



Inequality

WHAT ARE WE TALKING ABOUT TODAY

FORMS OF INEQUALITY

IS INEQUALITY BAD

MEASURING INEQUALITY

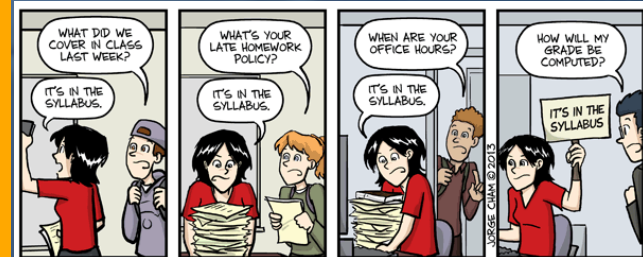
WHAT CAN BE DONE?

DISCLAIMER

This is a new Course, and although I have spent an awful lot of time to develop it, it has not been tested on real students - even worse on real Hult students.



Don't forget!



IT'S IN THE SYLLABUS

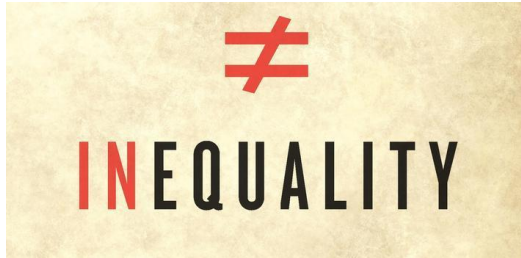
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Intro to inequality?

What is Inequality? Causes and impact.

What is inequality?



Inequality is the difference in social status, wealth, or opportunity between people or groups (Collins Dictionary)

The unfair situation in society when some people have more opportunities, money, etc. than other people (Cambridge English Dictionary)

Inequality is the absence of equality



Is inequality good?

Some inequality might be useful to boost growth. People put more effort when the benefits increase disproportionately.

But what kind of inequality we need, and how much?

“Greed is good. Greed is right, greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit”

Gordon Gekko, played by Michael Douglas (above) in the film *Wall Street*, 1987

“We have to accept that inequality is a way of achieving greater opportunity and prosperity for all”

Lord Griffiths, vice chairman of Goldman Sachs, 2009



I like
nonsense-
it wakes up
the brain cells.
-Dr. Seuss

Inequality of opportunity, inequality of effort, and inequality of outcome



Inequality of opportunity refers to that inequality stemming from factors, called circumstances, beyond the scope of individual responsibility, like race and socio-economic background.

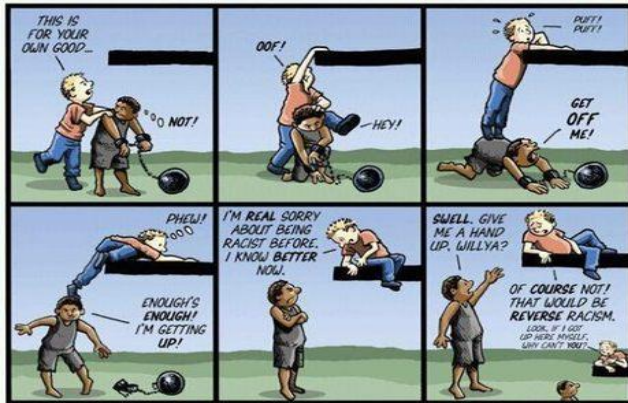
Inequality of effort refers to that inequality stemming from factors, called effort, within the scope of individual responsibility, like occupational choice, number of hours worked or investment in human capital.

Inequality of outcome refers to the extent to which outcomes like income, wealth, welfare is distributed in an uneven manner among a population.

Thus, inequality of outcome or total inequality can be seen as a combination of inequality of effort and inequality of opportunity.

Opportunity Inequality

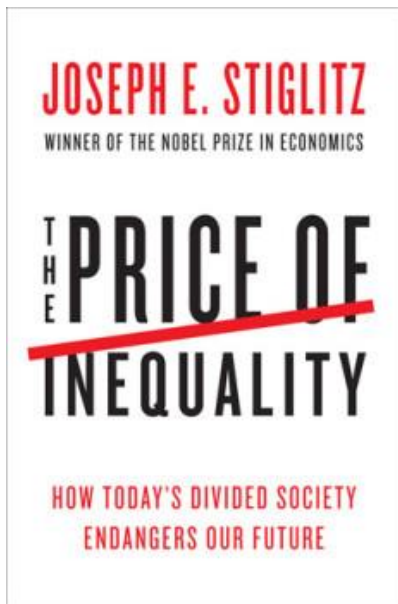
In a well-functioning market economy, opportunities to receive an education, have a good job and earn sufficient income should not be limited on the basis of a person's gender, race, place of birth or parental background.



