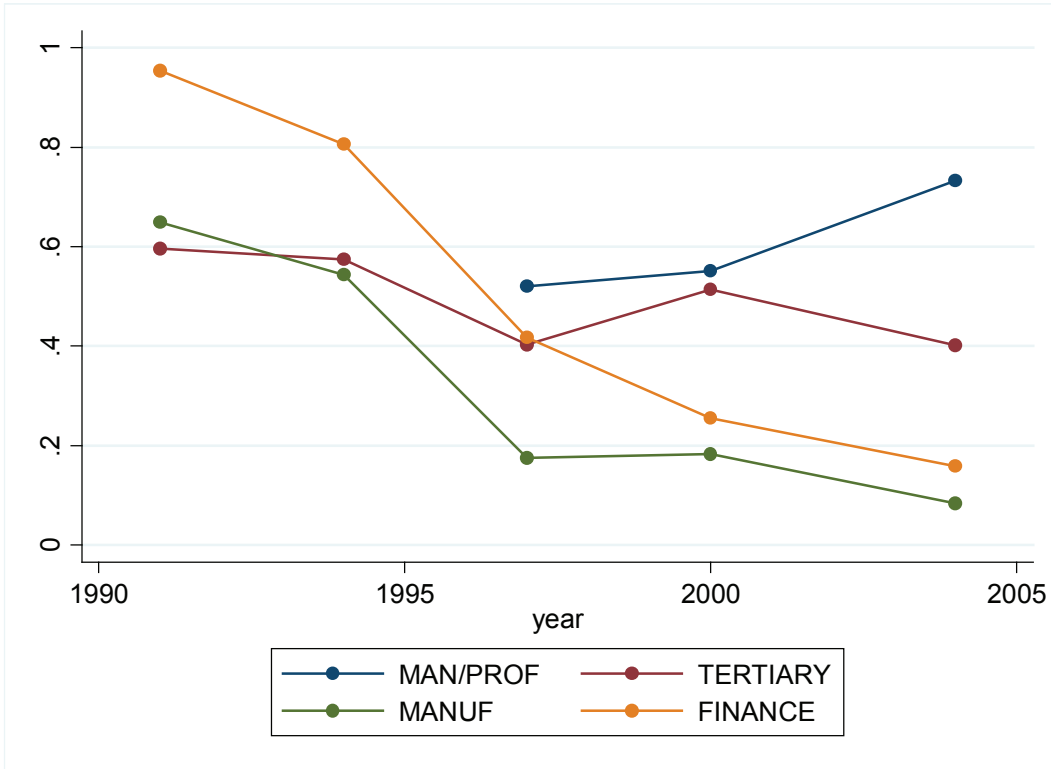


Figure C. 16 The Netherlands: Estimated coefficients from a Mincerian regression. Source: LIS

