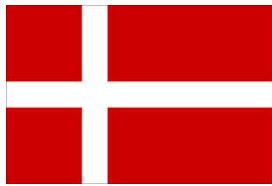


Denmark, Finland, Netherlands and Sweden: the four Nordic countries?



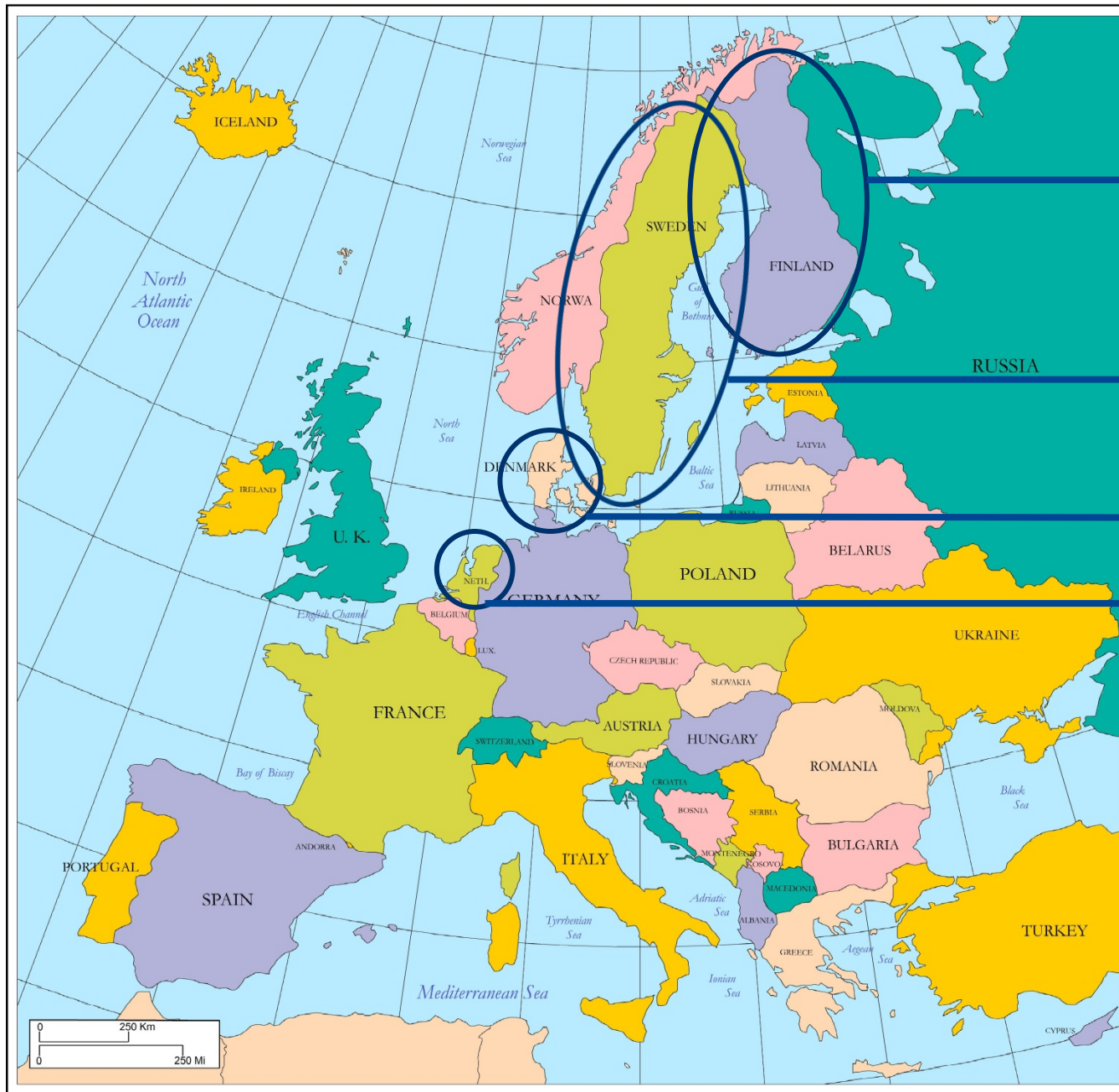
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GINI concluding conference, Amsterdam, 4–5 June 2013

