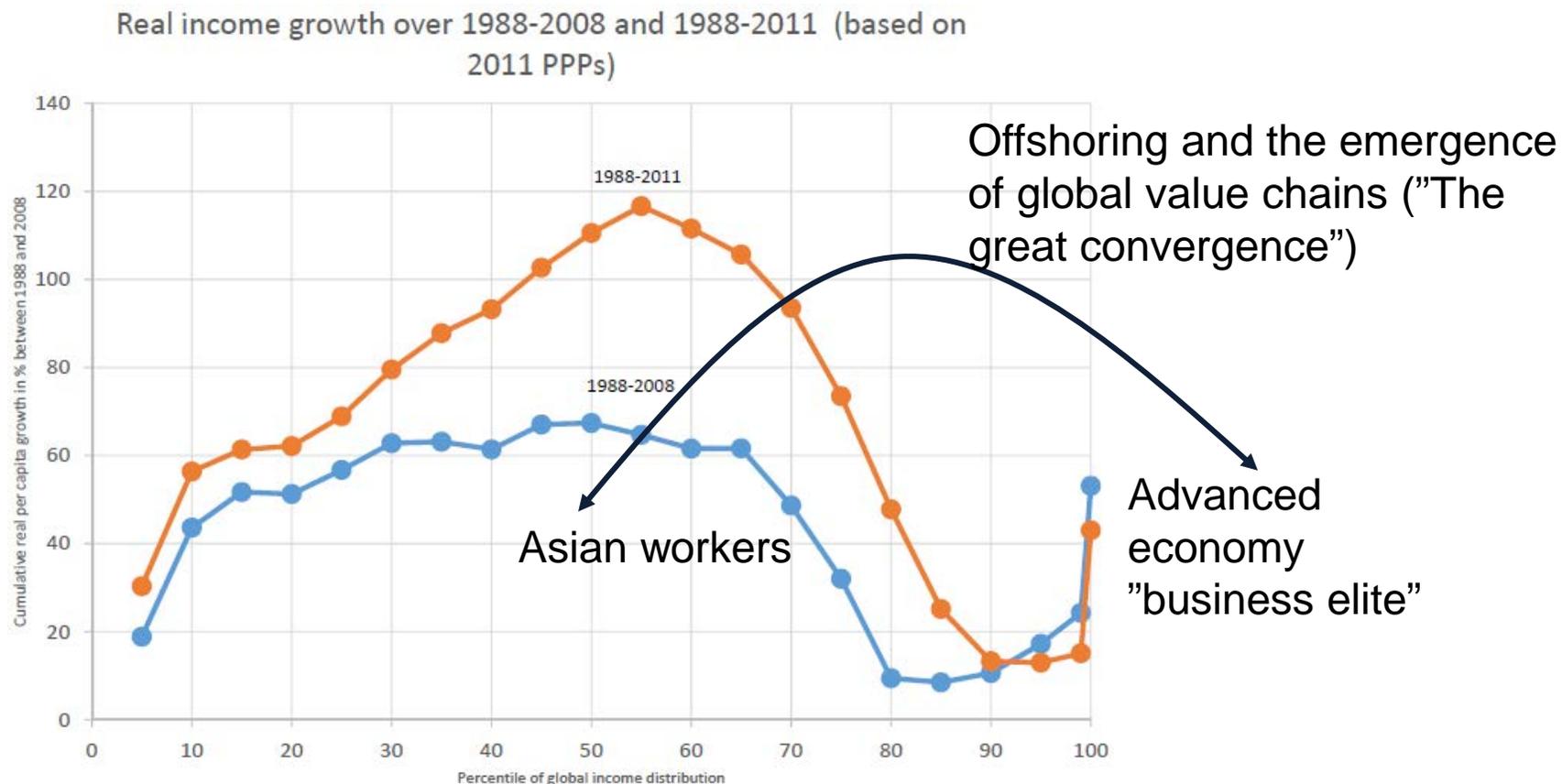


Income Distribution and Migration in the Age of Globalization

Comments by Karolina Ekholm
LO 18 september 2017



Current wave of globalization associated with decreased global and increased national inequality



