Income Inequality, and Social Mobility in the Life-Cycle – Empirical Evidence from Selected Countries

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**Paper Abstract:** The structuring impact of the change of macroeconomic indicators, the institutional settings of the labor markets, as well as the relative demand for skills count among the explanations of the increasing inequality of the earnings distributions in many industrialized countries since the 1990ies (Dustmann et al. 2009, Jenkins 2011, Kopczuk et al. 2010). Technological and demographic change reinforce job polarization and the heterogeneity of employees concerning age, gender, occupations and industries contribute to increasing economic and social stratification (Acemoglu 2003, Autor et al. 2006, Atkinson and Piketty 2010). Empirical evidence shows that the earnings and income level is determined early in the life cycle, and income mobility varies with the initial position in the income distribution (England et al. 2007, Manning and Swaffield 2008, Lalive and Stutzer 2010, Grönlund and Magnusson 2013).

If not eased by private transfers or welfare policy both the changing economic and social conditions entangle individual earnings as well as the available household income. Income inequality and income dynamics are negatively related (Friedman 1962). Income mobility refers to changes in the relative position in the income distribution over time. The degree of income mobility is an indicator of the equality of opportunity in a society and the flexibility of the labor market. The extent to which individuals change their ranks in the distribution of social and economic status indicates the inter-temporal persistence of inequality in a country.

From the social and welfare political point of view the implications of varying economic conditions on the income situation of individuals and their economic and social mobility are of particular interest. In this context the questions arise, to which extent and in which direction macroeconomic conditions influence the income inequality and economic and social mobility of different birth cohorts.

Based on longitudinal nationally representative data (CNEF 1980-2013) the paper analyzes the level of income inequality and income mobility as well as the determinants of social and economic dynamics of different birth cohorts in their life course. Special interest is devoted to the influence of socioeconomic variables as well as of health conditions and satisfaction with life on income mobility in periods with different macroeconomic conditions. We employ traditional mobility measures (Prais 1955, Bartholemew 1982) as well as inequality reduction mobility measures to observe the „pure“ income mobility (Shorrocks 1978). To quantify the level and the determinants of income dynamics we employ panel regression techniques (Fields and Ok 1999, van Kerm 2003, Jenkins 2011, Shin and Solon 2011, Pavlopoulos et al. 2014).
The paper is organized as follows. Section 2 provides the theoretical background and the related literature. Section 3 presents the data and the methodology used. Section 4 discusses the empirical results, and section 5 concludes with a summary of findings and future prospects for economic and social policy.

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