



A Broken Social Elevator?

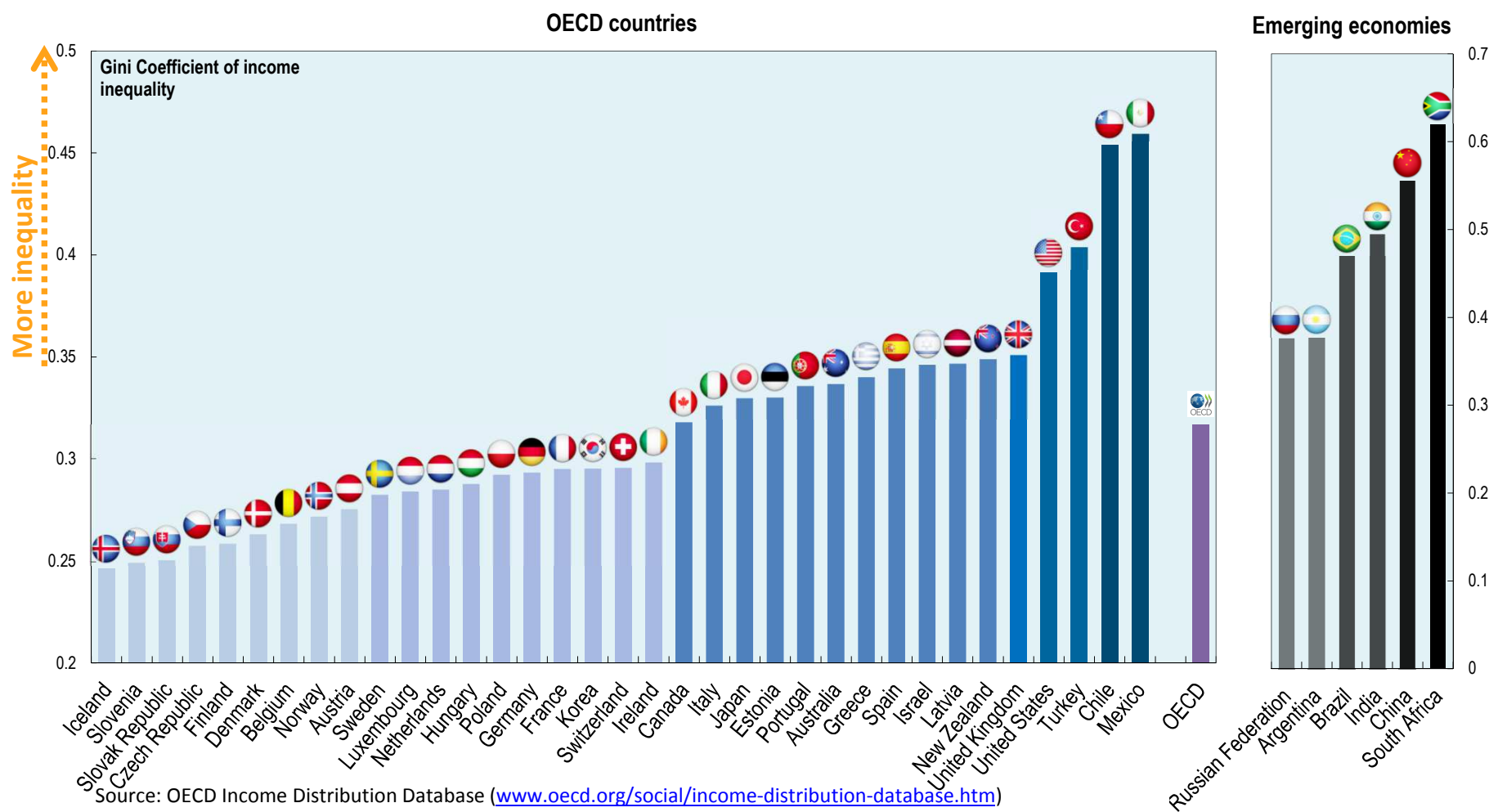
How to Promote Social Mobility



Céline THEVENOT, OECD
Jobs and Incomes Division



Large country differences in levels of income inequality

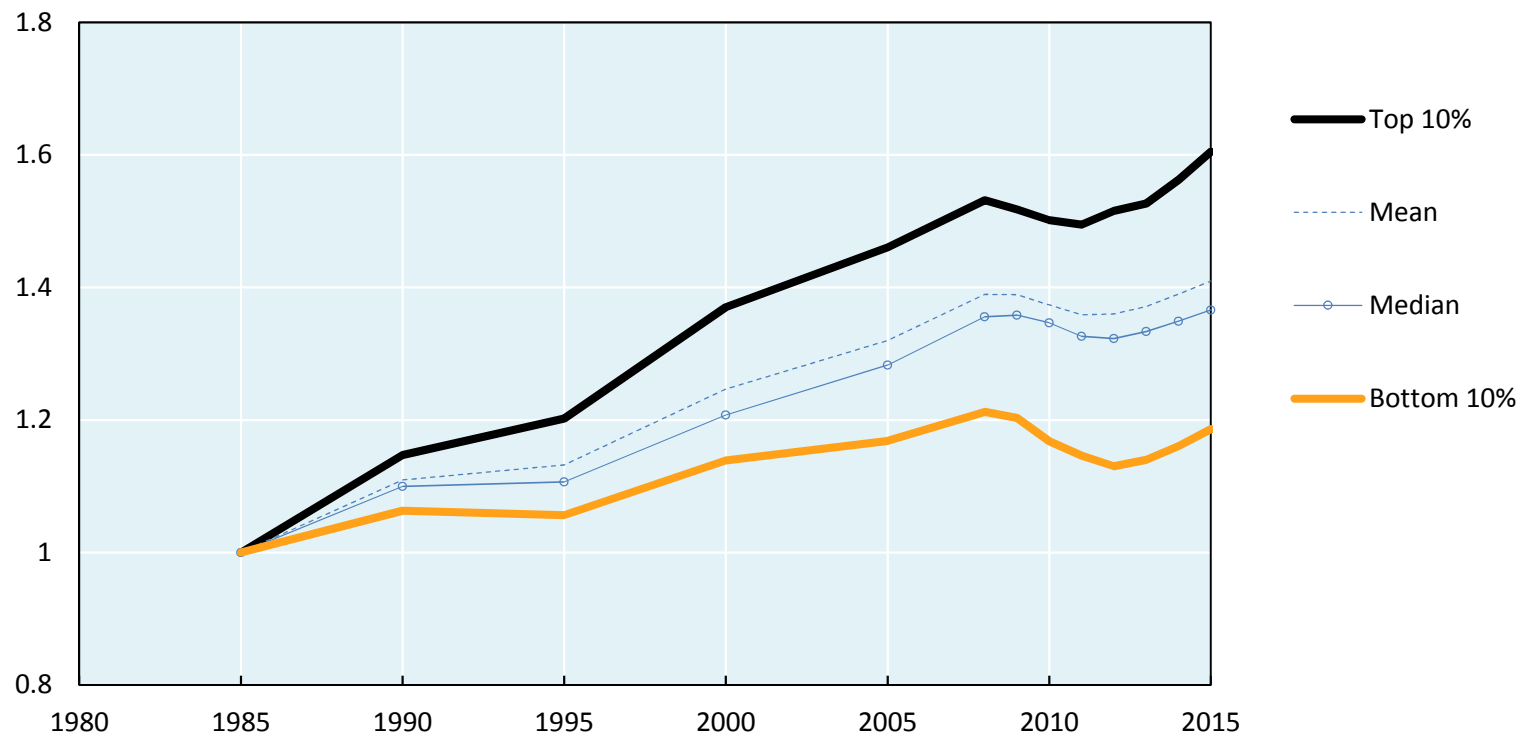




Income inequality has been rising



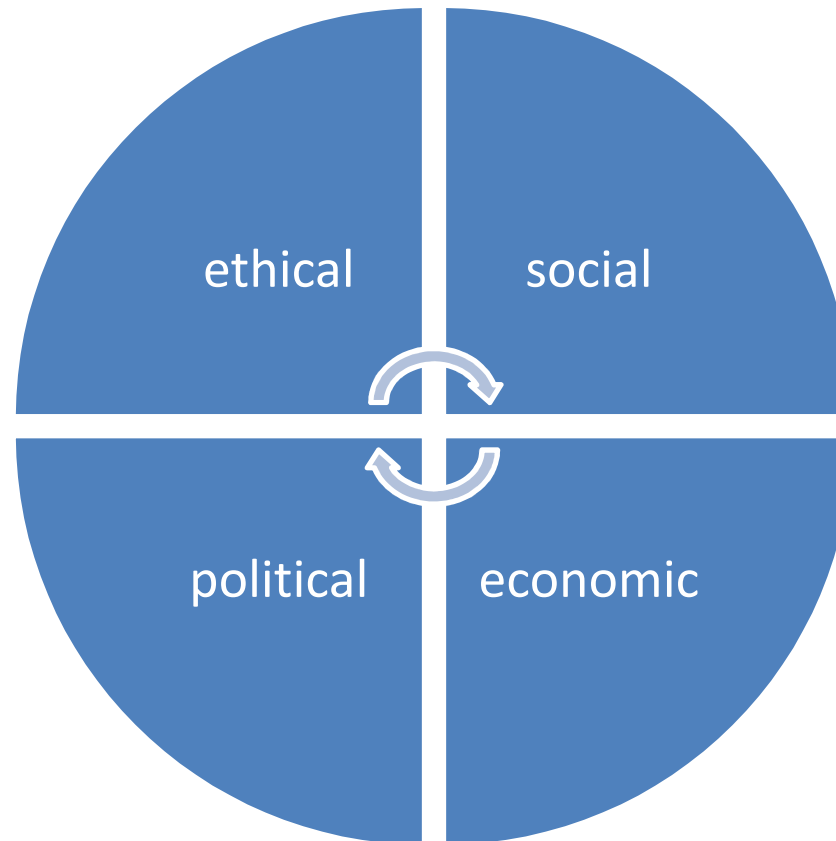
Trends in real household incomes 1985 = 1 OECD-17



Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm. Note: Income refers to real household disposable income. OECD-17 refers to the unweighted average of the 17 OECD countries for which data are available: Canada, Denmark, Finland, France, Germany, Greece, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Sweden, the United Kingdom and the United States. Some data points have been interpolated or use the value from the closest available year.



Consequences of inequality





Inequality and growth : links over three decades



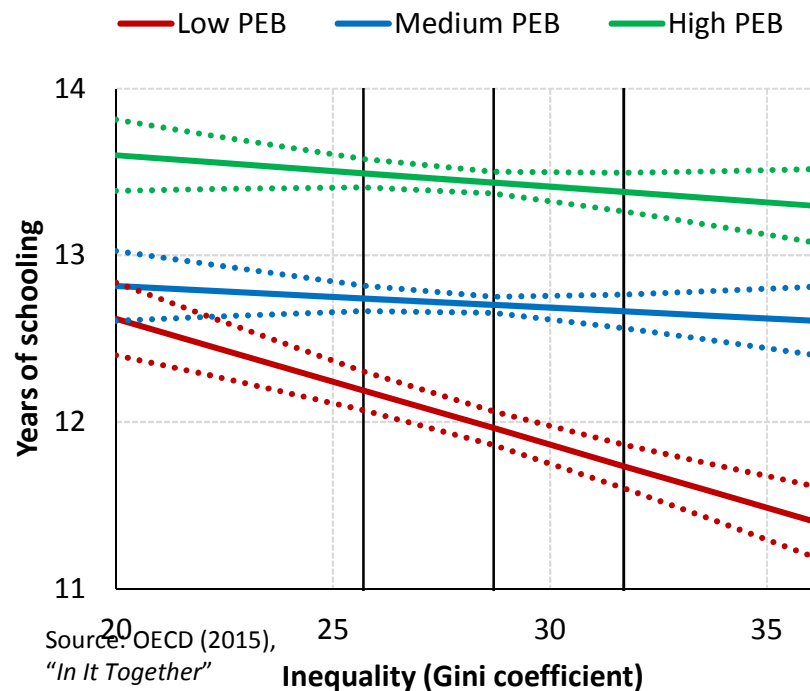
1. Higher income inequality **lowers** subsequent economic growth in the long-term
