

*CRESUS Final Conference:
Measuring and mobilizing wealth for a cohesive,
inclusive and fair society*

Antwerp, 13 November 2019

- Kuypers, Figari and Verbist, “The analysis of poverty and redistribution in a joint income-wealth framework”
- Marchal, Kuypers, Marx and Verbist, “The impact of asset tests in minimum income schemes in Europe: An empirical exploration”

Discussion

Michael Förster,

OECD Directorate for Employment, Labour and Social Affairs, Paris



Both papers

- .. are genuinely **innovative** and include new and policy relevant findings
- .. do not focus on the **top** of the wealth distribution (as many/most wealth papers in the past)
- .. combine **income and wealth** information

“the most pertinent measures of the distribution of material living standards are probably based on jointly considering the income, consumption and wealth position of households or individuals” (Stiglitz, Sen and Fitoussi, 2009)

- .. analyse **working-age and elderly** populations separately
- .. do not give particular **policy** prescriptions

Bottom lines, paper SarahK

- Adding wealth to (consumable) income results in higher **inequality** levels (+10 points for DE, IT; +5 points for others)
- **Redistributive** effect is halved, due to a lower effect of *all* instruments: SOCBEN, PIT, SIC, CIT, WT
- SOCBEN and PIT remain main **contributors** to redistribution also in a joint Y+W framework (size!)
- CIT are more **progressive** than PIT, not necessarily the case of WT (esp. BE, ES)

