

Economic growth and inequality of opportunity in Central and Eastern European countries

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Background



- The concept of inequality of opportunity
 - Circumstances (parental background, race, gender)
 - Inequality of effort (responsibility)
- Inequality of opportunity & economic growth
- Literature contributions: Roemer et al. 2003, Bourguignon 2011, Bourguignon et al., 2007, Checchi and Peragine 2010, Ferreira and Gignoux 2011, Lefranc et al. 2008, 2009, de Barros et al. 2009, Ravallion and Chen 2003, World Bank 2006.

Questions asked



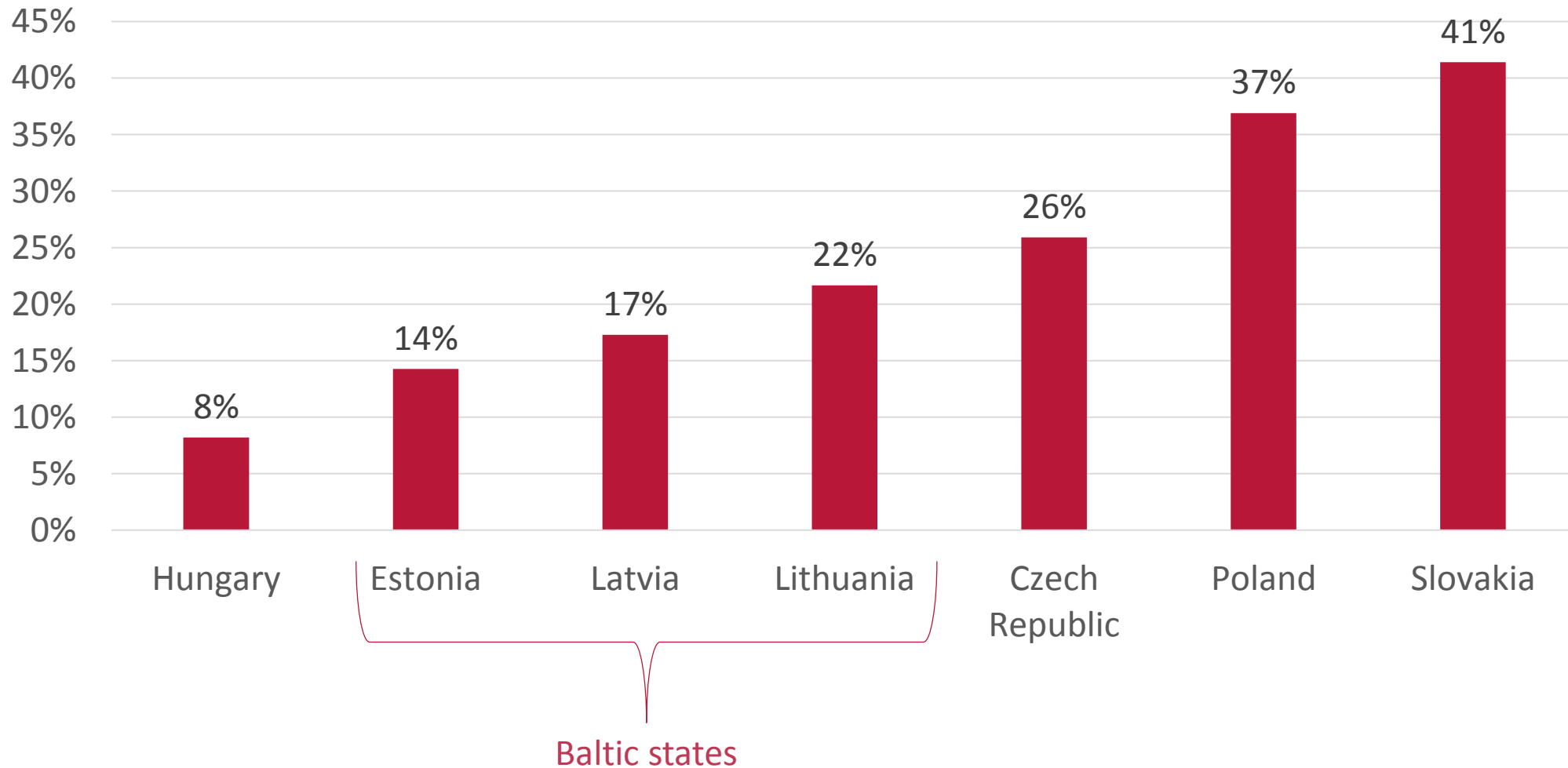
- Changes in inequality of opportunity over time in CEE countries?
- Their link to economic growth?

- Contributors to these changes & their heterogeneity across types and countries?
 - The role of assets (education, health)
 - The role of households
 - the role of labour market status
 - Composition or changes in the returns?

