

# Inequality, Redistribution and the Labour Market:

## Reflections from the Deaton Review

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Richard Blundell

*University College London and Institute for Fiscal Studies*

Keynote Lecture

Trans-Atlantic Public Economics Seminar

CEBI Copenhagen

June 7<sup>th</sup> 2022

IFS-Deaton Review: Inequalities in the 21st Century

<https://www.ifs.org.uk/inequality/>



The IFS Deaton Review

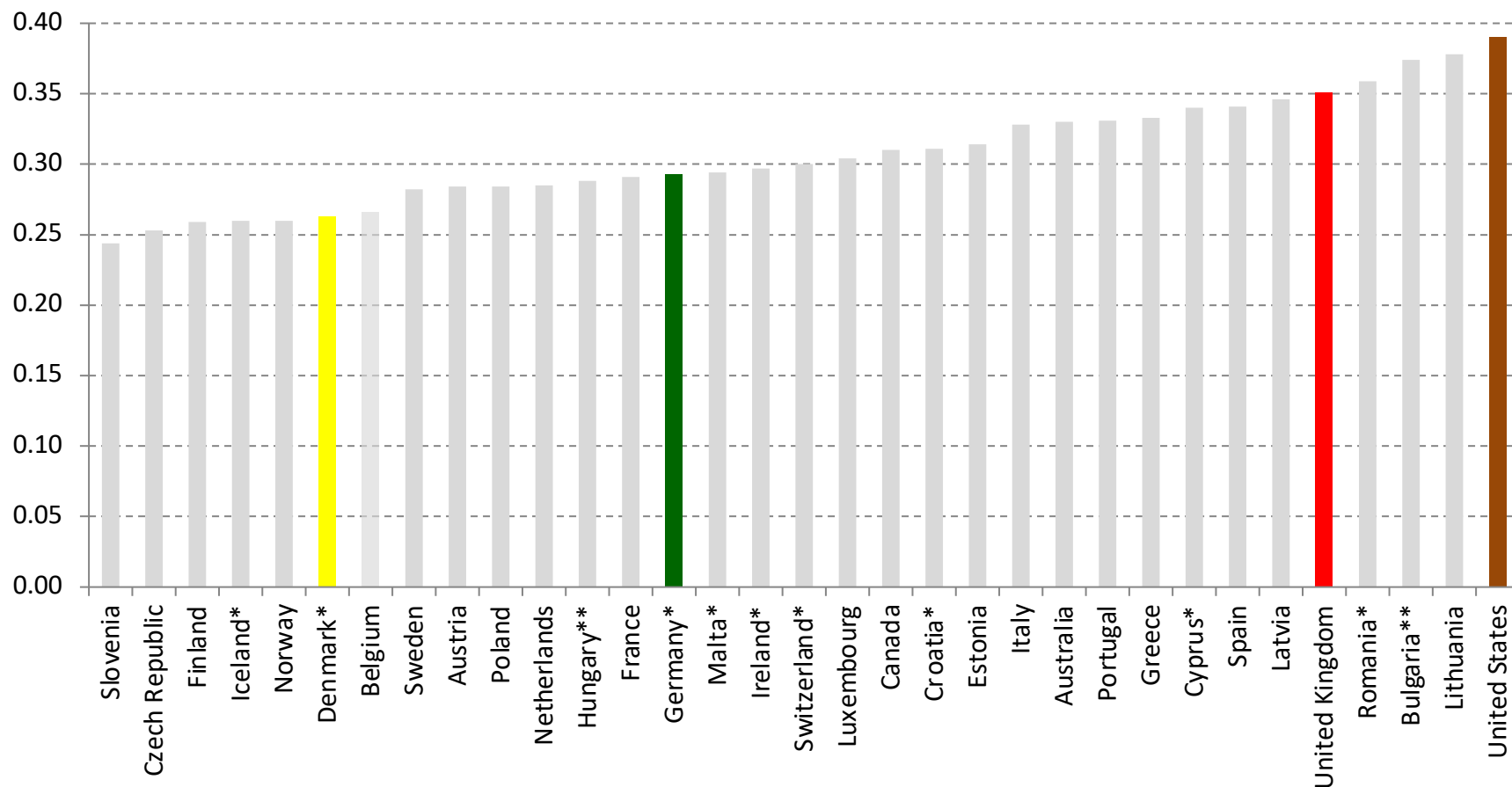
# The IFS-Deaton Review: Inequalities in the 21st Century

A 5-year study, independent of government, chaired by Angus Deaton with an interdisciplinary panel, bringing together the best available evidence from across the social sciences to answer the big questions:

- Which inequalities matter most?
- How are different kinds of inequality related?
- What are the underlying forces that come together to create them?
- What is the right mix of policies to tackle the adverse impact of inequalities?
- For developed economies with the UK as the running example, but comparative in nature....

# Measured by the Gini, the UK is unequal by European standards

Gini coefficient of equivalised net household incomes in selected countries



Figures from 2015 are marked with an asterisk (\*). Figures from 2014 are marked with two asterisks (\*\*). Data on EU states that joined in or before 2004 are from the OECD. Data on other countries are from the World Bank.

Source: Joyce and Xu, IFS, 2019

# Inequality is not just about income...

- Income inequality is important but so are inequalities in
  - wealth, work, consumption, education, health, Family background, political voice, .....
- Need to look at inequalities between groups as well
  - gender, ethnicity, race, generations, geography and place, ...
- The Review is a comparative study with an interdisciplinary panel,....

# An International and Interdisciplinary Panel

## Chair



**Angus Deaton**  
Princeton University

## Panel



**Orazio Attanasio**  
IFS & Yale



**James Banks**  
IFS & Manchester University



**Lisa Berkman**  
Harvard University



**Tim Besley**  
London School of Economics



**Richard Blundell**  
IFS & UCL



**Pinelopi Goldberg**  
Yale University



**Paul Johnson**  
IFS & UCL



**Robert Joyce**  
IFS



**Kathleen Kiernan**  
University of York



**Lucinda Platt**  
London School of Economics



**Imran Rasul**  
UCL & IFS



**Debra Satz**  
Stanford University



**Jean Tirole**  
Toulouse School of Economics



# Commissioned studies with commentaries

1. Why inequality, what inequality?
2. Political economy and political polarisation
3. Attitudes to inequality
4. History and technology
5. Gender
6. Immigration
7. Health
8. Race and criminal justice
9. Geography and place
10. Families
11. Early child development
12. Education systems and access
13. Social Mobility
14. Labour markets
15. Firms, innovation and market power
16. Trade and globalisation
17. Corporate, capital and top taxes
18. Transfers, welfare and tax credits

Launched online sequentially since Oct 2021  
<https://www.ifs.org.uk/inequality/>



The IFS Deaton Review

# Format of the Review

Much like the *IFS Mirrlees Review on Tax Reform*, the *IFS Deaton Review* will be published in several volumes....

## I. Two volumes of evidence:

- commissioned studies on different aspects of inequality, with commentaries from alternative perspectives – published!

## II. An accessible monograph written by the panel:

- sets out what has happened to inequality, why, and what can be done.

## III. Country studies across Europe and North America:

- 17 countries drawing on key researchers & statistics offices
- Denmark: Soren Leth-Petersen and Johan Saeverud

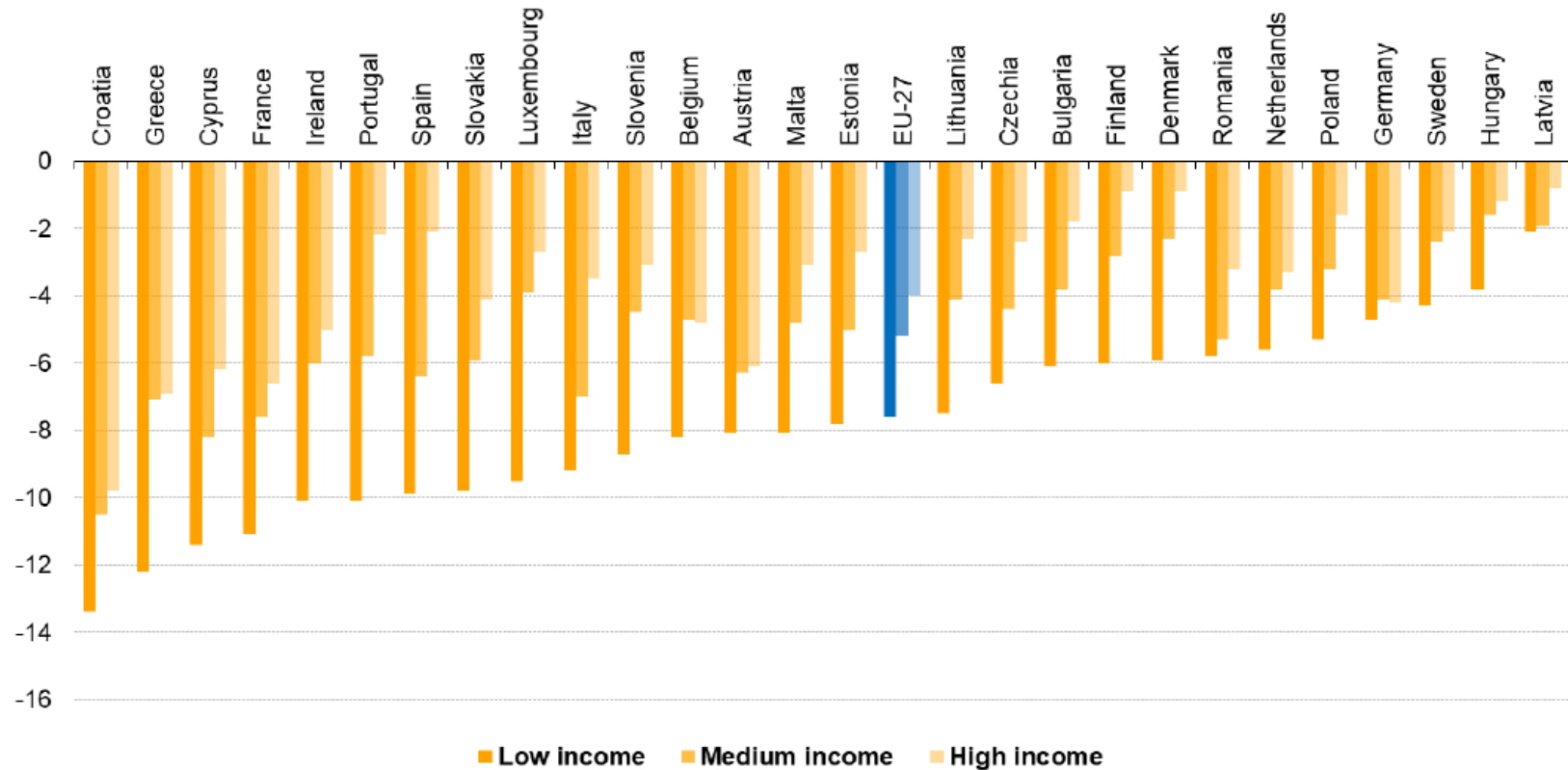
Launched in late 2019, then along came the Covid-19 pandemic...

# Inequality and the Covid-19 crisis

- Far from pushing inequality down the agenda, the pandemic has reinforced the need to deal with the challenges posed by inequality,
  - highlighting many existing inequalities – in family background, education, training, income, work, health, savings and wealth; by gender, ethnicity, age, geography...
  - at the same time, opening up new fissures along dimensions that were previously less significant – working at home, digital access, space at home,...
- Will there be a new emphasis on building a fairer society but with the challenge of doing so with unprecedented levels of (peace time) debt?
- Or will the increase in demand for e-commerce and IT dominate? -> an increase in the education premium and for work from home.
- Increases in welfare benefits and social insurance have provided a 'successful' temporary shield, and the vaccine success has helped speed up recovery, but longer-term inequality challenges remain...



