Luxembourg Income Study asbl

NEWSLETTER

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Director's Column

Tim Smeeding

Lots going on at LIS: new data; publication of our 20th anniversary volume (*Socio-Economic Review*, May 2004); and a new immigration in Europe conference volume is in progress. The LWS project is moving right along. Look inside to join us as a visiting scholar or as a summer Workshop participant. We look forward to hearing from you.

SAVE THE DATE

Meeting of Member Countries

18 July 2005

LEADERSHIP CHANGES

The LIS leadership team is expanding and changing. LIS Overall Director Tim Smeeding and Research Director Lee Rainwater have been joined by two long-time LIS affiliates, Markus Jäntii and Janet Gornick.

On June 1, 2004, Markus became Associate Research Director of LIS. In January of 2005, Lee will retire from LIS, after nearly 25 years, and Markus will become Research Director. Markus is Professor of Economics at Abo Akademi University, in Finland. He can be reached at markus.jantti@iki.fi.

On September 1, 2004, Janet became Associate Director of LIS. Janet is Associate Professor of Political Science at Baruch College, and at The Graduate Center, at the City University of New York, in the USA. She can be reached at janet_gornick@baruch.cuny.edu.

Tim, Lee, Markus, and Janet look forward to working hard and playing together, as LIS continues to grow and change.

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Update

Luxembourg Wealth Study

Eva Sierminska

This past Spring I visited Statistics Canada, the Federal Reserve Board, DIW Berlin and the Institute for Social Research at the University of Michigan, to meet with experts of the respective surveys that will be included in the LWS. The goal of these visits was to gather detailed information about the surveys such as, sample design, comparisons of the surveys with National Accounts, quality of the wealth data, availability of working papers, and institutional details of the respective countries.

The summer was spent contacting the remaining countries of the Study and collecting preliminary information on their surveys and institutional details in order to create the first matrix of LWS variables. This matrix will be presented to the project leaders and other supporters of LWS during an informal meeting at the IARIW conference in Cork, Ireland in late August.

In the fall the remaining country visits will be conducted. These will include visits to Statistics Finland, Statistics Norway, Statistics Sweden, Bank of Italy and University of Cyprus. The first results of the LWS will be presented at the formal LWS meeting in Perugia, Italy in January 2005.

Updates will be made available at http://www.lisproject.org/lws.htm.

2005 Summer Workshop

The LIS Summer Workshop is a one-week pre- and post-doctoral workshop designed to introduce young scholars in the social sciences to comparative research in income distribution and social policy using the LIS database. The Luxembourg Income Study has made comparable over 130 large microdata sets which contain comprehensive measures of income and economic well-being for a set of 29 modern industrialized welfare states. The LIS databank currently covers countries including: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Israel, Italy, Luxembourg, Mexico, the Netherlands, Norway, Poland, Romania, Russia, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States. We are also negotiating with Japan, Korea, Greece, Portugal, New Zealand and South Africa.

The 2005 Introductory Workshop will be held in Luxembourg with arrival the evening of Sunday, July 10 and departure the afternoon of Saturday, July 16. The language of instruction will be English. The course of study will include a mixture of lectures and assistance and direction using the LIS database to explore a research issue chosen by the participant. Workshop faculty will include the entire LIS staff (including Timothy Smeeding, Project Director; Janet Gornick, Associate Project Director; Markus Jäntii, LIS Assistant Research Director; and John Coder, LIS Technical Director) and other experienced LIS users.

Tuition of €1,200 single occupancy will cover instructional materials, accommodations, and full board. Transportation to and from Luxembourg is the responsibility of the student. Applications are available at http://www.lisproject.org/workshop.htm and due no later than **April 15, 2005**.

New/Revised Datasets

Canada 2000 is now available. Please note that the country abbreviation has been changed to CA.

Denmark 1995 and 1997 As of July 2004, the Danish files for 1995 and 1997 will no longer be included in the LIS databank. Due to quality constrains of the present datasets, the LIS team has decided to cease availability until further notice. However, we will continue our efforts, in cooperation with the Danish National Institute of Social Research, to replace the files with good quality data.

A major **revision** has been carried out for each of the **German datasets** based on the **Socio Economic Panel (GSOEP)**. To know the impact of this revision, please check the **revision notes (**http://www.lisproject.org/techdoc/revisions.htm).

Israel 2001 is now available. Please note that the country abbreviation has been changed to IL.

Mexico 2000 is now available.

Taiwan 1997 and 2000 are now available. The country abbreviation has been changed to TW.

