Taxes, Transfers, Inequality, and Poverty: Argentina, Bolivia, Brazil, Mexico, and Peru

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Outline

- Commitment to Equity Project: Background

- Standard Incidence Analysis: Methodological Highlights

- How much redistribution LA achieves through fiscal policy? How effective are governments at redistribution?
Commitment to Equity Project

• Commitment to Equity (CEQ) Project; Inter-American Dialogue and Tulane University’s CIPR and Dept. of Economics.

• Currently: 12 countries


• 6 in progress: Chile, Colombia, Costa Rica, El Salvador, Guatemala, Paraguay

• To begin soon: Dominican Republic

• Branching out into other regions
Commitment to Equity Project

• Argentina: Carola Pessino (CGD and CEMA)
• Bolivia: George Gray Molina (UNDP), Wilson Jimenez, Veronica Paz and Ernesto Yañez (Instituto Alternativo, La Paz,
• Brazil: Claudiney Pereira and Sean Higgins (Tulane)
• Mexico: John Scott (CIDE and CONEVAL)
• Peru: Miguel Jaramillo (GRADE)
• Uruguay: Marisa Bucheli, Maximo Rossi, and Florencia Amabile (Universidad de la Republica)
References

References


• Bucheli, M., N. Lustig, M. Rossi and F. Amabile *Social Spending, Taxes and Income Redistribution in Uruguay*. Economics Department, Tulane University, Working Paper. Forthcoming.
Basic elements of incidence analysis

Start with:
- Pre-tax/pre-transfer income of unit $h$, or $I_h$
- Taxes/transfers programs $T_i$
- “Allocators” of program $i$ to unit $h$, or $S_{ih}$ (or the share of program $i$ borne by unit $h$)

Then, post-tax/post-transfer income of unit $h$ ($Y_h$) is:

$$Y_h = I_h - \sum_i T_i S_{ih}$$

All of this seems easy, and answers the key question:

Who pays the taxes or gets the transfers?
Methodological Highlights
There are lots of questions that must be answered.

• What is the “unit” (e.g., individual versus household)?
• What is “income”?
  o Comprehensive income?
  o Annual versus lifetime measure?
  o Market and non-market measure (including tax evasion)?
• How are components of income measured (e.g., capital income)?
• Should “consumption” be used instead of “income”?
• What is the time frame of analysis (e.g., annual versus lifetime)?
• What taxes and transfers are included?
• What are the allocators?
• What happens when individuals change “ranks”?
• How can the results be easily summarized?
Methods to Allocate Taxes and Transfers

• Direct Identification Method
• Inference Method
• Simulation Method
• Imputation Method
• Alternate Survey
• Secondary Sources Method
Some additional considerations...

• Analyzing one part of the tax/transfer system in isolation of another can give misleading results

• Analyzing the effects of taxes/transfers at the “top” and at the “bottom” is especially difficult

• State and municipal taxes

• How to scale-up

• How to rank

• Implications of re-ranking
Definitions: Effectiveness Indicator

Example: Gini net market income & Gini Disposable income

• Numerator: Gini (net mkt inc) - Gini(disp inc)/Gini(net mkt inc)
• Denominator: Gov. Spending on Direct Transfers/GDP
Defining Progressive and Regressive Taxes and Transfers

Diagram illustrating the concepts of progressive and regressive taxes and transfers, along with the cumulative proportion of benefits, taxes, or income. The graph includes key points such as:

- A 45-degree line indicating a neutral tax or transfer in absolute terms.
- A slope indicating a progressive tax in relative terms.
- A steeper slope indicating a regressive tax.
- A curved line representing the market income Lorenz curve.

The cumulative proportion of population (ordered by market income) is shown on the x-axis.
CEQ Project: Defining and Constructing Welfare Indicator
Fiscal Incidence: Welfare Indicator

Current Income per capita
– No adjustment for age, gender or economies of scale
– No adjustment for under-reporting
– Several household surveys in LA only have income data; so, if one wants to compare across countries, income data must be used in all, even in those in which there is data on consumption. But, for the latter, ideally one should do both.
Taxes and Transfers Included

Taxes
• Personal Income Tax
• Contributions to Social Security (Payroll Taxes)
• Indirect Taxes (mainly VAT)

Transfers
• Direct Cash Transfers
• Food Transfers
• Indirect Subsidies
• Transfers in-kind through public education and health
Fiscal Incidence Indicators

• Changes in inequality and poverty
• Incidence by decile/quintile
• Concentration shares by decile/quintile
• Leakages and Coverage
• Per capita transfers
• Probit of “excluded”
• Fiscal mobility (transition) matrices
Fiscal Incidence: Caveats

• No modeling:
  – No behavioral responses (or almost none)
  – No inter-temporal dimensions
  – No general equilibrium effects
  – No fiscal sustainability analysis

• Average Incidence
Fiscal Incidence: Caveats

• One can _never_ know the distribution of income that would have existed in the absence of the taxes/transfers.