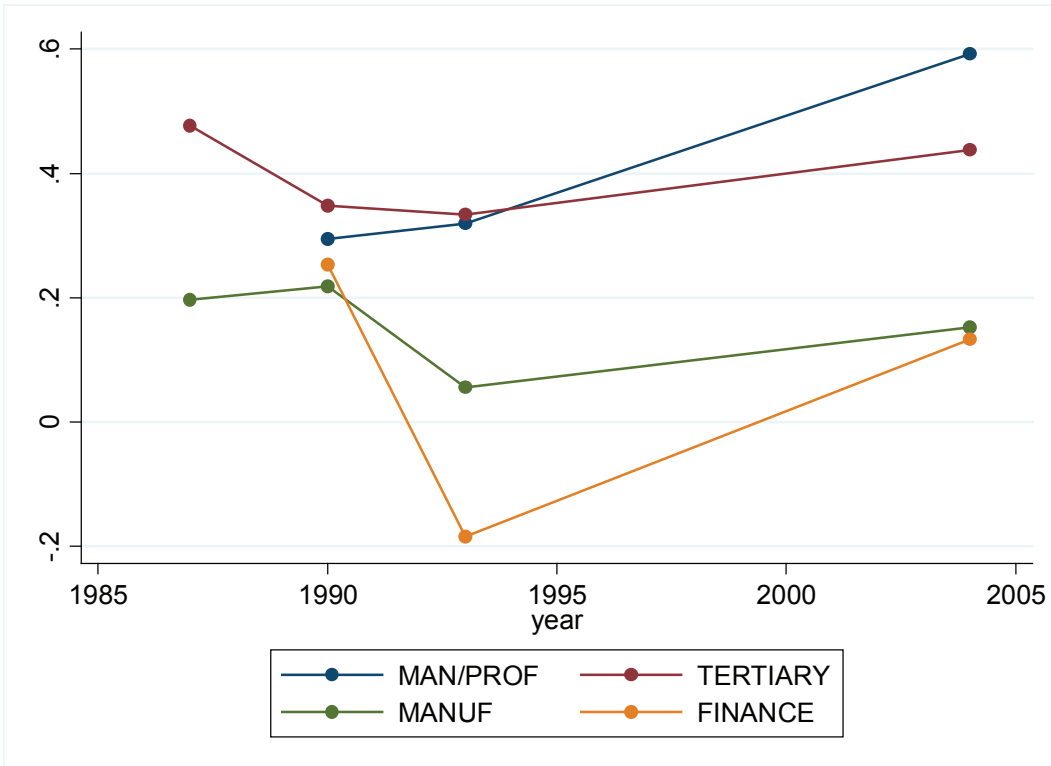




Figure C. 17 Poland: Estimated coefficients from a Mincerian regression. Source: LIS

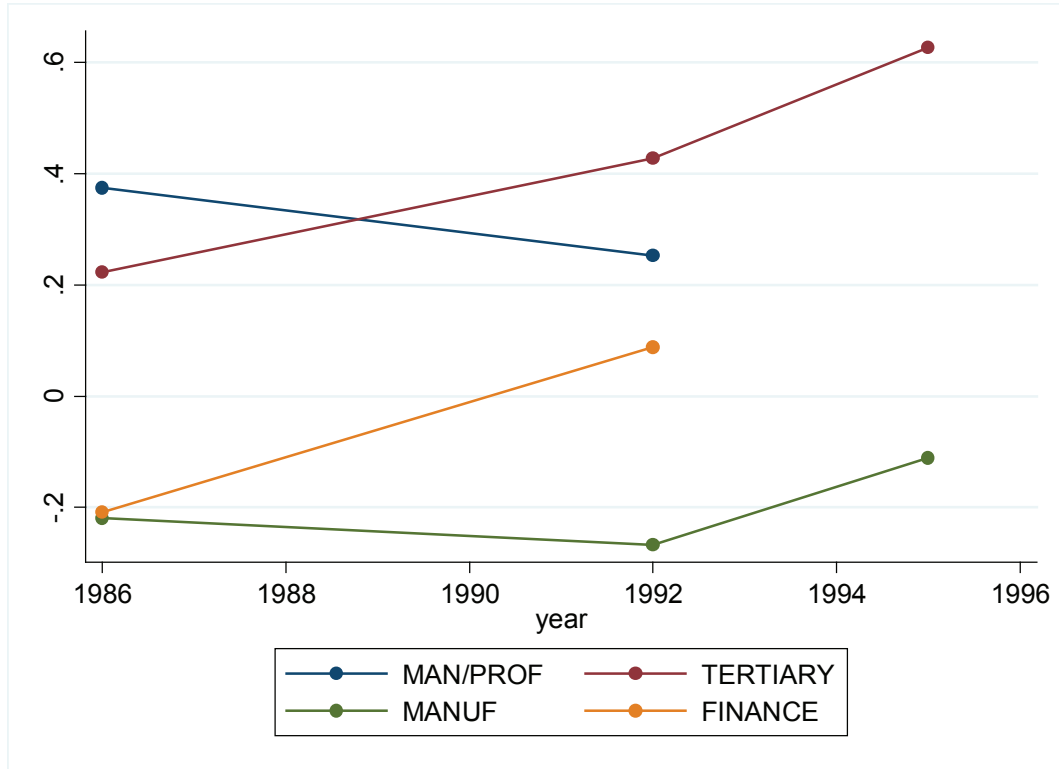


Figure C. 18 Slovenia: Estimated coefficients from a Mincerian regression. Source: LIS