 - Increasing income inequality by 1 Gini point lowers the growth rate of GDP per capita by ~**0.12 %-points per year**
2. This is **driven** by disparities at the lower end of the distribution, incl. lower middle classes, not just the poor
3. **Redistribution** through taxes and transfers does *not* necessarily lead to bad growth outcomes



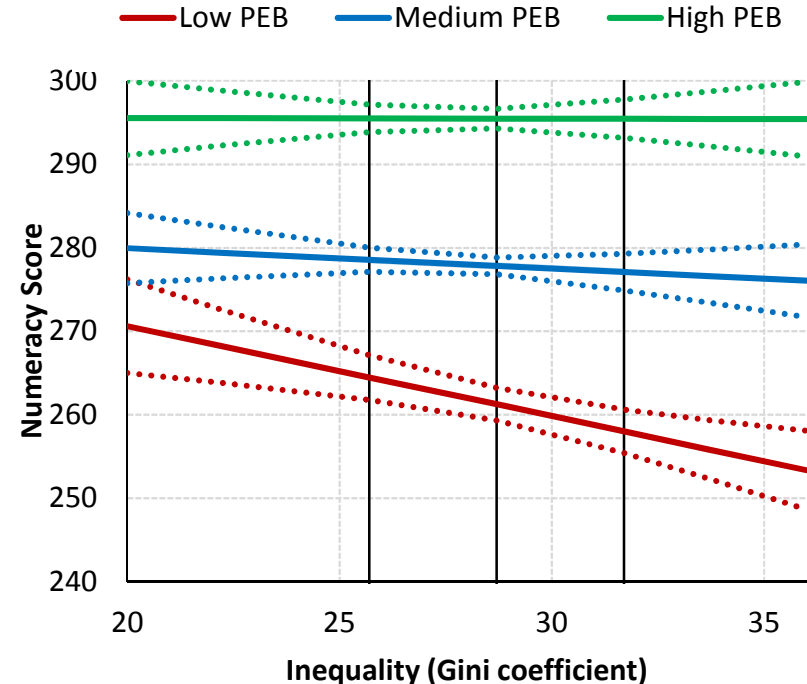
Higher inequality hinders skills investment by the lower middle class and lowers social mobility



Average years of schooling by parental educational background (PEB) and inequality



Average numeracy score by parental educational background (PEB) and inequality



Increasing inequality by ~5-6 Gini pts. (the current differential between Denmark and Germany) means less average schooling of low PEB individuals by ~half a year

Note: Low PEB: neither parent has attained upper secondary education; Medium PEB: at least one parent has attained secondary and post-secondary, non-tertiary education; High PEB: at least one parent has attained tertiary education. The bars indicate 95% confidence intervals.



