Inequality

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Income inequality and income poverty in a cross-national perspective

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Income inequality and income poverty in a cross-national perspective

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Introduction

In their chapter for the IFS Deaton Review of Inequalities, Bourquin, Brewer and Wernham (2022) paint a comprehensive portrait of changing inequalities in the United Kingdom, in most cases since the 1960s or 1970s. This rich synthesis reports levels and trends with respect to multiple facets of economic inequality. Bourquin et al. present diverse indicators spanning income, consumption and wealth inequalities, and then focus on trends in labour market outcomes, including employment rates, hours worked and wages. Throughout the chapter, outcomes are extensively disaggregated – by gender, age, birth cohort, household type, education, geographic region, and more. Towards the end of the chapter, they assess the impact of the COVID-19 crisis on economic inequality.

The exhaustive synthesis presented in the chapter is almost exclusively focused on levels and trends in the UK. Bourquin et al. complement their rich UK-based results with four cross-national exhibits: two on income inequality and two on wealth inequality.[2] The goal of this brief commentary is to expand selected analyses presented by Bourquin et al., by extending the cross-national component – with a focus on income inequality and relative income poverty, both across selected countries and over time.

The results presented in this commentary are based on microdata available from LIS,[3] the cross-national data centre in Luxembourg. LIS is home to two large multi-country databases: the larger, longstanding Luxembourg Income Study (LIS) Database, focused on income, and the newer and smaller Luxembourg Wealth Study (LWS) Database, focused on wealth. (This commentary focuses exclusively on income.) The figures in this commentary compare UK outcomes[4] to those in five countries that Bourquin et al. include in one or more of their cross-national presentations. These comparators include: one Nordic country, Norway; one continental European country, Germany; and three other Anglophone countries, Australia, Canada and the US.[5]

This commentary is organised as follows.

- **Income inequality and redistribution**. Bourquin et al. present inequality of post-tax/post-transfer inequality over time, utilising the Gini coefficient; they consider the UK compared with five other

[1] Nathaniel Johnson (Graduate Center, CUNY) provided excellent research assistance.

[2] See their figure 2 (post-tax/post-transfer income inequality, 37 countries, 2019 or latest year), figure 3 (post-tax/post-transfer income inequality, six countries, over time), figure 6 (top 1% share in net wealth, 26 countries, 2016 or latest year), and figure 7 (top 1% share in net wealth, six countries, over time).

[3] The LIS team gathers microdata sets from a large number of high- and middle-income countries, and harmonises them into a common template, so that they may be used for comparative research across countries and over time. For detailed information about LIS, including names and overviews of the original data sets, extensive documentation, and instructions on how to access both the harmonised microdata and the aggregates constructed by LIS, see https://www.lisdatacenter.org/.

[4] For the UK, the LIS Database includes data from the Family Expenditure Survey (FES) before 1994, and from the Family Resources Survey (FRS) in 1994 and later.

[5] These countries were selected because they are all high-income OECD countries; the LIS data sets include income both pre and post taxes and transfers; and the LIS Database includes data sets from these countries going back to 1980 (which corresponds to 'wave I' in the LIS Database).

high-income countries (see their figure 3). In the following section,[6] the findings of Bourquin et al. are extended here by considering inequality, over time and across countries, both post-tax/post-transfer and pre-tax/pre-transfer. This enables us to look at inequality in both indicators, as well as redistribution, which is captured as the difference between the two.

- **Top-half and bottom-half income inequality**. Bourquin et al. emphasise that top-half and bottom-half inequality are different; they present 90:50 and 50:10 ratios over time for the UK (see their figure 1). This analysis is extended here by placing the UK, levels and trends, in cross-national context.

- **Child and elderly poverty**. Bourquin et al. present trends in relative poverty rates, for the UK, among children and pensioners, relying on the widely used threshold of 60% of median income (see their figure 14). Their analysis is extended here by assessing child and elderly poverty at three thresholds (i.e. 40%, 50% and 60%), focusing on two often-compared countries, the UK and the US.

This commentary closes with a brief discussion of policy lessons, drawing on the large and ever-growing research literature based on the LIS data. The value of cross-national comparisons, especially among similar countries, is largely self-evident. Still, it is worth underscoring that looking outside one's home country brings into relief that socio-economic outcomes seen in any one country – levels or trends – are not inevitable. While variation across similar countries may exist against a backdrop of commonality, variation is nonetheless the norm. Assessing that variation, especially when multiple indicators are available, enables analyses of the causes and consequences of socio-economic outcomes – analyses that are difficult (and sometimes impossible) to carry out within any one country. Those analyses, in turn, lay the groundwork for policy/institutional analyses that could, and often do, lead to within-country efforts aimed at policy reform and institutional redesign.

'Post' income, 'pre' income and redistribution since 1980: the UK compared with Germany, Norway, Australia, Canada and the US

In their chapter, Bourquin et al. present the Gini coefficient of income inequality, 1961–2019, in the UK and in five other high-income countries (see their figure 3), drawing on multiple sources. Household income is captured as post-tax/post-transfer income, before housing costs, and is adjusted for household size.

Their results indicate that income inequality in the UK was remarkably stable from 1961 to 1980 (Gini of 0.26), and then rose sharply in the decade between 1980 and 1990 (reaching 0.34).[7] Between 1990 and 2017, inequality in the UK remained largely stable again, rising slightly in the 2000s (to 0.36) and then falling again by 2017 (back to 0.34). They also note that, after 1980, rising inequality was the dominant pattern across their comparator countries. At the same time, at the end of the time period, levels varied markedly; based on the Gini, inequality in household income in the UK ranked second highest. It was exceeded only by inequality in the US.

In Figure 1, we present a parallel portrait, based on the LIS microdata, comparing post-tax/post-transfer income inequality[8] in the UK with that in five other high-income countries (albeit a somewhat different selection of countries) at five time points: 1980, 1990, 2000, 2010 and 2017.[9] This span of time, in

[6] In the following two sections, we include only non-elderly households. Elderly households rely heavily (in many households, exclusively) on transfers; thus, they experience much more redistribution than do their non-elderly counterparts. To avoid mixing two different scenarios, here we include only non-elderly households.

