

# Ridurre le disuguaglianze: Influenzare il cambiamento tecnologico?



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# Le disuguaglianze e l'Agenda 2030 per lo Sviluppo Sostenibile

- Obiettivo 10: «ridurre la disuguaglianza all'interno delle nazioni e tra le nazioni».
- 10.1 Entro il 2030, crescita del reddito del 40% più povero maggiore della media
- 10.2 Entro il 2030, inclusione sociale, economica e politica di tutti, a prescindere da età, sesso, disabilità, razza, etnia, origine, religione etc.



## Agenda 2

- 10.3 Assicurare pari opportunità e ridurre le disuguaglianze nei risultati, anche eliminando leggi, politiche e pratiche discriminatorie
- 10.4 Adottare politiche, in particolare fiscali, salariali e di protezione sociale, per raggiungere progressivamente una maggior uguaglianza
- 10.5 Regolare la finanza



MAURIZIO FRANZINI AND MARIO PIANTA

EXPLAINING  
INEQUALITY

ROUTLEDGE





# The economics of inequality

- Need for a **comprehensive** view of distribution and inequality in the economic system, considering all relations, at diff. levels:
- **Functional distribution** of income between profits and wages
- Within **profits**: financial rents, retained profits, dividends, who gets them?
- Within **wages**: how equal? Top managers' "wages"
- How these incomes reach individuals: **personal distribution of income**, resulting **inequality**



# The politics of inequality

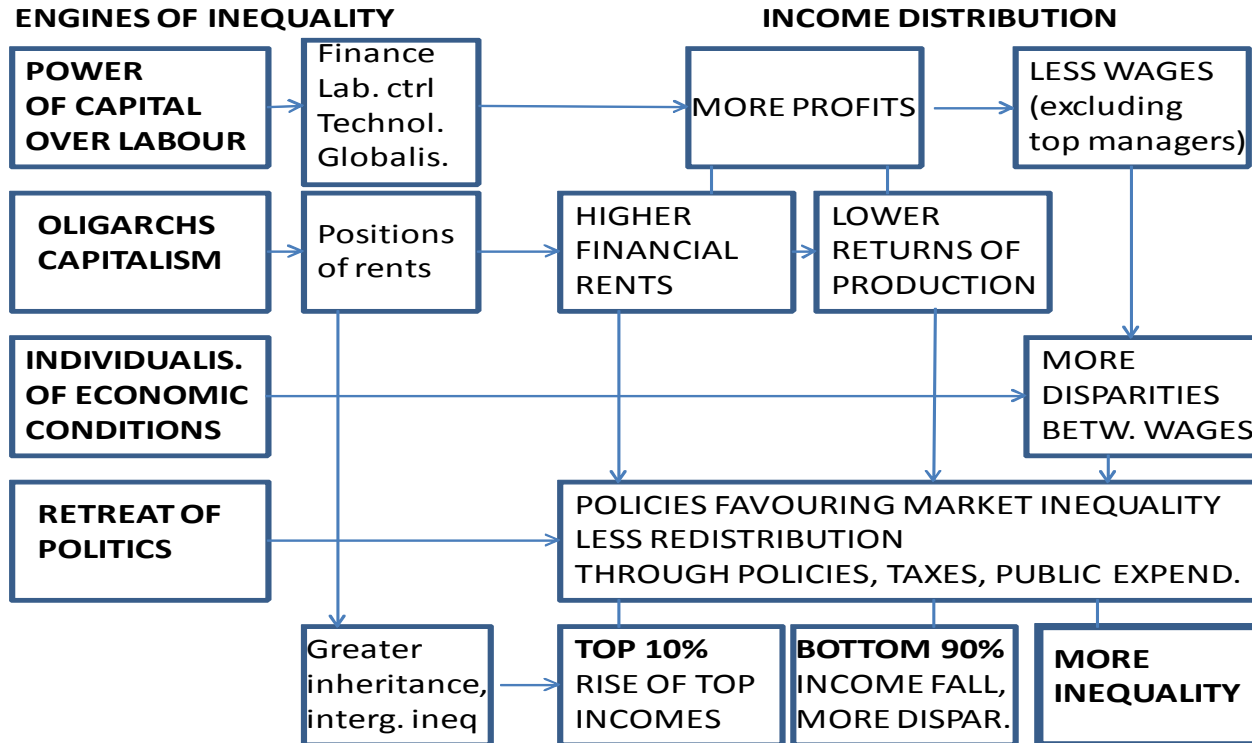
- From market incomes to net incomes (taxes and public provisions in cash and services)
- Context of social relations, solidarity, non market activities
- Redistribution happens through the political process
- High inequality changes the political process
- Inequality vs. democracy



# **Franzini and Pianta: Four engines of inequality**

- **The power of capital over labour**
- **Oligarchs capitalism**
- **Individualisation of economic conditions**
- **The retreat of politics**

# The four engines of inequality and their impact on income distribution







# 1. The power of capital over labour

10-15% of GDP moved from labour to capital

- The power of finance
- Control over labour
- Technological change
- International production



