Roundtable 3
National Level Policy Responses – Social Protection Mechanisms

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LIS

REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES

Reducing Income Inequality via Taxes and Transfers

Data source for today's presentation:
LIS: Cross-National Data Center in Luxembourg

large and growing source for cross-national research
on socio-economic outcomes,
including income inequality, poverty,
labor market disparities, and more

Now, microdata from 53 countries available from LIS,
covering more than 2/3 of world population and approximately 85% of world GDP.

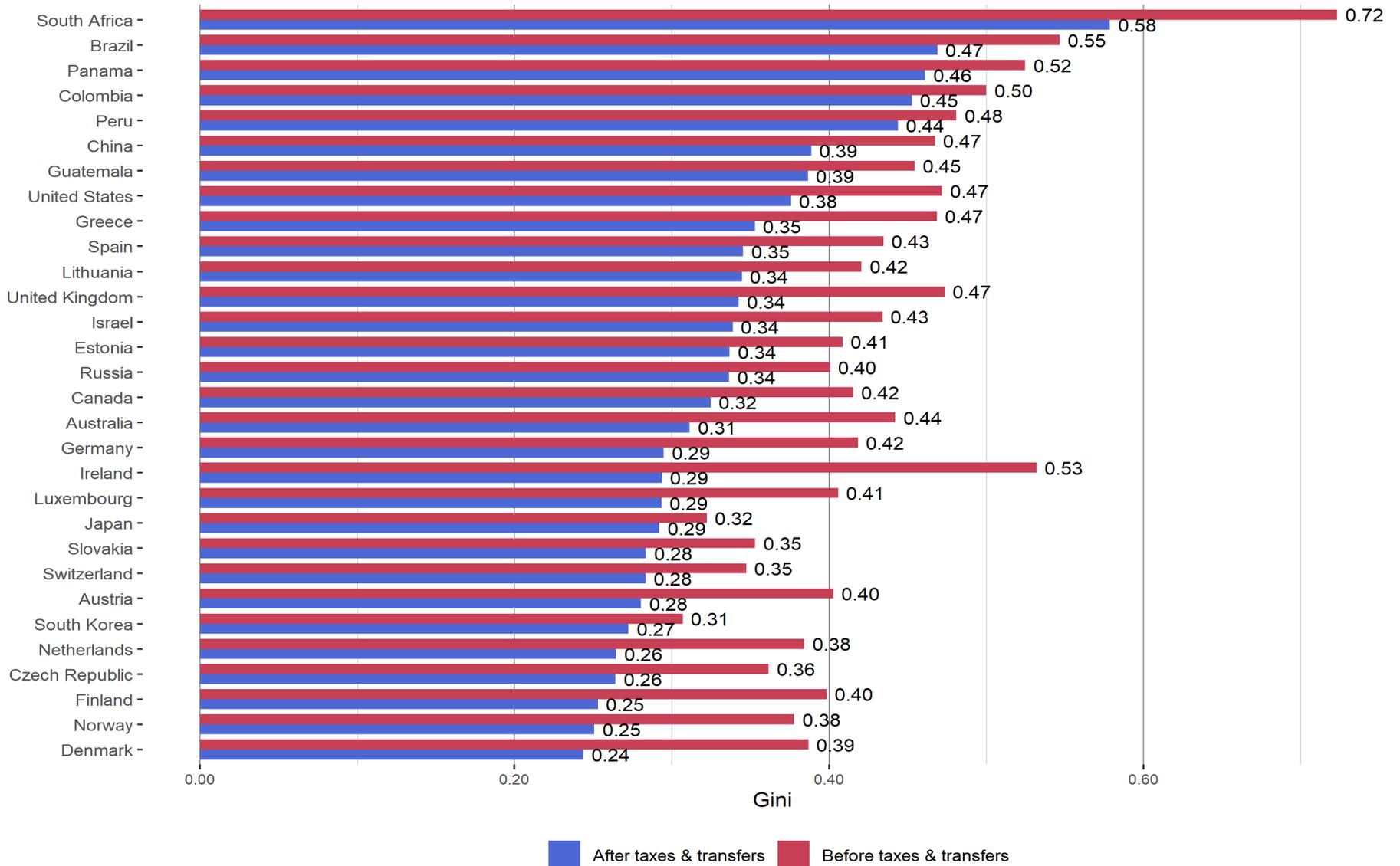| High-income countries (N=33):			Upper-middle-income countries (N=12):		Lower-middle-income countries (N=7):
Australia	Iceland	Slovenia	Brazil	Panama	Egypt
Austria	Ireland	South Korea	China	Paraguay	Georgia
Belgium	Israel	Spain	Colombia	Peru	Guatemala
Canada	Italy	Sweden	Dom. Republic	Romania	India
Chile	Japan	Switzerland	Hungary	Serbia	Ivory Coast
Czech Republic	Lithuania	Taiwan	Mexico	South Africa	Palestine
Denmark	Luxembourg	United Kingdom			Vietnam
Estonia	Netherlands	United States			
Finland	Norway	Uruguay			New! Mali, just added, is the first low-income country included in LIS Database.
France	Poland				
Germany	Russia				
Greece	Slovak Republic				

