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Luxembourg Income Study Working Paper Series

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Changing Inequality Structures in Europe:
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**CHANGING INEQUALITY STRUCTURES IN EUROPE:
THE CHALLENGE TO SOCIAL SCIENCE**

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**Conference on Social Science Perspectives in Western Europe --
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INTRODUCTION

The structure and dynamics of inequality in Europe can be expected to change in fundamental ways over the next decades. How prepared are the social sciences to chart, and to provide information useful for policy efforts to direct, those changes? The achievement of greater political and economic integration in Europe -- involving not just Western Europe but, increasingly, a blurring of the distinction between Eastern and Western Europe -- will have a marked effect on the volume and distribution of economic resources within and between present national and regional boundaries. All of this will take place within the context of massive technological change -- e.g., the growing importance of automation, robotics, and information technologies -- and of sharply increasing competition from newly industrialized nations in the old Third World. These political and economic changes will have a strong impact not only on the distribution of economic resources -- that is, not only on economic inequality -- but, in all likelihood, also on the distribution of social resources. For example, on the prestige associated with occupations and educational levels.

Efforts to understand the dynamics of inequality stand at the center of all of the social sciences. Each in its own way seeks to develop theories to account for inequalities in the distribution of the good things of life. Over the past half century, social science has made great strides in our ability to apply theoretical perspectives to achieve an increasingly rich empirical grounding.

THE BOUNDARY PROBLEM IN ASSESSING INEQUALITY

But, for the most part we know about inequality only in particular nations. A nation's boundaries have been the tacit boundaries of the group within which inequality is measured and explained. The new Europe, whether one speaks of the European Community, the expanded European Trade Area, or the newly coined entity of the European Economic Space,

makes more and more problematic this limiting of our vision by national boundaries.

At the level of theory and conceptualization, the challenge of adapting to the new European reality is not particularly great. Economists, sociologists, political scientists and historians over the next few years will undoubtedly begin to modify theories of social stratification and of economic inequality in ways that take into account the widening boundaries of the European community. The challenge will be to turn those theoretical developments into empirically grounded understanding of concrete European realities. The challenge will be to ensure a feedback into theoretical development from data which those theories require.

These developments mean that comparative cross-national analysis becomes regional analysis, and the analysis of any particular issue in the distribution of well-being will require the examination of a complex mix of national structures and Europe-wide structures or, indeed, of different levels of Europe-wide structures. At the level of macro social forces, this means that research concerned with the institutional bases of inequality will need to be concerned with the political economy of European integration, as well as with the political economy of particular nations. The almost exclusive focus now on forces operating within nations will have to shift to one which examines, in addition, forces stemming from the level of one or another levels of the European economic and political umbrella.

In all areas of research on inequality, what has been a rather academic exercise of cross-national research will become policy-relevant research on regional differences and similarities. In the old Europe there might be theoretical interest in comparing income inequality in Greece and Denmark, but persons concerned with policy would not think of such comparison as particularly interesting from the point of view of practical politics. In Europe today, however, and increasingly in the future, relevant policy research will have to give systematic consideration to the regional factor in understanding the dynamics of structure

of inequality. It will become important to know whether inequalities in the average living conditions of the nations/regions are increasing or decreasing. Whether or not the nation is the best regional unit will also become an issue of considerable practical importance. Does one compare Italy to Germany, or southern Italy to northern Italy to Bavaria to Berlin?

Similarly, it will become important to know more about the differences in the degree of inequality within regions of the new Europe. And to develop models which seem to account for these differences in inequality.

Understanding inequality in the lives of the people of Europe will require in the future not so much innovations in theory as profound innovations in the way social scientists organize their work, and the way they think and the ways they define their field of study. And it will require very basic changes in the way social scientists, either on their own or through statistical agencies, collect data. However fertile the theoretical developments that come about concerning inequality in response to the development of the new Europe, the social science enterprise will fail unless, concomitantly, there are major changes in the organization of social science work and data collection.

In the remainder of this paper I will illustrate some of these issues by discussing several different aspects of inequality. The broadest definition of social inequality would be one which focuses on inequality in living conditions of a population. The division of labor within social science allots different aspects of a people's living conditions to different specialties -- some are concerned with wage inequality, others with the inequality of family incomes, others with inequalities in occupational prestige, or working conditions, or educational attainment, or in access to public services. But a full understanding of the pattern of inequality in a given society requires an appreciation of the profile of inequality in these various dimensions. I will discuss below several aspects of living conditions which seem to me likely to be impacted by the changing political and economic structure of Europe.