# Loss of income from employment between 2019-Q2 and 2020-Q2 in the EU, before government compensation, by income



Source: Eurostat, Impact of COVID-19 on employment income (December 2020)

# Evolution of the Gini during the pandemic without and with policy

Citation Countries	Method	Without policy response	With policy response (Overall effect)
Almeida et al. (2020) EU (27)	Simulating effect of policies	+3.6%	-0.7%
Brunori et al. (2020) Italy	Simulating effect of policies	+0.67% (0.3396)	-0.67% (0.3396)
Clark et al. (2020) DE, ES, FR, IT, SE	Evolution over time	+2.17% (0.322)	-2.48% (0.322)
Li et al. (2020) Australia	Comparison market and post-tax and transfers income	+3.33% (0.539)	- 7.57% (0.330)
O'Donoghue et al. (2020) Ireland	Comparison market and post-tax and transfers income	+20.64% (0.499)	- 6.62% (0.317)
Palomino et al. (2020) EU (29)	Simulating effect of policies	+3.5% to +7.3%	NA

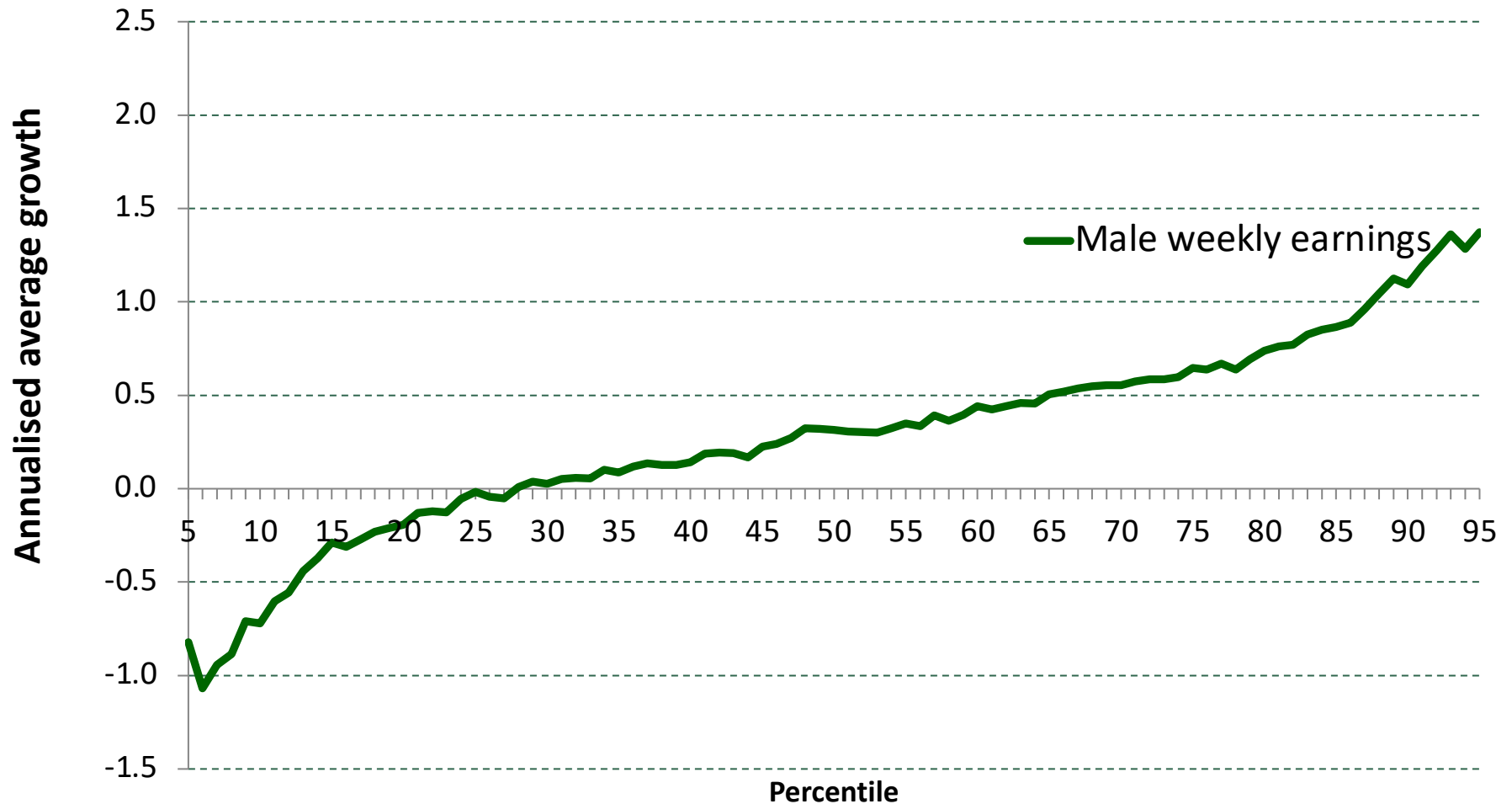
Source: Stancheva (Economic Policy, 2021)

But most policies have been temporary, and income is a narrow measure of the impact on inequality.... we need to go *beyond the Gini* and look at the drivers and the longer-run consequences of inequality.

## Longer-term challenges motivating this talk

- Educational and other early investments vary significantly by socio-econ background, fewer paths to 'good jobs' for non-university educated.
- Increasing earnings inequality, with persistent adverse labour market shocks coupled and poor wage progression for lower educated workers.
- Diverging life-cycle wage profiles by education and by part-time work, and low rates of on-the-job training for lower educated workers.
- Growing solo self-employment, platform work and outsourcing.
- Increasing in-work poverty, with employment alone (increasingly) not enough to escape poverty and low earnings.
- Large differences in prosperity between regions – 'left-behind' areas with low education outcomes, poor wage progression, and low mobility.
- We can't address all the concerns about labour market inequality by tax and welfare reform alone,
  - the challenge is how best to balance tax and welfare-benefit policy with human capital policies, min wages, regulation and place-based policies.
- First, some background descriptives for the UK....

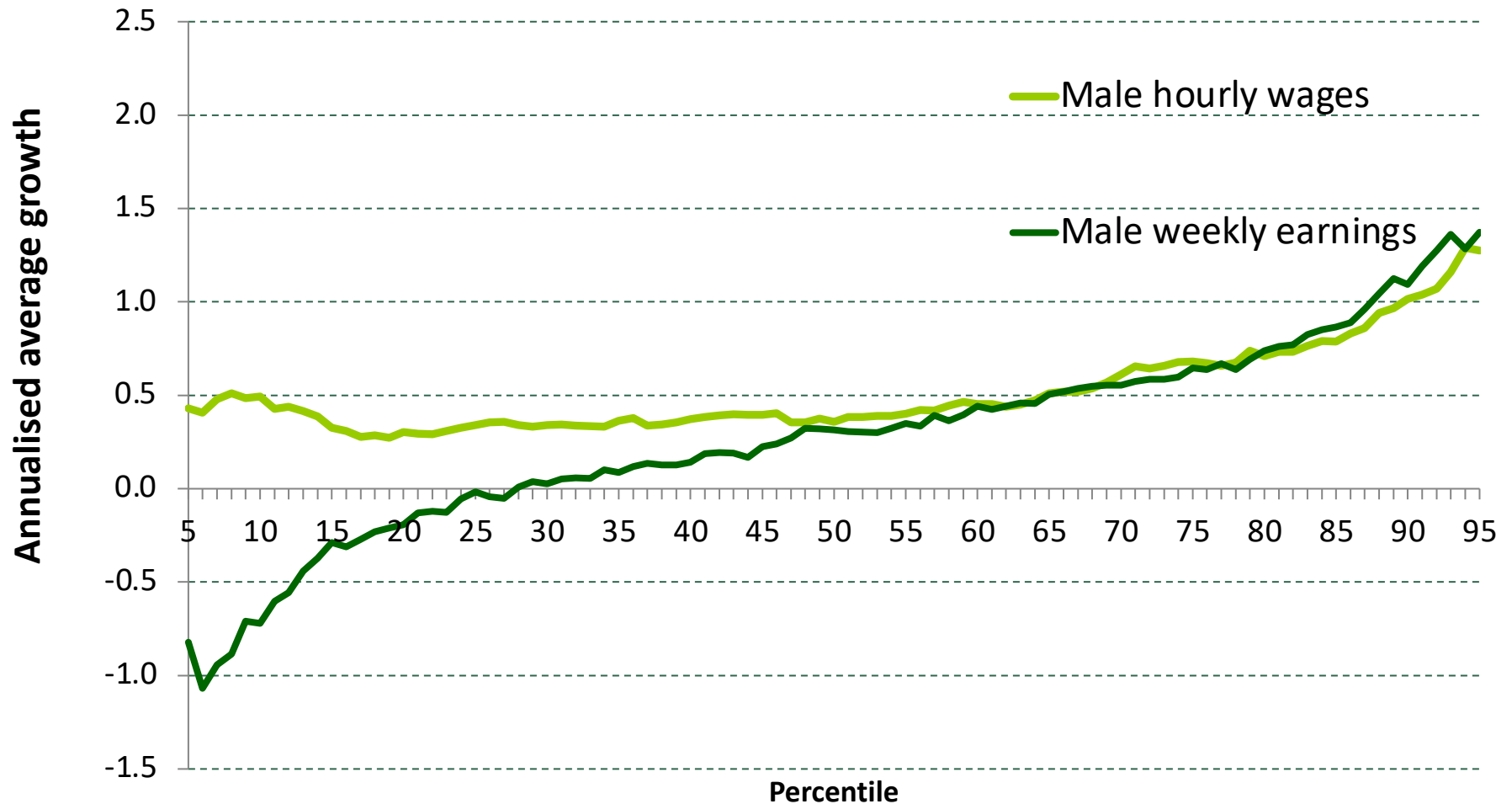
# Growth in UK male weekly earnings: 1994/95 – 2016/17



Source: Blundell, Joyce, Norris Keiller and Ziliak (2018)

Data used is UK FRS 1994-95 and 2016-17, not in full time education and aged <64

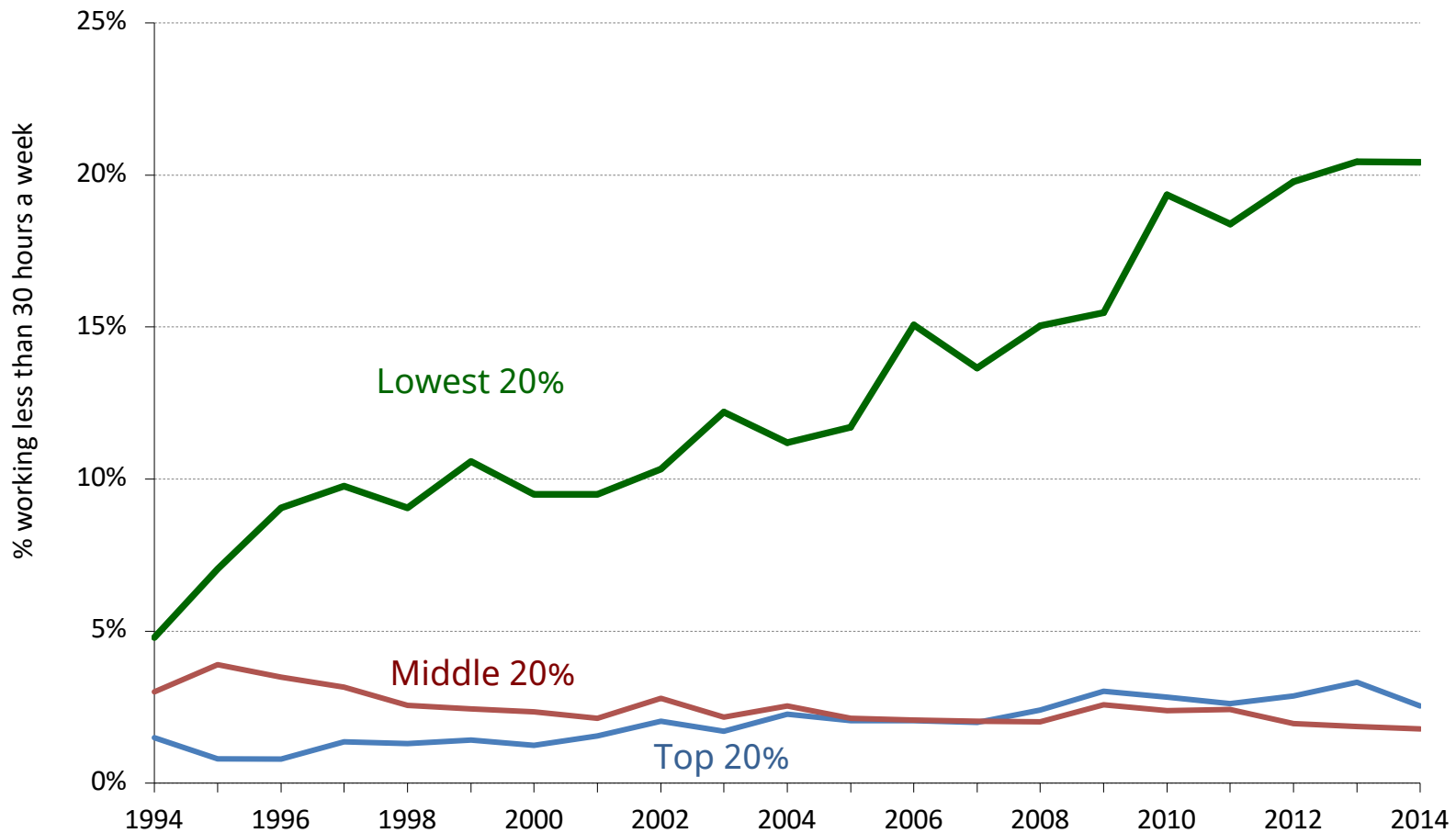
# Growth in UK male weekly earnings and hourly wages: 1994/95 – 2016/17



Source: Blundell, Joyce, Norris Keiller and Ziliak (2018)