• Most up-to-date and microdata-based analysis of taxes and transfers combined
Diagram 1 – Definitions of Income Concepts

**Market Income** = \( I^m \)

EARNED + UNEARNED INCOME BEFORE DIRECT TAXES, CONTRIBUTIONS TO SOCIAL SECURITY AND TRANSFERS

**Direct transfers**

**Net Market Income** = \( I^n \)

**Disposable Income** = \( I^d \)

**Indirect subsidies**

**Post-fiscal Income** = \( I^{pf} \)

**Transfer**

**Indirect taxes**

**In-kind transfers**

**Co-payments, user fees**

**Final Income** = \( I^f \)
What is *Market Income*?

- Labor and nonlabor income from all sources
- Private Transfers
- Auto-consumption
- Imputed rent for owner’s occupied housing
- Alimony, Inheritance and Gifts
- Contributory pensions from individualized accounts
- **NO**: Incomes from sales of durables
- **NO**: Capital Gains

- Contributory pensions from social security:
  - Benchmark: YES
  - Sensitivity Analysis: NO
What is *Net Market Income*?

• Market Income minus Direct Taxes and Contributions to Social Security (Payroll Taxes)

• But, contributions to social security:
  – Benchmark: contributions going to pension, are NOT subtracted; all the other contributions are
  – Sensitivity Analysis: all contributions to social security are subtracted
Construction of Income Concepts/Calculating Taxes & Transfers

• Unfortunately, it is not possible to construct income concepts directly from household surveys

• Household Surveys in LA are quite heterogeneous:
  – Some report income and not consumption
  – Some do not report autoconsumption
  – Some do not report owner’s occupied housing rent; they do not have the information to run hedonic regressions
Construction of Income Concepts/Calculating Taxes & Transfers

• Even more importantly:
  – Not clear if reported income is before or after taxes. SEDLAC database assumes that employees’ income is net of taxes and contributions to social security and self-employment and capital incomes are before taxes and transfers
  – Not always clear if people include government transfers in the income they report (which we usually take as “market” income)
Construction of Income Concepts/
Calculating Taxes & Transfers

