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Inequality, Poverty and Income Mobility

Studies based on micro data for the city of Göteborg, Sweden,
1925-2003.

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ABSTRACT

Inequality, Poverty and Income Mobility. Studies based on micro data for the city of Göteborg, Sweden, 1925-2003.

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The dissertation consists of five chapters which contribute to the history of household income in Göteborg, Sweden, from 1925 to 2003. In Chapter 1 the aim of the thesis is presented: to study the economic situation of the households from 1925-2003 in one city, Göteborg, Sweden, with focus on inequality, poverty and income mobility. Also investigated is the impact the welfare state has had on reducing classic poverty traps (childhood, starting a family and old age) and if new poverty traps can be found, implying new challenges for social policy. This chapter includes a brief introduction to the concepts of poverty, income distribution, inequality and the welfare state together with a brief overview of major demographic changes in Sweden during the years of study. The databases used in research are presented.

Chapter 2 aims to throw light on the development of top incomes in Sweden, 1925-2004, as well as the causes for change. Using household income data, results show that since the first half of the 1980s, real income at the top of the distribution has developed more favourably than for other groups. This contrasts with the changes which occurred prior to the 1980s. Reasons for the rise in the top income share are several: the development of stock prices, tax reforms and the labour market change of top wages increasing more rapidly than other wages

In Chapter 3 the development of poverty in Göteborg, Sweden from 1925-2003 is investigated. Poverty is defined as living in a household with a disposable income lower than a poverty line that represents a constant purchasing power for all years, as well as poverty lines defined as 60 percent of contemporary median income. Clear reductions of poverty from 1925 to 1947 as well as from 1958 to 1983 are found. An important poverty-reducing mechanism during both periods was narrowing earnings disparities. The poverty reduction from the end of the 1950s to the first half of the 1980s was the outcome of improved transfer systems as well as the establishment of a pronounced characteristic of present-day Sweden: the dual earner system.

Chapter 4 describes models and compares intragenerational income mobility at the household level for three, 11-year periods: 1925-1936, 1947-1958 and 1983-1994. Income mobility is defined as changes in household disposable income over time. All results indicate large income mobility across the periods. Much income mobility is linked to the life-cycle and the results show that the three classic poverty traps (childhood, starting a family and old age), have been reduced over time. This can be understood as a consequence of the introduction and subsequent maturing of social insurance programmes. However, the results also show that two new poverty traps have emerged: young adulthood and family-building for immigrants.

Finally, Chapter 5, intergenerational mobility is investigated before the rise of the welfare state 1925-1958. Young households, selected persons under age 18, are followed and income mobility is defined as changes in household disposable income across generations. The results show large intergenerational income mobility for both periods. The results indicate that even before the rise of the welfare state, Sweden had high intergenerational income mobility.

KEYWORDS: micro data, panel data, poverty, poverty traps, income distribution, inequality, top incomes, welfare state, household disposable income, income mobility, intragenerational mobility, intergenerational mobility, socioeconomic mobility.