EUROPE



Finland

Sweden

Denmark

The Netherlands

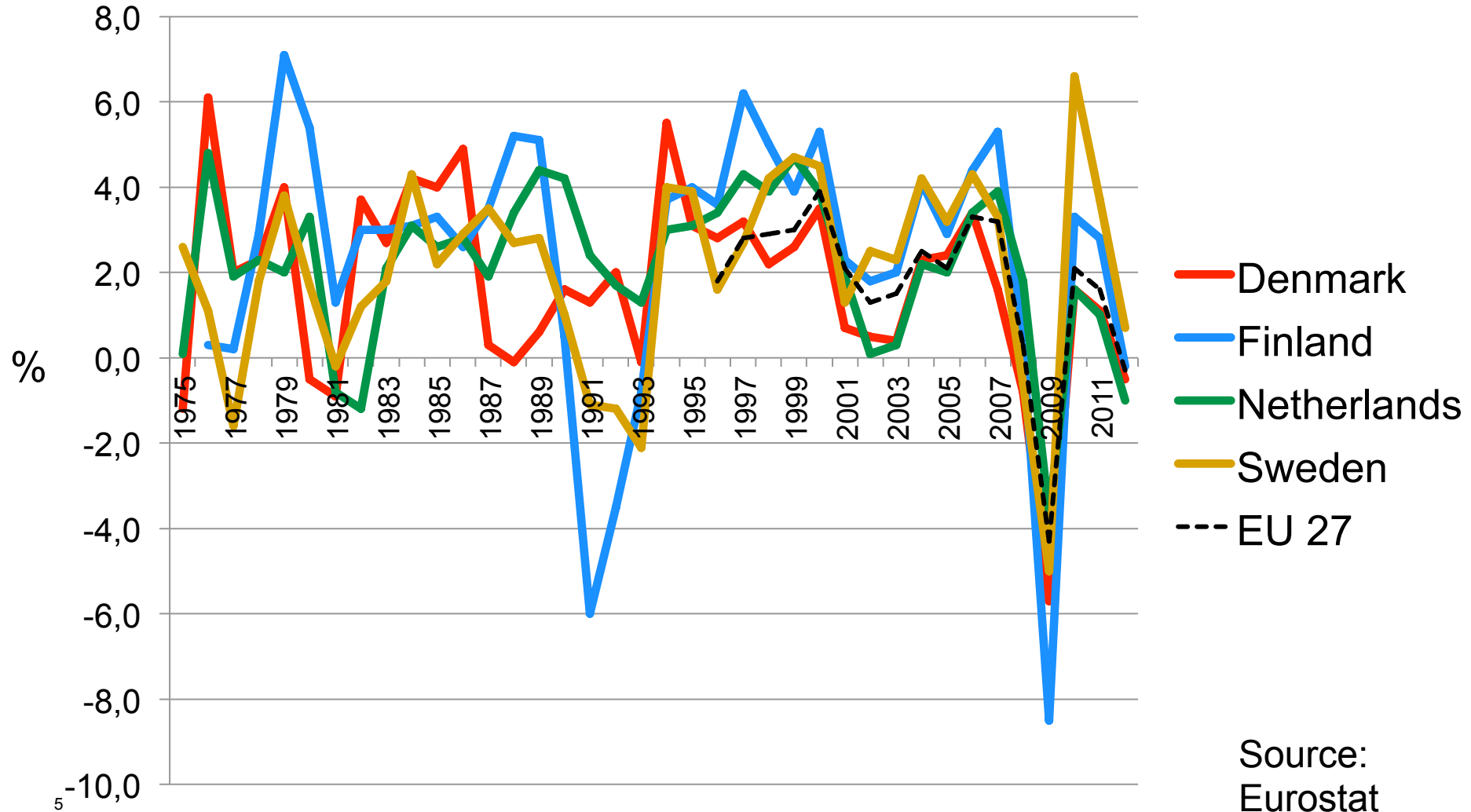
This presentation

- The presentation is based on those facts that were highlighted in the country chapters (not on the 442 pages of the big reports...)
- Each country chapter is structured slightly differently, and only few things are presented exactly similarly – therefore some comparative data from Eurostat (concerning some issues treated in the country reports) are also used
- Similarities and differences between the country experiences

Context of the four countries

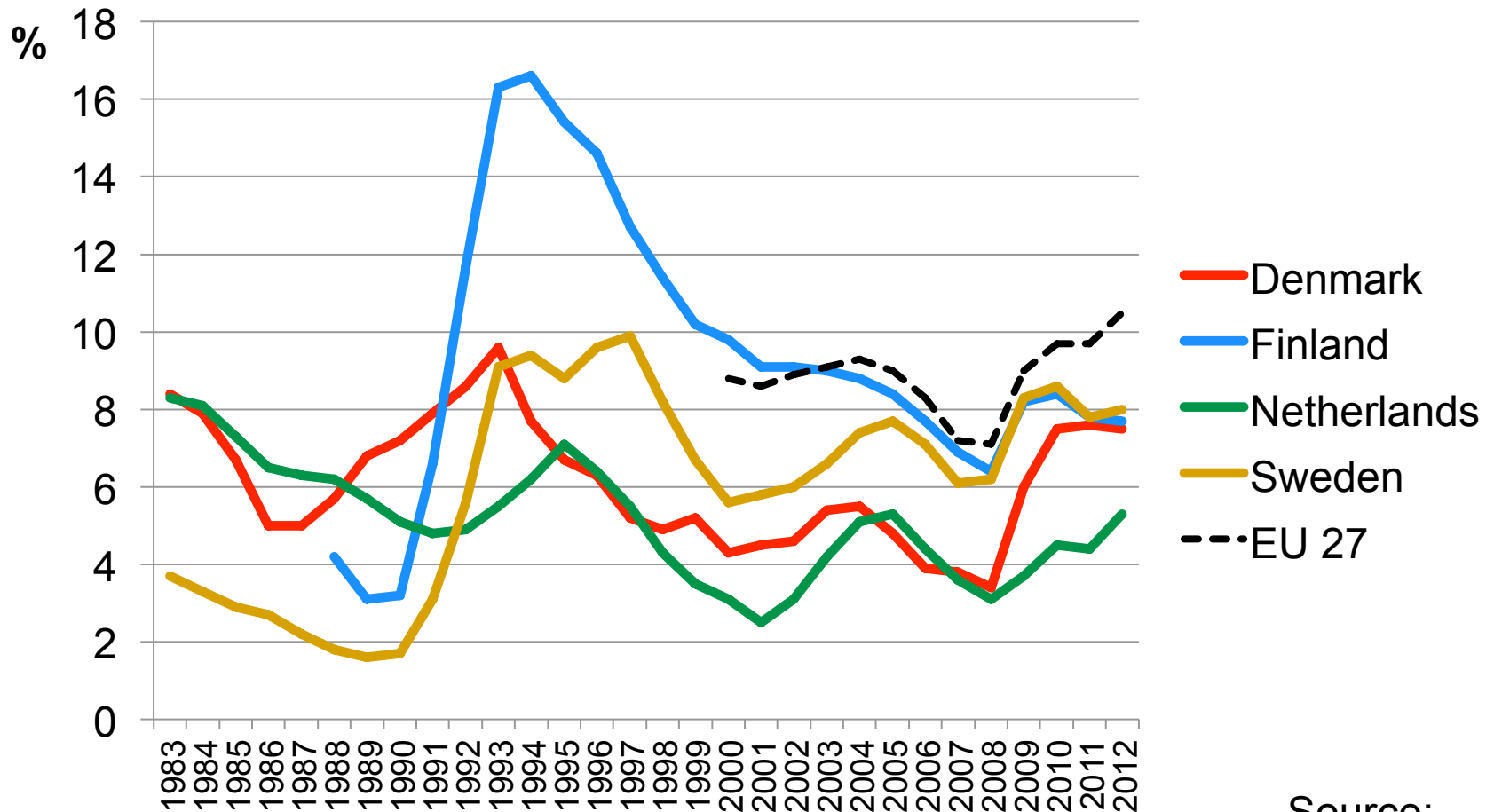
- Traditionally strong welfare states, with benefits and services to guarantee means for living for those who are unable to provide for themselves
- Even after retrenchment of the welfare state, high level of redistribution through taxes and transfers
- Also traditionally low inequality – but substantial increases during the last decades
- Universal access to education, strive for equality of opportunity