Norway 2000 Thanks to the help of a visiting Norwegian expert (Brynjar Indahl) the Norway 2000 dataset was slightly revised in June 2004. These changes did not have any effect on the value of DPI, nor did indicators like the poverty rate or the gini-coefficient change. The main correction resulted in the relocation of several social security benefits. The main changes are :

- Rental deficits (k3220) are no longer deducted in V8s2, but are now included in self-employment income (V5)
- Voluntary early retirement income (lto_227) is no longer part of V32s1, but was moved to V19s3
- Unemployment benefits for self-employed have been split off from unemployment insurance (V21s1) and are now given separately under V21sr
- Maternity allowance for non-working mothers (rt_27) was moved from V22s1 to V22sr. As a result, the pay replacement (V22s1) now remains empty. In the original registers, this benefit is included in wages and cannot be separated.
- The rather divers income variable “other tax-free income” (lto_916) was separated from V24sr to V36. In V24sr , only the transfer called “support, training courses, refugees (kursstønad, flyktninger) was kept.
- The labels for variables PIMMIGR, IMMIGRHD, IMMIGRSP were slightly improved to better distinguish the different types of immigration backgrounds.

2004 Workshop Summary

The 2004 LIS Annual Workshop was held 27 June – 3 July in Luxembourg. Twenty-four student representing 13 countries participated. Lectures were provided by Tim Smeeding, Markus Jantti, Janet Gornick, Thierry Kruten and other members of the LIS staff.

Two Aldi Hagenaars Memorial Awards were given in 2004 due to the submission of many high-quality working papers during 2003. During the workshop, Sara Voitchovsky presented her winning paper, “Does the Profile of Income Inequality Matter for Economic Growth?” (No. 354). Katja Hölsch and Margit Kraus also presented their winning paper, “Poverty Alleviation and the Degree of Centralisation in European Schemes of Social Assistance” (No. 342). Both papers are available in full text from the LIS webpage (http://www.lisproject.org).

LIS Visitors

Wen Hao Chen (Statistics Canada and UNICEF) was a visitor at LIS from during April 2004 under the Visiting Scholar Program. Wen Hao was conduction research on “An Analysis of the Level and Patterns of Change in Child Poverty Rates in Rich Countries.”

Alena Bicakova (Johns Hopkins Univerisity) was a visitor at LIS from during June 2004 under the Visiting Scholar Program. Alena’s research project is entitled “Non-Participation Versus Unemployment: International Comparison of Labor Force Status and Earnings Distributions.”

New Staff

Emilia Niskanen joined LIS in September 2004 as Microdata Expert. Emilia fills the position formerly held by Susanna Sandström, who is now working at WIDER in Helsinki. Emilia recently received a Master of Arts in Social Policy Analsysis from Catholic University of Leuven (BE) where she worked with the IMPALLA program, focusing on poverty dynamics. Emilia has also studied at the University of Turku (FI) in the social policy department.

STATA Upgrade

We have upgraded the LIS remote access for STATA from version 7 to version 8. Please consider this migration when preparing your programs. Note that those who do not wish to use STATA 8 syntax may refer to an earlier version by implementing the VERSION command. If, for example “VERSION 7:” is entered as a single command at the beginning of the program, version 7 will be used overall. If entered while preceding another command (Version 7 : any valid command), it will overrule version 8 for that command line only. Contact the LIS staff if you have any questions.

UPDATE: Comparative Welfare States Data Set

http://www.lisproject.org/publications/welfaredata/welfareaccess.htm

Assembled by Evelyne Huber, Charles Ragin, and John D. Stephens - December 1997
Updated by David Brady, Jason Beckfield, and John Stephens - April 2004

This update includes the original Comparative Welfare States Data Set, and updates and additions by Stephens, Brady, and Beckfield. Several new variables were added and most variables were updated to 2000. Variables in the original data set were updated using more recent versions of the original sources, and also with some new sources. Some of the original sources are unavailable in recent years and no alternative source could be identified, so those variables were not always updated. In particular, the ILO social spending data which were the basis for many analyses beginning in the mid-1970s has not been updated. Note that some updates of those data are available to the interested scholar at the ILO website. The sources used are listed in chronological order, with the most recent source last. Dennis Quinn, Lane Kenworthy, David Neumark, Duane Swank, and William Wascher generously provided several new variables. New variables are listed with an asterisk (*) after the variable description and source. With the adoption of the Euro in several EU countries, users should be careful in constructing ratios and percentages. One should be certain that both the numerator and denominator are in the same currency in every year. The data sources have been inconsistent in retroactively converting entire or partial time series to the Euro currency. The Gerhard E. Lenski Chair held by John D. Stephens provided financial support for the work at the University of North Carolina.

Announcing a Special Issue of
Socio-Economic Review:

"Twenty Years of Research on Income Inequality, Poverty and Distribution in the Developed World"

Guest Edited by Timothy Smeeding

This issue contains a summary and overview of 20 years of research using the Luxembourg Income Study (LIS) to investigate the topics of inequality, poverty, family income packages, labor market change, and especially the effects of social policy on these outcomes. It also includes four original contributions to these literatures.