Data used is UK FRS 1994-95 and 2016-17, not in full time education and aged <64

# Proportion of men working less than 30 hours in the UK by hourly wage quintile – aged 25-55

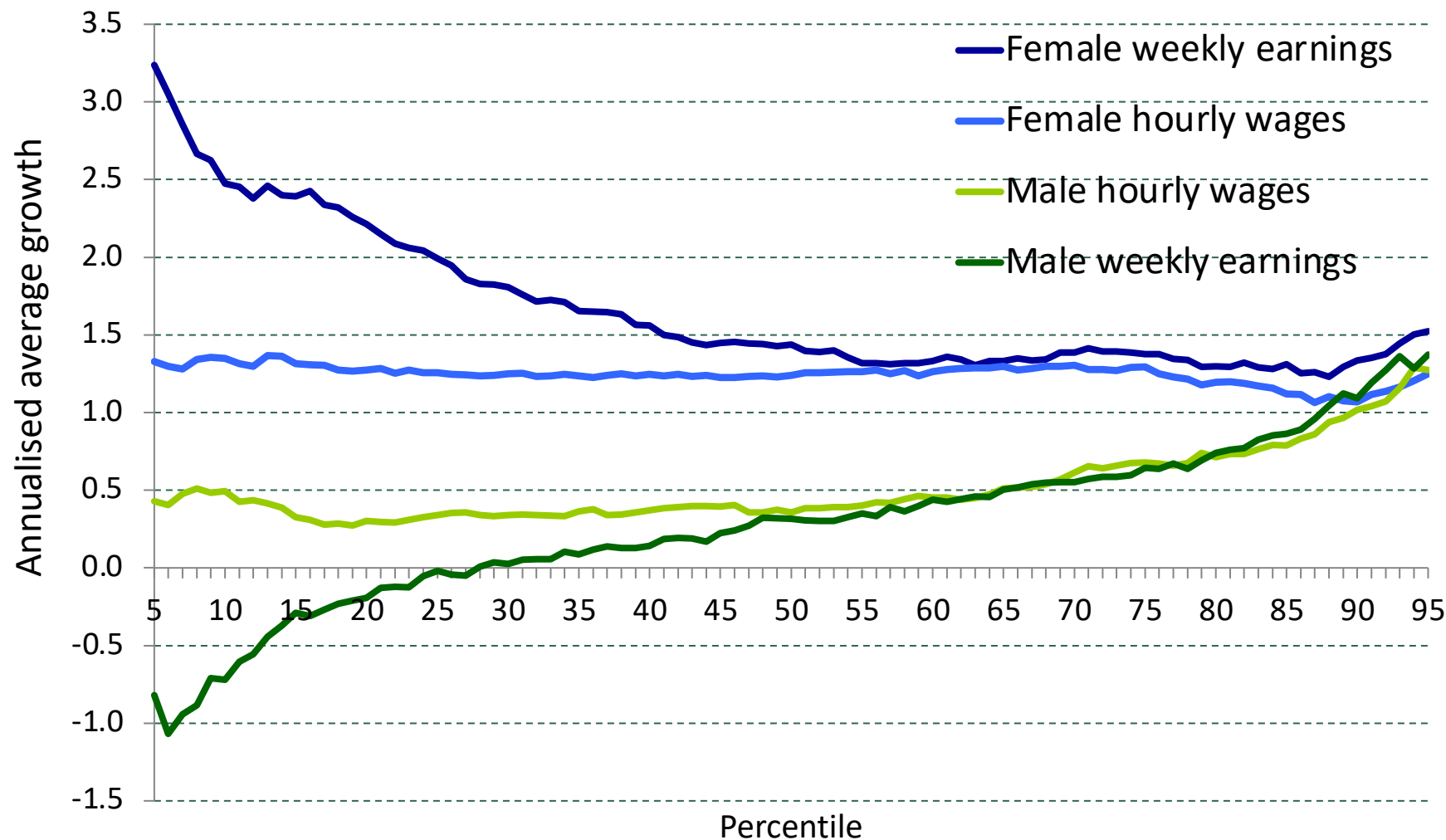


-> Stronger growth of PT work for the self-employed where there has been a growing rate of low earning solo self-employed and part-time hours.

Source: IFS calculations using Labour Force Survey

Notes: LFS: Male employees aged 25-55.

# Very different growth in female hourly wages and weekly earnings: UK 1994/95 – 2016/17

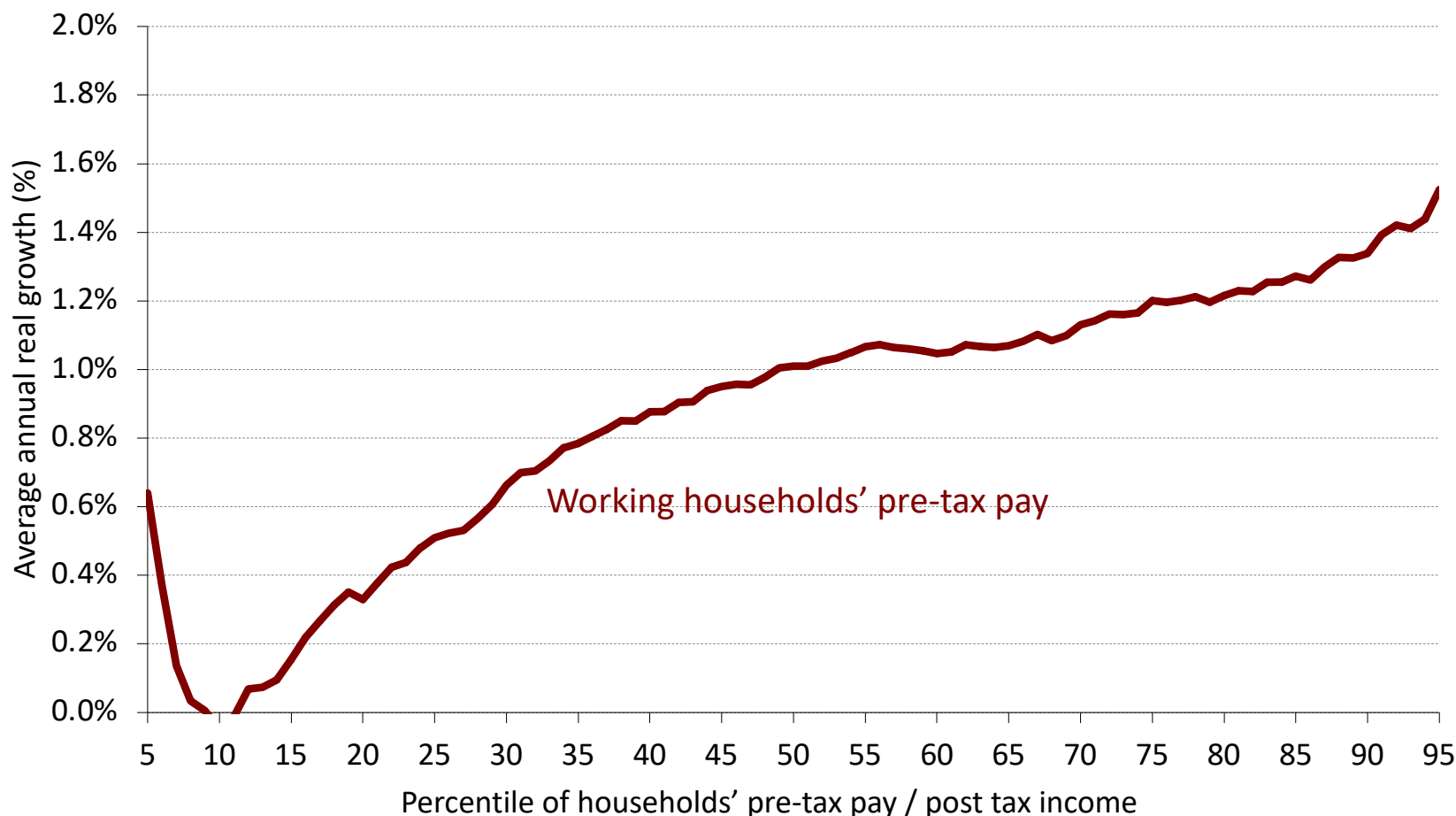


-> But assortative partnering and low female earnings share implies this has not improved between family earnings inequality.... similar for US

Source: Blundell, Joyce, Norris Keiller and Ziliak (2018): Data used is FRS 1994-95 and 2016-17.

# Family Earnings and Family Incomes in the UK:

## Household income growth for working households 1994/5 to 2016/7



Notes: Includes self-employment income and self-employed households.

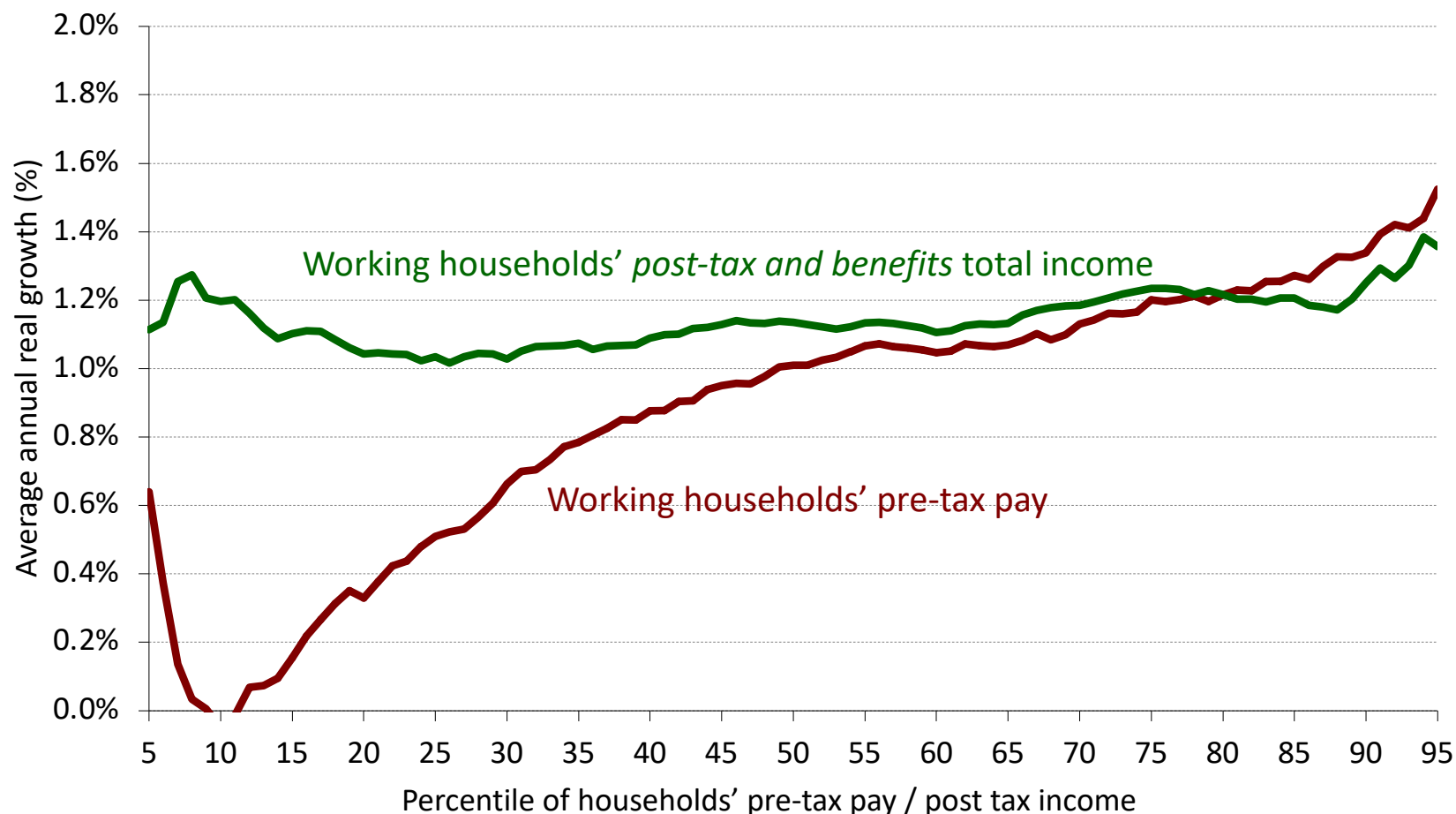
Family Resources Survey. All income measures are equivalised.

Source: Blundell, Joyce, Norris-Keiller and Ziliak (2018)



# Family Earnings and Family Incomes in the UK:

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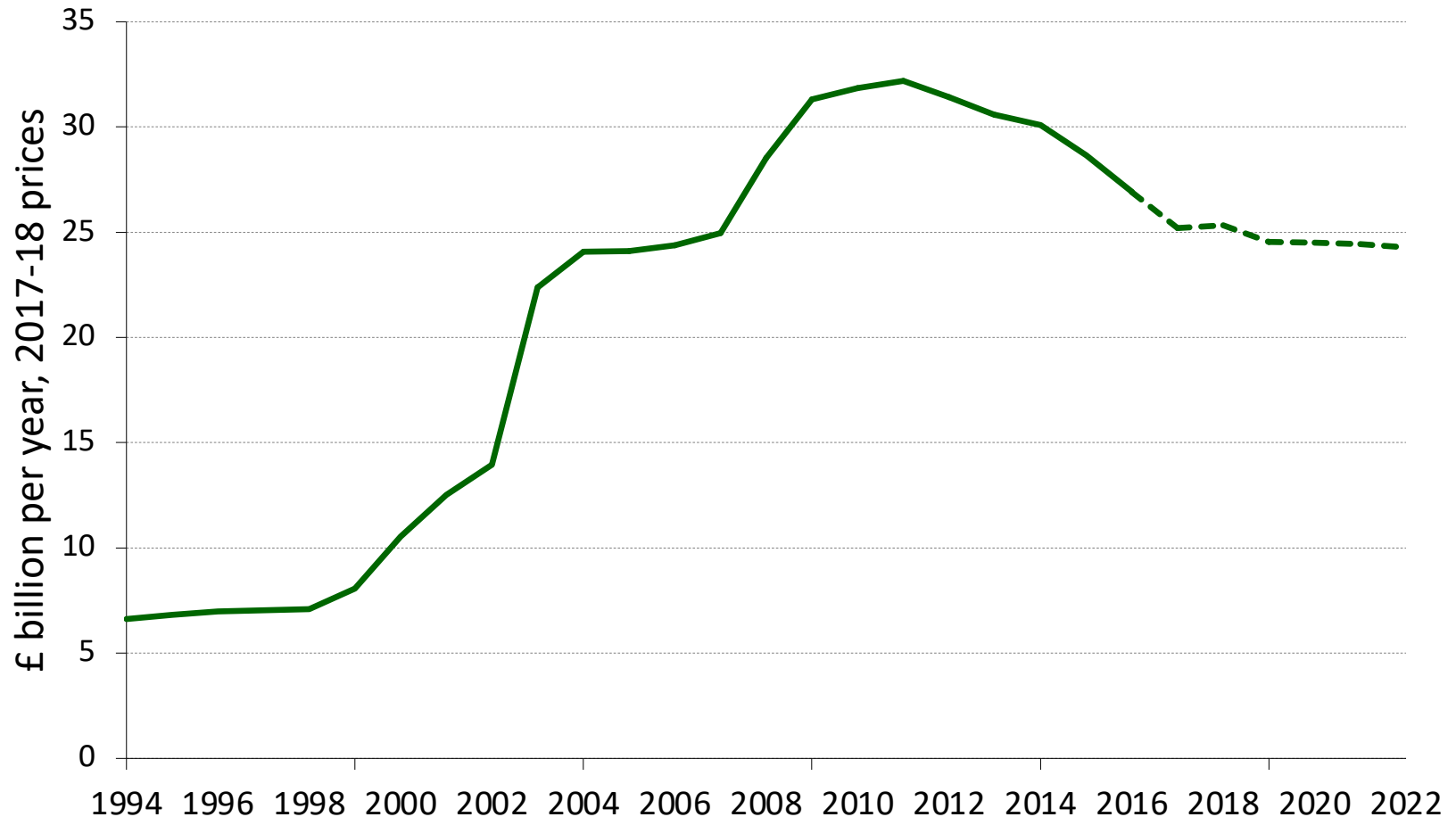


Notes: Includes self-employment income and self-employed households.

