

Chapter 1. Overview

This introductory chapter gives an overview of the entire report drawing on the analyses carried out in the five subsequent chapters. It documents that a growing share of people is concerned about falling prospects of social mobility in their society. The report provides an in-depth review of social mobility between generations along the key dimensions of income, occupation, education and health. It also looks at patterns, driving forces and trends in income mobility over the life course. The report identifies low levels of mobility for those at the bottom as well as for those at the top of the distribution – “sticky floors” and “sticky ceilings”. It discusses the implications of low social mobility and how policies can promote equal opportunities for all and secure sustainable income trajectories for individuals and households.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

Today's inequalities in economic and social outcomes shape access to opportunities in education, health and labour market, thereby affecting the potential for social mobility. This is one of the lessons learnt from the results of the OECD (2015a) report *In It Together – Why Less Inequality Benefits All*. While there is no general consensus across countries on the desirable level of inequality of *outcomes*, for example by redistributing income or wealth, there is widespread agreement on the need to promote equality of *opportunities* – i.e. that all should have the same life chances, regardless of their initial conditions.

This report analyses the main device linking inequality of outcomes with access to opportunity: social mobility within and across generations. The report shows that high and/or increasing levels of inequality of outcomes, as observed in many OECD and emerging economies, tend to be an obstacle to income and social mobility. In this context, it is not surprising that there is a growing perception in opinion surveys that societies and economies have become less mobile and this is fuelling growing dissatisfaction with the economic system and hindering social cohesion and political enchantment.

The report provides an extensive account of social mobility within and across generations in OECD and emerging economies. It also reviews policies to foster more socially mobile societies. Identifying and promoting such policies is a central aspect of OECD's Inclusive Growth initiative which is a broader strategy to achieve growth that creates opportunities for all and distributes the dividends of prosperity fairly. The main challenge is to ensure opportunities for upward mobility for talented people at the bottom, while at the same time preventing the top end from pre-empting advancement. Much can also be done to promote mobility over the life course, in particular by protecting against the effects of unforeseen personal events or temporary shocks while at the same time providing targeted interventions to help disadvantaged groups.

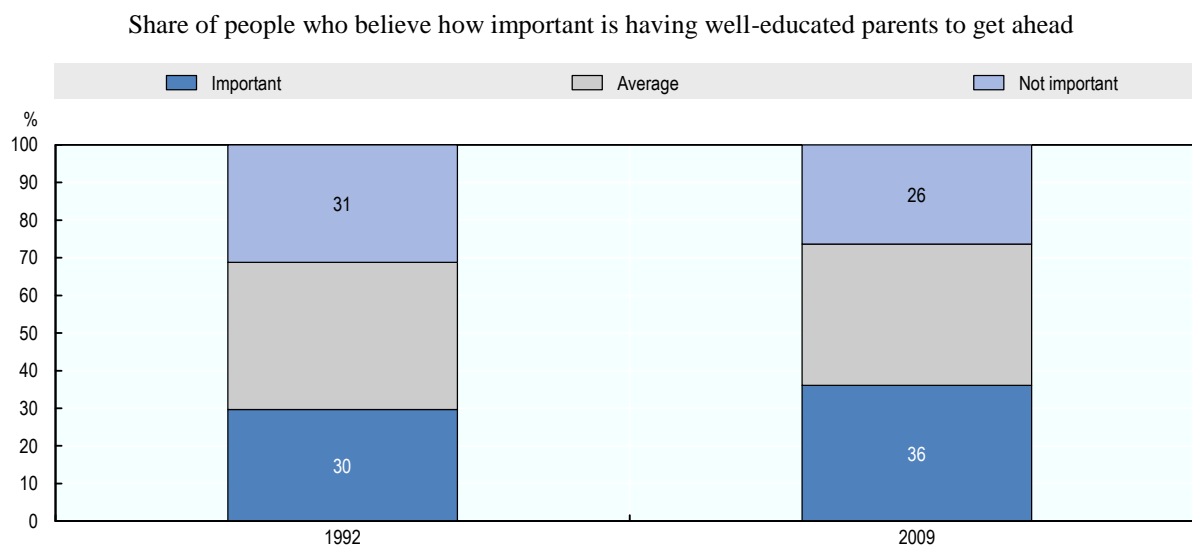
1.1. Social mobility: Why policy makers should care

1.1.1. Perceptions on social mobility

In a number of countries, there is a growing perception that social mobility has declined. Perceptions and expectations about mobility are influenced by a range of country and individual circumstances, but these perceptions matter in themselves, as they have economic, social but also political consequences.

When people are asked about their job and compare it with the status or prestige of their father's job when they were 16, the share of those who find that their father had a better job that they do increased in the past two decades, from 16% to 21% on average across OECD countries. Perceptions of falling down the ladder – downward mobility – is becoming a greater risk in almost all OECD countries. At the same time, perceptions about climbing up the jobs ladder – upward mobility – tend to diverge across countries: it is up in some countries (e.g. the Nordic countries) but down in others (e.g. Australia or the United States).

The decline in perceived mobility is also associated with a perceived decline in meritocracy: a growing number of people think that parents' fortune and advantages play a major factor in people's lives. While the majority of people see that "having a good education oneself" and "hard work" are either essential or very important, 36% of people believe that having well-educated parents is essential or very important to get ahead – up from 31% in 1992 (Figure 1.1). More than half of the respondents believe that good parental education is crucial to get ahead in Chile, Germany, Poland and Spain, but only 20% or less in Nordic countries and Japan.

Figure 1.1. More people think it needs well-educated parents to get ahead than two decades ago

Note: Calculations have been done for the same set of countries available in all three years: Both in 1992 and 2009: Australia, Austria, Canada, Germany, Czech Republic and Slovak Republic (Czechoslovakia in 1992), Hungary, Italy, Norway, Poland, Slovenia, Sweden, United Kingdom and United States.

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

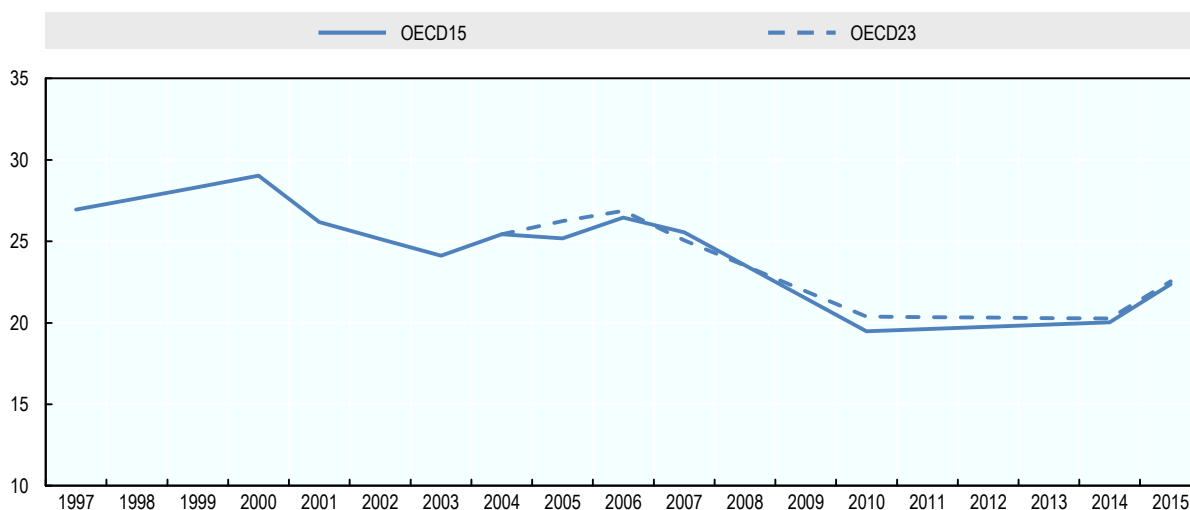
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There is also growing pessimism about the chances of own upward income prospects and improving the own financial situation over the short-term and over the life course. Importantly, this trend appeared well before the global financial crisis (Figure 1.2). During the early 2000s, expectations of financial improvement decreased in a large majority of European OECD countries for which data are available, and especially in southern and northern Europe, and this trend then was reinforced during the recent crisis. Some slight optimism about the own financial situation occurred only in 2015 but the share of those expecting financial improvement is still well below the levels of the 1990s.

These perceived barriers to social mobility do somewhat square with actual measures of mobility, notably when considering earnings or educational achievements across generations (Figure 1.3). For instance, countries where people are more pessimistic about mobility prospects are often those where parental situations in terms of education or income determine more strongly the situation of sons and daughters. Examples among European countries are France and Germany and, among non-European countries, Chile and South Africa. At the other side of the spectrum, in the Nordic countries and, to a lesser extent, Japan the perception of a more fluid society is matched by greater actual earnings mobility between fathers and sons.

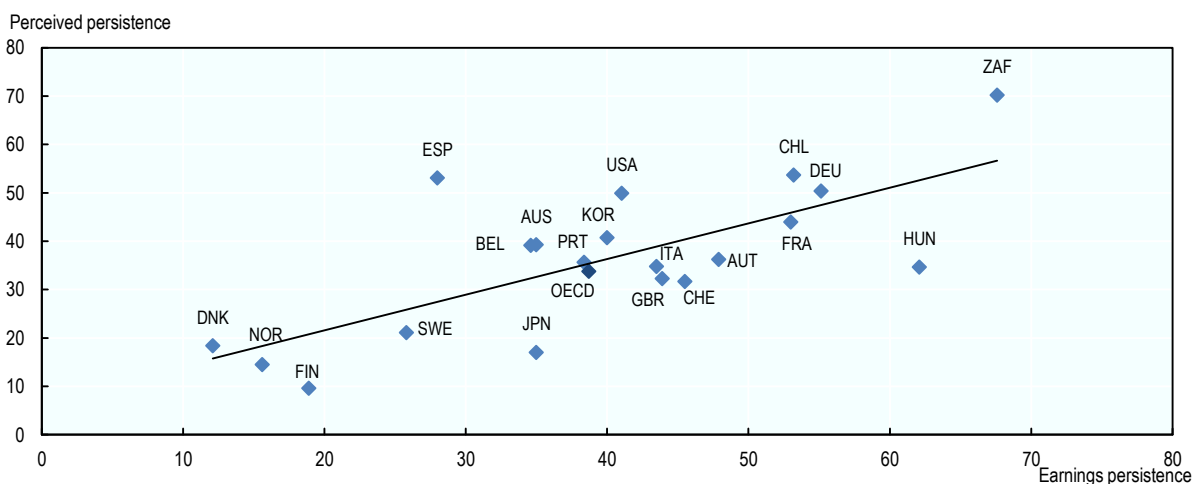
Figure 1.2. Fewer and fewer people are expecting their incomes to rise in the short term

Share of individuals expecting improvement of the financial situation of their household for the next twelve months



Source: OECD calculations based on the Eurobarometer survey. OECD15 refers to the unweighted average among Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. OECD23 is the average among these 15 countries as well as Czech Republic, Estonia, Hungary, Latvia, Poland, Slovakia, Slovenia and Turkey.

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Figure 1.3. Perceived and actual mobility 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 International Social Survey Program (ISSP), and Chapter 4.

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1.1.2. The lack of social mobility can have important consequences

First and foremost, lack of social mobility can hurt the foundations of economic growth. Lack of upward mobility at the bottom of the income distribution means that many potential talents are missed out on or remain under-developed. It also means that many investment opportunities and potential businesses will never see the light. Poor people may not take advantage of investment opportunities because of borrowing or liquidity constraints, a lack of information about investment opportunities, or insufficient availability of family resources to insure against possible downside risks of the investment. This undermines productivity and potential economic growth at the national level.¹ At the opposite end, lack of mobility at the top may translate into persistent rents for a few at the expense of the many, due to unequal access to educational or economic opportunities. Success for those at the top and for their children should not be achieved at the expense of others: opportunity hoarding is bad for the society and incurs high efficiency costs.

Second, there is evidence suggesting that prospects of upward mobility have a positive influence on life satisfaction and well-being. In the United Kingdom for example, it has been shown that individuals who have achieved long-range upward mobility compared to their parents tend to fare better than those who remained stuck in the working class on a wide range of dimensions (participation in civic associations, contact with parents, close personal relationships, social support, subjective well-being). Inversely, high risks of downward mobility and loss of social status tend to reduce life satisfaction and undermine social cohesion.² In fact, much of the effect of social mobility on happiness is due to changes in the perception of financial security, which affects subjective well-being through pathways such as stress (and the related unhealthy behaviours); prosperity concerns (with people's expectations on future outcomes influencing the current behaviours); and identity (through comparison with a reference group). Besides, at least over shorter time periods, upward and downward mobility may not have symmetrical impacts: – “one dollar lost matters more than one dollar gained”: downward mobility tends to affect negatively well-being and mental health outcomes more durably than upward mobility.³

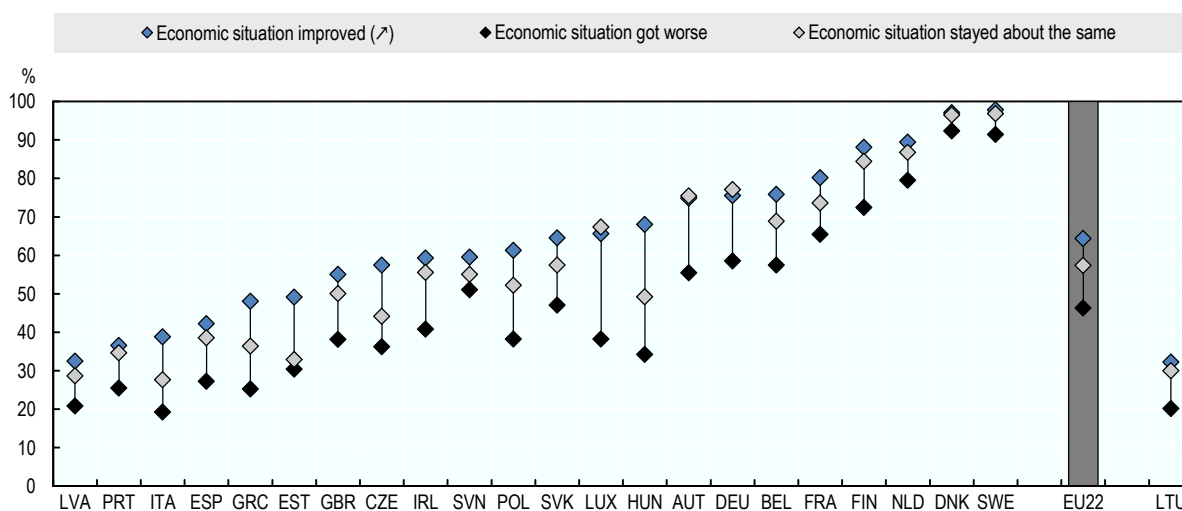
Third, in addition to dampening well-being, a “broken social elevator” can have serious societal and political consequences. For one thing, perceived equal opportunities can reduce the probability of social conflicts. Higher rates of class movement are thought to weaken economic discontent and class struggle, even among those who are not mobile themselves. In contrast, stagnant societies do not offer much hope for change, and tend to create feelings of exclusion among disadvantaged groups. This fosters strong group identities and a division against those who are better-off.⁴ In the context of emerging economies, this is one of the reasons why the OECD inclusive growth framework (OECD, 2015b) includes social mobility as one of its essential pillars because a cohesive society offers opportunities for upward mobility to all its members and does not divide people based on socio-economic or other factors.

