

[Home Page](#)

[Title Page](#)

[Contents](#)



Page 1 of 12

[Go Back](#)

[Full Screen](#)

[Close](#)

[Quit](#)

What can the Luxembourg Income Study and the new Luxembourg Wealth Study contribute to Sustainable Aging Indicators?

Markus Jäntti
Åbo Akademi University
Luxembourg Income Study
UNU WIDER

Policy brief prepared for “Sustainable Ageing Societies:
Indicators for Effective Policy Making” in Madrid 14-16 April 2004

1. Introduction

- what is the Luxembourg Income Study (LIS)?
 - a collection of cross-sectional microdata on income, demographic and (some) labour market data
 - covers 29 high- and middle-income countries
 - a varying number of years, ca 1970 to ca 2000 (starts later for most countries)
 - highly standardized income variables, broken down by source and aggregated by LIS definitions (“lissification”)
 - attempted standardization of demographic data
 - less (or no) standardization on labour market data
 - document differences
- what is the Luxembourg Wealth Study?
 - “the LIS of wealth studies”
 - research project 2004-2006
 - apart from standardizing wealth concepts in practice must define a conceptual framework for wealth standardization and definition

Home Page

Title Page

Contents

◀◀ ▶▶

◀ ▶

Page 2 of 12

Go Back

Full Screen

Close

Quit

2. Strengths and weaknesses of LIS

- weaknesses:
 - cross-sections, not longitudinal data (cf. PSID, BHPS, GSOEP cross-country equivalence file)
 - points in time unevenly spaced (cf. national data sources)
 - secondary data sets (cf ECHP, EU-SILC)
 - variation in survey methods, designs, variables sources and definitions
- strengths:
 - thoroughly researched and defined income sources (cf. [Atkinson et al. \(1995\)](#))
 - detailed documentation of differences
 - microdata access to researchers
 - accumulation of informal knowledge of country differences
 - on LWS: (to the best of my knowledge) little standardization on cross-national wealth comparisons

Home Page

Title Page

Contents

◀◀ ▶▶

◀ ▶

Page 3 of 12

Go Back

Full Screen

Close

Quit

3. Indicators: the contribution of LIS and LWS

- time series
 - varies by country, starting early 1970s at the earliest
 - unequally spaced
 - some information available for short period (person level variables in particular)
- person or household level
 - important for breakdowns by age, gender, ...: preferable to do by person, not reference person
- cohort or age groups
 - trivial (age, cohort, year perfectly colinear)
 - allows for different focusses
- income (or wealth) package
 - labelling arbitrary?

Home Page

Title Page

Contents



Page 4 of 12

Go Back

Full Screen

Close

Quit

- some breakdowns may be useful for policy purposes: where do incomes stem from (capital or labour markets, transfers)? are assets held in liquid or illiquid forms?

- relative or “absolute” income

- using purchasing-power-parity (PPP) adjusted incomes involves no loss in generality and provides useful insights
- do not reveal all of interest (value of publicly provided goods and services etc)

- poverty, affluence or the whole distribution

- focus on the poor alone too narrow (and may run into practical problems, such as sample size)
- real and relative average income per (say) quintile group informative

[Home Page](#)

[Title Page](#)

[Contents](#)

[◀◀](#) [▶▶](#)

[◀](#) [▶](#)

Page 5 of 12

[Go Back](#)

[Full Screen](#)

[Close](#)

[Quit](#)

Home Page

Title Page

Contents

◀ ▶

◀ ▶

Page 6 of 12

Go Back

Full Screen

Close

Quit

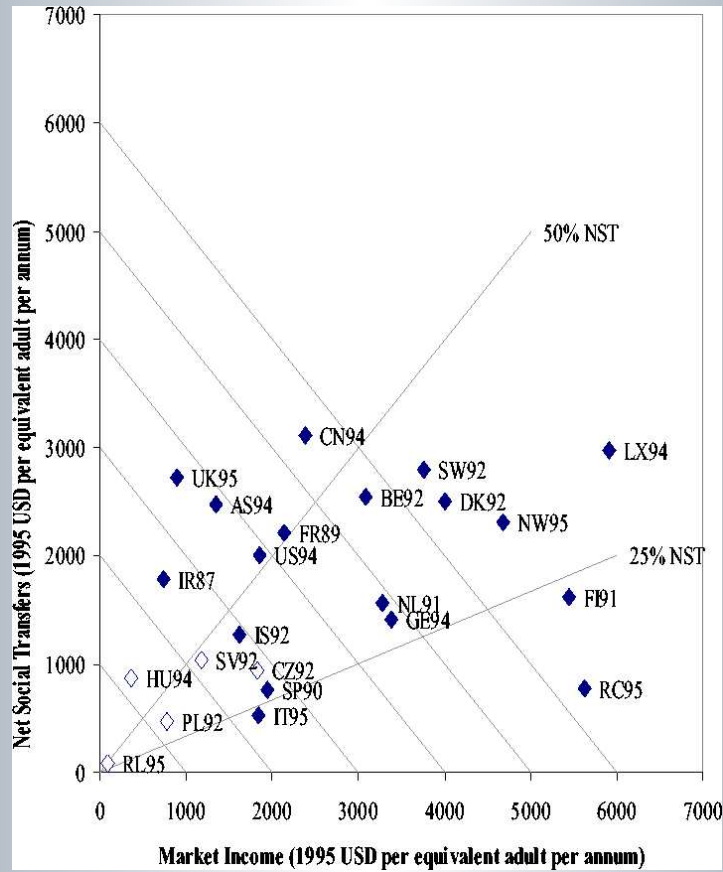


Figure 1: Real living standards of children in lowest fifth of disposable income

4. Indicators of income and wealth for discussion

1. the real level of living measured by average within income quintile group among different age groups / cohorts
2. inequality, poverty and affluence rates among age groups / cohorts
3. the income packages of the various age groups /cohorts by income (earnings, capital income, public pensions, private pensions, other transfers, taxes as share of disposable income by quintile group)
4. real level of household wealth measured by by average wealth within wealth quintile group among age groups / cohort
5. the inequality of wealth, incidence of low wealth and high wealth among age groups / cohorts
6. the composition of household wealth by age group / cohort
7. a set of population-level estimates of income distribution and poverty statistics that have been standardised for the age and gender composition of the population