BOUNDARIES AND POVERTY IN EUROPE: AN EXAMPLE

One way in which this kind of issue has come sharply to the fore already is in the concern with poverty in Europe. The first poverty program of the European Community did pioneering work on thinking through issues concerned with the development of a Europe-wide approach to poverty measurement. The second and third poverty programs continue that goal. As work begins to accumulate, the shortcomings of existing data to answer pressing policy questions, not just questions of theoretical interest to economics or sociology, becomes increasingly apparent.

The question of a meaningful definition of a poverty line for Europe has a broader implication than is immediately apparent. In order to think through this question, one confronts the interpenetration of the objective and subjective aspects of any social fact. One is forced to deal with cultural and social psychological factors with respect to what within the conventional context of the nation might be regarded as purely objective issues of the distribution of income. We all know that someone who would be considered just below the poverty line in Germany would be considered not at all poor in Portugal. But although we know that, we do not know how to think about that issue in a systematic way, nor do we know how to measure the same phenomenon, poverty, in the two regional contexts.

We have every reason to believe that today there are vast differences in the different regions of Europe in how people translate given levels of objective economic resources into socially meaningful living levels. Of great interest for social science over the next few decades will be the question of how those differences change over time, and in the extent to which the reference group individuals take into account when they decide whether someone is well- or poorly-off, or about average, encompasses a wider and wider geographical span.

How does one think about poverty in the context of growing integration of the Community (and non-Community countries with it). If people in different countries are

increasingly aware of the living standards of other countries, to what extent do their conceptions of living standards also change? Are the people in Portugal, Greece and Spain coming to think of themselves as poorer now that they are part of the Community? Why do we use different relative poverty lines for different European countries rather than one line that is 40% or 50% or 60% of the European median disposable income in purchasing power parities? (Because the United States is one country that is in essence what we do even though the standards of living vary considerably across the country But, since we do not have a serious local community price index we cannot measure this variation very accurately.)

Within countries also there is the question of the extent to which conceptions of poor, modest, comfortable, standards vary. Is the implicit poverty line of people in the Midlands the same as that of Londoners; is that of people in the North of Italy the same as in the Mezzogiorno?

If poverty is relative, what is it relative to? What is the reference group that is important for defining an average from which the poverty line is a deviation -- the local community, the region, the nation, the continent?

What would be a reasonable research strategy for resolving the different issues bound up in that question? To what extent can estimates be made from existing statistics?

What effect would changing the geographical sensitivity of the way we define poverty have on measures of who is poor -- not only regionally but in terms of age, family status, etc.? What effects might it have on our understanding of the causes of poverty?

What bearing should differences in poverty standards have on benefit levels? Would the effect be different for different kinds of programs? How would different entitlements be administered? Could different entitlements for different regions be politically sustained?

ISSUES OF WORKPLACE INEQUALITY

Broadening the focus from income inequality *per se* to other aspects of people's socioeconomic position, one can suggest that several aspects of workplace inequality will gain in salience in the future. There is a continuing transformation in production technology in advanced industrial societies which can be expected to have important effects on the life chances of employed persons. The cumulating effects of automation, robotics, and information technology on the division of labor is transforming the occupational structure and the structure of rewards associated with particular kinds of positions. The shift in industry from production to services similarly transforms the life chances of individuals and interacts with the changing dynamics of labor supply and demand, most particularly in the increase in the labor force participation of women and the decrease in the labor force participation of the young and of older men.

Even at the level of national studies, we do not have good methods for measuring effects of changes in workplace inequality on people's living conditions other than the effects of these changes on wages and earnings. We can also fairly readily measure unemployment. But, it is difficult in more than one or two countries to measure the cumulation of unemployment over the life course, even though there are good reasons for believing that the degree of inequality in the experience of unemployment is much greater viewed from a longitudinal perspective than in the static cross-section from labor force surveys.

The issue of workplace inequality interacts strongly with the expanding boundaries of the European community. Given the opportunities that are available to capital for expanding to low-wage areas and to areas in which workers may be both more vulnerable to pressures on the tempo of work and to the imposition of other kinds of work burdens, the question of inequality in working conditions may assume greater and greater importance in the future. At the same time, there is a real danger that such issues could appear less and less policy

salient if unions are not able to encompass the broadening community of workers across national boundaries as effectively as capital is able to adopt a Europe-wide perspective.