# Come la tecnologia crea disuguaglianza 1

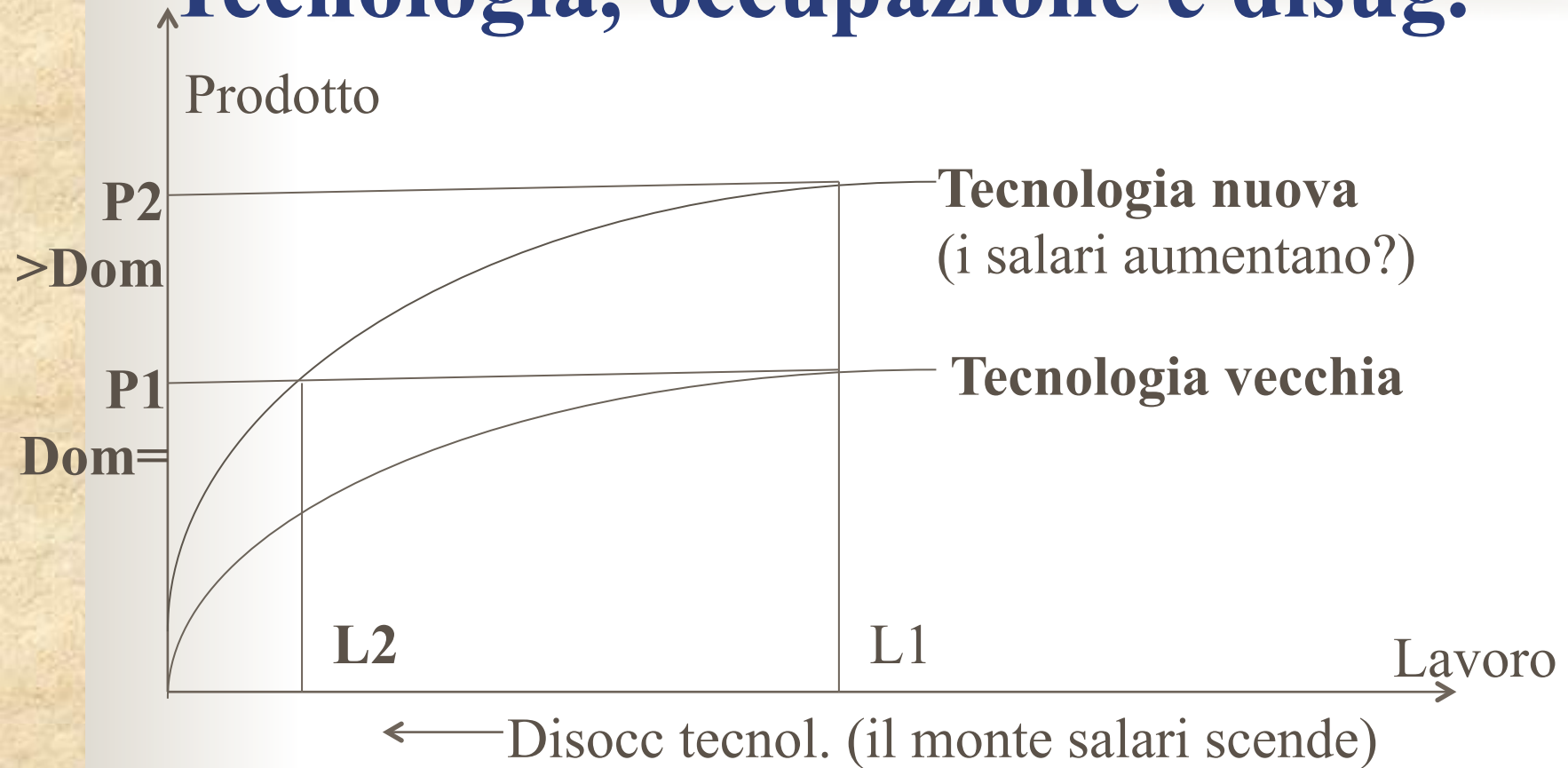
- - **sostituzione diretta di lavoro con capitale**, aumento della quota dei profitti e riduzione della quota dei salari
- - **riduzione dell'occupazione** e del monte salari; inadeguati meccanismi di compensazione attraverso nuova domanda capaci di creare nuova occupazione
- - **polarizzazione dei posti di lavoro** in termini di qualifiche e salari: maggiori disparità interne ai salari



