

Presentation at *Fiscal Policy Council*, Oct. 20, 2022

Income inequality in Sweden: New data, new perspectives

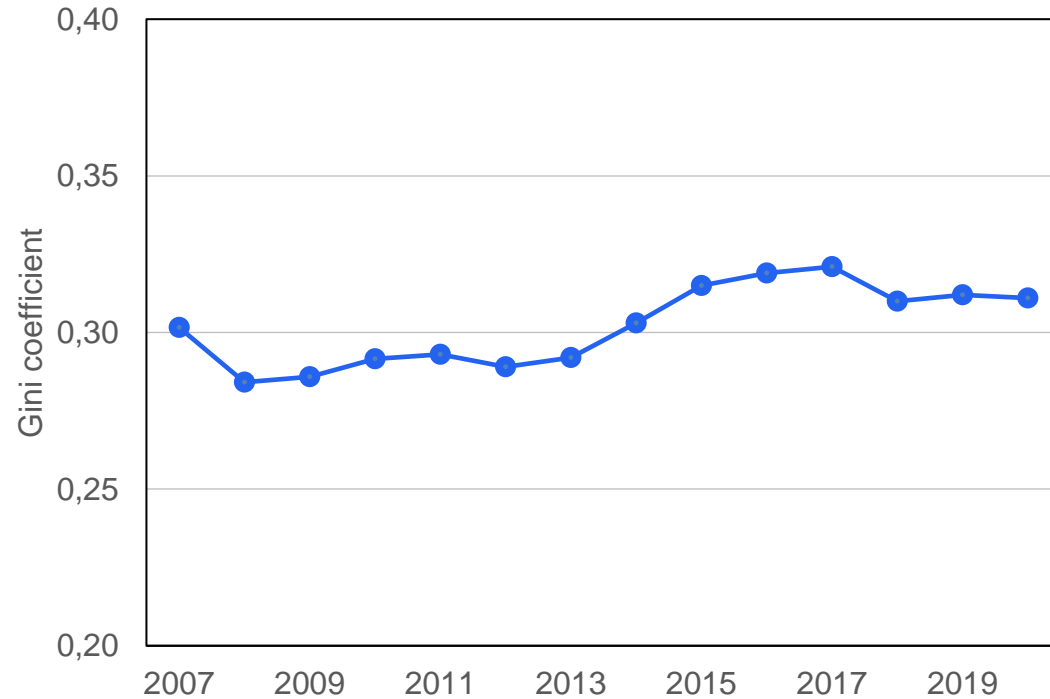
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IFN

Income inequality in Sweden: Three themes

1. Is income inequality "exploding"?
2. New data I: Welfare services
3. New data II: Real-time incomes in tax registers

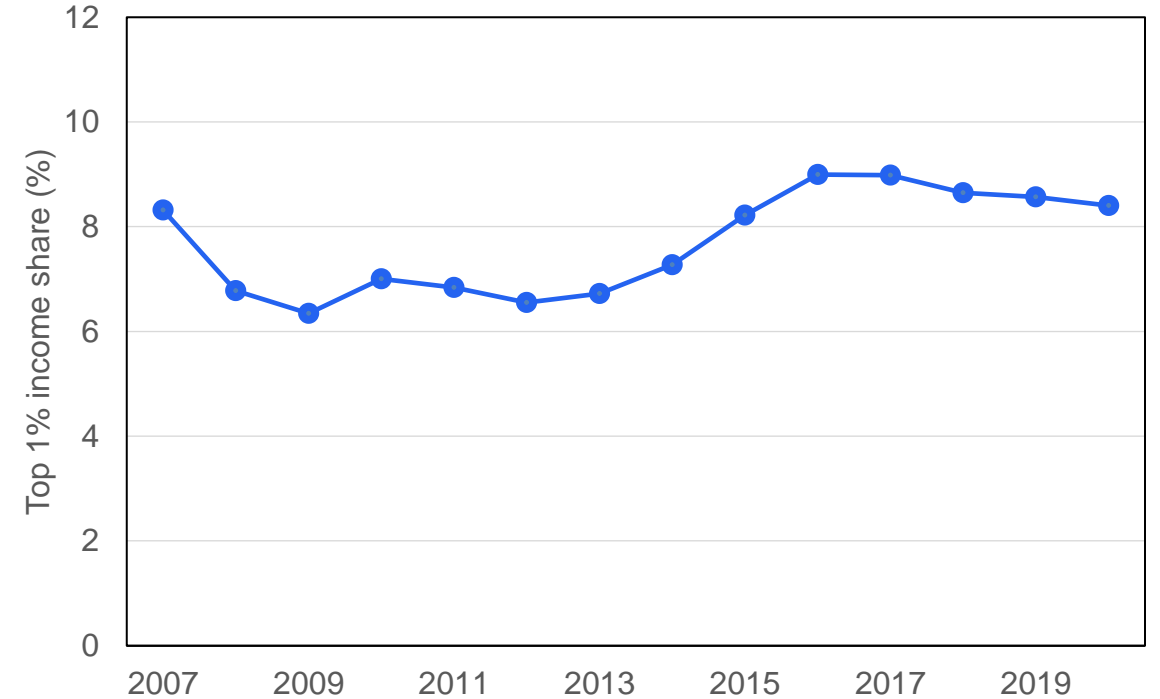
1. Income inequality in Sweden: Relatively stable trend

