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Chapter 2

The country reports in the Growing Inequalities’ Impacts (GINI) project

- **Country reports** covering 25 European Union countries (all 27 except Cyprus and Malta) + Australia, Canada, Japan, Korea and the US

- Harmonized (but flexible) template
  - Indicators covered:
    - Measures of inequality (Gini, decile shares, P ratios, etc)
    - Social impacts of inequality (poverty, deprivation, cohesion measures)
    - Political and cultural impacts variables (participation, attitudes, etc)
    - Policies (taxes and transfers, labor market and wage setting institutions)

- Several interactions with country teams

- Results in „Changing Inequalities in Rich Countries“ published by OUP
  - Vol 1: Thematic reports on inequality and impacts (edited by Salverda et al)
  - Vol 2: Country reports (27 in sum) (edited by Nolan et al)
Two Grand Inequality Narratives in the literature:

A: Within country inequalities have been increasing in OECD countries, at least until the breakout of the Great Recession (OECD 2008, 2011, Brandolini and Smeeding, 2009),

(OECD 2011: 17 of 20 on the rise, 7 with 4+points)

B: The intertemporal variance of within-country inequality is smaller than the cross-country variance of within-country inequality, at least until the first half of the nineties (Li, Zou, Squire, 1998).

(structural determinants seem to dominate as drivers, little move over time)

Questions here: what evidence for A and/or B?

- General direction of inequality change: were they on the rise in the last thirty years?
- Can episodes of inequality rise (and decline) be identified over the observed period?
- Can we identify different paths of inequality change for the different “welfare regimes”?

Findings (on general patterns of inequality change)

- General increase of inequality
  
  (Gini range moving from 0.22-0.33 to 0.228-0.373)

- Inequality growth is far from uniform across countries
  
  (little or no change in continental Europe and some of the transition countries, large change in some transition countries, gradual change cumulated in Nordic and NL)

- There are also decline spells and „waves” of inequality
  
  (see EE, BG, HU at certain periods)

- Countries may shift between inequality regimes.
  
  (Nordic countries, Baltics, RO, BG moved up in the inequality ‘league table’).
Findings (on various country groupings, 1)

- **Five Continental European welfare states**
  - No large change over the period (except FR with a U turn)
- **Four Nordic countries and the Netherlands**
  - Gradual, monotonic increase
- **Five English-speaking liberal countries**
  - Start at high level, gradual increase (in waves in UK)
  - Little reflection (by Gini) of macro trends in IE
- **Four Mediterranean countries**
  - No change (on surface) in IT, reversal in PT,
  - difficult to judge in GR and ES
- **Two Asian countries**
  - Slight increase in both

Findings (on various country groupings, 2)

- **Ten Central and Eastern European countries in three subgroups**

- **Baltics**
  - Large increase (over 10 Gini pts) in 90s, though different paths
  - Ineq ruote from most equal to most unequal in Europe

- **BG, RO, HU**
  - Large increase (over 10 Gini pts), volatile trends

- **PL, SK, CZ, SI**
  - relatively smaller changes, gradualist paths (except PL)
## Summary: change in inequality levels (Gini coefficient values) during three periods

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<tr>
<td>above 0.351</td>
<td>EE, PT, RO, US, LT, LV</td>
<td>EE, PT, RO, US, UK</td>
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<td>0.301 to 0.350</td>
<td>GR, ES, US, AUS, BG, CAN, GR, HU, IE, IT, LV, LT, RO, ES, UK, KO</td>
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<td>0.251 to 0.300</td>
<td>AUS, CAN, DK, FR, IT, JP, UK, DE(w)</td>
<td>AT, BE, DK, FR, DE(w), JP, LU, PL, SE, NL, DE</td>
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<td>below 0.25</td>
<td>AT, BG, CZ, EE, FI, HU, LV, LT, SK, SE, NL</td>
<td>CZ, FI, DE(e), SK, SL</td>
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<tr>
<td>no data</td>
<td>BE, DE(e), IE, LU, PT, RO, SL, KO</td>
<td>JP</td>
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Presentation ends here

Annex charts follow
European continental welfare states: no significant change

No big change in general. However: much happened WITHIN the distribution – would be important to further investigate decompositions, gradients, etc.