Background: GDP growth in CEE



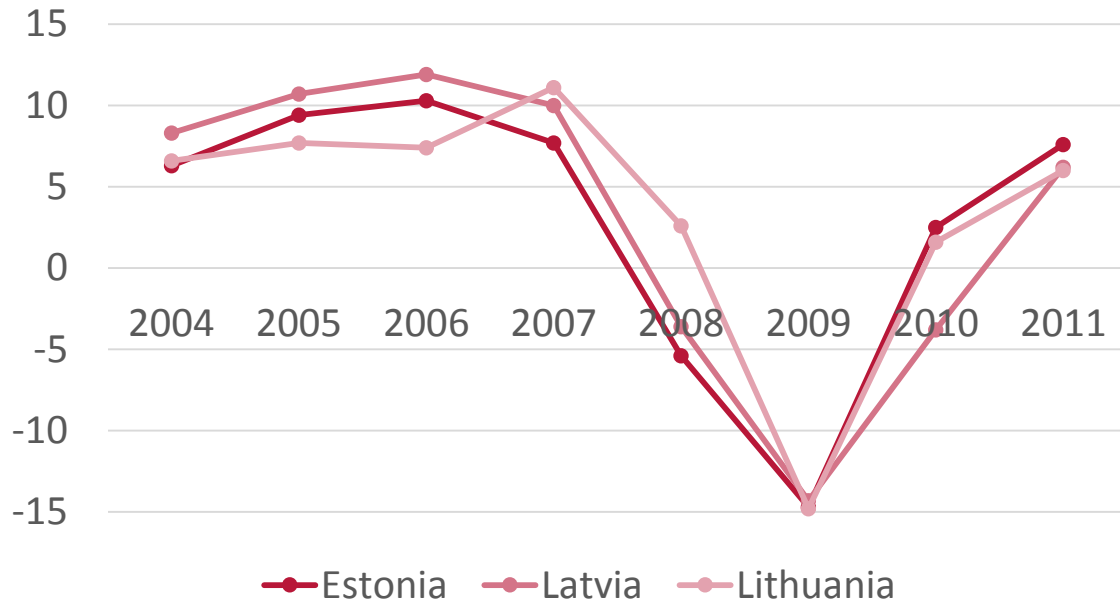
Cumulated real GDP growth rates, 2004-2010



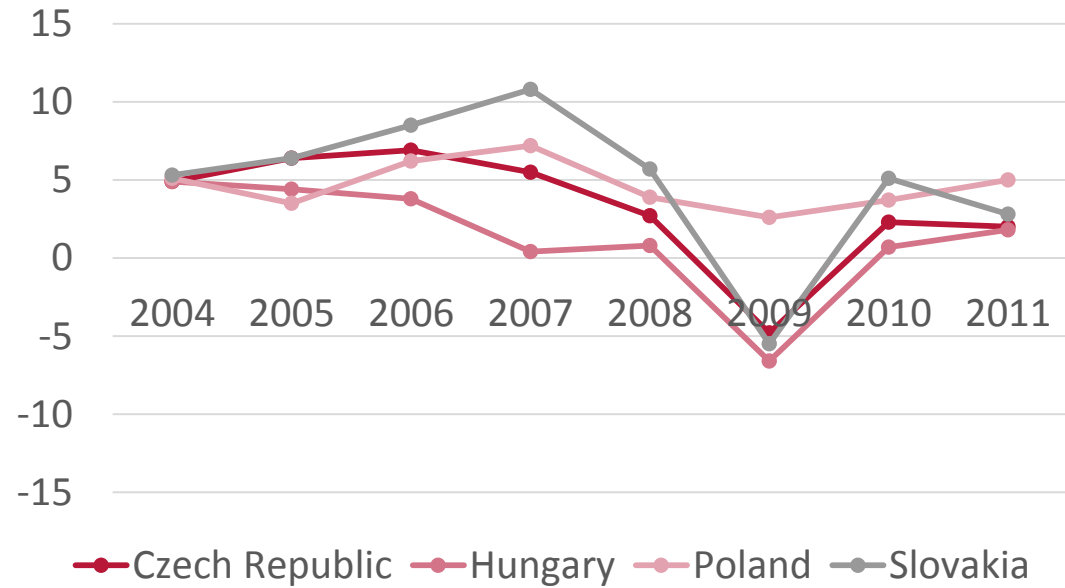
Background: GDP growth in CEE



The Baltics



Visegrad countries



- **Data**

- EU SILC, 2005 & 2011 ad-hoc modules (2004 & 2010 income data)
- 7 CEE countries (CZ, EE, HU, LT, LV, PL, SK)

- **Methodology**

- *Individual and Type Opportunity Growth Incidence Curve* (Peragine et al. (2014) :
 - the evolution of income growth of *individuals* (depending on their position in the distribution of opportunities) and *types* (mean income growth with people with the same set of circumstances at T_0)
 - Within country evolution and comparison across countries
- Oaxaca – Blinder decomposition (Blinder 1973, Oaxaca 1973) of changes in mean incomes by types
 - Composition effects
 - Price effects