Sticky floors and sticky ceilings in education

Likelihood of educational attainment by parental education background, OECD average

Lower secondary or less Upper secondary & post-secondary, non-tertiary
Tertiary - bachelor and professional degree Tertiary - Master/Research degree

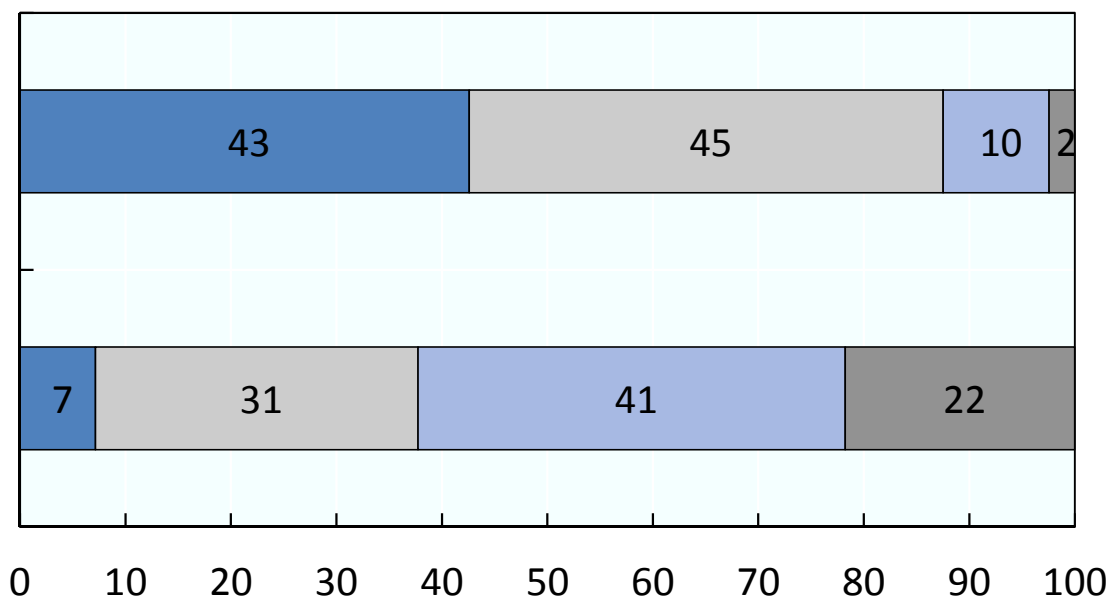


Neither parent has attained upper secondary



At least one parent has attained tertiary

%

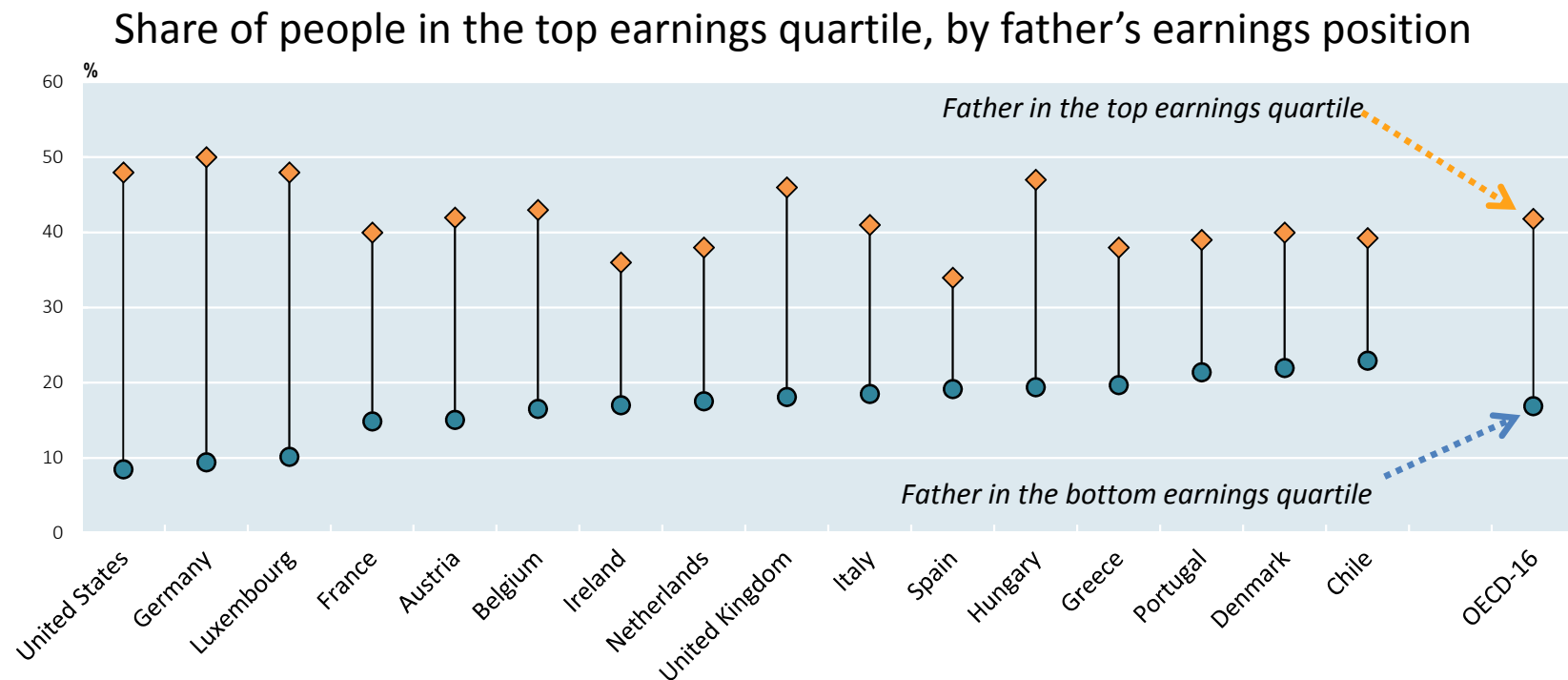




Sticky floors at the bottom, sticky ceilings at the top



Children from disadvantaged families struggle to move up the ladder

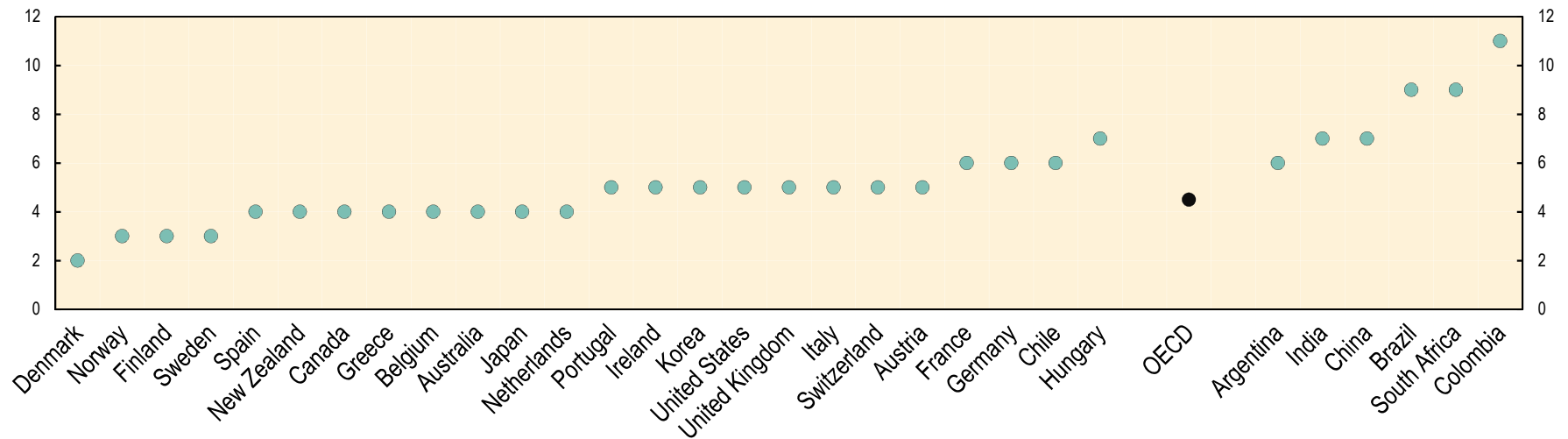




It would take 5 generations for the descendants of a low-income family to reach the average income



