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Equality of opportunity across the generations
Three steps for a reformist agenda

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The Welfare State is one of the greatest achievements of the twentieth century. Its development has made it possible to offer social and economic security to ordinary people, shielding them from the unpredictable odds of the market.

The equalization of resources across European social structures, brought about by social protection programmes, has been well documented by empirical research.

The balance sheet is less positive, however, if we move from poverty and security to social mobility. The comparison of father-son class positions shows in fact a remarkable stasis of upward mobility flows throughout the last one hundred years. The only partial exception was the period between 1950 and 1975, when educational systems were incisively overhauled.

Since the 1980s, most countries have witnessed a return to low rates of earnings mobility and rising inequality: a syndrome that has been dubbed 'The Great Gatsby Curve' (in Fitzgerald's great novel the protagonist born from a poor farmer's family becomes a tycoon).

Persistent intergenerational 'immobility' is linked to a number of deep-seated and self-perpetuating mechanisms. Children born in low income families tend to suffer from early cognitive deprivation (the absence of adequate intellectual and cultural stimuli between one and three years old).

They tend to form adaptive preferences, less linked to their talent and effort than to their parents' expectations. Moreover, a strong father-son 'gradient' seems to exist for many social risks (unemployment, illness, low pay, low work intensity) – risks which are statistically related and tend to induce and reproduce poverty.

As brilliantly argued by Piketty, a self-perpetuation mechanism is also at play as regards inequality. In market economies, wealth concentration steadily increases because the rate of return on investments tends to outweigh the rate of economic growth (which in recent decades has become increasingly hindered, in Europe, by demographic ageing).

Since the 2000s (and more markedly since the beginning of the Great Recession) there is evidence that the situation has been worsening in most EU countries, especially in Southern Europe.

The poverty risk of jobless or work-poor household has been increasing, while poverty reduction through social transfers has been declining. With an EU average of 27% (2011), child poverty has surpassed elderly poverty (20.5%).

If we interpret these data in a life-course perspective and against the backdrop of the above-mentioned self-perpetuating mechanisms of poverty, the future of social mobility and intergenerational justice does not seem very rosy.

And intra-generational dynamics of wealth concentration obviously has, in its turn, a big impact on inter-generational transfers. In most countries, the annual value of inheritance has been steadily increasing since the 1950s. What can be done?

The first step is of a cultural/symbolic nature: social mobility and its promotion must become a key theme in public debates and a top priority of policy agendas.

In the early 2000s, Gosta Esping Andersen called for a 'new welfare state', centered on the prevention of child poverty and on the fight against social disadvantages, in particular their inter-generational transmission. This objective ought to be squarely and explicitly included within the mission of the welfare state for the twenty-first century.

The normative rationale for such a shift in emphasis does not need to be spelled out in detail, as it is a deep-seated tenet of the three main European ideological traditions: the liberal, social-democratic and Christian/popular traditions.

The functional rationale is also compelling. The success of the service- and knowledge-based economy depends crucially upon the educational qualifications and credentials of the average citizen, not – as in the past – upon its own elites. It is not just a question of human capital resources, but also of social and political capital resources.

A good level of education for the average citizen also promotes, in fact, social cohesion and a high degree of 'civic awareness' in the political culture of a given country. The key element for this to happen is, however, an effective and fair education system i.e. a system that is widely and fairly accessible and that works (and is perceived) as an upward escalator, as an opportunity equalizer.

The second step requires a strong policy re-orientation towards 'social investment'. Both the traditional 'Fordist' approach – based on compensatory social insurance and the male breadwinner – and the neo-liberal approach advocated as its possible replacement – based on deregulation and retrenchment – are wholly inadequate responses to the new structure of needs and the functional requirements of post-industrial societies.

They are also programmatically unequipped to address the issue of inter-generational inequalities and social mobility. The social investment strategy is, on the contrary, a wide-ranging attempt at virtuously reconfiguring the relationship between changed labour markets, family structures, risks and need constellations through a modernised array of 'capacitating' public policies.

Instead of the standard worker, social investments target all individuals (but adopting the maxim 'women and children first') and favour the formation of two-earner/two-carer families.

The emphasis placed on young children and on what the OECD has dubbed 'early childhood education and care' (ECEC) is perhaps the most innovative feature of the social investment approach.

