

The Impact of Globalization and Neoliberalism on Inequality and National Autonomy - UK and Sweden Case Studies

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Introduction

This report will investigate the combined effects of neoliberalism and globalization on a nation state's ability to regulate welfare policies designed to reduce inequality. Here, globalization refers to the expansion of markets and companies to operate across the globe, or over multiple countries; neoliberalism refers to government policies that favour free markets, deregulation, and reductions in public spending. It will investigate changes in income inequality in Sweden and the UK between 2011 and 2018. These nations were selected because of their contrasting welfare models. Interestingly, each nation shows similar trends despite differing welfare models, which showcases wider global trends. In this context, globalisation is examined in conjunction with the wider ideological contexts. While globalisation, in and of itself, is not necessarily a negative trend, the neoliberal context in which globalisation is happening is creating a global trend of lower standards, working conditions and pay. This, in turn, is widening the divide between those on higher and lower incomes and creating an environment where money is the highest form of power (Pilger, 2001).

The power held by wealthy individuals and Transnational Corporations (TNCs) has led to the lobbying of governments all over the world and to the lowering of employment standards, which has been felt most by the poorest in society, especially in developing countries. This can be seen in Pilgers (2001) documentary where he goes undercover into textile factories in Indonesia and highlights the poor conditions and pay workers are subject to while companies, including Nike, Adidas, and GAP, make vast profits from underpaid labour; Pilger highlights this point further explaining how a pair of shoes made by a worker will be sold for up to 250 times their daily wage, which was an estimated 72p in 2001. For these reasons, it is essential that global policies are developed for the protection of citizens. These policies could take numerous forms. However, this article will focus on ideology, the notions of global citizenship, the introduction of global monitoring bodies to ensure best practice, and the importance of trade unions and Basic Income. Numerous options are discussed with the aim of showcasing multiple methods for improving welfare; this is done with the hope that positive discussions around future policies can begin to emerge.

Literature review

Globalisation, Neoliberalism, and the Welfare State

It could be argued that transnational corporations are using globalisation to increase profits wherever possible. This usually results in the weakening of workers' rights, with high working hours and low pay (Pilger, 2001). Despite this, there are organisations working across borders that benefit rather than hinder citizens. NOMADESC (2021) is an example of an NGO working on a global platform, to raise awareness of living conditions and support the welfare of citizens in Columbia. Their campaign has been further supported by national workers' rights movements like UNISON (2021). This showcases the benefit of globalisation for raising awareness of human rights problems, as-well-as connecting workers' rights movements. This duality in the benefits and hindrances of globalisation can also be seen in transnational professions like doctors, vs. transnational criminal networks like human trafficking (Yeates, 2014: p.4). Further highlighting the difficulty in defining globalisation as a singularly positive or negative trend for welfare states.

Although if investigated further, it could be argued that TNCs hold more power than workers' rights movements, with Kennett (2001: p.15) highlighting that many of them generate a larger GDP than entire countries. This power imbalance is tipped further in favour of TNCs through organisations like the International Monetary Fund (IMF) and World Bank, which encourage the development of neo-liberal policies and push developing nations into debt (Kennett, 2001: p.18). This leaves individuals in developing nations with little alternative to engaging in the labour market despite poor working conditions, as welfare support is often unavailable or provided at a cost. Rudra (2008, p.24) explains in a globalized world developing nations have little bargaining power, this is partly due to them having a large number of low-skilled labourers, which she believes makes union organisation unsuccessful as new workers can easily be bought in to replace the old ones. Furthermore, Rudra cites studies that show the number of low-skilled workers is increasing in developing nations under globalisation. This shows how the race to the bottom theory applies to low-income nations, as the nation state seeks to attract capital by looking desirable to businesses. This, in turn, leads to reduced standards or pay which is followed by increased profit margins for the company. This then attracts larger capacity or other companies who will require more members of the population to work in their factories. While this provides jobs to local citizens its low pay often means workers cannot afford healthcare, and because low-income countries have reduced standards to attract companies in the first place, it is unlikely they are contributing much to the state in terms of welfare payments.