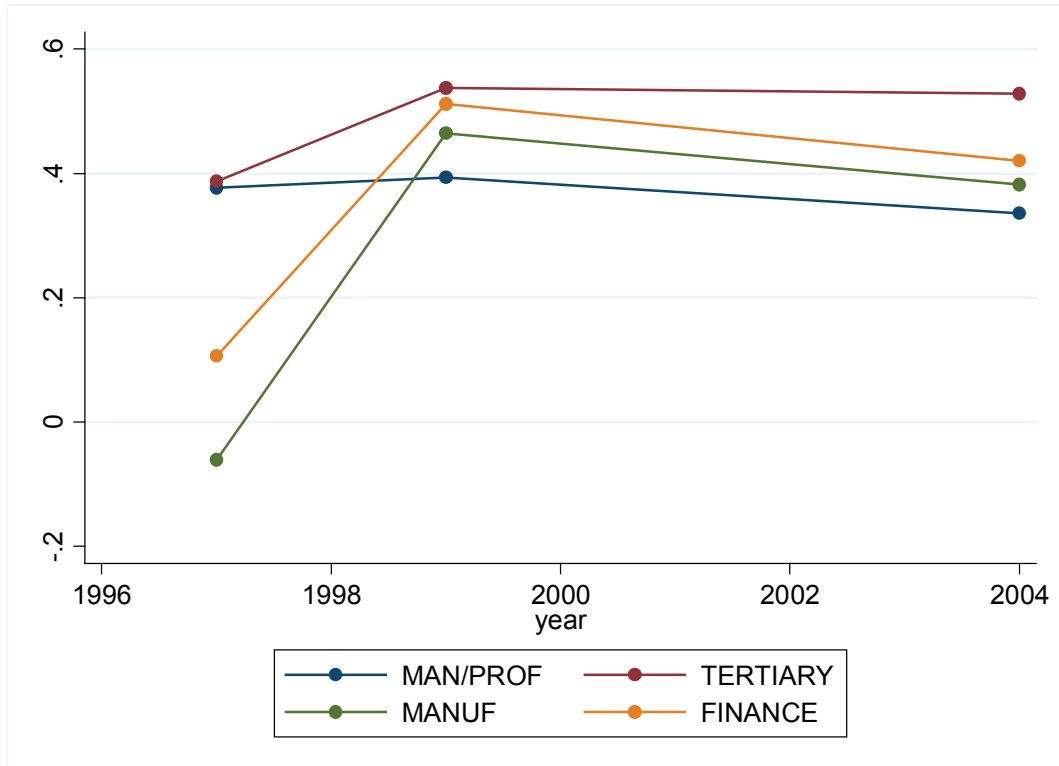


Figure C. 19 Spain: Estimated coefficients from a Mincerian regression. Source: LIS

