



# Unequal Opportunities:

Life chances for children in the 'Lucky Country'



*everyone's family*

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*everyone's family*

# A Message From The Smith Family

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We like to think that all children, regardless of their background, have the chance to realise their potential and share in the prosperity that Australia has to offer. As an organisation committed to unlocking opportunities for disadvantaged children and young people, The Smith Family is keen to test this perception. We wish to understand whether children really do have an equal opportunity to develop the skills they need to fully and effectively participate in society and succeed in life.

The Smith Family and NATSEM, with the support of the AMP Foundation, presents Unequal Opportunities: Life chances for children in the 'Lucky Country', the first report in a series looking at factors influencing children's life chances in Australia.

The report looks at social mobility and shows that higher wage and educational attainment outcomes are more likely for those who come from well-off families, than for those from poorer families. More than 65% of individuals whose parents had a university degree, attained university qualifications, compared with only 30% attainment for those from more disadvantaged families. Further, 50% of those people whose fathers were managers or professionals ended up in these high status occupational categories, compared with less than 10% of people whose fathers were in the least well paid and lowest status occupations.

The report shows that 12.7% of children are currently living in jobless households. More serious still, is the fact that close to three quarters of this group have been living in a household that has been jobless for two or more consecutive years. Knowing that the life chances for this group are considerably poorer, this is a call to action for us to provide the support these young people need to improve their own circumstances and break out of the cycle of disadvantage.

For children growing up in jobless households, education essentials can be difficult to access, like school uniforms and shoes, the right reading and text books, or a computer for children to

develop the skills required in the 21st century classroom and workplace. When children are unable to 'fit in' their confidence, self-esteem and aspirations are likely to suffer and they may not feel that they belong at school. Their participation in extracurricular activities may be curtailed by their family's capacity to pay. As these children grow up, we find that their parents may also struggle to offer guidance with school work and career choices and they can be further impacted by the lack of role models in their extended family network helping to influence job and study choices.

The Smith Family helps disadvantaged Australians to get the most out of their education so they can create better futures for themselves. Our strategy is to not only provide financial support for education essentials for disadvantaged children, but also to enable them to develop their skills and capacities through our literacy programs and mentoring support. Our evidence has shown that our holistic and long term approach benefits not only the individual, but also their family, while strengthening their community.

It is important that we understand whether our national collective efforts are working to improve the life chances for children and young people in Australia. The Unequal Opportunities report series will help us keep track of whether we are making a difference, as we work towards a vision where every child has the chance of a positive future in our 'lucky country'.



Dr Lisa O'Brien  
Chief Executive Officer  
The Smith Family

# A Message From AMP

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Australia is often referred to as the 'lucky country' – a widely used phrase taken from the eponymous 1964 book of social critic Donald Horne. The 'lucky country' idiom has been used in many contexts – most often as a favourable reference to Australia's beautiful weather, rich natural resources and as an affirmation of the Australian way of life.

But Donald Horne's words were in fact intended as a harsh indictment of 1960s Australia and as a criticism of Australia's success through luck rather than innovation. His words were meant to ignite change and draw attention to a range of social, economic and political policies which couldn't appropriately address decision making in the national interest.

This NATSEM report, *Unequal Opportunities: Life chances for children in the 'Lucky Country'*, reflects on Donald Horne's commentary of Australian society by examining the equality of opportunity for young people in Australia. Are innovative social policies creating a fair Australia for all? Can children born into low socio-economic families access the opportunities they need to reach their potential and break the cycle of disadvantage? Are the children of less well educated parents less likely to succeed?

It is this relationship between education, financial stability and employment which sheds light on the extent of unequal life opportunities for disadvantaged groups. This report measures the social mobility of Australia's children relative to their parents; examining the change in

socio-economic status across generations and the role that education plays. For example, one of the findings of this report is a clear pattern of higher earnings for individuals whose fathers have achieved high education levels.

The impact education has on our children's lives is most evident from this report – a finding which reinforces the essential work of national children's charity, The Smith Family, which partnered with NATSEM to develop the indicators for this report. The Smith Family is committed to helping disadvantaged children unlock opportunities through education and learning.

The AMP Foundation works with The Smith Family to achieve its goals, and has supported The Smith Family as a community partner since 2004. The AMP Foundation provides funding to support the *Learning for Life* program, *iTrack*, an online mentoring program, and Indigenous education programs.



Craig Meller  
Managing Director  
AMP Financial Services

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# Introduction

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The importance of education and sufficient financial resources in equipping children and young people with the skills they need to succeed in life, to open doors and enhance social mobility, has been well documented. The overarching goals of the Australian Government's 'education revolution' and social inclusion agenda, reflect this importance with a stated focus on increasing participation in education and training.

Despite substantial concern about these issues, there has been to date very little research or regular indicators which focus specifically on equality of opportunity for Australian children.

How can we tell if Australia is meeting the government's vision of a 'socially inclusive society' in relation to the life prospects of children and young people?

To what extent are we as a society enabling children born into low socio-economic status (SES) families to access the opportunities they need to make a better life for themselves and break the cycle of disadvantage?

Put simply, are we really the 'lucky country', the land of the 'fair go' where children are able to reach their potential regardless of their background?

The Smith Family and NATSEM have developed a suite of indicators that capture aspects of equality of opportunity and social mobility of Australian children and young people, which can be used to assess whether any change is taking place and if so, in what direction.

A key goal of this research report is to assess the degree to which our society is able to provide children and young people with the opportunities to develop the skills they need to participate effectively, especially those most financially disadvantaged. This is important, not only from an equity perspective, but also an economic perspective. As a nation we need individuals to be able to leverage new educational opportunities, adapt career trajectories, contribute economically and reach their potential regardless of their social status, background or income in order to achieve productivity and participation goals.

Also included in this report is a feature piece that delves further into the concept of intergenerational mobility within Australia.

This section looks at an additional set of indicators to test whether those from less advantaged backgrounds have the same likelihood of moving up the social hierarchy to a higher income or occupational ranking as those from more advantaged backgrounds.



## Measuring Equality of Opportunity in Australia

Many indicators of opportunity and disadvantage exist that can be used as proxy measures of equality of opportunity. Often these indicators are quite different for developed and developing nations. For example, child mortality and access to clean water are important indicators in developing nations, whereas in countries like Australia, the focus has shifted towards broader indicators of social inclusion. Common indicators include measures of income, poverty and other forms of material deprivation, educational opportunities and achievements, and social and economic participation.

There is strong agreement among researchers and policy makers as to the need for regular review of indicators on many aspects of social progress and wellbeing. Both in Australia and internationally, the importance of monitoring children's wellbeing is widely accepted as a vital part of making sure that progress is being made and that policies and programs are working effectively (Annie E. Casey Foundation, 2010; Victorian Department of Human Services, 2006). Initiatives such as the Children's Headline Indicators Project, the ARACY Report Card on the Wellbeing of Young Australians, the Australian Early Development Index and NATSEM's small area Index of Child Social Exclusion risk, all demonstrate the increasing importance placed on data about children's

### Equality of opportunity:

The degree to which a society is able to provide its members with the opportunities to develop the skills they need to participate effectively.

These opportunities should be available to all members of the community, regardless of the circumstances of their birth, their family history or the other socio-economic challenges they might face over the life course.

wellbeing. They are vital tools in evidence-based social policy and not only provide information about how well or poorly a country is doing, but can also be of real use for targeting intervention programs and policies, leading to a more efficient and purposeful allocation of resources.

In this new research report series, four indicators have been chosen to focus specifically on the inequality of opportunities experienced by children and young people in Australia. These indicators cover a range of dimensions of disadvantage and opportunity that have implications for the current and future prospects of Australian children and young people.

## Equality of opportunity indicators

Indicator 1: Children and youth living in jobless households

Indicator 2: Persistence rates of children and youth living in jobless households

Indicator 3: Relative financial disadvantage

Indicator 4: University participation for low socio-economic status (SES) students

The first two indicators are measures of family participation in paid work. This captures two important elements: the financial resources likely to be available within the family; and the presence of a role model to assist the child's future work participation. This has been measured at a single point in time, and also to measure persistence, that is, to show the extent to which the same children are experiencing disadvantage over a longer time period.

The third indicator examines the extent of income inequality that exists for children growing up in Australia, measuring differences between children living in Australia's least affluent and most affluent households.

