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Different dimensions and drivers of inequality

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Inequality

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Inequality is not just about economic resources

Inequalities in income, wealth and consumption are important, but so are inequalities in:

- Health;
- Skills and skill accumulation;
- Security and insurance mechanisms;
- Family life;
 - The disintegration of communities and families;
- Participation and political voice;



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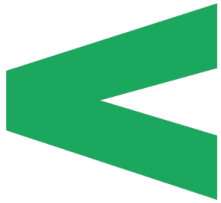
Inequality is not just across individuals

We need to look at inequalities between groups as well as individuals

- Ethnicity
- Generations
- Places

We need to look at inequalities within families

- Gender

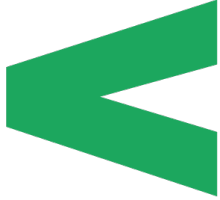


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Health

- Health disparities are more and more pronounced.
- This is true in several Western countries, including the US.
- The prevalence of chronic conditions and preventable deaths in some sectors of society is more and more apparent

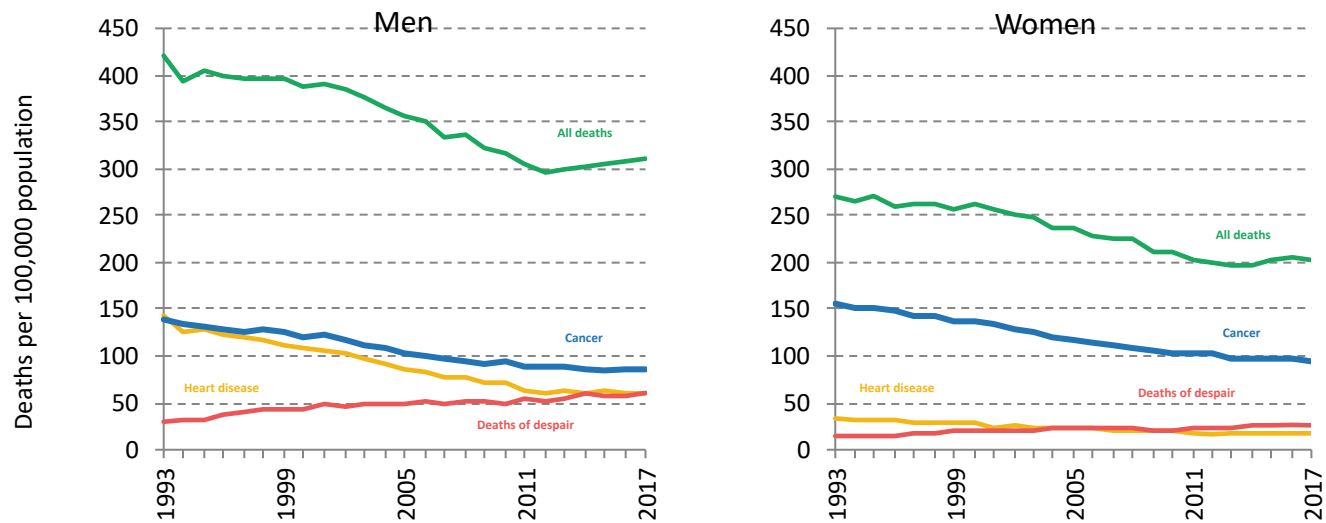


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Deaths of despair are rising, putting an end to decades of falling mid-age mortality

Middle-age mortality (aged 45–54) in England, 1993–2017



Note: Classification of disease groups follows Case and Deaton (2015 and 2017).