• Data on direct taxes, contributions to social security, government transfers, consumption (for indirect taxes and subsidies), use of government health services may be imperfectly captured or not captured at all
<table>
<thead>
<tr>
<th></th>
<th>Argentina</th>
<th>Bolivia</th>
<th>Brazil</th>
<th>Peru</th>
<th>Uruguay</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 (urban only)</td>
<td>2007</td>
<td>2009</td>
<td>2009</td>
<td>2009</td>
<td>2009</td>
</tr>
<tr>
<td><strong>Consumption Data?</strong></td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Data on Autoconsumption</strong></td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Data on Imputed Rent</strong></td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Data on Direct Taxes</strong></td>
<td>No</td>
<td>n/a</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Data on Contributions to Social Security</strong></td>
<td>No, although has data on who pays social security taxes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Data on Contributory Pensions</strong></td>
<td>Data on pensions is grouped together with non-contributory pensions</td>
<td>Yes (AFP)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Data on Non-contributory Pensions</td>
<td>Argentina</td>
<td>Bolivia</td>
<td>Brazil</td>
<td>Peru</td>
<td>Uruguay</td>
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<tr>
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<td>--------</td>
<td>------</td>
<td>---------</td>
</tr>
<tr>
<td>Has to be inferred from total pensions</td>
<td>Renta Dignidad)</td>
<td>Yes (BPC)</td>
<td>-</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Data on Other Cash Transfers (specify which ones)</td>
<td>Yes (Jefes y Jefas de Hogar, and then has another category that groups all other Government monetary transfers)</td>
<td>Bono Juancito Pinto, Beneméritos de la Guerra del Chaco (war veterans), Bono Juana Azurduy</td>
<td>Yes (Bolsa Familia, Bolsa Escola, Bolsa de Estudo, Erradicação do Trabalho Infantil, Public Scholarships, Special Circumstances Pensions, Programas de Renda Mínima, Auxílios)</td>
<td>Yes. Juntos.</td>
<td>Asignaciones Familiares, Pensiones no contributivas</td>
</tr>
<tr>
<td>Data on Unemployment Insurance Benefits</td>
<td>Yes</td>
<td>n/a</td>
<td>Yes</td>
<td>-</td>
<td>Yes</td>
</tr>
<tr>
<td>Data on Direct Transfers In-Kind (e.g., food transfers)</td>
<td>Has data on whether the household received transfers in kind, but not the amount</td>
<td>Desayuno Escolar, Program de Atención a niños y niñas menores de 6 años (PAN), Post literacy program &quot;Yo si puedo&quot;</td>
<td>No (uncommon in Brazil)</td>
<td>-</td>
<td>Tarjeta Uruguay Social, Comedores y merenderos</td>
</tr>
<tr>
<td></td>
<td>Argentina</td>
<td>Bolivia</td>
<td>Brazil</td>
<td>Peru</td>
<td>Uruguay</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----------------------------------------------</td>
<td>----------------------------------------------</td>
<td>---------------------------------------------</td>
<td>-------------------------------------------</td>
<td>----------------------------------------------</td>
</tr>
<tr>
<td><strong>Data on use of public education</strong></td>
<td>Yes, if they attend public school</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Data on use of public health facilities</td>
<td>Yes, if they have health insurance or they have to be attended in hospital, but not quantity of use</td>
<td>Yes</td>
<td>Not in POF, but yes in PNAD 2008 which we use for health calculations</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Data on what service was received at public health facilities</strong></td>
<td>No</td>
<td>Yes</td>
<td>Yes in PNAD 2008</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Data on coverage by public health insurance schemes</strong></td>
<td>Yes, but not quantity or which service</td>
<td>Yes</td>
<td>Not existent in Brazil</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>If none of above, what data is available on health to measure in-kind health transfers?</td>
<td>n/a</td>
<td>--</td>
<td>--</td>
<td>-</td>
<td>Public health coverage</td>
</tr>
<tr>
<td><strong>Data on benefits from or use of housing and urban programs</strong></td>
<td>No, it is inferred from external sources</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
Options to Construct Income Concepts

• Direct Identification Method
• Inference Method
• Imputation Method
• Alternate Survey

• Simulation Method
• Secondary Sources Method

• Appendix shows what was used in each country and for every tax and transfer
Results: A Primer
Declining inequality in Latin America
• Reduction in higher education premia and pro-poor government transfers
• Incidence of Taxes and Transfers
Trends in Inequality

Gini Coefficient Early 1990’s-Late 2000’s (Unweighted ave.)

Light Grey: Countries with Falling Ineq (Lustig et al., 2011)
Change in Gini Coefficient by Country: circa 2000-2009 (yearly change in percent)
Comparing the Increase in the 1990’s with Decline in the 2000’s (Lustig et al., 2011)

<table>
<thead>
<tr>
<th>Change of Gini in percentage points</th>
<th>Average of increase</th>
<th>Average of decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>8.2</td>
<td>-8.4</td>
</tr>
<tr>
<td>Peru</td>
<td>2.7</td>
<td>-7.4</td>
</tr>
<tr>
<td>Paraguay</td>
<td>0.1</td>
<td>-6.2</td>
</tr>
<tr>
<td>El Salvador</td>
<td>0.1</td>
<td>-6.0</td>
</tr>
<tr>
<td>Brazil</td>
<td>4.1</td>
<td>-5.4</td>
</tr>
<tr>
<td>Panama</td>
<td>1.5</td>
<td>-4.4</td>
</tr>
<tr>
<td>Mexico</td>
<td>2.5</td>
<td>-4.2</td>
</tr>
<tr>
<td>Venezuela</td>
<td>5.0</td>
<td>-4.1</td>
</tr>
<tr>
<td>Chile</td>
<td>0.8</td>
<td>-3.5</td>
</tr>
<tr>
<td>Dominican Rep.</td>
<td>0.1</td>
<td>-3.1</td>
</tr>
<tr>
<td>Bolivia</td>
<td>2.1</td>
<td>-2.9</td>
</tr>
</tbody>
</table>

