

## The effects of inequality on children's wellbeing

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There is now considerable evidence that places with the greatest differentials in wealth and income are also the most unequal in other respects, including power and influence, economic inequality can be used as a proxy for other forms of inequality: societies with the greatest income inequality are the most likely to discriminate against minorities and to limit universal access to public goods, such as education and health services.

Globally, while there has been material progress on many fronts, economic inequality has been on the rise. A 2014 report by the United Nations Development Programme (UNDP), *Humanity Divided: Confronting Inequality in Developing Countries*, showed that one percent of the world population owned about 40 percent of the world's assets, while the bottom half of the globe's people owned around one percent.<sup>i</sup> Humanity, the report concluded, remains deeply divided and recent trends are not very encouraging: over the last two decades, income inequality has grown both within and between countries.

Globally, the wealth owned by the eight richest people in the world is equivalent to the wealth owned by the poorest 50% of the world.

As a result, a majority of the world's population lives in societies more unequal today than they were 20 years ago. Evidence from the developed world confirms a significant and widespread increase in income inequality over the same period.<sup>ii</sup> Whatever its precise causes – the prevailing neoliberal economic model is certainly implicated – income inequality is almost universally on the rise.

Within this world picture, researchers generally agree that inequality among Australians is also increasing. While we are collectively wealthier than we have ever been, that wealth is spread less evenly than in the 1960s and 70s and we are now a good deal less equal than countries like Japan, Sweden and Norway.

In fact, Australia has now slipped into the bottom half of the OECD league table on equality and the gender pay gap, for example, is growing, not decreasing. Today, the wealthiest 20 per cent of Australians own 61 per cent of the nation's wealth; the poorest 20 per cent, just one per cent. Although the income disparities are less marked, they too have been increasing. OECD data show that the richest 10 per cent of Australians captured almost 50 per cent of the growth in GDP over the last three decades.

A significant minority of citizens live in outright poverty, this figure being estimated by the Australian Council of Social Services in 2015 at approximately 12.8 per cent.<sup>iii</sup> Most at risk are Indigenous people, the unemployed, children (especially in lone parent families), and people whose main source of income is social security payments. All in all, the evidence strongly suggests that the gap is widening.

### **The effects of inequality**

Even the World Bank now acknowledges that inequality jeopardises economic growth and the reduction of poverty.<sup>iv</sup> As the UNDP documents, inequality has also stalled progress in education, health and nutrition for large swathes of the globe's population, undermining the very human capabilities needed for a decent life.

Furthermore, it is likely that inequality is driving conflict and destabilising societies; when incomes and opportunities rise for just a few, when inequalities persist over

time and across generations, then those at the margins, excluded from the gains of development, will at some point contest the 'progress' that has bypassed them.

Inequality can be conceptualised as toxic for entire communities, not just as affecting individuals or families. Just as high levels of air or water pollution harm the health and wellbeing of everyone in the community, so can bigger income gaps — and children can be hurt as well as adults.

Clearly, the case for equality is not simply a moral one; there is now a well-established association of income inequality with health and social problems, including life expectancy. Many of these linkages mirror the 'social gradients' in health and social indicators within societies. Data from a range of countries show that 'the societal scale of income inequality is related to morbidity and mortality, obesity, teenage birth rates, mental illness, homicide, low trust, low social capital, hostility, and racism'.<sup>v</sup> Poor educational performance among school children, imprisonment rates and deaths from drug overdoses can be added to this list.

Recent research points to a strong relationship between income inequality and child maltreatment. One study<sup>vi</sup> examined the relationship between income inequality within all U.S. counties and rates of child abuse and neglect. The researchers correlated the most common measure of income inequality, the "GINI index," with data on rates of child maltreatment derived from official reports submitted between 2005 and 2009 to child protective services agencies.

The results indicated a clear relationship between inequality and harm to children:

- Overall, the higher the level of income inequality in a county, the higher the reported rate of maltreatment of children, regardless of the average family income.

- The data also show that poverty is important too - the impact of income inequality on maltreatment of children was greater in the poorer counties and less pronounced in the somewhat better-off counties; the worst situation for children is to grow up in a very poor county where there is a lot of income inequality.
- However, the authors caution that “it would be a mistake to conclude that inequality affects only children living in poor counties or plagues only children in poor families.” As with other indices of health and social problems, inequality exerts a toxic effect on all children.

