

IGS thematic training module, 13.11.2013

Inequality in Income and Wealth in Switzerland

Ben Jann

ben.jann@soz.unibe.ch

Institute of Sociology, University of Bern







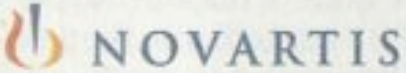



Introduction

- > Over the last years, income inequality has been a prominent theme in the public discussion in Switzerland
- > Various political activities (“Abzocker” initiative, Minimum wage initiative, 1:12 initiative)
- > Lots of media coverage



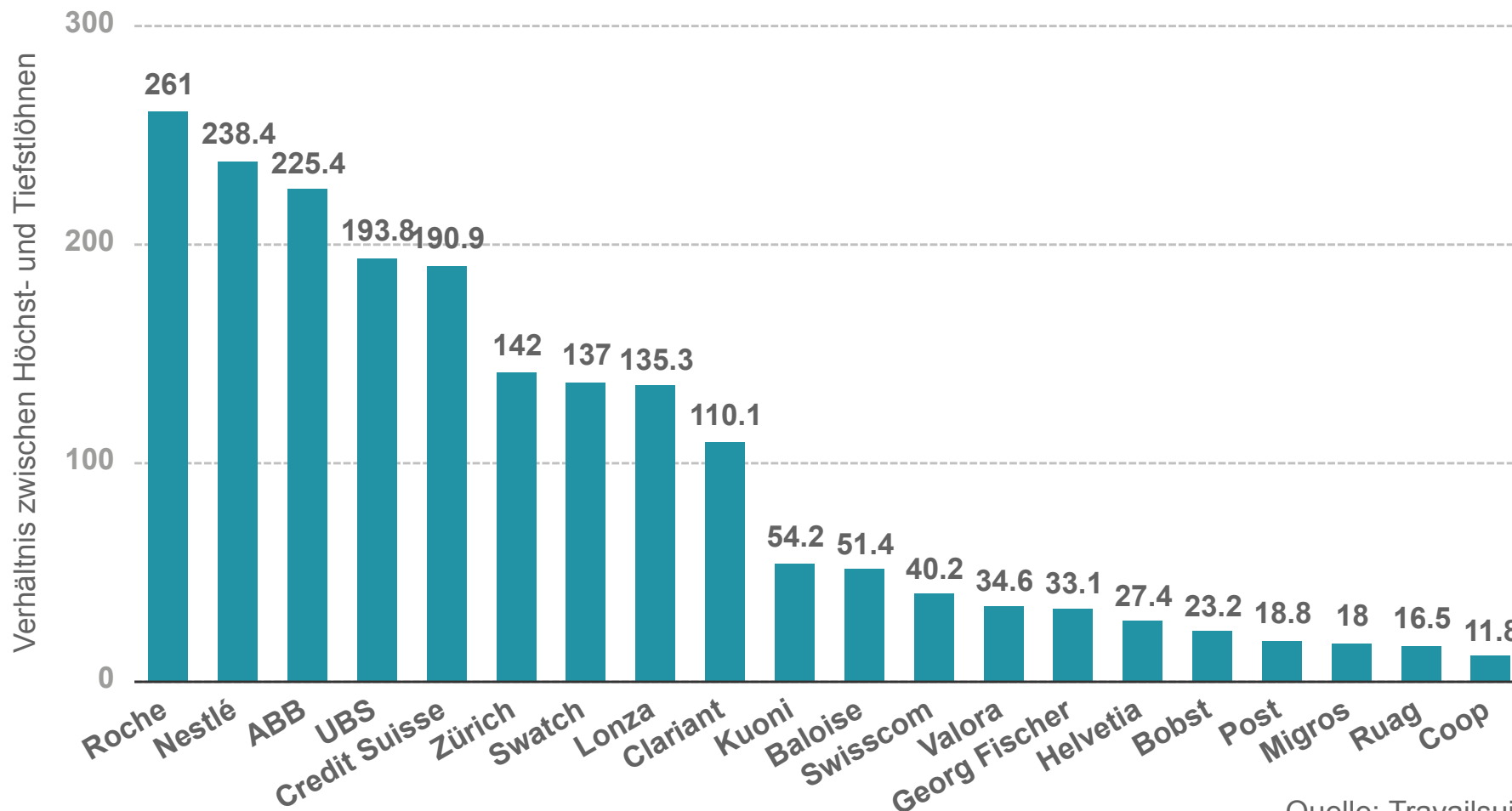
Die Lohnschere in Schweizer Unternehmen

Verhältnis von Höchst- zu Tiefstsalären 2012

Rang	Konzern	Name	Lohnschere	Entschädigung in Mio. Fr.
1		 Severin Schwan	1:261	15,8
2		 Paul Bulcke	1:238	12,6
3		 Joe Hogan	1:225	10,16
4		 Joseph Jimenez	1:219	13,2
5		 Ernst Tanner	1:195	9,1

Der Bund,
25.6.2013

Lohnschere 2012

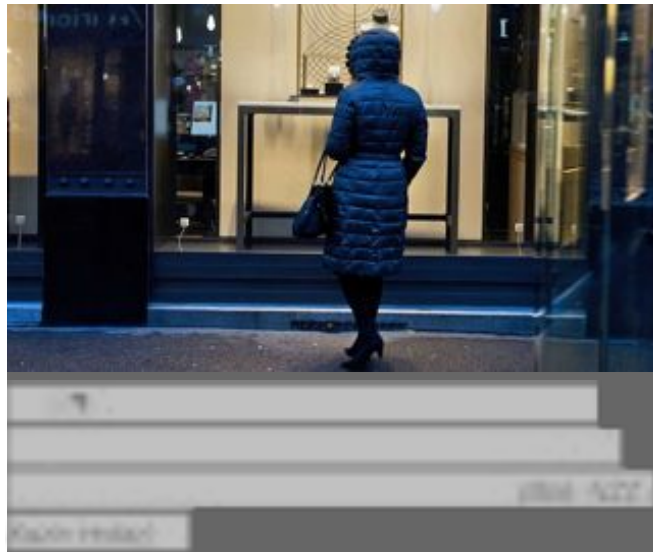


Quelle: Travailsuisse

Coop erfüllt als einziges Unternehmen die 1:12-Initiative: Eine Übersicht.

Einkommensschere öffnet sich nicht

Wirtschaftsnachrichten Heute, 11:30



Schaut man sich die Zahlen über die Lebensbedingungen in Europa an, dann erscheint die Schweiz als Insel der Glückseligen. Hierzulande ist der Lebensstandard hoch, und die Einkommensschere geht seit Jahren nicht auseinander.