A CONCISE HISTORY OF BLACK-WHITE RELATIONS IN THE U.S.A.



Shall we only tackle opportunity inequality?



Only few people would argue that inequality of opportunity should not be tackled.
But many would argue that the reduction of inequality should be limited to that.

However, there are good reasons, why we should look at inequality of outcome, even if this is due to effort inequality.

Why should we care about outcome inequality?



Three main reasons:

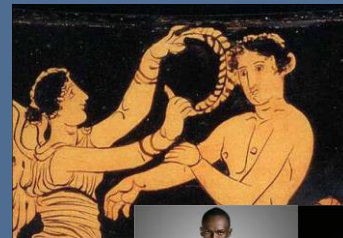
First, we cannot ignore those of whom the outcome is hardship – even if equality of opportunity exists.



Second, we need to distinguish between competitive and non competitive equality of opportunity.

Non competitive equality of opportunity ensures that all people have equal chance to fulfil their independent life projects.

Competitive equality of opportunity means only that we all have an equal chance to take part in a race, where there are unequal prices. The price structure is largely socially constructed.



Third, today's outcome inequality is tomorrow's opportunity inequality.



The Impact of Inequality



Economic

Less equal societies have less stable economies. High levels of income inequality are linked to economic instability, financial crisis, debt and inflation.



Social Mobility and Education

Unequal societies have less social mobility and lower scores in maths, reading and science.



Crime

Inequality increases property crime and violent crime.



Health

Living in an unequal society causes stress and status anxiety, which may damage your health. In more equal societies people live longer, are less likely to be mentally ill or obese and there are lower rates of infant mortality.



Trust, Participation, Attitudes and Happiness

People in less equal societies are less likely to trust each other, less likely to engage in social or civic participation, and less likely to say they're happy.



Economic Factors contributing to Inequality



Globalization

Technological change

Growth of financial services

Change in pay norms

Reduced role of trade unions

Scaling back of the redistributive taxation and the welfare state

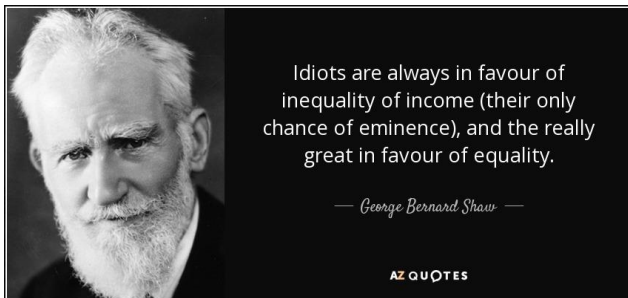




Measuring different forms of inequality

Quintiles, Deciles, Lorenz, and Gini

Income Inequality



Income inequality refers to the extent to which income is distributed in an uneven manner among a population.

Measuring methods

- Quintiles and Deciles
- Lorenz Curve
- Gini Coefficients

Divide the population into successive quintiles or deciles according to ascending income levels and then determine the proportion of N.I received by each income group

Common measure of income inequality is the ratio of incomes received by the top 20% and bottom 40% of the population

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Quintiles and Deciles

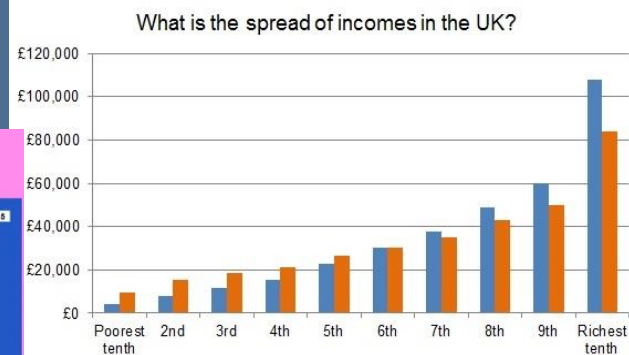
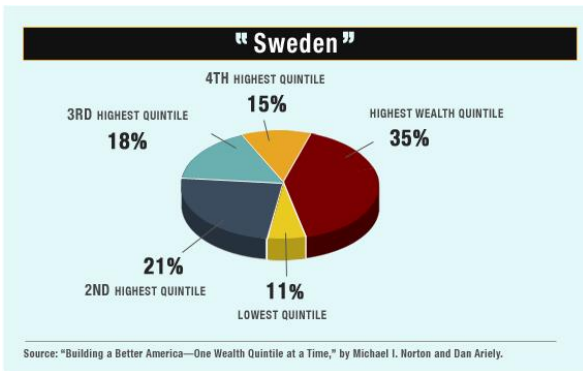
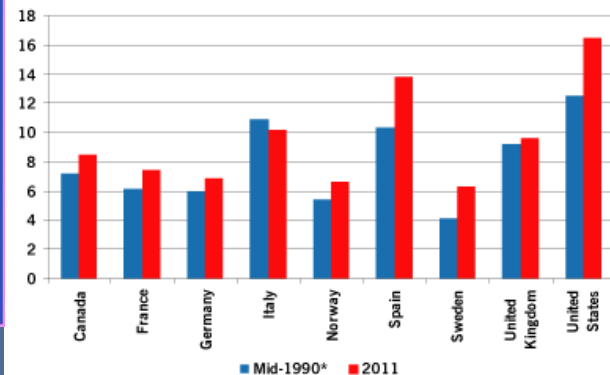


