TABLE OF CONTENTS

Chapter 1
INTRODUCTION
1.1 Structure of the volume .................................................. 12
1.2 A note on terminology ................................................... 12

Chapter 2
METHODOLOGY
2.1 The definition of income ................................................ 13
2.2 Unit and population definition ....................................... 16
2.3 Adjustment for household size ....................................... 18
2.4 Presentation of results and measures of inequality ............. 21

Chapter 3
DATA QUALITY AND CONSISTENCY
3.1 The LIS database ......................................................... 25
3.2 Comparability of LIS datasets ....................................... 28
3.3 Definition of income ................................................... 30
3.4 Cash and non-cash benefits ......................................... 32
3.5 Taxes ................................................................. 33
3.6 Comparison of reported income data with external aggregates 34
3.7 Procedures adopted in use of LIS data in this study .......... 37
3.8 Conclusion ........................................................... 38

Chapter 4
BASIC RESULTS
4.1 Distribution of income in seventeen OECD countries .......... 39
4.2 Trends over time ....................................................... 47
4.3 Sensitivity of estimates to methods employed ................. 52
4.4 Conclusion ........................................................... 58

Chapter 5
COMPARISONS WITH NATIONAL STUDIES
5.1 Earlier studies of OECD countries ................................ 59
5.2 Evidence from national studies .................................... 61
5.3 Conclusions from national studies ................................ 80
Chapter 6
ANALYSIS OF COUNTRY DIFFERENCES: PRIMARY AND MARKET INCOMES
6.1 Level and trend in primary income distribution ........................................ 83
6.2 Level and trend in market income ............................................................. 88
6.3 Relative income shares of primary and market incomes ............................. 91
6.4 Changing shares of income: husbands, wives, self-employment and property income .......................................................... 93
6.5 Conclusion .................................................................................................. 98

Chapter 7
TAXES AND TRANSFERS
7.1 The distribution of equivalent income levels ............................................... 103
7.2 The distribution of taxes on income and social contributions ...................... 105
7.3 The distribution of transfers ....................................................................... 106
7.4 The role of transfers ................................................................................... 109

Chapter 8
FUTURE RESEARCH PRIORITIES AND NEXT STEPS

References ........................................................................................................ 117

Appendices
1. LIS staff ........................................................................................................ 123
2. Unit and head definitional details ................................................................. 124
3. Measures of inequality .................................................................................. 135
4. Data type, quality and consistency ............................................................... 137
5. Correspondence of micro-income data measures with SNA categories ......... 141
6. Quality of income data .................................................................................. 142
7. Background tables on income sources and demographic characteristics .... 155
LIST OF TABLES

Chapter 2

2.1 Definition of income .................................................. 14
2.2 Family size exponents in different equivalence scales ................. 19

Chapter 3

3.1a OECD countries and LIS: country and year of data entry .................. 26
3.1b Survey name and sponsor/administrator .................................. 27
3.2a Standardised unemployment rates 1979-90 ........................... 28
3.2b Rates of growth of real GDP 1979-90 .................................. 28
3.2c Rates of increase in consumer prices 1979-90 ......................... 29
3.3 Types of survey data .................................................... 29
3.4 Correspondence between United Nations Guidelines and LIS microdata-based concepts of income ......................... 31
3.5 Expenditures for health, education and social welfare among the non-aged as a percentage of GDP in OECD countries in 1987 ...................... 32
3.6 Employees' social security contributions and personal income tax (including standard tax reliefs) at the income level of an average production worker in 1987 as a percentage of gross earnings .................................................. 33
3.7 Quality of income data: ratio of survey estimates to adjusted national accounts estimates (in per cent) .......................... 34

Chapter 4

4.1 Summary of income distribution in OECD countries: percentiles of median ................................. 40
4.2 Summary of income distribution in OECD countries: cumulative proportions below percentiles of median ................. 42
4.3 Summary of income distribution in OECD countries: cumulative decile shares .................................................. 44
4.4 Measures of inequality in OECD countries ................................ 46
4.5 Trend over time in income distribution in OECD countries 1979-88: percentiles of median ......................... 47
4.6 Trend over time in income distribution in OECD countries: cumulative proportions below percentiles of median ...... 48
4.7 Trend over time in income distribution in OECD countries: cumulative decile shares .................................................. 49
4.8 Trend over time in income distribution in OECD countries: summary measures of inequality ............................... 49
4.9 Sensitivity of results to changes in equivalence scale: percentiles of median .................................................. 50
4.10 Sensitivity of results to changes in equivalence scale: cumulative decile shares .................................................. 53
4.11 Sensitivity of results to changes in weighting (persons versus households): percentiles of median ................................. 55
4.12 Sensitivity of results to changes in weighting (persons versus households): cumulative decile shares ......................... 57