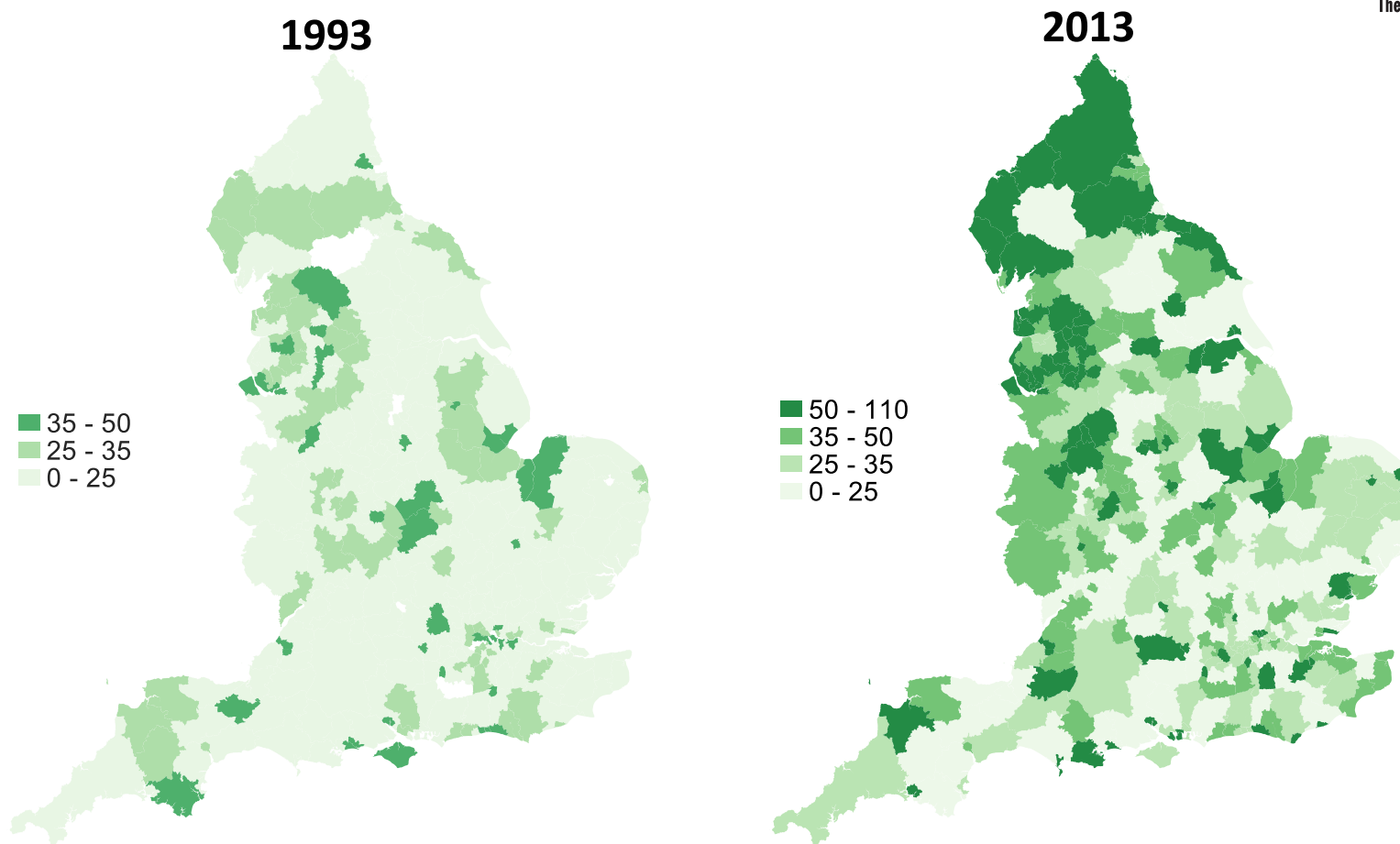
Source: Joyce and Xu, 2019

The rise is concentrated in ex-industrial areas



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Note: Deaths of despair include deaths from suicide, drug overdose and alcohol-related deaths.
Source: IFS analysis of ONS mortality data

