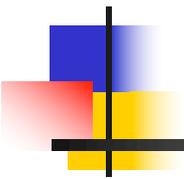


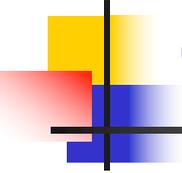
A Western Balkans Regional Initiative  
**Policy Analysis Laboratory**  
**The Future of the Welfare State in the WB**



**Slobodan Cvejic**, University of Belgrade & SeConS

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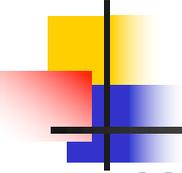
Inequality and Social Mobility  
The Concepts



## The rise of 'inequality' topic

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- Old and ever popular sociological topic got sudden popularity after the latest global financial crisis has been digested by several economists (Stiglitz, Sachs, Milanovic, Picketty)
- **Not only poverty, inequality matters, too and even more**
- The idea introduced much earlier in EU social policy through the concept of social inclusion, this might be the reason that economic inequalities are much lower in Europe than in other regions

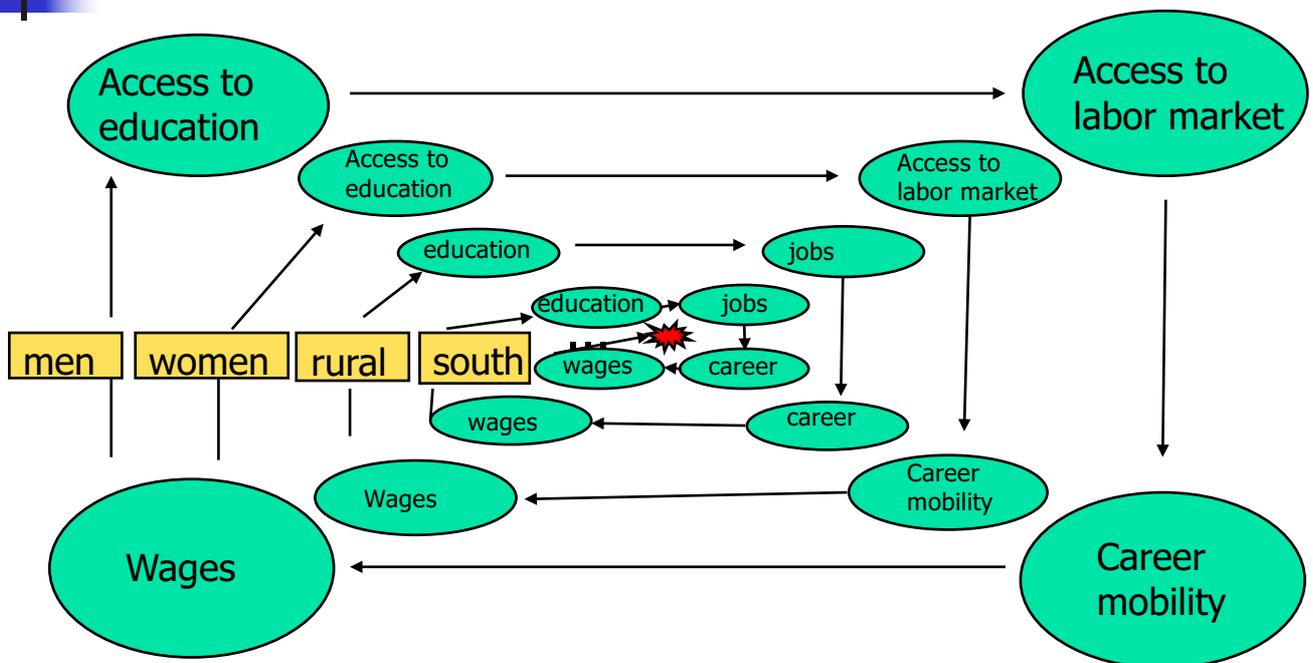


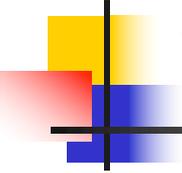
## Essentiality of inequality

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- Which inequality?
- Is the economic inequality essential, most notable, or simply imposed by our ideological and value systems?
- Natural vs. social inequalities – economic inequalities being just one type
- **Overcoming social inequalities is essential for any policy of inclusion**

# Social inequality is a complex phenomenon

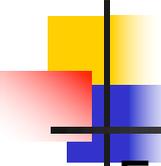




## Why is it happening?

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- The stubborn blight of between-group inequality remains because of the nature of the economic and societal systems.
- Those with an initial disadvantage are ghettoized and then further penalized by reduced access to high quality public services.
- This in turn limits their ability to prosper in a growingly polarized labour market where a strong academic background is fundamental to success.