Family Resources Survey. All income measures are equivalised.

Source: Blundell, Joyce, Norris-Keiller and Ziliak (2018)

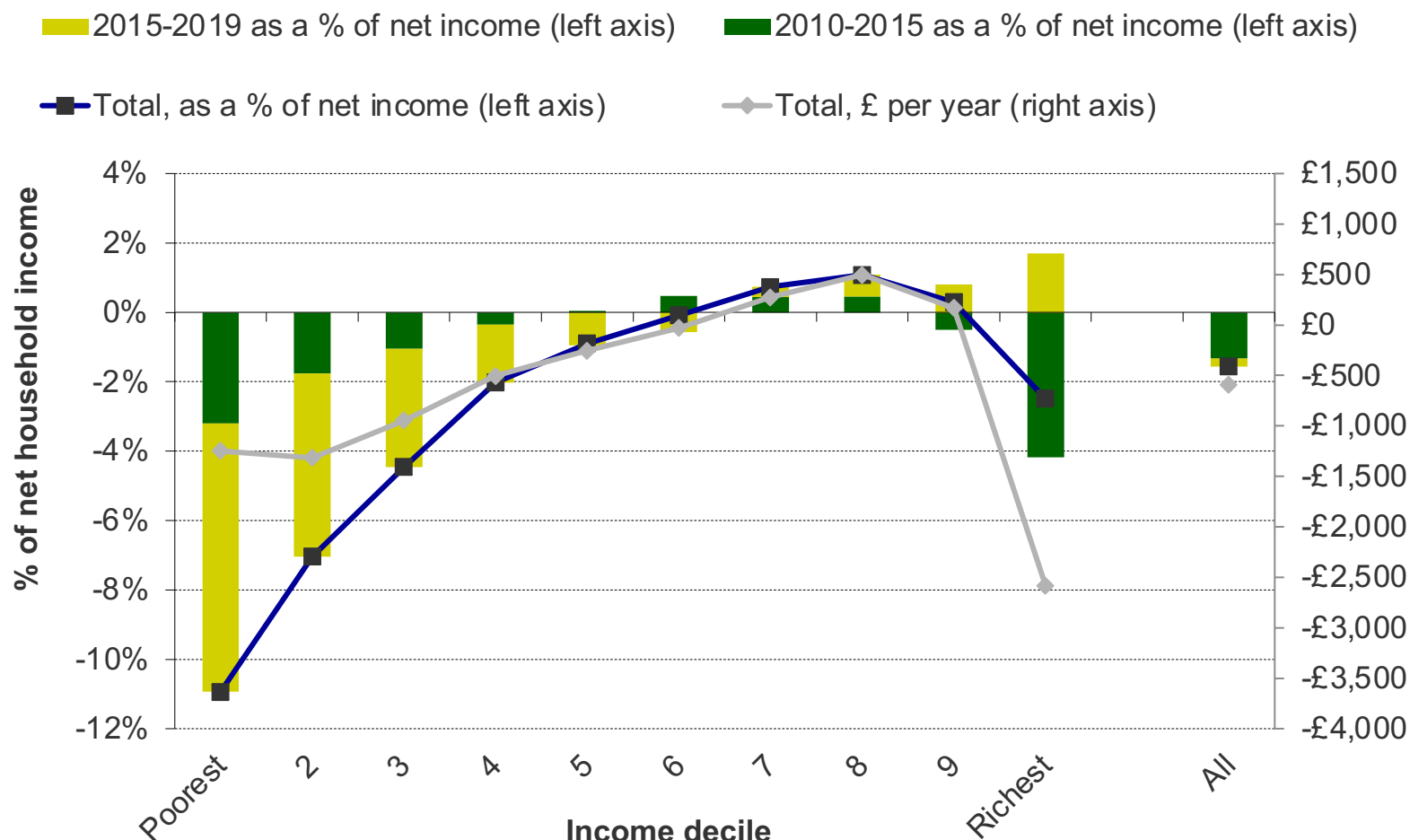
# Real spending on work-related tax credits and equivalents in the UK



Source: IFS calculations from DWP (UK) benefit expenditure tables.

# Distributional impact of personal tax/benefit reforms in the UK

Tax and benefit reforms, April 2010 to April 2019

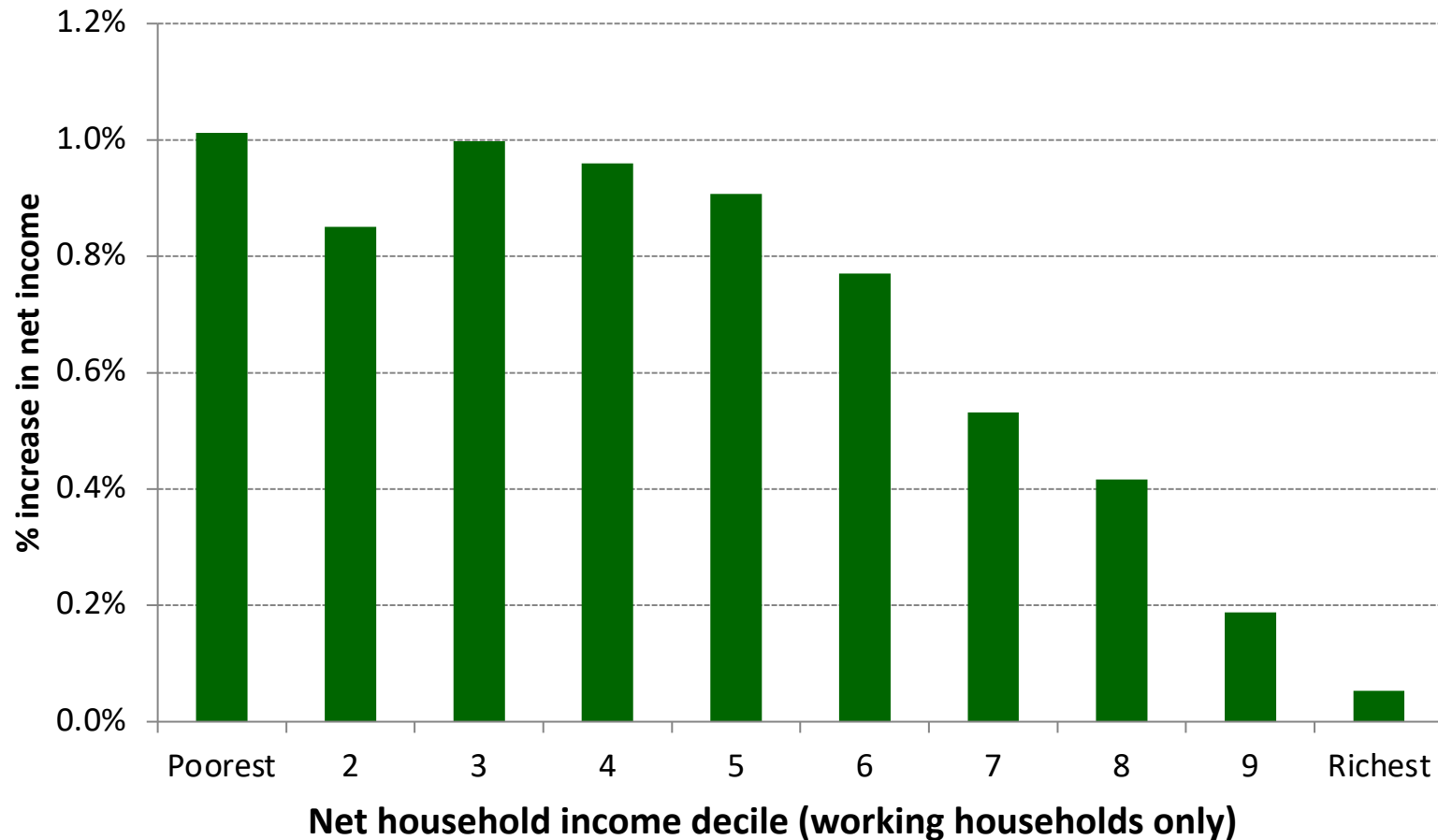


Note: Assumes full take-up of means-tested benefits and tax-credits. Policies rolled out are Universal Credit, HB reductions and the 2-child limits.

Source: IFS calculations using the IFS micro-simulation model run on the 2018–19 FRS.

# Higher minimum hourly wage targets the lowest-wage people, *not* necessarily the lowest-earning households

Figure shows the increase in the minimum wage between 2018 and 2020 in the UK. Which *working households* get the extra money?

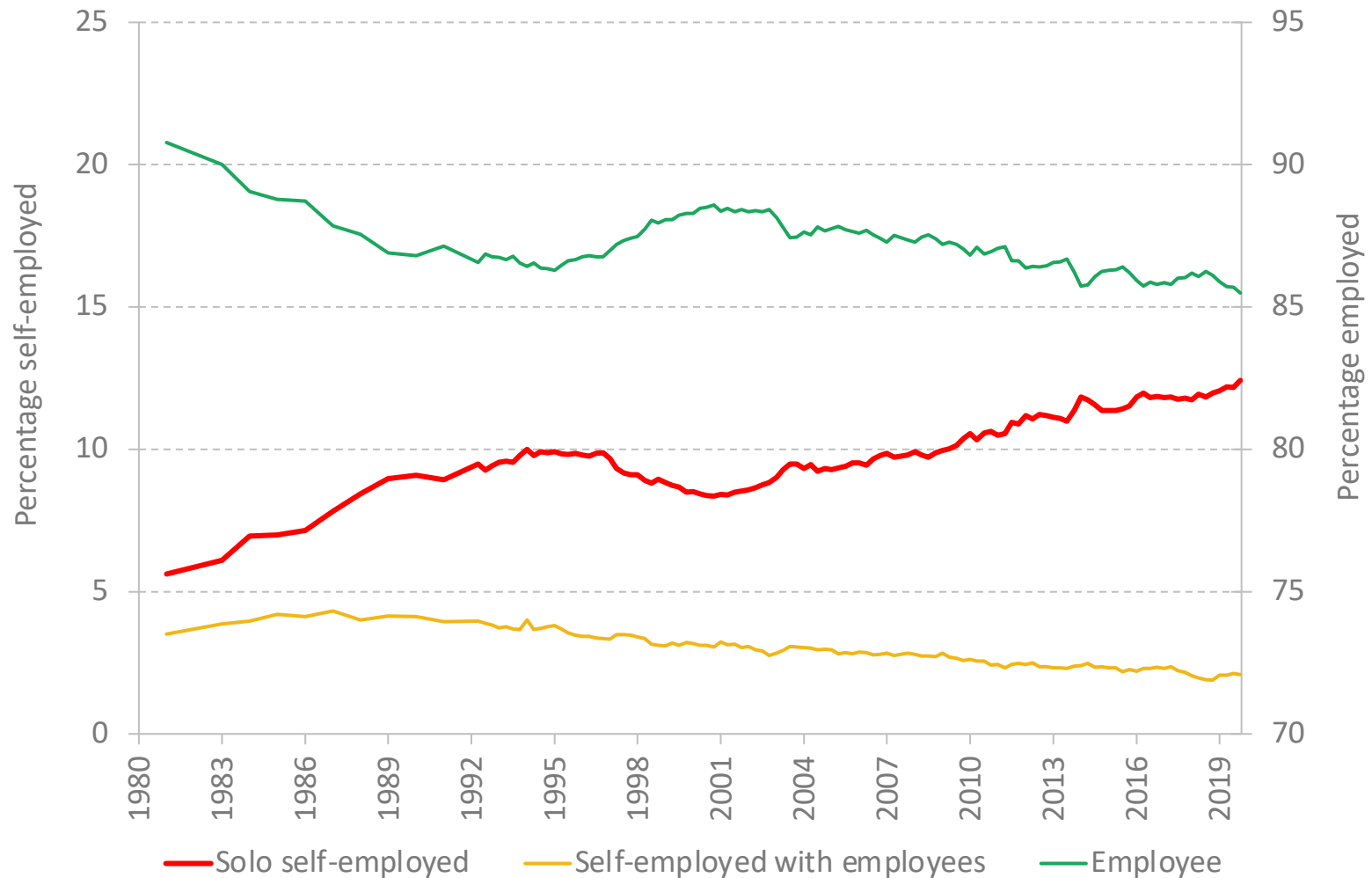


Note: Shows mechanical increase in net income arising from minimum wage rises to 2020, allowing for interaction with tax payments and benefit entitlements.