NZZ, 28.5.2013

Titel der

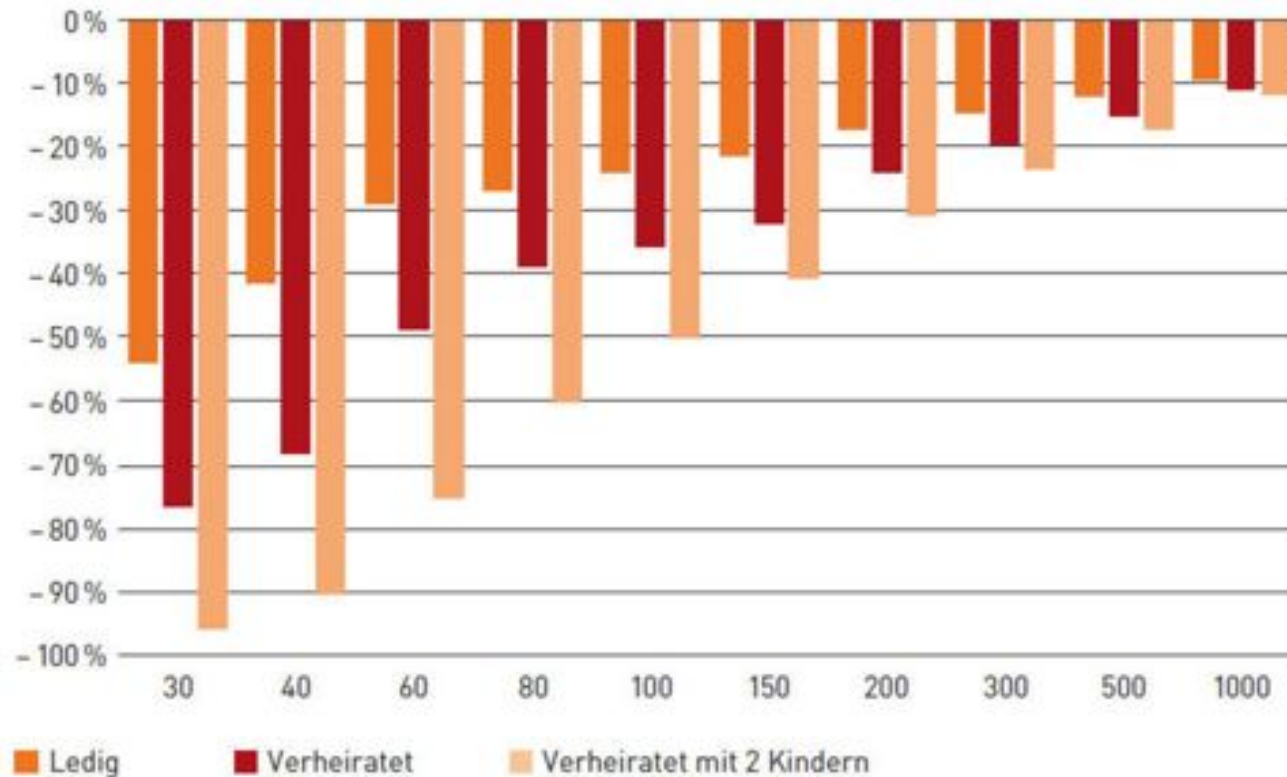
Wer hat, dem wird genommen

Aktualisiert am 02.04.2012 195 Kommentare

Reiche werden reicher, Arme immer ärmer? Stimmt nicht, sagt Economiesuisse – und präsentiert eine Studie mit brisanten Fakten.

u^b

UNIVERSITÄT
BERN



Abnahme der Steuerlast zwischen 1990 und 2010

Ärmere Bevölkerungsschichten haben stärker von Steuerreduktionen profitiert: Veränderung der Einkommenssteuerbelastung zwischen 1990 und 2010 (von links nach rechts stehen die Einkommensklassen, in 1000-Franken-Einheiten. Lesebeispiel zum ersten orangefarbenen Balken: 2010 zahlte eine ledige Person mit 30'000 Franken Einkommen rund 50 Prozent weniger als 1990).

Bild: Economiesuisse, ESTV (2011)

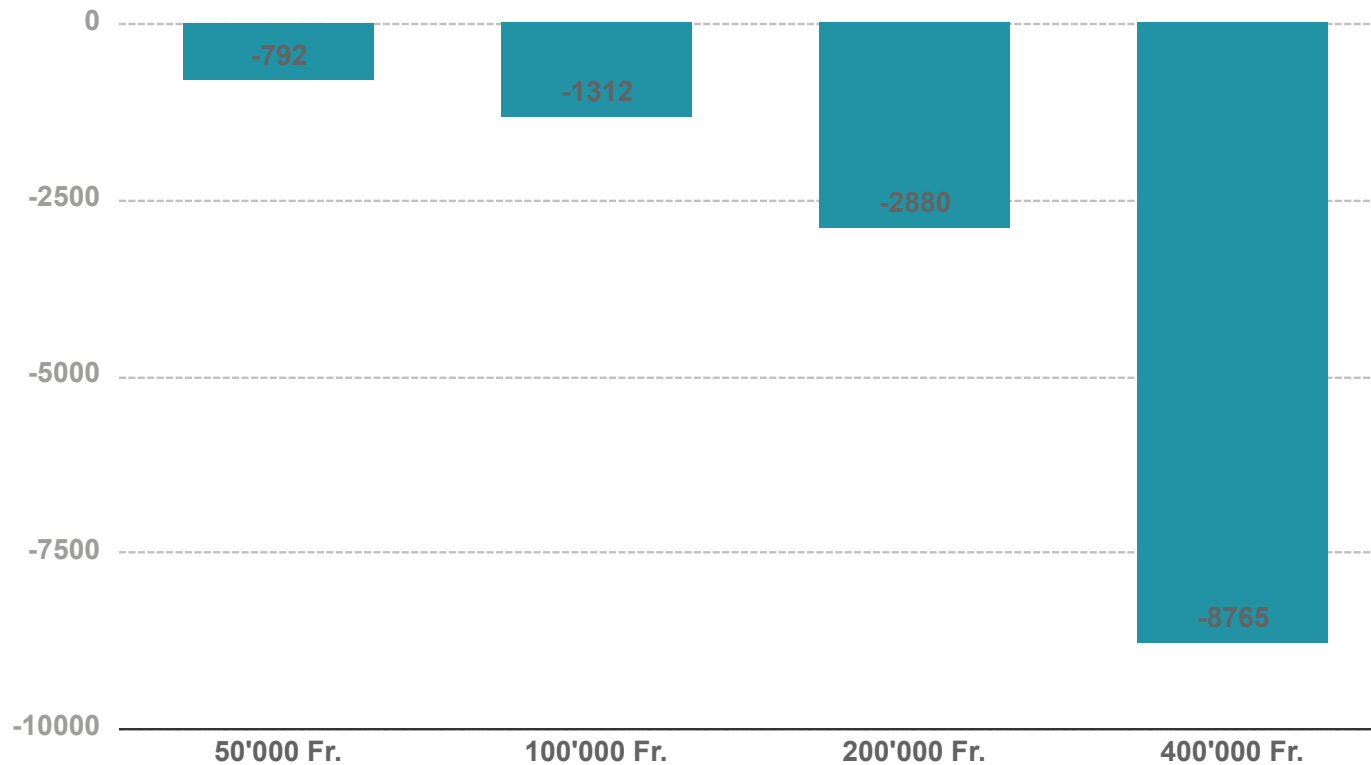
Tages-
anzeiger,
2.4.2013

1 Trauen Sie keiner Verbandsstatistik

Eine Analyse von **Simon Schmid**. Aktualisiert vor 25 Minuten 5

Reiche Schweizer hätten wenig, Arme hingegen stark von Steuerreformen profitiert, sagt Economiesuisse in einer Studie. Die Aussage ist problematisch, wie unsere Analyse zeigt.