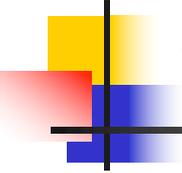


## **Economic inequalities**

(New Economics Foundation – NEF)

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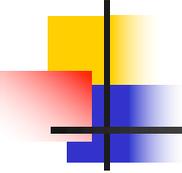
- Expert consensus couldn't be clearer on the corrosive effect of economic inequality on health, social cohesion, economic growth, education and crime.
- Forecasts show that, without narrowing the gap between the richest and poorest in our societies, other attempts to fight poverty and stabilize the environment could be fatally undermined.
- Without a dedicated push to address economic inequality we risk replicating the conditions that drive poverty and environmental destruction.



## What is economic inequality?

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- Income inequality is often thought of as the differences in wages across the socioeconomic spectrum.
- However, it can include income from capital investments and other forms of regular earnings.
- There is a distinction between pre- and post-tax income, pre-tax inequality tends to be considerably higher than post-tax inequality.
- Wealth inequality refers to the distribution of assets – including savings, financial assets, housing that is owned, mutual funds, stocks and bonds and retirement accounts.
- Wealth inequality is more severe than income inequality
- Here also pre- and post-tax distinction applies

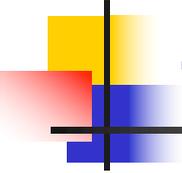


## **Why do we need equality policy?**

### **Growth – inequality – poverty eradication**

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- A long-running debate about the extent to which economic growth results in poverty reduction – so-called growth elasticity of poverty reduction.
- China is the most obvious case of economic growth that has lifted millions out of poverty.
- However, there are many countries where growth has had a much smaller impact on poverty reduction – including India, Nigeria and other parts of Africa



## Importance of definitions

### The threshold game

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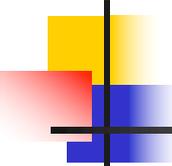
- By 2030, low growth coupled with current inequality trends will mean 1.3 billion people will be in extreme poverty according to the US\$1.25 a day measure – similar to the numbers today.
- In a low-growth scenario, US\$2 per day poverty will in fact increase and exceed 2.5 billion people by 2030.
- In short, reducing inequality is integral to reducing and eradicating poverty and can pay dividends even in a low-growth scenario.
- More unequal societies tend to grow more slowly, are less successful in sustaining growth over long periods of time and recover more slowly from economic downturns.

# Environmental impact

## Danger in relying on economic growth to achieve social goals

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- Caution against putting too much faith in 'green growth'.
- Increases in carbon efficiency, not to mention efficiencies related to other resources, required to remain within environmental limits whilst continuing a growth path, are totally unprecedented.
- For example, to lift everyone on the planet to an income level equivalent to that of the EU average in 2007, whilst keeping the concentration of CO<sub>2</sub> in the atmosphere below 450 parts per million (a threshold which would nevertheless lead to harmful climate change impacts), would require a 55-fold increase in carbon efficiency.
- And that assumes that **all** the growth goes to those countries whose incomes are currently below the EU level.

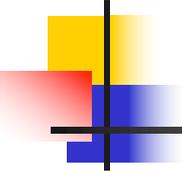


# Social mobility

## The mechanism for decreasing inequality

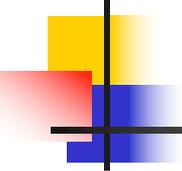
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- What is *social* mobility?
- Almost all forms of mobility of individuals and groups are social, but when we say social we mean social classes or social strata
- Other social mobility popular in research and policy: educational mobility, occupational mobility, industrial and sectorial mobility, etc.
- Goldthorp and Erikson: **class mobility is key mediating process between social inequality and social conflict!** Education is one of the channels of mobility in this regard
- Inflow and outflow mobility, inter-generational and intra-generational mobility, absolute and relative mobility



# Class mobility in Serbia

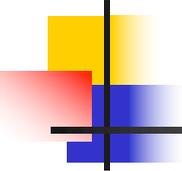
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## **Basic unit of analysis: class**

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1. small farmers
2. unskilled non/manual employees
3. skilled manual workers
4. non-manual employees and self employed with secondary education
5. professionals, self employed (with university degree – attorneys, medical doctors etc.)
6. small entrepreneurs, lower managers
7. medium and big entrepreneurs, medium and higher managers, politicians