Featured authors include:

Serge Allegrezza, Georges Heinrich and David Jesuit
Poverty and Income Inequality in Luxembourg and the Grande Région in Comparative Perspective

Sir Anthony Atkinson
The Luxembourg Income Study: Past, Present and Future

Elena Bardasi
The Luxembourg Income Study and the Luxembourg Employment Study as Resources for Labour Market Research

Michael Förster and Koen Vleminckx
International Comparisons of Income Inequality and Poverty: Findings from the Luxembourg Income Study

Libertad González
Single Mothers and Work

Janet C. Gornick
Women's Economic Outcomes, Gender Inequality and Public Policy: Findings from the Luxembourg Income Study

Timothy Smeeding
Introduction and Overview

Erin Todd Bronchetti and Dennis Sullivan
Income Packages of Households with Children: A Cross-national Correlation Analysis

Visit the *Socio-Economic Review* website for a full table of contents, article abstracts and ordering information.
www.ser.oupjournals.org

IMMIGRATION CONFERENCE SUMMARY

"Immigration in a Cross-National Context: What Are the Implications for Europe?" was held in Bourglinster, Luxembourg June 21-22, 2004. The Conference was organized by the European Union Center at the Maxwell School at Syracuse University and the Luxembourg Income Study, with support from the Government of Luxembourg. The main aim of the conference was to unite European and United States scholars who are interested in studying the phenomenon of cross-national population immigration, both legal and extra-legal, and its economic, demographic, social and political effects in Europe and its surrounding areas. Twenty-five papers representing a variety of disciplines were selected from a competitive call for proposals. Participants included Marco Mariniello, Jacqueline Andall, Piotr Plewa, Herbert Bruecker, Gert Wagner, William Haller, Frank van Tubergen, Mariola Pytlikova, Ingrid Tucci, Serge Allegrezza, Erika Wilkens, Jonathan Laurence, Aycan Celikaskoy, Maurice Crul, Rick Wolff, Sylke Schnepf, Georg Menz, Stuart Soroka, Ann Morissens, Martin Schain, Jack Citrin, David Jesuit, Anthony Messina, Marc Howard, Adam Luedtke, and Eiko Theilemann. David Abraham, Peg Hermann, Bjorn Gustafsson, Vincent Tinto, Peter Zervakis, and Patrick Simon acted as discussants. Paul Demeny of Population Council provided closing remarks.

Papers presented at the conference are available at http://www.lisproject.org/immigration/confindex.htm. Selected papers will be published in a forthcoming conference volume.

LUXEMBOURG INCOME STUDY

GRANTS FOR VISITING RESEARCHERS

CALL FOR PROPOSALS This semi-annual Call for Proposals is supported by the Ministry for Culture, Higher Education and Research of Luxembourg, the United States National Science Foundation, the Ford Foundation, and the Maxwell European Union Center at Syracuse University, and is conducted in cooperation with the University Center of Luxembourg.

WHAT IS OFFERED The grants cover economy class travel expenses, reasonable accommodation, and include a stipend for living expenses. If secondary funding is available, it is expected that costs will be shared. Research grants may be provided either to individual researchers or to groups of several researchers working on a joint project. Collaborative projects with resident LIS researchers are also welcome.

The duration of the fellowships may vary between one and six weeks, depending on the nature of the research project. During their stay, visitors are granted free remote access to the LIS and LES archive of micro-data and to the relevant data documentation. Furthermore, according to a recent initiative, direct on-site access will be allowed for datasets whose providers have given us their consent for such access. Note that there are special conditions for use of these datasets and it will be the fellows' responsibility to meet these conditions before direct access will be allowed. (See http://www.lisproject.org/fellowships/directaccess.htm).

Visiting researchers will be assigned office space and have access to a personal computer for office applications and statistical software packages including STATA, SPSS and SAS. The LIS Staff will also be available for consultation, assistance and possible collaboration. Fellows may be invited to present their research results at the University Center, if they so desire, and will be expected to present an informal seminar at LIS. The results of any research carried out either wholly or in part during the fellowship should appear in the LIS Working Papers Series before publication.

TOPICS LIS promotes the comparative study of income inequality, poverty and social policy and any topic in the LIS general research program is encouraged. For each call, we will also focus on specific topics in addition to general subjects. For this 1st call we are especially encouraging projects having a focus on issues of using LIS to explore immigration and/or on the level and trend of inequality and poverty in Central and Eastern Europe (and related topics).

HOW TO APPLY Interested candidates are invited to submit their applications by e-mail to Caroline de Tombeur, LIS Administrative Assistant: caroline@lisproject.org. An application form is available on-line at http://www.lisproject.org/fellowships/firstcall.htm. A brief curriculum vita and the description of the research project must be provided, preferably in PDF or DOC format.

DEADLINE Research proposals are accepted all year round without any deadline restriction.

WHO MAY APPLY? The LIS visitor's program is open to researchers of all nationalities. However, preference will be given to researchers from LIS member countries. Applications from experienced doctoral students, post-docs, academics, and/or sabbaticants are encouraged.

REVIEW AND SELECTION PROCEDURES The Proposal Selection Committee will evaluate each proposal based on the scientific and technical quality of the project (scientific/technical interest, originality, methodological approach, cohesion/structure/clarity, and potential for academic publication) and on the benefit to the proposal from a visit to LIS.

FEEDBACK TO APPLICANTS Applicants are informed of the result of the evaluation within 4-8 weeks after the submission of their proposal. If the Proposal Selection Committee rejects a proposal, it will indicate the reasons for the rejection and possibly make suggestions for a revised proposal.