Finally, an indicator has been included which shows the degree to which Australia is providing

the opportunity for movement among generations by measuring the proportion of young persons from a low SES background who are currently attending university.

A time series and a measure of the change in the indicators from the previous period to the current period have been included in order to gauge whether there has been an improvement, worsening or stagnation over time of disadvantage and equality of opportunity in Australia. A brief discussion of some of the reasons for these changes has also been included.

Justification of our selection of indicators and some discussion about their relationship to wellbeing and outcomes is provided in the 'Detailed Findings' section of this report.

## About the HILDA dataset

The Household, Income and Labour Dynamics in Australia (HILDA) survey has been used throughout this report. HILDA is the first extensive household panel survey to be conducted in Australia, and includes over 13,000 survey respondents each year. HILDA is a dataset that is representative of the Australian population, and is used extensively in Australian research as it provides rich data about economic and subjective wellbeing, and labour market and family dynamics. It has been conducted every year since 2001.

*“ I have a fundamental belief in the power of individuals to change the world they live in - anybody, anywhere, can have a positive impact on the world regardless of their background or socio-economic status. I believe that education is the great enabler in that it empowers individuals to take control of their lives and to focus on goals and objectives for the future. ”*

**Tom\*, 20 years**

\*Name has been changed

## Key Findings

The four indicators of disadvantage and opportunity for Australian children and youth, along with the dimension of disadvantage they are capturing, are shown below in Table 1. This table shows the most recent measurement of each indicator and any change from the previous period. For some of the indicators, an improvement would be indicated by a movement downwards – such as the proportion of children living in jobless households, and the persistence rates of children living in jobless households, whereas for others a movement upwards would demonstrate improvement – such as the proportion of university students from a low socio-economic background.

From Table 1 it can be seen that most of the indicators have remained relatively stable between 2008 and 2009, with some marginally improving, and others marginally worsening.

The proportion of children living in a jobless household decreased slightly from 2008 to 2009 from 13.4% to 12.7%. The proportion of children living in persistently jobless households in both 2008 and 2009 also decreased slightly from 9.4% in 2008 to 8.9% in 2009.

**Table 1: Indicators of disadvantage and opportunity in Australia**

Indicator	Dimension	2008	2009	% point change from last period	Movement
		%	%	%	
Children and youth in jobless households	Financial resources, lack of role model	13.4	12.7	-0.7	Improved
Persistence rates of children and youth in jobless households	Persistent financial disadvantage, lack of role model	9.4	8.9	-0.5	Improved
Relative financial disadvantage	Inequality, financial resources	3.4	3.1	-0.3	Improved
Proportion of university students from a low SES background	Social mobility, opportunity, inequality	16.4	15.1	-1.3	Worsened

**Note:** Children and youth in jobless households are dependent persons aged 0-14 years, living in households where no adult is engaged in paid work. Relative financial disadvantage = ratio of median household income of the bottom 20 per cent of the child population, to the top 20 per cent of the child population. Low SES background has been defined as those persons who grew up in a household where the father's highest educational attainment was year 10 or below. High SES background has been defined as those persons who grew up in a household where the father's highest educational attainment was university level.

**Source:** NATSEM calculations from the Household, Income and Labour Dynamics in Australia Survey (HILDA), 2007, 2008 and 2009.

Children and young people live in households with varying levels of income. Here we have looked at the difference between household incomes for those children and youth living in the poorest households in Australia and those living in the richest households. The gap in household income between these two groups of children improved between 2008 and 2009,

with household incomes of children living in the richest households being 3.1 times the household incomes of children living in the poorest households.

The proportion of university students from a low SES background decreased by over 1 percentage point during this period from 16.4% to 15.1%.

## How are we tracking?

### **Dependent children and youth living in jobless households in Australia: 12.7%**

Around 12.7% of dependent Australian children and youth live in households where no adult is engaged in paid work. This proportion has decreased marginally since the previous year.

### **Persistence rates of children and youth living in jobless households: 8.9%**

8.9% of dependent Australian children and youth have been living in a jobless household for two years. This proportion constitutes 76% of all children and youth living in jobless households, and has decreased very slightly since the last period.

### **Relative financial disadvantage: 3.1**

Children living in the richest households in Australia have on average 3.1 times the household income of children living in the poorest households. This equates to an annual difference of over \$40,000.

### **Proportion of low SES university students: 15.1 %**

Of all university students in Australia, only 15.1% are from a low socio-economic (SES) background. This proportion has decreased since the previous year.

## Detailed Findings

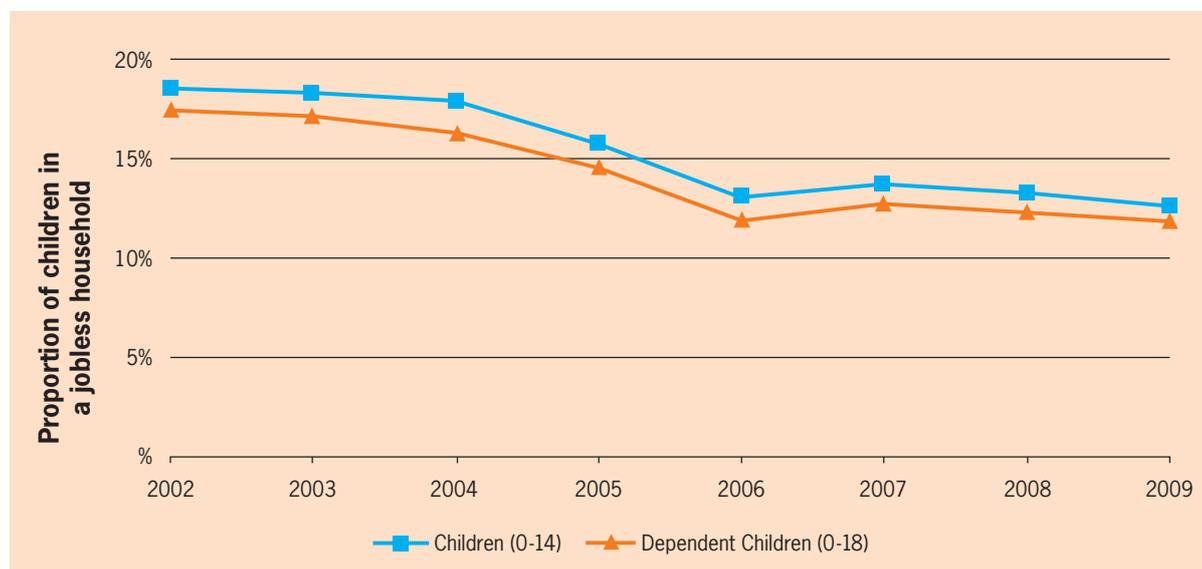
### Indicator 1: Children and youth living in jobless households

Growing up in a jobless household is a well established measure of child wellbeing, both in regard to children's economic security during childhood and in relation to their future educational and work opportunities (OECD, 2005). The many benefits of children growing up in households where the parents are participating in paid work include the increased achievable standard of living, reducing the likelihood of these children living in poverty, as well as the contribution of a role model in encouraging aspirations of workforce participation for children

in a household. The proportion of children in jobless households is therefore an important proxy indicator for the level of inequality of opportunity experienced at this critical period in their development.

In Figure 1, the proportion of children living in households where no adult is in paid work is shown for children aged 0-14 years and for children and youth aged 0-18 years. The chart tracks changes in this proportion between 2002 and 2009.

**Figure 1: Children living in jobless households**



**Note:** Children in jobless households are those households where a child resides and no adult is currently engaged in paid work.

**Source:** NATSEM calculations from HILDA.

Over the eight years to 2009, the proportion of children living in jobless households has fallen considerably in Australia overall. The largest decrease took place during the period from 2004 to 2006, and is likely to have been influenced by a combination of factors, including strong economic growth and the introduction of the Welfare to Work reforms by the Australian Government in July 2006. One of the main goals of the Welfare to Work reforms was to increase the labour force participation of single parents by changing the timing and nature of work requirements related to the receipt of income support. In 2002, more than 18% of Australian children aged 0-14 years were living in a jobless household – this fell to 13% by 2006, and has since remained steady.