Veränderung der Steuerbelastung von Verheirateten: Frankenbeträge



Veränderung von 1997 bis 2008 nach Einkommensklassen, inflationsbereinigt. Quelle: ESTV (2008)

Der Bund,
3.4.2013

International Trend – Inequality Increase

> There seems to be consensus that income inequality increased in many countries over the last decades

Figure 1. **Income inequality increased in most, but not all OECD countries**

Gini coefficients of income inequality, mid-1980s and late 2000s

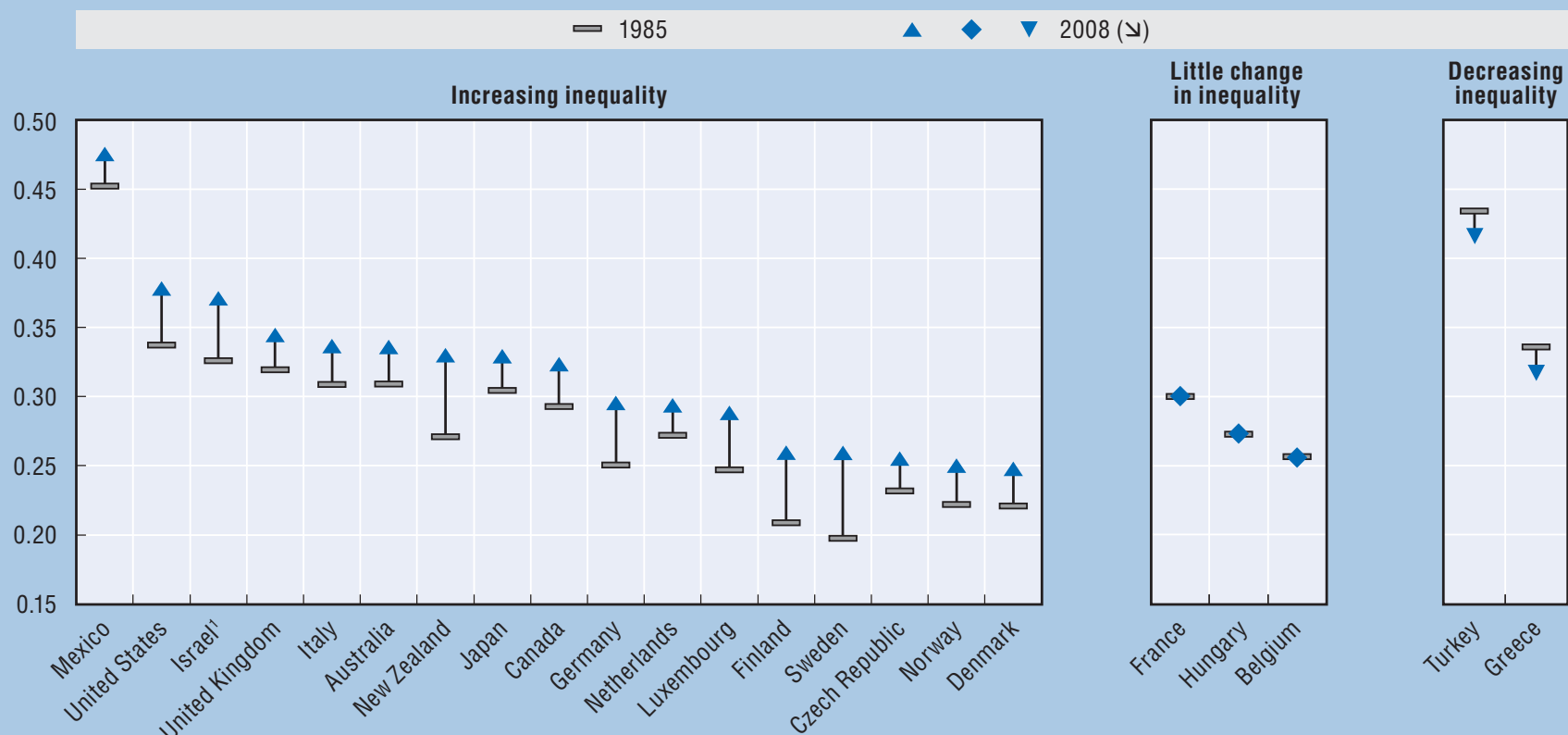


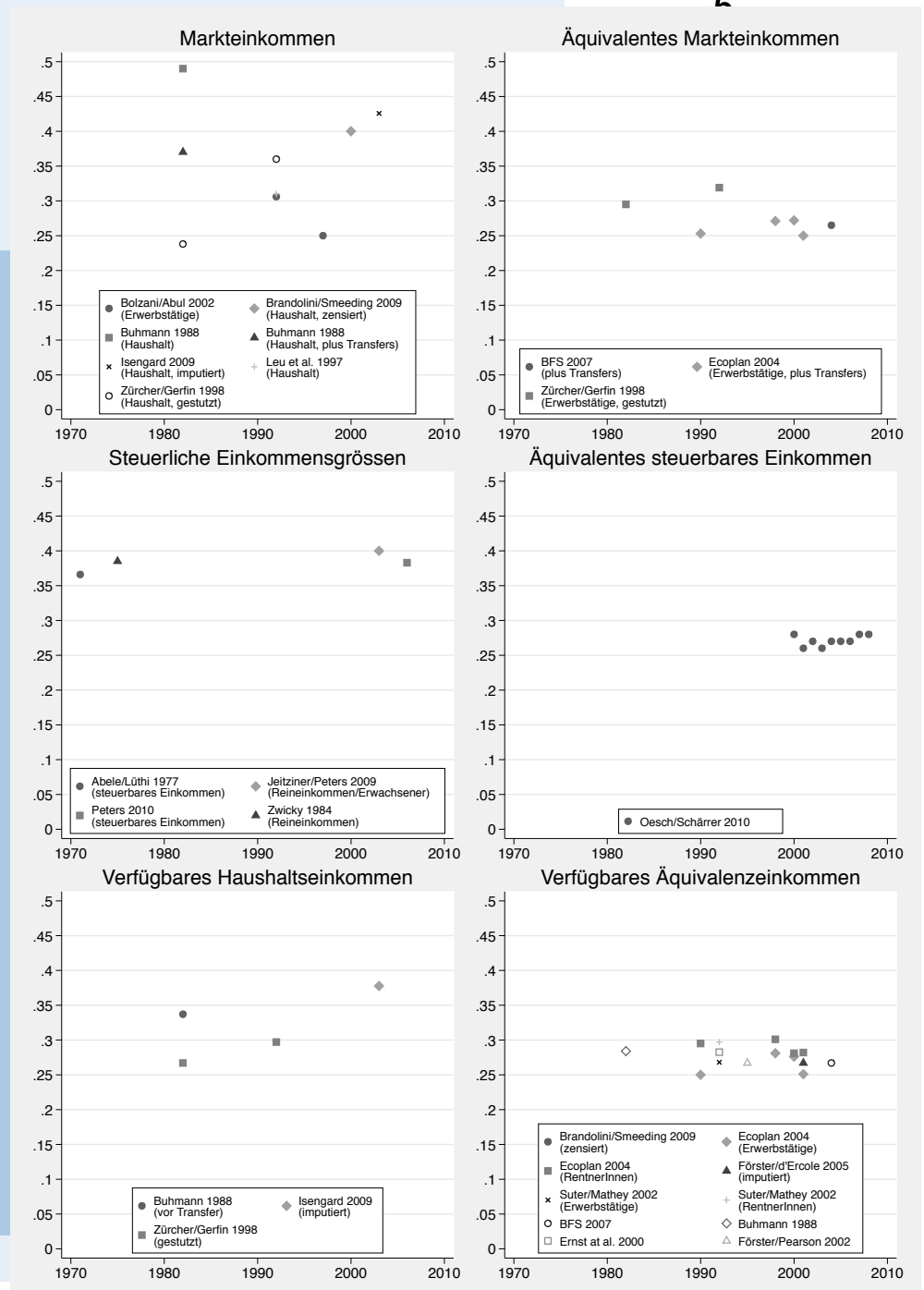
Abbildung 1: Gini-Koeffizienten für verschiedene Einkommensdefinitionen, 1970-2010

Titel der Präsentation (ändern unter Ansicht>Fusszeile)

Switzerland?