Gini coefficient, 2008-2020



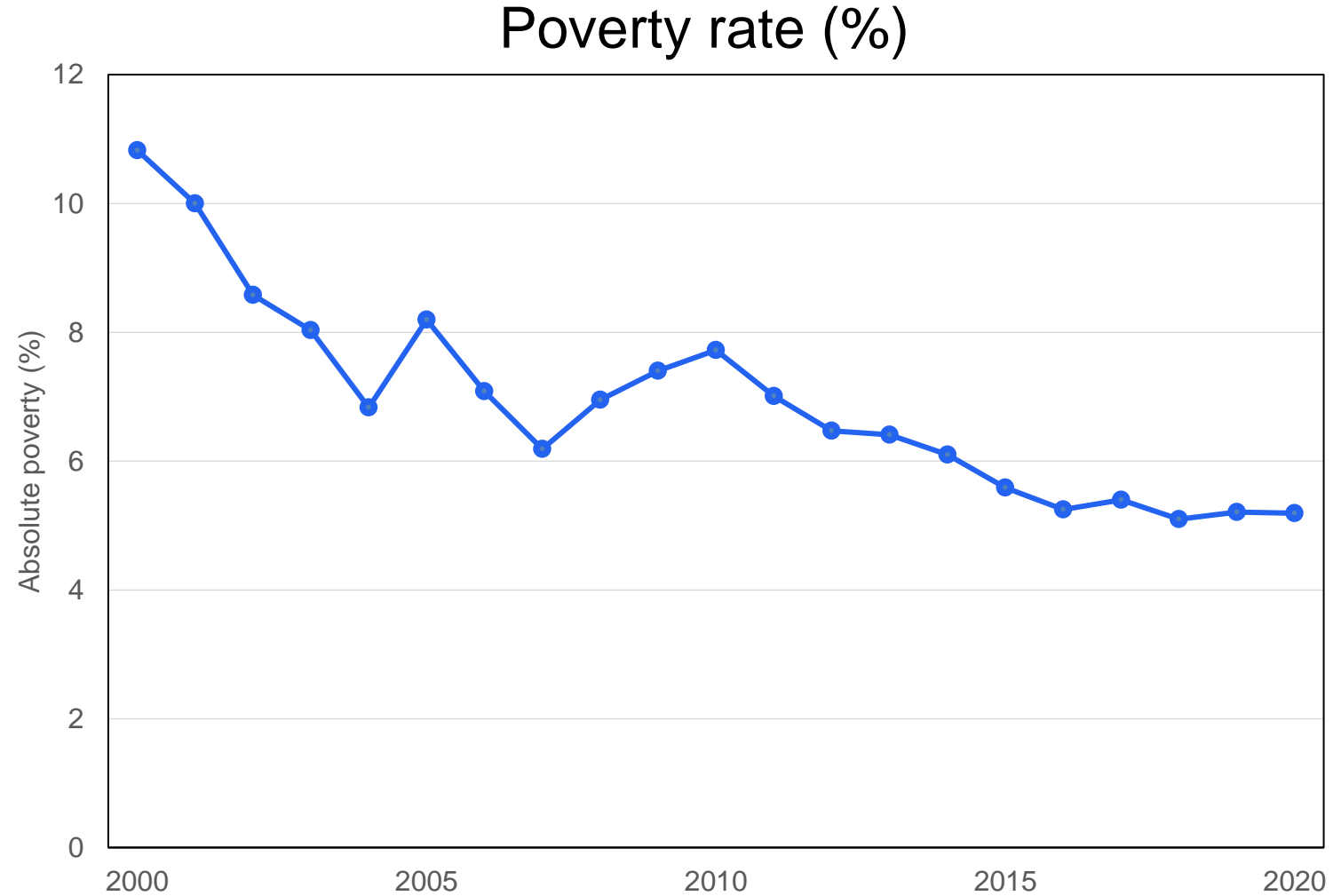
Disposable income, equivalized.
Source: Statistics Sweden (SCB).