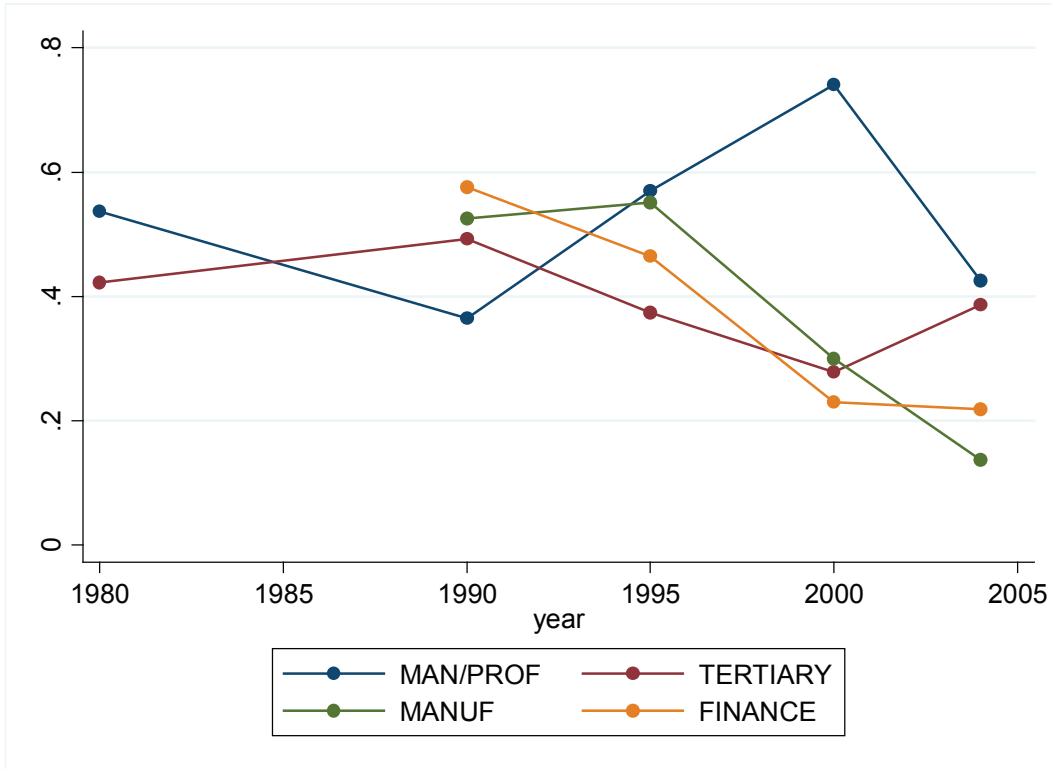


Figure C. 20 United Kingdom: Estimated coefficients from a Mincerian regression. Source: LIS

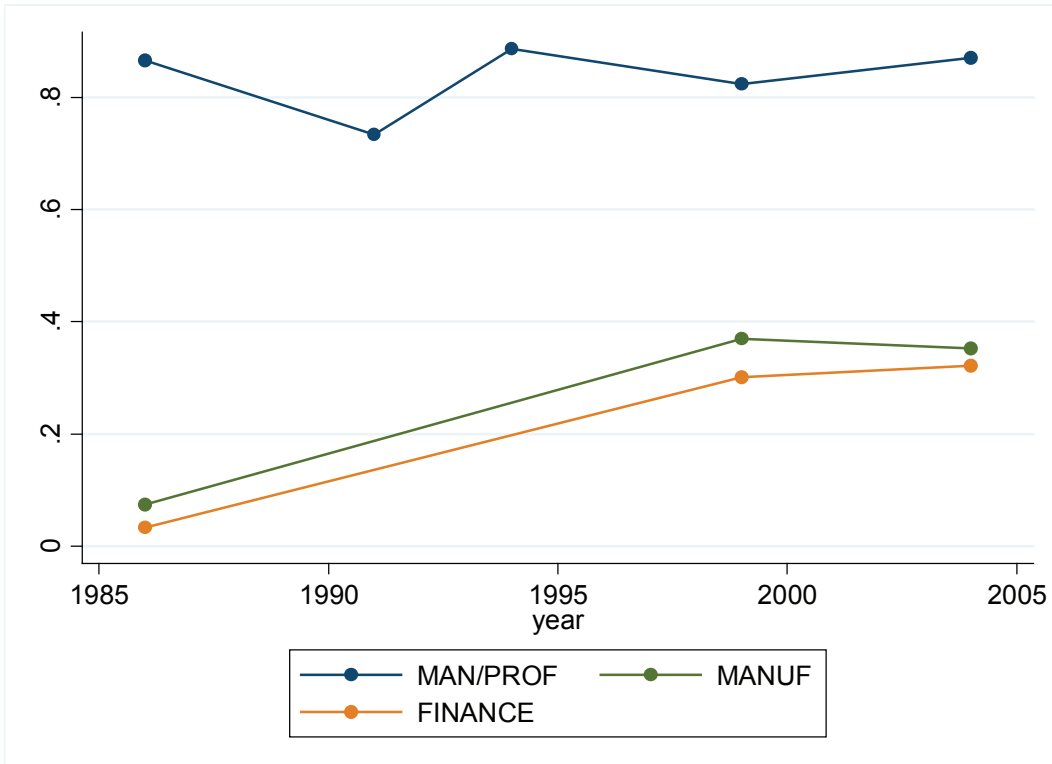




Figure C. 21 USA: Estimated coefficients from a Mincerian regression. Source: LIS