In 2004 the OECD conducted a study aimed at evaluating the impact of ECEC on child well-being and development. According to the conclusions of this important study, children who participate in good quality ECEC programs tend to develop better reasoning and problem-solving competences, more cooperative and other-regarding orientations, a higher self-esteem.

Thus they enter compulsory education with a wider array of skills and capabilities. In line with the 'productivist arguments' outlined by economists (most prominently, Nobel prize-winner Heckman), ECEC contributes to human capital formation and thus tends to generate high inter-temporal returns in terms of employment, growth, a wider tax-basis and lower social expenditure, to name the most important.

In line with liberal-egalitarian arguments (most prominently, John Rawls's theory of justice), ECEC plays a critical role in upholding children's well-being and ironing out opportunities, neutralising differences in family background due to the social lottery and, last but not least, in promoting social mobility in the context of knowledge-based societies.

A strong start is important for all children, but especially for those who are born in disadvantaged families. Children who live in poor families and do not participate in ECEC programmes stand out as the most vulnerable to the risk of lagging behind on all relevant developmental dimensions, even if their mother is not employed.

Some deficits can be remedied after childhood, but catching up is usually difficult and cannot be taken for granted. Disadvantaged children suffer not only at the cognitive level, but also at the behavioural and social level.

When experienced in childhood, social exclusion is in fact the likely starting point of 'poverty careers' which tend to trap individuals in deprivation during the later phases of their lives. Saying that by first grade in elementary school half of the cards which matter for a good performance in life have already been played may sound exaggerated, but it is not too far from the empirical truth.

Social investment is key, but it must be noted that it will not be enough for a broad strategy aimed at combating the inter-generational transmission of social disadvantages. This third step is thus a renewed emphasis on redistribution, via a recalibration of social spending towards low income groups.

As mentioned above, during the last decade the poverty reduction capacity of social expenditure has been declining. This has partly resulted (especially in Southern Europe) from cutbacks (or failure to re-finance) of means-tested anti-poverty programmes.

The main reason has been, however, labour market dualisation and – more recently – the rise of unemployment and low pay jobs, which has particularly hit the incomes of working age people. The increase of income polarisation is bound to worsen inter-generational inequities.

It widens the economic consequences of background differences between individuals; it affects the incentives and opportunities that form and transmit characteristics and skills valued in the labour market. And of course it allows some groups to structure public policies and/or provide their offsprings with resources unrelated to talent or effort.

The welfare state is not (and cannot) be the only instrument to address the issue of income polarisation and socio-economic inequalities. If it is true, however, that the expansion of the latter is seriously challenging one of the basic normative tenets of the European welfare state project (equality of opportunity), then the redistributive scope and efficiency of existing public schemes must be carefully re-assessed.

As a minimum, a distributive rationalisation is in order, aimed at neutralising all recognisable 'Matthew effects': i.e. redistribution flows that favour the middle classes (not to mention those with higher incomes), at the expense of the most vulnerable ('For unto every one that hath shall be given, and he shall have abundance: but from him that hath not shall be taken even that which he hath': the Gospel of St Matthew, 25:29).

A reassessment of inheritance taxation is also an urgent priority.

The call for more social investments and for a higher redistributive efficiency raises a major challenge to the existing welfare status quo, as it defies the allocative equilibria and (re)distributive flows still prevailing in European public budgets.

Despite the epochal transformations which have occurred in the last couple of decades, the Fordist approach is still alive and well, especially in Continental and Southern Europe.

Most social programmes and the lion's share of social expenditures are still directed towards the risks and needs of the elderly (or to the elderly tout court, even regardless of risk and need) while child and family policy occupy a rather marginal position.

'Social justice' continues to be seen as a matter of compensations between classes and occupational groups and the labour market is considered to be the decisive arena for redistribution.

The idea that the battle for more equity and a fairer distribution of opportunities must start earlier than during the working age is still poorly understood, as are the redistributive implications of existing household arrangements, childcare and educational services.

Equality of opportunity, especially across generations, is a fundamental building block of the European Social Model. Its realisation is a delicate balancing act, as it involves practical compromises between competing values: individual liberty, family autonomy, personal merit, private property, collective solidarity and so on.

The traditional compromise among such values is now blatantly threatened by the consolidation of unfair mechanisms of poverty and inequality across the generations. From a liberal perspective, it is time to forge a novel a more equitable social contract, as a basis for building a new and more effective welfare state for the twenty-first century.