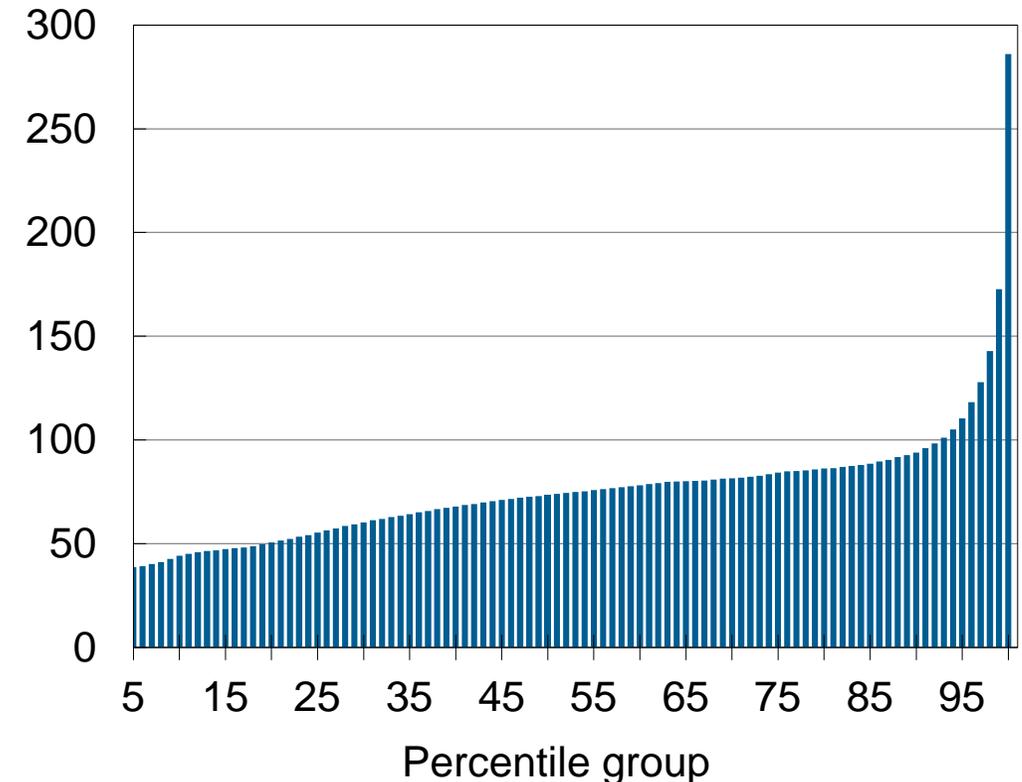
Source: Branko Milanovic, Global Inequality: A New Approach for the Age of Globalization, Harvard University Press, 2016



Income distribution in Sweden I: Unequal growth of real income

- Increased living standards for all since mid 1990s, but smaller increase at the bottom than at the top. Real median income increased by 74%.
- Income growth at the very top largely driven by growing capital incomes.
- Weaker growth at lower end due to slower growth in social benefits rather than in wages.

Change in real income 1995-2015, per cent



Note: The graph shows the percentage change of average equivalised disposable income for each percentile group .