Home Page

Title Page

Contents

◀◀ ▶▶

◀ ▶

Page 7 of 12

Go Back

Full Screen

Close

Quit

5. Promises and pitfalls in income- and wealth-based comparisons

- equivalence scales
(see Figure 2)
- differences across survey methods and designs
- researcher access
“roll your own indicators”

[Home Page](#)

[Title Page](#)

[Contents](#)

[◀◀](#) [▶▶](#)

[◀](#) [▶](#)

Page 8 of 12

[Go Back](#)

[Full Screen](#)

[Close](#)

[Quit](#)

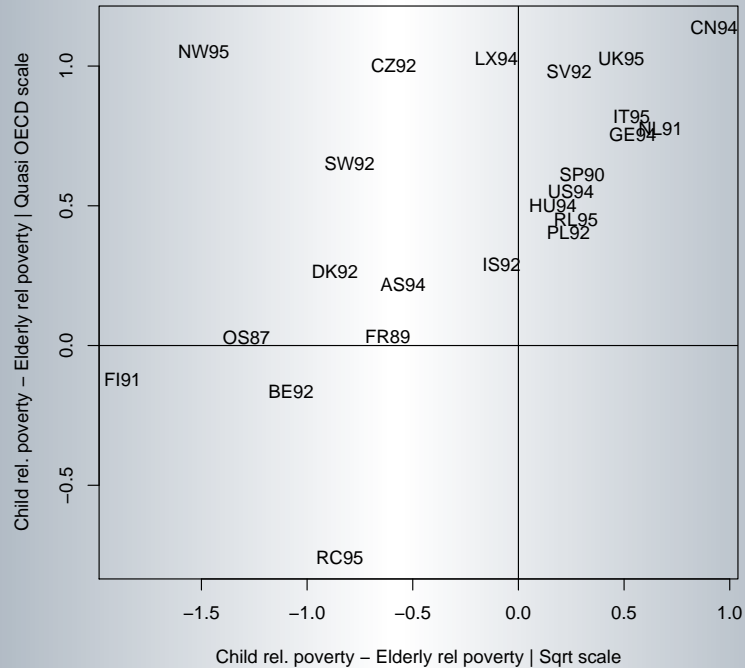


Figure 2: Child versus elderly poverty relative to overall poverty for different equivalence scales (LIS, based on data from [Bradbury and Jäntti \(1999\)](#))

Home Page

Title Page

Contents

◀

▶

◀

▶

Page 9 of 12

Go Back

Full Screen

Close

Quit

6. Concluding remarks

- the LIS website (also info on LWS) <http://www.lisproject.org>
- the Canberra group report ([Export Group on Household Income Statistics \(The Canberra Group\), 2001](#))
- indicators for Social Inclusion ([Atkinson et al., 2002](#)) and the discussion in the Italian journal in which [Jäntti \(2002\)](#) appears
- see also work on child poverty for Unicef, reported in [Bradbury et al. \(2001\)](#), [Bradbury and Jäntti \(1999\)](#), and [UNICEF \(2000\)](#)

Home Page

Title Page

Contents



Page 10 of 12

Go Back

Full Screen

Close

Quit

References

Atkinson, Anthony B, Lee Rainwater and Timothy M Smeeding (1995), *Income distribution in the OECD countries: the evidence from the Luxembourg Income Study*, Vol. 18 of *Social Policy Studies*, OECD, Paris.

Atkinson, Anthony, Bea Cantillon, Eric Marlier and Brian Nolan (2002), *Social Indicators: The EU and Social Inclusion*, Oxford University Press, Oxford.

Bradbury, Bruce and Markus Jäntti (1999), Child poverty across industrialized countries, Innocenti Occasional paper 71, UNICEF, International Child Development Centre, Florence.

Bradbury, Bruce, Stephen P Jenkins and John Micklewright, eds (2001), *The Dynamics of Child Poverty in Industrialised Countries*, Cambridge University Press, Cambridge.

Export Group on Household Income Statistics (The Canberra Group) (2001), *Final Report and Recommendations*, Ottawa.

Jäntti, Markus (2002), 'Intervention on indicators for social inclusion: Poverty and income distribution', *Politica Economica* 18(1), 99–104.

[Home Page](#)

[Title Page](#)

[Contents](#)

◀▶

◀▶

Page 11 of 12

[Go Back](#)

[Full Screen](#)

[Close](#)

[Quit](#)

UNICEF (2000), League table of child poverty in rich nations, Innocenti Report Cards 1, Innocenti Research Centre, Florence, Italy. <http://www.unicef-icdc.org/research/ESP/CIIC1.html>.

[Home Page](#)

[Title Page](#)

[Contents](#)



Page 12 of 12

[Go Back](#)

[Full Screen](#)

[Close](#)

[Quit](#)