Besides, high risks of downward mobility and loss of social status also tend to reduce people's feeling that their voice counts, particularly among middle- and lower-income people. There is evidence that social mobility directly influences the feeling that one's voice counts at the country level (Figure 1.4): individuals perceiving that their financial situation or job situation has worsened are also less likely to feel that their voice counts at the country level, all other things being equal (including economic resources, age, overall implication in politics and income level). The feeling that one's voice counts is itself positively associated with trust in government. This suggests that social mobility can have an impact, at least indirectly, on trust and social cohesion.

In addition, low chances of upward mobility may reduce democratic participation. Voter turnout among the upwardly mobile is higher compared to their group of origin, and lower compared to their group of destination. The opposite holds for the downwardly mobile individuals. This can be directly related to the fact that mobility influences people's feeling that their voice counts. Low upward mobility may also strengthen political extremisms or populism. Indeed, low mobility prospects reduce people's endorsement of the political system as fair and meritocratic,⁵ and people's vote is in part determined by their assessment of their prospects for social mobility relative to the rest of the society.⁶ As a result, downward mobility – or more specifically its perception – and loss of social status are associated with a stronger attraction to extreme or radical voting behaviour, especially when trust in political institutions is weak.

Figure 1.4. People with a deteriorating economic situation over the past five years are less likely to feel that their voice counts at country level

Share of respondent agreeing that their voice counts at national level by overall assessment of their economic situation over the past five years (improved, stayed the same or is worse), everything else being equal



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

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

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1.2. How does social mobility work? Concepts and measurement

1.2.1. Own mobility over the life course vs. mobility of children compared to parents

Social mobility is a multi-faceted concept. For one thing, it can be understood as mobility between parents and children or grand-children – the so-called *inter-generational* mobility. Alternatively, the concept can encompass only personal life course perspectives – this is *intra-generational* mobility. Inter-generational mobility looks at the individual status in terms of earnings and income, but also occupation, health or education, compared with that of one's parents. Intra-generational mobility describes how individuals' incomes and income positions change over life time.

This report covers both aspects, although for many people the big picture across generations counts probably more than what happens over shorter time periods. Indeed, when assessing their chances of mobility people tend to compare how they live at present times with how they grew up and how their parents lived.

1.2.2. Absolute vs. relative mobility

Besides, the large majority of people understand mobility as *upward* mobility much more than *downward* mobility. But in practice high mobility rates can reflect as much upward opportunities as downward risks. As a matter of fact, there has been substantial upward mobility in most OECD and emerging economies – in *absolute* terms. That is, in many countries we live better than our parents did: we benefit from higher income levels, we often did better studies than them, we live in better houses and own better appliances, we enjoy better quality services, etc. As economic and social outcomes progress, most people benefit to varying degrees from such improved living conditions, and absolute mobility goes upward. This can potentially keep on for a long time when considering only income, thanks to continuous productivity gains, even though productivity growth has slowed considerably in the OECD area over the past decade. But for other important dimensions of mobility there is less scope for further major improvements in advanced economies: not everybody can or want to hold a PhD and health cannot improve indefinitely. In this respect, the emerging economies certainly have more margins for improvements in absolute mobility.

Take absolute upward mobility in education as an example: 42% of today's 55-64 year-olds have a higher educational status than their parents. This fell to some 34% on average for the 25-34 years-olds. There is a crowding-out effect here: as more people are now higher-educated, their children have larger chances to remain so, decreasing absolute upward mobility in education.

As countries thus reach higher levels of development, progress necessarily slows down in some key dimension of absolute mobility. Therefore, the issue of *relative* mobility gains more and more importance in the public debate, especially in the more advanced economies: to what extent am I susceptible to reach a better – or worse – *position* in the distribution of income as well as education, occupation or health than that of my peers? To take education as an example again, relative mobility looks at whether adults who rank high or low in terms of education also had parents who ranked high or low.

So, in a nutshell, *absolute* mobility indicates by how much living standards have increased/decreased, or the extent to which people do better/worse than their parents, in terms of income, occupation, education, health or other dimensions. *Relative* mobility is the extent to which an individual's chances to do better depend on where herself or her parents were ranked in the social ladder. High relative mobility in this sense encompasses the idea that regardless of your background, you are given the same opportunities and chances to progress in your career and life as everyone else.

This report therefore considers both absolute and relative mobility outcomes, with a special emphasis on the latter. Metaphorically speaking, mobility acts as a set of escalators: everybody goes up, but some groups move faster than others and therefore their relative positions vary upward or downward over time. And we find that the speed of the escalators, and therefore the chances of upward or downward mobility, is not evenly distributed in the population.

1.3. What have we found? New evidence from the OECD and emerging economies

1.3.1. Mobility across generations

Social mobility varies a lot across countries. The report documents measures of intergenerational persistence in socio-economic outcomes across generations, which explain how closely related an offspring's economic status is to that of his or her parents. If this measure (also called “elasticity”) is zero, that means that a child's adult outcomes are not related at all to parental status and that there is highest relative mobility, while if it is 100%, it will mean that all outcomes are fully determined by the parents' status and that mobility is lowest.

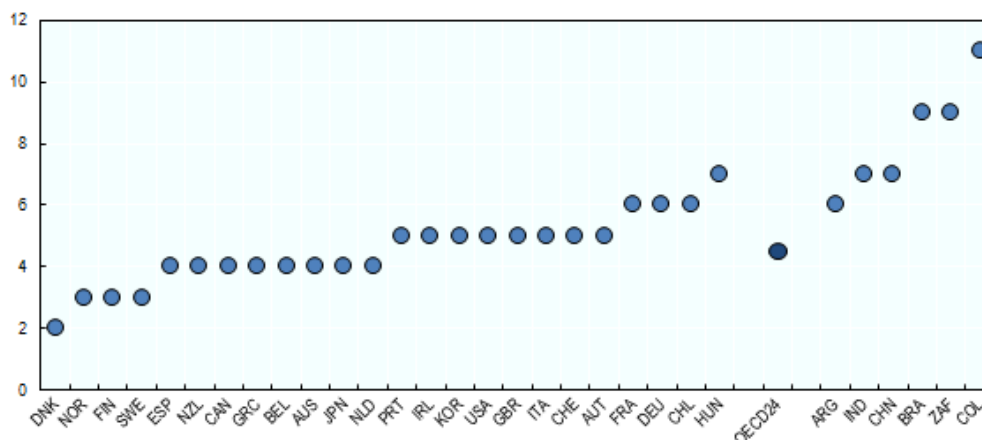
In terms of earnings across generations, the intergenerational persistence amounts to around 40% on average in the OECD area, from below 20% in the Nordic countries to 70% or more in some of the emerging economies. These figures imply that if a richer father had twice the earnings of another father, the richer father's child would then have about 40% more earnings than the child of the poorer father in an average OECD country, while the earnings would be 20% more in Finland and 70% more in Brazil.

Put differently, 20 to 70% of the earnings differences between fathers carry over to the next generation. Over time, the relative earnings of high-income families will fall, and those of low-income families rise, toward the average – a phenomenon called “regression to the mean” – but this process can take much longer than these figures might suggest at first sight. Looking at a “typical OECD country”, and taking the 38% average earnings persistence (“elasticity”) and the average ratio between the bottom 10% income and the mean income (about 1:3.5), it would take around four to five generations for children from the bottom decile to attain the mean.

There are, however, very large variations in such income mobility across OECD countries (Figure 1.5). In low-inequality and high-mobility countries such as the Nordic countries it would take at least four generations – more than 100 years – for those born in low-income families to approach the mean income in their society. But in high-inequality and low-mobility countries such as some of the emerging countries – Brazil, Colombia and South Africa – this would take even nine generations or more, if these probabilities of earnings mobility are not to change. In Colombia, where persistence is the highest, it would take at least 300 years for offspring of low-income families to reach the mean.

Figure 1.5. At the current level of intergenerational mobility, it takes on average four to five generations for the offspring of a low-income family to reach the average income

Expected number of generations it would take the offspring from a family at the bottom 10% to reach the mean income in society



Note: These estimates are simulation-based and intended to be illustrative. They should not be interpreted as giving the precise time that a person from a low-income household will need to reach the average income. They are based on earnings persistence (elasticities) between fathers and sons and the current level of household incomes of the bottom decile and the mean, assuming constant elasticities, following Bowles and Gintis (2002). Low-income family is defined as the first income decile, i.e. the bottom 10% of the population.

Source: Chapter 4 and *OECD Income Distribution Database*.

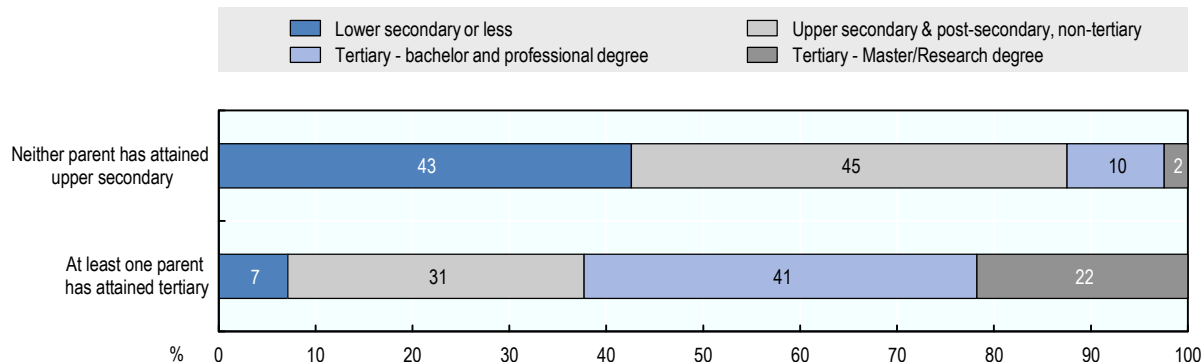
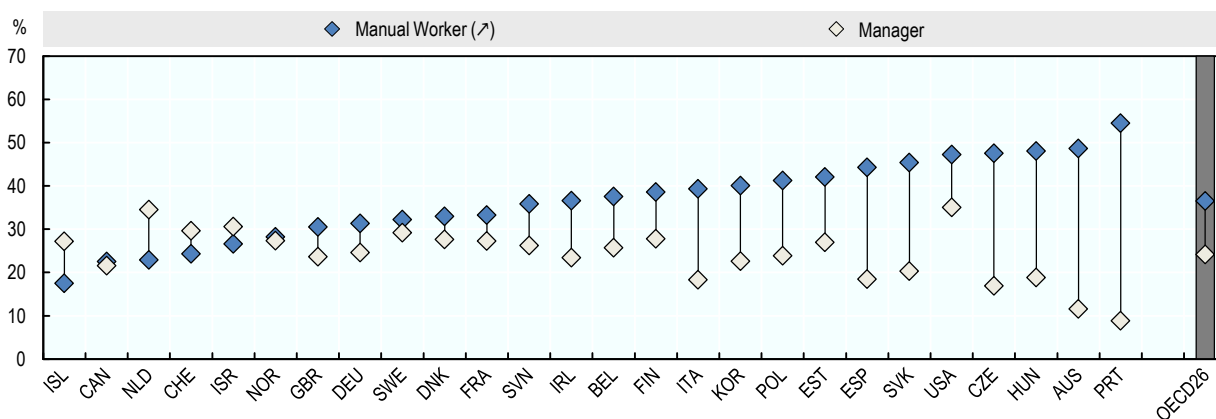
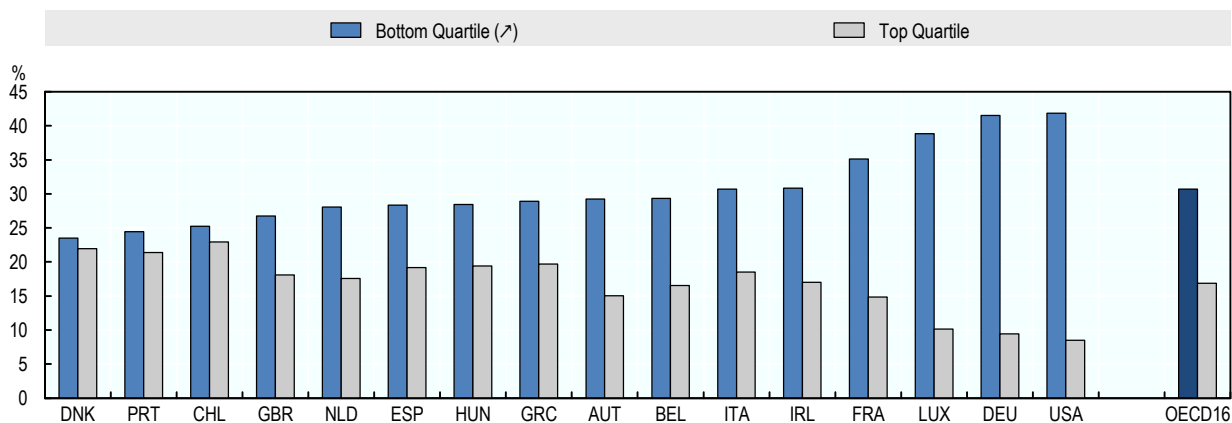
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Social mobility is not evenly distributed across all groups. This report finds that some groups tend to move at even lower paces along the ladder of economic and social progress. Those born from families at the bottom of the ladder have little chances to move upward – *sticky floors* prevent movement from one generation to the other. At the same time, those born in richer families are much less likely to move downward along the ladder – *sticky ceilings* protect children from affluent families.