Except DE: 5 point increase between 85-07 FR: stability at ends (U turn in between)

BE: break in series or „platform change”

AT: small change, strong WS activity stressed by CR

LU: gradual growth, smaller extent

Annex: Nordic EU countries + Netherlands: gradual increase

Gradual increase in each

Large +: SE (10pp!) – first in top incomes then at the bottom tail (see CR on loosening social net)
FI (6-8pp) – increase in capital income share first, followed by worsening redistributive effectiveness (CR)

Less steep but significant: NL and DK

Note: in 80’s still a decline – despite slow or no growth, or a deep recession (see NL CR)

Then: no real interim growth/decline spells, except perhaps

- for SE but it is explained by tax changes
- for NL 87-90
English speaking liberal countries: high starting level, but still rising

US: start from the highest level, another 4.5 points increase
UK: waves of increase: 84-90, 95-01, 04—06
IE: surprising stability despite large volatility in economic conditions (stagnation, Celtic Tiger, large drop during GR)
Can: platform change in the second half of the nineties
AUS: a gradual increase, by a significant overall magnitude

Mediterranean European countries: declining long term trend, data breaks

Notes: Data problems in general (breaks in series)
Post dictatorship decline in ES, PT and GR is prior to GINI time period
PT: robust reversal of trends
IT: noticeable no-change in Italy on surface (but important labour market segmentation processes with negative impact on youth)
Japan and Korea: gradual increments over time

Data problems in both countries: urban 2+ only in KOR, no long term net series in JAP (gross series shown to illustrate time trends only)
KOR: 5p increase between 1992-2009,
JAP: Gini no change during the lost two decades and severe ageing (JAP CR)

Post-socialist European transition countries: very much diverging trends

Lessons: Evolution from a seemingly uniform group (Gini range: 20-25) to a very heterogenous one (Gini range: 23-37)
The relevance of the original political categorization of the “behind the curtain” countries is part of the past now
Patterns of inequality change in postsocialist transition countries where the Gini growth was 10+ points

Clearly identifiable Gini growth spells:
BG: 88-95, 02-10
EE: 88-93
LT: 90-94, 95-10
LV: 90-10
HU: 82-95
RO: 90-07

Diffs among Baltics:
EE: fast privatization
LV: large unemp shocks in most industrialized Baltic state
Also: fast increase of education premia from an extreme low level (esp in LV)

Clearly identifiable Gini decline spells:
BG: 95-01
EE: 94-10
LT: -
LV: -
HU: 03-08?
RO: 08- ?

HU: early start, tough adjustment pacified by social policies, leading to continued financing of inactivity
RO: non transparent privatization (CR)
BG: cycles of GDP, (incomes) policies and migration

Patterns of inequality change in postsocialist transition countries where the Gini growth was below 10 points

In this group it is difficult to identify growth/decline spells
Exceptions perhaps:
DE (E): 91-08
PL: 91-97
SK: 93-06 (but break in series!)

The ability of SL, CZ (and SK) to avoid large inequality shocks require theoretical explanation:
- Historic high social capital?
- Role of middle class?
Read both books pls... 😊

Changing Inequalities in Rich Countries
Analytical and Comparative Perspectives
Edited by W. Salverda, B. Nolan, D. Checchi, I. Marx, A. McKnight, I. Gy. Tóth, H. van de Werfhorst
Oxford University Press, 2014.

Changing Inequalities and Societal Impacts in Rich Countries. Thirty Countries’ Experiences
Edited by B. Nolan, W. Salverda, D. Checchi, I. Marx, A. McKnight, I. Gy. Tóth, H. van de Werfhorst
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