Furthermore, as companies relocate to low-cost areas, the nation state they were originally located in loses out on the tax revenue previously generated from the company, giving the nation less money to spend on welfare policies. The loss of tax revenue shows globalisation is widening the gap between rich and poor, increasing global inequality within and between nations. Convergence theory maintains that nations with high welfare expenditure will lose capital as companies migrate to low cost areas. This, in turn, leads to welfare states being unable to afford welfare measures (Clasen, 1999: p.48-49), further showing how the welfare state is not sustainable unless stronger global networks are developed for the protection and welfare of citizens.

Impact of Neoliberal Ideology on Inequality

Graph 1.1 and 1.2 highlight a trend towards wider income inequality. However, Souto-Otero (2017) argues neoliberal policies go further than affecting income inequality, permeating into the European education system through the 1995 white paper on education and training. He argues this white paper marks a turning point where the secondary aim of education becomes improving employability among students. Furthermore Mitchell (2006, quoted in Souto-Otero 2017) argues EU programmes have become aimed at creating flexible, self-governing workers instead of focusing on civic awareness and teaching about inclusivity. This is important as it shifts thinking towards individualism and more easily allows for exploitation of certain groups. Furthermore, it turns individuals into commodities for the market, creating a system where education works for capital. Alderson and Doran (2013, p.51) have already described a 'U-turn' in welfare over the last few decades; they relate this to a polarisation of workers moving into upper and lower income brackets, this is sometimes referred to as the hollowing out of the middle class. They believe the causes to be a transition to service sectors, a decline in well paid manufacturing work, and a lack of unionisation. Lack of unionisation is important to note as trade unions give a voice to workers' issues and through the process of collective bargaining allow for the improvement of workers' rights. Without trade unions, industries can easily be deregulated and workers can be exposed to exploitation and continually lower working standards and pay.

Weiss (1998) argues that globalisation is being advanced through the nation state and, because of this globalisation, is dependent on nations for its continued development and existence. While this is true in a sense, it is unlikely a low-income nation state would reject a proposal from a transnational corporation if it meant bringing income and jobs into the country, even if the proposal contained low wages and poor environmental and health and safety standards. Weiss argues that global corporations are exploiting vulnerable states to advance their own agendas of capital generation and that this system creates an environment of

continually lowering standards as nations compete to attract capital. Despite this view, Weiss also argues that the bond market has the power to undermine the monetary and fiscal policies of a government, which he believes is what has led to the global trend towards neoliberal policies. This showcases a need for monitoring bodies, at the very minimum to ensure best practice, as this will allow for nation states to have autonomy over their own policies.

Effects on the Contrasting Welfare Structures of the UK and Sweden

Arts and Gelissen (2002) describe the UK as a liberal welfare state, having low decommodification and a social stratification system that encourages market supremacy. This means the government has a small public sector giving funding to private companies to complete public roles. (Glenschel, 2004) applying globalisation theory that, when markets become bigger than the state, the balance of power shifts from state management of the market to levy taxes, to a model where the state competes to attract capital that can be provided by the market. The liberal welfare model is vulnerable to the 'race to bottom' theory (Rudra, 2008: p. 1), as nations with a liberal welfare model can no longer generate enough income to sustain its social policies without the support of private finance. Studies by Esping-Anderson in 1990 and Bambra in 2004 and 2005 highlight a decrease in the UKs decommodification score from 23.4 to 15.4 between 1980 to 1998 (Isakjee, 2017). The decreased decommodification score showcases an increase in the use of private finance during these years.