Context: GDP volume growth, 1975–2012



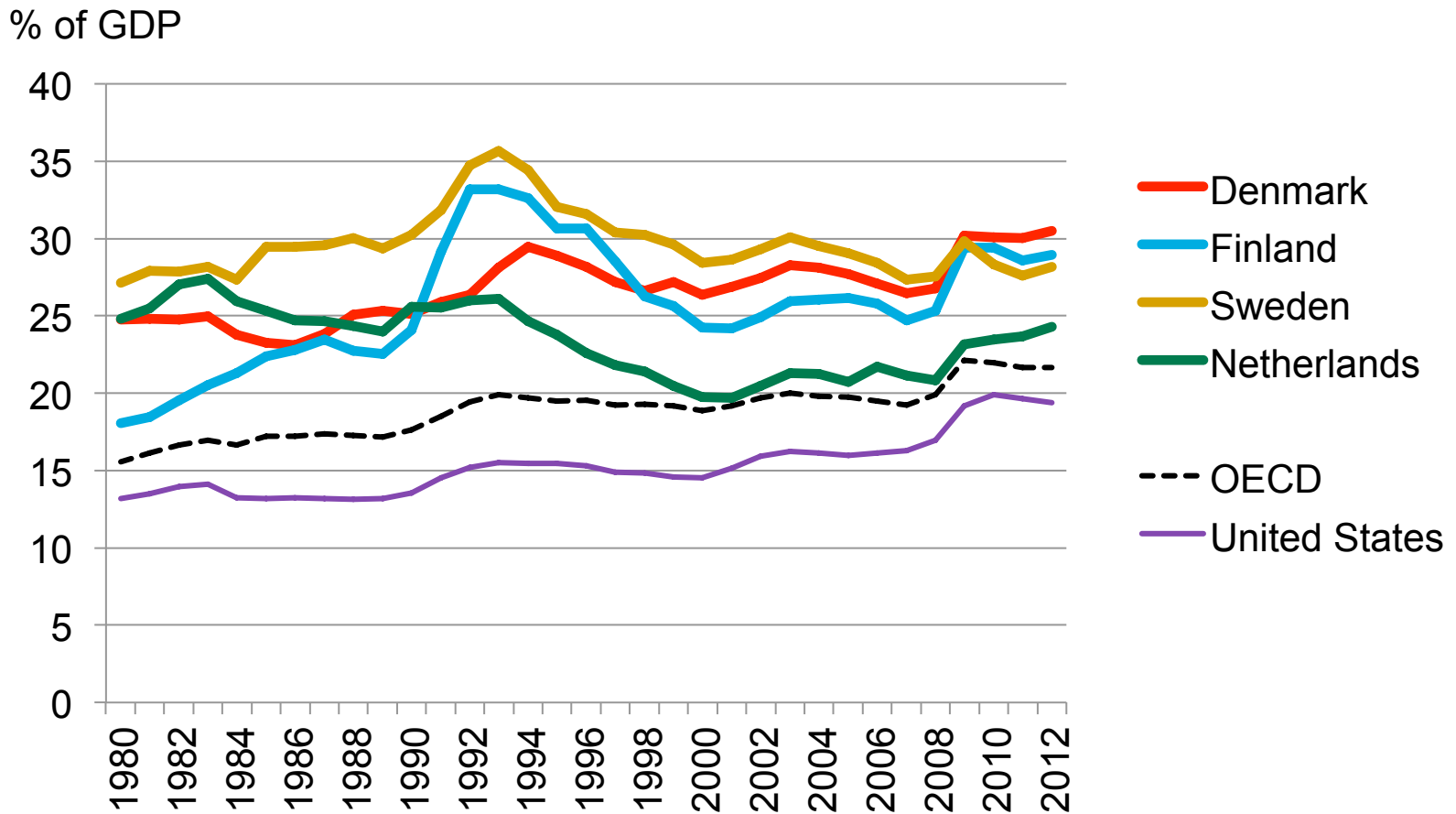
Source:
Eurostat

Context: unemployment rates among 15–74-year-olds, 1983–2012



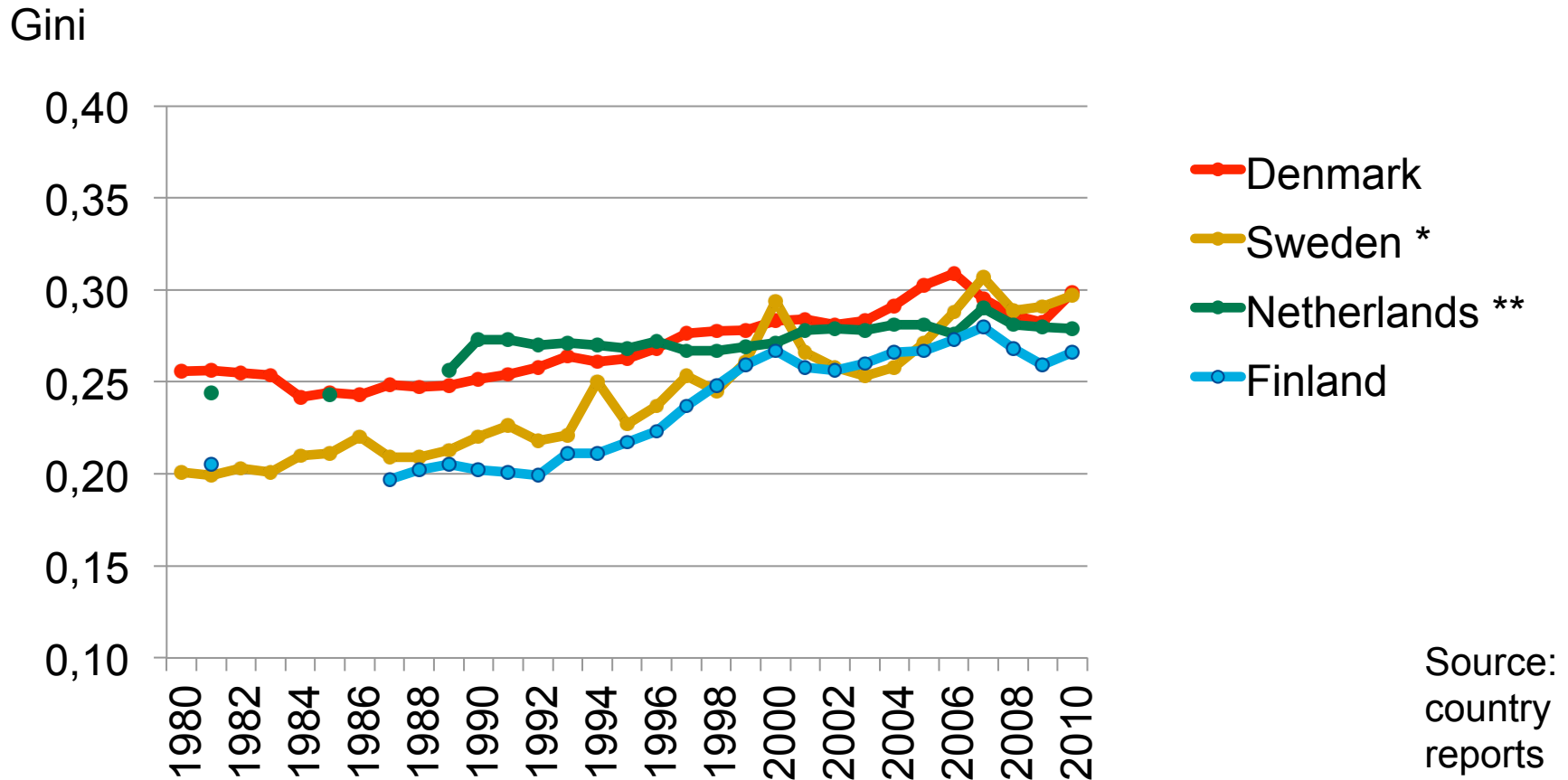
Source:
Eurostat

Context: Social spending, % of GDP



Source: OECD SOCX database

Gini of equivalized disposable income, 1980–2010



* Old household definition 1980–1990, new definition 1991–2010

** Series break in 2000

Rise in Gini – slower or steeper

- **Netherlands**: rise in inequality particularly in the second half of the 1980's, then rather stable
 - Total rise of Gini from lowest to highest point: 19 % (+0.05)
- **Denmark**: slow but steady rise from the mid-1980's
 - Total rise of Gini from lowest to highest point: 28 % (+0.07)
- **Finland** and **Sweden**: steep rise especially after the recession of the early 1990's
 - Total rise of Gini from lowest to highest point:
 - Finland: 42 % (+0.08)
 - Sweden: 54 % (+0.11)
- These countries are now on the same level of Gini as the Continental European welfare states

Reasons for growing income inequality

- Countries emphasize different things – but it is difficult to compare the relative role of the explanations
 - To which extent are there real differences
 - Or do the country chapters just reflect differences in the effort to quantify things
- For example: The Netherlands chapter (also Denmark to some extent) mentions changing household structure as a key driver – possibly this is a key driver also in other countries but they have not tried to quantify it

Points that the countries emphasize (1)

Sweden



- Tax reform in 1991: flat-rate tax on capital income
- Increasing share of income to the top
- Decreasing coverage of social policy programmes after the recession of the 1990's, and later in the 2000's
- Lowest deciles lagging behind also relative to the median
- The gap between the insiders and outsiders of the labour market has increased

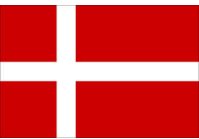
Finland



- Tax reform in 1993: flat-rate tax on capital income
→ shift of income from earnings to capital income
- Increasing share of income to the top
- Cut-backs or lagging behind of the levels of social security benefits after the recession of the 1990's
- Persistently high unemployment rate

Points that the countries emphasize (2)

Denmark



- Growing share of students and young people taking up low-paid jobs
- Higher labour market participation of women in full-time jobs
- Increasing proportion of singles
- Recent increase due to changes in tax system: marginal tax of top incomes decreased

Netherlands



- Wages are a core determinant of rising income inequality: top incomes
- Policy changes: lower the minimum wage and social benefits after the recession of the 1980's
- Government's "work work work" strategy
- Tax reform in 1990: higher effective tax rate on low incomes
- Household formation patterns affect equivalization