A related issue has to do with work time or its obverse, leisure time. Over the last century there have been dramatic declines in the annual hours worked. One can expect the future to involve an even more variegated pattern of part-time versus full-time work and delayed labor force entry and early labor force exit. One of the central issues for understanding changing inequality structures will have to do with the extent to which increases in leisure time are chosen by workers or potential workers. An equally important issue concern how economic resources are to be allocated to individuals during the times when they are not working -- in the form of stipends, pensions, guaranteed annual income, or some yet to be invented mechanism.

THE WELFARE STATE

The challenge to the welfare state will be pervasive over the coming decades. The move toward European integration will put pressure on national social protection systems to move in the direction of consolidation and integration. The Social Charter of the European Community may today be more in the nature of a solemn declaration than a program, but it is hard to believe that there won't be strong pushes in the direction of harmonizing the social protection system of the European Community countries. Meanwhile, Eastern European countries will very likely undergo real turmoil in the arena of social protection as the safety net of the planned economy is dismantled. New forms of social protection are already being developed by Eastern European countries. To the extent that there is movement toward integration of the East and West, the pressure to harmonize these systems will also be great.

The issues which will dominate the evolution of social protection systems are already well known. They have to do with the conflict between insuring adequate pensions for the old and the costs to the working-age population of doing so. The social and political

challenges of maintaining the generational contract will be very great. Tracking the nature of this generational contract will be a demanding activity for social science.

For the working-age population there is the question of how the array of social programs -- ranging from sickness insurance to child allowances to unemployment insurance -- will measure up to the economic changes that can be expected from rapidly growing productivity and the likely rapidly declining demand for labor. Already one sees in Europe efforts by policy experts and social scientists to track the relative level of different countries' guaranteed income schemes. As citizenship moves in the direction of European citizenship rather than national citizenship one can expect increased pressures to harmonize these minimum guaranteed income programs.

Policy research concerned with the design of systems to pay for social protection, and the incidence of these systems, will become increasingly important. It is likely that the dominant method of paying for social protection in Europe -- the payroll tax -- will come to seem increasingly counterproductive as the competitive pressures of industry in developing countries puts all labor costs in Europe under greater and greater pressure. Social scientists will need to sharply increase their ability at simulation if they are to make the kind of contribution that is needed to assess the likely effects of different kinds of taxing programs to pay for social (and other) costs.

MIGRATION AND ETHNICITY

The new Europe will be a place where there is a great deal more mobility than there has been in the past. Already the role of immigrants in European countries is becoming a politically preoccupying one, and one can expect that this will be even more so in the future. The first challenge to social science involves the ability to develop an encompassing understanding of the pattern of migration from outside Europe to Europe, and within Europe from one nation to another. Although these issues are today examined to some small extent

within particular countries, the demand in the future will be to broaden the horizon for studies of migration.

Then there is the all-important question of the effect of migration on the distribution of well-being, both the well-being of the migrants and that of those who stay put. We generally assume in research that people will live their lives in one place. When they migrate, they change the place in which they live their lives. One aspect of developing new perspectives on migration involves building in systematically an understanding that people may have two homes and move back and forth between them, as do, for example, people from Portugal who make much of their life in Luxembourg but who return "home" on a regular basis. The issue of migration thus needs to be examined also in the context of the life course.

Finally, there is the question of the effect of migration on national and even broader regional cultures. For quite a long time, Americans have seen their country as one made up of diverse nationality groups and, more recently, of diverse ethnic/racial groups. But this has not been the case in much of Europe, where the sense of national identity grounded in ideas of a national culture has been central to how people understand their world. The increasing volume of migration in Europe, perhaps particularly in the context of rapid economic transformations, challenges these deeply held beliefs. Social scientists have an important role to play in developing an understanding of these issues.

One notes, for example, a recent EC survey which reports that one-third of all European Community citizens think there are too many immigrants in their country. Such views were most common in Belgium and Germany. Significant minorities in some countries favored restricting immigrants rights, despite the fact that about 80% of the respondents said they disapproved of racist movements (*Financial Times*, December 9, 1989).

ORGANIZING THE SOCIAL SCIENCES TO MEET THESE CHALLENGES

The central challenge to social scientists of the new Europe is to break out of the taken-for-granted focus on the nation. Unfortunately, to do this will be a daunting task because it involves not just change in mental framework but a change in the way the social sciences are organized and funded in Europe. Most importantly, it involves a change in the way data are collected. The present organization of social science quite understandably directs the attention of each social scientist to his or her own national milieu. The same can be said of people in business occupations or in political occupations.

