

**L. V. Rudenko,**  
*PhD (Economics)*

**P. O. Steshenko,**  
*Donetsk National Technical University*

## SOCIO-ECONOMIC INEQUALITY IN MODERN SOCIETY

### Introduction

The statement that socio-economic inequality has a massive character and in many parts of the world is getting wider is to be found in modern books devoted to this problem. For example, income inequality in the United States, the richest society on earth, has widened in every year since the 1980s. By 2000, nearly 3 per cent of American households were living on less than \$5,000 a year while over 13 percent had incomes of \$100,000 and over. This statistical evidence indicates the scale of inequality, but it does not allow us to understand its social nature and impact [1]. Blossfeld et al. (2011) explains an aspect which was unclear: how the patterns of social inequality in modern societies are changing through globalization. Therefore, his research compares the consequences of globalization for the development of social inequalities in Europe by analyzing nine European countries from five welfare and labour market regimes [2].

Walby assumes that equality matters not only because it is a major contemporary framework of justice and progress, but also because inequalities affect the different forms and speed of economic and human development. For instance, class is an evident inequality, but not the only significant one. Inequalities are also associated with gender, ethnicity, race, nation, religion, able-bodiedness, sexual orientation, age, generation, linguistic community and more. These inequalities affect the differences between forms of modernity as well as the key dynamics of social change [3]. "Economic inequality is particularly significant for people's capacity to have access to and command of resources. Inequality has an impact right across society" [4]. Beramendi and Anderson show how democracy helps to shape levels of income inequality in society [5]. Li and Reuveny also raise a question about how democracy influences distribution of income [6]. The OECD also devoted recent articles to the income inequality problems. In many OECD countries, income inequality has increased over the past decades. In some countries, top incomes have captured a large share of the overall income gains, while income for others has risen little. At the same time, poverty remains a pressing policy issue, not only because of the negative effects of the recent economic crises [7].

### Multiple Complex Inequalities

It is widely known that inequality refers to disparities between individuals, groups and nations in access to resources, opportunities, assets and income. Ridge /

Wright (2008) as well as other researchers write that inequality has a high impact right across society. It can be seen in people's life chances, their health and life expectancy and their education and employment opportunities [4]. Unequal social relations involve difference as well as inequality. Some aspects of the different activities may be positively valued, while others will be considered as unjust. A concept of 'complex inequalities' combines inequality and difference [3].

Class has traditionally been seen as the main form of social inequality [3]. But now some sociologists have claimed that the study of class is no longer relevant to understanding contemporary society at all, if it ever was [1]. Walby (2009) considers gender and ethnicity important forms of inequality, as can be the case with disability, faith, age, and sexual orientation (it is illegal to discriminate on grounds of gender, ethnicity, disability, faith, age, and sexual orientation in the EU: see the European Commission 2007a [3]). She also shows a new form of inequalities, such as global warming, which has had stronger effects on the poor South rather than the rich North of the world and on future generations.

Class can be a complex inequality and is often seen as inequality in which the defining feature is economic exploitation, a presumption of a common standard of access to income and wealth against which to measure inequality. Class regime is to be found not only in the economy, but also in the polity, violence and civil society [3]. In Britain, for example, the official Registrar General's (RG) social class scheme has historically been used as a part of employment aggregate approach (Reid, 1998) [1]. This scheme (Table 1) groups a large number of occupations into a smaller number of hierarchically organized classes. Occupationally based class schemes can be correlated with a large number of other variables, such as rates of illness or the proportion of young people going to university, and this allows the measurement of statistical correlations between occupational class and differences in health, education, income, etc. [1].

"Research on health inequalities has shown that mortality rates follow a 'class gradient'; in other words that the percentages of the population dying and being ill are highest among social class V (unskilled occupations) and they decrease as one moves 'up' the class scheme to their lowest level in class I (professionals)" [1]. This scheme was replaced from 2001 by an alternative more

**Registrar General's Social Class scheme**

Social Class	Occupations	Examples
I	Professional	Solicitor, doctor
II	Managerial and technical	Manager, nurse
IIIN	Skilled non-manual	Secretary, receptionist
IIIM	Skilled manual	Electrician, hairdresser
IV	Partly skilled	Caretaker, hospital porter
V	Unskilled	Cleaner, labourer

Source: Butler / Watt (2007), p. 6

complex scheme, the National Statistics Socio-Economic Classification (NS-SEC) [1].