[7] Atkinson (2003) cited evidence to suggest that, with samples of about 30,000 (as we have here), a difference in the Gini coefficient of about 0.01 indicates a statistically significant difference. He further applies the rule of thumb that a difference of about 0.03 is substantively meaningful.

[8] For LIS results throughout this commentary: (i) income is adjusted for household size using the well-known square-root equivalence scale; (ii) results are presented at the person level, meaning that inequality levels and poverty rates refer to persons based on their household income; (iii) 'non-elderly' households refer to households with no members aged 60 or older; (iv) 'children' refers to those aged 17 or younger; (v) 'elderly' refers to those aged 60 or older.

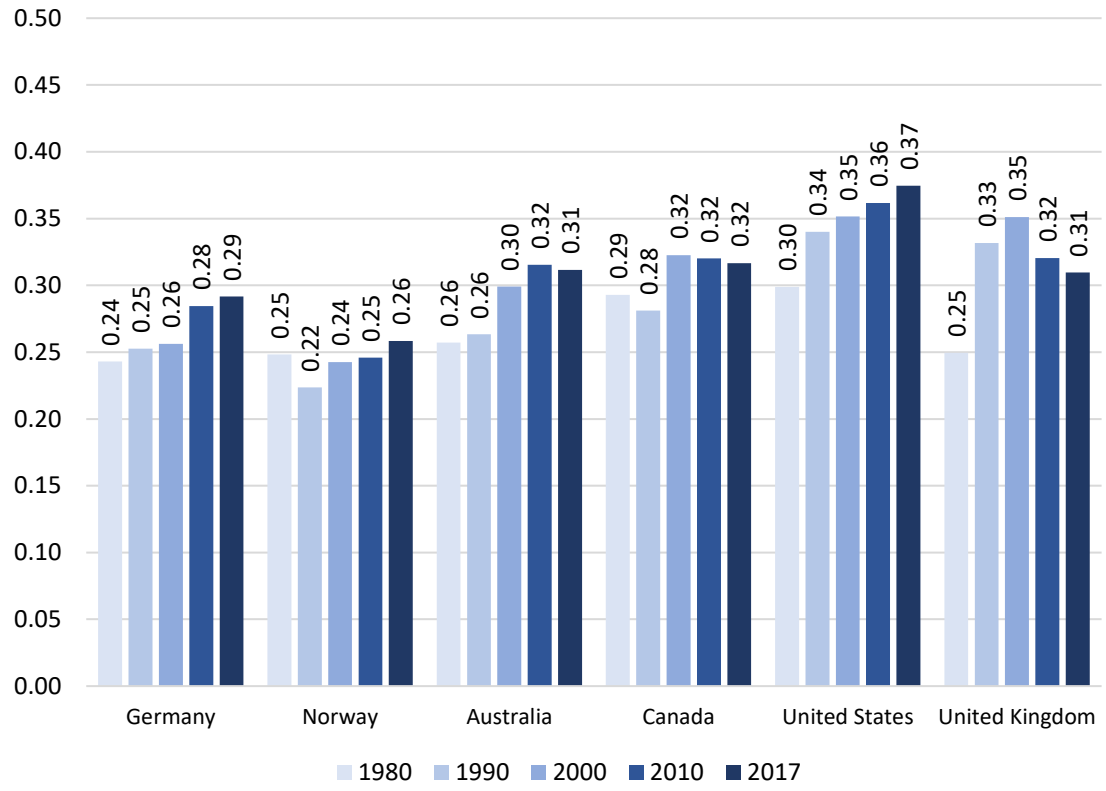
[9] The five time points presented here (1980, 1990, 2000, 2010 and 2017) are approximations. Precise years vary across countries, as follows: Germany (1981, 1990, 2000, 2010, 2017), Norway (1979, 1991, 2000, 2010, 2016), Australia (1981, 1989,

general, includes three periods. The first three time points, 1980, 1990 and 2000, precede the Great Recession; the 2010 time point corresponds to the ending phase of the recession, and the most recent year, 2017, falls well into the post-recession recovery but prior to the onset of the COVID-19 pandemic.

First, we note that the results based on the LIS data, in Figure 1, closely track those reported by Bourquin et al.[10] In the UK, inequality rose sharply between 1980 and 1990, after which it stabilised (rising, and then falling modestly). Inequality in the US rose steadily between 1980 and 2017 – and, in all years, exceeded the levels reported in the UK.

In the other four countries, the overall pattern during this period was marked by increased inequality, but country-specific trends vary within these years. Norway, with the lowest levels of inequality, diverged somewhat, with rising inequality seen mainly after 1990.

Figure 1. Post-tax/post-transfer income inequality, Gini coefficient, non-elderly households



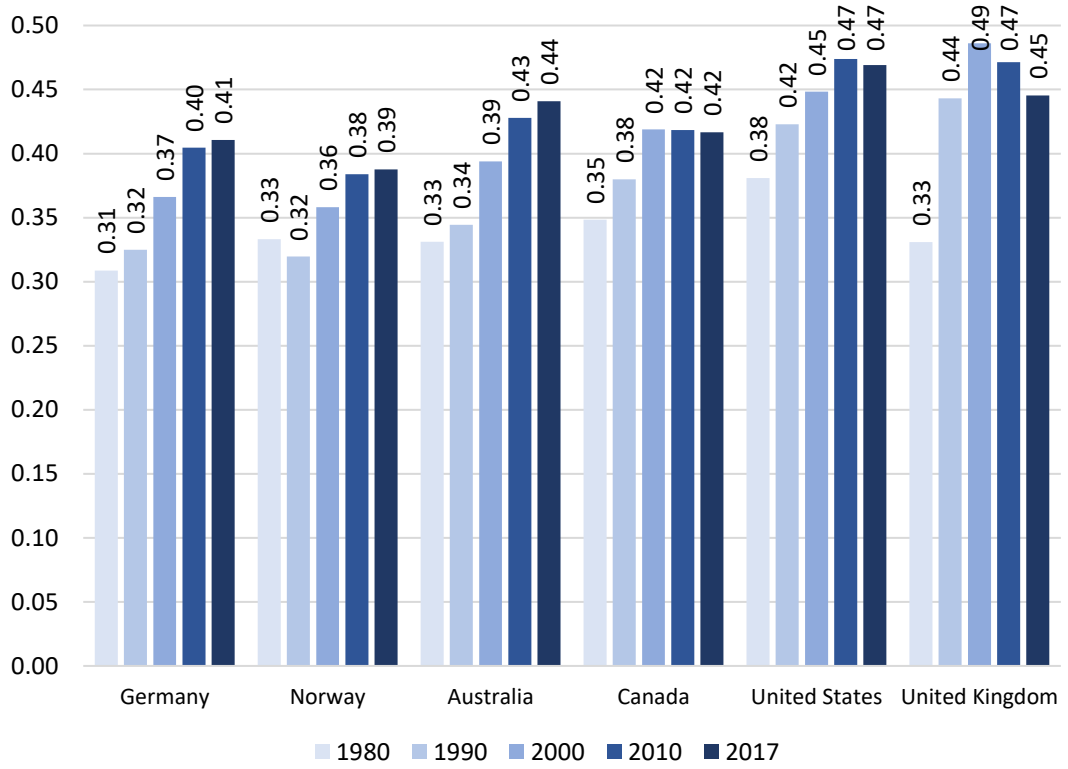
Source: LIS data sets from multiple years, for Germany, Norway, Australia, Canada, the US and the UK.