However, the impetus for the future will very rapidly move the people involved with business and the economy to shift their focus to a European milieu. The rapid pace of economic integration will ensure this. How rapidly the same change takes place for those involved in political institutions is not as clear, but one can expect a significant segment of political actors to rapidly become European in their world view.

Will there be a European voice for social science? If science does not move in the same direction, its interests will suffer. For many reasons, natural scientists may find the transition to a European community of scholars not too difficult. For social scientists one can expect the difficulties to be much greater. The networks of social scientists are probably much more nation-bound than are those of natural scientists. Whether European social sciences can meet the challenges of the new Europe therefore depends very much on how fast networks of cooperating scientists in different countries can be built. Similarly, it will depend on how fast Europe-wide recruitment and training of young social scientists can be established. If there does not develop fairly rapidly a European social science voice to represent the interests of social science in political and business circles, then it is unlikely that social science will be able to make the kinds of contributions that it ought to be making. Most importantly, without a European voice it is difficult to imagine how Europe-wide

funding for social science research can be ensured. And the argument outlined in this paper is that if European funding is not developed for research that takes the whole of Europe as its terrain, the research of social scientists will become increasingly irrelevant as well as inaccurate.

MAKING DATA EUROPEAN

In many ways the most concrete manifestations of a failure to move toward a European framework for social science will be apparent with respect to data availability. In order to do substantive work that tells us about some aspect of social life in Europe, we have to have data which represents that population. Yet, for the most part, the organization of data collection is on a national basis. Those who are interested in building a social science enterprise that is adequate to the challenges of the new Europe need first to concern themselves with increasing the availability of data covering at least the European Community. In many ways, empirical social science is data-driven. Social scientists tend to work on problems for which data are available. The cost of social science surveys these days dictates that collaborative groups of social scientists plan, carry out, and analyze the data. Survey data is simply too expensive to justify its use only by a single individual or a single research group.

One can think of two kinds of data enterprises that can move European social science forward. The first involves bringing existing data sources together in such a way that Europe, rather than its separate nations, can be studied. Many different kinds of surveys are carried out in most of the European Community countries (and in other advanced industrial countries as well) according to similar approaches. They can be combined to represent Europe.

The European Community has in many ways pioneered the development of Europe-wide surveys. The Euro-Barometer survey has sampled attitudes in the European Community

toward a wide variety of subjects for almost twenty years. This survey has also pioneered mechanisms for making Europe-wide data available to scholars, since the surveys are turned over to data archives for dissemination to researchers. Similarly, the Statistical Office of the European Community has developed the European Labor Force Survey which collects data on labor force participation, unemployment, and the like, once a year in all of the Community countries.

This survey could become a model for the provision of data necessary if social science is to take Europe rather than separate nations as its ground. Indeed, with not too much effort, one could combine with the European Labor Force Survey the quite comparable surveys of non-EC countries of Scandinavia and Austria and Switzerland. Quite similar surveys are done in some of the Eastern European countries, so that in the not-too-distant future one can envision a labor force databank which covers the whole of the European Economic Space.

More such surveys are likely to be organized by the European Community as time goes on -- surveys of consumer behavior, longitudinal panel studies, etc.

However, for surveys such as these to have an impact on social science it is necessary that the microdata be widely available to researchers. The key to turning the enormous investment in the gathering of social and economic statistics into useful knowledge lies in developing mechanisms to make the data available to researchers, and to build working with such data into the training of the next generation of social science researchers.

It is crucial, therefore, to develop mechanisms for public use of data that are collected at great cost. Such data make only a small part of the contribution they could make with the publication of the standard, traditional statistical report.

It is important not to ignore the immediate past in thinking through the development of data resources for European social science. There will be a great need for baseline data;

that is, data for the period before economic integration. Data banks should be developed in as many areas as possible for describing the characteristics of populations, the labor force, consumer behavior, and other aspects of social life in the national period of the last two decades.

But official statistical surveys, while providing the broadest groundwork for an empirical social science, are not sufficient by themselves. Social scientists in Europe will need to translate their networks into groups which can plan and lobby for funding of major surveys covering the whole of Europe on subjects which are not part of regular official statistics. These more special surveys are likely to involve samples not of tens of thousands as in the case of the European Labor Force Survey, but of several thousand. They need to be large enough to represent the important regions within Europe, but they do not need to provide the kind of precise estimates of sub-national areas that official statistics need to provide. One could think of many kinds of surveys that would be useful in tackling the topics sketched in the earlier part of this paper.

