



# A Broken Social Elevator? How to Promote Social Mobility

## How does KOREA compare?

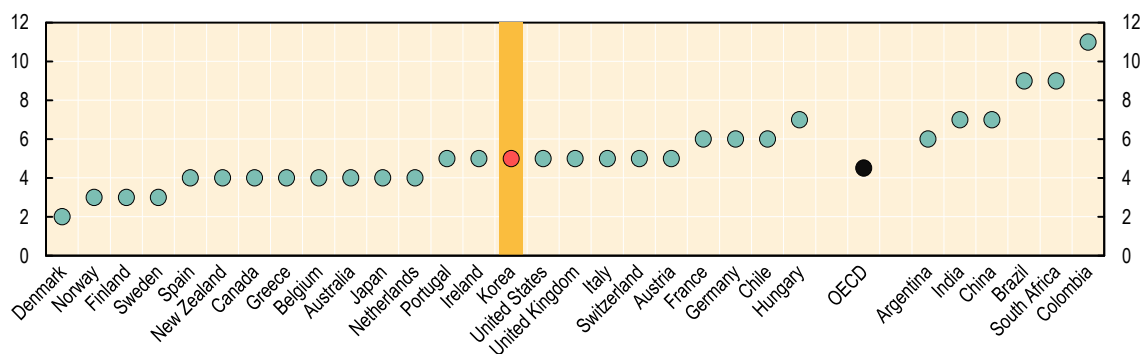
In many countries, people at the bottom of the income ladder have little chances of moving upward, and those at the top remain at the top – the social elevator is broken. This has harmful economic, social and political consequences. Lack of upward mobility implies that many talents are missed out, which undermines potential economic growth. It also reduces life satisfaction, well-being, and social cohesion. Social mobility is low at the bottom: “sticky floors” prevent people from moving up. It is even lower at the top: ceilings are “sticky”. Moreover, there is a substantial risk for middle-income households to slide into low income and poverty over their life course.

### Social mobility in Korea

In Korea, there is a widespread perception that parents’ fortunes and advantages play a major factor in people’s lives. 41% of people agree that parents’ education is important to get ahead in life. This perception is somewhat more pronounced than in many countries (37% of people agreed with the same statement in the OECD on average).

And indeed people’s economic status in Korea is significantly correlated to that of their parents: taking into account the mobility from one generation to the next as well as the level of income inequality in Korea, it could take 5 generations for children born in a family at the bottom of the income distribution to reach the mean income, similar to the OECD on average (Figure 1).

Figure 1. In Korea, it could take 5 generations for the descendants of a low-income family to reach the average income (Expected number of generations)



Note: These estimates are based on earnings persistence (elasticities) between fathers and sons. Low-income family is defined as the first income decile, i.e. the bottom 10% of the population. Source: A Broken Social Elevator? Chapter 1. StatLink <http://dx.doi.org/10.1787/888933761910>

### Dimensions of social mobility - sticky floors and sticky ceilings

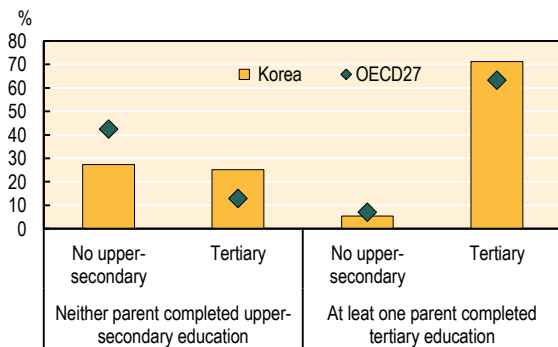
Social mobility is multi-faceted. Its *inter-generational* dimension stems from comparing people’s status with that of their parents in terms of earnings, occupation, health or education. Its *lifecycle* dimension assesses the chances of individuals’ income positions to change over the life course.

