



# The Scandinavian model during increasing inequality: Recent trends in educational attainment, earnings and wealth among Norwegian siblings

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## ABSTRACT

Inequality in incomes and wealth is increasing in most Western societies and the traditionally egalitarian Scandinavian societies are no exception. We examine whether intergenerational social mobility co-vary with these developments, focusing on whether the impact of family background on wealth, education and earnings changes over time and in the same way. We use sibling correlations to measure shared family background. The data consist of a Norwegian population of complete birth cohorts of brothers and sisters over 30 years. The results are fourfold. First, they show that the correlations are stronger for education than for earnings and wealth. Second, the sibling correlations for education decline slightly over time whereas the ones for earnings and wealth increase. Third, the strength of correlations for earnings and wealth are mediated through intervening variables such as education and also earnings for wealth. Fourth, this mediation is stronger for earnings than for wealth. These results indicate that family background still influences earnings, wealth, and education. More importantly, however, the contradictory trends, the declining impact of family background on education, and its increasing impact on earnings and wealth have broader social policy implications beyond Scandinavia: Increasingly equal educational opportunities do not necessarily lead to greater opportunities in the labor market and accumulation of wealth.

## 1. Introduction

Many Western societies have experienced rapid rises in inequality in income and wealth in recent decades. Considering such trends, Scandinavian societies, with their generous safety nets in health, pensions and social security, free education and low income inequality, may seem to represent more ‘tranquil havens’ in comparison to other Western societies and are even perceived by some as representing the ‘Scandinavian dream’ (Stiglitz, 2015). Countries with lower levels of inequality have been shown to have greater intergenerational mobility than countries with more inequality (Corak, 2013). Mobility in intergenerational earnings has been shown to be higher in Scandinavia than in the USA and some other countries (Jantti et al., 2006). Nonetheless, the traditionally egalitarian Scandinavian societies are no exception to trends of rising inequality (Aaberge & Atkinson, 2010; Atkinson & Morelli, 2014; Hansen, 2014), and the consequences of these trends for intergenerational inequalities are still uncertain.

Social mobility research, often informed by theories of modernization, highlights the role of the education system, either as a leveler of inequalities by providing equal opportunities or as a strategic arena for

transferring advantage across generations. The increasing salience of education in stratification processes has thus been interpreted variously, either as evidence of increasingly meritocratic systems of stratification (Knigge, Maas, van Leeuwen, & Mandemakers, 2014b; Treiman, 1970) or, according to reproduction theory, as an institution providing credentials that help legitimize class reproduction (Bourdieu & Passeron, 1977; Bourdieu, 1996; Collins, 1979). Although modernization theory was widely acknowledged in the social sciences in the mid twentieth century, from the beginning of the 1990s onwards it started to be strongly contested by a large body of sociological research (e.g. Erikson & Goldthorpe, 1992; Hout & DiPrete, 2006). Empirical studies from sociology and economics show significant discrepancies in conclusions about change over time (e.g. Blanden & Gregg, 2004; Blanden & Machin, 2004; Goldthorpe & Mills, 2008; Hansen, 2008, 2014; Harding, Jencks, Lopoo, & Mayer, 2005; Hertz, 2007; Lambert, Prandy, & Bottero, 2007; Lee & Solon, 2009; Mayer & Lopoo, 2005; Nicoletti & Ermisch, 2007). Together, these findings do not support the ideas of modernization theory about large-scale, long-term trends towards greater openness; such findings also raise doubt about educational expansion as a great leveler of intergenerational inequality. Are

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there other social forces and processes that counter the impact of increased educational opportunities?

We will thus examine trends in intergenerational associations of education, earnings, and wealth, and study the extent to which these intergenerational associations show equal or divergent trends. We also examine whether intergenerational inequalities in earnings and wealth can be explained by educational inequalities.

We will do so by estimating sibling correlations to evaluate the total impact of family background. Compared to more conventional ways of measuring the impact of social origin, these correlations provide a broader measure of family background and community as shared sibling origins and experiences. Moreover, measures of intergenerational associations may neglect important aspects of family background, leading to an underestimation bias (Andrade, 2016; Hauser, 1984; Sieben, Huinink, & De Graaf, 2001). In his important reassessment, Jencks (1972) divides the effects of shared family origins on siblings into three main components: genetic; social and environmental; and reciprocal sibling interactions and influences. The sibling correlation thus includes shared observable and unobservable characteristics: Shared social and genetic endowments, similar exposure to same schools and neighborhoods, and other shared experiences and cumulative (dis)advantages over the life course.

We estimate sibling correlations for three outcomes: education, earnings, and wealth, based on data from administrative registers covering the entire Norwegian population. We examine trends for siblings born 1945–1982; the period for wealth is slightly shorter due to the availability of data.

To our knowledge, no previous studies have explored annual sibling correlations over such a long period, for so many outcomes, and all types of sibling constellations – brothers, sisters as well as mixed-sex pairs of brothers and sisters. We know of one study of sibling correlations in wealth from Hungary examining a period during communism (Toka & Dronkers, 1996) but no previous studies from Western, democratic countries. We also estimate whether trends in economic outcomes are accounted for by intergenerational inequalities in educational attainment. Our study, therefore, provides new evidence about an important but understudied aspects of stratification.

