

The third assumption is that economic growth will narrow socio-economic gaps and help fight poverty. And the fourth assumption is that child allowances in some way create dependent, poor families. Each one of these assumptions is examined in turn and disproved as a basis for sound socio-economic policy.

## **INTERGENERATIONAL TRANSMISSION OF DISADVANTAGE: POLICY IMPLICATIONS**

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This study discusses the intergenerational transmission of disadvantages, in terms of the perspectives opened for policy interventions. A review of the literature suggests that in many OECD countries income, occupation, education (and also personality traits) are transmitted from generation to generation. Understanding the extent to which the life chances of children are either positively or adversely affected by the circumstances and behaviours of their parents is an integral component of the process of developing effective policies to give children “the best possible start to their lives”.

Parents transmit a broad range of resources to their children. While there is disagreement about the mechanisms that underpin this transmission, a large part of the differences observed are related to different levels of schooling, wealth, and of a broader set of cognitive and non-cognitive abilities. Reducing inequalities related to these factors might improve income equality and contribute to achieving greater equality of opportunity. Reducing intergenerational inheritance of socio-economic disadvantages may be important to reduce not just inequality of opportunity but also to achieve greater economic efficiency through a better allocation of talents.

No society is completely mobile or immobile and some of the mechanisms contributing to intergenerational persistence are economically efficient, normatively acceptable or both. Nevertheless, some of the characteristics that contribute to shape children’s life chances, which are beyond their control – such as the household environment where they grow up – persist across generations and should be of policy concern. For example, child poverty may not just be associated with temporary low-income but also result from deep-seated factors that transmit disadvantage from generation to generation: in this case, identifying and alleviating the barriers to intergenerational mobility is crucial.

One of the main objectives of social policy is to break the cycle of disadvantage across generations and prevent the development of a self-replicating underclass. The evidence suggests that interventions targeted at improving childhood outcomes are desirable. Such interventions have become a much more important feature of social policies in most OECD countries in recent years. Improving access to child care of quality and education for people in deprived situations is important. The income of families with children affects their ability to access such education. Beyond this, there is evidence that parental behaviours can be transmitted across generations, and indeed these seem to be more important than “intelligence” in explaining the intergenerational correlation of income. Having a working parent as a role model is important. Reducing the stress and anxiety of children, from whatever source, will have a pay-off in the incomes they subsequently command.