Next, drawing on the detailed income data available from the LIS Database, we turn to pre-tax/pre-transfer income, for the same countries and years (see Figure 2). This indicator is calculated by starting with the income levels in Figure 1, subtracting transfers received and adding back in taxes paid. This is, of course, a fictive measure, meaning that households do not actually experience these income levels. This approach, common in the literature on inequality, enables us to look at redistribution via taxes and transfers.

2001, 2010, 2014), Canada (1981, 1991, 2000, 2010, 2017), the US (1979, 1991, 2000, 2010, 2017) and the UK (1979, 1991, 2000, 2010, 2017).

[10] Small differences between the results of Bourquin et al. and the LIS results are not surprising. The most likely reason is that the two analyses use different equivalence scales.

Figure 2. Pre-tax/pre-transfer income inequality, Gini coefficient, non-elderly households



Source: LIS data sets from multiple years, for Germany, Norway, Australia, Canada, the US and the UK.

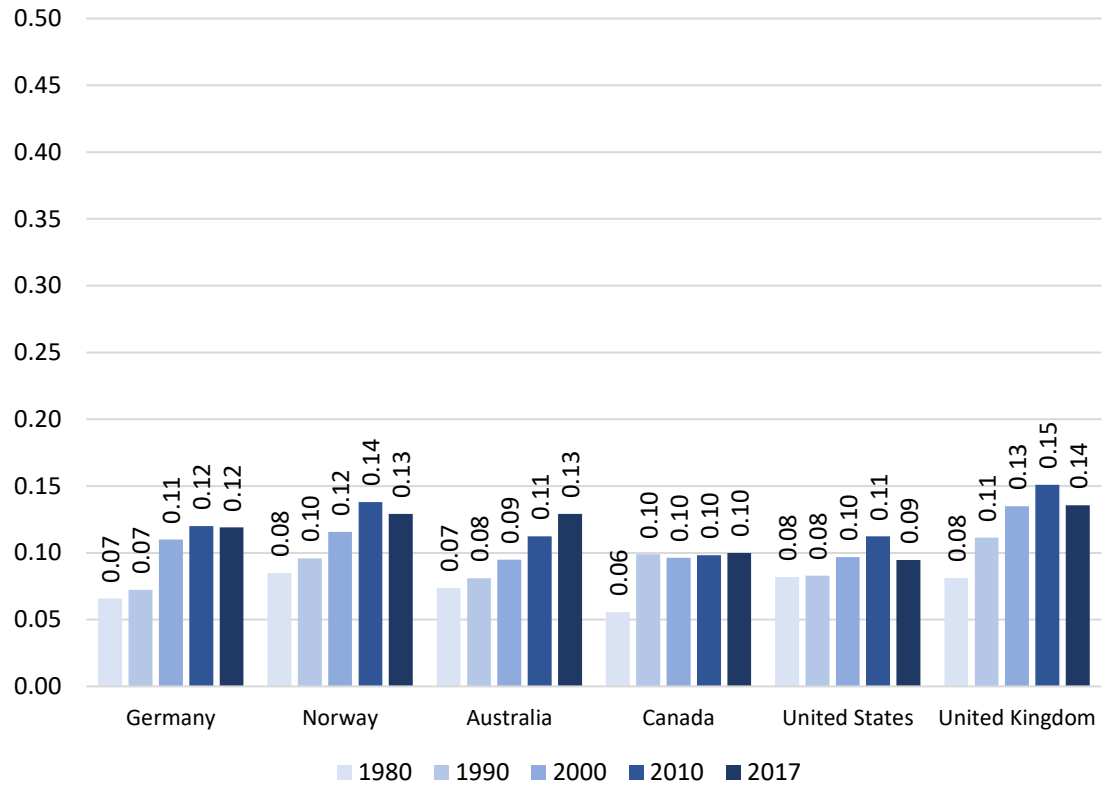
We see in Figure 2 ('pre') a pattern similar to that in Figure 1 ('post'), in that the dominant cross-national pattern is rising inequality, with a modest downward turn in the UK after 2000. However, we also see increasing inequality of greater magnitudes than reported in Figure 1. Between 1980 and 2017, pre-tax/pre-transfer income inequality in the UK rose by 12 Gini points, compared to an increase of 6 Gini points in Figure 1. The differences between Figures 1 and 2 reveal the varying impact, cross-nationally, of redistribution. For example, in contrast to the UK, inequality in the US rose by about the same increment in 'post' inequality (by 7 Gini points) as in 'pre' inequality (9 Gini points), indicating that redistribution in the US was more limited during these years.

Next, we take a more direct look at redistribution, captured as the difference between the values in Figures 1 and 2 (see Figure 3). We note again that this approach, which allows us to proxy levels and trends in income redistribution, is essentially an accounting exercise; the 'pre' results are hypothetical, taking no account of behavioural effects that would be expected if taxes and transfers were really withdrawn. Nevertheless, this gives us a window on the inequality-reducing effects of tax and transfer policies, across countries and over time.