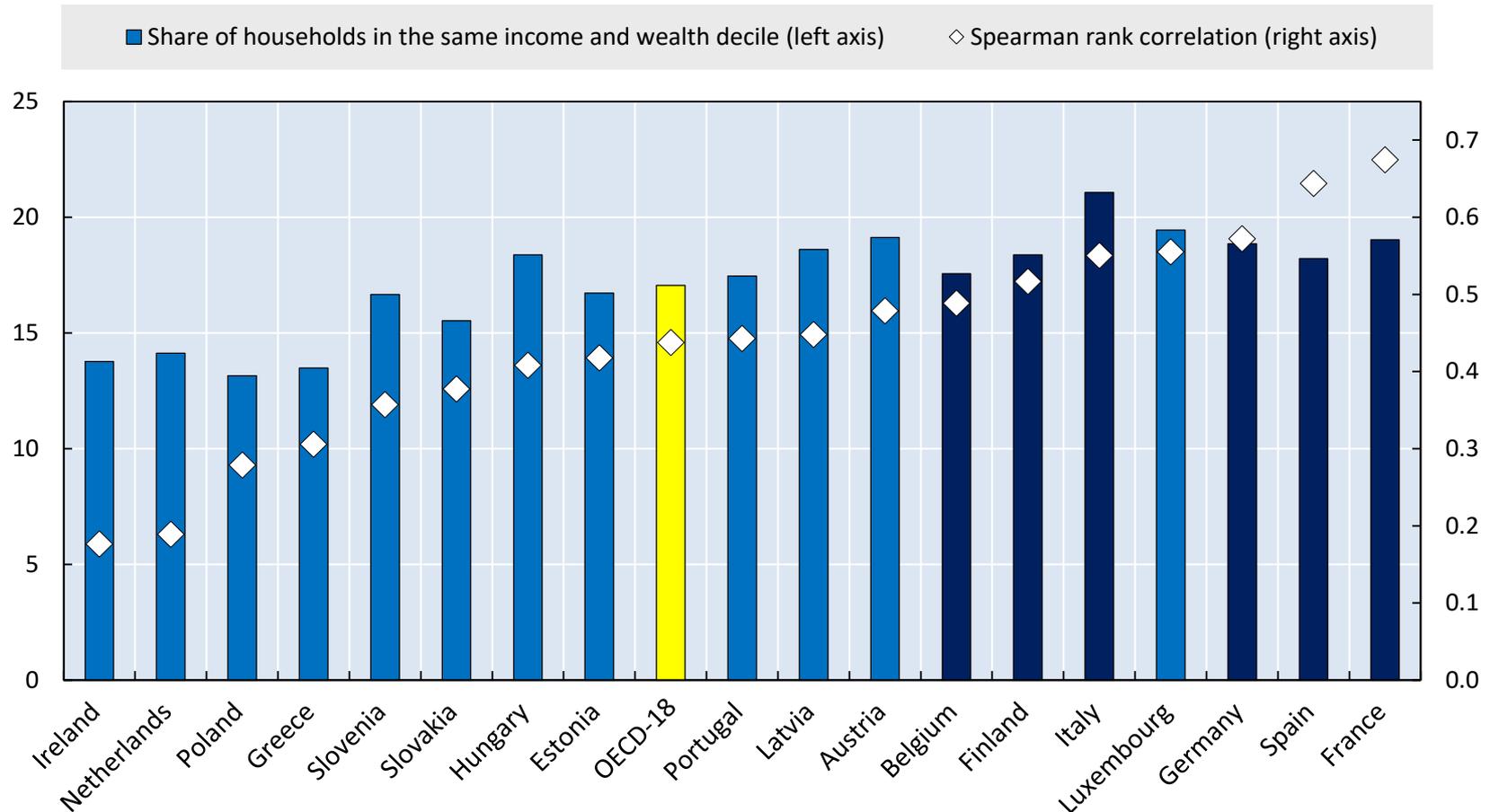
Bottom lines, paper SarahM

- Asset tests (both 'disqualification' and 'rate of return' types) are often **opaque** and **complex**
- Abolishing asset test would increase SAB **coverage** (DE 7→10%; BE 9→12%), and decrease extreme income **poverty** (DE 4→3%; BE 2→1%) but not AROP
- This is mostly due to (dis)considering **financial** assets, not real estate property