Years:
- 1992-2002
- 2002-2003
- 2003-2004
- 2004-2005
- 2005-2006
- 2006-2007
- 1997-2002
- 2002-2007
- 1998-2009
- 2000-2008
- 2001-2009
- 2003-2009
Results: A Primer

Incidence of Taxes and Transfers

1. Lots of heterogeneity in LA
2. No clear-cut correlation between government size, the extent of redistribution, redistributive effectiveness
3. Direct taxes achieve little in the form of redistribution
4. Direct transfers reduce poverty the most when coverage of the poor is high and average transfer is close to average poverty gap
5. Indirect taxes can make poor people net contributors to the state and a substantial portion of the poor poorer
Definitions of Income Concepts: A Stylized Presentation

**Market Income** \( I^m \)
Wages and salaries, income from capital, private transfers; before government taxes, social security contributions and transfers; benchmark (sensitivity analysis) includes (doesn’t include) contributory pensions

**Net Market Income** \( I^n \)

**Disposable Income** \( I^d \)
Direct transfers

**Post-fiscal Income** \( I^{pf} \)
Indirect subsidies

**Final Income** \( I^f \)
In-kind transfers (free or subsidized government services in education and health)

**TAXES**
Direct taxes and employee contributions to social security

Indirect taxes

Co-payments, user fees
Conclusions:

First, Latin America is heterogeneous; can’t talk of “a Latin America”

The extent and effectiveness of income redistribution and poverty reduction, government size, and spending patterns vary significantly across countries.
Heterogeneous LA: State comes in different sizes

[Graph showing primary spending, social spending, and direct transfers as a percentage of GDP for different countries.]
Decline in Gini and Effectiveness: Heterogeneous LA
Decline in Headcount Ratio $2.50 PPP and Pov. Reduction Effectiveness
Conclusions

• Second, no clear-cut correlation between government size and the extent and effectiveness of redistribution and poverty reduction.
<table>
<thead>
<tr>
<th>Country</th>
<th>Gini Mkt Income</th>
<th>Gini Disposable Income</th>
<th>Headcount Ratio Net Mkt Income</th>
<th>Headcount Ratio Disposable Income</th>
<th>Direct Transfers as % GDP</th>
<th>Primary Spending as % of GDP</th>
<th>GDP/cap U$PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>0.50</td>
<td>0.46</td>
<td>14%</td>
<td>5%</td>
<td>2.8%</td>
<td>38%</td>
<td>14030</td>
</tr>
<tr>
<td>Bolivia</td>
<td>0.53</td>
<td>0.52</td>
<td>22%</td>
<td>21%</td>
<td>1.2%</td>
<td>37%</td>
<td>4069</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.57</td>
<td>0.54</td>
<td>15%</td>
<td>12%</td>
<td>4.2%</td>
<td>37%</td>
<td>10140</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.53</td>
<td>0.51</td>
<td>12%</td>
<td>11%</td>
<td>0.8%</td>
<td>22%</td>
<td>14530</td>
</tr>
<tr>
<td>Peru</td>
<td>0.50</td>
<td>0.49</td>
<td>15%</td>
<td>14%</td>
<td>0.4%</td>
<td>19%</td>
<td>8349</td>
</tr>
</tbody>
</table>
Decline in Disp Inc Gini, Direct Transfers and Effectiveness Indicator
Decline in Final Inc Gini, Direct Transfers and Effectiveness Indicator
Conclusions

Third, direct taxes achieve relatively little in the form of redistribution.

Caveat:

• The rich are excluded from analysis using household surveys; need governments to share information from tax returns (anonymous of course) as all OECD countries do (except for Chile, Mexico and Turkey)
Fiscal Policy and Decline in Gini

![Graph showing decline in Gini coefficient across different income measures.](image)
Conclusions

• Fourth, large-scale targeted cash transfers can achieve significant reductions in extreme poverty.