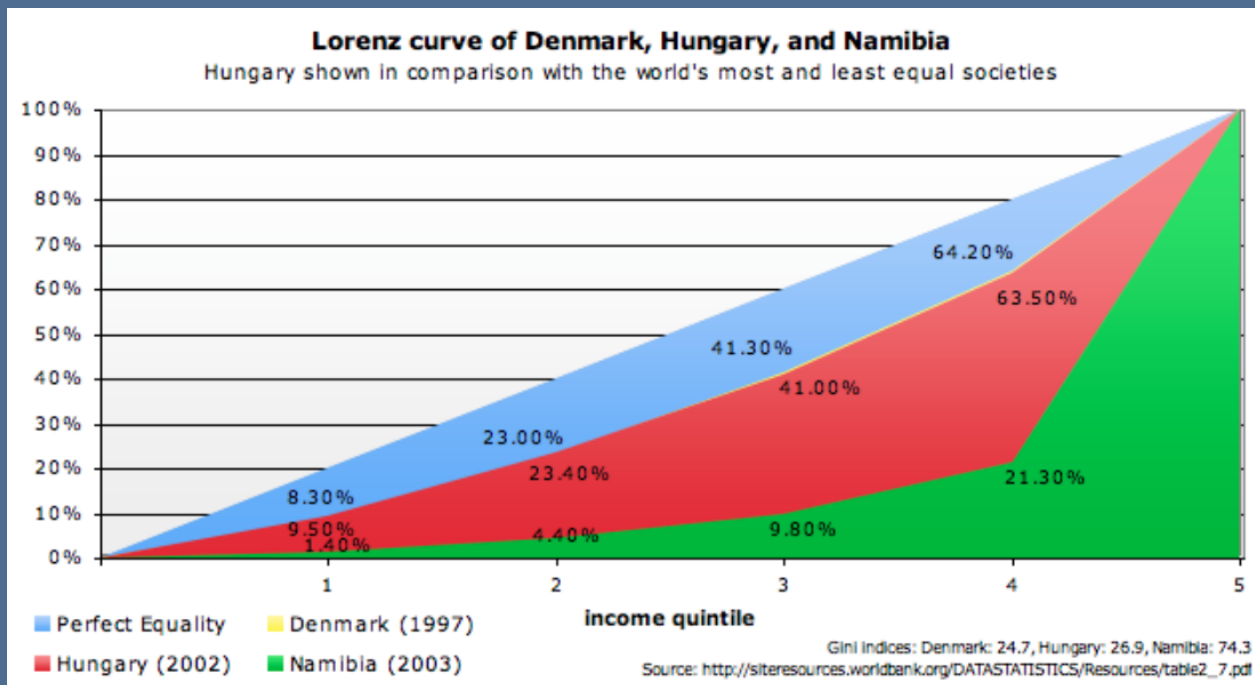
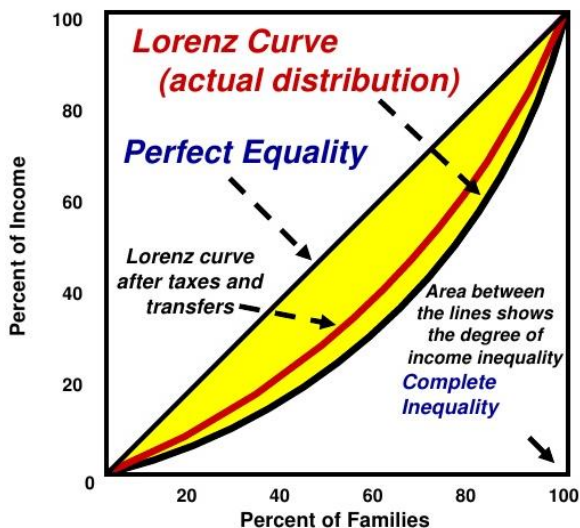
Figure 1: Income Ratio, Top 10% to Bottom 10%, Selected High-Income Countries