- Excluded group is **older**/more often pensioner, less often unemployed, higher educated (DE), more often in couples (BE): "better off" among poor

Paper SarahK:

Weak correlation between household disposable income and net wealth: large country differences looking forward to be explained

Percentage of households in the same decile of the income and wealth distribution, respectively, and Spearman rank correlation between income and wealth



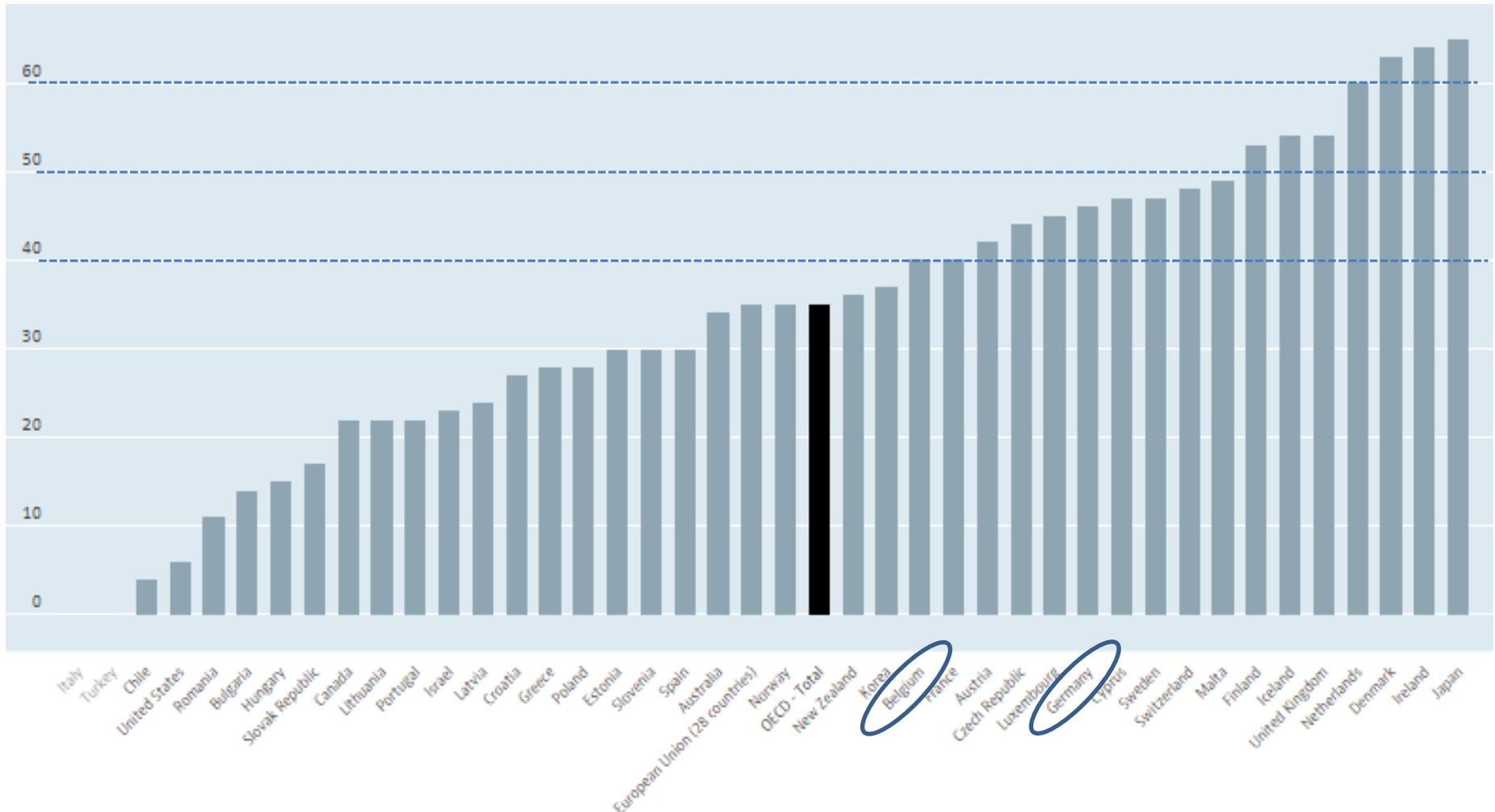
Other smaller queries/questions/feed-back, paper SarahK

