



SOCIAL MOBILITY AS A KEY TO SUCCESS FOR ECONOMIC TRANSFORMATION AND REFORM

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ROMINA BOARINI, Director
OECD CENTRE ON WELL-BEING, INCLUSION, SUSTAINABILITY AND
EQUAL OPPORTUNITY (WISE)

WISE's Mission



Generate new evidence, tools and policy solutions to enhance:

- People's **W**ell-being
- **I**nclusion & **E**qual Opportunities
- **S**ustainability

Part Two: Current Well-Being



Part Three: Inclusion



Part Four: Sustainability



Three pillars of WISE's Mission

Measuring what matters

- Economic performance and social progress
- Impact, including for the private sector
- Achieving the SDGs
- Recovery Dashboard (2020 MCM mandate)

People-centred policies

- Integrating well-being and inclusive growth in the policy cycle
- Building on the nexus between productivity growth, inclusion and sustainability
- Focusing on early interventions and on the life-cycle

Support to countries

- Supporting a strong, inclusive and resilient recovery for Economies of Well-Being
- Aligning the recovery with the SDGs and the transition to a carbon-neutral economy
- Collaboration across the OECD and with the European Commission's DG REFORM



Observatory on Social Mobility and Equal Opportunity

Launched last November, aims to:



Advance **data** collection efforts to measure the extent and drivers of social mobility and equal opportunity;



Discuss how **policies** can break down barriers to equal opportunity and promote social mobility; and



Shed light on the **broader enabling system** and analyse the role of civil society and the private sector in fostering equal opportunity

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Understanding social mobility

Explore the factors that affect social mobility throughout life

OECD Portal on Social Mobility federates the work on social mobility and equality of opportunity across the OECD



There is room for making societies more mobile

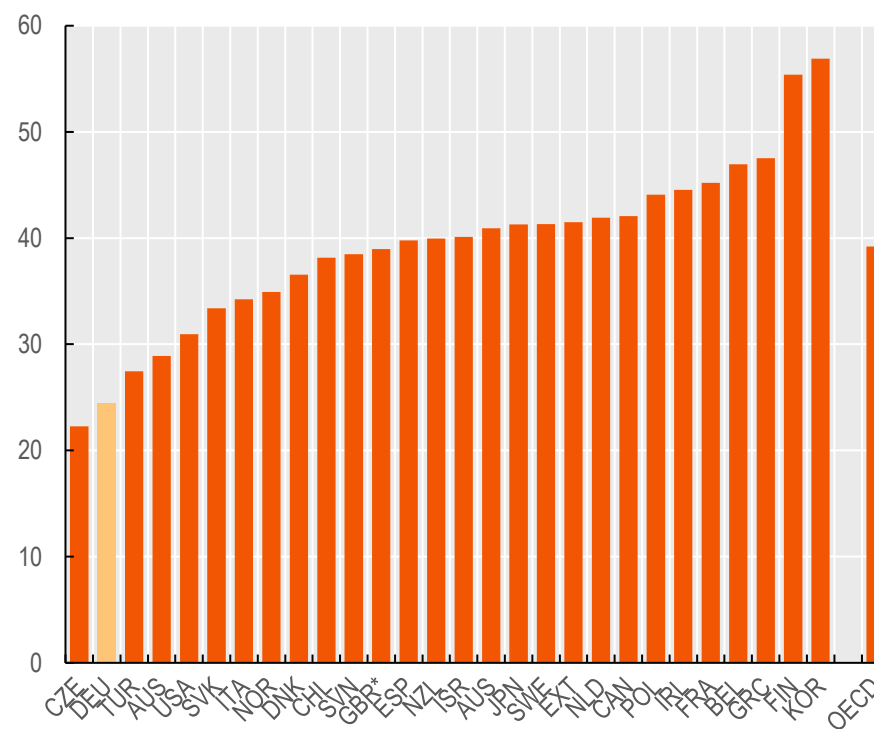
Intergenerational mobility is limited...