income inequality and
redistribution via taxes* and transfers**

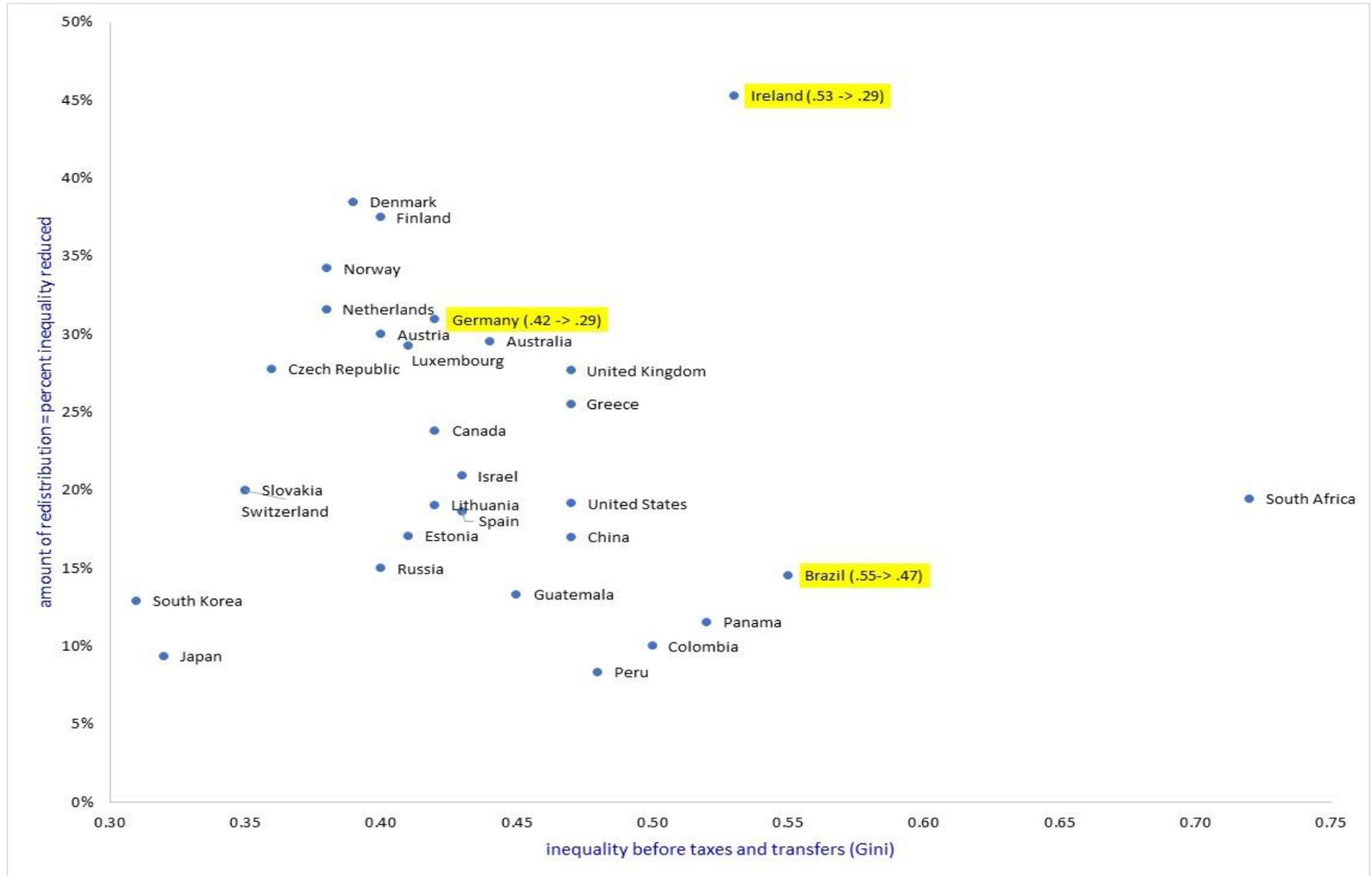* taxes = income taxes + workers' social contributions
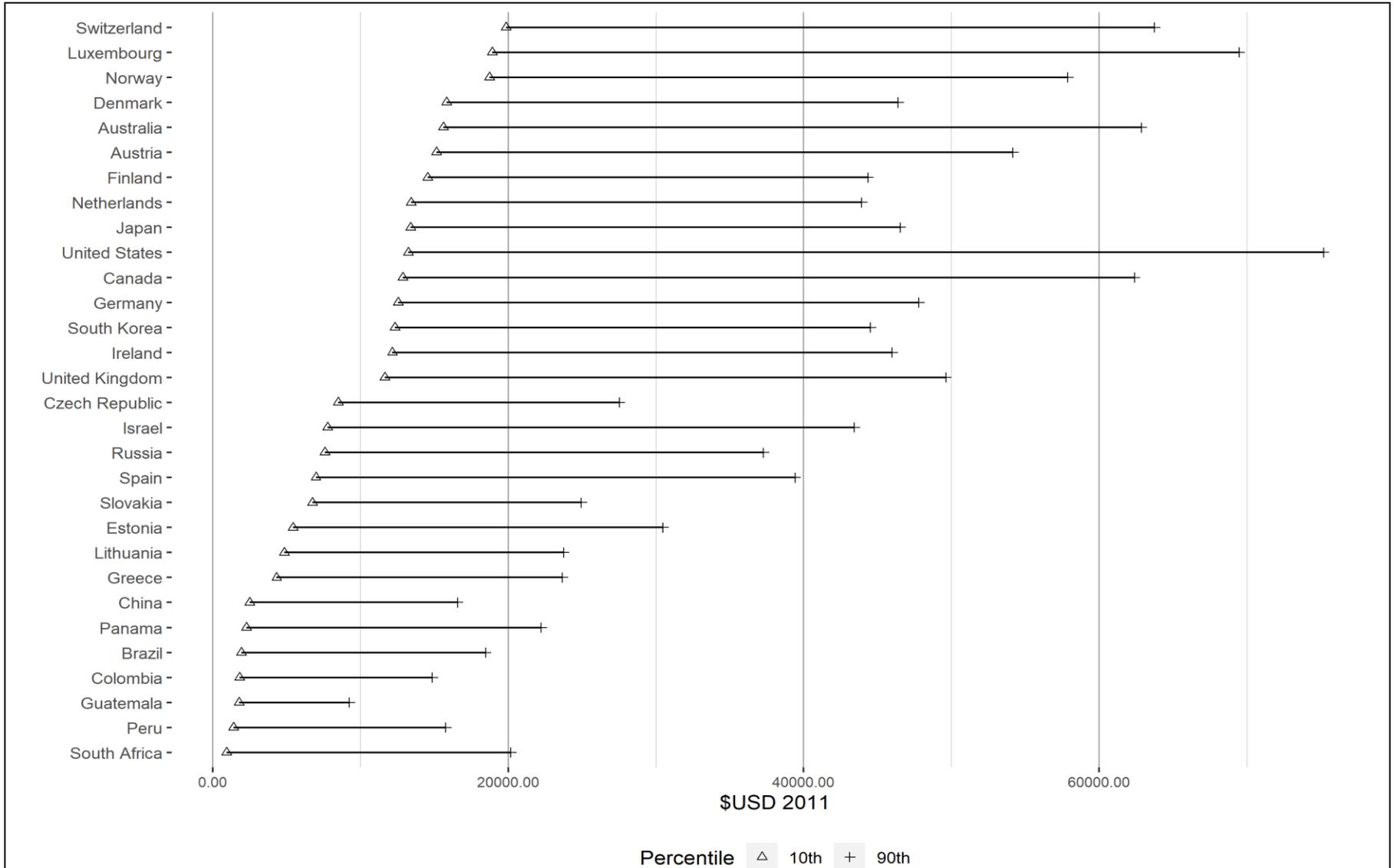* transfers = private + public non-contributory + public contributory

