Inequality of access to opportunities and socio-economic mobility: Evidence from the LiTS survey

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Outline

Research questions

- Does one need connections to get ahead?
  - ▶ 3 in 4 adults in ECA think connections are at least moderately important to get a good government job
  - ▶ 2 in 3 adults in ECA think they are at least moderately important to get a good private sector job
- For a region with a population of cca 500 million adults, this is a very bleak picture of perceived inequality of opportunity for success in life.

Research question

Is (perceived) unequal access to key opportunities associated with lower expectations of future mobility (both intra- and inter-generational)?

Research motivation

- Socio-economic mobility is a universal human aspiration, of parents hoping for a better life for their children (World Bank, 2018)
- Mobility is closely linked with inequality (and IO), as illustrated by the Great Gatsby Curve
- But perceptions of mobility also matter (e.g. American Dream)
  - Expectations of future mobility – important determinants of current choices and policy preferences (Benabou and Ok, 2001; Cojocaru, 2014)
- What may determine expectations of future social mobility?
  - Focus on *perceptions of* unequal access to opportunities
- Related literature: IO can lead to low effort, resignation, reduced ambition, or capacity to aspire →Inequality traps (Piketty 1996; World Bank, 2005; Bourguignon et al., 2006)

Data – Life in Transition Survey

- Survey conducted in 2010, covering all transition economies and 5 Western European countries
- Nationally representative sample of about 1,000 households per country
- Includes data on:
  - ▶ Unambiguous assessments of expectations of future mobility
  - ▶ An analytically appealing measure of inequality in access to key opportunities
    - coupled with data on whether connections are available
  - ▶ Data on other important determinants of socio-economic mobility:
    - Beliefs about determinants of need in society
    - Impact of the financial crisis
    - Past mobility (4 years)
    - Degree of risk aversion
- New survey round in 2016 but lacks the key question about availability of connections

Definitions: key concepts

- Definition of IOp in the spirit of John Rawls
  - ▶ Here: are connections vital (**very important, essential**) for government / private jobs, education, obtaining important documents or dispute resolution?
  - ▶ 2nd Principle of Justice: Inequalities arranged such that they are attached to offices and positions open to all under conditions of equality of opportunity.
    - Hence, IOp is a situation when fair access to government jobs, education etc. is severely constrained
  - ▶ Are these connections available (likely to resort to connections if available)?
- Expectation of future mobility: based on current and future (4 years) position of country's social ladder
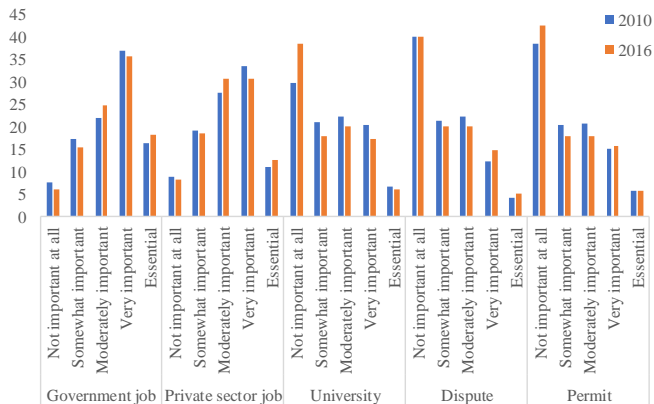- Inequality tolerance: preference for a smaller gap between the rich and the poor