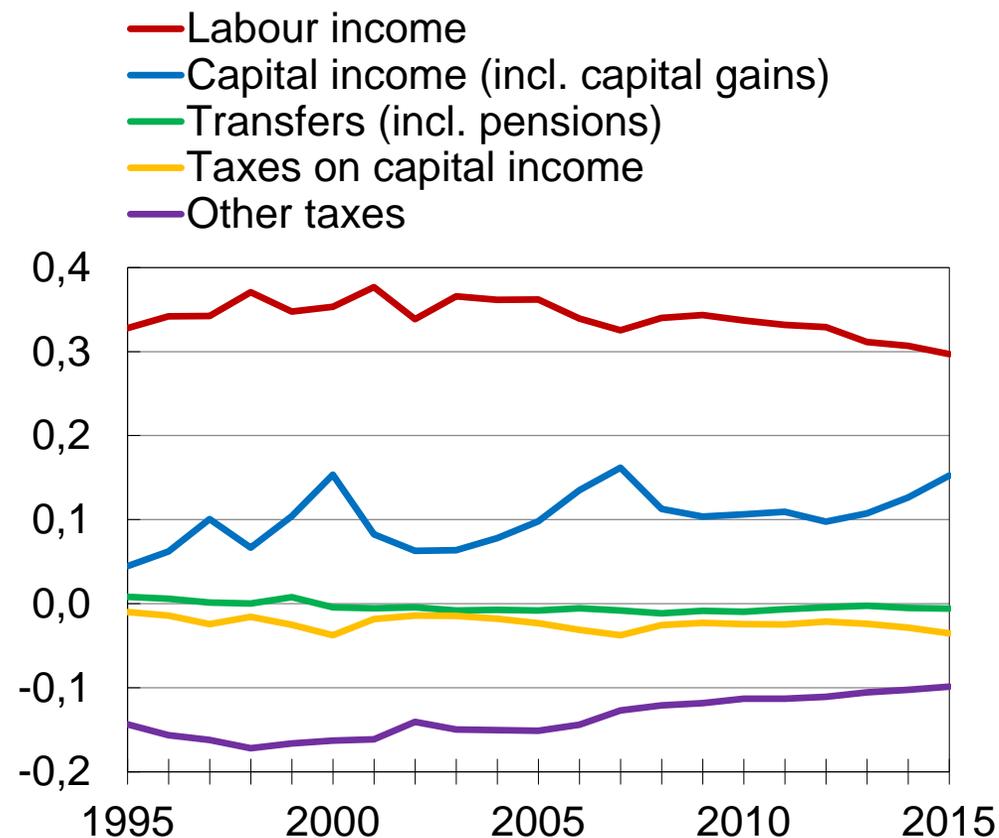
Source: Statistics Sweden and Ministry of Finance.



Income distribution in Sweden II: Capital income drives inequality, taxes are less equalizing

- The major contribution to increased inequality since the mid-1990s comes from capital income.
- Earnings income contribute less to the Gini index in 2015 than in 1995.
- The equalizing effect of taxes is smaller in 2015 than in 1995.

Contribution to Gini index



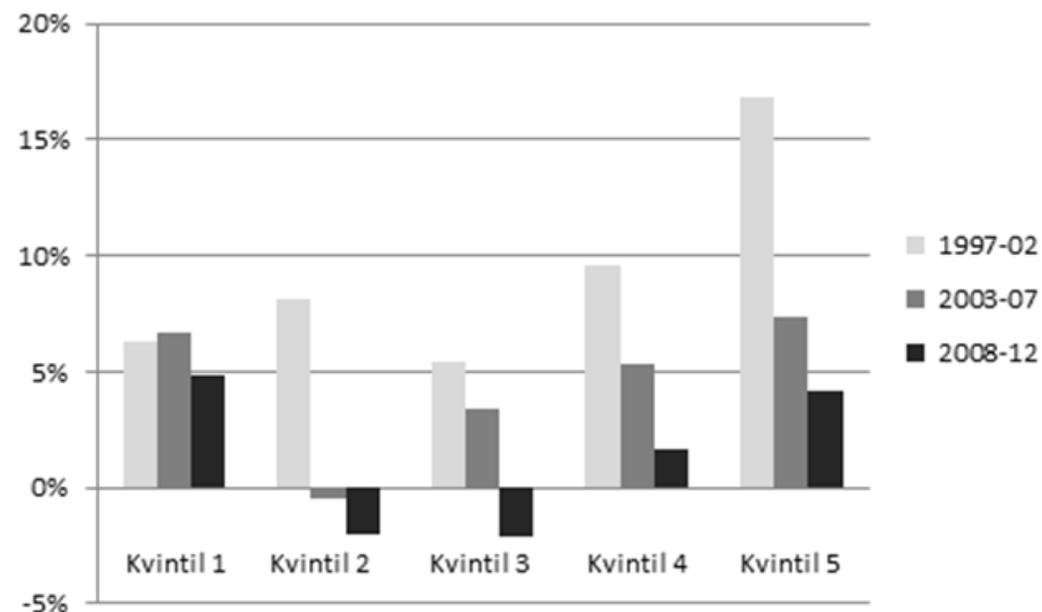
Source: Statistics Sweden and Ministry of Finance.



