

**Abstract for “Accounting for Changes in the Distribution of Disposable Income: Copula-based Decomposition Approach”**

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We develop a copula-based decomposition method to account for changes in the distribution of disposable income between two points in time. This method provides a broad framework that allows us to explore in a flexible way how changes in the population structure, marginal distributions of different income components and their interdependence affect the distribution of total disposable income over time. Based on the analysis of the whole distribution of total income, the proposed copula-based decomposition technique also makes it possible to analyze and explain temporal changes in a broad range of summarizing indexes such as, for example, inequality, poverty or wealth indexes.

The method is then used to explain the change in the distribution of disposable household income and its summary measures in Luxembourg between 1987 and 2008. Using data from the longitudinal survey “Liewen zu Lëtzebuerg”, we explore how changes in the population characteristics and marginal distributions of labor, capital, and transfer income have affected the distribution of total disposable household income and its summary measures over time.