Future mobility expectations
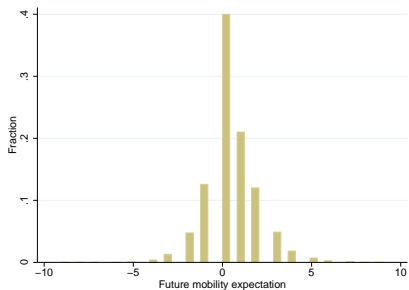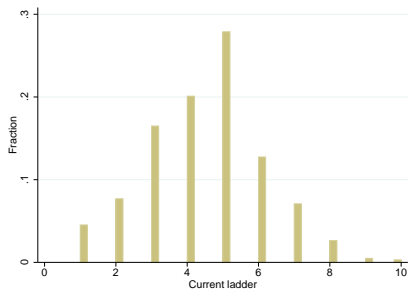
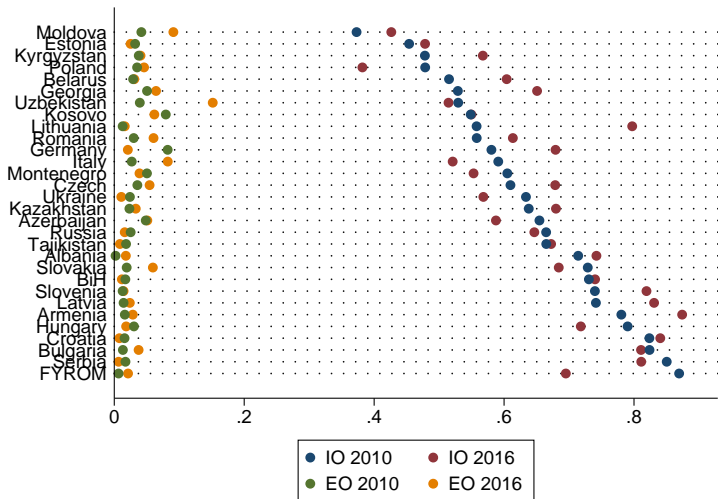# Expectations of mobility across survey waves
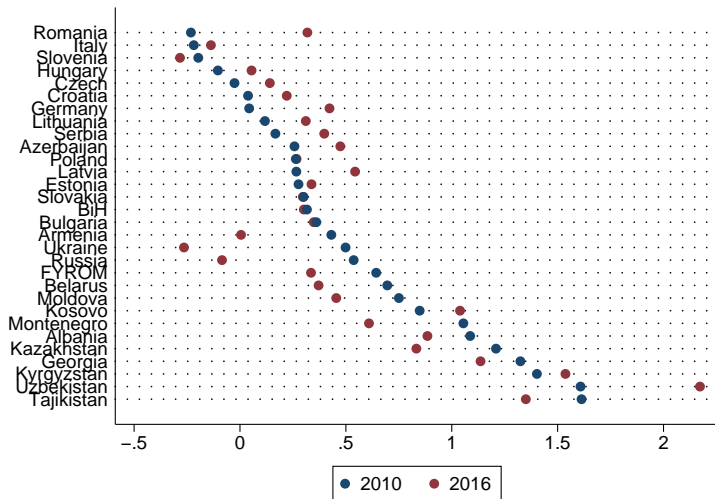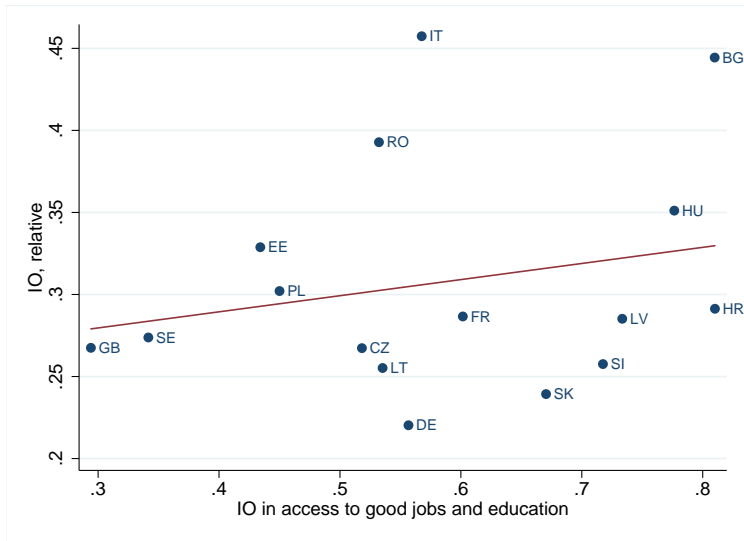
Importance of connections by domain

Notes: Distribution of responses in the pooled sample for each of the survey rounds (2010 and 2016) regarding the importance of connections for each of the opportunity domains.
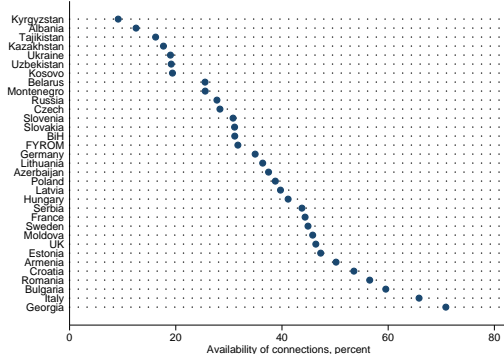
Perceived IO (and EO) over time