One such survey might be a longitudinal survey of young persons. Understanding and evaluating the new Europe could be considerably aided by following the cohort of people who come to adult age in the next decade. A survey that starts with late teenagers in all of the European Community and then follows their progress over time to understand something about the inequality of their life chances and the flux in their life chances could prove to be a crucial social indicator for tracking the dynamics of inequality over the next couple of decades. But such a survey is not likely to be done if social scientists and the institutions which fund them are not able to break out of their national focus and come to think systematically of their intellectual terrain as encompassing the whole of the community.

More generally, longitudinal panel studies which look at the experience of the same individuals over time are an important complement to large cross-sectional surveys. We've

seen this in the context of national studies in Sweden, in Germany, in Luxembourg, in the United States. Longitudinal studies turn out to be absolutely essential for understanding the dynamics of inequality, and indeed even for understanding the degree of inequality in society, since cross-sectional surveys have the potentiality for exaggerating the degree of inequality in some ways (that is, we expect permanent income to be more equally distributed than transitory income). In other respects we may underestimate the degree of inequality -- as in the case of unemployment, where longitudinal surveys can show us that there is a heavy concentration of the unemployment experience on a few individuals. One of the ways in which panel surveys may be most important in the context of the developing European economy is in enabling us to answer questions concerning the degree to which the job market is bifurcated into good jobs and bad jobs. Are some people confined to a secondary labor market over long periods of the life course, or are the so-called bad jobs stepping stones to better ones?

Moving from national to European data poses great difficulties for social scientists in mastering the complexities of data in any particular area. The diversity of currencies, distribution systems, languages, social institutions, governmental programs, etc. among the European countries -- a diversity which may decrease but which will be with us for a long time -- means that individual scholars and research groups will have enormous difficulty learning the details that are necessary in order to work with Europe-wide data. There will be great inefficiency in the conduct of research unless systematic efforts are made to reduce the necessity for each individual social scientist to develop the knowledge that is necessary to work on a particular subject. Some mechanisms are needed whereby specialists can organize knowledge in ways that can be made readily accessible to researchers working in a particular area.

One way of achieving this goal would be to develop institutional arrangements

whereby responsibility for particular kinds of data are assigned to a particular institution which brings together the data, organizes it so that others can work with it, and documents the data and the institutional background for the data in a readily mastered way. With the development of academic computer communications networks it would then be possible for widely dispersed researchers to work together or alone on common databases. Such a way of organizing social science data should produce both more accurate research and research that can be conducted more economically because of a reduction in the waste that comes from individual research groups having to repeat tasks that have been completed by other research groups.

THE LUXEMBOURG INCOME STUDY: PRECURSOR TO A EUROPEAN MICROECONOMIC DATABANK

I have suggested above several elements of an organization of social science work that is responsive to Europe in the 1990s which can be illustrated by the establishment and ongoing evolution of the Luxembourg Income Study (LIS). These are:

- the initiative of a collaborative network of geographically dispersed scholars
- Europewide funding of a data utility
- use of existing national datasets to construct a European dataset
- maintenance of the European dataset at a central location with an expert staff
- ready access to this central data resource via existing academic computer networks and standard statistical software
- training of young scholars from diverse countries and backgrounds who become knowledgeable about parts of Europe other than their own

LIS is a collaborative endeavor involving a core interdisciplinary group of social scientists for whom working on LIS-related topics is a major research commitment, and a

larger group of economists, sociologists, demographers and statisticians who serve as coordinators for their respective countries. The conception of the LIS project came during the Clark/Luxembourg Conference on Poverty in August 1982, convened by Gaston Schaber with support from the Commission of the European Community.

Participants who were experienced at the use of microdata for basic and applied social science research in their own countries agreed to make an effort to assemble their respective income surveys in one place. The participants became convinced that it was possible to pool their knowledge and experience to create consistent data sets. These data sets would make possible comparative studies far superior to past studies which relied of necessity on aggregate data sources. They also considered that national policy analyses would be enriched by the availability of comparative microdata.

The use of household income survey data in policy analysis has increased dramatically over the last decade. Today the capacity to describe the effects of changes in policy is well established in most modern nations with elaborate welfare states. These analyses, however, tend to be parochial save for the fact that the techniques are similar from country to country. The next step in improving policy analysis comes from moving to a multi-national focus using comparable income surveys in a number of countries. To this end, LIS has assembled a databank of income surveys that can be used by scholars and policy analysts to study the effects of different kinds of programs on income adequacy, and the distribution of economic well-being generally.