Here we see that, in the UK, redistribution nearly doubled between 1980 and 2010, rising from 0.08 to 0.15, after which it declined slightly, to 0.14. This increase in redistribution in the UK, of course, accounts for the finding that 'post' inequality rose much less than 'pre' inequality; in other words, the increasing effects of taxes and transfers blunted the rising 'pre' inequality. The over-time portrait of increasing redistribution was similar in Germany, Norway and Australia. Redistribution changed less in Canada (remaining flat as of 1990) and in the US as well.

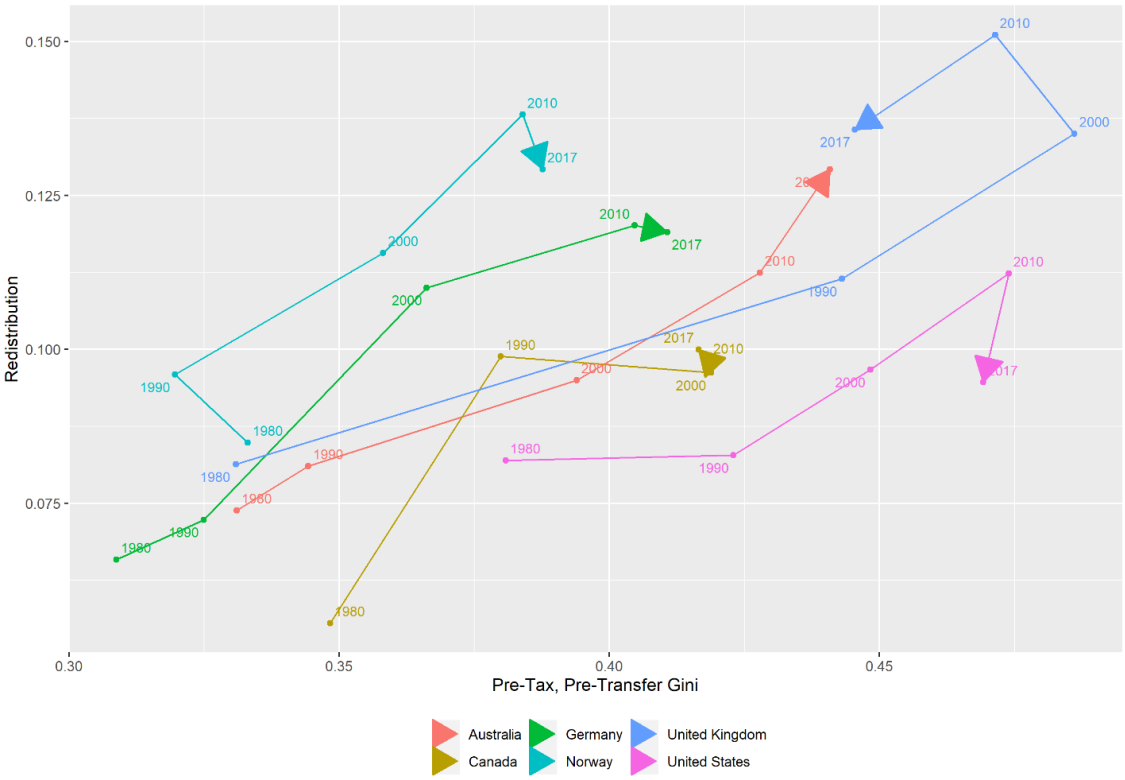
Finally, in Figure 4, we take a look at redistribution via taxes and transfers from one more vantage point. Here, the horizontal axis reports pre-tax/pre-transfer income inequality (see Figure 2) and the vertical axis presents redistribution (see Figure 3). Figure 4 reveals, overall, that both within and across countries 'pre' inequality and redistribution tend to rise hand-in-hand. It also highlights that redistribution shifted downward after 2010 in the UK, the US and Norway – a pattern not seen in the other three countries.

Figure 3. Redistribution, 'pre' Gini minus 'post' Gini, non-elderly households



Source: LIS data sets from multiple years, for Germany, Norway, Australia, Canada, the US and the UK.

Figure 4. Pre-tax/pre-transfer income inequality (*x*-axis) and redistribution (*y*-axis), Gini coefficient, non-elderly households



Source: LIS data sets from multiple years, for Germany, Norway, Australia, Canada, the US and the UK.

Top-half and bottom-half inequalities since 1980: the UK compared with Germany, Norway, Australia, Canada and the US

Much research in recent years has focused on assessing inequality trends more fully, by disaggregating the income distribution. In this section, we do this broadly, by reporting changes in the 90:50 and 50:10 ratios, both with respect to post-tax/post-transfer income. These two indicators capture the ratio of household income at the 90th percentile to the median, and of the median to the 10th percentile, respectively. These inter-decile ratios widen the lens beyond the Gini by capturing 'top-half' and 'bottom-half' inequalities, respectively.

It is useful to construct these top-half and bottom-half results for multiple reasons.

- They allow us to consider how the 'middle' households (those with country-specific median income) are situated, across countries and over time, with respect to the income of households both well above and well below them in the distribution.

- They enable us to look separately at inequality trends in these two parts of the income distribution; in addition to trending differently, top-half and bottom-half inequalities are understood to have different drivers and different consequences.

- They eliminate imprecision, arising from features of survey data, known to affect the top and bottom percentiles of these distributions (i.e. above the 90th and below the 10th).[11]

In their chapter, Bourquin et al. (2022) present trends in these two ratios for the UK (see their figure 1). They report similar patterns; both ratios rose from about 1.7 in 1980 to about 2.1 in 1990, and then decreased to about 2.0 in 2017.

Here, drawing on the LIS data, we report 90:50 and 50:10 ratios since 1980 for the UK, and we compare those to levels and trends in the five other countries (see Figures 5 and 6).

We begin by noting that, as with inequality results based on the Gini metric, the results of Bourquin et al. and the LIS results for the UK are very similar. The LIS results indicate that, in the UK, both ratios rose from 1.7–1.8 in 1980, to 2.3 in the interim years, falling to 2.0–2.1 in 2017. In short, both ratios increased substantially in the nearly four decades after 1980.