- > In Switzerland, however, the situation is unclear, as there is only little systematic evidence that would allow for long-term comparisons.
- > We therefore started a project to collect suitable data and analyze changes in the distribution in income and wealth in Switzerland over the last decades.

November 13, 2013



Project Overview

- > Project title:
 - Inequality in Income and Wealth in Switzerland from 1970 to 2010“
 - Ungleichheit der Einkommen und Vermögen in der Schweiz von 1970 bis 2010
- > Funded by the SNF
 - 445'000.-
- > Duration:
 - February 2013 – January 2016
- > Project team:
 - University of Bern, Institute of Sociology
 - Prof. Dr. Ben Jann, Rudolf Farys, Stefan Ilic
 - Berner Fachhochschule, Fachbereich Soziale Arbeit
 - Prof. Dr. Robert Fluder, Tobias Fritschi, Oliver Hümbelin

Project Goals

- > Although inequalities in income and wealth are much discussed in the media, there is only little systematic information on the development economic inequalities in Switzerland over time.
- > The goal of our project is to fill this gap.
 - How did the Swiss distribution of income and wealth change over the last decades?
 - How does the development differ by cantons and how can these differences be explained?
 - How did the composition of income and wealth change and how did this affect inequality?
 - How can the development of inequality in income and wealth be explained by socio-demographic change (age distribution, household compositions, labor market participation), economic development (unemployment, economic cycles, economic structure, globalization), and changes in the welfare state (taxes, social security, unions, etc.)?
 - How do subpopulations differ with respect to economic inequality?

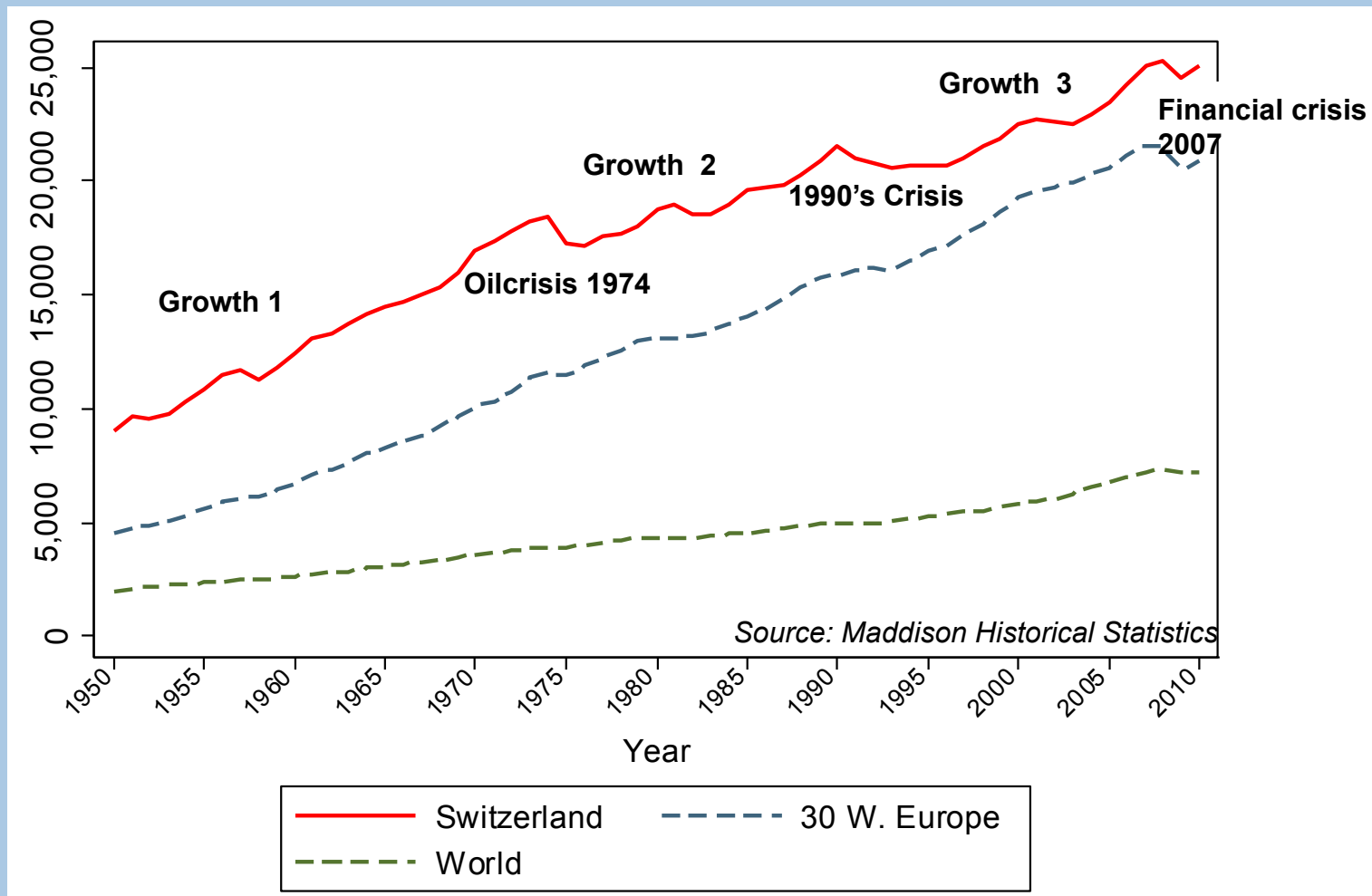
Project Data

- > The project is based on tax data.
 - Tax tables published by the ESTV (Swiss Federal Tax Administration)
 - Provide aggregate information on the distribution of earnings and wealth by canton across most of the 20th century
 - Digital tables available since 2000
 - <http://www.estv.admin.ch/dokumentation/00075/00076/00701/>
 - Distributional measures by canton and municipality computed from individual tax data at ESTV within SNF-Sinergia-Project “Economic Inequality and International Trade” (Brülhart et al.) (now also available from the ESTV website).
 - Structural information on cantons and municipalities
 - Individual tax data from several cantons
 - Digital data as far as available
 - Manual collection of data to fill gap back to 1970
 - Participating cantons: ZH, AG, OW, TI; some more are likely to join