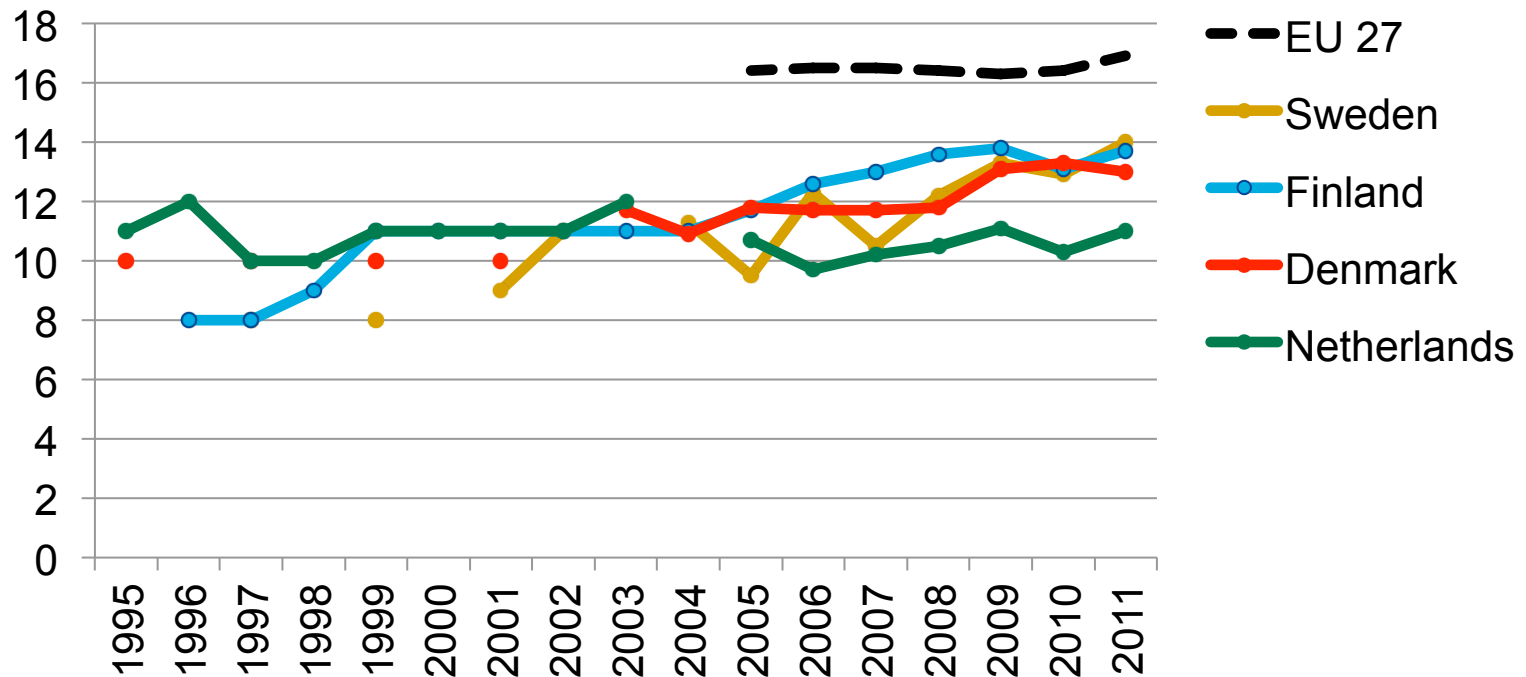
Common to all countries

- Increase in inequality fuelled by increase of top incomes – either by earnings or capital income
- Changing policies are key reasons of rising inequality, for example:
 - Benefits are left lagging behind
 - Changes in taxation
 - The pro-work attitudes of the governments
- Changing demographics, though this is not always documented

At risk of poverty (60 % of median), 1995–2011

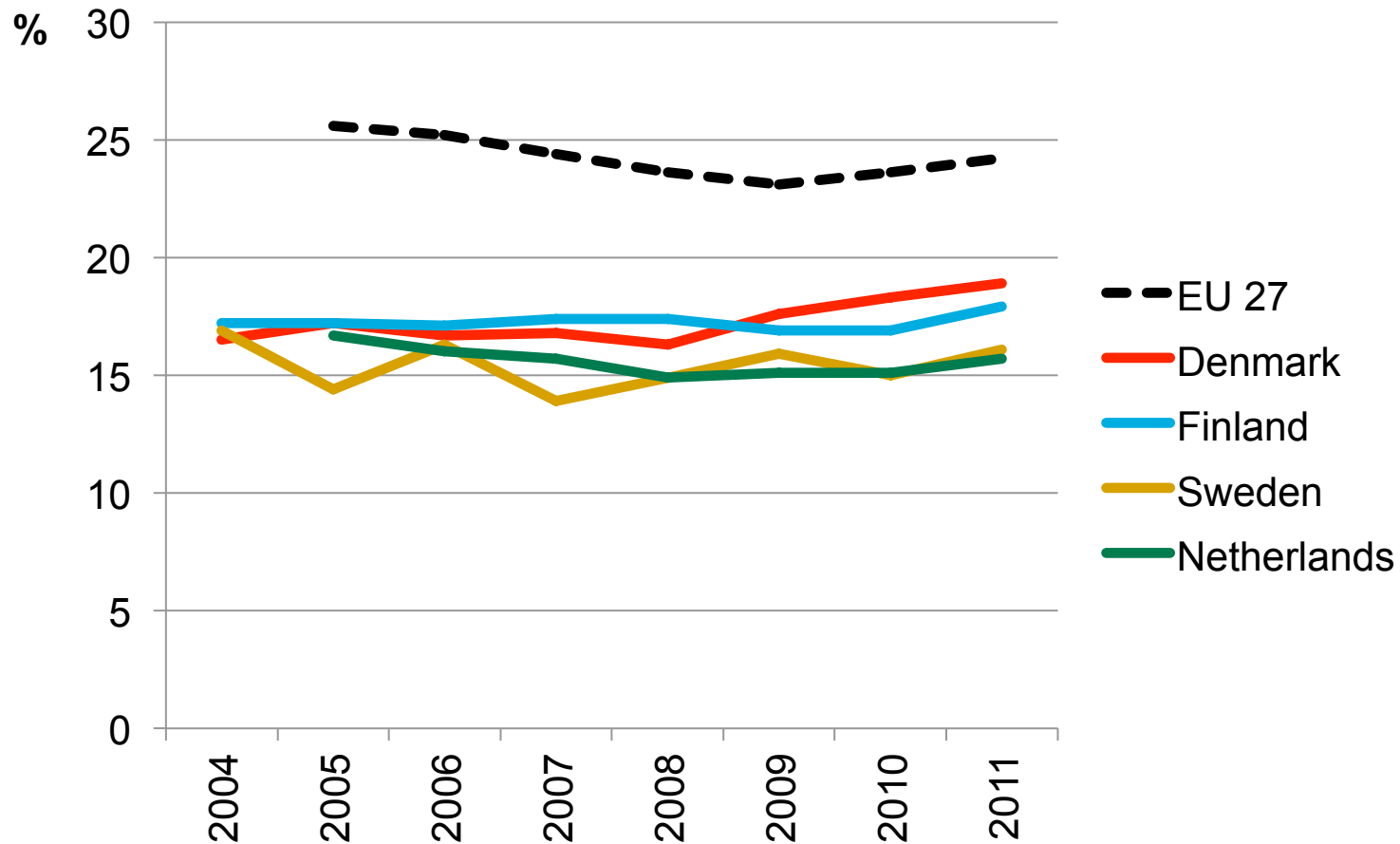
At risk of
poverty rate

(%)



Source: Eurostat

EU2020 indicator: % persons at risk of poverty or social exclusion *



* At risk of poverty / severely materially deprived / lives in a low work intensity household

