

# A Broken Social Elevator?

## How to Promote Social Mobility

### How does SWEDEN compare?

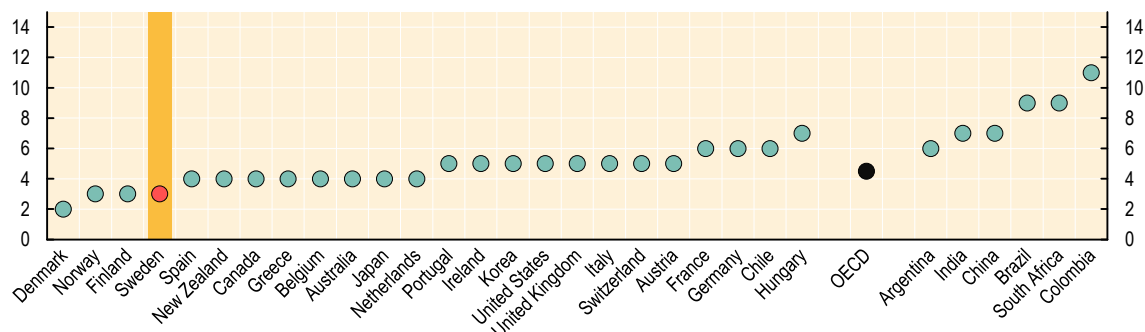
In many countries, people at the bottom of the income ladder have little chances of moving upward, and those at the top remain at the top – the social elevator is broken. This has harmful economic, social and political consequences. Lack of upward mobility implies that many talents are missed out, which 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 Sweden

People in Sweden have comparatively favourable views about their social mobility prospects: only 21% feel that having well-educated parents is important to get ahead in life, much less than in the OECD on average (37% of people agreed with the same statement across the OECD). They also tend to be relatively optimistic about the chances of improving their own financial situation: 30% expected an improvement in 2015 – the third-highest share across the 24 OECD countries studied.

And indeed, people’s economic status in Sweden is less strongly related to their parents’ status than in most OECD countries: taking into account the mobility from one generation to the next, as well as the level of inequality in Sweden, it could take 3 generations for children born into a family at the bottom of the income distribution in Sweden to reach the mean income, compared to about 5 in the OECD on average (Figure 1).

Figure 1. In Sweden, it could take 3 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 compares people’s status with that of their parents in terms of earnings, occupation, health or education. Its *lifecycle* dimension assesses individuals’ chances to change their income positions over the life course.

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

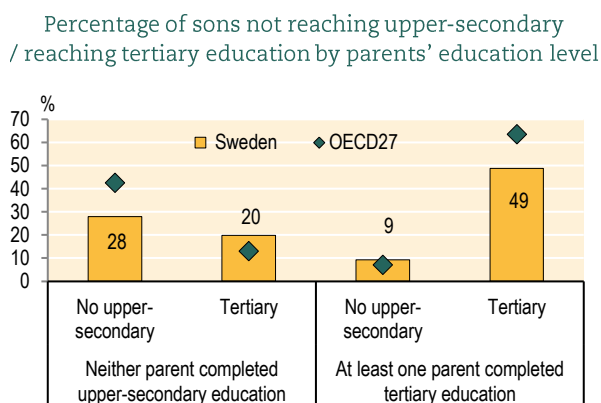
- **Educational attainment** persists across generations, particularly at the top: nearly half (49%) of children whose parents have a tertiary degree complete a tertiary education themselves in Sweden, while only one-in-five (20%) children with low-educated parents do so (Figure 2). Similarly, the risk of leaving school without upper-secondary

degree is three times higher for children whose parents do not have a high school degree than for those who have at least one tertiary education parent. Educational persistence is lower in Sweden than across the OECD on average, however, both at the bottom and at the top.

- Also the **type of occupation** tends to be transmitted across generations: More than every second child of a manager also becomes a manager in Sweden, compared to less than one-

in-three children born to a manual worker. Both these figures are close to the OECD average.

**Figure 2. Floors and ceilings are less sticky in terms of education in Sweden than in the OECD on average**



Source: *A Broken Social Elevator?* Chapter 1

Overall, intergenerational mobility in Sweden is high compared to other countries, particularly in terms of earnings and educational attainment (Figure 3). The same holds for the other Nordic countries, although educational mobility is lower in Finland and Norway, while earnings mobility is higher in Denmark, Finland and Norway. Intergenerational mobility is much lower in Western European countries such as France, Germany and the United Kingdom.

High enrolment rates in early childhood education and care are one possible factor explaining this performance. Enrolment rates are substantially above the OECD average both for 0-2 and for 3-5 year-olds, including for lower-income households. Young people's transition from school into the labour market moreover tends to be relatively smooth: only 8% of young people in Sweden were not in employment, education or training (NEET) in 2016, one of the lowest rates across the OECD (OECD average of 14%).

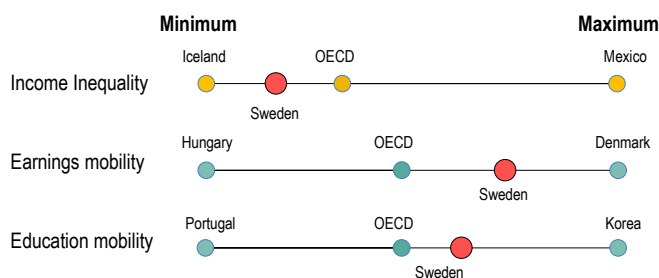
## Income mobility over the life course: high persistence at the bottom and at the top

Income mobility over the lifetime is somewhat more limited in Sweden, particularly at the bottom:

- Those in the bottom income quintile (the 20% of individuals with the lowest incomes) have very low chances of moving up in the short term, with 74% remaining stuck in the bottom quintile over a four-year period. This is the considerably higher than the average across the OECD.
- The persistence is slightly weaker at the top – 67% of people in the top 20% of the income distribution remain there over a four-year period. This is close to the OECD average.
- Middle-income households (the 60% of individuals in the middle of the income distribution) in Sweden have lower risks of moving down than in the OECD on average: one-out-of-five people are concerned (OECD: one-out-of-four). 37% of middle-income households move up (OECD: 34%).

In the Swedish context of very high employment rates, the strong low-income persistence may reflect that people who do have troubles finding work tend to be particularly disadvantaged, because of very low skills, ill health or a lack of Swedish language skills. This lack of mobility is less of a reason for concern than in more unequal economies, however, given low inequality and poverty in Sweden.

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



Source: *A Broken Social Elevator?*, Chapter 1

## 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 Sweden, some of the key policy priorities should include:

### Objective #1

Consider a more systematic and transparent system for uprating income support benefits, taking equity, fiscal costs and work incentives into consideration.

### Objective #2

Support migrant integration by speeding up the settlement process, addressing spatial segregation and reducing thresholds to labour market entry

### Objective #3

Address shortages and inefficiency in the housing market to boost disposable incomes, facilitate geographical and labour mobility and support wealth accumulation of low-income households.