Interestingly, the proportion of dependent children living in a jobless household continued to decrease in 2008 and 2009 – a period when the global financial crisis (GFC) was affecting Australians the most. Unemployment rates in Australia increased to 5.8% in June 2009, up from a 30 year low of 4.1% in March 2008. This increase in unemployment was relatively minor when compared with the economic downturns experienced in the early 1980s and 1990s, where unemployment rates soared above 10%. Further, during this most recent economic downturn, it was younger Australians aged in their late teens and early twenties who were more likely to be unemployed than any other group, and they are much less likely to have had children.

While having a working adult within a household can be extremely beneficial for children, in that it has strong links with better social and economic outcomes, paid employment may not always improve families' financial resources to any great degree, for example it may be intermittent and low paid part-time work. Further, the added stress of paid work for some families (for example, for those with limited access to

informal supports, poor job opportunities and no public or private transport) may have detrimental effects on overall family wellbeing. The indicator used here does not capture the amount or quality of work being undertaken by adults in the household, nor any additional stresses that paid work may be introducing. These issues should be kept in mind when interpreting the findings.

“ Well if Mum did work (not that she fully can due to adverse health) we might have a slight rise in income but we wouldn't see her. Her last job had very long hours. Minimum wage. Not very rewarding...we barely managed to scrape by, just like now. ”

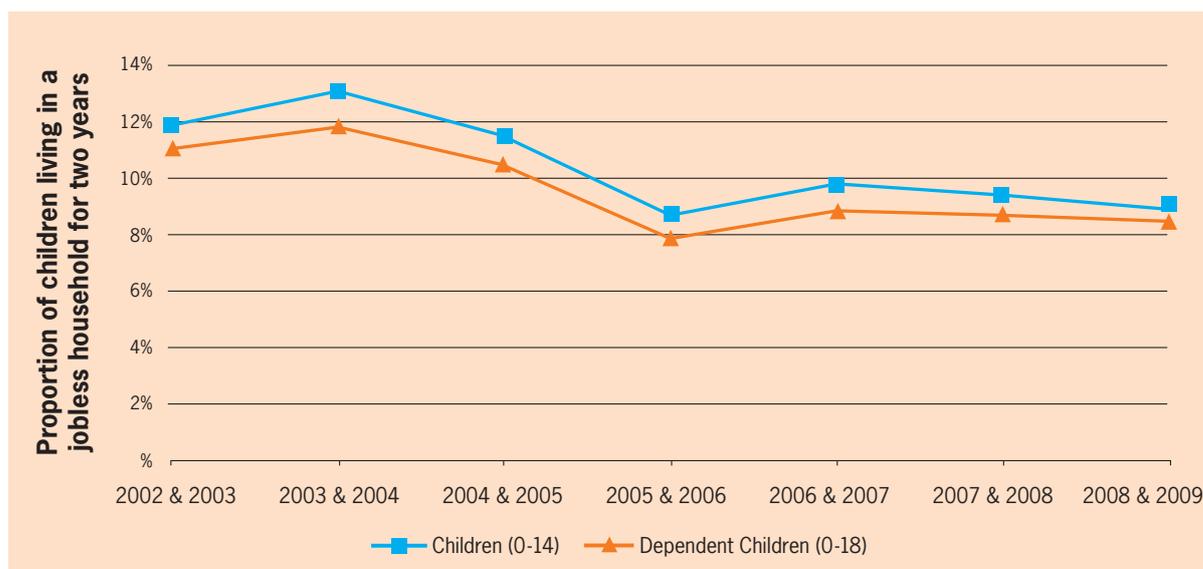
Erica\*, 19 years

### Indicator 2: Persistence rates of children in jobless households

As unemployment or non-participation in the labour market is often temporary, it is important to measure how many Australian children have lived in a jobless household for consecutive periods. Children living in a persistently jobless household can be an indicator of entrenched disadvantage and an indicator of reliance on income support. These have been shown to have strong links with a lack of intergenerational mobility: that is, there is a greater likelihood of such children also being reliant on welfare payments as adults (see for example Baron et al., 2008).

Figure 2 shows the proportion of Australian children who have lived in a jobless household for two consecutive years. As with children living in jobless households in any one period (shown in Figure 1), the persistence rates of children aged 0-14 years living in jobless households decreased, from a high of 13.1% in 2004, to a low of 8.7% in 2006. Persistence rose slightly in 2007, to almost 10% and has declined slightly since. In 2009, 8.9% of all Australian children aged 0-14 years had lived in a persistently jobless household. This proportion constitutes around three quarters of all children living in a jobless household.

Figure 2: Persistence rates of children in jobless households



**Note:** Persistence of children in jobless households are those households where a child resides and no adult has been engaged in paid work over the last two years.

**Source:** NATSEM calculations from HILDA.

\*Name has been changed

### Indicator 3: Relative financial disadvantage

Regular and sufficient household income plays a vital role for a growing child, facilitating the provision of adequate resources and minimising household financial stress. Being able to afford basic necessities such as a decent home to live in, food on the table and clothing is as important as it ever has been, but increasingly other resources attached to education such as computers, access to the internet and school excursions are becoming more and more important. Access to a computer and the internet are increasingly essential as tools to participate fully in education, allowing children to research homework and assignments, and for young people to participate in the increasingly dominant world of online social networking. While there is vigorous debate about the possible negative influences of the internet on child and youth wellbeing, its subjective importance in the lives of young people, and the extent to which exclusion from this resource due to financial constraints may be widening divisions between more and less affluent children and families, make digital access an issue of concern in relation to financial disadvantage.

Other additional educational supports that can be purchased by more affluent families, including summer schools, tutoring, extracurricular activities and even sports and leadership camps, all contribute towards inequality of opportunity and a less than even playing field for kids from low SES backgrounds to compete on.

In both developing and developed nations, there is inevitably a division between the economic resources available to individuals. This division is often termed 'inequality', and can be measured in a number of ways but most generally in terms of the differences in income between groups of people within a society. Income inequality has been shown to have strong links with many negative social outcomes including social and political unrest, crime, reduced social cohesion and unequal education and health outcomes (Pickett, 2009).

The difference between the income available to children living in the wealthiest and least wealthy households provides us with a measure of the extent of inequality that exists among children in Australia. We measure this by looking at the disposable (after tax) household incomes of families with children, after first equalising these incomes to account for differences in household size. We then allocate children into five equal groups by the level of their household income – children living in Australia's least well off households are those children who live in households where income is the lowest (the bottom 20 per cent), while those in the most well off households are those with the largest amounts of household income (the top 20 per cent). We also look to see what the household income is at the median – that is, at the midpoint of the distribution of household incomes for all Australian children. In Figure 3 we show these results by comparing median household incomes in the bottom 20 per cent group with median incomes in the top 20 per cent group and the overall median household income for children.

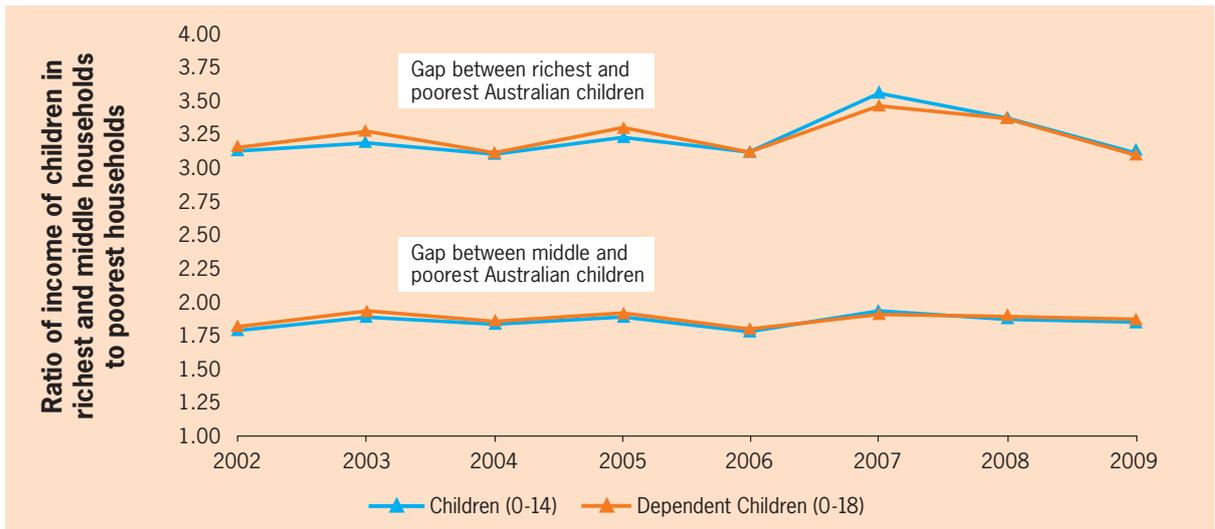
The comparison between the top and the bottom shows the difference in material resources (using household income as a proxy for this) available to Australia's most and least financially advantaged children. The comparison between the bottom group and the median shows us the gap between the least financially advantaged children and those who we might think of as being in the middle in terms of household income.