FOR FURTHER INFORMATION CONTACT:

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CALL FOR PAPERS FROM US and EU SCHOLARS

Changing Social Policies for Low-Income Families and Less Skilled Workers in the EU and the US

Jointly sponsored by the National Poverty Center, Gerald. R. Ford School of Public Policy, University of Michigan and the European Union Center, University of Michigan

Since 1990, social and labor market policies for families and workers have undergone major changes in many of the most developed nations. In many cases, the emphasis has been on reducing public expenditures while encouraging greater work effort. In the United States, major changes in the tax system and the structure of public assistance programs have greatly increased work incentives. In the UK, a variety of program changes are focusing on reducing poverty among families with children. A number of countries in continental Europe have made their unemployment payments more restrictive, taken steps to encourage greater use or part-time work, or experimented with other ways to encourage a more flexible workforce. A growing research literature is analyzing the impact of these changes on the behavior and well-being of families and of less-skilled workers in these countries.

This conference will provide a cross-Atlantic opportunity to:·

- Present emerging research, analyzing the effects of these changes in various countries; ·
- Bring together researchers on both sides of the Atlantic to help inform them about these policy changes, their impacts, and the research and policy lessons that they provide;
- Help develop and enhance the future research agenda on these issues.

This conference will take place April 7-8, 2005. We invite paper submissions from scholars in the U.S. and Europe. Papers should evaluate key policy changes in social programs affecting work structure and work incentives within EU countries or the US. While we expect most papers will analyze a particular intervention in a particular country, we welcome papers that compare multiple changes within a country or that compare similar changes across countries. Papers should focus on programs aimed at working-age populations, with particular attention to lower-skilled and less advantaged workers or low-income families. Among topics of particular interest are employment and training programs for younger or less-skilled workers, programs designed to increase female labor supply, or social assistance and tax changes designed to increase job opportunities or labor force participation. Papers will be selected depending upon:

- Their demonstrated quality of research and analysis;
- Their focus on the key topic of interest to this conference, namely, their evaluation of the effects of changing social and labor market policies for the less-skilled working-age population and their families
- The importance of the policy change and level of interest in this policy in other countries and contexts;
- Their contribution in addressing issues from a diverse set of countries and a diverse group of policies.

We anticipate selecting up to 8 of these submitted papers for inclusion in the conference. All travel expenses would be paid for one author of each accepted paper to travel to Ann Arbor to present these results.

In addition to these papers, there will be a keynote address by Sir Tony Atkinson (Nuffield College, Oxford) on Thursday, April 7. Dr. Atkinson will be delivering the Citigroup Lecture at the Gerald R. Ford School of Public Policy, which will also be an integral part of the conference agenda, discussing social policy changes and their impacts within the EU. A roundtable discussion in April 8 will focus on the political and economic forces that are driving these changes and how they differ across countries.

Papers presented at the conference will be placed in the Working Paper series of the National Poverty Center (with no copyright or publication claims). In addition, following the conference, the NPC will produce a short summary of some of the key policy issues, research issues, and long-term research agenda that the conference highlights. This summary will be broadly distributed among interested scholars and organizations.

The conference will be organized by the National Poverty Center (NPC) at the University of Michigan. See www.npc.umich.edu for more information about this organization. The conference is jointly sponsored by the NPC and the European Union Center at the University of Michigan. Rebecca Blank, co-director of the NPC and dean of the Gerald R. Ford School of Public Policy, will be in charge of conference organization/paper selection.

Submission Instructions

Applicants should provide an electronic copy of the following by Monday, December 6, 2004. This material should be sent to: Laura Lee, Program Manager; National Poverty Center; lklee@umich.edu; 734-615-5312 (phone); 734-615-8047 (FAX).

1. A cover sheet with the title of the paper, the investigator's name and institutional affiliation, including mailing address, e-mail address, phone, and FAX numbers. If the paper involves more than one author, a principal author should be identified.
2. A one-to-two page abstract describing the specific aims, data, methods, and academic and policy significance of the research. If a draft of the paper is available, we are happy to receive it. (This need not be the final version of the paper that will be presented in April, but if more work is anticipated before the April conference, the nature of that work should be clearly indicated in the paper.)
3. A proposed budget that would allow the principal author to travel to Ann Arbor, MI, for a two-day conference in April. (Ann Arbor, MI, is within 30 minutes of the Detroit Metropolitan Airport. Ground transportation from the airport to Ann Arbor will cost $50 each way. Overnight lodging in Ann Arbor will cost $125/night. The conference itself will include two lunches and a dinner.)

Please address any questions to Laura Lee, NPC Program Manager, at the address noted above.

