

# A Broken Social Elevator?

## How to Promote Social Mobility

How does PORTUGAL 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.

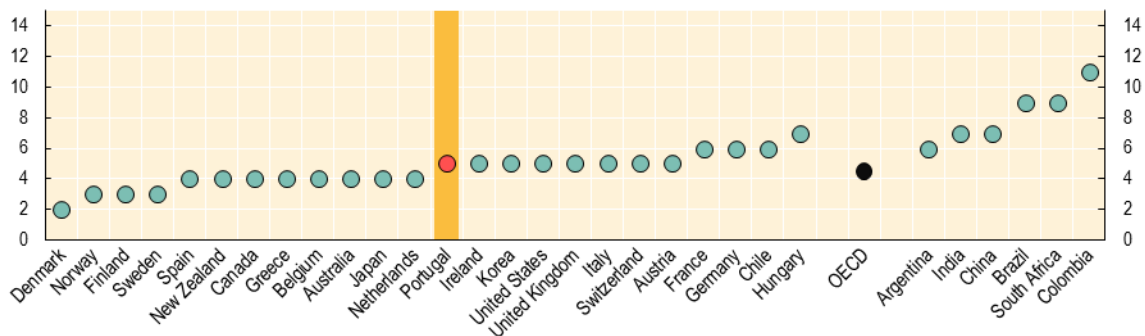
### Social mobility in Portugal

In Portugal, 33% of people agree that parents' education is important to get ahead in life, a percentage slightly lower than the OECD average (37%). Many people are also pessimistic about their chances of improving their own financial situation: only a minority of people (17%) expected their financial situation to improve in the coming year in 2015. There is a concern about the future prospects of offspring. According to the recent OECD survey “Risks that matter”, in 2018, 58% of Portuguese parents list the risk that their children will not achieve the level

of status and comfort that they have as a top-three long-term risk.

And indeed people’s economic status in Portugal heavily transmits across generations: taking into account earnings mobility from one generation to the next as well as the level of income inequality in Portugal, it could take 5 generations for children born in a family at the bottom of the income distribution to reach the mean income, close to the OECD average (Figure 1).

Figure 1. In Portugal, 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

- **Earnings:** In Portugal, 24% of sons with low-earning fathers end up having low earnings themselves and 21% of them make it to the top earnings group. These figures suggest slightly

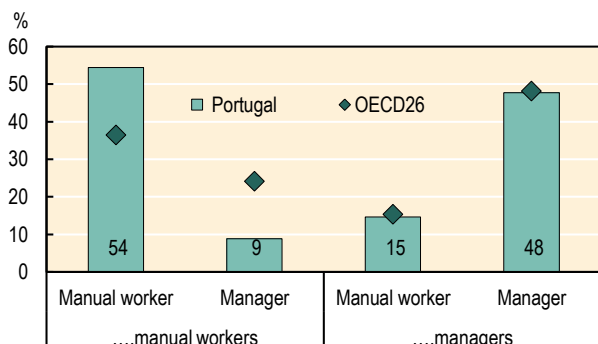
higher mobility across generations at the bottom than the OECD average. At the opposite end, 39% of the children whose fathers have high earnings grow up to have high earnings themselves, similar to OECD average.

- **Type of occupation:** 55% of children of manual workers grow up to become manual workers themselves – the OECD average is 37%. At the

same time, children of managers are five times as likely to become managers themselves as children of manual workers, a much higher ratio than the OECD average.

**Figure 2. In Portugal, there are sticky floors in occupation mobility**

Percentage of manual workers and managers, by parent's occupation



Source: *A Broken Social Elevator?* Chapter 1

Overall, compared to other countries, Portugal does comparatively poorly in education and occupation mobility but fares somewhat better in terms of earnings mobility – comparable to the OECD average (Figure 3). Such pattern is very similar to most southern European countries. Mobility measured in terms of education is the lowest across OECD countries.

Despite widespread reforms aiming to improve educational attainment and reduce early school dropouts in Portugal, young people’s chances of having a successful career depend heavily on their socio-economic backgrounds or the level of human capital of their parents.

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

Also individuals’ income mobility over the lifetime is limited in Portugal, particularly at the bottom and at the top.

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

#### Objective #1

Support children from disadvantaged background, by ensuring good quality standards in pre-primary education, improving teacher’s trainings, provide support to students at risk of falling behind

#### Objective #2

Address long-term unemployment, by reinforcing further employment services and ALMPs to those most in need (through profiling, guidance, individual follow-up)

#### Objective #3

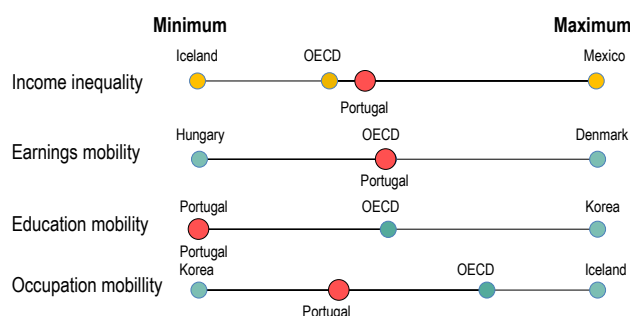
Continue efforts to raise the skills level through adult learning, for example by anticipating the skill needs at national but also at regional level

- 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 67% remaining stuck there. This “sticky floor” has become even stickier since the 1990s.
- At the top, the persistence is even slightly stronger – 69% of persons in the top 20% of incomes remain there over a four-year period.

Lack of mobility at the bottom in Portugal can be related to the high level of long-term unemployment and labour market segmentation. Long-term unemployed often remain stuck at the bottom of the income ladder, and those taking up a temporary job cannot secure income stability through their labour market trajectories.

In order to improve more sustainable upward mobility among low-skilled and unemployed, Portugal has recently implemented a comprehensive set of labour market reforms, in particular by reducing the gap in Employment Protection Legislation (EPL) between temporary and permanent workers and fostering job-to-job mobility. The reforms widened the safety net provided by unemployment benefits, and strengthened its activation framework, and increased the offer of short-term training programmes and hiring subsidies for the unemployed.

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



Source: *A Broken Social Elevator?* Chapter 1