• The extent of poverty reduction depends on:
  — size of per capita transfer (related to leakages to nonpoor)
  — coverage of the poor
“Leakages” to Non-poor
Coverage of the Extreme and Total Poor

- **Argentina**: 92.47% (Poor <2.5), 87.42% (Poor <4)
- **Bolivia**: 43.05% (Poor <2.5), 41.67% (Poor <4)
- **Brazil**: 69.29% (Poor <2.5), 61.48% (Poor <4)
- **Mexico**: 53.82% (Poor <2.5), 57.67% (Poor <4)
- **Peru**: 50.28% (Poor <2.5)
Conclusions

• Fifth, when indirect taxes are taken into account
  – The moderate poor and the near poor become net payers to the fiscal system (except for Mexico, 2008)
  – A significant share of the moderate (extreme) poor become extreme (ultra) poor in some of the countries; results for Brazil are striking
Impact of Indirect Taxes

![Graph showing the impact of indirect taxes on market income across different deciles for various countries. The graph indicates a significant drop in income for Brazil and Argentina (Arg & Bol) compared to other countries like Bolivia, Mexico, and Peru.]
Indirect Taxes and the Poor in Brazil (Lustig and Higgins, 2012)

• Indirect taxes make around 11 percent of the non-poor poor, 15 percent of the moderate poor extremely poor, and 4 percent of the extremely poor “ultra-poor” despite any cash transfers they receive

• We would have missed this with standard analysis:
  – extreme poverty and inequality indicators decline
  – overall taxes are progressive
Table 2. Inequality and poverty before and after taxes and transfers in Brazil

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Before taxes and transfers</th>
<th>After taxes and transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini Coefficient</td>
<td>.573</td>
<td>.539</td>
</tr>
<tr>
<td>Headcount Index$^1$</td>
<td>5.7%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Poverty Gap$^1$</td>
<td>2.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Squared Poverty Gap$^1$</td>
<td>1.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Headcount Index$^2$</td>
<td>15.3%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Poverty Gap$^2$</td>
<td>6.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Squared Poverty Gap$^2$</td>
<td>3.7%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Note: 1: $1.25$ PPP per day; 2: $2.50$ PPP per day
Source: Pereira and Higgins (2012). Differences in poverty and the Gini between the “before” and “after” situations are all statistically significant at the 0.1% level.
Figure 2. Anonymous and non-anonymous fiscal incidence curves by deciles for Brazil.

Source: Authors’ calculations based on POF (2008-2009).
Income loss matrix for “losers” in Brazil.

<table>
<thead>
<tr>
<th>Market Income groups</th>
<th>Post-Fiscal Income groups</th>
<th>Percent of population</th>
<th>Group average</th>
</tr>
</thead>
<tbody>
<tr>
<td>y &lt; 1.25</td>
<td>y &lt; 1.25</td>
<td>5.7%</td>
<td>-10%</td>
</tr>
<tr>
<td></td>
<td>$0.83</td>
<td></td>
<td>$0.83</td>
</tr>
<tr>
<td>1.25 &lt;= y &lt; 2.50</td>
<td>1.25 &lt;= y &lt; 2.50</td>
<td>9.6%</td>
<td>-10%</td>
</tr>
<tr>
<td></td>
<td>$1.34</td>
<td></td>
<td>$1.96</td>
</tr>
<tr>
<td>2.50 &lt;= y &lt; 4.00</td>
<td>2.50 &lt;= y &lt; 4.00</td>
<td>11.3%</td>
<td>-11%</td>
</tr>
<tr>
<td></td>
<td>$2.71</td>
<td></td>
<td>$3.27</td>
</tr>
<tr>
<td>4.00 &lt;= y &lt; 10.00</td>
<td>4.00 &lt;= y &lt; 10.00</td>
<td>33.6%</td>
<td>-14%</td>
</tr>
<tr>
<td></td>
<td>$4.36</td>
<td></td>
<td>$6.70</td>
</tr>
<tr>
<td>10.00 &lt;= y &lt; 50.00</td>
<td>10.00 &lt;= y &lt; 50.00</td>
<td>35.3%</td>
<td>-16%</td>
</tr>
<tr>
<td></td>
<td>$10.98</td>
<td></td>
<td>$20.03</td>
</tr>
<tr>
<td>50.00 &lt;= y</td>
<td>50.00 &lt;= y</td>
<td>4.5%</td>
<td>-21%</td>
</tr>
<tr>
<td></td>
<td>$56.66</td>
<td></td>
<td>$94.99</td>
</tr>
</tbody>
</table>

Percent of population

<table>
<thead>
<tr>
<th>Group average</th>
</tr>
</thead>
<tbody>
<tr>
<td>-11%</td>
</tr>
<tr>
<td>-11%</td>
</tr>
<tr>
<td>-12%</td>
</tr>
<tr>
<td>-14%</td>
</tr>
<tr>
<td>-16%</td>
</tr>
<tr>
<td>-21%</td>
</tr>
<tr>
<td>-14.5%</td>
</tr>
</tbody>
</table>

Group average

| $0.95        |
| $2.20        |
| $3.73        |
| $7.73        |
| $23.46       |
| $113.30      |
| $16.10       |

Note: All monetary amounts are using before taxes and transfers income and are in PPP-adjusted dollars per day. Zeros are omitted from the matrix for enhanced readability. Differences in group shares between the “before” and “after” scenarios are all statistically significant from zero at the 0.1% significance level.