New Working Paper Abstracts

No. 367. *Public Policy and Economic Inequality: The United States in Comparative Perspective* by Timothy M. Smeeding, February 2004. "This article compares recent economic inequality in industrialized nations, largely those belonging to the Organization for Economic Cooperation and Development (OECD). This research finds the United States has the highest overall level of inequality of any rich OECD nation in the mid-1990s. It also finds that the increases in the dispersion of total household income in the United States have been as large as, or larger than, those experienced elsewhere between 1979 and 2000, despite the fact that the US began the period with the highest level of inequality. The authors also look at the trend in inequality within the United States using various series from published and unpublished data to examine exactly how US inequality changed over the past several decades. Next, the authors examine the effects of government policies and social spending efforts on inequality, finding that the United States has lesser effects than any other rich nation, and that both low spending and low wages have a great impact on the final income distribution, especially among the non-elderly. The authors then are in a position to answer a number of questions. What role does policy; therefore, play in the final determination of income inequality? Can these differences be explained by demography (more single parents; more immigrants; or more elders?) or can they be attributed to American institutions and lack of spending effort on behalf of low-income families? And finally, does inequality of before tax and benefit income itself have anything to do with low social spending?"

No. 368. *Rethinking the Measures of Poverty* by Seppo Sallila, Heikki Hiilamo, and Reijo Sund, February 2004. "This study attempts to introduce a new method to measure relative income poverty. The aim is to find a solution which will combine information both on the depth of poverty and the quantity of the poor, i.e. the number of people living in poverty. Furthermore, a yardstick is sought which would be relatively simple and easy to understand, as these properties would facilitate the use of the new method in sociological poverty research and political decision making. The paper begins by discussing the most common problems in measuring social exclusion and relative income poverty. The following sections focus on poverty alleviation policies and poverty measurement practices, as well as on different poverty indices and the properties of an ideal poverty measure. Next, our innovation is presented, the cumulative poverty index (CUPI), together with a section discussing the estimations of the new index. The properties of the CUPI are analysed by comparing it to a number of commonly used poverty and inequality measures. Before introducing conclusions, poverty trends are compared and simulations calculated to test the CUPI against the most common relative income poverty measures."

No. 369. *Comparative Analysis of the Effective Income Tax Function: Empirical Evidence using LIS Data* by Byung In Lim and Jin Kwon Hyun, January 2004. "The effective income tax function is useful and practical methodology to analyze the relationship between income and tax amounts. It includes the measures of tax progressivity, the maximum effective tax rate, and horizontal inequity. We statistically estimated the effective income tax function using the seven countries out of LIS datasets and Korean data. We also estimated the R-S index and the Kakwani index so as to test the consistency among these indexes. Our empirical results give us several implications. Four different indexes of tax progressivity reflect different aspects about the progressivity, implying that it requires policy planners to evaluate the income tax system with alternatives. The estimated maximum effective tax rate is usually less than or very close to its maximum statutory marginal tax rate, except for Norway and Korea. It implies that the estimation of the effective tax function is of great use and significance to evaluate the characteristics of the income tax law. The mean squared error from the effective income tax function can be used to represent the degree of the horizontal inequity as a 'quick' measure."

No. 370. *Welfare States, Real Income and Poverty by Lane Kenworthy*, February 2004. "Welfare state supporters typically contend that social-welfare programs boost the incomes of low-earning households. Critics argue that, over time, such programs reduce the growth of economic output and/or employment. As a result, redistribution may produce stagnant or even declining real incomes for those at the bottom. A number of recent cross-country empirical studies have found that welfare state generosity is strongly associated with low relative poverty, but there has been virtually no cross-national analysis of welfare state effects on absolute poverty, which is at the heart of the critics' argument. I use Luxembourg Income Study (LIS) data to examine the relationship between welfare state generosity and absolute poverty for working-age households in Sweden, Germany, the United Kingdom, Canada, and the United States from the mid-1970s to 2000. Consistent with the critics' charge, the countries with the most generous welfare states experienced rising pretax-pretransfer absolute poverty. Yet the actual causal significance of welfare state generosity in this development is questionable. On the whole, the comparative evidence seems more consistent with the view of welfare state supporters. Germany, with its relatively generous social-welfare programs, had the lowest levels of both pretax-pretransfer and posttax-posttransfer absolute poverty throughout the period. And the sharpest decline in posttax-posttransfer absolute poverty, as well as the second lowest level as of 2000, were found in Sweden, the country with by far the most generous welfare state."

No. 371. *Reconsidering the Divergence between Elderly, Child and Overall Poverty* by David Brady, April 2004. "This study challenges the conventional wisdom that elderly, child and overall poverty are divergent. Comparing the official U.S. measure with the Luxembourg Income Study's (LIS) measure, I show that the official measure underestimates elderly poverty by a significant amount and child poverty by a lesser amount. The elderly were considerably more likely to be poor than children in the 1970s, children were more likely to be poor 1984-1997, but the elderly were more likely to be poor in 2000. Both the elderly and children are much more likely to be poor than the overall population. Analyses of 18 rich Western democracies show that overall and child poverty are very strongly positively correlated, while elderly poverty is moderately correlated with those two. Multivariate analyses show some commonalities and some differences in the sources of these three. Two measures of the welfare state significantly reduce overall, elderly and child poverty. While female labor force participation reduces all three, manufacturing employment, economic performance and demographic variables only influence one or two of the dependent variables."

