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Understanding intergenerational transmission of deprivation in Spain: Education and marital sorting



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ABSTRACT

This paper contributes to the literature on intergenerational transmission of deprivation in Spain by exploring how this phenomenon is shaped by education and marital homogamy. To that aim, a set of univariate, bivariate and trivariate ordered probit models are estimated on a sample of Spanish-born individuals from the module on *intergenerational transmission of disadvantages* in the Spanish Survey on Living Conditions 2011. We split the sample into two age groups (30–39 and 40–49-year-olds), and find similar levels of intergenerational transmission of deprivation amongst younger cohorts despite their higher educational mobility. Education is more relevant as a channel for the transmission of disadvantages across generations in the younger subsample than in the elder one. Marital sorting has a more relevant impact on the transmission of social disadvantage in the younger group. Finally, in the elder subsample, there seems to be a more genuine (beyond the observed transmission channels) transmission of (dis-)advantage, while in the younger subsample, the observed transmission channels seem to fully explain the inheritance of the risk for material deprivation.

1. Introduction

The study of the transmission of income and social class across generations has widely shown similarities in economic conditions between parents and their children. This phenomenon has been heavily analyzed across several disciplines: economists study correlation in income levels while sociologists tend to look at similarities in education attainment and occupation, the latter being a proxy for social class (for a survey, see Breen & Jonsson, 2005). Moreover, similarities between parents and their offspring's socioeconomic status are particularly strong at the extremes of the distribution of whatever outcome variable is analyzed, with upward mobility being particularly difficult for those at the bottom. Still, empirical evidence on intergenerational persistence in the lowest part of the income distribution is rather scarce (for an example, see Whelan et al. (2013)).

The present work aims to provide evidence on the intergenerational transmission of deprivation, namely, the larger risk of experiencing economic problems by adults who were raised in a deprived household. We contribute to this strand of literature by simultaneously addressing two well-known channels of transmission of income and disadvantages, namely, education and marital sorting, while capturing differences in the phenomenon along the lifespan (proxied through two different, relatively large age groups). By analyzing the transmission of

deprivation instead of monetary poverty, we adopt an approach which is consistent with the nature of our main explanatory variable, i.e., economic constraints experienced at the parental household. Inasmuch as our dependent variable is measured at the household level, it can be predicted from variables identifying the composition of the household and the former experience of poverty in different adult members of the household.

The first transmission channel, education, is the most relevant and explored one: if economically or socially deprived parents encounter difficulties investing in their offspring's education, the latter will be more prone to face economic disadvantages in their adult life. This calls for public action to support low-income households' investments in education to enhance socioeconomic mobility in the next generations. The second transmission channel, marital sorting, is totally different: if individuals from low-income families marry within their same social class, the household they create will be likely to suffer deprivation. But the intergenerational transmission of (dis-)advantage that marital sorting contributes to may not (and should not) be prevented *ex-ante* with public policies. Instead, it might rather be palliated *ex-post* via income redistribution measures.

In order to disentangle the relevance of both transmission channels, we analyze two subsamples taken from the Survey on Living Conditions (*Encuesta de Condiciones de Vida*, ECV), i.e., the Spanish component of

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the EU-SILC (European Statistics on Income and Living Conditions) and its 2011 *module on intergenerational transmission of disadvantages*. We estimate the impact of living in a deprived parental household during adolescence on the likelihood of suffering deprivation in adult life. This research differs from previous evidence in the way in which the channels of transmission of deprivation are explored. Our empirical strategy, consisting of a set of univariate, bivariate and trivariate recursive ordered probits, allows us to take into account the potential endogeneity in the relationship between deprivation in the parental family and educational attainment. The size of this relationship will shape the strength of the education transmission channel. Moreover, our trivariate strategy also contributes to our understanding of the features that shape the financial situation in the parental household as well. In this sense, it allows us to control for initial conditions.

In our search for patterns in the evolution of the intergenerational transmission of income along the life cycle, we follow a similar strategy to Cervini-Plá (2013), where intergenerational income elasticity is explored in Spain across two large age groups, 30–39 and 40–49 year-olds. The author presents differences across age groups as potential indicators of changes in cohorts and trends towards an increasing social mobility in Spain, but she is also aware that those in the young cohort today may follow in the future behavior similar to their elder counterparts' experience today. The same cautionary note is applicable to our interpretation of differences across age groups in this paper: we have split the sample into the same two age groups (30–39 and 40–49 year-olds) to capture potential changes in the intergenerational transmission of poverty/deprivation along the life cycle, potentially due to the evolution of the institutional set-up and the labor market. The dividing threshold between both age groups is around the age at which intergenerational income elasticity reaches its average value throughout the life cycle (Cervini-Plá, 2015). In addition, selection of the sample entails observing individuals around the age at which personal income is more similar to permanent income. According to Haider & Solon (2006), this happens around the age of 40, which reinforces our choice of both overall age range and age groups.