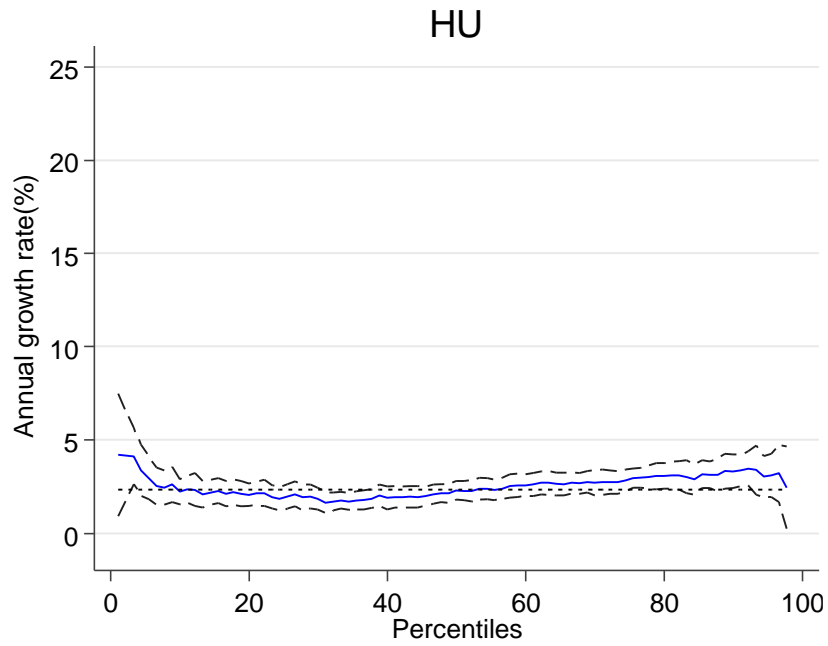
Measuring inequality of opportunity



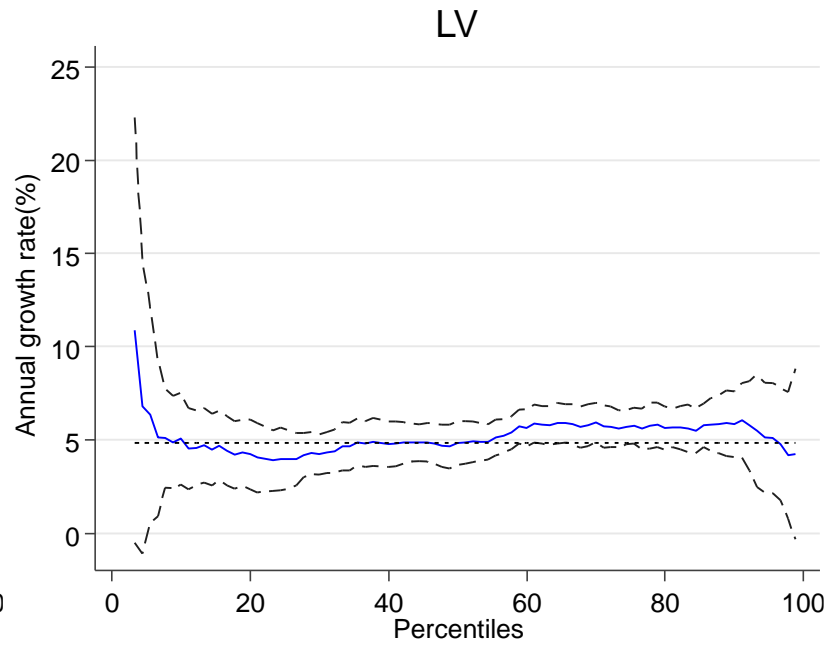
Ex ante approach:

- iOGIC: pure distributional effect of growth in terms of increasing or reducing aggregate IO
 - Based on mother education and financial difficulties in childhood
- tOGIC: measuring inequality between *types* (individuals sharing the same circumstances)
 - Based on mother education
 - types in the growth process, inequality traps?