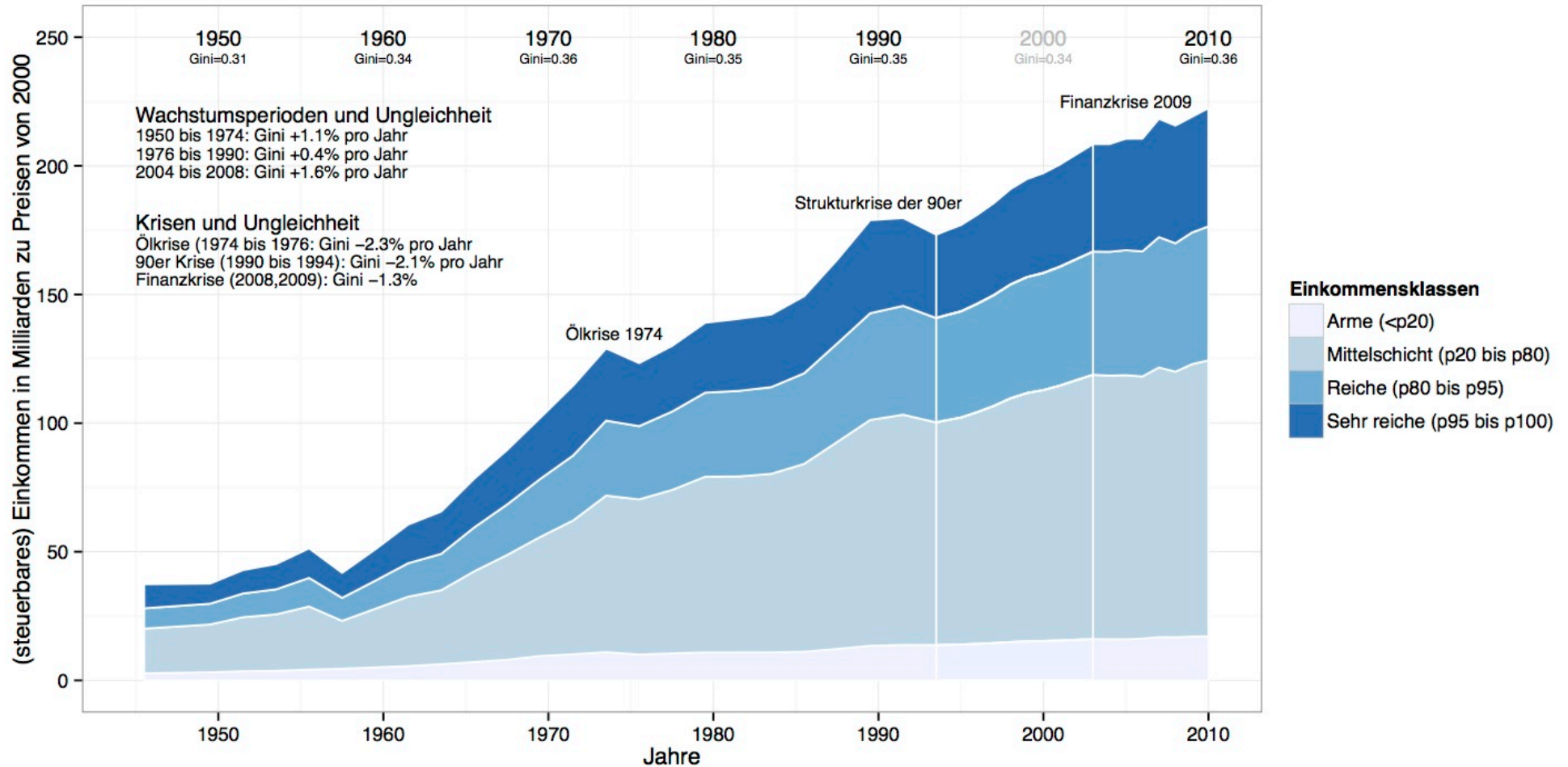
Inequality and growth in Switzerland

- > Did inequality increase in the long-term?
- > Is there a link between economic growth and inequality?
- > Various opinions:
 - Growth widens the gap; not all profit to the same degree from technological change etc. (OECD 2011)
 - Economic upturn reduces inequality (reduction of poverty etc.), whereas inequality rises with economic downturn/crisis (increase in unemployment and poverty) (Parker 1998)
 - Growth does not have a systematic impact on inequality (Dollar and Kray 2002)

Development of wealth - Post-War Era (1950 – 2010)

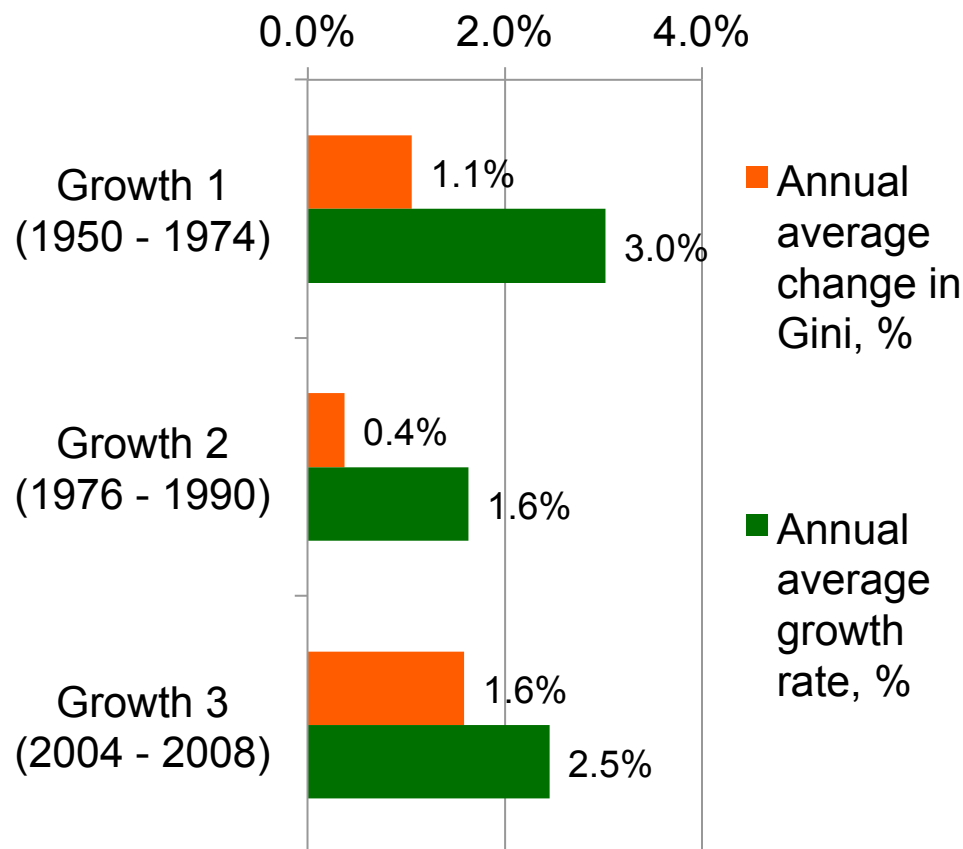
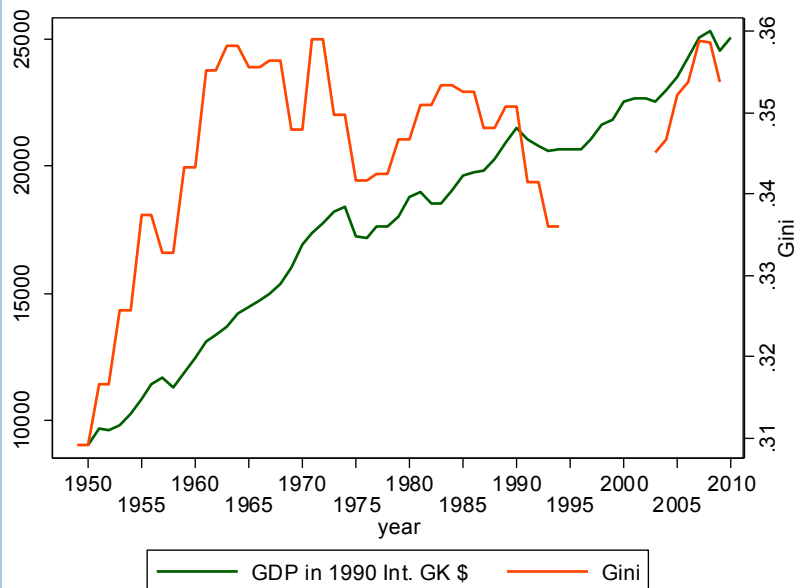