Top 1% income share, 2008-2020



Disposable income, equivalized.
Source: Statistics Sweden (SCB).

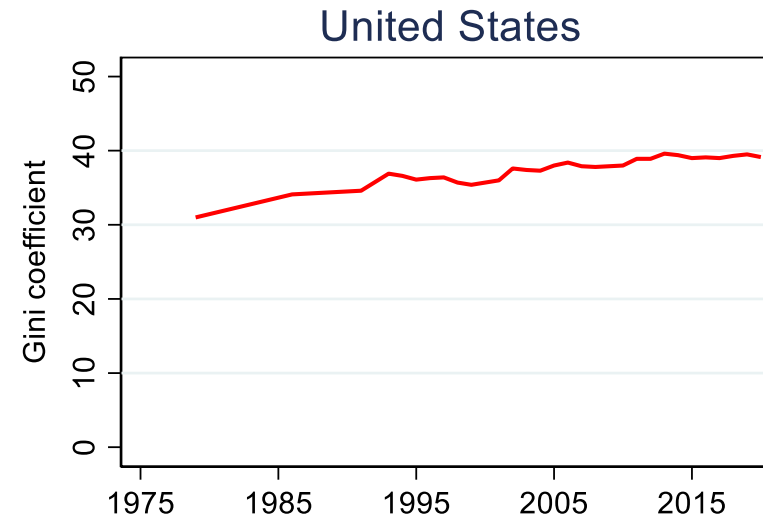
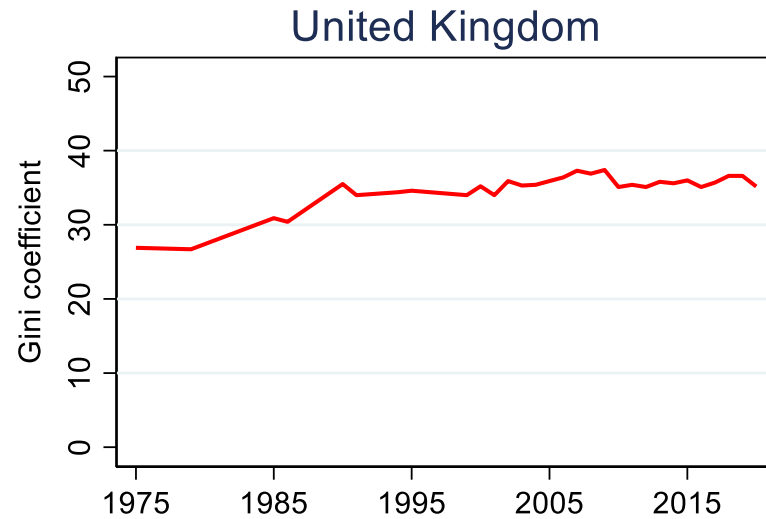
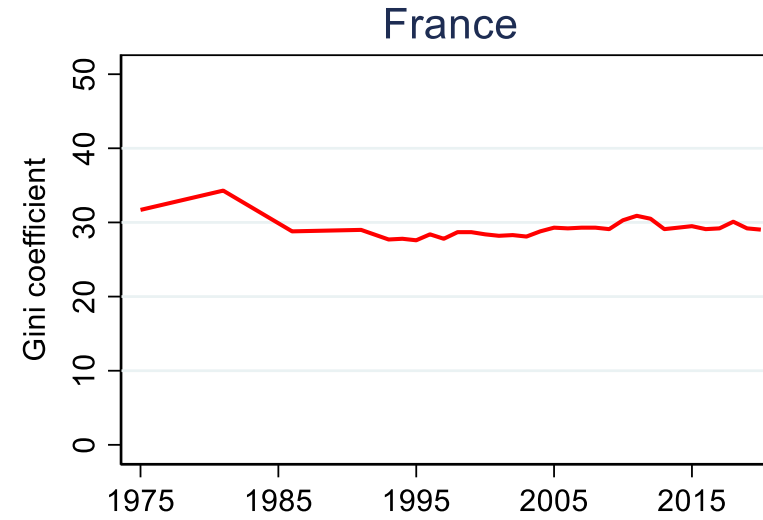
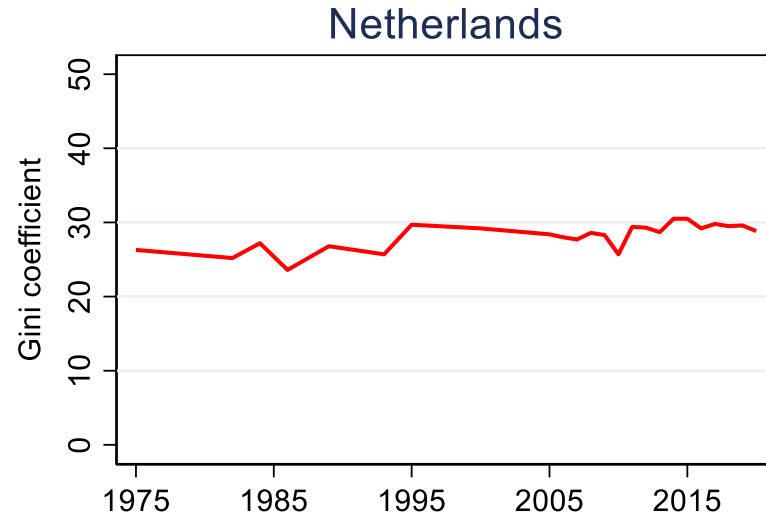
Poverty in Sweden is decreasing