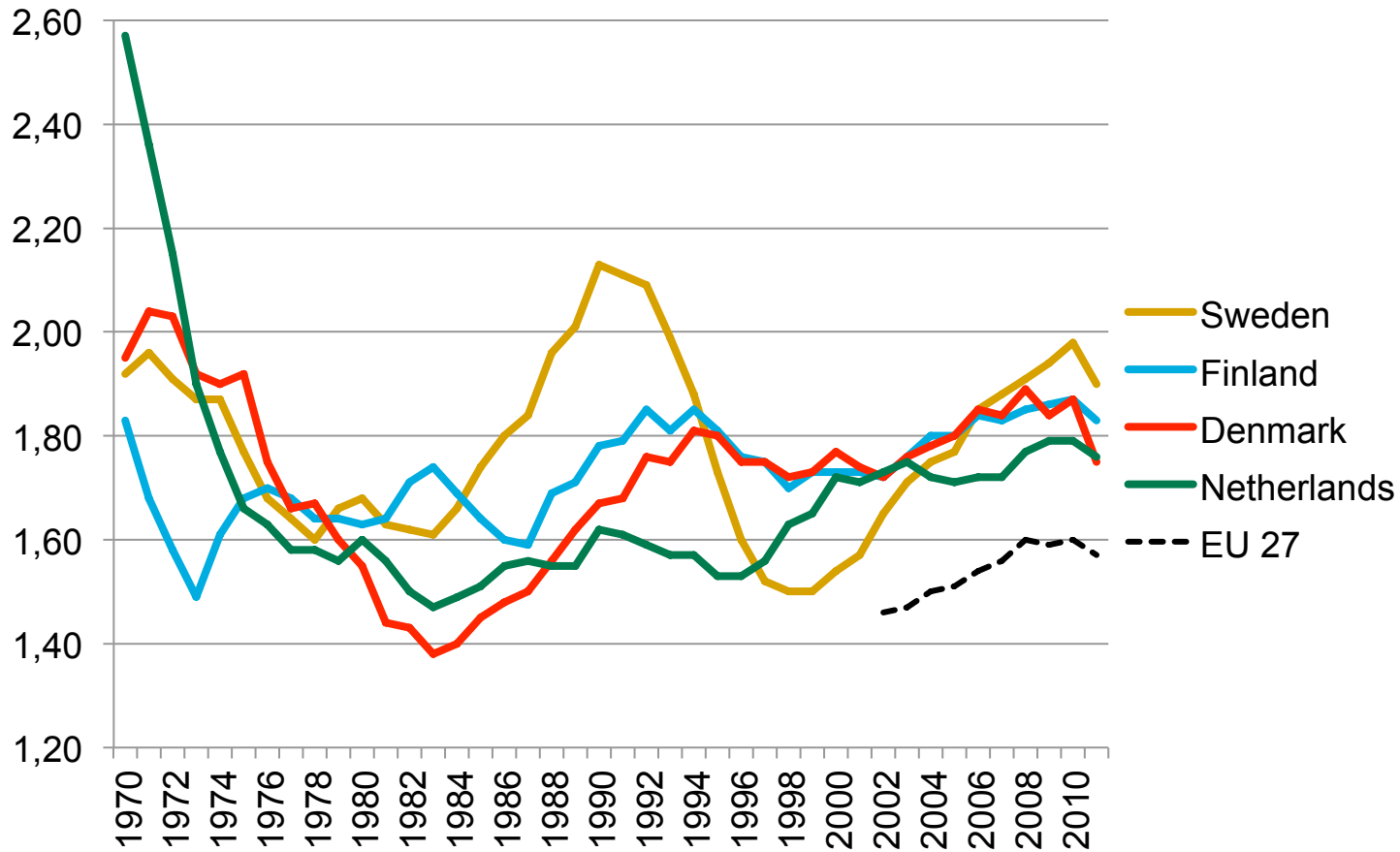
Educational attainment

- Educational attainment has increased in all countries → more equality in education
- However, returns to education have increased – the employment rates of those with only compulsory education are more and more lagging behind
 - One further reason of this may be increasing selection to the groups with only basic education

Social and cultural impacts of increasing inequality?

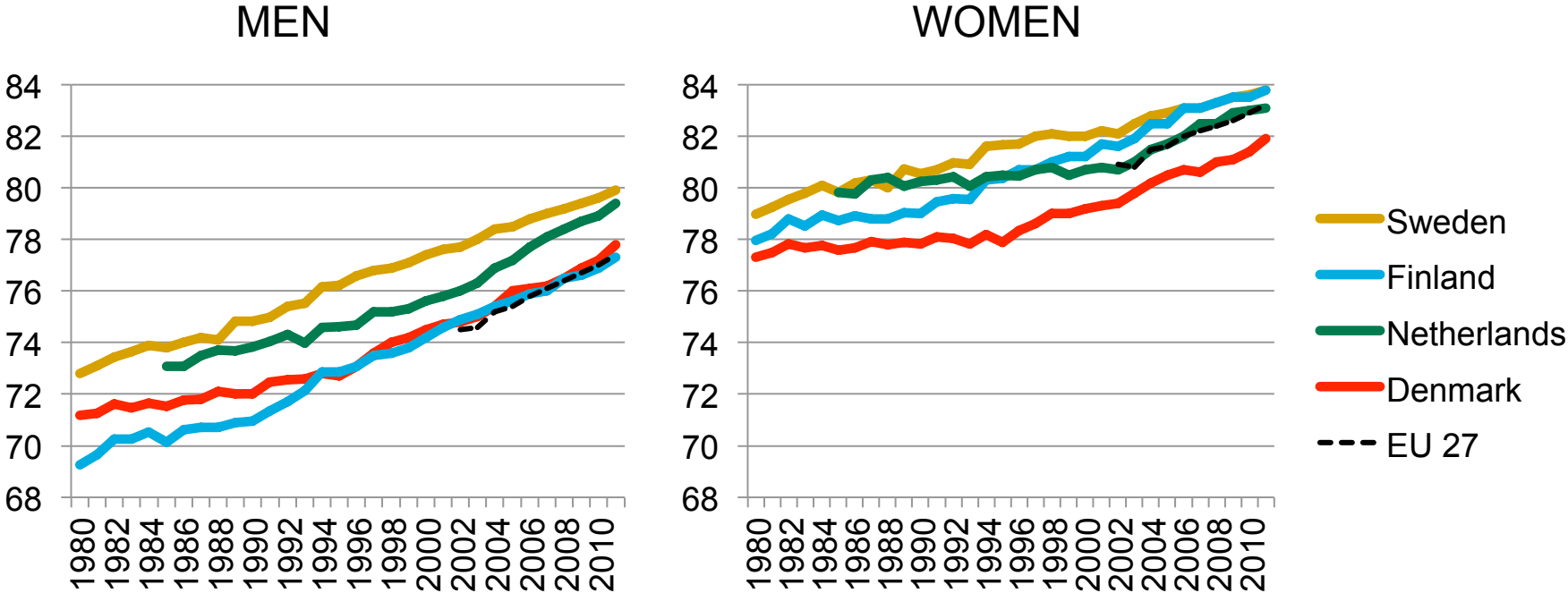
- **No clear and unambiguous effects of inequality on social and cultural issues** such as family formation, health, trust, life satisfaction and social participation
- Some outcomes seem to be more affected by economic cycles than inequality (for example: fertility in Finland, trust in Denmark)

