

The inequality you can't change that lasts a lifetime

August 15 2017, by Tina Rampino, Mark Western And Wojtek Tomaszewski

If you're a healthy white man, live in the city and come from a wealthy family chances are you'll be better off than someone with a different ethnicity, gender, or location. [We found it's factors like these](#) that explain at least 8% of income inequality in Australia.

The real percentage might even be a lot higher as our research didn't include important factors such as health and disability or any other [circumstances](#) that exist but cannot be measured. So this inequality is really based on circumstances beyond a person's control.

This type of inequality is half due your parents' occupation - having a father with a prestigious job is the biggest of these factors, but your mother's profession also has a positive impact on where you stand. The next most important factors are country of birth and gender, which together account for a further 15%.

But our research shows that government payments are effective in reducing some of the inequality these factors create. [Income support](#) and [family payments](#), among others, reduce this type of inequality by 30% before taxes and an extra 29% after taxes. But research also shows that programs targeted at specific points (such as [preschool programs](#) in childhood) can also reduce inequality associated with factors outside of people's control.

Inequality and social mobility

[In a recent paper](#) we showed that [income inequality](#) has grown globally in the last 30 years. In Australia alone, income inequality after tax has grown (as measured by the Gini coefficient) from 0.27 in 1980 to 0.33 in 2012. The Gini coefficient is a common way of measuring how unequal a society is. It ranges from 0 (if everybody earned exactly the same amount) to 1 (if all of the country's income was earned by a single person).

[In another paper](#) colleagues used data from the [Household Income and Labour Dynamics Survey](#) to estimate how strongly a son's [earnings](#) are related to his father's. This not only measured inequality, but also [social mobility](#) - the ability of children to move up or down a social class.

We found that a 1% increase in a father's earnings is associated with about a 0.25% increase in the son's earnings. Using a different method, [another recent paper](#) estimated the increase to the son's earnings to be about 0.35% from a 1% increase in a father's earnings. By this measure we found that Australians are less socially mobile than people in most Scandinavian countries, Germany and New Zealand.

How to fight this type of inequality

Distinguishing the inequality that arises from circumstances (such as country of birth, gender, family background etc.), luck (which is also out of a person's control) and from effort (over which people do have some control) is difficult. But [research](#) now clearly shows that from an early age, differences in circumstances and luck matter.

There is now a [global effort](#) to produce accurate, internationally comparable measures of the inequality of opportunity. But regardless of

the exact numbers, a substantial body of research provides ideas on how to prevent and tackle it.

These [include programs](#) aimed at early childhood, with intensive preschool programs shown to have long-term positive impact on school achievement and even job performance. [One preschool program](#) in the United States was found to significantly increase earnings in adulthood and even the probability of owning a home.

[Another US program](#) was aimed at parents - helping them find employment and apply for government services. This program also had a positive impact on the children's future education, earnings and home ownership.

What all of this shows is that early interventions (early in people's lives, and early in the occurrence of potential major life problems), plus ongoing support, can reduce some of the [inequality](#) of opportunities.

That's especially if they are targeted at the critical points (such as childhood), where people's opportunities can be particularly constrained by their background and other circumstances out of their control.

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