Lorenz curves show the actual quantitative relationship between the percentage of income recipients and the percentage of total income they received during a time period. They depict the variance of the size distribution of income from perfect equality

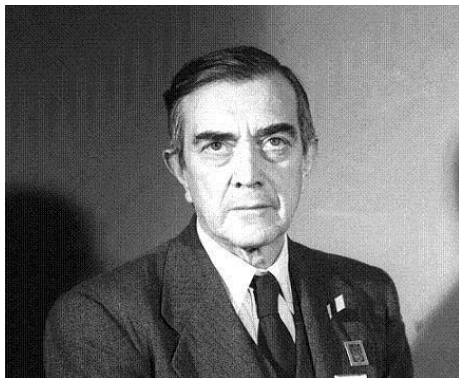
Lorenz curves

THE LORENZ CURVE



Is measured graphically by dividing the area between the perfect equality line and the Lorenz curve by the total area lying to the right of the equality line in a Lorenz curve diagram
 Ranges in value from 0 (perfect equality) to 1 (perfect inequality).

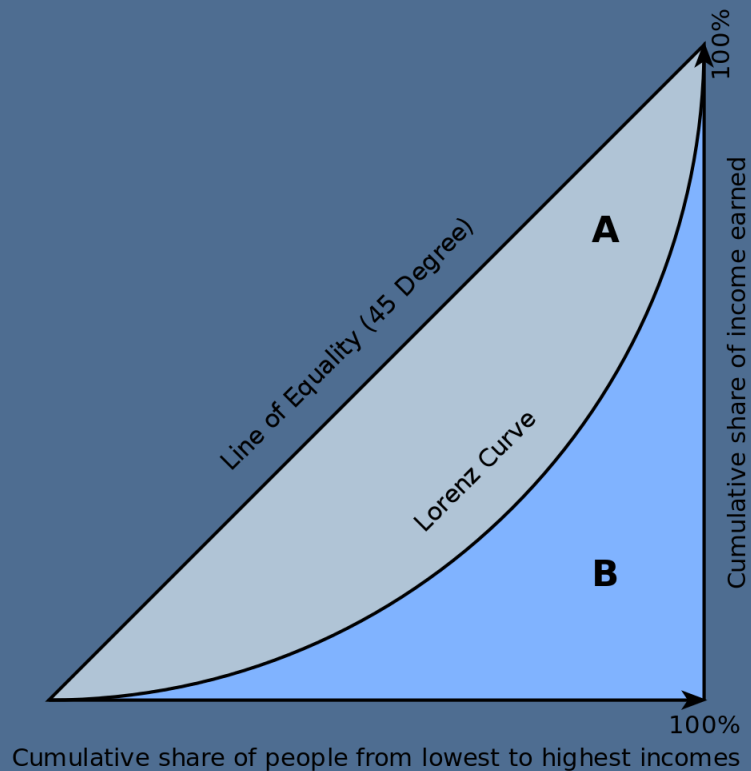
Gini coefficient



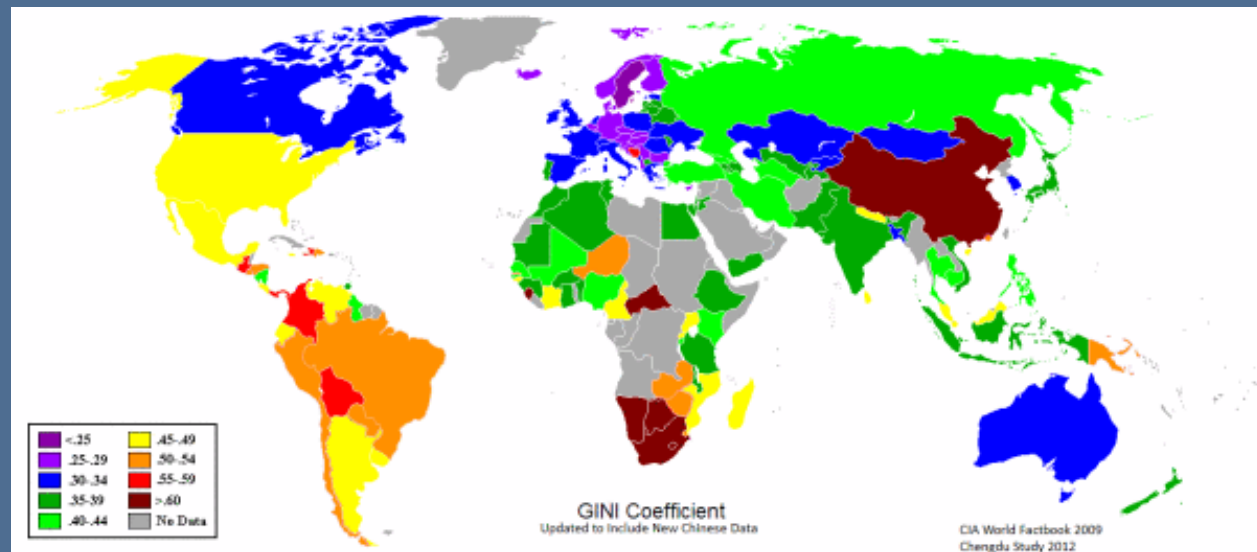
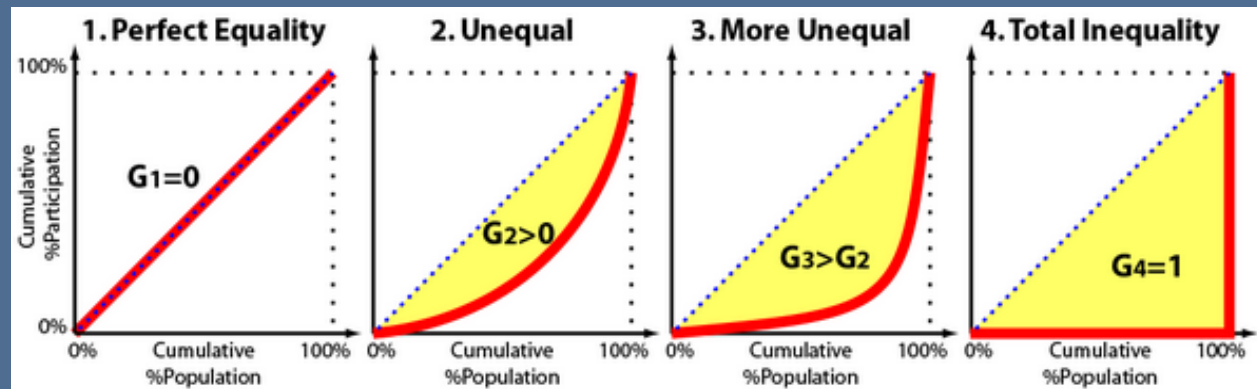
Corrado Gini (1884-1965)

Gini Coefficient

$$G = \frac{A}{A+B}$$



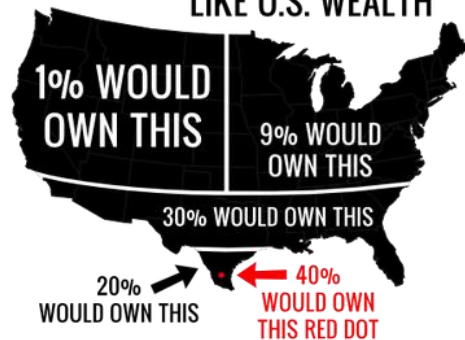
Inequality around the world



Wealth inequality (or wealth gap) is the unequal distribution of assets among residents. Wealth includes the values of homes, automobiles, personal valuables, businesses, savings, and investments.