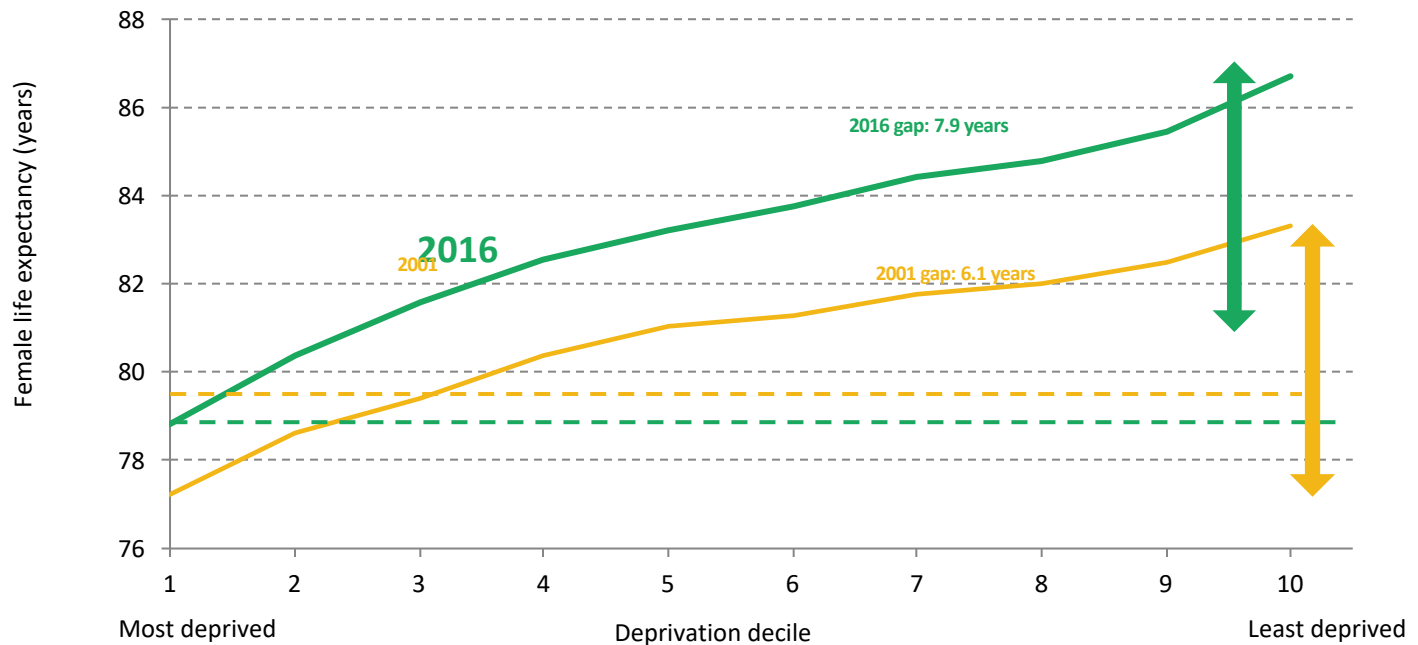


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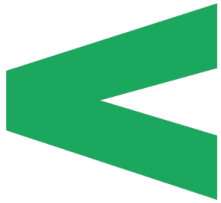
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The gap in life expectancy between affluent and deprived areas has widened

Female life expectancy at birth by IMD decile, 2001 and 2016



Source: Bennett et al., 2018.



Family structure and communities

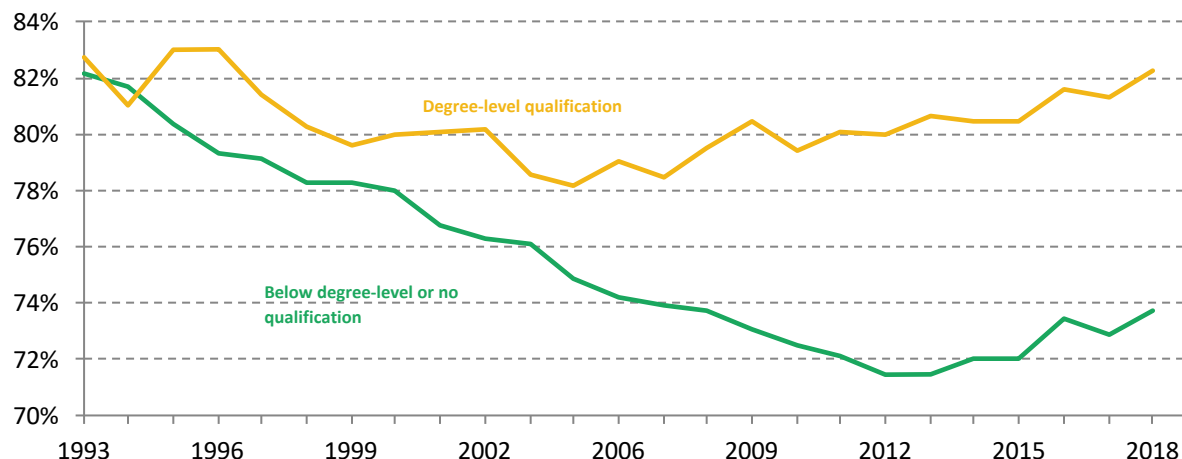
- Family structure has been changing, particularly in some sectors of society;
 - Changes in assortative mating?
 - Fragmentation and segregation.
- Families are less stable.
- Communities have been losing cohesiveness and sense of purpose and belonging.