The authors also argued that their findings show that, at least for child maltreatment, there are no “safe” levels of inequality; small increases in income gaps also have adverse effects. They also attempted to calculate the size of the effect of inequality on the child abuse and neglect rate, estimating that if income inequality decreased by 10% this would result in an approximately 15% reduction in the number of reported cases of mistreatment of children per year.

One of the more troubling adjuncts of inequality is the collapse in intergenerational mobility; children born into disadvantage in the most unequal societies have reduced prospects of improving their circumstances compared with their parents and grandparents. Although which factor comes first is necessarily uncertain, it seems fair to conclude that greater income inequality is associated with a higher prevalence of ill health and social problems and that the whole society is affected.

To date, the relationship between these outcomes and income inequality within Australia has been little studied. However, Australia ranks among the more unequal nations, with a larger catalogue of social ills than more equal societies – higher levels of illegal drug use and mental illness, lower levels of trust, lower child wellbeing, more obesity among both adults and children, higher levels of imprisonment, lower

social mobility and lower scores on a composite index of health and social problems.<sup>vii</sup>

Income inequality also appears to lead to more general social inequalities among children. UNICEF's 2010 Report Card analysed social inequalities in child well-being by assessing three dimensions of inequality — material, education and health — in a sample of rich countries. The Report Card series is premised on the position that a country's real economic and social progress should be assessed by measuring how well it cares for its children — their health and safety, material security, education and socialization, and inclusion in society. The UNICEF data reveal that the greater the income inequality the lower the levels of education and health for children in those countries.

The drag of inequality is particularly obvious in the deepening impact of social disadvantage on children's educational chances. Systematic research has also documented the association between inequality and the symptoms of civic discord such as distrust, poor social capital, hostility and racism. Analysis of data across countries and among American states reveals substantially lower levels of trust where income differences are large and a reduced willingness of people to volunteer, to put themselves out for others for the common good.<sup>viii</sup>

The relation between violence and inequality appears to be part of a more general tendency for the quality of social relationships to be less good in more unequal societies. As well as more violence, people in more unequal societies tend to trust each other less and are less likely to be involved in community life. There are lower levels of social capital; hostility levels seem to be higher and there is almost certainly more discrimination against minorities and against women (7).

While the research is extensive, the processes underlying these linkages are not clear. Wilkinson and Pickett (2010) argue that inequality heightens consumerism and show evidence from a number of sources on savings, debt, bankruptcy rates, spending on advertising and working hours that indicate that inequality does increase the pressure to consume.

According to Wilkinson and Pickett, two mechanisms can be identified by which social inequality leads to greater consumerism: (1) people in more unequal societies are more stressed and anxious, and consumption provides a way for people to escape from those pressures, and (2) the consumption by the rich reduces everyone else's satisfaction with what they have, by showing it up as inferior, as less than the best; a great deal of what drives consumption is status competition, which, intuitively, is more intense in unequal societies.

This will be familiar territory to those of you who are aware of the work of Thorstein Veblen in his *Theory of the Leisure Class*. In an unequal world, says Veblen, life becomes above all a battle for respect and to avoid "invidious comparisons".

Psychological research can throw light on these links. As we have seen, in unequal societies, where wealth is concentrated at the top and disadvantage at the bottom is extreme, differences in social standing may be highly salient (Kerbo, 2011; Wilkinson & Pickett, 2010).

Loughnan and others (2011) have argued that in unequal societies, "individuals are strongly motivated to stand out as superior to others" and that one expression of this desire may be to engage in stronger self-enhancement— what you and I might describe in less flattering terms as big headedness.

In testing this proposition, the researchers surveyed young people from 15 nations of varying levels of inequality. Their results showed that that people in unequal societies tend to view themselves as superior to others, while people in more equal societies see themselves as similar to their peers. In attempting to explain these results, the authors suggested that economic inequality appears to produce an emphasis on hierarchy, so that people living in societies with high income inequality view social relations as zero-sum competitions in scrambling up the ladder.