We find higher educational mobility in the younger subsample, which does not go hand in hand with higher upward intergenerational economic mobility, though, because of a credentials inflation that reduces rewards to middle and high levels of education while severely harming the living conditions of those with very poor educational outcomes. As a result, we find a more prominent role of education as a channel for the transmission of disadvantages across generations in the younger subsample than in the elder one. We find as well a more intensive role of marital homogamy in 30–39 year-olds, possibly due to a more equal/balanced contribution of both partners to the household budget than in the 40–49 year-olds. Finally, once the observed determinants of material deprivation in the parental household are taken into account, unobserved factors seem to be relevant only for the transmission of material deprivation through the human capital in the elder subsample. Namely, there are unobserved factors that determine both the experience of economic strains in the parental household and offspring with poor educational outcomes, the latter probably being the same unobserved forces in the relation between educational attainment and material deprivation during adult life.

The paper goes as follows: the next section surveys the literature on intergenerational transmission of income (and, therefore, poverty and deprivation), with special attention to comparisons across age groups and birth-cohorts, education mobility and the role of marital sorting on the transmission of (dis-)advantage across generations. In Section 3, we briefly describe the data-set; in Section 4, the two subsamples are portrayed. The empirical strategy is explained in Section 5; the relevant results are discussed in Section 6 and Section 7 concludes.

2. The intergenerational transmission of income, poverty and deprivation

The intergenerational transmission of deprivation is a dimension of

a broader phenomenon, namely, the intergenerational transmission of income and economic (dis-)advantages. The economic situation of the parents directly influences the income and living conditions of the children through direct aid, loans, gifts, etc., but also through special environments (social contacts and neighborhoods) and, in particular, through investments in education. The latter is the most well-known mechanism behind the transmission of socioeconomic status in the Economics of the Family approach (Becker & Tomes, 1979, 1986), which especially holds in the presence of borrowing constraints and budget restrictions. In addition to formal education, further investments in extra-school activities by better-off parents do also contribute to offspring's economic success (see Duncan & Murnane, 2011). The environment where parents raise their children¹ may reinforce the effect of formal and informal/extra investments in human capital investment (see the overarching framework in Haveman & Wolfe, 1995). Additional transmission mechanisms are health status, individual behavior, relational capital and social networks (Franzini & Raitano, 2009). Moreover, several inheritable features contribute to the transmission of economic and social outcomes, like intelligence, motivation, values and preferences (Black & Devereux, 2010), non-cognitive ("soft") skills (Bowles & Gintis, 2002), occupations (Long & Ferrie, 2013) and even employers (Corak & Piraino, 2011). The latter features do contribute to the intergenerational transmission of economic outcomes when, apart from being directly or indirectly inheritable, they are rewarded in the labor market. Many of the abovementioned drivers of intergenerational transmission of income are unobserved by researchers but, inasmuch as they condition offspring's educational achievements, they contribute to the transmission of socioeconomic status across generations. Educational mobility driven by public investments in education will weaken this channel of transmission of income, poverty and deprivation.

In addition, as individuals tend to choose partners within their same socioeconomic environment, marital homogamy may reinforce the inheritance of (dis-)advantages, in two ways: on the one hand, individuals often meet their partners while in education. Inasmuch as the education system is socially stratified, as individuals reach higher levels of education, they also tend to have more contact with others from similar socioeconomic backgrounds. On the other hand, potential partners may be also met within the neighborhood and residential segregation by socioeconomic status also contributes to defining the social area in which offspring will find their partners.

This paper explicitly addresses only two observable transmission channels, namely, educational attainment and marital sorting. Still, by acknowledging the role of unobserved features through the methodology deployed, we are implicitly considering other well-known unobserved inherited features that may also contribute to the transmission of income, deprivation and (dis-)advantage.

2.1. Education and the intergenerational transmission of poverty and deprivation

The study of the education attainment as a driver for the transmission of income across generations entails the estimation of offspring's personal income as a function of parental income or socioeconomic background. If the relevant coefficient loses significance in the presence of offspring's education attainment and/or occupation, it means that the family background affects the offspring's income via parental educational investments made by parents in them (Raitano, 2009). International comparisons contribute to the identification of differences across countries in the role of education in the transmission of income due to institutional features summarized in welfare regimes (for an example, see Esping-Andersen & Wagner, 2012). In this strand of

¹ It is defined by neighborhoods, which condition the quality of the schools they attend, their school peers and friends and their contact with culture and knowledge, among other things.

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