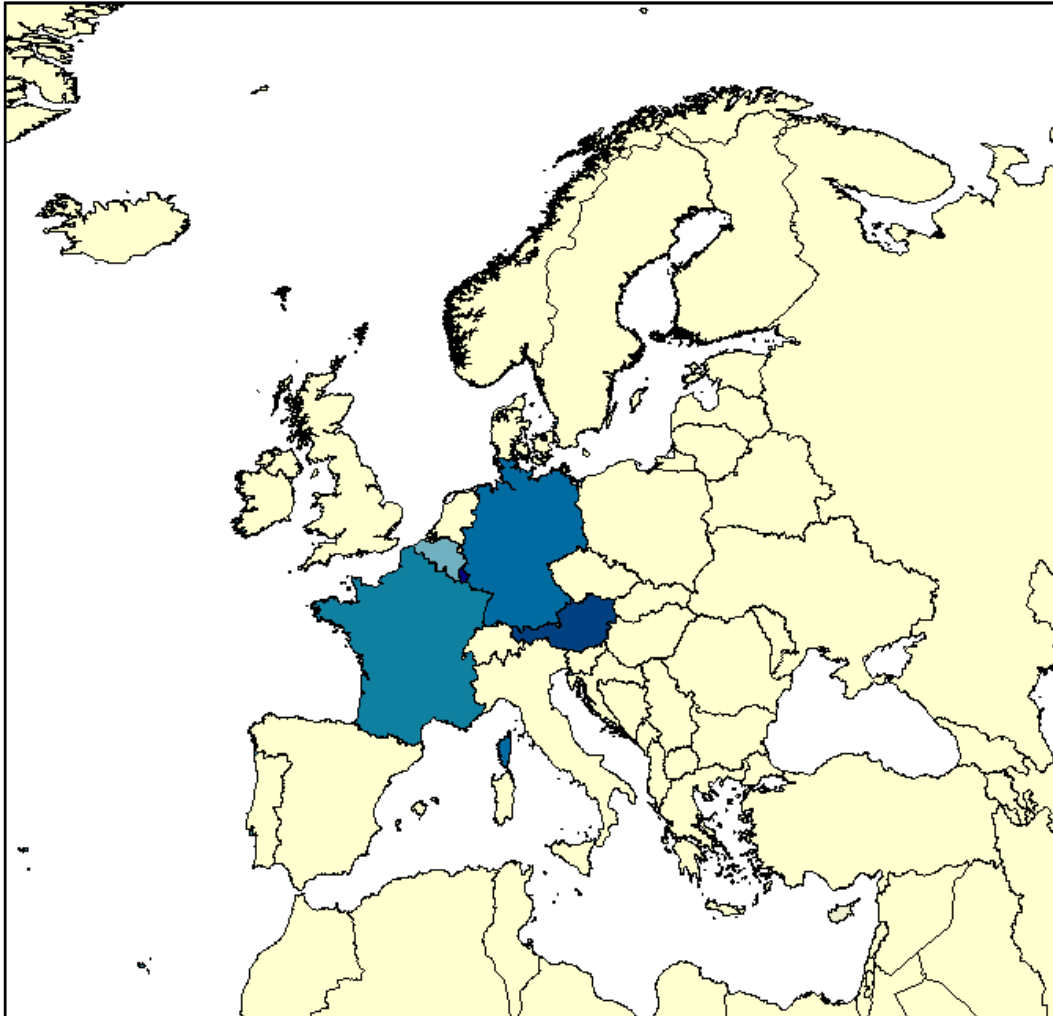


What can we learn from country experiences?