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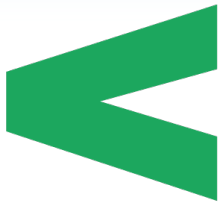
Less educated people are becoming less likely to live in a couple

Share of 40- to 45-year-olds who are married or cohabiting by education, 1993–2018



Note: Excludes people currently in full-time education.
Source: Joyce and Xu, 2019

There are also **stark differences by income**: at the top of the wage distribution the share of people living in couples increased 1994-2015, but declined by up to 20% among people in the bottom fifth of wages (Blundell et al. 2018).

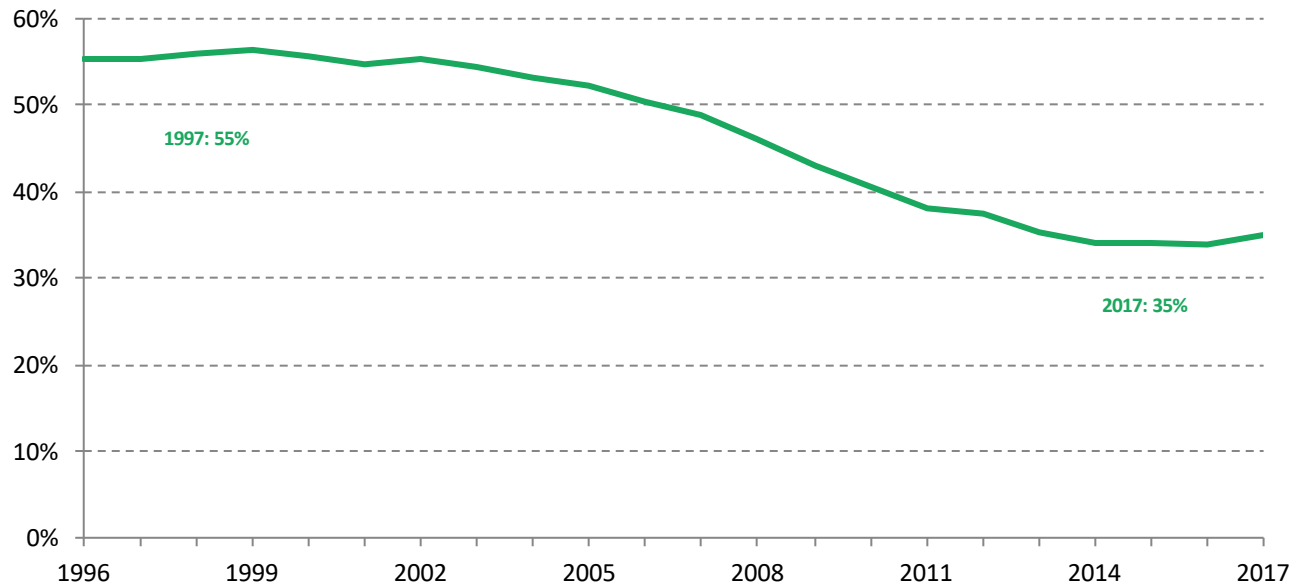


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Young people today are much less likely to own their home

Homeownership rates for young people (aged 25–34), 1996–2017



Note: Years refer to financial years.
Source: Cribb and Simpson, 2018.

By their early 30s, average net wealth among those born in the early 1980s was about **half** the average wealth holdings of those born in the 1970s (Cribb, Hood and Joyce, 2016)

The drivers of inequality

- The Deaton Review will study what is beyond the increase in inequality:
 - Inequality in the labour market;
 - Inequalities driven by market inefficiencies in the commodity market;
 - Trade;
 - Immigration;
 - Inequality in skills;
 - Intergenerational links.

