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BETTER POLICIES FOR BETTER LIVES

A Broken Social Elevator?

How to Promote Social Mobility

How does Brazil 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 Brazil

Brazilians are pessimistic about social mobility in their country. Six in ten Brazilians think that effort is not enough for a person born in poverty to achieve a comfortable living standard. Most Brazilians (55%) also think that education is not enough to warrant equal opportunities between rich and poor (OXFAM BRASIL, 2017)[1].

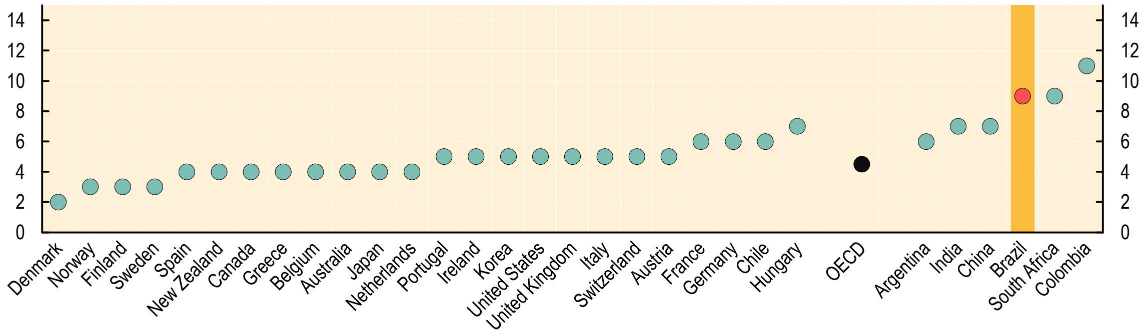
In Brazil, parents' fortunes play a major factor in people's lives. Economic and social status heavily transmits across generations. Taking into account the mobility from one generation to the next as well as the level of inequality in Brazil, it could take 9 generations for children born in a family at the bottom of the income distribution to reach the mean income, compared to about 5 generations in the OECD on average (Figure 1).

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.

Figure 1. In Brazil, it could take 9 generations for the descendants of a low-income family to reach the average income

Expected number of generations



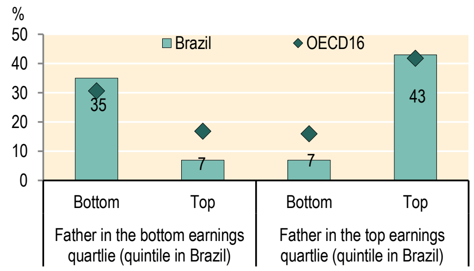
Note: These estimates are based on earnings persistence (elasticities) between fathers and sons. Low-income family is defined as the first income decile, i.e. the bottom 10% of the population.
Source: *A Broken Social Elevator?* Chapter 1. StatLink http://dx.doi.org/10.1787/888933761910

Social mobility across generations is not evenly distributed

In Brazil, 35% of sons with fathers in the bottom fifth of the earnings distribution end up in the bottom fifth themselves; only 7% of them make it to the top 20% of earnings. In contrast, in Brazil 43% of the children whose fathers have high earnings grow up to have high earnings themselves and just 7% risk falling to the bottom.

By way of comparison, on average across OECD countries, the share of sons of fathers of the bottom quarter of the earnings distribution that remain at the bottom is 31%, while 17% make it up to the top quarter (Figure 2).

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



Note: OECD average and Brazilian data are shown for illustration but are not directly comparable because of different definitions. OECD data refer to the percentage of sons in the top and bottom earnings quartile by father's quartile. Results for Brazil refer to the percentage of people in the top and bottom earnings quintile by father's quintile.

Source: A Broken Social Elevator?, Chapter 1, and Guimarães-Ferreira, S. and F.A. Veloso (2006), "Intergenerational mobility of wages in Brazil", Brazilian Review of Econometrics, Vol. 26/2, http://dx.doi.org/10.12660/bre.v26n22006.1576

Overall, compared to other countries, Brazil does comparatively poorly particularly in terms of income inequality and intergenerational earnings mobility (Table 1). The same applies to many other Latin American countries and Emerging Economies which combine very high inequality with low earnings mobility. Social mobility is somewhat higher in the United States, and highest in Nordic European countries.

Over the past two decades, strong growth combined with remarkable social progress have made Brazil one of the world's leading economies, despite the long recession that began in 2014 and from which the economy is now slowly emerging. A buoyant labour market coupled with improving access to education and extensive transfer programmes allowed millions of Brazilians to move up into better jobs and attain better living standards. As 25 million Brazilians have escaped poverty since 2003, growth has become more inclusive.

However, inequality remains high and the educational system certainly plays a role. Despite some improvements (related to increased spending and widespread access to free primary and secondary education), attainments and the quality of education remain low in international comparison. Access to child-care is difficult, especially for poor families. The skill premium is still one of the highest among advanced and emerging economies, despite falling in the past decade.

Income mobility over the life course: higher mobility at the bottom

Income mobility measured over a shorter time span reveals that Brazil is more mobile compared to several other emerging countries. Brazilians at the bottom have more chances to move up to the middle part of the income distribution. However, in comparison to China, Indonesia and South Africa, the risk of moving down from the top income quintile is lower in Brazil.

In Brazil, as in other Latin American countries, the higher mobility of the low-income group is also comes with a high level of recurrence of low-income spells, for instance due to unstable employment. Increases in income may therefore not last over time, , and people can easily fall back into poverty.

Table 1. Income inequality and mobility along different dimensions

	Income Inequality level	Social mobility across generations	Own income mobility	
	Gini coefficient	Earnings	Bottom	Top
Brazil	High	Low	High*	Medium*
Chile	High	Low	High	High
Mexico	High	-	Medium*	Low*
United States	High	Medium	Medium	Low

*

*Results based on pseudo panels.
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 Brazil, some of the following key policy objectives should include:

Objective #1

Further improve the effectiveness of public spending especially in education (e.g. shifting resources from tertiary to the pre-primary, primary and secondary levels) and health (e.g. focus existing resources on the most important kinds of treatment and for those most in need).

Objective #2

Improve access and quality of vocational education. Adults, particularly those unemployed, should have access to the Pronatec programme. The Brazilian VET system should be brought closer to international standards by giving employers a more central role, both in the design of courses and in the delivery of workplace training.

Objective #3

Improve redistribution by using resources resulting from potential tax and benefits reforms (e.g. delinking benefit floors from the minimum wage and eliminating tax exemptions) to increase social spending on programmes targeted at the most vulnerable groups (e.g. *Bolsa Familia*).

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http://oe.cd/social-mobility-2018