No. 372. *Mechanisms of Poverty Alleviation* by Kenneth Nelson, April 2004. "Substantial cross-national differences in poverty alleviation are well documented, but the extent to which different parts of the social transfer system account for this variation is still relatively unexamined. This study analyses the redistributive effects of specific social policy institutions in a comparative perspective. The main question is to what extent non-targeted provisions and means-tested benefits reduce relative economic poverty in different institutional settings. It is shown that the structure of non -targeted entitlements is more important than that of means-tested benefits in explaining differences in poverty alleviation across countries. The study also presents a new method for estimating the anti-poverty effects of separate parts of the social transfer system. This method decomposes the anti-poverty effects of a set of social transfers into independent and combined effects, which produces more valid results than prevalent methods used to assess the impact of a particular transfer on poverty.

The countries included in this study are Canada, Germany, Sweden, the United Kingdom and the United States. The empirical analyses are based on the Social Citizenship Indicators Program (SCIP) and Luxembourg Income Study (LIS) for data points describing the situation in the mid-1990s."

No. 373. *The Formation of Minimum Income Protection* by Kenneth Nelson, April 2004. "The purpose of this study is to examine the institutional development of means-tested benefits over the last four decades in a comparative perspective. The countries included in the study are Canada, Germany, Sweden, the United Kingdom and the Untied States. Since a main objective of means-tested benefits is to mitigate and alleviate poverty, the comparisons and evaluations presented in the study are based on the adequacy of benefits, that is, the extent to which provisions are provided at levels sufficient to allow recipients to escape poverty. The long time frame of the study also gives an opportunity to relate to the ongoing theoretical discussion about potential differences in the development of means-tested benefits and social insurance entitlements. Here, two questions are addressed: the extent to which the development of means-tested benefits describes a different pattern than social insurance provisions, and the extent to which means-tested benefits are more prone to cutbacks than social insurance entitlements. The empirical analyses combine institutional information on the level of means-tested benefits with micro-level income data from the Luxembourg Income Study. Over the whole period covered, the development of means-tested benefits resembles more than diverges form that observed in the area of social insurance. Furthermore, despite cutbacks in means-tested benefits in recent years, there is no clear evidence that means-tested benefits are more resistant to retrenchment than social insurance provisions. On the contrary, means-tested benefits seem to be more vulnerable to cutbacks, particularly in Germany and Sweden. Although the curtailments in means-tested provisions in recent years have had negative consequences for their capacity to alleviate poverty, the adequacy of benefits has generally been greatest in Sweden and the United Kingdom, followed by Germany, Canada and the United States."

No. 374. *Brave New World? Value of Education in Post-Socialist Poland* by Mikko Aro, April 2004. "The "motivation" for this study is the change of the occupational structure and the subsequent increase in employment opportunities especially for white-collar professionals, whose situation was comparatively weak under socialist rule. In this paper, it is assumed that the situation of university-educated people improved considerably in Poland as well as in most other transitional economies, when the business sector opened up and new opportunities in private enterprises started to emerge in the beginning of the 1990's. Thus, the central research task of this article is related to the value of education before and after the Polish transition from a socialist system to one characterised by a market economy and a free parliamentary system. It is also assumed that both for ideological reasons (abandonment of Marxist-Leninist glorification of manual work and industrial production) and practical reasons (expansion of possibilities for non-technically educated university graduates), the transition was a great divider that affected also the value of education, among many other things. Empirical research questions can be formulated as follows: What kind of an effect did the transition to post-socialism have on the value of education? Has the value of education declined as in most other countries, or has it risen as a consequence of market-liberalist changes? Special attention is paid to the situation of highly educated people, and also to differences according to gender."

No. 375. *How the Human Capital Model Explains Why the Gender Wage Gap Narrowed* by Solomon W. Polachek, April 2003. "This paper explores secular changes in women's pay relative to men's pay. It shows how the human capital model predicts a smaller gender wage gap as male-female lifetime work expectations become more similar. The model explains why relative female wages rose almost unabated from 1890 to the early-1990s in the United States (with the exception of about 1940-1980), and why this relative wage growth tapered off since 1993. In addition to the US, the paper presents evidence from nine other countries using data gleaned from the Luxembourg Income Study (LIS)."

No. 376. *Child Poverty in English-Speaking Countries* by John Micklewright, March 2004. "The paper considers child poverty in rich English-speaking countries – the US, Canada, Australia, New Zealand, the UK, and Ireland. Do all these countries really stand out from other OECD countries for their levels of child poverty, as is sometimes assumed? And what policies have they adopted to address the problem? 'Poverty' is interpreted broadly and hence the available cross-national evidence on educational disadvantage and teenage births is considered alongside that on low household income. Likewise, discussion of policy initiatives ranges across a number of areas of government activity."

No. 377. *Female Income Differentials and Social Benefits: A Four Country Comparison* by Eva Sierminska, May 2004. "Past literature on the family gap—the difference in outcomes for mothers and women without children—discusses inequality in wages and employment. This study examines family gaps in the economic well-being of households, and analyzes the extent to which they are reduced by the availability of social benefits. Preliminary results, using the Luxembourg Income Study, indicate that the generosity of the social protection system accounts for the size of the family gap, particularly in countries with sizeable income differentials. In countries with the most generous systems, family gaps for the lower half of the income distribution are, to begin with, very small. The inequality analysis finds that earnings have a significant role in determining overall inequality due to their large share in total income. Benefits have a redistributive effect in all countries, with the magnitude of this effect depending on the generosity of benefits relative to income.