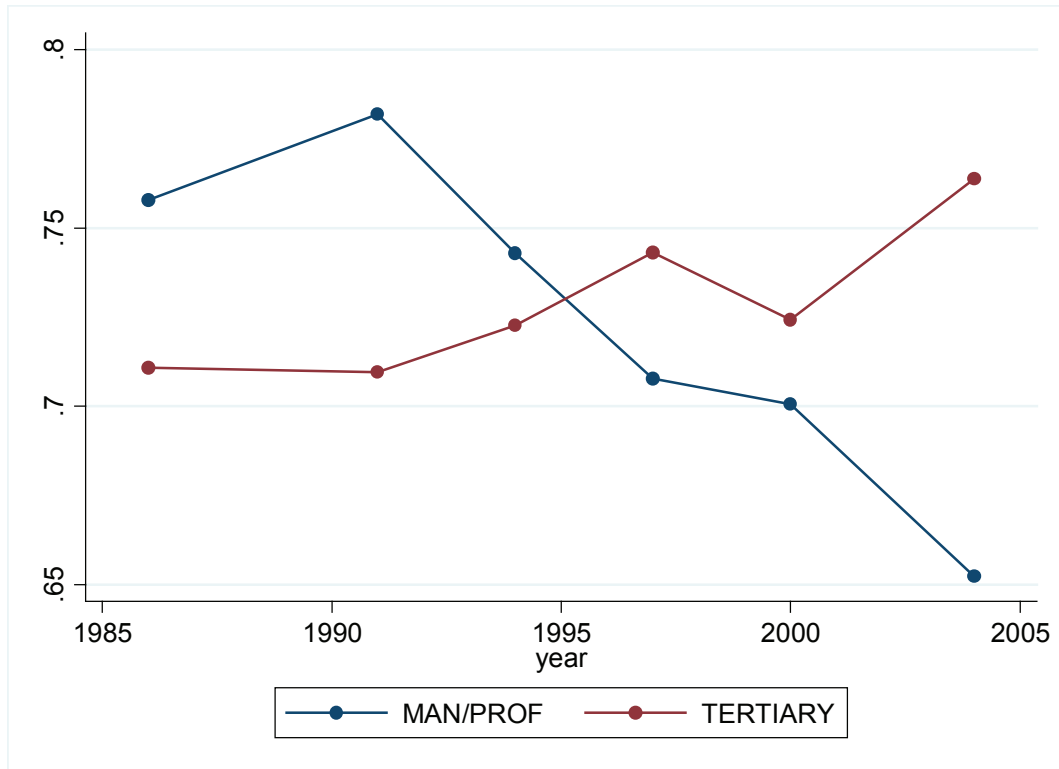
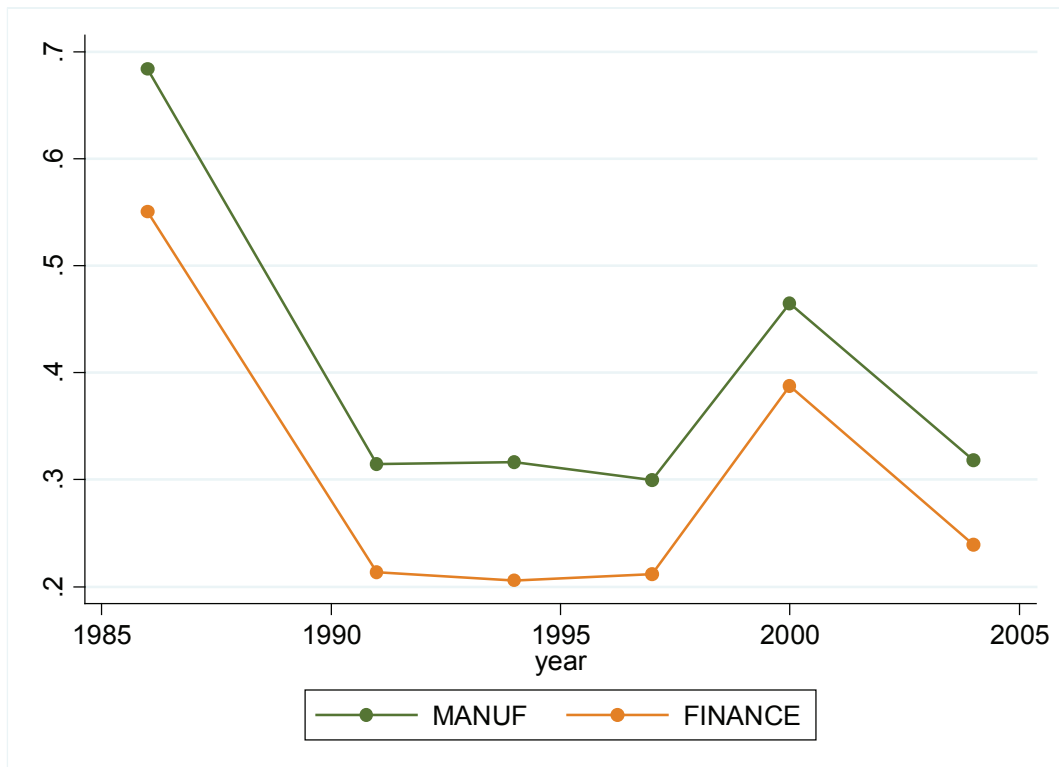