1.3.1.1. Sticky floors at the bottom

Children from disadvantaged background struggle a lot to move up the ladder, and this is true for many different important aspects of life – not only earnings. Inequalities in *health* status persist in most OECD countries from one generation to the next, in part because health endowments and behaviours are transmitted from parents to children. Having grown up in families with little or no wealth and having parents with poor health are the two main predictors of own poor health. Also access to quality healthcare services is poorer for low-income groups, as highlighted in the OECD’s Framework for Policy Action on Inclusive Growth (OECD, 2018a). The lack of health mobility affects the intergenerational transmission of inequalities also in other dimensions.

Four in ten people with low-educated parents have lower secondary *education* themselves, and only twelve in hundred obtain a tertiary degree, and only two in hundred reach a Master’s level or higher (Figure 1.6). In southern European countries and most emerging economies, such sticky floors for education mobility are even stronger. High inequality hinders the ability for individuals from low economic backgrounds to invest in their children’s human capital, both in terms of level and quality of education.

Figure 1.6. Sticky floors in education, occupations and earnings**A. Likelihood of educational attainment by parental education background, OECD average****B. Percentage of managers and manual workers if parents are manual workers, 2002-14****C. Percentage of persons in bottom and top quartile with a father in the bottom quartile of earnings**

Source: Chapter 4 and 5.

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The report documents that the chances of relative upward mobility for people with lower educated parents tended to increase for individuals born between 1955 and 1975, but then stagnated for those born after 1975 – sticky floors remain.

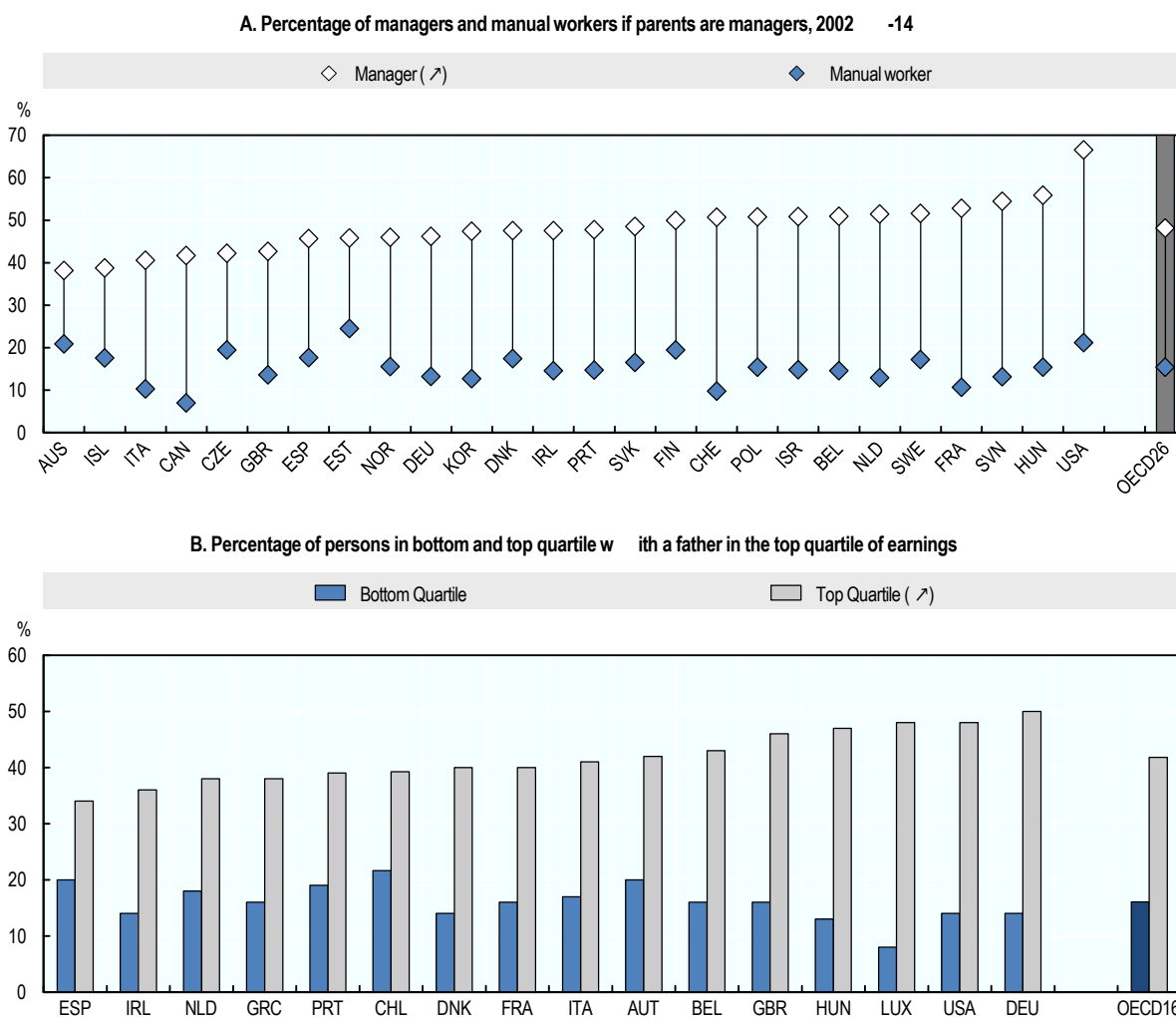
What are the prospects to escape the lower end in terms of *occupation* and *earnings*? Around two-thirds of people whose parents are manual workers and around 70% of people with low-earnings parents succeed to move to a higher status (Figure 1.6). That said, for almost half among them, upward earnings mobility is limited to the neighbouring earnings group. Furthermore, absolute class mobility tended to decline in half of the countries under study and not change much in the other half, partly because younger generations now face less favourable occupational upward mobility prospects than did their parents.

1.3.1.2. Sticky ceilings at the top

Those at the top of the distribution are effective in ensuring that advantages are passed on to their children. Opportunity hoarding starts with *education*. There is a low risk of downward mobility for those with higher educated parents: children from more educated families seem protected from quitting school at lower secondary level or before: it concerns some 7% among them, compared to 43% of children of lower educated parents.

Individuals with higher educated parents tend to have better educational proficiency scores (literacy, numeracy; OECD, Adult Skills Survey) than those whose parents have low educational achievement. For instance, numeracy scores are almost 20% higher for those with parents with higher socio-economic status, representing more than three years of equivalent additional schooling. At the same time, those from advantaged family backgrounds are found to be more likely to be highly educated than the cognitive skills assessments would predict.

Children also end up in similar *occupations* to their affluent parents. For example, half of children whose parents are in the managerial class become managers themselves, but only less than a quarter of children of manual workers have a chance to become managers. There is also persistence in the top of the *earnings* distribution with four-in-ten sons of rich fathers remaining in the top quartile in all OECD countries. Downward mobility from the top earnings quartile is particularly low in some countries, such as the United States and Germany (Figure 1.7).

Figure 1.7. Sticky ceilings in occupations and earnings

Source: Chapter 4.

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1.3.2. Mobility over the life course

This report also finds similar patterns of mobility across groups over shorter periods of time: sticky floors and ceilings also apply to income perspectives over the individuals' life course.

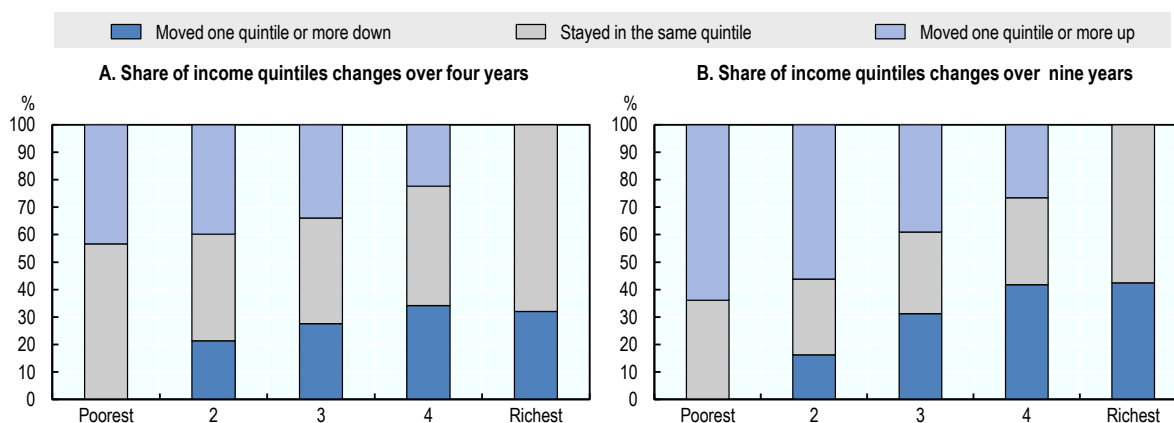
1.3.2.1. Persistence at the bottom and at the top

Over a four-year period, almost 60% of people remain stuck at the bottom 20% of the income distribution. At the top, the persistence of advantages is even stronger – 70% remain there for four years (Figure 1.8). After nine years, still close to 40% of people remain at the bottom 20% and two-thirds at the top. Sticky ceilings prevent those with high incomes from falling down the income distribution, while sticky floors prevent those with low income from moving upward. When there is upward income mobility at the bottom, this is rather largely due to unpredictable income changes, not sustained careers. A

particular challenge in some countries is the recurrence of low-income spells despite short-term upward mobility, if increases in people's income are not stable over time and they fall back into poverty.

Figure 1.8. A majority of people remain stuck at the bottom – and at the top of the income distribution

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



Note: Data refer to the working-age population (18-65).

Source: Chapter 2.

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The high persistence of low incomes can be first and foremost explained by long spells of unemployment, but, in some countries it can also be explained by significant persistence in low-wage for those at work. Low-income persistence can be a threat to social cohesion, especially in highly unequal countries.

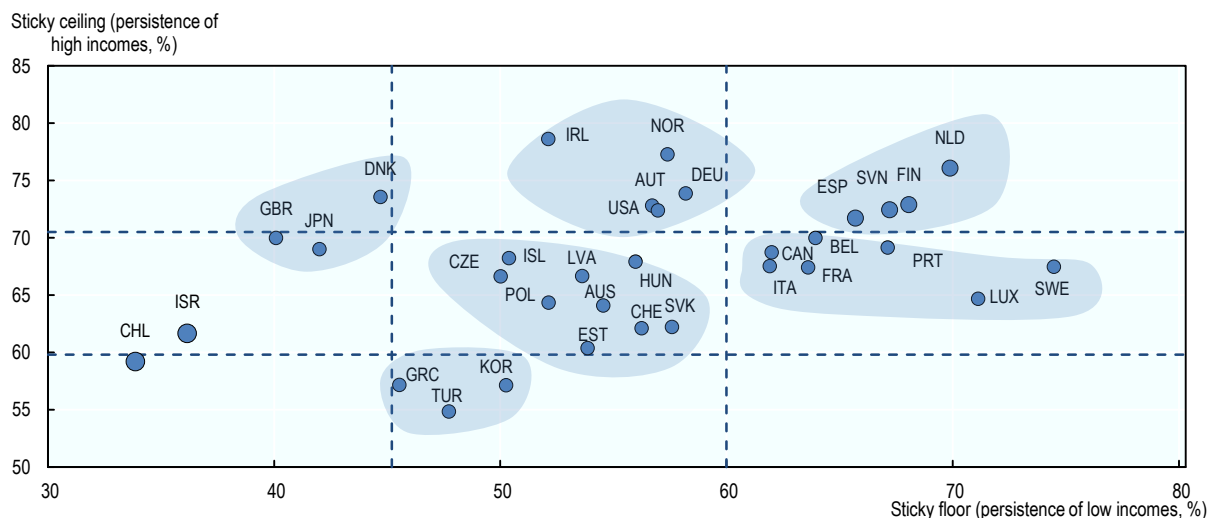
Besides exits from unemployment, other factors associated with a higher upward mobility from low incomes include transitions from temporary to open-ended contracts. In Denmark, for instance, the higher level of upward mobility at the bottom goes in pair with a high transition rate from temporary to permanent contracts, while the opposite is the case in the Netherlands and Spain.

Upward and downward income mobility trends over the period of the early 2010s are influenced by country-specific post-crisis and recovery developments. That said, a consistent finding across time and countries is that there is a greater persistence in the top income groups than in the bottom income groups. Countries with the largest persistence of top incomes in the upper quintile over four years include Ireland, Norway and the Netherlands (above 75%).

There is no “automatic” combination of persistence at the bottom and at the top of the income distribution across countries. Rather, several country patterns emerge, suggesting different policy challenges (Figure 1.9). For their own income perspectives, people in some countries experience stronger persistence at the bottom than at the top (e.g. Luxembourg, Sweden), while other countries have mainly to cope more with persistence at the top (e.g. Ireland, Norway). In Denmark, Japan and the United Kingdom, sticky ceilings are more significant than sticky floors, while the Netherlands, Finland, Slovenia and Spain combine both sticky floors and ceilings.

Figure 1.9. Low-income and high-income persistence over four years across OECD countries

Share of individuals in the lowest (resp. highest) income quintile staying in the same income group after four years
Early 2010s or latest data available



Note: Data refer to the working-age population (18-65). Data refer to 2011-14 for all countries except Israel (2012-16), Switzerland, Germany, Ireland, Japan and the United Kingdom (2010-13), Turkey (2008-2011), the United States (2009-12), Canada (2007-10) and Chile (2006-09).

Source: Chapter 2.

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1.3.2.2. Trend

Since the 1990s, there is a general trend towards *more* persistence of income positions at the bottom and at the top of the distribution. This means that people at the bottom are now less likely to move up, and that people at the top are even less likely to slide down. Although income inequality increased since that time, it has not been compensated by greater income mobility.

In the late 1990s, 53% of individuals in the bottom income quintile stayed there over four years, compared to 58% in the early 2010s. 65% of individuals in the upper income quintile stayed persistently there, compared to 70% in the latest data. The low-educated have a *higher* risk than in the past to stay persistently in the bottom income quintile, and the high-educated have *less* chances to become part of the top income quintile. Floors and ceilings are becoming thicker and more and more difficult to trespass over a lifetime.

Overall, there is more income mobility over shorter time spans at the top and especially at the bottom of the income distribution in most emerging economies than in OECD countries. In particular Indonesia, South Africa, China and, to some extent, Brazil appear as more mobile societies among the set of emerging countries. There are accordingly more chances to move up to the middle part of the distribution when in the first income quintile. However, over time, income mobility has also slightly declined in emerging economies.