Tendency of job polarization in Sweden

- Shift towards low-paid and high-paid jobs.
- Low-paid jobs are primarily in the service sector.
- Job polarization contributes little to income inequality, but to increased competition for low-paid jobs by people with secondary education.

Percentage change in the number of jobs 1997–2012 distributed by income quintiles



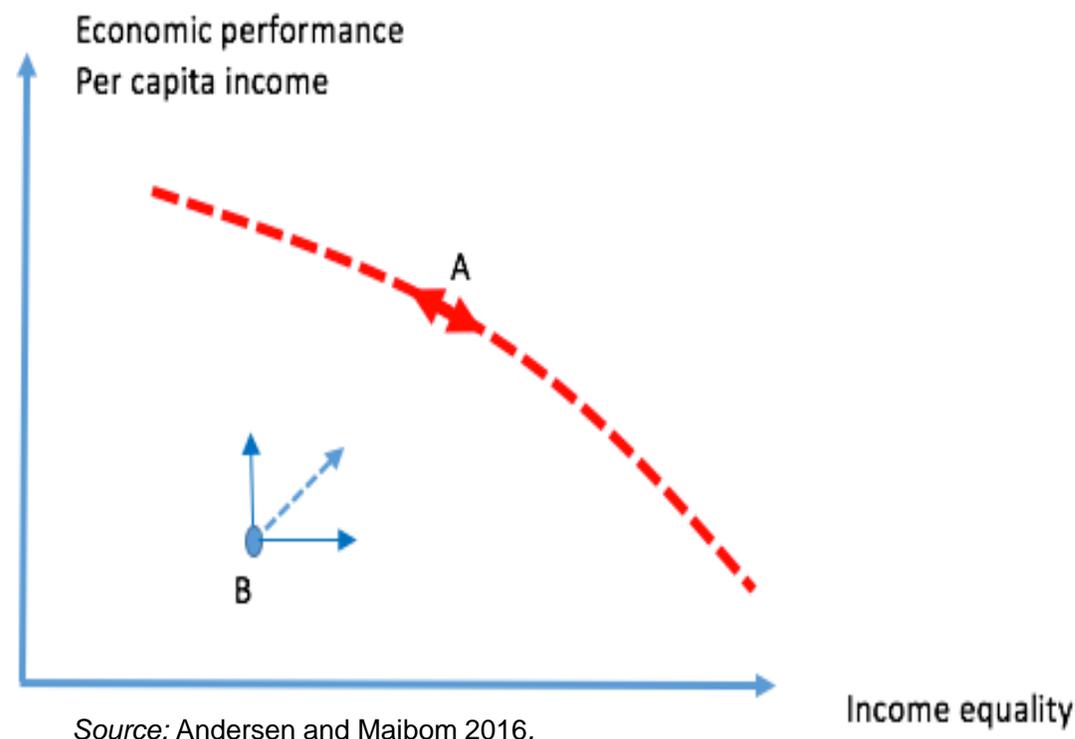
Note: The figure is based on a division of all jobs into a large number of categories based on occupation and sector. The division is based on wage level, but there is a strong correlation between job wage levels and educational requirements.