- One in four adults experienced upward educational mobility, meaning that they attained a higher level of education than their parents (39% in the OECD, cf. chart)
- OECD estimates suggest that in Germany 42% of sons with low-earning fathers end up having low earning themselves, substantially more than OECD average (31%)

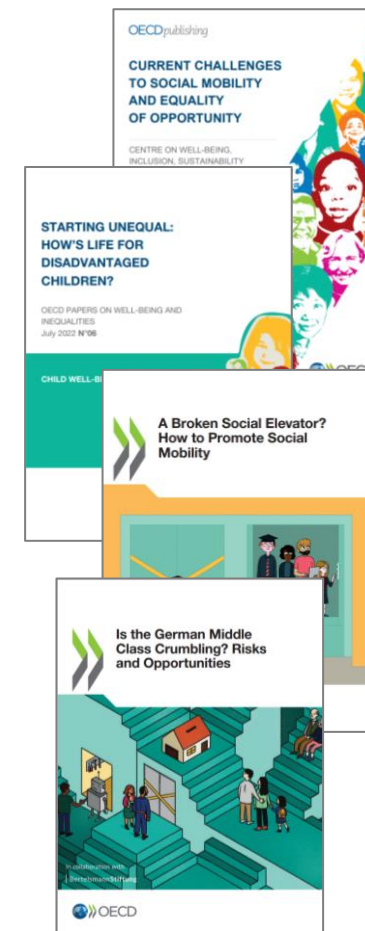
...and sticky floors and sticky ceilings also apply to income perspectives over the individuals' life course

- In Germany, people in the bottom quintile of household disposable income had a 56% probability of remaining in the same income group after 4 years (55% in the OECD)
- At the other extreme, those in the top quintile had an even higher chance (75%) to remain at the top (67% in the OECD)

Share of adults who reported higher education than their parents, 2018



Note: GBR refers to England only
Source: OECD, PIAAC



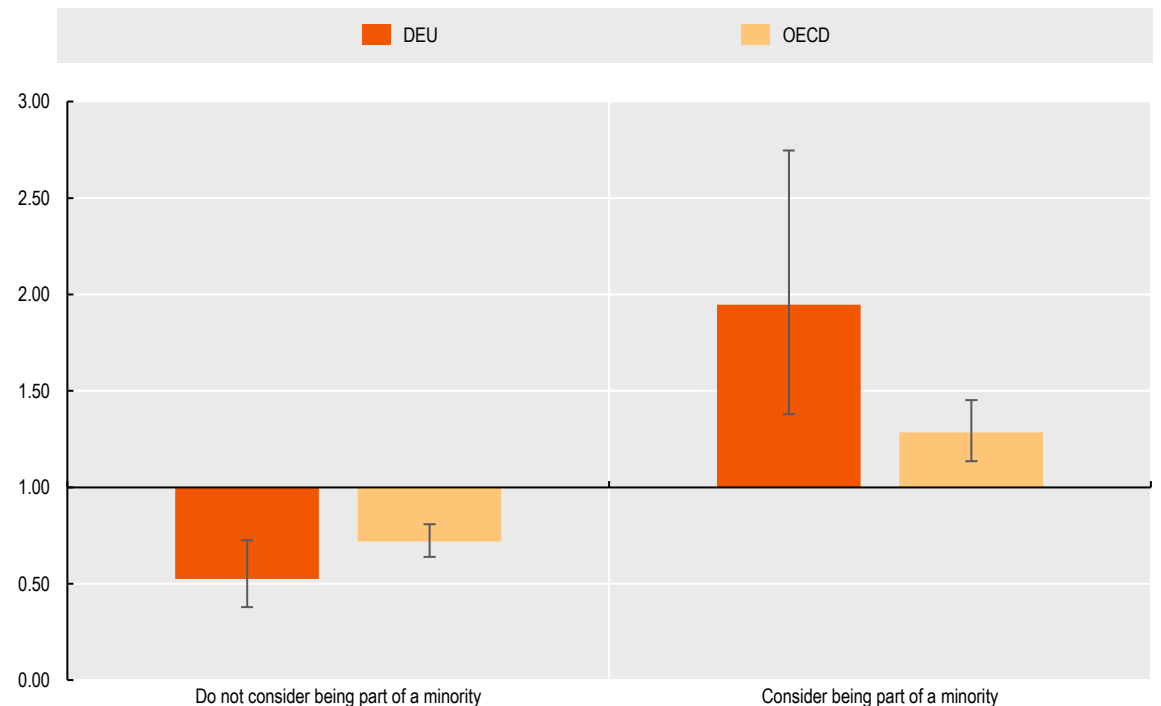
Income floors and ceilings have become stickier

Moreover, income positions have become more persistent over time across most income groups.

- Compared to the late 1990s, in the late 2010s the risk of moving down the income ladder has decreased by 4 p.p. or more for most of the middle class
- It has also decreased by 5 p.p. for high-income households.
- Meanwhile, the German poor were 11 p.p. more likely to still be in the same income quintile four years later.