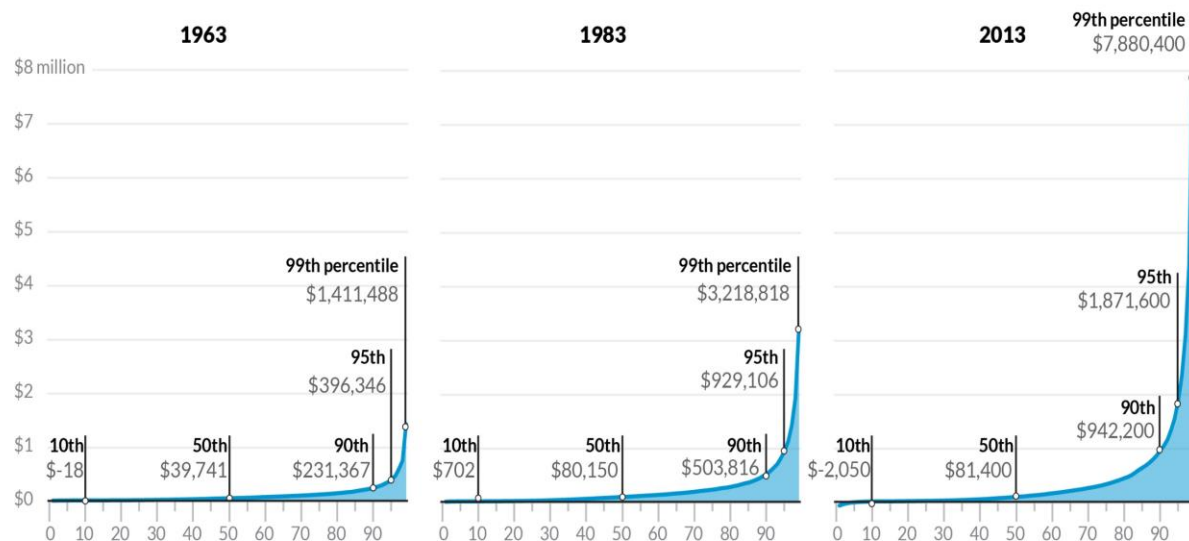
Wealth Inequality

IF U.S. LAND MASS WERE DIVIDED
LIKE U.S. WEALTH



SOURCE: G. William Domhoff, US Santa Cruz

Percentiles of Family Wealth, 1963–2013



Sources: Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983 and 2013.

Note: 2013 dollars.

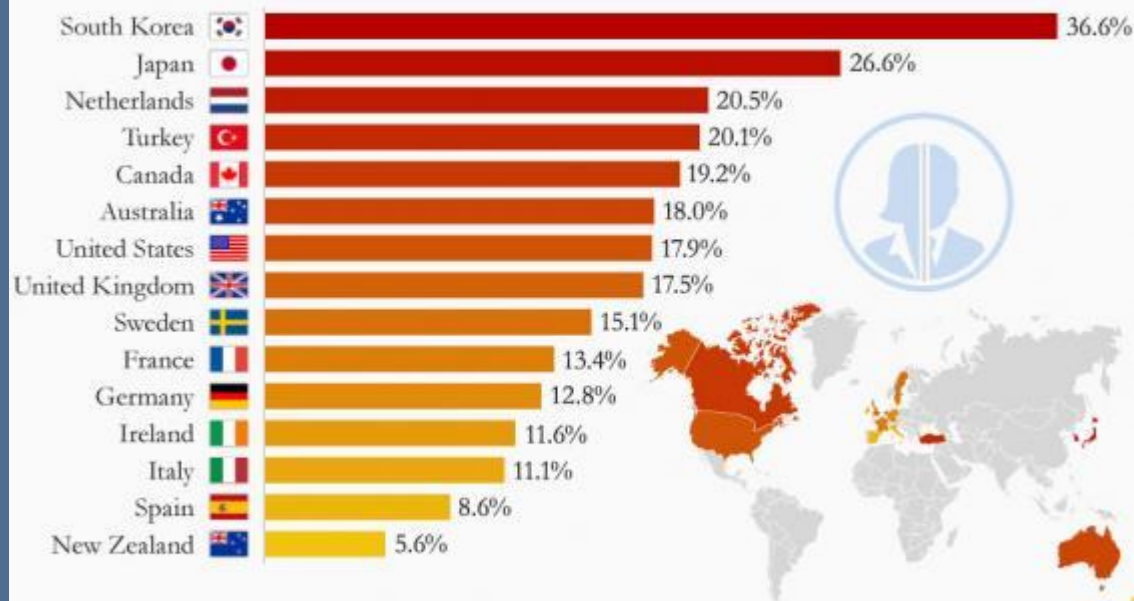
Gender Inequality



Gender Inequality refers to unequal treatment or perceptions of individuals based on their gender. It arises from differences in socially constructed gender roles.

The gender pay gap in developed nations visualised

% difference in full-time earnings between men/women in selected OECD nations*



©StatistaCharts

Source: OECD



INDEPENDENT

statista

Gender pay gap

Why is there a gender pay gap?