There is an approach which segregates the bases of each of the categories: class is grounded in the economy; gender is a discourse about sexual and biological differences; ethnicity relates to discourses about exclusion and inclusion. It can be noted that gender relations are a complex inequality. A current model is found in modernization theory as applied to gender relations. According to this approach, economic development is seen to increase women's employment which in turn erodes the traditional family form and then all other forms of gender inequality. A key focus was on the duality of family-welfare state relationship to produce distinctive varieties of male breadwinner regimes. There are differences in the extent to which there is a 'male breadwinner-female housewife' model, ranging from 'strong male breadwinner' and 'modified male breadwinner' to 'weak male breadwinner' (sometimes referred to as 'dual earner'). Ireland, for example, is taken as most typical of the strong male breadwinner model, with Britain sometimes being included, while others such as Germany, are seen as a modified male breadwinner model. Sweden is seen to follow a weak male breadwinner model and sometimes dual earner [3]. There are domestic and public forms of gender regime for women. In the state with the domestic gender regime women are only rarely present in the formal institutions of political power, such as parliaments, cabinets, and the governing bodies of organized religions. In the public gender regime women are present in these institutions [3].

Ethnic relations are also complex inequalities. Ethnic groups usually take themselves as sharing a common background and heritage in contrast to other types of groups [3]. „The minoritization of some ethnic groups is an active process and not pre-given, and involves the economy, polity, violence, and civil society, even though dominant ethnic groups will often treat themselves as the norm without an ethnicity” [3].

Further regimes of complex inequalities are disability and sexual orientation. According to Walby (2009), disability is considered as a medical matter concerning impaired bodies and as having little to do with society. However, the environment may be enabling or disabling. An impaired body is only disable if the environment is disabling. For example, with contact lenses a person with poor eyesight is not visually disabled. In economic sense a disabling environment may mean that people with impairments have difficulty earning a good income while economic resources are needed to ensure that an environment is not disabling. Disability has a political dimension (access to political power), violence component and a civil society dimension. As for the sexual orientation, there can be discrimination in employment and in access to resources. There can be risks of violence and harassment against gay and lesbian people [3].

„Regimes of inequality intersect within each institutional domain and there are usually multiple regimes within each such domain. Each regime of complex inequality is constituted in the institutional domains of civil society, economy, polity, and violence. When addressing class inequalities the most frequent focus has been on the economy, with only a secondary interest in culture and civil society” [3].

#### **Inequality on Labour Markets**

According to Blossfeld et al. (2011), the form and extent of labour market flexibility may strongly vary in the different regimes of Europe and should be shaped decisively by the given configuration of country-specific labour markets, welfare states, and education systems. The author says that in regimes with a low degree of flexibility in their labour markets (e.g., Germany, the Netherlands, Italy, Spain), the globalization process should have led to an increasing division of society into a strongly protected group of high earners and ever-larger marginalized group of people who have difficulties in finding stable employment. In these systems well-qualified male employees in their mid-career are firmly and securely

established in the labour market and today are strongly protected against the competition of job seekers. In flexible labour market regimes, employment risks are alleviated by relatively rapid integration or reintegration chances. This is less possible in systems with well-protected insiders. Hence, this means that in countries with less flexible labour markets, the growing economic competition resulting from the globalization process has led to a sudden increase in labour market risks, above all for young people starting their careers, women after employment breaks and the unemployed and unqualified. In Southern European regimes, the inequalities between insiders and outsiders in the globalization process are even stronger than in conservative regimes, because their labour market structures are more inelastic and the welfare state is far more fragmented than in the conservative countries of Central Europe [2].

