



COUNTRY REPORT TEMPLATE

FEBRUARY 2012

The prime purpose of the country reports is to build a source of comprehensive comparable information for drawing conclusions on growing inequalities and their impacts across a total of 29 countries.

Interrelationships between inequalities and impacts should be made as plausible as possible but may not always be formally proven.

Notes:

- 1) number of pages mentioned are maximum; it shall be less if not all requested detail can be provided.. However, do not worry about a longer draft first as long as the final result respects the number of pages.*
- 2) important details that would hamper readability can (shall) be stored in an appendix to the report; mention implications of breaks in the data, e.g., in a footnote to the graphs.*
- 3) Each country will try to fill out a matrix that can help to identify the interesting topics.*

EXECUTIVE SUMMARY

(2 pages)

Chapter 1 INTRODUCTION

(4 pages)

The GINI project's main focus is on the changes in inequalities in income, wealth and education over time and their social, political and cultural impacts. The Country Reports aim to present ***national patterns and trends*** in inequalities and impacts together with the 'national story' of relevant policies and institutions. International comparisons are to be made in the text, not in figures or tables, since they are not the key focus of the country report. The time reference for the report is 1980 to present.

In the first section of the Country Report, these 'driver inequalities' are defined and measured as uniformly as possible and a common methodological framework is adopted to ensure comparable results. The middle sections of the report investigate the potential impacts of inequality, encompassing a range of social, political and cultural outcomes. The final section focuses on the policy context.

Summary of key macro-level information (economy, demographics, political) is given at the end of the introductory chapter, aimed at highlighting elements specific to the country and at providing a general background to the main body of the report so that both taken together make up the 'national story'. This may concern, e.g., rapid/slow GDP growth, high/low GDP/capita, wage share, income redistribution, educational attainment, or many/few single households, political transition/continuity, etc. The summary serves as a point of reference for levels and trends relevant for various issues that are discussed in the report (e.g. debt/wealth as % of GDP). Not everything covered in the report needs to be dealt with in this macro background nor be compared internationally (← that is exactly one of the tasks of later the comparison once the completed set of reports has become available).

Chapter 2 THE NATURE OF INEQUALITY AND ITS DEVELOPMENT OVER TIME (20 pages)

- Use material from the OECD's new *Divided We Stand* to compare our countries in an international sense. Make sure not to use too much space for this. The country time trend is where the focus should be, and we will tell the story along the lines of: "earnings inequality has increased over the last years bringing to closer to the OECD/EU average" or "earnings inequality has increased over the last years bringing our country at the top of the OECD/EU average".
- Starting point of this chapter is that the common debate refers to the notion that inequality is going up, which is producing lots of negative impacts. The chapter will be built up as follows:
 - 1) Start from household income inequality and build up the storyline going from primary income – gross income – net income – net equivalised income in order to determine which elements of household income have increased or not. This tells us something about the source of the increase: transfers are responsible for divergence between primary and gross income, taxes are responsible for divergence between gross and net income, equivalisation (i.e. household composition, thus related to means testing and household behaviour) is responsible for divergence between net and net equivalised income. At the end of this section we mention that consumption inequality did not evolve exactly the same as income inequality for reasons that may be discussed in a later chapter. After having discussed household income inequality discuss the tails including poverty as a measure of inequality at the bottom.
 - 2) This will be followed by a section on household wealth and debt + consumption. Include aggregate debt and saving rates in this section.
 - 3) Then move on to the individual labour market and educational inequalities in two separate sections. Stress that those are interesting in and of themselves, because they might be drivers of social and political impacts, but also because they are the drivers of (household) income inequality. Returns to education are behind earnings inequality. Those are to be discussed in the educational inequality section.

2.1 Has inequality grown ?

Description of the drivers of inequalities: Income, wealth and education

Patterns of time series and level comparisons for the following concepts of inequality

2.1.1 Household income inequality

* Present general measures

- Before taxes and redistribution / after taxes and redistribution
- Including and excluding imputed rent
- Including and excluding self-employed
- Equivalised for household composition (if so, how?) and not.

For all these topics if possible, with preferably the same indicators for different issues so that those can be matched: Gini coefficient and/or Theil, P-ratio's, mean distance to median, mean log deviation, squared coefficient of variation, varlog

* Indicate the parts of the distribution:

- Lower tail: bottom 10% & 20% income shares; patterns and trends in indicators of *poverty risk* (at risk of poverty rate 60% median income; anchored at a time point)
- Top income (10%, 5%, 1%) shares
- Middle shares (polarisation?)