Income inequality, 30 high- and middle-income countries:
market income and disposable household income, Ginis,
non-elderly households, approximately 2016 (Gornick and Johnson 2020)

Country	After taxes & transfers	Before taxes & transfers
South Africa	0.58	0.72
Brazil	0.47	0.55
Panama	0.46	0.52
Colombia	0.45	0.50
Peru	0.44	0.48
China	0.39	0.47
Guatemala	0.39	0.45
United States	0.38	0.47
Greece	0.35	0.47
Spain	0.35	0.43
Lithuania	0.34	0.42
United Kingdom	0.34	0.47
Israel	0.34	0.43
Estonia	0.34	0.41
Russia	0.34	0.40
Canada	0.32	0.42
Australia	0.31	0.44
Germany	0.29	0.42
Ireland	0.29	0.53
Luxembourg	0.29	0.41
Japan	0.29	0.32
Slovakia	0.28	0.35
Switzerland	0.28	0.35
Austria	0.28	0.40
South Korea	0.27	0.31
Netherlands	0.26	0.38
Czech Republic	0.26	0.36
Finland	0.25	0.40
Norway	0.25	0.38
Denmark	0.24	0.39

Gini

■ After taxes & transfers   ■ Before taxes & transfers

Income inequality, 30 high- and middle-income countries:
market income inequality and percent inequality reduced via taxes and transfers
non-elderly households, approximately 2016 (Gornick and Johnson 2020)