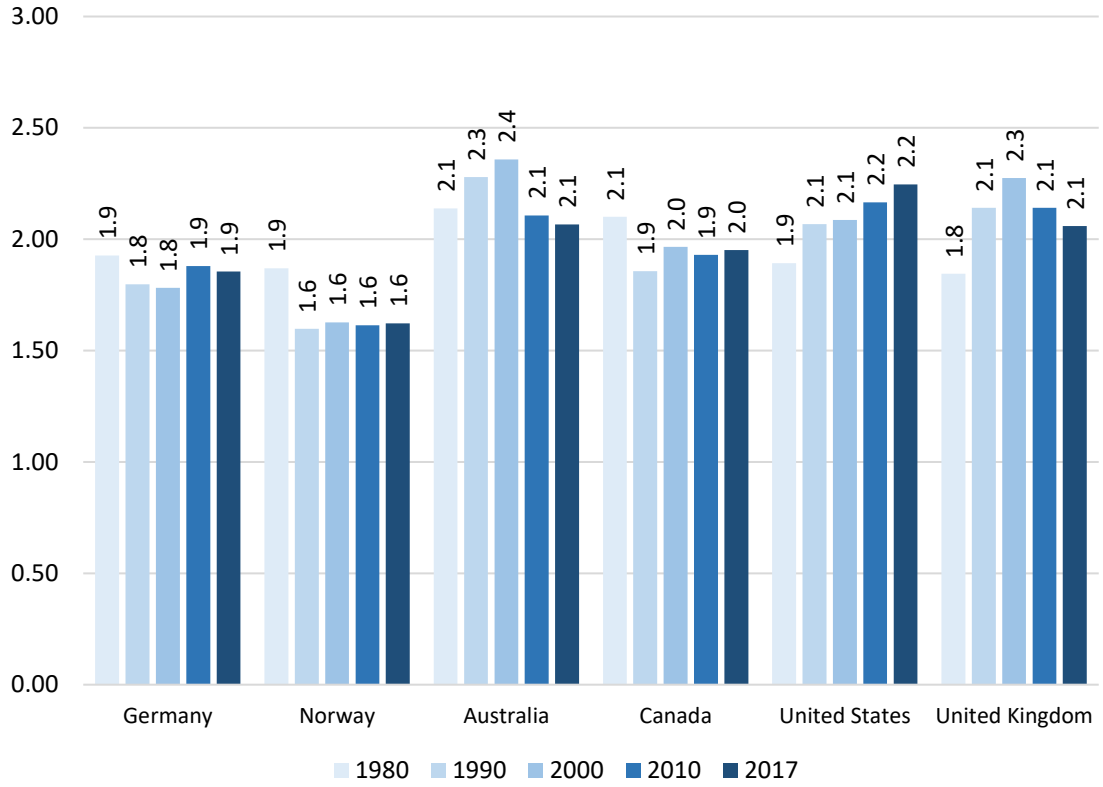
What do these 90:50 and 50:10 results tell us about the UK in a cross-national perspective?

First, we see a diversity of trends. In Germany and Norway, top-half inequality was largely stable after 1980 (in Norway, after 1990), while bottom-half inequality rose sharply. In Australia, as of 1990, both rose then fell, while in Canada both were largely stable but with a dip at 1990. The US stands out as the only country, among these, where top-half inequality rose steadily since 1980; bottom-half inequality in the US was volatile, ending modestly higher in 2017 than in 1980.

Second, when we consider the levels, we see something about the UK – modest but notable – that was obscured in cross-national analyses based on the Gini. In relation to these other countries, the UK has comparatively high top-half inequality, but the same is not true with respect to bottom-half inequality. Considering averages (of the earliest and latest years), the four Anglophone countries, including the UK, have nearly identical top-half inequality (2.0–2.1), higher than in Germany (1.9) and Norway (1.7). When we look at bottom-half inequality, the UK average falls to 1.8, the same as in Germany, and lower than in the other four countries (2.0–2.4).

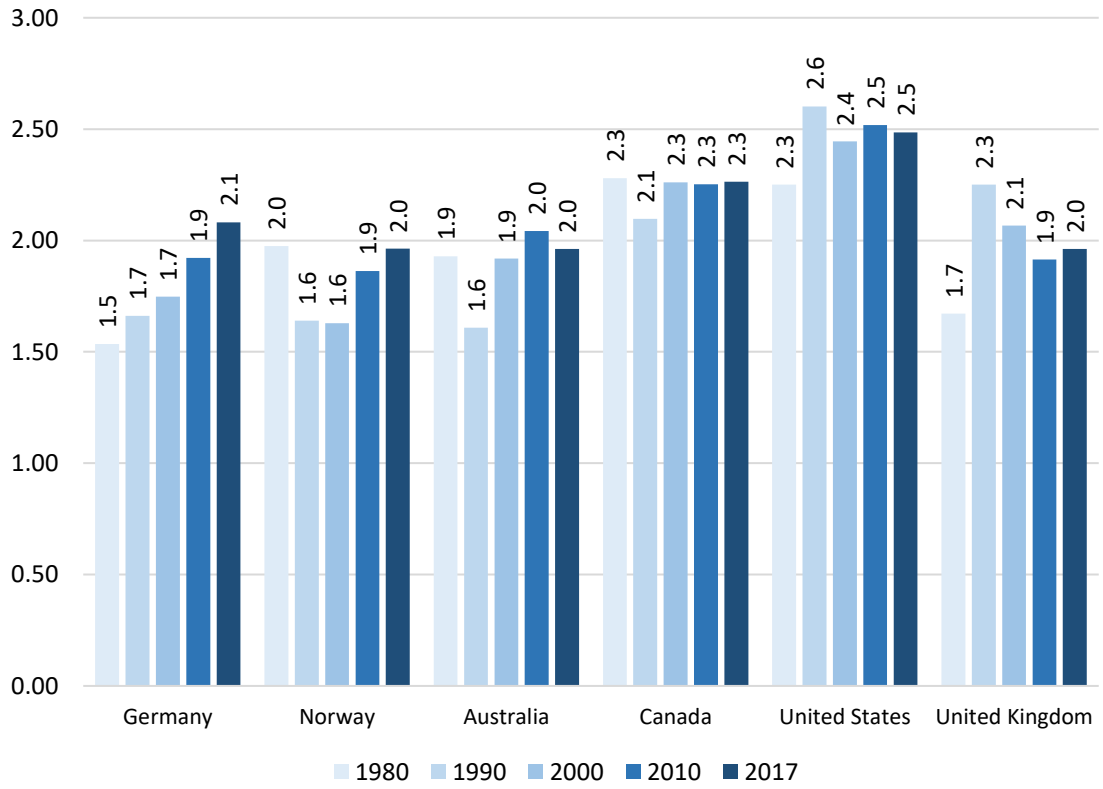
[11] It is well known that most income surveys fail to capture the highest incomes – especially in the top two or three percentiles – due to a combination of factors. Unless oversampling is employed, the most affluent households are often missing in samples. When sampled, other factors arise, including survey non-response, item non-response and under-reporting. See, for example, Lustig (2000) and Yonzon et al. (2022).