Development in Switzerland

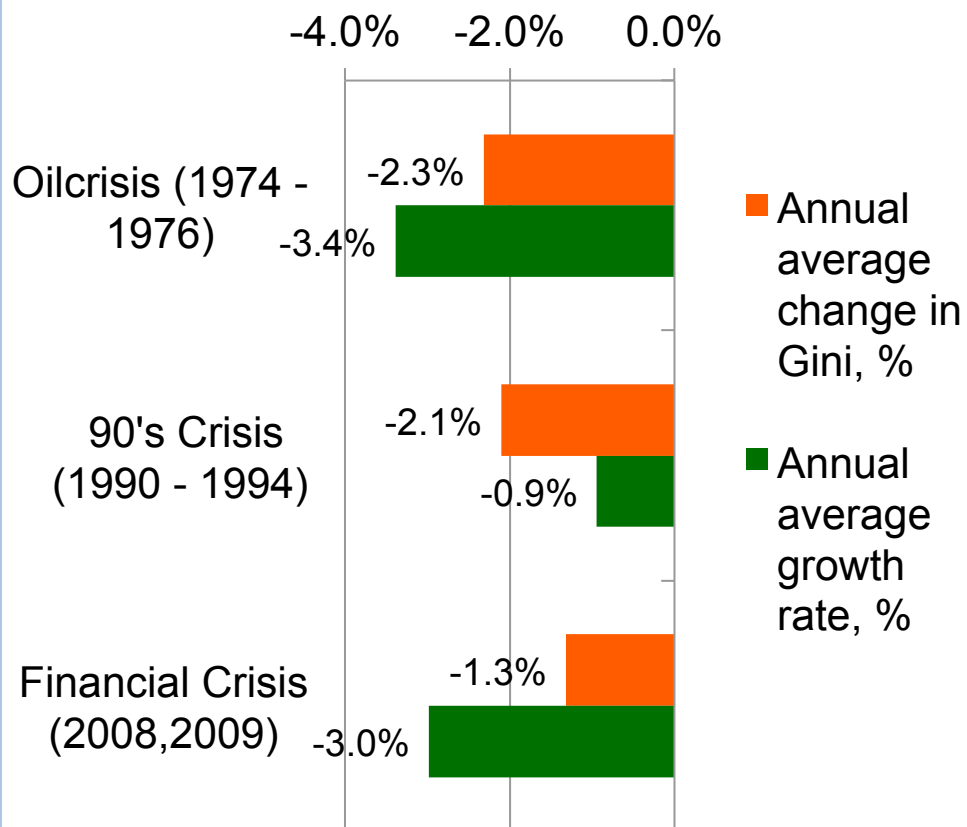


Periods of growth and Inequality

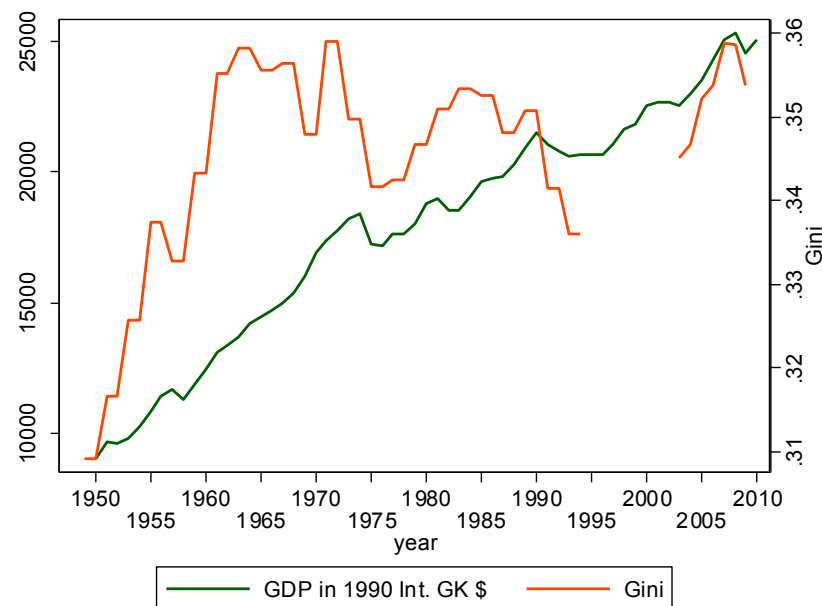
- Inequality tends to grow in time of prosperity



Periods of crises and inequality



- Reduction of inequality with crisis



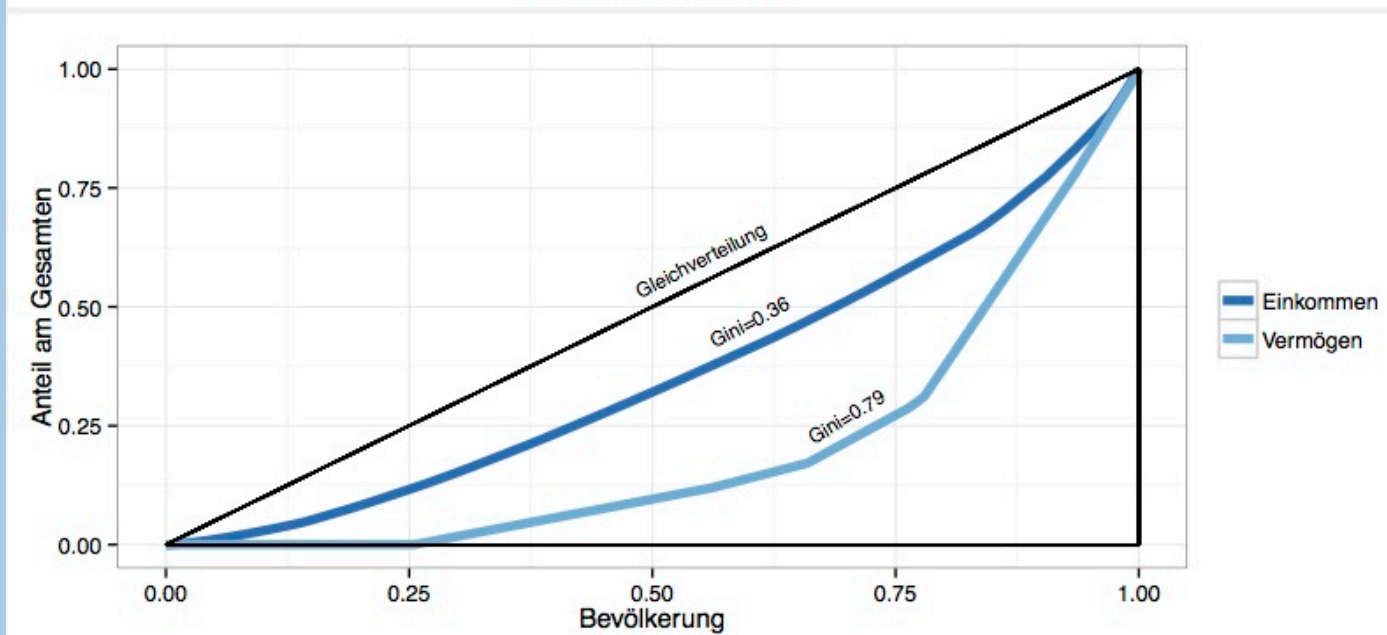
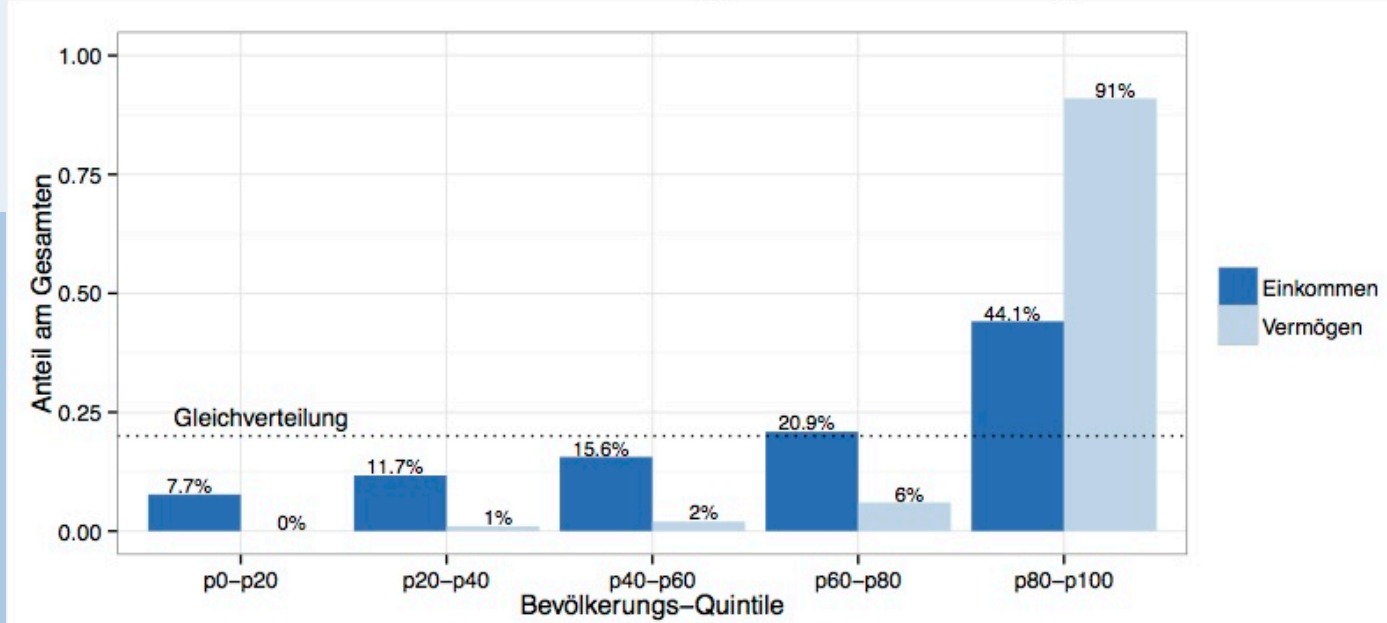
Summary on economic growth and inequality