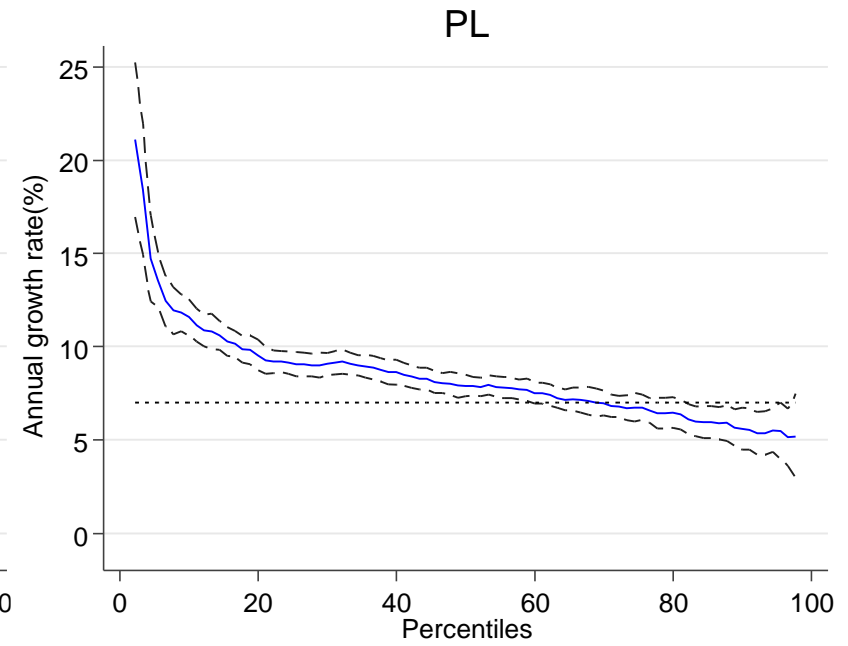
Results: Growth Incidence Curves



— Growth incidence curve
- - - 95% CI
..... Growth in mean

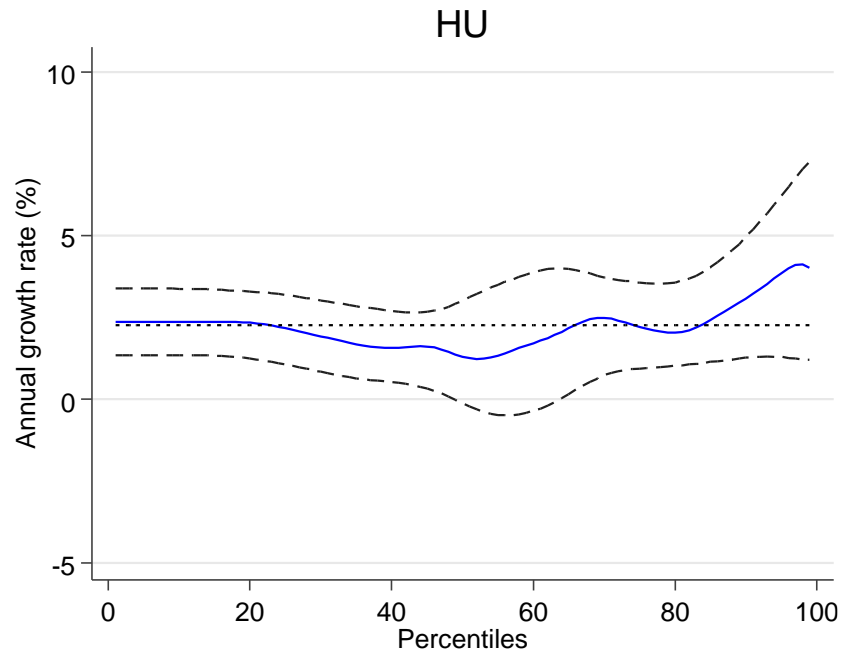


— Growth incidence curve
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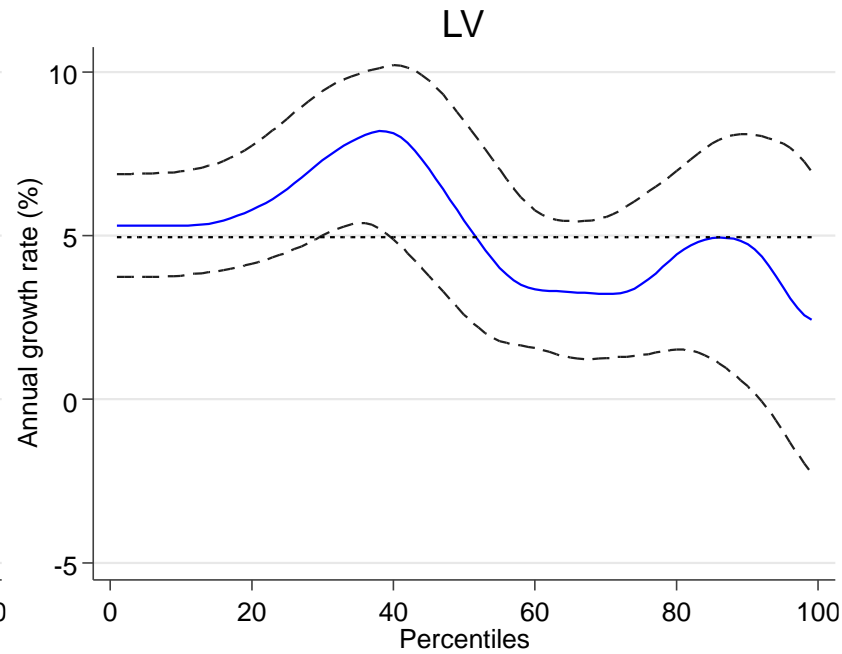


— Growth incidence curve
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..... Growth in mean