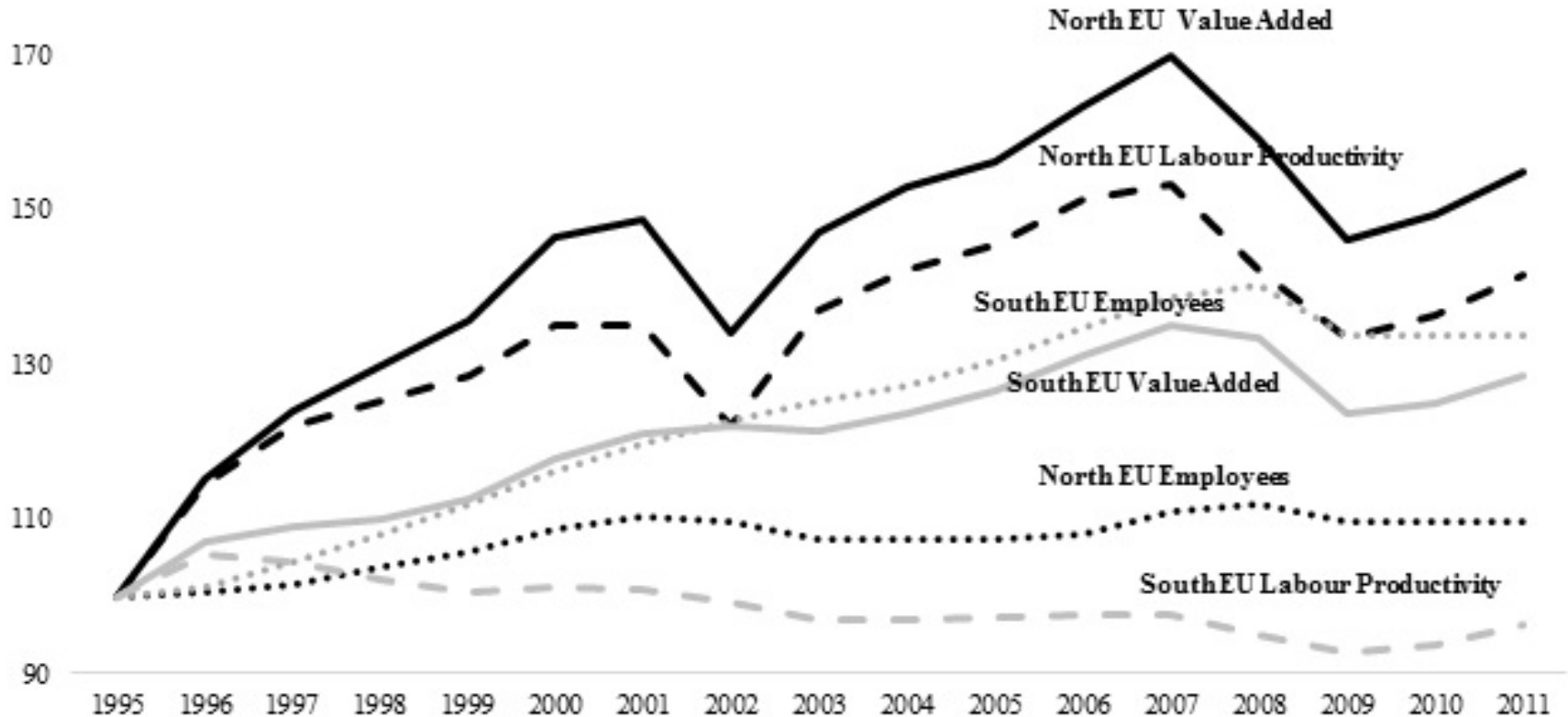
# Tecno-disug 2

- - i benefici della maggior produttività non vanno più ai salari
- - uso delle tecnologie per aumentare il controllo dell'impresa sui lavoratori
- - il cambiamento tecnologico si intreccia con la globalizzazione
- - la logica finanziaria influenza la tecnologia: pressione della finanza sulle imprese in termini di alti profitti e di quotazioni di borsa
- - il caso delle piattaforme digitali

# Tecnologia, occupazione e disug.



# Value Added, Employment and Productivity in Northern (DE, FR, UK) and Southern countries (ES, IT) (Cirillo, 2016)

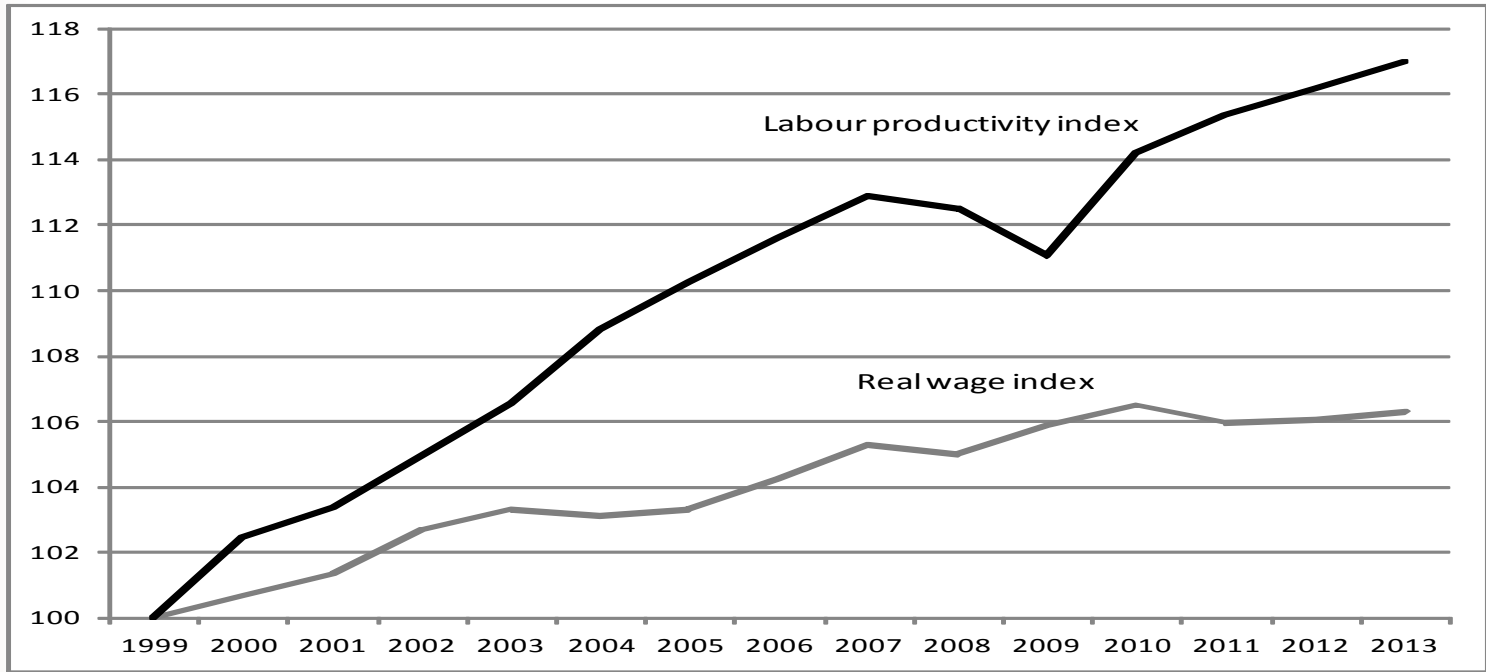


# Growth of labour productivity and average wages

Wage growth is calculated as a weighted average of year-on-year growth in average monthly real wages in 36 economies. Index is based to 1999 because of data availability.

Data from ILO Global Wage Database; ILO Trends Econometric Model.

From: ILO Global Wage Report 2014/15, p.8.