In addition there is growing evidence that there is a strong relationship between wealth and unethical decision making; those who are richer appear to be less empathic and less compassionate toward others, more likely to cheat and break social rules (e.g. speeding through intersections; failing to stop at cross walks). Think for a minute about some of our world leaders.

At the other end of the spectrum, recent studies have illustrated that poverty actually reduces cognitive function not just via compromised brain function, but as a result of stress. One study showed that over the planting cycle, the same farmer showed diminished cognitive function before harvest, when poor, compared to after harvest, when rich.

Research like this underlines the importance of considering material differences between societies—particularly the distribution of income—when examining psychological differences such as social cohesion and trust which influence the capacity for collaborative action.

Another possibility is that inequality is itself the result of the basic social, political and economic characteristics of a given society. These characteristics also influence the quality of the social and physical environment. Characteristics such as the prevailing economic ideologies, cultural values like individualism and materialism,

as well as attitudes toward consumption, work and environmental protection, all influence the national policies which affect both income distribution and people's well-being.

The German-based sociologist Nate Breznau showed that people with strong egalitarian values, including in Australia, are the most likely to support government services designed to reduce inequality. Conversely, those who support 'economic individualism' and neo-liberal economic policies are the least likely to favour such a role for government.<sup>ix</sup> Such attitudes are reflected in patterns of government expenditure on health, education and environmental services; countries which have higher scores on 'economic individualism' have lower levels of government spending per capita.<sup>x</sup>

Within the OECD, Australians are more tolerant of inequality than the average of other countries and Australia's family policies are among the least generous. This less generous provision is, in turn, related to more child poverty and higher child mortality in Australia than for countries which are more generous to their children.

Reinforcing this interpretation is the demonstration that the American states with the greatest income inequality have lower spending on education and literacy programs and poorer educational outcomes. In the EU, social welfare spending strongly predicts mortality rates. It also appears that high levels of inequality are linked to more corruption in government and greater exploitation of workers (where workers are underpaid relative to the market value of their productivities).<sup>xi</sup>

Such effects may be detrimental to democracy itself. As Paul Krugman has argued, 'extreme concentration of income is incompatible with real democracy'.<sup>xii</sup> The evidence backs him up. A study of citizens' political engagement in 24 wealthy

democracies showed that greater income inequality reduced ‘interest in politics, views of government responsiveness and participation in elections’.<sup>xiii</sup> On average, people are less supportive of democracy if they live in a country characterised by a high level of income inequality.

## **1. Education and Inequality**

There is clear evidence that at same time as economic inequality has been on the rise in Australia, so has educational inequality; each feeds off the each other in a cycle of ever decreasing social mobility. Our education systems are now more socially stratified and full of inequalities than at any time in the recent past.

It’s no accident that the most unequal nations in the developed country league have the poorest educational results, spend less on education and have the most segregated education systems.

Until relatively recently, Australian governments of all stripes had exhibited a strong commitment to a superior public education system, open to all and good enough to inspire the confidence of all parents and citizens, regardless of their wealth. In the last twenty years, this commitment has looked increasingly fragile and the system more fragmented.

## **2. Effects of educational inequality**

Despite this, by international standards, Australia still has average to high standards of educational performance (although there are recent signs this is falling off), but there are now big differences between the top and bottom performers.

Members of the School Funding Review panel, the so-called Gonski Review, of which I as a member, were certainly intensely aware of international data which show that more equitable systems regularly achieve higher levels of performance.

As a recent OECD report emphasises: “The evidence is conclusive: equity in education pays off. The highest performing education systems across OECD countries are those that combine high quality and equity”.

The Gonski report explicitly endorsed the view that “the underlying talents and abilities of students that enable them to succeed in schooling are not distributed differently among children from different socio-economic status, ethnic or language backgrounds , or according to where they live or go to school.”

This is not to say that we did not also recognise that children in these situations often enter school already at a marked disadvantage, but rather that school funding arrangements should recognise this fact and seek to minimise it, rather than ignoring and, thereby, amplifying it.

Our deliberations were informed by comprehensive analyses of Australian children’s achievement – over time and in comparison with other developed countries. However, analyses based on existing test results tell only part of the story since they capture only a narrow range of outcomes.

It is obvious that the link between student background and educational achievement is more marked in Australia than in other high performing OECD countries, and it appears to be getting worse.