In Germany, **people from minority background are almost twice as likely to be in the bottom quintile of the income distribution**, much larger than in the OECD, a finding that suggests limited equality of opportunity (cf chart).

Relative likelihood of being in the bottom quintile, by minority statuses



Source: OECD, 2023

Note: estimation based on a logit regression, controls include age, education level and household size



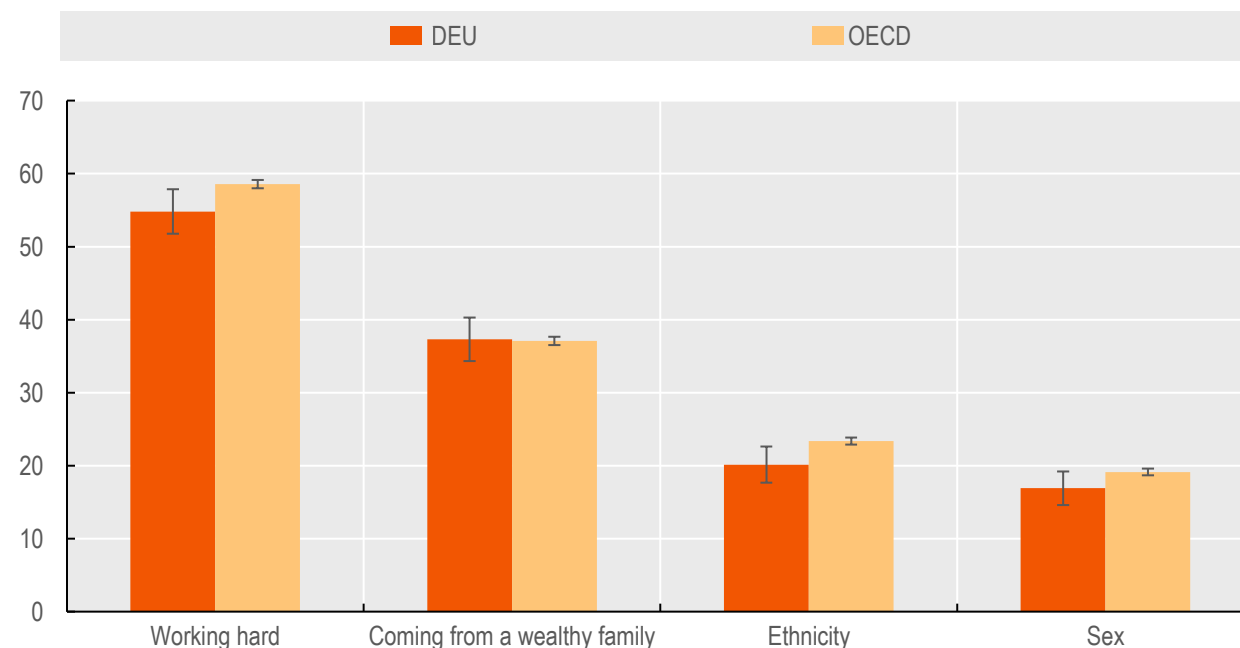
People perceive low social mobility

In Germany, most respondents believe that **60% of poor children will grow up as poor adults**, a share slightly higher than the OECD average (56%).

Meanwhile, there is **widespread belief that working hard is not enough to do well in life** (cf. chart):

- A small majority (55%) of German respondents believe that **working hard** is essential or very important to get ahead in life, a share only slightly below the OECD average (59%);
- A large share also perceive that other circumstances and factors beyond one's control are equally important: as in the case for **coming from a wealthy family** (37%);
- Identity traits, such as one's **ethnic background** or **sex**, are also considered essential or very important to get ahead in life by more than 15% of German respondents.

Percentage of respondents thinking the following factors are essential or very important to get ahead in life