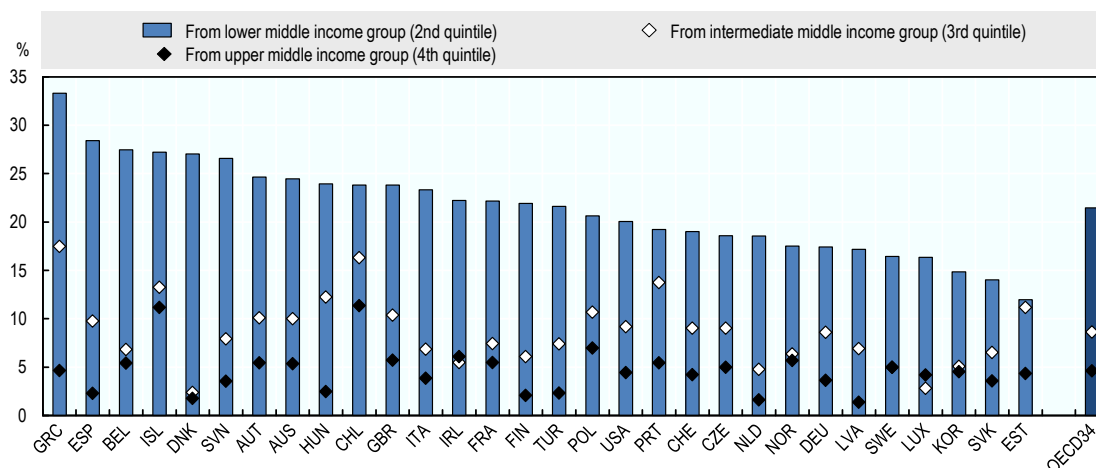
Across OECD countries, income persistence has increased both at the top and bottom of the income distribution in Korea, Austria, Spain, the Netherlands and the United States. It has increased more at the top in Denmark, Belgium, Ireland and Germany; and more at the bottom in Canada, Finland, Italy and Portugal.

1.3.2.3. Risks and opportunities in the middle

Income mobility is higher for those living in the middle class. This not only translates into more opportunities for them compared with other groups, but also into greater risks to fall down the ladder, sometimes to the very bottom of the distribution, following unexpected life events such as unemployment or family dissolution. Many middle-class households are vulnerable in that they lack the financial assets needed to maintain a minimum living standard for at least three months. There is a substantial risk for middle-income households to fall into low income and poverty over their life course: one-in-seven of all middle class households (those in the second, third and fourth income quintile), and one-in-five of those living closer to lower incomes (those in the second quintile) slide into the bottom 20% over a four-year period (Figure 1.10).

Figure 1.10. Risk for lower-, middle- and higher-middle income households to slide down to the bottom

Share of individuals in the middle income quintiles moving to the bottom quintile after four years
Early 2010s or latest



Note: Data refer to the working-age population (18-65).

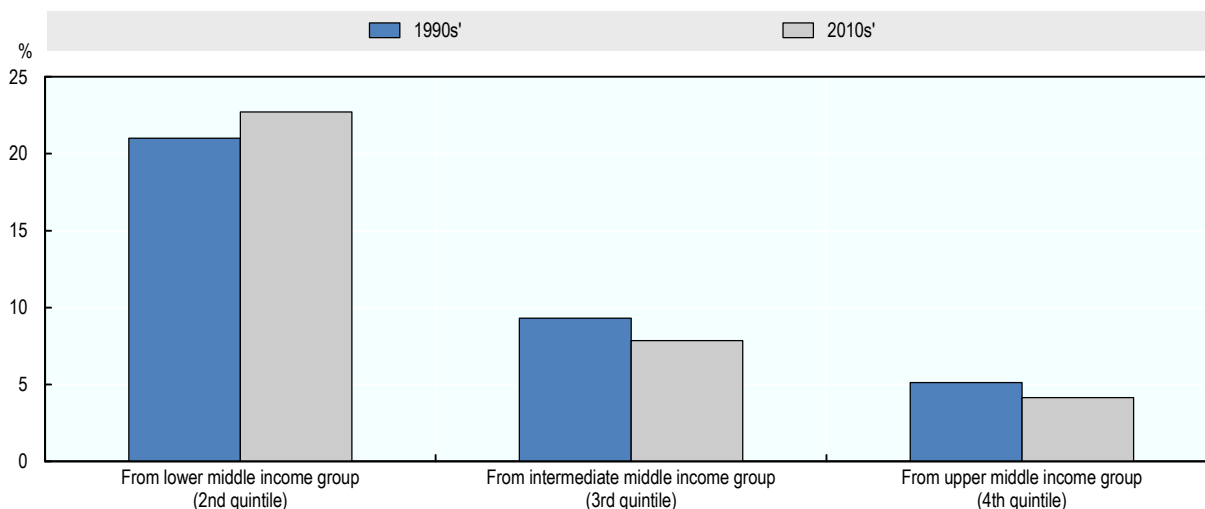
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There are also signs that these risks have increased over the past two decades. The risk of working-age individuals from the lower-middle income group (second quintile, and part of the “bottom 40%”) to further slide down over the life course has slightly increased on average and the probability to reach the top quintile has decreased. By contrast, those from the middle and upper-middle class are slightly less vulnerable today than during the late 1990s to fall to the bottom (Figure 1.11).

Figure 1.11. Risks to slide down to low income and poverty, by income quintile, OECD average, 1990s and 2010s

Share of individuals in the middle income quintiles moving to the bottom quintile after four years



Note: Data refer to the working-age population (18-65).

Source: Chapter 2

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There are thus signs of a middle-class divide between the lower and the upper middle classes since the 1990s. This pattern of an increasing divide is particularly pronounced in Austria, Spain, Portugal and the United Kingdom where the probability to fall into the bottom quintile increased by three points or more for the lower-middle class. As for upward mobility, there are fewer chances for people moving from the middle-income to the top income quintiles today. This is especially the case in Ireland, Austria, Denmark, Spain and Portugal.

1.3.3. Country differences and country groupings

1.3.3.1. Does income inequality foster mobility?

Income inequality would be more acceptable socially if it was associated with higher mobility across as well as within generations. However, there is no evidence that greater inequality would bring higher income mobility of people over their life course. Rather, mobility is associated with lower inequality within countries when measured over several years – so called “permanent” inequality.

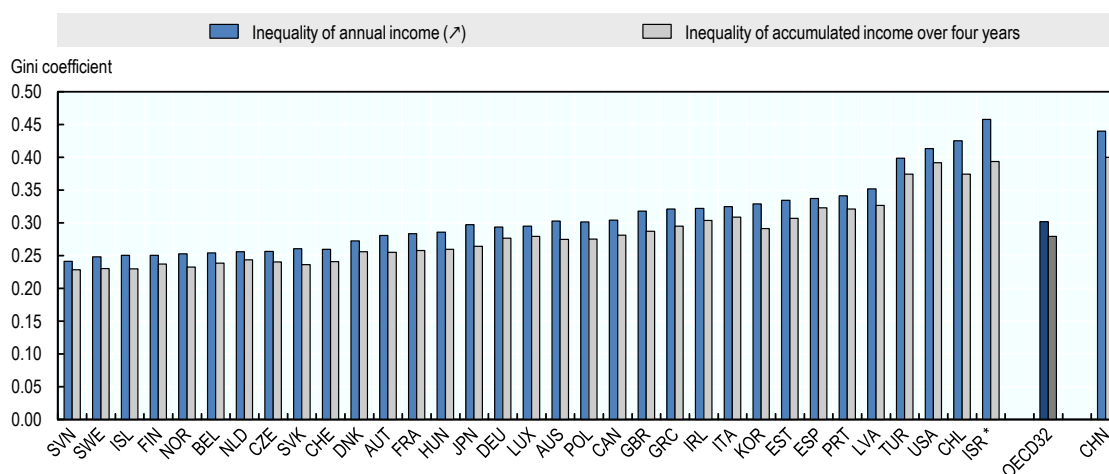
When pooling individuals’ incomes over a four-year period, the level of inequality (measured by the Gini coefficient) would be lower, but only slightly, namely 2.3 points (Figure 1.12). Over a longer time frame of nine years inequality is lower by three to seven points in the eight countries for which data are available. For comparison, the average OECD Gini coefficient increased by approximately three points over the past three decades. The longer the time frame taken into account, the greater are the chances to observe income changes, and hence to capture a stronger impact of such changes on inequality. Estimates on long durations (over ten years) suggest that inequality declines less and less after more

than ten years and would then converge and be about 30% lower than the level of inequality measured annually.

Because of sticky floors and sticky ceilings, such smoothing of inequality over time does not alter the large differences in inequality levels observed across countries. The reduction of inequality that stems from mobility is somewhat greater in more unequal countries, but not to an extent that would change the ranking of countries regarding cross-sectional inequality. Compared to the 1990s, mobility is less effective today to decrease levels of income inequality: the difference between long-term and cross-sectional Gini coefficients was about half a point higher in 1990s.

Figure 1.12. Inequality of incomes aggregated over several years is lower than in any one year – but not by that much

Early 2010s or latest



Source: Chapter 2.

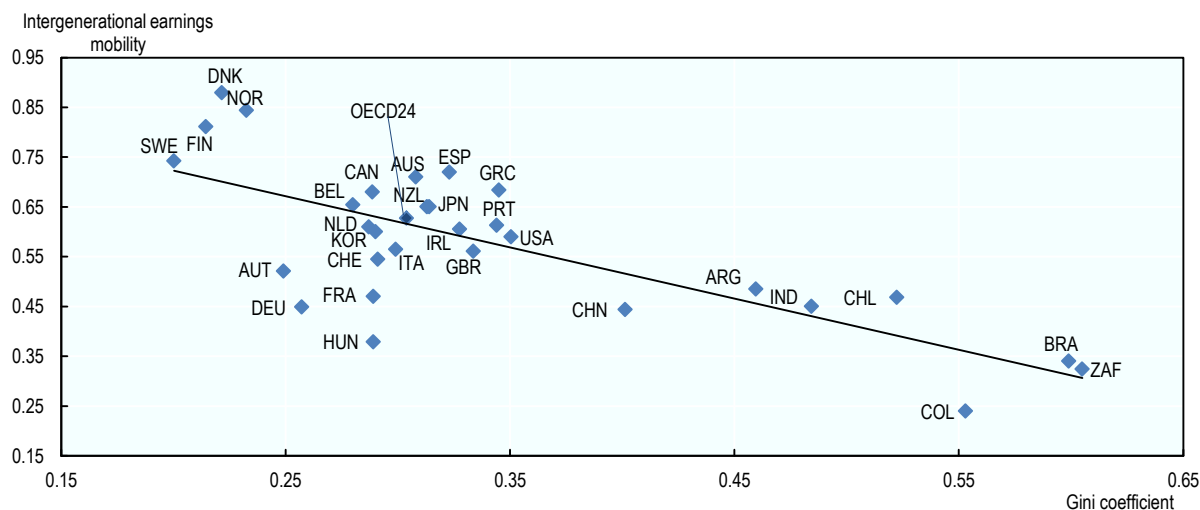
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Across generations, earnings mobility prospects tend to be usually weaker in countries where inequality is high, and stronger in countries where inequality is low. Earnings mobility is negatively correlated with overall levels of income inequality a generation ago: this is the so-called “Great Gatsby curve” (Corak, 2006; OECD, 2008). At one end of the spectrum, the Nordic countries have high earnings mobility and low inequality; at the other side, Chile and some other Latin American countries as well as South Africa and emerging economies have low mobility and very high inequality levels (Figure 1.13). The picture is, however, more nuanced for some European countries: Hungary, France, Germany and Austria combine both lower inequality and lower earnings mobility. At the same time, there are no countries which combine high inequality with high mobility.

As put forward by OECD (2015a), such negative overall correlation can to a large extent be explained by human capital channels: family income affects access to education of children because of capital market constraints, or because rich parents can choose to live in neighbourhoods with better schools. Hence, the ability to take advantage of the higher returns to education will largely be limited to children of richer households. OECD work on The Productivity-Inclusiveness Nexus (OECD, 2016a) points out that such intergenerational effects risk becoming self-reinforcing: children from low-income families not only spend less time in education in countries where income inequalities are high, they

also have lower skills *for any given level of education*. The quality gap in education is hence even larger than the income gap.

Figure 1.13. In most countries, earnings mobility across generations is higher when income inequality is lower



Note: Earnings mobility is proxied by 1 minus the intergenerational earnings elasticity of fathers with sons. Gini coefficients refer to the mid-1980s/early 1990s.

Source: Chapter 4.

StatLink  <http://dx.doi.org/10.1787/888933762062>

1.3.3.2. Mobility patterns

The mobility record varies across countries depending on the dimension considered – in terms of income, earnings, health, education or occupation –, but also whether the focus is on mobility at the bottom or at the top. Table 1.1 presents a dashboard of indicators of mobility. Countries are shown by increasing level of underlying income inequality. Some general patterns arise from broad country groupings when considering mobility across generations.

- Social mobility, notably in terms of earnings, occupation and education, is very high in most Nordic countries, and rather low in many continental European countries especially in terms of earnings, including in France and Germany, as well as in emerging economies.
- Most southern European countries also show relatively low mobility indicators in terms of education or occupation, but fare somewhat better in terms of earnings mobility.
- Some English-speaking countries fare relatively well in terms of earnings mobility (Canada, New Zealand) or occupation (United States, United Kingdom), but performances vary a lot along the other dimensions.
- In Japan and Korea, educational mobility is high but earnings mobility is around average.

- Both sticky floors and sticky ceilings in terms of earnings persistence over generations are more pronounced in Germany and in the United States than in other countries.

The extent of sticky ceilings at the top and sticky floors for own income mobility – over the life course – is not necessarily linked to the degree of earnings mobility across generations. In the Nordic countries, for instance, mobility of income at the top and at the bottom within a generation is rather low, while social mobility across generations is very high. The former can partly be related to the high level of social protection in these countries (i.e. limited downward mobility at the bottom). By contrast, mobility of own income at the top and at the bottom is rather low in southern European countries (except Greece), while earnings mobility across generations is medium or high. The larger impact of the global financial crisis on household incomes in some of these countries helps partly explain this pattern.

Men and women also have different prospects for social mobility, depending on the country where they live. For instance, the 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. In absolute terms, 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, in relative terms, intergenerational earnings mobility for daughters tends to be more similar to that for sons.