Total fertility rates 1970–2011



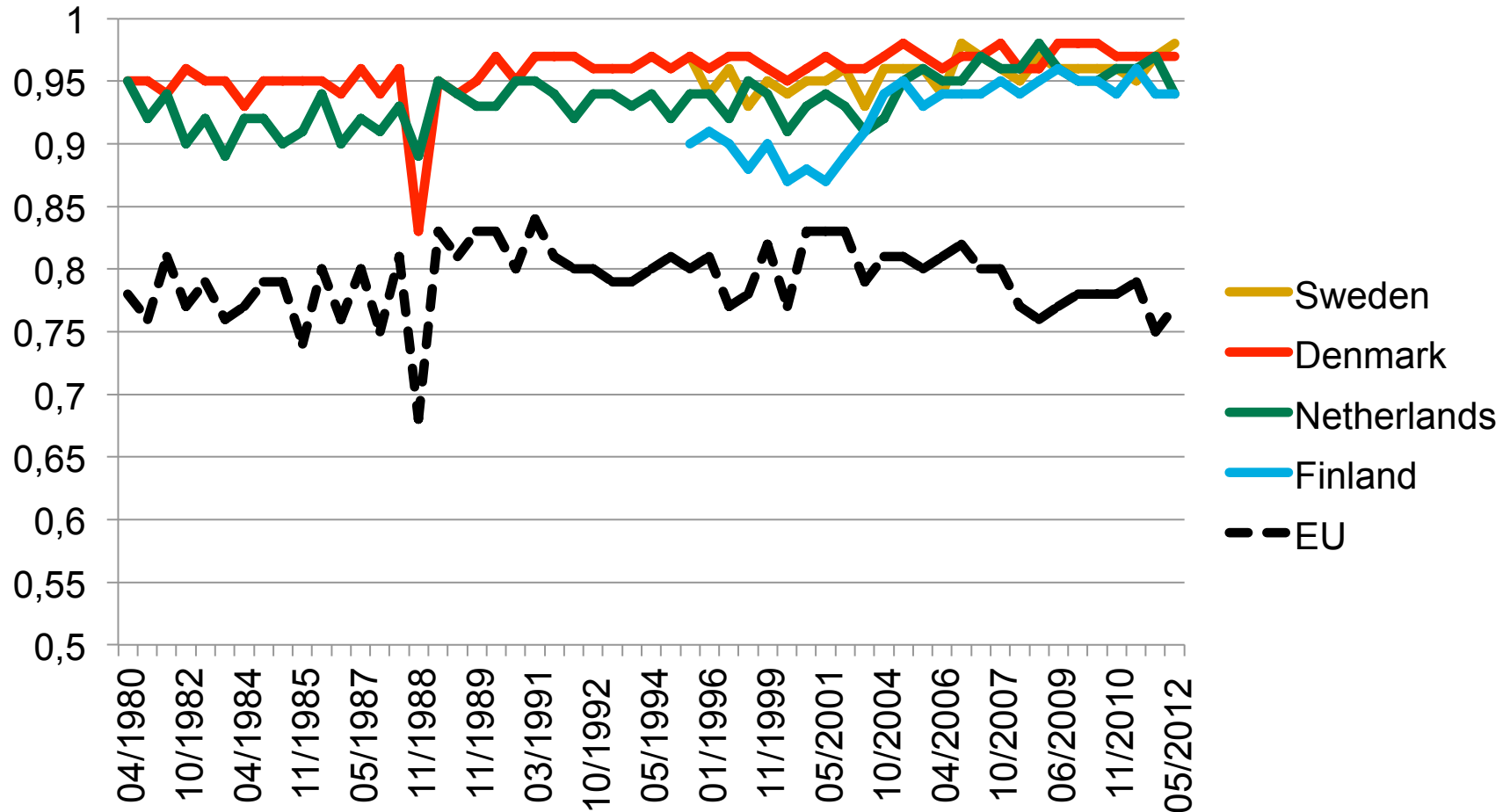
Source: Eurostat database

Health: life expectancy at birth, years

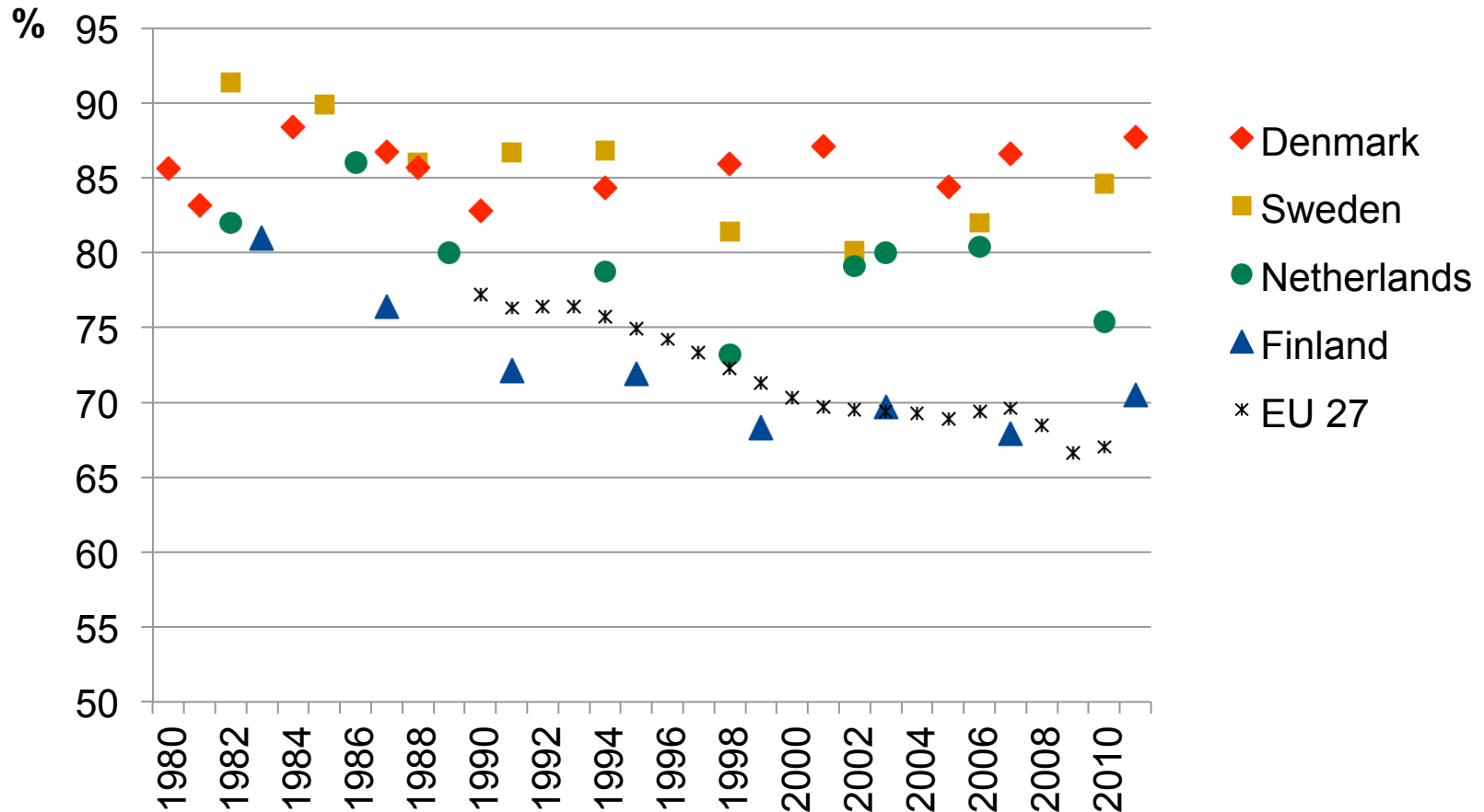


Source: Eurostat database

Life satisfaction: very or fairly satisfied

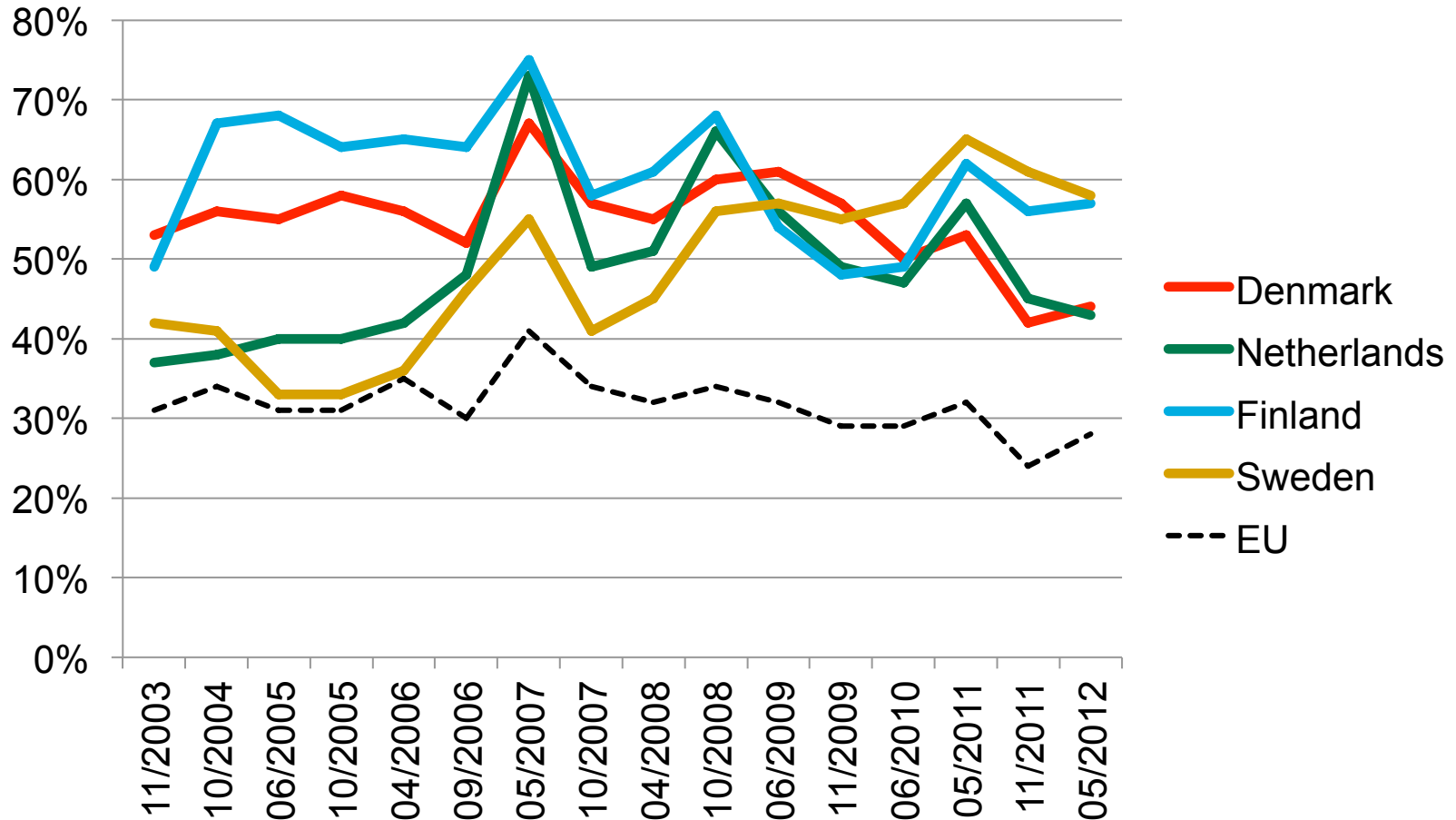


Political participation: voter turnout in general national elections



Source: Country reports; Eurostat

Trust in government (% who tend to trust)



However: widening differences between socioeconomic groups

- Effects are not visible in the averages but they may be hidden in the margins of the society
- Trends of increasing socio-economic differences can be observed (especially in health and mortality), but not sure whether these are caused by increasing inequality
- Socioeconomic gap in the level of trust is increasing at least in Finland and in Sweden
- General polarization, lack of trust and satisfaction in some groups
- Consequences: rise of anti-immigration political parties

Role of politics

- Changing policies are key drivers of rising inequality: less redistributive policy through cutting back social benefits and changing taxation
- Despite cuts of the welfare benefits, support for a strong welfare state remains high in (at least) Finland and in Sweden
- In Finland and in Sweden, shift in political power have taken place in favour of right-wing policies favouring the well-off strata and employers
- Demands to increase incentives for work – especially Sweden has cut back benefits and tightened eligibility rules

Summary

- Traditionally strong and equal welfare states but moving towards higher inequality – speed of change among the highest in OECD
- Simultaneous retrenchment of the welfare state
- However, social and cultural consequences are difficult to see: what is the role of inequality?
- Some polarization of the society may have occurred: increasing socio-economic gradients observed in many phenomena
- However, inequality is still on a comparatively low level; satisfaction is high; the countries still fare well as welfare states

Paradises in the world?



Thank
you!