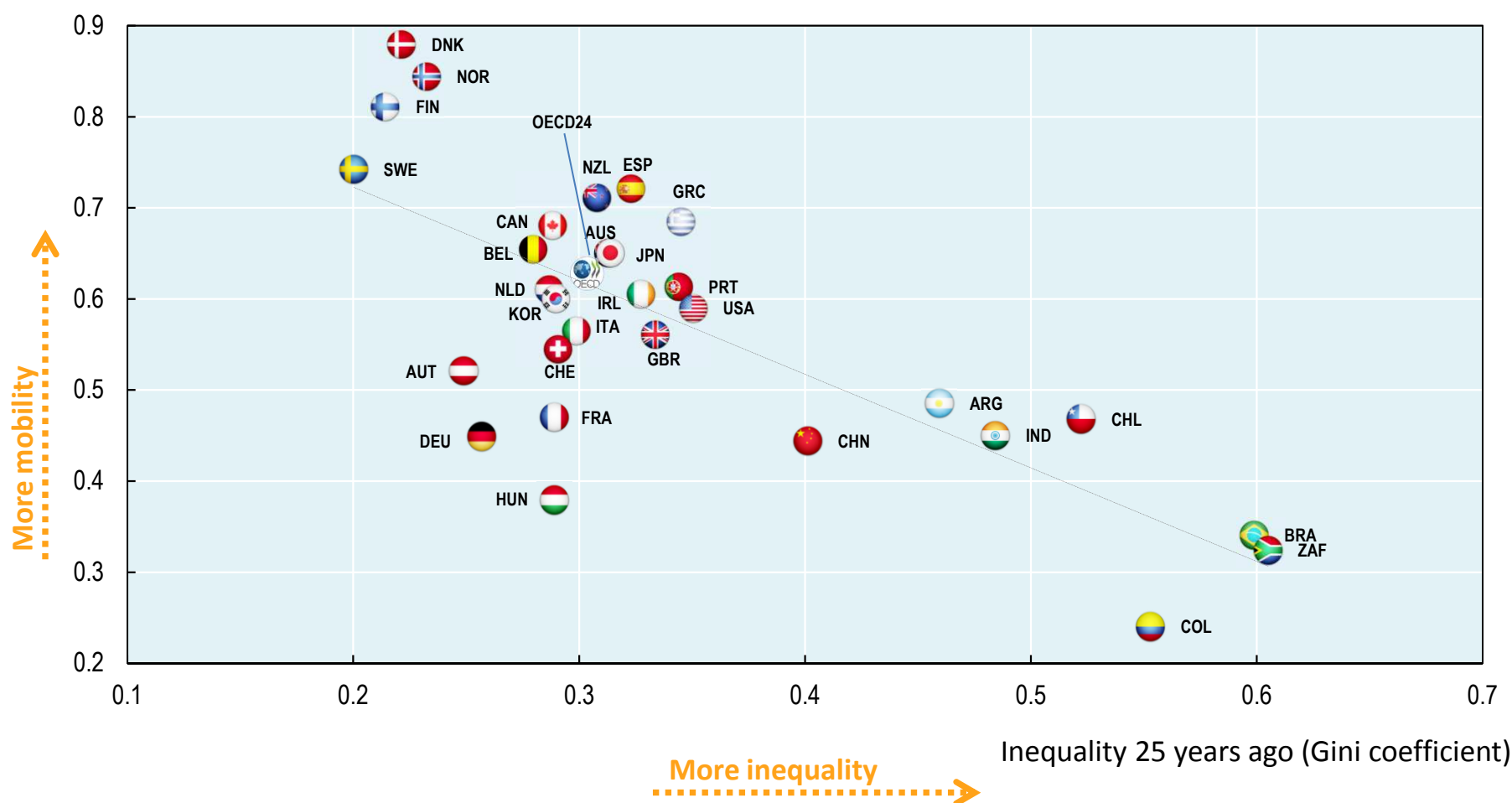
Number of generations it would take for descendants of families in the bottom 10% to reach the mean income in society





More inequality does *not* mean more social mobility

Earnings mobility across generations today

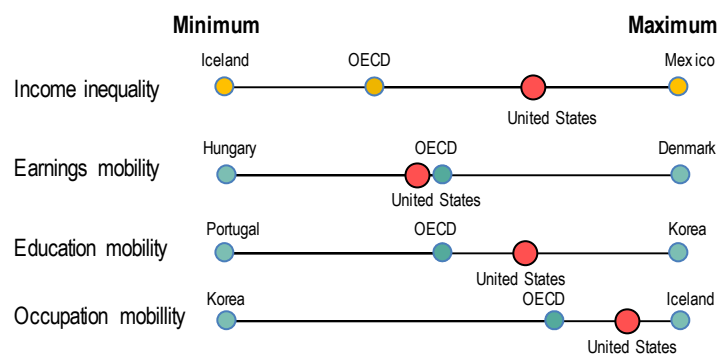




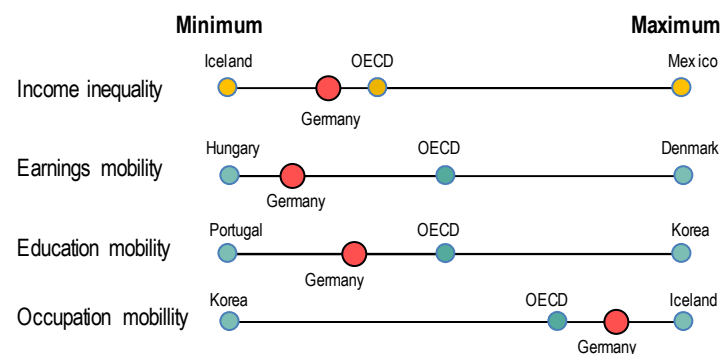
Mobility patterns across generations, by country and dimension