Differences in labour earnings inequality (inequality among those who earn an income from employment) and labour income inequality (inequality among all people in the working-age population) are influenced by cross-country differences in wage rates, hours worked and inactivity rates. Among the OECD countries, earnings inequality for full-time employees is highest in Chile, the United States and Portugal, while Switzerland, Belgium and Denmark are the most equal countries. Inequality is generally higher for all the full-time employed, reflecting the wider dispersion of earnings among the self-employed [7].

The Gini coefficient is a commonly used measure of inequality. A Gini coefficient of zero represents complete equality, where income is shared equally among all households. A Gini coefficient of 100 represents complete inequality, where only one household has all the income and the rest have none [4]. „Extending the analysis to part-time workers, the unemployed and the inactive raises the Gini index, reflecting the large income differentials for these groups and the group of full-time workers (unemployed individuals and the inactive enter the calculation with zero income as transfers are not taken into account). The increase in the Gini index is particularly large for countries where part-time workers make up a sizable share of total employment and for countries with a high unemployment rate and many inactive people of working age. While the Gini indices of the population sub-groups are highly correlated (the correlation coefficients are between 0.8 and 0.9), there are several countries, such as Belgium, Italy and Estonia, for which the choice of the group matters considerably for the inequality ranking” [7].

#### **Effects of Democracy and Economic Openness**

There are considerable differences in the level of disposable income inequality across rich countries. Mexico and Russia have the most unequal distributions, followed by English-speaking countries together

with Southern European countries. Other continental European nations come next, and the Nordic countries show the lowest level of inequality. Most Eastern European countries show low to medium levels of inequality, while Taiwan and Japan are in an intermediate position [5]. „This clustering owes much to the working of the national tax-and-benefit systems, which play a considerable role in narrowing the original market income distribution” [5].

Li and Reuveny (2009) have demonstrated the need to study the effects on income inequality of economic openness and democracy together. They claimed that better theoretical explanations of inequality should consider economic openness and democracy together. Their statistical findings indicate that the trade openness tends to be associated with more equitable income distribution within countries, but foreign direct investments leads to greater income inequality, and foreign financial capital inflows do not have any significant effect on income inequality. A rise in democracy reduces the level of income inequality within countries. In addition, democratic governance mediates and weakens the undesirable impact of foreign direct investment on income inequality in the OECD world but not in developed countries [6].

#### **Progress indicators**

There are four major types of approach to progress in the contemporary global era: economic development, equality, human rights and capabilities. Increases in economic development are linked to increases in other aspects of the good life [3]. According to Walby (2009), the main challenge is to use the indicators of economic development as measures of progress. There are also other matters that are important, including human rights and a broader notion of human and not just economic development [3]. „People in the countries in the OECD have the highest incomes, those in Sub-Saharan Africa are lowest” [3]. Financial aid from developed countries and international organizations to less developed countries should be designed to reduce poverty [6]. Equality is the main challenge to the acceptance of progress as economic development [3].

Walby (2009) indicates that class-based economic inequalities within countries are increasing in many countries, while gender-based economic inequalities within countries are often declining. „When the whole world is taken as the unit within which to analyse inequality rather than individual countries, then the centuries-long increase in global economic inequalities has stopped as a result of the surging economic growth in China and to a lesser extent India. There has been an increase in the democratic access to power, not only an increase in a narrowly defined suffrage-democracy but also the increased presence of women in parliaments (though this is not so everywhere)” [3]. There is some

reduction in the use of violence as a form of power against women [3].

### Conclusion

This paper wants to emphasize an impact of existing socio-economic inequalities on the modern society. Firstly it has briefly represented complex inequalities such as class, gender, ethnic relations and other inequalities like disability and sexual orientation. Problems of income inequality are given a particular place in this paper. The current situation on labour market is briefly analyzed by describing labour income inequality and employment inequalities in different countries. The Gini coefficient is still a commonly used measure of inequality. However, Li and Reuveny have demonstrated an improved methodology of measuring income inequality by adding effects of democracy, trade openness, foreign direct investments and foreign financial capital inflows. Their main suggestion is to reduce poverty with the help of financial aid from developed countries and international organizations to less developed countries. And finally four major types of approach to progress such as economic development, equality, human rights and capabilities are introduced in this work. The last findings show that class-based economic inequalities within countries are increasing in many countries, while gender-based economic inequalities within countries are often declining. Also an increasing influence of democracy on inequalities and some reduction in the use of violence are seen in a modern society. Therefore, it can be expected that some inequalities will be lower, and this can improve the socio-economic situation in the world.