Source: Cribb, Joyce and Norris Keiller (2020)

# Solo self-employment in the UK

As percent of workforce

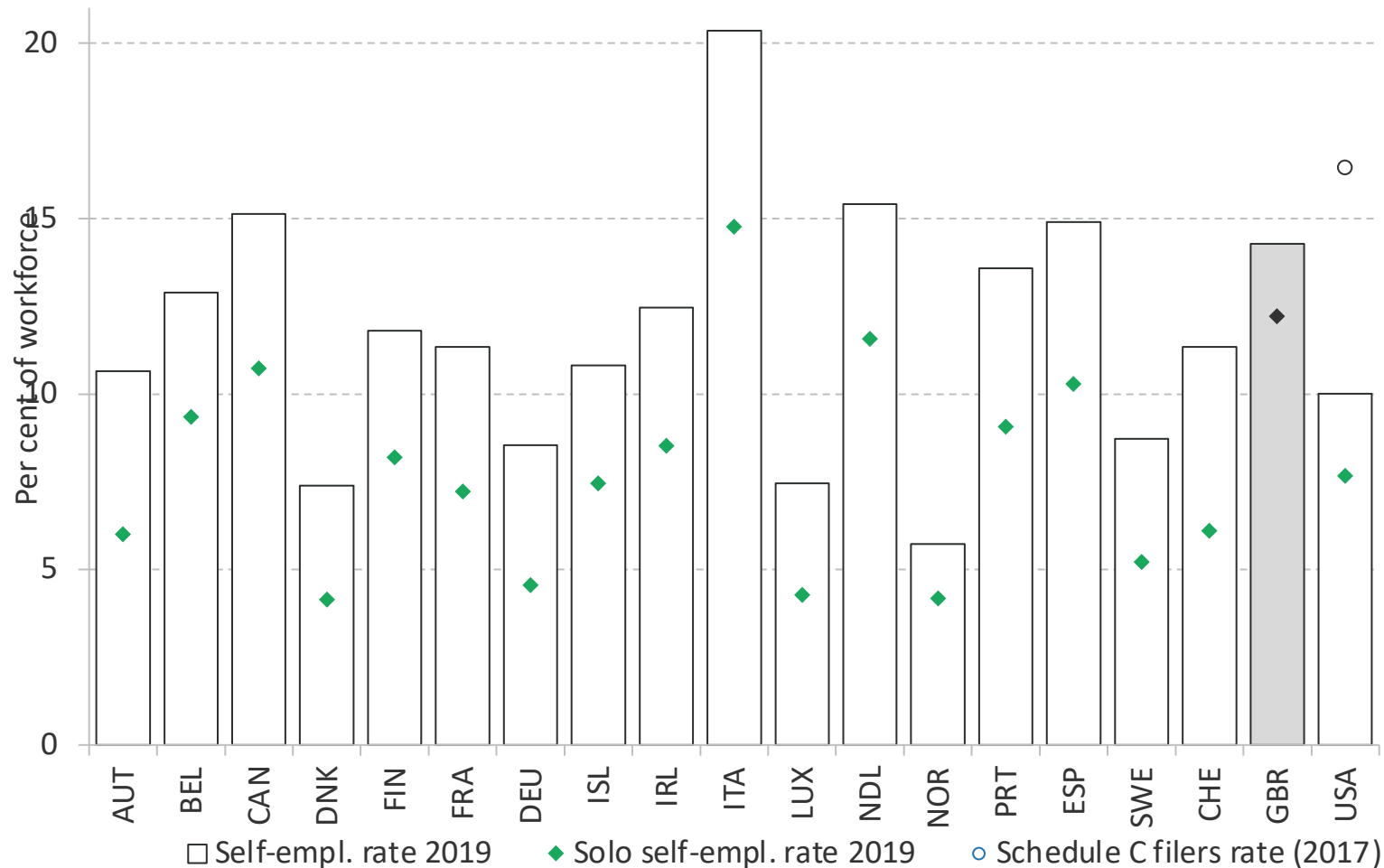


- Not covered by minimum wage, sickness benefits or NI

Source: Giupponi and Machin (Deaton Review, IFS, 2022)

# Self-employment across countries

## Self-employment as percent of workforce



Source: Giupponi and Machin (Deaton Review, IFS, 2022)

# Focus on three interrelated issues for labour market inequality

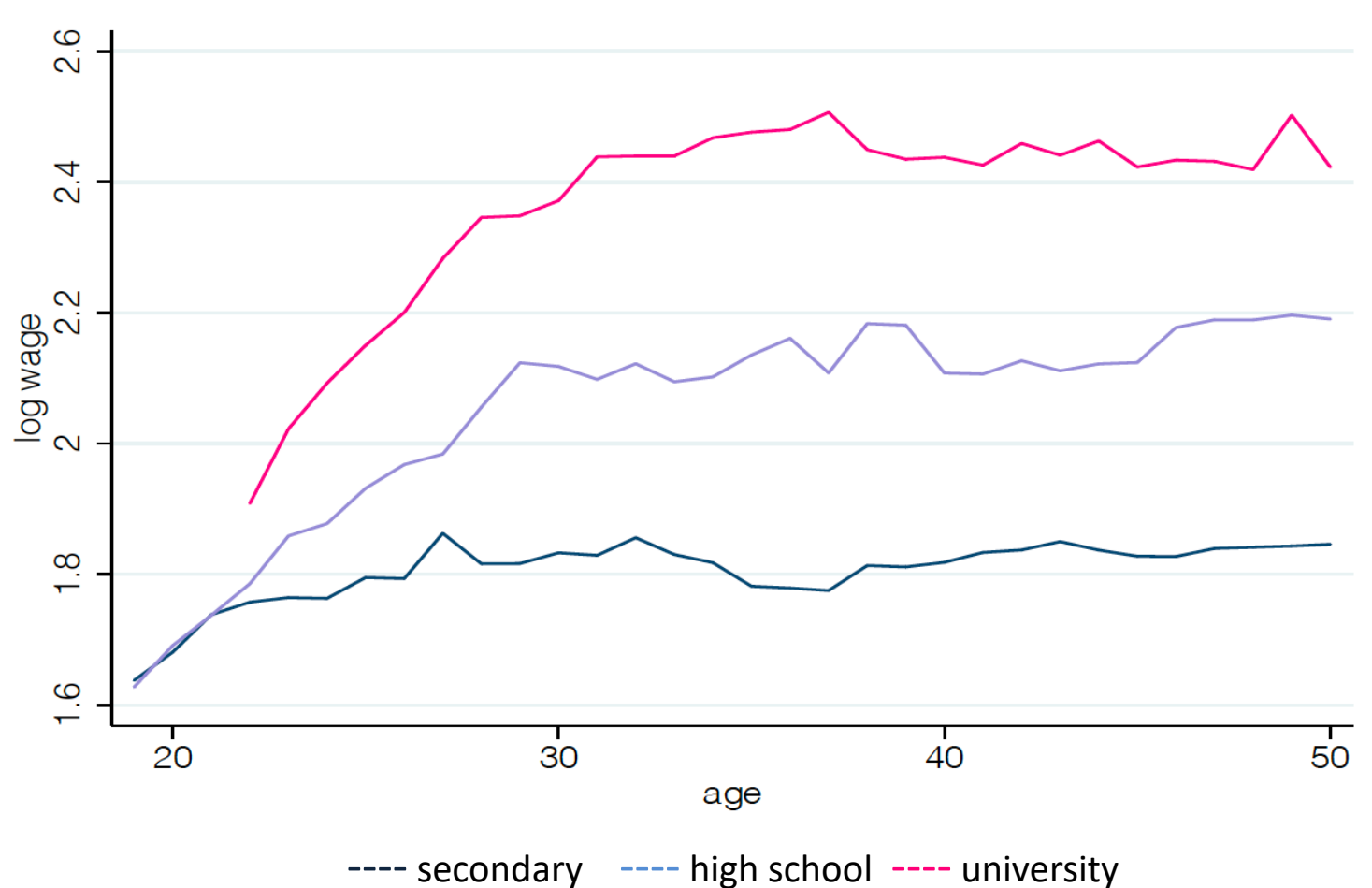
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- Wage progression over the working life is the common theme.
- It is a key part of the story about labour market inequality, concerns about it and what to do about it,
  1. the role of education, labour market attachment/part-time work,
  2. the role of human capital investments during working life,
  3. the role of skills and firms.
- updating recent work on wage progression in UK, exploiting household panel data and employer-employee matched data,
- bring this analysis together with the tax and welfare-benefit system to think through an appropriate policy mix,
- policies toward wage progression and effective human capital investments for the lower educated even more urgent for the post-covid labour market.

UK household panel (UKHLS, 1991-) and match employer-employee data (ASHE).

# 1. It's depressing at the bottom: wage-age profiles by education and age

- returns to experience appear *complementary* with education



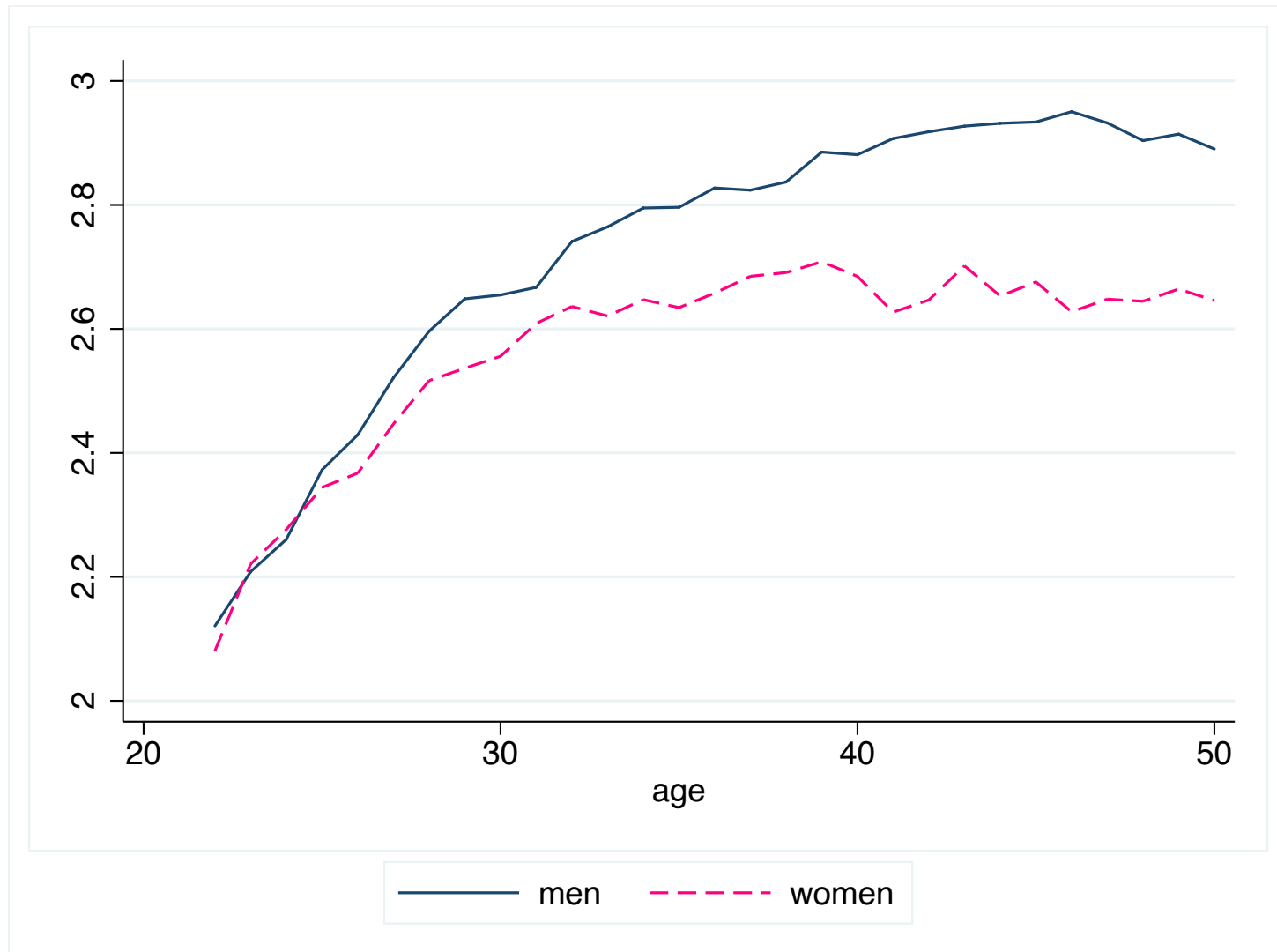
See similar for UK men and similar profiles for the US and France.

Source: Blundell, Costa-Dias, Meghir and Shaw (2016, updated)

Notes: Average log hourly wage, Women, UK HLS, 1991 -



# Wage-age profiles by for university graduates by gender



Source: Blundell, Costa-Dias, Meghir and Shaw (2016, updated).

Notes: Log hourly wage, College graduates, UK HLS, 1991- .

# Female employment and part-time work by education



---- secondary    ..... high school    - - - - university

Source: Blundell, Costa-Dias, Meghir and Shaw (2016), updated UK HLS

Notes: Plots are for all women. Note too the growth of part-time work for lower educated men.