## 2. Intergenerational inequality in the Scandinavian welfare states

The Scandinavian societies are often regarded as representing a social democratic welfare model committed to creating equal opportunities and reducing social risk (Esping-Andersen, 1990, 1999). This has long been expected to favor low levels of intergenerational inequality. According to hypotheses of the influence of ‘socialist ideology’, or social democratic egalitarianism (Erikson & Goldthorpe, 1992; Parkin, 1971), the intergenerational transmission of inequality is lower in socialist or social democratic countries. This is due not least to the greater equality in access to education and more equal income distribution. Generous safety nets help reduce inequality in access to education and reduce economic differences even further (free health care, generous parental and sick leave and unemployment benefits, and universal social security). Economic developments are important for inequality in educational attainment, because educational investments also depend on costs of education; therefore educational inequalities are smaller the smaller the economic inequalities (Erikson et al., 1996; Hansen, 2008). Some researchers have expressed considerable doubt whether political interventions, or social democratic policies, influence mobility patterns (e.g. Breen & Luijkx, 2004, p. 401–402; Erikson & Goldthorpe, 1992, p. 373–374). Other studies support the notion that the Scandinavian social democratic project has succeeded in reducing inequality and increasing openness more than other Western countries (Corak, 2013; Hout & DiPrete, 2006; Jantti et al., 2006). However, economic developments have led to greater insecurity and inequality and Norway is no exception. Based on Norwegian data, Atkinson and Morelli (2014) have found trends since the 1990s of increasing

economic inequalities using the standard summary measures of inequality, as well as top income, and wealth shares. If, as assumed in the hypotheses about “socialist ideology”, or social democratic egalitarianism, intergenerational associations depend on the level of economic inequality, such associations in education and earnings should be expected to rise during increasing economic inequality.

A number of studies from Scandinavian countries using outcomes such as educational attainment, class mobility, and economic mobility indicate that trends for decreasing intergenerational associations ceased for cohorts born after the 1950s (Benjaminsen, 2006; Breen & Jonsson, 2007; Hansen, 2008; Klausen, 2006; Mastekaasa, 2011; Pekkala & Lucas, 2007). As Jonsson (2004, p. 248) concludes in his study of class mobility, the ‘trend towards increasing openness in Sweden can now be seen as a phenomenon of the mid-twentieth century.’ Landersø and Heckman (2017)) have recently shown that educational mobility in Denmark is at the same level as in the USA and that redistribution policies have adverse repercussions, such as disincentivizing acquiring an education; accordingly the ‘Scandinavian dream’ should rather be perceived as a ‘Scandinavian fantasy.’

## 3. Evidence from studies of sibling correlations

In the 1980s and 1990s, one stream of research used sibling resemblance methods to assess openness and social mobility, focusing especially on how family background affects children’s life course through complex mechanisms (e.g. Benin & Johnson, 1984; Hauser, 1984; Hauser & Mossel, 1985; Hauser & Sewell, 1985; Hauser, Sheridan, & Warren, 1999; Hauser & Wong, 1989; Sandefur & Wells, 1999; Van Eijck, 1997). Later studies have used sibling correlations to evaluate trends over time and similarities between countries (Breen & Jonsson, 2007), addressing hypotheses of modernization and of the impact of socialist ideology or social democratic egalitarianism on societal development.

The hypothesis about social democratic egalitarianism receives support from the literature: correlations between brothers in earnings are estimated to be above 0.4 in the USA and Germany (Björklund, Eriksson, Jäntti, Raaum, & Österbacka, 2002; Schnitzlein, 2014). The estimates for Scandinavia vary somewhat according to the estimation methods or choice of sample, but they are consistently lower than for the USA: According to one estimate, Scandinavian brother correlations vary between 0.14 in Norway and 0.26 in Finland (Björklund et al., 2002) and sister correlations are even lower (Schnitzlein, 2014). In Denmark, correlations are 0.2 for brothers, 0.14 for sisters, and 0.133 for a mixed sample of brothers and sisters (Andrade, 2016).

The evidence of change over time points in different directions like in the literature studying change in intergenerational association. Using education or occupational status or both as outcomes, a decline in the impact of family background, and thus support for the modernization theory, has been shown in Germany (De Graaf & Huinink, 1992), the Netherlands (De Graaf & Huinink, 1992; Dronkers, 1993; Knigge et al., 2014a, 2014b), the USA (Kuo & Hauser, 1995), and in several other Western countries (Sieben & De Graaf, 2001; Sieben, 2001). A study using data involving younger cohorts and longer time spans in the Netherlands and Germany found mixed results, however (Sieben et al., 2001). The study from Hungary found no systematic decline (Toka & Dronkers, 1996).

Previous Scandinavian studies also show evidence of declining correlations among people born in the early 20th century (Heath et al., 1985). The study of Björklund, Jäntti, and Lindquist, (2009) of brother correlations in earnings in Sweden found that the correlations decreased in the cohorts born 1932–1950, noting that the decline took place during a period of many political reforms. There is no such decline among cohorts born after 1950, however, but evidence of a U-turn similar to that found in several Scandinavian studies of intergenerational associations. Norwegian studies of brother correlations show evidence of a similar decline for cohorts born 1930–1960, but more

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