Income levels: disposable household income, 30 countries, 10th percentile, 90th percentile, international dollars, non-elderly households, approximately 2016 (Gornick and Johnson 2020)
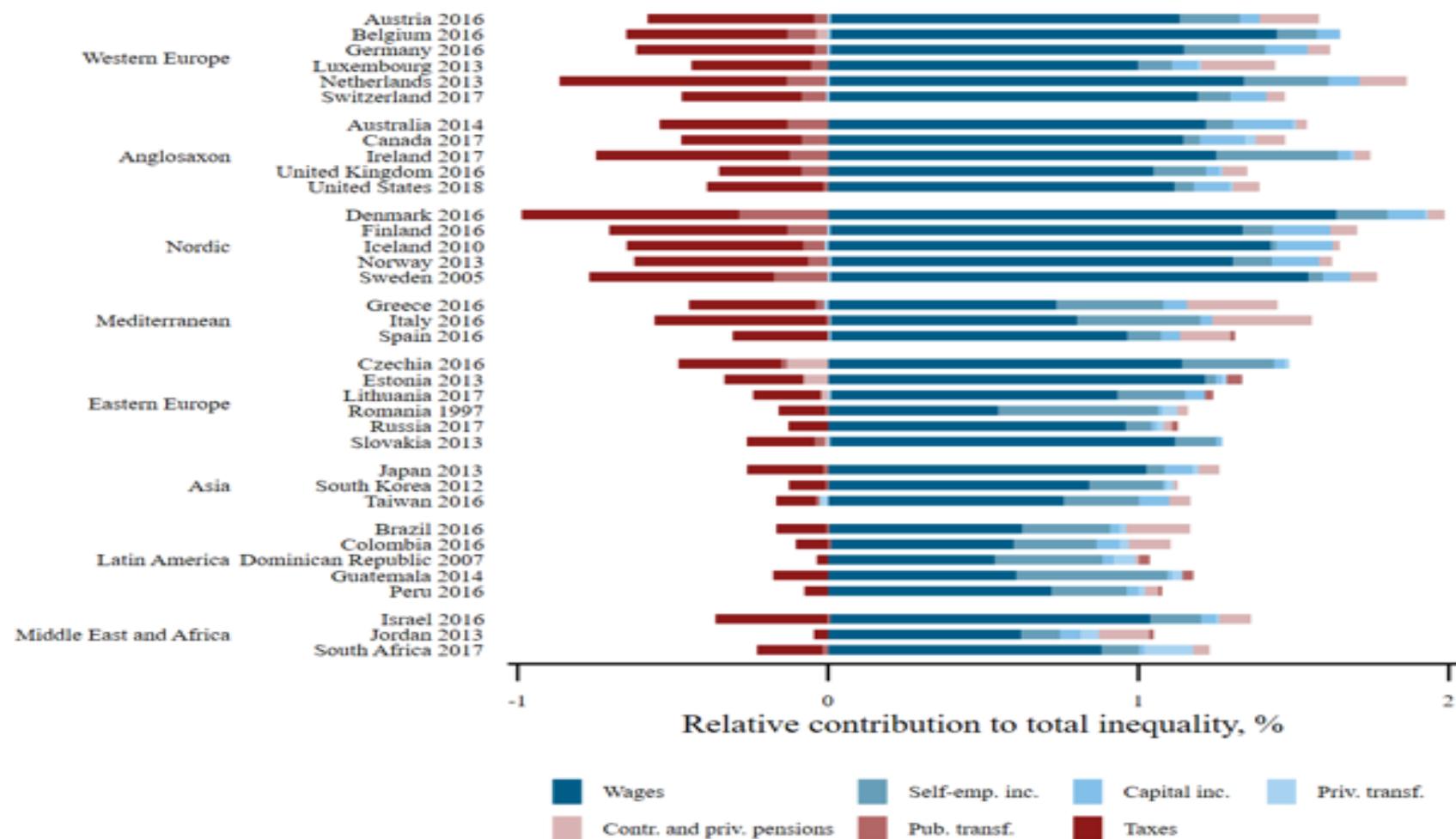
(newer) extensions to analyses of redistribution, including finer disaggregations of taxes and transfers; new decompositions and empirical/conceptual approaches

Example – Work by LIS team (unpublished manuscript, 2021)

Figure 1.9: Factor decomposition of inequality in total household income by income source

Relative contribution to total inequality, %

Legend:
- Wages
- Self-emp. inc.
- Capital inc.
- Priv. transf.
- Contr. and priv. pensions
- Pub. transf.
- Taxes

Notes: Figures are based on the latest available year in the database. Household-level income and taxes are equivalised. Factor decomposition is based on Lerman and Yitzhaki (1985) (see Box 1.7 for explanation of the method).
Source: Luxembourg Income Study (LIS) Database.