Table 1.1. Dashboard of relative mobility across different dimensions

Country	Income Inequality level	Social mobility across generations				Own income mobility			
		Earnings	Occupation	Education	Health	Bottom	Changes since 1990s	Top	Changes since 1990s
ISL	Low	-	High	High	-	High	-	Medium	-
SVN	Low	-	Medium	Medium	Low	Low	-	Low	-
SVK	Low	-	Medium	Medium	-	Medium	-	High	-
DNK	Low	High	High	High	High	High	→	Low	↘
CZE	Low	-	Medium	Medium	Low	High	-	Medium	-
FIN	Low	High	Low	Medium	-	Low	↘	Low	→
BEL	Low	Medium	Medium	Low	High	Low	→	Low	↘
NOR	Low	High	High	Medium	-	Medium	-	Low	-
AUT	Low	Low	-	-	Medium	Medium	↘	Low	↘
SWE	Low	High	Medium	High	High	Low	-	Medium	-
LUX	Low	-	-	-	Low	Low	↘	High	↗
HUN	Medium	Low	Low	Low	High	Medium	-	Medium	-
DEU	Medium	Low	Medium	Low	Medium	Medium	→	Low	↘
POL	Medium	-	Low	Low	Low	Medium	-	High	-
FRA	Medium	Low	Low	Medium	Medium	Low	↘	Medium	↗
KOR	Medium	Medium	Low	High	Low/medium*	High	↘	High	↘
CHE	Medium	Low	Medium	Medium	High	Medium	-	High	-
IRL	Medium	Medium	Medium	Medium	Low	High	→	Low	↘
NLD	Medium	Medium	High	Medium	High	Low	↘	Low	↘
CAN	Medium	High	-	High	High*	Low	↘	Medium	→
ITA	Medium	Medium	Low	Low	Medium	Low	↘	Medium	→
JPN	Medium	Medium	-	High	-	High	-	Medium	-
EST	Medium	-	High	High	Low	Medium	-	High	-
PRT	High	Medium	Low	Low	Low	Low	↘	Medium	→
AUS	High	Medium	Low	High	Medium*	Medium	-	High	-
GRC	High	High	-	-	High	High	↗	High	↗
ESP	High	High	Low	Low	Medium	Low	↘	Low	↘
LVA	High	-	-	-	-	Medium	-	Medium	-
ISR	High	-	High	High	Low	-	-	-	-
NZL	High	High	-	-	-	-	-	-	-
GBR	High	Low	High	Low	Medium*	High	↗	Medium	→
USA	High	Medium	High	High	Low/medium*	Medium	↘	Low	↘
TUR	High	-	-	-	-	High	-	High	-
CHL	High	Low	-	Medium	High*	High	-	High	-
MEX	High	-	-	Low	-	Medium*	-	Low*	-
RUS	High	-	-	-	-	Low*	-	Low*	-
BRA	High	Low	-	-	-	High*	-	Medium*	-
IND	High	Low	-	Low	-	-	-	-	-
CHN	High	Low	-	High	-	High*	-	High*	-
COL	High	Low	-	-	-	Medium*	-	Medium*	-
IDN	High	-	-	Low	-	High*	-	High*	-
ZAF	High	Low	-	Low	-	High*	-	High*	-

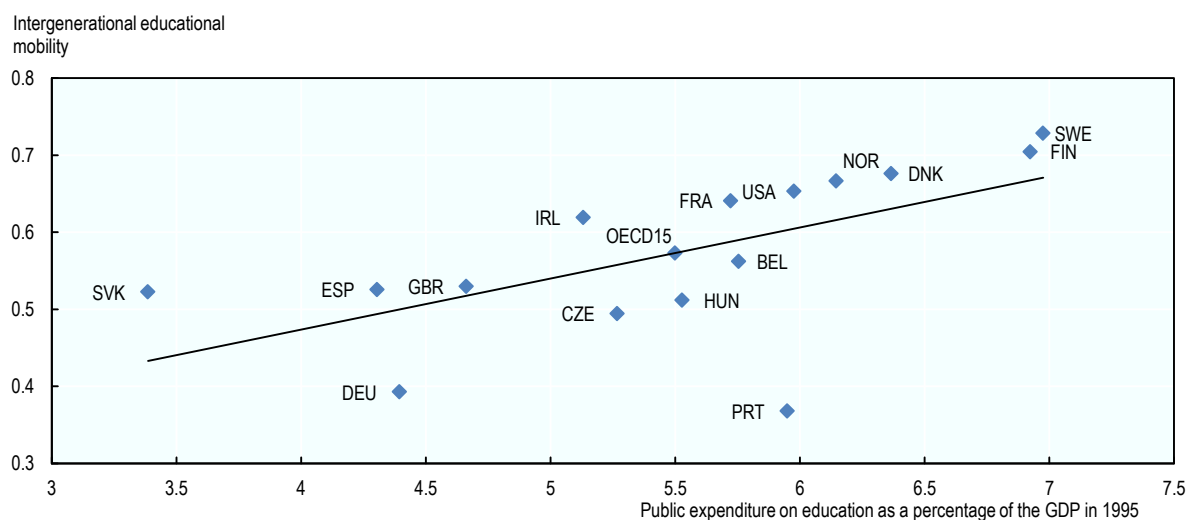
Note: Countries are ranked by level of income inequality (Gini coefficient), in ascending order. Each sub domain refers to a specific indicator or regression coefficient assessing inter-generational or intra-generational social mobility. The level of mobility for each domain is assessed on a qualitative way, by looking at the distribution of each indicator in each domain. For instance, countries are defined as having low level of income inequality if their Gini coefficient falls within the first one-third of the cross country distribution of Gini coefficients.

Source: Chapters 2, 4 and 5.

1.4. What can be done to foster social mobility?

There is nothing inevitable about socio-economic advantage or disadvantage being passed from one generation to another, or floors and ceilings remaining persistently sticky. Large differences in mobility outcomes across countries suggest that there is room for policies to make societies more mobile and protect households from adverse consequences of income shocks. For instance, countries which in the past spent more on public education tend to have higher educational mobility (Figure 1.14). Similarly, countries which devoted more resources to health tend to feature higher health mobility (Figure 1.15). Of course, such correlations are not evidence of causal relationships, and what matters is not only the overall public resources devoted to education and health but also their effective use and targeting to disadvantaged groups, and there is substantial evidence of the impact of well-targeted programmes and policy measures in these areas. The policy response is therefore not confined to spending more overall but rather to target spending on effective programmes. This section presents and discusses a number of country-specific examples of such effective programmes and initiatives.

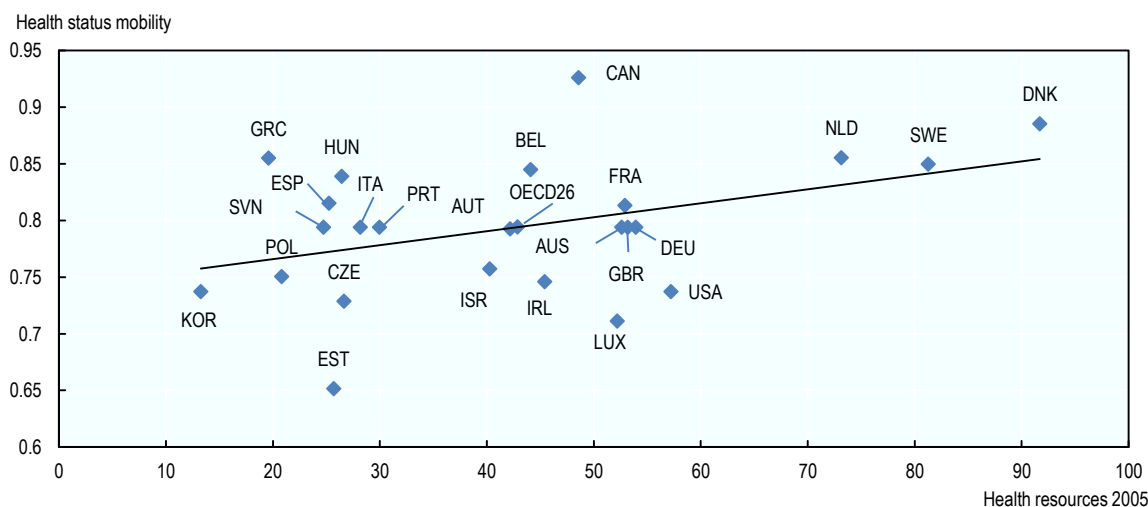
Figure 1.14. Educational mobility is higher in countries where public spending on education were higher



Note: Intergenerational educational mobility is measured as 1 minus the intergenerational educational persistence, defined as the regression coefficient between parental and children's years of schooling at age 30-55.

Source: Chapters 5 and 6.

StatLink  <http://dx.doi.org/10.1787/888933762081>

Figure 1.15. Health mobility is higher in countries where health and social employment is higher

Note: Health resources defined as total health and social employment in 2005 per 1000 persons. Intergenerational health mobility is measured as 1 minus the intergenerational health persistence, defined as the regression coefficient between parental and children's self-assessed health status.

Source: Chapter 5 and *OECD Health Statistics* (<http://dx.doi.org/10.1787/health-data-en>).

StatLink  <http://dx.doi.org/10.1787/888933762100>

To promote equal opportunities for all and secure income trajectories, policies need to strengthen the key dimensions of welfare, such as security, equity, redistribution and inclusion. But more is needed to face today and tomorrow's challenges. Individual empowerment, capacity-building and the expansion of individual options are needed to face the increasing number of changes in individuals' trajectories and alleviate the burden of unfavourable starting conditions in life. This section presents a set of policies facilitating upward mobility and creating equal opportunities for all. These policy strands are important building blocks of the OECD's [Inclusive Growth strategy](#) (OECD, 2015b, 2018a).

1.4.1. Designing policies to grant all children equal opportunities

Ensuring equal opportunities, even and especially for those at the low end, while preventing the top end from pre-empting advancement require policy actions in several key areas along the life course, from early childhood to inheritance.

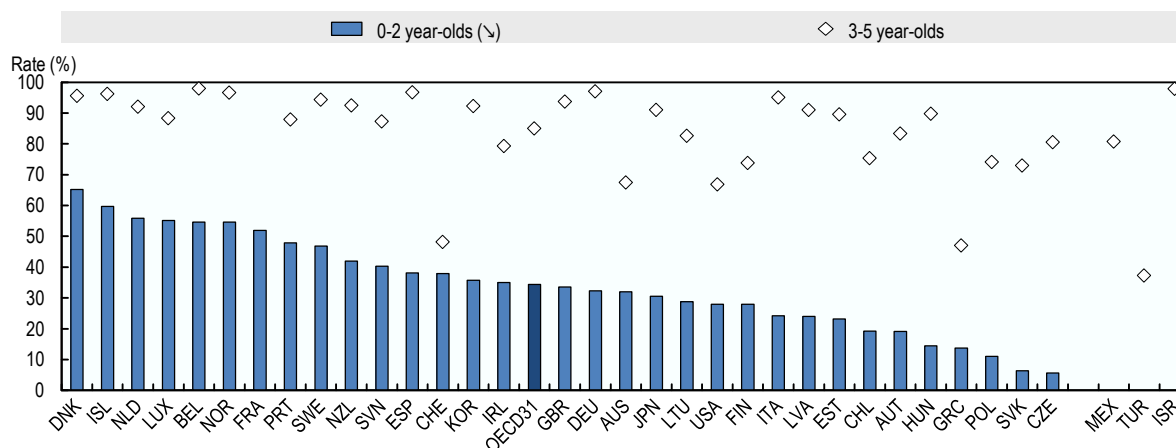
1.4.1.1. Providing quality early childhood education and care to compensate social gaps

Improving access to good-quality care and preschool programmes for children from disadvantaged backgrounds is essential. Good-quality affordable childcare can be instrumental in giving children the best start in life and reduce early gaps in speaking and other cognitive skills. Preschool attendance can make a large difference for later educational and learning outcomes. Evidence from an expansion of childcare or preschools in several countries (e.g. Norway, France) shows improved learning outcomes, especially among children with low-income parents.⁷ On average across OECD countries, just over a third of children under age three participate in formal ECEC, but this varies largely across countries, from around 6% in the Czech and Slovak Republics to as high as 65% in Denmark (Figure 1.16). Pre-primary education is offered to all children as a statutory right

from the age of three in many OECD countries, and services are frequently subsidised or provided for free. As a result, in most OECD countries, more than 80% of 3-5 years-old are enrolled in pre-primary education or primary schools and in many, with much less country variation.

Figure 1.16. Participation in ECEC varies across OECD countries, particularly among very young children

Participation rates for 0-2 year-olds in formal childcare and pre-school services, and enrolment rates for 3-5 year-olds in pre-primary education or primary school, 2014 or latest available year



Note: Participation rates for 0-2 year-olds concern children up to and including 2 years of age and generally include children in centre-based services (e.g. nurseries or day care centres and pre-schools, both public and private), organised family day care, and care services provided by (paid) professional childminders. Enrolment rates for 3-5 year-olds include children enrolled in pre-primary education (International Standard Classification of Education [ISCED] 2011 Level 2) and primary education (ISCED 2011 Level 1).

Source: OECD Family Database Indicator PF3.2, <http://www.oecd.org/els/family/database.htm>.

StatLink  <http://dx.doi.org/10.1787/888933762119>

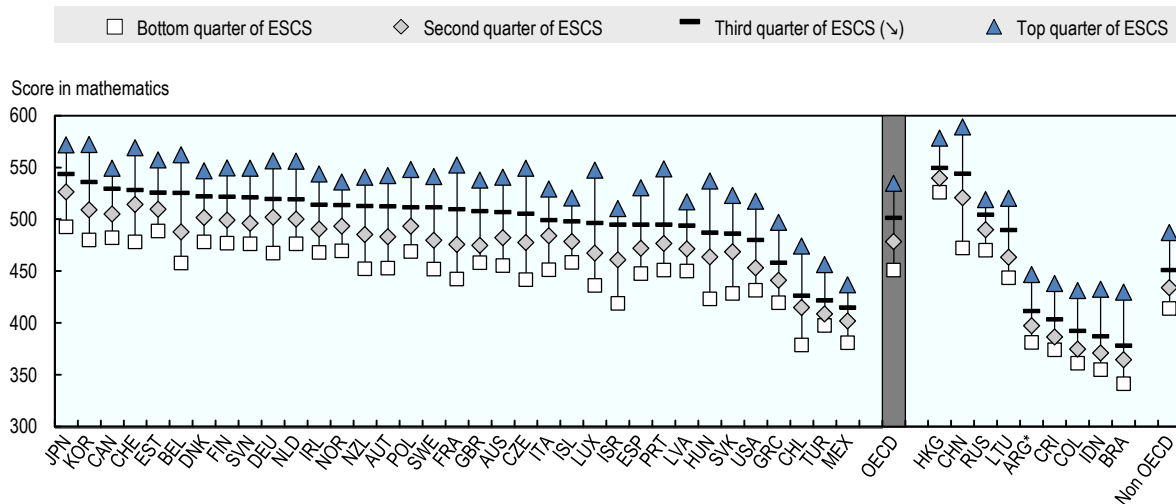
Early childhood home education programmes are also important components to improve parenting skills and children's socio-emotional skills. Effective interventions include support for maternal health during the perinatal period, parenting support programmes and specialist parent support programmes for high-risk groups. In the United States for instance, the Perry Preschool Program, which featured a low number of children per member of staff and focused on disadvantaged families, evaluated the impact of early childhood education and care on individual pathways over several decades. It demonstrated that personality traits can be shaped in ways that favour beneficial lifetime outcomes. One of the benefits of the Perry Preschool Program was that it changed durably the family environment through regular visits to parents.⁸ This pilot inspired the Head Start national programme which serves over 1 million disadvantaged children and their families each year. Similarly, in the Scottish Pilot programme for two-year-olds, also parents showed improved parenting capacity compared to parents in the comparison group.⁹

1.4.1.2. Offering equal educational opportunities to school-age children

Children with parents of a lower socio-economic status have lower educational performance, e.g. PISA mathematics scores are about one-fifth lower than for those with highly educated parents, which represents more than three years of equivalent additional

schooling. But this average result hides substantial country differences: countries with similar scores can actually have very different gaps in performance between children from low-status and high-status families, highlighting how educational policies could contribute to exacerbating or reducing educational differences. As examples, France – when compared to Sweden and the United Kingdom – or Germany – when compared to Slovenia and the Netherlands – have similar average scores as their country group but much higher disparities between the scores of students with lower and higher socio-economic backgrounds (Figure 1.17).

