

The Intergenerational Transmission of Economic Disadvantages and Social Exclusion - Constraints on social mobility

Veronika V. EBERHARTER

University of Innsbruck, Department of Economics,
Universitaetsstrasse 15/3, A-6020 INNSBRUCK, Austria,
e-mail: veronika.eberharter@uibk.ac.at

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Studies on intergenerational economic and social mobility adopt the logic of the neoclassical human capital approach: persons decide their labor supply and their occupational choice in maximizing the discounted present value of their potential lifetime earnings face to individual and family background conditions (Becker 1964, Mincer 1974). Parental investments increase the children's human capital, which in turn increases the children's wages and earnings (Becker and Tomes 1986, Solon 1992, Solon 1999, Solon 2002, Chadwick and Solon 2002).

A low intergenerational mobility in the tails of the income distribution (Atkinson et. al. 1983, Dearden et. al. 1997, Corcoran 2001) might increase the intergenerational transmission of poverty and social exclusion, widen the wealth gap and deepen the economic and social inequality across generations which produces economic inefficiencies imposing economic and social costs on society. The identifications of the factors that contribute to the process of the transmission of chances and risks across generations may lead to a better understanding of the policies needed to break the cycle of disadvantage across generations and to prevent the development of a self-replicating underclass.

The paper aims to analyze in how far economic and social disadvantages are transmitted between generations, in how far individual and family background characteristics, family role patterns, institutional settings, and redistribution policy designs measures influence the disadvantages in adulthood, and whether there are specific 'inheritance' patterns. We test the hypotheses, that parental disadvantages as low education, life dis-satisfaction, non-employment, welfare dependency, and instable family structure boost the intergenerational persistence of economic and social disadvantage.

In more traditional societies with stronger links between generations we suppose the influence of family background characteristics to be more pronounced.

The analysis focuses the situation of children aged 10-18 years in the parental household and as adults in their own household in selected countries. In contrast to most of the empirical studies we address to the situation of male and female children to analyze the gender bias in the intergenerational transmission of advantages and disadvantages. The empirical analysis is based on longitudinal data (GSOEP, PSID, BHPS, CNEF 1980-2008) providing nationally representative socioeconomic data of individuals and households.

We employ different methodological approaches: (i) To address to the risk of social exclusion the monetary measures of poverty are complemented with a set of indicators to measure social exclusion to employ modified poverty and social exclusion measures. (ii) To analyze the intergenerational income mobility we employ linear and non-linear regression approaches on permanent pre- and post-government income variables of different cohorts of parent-child pairs to evaluate non-linearities in the intergenerational income mobility (Solon 1999, Björklund and Jäntti 2000, Hertz 2004, Couch and Lillard 2004, Grawe 2004). (iii) To capture the extent of mobility that vary across different income ranges we use quintile transition matrices, where each cell represents the probability for a child's income to be in the i -th quintile, conditional on his parent's income being in the j -th quintile. (iv) The extent of the intergenerational occupational mobility is used as a proxy for social class mobility. We consider the dynamics in the absolute social mobility, caused by changes in the distribution of occupations., and the relative social mobility that is independent of the marginal distributions of occupations (Erikson and Goldthorpe 2002, Blanden et al. 2005). To analyze the intergenerational risk of the relative social status mobility we employ a multinomial logit model (Mc Fadden 1973, Maddala 1983, Heckman 1981). The explanatory variables contain a set of human capital variables and family background characteristics. We control for the endogeneity of individual and family background characteristics with instrumental variable methods.

The paper is organized in four sections. Section one discusses the related literature of the concepts of absolute and relative poverty, social exclusion, intergenerational income and social mobility. Section two reports the data base and the methodological issues. In section three the empirical results are discussed. Section four concludes with a summary of findings and implications and recommendations for economic and social policy.

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