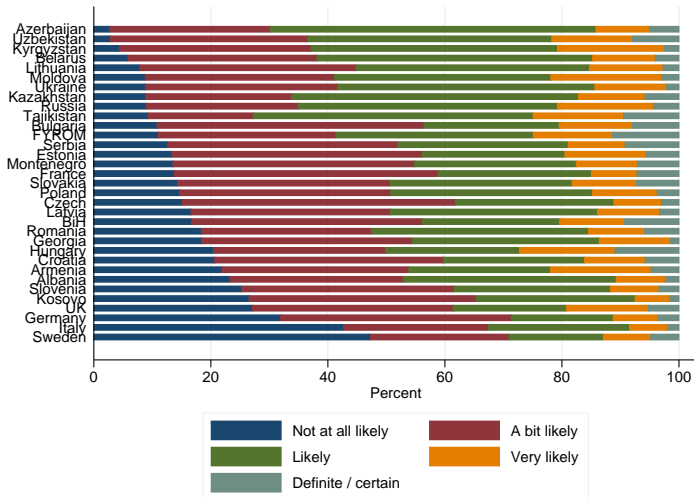# Perceived IO actual IO are not one and the same

Access to connections

- cca 30 percent of respondents report not having connections, higher for:
- individuals who place themselves at the bottom of the welfare ladder;
- those who (or whose parents) had low levels of education.

Use of connections, when available

Empirical specification

- Heuristic model: *Expected mobility = f(perceived IO, characteristics(age, education, employment), current status, past mobility, past shocks, risk aversion, luck)*

- Given LiTS data:

$$Mobility_i = \beta_1 C_i + \beta_2 A_i + \beta_3 C_i A_i + \mathbf{X_i'}\gamma + \varepsilon_i,$$

- *Mobility$_i$* is the difference between future and current ladder position
- C_i is a dummy that equals 1 if connections are deemed vital and zero otherwise
- A_i is a dummy that equals 1 if connections are not available and zero otherwise.

Hypotheses to be tested

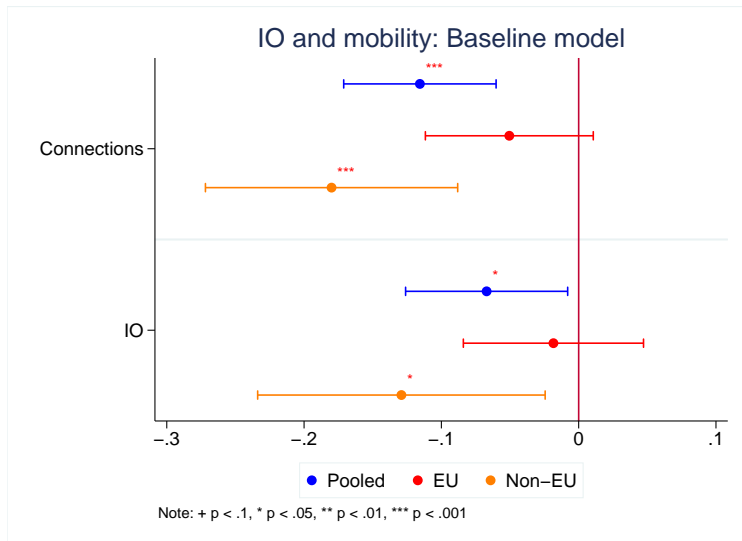| Availability Connections	Yes	No
Vital	$\beta_0 + \beta_1$	$\beta_0 + \beta_1 + \beta_2 + \beta_3$
Not vital	β_0	$\beta_0 + \beta_2$