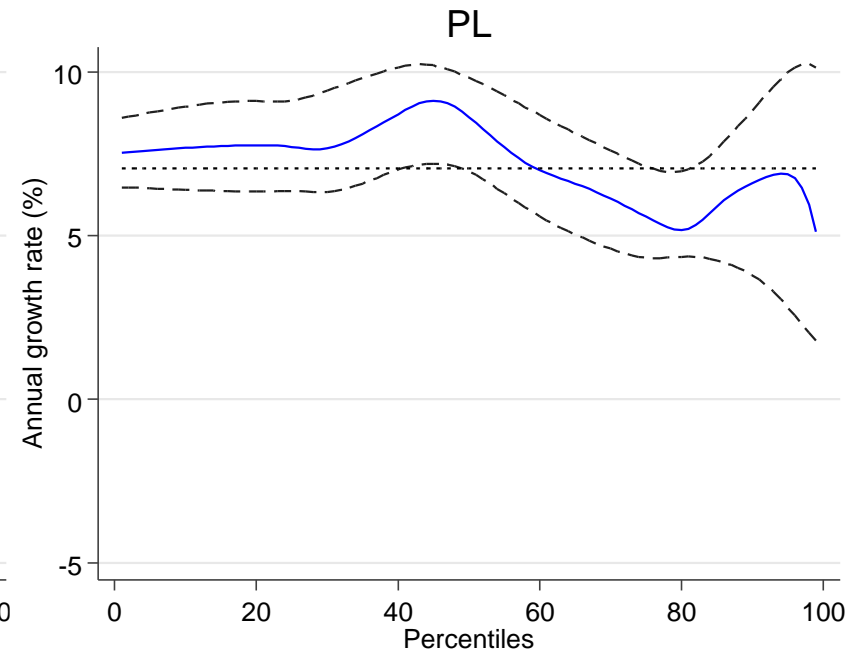
Results: iOGIC (individual OGIC)



— Individual OGIC
- - - 95% CI
· · · · · Growth in mean

