

Social impact of parental wealth growing year-on-year

August 5 2021



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A growing gulf between the haves and have-nots in Britain means that parental wealth today matters more than at any point in the past when it comes to explaining differences in offspring wealth.

The analysis from social policy experts at the University of Bath suggests that around 35% of wealth differences in the parent generation pass onto their offspring and this relationship is only getting stronger in Britain.

The research used the Wealth and Assets Survey to estimate the intergenerational wealth elasticity (IWE)—a metric which quantifies the association between parent and offspring wealth. Analyzing the data between 2010 and 2018, the authors found the IWE is growing by over 6 percentage points every decade.

The findings imply that individuals in their late 20s and early 30s will exhibit far higher levels of wealth [inequality](#) at retirement age, compared to those observed today. Younger cohorts born from 1968 onwards have higher levels of 'cross-generational persistence' in wealth than those aged in their 60s (born before 1952). Put another way, this means parental background matters more for explaining differences in wealth today than it ever has before.

The magnitude of this change is 'simply staggering' say the researchers and it has profound implications for inequalities in living standards now and in the future. The estimates imply the scale of intergenerational wealth persistence between parents and their offspring will double in roughly six decades if the current rate at which the IWE is changing is maintained.

The research also shows that the rapid pace at which wealth inequalities are widening means there is higher wealth persistence for identical individuals except for the fact they are born later—even if they share the same family background. For example, the impacts of disparity in parental wealth are greater for [young people](#) born today, measured in terms of wealth differences, than they were just 10 years ago.

Author Dr. Ricky Kanabar from the University's Centre for the Analysis

of Social Policy and Department of Social & Policy Sciences explained that "wealth inequalities are rapidly widening for successively younger cohorts, and this has significant implications for living standards. Our research shows the rapid pace at which this is taking place and the increasingly important role of family background in explaining widening wealth inequalities. This issue is not presently well understood and discussed—policymakers need to take notice."

"If we are serious about addressing wealth inequalities and their impact on [social mobility](#) then understanding the extent of intergenerational wealth transmission is fundamental to this. Family background can affect individual's life chances, in particular the age and location of their first home purchase which has long-term ramifications for wealth accumulation."

"Inequalities in wealth are highly persistent throughout people's lives and this will bring challenges in the years ahead when today's younger cohort reach retirement age. At that point, there will be clear distinctions between the haves and have nots which will be further exacerbated by the effects of inheritance receipt and how this also varies by [family background](#)."

"The issue for policymakers then is to focus efforts on policies which enable wealth mobility, especially among individuals from less privileged backgrounds. Such policies should be targeted at young ages to give individuals the best chance to improve their living standards in later life. Simply put, we must address the mechanisms which have led to increasing [wealth](#) inequality in Britain."

More information: Ricky Kanabar et al, "Intergenerational wealth transmission in Great Britain," *CEPEO Working Paper Series 21-06*, Centre for Education Policy and Equalising Opportunities (2021). ideas.repec.org/p/ucl/cepeow/21-06.html

Provided by University of Bath

Citation: Social impact of parental wealth growing year-on-year (2021, August 5) retrieved 28 June 2024 from <https://phys.org/news/2021-08-social-impact-parental-wealth-year-on-year.html>

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