Example – Work by Elvire Guillaud, Matthew Olckers, Michaël Zemmour (RIW 2020)
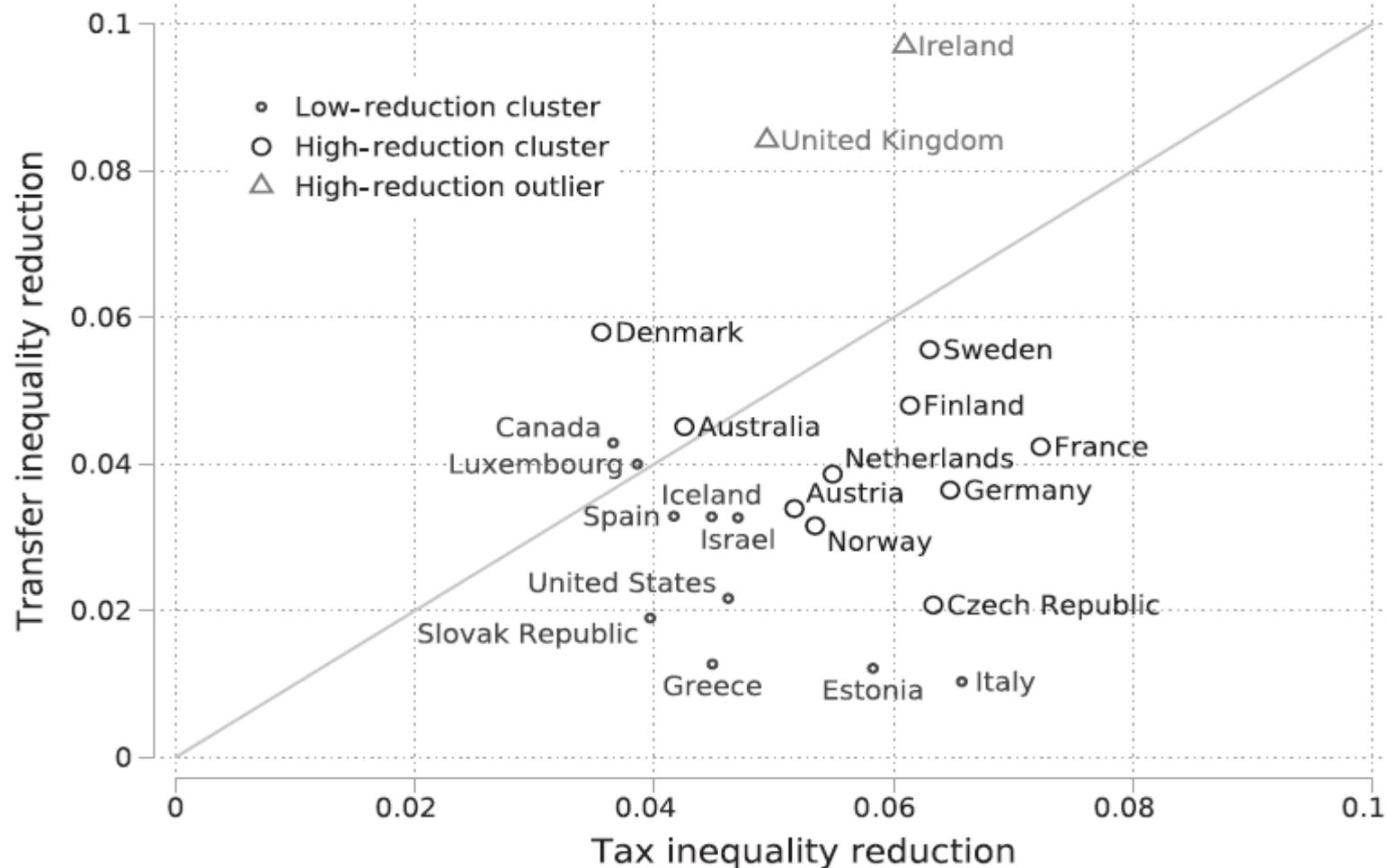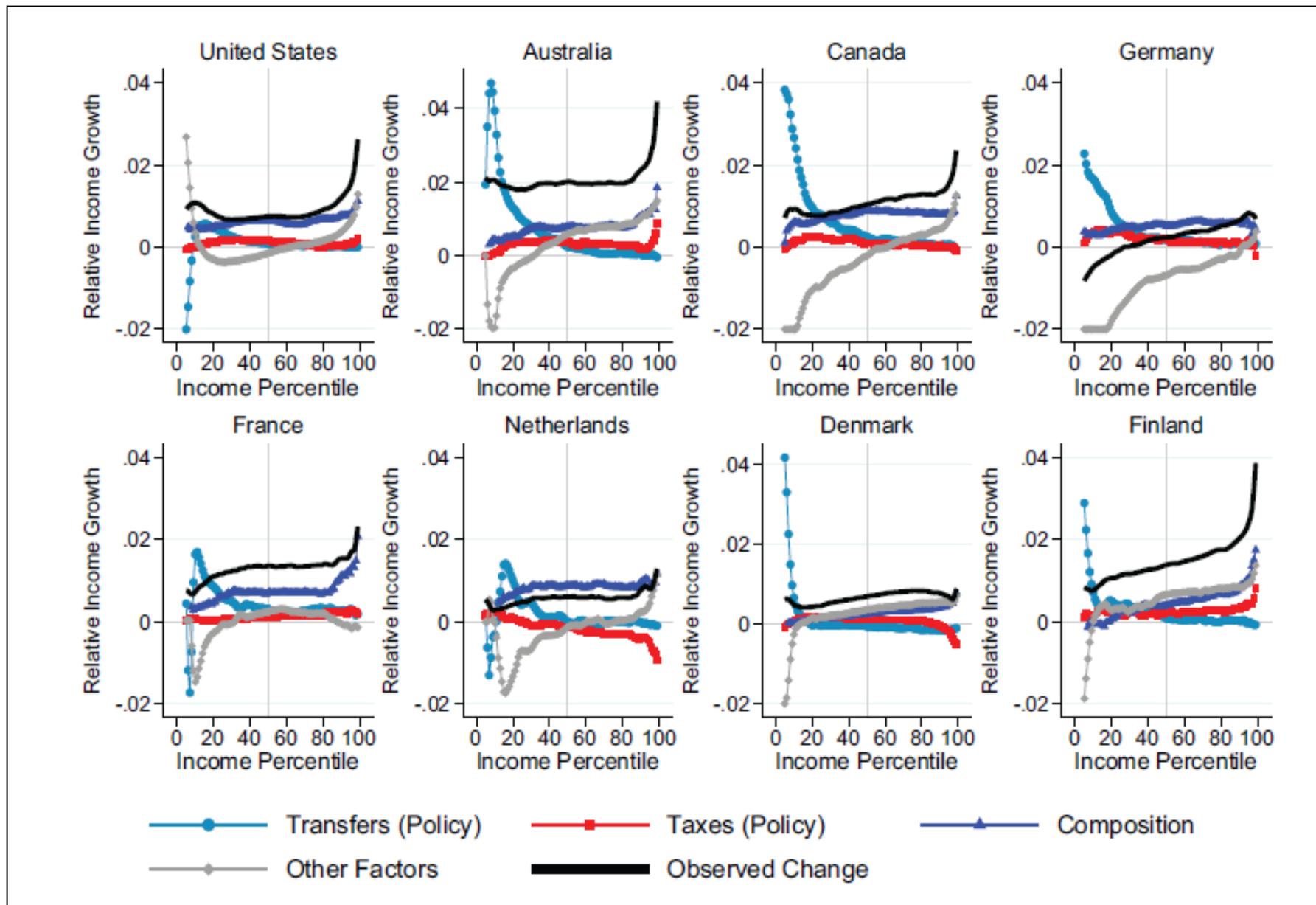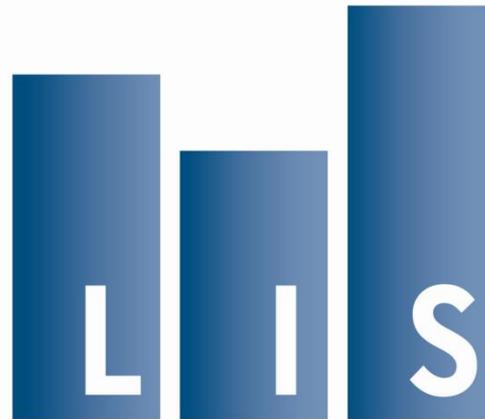

Figure 4. Tax and Transfer Contributions to Inequality Reduction

Source: Authors' calculations based on LIS micro data with imputations.

Example 3: Work by Zachary Parolin and Janet Gornick (ASR 2021)

Thank you

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