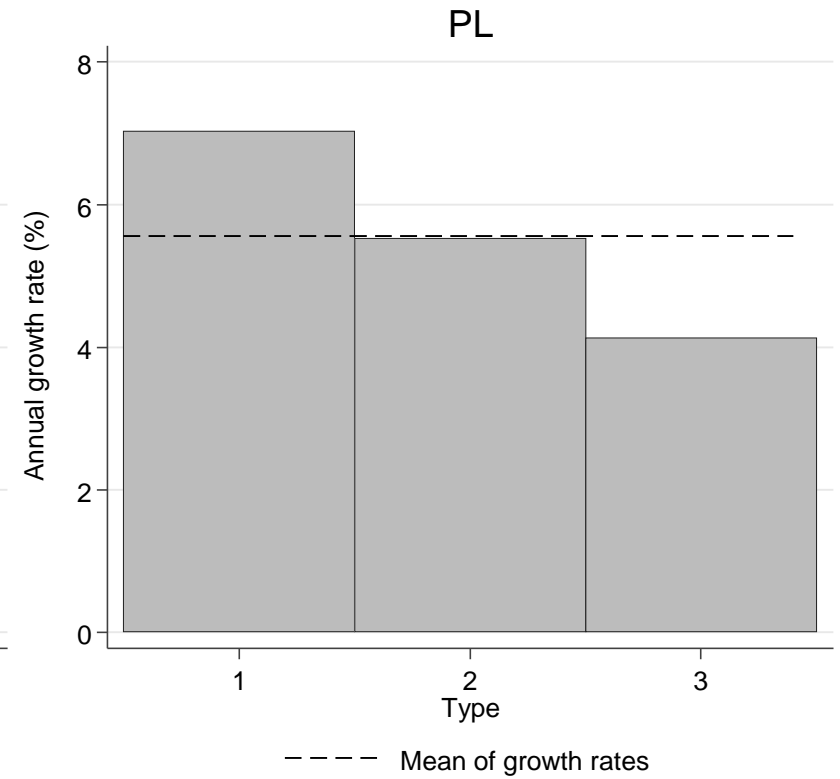
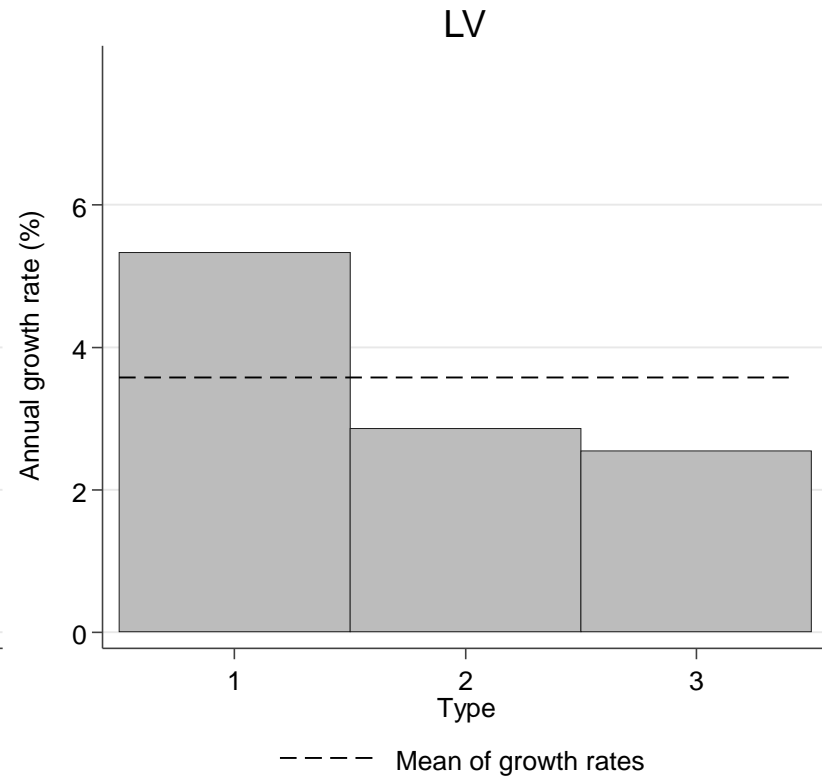
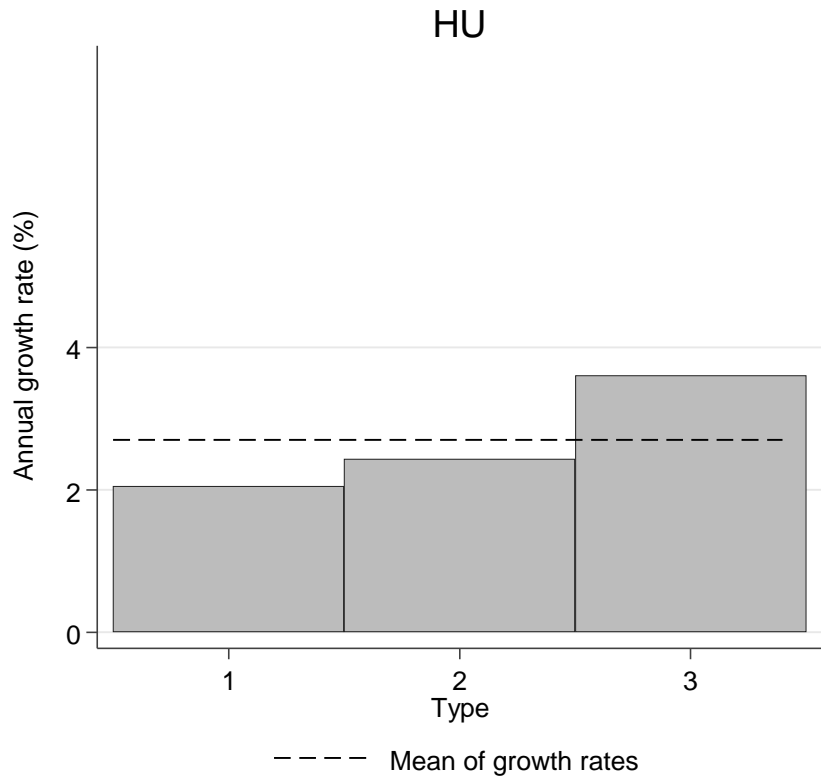