* Specify consumption inequality: P-ratios, Evolution of the level after inflation at P10. Discuss deviation picture of from monetary income inequality

2.1.2 Wealth & debt inequality

- Various indicators of wealth inequality over time, preferably before and after debt
- Include and exclude own house, and pension wealth
- Clearly identify whether it is household (preferably) or personal wealth

2.1.3 Labour market inequality

- Significance of labour-market earnings for household income inequality
- Wage inequality: same measures as income inequality, for full year, full-time only versus including part-time, hourly versus monthly / yearly wages
- Earnings inequality, including self-employed versus wage inequality

- Labour market participation inequality = household joblessness: percentage of households without a job; share of working-age individuals living in jobless household, idem children

2.1.4 Educational inequality

- Indicators of educational inequality over time; linkage to educational system
- Changes in educational attainment (share of college graduates in the labour force – share of drop-outs)
- Employment chances depending on educational attainment
- Returns-to-education type measures
- Household income inequality depending on educational attainment (incl. homogamy)

2.2 Whom has it affected ? [*This section shall avoid overlap with similar detail that has already been mentioned above; or, alternative, all such detail shall be concentrated here*]

Preferably (univariate) decompositions for household incomes inequality, or otherwise levels and trends of median incomes, P ratios and shares in overall deciles, by:

- Age: Young versus elderly
- Ethnicity: Ethnic minorities versus natives
- Gender: Men versus women
- Education: Low educated versus high educated
- Regions (if applicable to specific country)
- Employed versus not employed

2.3 Interdependence between the above inequalities over time

2.4 Why has inequality grown ?

Review the above findings against the national literature and debate, esp. regarding business cycle effects, and structural effects: globalisation and international trade; industries, knowledge economy / structural adjustment to systemic change; supply↔demand for high skilled workers; role of the firms; role of flexible contracts; role of labour productivity; SBTC; educational homogamy; and policy, including reforms of taxation and transfers

2.5 Conclusions: The ‘national story’ of evolving inequality drivers, with specified inputs / questions to the chapters that follow

Chapter 3 THE SOCIAL IMPACTS OF INEQUALITY (20 pages)

- Aims: - Establish whether inequality is going through the roof and all the potential impacts with them, as common wisdom suggests.
- What is behind the picture of relative stability in most countries: social gradient.
- Data range covered will start no earlier than 1970 in the graphs; earlier years discussed in the text, only if relevant.
- Discuss (sub)regional level if deemed relevant, e.g. if the divide between north and south has increased substantially as a result of which the south has experienced severe social implications.
- For each topic below shortly discuss in the text whether the data show a similar trend and timing as the drivers: Eyeballing the data, does it look at all consistent with the pattern in the drivers? And what does this tell us regarding our hypotheses. Where possible we back this up with references to the literature.
- Add a concluding section which presents the 'conclusions' regarding the hypotheses on the relation between the impacts and the drivers. Here we will present graphs with years on the X-axis and both the relevant GINI and the relevant impact in one graph, which allows eyeballing whether they developed similarly. Which GINI is relevant will depend on the topic. E.g. in case of crime rates (youth) (un)employment might be relevant. Each country will use this material to compare our own country to other countries. But make sure to do so only shortly. It is the development over time and the similarity/relation to the drivers that is our key interest.

3.1 Introduction

Start with a reference to Chapter 1, where the key claims made in the literature on the relation between income inequality and social impacts are presented. Those are the hypotheses that we aim to consider in the impacts chapters and that we refer to in the chapter when discussing the relation between the developments in 'impacts' and inequality.