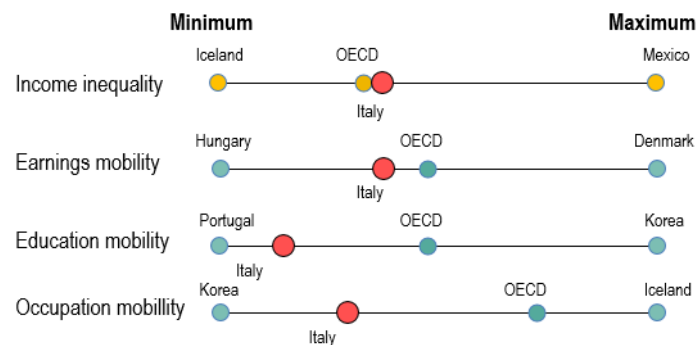
United States



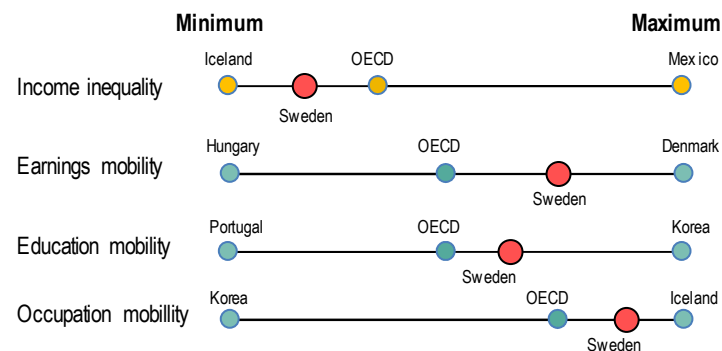
Germany



Italy



Sweden

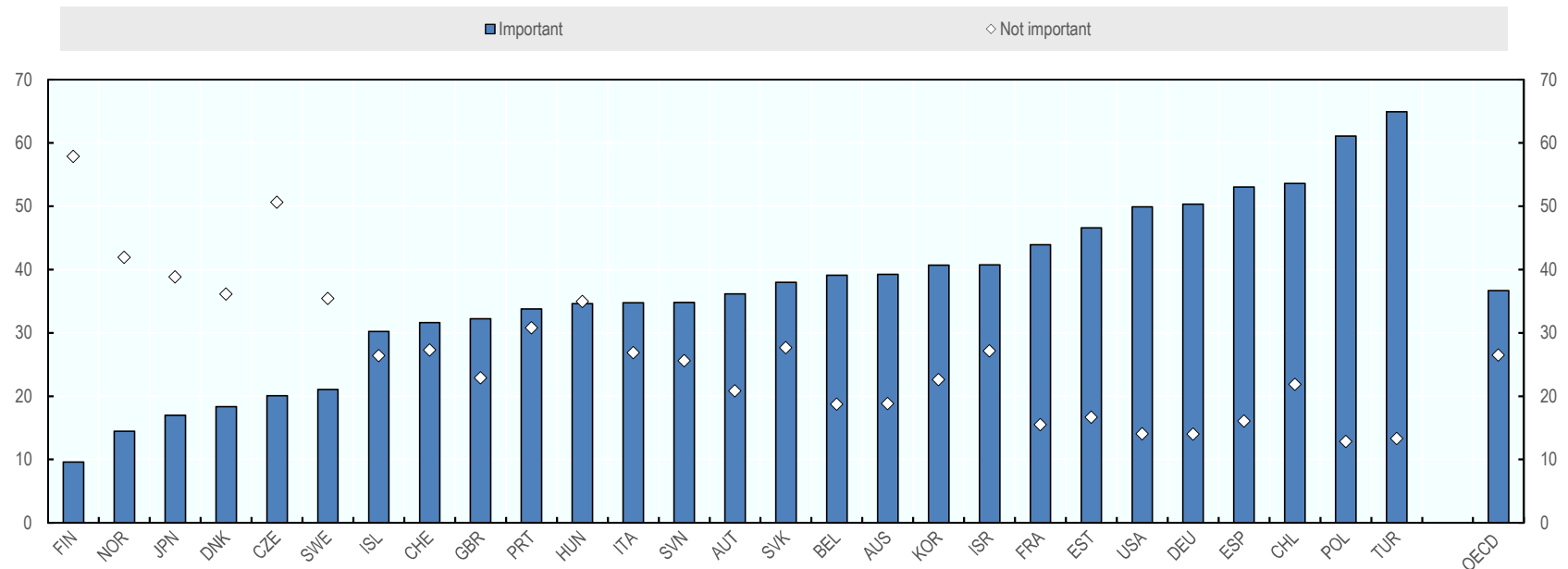




Many people perceive social mobility to be low



Share of people who believe it is (not) important to have well-educated parents to get ahead in life



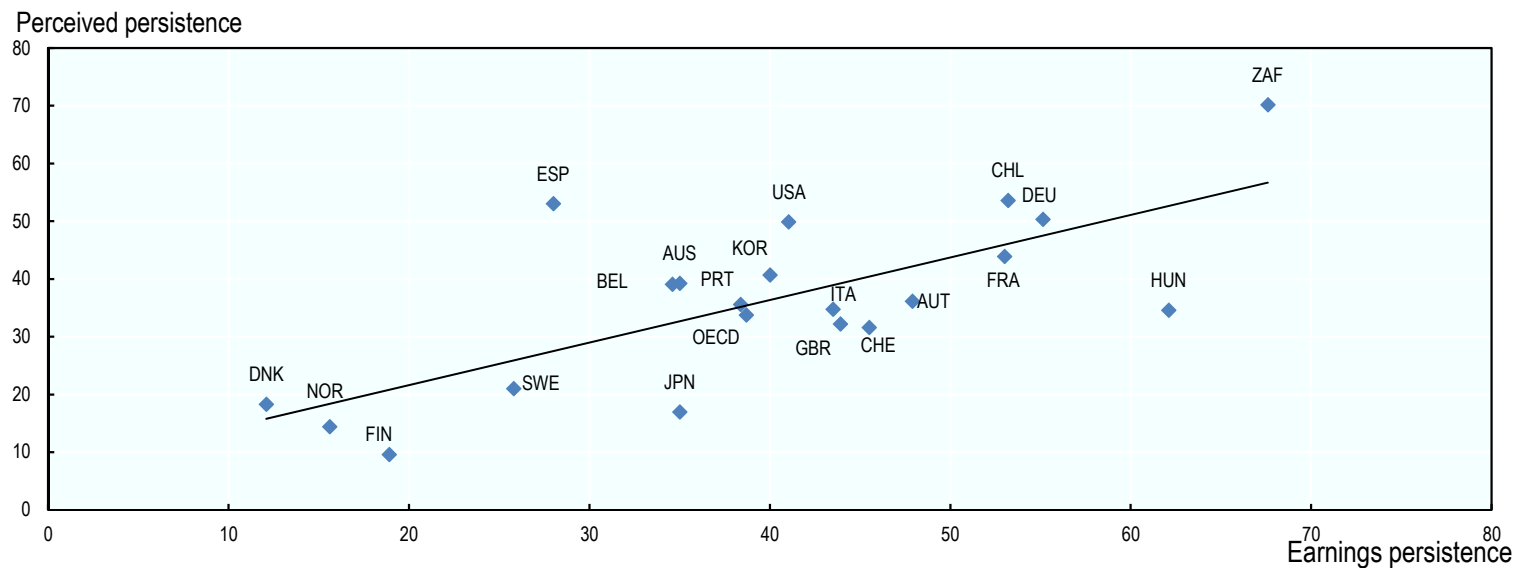
Source: OECD calculations based on the International Social Survey Program (ISSP)



