

BE-PARADIS

The Paradox of Belgian Inequality Studies: Belgium Less unequal than others?

DURATION
 15/12/2019 – 15/03/2024

BUDGET
 1 226 370 €

PROJECT DESCRIPTION

Context

Inequality and poverty remain high on the agenda. The IMF has labelled inequality as the ‘defining challenge’ of our time because it signals a lack of income mobility and opportunity, and because it has important consequences for growth and macroeconomic stability, and carries a risk of concentrating decision making in the hands of a few. In the last fifteen years also the OECD has gathered ‘a significant body of evidence on the increased inequalities of income and opportunities in many countries’, and concludes that inequality is ‘bad and getting worse’ (OECD 2018).

We start from two observations.

- First, the existing statistics and research on Belgium draw different conclusions than those found for many other developed countries. Based on survey data, Horemans et al. (2011) and Van Rie and Marx (2014) conclude that the Belgian income inequality remained fairly stable between 1985 and the late 2000s. Also the OECD-report cited above, reports a minor change in the Gini from 0.257 in 1983 to 0.264 in 2011, and even a slight decline since 2004. Similarly, Decoster et al. (2017) could not find evidence that the top incomes in Belgium have benefitted disproportionately from the economic growth since the nineties. Furthermore, the Belgian at-risk-of-poverty rate has remained stable during the last decades. These findings not only stand in sharp contrast with the conclusions for many other countries; they also seem to contradict the widespread perception that inequality, poverty, material deprivation, and insecurity are on the rise. Understanding this ‘paradox’ is one of the central objectives of our project (and explains the project acronym).
- Second, Belgium remains notoriously absent from the *Distributional National Accounts* (DINA), a methodology which is essentially an extension of the pioneering methods of Kuznets, who combined national income series (macro-data) with income tax data (micro-data). Recently, the upgrade of national accounts to incorporate distributional information has been initiated by the late Tony Atkinson, and further developed by scholars such as Thomas Piketty and Emmanuel Saez. In early 2018, their team at the Paris School of Economics launched the *World Wealth and Income Database* (now *World Inequality Database*, WID), which gives access to data about inequality and other macroeconomic indicators for many countries. Unfortunately, Belgium is missing from this dataset.

General objectives and underlying research questions

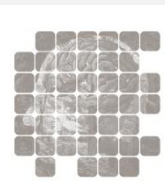
This project formulates a renewed and profound inquiry of existing and available data, concepts, and methods. This allows us:

- To highlight and quantify the relative importance of different drivers in the evolution of inequality and poverty.
- To align Belgium with the international research agenda and its output in the form of DINA’s (Distributional National Accounts).
- To enlarge and deepen the conceptual framework of distributional analysis by going beyond mere household disposable income.

Methodology

The methods belong to three different categories.

- We use state-of-the-art data methods (e.g. imputation methods) **to combine different available micro-level datasets** containing all the necessary information for an extensive analysis of the evolution of inequality and poverty over time with respect to policy relevant variables such as income, individual consumption or wealth.
- We **integrate our micro-data with a macro-based approach to distributional issues**.
- The analysis of causes of inequality and poverty will rely on the production of **counterfactual distributions**, and on models of **decision-making of and within households**.



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Description of the expected final research results and valorisation plans at short and medium term

BE-PARADIS will -for Belgium-

- Harmonise income and wealth data sources, and will provide state-of-the-art guides (technical notes) on how the data sources compare to one another, over time, and across sources;
- Provide new insights in the evolution of and contributors to inequality, covering more income sources, e.g. from financial assets and real estate;
- Will go beyond the standard household analysis of income inequality, and will look at intra-household inequality (both with respect to income as to time-use), economic security, equality of opportunities, and access to public goods;
- Add Belgium to the DINA framework, and the WID.

The **valorisation strategy** consists of translating the research results, and tailoring our communications to our target audiences:

- The main **scientific** outlet will consist of:
 - o the publication of Discussion Papers, with the broader aim of publishing the research in well-regarded journals;
 - o a mid-term academic conference will be organized at the end of year 2 (early 2022);
 - o the project's website to share data and code, within the bounds of the confidentiality agreements and privacy laws that rest on using the source data;
 - o technical notes, containing high-quality reporting, with the aim of reducing the cost of future research significantly, and to make it easier to scrutinize and further build upon our research;
 - o contributing to the World Income Database, which acts a public service for researchers worldwide.
- We will reach out to **policy makers** and politicians through targeted communication channels:
 - o many of the Discussion Paper's will find their way into more vulgarizing *Policy Briefs*;
 - o a final conference, at the end of the project (start of 2024), will communicate the main findings and policy recommendations to researchers and policy makers.
- To communicate our research findings to the **general public**, we will:
 - o use the aforementioned policy briefs to bring often complex and nuanced research findings under the attention of the national media;
 - o At the end of year 4 (start 2024), together with the final conference, we will publish a book, containing the main research findings and policy recommendations in plain language;
 - o a project website containing all the Discussion Papers, technical notes, code, and link to the sources will accompany the publication of the book.

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LINKS

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