

# A Broken Social Elevator?

## How to Promote Social Mobility

### How does JAPAN compare?

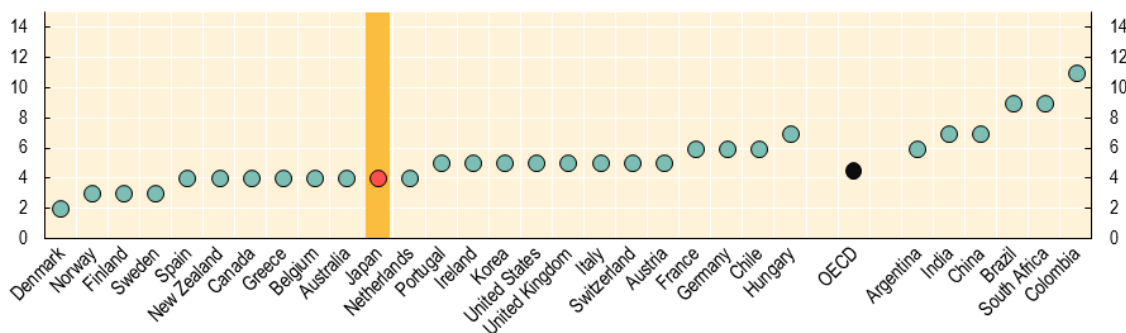
In many countries, people at the bottom of the income ladder have little chances of moving upward, and those at the top remain at the top – the social elevator is broken. This has harmful economic, social and political consequences. Lack of upward mobility implies that many talents are missed out, which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

In Japan, fewer people than in most other OECD countries believe that parents’ fortunes and advantages play a major role in people’s lives: 17% of people agreed with the statement that parents’ education is important to get ahead in life, compared to 37% of people in the OECD on average. Only the Nordic countries report similarly low levels of perceived barriers to mobility.

At the same time, people’s economic status is correlated to that of their parents, including in Japan. Taking into account the mobility from one generation to the next as well as the level of inequality in Japan, it could take 4 generations for children born in a family at the bottom of the income distribution to reach the mean income, a bit below than the OECD on average (Figure 1).

Figure 1. In Japan, it could take at least 4 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.

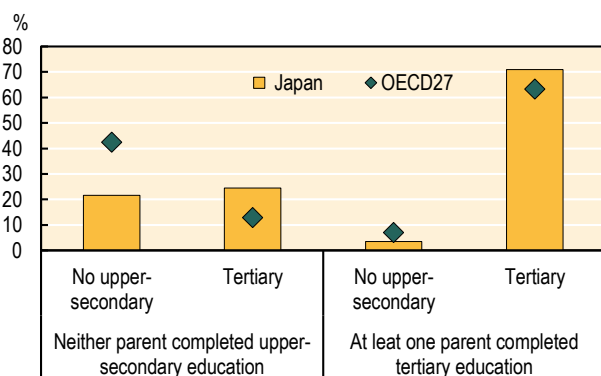
### Social mobility across generations is not evenly distributed

- In Japan, 22% of children with low-educated parents end up low-educated themselves (Figure 2). This is much less than on average in OECD (42%). Therefore, there is more mobility at the bottom in Japan in terms of education.
- In the same vein, 24% of children with low-educated parents achieve a tertiary degree in Japan, compared to 13% on OECD average.

- On the other hand, only 4% of children with high-educated parents end up with low education, and 71% of them reach a tertiary degree. This pattern of a sticky ceiling is much more pronounced than on the OECD average (7% and 63%).
- Japan performs slightly better than the average in terms of earnings mobility, with 35% of earnings differences between fathers carried over to the next generation, compared to 38% on average in the OECD.

**Figure 2. In Japan, there are sticky ceilings in education, but more mobility at the bottom**

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



The good performance of children with a poor socio-economic background in Japan is reflected in the PISA results, with both good overall proficiency scores and lower disparities between socio-economic groups than in many other OECD countries. Quality of early education or mobility of teachers across schools may explain this performance.

Japan therefore compares relatively well in terms of social mobility in education, but performs less well and is closer to the average in terms of earnings mobility across generations (Figure 3).

This difference may be explained by rigidities in the school-to-work transition and by the segmentation of the Japanese labour market, with significant earnings, training and social protection gaps between regular and non-regular jobs. In addition, there is little mobility these two types of contracts. As a result, young people can face significant difficulties in moving to a career job.

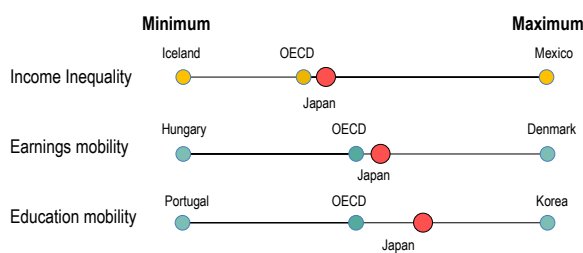
**Income mobility over the life course: high persistence at the bottom and at the top**

Individual chances of income mobility over the life course are limited at the bottom and at the top of the income distribution in Japan.

- 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 54% remaining stuck there over a four year time span.
- At the top, the persistence is even stronger – 65% of persons in the top 20% of incomes remain there over a four-year period.
- There is more income mobility among the middle-income groups but this also implies risks of downward mobility: 36% fall down to the bottom of the income ladder over four years, a high figure in OECD comparison.

The fact that income mobility in Japan is high at the middle of the income distribution may be linked to the wage and labour market structure, with a high share of bonuses in wages, and a weak participation of women to the labour force (or working in temporary jobs when employed).

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



Source: *A Broken Social Elevator?* Chapter 1

**What can be done to foster social mobility in Japan?**

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 Japan, some of the key policy priorities should include

**Objective #1**

Making the labour market more mobile by reducing its dualism, for example by relaxing employment protection for regular workers whilst expanding social insurance coverage and training for non-regular workers.

**Objective #2**

Addressing the gender gap in employment, for instance by further developing childcare and access to childcare, and by introducing binding ceilings on overtime work.

**Objective #3**

Making vocational upper-secondary education more attractive by giving greater weight to work-based learning, e.g. by introducing minimum requirements, better regulating course contents, and strengthening co-operation with employers.



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