Figure C. 22 USA: Estimated coefficients from a Mincerian regression. Source: LIS







Information on the GINI project

Aims

The core objective of GINI is to deliver important new answers to questions of great interest to European societies: What are the social, cultural and political impacts that increasing inequalities in income, wealth and education may have? For the answers, GINI combines an interdisciplinary analysis that draws on economics, sociology, political science and health studies, with improved methodologies, uniform measurement, wide country coverage, a clear policy dimension and broad dissemination.

Methodologically, GINI aims to:

- exploit differences between and within 29 countries in inequality levels and trends for understanding the impacts and teasing out implications for policy and institutions,
- elaborate on the effects of both individual distributional positions and aggregate inequalities, and
- allow for feedback from impacts to inequality in a two-way causality approach.

The project operates in a framework of policy-oriented debate and international comparisons across all EU countries (except Cyprus and Malta), the USA, Japan, Canada and Australia.

Inequality Impacts and Analysis

Social impacts of inequality include educational access and achievement, individual employment opportunities and labour market behaviour, household joblessness, living standards and deprivation, family and household formation/breakdown, housing and intergenerational social mobility, individual health and life expectancy, and social cohesion versus polarisation. Underlying long-term trends, the economic cycle and the current financial and economic crisis will be incorporated. Politico-cultural impacts investigated are: Do increasing income/educational inequalities widen cultural and political ‘distances’, alienating people from politics, globalisation and European integration? Do they affect individuals’ participation and general social trust? Is acceptance of inequality and policies of redistribution affected by inequality itself? What effects do political systems (coalitions/winner-takes-all) have? Finally, it focuses on costs and benefits of policies limiting income inequality and its efficiency for mitigating other inequalities (health, housing, education and opportunity), and addresses the question what contributions policy making itself may have made to the growth of inequalities.

Support and Activities

The project receives EU research support to the amount of Euro 2.7 million. The work will result in four main reports and a final report, some 70 discussion papers and 29 country reports. The start of the project is 1 February 2010 for a three-year period. Detailed information can be found on the website.

www.gini-research.org





GINI GROWING INEQUALITIES' IMPACTS

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Project funded under the
Socio-Economic sciences
and Humanities theme.