



# **Parental Income and the Dynamics of Health Inequality in Early Childhood –Evidence from the United Kingdom**

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Recent research documented that health inequality has its origins in early childhood, i.e. children from high-income families have better health than their peers from low-income families (e.g. Case, Lubotsky, Paxson 2002, AER). It has been shown for the United Kingdom that this inequality increases in the first years of life as children age. This article provides an analysis of the underlying forces of this growing inequality.

We make two specific contributions: we provide the first European panel estimates for the empirical framework developed by the previous literature and we present extensions to this framework which allow to take a closer look on the causal pathways of how income affects health. The hypothesis developed by the previous literature are guided by the insight that parental income operates through both channels it can reduce the prevalence for diseases and conditional on having a particular disease it affects how children cope with it. We analyze the relation between household income and both the prevalence and the consequences of adverse health conditions by following up newborns throughout early childhood. We then shed light on how parental income possibly cushions the adverse consequences of diseases. We hypothesize that parental income is related to the recovery process such that children from affluent families have better chances to recover in a given period. Moreover we investigate whether parental income prevents the arrival of additional diseases once a children suffers from an adverse condition.

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