The early years and inequality in skills

- Different types of childhood skills drive important adult outcomes:
 - wages, employment, health, crime behaviour.
- In the UK, cognitive and socioemotional skills are strong predictors of adult outcomes , as shown in cohort studies:
 - National Child Development Study (cohort born in 1958),
 - British Cohort Study (cohort born in 1970).
- The role these skills play is important even controlling for parental background.
- A large fraction (but not all) of these effects are driven by educational attainment.
- Inequality in these skills emerge early (by age 7 or even earlier).
- These effects are more pronounced in the 1970 cohort.

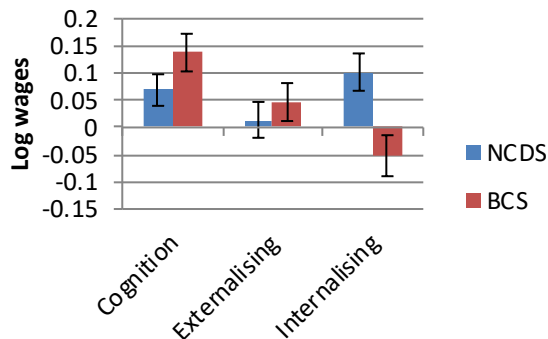


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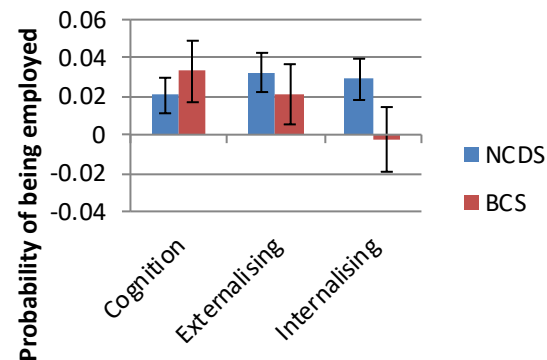
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Long run effects of skills at 10-11

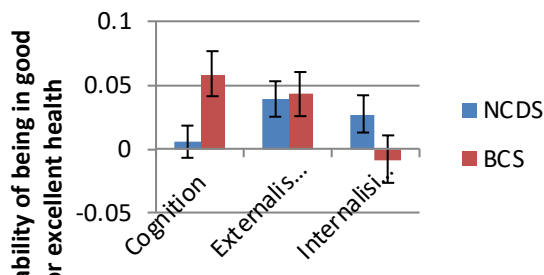
Log wages at age 42



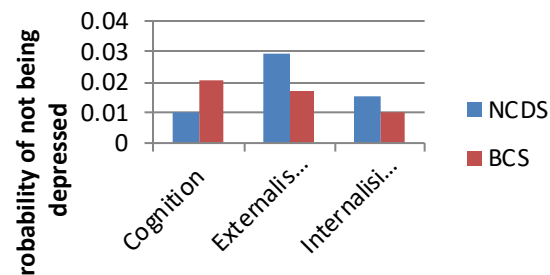
Employment at age 42



Physical health at age 42



Mental health at age 42





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In recent years inequality in early skills has increased

- Attanasio, Blundell, Conti and Mason (2019) show that young children in the MCS were more unequal in socioemotional skills than children in the 1970 BCS.
- These effects are true for different types of skills and for both genders



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Inequality in early skills has increased (Attanasio, Blundell, Conti and Mason, 2017)