Perceptions about mobility tend to square with reality



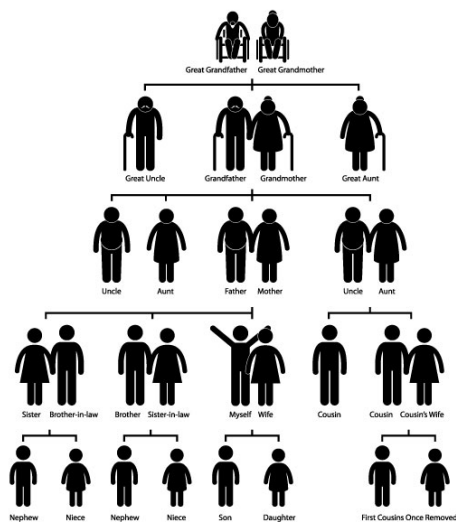
Perceived and actual persistence of earnings over one generation



Note: Perceived persistence corresponds to the share of people who believe that it is important to have well-educated parents to get ahead. Earnings persistence corresponds to the elasticity of earnings between fathers and sons. The higher the elasticity, the lower is intergenerational mobility. Perception data refer to 2009. Earnings persistence data refer to earnings of sons in the early 2010s with regard to fathers' earnings. Source: OECD calculations based on the International Social Survey Program (ISSP) and Chapter 4 of "Broken Social Elevator"



Mobility over the life course



labour markets



family events



health



policies

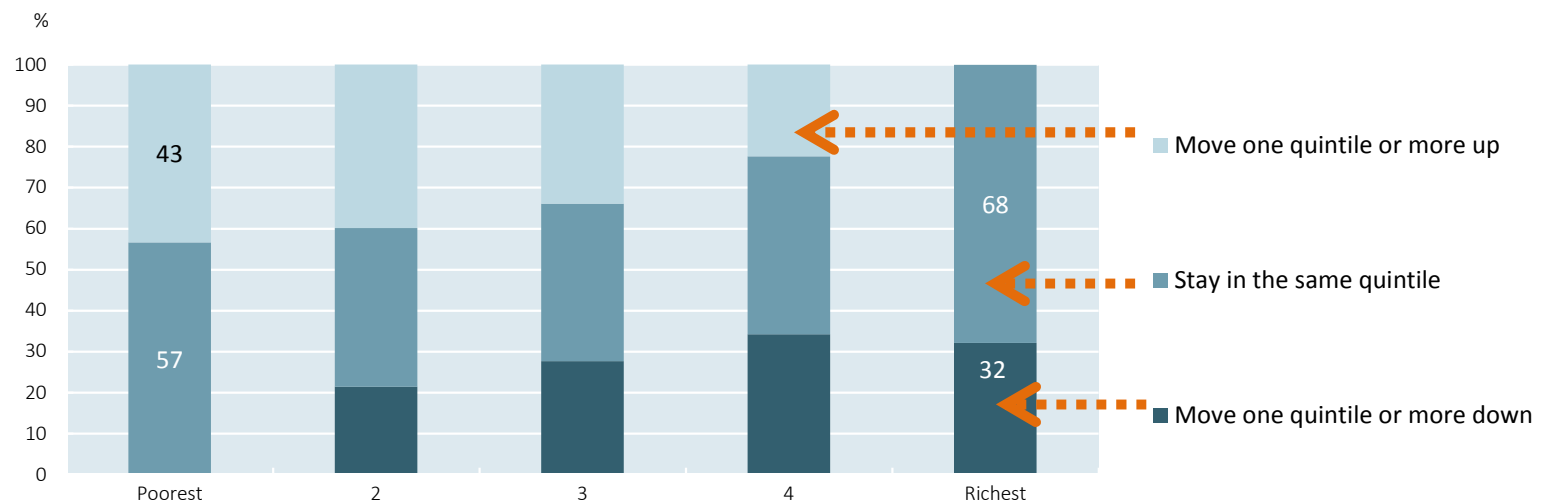




Mobility over the life course

- Most people at the top and bottom do not change their position in the income distribution over a 4-year period

Share of individuals moving up, moving down, or staying in the same income quintile, disposable income, 4 years, early 2010s or latest

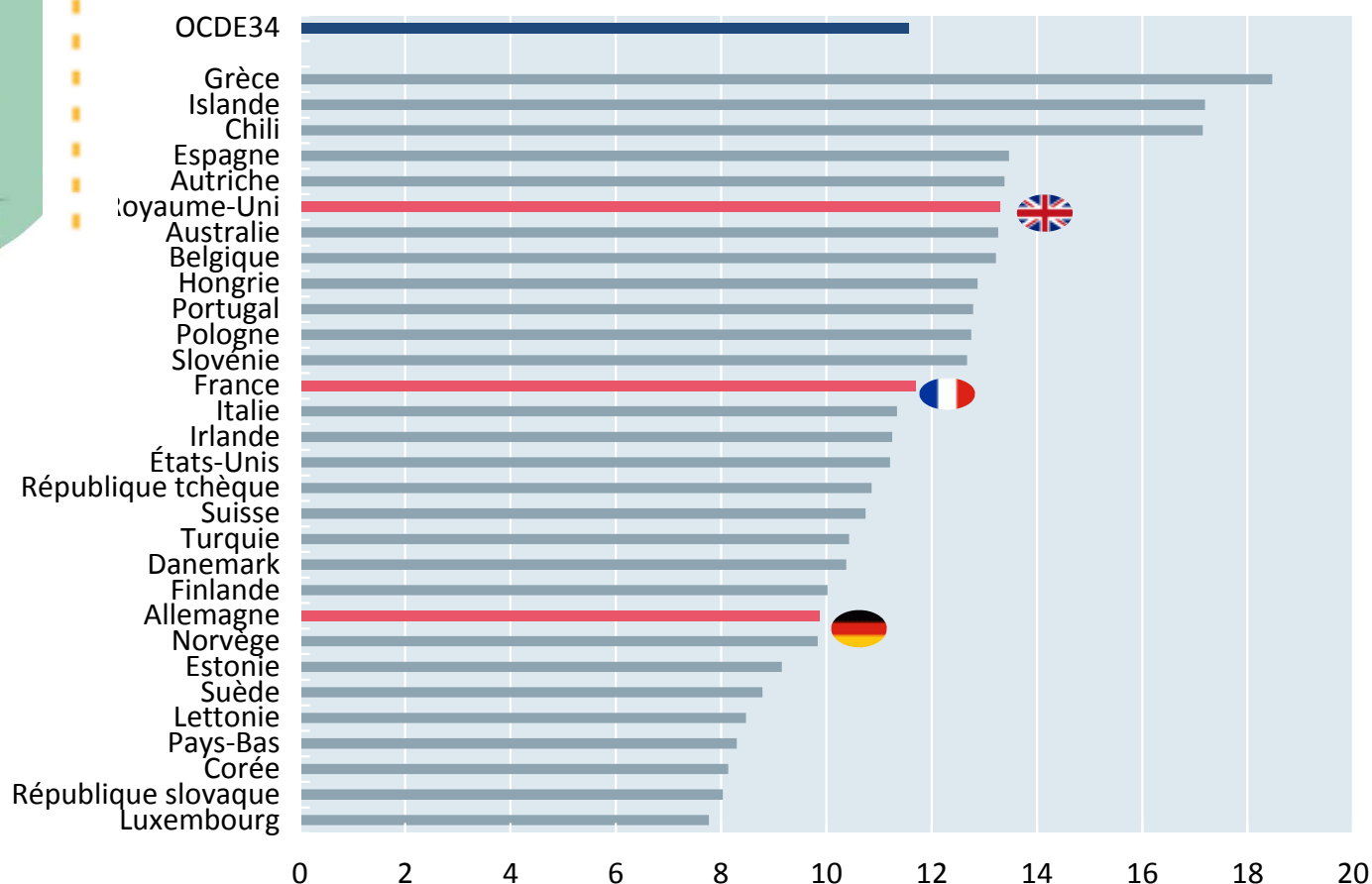




1 in 7 middle class individual likely to fall down within 4 years



Risk for middle income households to slide down to the bottom, 4 years, 2010-2014 or closest