Figure 1.17. Score in mathematics by socio-economic status of parents, 2015



Note: ESCS refers to the PISA (Programme for International Student Assessment) index of economic, social and cultural status.
*Argentina: Coverage is too small to ensure comparability.

Source: Chapter 5 and PISA 2015.

StatLink  <http://dx.doi.org/10.1787/888933762138>

Public authorities should develop supportive learning environments through concerted efforts of investing more in low-performing schools and schools in marginalised communities. Disadvantaged schools tend to have larger class sizes; they are also more likely to suffer from shortages in, or an inadequacy of, educational materials and physical infrastructure than schools in more well-off neighbourhoods. Formula funding, balancing the amount of local and national funds, such as “Preferential School Subsidy” (*Subvención Escolar Preferencial*) in Chile or the National Plan for School Improvement “Better Schools” in Australia, can be effective by combining both horizontal and vertical equity: similar schools receive similar funding, but schools with higher needs receive greater resources.

Developing a more supportive learning environment also comes through recruiting and training teachers and fostering effective learning strategies. For a majority of countries, a larger proportion of more experienced teachers teach in less challenging schools than in more challenging schools. Getting the best teachers to teach in disadvantaged schools requires stronger incentives, including attractive pay, and supporting them in professional development. In Korea low socio-economic status students are actually more likely than high socio-economic status’ students to be taught by high quality mathematics teachers thanks to multiple incentives offered to teachers such as additional salary, smaller class size, less instructional time, promotions or the ability to choose their next assignment

(OECD, 2012). Granting schools greater autonomy can be one option for improving learning outcomes. For instance, in Finland, teachers are entitled to a large degree of autonomy to adapt the pace of teaching to the pace of learning. In the United States “charter schools” receive public funding but enjoy greater freedom to manage staff, design curricula and organise teaching time. Many of these schools are located in disadvantaged neighbourhoods and have lasting impact on educational attainment and the later employment of disadvantaged youth (OECD, 2016b).

How students spend their time outside of school matters for outcomes and social mobility. Inequalities in extra-curricular attendance reinforce differences in non-cognitive skills. Governments need to provide additional resources for free-of-charge tutoring in disadvantaged schools and programmes to develop social and emotional skills. The provision of extra-curricular activities in Latvia, where “interest-education”, offers attractive opportunities for young people to engage in sports, take music classes or do handicraft and other practical activities is a policy example in this direction. The institutionalised system of that can contribute to building social and professional skills (OECD, 2015e).

1.4.1.3. Promoting equality of opportunities in education

Earlier OECD work (OECD, 2012) made several recommendations to support disadvantaged students such as eliminating grade repetition, avoiding early tracking and deferring student selection to upper-secondary education. Designing a school system that is fair and inclusive includes limiting early tracking based on their ability because it appears to considerably reduce mobility. In Finland’s upper secondary schools, modular curriculum units are used instead of grades so that students can build their own learning schedules from a menu of courses offered in their school and a student may repeat only those courses that were not passed satisfactorily. Similarly, in Canada, New Zealand and the United States, retention is usually restricted to the specific classes that the student failed. Countries like Sweden or Spain do not track students during compulsory education.

Additional policies to improve equity include: manage school choice to avoid segregation and increased inequities, make funding strategies responsive to students’ and schools’ needs and design a variety of equivalent upper secondary education pathways, such as vocational training or apprenticeships, to ensure completion among practically minded youth who cannot or do not want to stay in the general system.

1.4.1.4. Preventing early drop-out

Fighting early school leaving is essential to address mobility barriers. Improving performance for disadvantaged students requires a coherent approach at school: developing and supporting specialised school leadership; fostering a positive and supportive school environment; training, recruiting and retaining competent teachers; ensuring effective learning strategies; and finally linking parents and communities with schools for sustainable improvement.

Low-performance needs to be tackled early by identifying the low performers at the beginning of the school year and providing targeted support throughout the year. If poor school performance and absenteeism are caused, or aggravated, by non-educational factors, such as family-related, income or housing problems, these need to be addressed. Specialised support staff such as trained psychologists or social workers in schools can help to quickly identify and address the challenges.

Educational authorities or social services should moreover attempt to reach out quickly to students who disengage from school to provide the support they need and prevent them from slipping into inactivity. This strategy requires a strong coordination and seamless exchanges of information between schools and social / employment services. In Norway, country-level “Follow-up Services” track and contact all young people up to the age of 21 who leave school without an option in upper-secondary education or employment to ensure that they are offered education or training or to connect them with the welfare services (OECD, 2018b). In some municipalities, services are located in schools. In a similar vein, in Belgium, Flanders authorities have adopted the *interne leerlingenbegeleiding* (internal care structure), that functions within schools to provide extra care to pupils in need and affected by non-educational factors.

1.4.1.5. Strengthening the link between school and home to help disadvantaged parents

Schemes that combine after-school activities for underprivileged youth with a mentoring component can contribute to make sure disadvantaged youth stay enrolled and supplement skills not acquired at home. Social and emotional learning school-based programmes have also shown to improve both behavioural and academic outcomes. Mentoring programmes can help fill the gaps for youth who may lack guidance and positive role models at home. The “Big Brothers Big Sisters” network in the United States, which for more than 100 years has matched adult volunteers (“Bigs”) and children (“Littles”). In Toronto, the Pathways to Education programme provides after-school tutoring, mentoring and financial assistance and has helped to reduce drop-out rates (OECD, 2016b).

Enhancing parental involvement can also improve learning if interventions include coordination between teachers, schools and governments have an opportunity to increase parental involvement. Successful programmes include training programmes to promote the psycho-social health necessary for good parenting which were integrated fully into the schools development plan, such as the ERPA (Engaging Parents to Raise Achievement) project in the United Kingdom and the National Network of partnerships in the United States, where the plan also involved teachers and members of the community.

1.4.1.6. Granting all young people a right start

More should also be done also to help disadvantaged youth make a better start in the labour market to avoid poor careers characterised by intermittent spells of low-paid work and unemployment. The OECD Action Plan for Youth recommends a set of measures to tackle high youth unemployment, including second-chance programmes, encouraging employers to expand quality apprenticeships or internship programmes, and expanding active labour market strategies to enhance employability and job opportunities and remove barriers to stable and rewarding work.

Apprenticeship training, i.e. combining work and study within a firm-based approach from day one, are particularly effective in smoothing school-to-work transitions (OECD, 2016b), which is essential to promote intergenerational mobility. In order to improve social mobility, apprenticeships need to focus more on attracting and retaining “at-risk” youth for whom securing internship programmes might be harder. Successful apprenticeship programmes need to be designed in a way that they encourage the participation of different age groups, disadvantaged youth and women, and cover multiple sectors and occupations. They must include a strong on-the-job training component and be well integrated in the formal schooling system.

Pre-apprenticeship programmes can also be very useful for high-school dropout who lack a professional project and need to catch up on basic skills. These programmes also familiarise young people with the work routine, and even give them short spells work experience. In Germany, those who cannot find an apprenticeship can apply for pre-vocational training lasting up to one year. Pre-apprenticeships are also an important feature of Australia’s VET system.

For those who dropped out of high school, second-chance programmes such as the Job Corps in the United States or the Folk Schools in Sweden are particularly useful. They typically offer a flexible learning environment for school leavers outside mainstream schools, with a strong non-cognitive training component aimed at strengthening motivation, building conscientiousness, and coaching young people in interpersonal skills. An obstacle to the large-scale roll-out of second-chance learning programmes is that they are very costly. To be successful, they require a good targeting and well-trained and highly motivated staff able to provide intensive support and supervision. Despite their high immediate costs, second-chance programmes have proven cost-effective for specific groups in the medium and long run.¹⁰

1.4.1.7. Improving equal access to higher education

Underrepresentation of students from less advantaged socio-economic backgrounds in higher education, especially in more selective or prestigious universities, requires a range of policy to address barriers. Outreach policy actions in upper secondary schooling can help as in many cases differences in application stem from a lack of preparation and self-confidence from the from less advantaged socio-economic backgrounds students themselves. With little information and few resources, some youth prefer to attend shorter post-secondary courses or go to less demanding schools because of the quicker path to entry-level jobs but with lower labour-market prospects. The French Programme “*Pourquoi Pas Moi*” initiated by the ESSEC Business School and now available in 130 top universities, representing 34% of the *grandes écoles* (Cordées de la Réussite, ONPV, 2016), offers high school students a mentoring programme and workshops. A similar initiative in the United States, the College Coach Program, is implemented in twelve Chicago public high schools.

Policies to address socio-economic inequalities should also include additional measures for encouraging recruitment such as differential admission policies. One possibility is class-based affirmative action or contextual admission as a way to curb intergenerational economic disadvantage. In addition to contextual admission, diversifying entry routes for the promotion of those more disadvantaged to best schools is another option to promote social mobility. In France, as an attempt to tackle the inequalities faced by the disadvantaged youth in accessing to the most selective universities, new methods are explored. For instance, the University Sciences Po has a special pathway (*Convention d’Education Prioritaire*) for students from disadvantaged schools and monitors its progress in this area on a quantitative basis.

Social mobility in higher education brings the need for policy intervention that goes well beyond the first day of university and promotes retention and completion. Student services, counselling and tutoring, especially on certain subjects, might be targeted to prevent drop-out, particularly during or toward the end of the first year. The First Generation Programme at the University in Colorado Boulder, for instance, helps first-generation students to transition from college to university and to get assistance for a range of academic and social resources. Diversity in higher education is related to funding issues

as well and individuals from a disadvantaged background need certainty in what they can expect to receive in terms of financial aid prior to applying.

1.4.1.8. Addressing other occupational barriers for disadvantaged youth

Even students from disadvantaged backgrounds who do well in school may face difficulties in obtaining good jobs, due to a lack of network, informal behavioural codes, appropriate work experience or information. Improving the school-to-work transition for disadvantaged youth is an avenue to address inequalities in earnings. Improving careers advice and links between education and employers should help providing better information to more disadvantaged students about the steps required to build a career especially in the most selective professions. Mentoring and careers advice through various organisations can help in the application and job-hunting process and compensate for less help from parents. The United Kingdom has recently set up the *Careers and Enterprise Company*, an employer-led organisation established by the government to prepare students for the workplace; it hopes to provide young people with direct support from businesses to boost social mobility.

Other barriers include a lack of access to the professional networks via parents or the inability to gain skills through unpaid internships or accessing liberal professions because of credit constraints. Initiatives from social mobility organisations such as the Sutton Trust and the Social Mobility Foundation in the United Kingdom run a number of programmes designed to encourage young people from low-income backgrounds to gain internship places in top firms. In the United States, the Year Up programme provides support to disadvantaged high school graduates who have troubles finding work, providing a combination of courses in professional skills, work experience, mentoring, job search training and ultimately placement. Interventions to lower entry barriers to liberal professions help to make the access to the liberal profession fairer, for instance offering financial support to start a new business or introducing programmes to help new liberal professionals to get a network of customers. Recent suggestions under consideration in this field in the United States included to subject new licensing proposals to cost-benefit analysis and to reclassify certain licensed occupations – in the United States, for about 30% of occupations the government establishes qualifications required to practice a trade or profession – to a system of certification or no regulation.

1.4.1.9. Investing in health early to provide an equal footing in life

Health status is another key dimension which may be inherited from one generation to the next with consequences on education and professional pathways. By taking action on health inequalities for adults and their children, governments can contribute to upward social mobility.

To break the cycle of disadvantage and promote social mobility, early intervention is key: government programmes need to help even before birth, during pregnancy. Programmes that provide pre-natal and post-natal care to low-income families and which deliver health-related services at home to address barriers to take-up for mothers are associated with increases in child well-being and improved long-term outcomes (e.g. Children in New Zealand Early Start Program or the Family Nurse Partnership [FNP] in the United States). Overall, a strategy based on greater investment in children targeting those from lower socio-economic backgrounds holds the promise of breaking the cycle of intergenerational disadvantages.

Addressing harmful behaviours, including poor diet and lack of physical activity, obesity, and smoking, which often pass from one generation to the next and are more

prevalent among lower socio-economic groups, is important to reduce health inequalities which inhibit social mobility. Physician/dietician counselling appear to have the largest effect, followed by food-advertising and food-labelling regulations and fiscal measures, while mass media campaigns and worksite interventions produce the lowest decrease in health inequality (OECD, 2010a). Restrictions on the advertising of potentially unhealthy products to children have also found support in many countries. Chile, Iceland, Ireland and Mexico, among others, ban on the advertising of foods and beverages on TV during the time children are the main audience.

Health problems among youth can also contribute to the process of disengagement from education. Young people who are unemployed or inactive are five times more likely to have poor health than young people who are employed or in education (OECD, 2016b). It might be difficult for young teenagers to seek advice about their physical or mental health problems, when they can only talk to their parents or teachers. In Australia, a network of external health centres has been rolled out particularly in remote or disadvantaged areas (Australian National Youth Mental Health Foundation). These centres have been designed to be conveniently located and practice open-door policy, allowing young people and their families to drop in (OECD, 2016b).