#### Social mobility across generations is not evenly distributed

- Educational attainment:** Over two-thirds (71%) of children with highly educated parents complete a tertiary degree in Korea, compared to 63% on OECD average (Figure 2). At the same time, one-fourth of children with low-educated parents move up to a tertiary degree, almost double the OECD average.
- Type of occupation:** In Korea, every second child of a manager also becomes a manager compared to only one in every fourth child of a manual worker. This is close to the OECD average. At the same time 40% of children from manual workers become manual worker themselves.

**Figure 2. Mobility at the bottom, but more sticky ceilings at the top in education**

Percentage of persons with lower and tertiary education attainment, by parents' education



Source: A Broken Social Elevator? How to Promote Social Mobility, Chapter 1

Despite some sticky ceilings in education, Korea scores the highest overall educational mobility across all OECD countries (Figure 3). By contrast, earnings mobility is close to average in Korea, but social mobility in occupation is the lowest across all countries.

Employment barriers faced by the young and women in Korea certainly play a role in low occupational mobility. The youth (15-29) employment rate is the seventh lowest in the OECD and the share of NEETs (Not in Education, Employment or Training) is high. Many young people tend to over-invest in education and remain out of the labour market for long periods of time. They often end up queuing for a limited number of high-paying good quality jobs matching their skills. Besides, female employment is constrained by long working hours, the limited take-up of maternity and parental leave as well as the scarcity of high-quality childcare. Consequently,

### What can be done to foster social mobility?

There is nothing inevitable about socio-economic advantage being passed from one generation to another. Large differences in mobility across countries suggest that there is room for policies to make societies more mobile and protect households from adverse consequences of income shocks. Policies that strengthen key dimensions of welfare are needed, as well as individual empowerment and capacity-building to alleviate the burden of unfavourable starting conditions in life. For Korea, some of the key policy priorities should include:

#### Objective #1

Promote young people's access to the labour market: expand Meister vocational schools and the Work-Study Dual System, thereby enhancing links between schools and firms; base curriculum for vocational education on the National Competency Standards.

#### Objective #2

Foster women's participation in the labour market: increase the take-up of maternity and parental leave systems by enforcing compliance and raising the benefit level for parental leave. Enhance childcare quality by making accreditation mandatory and strengthening competition. Change workplace culture of long working hours.

#### Objective #3

Address labour market dualism by reducing the gap in Employment Protection Legislation and expanding social insurance coverage and training for non-regular workers.

women account for a disproportionate share of non-regular workers.

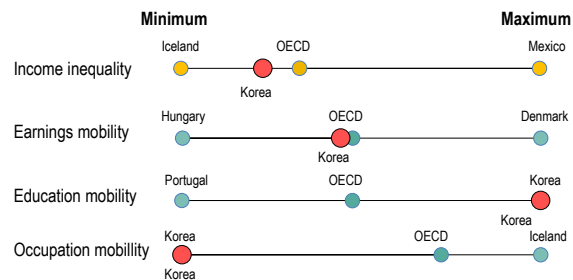
### Income mobility over the life course: persistence at the bottom and at the top

Individuals' income mobility over a shorter time span is limited in Korea, particularly at the bottom and at the top.

- Those in the bottom income quintile (the 20% of individuals with the lowest incomes) have little chance of moving up over a four-year period, with 50% remaining stuck there. This "sticky floor" has become even stickier since the 1990s.
- At the top, the persistence is stronger – 57% of persons in the top 20% of incomes remain there over a four-year period. Nonetheless, this value is lower than in most other OECD countries (the OECD average is 68%).

Lack of mobility at the bottom in Korea can partly be explained by the duality of the labour market, with some workers remaining stuck in non-regular jobs, which pay only two third as much per hour as regular ones. Women and older workers are over-represented in these forms of employment, the latter often quitting from their main job at an early age.

**Figure 3. Inequality and mobility along different dimensions**



Source: A Broken Social Elevator? Chapter 1