# The interaction between taxes, tax credits and benefits in UK

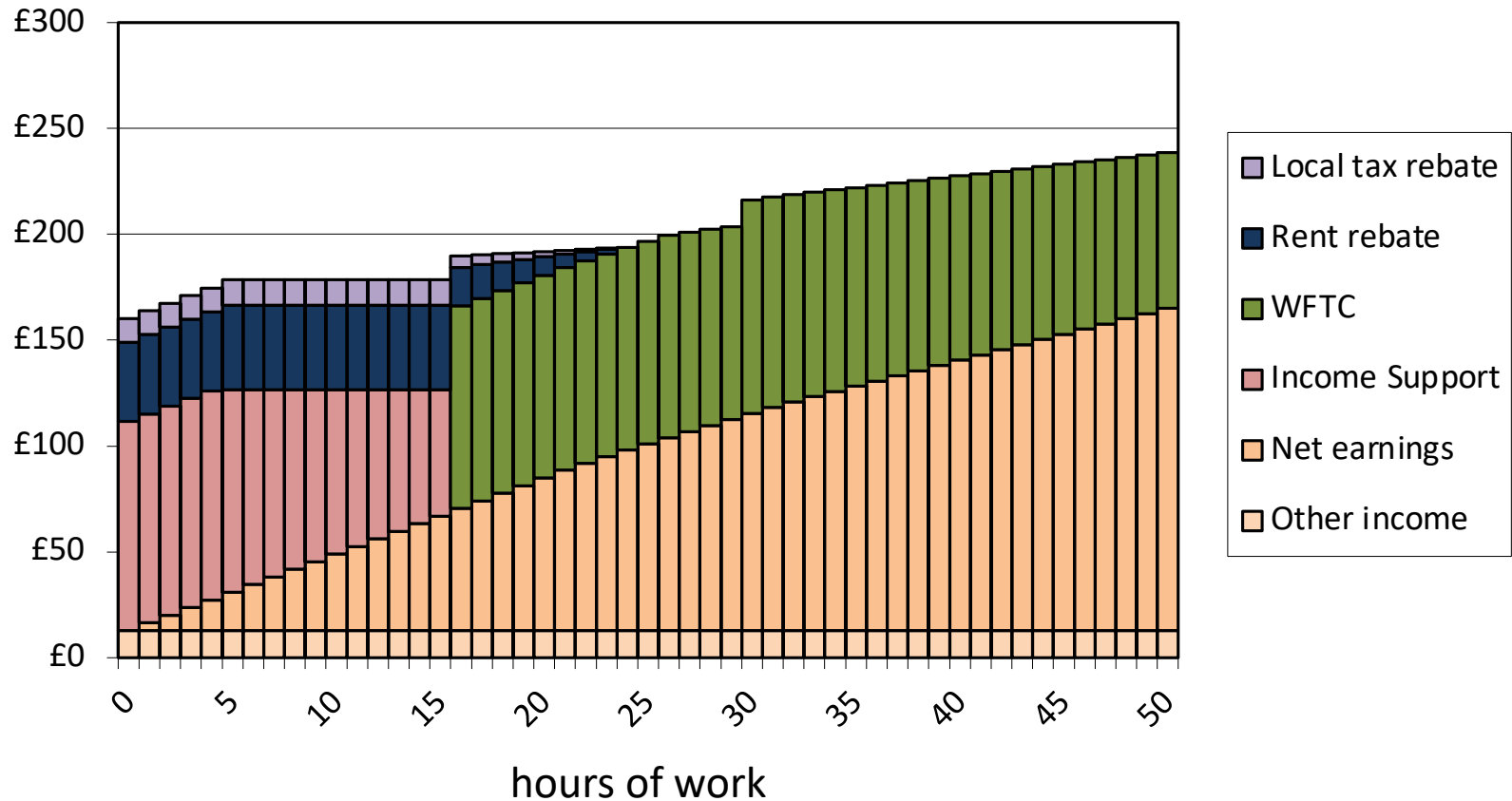
Low wage lone parent with one child, weekly amount, 2000



- motivation for the *Working Families Tax Credit* was to preserve labour market attachment, reduce skill depreciation and attenuate the gender gap.
- note the *minimum hours eligibility* rules that focuses incentives on part-time work (not in UC).

# The interaction between taxes, tax credits and benefits in UK

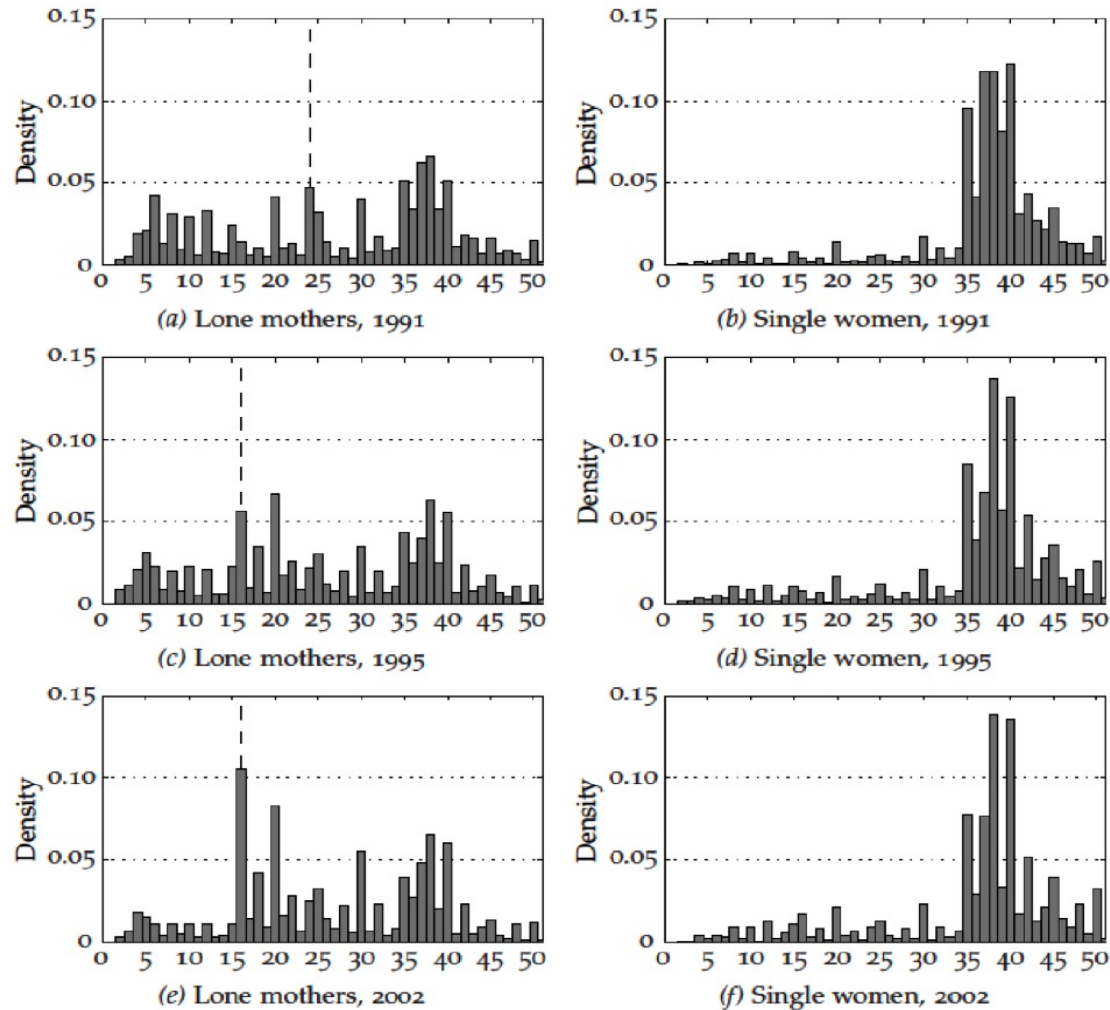
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- motivation for the *Working Families Tax Credit* was to preserve labour market attachment, reduce skill depreciation and attenuate the gender gap
- note the *minimum hours eligibility* rules that focuses incentives on part-time work (not in UC)

IFS calculations. Notes: Single parent, wage £6.50/hr, 1 children, no other income, £80/wk rent. Ignores council tax and rebates

# Single Women, lower educated (aged 18-45): Bunching at Tax Kinks



Source: Blundell and Shephard (2014)

# Wage progression and work experience: panel data model

- log wage for individual  $i$  of education  $s$  and age  $t$

$$\ln w_{ist} = \ln W_{st} + \gamma_{0s}(x_i) + \gamma_{1s}(x_i) \ln(\kappa_{ist} + 1) + \omega_i + v_{ist} + \xi_{ist}$$

where

education:  $s = [1,2,3]$  [secondary (age 16), high school (age 18)  
university (age 21+)]

baseline Mincer effect:  $\ln W_{st}$

family background factors:  $x_i$  cohort, family financial circumstances, books in home,...

experience capital:  $\kappa_{ist} = \kappa_{is,t-1}(1 - \delta_s) + \alpha_{0s}FT_{i,t-1} + \alpha_{2s}PT_{i,t-1}$

individual heterogeneity:  $\omega_i$

persistent shocks:  $v_{ist} = \rho_s v_{is,t-1} + \mu_{ist}$

random shocks:  $\xi_{ist}$

endogeneity: selection, part-time and experience, use simulated tax instruments.

embedded within a dynamic discrete choice model of employment and part-time work.

# Wage equation estimates: women, UK HLS

	Secondary		High School		University	
baseline at age 25	7.19	(.25)	8.64	(.17)	10.55	(.31)
returns to experience $\gamma_{1,s}$	.15	(.02)	.23	(.02)	.31	(.03)
autocorrelation coef $\rho_s$	.92	(.03)	.91	(.03)	.88	(.02)
depreciation rate $\delta_s$	.08	(.02)	.08	(.01)	.07	(.02)
accumulation of HC in PTE $\alpha_{2,s}$	.13	(.02)	.10	(.02)	.12	(.03)

$$\ln w_{ist} = \ln W_{st} + \gamma_{0s}(x_i) + \gamma_{1s}(x_i) \ln(\kappa_{ist} + 1) + \omega_i + v_{ist} + \xi_{ist}$$

$$\kappa_{ist} = \kappa_{is,t-1}(1 - \delta_s) + FT_{i,t-1} + \alpha_{2s}PT_{i,t-1}$$

Notes: Method of Simulated Moments estimates. Interactions with background factors  $x_i$  included.  
Correlated unobserved heterogeneity in wage and choice model.

Data: 18 waves from the UK HLS data. Unbalanced panel of 7,359 women aged 19-59.

Descriptive statistics and full set of results available.

Source: Blundell, Costa-Dias, Meghir and Shaw (Ecta, 2016, updated)

# Wage progression and experience results: summary

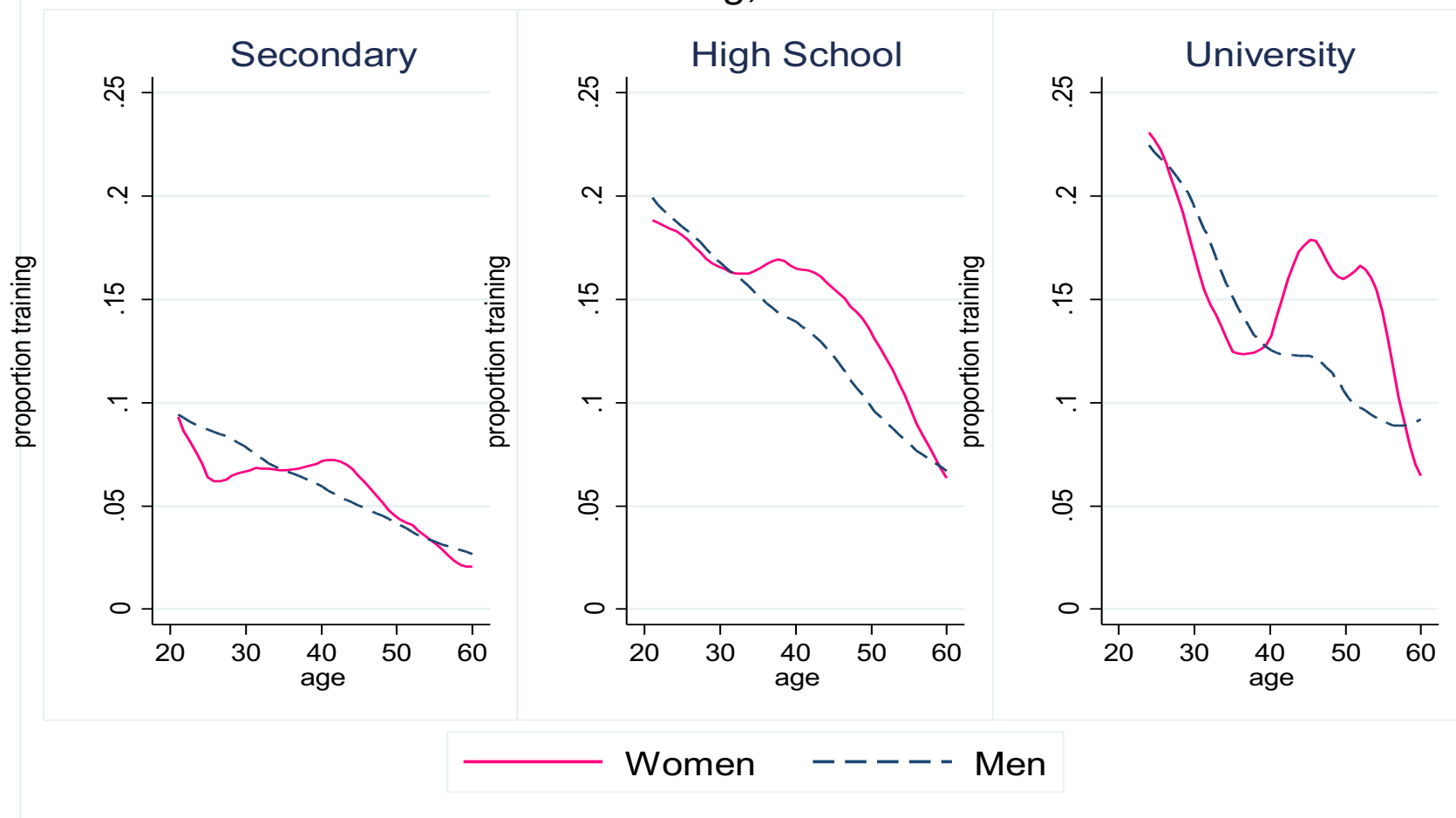
- Returns to work experience show strong complementarity with education
  - much lower returns to work experience for lower educated and also for part-time work,
  - employment is not (any longer) a route out of low earnings.
- Implications for welfare-benefit reform,
  - importance of low returns to experience for the low educated and the adverse impact of part-time work, limit the effectiveness of the UK (earned income) tax-credits.
  - little incentive for active investment in progression by workers or firms.
- What about the role of on-the-job training?
  - training vs learning by doing.