1.4.1.10. Give a boost to disadvantaged families to compensate early disadvantage

Family policies are another key tool to boost social mobility and ease stickiness at the bottom. Children growing up in low-income families are less likely to achieve higher education, upper-occupation status or high-earning jobs.

The lack of investment in children can have long-term (and potentially irreversible) negative consequences. There is a wide literature looking at the causal impact of parental income – and income shocks – on children’s health, schooling and other outcomes. Available evidence suggests that money *in itself* does matter for children’s outcomes such as cognitive development and school attainment, as well as social, emotional and behavioural development. But additional money spent has a significantly larger impact for lower-income households, which speaks in favour of an effective targeting of child benefits towards families with lower incomes. Providing additional money to low-income parents, for instance in the form of earning tax credits or in-work bonus could therefore contribute to substantial reductions in outcome differences between low-income children and others, even if it might not be enough to entirely close these gaps.

In emerging economies, conditional cash transfer programmes, which target poor households and make payments conditional on children’s health and education participation, have resulted in improved education, housing and well-being. Such programmes can increase the take-up of social and employment services (e.g. *Prospera* in Mexico, *Bolsa Familia* in Brazil or *Chile Solidario*). Effective programmes usually target mothers, as they tend to allocate more resources to their children than fathers do. Indeed, this logic influenced the initial design of Progres (now Prospera) in Mexico to target benefits to mothers. To produce results, conditionality requires a good service quality, however. Changes in parental behaviour moreover depend on designing incentives appropriately, and the programmes can negatively affect female labour force participation if mothers have to free up too much time for doctors’ visits and checks.

1.4.1.11. Work and family balance

Inasmuch as situations of poverty are more frequent among one-earner families with children, the labour market status of mothers also can have lasting consequences on future generations. Women often miss out on crucial labour-market opportunities during the early

stages of their careers, which coincide with the arrival of children in the household, and rarely fully catch up with men afterwards (OECD, forthcoming).

Policies that reconcile work and family balance, early education and care policies and services, can help level the playing fields by compensating disadvantages at home, allowing women progress in their careers and avoiding the transmission of disadvantages to children. They can also support parents in their participation to the labour market and mitigate the detrimental impacts of financial hardship on children's future outcomes. France and the Nordic countries, for example, provide a continuum of publicly provided reconciliation support for parents during the early years of their child's life, and they have been able to combine high female employment with high fertility rates, carrying a demographic dividend with them into the future. Norway and the United Kingdom have expanded or introduced free childcare hours.

The inability to combine work and care often starts in infancy. While the evidence on the relationship between paid leave and child outcomes is mixed, much research has found that paid leave is associated with lower infant mortality and a lower likelihood of low-weight birth.¹¹ Evidence from several OECD countries suggests that the provision of father-specific leave may have considerable effects on fathers' behaviours and tend to improve children's cognitive and social outcomes (OECD, 2012). Low-income families might have more difficulties in combining work and family life because of irregular or non-standard work, while leave policies require a record of regular employment and earnings. They are also less likely to have workplace flexibility with their scheduled hours or location than do more highly-skilled workers.

1.4.1.12. Reducing spatial segregation

The concentration of poor families in disadvantaged neighbourhoods is another challenge for public policies, since it tends to reinforce the mechanisms that replicate disadvantages across generations. Governments need to promote urban planning policies that support a human and social capital infrastructure which guarantees equal access to public services, quality education and employment opportunities.

A variety of policies can help reduce spatial segregation in terms of education and improve social equity in school choice schemes. Controlled school choice schemes and school voucher programmes, for example, can help low-income children pursue quality education and expand opportunities for all in cities. Controlled choice programmes, also called flexible-enrolment plans, introduce mechanisms that ensure that children are allocated to schools more equitably (e.g. in terms of parental socio-economic status, ethnic origin, etc.). In the event of oversubscription to some schools, this type of scheme prevents disadvantaged students from getting crowded out (e.g. system of double waiting lists in Rotterdam, to enrich ethnic and socio-economic mix in schools). Public authorities may also consider a number of financial incentives for all schools to enrol disadvantaged students. Some countries, such as the Netherlands, Australia, Canada and Chile provide more funding to schools that accept low-performing students to offset the additional costs to educate them through progressive voucher schemes or weighted student funding ("virtual vouchers").

Projects targeted at the working-poor in communities are also important to enhance mobility (e.g. comprehensive, community-based programmes set out to tackle in-work poverty in Calgary, Edmonton, Toronto and Saint John in Canada). Other promising initiatives are measures for inclusive business practices, including targeted support for vulnerable workers through childcare, transport and housing support, progressive hiring practices to ensure diversity, opportunities for workers with disabilities, and transparent

performance reporting (e.g. Social Business Centre and Community Investment Fund of the City government of Calgary, CPRI, 2013).

Quality health care is one of the most important dimensions and policies need to ensure access to it independent of a person's place of residence. A range of policy levers may influence the choice of practice location of physicians, including: 1) the provision of financial incentives for doctors to work in underserved areas; 2) increasing enrolments in medical education programmes of students coming from specific social or geographic background, or decentralising the location of medical schools; 3) regulating the choice of practice location of doctors (for new medical graduates or foreign-trained doctors); and 4) re-organising health service delivery to improve the working conditions of doctors in underserved areas and find innovative ways to improve access to care for the population.

1.4.1.13. Improving housing and transport

Access to good-quality affordable housing is important for achieving a number of social policy objectives, including poverty reduction, equality of opportunity and social inclusion. Better targeted housing allowances can help promote mixed-income urban neighbourhoods. Housing allowances, compared with social rental housing (discussed below) are less likely to harm residential and labour mobility.

Some initiatives actually focus on helping lower income households to move to higher income neighbourhoods. For instance, housing vouchers to encourage mixed neighbourhoods were used in the United States with the “Moving to opportunity” experiment whereby the children of families in five U.S. cities (Baltimore, Boston, Chicago, Los Angeles, New York) who moved from high-poverty to low-poverty area had increased earnings and college attendance.¹² Such housing vouchers were effective because they were targeted to families with young children and required families to move to better neighbourhoods with low-poverty. Housing allowances also have limitations as they cannot guarantee good housing quality and may perversely affect rent prices. Another issue of such housing voucher programmes, in particular, was that while the aim was to help households move from low-income areas to more prosperous locations, most families chose to stay close to their original location or move to an area with similar characteristics.

Social rental housing and inclusionary zoning policies may help low-income families but also increase segregation. National legal frameworks sometimes impose a minimum target of social housing on local authorities but it is not always respected: for instance, in France, some well-off areas escape their obligations and pay a fine instead of meeting the social housing target. In practice, social rental housing often concentrates low-income households in deprived urban neighbourhoods that offer low-quality public services and little access to job opportunities, which exacerbates urban social exclusion. Municipalities, especially those with a large share of low-income households and a high share of unemployment, may not have the financial and organisational capacity to supply and maintain social housing. Inclusionary zoning, which exist notably in several US states, as well as Germany and Sweden, requires developers to build a specified share of affordable housing units within otherwise market-rate residential developments, in exchange for a relaxation of regulations on development or other incentives (OECD, 2016a). This policy aims to increase the supply of housing affordable to lower income households while encouraging the spatial inclusion of low-income households in higher opportunity areas. In practice, thresholds for qualifying income levels are set relatively high and can exclude the lowest income households.

Desegregating and connecting all groups of effective transport networks needs to be at the core of urban transport planning. People in disadvantaged communities often have less

well-maintained infrastructure – notably roads, lesser access to reliable public transport services, and are less likely to own a private car. Recent research by the International Transport Forum suggests that targeted subsidies (as opposed to generalised ones) allow transport operators to charge fares that are close to cost-recovery rate for most of the population while cheaper fares are set for vulnerable groups (ITF, 2016).

An integrated public investment strategy can help improve people’s access to affordable, equitable and sustainable infrastructure, and expand opportunities for socio-economic mobility in cities. For example, narrowly conceived urban and environmental regeneration initiatives may drive housing prices up and put pressure on the transport network, thereby pushing lower income households out of regenerated neighbourhoods while attracting wealthier residents and high-end businesses. Urban governance systems characterised by higher administrative fragmentation are associated with a higher income segregation of households (OECD, 2016a). More effective governance to integrate policies combining key sectors such as land regulation, housing and transport at the metropolitan scale can help fight income segregation in cities.

1.4.1.14. Wealth taxation, savings and access to credit to foster intergenerational mobility

Policies that affect wealth accumulation and savings behaviour are an important tool for enhancing social mobility. Wealth influences intergenerational mobility, as parents often use their fortunes to support their children by investing in their education or by transmitting part of their wealth to their children before or after the end of their lives. However, wealth is much more unequally distributed than income, and wealth deprivation often goes hand in hand with income poverty (OECD, 2015a; Balestra and Tonkin, forthcoming). Wealth is therefore likely to be a strong driver of “sticky floors” and “sticky ceilings”.

Since gifts and inheritances play an important role in wealth accumulation, the taxation of such transfers will affect social mobility. Inheritance and gift taxes commonly take the form of estate taxes imposed on the wealth left by the decedent, inheritance taxes imposed on the wealth received by the beneficiary, or gift taxes imposed on *inter vivos* transfers. From the perspective of social mobility, taxing inheritances is preferable to taxing estates since what matters is how much a person receives from others, not how much a person leaves to others.

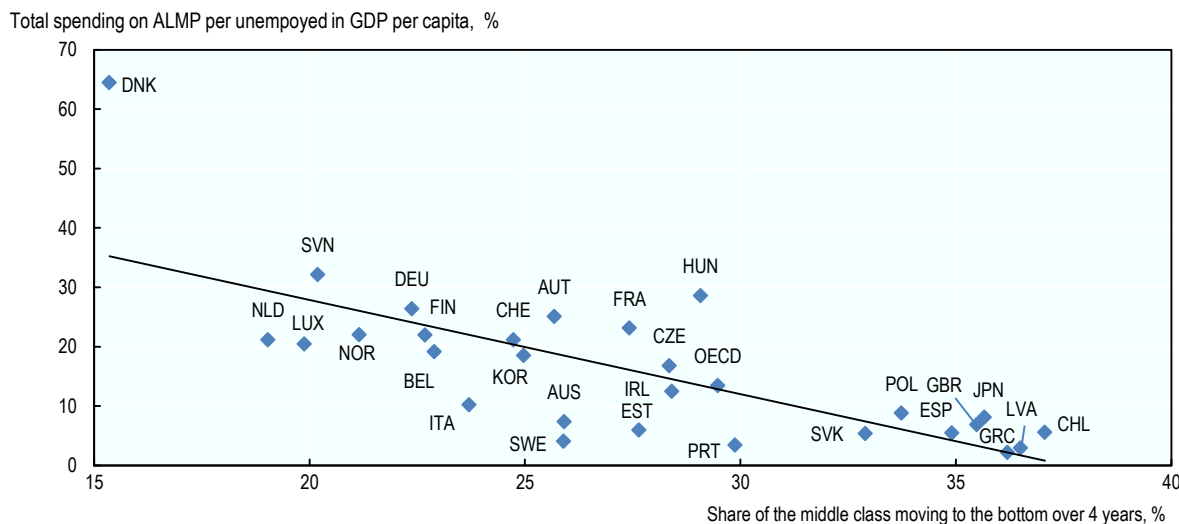
However, revenues from inheritance and gifts taxes have been very low and declining over time, reflecting the fact that tax bases are narrowed by exemptions and deductions, and tax rates are often low. Avoidance opportunities are also widely available. On average across the OECD, revenues from taxes on wealth transfers have declined from 1.1% of total taxation in 1965 to 0.4% today (OECD, 2018c). First avenues to rebalance opportunities would therefore be to limit avoidance, design progressive tax systems with adequate rates and reduce exemptions.

1.4.2. Smoothing the consequences of adverse personal shocks

Policies can also play an important role in affecting mobility over the life course. In particular, they can protect against the effects of unforeseen personal events or temporary shocks which can trigger downward mobility, such as job loss, divorce or childbirth and to foster resilience, notably for middle-class families who face higher risks of downward mobility. As underlined in the new OECD Jobs Strategy, well-designed insurance and assistance schemes, if associated with active labour market policies as well as strategies to foster labour demand, can be very effective in protecting against these shocks while at the same being consistent with better labour market outcomes. As such, countries which spend

more on active labour market programmes tend to have a lower share of middle income households moving down to the bottom of the income distribution over a four year period (Figure 1.18).

Figure 1.18. The share of middle income households moving down to the bottom is lower in countries spending more on active labour market programmes



Note: ALMP: Active labour market programmes. Data on ALMP spending refers to spending per unemployed in GDP/capita in 2015. Total spending on ALMP for Greece do not include public employment services. Data for shares of middle-income households moving down refer to early 2010s.

Source: Chapter 2, *OECD Employment Database* www.oecd.org/employment/database and *OECD Annual National Accounts Statistics* (<http://dx.doi.org/10.1787/na-data-en>).

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1.4.2.1. Effective transfers ensuring people to recover quickly from economic hardship

Transfers can significantly mitigate the undesired effects of income volatility. It is crucial for mobile societies to ensure that people in economic hardship quickly recover from income shocks. The design of transfer programmes such as unemployment insurance, in-work benefits or family benefits can shape the persistence of income shocks and thereby impact income mobility. In this respect, an effective combination of last-resort income-support schemes with well-designed in-work benefits is likely to support returns to employment and avoid long-term benefit dependency. Unemployment insurance reduces earnings volatility mainly at the bottom of the earnings distribution and feeds longer-term mobility by preventing further social exclusion (OECD, 2015c). The re-distributional impact of unemployment insurance may be particularly important when measured in terms of life-time earnings. However, recent evidence suggests that the unemployment-benefit coverage has been decreasing throughout the recent economic crisis, and that this trend has continued in the recovery period (OECD 2018e, forthcoming). This is a matter of concern as unemployment benefit coverage is especially important for non-standard workers and those durably excluded from employment.

Well-designed permanent in-work benefits or earned income tax credits can be effective to make work pay and induce the right financial incentives for low-pay workers to climb up the earnings ladder, while supporting living standards of low-income families. However,

these schemes can also exert downward pressure on wages. Binding wage floors can increase the effectiveness of these schemes by providing a minimum level below which wages cannot fall. In the United States, the Earned Income Tax Credit (EITC) has contributed to reduce in-work poverty and is also related to better health of children in recipient families through three channels: family income, maternal employment, and health insurance coverage patterns (Cooper and Stewart, 2013). In the Netherlands, taxpayers with earned incomes and children below 12 are entitled to an income-dependant combination rebate.