Source: Authors’ calculations based on POF (2008-2009).
### Fiscal Mobility Matrix for Brazil

#### Fiscal Mobility: Fiscally-induced Upward and Downward Movement (in %). Brazil’09

<table>
<thead>
<tr>
<th>Market Income groups</th>
<th>Post-Fiscal Income groups</th>
<th>Percent of population</th>
<th>Mean income</th>
</tr>
</thead>
<tbody>
<tr>
<td>y &lt; 1.25</td>
<td>y &lt; 1.25</td>
<td>69%</td>
<td>$0.74</td>
</tr>
<tr>
<td>1.25 &lt;= y &lt; 2.50</td>
<td>1.25 &lt;= y &lt; 2.50</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>2.50 &lt;= y &lt; 4.00</td>
<td>2.50 &lt;= y &lt; 4.00</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>4.00 &lt;= y &lt; 10.00</td>
<td>4.00 &lt;= y &lt; 10.00</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>10.00 &lt;= y &lt; 50.00</td>
<td>10.00 &lt;= y &lt; 50.00</td>
<td>5.7%</td>
<td></td>
</tr>
<tr>
<td>50.00 &lt;= y</td>
<td>50.00 &lt;= y</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Mean incomes are in US$ PPP per day. Rows may not sum to exactly 100% due to rounding. Zeroes are omitted from the matrix for enhanced readability. Differences in group shares between the “before” and “after” scenarios are all statistically significant from zero at the 0.1% significance level.

Where public *contributory* pensions go matters...

- Benchmark: *contributory* pensions are treated as market income; assumes an actuarially fair system on average

- Sensitivity Analysis: *contributory* pensions are considered as a government transfer

- Redistribution and incidence results are sensitive to the placement of contributory pensions

- Here we shall present benchmark results but show a couple of examples for the sensitivity analysis
How sensitive are results to the placement of contributory pensions? Brazil vs. Mexico
How sensitive to placement of contributory pensions: Uruguay incidence

Figure 4 - Changes in Income by Decile

CHANGES IN DISPOSABLE INCOME

CHANGES IN POST-FISCAL INCOME

CHANGES IN FINAL INCOME

Source: authors' calculations based on Encuesta Continua de Hogares (2009) and Nat. Accts.

Notes:
For definition of income concepts see text.
Benchmark: contributory pensions are included in market income.
Sensitivity: contributory pensions are treated as government transfers.
Adding the top; Greater Bs. As., Argentina (Alvaredo and Piketty en López-Calva y Lustig, 2010)

<table>
<thead>
<tr>
<th>Year</th>
<th>$G^*$</th>
<th>$G(1)$</th>
<th>$G(2)$</th>
</tr>
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<tbody>
<tr>
<td>1980</td>
<td>0.40</td>
<td></td>
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<td>1981</td>
<td>0.39</td>
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</tr>
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<td>1982</td>
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<td>1983</td>
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<td></td>
</tr>
<tr>
<td>1985</td>
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<td>1986</td>
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</tr>
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</tr>
<tr>
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</tr>
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</tr>
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</tr>
<tr>
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</tr>
<tr>
<td>2003</td>
<td>0.18</td>
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<td></td>
</tr>
<tr>
<td>2004</td>
<td>0.17</td>
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<td></td>
</tr>
</tbody>
</table>

Notes: The black triangle denotes the Gini coefficient $G^*$ of individual income based on the Greater Buenos Aires household survey, own calculations. Database for 1983 is missing. All results correspond to October surveys, except for 2003 (May). Only income earners with positive income were considered and no further adjustments were applied. The white triangle denotes the Gini coefficient $G(1) = S + (1-S)G^*$, where $S$ is the estimate of the top 0.1% income share from Alvaredo (2010). The white diamond denotes the Gini coefficient $G(2) = S + (1-S)G^*$, where $S$ is the estimate of the top 1% income share from Alvaredo (2010).
Thank you