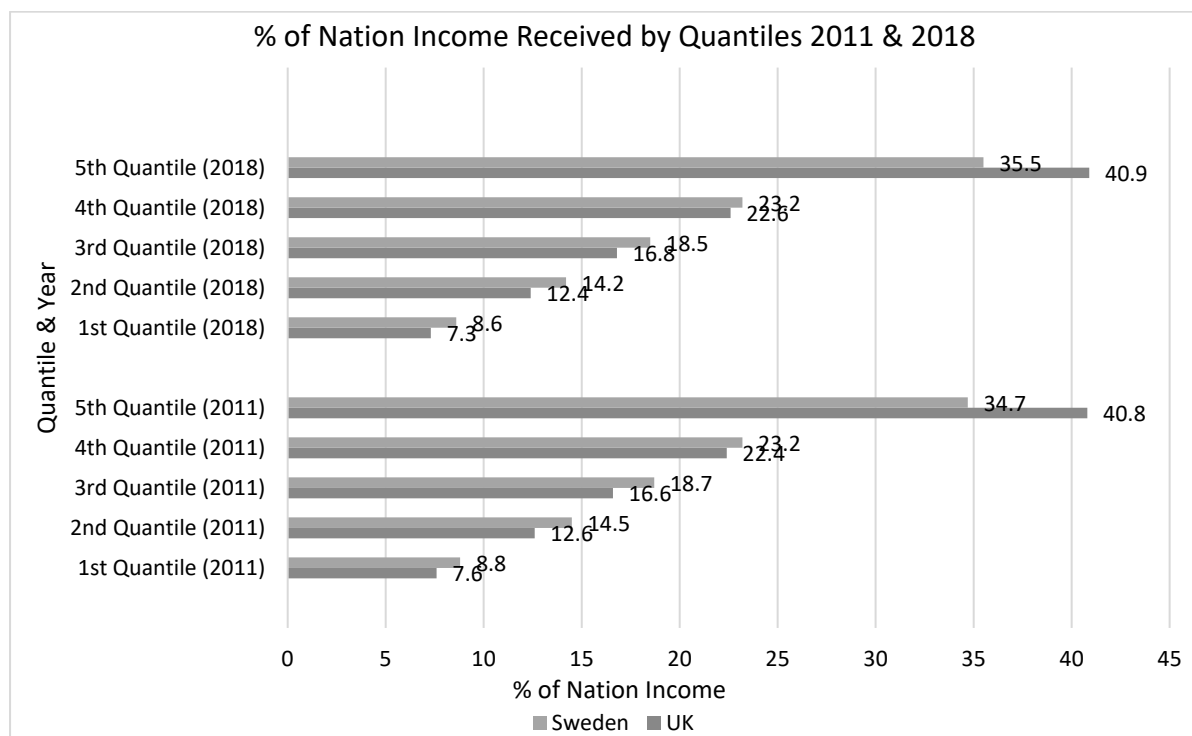
Similarly, during this period, Sweden's decommodification score also decreased from 39.1 to 34.7, between 1980 to 1998. Although Sweden still has a high decommodification score at this point in time, this study showcases a trend towards higher commodification in both nations. The Swedish welfare model, until the 1990s, had been more resistant to the pressures of the international emergence of neoliberal policies, globalisation, and the race to the bottom theory (Alcock and Craig, 2009). Through having social democratic welfare regime (Arts and Gelissen, 2002), Sweden is defined by having a high level of decommodification and a social stratification system that encourages higher levels of equality. The high level of decommodification often means social democratic welfare states have a large number of citizens employed by the public sector. The social stratification system also suggests more redistributive tax policies, from those on higher incomes to those on lower incomes, as well as from men to women. Rudra (2008) would suggest this provides evidence that the race to the bottom theory does not affect developed nations, because of the protective legislation in place and presence of labour organisations.