Absolute poverty (Låg inkomststandard), share of households who can manage basic expenses.

Source: Statistics Sweden (SCB).

Other countries: Also relatively stable inequality trends

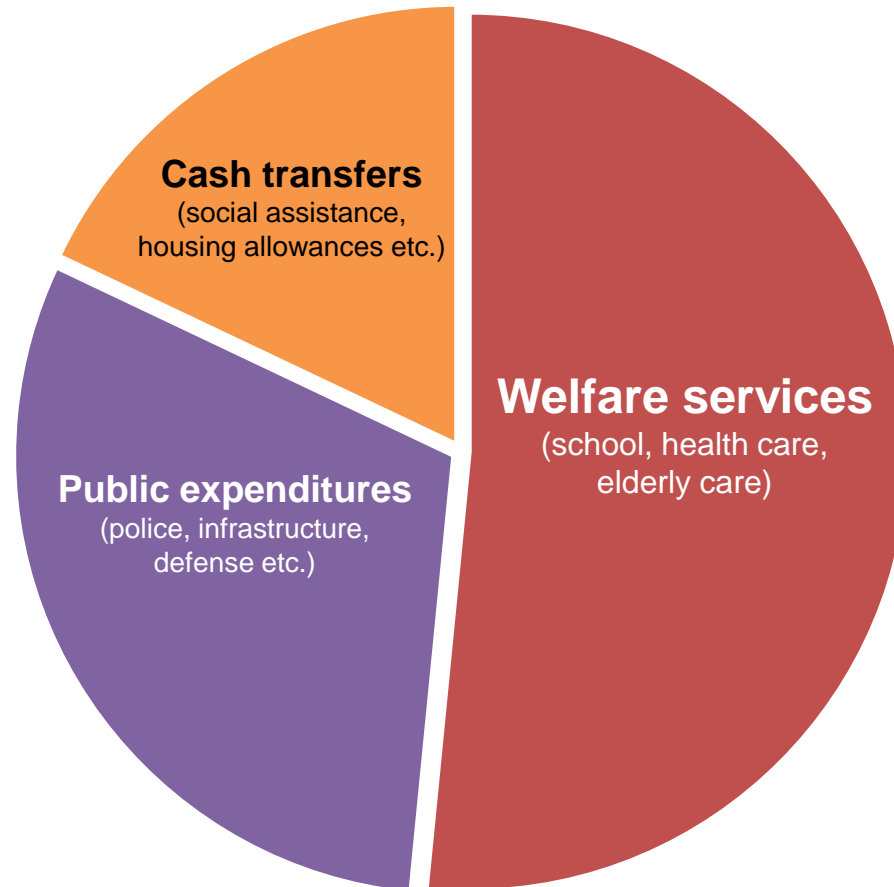


Disposable income, equivalized

Source: OECD, WIID

2. Welfare services: In-kind transfers

- Subsidized health care, schooling, elderly care are *in-kind transfers*
- Swedish budget: ca. 1,700 billion SEK
- Welfare services cost 3 times more than cash transfers

