

Structural Inequality – The Case of Sweden

by Jon Pareliussen, Sweden Desk, OECD Economics Department

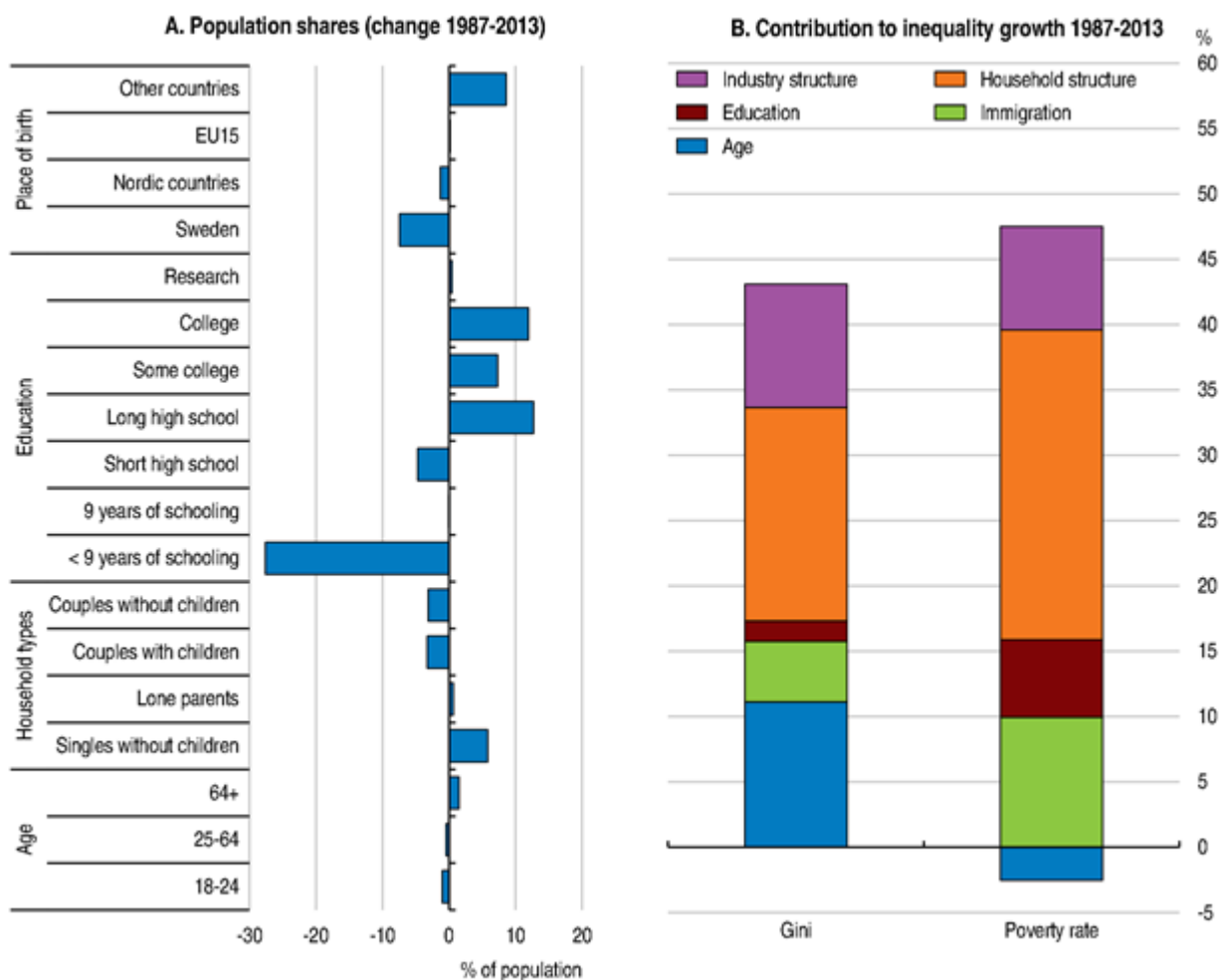
Income equality is perceived by many as steadily embedded in Swedish society, as solid as a Volvo's tyres firmly clinging to a narrow country road on a Småland's bright midsummer night. However, the Gini coefficient has increased more in Sweden than in any other OECD country since the 1990s. But who is responsible when you suddenly find your Volvo wheeling off course? You, holding the wheel, or the rough northern weather?

Even though consecutive governments over the past few decades must take some of the responsibility for increasing inequality, we show in a newly released paper that they also faced rough conditions (Robling and Pareliussen, 2017). Since the late 1980s the population has been ageing; traditional family structures have weakened, leading to more single and single parent households; people spend more time in school and reach higher educational attainment than they used to; employment has shifted away from manufacturing, mainly towards high-skilled services; and Sweden receives more migrants than before, migrants who increasingly come from poorer countries and seek residence for humanitarian and family reunion reasons.

By re-weighting micro-data from Statistics Sweden, we find that these demographic and structural trends are behind more than 40% of the increase in the Gini coefficient of disposable income from 1987 to 2013, and about half of the increase in the relative poverty rate, defined as individuals living on less than 60% of the median disposable income (Figure 1). We show that understanding these underlying trends, common to many countries, is vital to fully grasp why inequality is on the rise. To date, however, with skill-biased structural

change as a notable exception, such trends tend to be overlooked in the income inequality debate.

Figure 1. Structural change increased disposable income inequalities



Source: [Robling and Pareliussen, 2017](#).

So when you find yourself in the middle of a meadow, fighting the airbag off your face while curious cows consider your slightly bruised Volvo, is it fair to place the full blame on the sudden thunderstorm or the icy road? Of course not. The driver should adapt to weather conditions, and neither police nor insurance would accept anything else for all the butter in Småland. Likewise, structural trends that are largely outside political control, driving up inequality, make redistribution and labour market policies all the more important as countermeasures. Compared to most countries Sweden is still safely on the road, but caution calls for tapping the brakes.

References:

Robling, P. and J. Pareliussen (2017), "Structural inequality – The case of Sweden", *OECD Economics Department Working Papers*, forthcoming, OECD Publishing.