- > Our data suggests that income inequality slightly increased in Switzerland since 1940
 - Substantial increase from 1950 to 1970
 - Ups and downs from 1970 to 2000
 - Relatively steep increase in inequality in the early 2000s
- > Link between growth and inequality?
 - In times of growth inequality tended to rise
 - In times of crisis inequality fell

Inequality in wealth

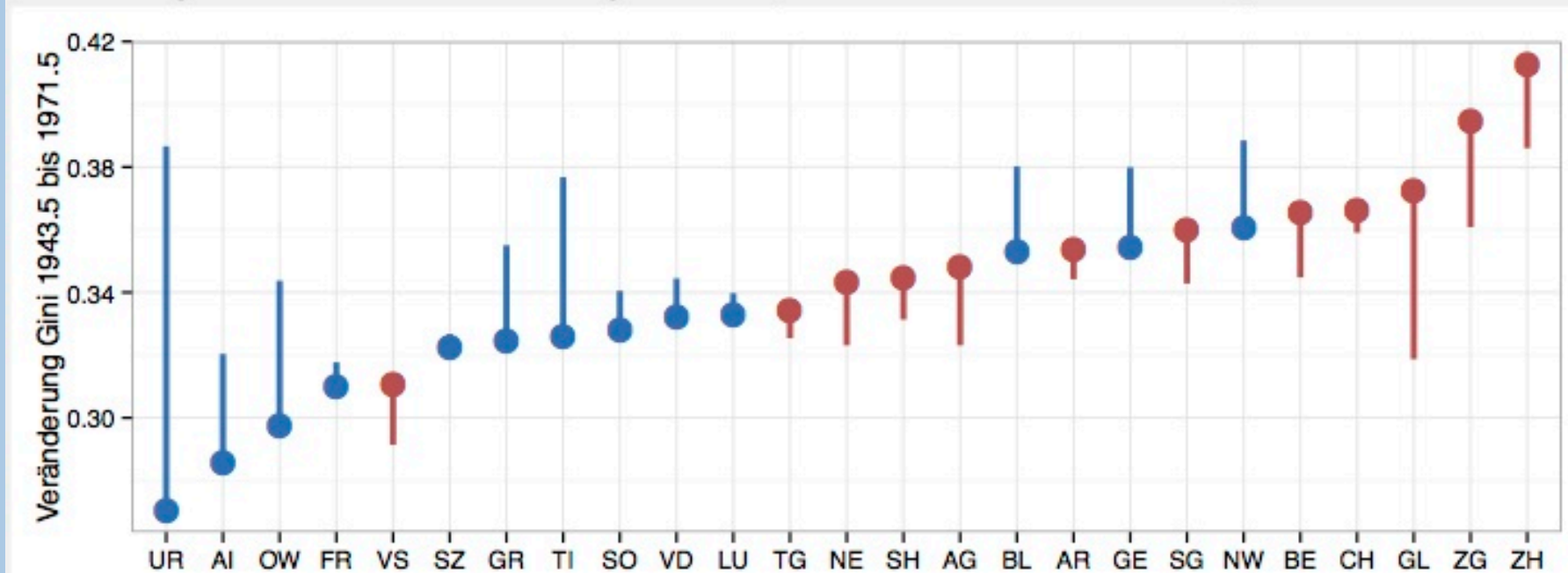
- > Despite the recent increase, overall income inequality in Switzerland is not very high in international comparison (somewhere in the middle or a bit below)
 - Also, some other countries (such as the US) experienced a much stronger increase in income inequality over the last decades
- > With respect to inequality in wealth, however, Switzerland takes a leading position in the world
 - At least if we look at taxable wealth – a weakness of the Swiss tax data is that pension funds are not included
- > Other than for income inequality, we do not see much of a development over the last 40 years or so

Tit Einkommens- und Vermögensverteilung 2010



What about the regional development of income inequality?

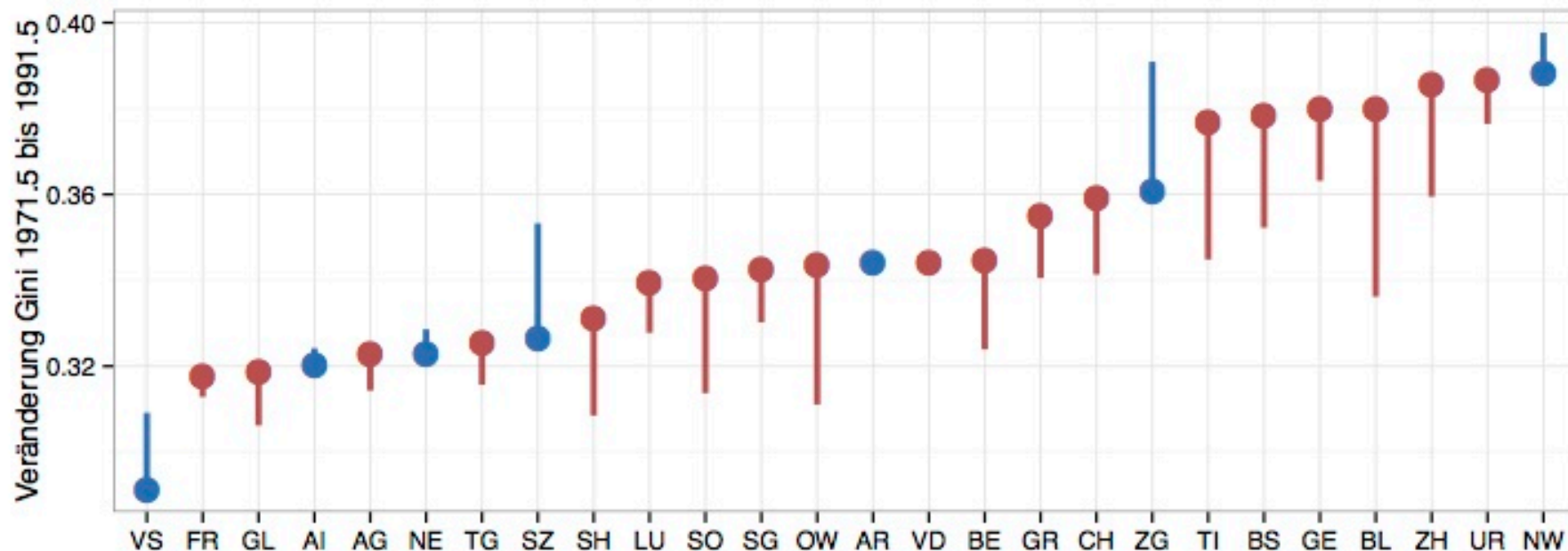
1943/44 bis 1971/72 (vor der Ölkrise)