No. 378. *Bootstrapping the LIS: Statistical Inference and Patterns of Inequality in the Global North* by Timothy Patrick Moran, March 2004. "The problem of statistical inference has long been associated with quantitative inequality research. Within the last five years, however, significant developments have occurred in both the theory and practice of conducting formal statistical inference with common measures of inequality such as the Gini index. These new techniques involve the use of Monte Carlo, bootstrap resampling plans that seek to recover the standard error and sampling distribution of inequality estimates directly through the empirical distribution of the sample data, thereby facilitating statistical inference via confidence interval estimation and hypothesis testing. The paper is divided into two sections. First, LIS microdata is used to outline in detail the new bootstrap procedures, and compare the performance of various methods of obtaining confidence intervals. The effectiveness of the bootstrap procedures is then demonstrated via a systematic evaluation of the cross-national levels and historical trends in income inequality found across the LIS member countries. The paper is intended to provide an informative analysis of current methodological developments in inequality research, and how they may be applied in the specific context of the LIS, but also can be used as a practical guide for handling the problems of statistical inference in more general social scientific settings."

No. 379. *Welfare State Expenditures and the Distribution of Child Opportunities* by Irwin Garfinkel, Lee Rainwater and Timothy Smeeding, June 2004. "This paper estimates the redistributive effects of welfare state expenditures on children and disparities in the economic well-being of children in ten nations and relates the two. Data from the Organization for Economic Cooperation and Development (OECD) and other sources for cash and non-cash social welfare benefits are used to describe differences in the size and nature of welfare states and their distributional effects. The OECD data are combined with micro data on household incomes from the Luxembourg Income Study (LIS) both to estimate the redistributive effects of the expenditures and taxes and to construct measures of the differences in the relative standard of living among children at various points in the income distributions of their countries. These measures may be thought of as capturing at least one of the essentials of the degree to which the poorest children in the country have a "fair chance" and "an equal opportunity chance" to succeed economically. The results indicate a wide range of differences in levels of economic resources and support for children within, as well as between, nations. The degree to which children have fair and equal opportunity chances varies considerably across countries and depends critically upon welfare state benefits. Taking account of non-cash benefits substantially reduces cross national differences, but does not eliminate them. Subject to a number of qualifications mentioned at the end of the paper, we find that non-cash benefits are particularly important for low-income American children and their families."

No. 380. ***Inequality in Household Income: A Cross-Country Inter-Industry Analysis*** **by C. Jeffrey Waddoups, June 2004.** "This study explores the plausibility of extending research on income inequality to incorporate relative living standards based on household head's industry of employment. Data from the Luxembourg Income Study is used to assess the relative level and movement of per capita disposable household income for households whose heads are employed in three industries – manufacturing, construction, and trade – and six countries- - Australia, Canada, Finland, Germany, Sweden, and the U.S. The results indicate that typical households defined by their heads' industries of employment make significant moves within their countries' income distributions over time, and that the patterns of movement within nation-specific household income distributions vary across countries."

No. 381. ***The Social Evaluation of Income Distribution: An Assessment Based on Happiness Surveys*** **by Udo Ebert and Heinz Welsch, June 2004.** "The paper investigates how the income distribution affects the subjective well-being of society. Starting from the concept of a social welfare function defined on income distributions it assesses the preference for equality in European countries. It examines how mean income and the distribution of income in a country (measured by an appropriate inequality measure) determine the subjective well-being of its inhabitants which is identified with social welfare. This issue is addressed under alternative assumptions concerning the adjustment of needs due to differences in household size. The results derived are relevant for the design and monitoring of redistribution policies."

No. 382. ***Family Gaps in Income: A Cross-national Comparison*** **by Wendy Sigle-Rushton and Jane Waldfogel, June 2004.** "In this paper we use microdata on employment and earnings from a variety of industrialised countries to investigate the family gap in pay - the differential in hourly wages between women with children and women without children. We present results from seven countries: Australia, Canada, the United Kingdom, the United States, Germany, Finland, and Sweden. We find that there is a good deal of variation across our sample countries in the effects of children on women's employment. We also find large differences in the effects of children on women's hourly wages even after controlling for differences between women with children and women without children in characteristics such as age and education. Among the seven countries we study here, the United Kingdom displays the largest wage penalties to children. The family gap in pay is larger in the U.K. than in other countries because of the higher propensity of U.K. mothers to work in low-paid part-time jobs but also because even among full-timers, women with children in the U.K. are lower paid relative to other women than are mothers in other countries. Why does the family gap in pay vary so much across countries? We find that the variation in the family gap in pay across countries is not primarily due to differential selection into employment or to differences in wage structure. We therefore suggest that future research should examine the impact of family policies such as maternity leave and child care on the family gap in pay."