In 2009, the OECD noted that, on average, differences in students’ backgrounds accounted for some 55 per cent of the performance differences between schools while the figure for Australia is around 68 per cent.

The situation hasn’t improved since then. The most recent PISA and TIMSS assessments confirmed that educational disadvantage is a more of a problem in Australia than in many comparable countries in the OECD.

Note that low SES schools in Australia have far fewer educational materials (books, facilities, laboratories) than high SES schools – the third largest gap in the OECD.

The achievement gap between advantaged and disadvantaged students is also very large – equivalent to 3 years of schooling.

Apart from the personal loss to the students whose futures are unfairly constrained by poorer educational results than their better off compatriots, the aggregate scores show that the countries that outrank Australia in PISA (Programme for International Student Assessment) are those with higher equity in their school systems. In other words, the more equitable systems produce better results overall.

Of note is that fact that the most recent results in Australia show that one of the reasons for the recent drop in our international ranking – and poorer results in domestic tests - appears to be the smaller number of students from advantaged backgrounds performing at the highest levels of proficiency; performance at the top end has fallen too. There has been a real decline in scores, not just rankings.

Just how important education is for children from disadvantaged backgrounds and how schools can compensate for limited means at home is vividly illustrated by Alexander's work. Over five years he tracked the academic progress of primary school age children from different social backgrounds. The first graders from the wealthiest homes started with modest advantages in knowledge and ability, over those from the poorest; by end of the fifth grade, this gap had more than doubled.

In probing the reasons for this expanding gap, Alexander measured the difference between the students' test scores at the beginning and the end of the school year to see how much they had learned at school. He then calculated the difference between the end of one school year and beginning of the next to see how much they learned over the summer holidays.

The poorest children actually “out learned” the wealthiest children during term time and were only slightly behind the middle group, but after the holidays, wealthier children’s scores jumped and the poorest children’s dropped. It seems that, in the U.S. public school system at least, much of the advantage wealthier students have over poor students stems from the different experiences they have when they are not in school – the excursions to the countryside, the visits to libraries, museums and science exhibitions.

Following these students, Alexander found that these learning differences from the early years evident in 9th grade reverberate to constrain later high school curriculum placements, high school dropout, and college attendance.

A system which provides more money to schools catering for poorer students can try to compensate for this difference, offering some of the enriching experiences taken for granted by the better off. It makes sense to front-end load the schools who deal with the most disadvantaged; instead, the reverse has happened in Australia.

### **3. Concentrations of disadvantage and segregation**

Our education system is now more segregated by income and parental education and government schools are responsible for more of the disadvantaged students. Of all students from the lowest quarter of socio-economic disadvantage, almost 80% attend government schools and this drift has accelerated in Australia in the last decade.

Organisation for Economic Cooperation and Development ([OECD](#)) data show that the proportion of kids who go to a socially mixed or average school is lower in Australia than in most other comparable countries. Our schools are more socially stratified than in Canada, New Zealand or even the UK – on the basis of income, religion, race and language background. There are more and more schools with very high proportions of students from disadvantaged backgrounds - mainly in the

government system - and more with high concentrations of the most advantaged - mainly in private schools.

Despite the fact government schools actually perform as well as private schools, when initial disadvantage is taken into account, and their students do better at University (if they get there), knowledge of these gaps in resources – and the concentration of disadvantage - gives further impetus to parents' anxieties about government schools.

While we did not systematically explore all the historical reasons for the “longer tail” of under achievement in Australia, the Gonski review did recommend measures to take account of both individual disadvantage and *concentrations* of disadvantage in allocating school funding – ensuring more resources for schools with the most difficult educational tasks, regardless of which sector they belonged to.

#### **4. Social effects of segregation**

And it's not just academic performance that suffers from segregation. Education clearly has a vital role in maintaining social, cultural and religious tolerance. Such tolerance is best achieved by close contact, not by occasional visits to exotic locations.

As I've already pointed out, one of the effects of inequality in a society is the reduction in trust and increases in racism and discrimination against minority groups. This is amplified when segregation is growing within our education system – segregation by income and religion and migrant status.

As economist James Galbraith has pointed out, inequality may cause “the comfortable to disavow the needy”, resulting in a two tiered society, where those on higher incomes live lives which are fundamentally different from those less well off, with corresponding levels of mutual incomprehension.