By working directly with microdata it is possible to define research variables in comparable ways. One can analyze the role of income sources such as head's earnings, wife's earnings, other's earnings, asset income, private pensions, private transfers, social insurance, child allowance, means-tested transfers in the economic well-being of individuals and families.

LIS began in April 1983, with a conference in Luxembourg to work out the guidelines for the assembly of the dataset. The Luxembourg government agreed to support the initial phase of the project, which was to be carried out at the Center for Population, Poverty and Policy Studies (CEPS) directed by Gaston Schaber. From the beginning, the purpose of the project was understood to be to make the databank available to the scholarly community for any studies for which the data was appropriate. Each country was expected to contribute its dataset at no or small cost, to provide technical consultation in rendering the data comparable to the others, and to share the cost of maintaining the database. From its inception, LIS was to be a researcher-led project with a flexible, non-bureaucratic administrative structure.

A second meeting in August 1983 completed the project design. A technical staff was then assembled and, with the timely support of the Ford Foundation, we succeeded by the winter of 1985 in preparing a data set covering seven countries: Britain, Canada, Germany, Israel, Norway, Sweden, and the United States.

In Spring of 1990, the LIS database contained consistent microdata from some 15 national surveys -- eight European Community countries, three other West European countries, Poland, and three nonEuropean countries. Data from six to eight other West and East European countries will be added in the next year. All datasets contain detailed information on income sources, taxes, labor force characteristics, and household or family composition. A special project involving collaboration of researchers in several countries has been developing methods for imputing the value of noncash benefits (medical insurance, education, childcare, etc.) so that measures of full income can be introduced.

The long-range goal of the project has always been to make these data available for public use, with core funding to maintain and to add to the dataset in terms of additional countries, earlier and later years of data, and broader measures of well-being (e.g., including nonmoney income, wealth, and social indicators). This core funding is now provided by

grants from national science foundations and other funding institutions of the member countries of LIS.

The LIS datasets are maintained on the Luxembourg Government Computer Center's twin IBM 4381 computers. A sophisticated data packing program has been developed to quickly and efficiently process data requests. The Luxembourg government assures the protection of the data contributed by member countries through strict data protection laws implemented in carefully designed LIS data protection software.

Researchers are able to access the LIS database at no cost either by the EARN academic telecommunications network, or in person. Users of the data are widely dispersed, from Japan to Finland. Once research papers or reports are prepared from LIS, the researcher is required to make the report available as a CEPS-LIS Working Paper -- some forty papers to date.

Use of the database is quite heavy -- it is not uncommon to process over 100 statistical jobs a week. Yet the software for using the database is so efficient that it can be maintained by a staff of one full-time and one half-time worker.

In order to more fully involve younger researchers in LIS, an annual two-week summer workshop built around LIS was begun in 1988. The workshop involves faculty and research associates from major European and U.S. universities. It brings together each year 25 young researchers to learn from the faculty and to begin their research using LIS.

LIS has been used in several ways to investigate national differences in the distribution of economic well-being. Issues concerning the distribution of economic well-being are of the essence in social policy. While definitions of particular policy concerns do not always make this obvious, issues of distribution are usually implicit in more practical and operational concerns with matters of need, program adequacy, fairness, et cetera. Multinational social policy research has focused even more strongly on the impact of social policy on the

distribution of economic well-being.

Some studies seek to describe the full range of a nation's distribution of economic well-being or to compare the distributions in a number of different countries. More commonly, the focus is on particular objects of policy concern: persons with lower incomes. How low income is defined varies enormously from study to study. There are conventional understandings in the policy cultures of different countries which define questions of low income or poverty in particular ways, e.g., poverty lines, equivalence scales.

Numerous writers have noted the confusion which results from different countries' ways of defining those who are to be the objects of social concern. Within any given country these matters tend to be settled administratively. Researchers use the implicit definitions of disadvantaged groups embodied in program regulations. If one studies the poor in the United Kingdom one focuses on those with incomes at or below the Supplementary Benefits level. One might use the existence minimum (base amount) as a poverty line in Sweden. And in the United States all poverty research makes use of the official poverty line -- studies that do not are not considered "policy research". Unfortunately there are numerous problems with such ad hoc procedures if one wants to compare situations of economic well-being either across time or across countries.