“ *[Having low funds]...I suppose it made me feel very awkward and shy among my peers and teachers resulting in me not participating in class activities and getting low grades.* ”

**Mark\*, 18 years**

\*Name has been changed

**Figure 3: Relative financial disadvantage**



**Note:** Relative financial disadvantage = Ratio of median household income of the bottom 20 per cent of the child population, to the top 20 per cent of the child population and the 50th (middle) percentile of the child population. Income is calculated and applied using disposable household income of households with children. Income is from all sources, including earnings and government benefits. Income has been equivalised to account for differing household sizes – see technical notes for more information.

**Source:** NATSEM calculations from HILDA.

Figure 3 shows that the most well off one-fifth of Australian children (ranked by household income) had access to 3.1 times the economic resources of the poorest one-fifth of Australian children in 2009. This equated to an annual dollar difference of more than \$40,000 (see Figure 4). While the gaps between the bottom one-fifth and the median are not as large, they are still substantial, with children at the median living in households that have on average 1.9 times the income of those living in the poorest households.

When looking at this indicator over time, it can be seen that relative income (that is, the size of the difference in incomes) has remained relatively stable between 2002 and 2006, with

richer children having on average 3.1 times more economic resources than the poorest 20 per cent of Australian children across this period. In 2007, inequality rose sharply, with the gap increasing to over 3.5, but then narrowed again after this period. The reasons for the change we see in the 2007 data may be complex, but this was a period of high wages growth in Australia, which could have increased incomes at the top end of the distribution more than incomes at the bottom end. The narrowing of the gap again between 2007 and 2009 (back to around 3.1) may possibly be an outcome of the GFC, where incomes in households in the wealthiest group did not grow at rates similar to those prior to this period.

**Figure 4: Dollar difference in household income of richest and poorest Australian children – equivalised disposable income**



**Note:** Income is from all sources, including earnings and government benefits. Income has been equivalised to account for differing household sizes – see technical notes for more information.

**Source:** NATSEM calculations from HILDA.

## Indicator 4: University participation for low SES students

Access to and participation in higher education has been shown to increase life opportunities and outcomes for individuals – particularly those from a low socio-economic background (d’Addio, 2007). Further, harnessing the skills and talents of all individuals, regardless of their background, can help to strengthen the economic potential of a country, by making the most efficient use of its human capital. Increased participation in higher education from those with a less advantaged background can also be a sign of greater social mobility within a society.

Access to university education has not always been equitable, with persons from a low socio-economic background and those from regional and remote areas less likely to attend university than other Australians (Bradley, 2008). In 2008, the Australian Government implemented a recommendation from the Bradley Review into higher education, which sets a goal of low SES background students making up 20% of all enrolled university students by 2020. The measurement of low SES has been a contentious issue, with current approaches using a geographic socio-economic score, based on the current address of the student. There are several issues with this measurement, including the variability of persons living within a geographic area. A measure based on geography assumes that a person residing in a low socio-economic area is themselves from a low socio-economic background. Another obvious flaw of this measure is that students often move away from their home in order to study at university, so using the current address of the student can be misleading in terms of capturing their socio-economic background.

The use of survey data for our indicators has allowed us to utilise a more precise, individual-based measure to capture student socio-economic background. The

father’s education level has been found to be one of the most reliable measures of the socio-economic status of a family (see for example OECD, 2010; d’Addio, 2007) and so we have applied this measure to determine the extent of university participation for persons from a low socio-economic background. Low SES has been defined as those persons whose father’s highest educational attainment was year 10 or below, and high SES is defined as those whose father’s highest educational attainment was university level. In the absence of a father in the household, the mother’s educational attainment has been used. While this is a well-accepted measure of SES, it is important to note that this is also simply a strong proxy for SES: while it will usually capture fairly accurately a person’s socio-economic status when growing up, this will not always be the case – for example, some children growing up in families where the father’s educational level was low will nevertheless not have experienced substantial economic disadvantage.

The time series of university participation presented in Figure 5 shows that the proportion of low SES students aged 18-25 years, climbed slowly from 2005 to 2008, but has since decreased, with low SES students currently comprising around 15% of all students enrolled in a bachelor level degree. The proportion of high SES students has remained relatively stable over the whole period, falling slightly from 2005 to 2007, increasing in 2008 – and falling marginally in 2009. Currently high SES students make up around 44% of all university students. This decrease in 2009 was sharper for low SES students than for high SES students in the same period. This may be in part a reflection of an increased necessity for some would-be students to remain in the labour force and the deterrent of extra and increasing educational costs on already stretched household budgets.

**Figure 5: Proportion of low and high SES university students**



**Note:** SES background has been defined by the educational attainment of the father (or mother in the absence of a father), when the individual was aged 14 years. Low SES has been defined as those persons where the father’s highest educational attainment was year 10 or below, and high SES as those whose father’s highest educational attainment was university level.

**Source:** NATSEM calculations from HILDA.



## Intergenerational Mobility In Australia

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Studies that seek to measure the extent of social mobility within Australia are rare. In this report, we extend our findings in the indicator section, to look further into this important social and economic indicator, exploring the notion of Australia as a 'land of opportunity'.

In sociology and economics, as well as in common discourse, social mobility refers to the degree to which an individual's status is able to change in terms of their socio-economic position. The status change evident across generations such as that between a parent and their child is known as intergenerational mobility. It represents the ability of children to acquire a higher standard of living than their own parents had as children.

Intergenerational mobility can be viewed as one measure of long-term inequality that may exist in a society; a measure of the openness within a society; and the level of equal opportunity by indicating how far individuals born into a lower strata can move up to a relatively higher level.

In a society where social standing is determined by factors that can change across generations, such as merit, education, skills, abilities, actions

or wealth, social mobility is expected to be high. Weak social mobility is a signal of a lack of equal opportunities which will hinder productivity and restrain economic growth by misallocating human resources and decreasing motivation and effort (OECD, 2010; Cobb-Clark, 2010).

Social mobility is often seen as a goal of many developed countries and their people, as a worthwhile aspiration on the grounds of equity or economic efficiency, or both (OECD, 2010). It can also reflect a measure of how equitable and fair a society is – values that many countries, including Australia hold. For example, the Australian Treasury's wellbeing framework places 'the level of opportunity and freedom that people enjoy', as the first dimension of wellbeing, around which to place their policy formation and analysis (Henry, 2006).

A mobile society may also be associated with lower levels of inequality and disadvantage, which in turn can lead to less pressure on public welfare systems, better health outcomes, and potentially less conflict and crime. Cobb-Clark has noted that the more mobility that exists within a society, the more socially cohesive that society is likely to be (Cobb-Clark, 2010).

Evidence in Australia that specifically measures intergenerational mobility is sparse, but the research that does exist tends to find that in terms of income mobility, Australia seems to do well when compared to other OECD countries (Leigh, 2007; OECD, 2010). However, the intergenerational persistence of poverty, disadvantage and income support dependence, and a clear link between socio-economic disadvantage and poorer outcomes in health, education and labour market opportunities, are clearly identifiable within Australia, indicating the existence of unequal life opportunities for disadvantaged groups.

This feature expands the evidence base about intergenerational mobility in Australia, examining the education and occupation outcomes of individuals born between 1964 and 1978. We compare individuals' achievements in these areas with the

level of the family's socio-economic position when that individual was growing up.

The main focus of this section is to use the father's background and its relationship to outcomes for the next generation, to analyse the degree to which intergenerational mobility exists within Australia.