- Hypotheses:
  - Hypothesis 1 ("Connections"): $\beta_2 + \beta_3 = 0$, i.e. lack of connections is not associated with lower expectations of mobility when access to opportunities is unequal;
  - Hypothesis 2 ("IO"): $\beta_1 + \beta_3 = 0$, i.e. inequality of opportunity is not associated with lower expectations of mobility when connections are unavailable.
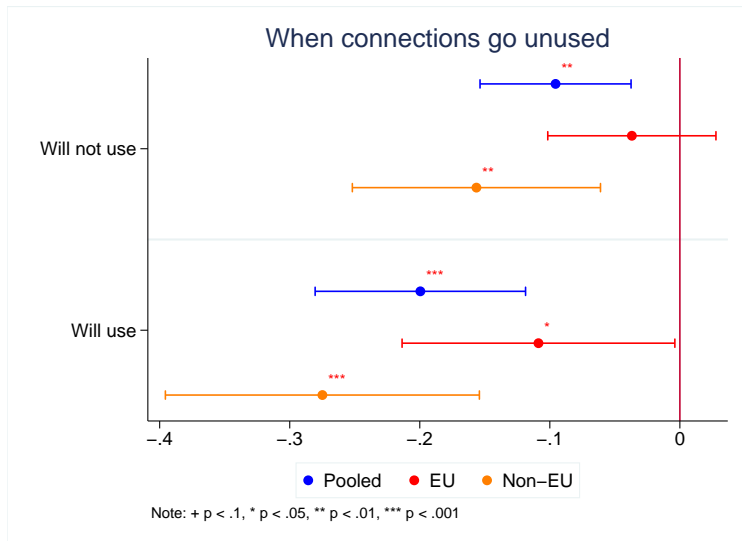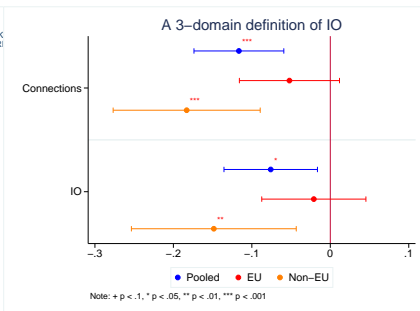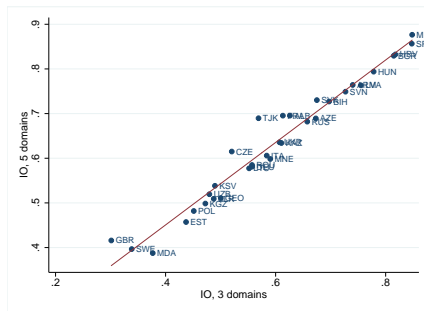
Baseline model, full sample

IO and mobility: Full model

Note: + p < .1, * p < .05, ** p < .01, *** p < .001
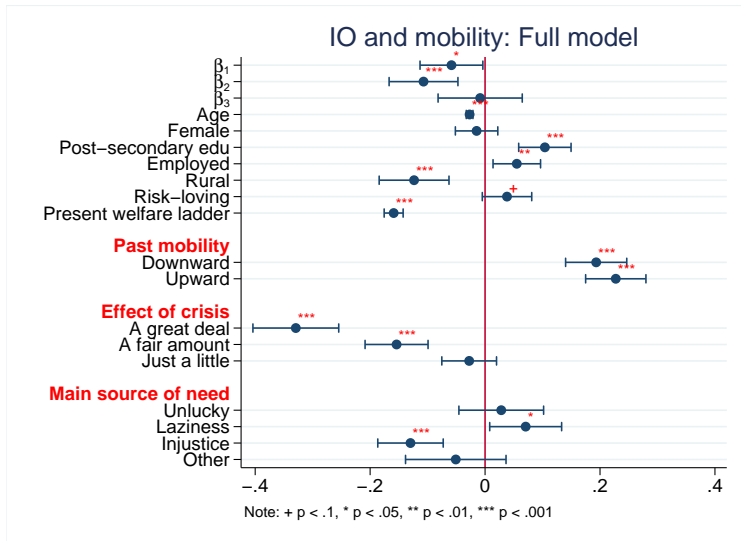
Lack of connections and IO associated with lower mobility