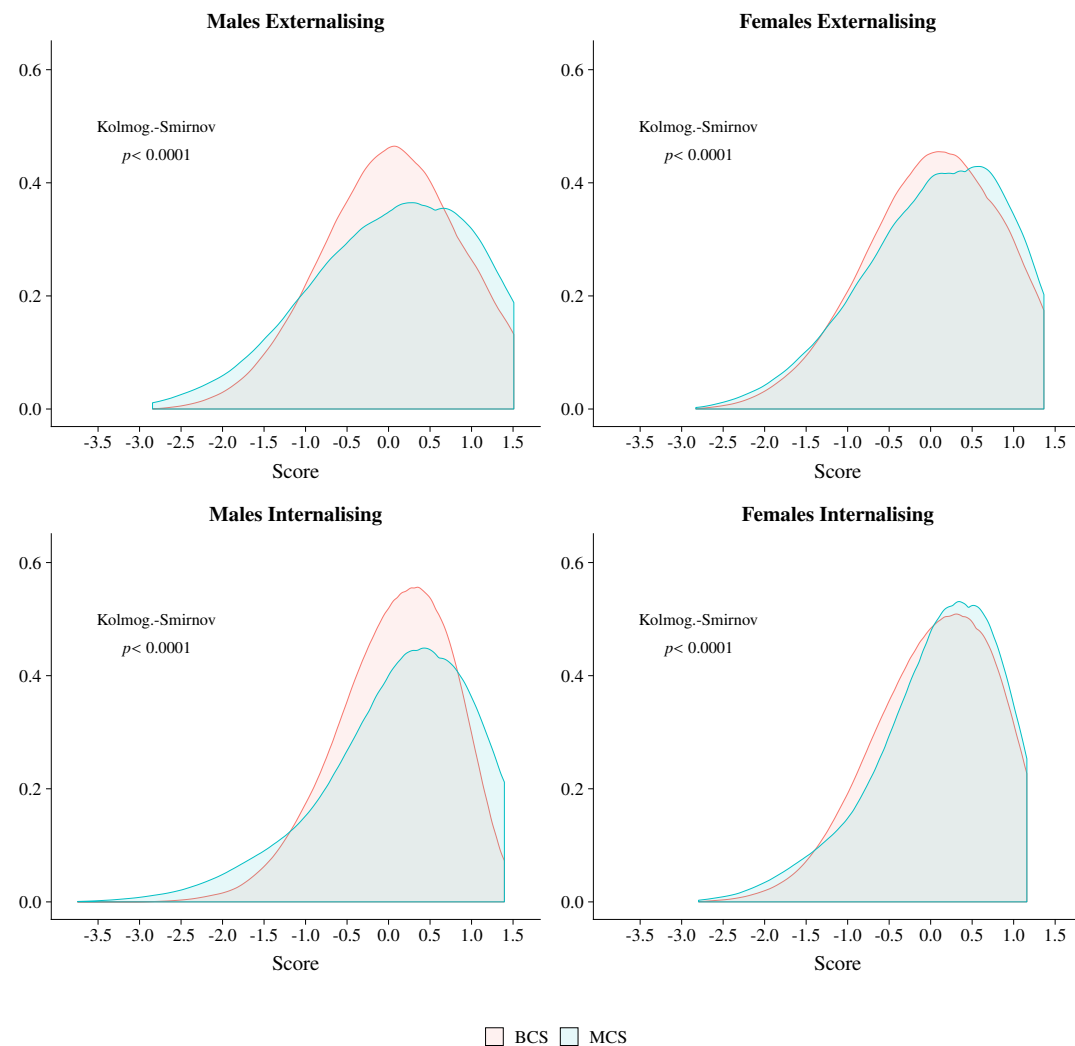


Figure 1: Distribution of factor scores



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Inequality in early skills has increased (Attanasio, Blundell, Conti and Mason, 2017)