However, evidence from Eurostat provided in Graphs 1.1 and 1.2 showcases a redistribution of income in Sweden from those on lower incomes to those on higher incomes. This paper

argues this rise in income inequality is related to globalisation and the growing international trend towards neoliberal policies. Academics including Mishar (1999, p. 75-77) and Lister (2010, p. 97) share this opinion, with Mishar also explaining that until globalisation gave business the power to relocate, Sweden had high progressive tax measures in place to support redistribution of wealth, the removal of which gives them less money to support those on lower incomes. Taylor-Gooby (Quoted in Lister, 2010, p. 98) explains since Keynesian welfare no longer seems feasible, nation states have become compelled to follow the imperatives of international competition. This linked with economic globalisation has led to what Lister (2010, p. 97) calls the hollowing out of states. This results in a polarisation of workers into highly skilled relatively secure well-paid work or low-skilled insecure low paid work, which can be evidenced in the increase in income inequality in the UK and Sweden between 2011 and 2018 (Graph 1.1 and 1.2). This shows, in a globalized world, the relocation of companies to save on business costs can lead to a reduction in welfare support due to a reduction in a nation's taxable income. This contributes to income inequality as the owners of the companies relocating are generating an even larger profit, while the majority of workers are losing income as jobs are lost, wages stop increasing with inflation (Commons Library, 2021) and welfare polices become less generous.

Research Findings

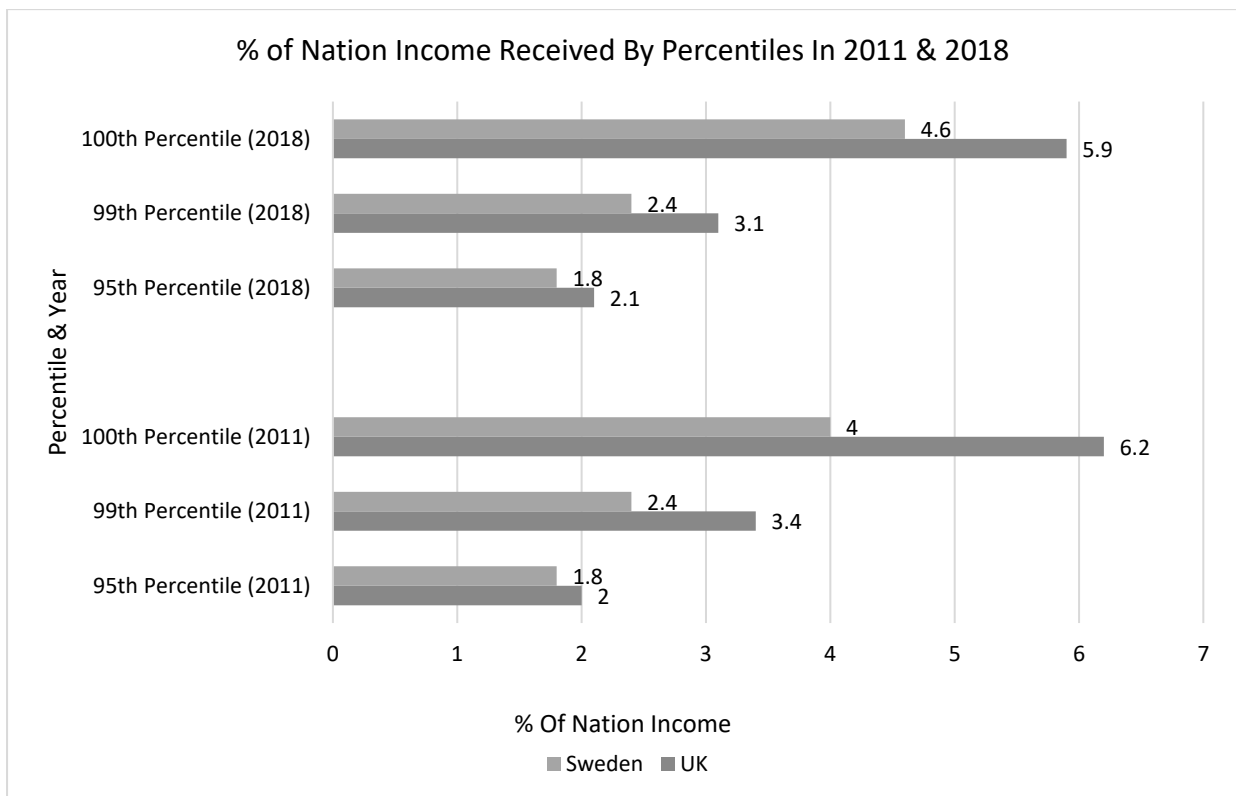
Graph 1.1: Eurostat (2021)