- > Cantons come closer together: Reduction of inequality in high inequality cantons and vice versa

What about the regional development of income inequality?

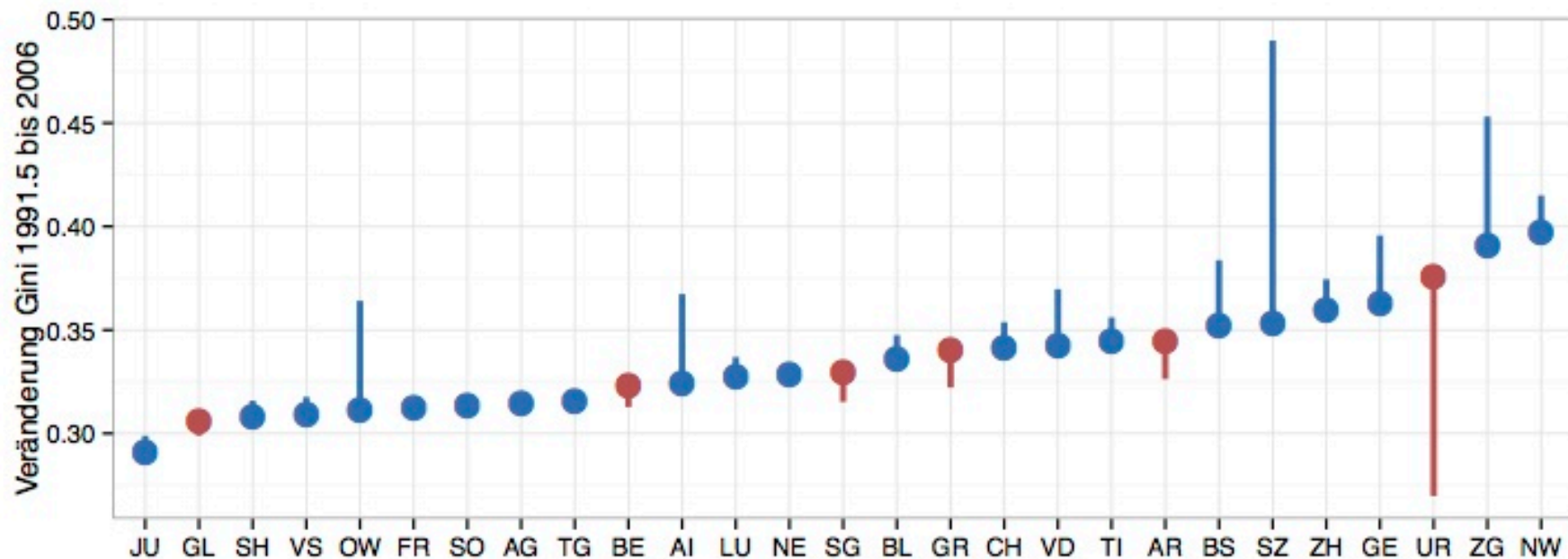
1971/72 bis 1991/92 (Ölkrise und Folgejahre)



- > Compression: Inequality decreased in most cantons
- > Some exceptions are ZG and SZ

What about the regional development of income inequality?

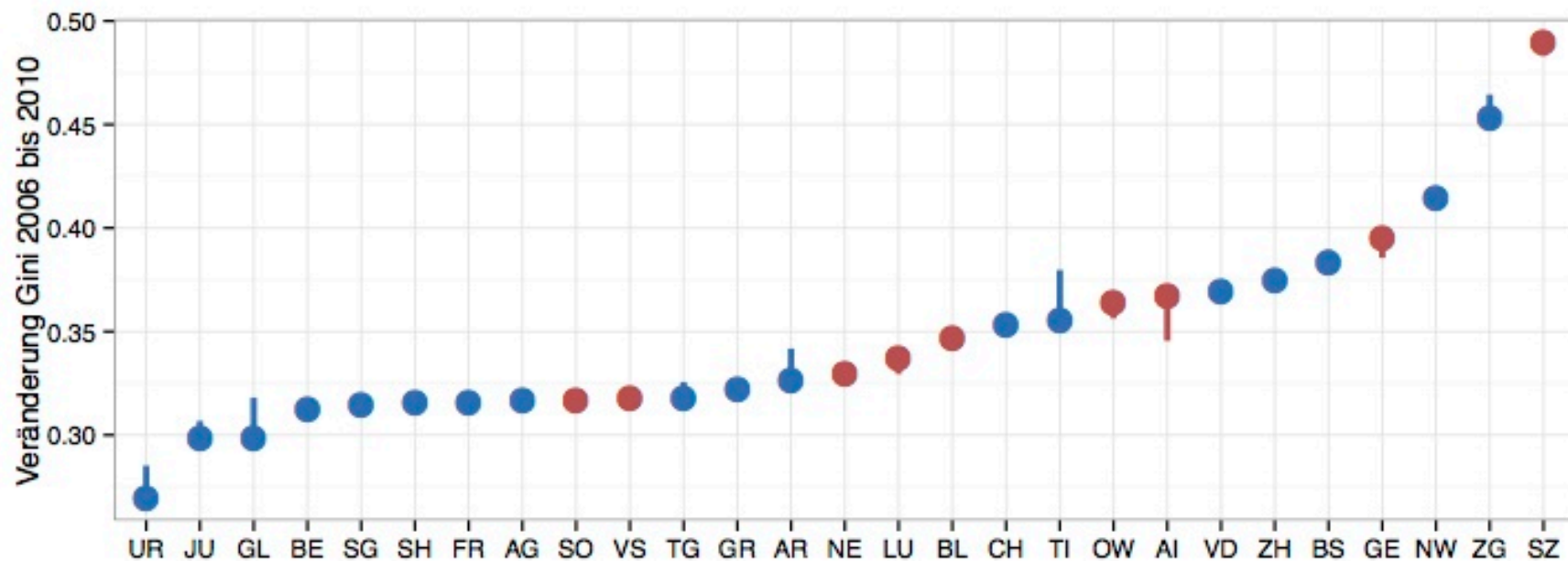
1991/92 bis 2006 (ab der Krise der 90er Jahre)



- > Strong effects of tax competition: Winners are cantons such as SZ or ZG; UR lost many high income households

What about the regional development of income inequality?

2006 bis 2010 (Finanzkrise)



- > No more major changes
- > However, diversity in income inequality between cantons is much more pronounced than 20 years ago

Project website

- > These were just some first results based on ESTV tax tables
- > In-depth insights can be expected from the analysis of individual level tax-data from the cantons; these analyses are yet to be done
- > Results will be made available at our pro project website:

<http://inequalities.ch/>