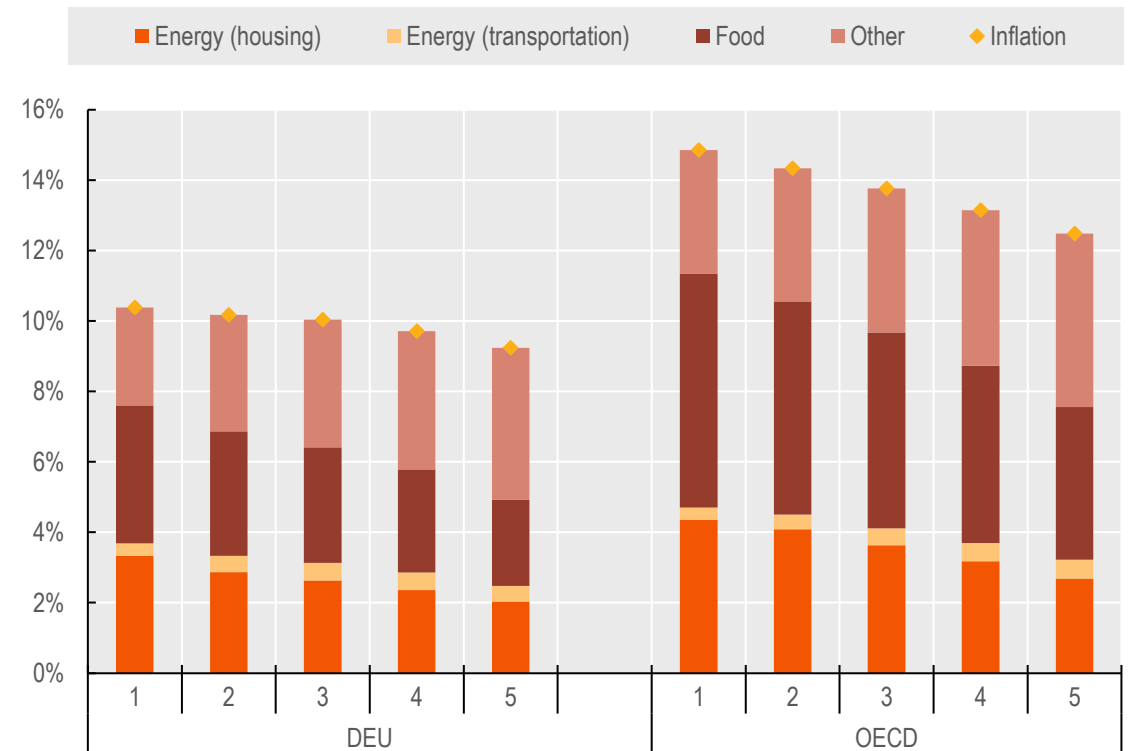
Source: OECD (2023)



Social mobility in the current context

- **COVID-19 crisis** may have accentuated existing social mobility issues (e.g. due to disproportionate impact on low paying jobs) and led to scarring effects on future generations (e.g. due to home schooling);
- **Recent rises in inflation**, especially energy and food costs, are hitting lower income households the hardest, possibly limiting their ability to invest in children's education and adult learning and training. In Germany, however, inflation inequality is lower than elsewhere in Europe (cf. chart);
- **Globalisation, digitalisation and the green transition** are eroding job opportunities for low- and middle-skilled workers.

Inflation rate, by income quintile



Source: OECD (2023)



Which policy solutions for social mobility?

Previous OECD work (“Broken Social Elevator”, OECD 2018) has highlighted five principal sets of policies:

1. Health and family policies;
2. Education;
3. Labour market;
4. Tax and transfer policies;
5. Place-based policies (including housing).



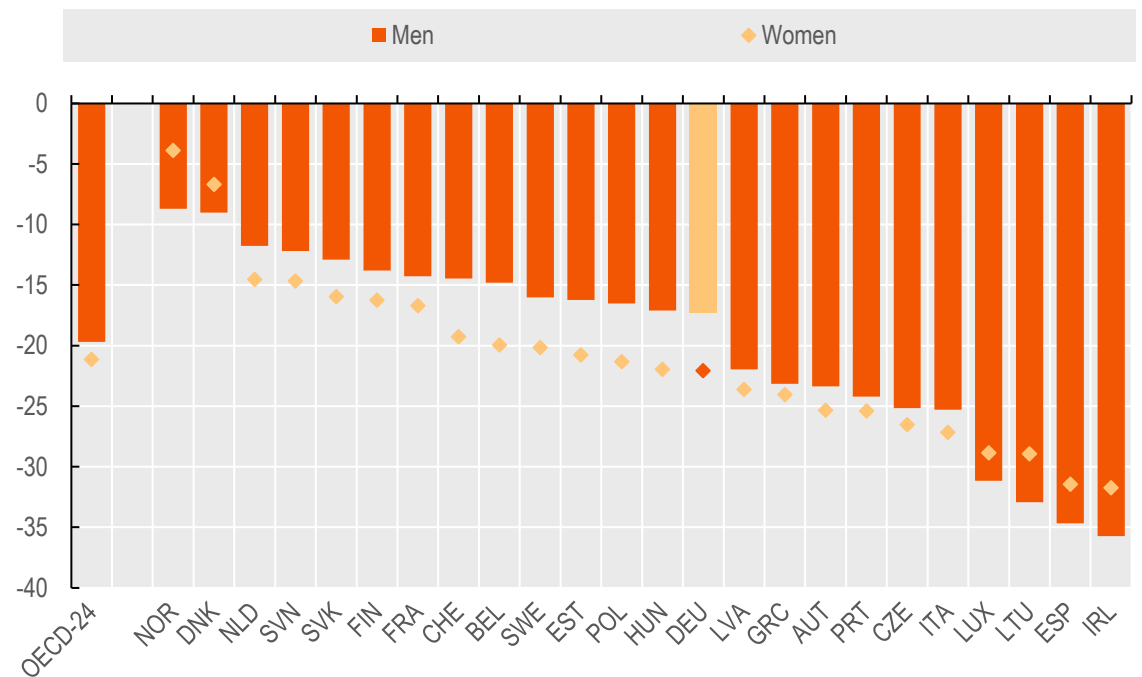
Solution #1: Grant children equal educational opportunities