Figure 5. Post-tax/post-transfer income inequality, top-half, 90:50 ratios, non-elderly households



Source: LIS data sets from multiple years, for Germany, Norway, Australia, Canada, the US and the UK.

Figure 6. Post-tax/post-transfer income inequality, bottom half, 50:10 ratios, non-elderly households



Source: LIS data sets from multiple years, for Germany, Norway, Australia, Canada, the US and the UK.

Relative poverty, at 40%, 50% and 60% of median income: the UK and the US

Our brief look into relative poverty takes as its starting point Bourquin et al.'s analysis of UK poverty levels and trends, as reported in their figure 14. They present poverty rates, disaggregated by demographic group, including two groups that are widely studied by social scientists and policy analysts: children and pensioners (with the latter largely corresponding to the elderly).

We first look at the years 1960–1980. During these two decades, Bourquin et al. report that child poverty in the UK remained steady at about 14%–17%. Pensioner poverty started at a far higher level, 39%, and then declined substantially to 33%, reaching a poverty rate in 1980 that was almost twice that of child poverty.

Trends shifted after 1980. Bourquin et al.'s results indicate that child poverty rose sharply between 1980 (17%) and 1990 (31%) – peaking at 34% in 1993 – after which it largely stabilised, remaining at 29% in 2017. Following a contrasting trend, starting in 1984, pensioner poverty skyrocketed – reaching 41% in 1989 – after which it plummeted, falling to 17% in 2017.

Simply put, at the beginning of the period covered by Bourquin et al. (i.e. 1961), pensioners were at much greater risk of poverty than were children, and that was still true at 1980. This ordering then reversed, with the final cross-over seen in 1992. It has remained reversed until the present; as of 2017, the UK's child poverty rate was almost twice that of pensioners.

Child poverty – from LIS

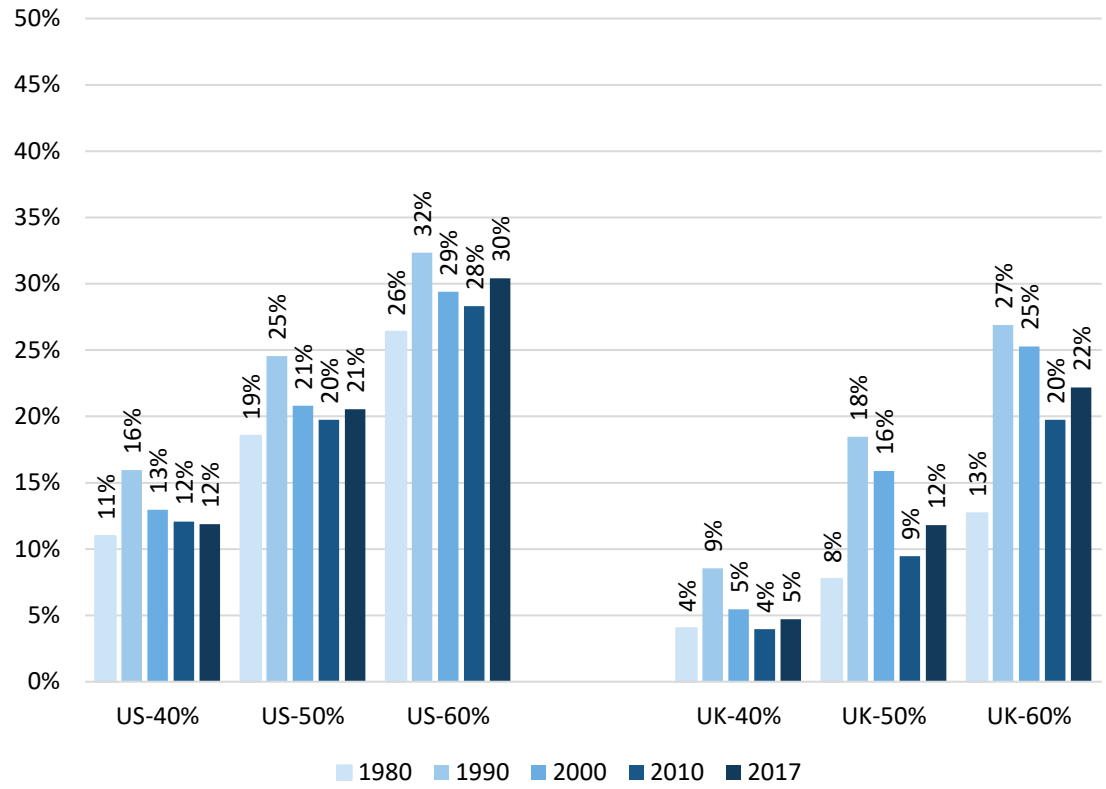
In this section, we revisit Bourquin et al.'s UK outcomes on child poverty and also augment them, drawing on the LIS data. The LIS analyses retain their relative poverty framework, but extend it by considering poverty levels and trends at three thresholds: 40%, 50% and 60% of median household income. While there is no one standard in the cross-national poverty literature, researchers and policymakers often refer to these as deep poverty (40%), poverty (50%) and near-poverty or (using terminology favoured by Eurostat) at-risk of poverty (60%).