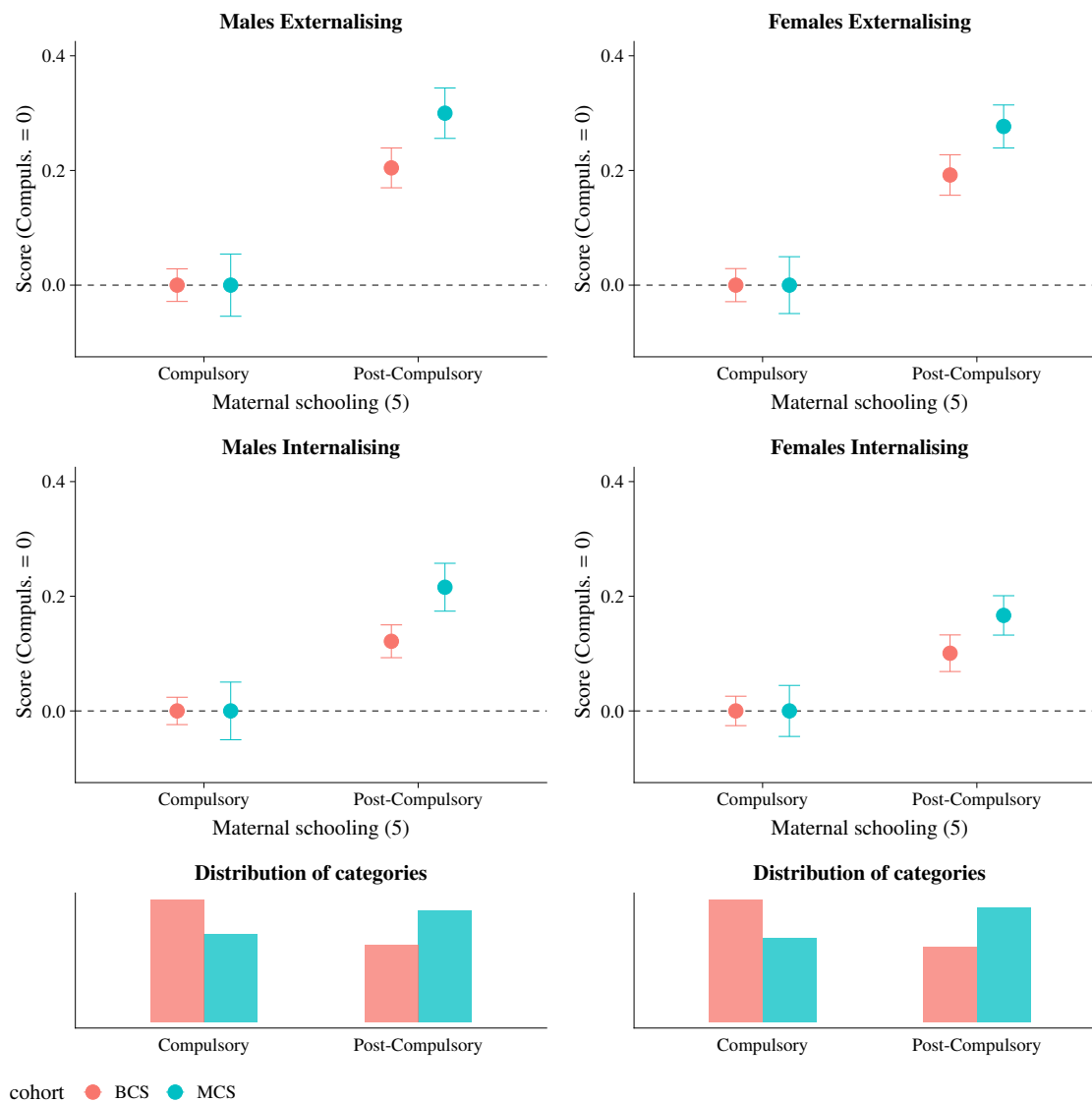
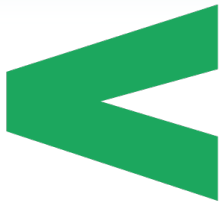


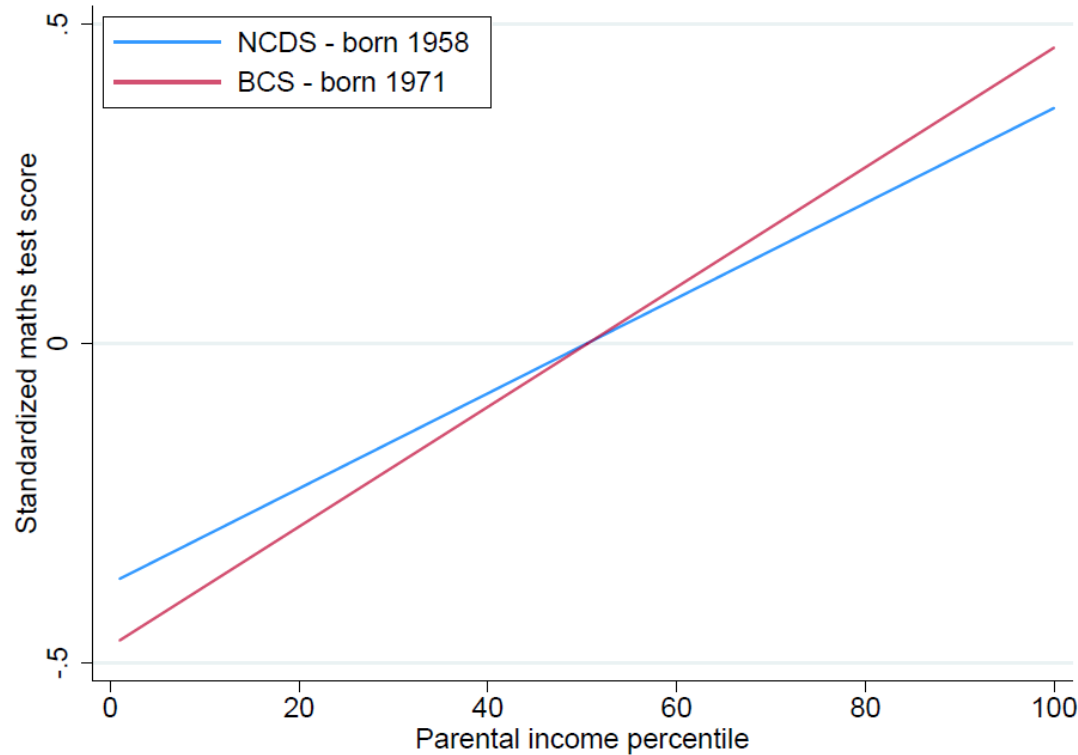
Figure 2: Skill inequality by mother's education