No. 383. ***Fractionalization and the Size of Government*** **by Jo Thori Lind, June 2004.** "I study the effect of voters with a group-based social conscience. Voters care more about the well-being of those belonging to their own group than the rest of the population. Within a model of political tax determination, both fractionalization and group antagonism reduce the support for redistribution. Whereas within group inequality increases support for redistribution, inequality between groups has the opposite effect. All these results hold even if a poor group forms a majority. Using a panel data set constructed from US micro data, I find support for the hypothesis that within race inequality increases redistribution while between race inequality decreases redistribution."

No. 384. ***Relative to What? Cross-national Picture of European Poverty Measured by Regional, National and European Standards*** **by Olli Kangas and Veli-Matti Ritakallio, June 2004.** "The starting point in the paper is the relative concept of poverty. We will study how our picture of poverty will change if we accept a very relative concept of poverty. The first problem we encountered was the selection of the benchmark. A couple of alternative ways to conduct relativizations were selected. First, we applied the conventional poverty approach. The poor were those whose income remained below 60% of the national equivalent disposable income. Second, we collapsed European nations together into one data pool and calculated a common poverty line for the EU. This EU line was then applied in subsequent analyses. Thirdly, we decomposed nation states into smaller units representing the poorest and richest areas in respective countries. Data were compiled from the Luxembourg Income Study. If we apply the conventional nation-based ways of operationalizing poverty (poverty line 60% of median income) the poverty rate varies from 7,1% in Sweden to 20,5% in Italy. The shift to the common European poverty line will expand that gap. The variation is from 0,7% in Luxembourg to 43,1% in Spain. Numerically and methodologically the most interesting issues are revealed when we compare regional, national and EU level relativizations. Our exercise indicates that within-nation differences are sometimes more pronounced than differences between nations. Therefore, very often national means tend to obscure more than they reveal. The seriousness of the problem varies between groups of countries. In the egalitarian Nordic countries incomes between regions as well as between individuals are more evenly distributed and consequently, the national means are more representative for these countries. Moreover, the Scandinavian cluster is more or less robust against the mode of comparison. The low poverty rates in the Nordic countries do not essentially change even if we change from national to regional or cross-national poverty lines. The change in the method of relativization does not alter our understanding of Scandinavian poverty but it has a substantial impact upon our picture of the Mediterranean countries. The use of the European poverty line leads to two to three time's higher poverty rates than analyses based on purely national data. Also, the regional variation in these countries is the widest. Therefore, conclusions based on national means may in some cases be severely misleading. The results also have some bearing for our use of purchasing power parities. In societies with large socio-economic and regional variation in income, and consequently in consumption capacities, purchasing power parities implicitly assuming homogenous consumption patterns over society may give a distorted picture of the price levels in a country in question. When it comes to the Central European countries, to some extent the same story as was told in the Scandinavian case is valid. The countries are not that sensitive to changes in the calibration of the measurement instruments. Also the results for the UK are pretty robust but the main difference between the UK and Central-Europe is that the poverty rate is about 10 percentage points higher in the former."

No. 385. *Economic Inequality and Democratic Political Engagement* by Frederick Solt, July 2004. "Since Aristotle, who observed that great economic inequality leads the wealthy to seek a share of power matching their share of resources and so to subvert democratic government, scholars of politics have theorized that the proper functioning of a democracy depends on a relatively equal distribution of economic resources. Inequality, though, has been rising in the nearly all of the world's rich and upper-middle-income democracies since the at least the mid-1980s, and in many countries this trend began in the early 1970s. Examining individual behavior in twenty-four countries at multiple points in time, this paper investigates whether increases in economic inequality have had a negative effect on the functioning of democracy, focusing specifically on citizens' political engagement. It finds that contexts of greater income inequality reduce interest in politics, views of government responsiveness, and participation in elections."

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LIS related items have appeared in the following:

Johnson, David S. and Barbara Boyle Torrey. 2004. "Child Poverty in Wealthy Countries: Review of *Child Well-Being, Child Poverty and Child Policy in Modern Nations* by K. Vleminckx and T.M. Smeeding and *The Dynamics of Child Poverty in Industrialized Countries* by B. Bradbury, S.P. Jenkins, and J. Micklewright." *Review of Income and Wealth,* Series 50, Number 1, p. 125 (March).

Rank, Mark Robert. 2004. *One Nation, Underprivileged: Why American Poverty Affects Us All.* Oxford, UK: Oxford University Press.

Boreham, Paul, Geoffrey Stokes, and Richard Hall (eds.). 2004. *The Politics of Australian Society: Political Issues for the New Century, 2nd edition.* Frenchs Forest NSW: Pearson Education Australia.

Where They've Turned Up

Mechanisms of Poverty Alleviation (No. 372) by Kenneth Nelson is forthcoming in *Journal of European Social Policy* 14 (4) November 2004.

Poverty Alleviation and the Degree of Centralisation in European Schemes of Social assistance (No. 342) by Katja Hölsch and Margit Kraus was published in *Journal of European Social Policy* 14 (2) May 2004, pp.143-164.

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