Graph 1.1 explained

Overall, in 2011 and 2018 Sweden had higher income equality, with quantiles one to four having a greater share of the national income than in the UK. Furthermore, it can be seen in the graph above that in both time periods the top quantile in Sweden had around five percent less of the national income. However, there was a change occurring in Sweden during this period, which is evidenced with the share of income owned by the top quantile increasing from 34.7% in 2011 to 35.5% in 2018. This share of income was taken from the bottom three quantiles while there was no change in income to the fourth quartile. This shows a redistribution of income towards a more unequal society. This move towards a more unequal society is also happening in the UK with slight differences, as the share of income going to the bottom two quantiles decreased, the income going to the top three quantiles increased only slightly.

Graph, 1.2: Eurostat (2021)



Graph 1.2 explained

In the UK, income received by the top two percent decreased from 2011 to 2018 while it increased in Sweden. Although it is worth noting the income received by the top two percent of the population in both nations, is almost equal to the income received by the bottom quantiles. Comparing this to the previous graph, it can be seen 0.6% of the 0.8% growth that went to Sweden’s top quantile between 2011 and 2018, was received by the top one percent of earners. Furthermore, despite the added percentiles between the 99th and 95th percentile,

their share of the national income is similar compared with the 100th percentile. Therefore, the data shows there is a concentration of wealth within the top one percent of earners.

Research Findings and Limitations

This analysis suggests that the UK has more income inequality than Sweden, but income inequality is growing both in both nations. Evidence of growing income inequality is supported by previous findings, including the later development of Neoliberal policies in Sweden causing a delay to the increase to income inequality. It could also be argued Sweden has better income equality than the UK because the policies and groups that developed the welfare state have taken longer to dismantle. However, there are limitations to these findings. Firstly, although the data used was the most current data available on Eurostat it is still three years old. Secondly, it is worth noting that inequality of wealth is greater than inequality of income (Yeates, 2014, p.35). This means that the top one percent of earners has an even greater share of the national wealth through assets. Thirdly, Yeates (2014, p.36) also highlights how income has grown dramatically not just for the top 1% but in the top 0.1% and 0.01%. As the dataset used does not measure percentages smaller than one, it is unable to be more specific as to the distribution of income received by those within this income bracket. If smaller percentages could be used it could highlight even greater inequality. Further analysis of this topic would benefit from up-to-date data, as-well-as measuring wealth rather than income. This would allow for a more accurate picture of the distribution of inequality to be developed.

Policy recommendations

Global Citizenship

Global citizenship could provide an answer for readdressing the power imbalance currently experienced between welfare states and TNCs (George and Wilding, 2009, p. 27). For example, by ensuring workers' rights are equal across all nations, businesses will lose their ability to relocate or negotiate for lower conditions. This, in turn, would increase wages and decrease income inequality globally. The United Nations Declaration on Human Rights (2021) is an example of the development of global policy designed to support citizens and could be looked at as one of the first systems of global citizenship. Global citizenship is a relatively new idea, however if global systems ensuring equality of justice, health, income and education could be developed and implemented, it would not only remove the advantage TNCs have gained through the globalized economy but would also ensure a better quality of life and existence for citizens across the planet (Yeates and Holden, 2009, p. 29-32). In this respect global citizenship could reduce inequality in numerous ways, however it could start to reduce income inequality by introducing a global minimum wage. To ensure fairness across nations