#GenderPayGap



Women still take on the majority of care duties

Women account for 76% of all part time workers



Women are still more likely to be in low paid and low skilled jobs

Fewer women work in high-paid sectors such as:



Engineering



IT



Technology



Women continue to be underrepresented in senior management and leadership roles

2017 GENDER PAY GAP REPORTING SURVEY KEY FINDINGS

165 UK organisations took part in the survey.
29% of which are FTSE 250
with a combined market cap of approx. £449bn



74% remain in favour of the legislation in principle



yet 52% do not think it will make a difference

Nearly 70% have conducted a dry run analysis on the numbers

Only 30% have already run the formal analysis by the end of May 2017



Reported Gender Pay Gaps Range

-11% 20.5% 47%

Median is 20.5% but varies by sector



44% are looking towards the final quarter of this year to publish

19% intend to publish after Feb 2018

29% don't know when they plan to publish

73% intend to publish a narrative

Most organisations



increase in short-term activity to address the gap (pay)

Leading organisations



going beyond legislation to address long-term drivers (career, occupation and inclusion)

MAKE TOMORROW, TODAY  MERCER

Environmental Inequality



Environmental Inequality is a condition of unevenness in the sharing of environmental opportunities between different groups in society. It can also be described as ‘the unequal social distribution of environmental risks and hazards and access to environmental goods and services.

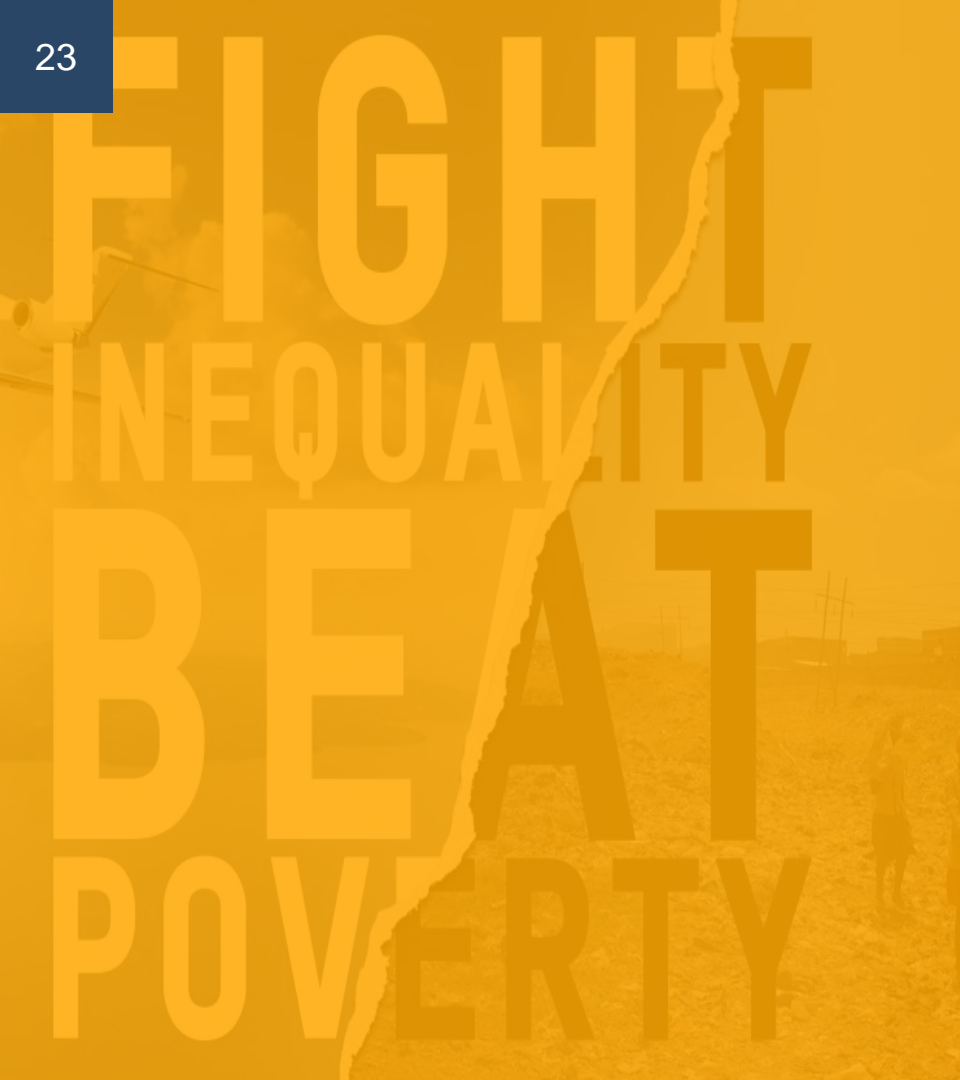


Global and International Inequality

Global inequality focuses primarily on the income inequalities across individuals in the world.

International inequality refers to the idea of inequality between countries.