Source: *The Future of Work*, Final report, The Analysis Group of the Future of Work, 2016 .



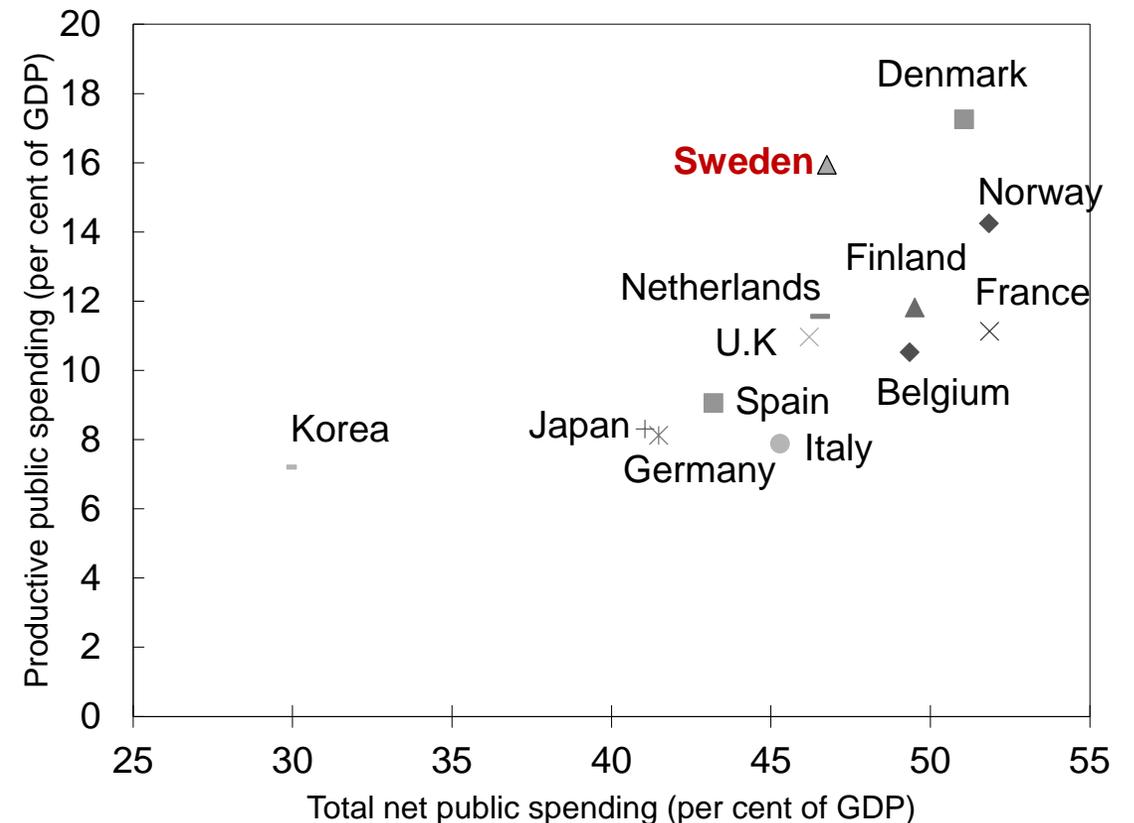
How is globalization made compatible with equity?

- Possible trade-off between efficiency and equity at "economic performance frontier".
- Most countries unlikely to face a trade-off.
- Globalization important for moving upwards from point B.
- Need policies that also move economy to the right.



Elements of Nordic welfare state promote equality with limited loss of efficiency

- Not just a matter of the total size of public sector, but also how taxes are collected and how they are spent.
- Sweden along with other Nordic countries has a high proportion of productive (active) spending.



Note. Productive (active) spending include education, health expenditure for persons below the age of 60, child and old age care and active labour market policies, 2011.

Source: Andersen 2015.

