

A Broken Social Elevator?

How to Promote Social Mobility

How does AUSTRALIA compare?

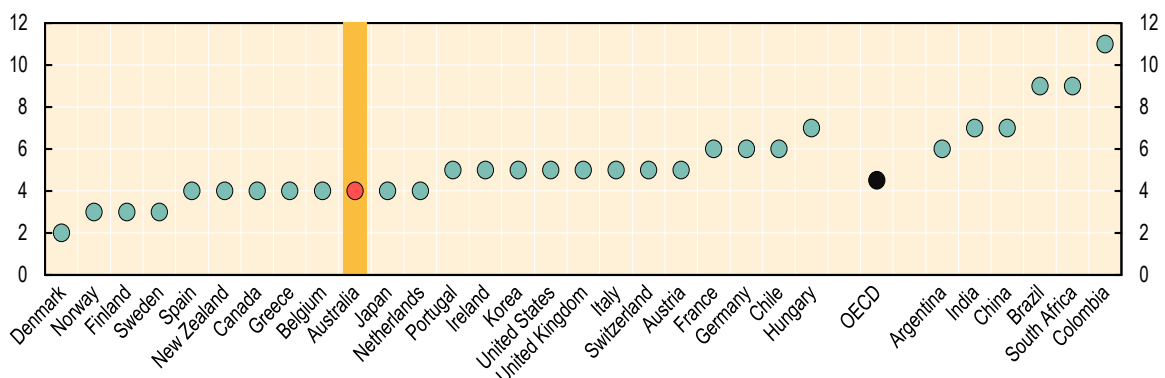
In many countries, people at the bottom of the income ladder have little chances of moving upward, and those at the top remain at the top – the social elevator is broken. This has harmful economic, social and political consequences. Lack of upward mobility implies that many talents are missed out, which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

In Australia, there is a widespread perception that parents’ fortunes and advantages play a major factor in people’s lives. 39% of people agreed that parents’ education is important to get ahead in life. This perception is close to the OECD average (37% of people agreed with the same statement in the OECD on average).

And indeed people’s economic status is significantly correlated to that of their parents in Australia: taking into account earnings mobility from one generation to the next as well as the level of income inequality in Australia, it could take 4 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 Australia, it could take 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, but

also 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

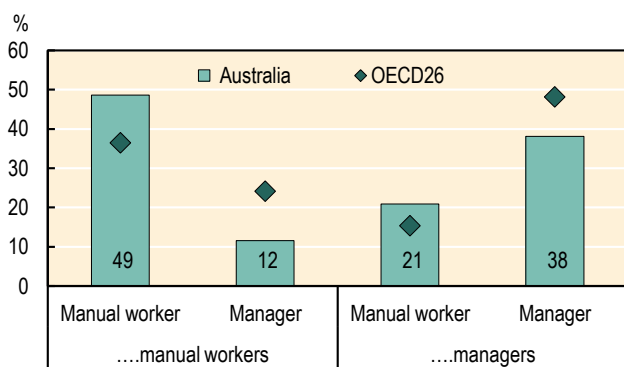
- **Type of occupation:** There is very limited mobility at the lower end of the scale of occupations: almost half of children of manual workers remain manual workers themselves, and

only 12 % become managers. This compares to 37% and 24% respectively, in the OECD.

- **Education:** Australia performs rather well in terms of educational mobility compared to other countries: an additional year of parental education is associated with higher offspring education by just 0.2 years, compared to 0.5 years on average in the OECD

Figure 2. Australia exhibits sticky floors in occupation mobility

Percentage of manual workers and managers, by parents' occupation



Source: A Broken Social Elevator?, Chapter 1

Overall, Australia exhibits high levels of educational mobility, very close to the top performer, Korea (Figure 3). In particular, educational mobility is higher than in most non-Nordic European countries, such as France and Germany. By contrast, Australia performs less well in terms of occupational mobility, with lower levels of mobility than in many European countries but also the United States.

The low completion rate for VET certificates in Australia certainly plays a role in low occupational mobility. Students from lower socio-economic background may indeed find it difficult to navigate in a complex system of degrees and skill certification, and the multitude of providers.

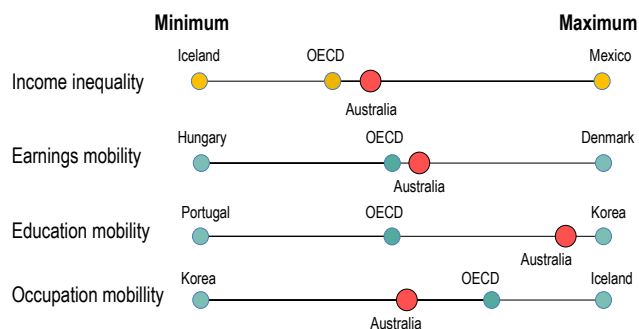
Income mobility over the life course: high persistence at the bottom and at the top

Individuals' income mobility over the lifetime is limited in Australia, 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 55% remaining stuck there.
- At the top, the persistence is even stronger – 64% of persons in the top 20% of incomes remain there over a four-year period.

Low income support and lack of opportunities in some areas play a role in the lack of mobility at the bottom in Australia, and may lead disadvantaged benefit recipients to live with incomes close to or below the poverty line. This particularly concerns the young NEETs (Not in Education, Employment, or Training), notably those belonging to the indigenous communities.

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 Australia, some of the key policy priorities should include:

Objective #1

Ensure equitable opportunities for engaging in the labour market by facilitating skills acquisition for post-secondary VET students and the NEETs. Continue the efforts to increase completion rates of VET and apprenticeship programmes by providing students with counselling and information on successful training programmes.

Objective #2

Reduce barriers to labour mobility, by further reducing labour market frictions generated by interstate differences in education and vocational qualifications.

Objective #3

Maintain the investment approach to welfare policy that focuses on vulnerable groups, including income support and access to social and employment services.



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