What can be done

Welfare state and other ideas

Welfare State

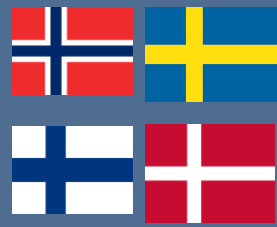


The **welfare state** is a state that plays a key role in the protection and promotion of the social and economic well-being of its citizens. It is based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those unable to avail themselves of the minimal provisions for a good life.

A well functioning welfare state is a first step towards more equality.

Three main models of Welfare State

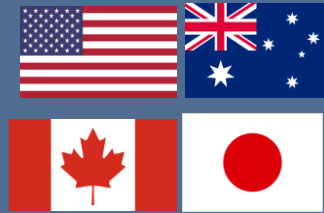
Social-Democratic/Scandinavian welfare state model is based on the principle of Universalism, granting access to benefits and services based on citizenship. Welfare state provides a relatively high degree of citizen autonomy, limiting reliance on family and market.



Corporatist/Christian-Democratic/Conservative welfare state model is based on the principle of subsidiarity (decentralization) and the dominance of social insurance schemes, offering a medium level of decommodification and permitting a high degree of social stratification.



Liberal/Anglo-saxon welfare state model is based on market dominance and private provision. State only interferes to ameliorate poverty and provide for basic needs, largely on a means-tested basis. The decommodification potential of state benefits is assumed to be low and social stratification high.



Esping-Andersen: Welfare Regimes

	Poverty/ Inequality	Employment	Gender	Social security
Social-Democratic	Low	Generally high employment and low unemployment	High female employment facilitated by child care	Redistributive
Corporatist	Medium	Lower levels of employment; persistent unemployment	Low female employment levels, with benefits to encourage mothers to stay at home	Earnings-related
Liberal	High	High levels of employment and low unemployment	High part-time female employment, but lack of childcare provision limits opportunities for full-time employment	Emphasis on means-tested benefits paid at low levels and more recently in-work assistance

* **Decommodification** is the process of viewing utilities as an entitlement, rather than as a commodity that must be paid or traded for.

Do it like Denmark!

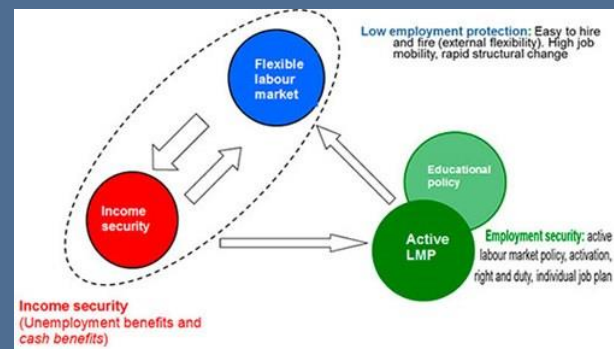
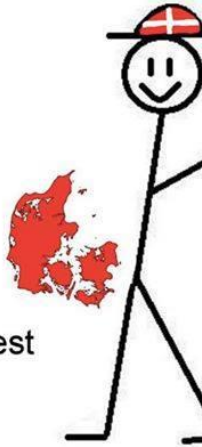
This is Denmark.

Denmark has free healthcare and free college.

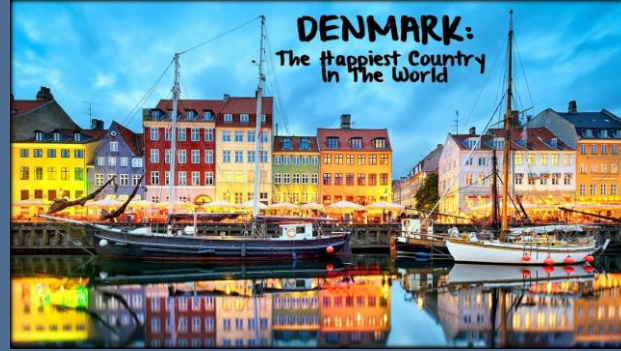
Denmark's minimum wage is \$25/hour and people work 35 hours/week.

Denmark is the happiest country in the world.

Be like Denmark.



It works!





Thanks!

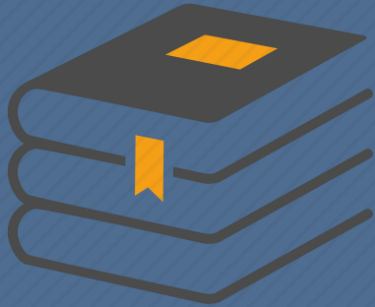
Any questions?



That's it... You made it to the end!

Congratulations!

Bibliography



Atkinson A. (2015) *Inequality: What can be done?*, Harvard University Press

www.equalitytrust.org.uk