

# Inequality of Opportunity and the Probability of Being Very Rich or Very Poor

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Empirical research into IOp typically models the effects of background characteristics (such as race, gender, parental social class) on average income. However, by focusing only on the means, this research misses one of the most visible forms of inequality { the relative frequency of extreme values. In this paper, we estimate some full-distributional regression models to study the links between background characteristics and the tails of income distribution, considering both household income and individual earnings. We use the data from the last release (2021) of Household, Income and Labour Dynamics in Australia (HILDA) Survey. Our sample is composed of more than 300,000 observations over a 20 years period. We use a wide range of circumstances (27) to estimate IOp including gender, parental background, ethnicity and birth order. We show that having a father of high socio-economic status produces small increases in average household income, but very large increases in the chance of belonging to the top 1%. Similarly, individuals from non-English speaking back-grounds are both more likely to be in poverty, and in the top percentile, than native English speakers. Since public attention is often focused on these extreme outcomes, our results may partially explain why mean-based IOp estimates are often lower than intuition would suggest.