Similarly, as Sandel argued in his recent book, “What Money Can’t Buy”, people of affluence and people of modest means lead increasingly separate lives; depending on our wealth, we live, work, shop and play in different places and send our children to different schools.

Cantle, working in the UK, coined the phrase ‘parallel lives’ to describe the near complete segregation of communities and their schools.

As a result people often live in fear of each other, with little real knowledge or respect of others, easily pushed into conflict by extremists.

There are few opportunities to challenge stereotypes, confound myths and to see the human face of the ‘other’. With few shared spaces, people huddle within their comfort zones, in what Cantle calls “self-confirming worlds, reinforcing prejudices and stereotypes.”

As one group of researchers put it, “the benefits of school diversity run in all directions”: students who have contact with other students who are different from themselves are exposed to the more varied ideas and challenges that such exposure brings, resulting in improved cognitive skills, including critical thinking and problem solving.” Indeed, research shows that “the mere inclusion of different perspectives, and especially divergent ones, in *any* course of discussion leads to the

kind of learning outcomes (for example, critical thinking, perspective taking) that educators, regardless of field are interested in.”<sup>xiv</sup>

Schools are one of the few safe places in which people are potentially able to meet others who are different and to learn about them and share their experiences. If schools are effectively segregated, for example by income or religion or ethnic group, young people will not have these experiences of difference and will emerge into a complex, multicultural world with few cultural navigation skills. They will be ill-equipped for the modern world.

This observation is bolstered by an impressive body of research pointing to the correlation between school and classroom diversity and students enhanced interracial understanding, empathy, and an ability to live with and learn from people of diverse backgrounds: “diversity encourages students to question their assumptions, to understand that wisdom may be found in unexpected voices, and to gain an appreciation of the complexity of today’s world.”<sup>xv</sup>

Other research shows such benefits appear to result from greater contact between students of different races and backgrounds—both informally and in classroom settings—and by encouraging relationships and friendships across group lines.

There have been over 500 studies conducted throughout the world which clearly show that intergroup contact diminishes prejudice of many types, including prejudice based on race, religion, culture, gender and sexual preference. A meta-analysis of these studies by Pettigrew & Tropp in 2006<sup>xvi</sup> supported the basic contention that intergroup contact typically reduces prejudice and that it does so by improving knowledge about other groups, reducing anxiety about contact, and

increasing empathy and perspective taking; in other words through contact people discover that they are more alike than not.

Just as schools are divided, so are parental networks, with reduced opportunities to break down barriers between communities by meeting at the school gate, sharing facilities at the school and through cross-cultural friendships for children's parties, school sports and extra curricula activities.

Divided schooling inevitably means a divided community.

The takeaway for policy makers is that there is extensive and solid evidence that contact between people of different religious, ethnic, racial and wealth groups reduces prejudice and discrimination.<sup>28</sup>

Public provision of education is an important way to bring children of different backgrounds together so they experience first-hand the lives of others and learn to like and respect them, not matter what their background. As Tony Vinson has reminded us, "The acceptance by the system of all comers and the opportunity afforded for developing mutual understanding between groups is vital to our times."

In the past our inclusive public school system helped reduce inequality; now education appears to be reinforcing privilege and making it even harder for disadvantaged kids.

If we segregate the privileged from the underprivileged, the wealthy from the not so wealthy, those who can speak English as a first language from those for whom it is a second language, we will inevitably foster misunderstanding, mistrust and a failure to work together

and cooperate. One of the great benefits of government schooling is that it enables you to come to terms with a diversity of social interactions not experienced in your home or in your neighbourhood.

For the individual, the costs of a poor education are enormous. For the society, the social costs of a divided system may be even greater.

### **What can be done?**

While deliberate government policies in the post-war period produced steady increases in economic equality, in the United States and elsewhere, the momentum stalled and then reversed under the influence of the neo-liberal experiment. *In Australia, we have progressively neutered many of the instruments which were designed to spread our wealth more evenly.* Despite the flurry of recent commentary on the need to reduce inequality, there are no clear signs yet that the mounting evidence of the destructive effects of growing inequality on our society are being translated into public policy focussed on closing the gaps.