### **Social mobility:**

The ease and frequency with which members of a society are able to move up the social hierarchy to a higher income or occupational ranking, irrespective of their different backgrounds and starting positions. This process may occur within an individual's lifetime (known as intragenerational mobility) or across generations (known as intergenerational mobility).

## Measuring Intergenerational Mobility

There are several ways in which intergenerational mobility can be measured. The key is to determine a 'yardstick' that compares the socio-economic status of children with that of their parents at similar life stages. This can be done through knowledge of earnings, occupation and education; which are common factors associated with a certain standard of living and consequently of socio-economic positioning. The Household, Income and Labour Dynamics in Australia (HILDA) survey provides details about the father's socio-economic status when the child was aged 14.

In order to assess Australia's level of social mobility, we use indicators to examine the education and occupation outcomes of individuals born between 1964 and 1978. The achievements of these individuals are then compared with the socio-economic status of their family when they were growing up. The father's background is used to reflect overall family socio-economic positioning (or where the father was absent, the mother's background), as this is the best indicator of how well the family is doing in terms of financial and other resources available to it, and is widely used in the literature as a proxy for childhood socio-economic status. It should be noted that this may change for future generations as women increasingly become the sole or primary breadwinner.

Social mobility is assessed from a variety of perspectives, using financial, educational and occupational indicators, some of which are disaggregated by gender to determine whether there are significant disparities in the social mobility

outcomes between sons and daughters. These indicators are listed below.

It is important to note that all the variables we have used to measure both background socio-economic status and socio-economic outcomes are proxies for these concepts. While we have chosen variables that are widely used in the literature on social and intergenerational mobility, characteristics such as income, earnings and education can only ever partially capture the complex nature of socio-economic status. In addition, broad changes (such as high economic growth, increasing levels of human capital and growing rates of tertiary education) that have occurred over the period we examine below, will of course affect the differences we see between parental background and child outcomes. However, the magnitude of the differences we see in outcomes between adults who grew up during the same period of time but in different socio-economic circumstances can still give us a sense of the extent of intergenerational mobility in Australia.

### **Intergenerational mobility indicators**

Indicator 1: Measuring mobility through earnings

Indicator 2: Measuring mobility through educational attainment

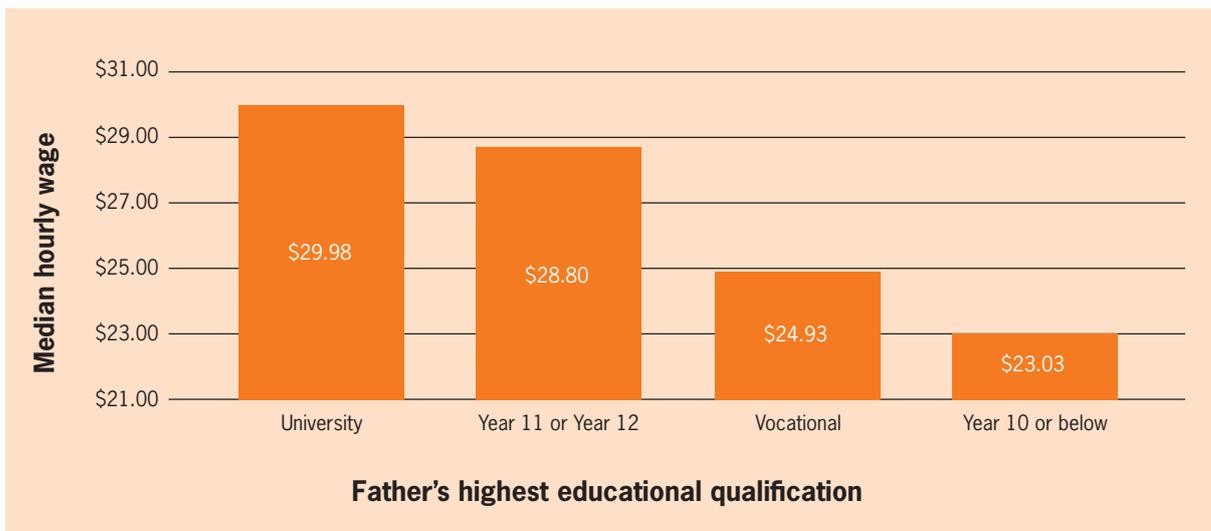
Indicator 3: Measuring mobility through occupational attainment

## Indicator 1: Measuring mobility through earnings

In Figure 6, we compare the earnings of Australians currently aged 30-44 years, based on the highest educational attainment of their fathers at a certain point in time (that is, when the 30-44 year olds were aged just 14). In other words, we look at the fathers' education level when their children were aged 14, and we then look at the current earnings of the children now that they have reached adulthood.

A clear pattern of higher earnings for individuals whose fathers had achieved higher education levels is shown in Figure 6. For example those 30-44 year olds (men and women) who, when they were aged 14, have a father who had attained a university degree, had a higher hourly wage than those whose father's highest education level was Year 10 or below (a difference of around \$7 per hour). Over a 40 hour week, this is a difference of approximately \$280.

**Figure 6: Median hourly earnings of persons aged 30-44 years by educational attainment of father**



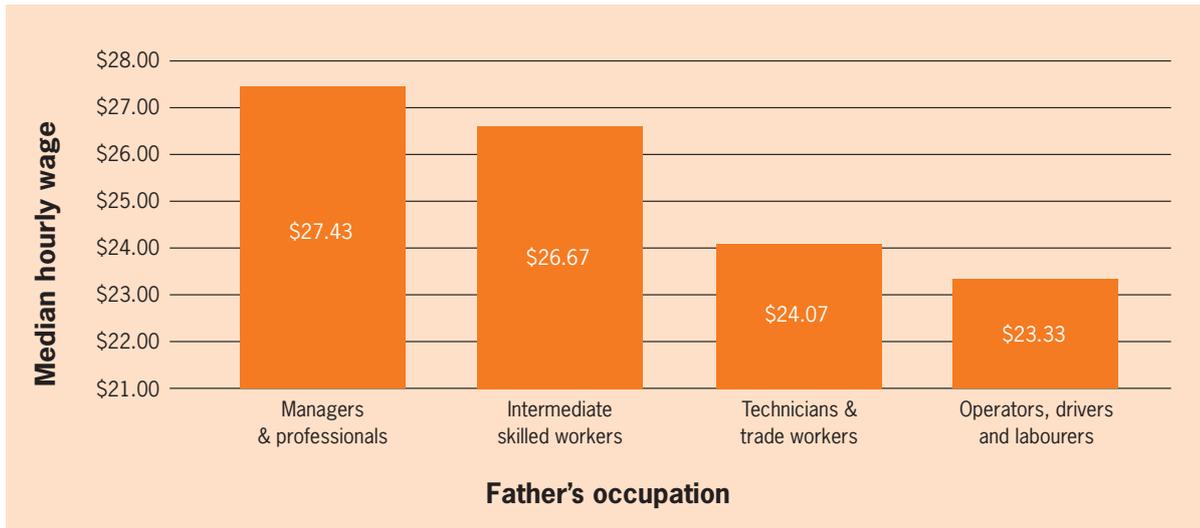
**Note:** Educational attainment of father is the educational attainment of the father when the child was aged 14 years. Where the father was not living in the household at age 14, the mother's education level has been used. Note that not all individuals aged 30-44 years will be in the labour market, and therefore we cannot observe their earnings. Women in this age group will be more likely to be experiencing a period out of the labour market during this period.

**Source:** NATSEM calculations from HILDA.

The median hourly earnings of Australians aged 30-44 years by the occupation level of the father (i.e. a snapshot of occupation taken when the son or daughter was aged 14) is shown in Figure 7. The pattern of high

achievement of the father is reflected in the earnings of the child, although the magnitude of the differences in hourly wages is slightly less than when using father's education as the proxy for childhood socio-economic status.

**Figure 7: Median hourly earnings of persons aged 30-44 years by occupation of father**



**Note:** Occupation level of father is the occupation level of the father when the child was aged 14 years. Where the father was not living in the household at age 14, the mother's occupation level has been used. Note that not all individuals aged 30-44 years will be in the labour market, and therefore we can not observe their earnings. Women in this age group will be more likely to be experiencing a period out of the labour market during this period. Occupation has been classified as per the 2006 Australian and New Zealand Classification of Occupations (ANZCO) – see technical notes for more information.