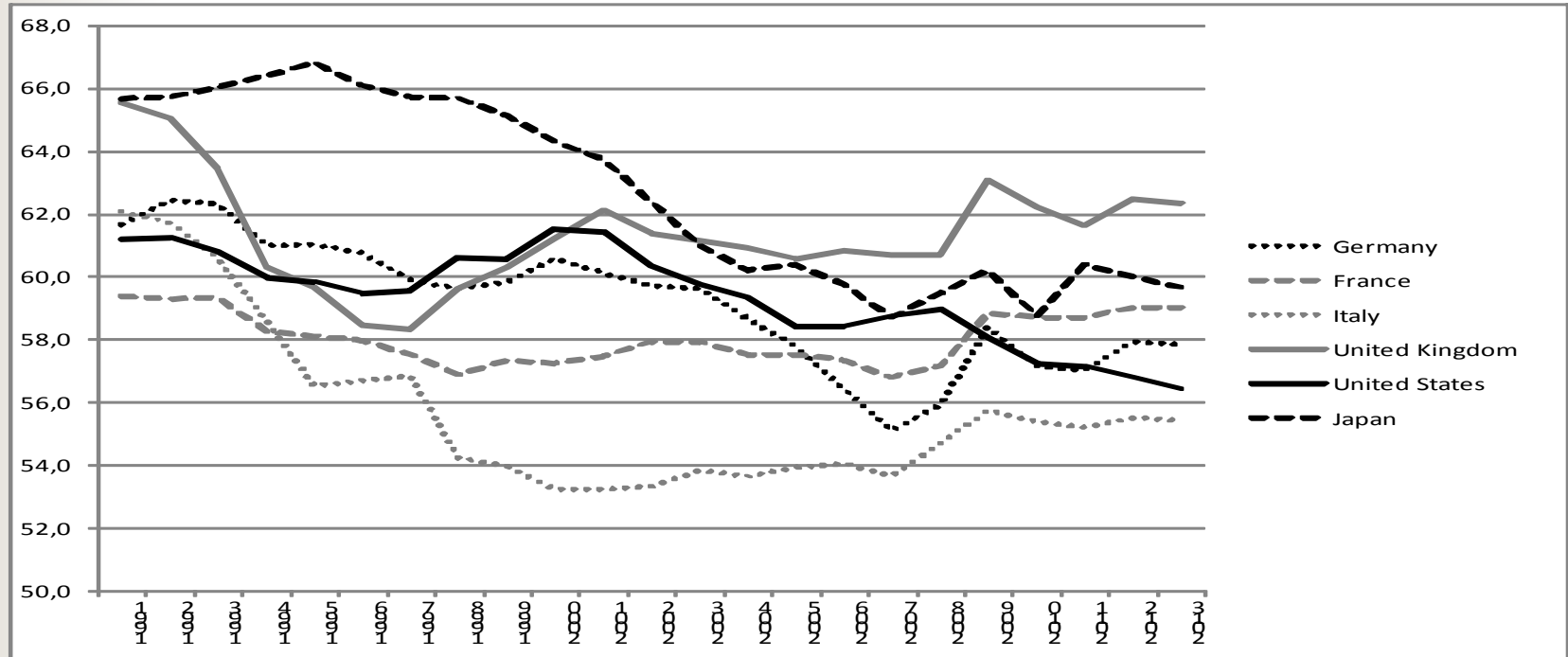


# Labour income share, 1991-2013

Wage share of GDP adjusted for the income of the self-employed

(compensation per employee as a percentage of GDP at market prices per person employed).

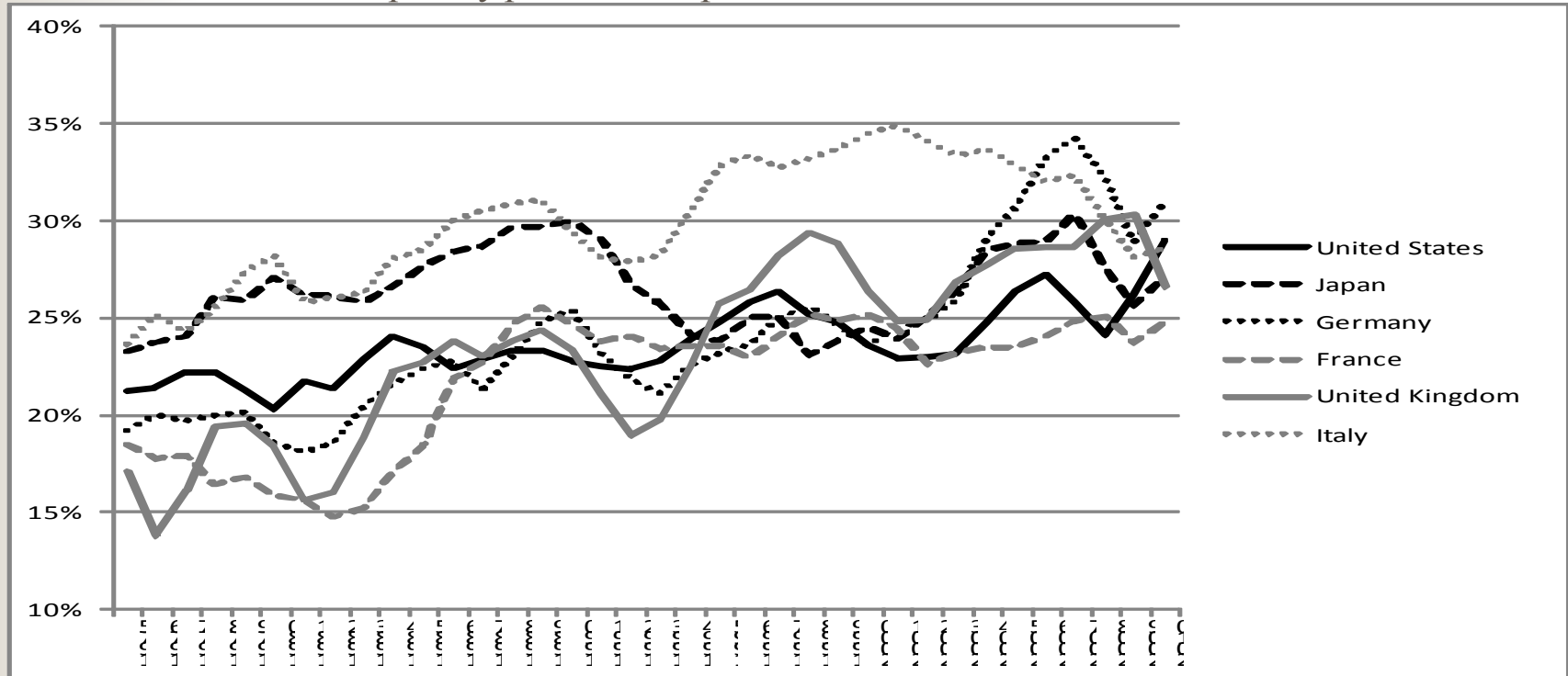
Data from European Commission AMECO database, from: ILO Global Wage Report 2014/15, p.11