- Further **cross-country differences** to investigate:
 - EU welfare states much less **redistributive** than commonly assumed when assessed in a joint Y&W framework (but rank order prevails). What about US, JP and others?
 - *Capital ownership has become “the most important determinant of living standards” (p.2);*
 - *Phenomenon of “income poor - wealth rich” households has been growing (p.9)*
- **Conceptual issues:**
 - Concept of CI includes indirect taxes but not **social transfers in kind** (p.7)
 - Public **pension** wealth
 - **Equivalisation** of household wealth
 - Impact of assuming away **behavioural** responses to (absence of) redistribution (note forthcoming SDG 10.4 indicator on redistribution)
- **(Data issues):**
 - To which extent is “extra” information in input data sets robust? (income in HFCS, expenditures in EU-SILC)
 - Alternative assumptions of return rates to wealth (5%; rich vs poor?)

Paper SarahM:

Effects of asset tests on income poverty against the background of adequacy of minimum income benefits

Single, no child, % of median disposable income, 2018 or latest available

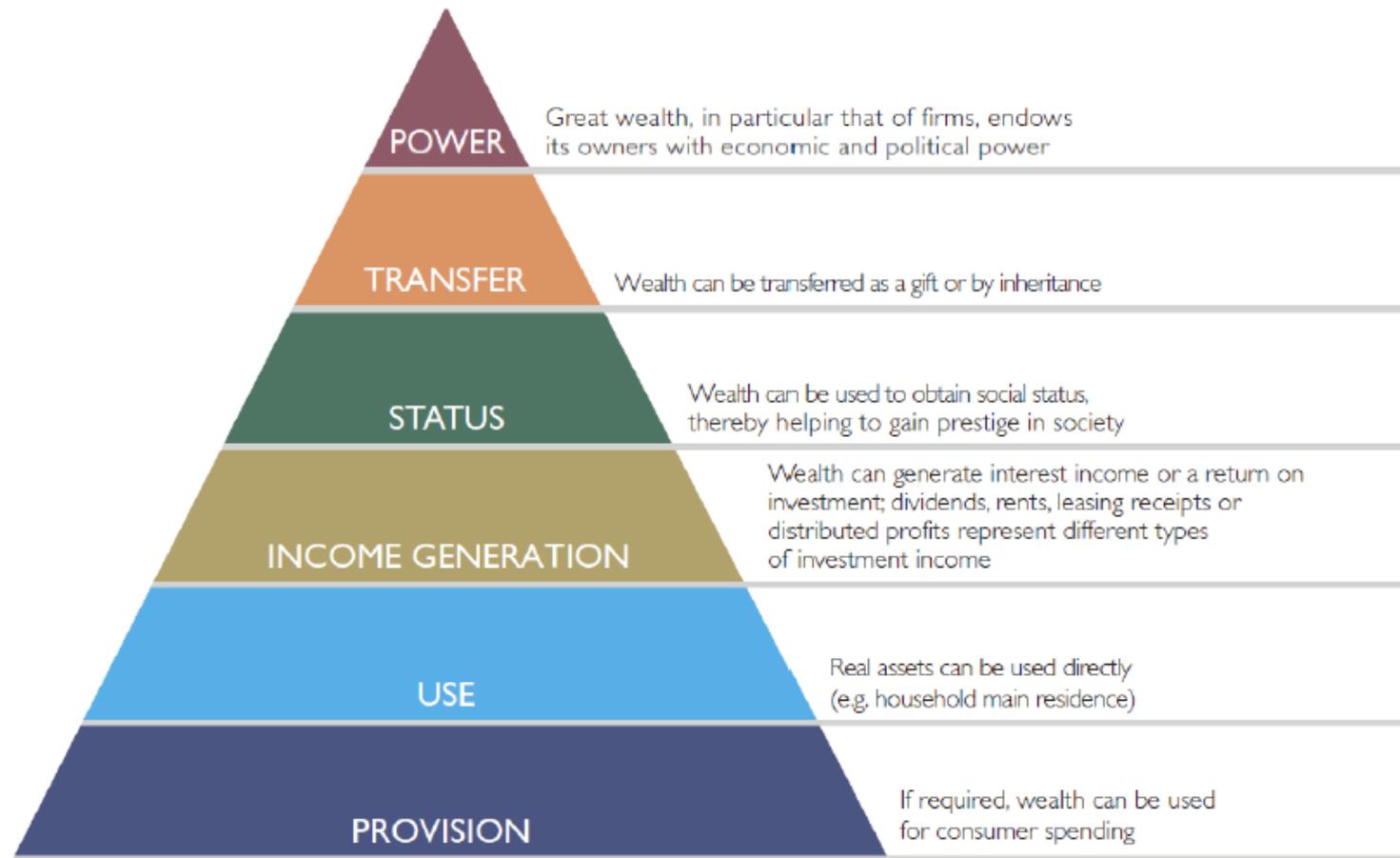


Other smaller queries/questions/feed-back, paper SarahM

- Further **cross-country differences** to investigate:
 - Examine effects of asset test for countries with higher MIP levels (DK) and lower ones (PT)
- **Conceptual** issues:
 - Paper assesses effect of (abolishing) asset tests on *relative income* poverty – next step to look at effect on asset poverty and joint Y & W poverty
- **(Data issues)**:
 - Update to HFCS wave 2 and 3?
 - Non take-up correction in EUROMOD (80% for elderly), alternative scenarios?

Both papers point to the underlying **policy choice**:
Moving toward asset-based social and fiscal policies?

Functions of wealth



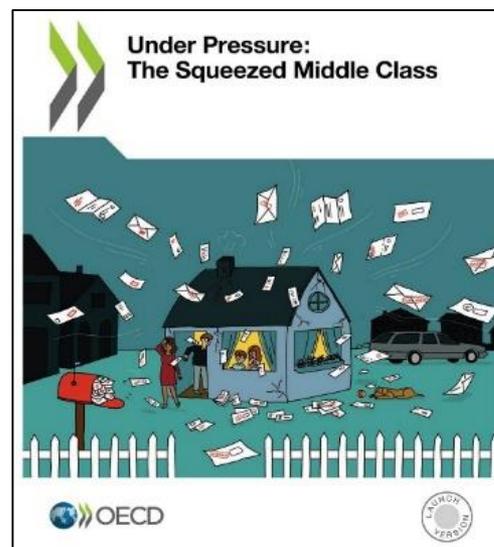
Thank you for your attention!

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<http://www.oecd.org/social/inequality-and-poverty.htm>

<http://oe.cd/social-mobility-2018>

<http://oe.cd/middle-class-2019>



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