**Source:** NATSEM calculations from HILDA.

### Indicator 2: Measuring mobility through educational attainment

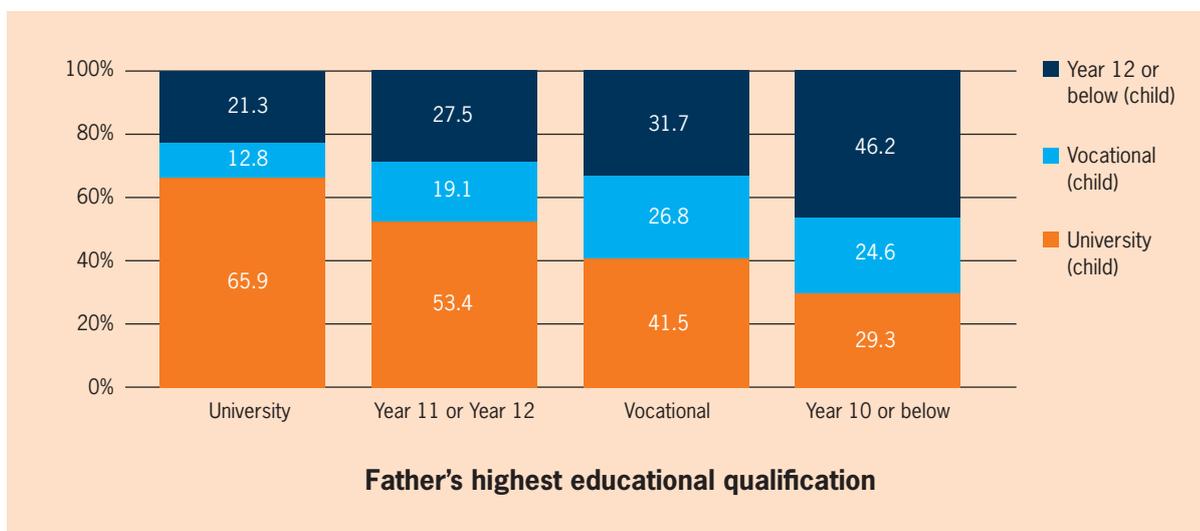
Figure 8 demonstrates that those people whose father achieved a university level of education are much more likely to achieve a university education themselves, than those whose fathers did not.

More than 65% of persons aged 30-44 years with a university-qualified father, had also achieved a university degree, compared with 53% of those whose father had reached Year 11 or 12; 42% of those whose father had a vocational qualification,

and 29% of those whose father had stayed at school until Year 10 or less.

The fact that almost one-third of Australians aged 30-44 whose father had very low educational attainment achieved a tertiary education themselves, indicates some degree of intergenerational mobility, but the stark differences in educational outcomes shown in Figure 8 do suggest that differences in outcomes are strongly affected by family socio-economic background.

**Figure 8: Highest educational attainment of persons aged 30-44 years, by highest educational attainment of father**



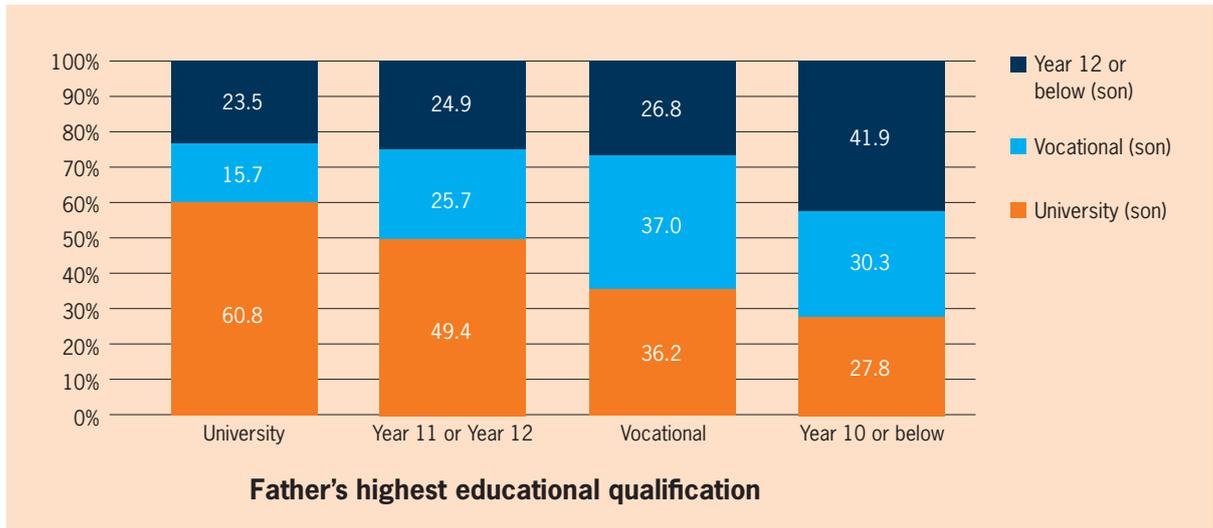
**Note:** Educational attainment of father is the educational attainment of the father when the child was aged 14 years. Where the father was not living in the household at age 14, the mother's education level has been used.

**Source:** NATSEM calculations from HILDA.

When broken down by gender, similar patterns emerge for sons and daughters – but with some differences (Figures 9 and 10). Daughters are more likely to hold a university degree than sons across any of the educational attainment levels of the father, and unsurprisingly, sons are more likely

to hold a vocational qualification than daughters. These differences between sons and daughters for this age cohort are likely to be related to a number of social changes, including some traditionally female-dominated professions, such as teaching and nursing, now requiring a university degree.

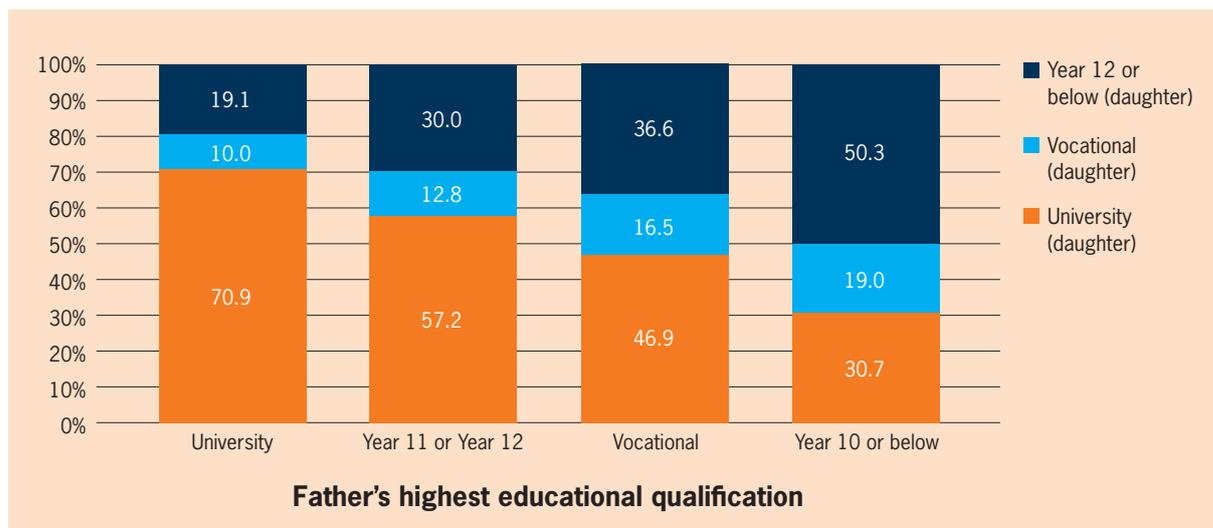
**Figure 9: Highest educational attainment of SONS aged 30-44 years, by highest educational attainment of father**



**Note:** Educational attainment of father is the educational attainment of the father when the child was aged 14 years. Where the father was not living in the household at age 14, the mother's education level has been used.

**Source:** NATSEM calculations from HILDA.

**Figure 10: Highest educational attainment of DAUGHTERS aged 30-44 years, by highest educational attainment of father**



**Note:** Educational attainment of father is the educational attainment of the father when the child was aged 14 years. Where the father was not living in the household at age 14, the mother's education level has been used.