Much can be done to reduce inequality, however; many countries have managed to significantly reduce inequality through a combination of progressive economic and social policies. The lessons of these policies are relevant to Australia as much as to other countries, despite the 25 years of growth in GDP which have made some of us better off.

Much can be learned from those experiences: approaches that shape growth so that market outcomes do not further divide societies but deliver shared prosperity; fiscal and monetary policies that allow governments to intervene to re-align market outcomes through redistribution; policies that ensure universal access to critical services, especially education, health and social protection; policies that strengthen

labour markets and democratic institutions; and policies which seek to redress disadvantage and ensure people are not marginalised because of who they are.

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<sup>i</sup> United Nations Development Programme, *Humanity Divided: Confronting Inequality in Developing Countries* (2014), UNDP, <<http://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/humanity-divided--confronting-inequality-in-developing-countries.html>>, viewed 6 September 2016.

<sup>iii</sup> Australian Council of Social Service (2015) *Inequality in Australia: A nation divided*, [http://www.acoss.org.au/wp-content/uploads/2015/06/Inequality\\_in\\_Australia\\_FINAL.pdf](http://www.acoss.org.au/wp-content/uploads/2015/06/Inequality_in_Australia_FINAL.pdf)

<sup>iv</sup> <http://www.worldbank.org/en/news/press-release/2014/04/10/ending-poverty-requires-more-than-growth-says-wbg>

<sup>v</sup> RG Wilkinson & K Pickett, 'The problems of relative deprivation: why some societies do better than others', *Social Science & Medicine*, vol. 65, 2007, pp. 1965-78, quoted in C Lawrence, 'What rising inequality and materialism does to us' (2011), *Shaping Tomorrow's World*, <<http://www.shapingtomorrowworld.org/lawrenceinequality.html>>, viewed 6 September 2016.

<sup>vi</sup> Eckenrode, J., Smith, E., McCarthy, M. & Dineen, M (2014) Income Inequality and Child Maltreatment in the United States, *Pediatrics*, 133 (3), 452-464.

<sup>vii</sup> R Wilkinson & K Pickett, *The Spirit Level: Why Equality is Better for Everyone*, Penguin Books, London, 2010, quoted in Lawrence 2011.

<sup>viii</sup> EM Uslaner, *The Moral Foundations of Trust*, Cambridge University Press, 2002; EM Uslaner & M Brown, 'Inequality, trust, and civic engagement', *American Politics Research*, vol. 33, no. 6, 2005, pp. 868-94.

<sup>ix</sup> N Breznau, 'Economic equality and social welfare: policy preferences in five nations', *International Journal of Public Opinion Research*, vol. 22, no. 4, pp. 458-84.

<sup>x</sup> G Arikan, 'Economic individualism and government spending', *World Values Research*, vol. 4, no. 3, 2011, pp. 73-95.

<sup>xi</sup> A Sakamoto & C Kim, 'Is rising earnings inequality associated with increased exploitation? Evidence for U.S. manufacturing industries, 1971-1996', *Sociological Perspectives*, vol. 53, no. 1, 2010, p. 20.

<sup>xii</sup> P Krugman, 'Oligarchy, American style', *New York Times*, 3 November 2011, <[http://www.nytimes.com/2011/11/04/opinion/oligarchy-american-style.html?\\_r=0](http://www.nytimes.com/2011/11/04/opinion/oligarchy-american-style.html?_r=0)>, viewed 6 September 2016.

<sup>xiii</sup> F Solt, 'Economic inequality and democratic political engagement', *Luxembourg Income Study Working Paper Series*, No. 385, 2004, <<http://www.lisdatacenter.org/wps/liswps/385.pdf>>, viewed 6 September 2016.

<sup>xiv</sup> Pitt, R. N. and Packard, J. (2012), ACTIVATING DIVERSITY: The Impact of Student Race on Contributions to Course Discussions. *The Sociological Quarterly*, 53: 295-320. doi:10.1111/j.1533-8525.2012.01235.x.

<sup>xv</sup> *Ibid*

<sup>xvi</sup> Pettigrew, T. & Tropp, L. (2006) A Meta-Analytic Test of Intergroup Contact Theory *Journal of Personality and Social Psychology*, Vol. 90, No. 5, 751-783