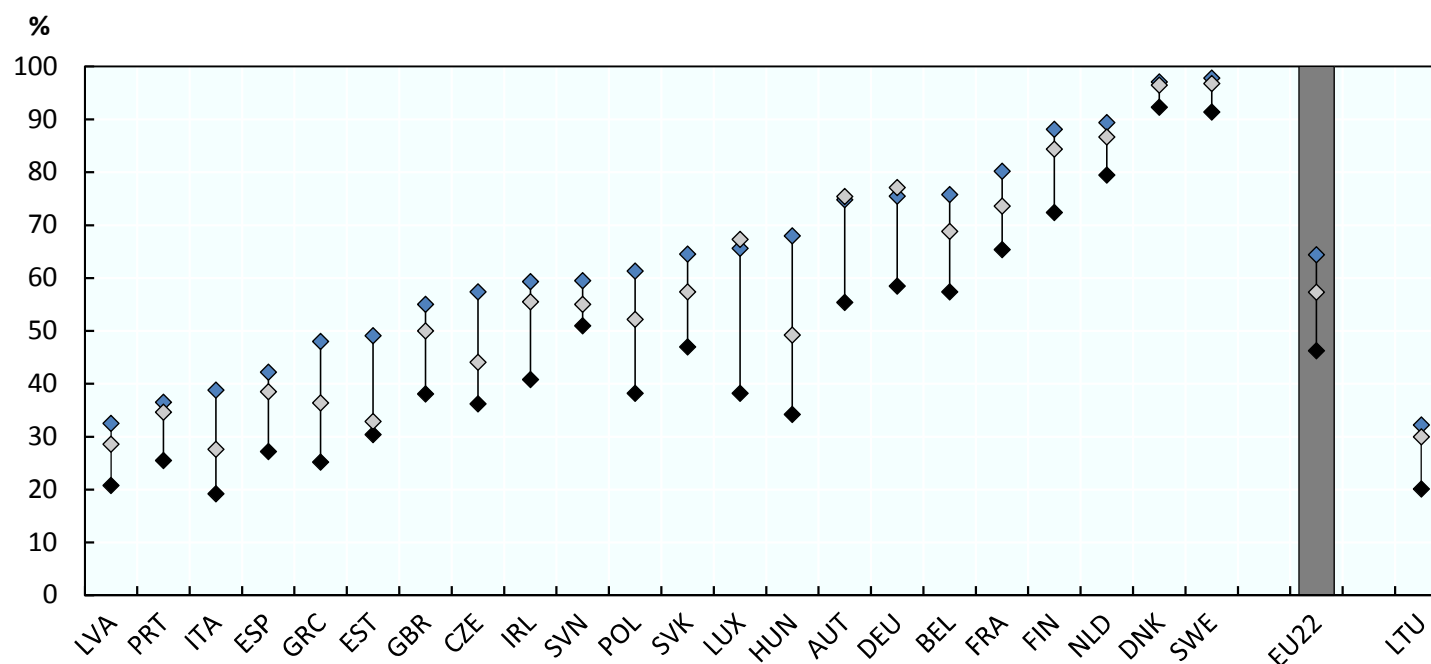


Consequences of downward mobility over the life course



People with a deteriorating economic situation over the past 5 years are less likely to feel that their voice counts at country level

◆ Economic situation improved (↗) ◆ Economic situation got worse ◆ Economic situation stayed about the same



Note: Control variables include age, household composition, overall feeling about life, political interest index.

Source: OECD calculations based on Eurobarometer 86, Nov. 2014.



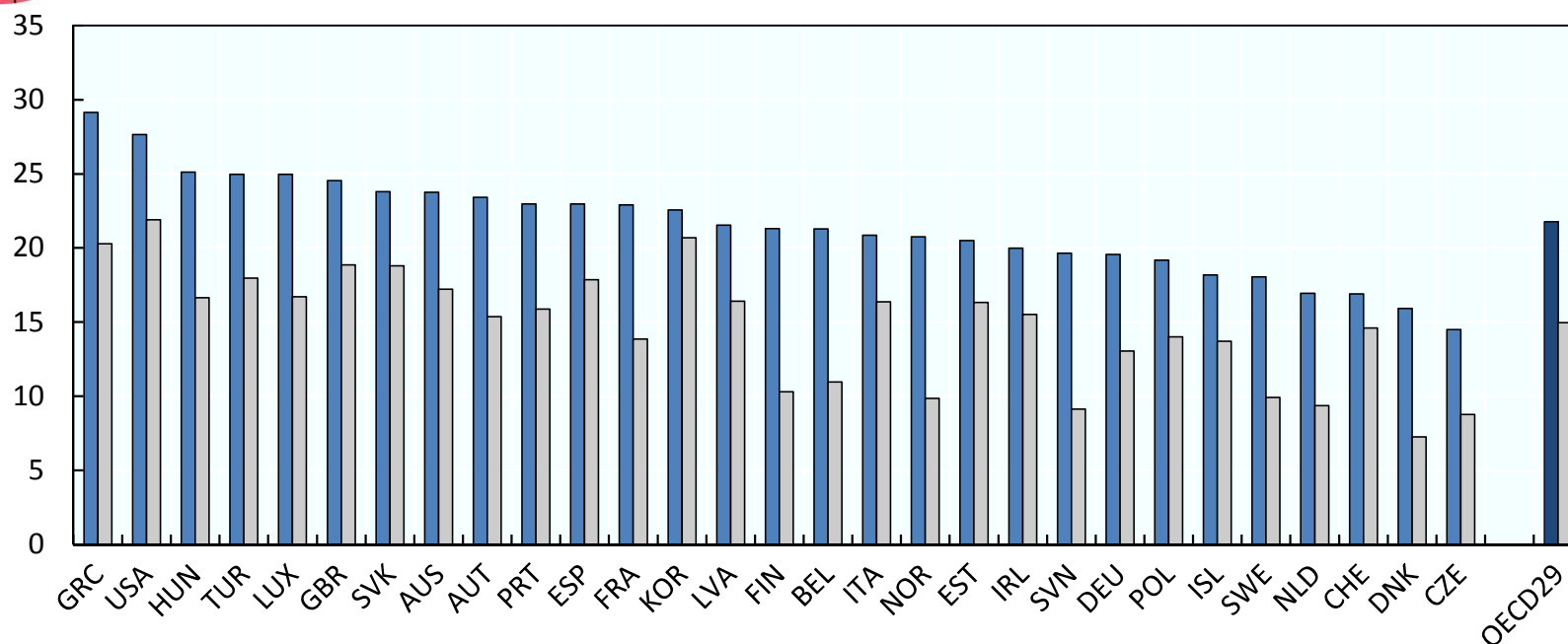
Large market income losses are smoothed to a different extent



Share of people with large income losses

■ Loss of 20% or more of market income (↘)