IO and mobility: Baseline model

Note: + p < .1, * p < .05, ** p < .01, *** p < .001

Also in EU, when connections are unused

When connections go unused

Note: + p < .1, * p < .05, ** p < .01, *** p < .001
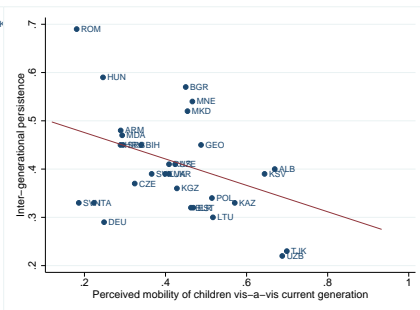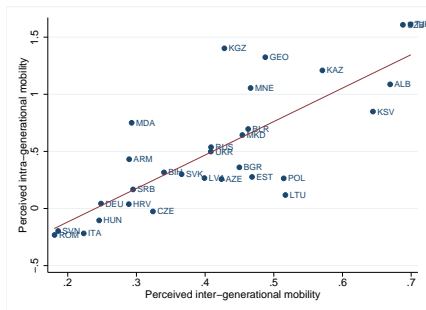
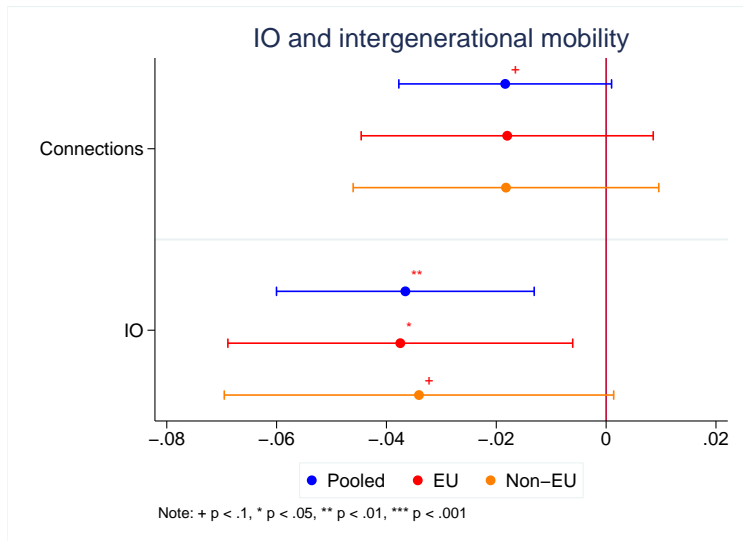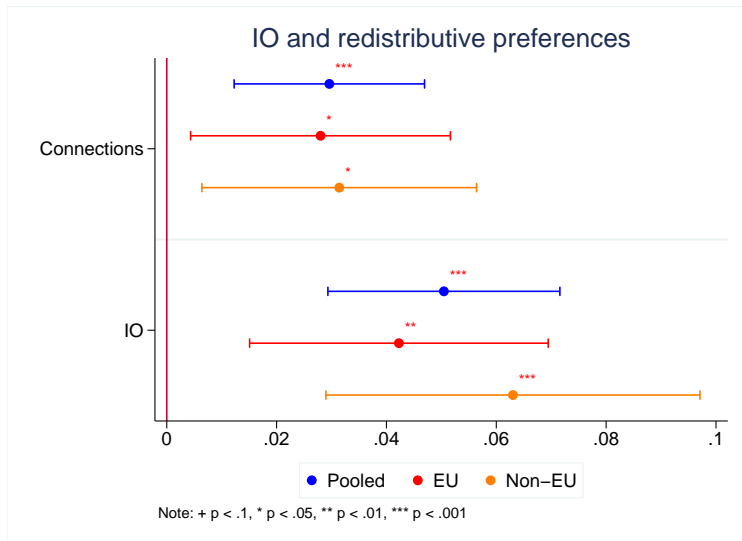# Robustness analysis – IO in access to jobs and education

Robustness analysis – POMs
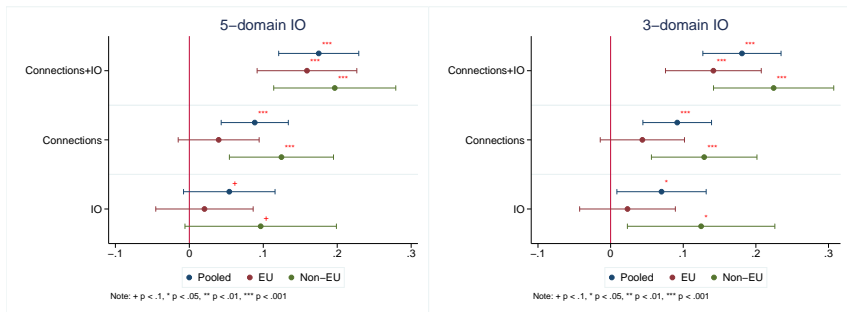
Intergenerational mobility: reality and perceptions

IO and inter-generational mobility

IO and redistributive preferences

IO and redistributive preferences

Concluding remarks

- IO is perceived to be widespread in Transition Economies, especially outside of the EU;
- Lack of connections is associated with expectations of a lower position on the future social ladder when connections are vital;
- When informal connections are unavailable, it matters for future mobility if the playing field is level;
- Not everyone who has connections intends to use them (and use of informal institutions is less prevalent when formal institutions are stronger)
  - ▶ Perceptions of IO matter when connections go unused
- Finally, the link between IO and mobility expectations also carries over from the intra-generational setting.

Thank you!