Efforts to compare the extent of low-income or poverty across countries also run up against the ad hoc nature of measures of the size of the population of social concern. Except in a study concerned with policy making per se it hardly makes sense to compare the proportion of people in Sweden who have incomes less than the base amount with the proportion of people in the United Kingdom who have incomes below Supplementary Benefit level with the proportion in the United States whose incomes are below the official poverty line. The U.S. and the U.K. lines are about 40% of their respective median incomes; the Swedish line is about 60% (around 1980). One wants a standard that is meaningful across

countries.

Among many comparative social policy researchers there has been a broad convergence on the notion of a relative poverty line. More generally one can say there has been acceptance of the idea that income (resource) inadequacy is a relative matter, relative that is to the standard of the average person in each society. As a general guide and as a theoretical orientation these arguments are compelling.

However, now that there is the possibility of doing systematic comparative research on the distribution of economic well-being among persons in a number of countries, it is necessary to develop ways of operationalizing this general position. Thus the opportunity for comparative social policy research which the LIS has opened up also poses a number of challenging questions of measurement.

How might one categorize the distribution of well-being in such a way as to learn the most from an exploration. There are, of course, many different kinds of summary inequality measures, but their shortcoming is exactly that: they summarize details we want to know about. Their other problem is that for most policy questions the focus is too broad. Most of the time we really are not interested in the distribution above the median, but we want to know a good deal about the distribution below the median. A poverty line is a simple way to focus on groups of greatest concern: those with very low income. But there is always the suspicion that if one chose a different poverty line somehow the pattern of findings across countries or family types or whatever would look different.

One of the advantages of working with microdata like the LIS data is that one does not have to make once-and-for-all choices. The cost in terms of time and thought of looking at the data from different perspectives is relatively low.

I will illustrate this flexibility by defining several levels of income -- each defined as a percentage of the median income (adjusted for family size). The median is for all persons

in the sample; any particular group (e. g., all children) may have more or fewer than 50% of their number below the median. We will speak of the poverty (less than 50% of median income), low income (50% to 70%), average income (70% to 150%), and high income (over 150%).

Let us compare the income levels across countries for three different age groups -- children, working age adults, and the elderly -- since we know that social policies are expected to impact these groups quite differently. Table 1 gives results for twelve LIS countries. I have divided disposable income (adjusted for family size) into five categories in relation to median income. The categories range from poverty to modest affluence. The table presents the percentage distribution among these categories of all persons, and then separate distributions for working age adults, for the elderly and for children.

There are an almost infinite variety of contrasts one can find in this table. Some of the more interesting ones are:

-- As expected, the two countries with the fewest relatively well off people are Sweden and Norway. But the United States does not have the most; those honors go to Italy and Israel, with the Netherlands surprisingly close.

-- There is a roughly bimodal distribution of poverty with the Netherlands, Sweden, Germany, Switzerland, and Norway ranging from 3% to 7% and at the other extreme the United States with 16% and the United Kingdom, Australia and Canada in the 12% to 13% range.

-- The United Kingdom stands out as having a very high proportion of elderly with low incomes. Fully 65% have incomes below 70% of the median with 42% below the 50% poverty line. The U.K.'s universal flat rate pension was simply too low to move many people out of poverty. Sweden's universal pension, on the other hand, was high enough that only 3% of elderly Swedes

were in poverty (and these tended to be farmers who had not started their retirement).

-- The United States, Australia and Canada have higher rates of low income for most groups. These countries look quite different from continental European countries. The United Kingdom tends to be closest to its former colonies.

-- Sweden and Switzerland have interesting similarities and differences. Both have low poverty rates, yet Sweden has few prosperous people and Switzerland has many. But, Switzerland's pension system has not reduced poverty among the elderly in the way Sweden's has.

These few examples of what can be learned from a carefully constructed databank using existing survey data hopefully suggest something of the important gains that can be realized from a systematic effort on the part of European social science to encompass the continent in its analyses. Exactly what future role the nation will have as an analytic category will depend on how the mechanisms of European integration will be constructed. But, however those political and economic and social processes work out social science analysis will no longer be able to take the nation as the outermost boundary of its focus.