this could be worked out based on the cost of living rather than offering the same monetary value to citizens all over the world. Furthermore, to reduce health inequalities it could ensure health and safety standards are improved in developing nations. Although like the Declaration on Human Rights any policy created for the protection of people needs additional support to be effective, as employers are unlikely to change their practices unless they see a need to. Mishra sighted by George and Wilding (2009: p. 28) argues social protection measures 'must not become part of a competitive game but must be part of the rules of the game'. Here Mishra is arguing that a way to stop the race to the bottom is to incorporate a set of global standards that maintain a level of social provision for citizens to have a decent standard of living. By doing so the race to the bottom would stop as companies could no longer lobby governments for a reduction in standards. This in turn would ensure nation states have the ability to support welfare policies because they would either regain the tax revenue they had lost or gain the ability to negotiate for better conditions. George and Wilding (2009) develop this further by arguing that, despite globalisation being economically driven, social stability requires a balance between the freedom of the markets and the provision of public services. The balance argument shows that if business interests want to sustainably continue their operations, changes must be made to allow them to do so, highlighting the importance of reform policies not only for citizens but for businesses as well.

Ideology

George and Wilding (2009) argue globalisation raises questions about a state's capacity to develop national policies that support human welfare. They argue not that a nation state loses its ability to regulate within a global era, but instead that nation states 'have played an indispensable enabling role in the globalisation of capital' (2002: p. 26). This suggests if ideologies other than neoliberalism were adopted into national policy, and if this was replicated on a global scale, welfare systems could recover, and income inequality could reduce. Using Marx's dialectical analysis (Lavalette, 2006), it could be argued vast wealth is inextricably linked with immense poverty; and that welfare policies cannot be separated from this system. From this perspective, it could be argued progressing socialist thought and systems would remove the exploitative relationships within society, and therefore allow for systems to be developed with the aim of truly improving welfare for every citizen around the globe. This could reduce inequality in numerous ways. Firstly distributing resources according to need rather than wealth would begin to undo the inequality created by neoliberal globalist policies. However, to be affective this would need to be done on a global not national scale. By distributing resources according to need rather than wealth, the individual would become more valuable than profit. This would further ensure the abolition of unfair or harmful working conditions as there would no longer be an incentive for organisations to increase their profits

at any cost. Mishar (1999, p. 111-113) explains that although Marxist-Leninist communism failed to provide equality in Russia or the eastern bloc, the social democratic system in Sweden provides evidence that a market economy can 'combine equity with efficiency, security with enterprise, and individual freedom with a measure of social solidarity and community' (*ibid*, p. 112). Further stating this model to be the most successful for reducing inequality, until the introduction of globalisation or the 'denationalization of economies' (*ibid*, p. 75-80). This shows that a national socialist system promoting equality cannot survive in a global system promoting inequality, however if the global ideology changed to promote the socialist policy ideals previously created in Sweden, it could recreate similar policy outcomes like that of a reduction in poverty and an increase in wage equality.

Basic Income

Fitzpatrick and Cahill (2002) define Basic Income as a payment given to all citizens on a periodic basis be this weekly, monthly, or yearly. This payment is given as a right of citizenship and cannot be repealed. There have been various discussions around the size and shape Basic Income could take. Trials of Basic Income can be found in Iceland and Finland (Karlsson and Matthiasson, 2019). However, in relation to this article Basic Income refers to a sum given to every citizen that is enough to ensure a basic level of survival without reliance on the market. Basic Income used in this manner would reduce exploitative work practices as citizens would no longer need to work to ensure their survival, allowing individuals the freedom to seek safe employment. Worker freedom to seek safe employment, in turn, would encourage employers with bad practices to reform them as a means of gaining labour. A Basic Income system like this would also aid individuals who have never previously had sufficient capital to gain a basic level of security. Furthermore, if individuals wanted to work it would allow them to save money for things that matter to them, be this entering into education or developing a business idea. From this perspective Basic Income could return some power to the individual and through doing so help to ensure transnational companies are held accountable. As well as reducing exploitative work practices introducing Basic Income would also reduce income inequality and poverty by providing a form of stable income. Reducing income inequality and poverty would be especially beneficial in developing nations where there are people living in absolute poverty, as this small payment could save countless lives.