# The capital share in advanced countries, 1975-2010

Adapted from Piketty (2013), Figure 6.5, p.351.

For sources and data see [piketty.pse.ens.fr/capital21c](http://piketty.pse.ens.fr/capital21c)







# Profits and wages

- **Profits** are higher when more capital is invested, new technologies used, with oligopolistic power, finance with greater role (profits pay financial rents), tax elusion and evasion is possible
- **Wages** are higher with high skill jobs, lower when jobs are moved abroad, replaced by machinery, when workers lose union protection, national labour contracts and permanent employment, when precarious, low wage jobs expand.



# Technological change

- Amount of jobs and wages
- Skill biased technological change
- ICTs, greater demand for skills, higher wages for educated workers, lower demand for unskilled workers, more wage inequality
- Associated to **trade and offshoring** effects
- Need for detailed analysis of **technology** (process vs. product), of its **distribution** effects on profits, wages, of **skills** (professional groups, tasks), different mechanisms for diff. skills, etc.



# International production

- Richard Freeman (2009): globalisation doubled the labour force available in the world, lowered the capital/labour ratio, greater (relative) scarcity of capital, resulting in higher profits and lower wages. Increasing trade, greater openness lead to greater inequalities within countries.
- Jobs transferred to emerging countries (with low wages, weak unions, regulation, etc.), lower demand for labour, lower wages, more inequality
- Offshoring and profits (Milberg, Winkler, 2013).



# Power of finance

- By 1990 liberalisation of capital movements, surge of capital flows for FDI, financial assets, etc.
- US: ratio of profits of the financial sector to profits of non-financial activities has increased from 20% in the 1970s to 50% after 2000 (Glyn, 2006, ch.3).
- Complex markets for credit, stocks, bonds, real estate, currencies, futures, commodities, derivatives, driven by short-term speculative gains
- Major bubbles, collapse of 2008, instability
- Benefits go to top 1-10%



# Control over labour

- 2012 OECD Employment Outlook: lower labour share is the result of labour-displacing techn. change, rise of competition, delocalisation and imports, reduction of public ownership. These “*could be partly explained by their effect on workers bargaining power*”(p.111).
- Reduced coverage of collective bargaining systems, lower role and membership of trade unions; All this “*probably explains part of the deterioration of low-skilled workers’ position*” (ibid.).