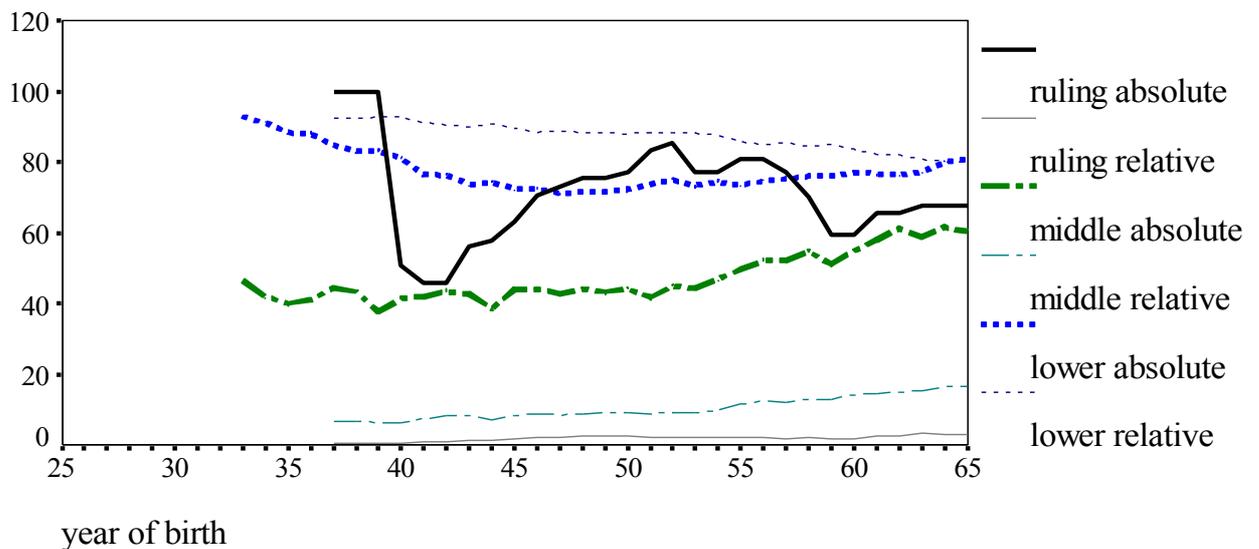
## Mobility before 2000

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- **Early socialism** (deagrarization, expansion of education, egalitarian legitimization) - **high mobility**
- **Late socialism** (economic crisis, increase in inequalities) - **decreasing mobility**
- **Blocked transformation** (slow changes, breakdown of economy, sanctions and international isolation, adaptive reconstruction of elites) - **bipolarization**

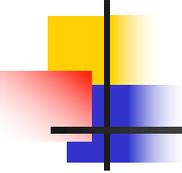
# Cohort analysis of self-reproducing mobility

GRAPH 1. Selfdirection rates for 3 classes, absolute and relative to total immobility (DS model)



# Odds ratios for all pairs of classes, 1989, 1997, 2003

| '89    | '97 | '03 | CLASS OF DESTINATION |    |    |    |    |     |    |     |       |       |    |      |       |      |      |       |
|--------|-----|-----|----------------------|----|----|----|----|-----|----|-----|-------|-------|----|------|-------|------|------|-------|
|        |     |     | 2                    |    |    | 3  |    |     | 4  |     |       | 5     |    |      | 6     |      |      | 7     |
| ORIGIN |     |     |                      |    |    |    |    |     |    |     |       |       |    |      |       |      |      |       |
| 1      | 10  | 10  | 10                   | 23 | 19 | 28 | 94 | 138 | 61 | 955 | 1104* | 1860* | 35 | 887* | 2204* | 228* | 663* | 3294* |
| 2      |     |     |                      | 4  | 9  | 7  | 11 | 20  | 31 | 161 | 535   | 451   | 15 | 433  | 1270* | 46   | 850* | 148   |
| 3      |     |     |                      |    |    |    | 4  | 10  | 8  | 21  | 36    | 50    | 15 | 44*  | 93    | 12   | 661* | 197   |
| 4      |     |     |                      |    |    |    |    |     |    | 4   | 11    | 10    | 10 | 26   | 23    | 3    | 21   | 24    |
| 5      |     |     |                      |    |    |    |    |     |    |     |       |       | 13 | 148  | 34    | 2    | 43   | 12    |
| 6      |     |     |                      |    |    |    |    |     |    |     |       |       |    |      |       | 25   | 442* | 253   |



## **Mobility - conclusions**

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- Apparent but slow increase in flexibility after 2000
- Variations in openness of the ruling class
- Permanent self-reproduction of middle class
- Structurally based interconnection between small farmers and manual workers
- Hiatus between bottom and top of the ladder