**Austria, Belgium, France,
Germany and Luxembourg**

Tim Van Rie
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Austria, Belgium, France, Germany and Luxembourg



Continental Europe

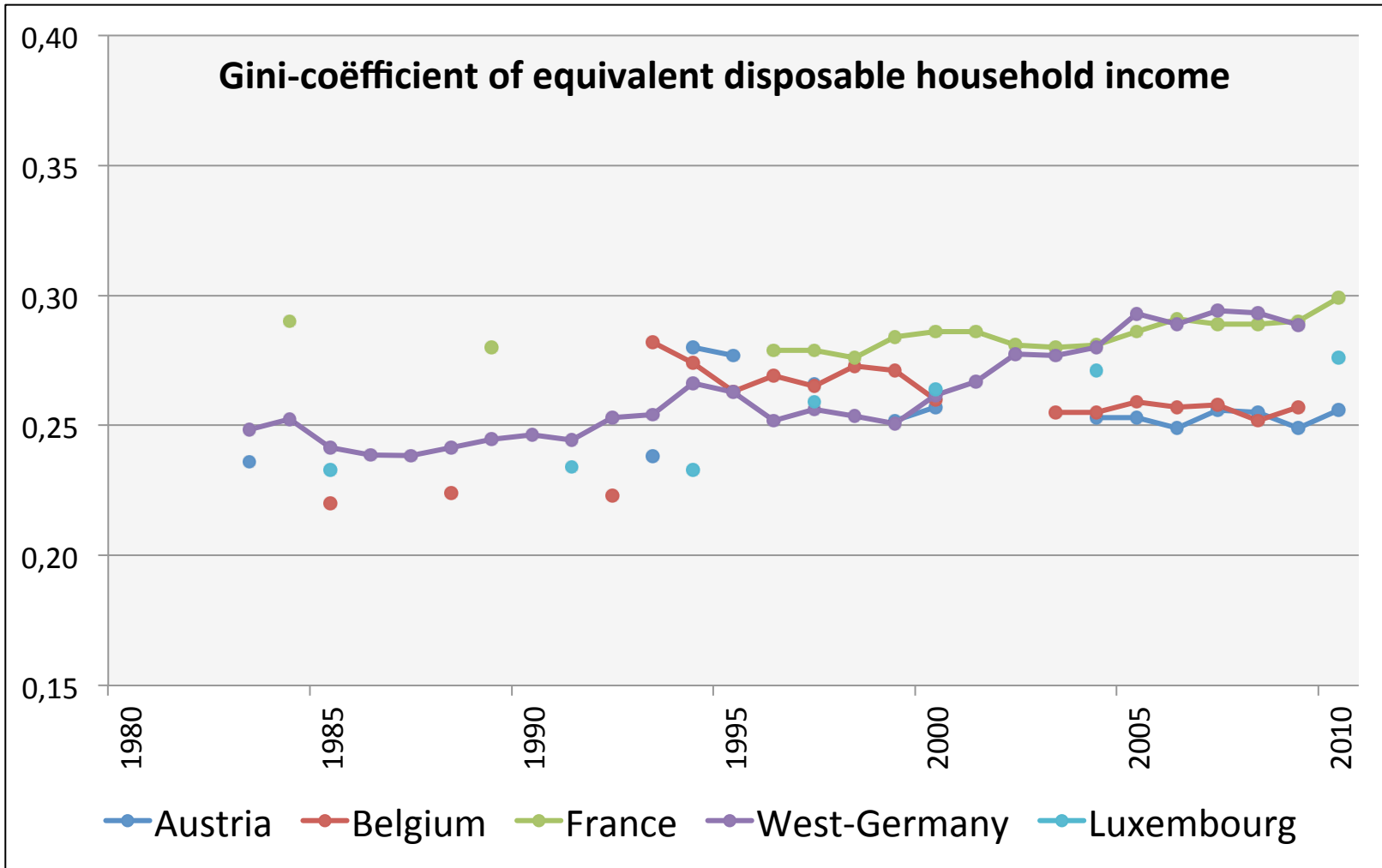
Bismarckian

'Conservative
corporatist'

Growing inequalities?