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Parental influence on outcome has increased



Standardised maths test scores at 10-11



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Skill accumulation and skill inequalities start early

- We know that early life skills are important predictors of future outcomes
- Adverse economic circumstances can play a big role on child development:
 - Affecting parenting
 - Affecting children directly
- A recent paper by Jackson, Kiernan and McLanahan (2017) show this for the US and the UK.

Jackson Kiernan and McLanahan (2017) evidence: UK

TABLE 5
OLS Regressions of Age 5 Cognitive Development on Maternal Education
and Family Circumstances, MCS

	Naming Vocabulary Z-Score (N = 14,562)	
O-levels	.386* (.02)	.341* (.02)
A-levels	.570* (.03)	.480* (.03)
Higher education	.798* (.03)	.635* (.03)
Income trajectories		
Consistently low income		-.285* (.02)
Always medium income		-.177* (.02)
Family structure trajectories		
Always without biological (bio) father		-.101* (.02)
Transitions away from bio father		-.125* (.02)
Transitions to bio father		-.121* (.03)
Depression trajectories		
Consistently depressed		-.082* (.03)
Intercept	-.740* (.05)	-.326* (.06)

NOTE: Robust standard errors in parentheses. Controls included.

* $p < .01$ (two-tailed test).

Jackson Kiernan and McLanahan (2017) evidence: US

TABLE 4
OLS Regressions of Age 5 Cognitive Development on Maternal Education and Family
Circumstances, FFS

	PPVT Z-Score	
HS	.186*	.133*
	(.05)	(.04)
Some college	.560*	.421*
	(.05)	(.06)
College or more	.760*	.477*
	(.08)	(.08)
Income trajectories		
Consistently low income		-.488*
		(.06)
Decreasing income		-.247*
		(.06)
Increasing income		-.232*
		(.08)
Family structure trajectories		
Always without biological (bio) father		.015
		(.05)
Transitions away from bio father		-.015
		(.05)
Transitions to bio father		.023
		(.06)
Depression trajectories		
Consistently depressed		-.034
		(.05)
Intercept	.771*	.396*
	(.09)	(.00)

NOTE: Robust standard errors in parentheses. Controls included.

* $p < .01$ (two-tailed test).

Policy Interventions

- This evidence is important because it shows that various types of shocks (economic and otherwise) have direct and indirect effects across generations.
- Avoiding the intergenerational transmission of inequality is important and can be achieved with a variety of interventions.
 - A recent report by the IFS discusses the important effects that the UK program *Sure Start* can have.
 - Orla Doyle work on the impacts of the *Preparing for Life* intervention in Dublin is impressive.
 - *Perry Preschool* and the *Abecedarian* interventions in the US



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Policy Interventions

- Some big challenges however remain:
 - What to parents do?
 - A comprehensive understanding of what make some interventions work.
 - Structure v processes.
 - How to deliver at scale.
 - The political economy of these interventions.