Monitoring Bodies

Monitoring bodies are another suggestion for reducing the combined effects of globalist and neoliberal policies. Monitoring bodies could become an important tool for ensuring companies follow best practice as-well-as ensuring transparency within systems. When Pilger (2001) looks into the global fashion industry he discovers workers are not allowed to see the health

and safety rules. Furthermore, workers who are members of trade unions have been physically assaulted when requesting decent working conditions. The violence faced by workers seeking better conditions highlights the importance of monitoring bodies within the fashion industry, firstly to monitor building safety but also to work in communication with workers on the shop floor including union representatives. Such a system could monitor complaints from workers and investigate issues raised, fining brands to finance improvement of standards. This system could also monitor managers reported of committing violations, striking them off after a certain number of complaints. A monitoring body such as this would encourage best practice by changing the type of behaviours that are rewarded or punished and allow for healthier, safer workplaces to be created across the globe. Although for this to work it is essential workers and trade union members are involved in the process, as they are the ones witnessing working practices within factories. Monitoring bodies would be beneficial in a number of industries, including the financial sector; transparency within this sector could, for example, have stopped the subprime mortgage lending before it led to the 2008 financial crash, which pushed countless nations into debt.

Trade Unions

Finally, trade unions are a useful tool for allowing workers' voices to be heard. Having a system that works from the bottom up is also important for understanding the effectiveness of other systems. For example, if monitoring bodies were implemented trade union members could report on the effectiveness of the monitoring bodies changes or report bad employer practices to the monitoring body directly. By developing strong trade unions workers within industry can voice their complaints and systems can continually evolve to ensure best practice. Bottom-up systems are essential for understanding how a system works, as the workers that are there every day are the only ones that truly see it. Furthermore, by being there every day they are best placed to offer ideas for improvement. For this policy recommendation to be effective trade unions in developing nations need to find a way of returning power to the individual worker. If we look specifically at the textile industry this could happen numerous ways, by working in communication with an ethical management body that connects workers across a nation state or the globe. Workers could improve working conditions and pay as they would be working together to ensure no workers undercuts another worker pay and as such could create a fair wage. Working with monitoring bodies is another way of ensuring complaints are heard and could be essential for effecting change, as low-skilled workers are seen as replaceable and changes proposed by workers and union members have not been listened to in the past (Pilger, 2011).

Conclusion

Globalisation has created systems of interconnectedness throughout countries across the globe. This linked with neoliberal ideology has created an environment of continually lowering working standards and pay, and led to the polarization of workers into higher and lower income brackets; which is sometimes referred to as the hollowing out of the middle class. This can be seen in the UK and Sweden where despite their different welfare models income inequality is growing in both nations. Because the market and transnational companies now have the ability to utilise global systems, it is essential new methods are developed to ensure these companies are following best practice; and not using globalisation as a means to generate profit through exploitative practices. There are numerous arguments against the ability of organisations or nations to fund or manage the proposed reforms listed above, however the aim of this article is not to discuss the difficulties within these methods. The purpose is to highlight alternatives or improvements to current systems. This article argues the current system of neoliberal globalisation policy dramatically increases economic inequality and poverty, highlighting that if any of the proposed solutions were to be implemented, it would increase equality and improve the standard of living for countless individuals. With this in mind, and the notion that any new global policy would need to be discussed and agreed upon by policy makers across the globe, the author believes any and all arguments levied against these theories can be discussed and resolved by policy makers before implementation.

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