1.4.2.2. Taxes smoothing income shocks

Tax policies do not only redistribute incomes between individuals and households but also contribute to smooth income volatility among the same households. The role of taxes and transfers in mitigating the impact of a permanent income loss on consumption and lowering the cost of income variability is significant (Blundell, 2014; Bibi et al., 2013).

In some cases, however, tax systems – at least in their current design – contribute to amplifying income disparities over the life cycle because of the time lag between earnings and taxation. For example, taxation of annual income tends to disproportionately burden lower-income families who are more likely to face large ups and downs over the years, and thus pay higher taxes than they would have paid with a stable equivalent income. Measures smoothing taxes or tax credits over multiple years can help mitigate such income fluctuations. Ensuring that the payment of taxes is close in time to earnings helps to avoid unexpected burdens. This can reinforce income stability, in particular among the middle class.

Various forms of tax expenditures targeted at low-income taxpayers can have significant impacts on intergenerational mobility: mortgage interest deductions, deductions of local income taxes, as well as other forms of tax credits are all positively correlated with intergenerational mobility (Chetty et al., 2015).

1.4.2.3. Reducing adverse labour market shocks and helping people back to work

Preventing unemployment spells is the safer road to avoid its long lasting impact on career and skills. Some policy tools can contribute to prevent unemployment spells and job displacement. They must be paired with early intervention measures preventing the unemployment spell to spread in time (OECD, 2018e, forthcoming). Proactive measures, which can begin during the notice period before the layoff occurs, can ensure a smoother transition in case of job displacement (OECD, 2018e, forthcoming). For instance, in Sweden job security councils, managed by social partners, provide transition services and guidance to employees who facing collective redundancies in the form of information about trainings, labour market opportunities, business start-up support, etc.

Close collaboration between employers, unions and labour market authorities, can also result in better co-ordination of collective bargaining arrangements and facilitate adjustments in wages and working time so that layoffs can be avoided. In some countries, working-time reductions are uncompensated so that they result in proportional reductions in earning (e.g. Sweden), while in others they may be partially compensated through the use of short-time work schemes (e.g. Germany, Japan).

Effective active labour market policies, implemented within a mutual obligations framework of rights and duties, are instrumental in integrating jobseekers into good-quality employment and preventing unemployment spells to hamper future mobility. Policies to promote job-search are important to limit the long-term impact of unemployment on

income trajectories. The OECD framework for activation strategies focuses on the best ways to connect people with jobs (OECD, 2015c) by combining measures for the *motivation* of jobseekers to search actively and accept suitable jobs, *opportunities* (e.g. job-search assistance, direct referrals, subsidised employment) and interventions to increase the *employability* of the least employable (e.g. training and work-experience programmes).

Addressing the lack of mobility requires preventing people in employment to remain stuck at the bottom of the income distribution. For hard-to-place workers, the provision of these services requires intensive counselling and skillful case management, whose effectiveness is typically enhanced by low staff caseload. In order to cope with scarce resources, effective profiling tools must therefore be used sufficiently early in the jobless spell as a way to efficiently allocate jobseekers to less or more intensive service streams.

1.4.2.4. Balancing labour market adaptability and promoting career mobility

Addressing labour market segmentation is important for income mobility over the life course. While temporary jobs can be stepping stones to more stable employment, they may be replacing stable jobs instead of encouraging job matching. In some countries, the likelihood of moving to a stable job when occupying a temporary job is low. As fixed term jobs are often likely to bear on youth and the less skilled, they can act as a huge barrier to mobility. Temporary workers often benefit less from training and their work experience is less recognised by employers (OECD, 2015a; Cahuc et al., 2017) because of high segmentation in the labour market, highlighting the importance of having more homogenous employment protection legislation across workers of different types of contracts.

1.4.2.5. Lifelong learning to build capacity throughout the lifetime

Improving adult competencies, beyond those who are unemployed, is an essential component to ensure the continuous employability of workers and promote their career progression and upward mobility. Financial incentives, well-targeted interventions to help people out of low-skills/low-income traps, basic skills programmes can all contribute to enhancing social mobility.

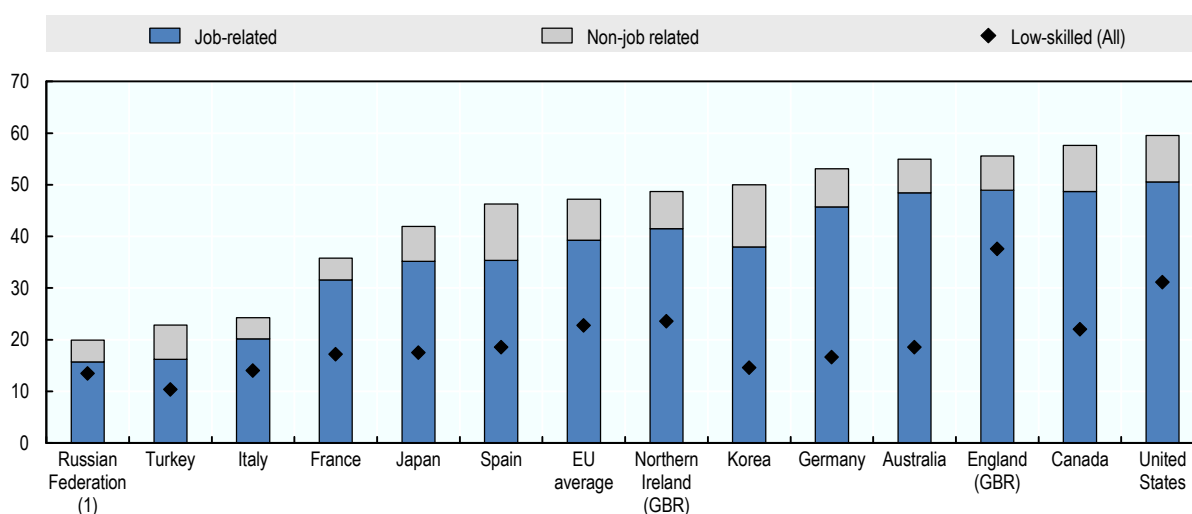
A rapidly changing world of work affected by globalisation, digital transformation and demographic changes makes lifelong learning even more essential, but also requires new approaches to update skills. Access to training among the low-skilled is typically much lower than among the high-skilled, so that most life-long learning system tend de facto to reinforce skills disparities observed when people leave education (Figure 1.19). In the United Kingdom, the Union Learning Fund, organised by trade unions, offers training programmes which mainly target low-skilled workers and activities that they identify as important for their members, in consultation with stakeholders. Union learning representatives engage directly with low-skilled workers to recruit their participation. Low-skilled learners achieve the most significant outcomes, with over two-thirds of learners with no previous qualification moving to a higher qualification level (Stuart et al., 2016).

The validation or recognition of non-formal and informal learning also provides an incentive for low-skilled individuals to further invest in learning by allowing them to capitalise on the skills they already have. This process of Recognition of Prior Learning is particularly important in countries with high levels of under-qualification where workers possess skills required for the job but lack a qualification to prove this.

In addition, individual trajectories in the labour market are more and more diversified with individuals changing jobs and type of employment and require training models which are not tied to the individual employer, e.g. individual learning accounts. France recently introduced the *Compte Personnel d'Activité* which provides funding for training to all working-age individuals, independently of their labour market status, with additional funding for the low-skilled. The advantage of such accounts is that they provide individuals with a training subsidy that gives them more responsibility and control, allowing for a better match between the individual needs and appropriate training (OECD, 2016c).

Addressing skills mismatch is also important because about one-third of workers in OECD countries do not have a job matching their skills (OECD, 2013), while the majority of them are under-skilled. Having the right skills for a job has long-lasting effects on wages and employment throughout workers' careers, reducing the chances of mobility. Employers need to work with education and training institutions to ensure the provision of relevant skills, provide on-the-job training to facilitate the upgrading and adaptation of skills and adopt forms of work organisation that make the most of existing skills.

Figure 1.19. Incidence of training among adults, by skill level



Note: Percentage of adults who participated in adult education and training during year prior to the survey. EU average refers to the unweighted average of training incidence in the 19 EU countries covered by the Survey of Adult Skills PIAAC.

Source: Survey of Adult Skills (PIAAC), 2012, 2015.

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1.4.2.6. Further adapt family policies to changing household patterns

Divorce and partnership dissolution have a significant impact on incomes, in particular for women; and divorce is often a "trigger event" leading to poverty, which can persist several years. The most direct channel for income recovery after divorce remains participation to the labour market. However, family benefits and taxes play a critical role in cushioning the impact of divorce on ex-partners.

The payment of child support by the non-custodial parent is a legal obligation in most OECD countries. Non-payment (or delayed payment) of alimony is frequent. National responses to the non-payment of child maintenance by the non-custodial parent can range

from enforced payment, salary deductions, seizure of assets and bank accounts. Child support can be guaranteed in some countries by the State (e.g. Austria, Estonia, Germany, Hungary, Italy and Sweden); by local authorities (e.g. Czech Republic, Denmark and Finland); by special funds (e.g. Latvia, Lithuania, Luxembourg, Poland and Portugal); or by a special administrative agency (e.g. France, the Netherlands and the United Kingdom).

1.4.2.7. Universal access to health care as a first-level buffer against adverse circumstances

Health conditions can have significant consequences on household incomes, either because they can lead to difficult access to or early withdrawal from the labour market and/or because they imply increased expenditures if out-of-pocket payments are high. Access to sickness and disability insurance for all households is a prerequisite to avoid the long-term negative impact on income trajectories of adverse health shocks, while efforts are needed to promote reintegration of those who can into the labour market. Health insurance systems should pay attention to the coverage of the poorest segments of the population to prevent any risk of downward intra-generational mobility. In addition, in order to keep the link with the labour market, disability benefits should be designed to favour activity rather than inactivity in the long run. In France, all legal residents are covered by social health insurance (99.9% of the population), following the 2000 Universal Health Coverage Act (*Couverture Maladie Universelle*, CMU), which changed the public insurance entitlement criterion from professional activity to residence. This allowed a small but growing share of the population who were not previously covered to benefit from the same rights as the rest of the population. In the Netherlands, the Inclusive Redesign of Work Processes (IHW) guides employers in redesigning the work processes to create employment opportunities for young people with a disability, especially if they are low-qualified or low-educated. This implies, for example, reallocating simple tasks from qualified workers to create a position that can be filled by a worker with lower qualifications.¹³

1.4.2.8. Paving the way for tomorrow’s social mobility: The challenges of the new forms of employment

The transformation of economies resulting from technological progress, demographic change and globalisation requires that workers remain protected against labour market risks in a world where non-standard forms of work may increase. This includes ensuring that everybody has access to social protection and is covered by basic labour market regulations. Non-standard workers often have limited or no access to certain forms of social protection, such as workplace accident and unemployment insurance.

Policy solutions do exist across OECD countries – non-standard workers can be incorporated in “standard” social protection systems, or social protection systems could be reformed to either become more individualised or more universal (OECD, 2018d). Possible approaches for extending social protection coverage include: creating new, specially-designed benefit schemes for unemployment, pension, accidents, etc. or expanding the role of non-contributory schemes. Tying social protection entitlements to the individual, instead of the job is a possible way to adapt to mobility between jobs and sectors. A few OECD countries are currently planning to introduce “individual activity accounts” that collect entitlements at the individual level, and aim to provide individuals with more choice as to how/when they want to use their accumulated funds.

Untying social protection from the employment relationship – that is, defining individual entitlements to tax-financed benefits – would remove coverage gaps, as well as the necessity of tracking entitlements across jobs and over the lifecycle. A more radical

solution currently discussed in some OECD countries would be to introduce a universal basic income. Simulations suggest however that it is unlikely that such scheme could provide effective protection to all individuals without significantly raising fiscal pressure or making some people worse off. A possible solution could be to develop intermediate forms of support that adopt key aspects of a comprehensive basic income while avoiding some of its drawbacks. One option is to have a basic income at levels below guaranteed minimum income standards, while leaving parts of the existing benefits – this could be desirable for instance if the main aim of such a reform was to more equally share the benefits of globalisation or technological progress rather than to address gaps in existing income protection systems. A gradual move towards greater universality may also be desirable in countries where poorer population groups receive relatively small shares of overall benefit expenditures. Another alternative would be to keep mild eligibility conditions in place or have durations of basic income payments capped. A further option could be to introduce it gradually to different groups, such as future cohorts of young adults (OECD, 2017b; Browne and Immervoll, 2017).

All in all, governments have various policy tools at hand that, depending on the country-specific conditions, can help them address one of the defining challenges of our time: promoting social mobility, within and across generations, and to give everyone a chance to fully express their talent and potential. This is key to fostering a more dynamic, innovative, and most importantly, inclusive and fairer economy and society.

Notes

1. For a discussion of these mechanisms, see Cingano, 2014; OECD, 2015; Becker and Tomes, 1986; Hassler et al., 2002, Sullivan, 2008, Bradbury and Triest, 2015)
2. See Nikolaev and Burns, 2013; Chan, 2017.
3. See Tversky and Kahneman, 1991; Dolan and Lordan, 2013; Nikolaev and Burns 2014.
4. See Clark and Lipset, 1991; Ravazzini and Chavez-Juarez, 2015.
5. Evidence from Latin American countries shows that people who think that their situation improved compared to their parents are significantly more likely to support democracy (Daude and Melguizo, 2010). See also Lahtinen et al., 2017; Mayer et al., 2015; Day and Fiske, 2017.
6. For instance, the best predictor of voting behaviour at the European elections in 2014 has been found to be the assessment by the respondents of their social position *and* their upward or downward trajectory (Mayer et al., 2015). See also Benabou and Ok 2001; Clark and D'Angelo, 2013; Gest et al. 2017; Dostal, 2015.
7. See Havnes and Mogstad, 2015, Caille, 2001, Goux and Maurin, 2010, Shuey, forthcoming.
8. See Heckman, et al. 2010.
9. See Woolfson and King, 2008.
10. See Schochet, Burghart and McConnell, 2008.
11. See Adema et al., 2015.
12. See Chetty et al., 2016.
13. See Scharle and Csillag, 2015.

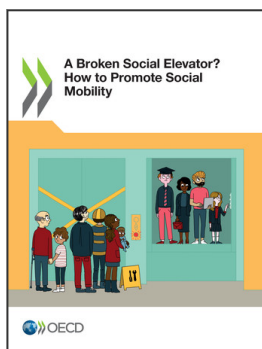
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