What do the LIS results indicate? First, considering the 60% poverty threshold, the results for the UK in Figure 7 (based on LIS) are clearly different from those reported by Bourquin et al. The two sets of results differ in two ways. First, the LIS levels are generally lower, ranging from 13% to 27%, compared to 17% to 34% in the results of Bourquin et al. Second, the results of Bourquin et al. show poverty rising in the 1980s, and remaining largely stable in the 1990s, while the LIS results show a modest decline between 1980 and 1990 and a larger decline between 1990 and 2000. Both sources find child poverty declining slightly (by 1–3 percentage points) between 2000 and 2017.

It is unfortunate – but not surprising – that the two series are different. The poverty rates of Bourquin et al. (unlike the inequality results above) are calculated after housing costs (AHC), while the LIS results do not account for housing costs. This measurement difference affects the median, to which the poverty thresholds are tied, as well as each household's income level, and thus its placement with respect to the poverty line. A large share of household income in all high-income countries consists of housing costs, and because these are volatile, we would expect resulting poverty rates – after versus before housing costs – to differ and for those differentials to fluctuate across years. Thus, here, when we assess child poverty rates across the three thresholds and between countries, we focus on variation as seen within the LIS-based results.

In Figure 7, we compare poverty levels and trends in the UK with those reported in the US, bringing into relief similarities and differences between these two frequently compared countries. What does Figure 7 reveal? First, we see that, in both countries, the 60% threshold aggregates households experiencing varying levels of hardship. In 2017, for example, in the UK, the child poverty rate, at the 60% threshold, is 22%; among that 22%, 12% fall below the 50% threshold and fully 5% fall below the 40% deep-poverty threshold. In a fairly similar pattern, in the US, about two-thirds of the 60%-threshold poor fall below the 50% threshold and about one-third report income levels that place them in deep poverty.

Figure 7. Child poverty rates, post-tax/post-transfer income, 40%, 50% and 60%



Source: LIS data sets from multiple years, for the US and the UK.

Second, in both the UK and the US, we see parallel trends across the thresholds: a substantial rise in poverty between 1980 and 1990, followed by a decrease in poverty between 1990 and 2000 and again between 2000 and 2010,[12] with modest increases in the years after the Great Recession.

Third, and most notably, we see substantially higher child poverty rates in the US than in the UK. In 2017, the 60% poverty rate in the UK (i.e. 22%) is nearly the same as the 50% poverty rate in the US (i.e. 21%). Likewise, the 50% poverty rate in the UK (i.e. 12%) is the same as the deep-poverty rate in the US.

Elderly poverty – from LIS

In the UK, as with child poverty, elderly poverty at the 60% threshold shapes up somewhat differently between the two data sources (see figure 14 of Bourquin et al.[13] and Figure 8 here). The LIS levels are systematically higher, ranging from 19% to 44%, compared to 13% to about 40% in the results of Bourquin et al. In addition, as with child poverty, the results of Bourquin et al. show poverty rising in the 1980s, while the LIS results show a marked decline between 1980 and 1990. Again – although unfortunate – sizeable discrepancies might be expected given the different treatment of housing costs. That said, both sources find elderly poverty declining sharply in the 20 years between 1990 and 2010, and then rising slightly in the years after the Great Recession.

All that said, what do the LIS results (based on before housing costs) reveal?

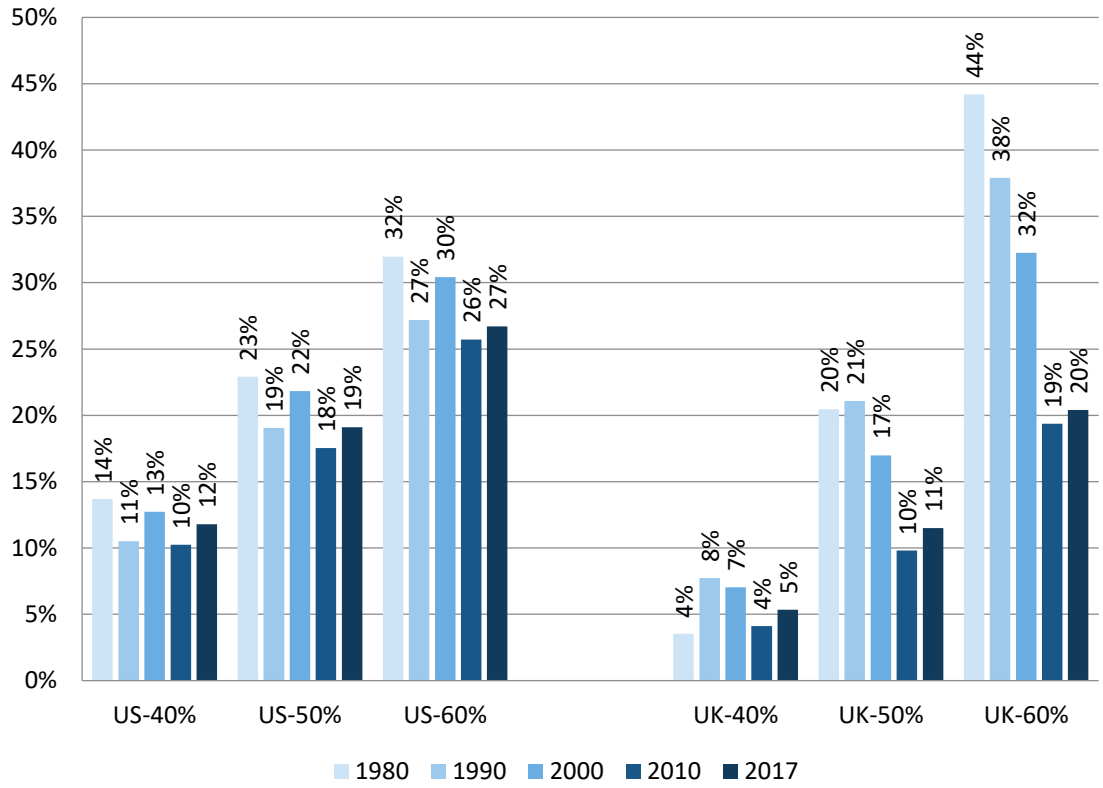
[12] In the UK, the decline in child poverty between 2000 and 2010 casts some light on a well-known policy episode in the UK: that is, the campaign aimed at reducing child poverty, announced by Gordon Brown in 1999. Between 2000 and 2010, child poverty declined from 25% to 20% (60% threshold), from 16% to 9% (50% threshold) and from 5% to 4% (40% threshold). Although child poverty also declined in the US between 2000 and 2010, the magnitude of those declines did not match the child poverty reductions seen in the UK.