— Individual OGIC
- - - 95% CI
· · · · · Growth in mean



— Individual OGIC
- - - 95% CI
· · · · · Growth in mean

Results: *t*OGIC (type OGIC)

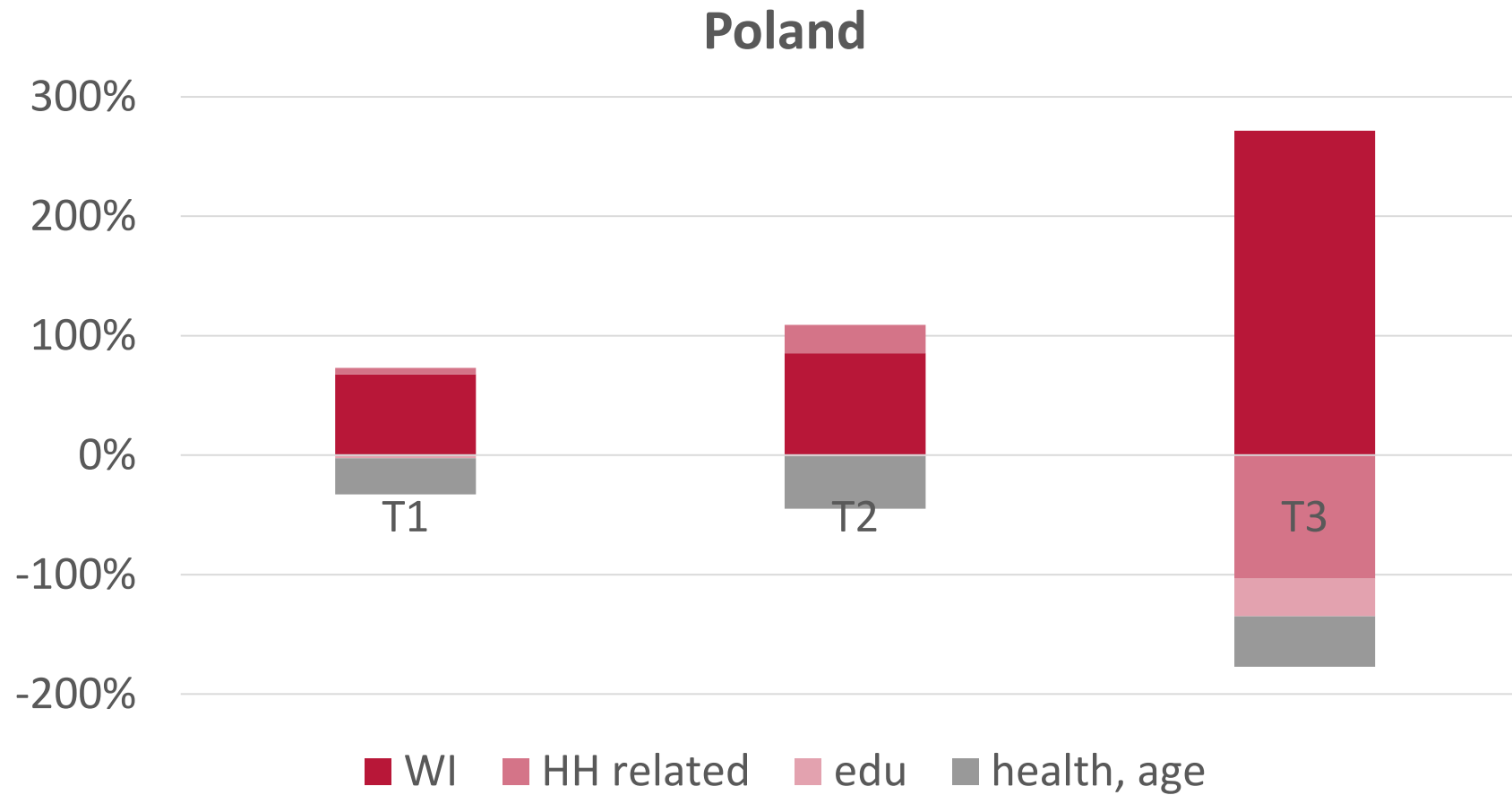


Results: decomposition of contributions to income change . | :

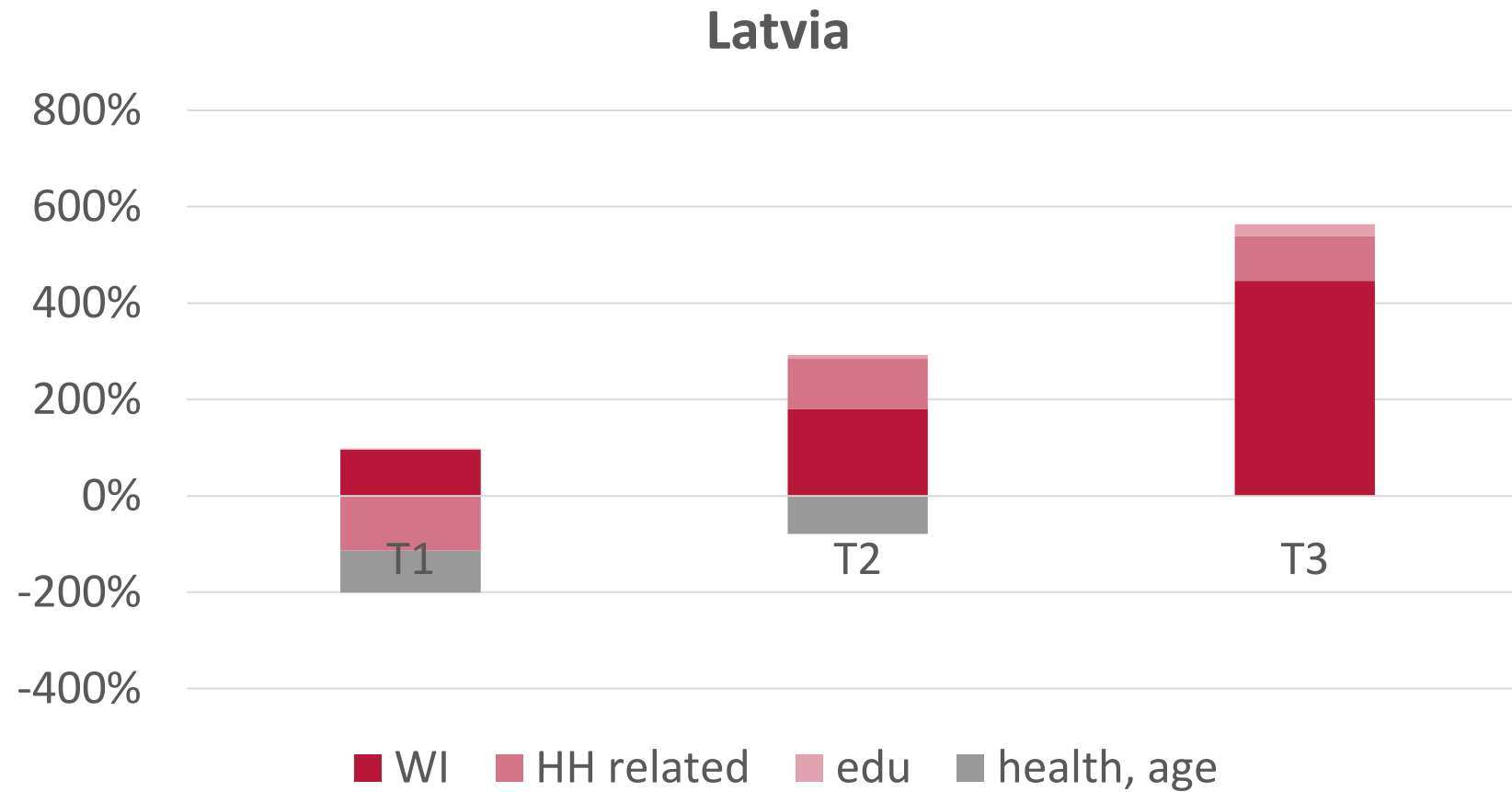
Compositional effects of lesser importance (age, health, edu, work status, hh characteristics)