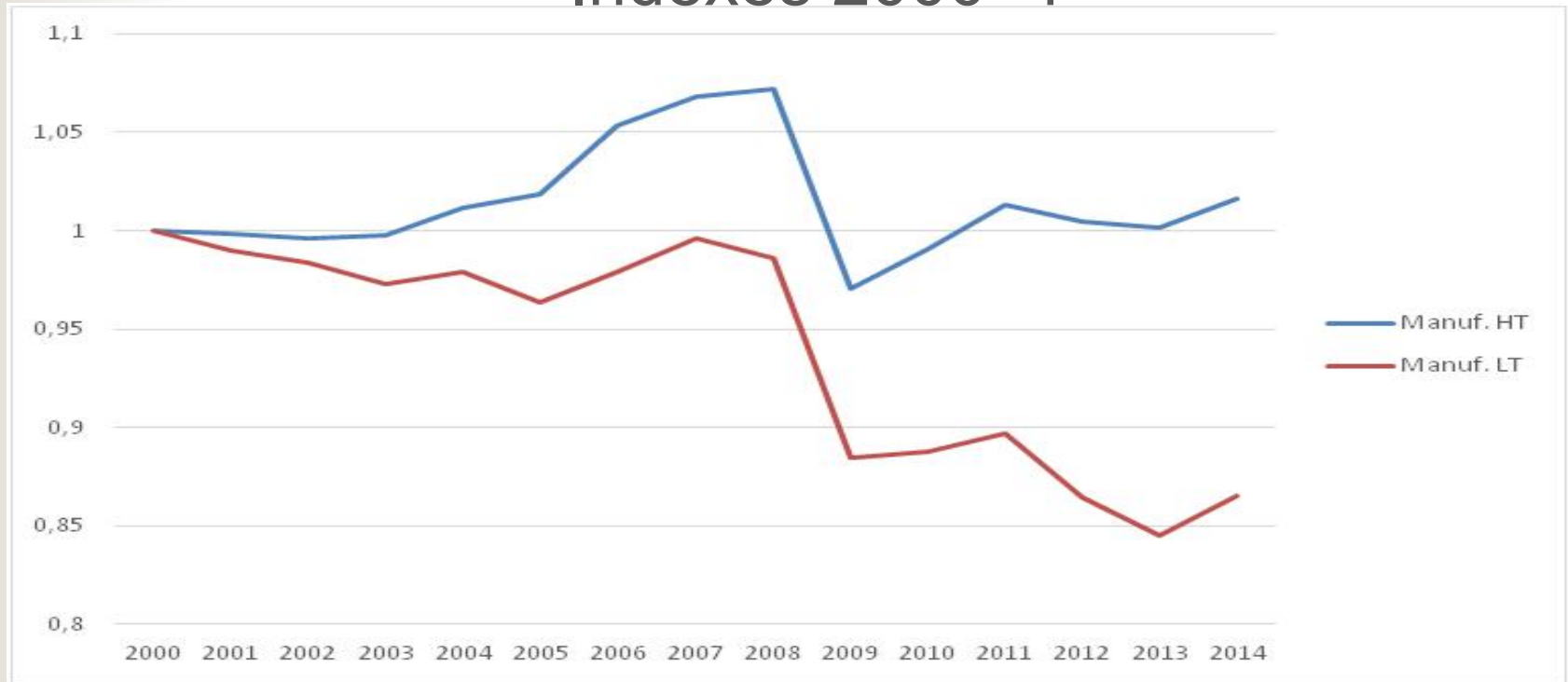


# Wage disparities

- Stronger unions lead to lower inequalities within wages and in the economy as a whole
- OECD “**In it together**” (2015): weaker labour market institutions lead to rise in wage inequality “*declining union coverage has a disequalising effect on the wage distribution*” “*high union density and bargaining coverage, and the centralisation/co-ordination of wage bargaining tend to go hand in hand with lower overall wage inequality*” (p. 42)

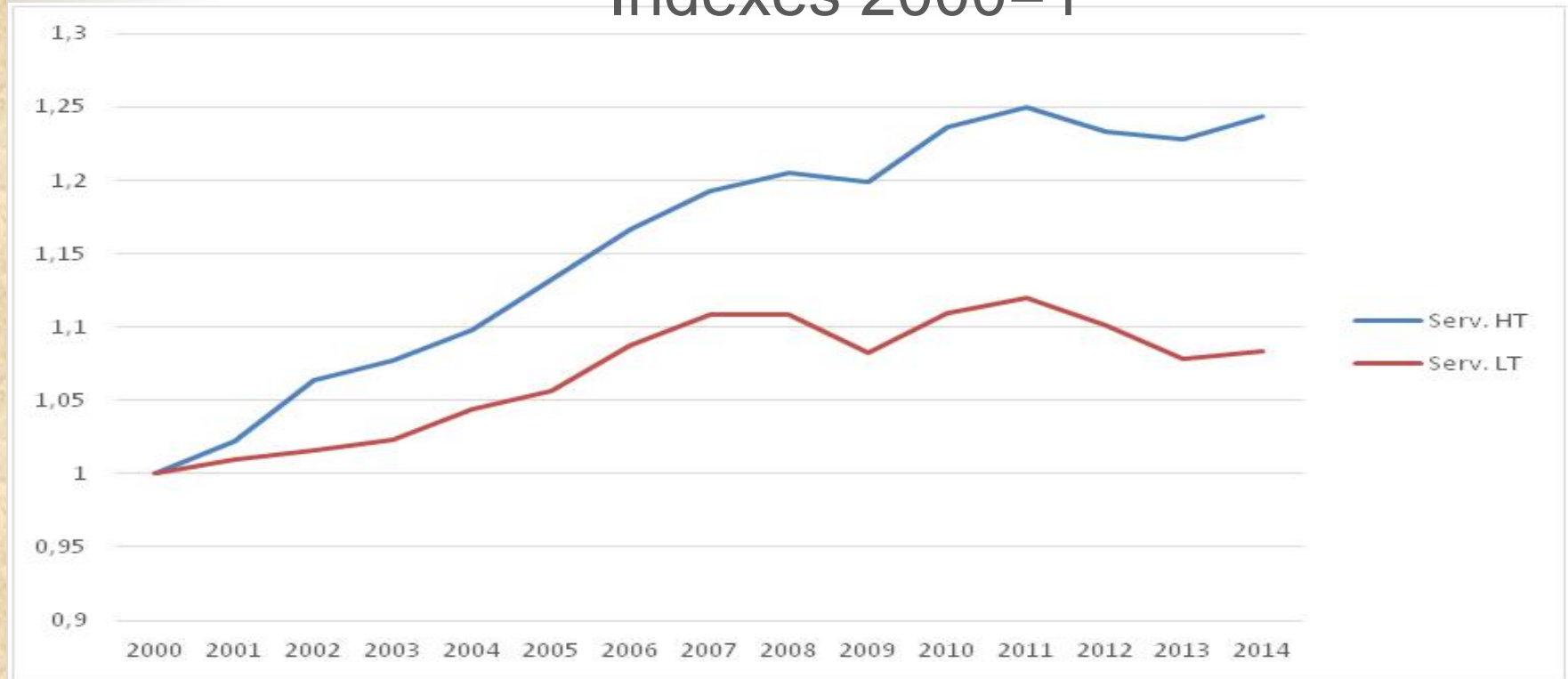
# Total wage bill in Italy's manuf. Ind.