[13] It is important to note that Bourquin et al. identify the subgroup 'pensioners'. These LIS results pertain to 'the elderly'. For ease of narration, both groups are referred to in this commentary as 'the elderly', although, clearly, they are not exactly the same.

First, as with child poverty, we see that the 60% threshold captures elderly poverty that is marked by diversity. In 2017, 20% of the elderly were poor at the 60% poverty line; half of those were poor at the 50% threshold and a quarter at the deep poverty threshold.

Second, again, using the LIS (before housing cost) method for both countries, we see higher poverty rates in the US – although not as consistently as with child poverty. Throughout the years reported here, deep poverty among the elderly was substantially more prevalent in the US (10%–14%) than in the UK (4%–8%). Poverty at the 50% threshold was also, overall, more prevalent in the US (18%–23%) compared with the UK (10%–21%). At the 60% threshold, the position of the two countries reversed over time. In 1980, at 60%, elderly poverty in the UK was much higher than in the US (44% compared to 32%); in 2017, however, we see a much different comparison, with US elderly poverty exceeding that of the UK, at 27% and 20%, respectively.

Figure 8. Elderly poverty rates, post-tax/post-transfer income, 40%, 50% and 60%



Source: LIS data sets from multiple years, for the US and the UK.

Summary and discussion

This brief commentary reveals that placing Bourquin et al.'s results in comparative perspective, and extending the range of indicators, allows us to flesh out some of the finding of their chapter.

A few selected results are summarised here.

- The results of both Bourquin et al. and LIS indicate that, between 1980 and 2017, post-tax/post-transfer inequality in the UK increased; the LIS data indicate that inequality rose by 6 Gini points, increasing from 0.25 to 0.31. The LIS data further enable us to estimate pre-tax/pre-transfer inequality, which increased by substantially more during this interval, rising by 12 Gini points, from 0.33 to 0.45. This reveals that, in the UK, the magnitude of redistribution – the difference between the two inequality measures – nearly doubled, rising from 0.08 to 0.14.

- When we disaggregate income inequality into top-half and bottom-half inequality, we see that, over the years, top-half inequality in the UK is comparatively high in a cross-national perspective – that is, compared with five other high-income countries – while this is less true with respect to bottom-half inequality.

- When we calculate child poverty in the UK using Bourquin et al.'s 60% threshold, and at two lower thresholds as well, it reveals a high degree of heterogeneity among the poor. In 2017, the LIS data indicate that the UK child poverty rate, at the 60% threshold, is 22%. About half of those poor children live in households with income below the 50% threshold and about a quarter of them are in households with income below 40% deep-poverty threshold.

- Our LIS analyses also reveal that child poverty is substantially more prevalent in the US. In 2017, the 60% poverty rate in the UK is nearly the same as the 50% poverty rate in the US, and the 50% poverty rate in the UK is the same as the deep-poverty rate in the US.

- When we consider poverty among the elderly in the UK, again, we see diversity among the poor. In 2017, our LIS results indicate that 20% of the elderly were poor at the 60% threshold; half of those were poor at 50% and a quarter of them were in deep poverty.

Clearly, an obvious next step is to identify key factors that shape income inequality and poverty outcomes in the UK, both over time and relative to other rich countries.

An enormous empirical literature, using diverse and increasingly sophisticated methods, aims to estimate the effects of various policies and institutions on these crucial socio-economic outcomes. While a full synthesis of this literature is outside the scope of this commentary, some key insights are presented here.

The comparative literature on policies that influence levels of poverty and income inequality, in affluent countries, focuses on two types of policies, both operating mainly at the micro-level. Simply put, the first type – referred to in recent years as predistribution – includes instruments that intervene 'early' to shape earnings distributions. Earnings distributions, in turn, shape pre-tax/pre-transfer income inequality at the household level. Although correlated, the two distributions are not the same, of course, as the latter is based on the earnings of all household members. The second – widely known as redistribution – refers mainly to income taxes and income transfers, designed to intervene 'later' in order to reduce market-driven inequalities.

Scholarship on predistribution – much of it carried out by labour economists – focuses primarily on two instruments that shape earnings distributions: policies that set minimum wages and institutions that structure collective bargaining. The consensus in the literature is that minimum wages, when binding, bring up the bottom of the wage distribution, and that stronger forms of collective bargaining lead to wage compression (for a review, see Gornick and Smeeding, 2018).

An even larger, and more diverse, inter-disciplinary literature – much of it drawing on the LIS data – assesses the role of redistribution in shaping post-tax/post-transfer outcomes. There is broad consensus on two fundamental findings: one, that taxes and transfers, in all affluent countries, substantially reduce both inequality and poverty; and, two, that variation – across time and place – in post-tax/post-transfer inequality and poverty is shaped more by variation in policies and institutions than by demographic variation.

The literature on redistribution, in recent years, has been dominated by two over-arching empirical questions. Which mechanism contributes more to redistribution and, by extension, to reducing poverty and inequality – taxation or transfers? And which type of transfers – targeted or universal – achieves more redistribution? In short, the bulk of the literature concludes that the answer to both questions is highly context-specific (i.e. it varies across countries and within countries, over time); there is no one universal result (see, e.g., Marx, Salanauskaite and Verbist, 2016; Bradbury, Jäntti and Lindahl, 2018; Caminada et al., 2019; Guillaud, Olckers and Zemmour, 2020; Parolin and Gornick, 2021).

Ideally, the cross-national results reported both in Bourquin et al. (2022) and in this brief commentary will catalyse further research on the policy and institutional features that shape these consequential socio-economic outcomes, both in the UK and cross-nationally.

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