### References

1. **Butler, Tim** / Watt, Paul (2007), Understanding social inequality, London, Sage.
2. **Blossfeld, Hans-Peter** / Buchholz, Sandra / Hofäcker, Dirk / Kolb, Kathrin (2011), Globalized labour markets and social inequality in Europe, Basingstoke, Palgrave Macmillan.
3. **Walby, Sylvia** (2009), Globalization and inequalities: complexity and contested modernities, Los Angeles, Sage.
4. **Ridge, Tess** / Wright, Sharon (2008), Understanding inequality, poverty and wealth: policies and prospects, Bristol, Policy Press.
5. **Beramendi, Pablo** / Anderson, Christopher (2008), Democracy, inequality and representation: a comparative perspective, New York, Russell Sage Foundation.
6. **Li, Quan** / Reuveny, Rafael (2009), Democracy and economic openness in an interconnected system: complex transformations, Cambridge, Cambridge University Press.
7. **Hoeller, Peter** / Joumard, Isabelle / Pisu, Mauro / Bloch, Debra (2012), "Less Income Inequality and More Growth – Are They Compatible? Part 1 Mapping Income Inequality Across the OECD", OECD Economics Department Working Papers, No. 924, OECD Publishing. <http://dx.doi.org/10.1787/5k9h297wxbnr-en>

### Руденко Л. В., Стешенко П. О. Соціально-економічна нерівність у сучасному суспільстві

Базуючись на актуальних даних, ця стаття показує, як розвиваються складові соціально-економічної нерівності у сучасному суспільстві. Посилаючись на дослідження Сильвії Валбі, Тіма Батлера, Пола Ватта, Куана Лі, Рафаеля Рувені, Блоссфельда, Пабло Бераменді, Крістофера Андерсена, Пітера Холлера та ін., ця робота розглядає нерівність як масовий феномен та феномен, що поширюється, а також більш конкретно висвітлює засоби його вимірювання та аспекти. В результаті знайдено шляхи удосконалення суспільства, в цілому, а також прогрес у сфері дослідження поданої проблеми.

*Ключові слова:* комплексна нерівність, нерівність доходів, соціальний клас, коефіцієнт Джині, відкритість економіки.

### Руденко Л. В., Стешенко П. А. Социально-экономическое неравенство в современном обществе

Основываясь на актуальных данных, данная статья показывает, как развиваются составляющие социально-экономического неравенства в современном обществе. Ссылаясь на исследования Сильвии Валби, Тима Батлера, Пола Ватта, Куана Ли, Рафаэля Рувени, Блоссфельда, Пабло Бераменди, Кристофера Андерсена, Питера Холлера и др., данная работа рассматривает неравенство как массовый и распространяющийся феномен, а также более конкретно освещает средства его измерения и аспекты. В заключение выявляются пути совершенствования общества в целом, а также прогресс в области исследования данной проблемы.

*Ключевые слова:* комплексное неравенство, неравенство доходов, социальный класс, коэффициент Джини, открытость экономики.

### Rudenko L. V., Steshenko P. O. Socio-economic Inequality in Modern Society

Based on up-to-date data, this paper wants to show how different patterns of social and economic inequality develop in modern society. Referring to the research by Sylvia Walby, Tim Butler and Paul Watt, Quan Li and Rafael Reuveny, Blossfeld et al., Pablo Beramendi and Christopher J. Anderson, Peter Hoeller, this paper considers inequality as a massive and extending phenomenon as well as describes more precisely income inequality measurement and aspects. Finally it determines the directions of society's improvement and describes a progress in this field of studying.

*Key words:* complex inequality, income inequality, social class, Gini index, economic openness.

Received by the editors: 09.10.2013  
and final form 04.12.2013