- Intermediate level of income inequality
- Increases (if any) occur quite late compared to other countries
 - AT: slight but continuous rise (most markedly 1993-1999)
 - BE: mostly stable (except slight rise 1992-7)
 - LU: rise 1997-
 - FR : decline up to mid 1980s, offset by increase late 1990s-
 - DE: strong rise 2000-2005

Growing inequalities?



Impacts?

- Allowing a time lag between growing income inequalities and impacts, how much change can we reasonably expect in the social, political, cultural dimensions?
- How do the 'impact' variables evolve under conditions of stable income inequality?
- Is there any evidence of causality in the opposite direction?
-> the social, political and cultural drivers of growing inequality?
- Do we observe recurrent patterns (gradients)?

Income inequality

Different trends for market and disposable income inequality

Germany	Rising inequality of primary income (1991) precedes disposable income (2000)
Luxembourg	Rising inequality of net factor income (1991) precedes disposable household inequality (1997)
Austria	Steady increase in wage inequality less so in disposable income
France	Different trends for primary and disposable income inequality
Belgium	Similar stability in wage and disposable

Labour market inequality

- Tradition of highly regulated labour markets
social dialogue, coordinated wage setting, corporatism

national minimum wages in BE, FR, LU
>< sectoral in AT and DE (recently)

- From wage to earnings inequality

Unemployment directly contributes to higher earnings inequality
+ indirectly through pressure on lowest wages (DE)

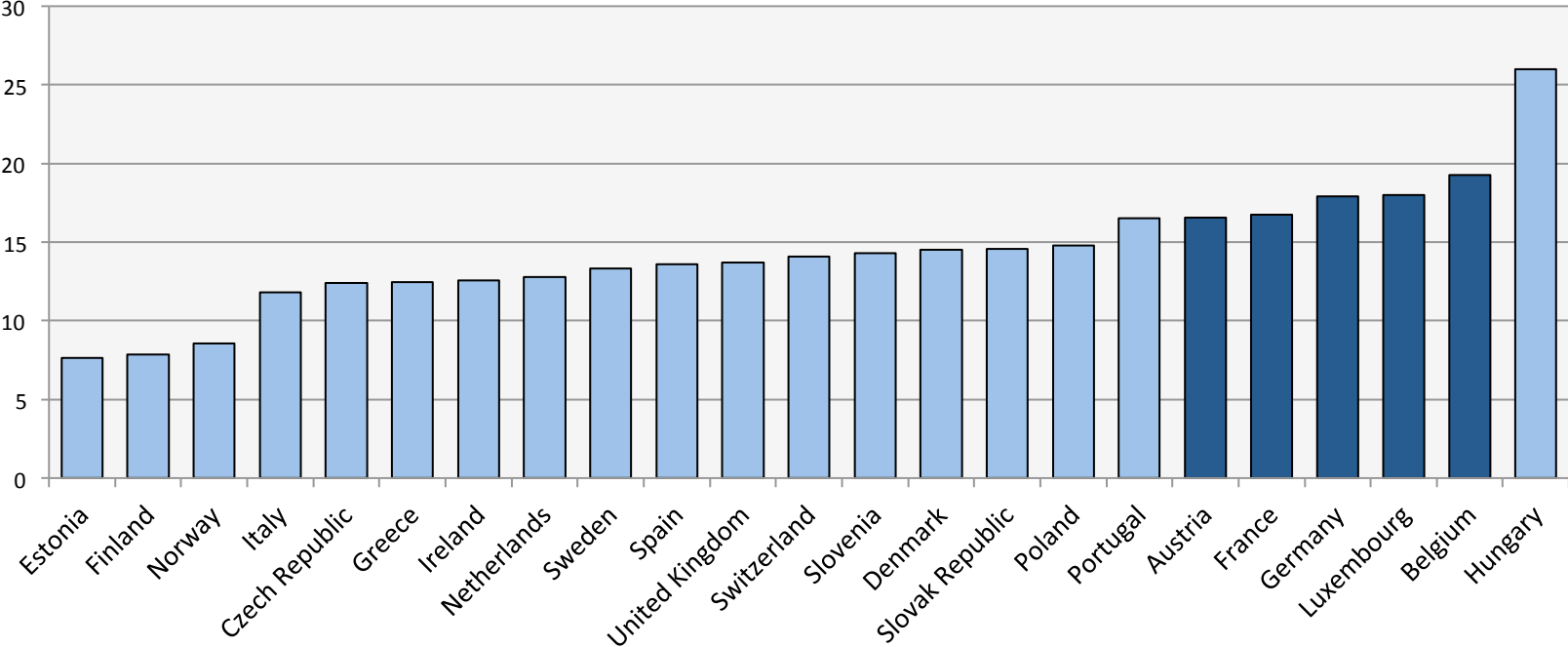
Rise of 'irregular' work (part-time, fixed term)