## 2. Training also appears complementary with education

### Prevalence of training over past year

All training, 50+ hours



Source: Blundell, Costa-Dias, Goll and Meghir (2021), Notes: UK HLS

# Adding training to the log wage equation

- Extend panel data model of log wage for individual  $i$ , schooling  $s$ , age  $t$  and training  $D_{i,t-1}$ . Adds  $\tau_s D_{i,t-1}$  to the stock of human capital:

$$\kappa_{ist} = \kappa_{is,t-1}(1 - \delta_s) + FT_{i,t-1} + \alpha_{2s}PT_{i,t-1} + \tau_s D_{i,t-1}$$

Parameter	Secondary	High School	University
Return to HC ( $\gamma_{s,0}$ )	0.134 (.02)	0.230 (.03)	0.290 (.03)
Exp from training ( $\tau_s$ )	0.119 (.08)	0.139 (.04)	0.096 (.02)
Exp from PT work ( $\alpha_{2s}$ )	0.092 (.01)	0.093 (.02)	0.105 (.03)
Exp depreciation rate ( $\delta_s$ )	0.081 (.04)	0.087 (.03)	0.083 (.03)

Data: Women, UK HLS, 1991 - .

Notes: Method of Simulated Moments. Interactions with background factors included.

Additional exclusion: changes in training subsidies by industry weighted by travel to work area industrial shares matched Business Structure Database.

Source: Blundell, Costa-Dias, Goll and Meghir (2021, updated), Notes: UK HLS

# Wage progression and training: results summary

- Particularly strong effects for 'middle' education, below University, group
  - with return equivalent to that in formal education,
  - training can partially offset human capital depreciation from lost work experience and (partially) reverse the gender wage gap,
  - firm-based qualification training is key. Relate to work on Norwegian 'second chance' adult training reform for low educated.
- Policy implications
  - a subsidy for firm-based qualification training can be integrated with an earned income tax credit for parents and provide an incentive for progression.

### 3. Wage progression and firms

Dig deeper into why some lower education workers do well.

- Matched worker-firm data for the UK
  - Annual Survey of Hours and Earning (ASHE): panel data, collected from firms based on tax records, matched at 4-digit level to O\*Net,
  - Annual Respondents Database (ARD): census of data on firm structure, location and employment,
  - Business Enterprise Research and Development (BERD): R&D expenditure,
  - European Working Conditions Survey (EWCS): ‘good jobs’ questions.
- Find that lower-educated workers in occupations that require ‘soft-skills’
  - experience *higher wage progression*,
  - they are *more likely to receive training*,
  - progression is stronger in firms with a *large share of high-skilled workers* and in *more innovative firms*.

# Proxies for importance of 'soft skills'

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How important is ... to the performance of your current job?

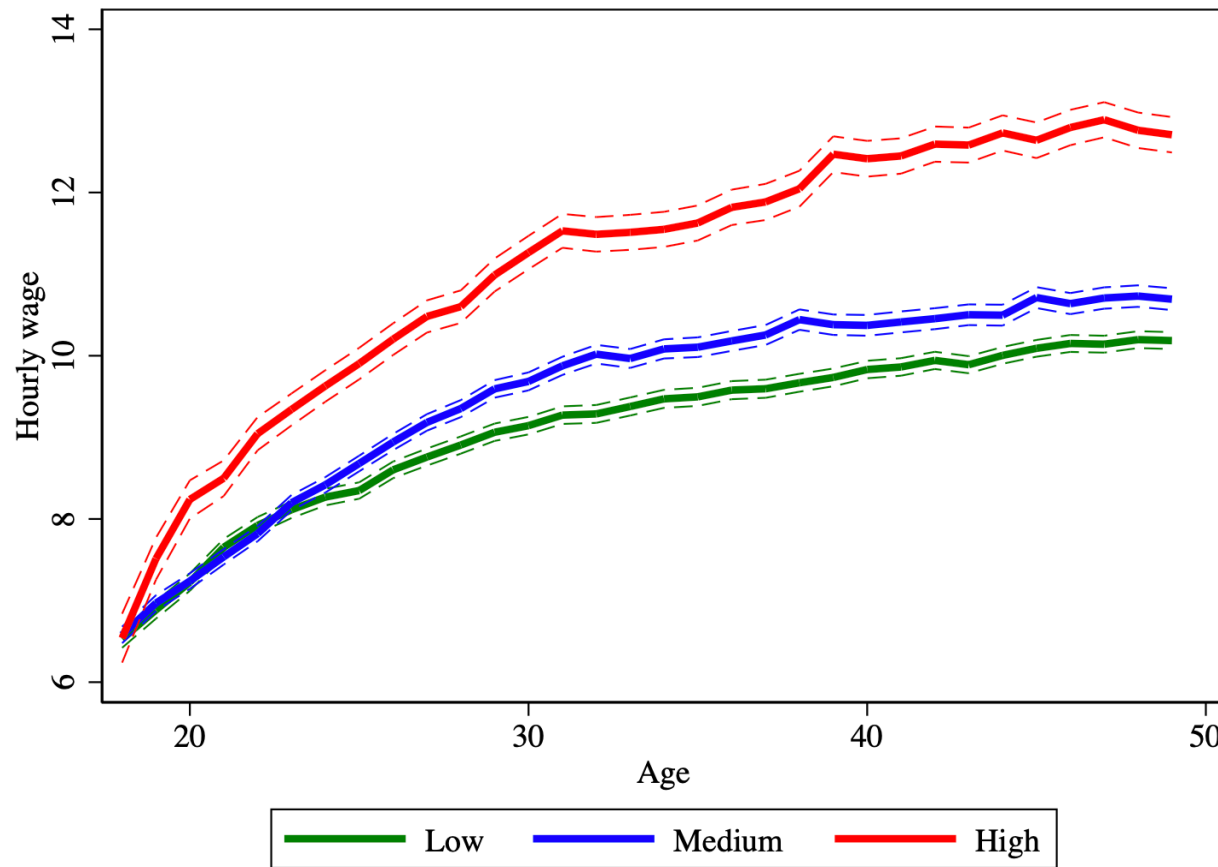
- **Problem Sensitivity:** The ability to tell something is wrong or is likely to go wrong.
- **Active Listening:** Giving full attention to what other people are saying, taking time to understand the points being made, asking questions as appropriate.
- **Social Perceptiveness:** Being aware of others' reactions and understanding them
- **Coordination:** Adjusting actions in relation to others' actions.
- **Work With Work Group or Team:** the importance of working with others in a team.
- **Responsibility for Outcomes and Results:** responsibility for results of other workers.
- **Impact of Decisions on Co-workers or Company Results:** results of your decisions usually have on other people or the reputation of employer.

Focusing on the lower-educated (RQF 4-digit match), we use 10 task measures to create (PCA) a single index ' $\lambda$ ' of the importance of 'soft skills'.

- Show this measure is strongly correlated with the EWCS questions on what lower educated workers define as a 'good job' offering career progression.

# Wage progression for workers according to soft skill intensity $\lambda$

## Lower-educated men

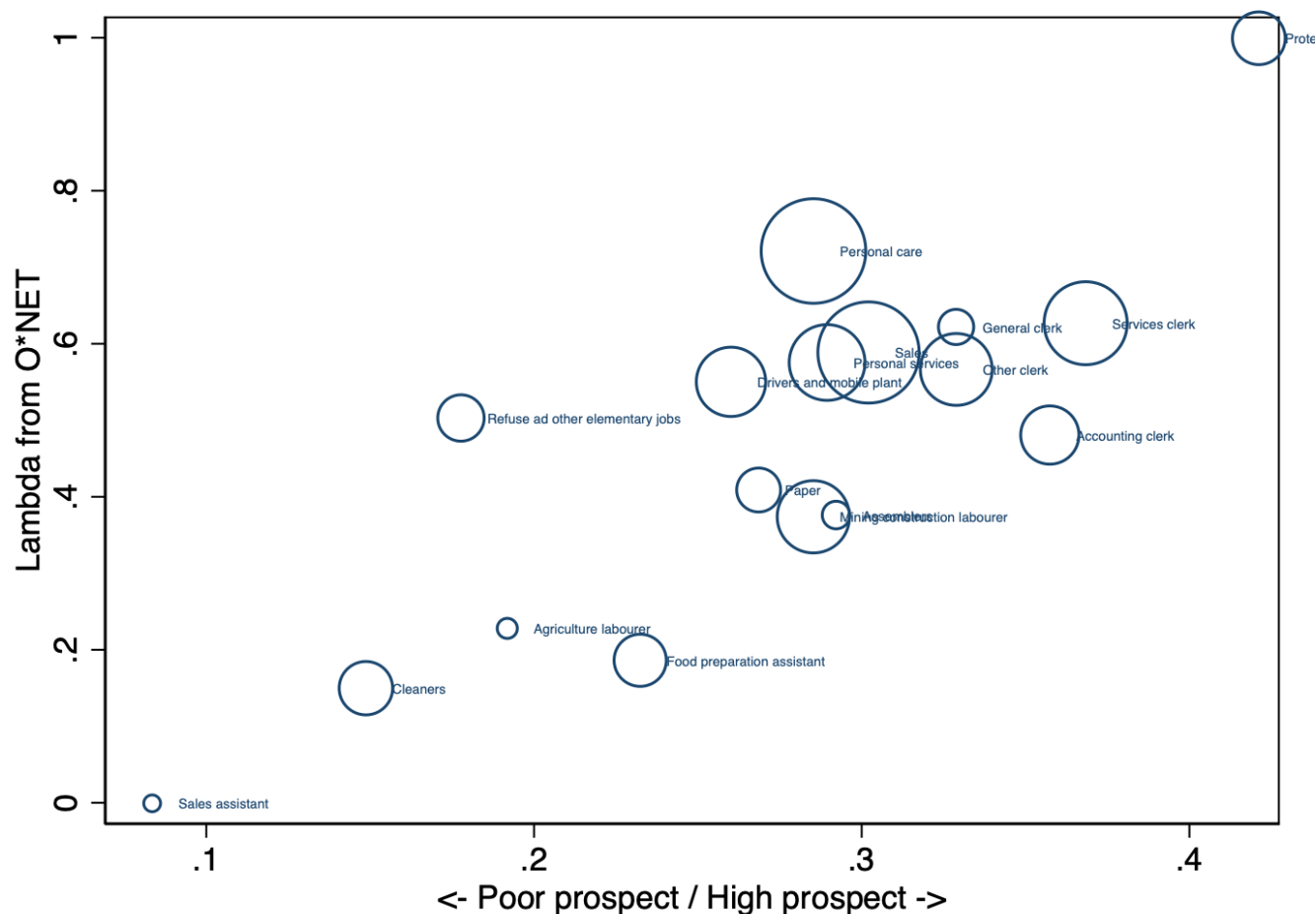


Notes: Data from Annual Survey of Hours and Employment (ASHE) 2004-2019. Figure shows average hourly wage at each age for male workers in private sector firms in occupations with low-educational requirements categorised by the measure of the importance of soft-skills (Regulatory Qualification Framework, RQF).  $\lambda$  index split in three equal bins.

Source: Aghion, Bergeaud, Blundell and Griffith (2022)

# Does $\lambda$ identify “good jobs”?

EWCS: ‘My job offers good prospects for career advancement’, low-educated



Notes: Authors' calculations using EWCS, 2015. Each dot is a 2-digit occupation, scaled by UK employment.

Source: Aghion, Bergeaud, Blundell and Griffith (2022)

# Employer-Employee Panel Data Results for low-educated

Dependent variable:  $\ln(w_{ijkft})$

High lambda	0.1387*** (0.0022)	0.0869*** (0.0032)	0.0330*** (0.0032)	0.0613*** (0.0023)
<b>x tenure</b>		0.0073*** (0.0004)	0.0013*** (0.0005)	<b>0.0036***</b> (0.0003)
<b>x tenure 0-5 years</b>		0.0079*** (0.0009)	0.0057*** (0.0006)	<b>0.0085***</b> (0.0008)
initial wage				0.0459*** (0.0009)
Controls for age, tenure, tenure-squared, gender, full/part-time, firm size				
TTW-Occ-Year	✓	✓	✓	✓
TTW-Year				✓
Year effects			✓	
Worker effects			✓	
$R^2$	0.241	0.248	0.347	0.439
Observations	339,911	339,911	339,911	339,911

Notes: Sample is male workers aged 18-49 in low-educated occupations in private sector firms 2004-2019. Numbers are coefficients with robust standard errors in parentheses. Travel To Work (TTW) times year, or TTW time 2-digit occupation times year are included as indicated. Stars indicate \*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Source: Aghion, Bergeaud, Blundell and Griffith (2022).