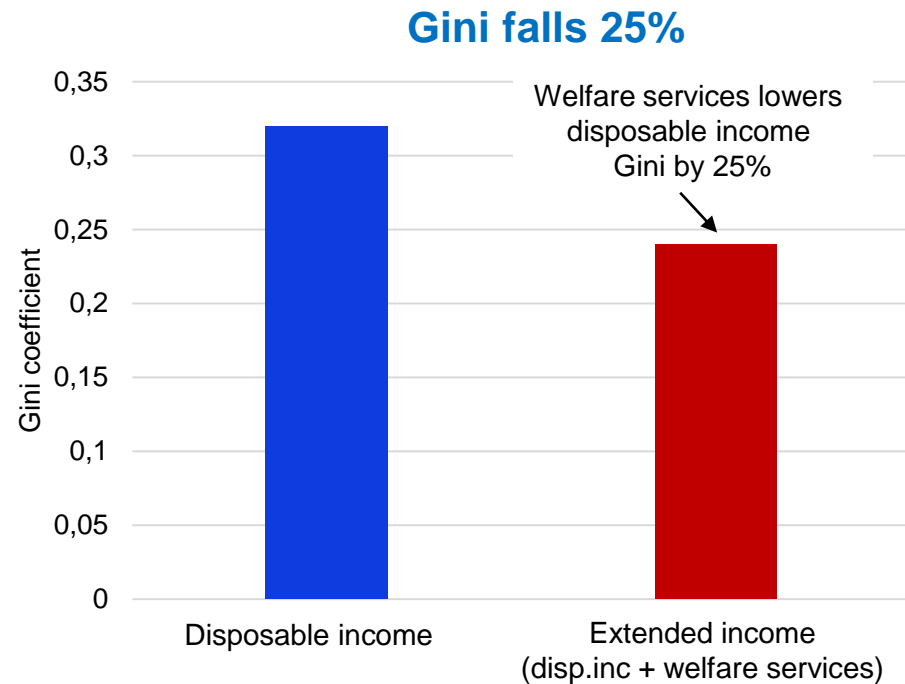


Source: National Accounts

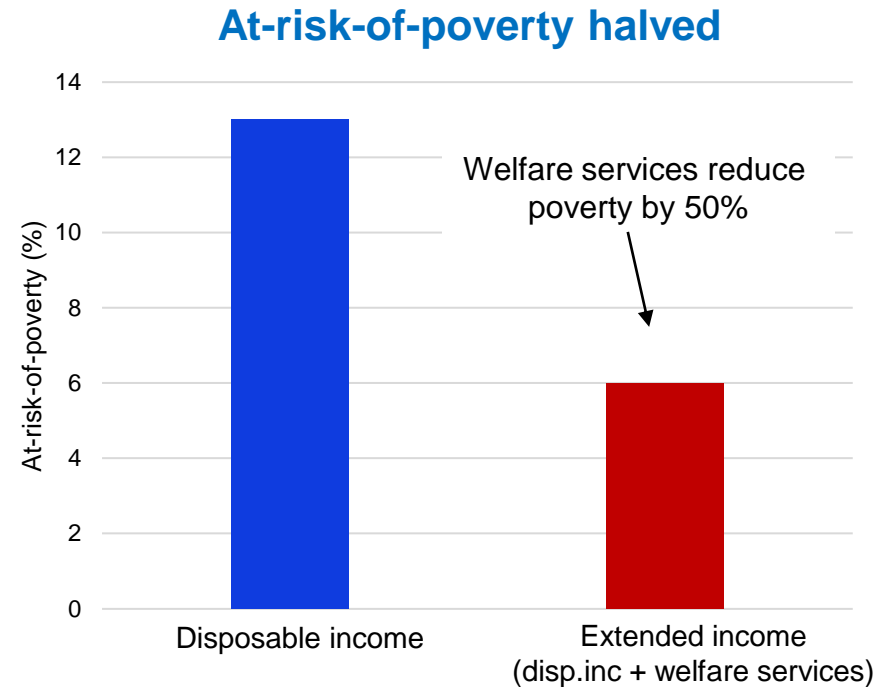
Adding welfare services makes incomes even more equal

Public welfare services:

- More important to low-income households
- Equalize incomes



Source: Ministry of Finance



At-risk-of-poverty (relative poverty): Share of households with <60% median income
Source: Aaberge et al, NEPR, 2018