Chapter 5

5.1 International comparison by Sawyer (1976) ................................ 60
5.2 International comparison by van Ginneken and Park (1984) of household distribution of income per head .......... 61
5.3 National studies for a selection of OECD countries ......................... 62
5.4 Income distribution in Australia 1981/82-1989/90 ......................... 63
5.5 Earnings distribution in Austria 1970-87 .................................. 63
5.6 Income distribution in Belgium 1985-92 .................................. 64
5.7 Income distribution in Canada 1971-83 .................................. 64
5.8 Income distribution in Finland 1966-85 .................................. 65
5.9 Income distribution in France 1970-79 .................................. 66
5.10 Measures of inequality in France 1970-84 .................................. 66
5.11 Gini coefficient of inequality in Germany 1950-85 ......................... 67
5.12 Income distribution in Germany 1973-90 .................................. 67
5.13 Income distribution in Ireland 1973-87 .................................. 68
5.14 Income distribution in Italy 1967-89 .................................. 69
5.15 Income distribution in Italy 1977-91 .................................. 69
5.16 Income distribution in Japan 1980-91 .................................. 70
5.17 Income distribution in the Netherlands 1981-89 ......................... 71
5.18 Income distribution in Norway 1982-90: estimates by Central Statistical Bureau ................................. 71
Chapter 6

6.1 Percentage population shares for subtotal analyses of primary and market income, total households, and prime age households

6.2 Summary of level and trend in primary income distribution for households with heads aged 25 to 54

6.3 Summary measures of level and trend in primary income distribution for prime age households with heads aged 25 to 54

6.4 Summary of level and trend in primary income distribution for all households

6.5 Summary measures of level and trend in primary income distribution for all households

6.6 Summary of primary income distribution for all households: cumulative decile shares

6.7 Summary of level and trend in market income distribution for all households

6.8 Summary measures of level and trend in market income distribution for all households

6.9 Summary of market income distribution for all households: cumulative decile shares

Chapter 7

7.1 Percentage distribution of low and modest, middle and high income groups by age

7.2 Percent low income by age group

7.3 Distribution of taxes by quintile and average tax as a percent of median equivalent income

7.4 Average taxes as a percent of median equivalent income by quintile

7.5 Distribution of transfers by quintile and average transfers as a percent of median equivalent income

7.6 Average transfers as a percent of median equivalent income by quintile

7.7 Average transfers as a percent of median equivalent income

Appendices

A2.1 Household definition

A4.1 Primary objective of the survey

A4.2 Sampling frame

A4.3 Response rates and LIS sample sizes

A4.4 Data transformations

A4.5 Descriptives of LIS second wave datasets with negative disposable income (DPI)

A5.1 Correspondence of micro-income data measures with SNA categories

A6.1 Comparison of Australian income survey with National Accounts aggregates, 1981/82

A6.2 Comparison of Australian income survey with National Accounts aggregates, 1985/86

A6.3 Comparison with Department of Social Security expenditure aggregates

A6.4 Comparison of distribution of net taxable income in Belgium: tax statistics versus estimates on the basis of CSP-survey data

A6.5 Comparison of SCP estimates in Canada to adjusted personal income in National Accounts 1987

A6.6 Comparison of survey estimates to National Accounts in Finland 1987

A6.7 Comparison of French survey estimates to National Accounts control totals 1984

A6.8 Comparison of German survey estimates to National Accounts control totals 1983

A6.9 Distribution of tax units over ranges of "total income" in Ireland

A6.10 Expenditure on social welfare schemes in Ireland

A6.11 Comparison of Bank of Italy survey estimates to National Accounts control totals 1989

A6.12 Comparison of FES estimates to National Accounts control totals in the United Kingdom 1977
A6.14 Non-response rates by category of income in March Current Population Survey (CPS) ................................................................. 154
A7.1 Percentage of income sources of gross income by decile ................................................................. 156
A7.2 Percentage of income sources of gross income by income level ................................................................. 159
A7.3 Age and earning status distribution for total sample and persons with low and modest incomes ................................................................. 161
A7.4 Family type distribution for total sample and persons with low and modest incomes ................................................................. 163

**LIST OF FIGURES**

*Chapter 2*

2.1 Lorenz curves ................................................................. 22

*Chapter 4*

4.1 United States and Sweden deciles ................................................................. 41
4.2 Percentage relative to 80% and 120% median ................................................................. 43
4.3 Lorenz comparisons (based on decile points) ................................................................. 44
4.4 Relative inequality in different countries ................................................................. 45

*Chapter 6*

6.1 Lorenz comparisons of primary income for all households ................................................................. 88
6.2 Relative inequality rankings based on primary income in different countries ................................................................. 89
6.3 Lorenz comparisons of market income for all households ................................................................. 92
6.4 Relative inequality rankings based on market income in different countries ................................................................. 93
6.5 Aggregate shares of primary income in the mid-1980s for households with heads aged 25 to 54 ................................................................. 94
6.6 Aggregate shares of primary income for all households ................................................................. 95
6.7 Aggregate shares of market income for all households ................................................................. 97
6.8 Shares of primary income in the mid-1980s for households with heads aged 25 to 54: husbands, wives, other earnings and self-employment income ................................................................. 99
6.9 Shares of primary income in the mid-1980s for all households: husbands, wives, other earnings and self-employment income ................................................................. 100
6.10 Shares of market income in the mid-1980s for all households: wages, self-employment income and other private income ................................................................. 101

*Chapter 7*

7.1 Low-income rate of the non-elderly by transfers as a percentage of median equivalent income ................................................................. 108
7.2 Low-income rate of the elderly by transfers as a percentage of median equivalent income ................................................................. 110