

A Broken Social Elevator?

How to Promote Social Mobility

How does the UNITED STATES compare?

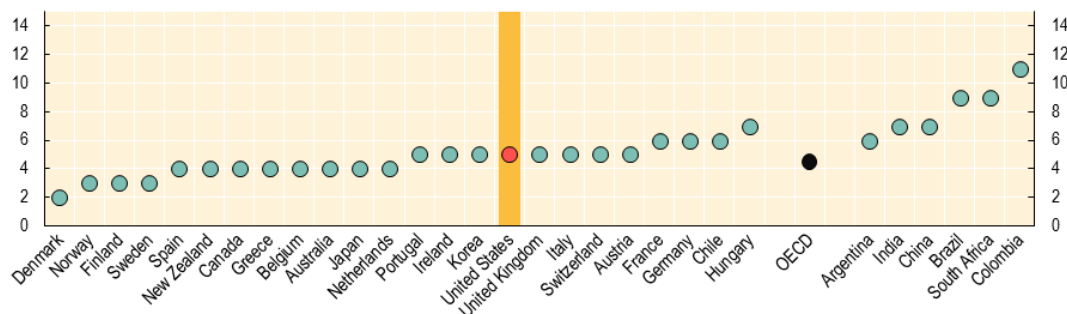
When people at the bottom of the income ladder have little chances of moving upward, and when those at the top remain at the top, the social elevator is broken. This has harmful economic, social and political consequences. Lack of upward mobility implies that many talents are missed out which undermines potential economic growth. It also reduces life satisfaction, well-being, and social cohesion. Better policies can promote equal opportunities for all and secure individual income trajectories. Social mobility is low at the bottom: “sticky floors” prevent people from moving up – and even more so at the top: ceilings are “sticky”. There is a substantial risk for middle-income households to slide into low income and poverty over their life course.

Social mobility in the United States

In the United States, there is a widespread perception that parents’ fortunes and advantages play a major role in people’s lives (50% of people agree that parents’ education is important to get ahead in life). This perception is much more pronounced than in most countries (37% of people agreed with the same statement in the OECD on average). According to a recent OECD survey, in 2018, 51% of parents in the United States list the risk that their children will not

achieve the level of status and comfort that they have as one of the top-three greatest long-term risks. And indeed, people’s economic status is strongly correlated to that of their parents in the United States. Taking into account earnings mobility from one generation to the next as well as the level of income inequality in the USA, it could take 5 generations for children born in poor families to reach the mean income, close to the OECD on average (Figure 1).

Figure 1. In the United States, it could take at least 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,

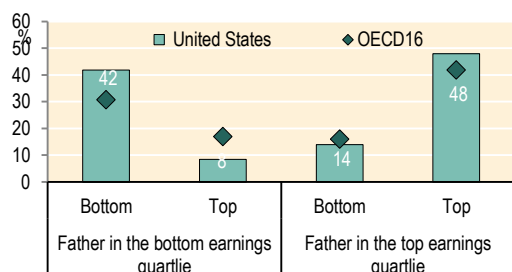
occupation, health or education. Its *lifecycle* dimension assesses the chances of individuals’ income positions to change over the life course.

Social mobility across generations is not evenly distributed

Earnings: In the US, 42% of the sons with low-earning fathers end up having low earnings themselves – much higher than in the OECD average (31%); and only 8% of them make it to the top earnings group (Figure 2). At the opposite end, 48% of the children whose parents have high earnings grow up to have high earnings themselves (42% on OECD average).

- **Type of occupation:** The same holds for occupation: two children of managers out of three also become managers in the US, compared to only one child out of three of a manual worker (one out of two versus one out of four in the OECD on average).
- **Educational attainment:** 60% of children with high educated parents complete a tertiary degree. Less than 15% of children with low-educated parents do so.

Figure 2. Share of sons reaching the bottom or the top of the earnings ladder by father's position



Source: *A Broken Social Elevator?* Chapter 1

Overall educational mobility is somewhat higher than the OECD average (Figure 3). This might be explained by children with low-educated parents doing better than OECD average in reaching average education levels – though remaining below higher and tertiary degrees. According to the PISA survey, children with low-educated parents lag significantly behind in reading and mathematics in comparison to their peers with highly educated parents (Chetty, 2018).

In depth studies¹ on social mobility in the USA have also highlighted large imbalances of intergenerational mobility among racial groups and local neighbourhoods. Reinforcing the affordability and access to early childhood education and care, as well as further investment in disadvantaged schools could help level the playing field as from an early age and help disadvantage youth to strive above secondary education. It is especially at the bottom and at the top of the social ladder that the United States lack social mobility.

Mobility measured in terms of health is low compared to other OECD countries: perceived health status or BMI Index tend to strongly transmit across generations. In comparison, Canada and the European Nordic countries achieve higher levels of social mobility in terms of education, earnings and health and combine it with lower levels of inequality.

Income mobility over the life course: high persistence 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 the United States, some of the key policy priorities should include:

Objective #1

Address the gaps in education performance by socio-economic background, by using federal funding for targeted programmes to reduce disparities in student opportunities and by making vocational education more attractive.

Objective #2

Lift barriers to employment by (i) developing paid maternity leave and ensuring affordable quality childcare; (ii) reskilling programmes helping people back to work; (iii) supporting low-income families, by expanding the earned income tax credit or the minimum wage.

Objective #3

Address inequalities of opportunities along spatial segmentation and for minority groups, for instance help low-wage earners to access jobs by improving mass transit systems and considering the issue of high housing prices in metropolitan areas.

Objective #4

Invest in adult training and retraining to counteract the effects of displacement and risk of inactivity among middle-aged.

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

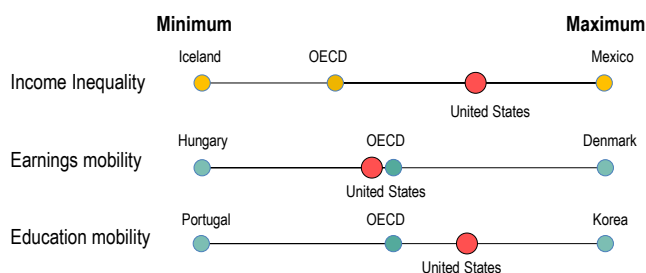
- 55% of those in the bottom quintile (the 20% of individuals with the lowest incomes) remain there over four years. This “sticky floor” has become even stickier since the 1990s.
- 70% of people in the top 20% of incomes are still there four years later. This is high in comparison to other OECD countries.

The low mobility at the bottom in the United States can be linked to the high incidence of low wages and inactivity rates which are rising among prime-age men.

Income persistence at the top can also be explained by the high level of inequality in the USA: when inequality is high, the steps of the income ladder are bigger. Individuals at the top of the income ladder may experience income shocks, but these changes have little impact on their income position.

Labour market events tend to have a bigger impact on income losses than in most other countries, due to a weaker effect of the tax and transfer system. Other life events, such as divorce, can also have long-lasting impacts on incomes, in particular for women.

Figure 3. Inequality and mobility along different dimensions



Source: *A Broken Social Elevator?* Chapter 1



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