Table 1
Percent of Persons at Different Income Levels
by Age and Country

| Percentage of Median Income: | | | | | |
|-------------------------------------|-------|---------|---------|-----------|-------------|
| | < 50% | 50%-69% | 70%-99% | 100%-149% | 150% & more |
| All persons: | | | | | |
| France | 8.2 | 14.1 | 27.7 | 30.8 | 19.2 |
| Germany | 5.7 | 12.9 | 32.2 | 33.0 | 16.2 |
| Italy | 9.8 | 16.0 | 24.2 | 26.6 | 23.5 |
| Netherlands | 3.3 | 12.4 | 34.2 | 29.9 | 20.1 |
| Norway | 6.8 | 11.5 | 31.7 | 38.3 | 11.7 |
| Sweden | 5.6 | 11.6 | 34.5 | 38.9 | 9.4 |
| Switzerland | 6.2 | 9.4 | 27.7 | 35.6 | 21.1 |
| United Kingdom | 12.0 | 13.4 | 24.9 | 32.3 | 17.4 |
| Australia | 12.8 | 12.8 | 24.3 | 29.8 | 20.3 |
| Canada | 12.8 | 12.4 | 24.8 | 31.3 | 18.7 |
| Israel | 10.3 | 15.3 | 24.2 | 27.4 | 22.8 |
| United States | 16.0 | 12.1 | 22.0 | 30.3 | 19.7 |
| Working Age Adults (Head under 65): | | | | | |
| France | 8.4 | 12.3 | 26.1 | 31.9 | 21.3 |
| Germany | 4.8 | 10.1 | 30.7 | 36.1 | 18.2 |
| Italy | 8.3 | 14.7 | 23.4 | 26.6 | 27.0 |
| Netherlands | 3.7 | 11.3 | 29.8 | 31.4 | 23.8 |
| Norway | 6.0 | 7.7 | 30.4 | 41.9 | 14.0 |
| Sweden | 6.9 | 8.7 | 31.9 | 41.0 | 11.5 |
| Switzerland | 5.8 | 6.2 | 25.1 | 39.4 | 23.4 |
| United Kingdom | 6.5 | 10.3 | 24.1 | 36.2 | 22.8 |
| Australia | 10.6 | 9.5 | 22.2 | 31.8 | 25.9 |
| Canada | 10.9 | 10.1 | 23.1 | 33.1 | 22.8 |
| Israel | 8.2 | 12.9 | 22.3 | 29.4 | 27.2 |
| United States | 12.7 | 10.2 | 20.9 | 32.3 | 23.9 |
| Elderly (Head 65 and over): | | | | | |
| France | 11.3 | 22.9 | 25.1 | 22.6 | 18.1 |
| Germany | 13.9 | 20.4 | 30.6 | 19.5 | 15.6 |
| Italy | 14.7 | 20.6 | 21.9 | 25.7 | 17.0 |
| Netherlands | 3.1 | 17.1 | 41.9 | 21.4 | 16.4 |
| Norway | 17.2 | 31.5 | 25.7 | 18.6 | 7.0 |
| Sweden | 3.4 | 26.2 | 47.8 | 20.2 | 2.3 |
| Switzerland | 14.2 | 27.8 | 26.3 | 19.6 | 12.0 |
| United Kingdom | 42.0 | 23.3 | 16.0 | 11.7 | 6.9 |
| Australia | 22.4 | 32.2 | 17.8 | 15.5 | 12.1 |
| Canada | 22.2 | 23.8 | 21.9 | 19.1 | 13.0 |
| Israel | 28.0 | 19.1 | 19.1 | 18.2 | 15.6 |
| United States | 26.4 | 17.6 | 22.4 | 19.3 | 14.3 |

| | | | | | |
|----------------|------|------|------|------|------|
| Children: | | | | | |
| France | 6.3 | 13.6 | 32.3 | 32.4 | 15.4 |
| Germany | 2.0 | 14.7 | 37.0 | 34.8 | 11.5 |
| Italy | 11.0 | 16.8 | 28.0 | 27.0 | 17.1 |
| Netherlands | 2.6 | 13.0 | 41.1 | 30.1 | 13.2 |
| Norway | 3.9 | 9.1 | 35.7 | 41.0 | 10.4 |
| Sweden | 4.0 | 7.4 | 30.8 | 48.2 | 9.5 |
| Switzerland | 2.7 | 6.6 | 34.4 | 35.6 | 20.8 |
| United Kingdom | 7.2 | 14.5 | 31.2 | 35.3 | 11.8 |
| Australia | 13.8 | 12.8 | 30.6 | 30.8 | 12.0 |
| Canada | 13.7 | 13.4 | 29.3 | 31.6 | 11.9 |
| Israel | 7.9 | 17.4 | 28.2 | 27.6 | 19.0 |
| United States | 18.5 | 13.7 | 24.1 | 30.6 | 13.2 |