## Indexes 2000=1



# Total wage bill in Italy's services

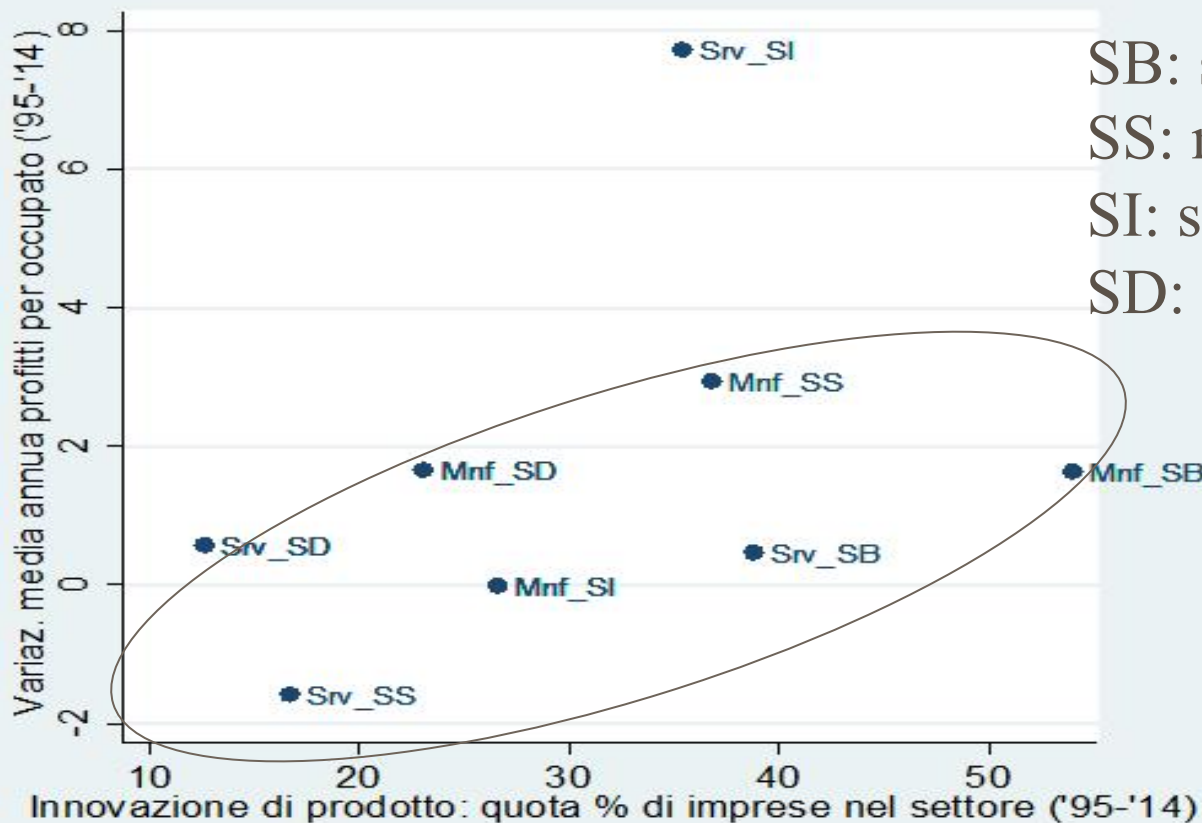
## Indexes 2000=1





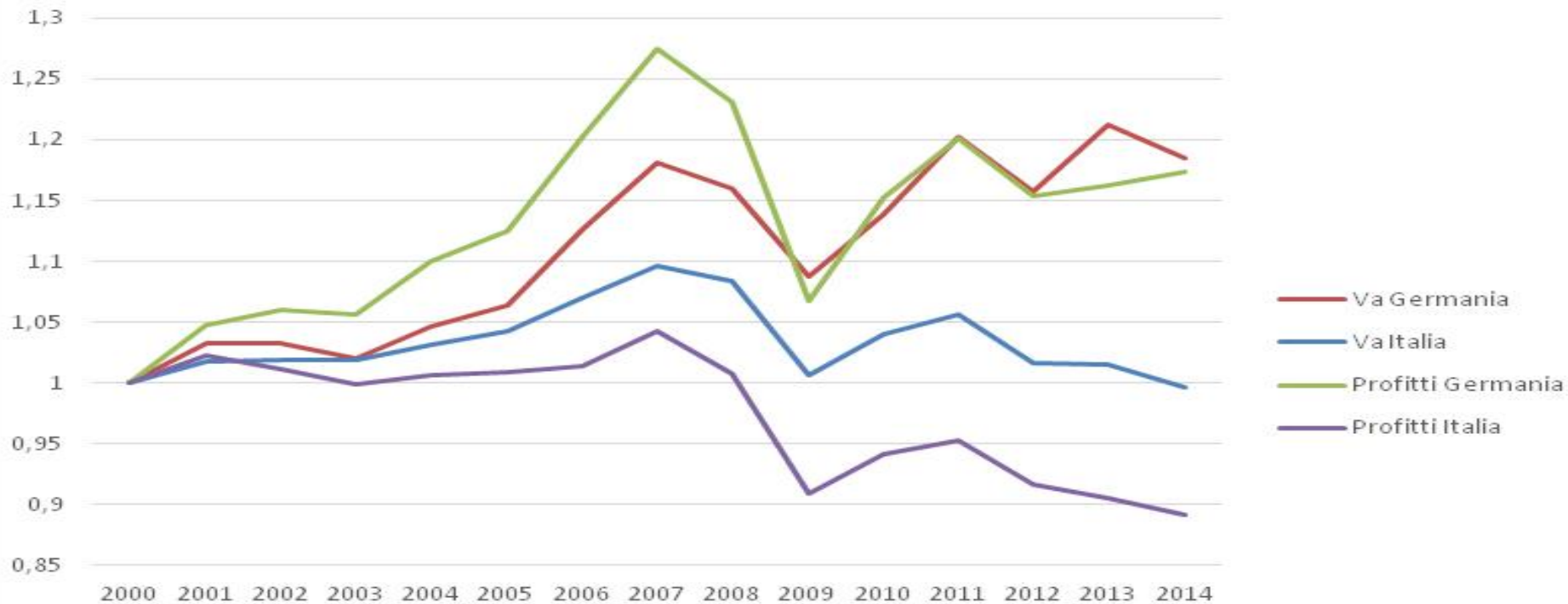


# Profits per empl. and prod.innov in Italy, manuf and serv. ind.



SB: science based  
SS: machinery  
SI: scale intens.  
SD: traditional

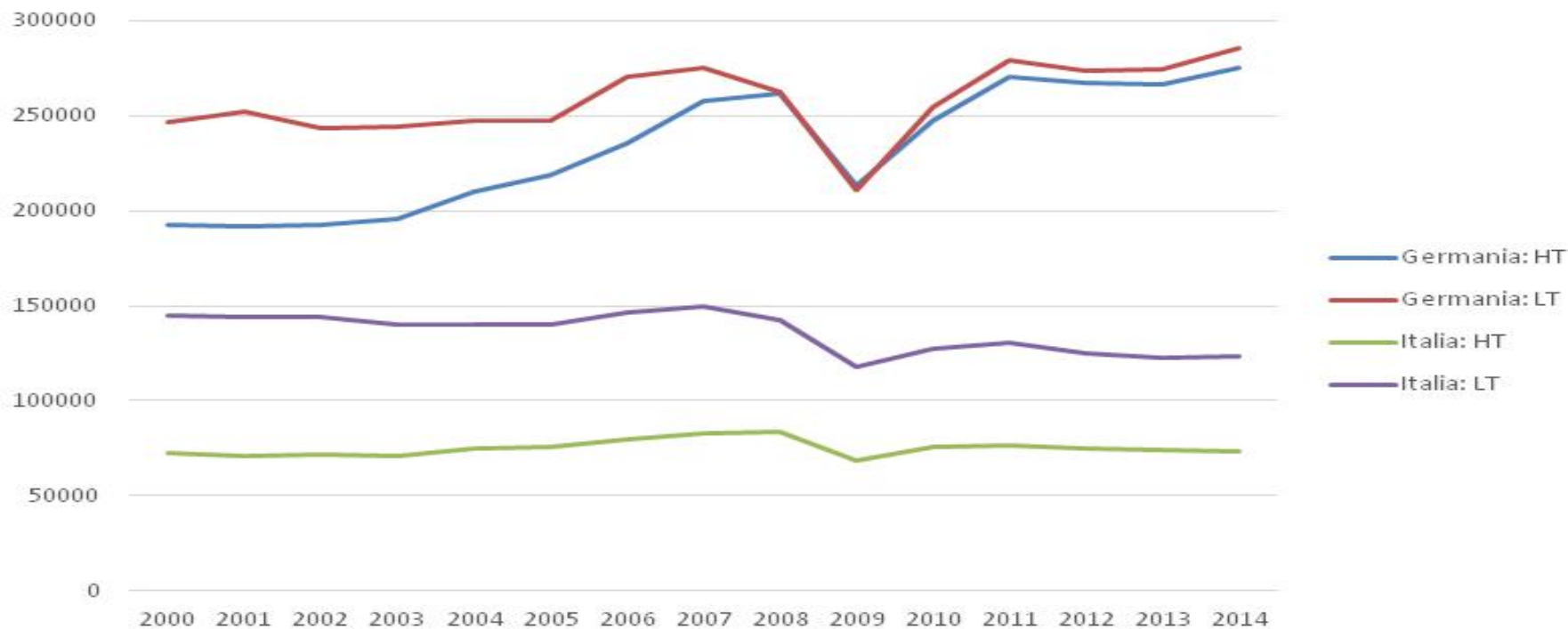
# Value added and profits in manuf. and services Germany and Italy indexes 2000=1



# Value added in High tech, Low tech manufact. ind. Germany and Italy, €millions

HT = Science based and Specialised suppliers industries

LT = Scale intensive and traditional industries





# Come influenzare il cambiamento tecnologico?

- La tecnologia può prendere direzioni diverse:  
Prodotti, processi, organizzazioni
- Labour-friendly innovation, politiche di domanda
- Politica industriale, espansione nuovi settori
- Problemi: Industry 4.0
- Possibilità: Mission-oriented innovation



# The policy space in Europe

- Europe2020, Structural Funds/cohesion
- *Flagship initiative* “An integrated industrial policy”, ‘Smart specialisations’
- Environmental actions and the Energy Union
- EFSI and EIF, role of European Investm Bank
- Industry 4.0, 2017 actions for digital economy
- Social infrastructure report by Public investm banks, 2017
- Mazzucato report on Mission-oriented research, 2018



# A progressive industrial (or investment) policy in Europe

- Europe-wide industrial policy, key role of EP
- 2% of Europe's GDP (about EUR 260 billion) for a decade,
- greater national policy space with a 'golden rule' for public investment.
- reduce the divergence between Europe's centre and periphery, concentrate resources in weaker regions and weaker countries.



# Funds

- Role for the ECB,
- Long-term, high-risk public capital is needed to fund investment financial markets avoid
- Role of EIB, as in EFSI, but a Public Investment Bank would be needed





# Key fields to be targeted

- **environmental sustainability;**
- **appropriate ICT applications;**
- **health and public services**

(coherent with EU2020)

- innovative and efficient new economic activities employing high-skill, high-wage labour
- no focus on manufacturing alone, no focus on whole industries



# Tools

- Greater general support for R&D, education, horizontal actions
- Public investment programmes,
- Public procurement
- public enterprises,
- support of private firms,
- mission-oriented innovation programmes
- Link to environmental and other policies



# Implementation

- Implemented at the national and regional levels, with bottom-up efforts and democratic processes
- Reinventing the governance of public-interest economic activities, political and social consensus
- Need for new arrangements for the governance of public interest economic activities,
- Transparency, monitoring, avoid collusion, corruption, waste

# Change of employment by occupat., 2000-14

Average annual rates of change, manufacturing and services,  
five major EU countries

