



# **The Social Impacts of Inequality: Poverty, Deprivation and Cohesion**

**Brian Nolan and Christopher T. Whelan**

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# Some Background

- Increasing income inequality has led to focus on potential linkages with range of social outcomes
  - crystallised in *The Spirit Level*
- GINI project assesses evidence on extent to which increasing inequality leads to more divided societies with worse outcomes for all citizens
- Wide range of social domains and potential channels of influence involved
  - ‘Psychosocial’ implications of status differences versus neo-materialist perspective emphasizing resources – complementary?
- Focus here on social cohesion encompassing poverty, deprivation, ‘social risks’, economic stress, family, crime, social solidarity, trust and status anxiety, and ‘happiness’



# Analytical Approaches and Challenges

- High bivariate correlations across countries - even where robustly established – difficult to interpret
- Social outcomes of interest not always clearly specified or measured consistently across countries/over time
- Causal channels/mechanisms underpinning postulated effects often multiple, unclear
- Time-scale and dynamics involved also often unclear
- Multilevel longitudinal analysis preferred but often not possible with data available
- GINI project set out to accumulate evidence and assess what can be learned from comparative analysis and individual country experiences over time



# Poverty, deprivation and ‘social risks’

- High cross-sectional correlation between income inequality and relative income poverty
  - but poverty still varies among countries with similar inequality
- Median-based income poverty measures have often risen as overall inequality rises, including in Crisis
  - but may not do so, e.g. when increasing top incomes key driver
- Differences in material deprivation across countries and over time strongly related to average income, with income inequality having much modest role
- Household joblessness is strong predictor of deprivation
- Vulnerability helpful broader concept, highly structured by social class, as are ‘social risks’



# 'Economic Stress'

- Stress: difficulty 'making ends meet', coping, arrears
- Average income and income inequality have no direct influence, material deprivation key predictor
- Impact of deprivation higher in countries with higher levels of income
  - continuing importance of national reference groups in EU
- No moderating role for inequality – experiencing deprivation in a more unequal society does not generate more economic stress, controlling for other factors



# The Family

- Range of indicators studied
  - Fertility, age of marriage, cohabitation, births before marriage, divorce, lone parenthood, large families, .....
- Little cross-sectional correlation between income inequality and these indicators, except teenage births
- Negative SES gradients seen for some family indicators but positive or no gradient for others
  - not correlated with inequality
- Trends in income inequality explain little of dramatic change in family life across all countries in recent decades; even in USA, timing varies and causality runs in both directions



# Crime and Punishment

- Serious data issues across countries/over time
- Cross-sectional association between inequality and violent crime
- Much more nuanced picture over time
- Crime falling over time in USA and UK where inequality rose sharply, as well as Australia; rising in Belgium where inequality stable
- Imprisonment rates tend to be higher in more unequal countries, and some notable examples of inequality and imprisonment increasing



# Social Solidarity and Trust

- Expressed solidarity with neighbours, older people etc. weakly negatively related to inequality cross-sectionally
- Generalized trust often argued to be negatively related to inequality, but importance of controlling for national income demonstrated in cross-sectional analysis
- Pooled cross-sectional/time-series analysis found no significant impact of income inequality controlling for country fixed effects
- Examples from country studies where inequality rose but trust unchanged (Australia); even in USA, decline in trust started before rise in inequality; direction of causality?



# Social Status and Anxiety

- People in more unequal societies come to have a greater concern with social status & status competition?
- Measured by perceived respect, admiration and recognition from others, versus ‘looked down on’
- Status anxiety inversely related to both income rank and overall income inequality
  - mean anxiety higher in more unequal countries
- But inconsistent findings on whether impact of lower income on anxiety is greater in more unequal countries
- Issues of measurement and interpretation



## ‘Happiness’

- Negative but modest relationship between respondents’ reported overall life satisfaction and income inequality in Europe, not USA
- Respondents in higher inequality transition countries report lower levels of satisfaction
- Negative impact of inequality on life satisfaction in panel data for Germany, but not Russia



## Conclusions

- Potential causal channels from income inequality to social outcomes are many and various
- Extremely difficult to reliably identify impact of income inequality per se, rather than other features of country or aspects of inequality and social stratification, with data generally available
- Experience of countries studied show very wide variety of patterns over time across different social outcomes of interest in relation to inequality trends
- Critically important to specify and test causal mechanisms
- Social stratification is multi-dimensional, and focus on income distribution unlikely to capture