German boys and girls from the most disadvantage backgrounds earn respectively 17% and 22% less as adults than those with more average childhoods (cf chart).

Policy efforts to prevent the occurrence of childhood disadvantage and to mitigate its consequences throughout the life course should:

- ✓ Support affordable and quality ECEC, especially for children from disadvantaged backgrounds
- ✓ Account for the interplay between family and home environment; school and ECEC environment; and community and physical environment
- ✓ Promote the reconciliation of work and family life

Annual earnings penalty associated with childhood disadvantage



Note: this figure shows the estimated percentage difference in annual labour earnings between employed individuals in the bottom and middle quintiles on the Index of Childhood Socio-Economic Status. Source: Clarke et al. (2022).



Solution #2: Invest in high quality education and training

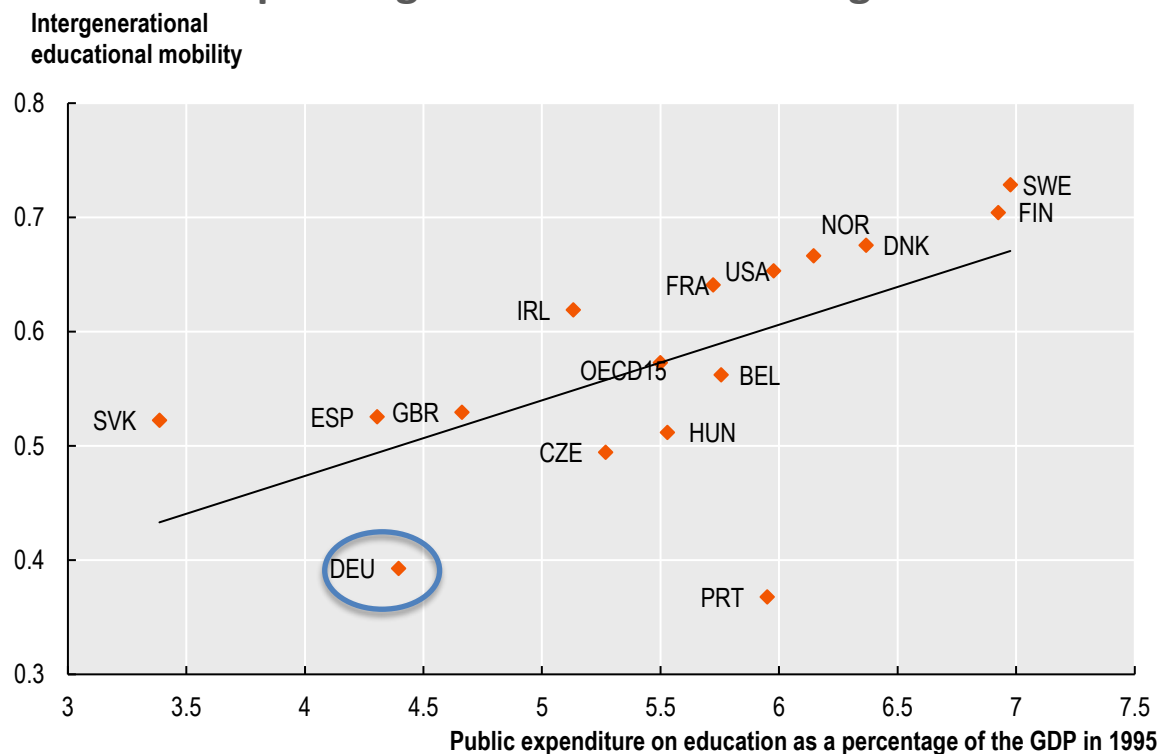
Countries that in the past **spent more on education** tend to have higher educational mobility.