■ Loss of 20% or more of disposable income



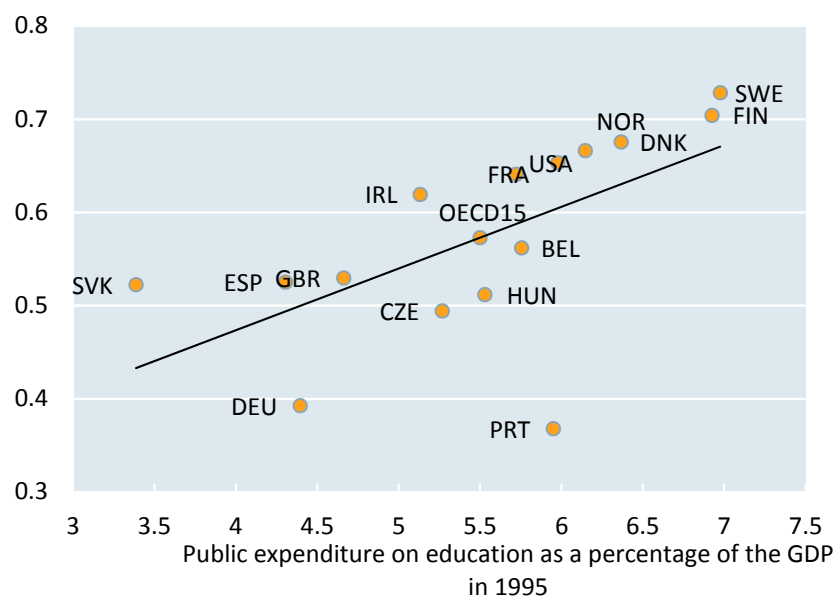


Public policies can make societies more mobile



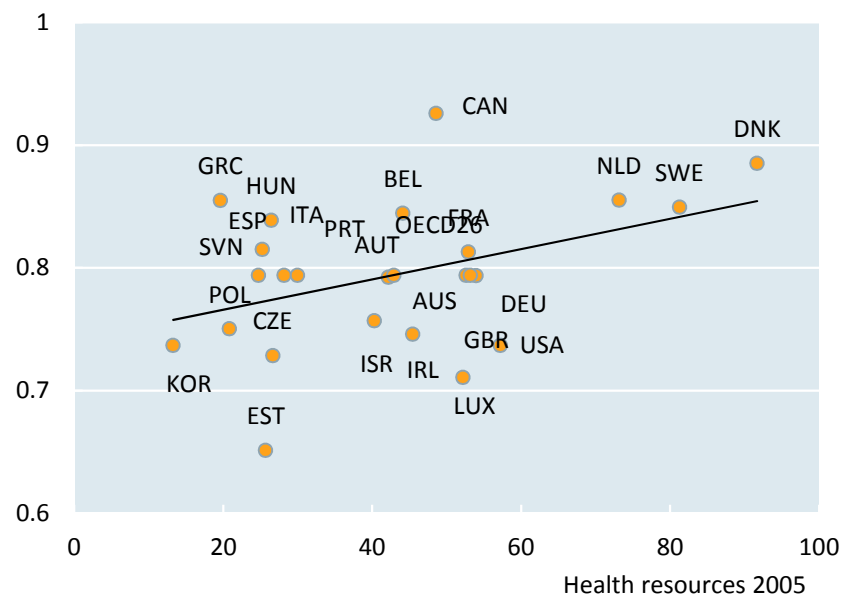
Countries that in the past spent more on public education tend to have higher educational mobility

Intergenerational educational mobility



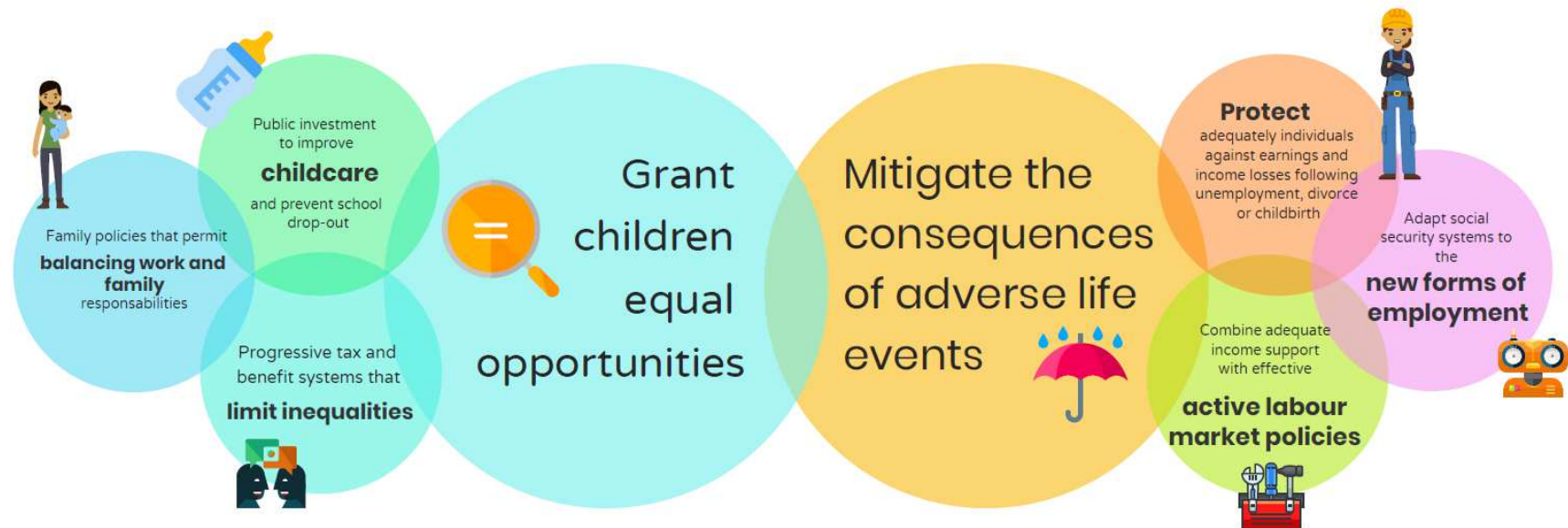
Countries that devoted more resources to health tend to have higher health mobility

Health status mobility





Policies can make our societies more mobile



What the OECD offers

**INCLUSIVE
GROWTH**

OECD JOBS STRATEGY

Thank you for your attention



Contact

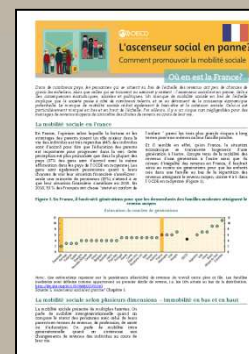
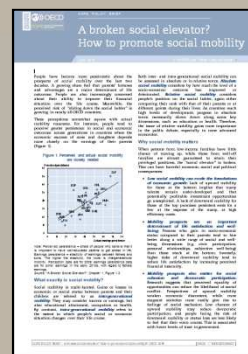
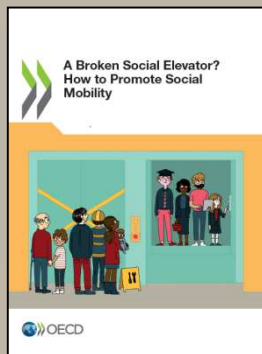
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Men and women have different prospects for social mobility



- Mobility of **educational** attainments between mothers and daughters tends to be *lower* than the mobility between fathers and sons, in particular in southern Europe and the emerging economies.
- **Occupational** mobility is also lower for women than for men, meaning that parents influence their daughters' social positions more than their sons'.
- At the same time, intergenerational **earnings** mobility for daughters tends to be more similar to that for sons, especially when considering incomes rather than individual earnings.