	T1	T2	T3
CZ	17%	27%	27%
EE	-4%	10%	-9%
HU	9%	6%	25%
LT	-24%	35%	29%
LV	-21%	-18%	13%
PL	25%	28%	-8%
SK	0%	1%	-5%

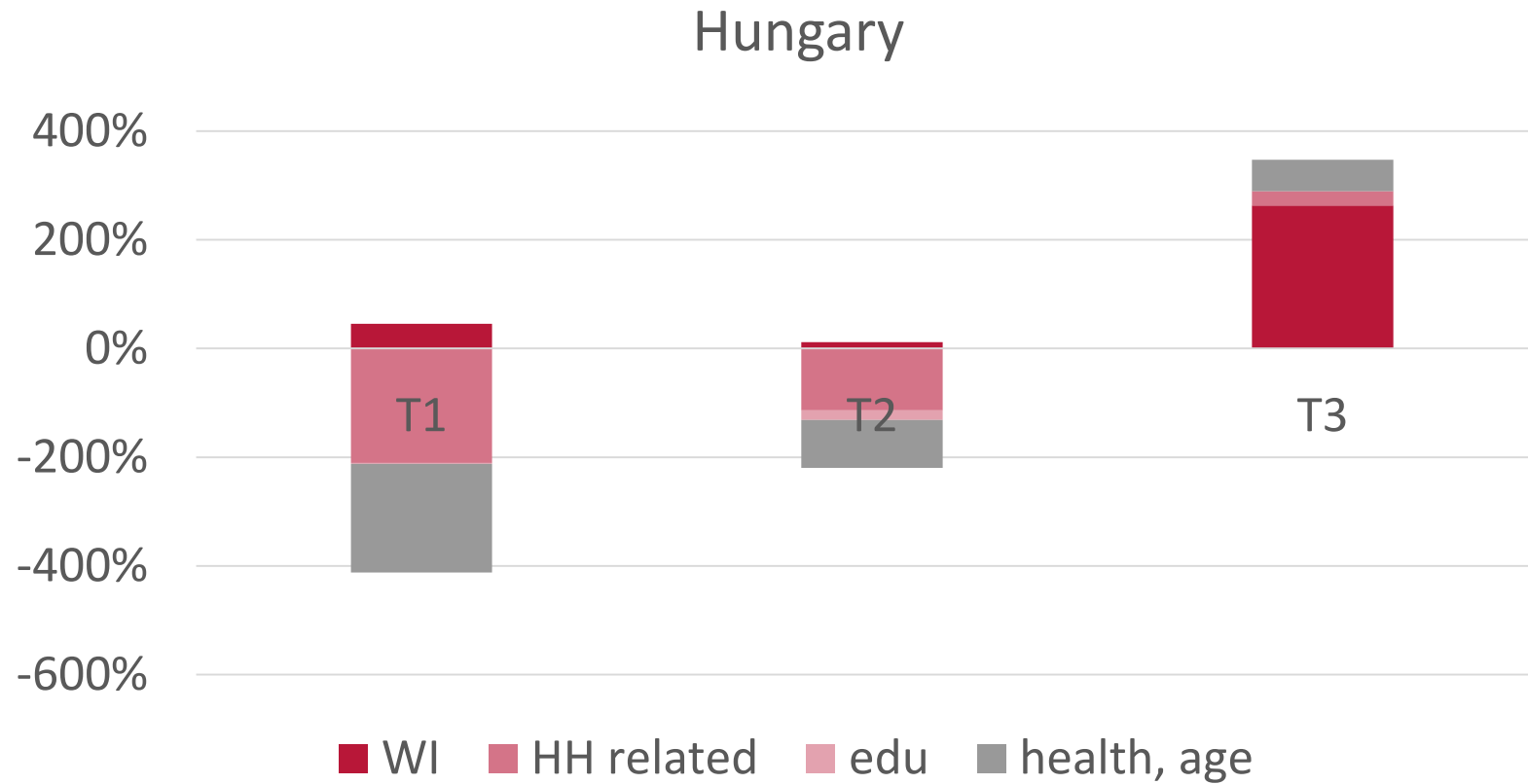
Results: contributions of changes in returns?



Results: contributions of changes in returns?



Results: contributions of changes in returns?



Summary



- Some of the CEE countries managed to decrease inequality of opportunity – Poland, Latvia
 - IO increased in Hungary
 - No change in Estonia & Slovakia
- No single link between GDP growth rates and IO patterns
- Changes in incomes related mostly to changes in the returns to individual and hh characteristics, not their composition
 - Importance of work intensity
 - The role of household statistics

Questions, comments?

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