3. Real-time inequality: A new data source for Sweden

Two tax registers at the Tax Agency (*Skatteverket*):

a) Monthly earnings

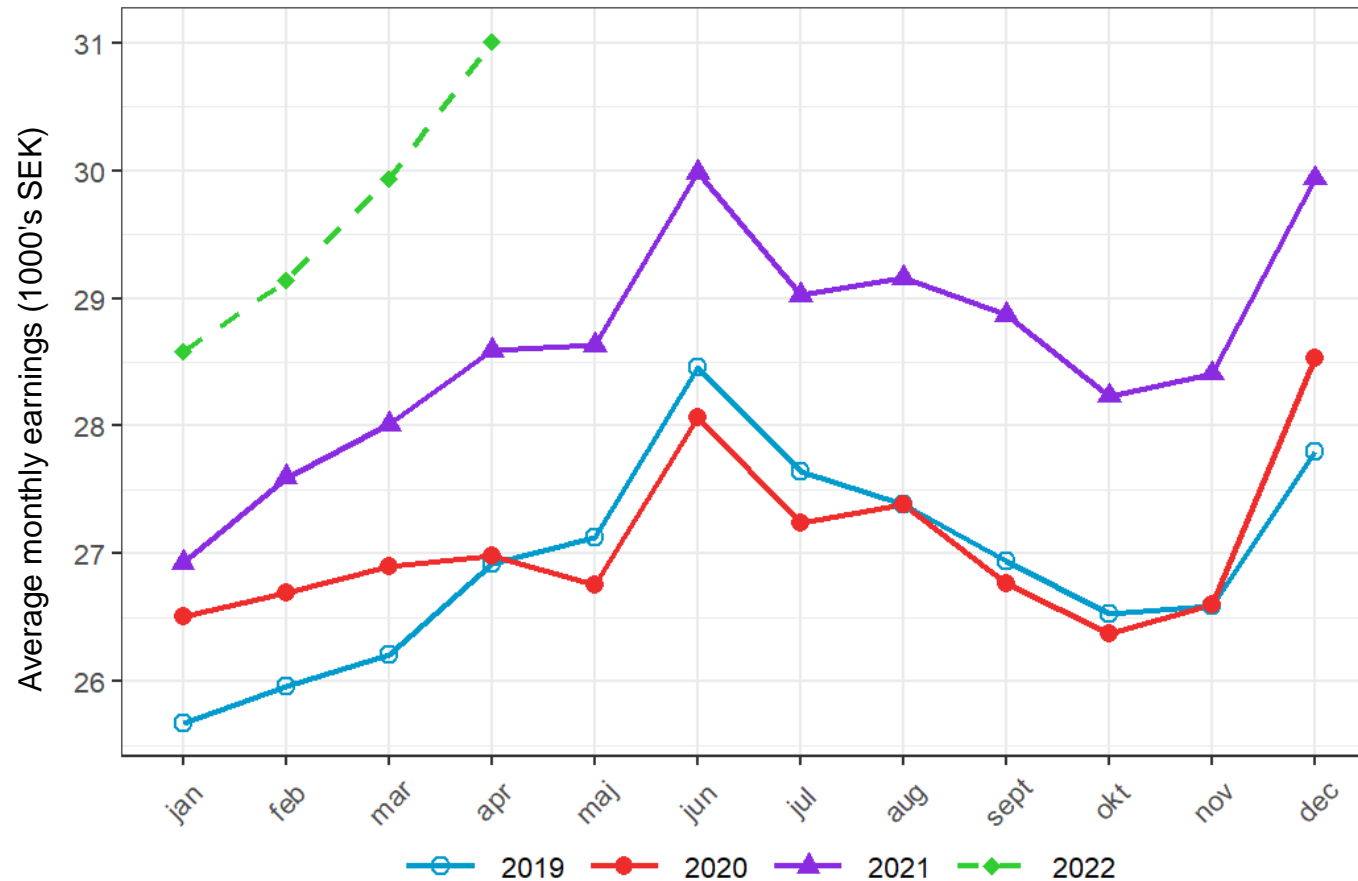
- Employer-reported (*månadsuppgifter*)
- Almost real-time: Maximum time lag ca. 1 month
- Covers all employees (from extra-working teens to top CEOs)
- No info about working time

b) Annual incomes and taxes

- Tax returns
- Compiled in May-June after income year: Time lag ca. 6 months
- Covers all individuals
- Covers all labor and capital income, taxable transfers, all taxes

a) Average monthly earnings, all employees 18-64 yrs

- Corona pandemic: Negative impact on earnings in 2020
- Earnings rise in 2021 and early 2022
- New patterns: Monthly (within-year) variation