**Source:** NATSEM calculations from HILDA.

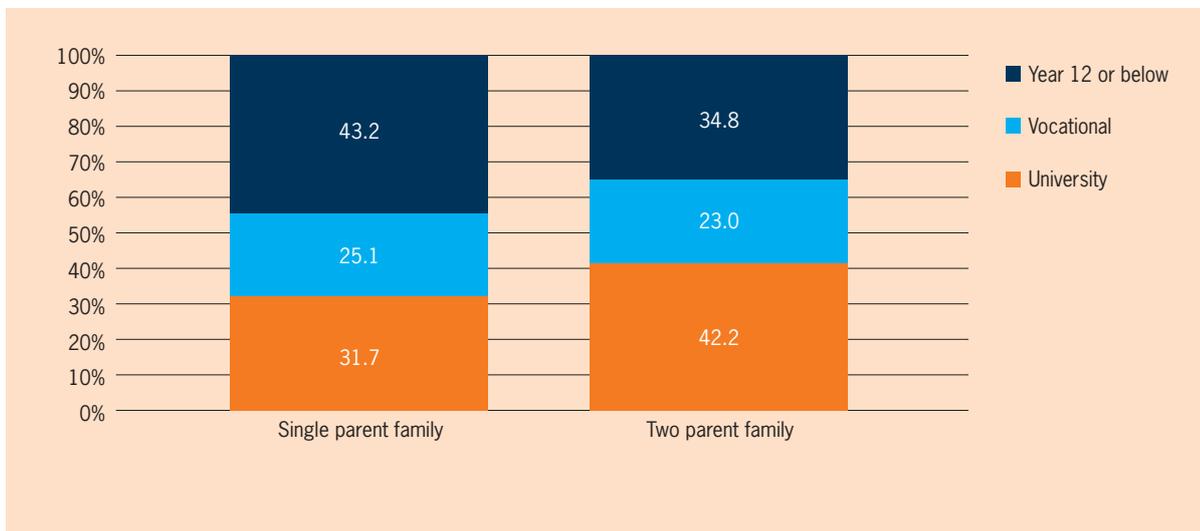
### Educational attainment by family type

Growing up in a single parent family has been shown to be associated with a lack of financial resources, and a generally higher likelihood of welfare dependency, living in poverty and living in a jobless household.

Figure 11 shows the educational outcomes of persons aged 30-44 years who grew up in a two parent or in a single parent family. A higher proportion of persons who grew up in a two parent family went on to achieve a university degree when compared with those from a single parent household – 42% and 32% respectively. Further, those who grew up in a single parent family were more likely to have only completed

Year 12 or less, than those with two parents in the household. The differences in outcomes are likely to be driven by the underlying economic differences that exist between family types, and to reflect the fact that economic adversity is itself a risk factor for marital breakdown and single parent status. It should however be noted that this data also demonstrates that a substantial minority of children of single parents growing up in the 1960s and 1970s did go on to have good educational outcomes. It is not yet possible to know how these outcomes may translate for the current generation of children growing up in single parent families.

**Figure 11: Educational outcomes of those aged 30-44 years, by family type at age 14**



Source: NATSEM calculations from HILDA.

“ Mum was unwell which meant that she didn’t push me to study. They weren’t able to help with homework. Also because of a different culture they didn’t understand the importance of my study. ”

Almaz\*, 20 years

\*Name has been changed

### Indicator 3: Measuring mobility through occupational attainment

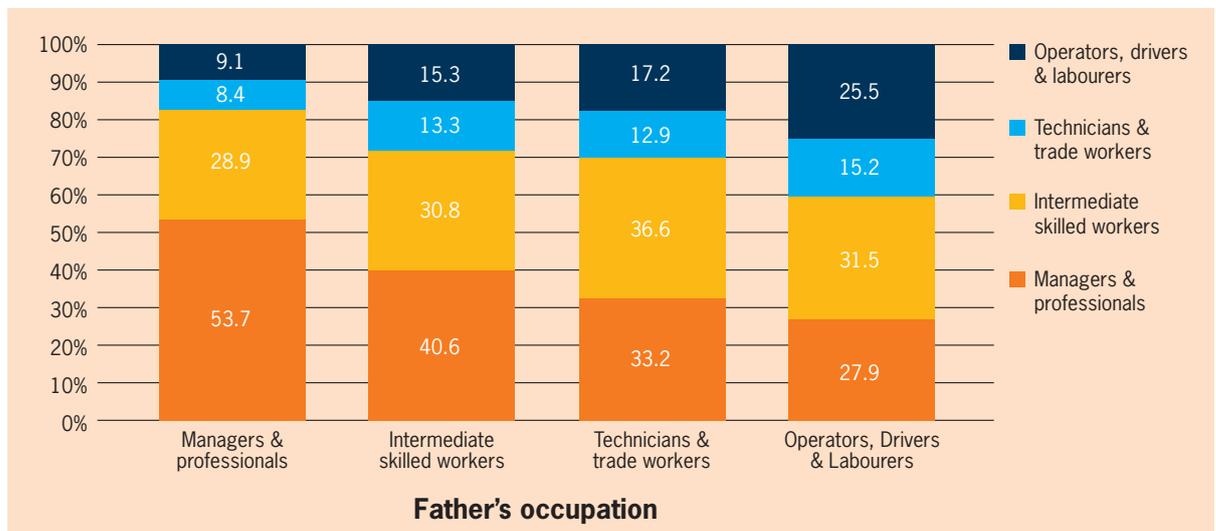
Occupational attainment can also be used to measure socio-economic movement from one generation to the next, although it is important to note that occupational classifications are not always the best measure of socio-economic status. We know, for example, that being given the title of manager does not always equate to high wages and that there is much socio-economic diversity within occupation classifications. However, comparing the occupational attainment of children and their fathers does provide some additional insights into intergenerational mobility. Figure 12 shows that those whose fathers were in higher status occupations were also likely themselves to be in occupations associated with higher SES. More than half of those whose fathers were managers or professionals, were employed in these high status occupational categories themselves, compared with fewer than 30% of those whose fathers were in the least well paid and lowest status occupations.

A comparison of sons and daughters shows that they are roughly each as likely as the other to become managers or professionals given the occupational status of the father, but that daughters are less likely to become technicians or trade workers, and much more likely to be employed in positions that require intermediate skill levels such as carers, clerical workers and sales assistants (Figures 13 and 14). Sons, on the other hand, are more likely to become operators, drivers and labourers than daughters. These differences are likely to reflect differing education and career decision-making processes between men and women rather than any differences in intergenerational mobility.

**“ Anybody with the will and support can achieve anything. It just takes a little dedication on your part and a little help from others. ”**

**Kim\*, 20 years**

**Figure 12: Occupation of persons aged 30-44 years by occupation of father**

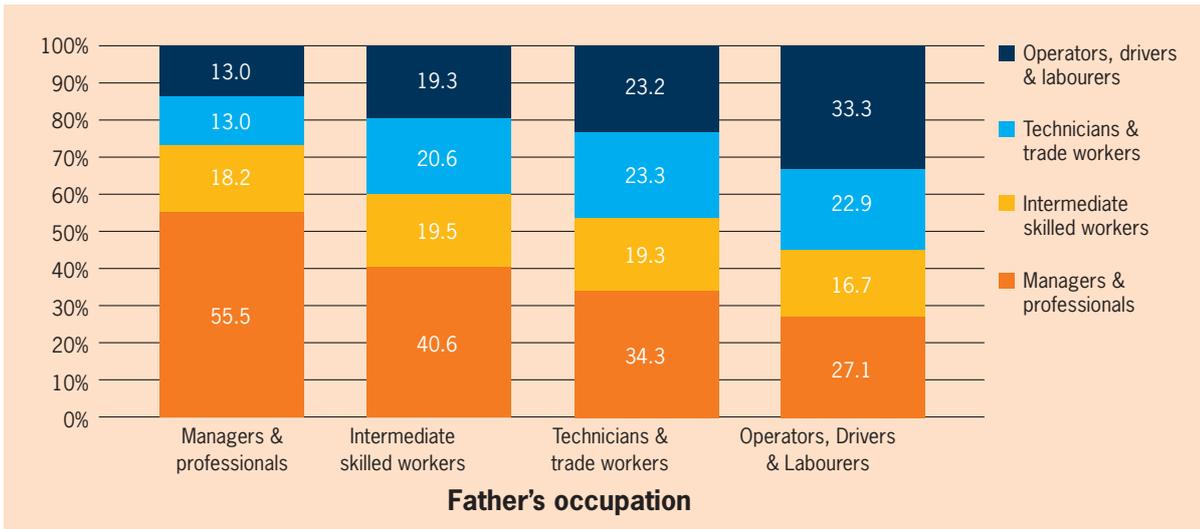


**Note:** Occupation of father is the occupation of the father when the child was aged 14 years. Where the father was not living in the household at age 14, the mother's occupation level has been used. Occupation has been classified as per the 2006 Australian and New Zealand Classification of Occupations (ANZCO).