However, the **effective use of overall public resources** devoted to education and **targeting to disadvantaged groups** also matter.

Policy efforts to increase equity in education and equip people with the right skills should also:

- ✓ Adopt well-designed funding formulas and invest in teacher quality
- ✓ Reduce the concentration of disadvantaged students in particular schools
- ✓ Be aligned with new labour market needs

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



Source: OECD (2018), A Broken Social Elevator? How to Promote Social Mobility, OECD Publishing, Paris, <https://doi.org/10.1787/9789264301085-en>.



Solution #3: Limit wealth inequality and inherited advantage

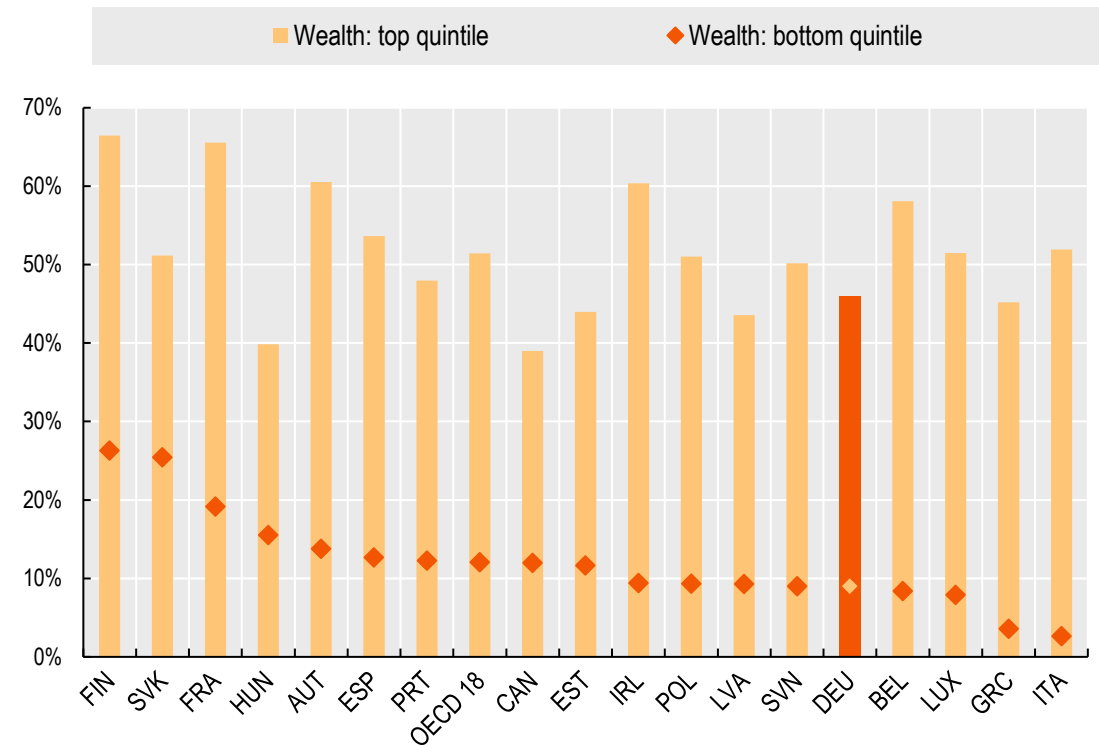
On average, the wealthiest German households are **five times more likely to receive an inheritance or gift** than those at the bottom of the distribution (cf chart).

Meanwhile, in Germany **two out of five lower-income individuals lack sufficient liquid financial buffers** to cope with a three weeks' loss of income.

Policy efforts to limit wealth inequality and protect households from adverse consequences of income shocks should:

- ✓ Support vulnerable lower-income and lower-wealth households' capacity to save and accumulate wealth
- ✓ Consider making better use of well-designed inheritance and gift taxation

Proportion of households who have received an inheritance, by wealth quintile



Source: Balestra and Tonkin (2018).





THANK YOU!

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CONTACT US:

ROMINA.BOARINI@OECD.ORG

WELLBEING@OECD.ORG