3.2 Material deprivation: individuals living in materially deprived households (EU indicator and other national indicators available for longer period)

- Material deprivation
- Severe material deprivation
- Other national deprivation indicators

3.3 Cumulative disadvantage and multidimensional measures of poverty and social exclusion

- Multidimensional, e.g., EU 2020 Target, Housing deprivation
- Cumulative, e.g. Persistent poverty rate

3.4 Indicators of social cohesion

- Social isolation – frequency of contacts with other groups of people

3.5 Family formation and breakdown, lone parenthood, fertility – including implications for gender inequalities

- Composition of household universe and effects on income equalisation
- Fertility and birth rates
- Marriages and couple formation
- Dissolution of households
- Lone parenthood

3.6 Health inequalities with objective and self-reported measures (if available)

- Life expectancy
- Health status – self-reported
- Other health indicators (physical/psychological health self-reports)

3.7 Housing tenure, esp. for lower-income households, and changes in the role of housing in the wealth distribution

- Tenure status
- House prices
- Rent/mortgage expenditure and debt

3.8 Crime and punishment: crimes related to property, crimes of violence (distinguishing homicide) and imprisonment

rates

- Prison population
- Recorded crime, totals and breakdowns by type

3.9 Subjective measures of well-being, satisfaction, “happiness”

- Life satisfaction (can include different domains, if possible)
- Happiness/well-being

3.10 Intergenerational mobility, for education and occupation

Where possible also for position in the income and/or wage distribution (household) joblessness; position in the wealth distribution. Which type of intergenerational mobility is strongest? How can we explain this?

3.11 Conclusions: Appraisal of the interdependence and the ‘national story’ of inequality drivers and their social impacts

Chapter 4 POLITICAL AND CULTURAL IMPACTS (20 pages)

See introductory text to Chapter 3.

4.1 Introduction

Inequality, attitudes and behaviour: causal mechanism and measurement

Start with a reference to Chapter 1, where the key claims made in the literature on the relation between income inequality and social impacts are presented. Those are the hypotheses that we aim to consider in the impacts chapters and that we refer to in the chapter when discussing the relation between the developments in ‘impacts’ and inequality.

Note that an important purpose of 4.2 to 4.5. is to relate the outcomes to (inequality of) education and income

4.2 Political and civic participation

- % of total electorate turn up in general elections
- % of total electorate turn up in local elections
- % of total electorate turn up EP elections
- % of workforce unionized
- % of total adult population member in civic organisations

4.3 Trust in others and in institutions

- % trusting parliament
- % trusting government
- % trusting opposition
- % trusting the legal system
- % agreeing that most people can be trusted

4.4 Political values and legitimacy

- % voting for extreme right parties
- % voting for extreme left parties
- % EU membership approval
- % agreeing no further immigrants to be allowed to country
- % agreeing getting ahead in society depends on luck/family

4.5 Values about social policy and welfare state

- % agreeing inequalities are “too large” in the country
- % agreeing government should redistribute wealth/income
- % agreeing all members of society should be provided for by the state
- % agreeing poor are lazy
- % agree ethnic tensions are high in country

4.6 Conclusions: Appraisal of the interdependence and the ‘national story’ of inequality drivers and their cultural and political impacts

Chapter 5 EFFECTIVENESS OF POLICIES IN COMBATING INEQUALITY (15 pages)

- Two aims:
 - Policies, taxes and transfers, affecting our driver inequalities: we hope to establish whether those policies are responding to the changes in our driver inequalities or whether they are causing those changes. We will try to answer the question whether taxes and transfers increased (or reduced) inequality or were aimed at dampening the effect of changes in market outcomes.
 - Policies aimed at reducing the negative impacts of (increased) driver inequalities as the empty section on p.79 of the Italian report.
 - The story will not just stick to discussing the numbers, but also about the policy debate, since this is important to draw conclusions about the aim of politicians regarding inequality related issues.
 - We will leave it up to the countries which issues to emphasize. It is essential that each country will tell the story about policy and inequality in their case.
- See also the introductory text to Chapter 3.

5.1 Introduction

5.2 Labour income (levels/trends, policies and policy intentions/discourse)

- Minimum wages
- Wage bargaining

5.3 Taxation (levels/trends, policies and policy intentions/discourse)

- Tax receipt % GDP, breakdown by type (PIT, VAT, SSC, Levies), levels/trends, policy discourse
- Redistributive effect (tax deductibles, tax credits, tax pressure)

5.4 Social expenditures (levels/trends, policies and policy intentions/discourse)

- Total, cash and in-kind, social expenditures (OECD SOCX)
- Unemployment benefits and social welfare, incl active labour market policies
- Disability benefits
- Old age pensions
- Survivor pensions
- Health care
- Family benefits
- Housing subsidies

5.5 Education (levels/trends, policies and policy intentions/discourse)

- Expenditures on education per educational level
- Student grants

5.6 Conclusions: Appraisal of the 'national story' of policies affecting inequality, intended or unintended