**Source:** NATSEM calculations from HILDA.

\*Name has been changed

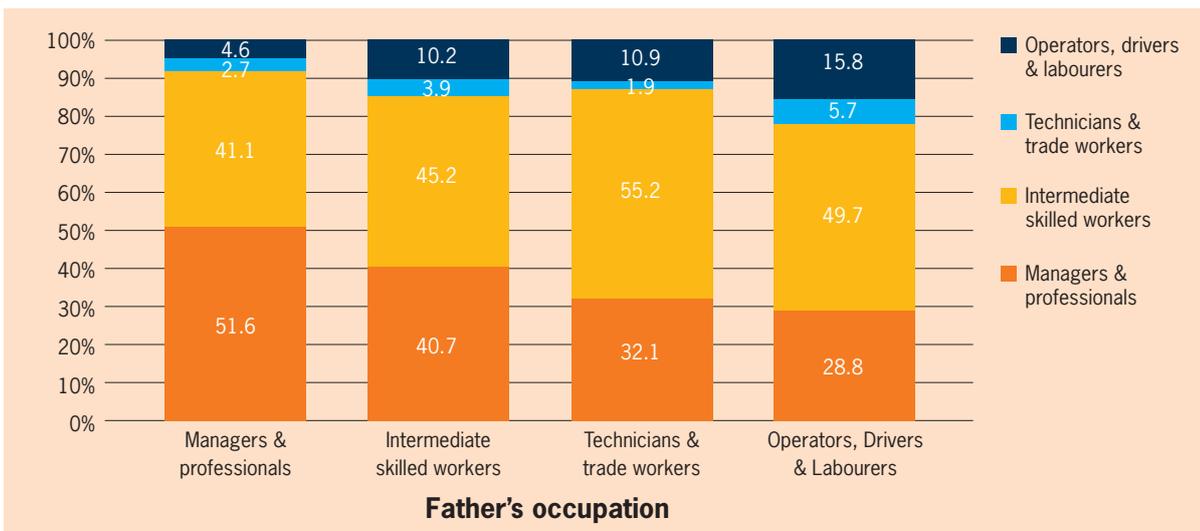
**Figure 13: Occupation of SON aged 30-44 years by occupation of father**



**Note:** Occupation of father is the occupation of the father when the child was aged 14 years. Where the father was not living in the household at age 14, the mother's occupation level has been used. Occupation has been classified as per the 2006 Australian and New Zealand Classification of Occupations (ANZCO).

**Source:** NATSEM calculations from HILDA.

**Figure 14: Occupation of DAUGHTER aged 30-44 years by occupation of father**



**Note:** Occupation of father is the occupation of the father when the child was aged 14 years. Where the father was not living in the household at age 14, the mother's occupation level has been used. Occupation has been classified as per the 2006 Australian and New Zealand Classification of Occupations (ANZCO).

**Source:** NATSEM calculations from HILDA.



## Conclusion

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This report, the first of The Smith Family NATSEM Unequal Opportunities series, has provided current indicators, capturing information about the opportunities that may exist for Australian children and youth. The four indicators, encompassing important dimensions of disadvantage and opportunity, show some encouraging results – especially the consistent decrease in the proportion of children living in jobless households in Australia, even in relatively harsh economic times. Differences in income between children living in the poorest Australian households and those in the richest households have narrowed during the GFC, however appear generally to be at their widest when the economy is flourishing, illustrating that good economic times do not necessarily mean good times for all Australians.

Although the proportion of young people from a low SES background embarking upon a university education improved incrementally between 2002 and 2008 (but decreased slightly in 2009), this group remains significantly underrepresented in higher education, highlighting the challenge before us in improving access for this group. This is critical in order to improve life opportunities and outcomes for individuals and at a societal level to make effective use of human capital to strengthen the nation's productivity.

Despite the fall in the proportion of children living in jobless households, and the persistence rates of children living in jobless households, further investigation is required to understand the extent to which the overall quality of life may have changed for these families, especially given that having a job may not necessarily translate into substantial financial benefits, and that other influences such as the added stress of combining paid work and a family, poor job opportunities and reduced quality time spent with children may offset or reduce the benefits of being involved in paid work. Also, despite falls in the proportion of children living in jobless households, the substantial differences in financial resources between children in Australia's most and least affluent households remained fairly steady across most of the period included in this study.

The indicators used to measure social mobility in Australia have uncovered a clear bias towards higher wage and educational outcomes for those from more well-off families, as measured by the educational attainment of the father. The benefits are particularly strong for those aged 30-44 years whose fathers had a university degree, with more than 65% having attained university qualifications themselves, compared with only 30% attainment for those whose fathers had left school in Year 10 or earlier. While there are signs of positive mobility for those whose fathers have very low educational attainment (with almost one-third going on to achieve a tertiary education), only 15% of current university enrolments are from students with a low socio-economic background, which sits below the Australian Government's target of 20% by 2020.

Overall, the research conducted in this report, shows that Australia is doing reasonably well by our children and youth. However large inequalities remain, especially in terms of financial resources available to parents during their children's formative years and the opportunity for children from less privileged backgrounds to find pathways towards higher education.

For Australia to progress further, equipping our children and youth with sufficient financial resources and providing equal opportunity to all should be a priority for us all.

# Technical Notes

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## Data Source

This research uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. HILDA is a longitudinal data source, which surveys the same individuals from year to year. HILDA is released annually, with the latest release Wave 9 – 2009. The indicator section has utilised the HILDA surveys from 2002 to 2009 in order to achieve a time series analysis. In 2009, there were 7,234 households and 13,301 responding persons in the sample. The feature section on intergenerational mobility has used the 2008 HILDA data set, as this was the most recent at the time the research was conducted. The 2008 HILDA data consists of 7,066 households and 12,785 persons. HILDA is a representative sample of the Australian population.

Wooden and Watson (2007) provides details of the design of HILDA and Watson (2010) is the latest version of the HILDA User Guide.

The HILDA Project was initiated and is funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and is managed by the Melbourne Institute of Applied Economic and Social Research (MIAESR). The findings and views reported here, however, are those of the authors and should not be attributed to either FaHCSIA or the MIAESR.

## Children and Dependent Children

Children have been classified as those aged 0-14 years. The 0-14 year age group captures a group of children who are very dependent upon their carers and particularly vulnerable to the effects of joblessness and others forms of disadvantage within a household.

Dependent children have been classified as those aged 0-18 years and still studying. The 0-18 group is an increasingly important cohort, especially as those aged 15-18 are more likely to remain dependent upon their parents for longer, with the minimum school leaving age being increased across the states and territories to 17 years.

## Children in Jobless Households

Children in jobless households are defined as those children living in households where no adult is currently engaged in paid work.

## Equivalent Household Income

Equivalent income is a way of taking into account the size and composition of a household, given that the same amount of household income translates into different standards of living for smaller and larger households. Incomes are transformed by a factor relevant to the household size, in order to gain a truer comparison of household income across different household types.

## Occupation Classification

The Australian and New Zealand Standard Classification of Occupations (ANZSCO, first edition), is used by HILDA in order to classify occupations of persons. We have used the broadest occupation group available in this classification - the major (1-digit) ANZSCO group. Occupations are classified based on the level of skill. Skill levels are determined by the level of formal education and/or training and previous experience usually required for entry to the occupation. For example, major groups 1 and 2 (managers and administrators and professionals) would normally have a level of skill commensurate with a bachelor degree or higher qualification and/or at least five years relevant experience. Definition is sourced from ABS Australian and New Zealand Standard Classification of Occupations, first edition, ABS Cat No. 1220.0.

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