# Adding innovativeness and proportion of higher educated workers

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
High lambda	0.0461*** (0.0033)	0.0340*** (0.0048)	0.0499*** (0.0033)	0.0275*** (0.0048)	0.0447*** (0.0035)	0.0485*** (0.0088)	0.0699*** (0.0083)
High lambda × tenure	0.0038*** (0.0003)	0.0024*** (0.0004)	0.0043*** (0.0003)	0.0022*** (0.0004)	0.0036*** (0.0004)	0.0046*** (0.0006)	0.00072*** (0.0006)
High lambda × tenure 0-5 yrs	0.0086*** (0.0010)	0.0045*** (0.0009)	0.0070*** (0.0011)	0.0054*** (0.0008)	0.0085*** (0.0010)	0.0044** (0.0022)	0.0072*** (0.0024)
High lambda × tenure 0-5 yrs × R&Dfirm		0.0055** (0.0022)	0.0096*** (0.0024)				
High lambda × tenure 0-5 yrs × share HE							0.0451*** (0.0107)
High lambda × R&D firm		0.0381*** (0.0086)	0.0226*** (0.0057)				
High lambda × share high educated							0.1678*** (0.0365)
R&D firms		0.0705*** (0.0053)	0.0768*** (0.0043)				
R&D firms × tenure		0.0006 (0.0005)	-0.0003 (0.0003)				
Share high educated						0.1672*** (0.0201)	
Share high educated × tenure						0.0051*** (0.0016)	
TTW-Year	✓		✓		✓	✓	✓
Worker effects		✓		✓			
Year effects		✓		✓			
R <sup>2</sup>	0.474	0.343	0.479	0.340	0.480	0.497	0.511
Observations	212,389	212,389	212,389	198,446	198,446	53,592	53,592

Source: Aghion, Bergeaud, Blundell and Griffith (2022).

# Firms, wage progression and good jobs: summary

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- Some lower educated workers experience higher wage progression
  - we find this (partly) reflects the value of ‘soft skills’,
  - these workers see more training and longer tenures,
  - with higher progression in more innovative firms and firms with a larger share of higher educated,
  - also find workers in soft skill occupations are less likely to be out-sourced, look at *cleaners* as a case study.
- Cognitive and other skills matter too but soft skills remain an important dimension for lower educated workers,
  - note the ‘Soft skills’ impact on wage progression appears larger for women.

# Overview: Some take-aways ...

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## Little overall earnings progression for lower educated workers

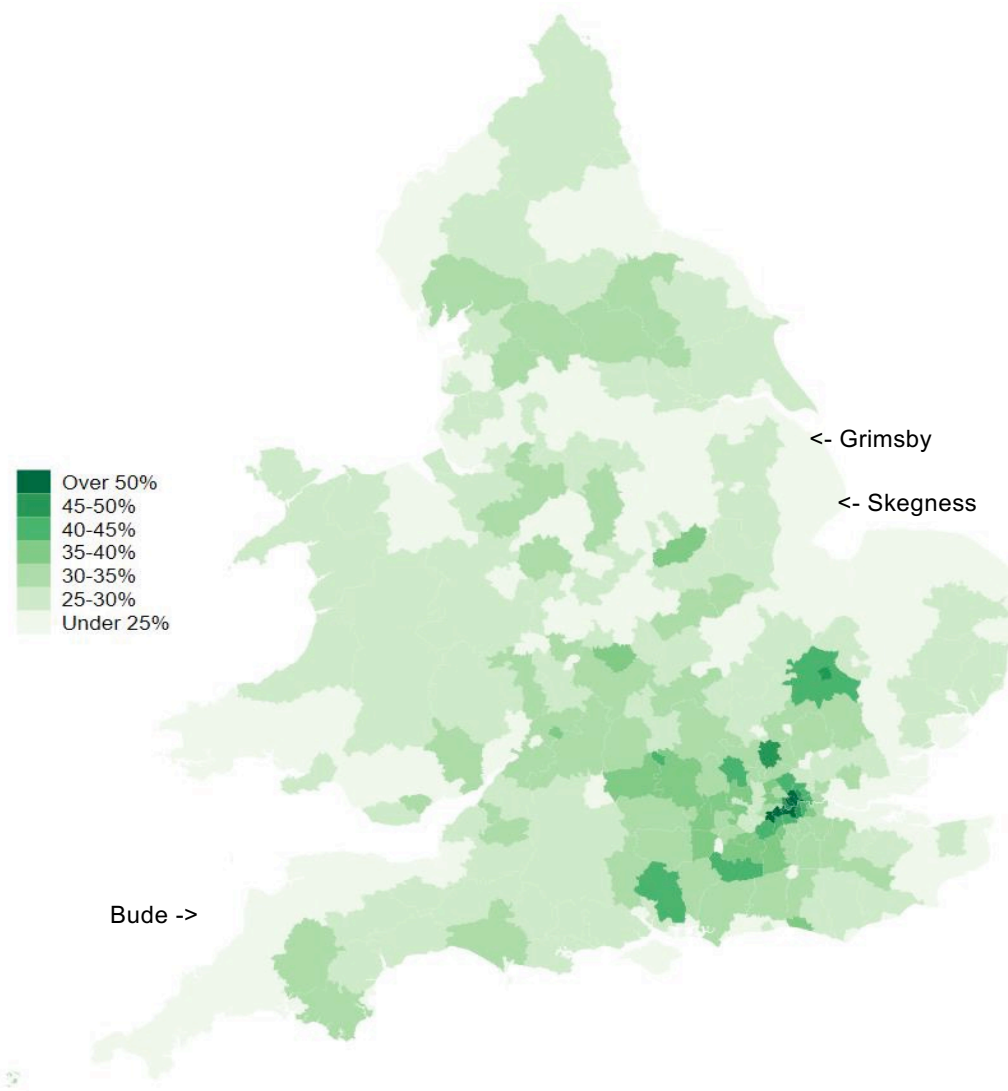
- employment alone is (increasingly) not enough to escape poverty and low earnings,
- find diverging wage profiles by education and by part-time work,
- low rates of on-the-job training for lower educated workers,

but....

- find significant returns for firm-based qualification training, and
- low-educated workers with 'soft skills' see improved progression, with more training and longer tenures,
- especially in R&D firms and firms with a large share of higher skilled workers – the challenge of 'left-behind' areas...

# Regional disparities in education

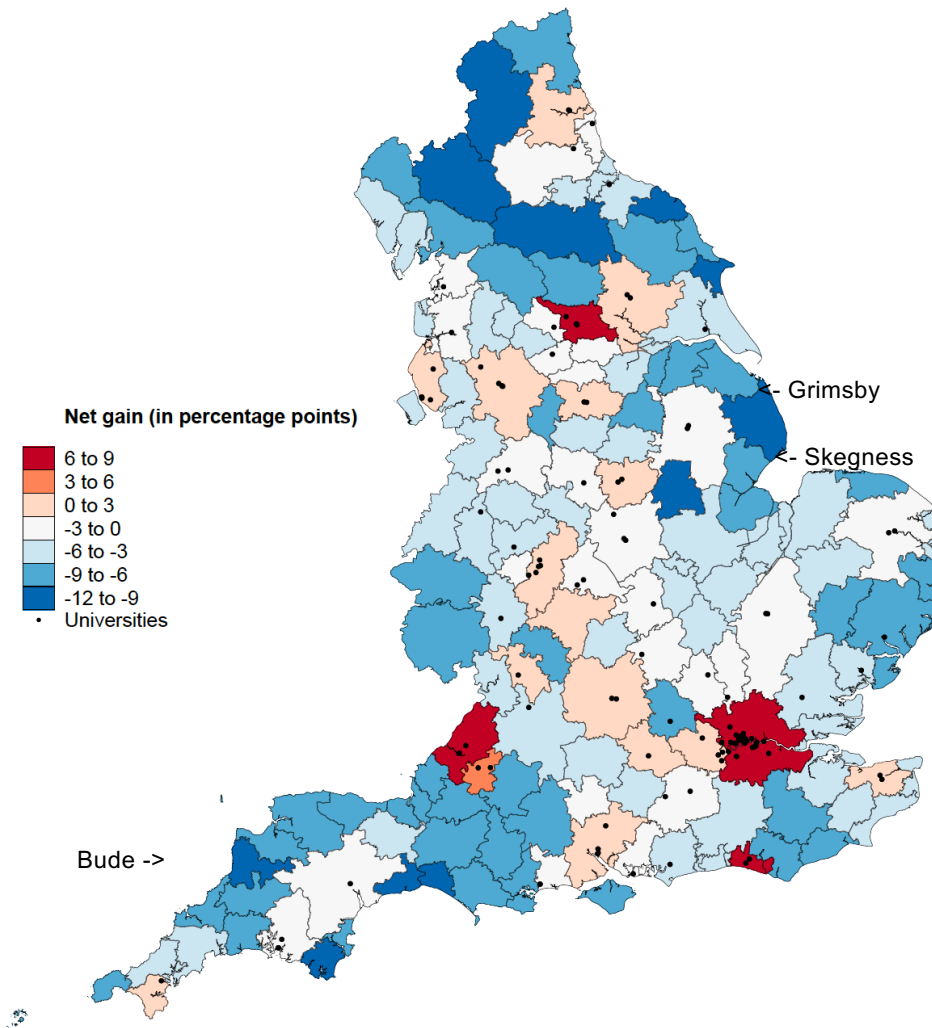
## Share of Population (England and Wales) with Post A-level Qualifications



Source: Blundell et al. 2021 (Figure 1).

# Regional disparities in education

Change in share of (future) graduates in TTWA, age 16 to age 27



Note: IFS. NPD, LEO Data. Net gain is the percentage point difference between the share of 16-year-olds from the area who went on to be graduates and the share of 27-year-olds who live in the area who are graduates. Black dots signify universities.

# Educational flight: regional disparities in education and social mobility

Share from TTWA v. share living in TTWA at age 27

	Share of pupils who get degrees	Share of adults who have degrees (in same cohorts)	Net loss (as share of base)
Bridlington	23%	13%	43%
Skegness and Louth	24%	14%	40%
Bude	27%	16%	40%
Northallerton	32%	20%	36%
Spalding	24%	15%	36%
Grimsby	19%	12%	36%
Bridport	29%	19%	34%
Clacton	19%	12%	34%
Boston	23%	16%	33%
Wisbech	17%	11%	33%

Source: Overman and Xu (Deaton Review, IFS, 2022)

## Beyond tax credits and the minimum wage

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- **In-work transfers/tax credits** - increase employment, well targeted to low earning families, but do little for pay and pay progression.
- **Minimum wages** - raise hourly wages, less well targeted to poor families due to falling working hours & solo self-employed; no incentive for progression.
- **Cannot continue to rely exclusively on these as the main policy leavers.**

### Can we put flesh on the idea of a 'good jobs' agenda?

- **Training** - a focus on the firm-based accredited skills that enhance progression and complement new technologies, integrated with in-work benefits.
- **Solo self-employment and new forms of work** - need to line up effective tax rates, benefit eligibility, and training access.
- **Productivity and place-based policies** - policies to attract entry of R&D firms and firms that employ a mix of educational groups, policies that are essential for agglomeration, progression and to reverse educational flight.

# Designing post-covid policy mix

Educational disadvantage and diverging educational outcomes.

- offset the learning loss in multiple subjects, especially for deprived families - returns are high; digital access to allow all pupils and enable access to training at distance.

Vocational skills and a path to good jobs.

- re-think training to focus on accredited skills that complement career progression, oriented towards new technologies – incentivise complementary technologies.

Stalling gender gap in earnings and care.

- policies toward quality childcare provision, with tax credits for training that replaces lost work experience/human capital of mothers.

Differences in prosperity between places.

- policies to reverse educational flight to enhance agglomeration and ‘good jobs’ for lower educated – career progression in ‘left-behind’ areas.

Redesigning welfare.

- avoid incentives for part-time work in welfare-benefit system; incentivise firm-based training; line up effective tax rates, benefit eligibility, and training access to solo self-employed/platform workers.

Generational inequalities housing and wealth.

- reform capital gains tax, property taxation and inheritance taxation - Mirrlees Review plus!



# Background studies with commentaries, all available online

- ‘Labour market inequality’, Steve Machin and Giulia Giupponi, IFS Deaton Review of Inequalities, March 2022.
- ‘The transfer system’, Hilary Hoynes, Robert Joyce and Tom Waters, IFS Deaton Review of Inequalities, February 2022.
- ‘Spatial disparities across labour markets’, Henry Overman and Xiaowei Xu, IFS Deaton Review of Inequalities, February 2022.
- ‘Women and men at work’, Alison Andrew, Oriana Bandiera, Monica Costa-Dias, and Camille Landais’, IFS Deaton Review of Inequalities, November 2021.
- ‘Top income inequality and tax policy’, Isaac Delestre, Wojciech Kopczuk, Helen Miller, and Kate Smith, IFS Deaton Review of Inequalities, April 2022.
- ‘Firms and Inequality’, Jan De Loecker, Tim Obermeier and John Van Reenen’, IFS Deaton Review of Inequalities, April 2022.
- ‘Income Inequality and the Labour Market in Britain and the US’, Richard Blundell, Robert Joyce, Agnes Norris Keiller, and James P. Ziliak, *Journal of Public Economics*, March 2018.
- ‘Female Labour Supply, Human Capital and Welfare Reform’, Richard Blundell, Monica Costa-Dias, Costas Meghir and Jonathan Shaw, *Econometrica*, 84(5), September 2016.
- ‘Wages, Experience and Training of Women over the Lifecycle’, Richard Blundell, Monica Costa-Dias, David Goll and Costas Meghir, *Journal of Labour Economics*, January, 2021.
- ‘Soft Skills and the Wage Progression of Low-Educated Workers’, Philippe Aghion, Antonin Bergeaud, Richard Blundell, and Rachel Griffith, *CEPR DP14102* updated March 2022.
- ‘Inequality, Redistribution and the Labour Market’, Richard Blundell, *Centenary Issue, Economica* 89, May 2022.
- ‘Inequality and the COVID Crisis’, Richard Blundell, Jonathan Cribb, Monica Costa-Dias, Robert Joyce, Tom Waters, Xiaowei Xu), forthcoming *Annual Review of Economics*, Volume 14, August 2022.

# Inequality, Redistribution and the Labour Market:

## Reflections from the Deaton Review

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Keynote Lecture

Trans-Atlantic Public Economics Seminar

CEBI Copenhagen

June 7<sup>th</sup> 2022

IFS-Deaton Review: Inequalities in the 21st Century

<https://www.ifs.org.uk/inequality/>