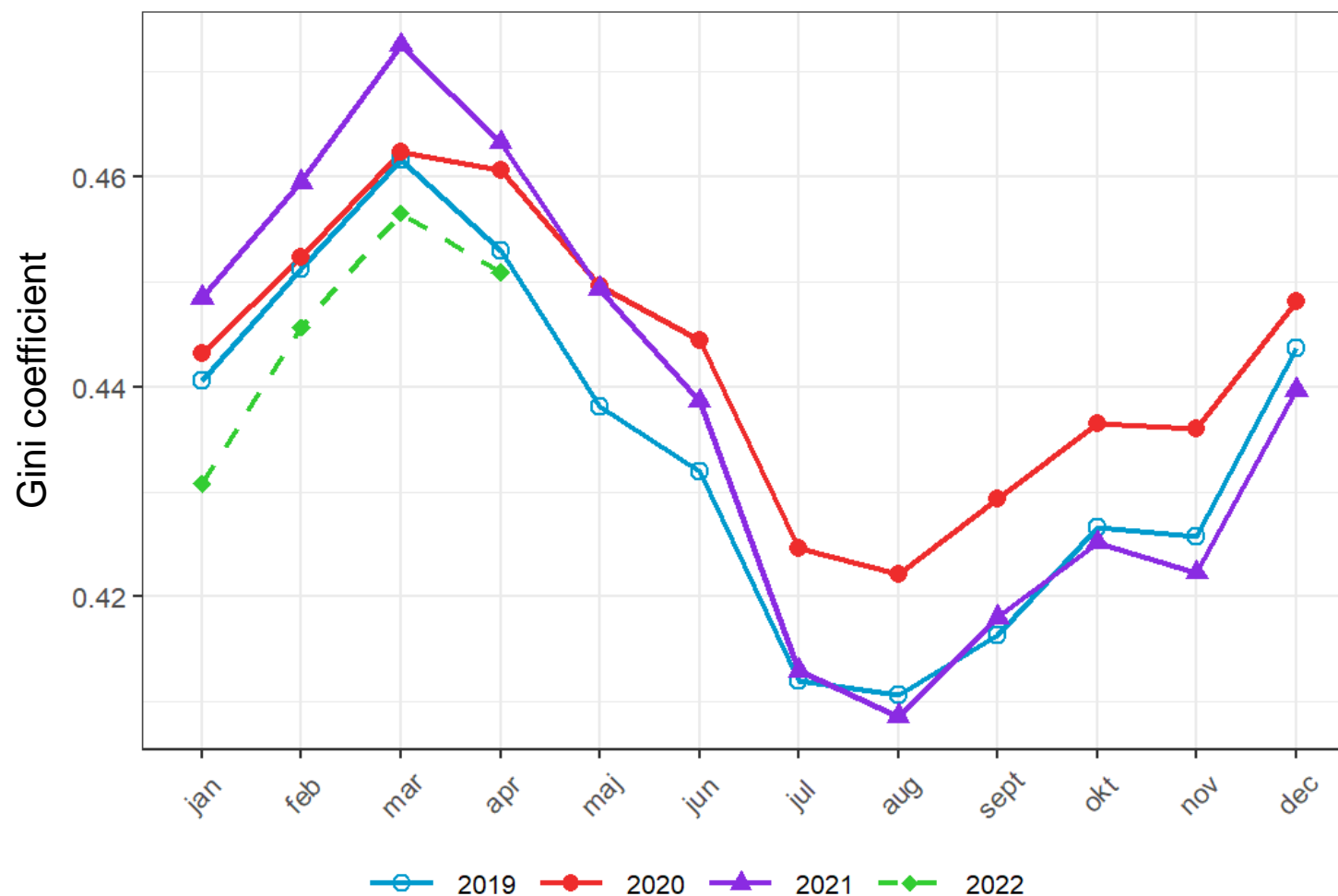


Earnings among low-, middle- and high-income employees



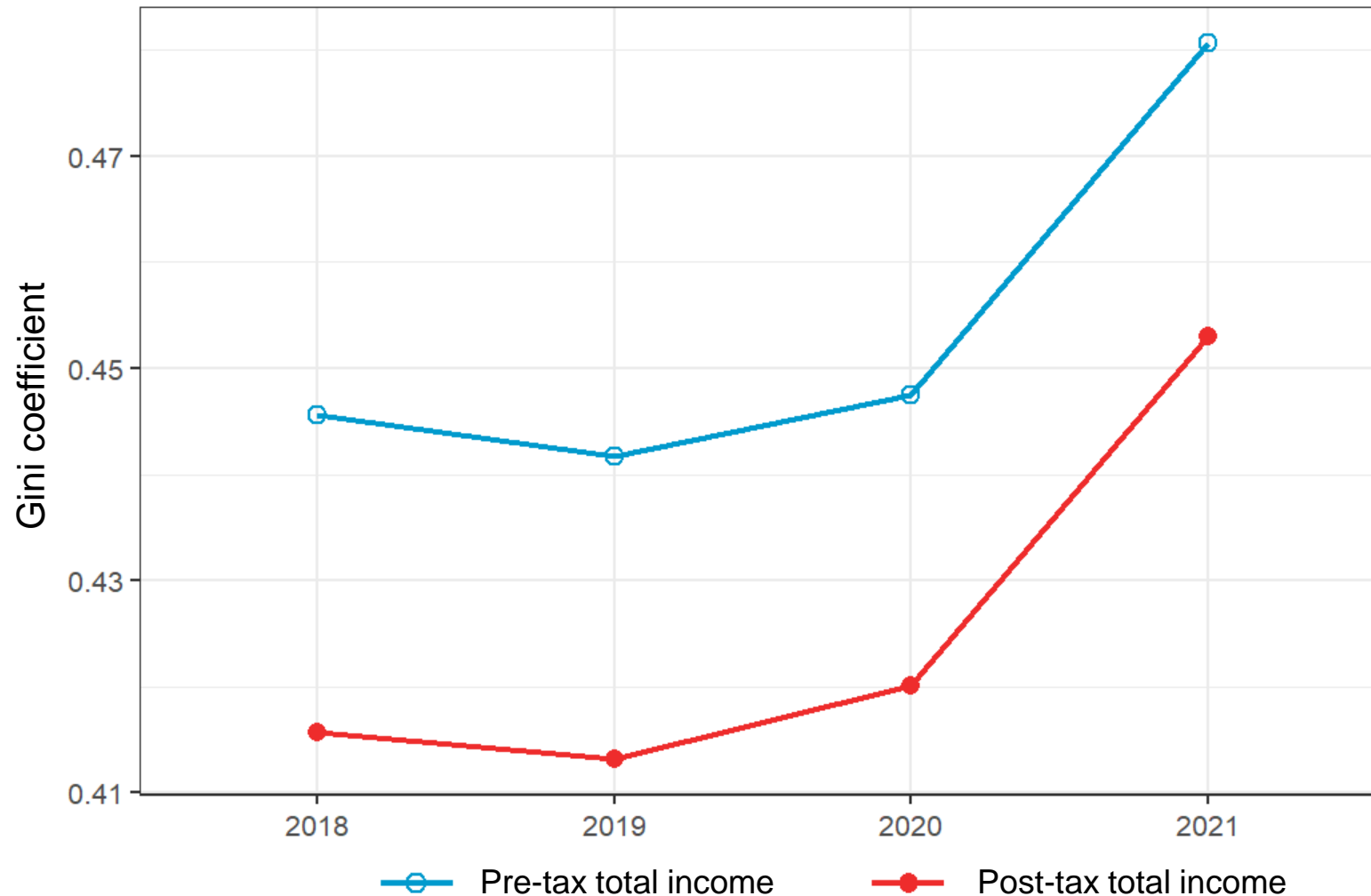
Distribution of monthly earnings (pre-tax)

- Corona pandemic: Increased pre-tax earnings inequality in 2020
- Inequality fell back in 2021 and even more in 2022



b) Inequality of annual total income (incl. labor and capital income)

- No large inequality change in 2020
- Large Gini increase in 2021 (+8%) (NB: preliminary!)



Closer look at annual incomes, 2018-2021: Different groups

- 2021: Earnings fell in bottom quartile (P0-25); incomes increased in top decile (P90-99, P99-100)



Top incomes, 2018-2021

- 2021: All income types increase (earnings; interest & dividends; realized capital gains)



Summary

- Income inequality has been relatively stable in Sweden or Europe
 - Talk about "exploding" inequality/poverty exaggerated
 - Current inflation does not change this much
- New data sources improve understanding of inequality patterns
 - **Welfare services:** In-kind transfers part of total redistribution
 - **Real-time tax registers:** Reduce time-lags, improve policymaking