Female employment, household dimension

Education

- Expansion of tertiary education in all 5 countries particularly among women
- Declining returns to education in the labour market (AT, DE, FR) (>< LU)
- Still non-negligable share of low-educated, also among the young
- Intergenerational reproduction!
 - Early tracking in secondary education (AT, BE, DE, LU)
 - Elitist (streams in) tertiary education (AT, FR)

Proportion of variance in PISA 2009 test explained by social, cultural and educational resources of family



Wealth

- Distributed far more unequally than income
- Top 10% typically owns more than half of all assets (48% in FR)
- Inheritance plays a major role (AT, FR, LU)
- Where trend data is available, wealth inequality tends to rise in recent years (FR, DE)

Policy: cash transfers

- Comparatively large welfare states
 - Social spending and taxes as % GDP
 - Redistribution of income
- Shifting priorities
 - Growing share of old age pensions and health-care expenditure
 - Budget consolidation, Maastricht criteria (AT, BE)
 - New social risks (parental leave)
 - Closing the gaps (soc assistance in AT 2011, coverage BE)
- Direct reforms in entitlement of 'passive' benefits (unemployment in AT, DE)
- Gradual erosion of cash benefits (e.g. BE, FR)

Policy: taxes

- Somewhat neglected in the policy debates? (– FR)
- Taxes became less progressive, certainly at the top of the income distribution

LU personal income (2001-2), capital (2002; 2007)

DE 1996-8 (lower burden for low income groups);
1997: personal wealth tax abolished
1998-2005: top marginal tax rates reduced

FR Decrease of progressivity, particularly 2002-7

Impacts: trends

- Relatively late rise of income inequalities (mid 1990s)
- Very little evidence of systematic correlations over time
- General, secular trends?
 - + the rise of rightwing populist parties in AT, BE (FR national level)
- Other variables may be more relevant
 - LU rise in living standards
 - BE unemployment and birth first child
 - DE unemployment and material deprivation
- Direct impact of policies
 - AT Abolition of wedding subsidy in 1988
 - BE, LU Mandatory vote

Impacts: gradients

- Austria income, education, **part-time versus full-time, occupation**
- Belgium income, education, **region, country of birth**
- France income, education, **skill level**
- Germany income, education, **region**
- Luxembourg income, education, **immigrant/cross-border worker**

Impacts: stratification

- Recurrent patterns of stratification
- Low education/low income are associated with
 - Material deprivation
 - Worse health outcomes
 - Lower life satisfaction
 - Lower turnout at elections
 - Lower support for democracy
 - Lower support for immigration
 - ...
- For Belgium and Germany
 - similar gradients for regions with lower living standards (BE mainly social)

Conclusions

- Growing inequality?
 - Fairly late (if any) increase in income inequality
 - Deindustrialisation, unemployment, skill biased technological change
 - Still: Policy matters a great deal, including taxes!
- Impacts?
 - No clear correlation of trends over time
 - Robust gradients, with multi-dimensional vulnerability and discontent
- Equality of opportunity versus equality of outcomes? (~AT report)
 - Strong tradition of redistributing income
 - But very substantial stratification beneath the surface
 - Policy response?