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Redistribution across the life course in social protection systems



Intra-personal and inter-personal redistribution of lifetime income

- ❑ Taxes and transfers redistribute annual income from rich to poor
- ❑ Do these conclusions hold when a much longer time period is considered?
- ❑ Pensions are a system whose primary purpose is redistribution over the life-course

How do we measure intra- and inter-personal redistribution of lifetime income?



- ❑ Dynamic microsimulation
 - ❑ HARDING (Australia)
 - ❑ LIFEMOD (United Kingdom)
 - ❑ O'DONOGHUE's model (Ireland)
 - ❑ SESIM (Sweden)

- ❑ CORSIM (USA)
- ❑ DYNACAN (Canada)
- ❑ NEDYMAS (the Netherlands)



Dynamic microsimulation

	Australia	UK	Ireland	Sweden
Year of study	1986	1985	1994	1999
Sample size	4,000	4,000	4,000	104,000
Source of data	synthetic	synthetic	4 waves of panel data	longitudinal register
The model covers	cash transfers income tax	cash transfers income tax	cash transfers income tax	cash transfers publicly financed private cons income tax indirect taxes

The Gini coefficient for annual and lifetime incomes for various income concepts. The SESIM model for Sweden

Type of income	Annual income	Lifetime income	Change
Factor income	0.490	0.196	−60%
Disposable income per unit of consumption	0.217	0.102	−53%
— indirect tax	0.224	0.104	−54%
+ public consumption (total income)	0.189	0.086	−55%

Inter-personal and intra-personal redistribution of lifetime income.

The SESIM model for Sweden

Component	Proportion (%)
INTER	18
INTRA (year)	45
INTRA (life)	38
Total	100



Redistribution of lifetime income

Country	Welfare state program	Intra-personal redistrib (%)	Inter-personal redistrib (%)
Australia	Strong element of targeting	38	62
Ireland	Strong element of targeting	55	45
UK	In between	62	38
Sweden	Highly universal	82	18



Conclusion

- ❑ In countries with highly universal welfare state arrangements, the main part of social spending generates intra-individual redistribution rather than inter-individual redistribution of lifetime income
- ❑ in contrast to countries whose welfare systems have a strong element of targeting