



A Broken Social Elevator?

How to Promote Social Mobility

How does CHILE compare?



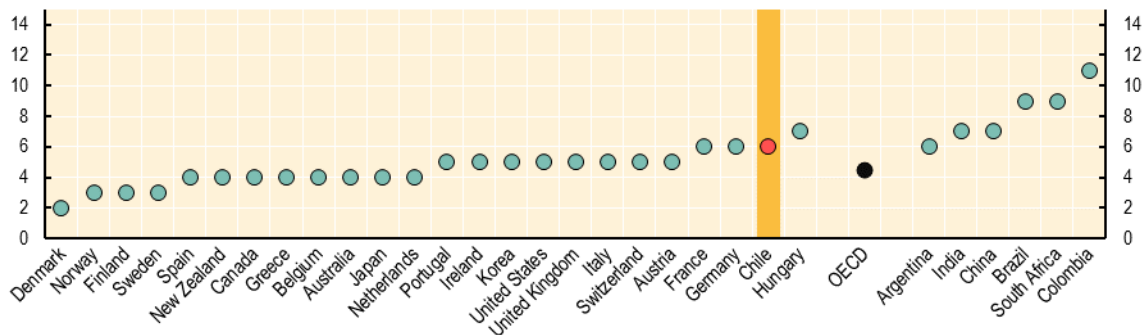
In many countries, people at the bottom of the income ladder have little chances of moving upward, and those at the top remain at the top – the social elevator is broken. This has harmful economic, social and political consequences. Lack of upward mobility implies that many talents are missed out, which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

In the majority of OECD countries, there is a growing perception that parents’ fortune and advantages play a major factor in people’s lives. In Chile, 54% of people believe it is important to have well-educated parents to get ahead. This perception is more pronounced than in most countries: 37% of people agreed with the same statement in the OECD on average.

And indeed people’s economic status in Chile is strongly correlated to that of their parents: taking into account earnings mobility from one generation to the next as well as the level of inequality in Chile, it could take 6 generations for children born in a family at the bottom of the income distribution to reach the mean income, compared with about 5 in the OECD on average (Figure 1).

Figure 1. In Chile, it could take 6 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,

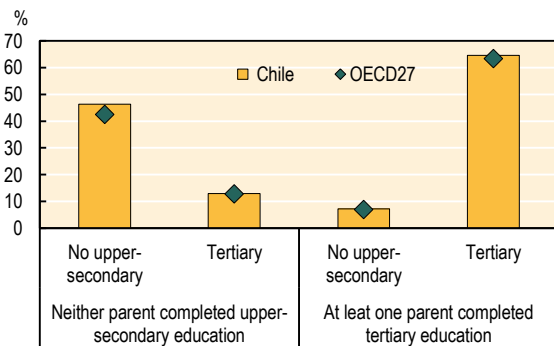
occupation, health or education. Its *lifecycle* dimension assesses the chances of individuals’ income positions to change over the life course.

Social mobility across generations is not evenly distributed

- **Earnings:** In Chile, 25% of sons with low-earning fathers end up having low earnings themselves, while 39% of the children whose parents have high earnings grow up to have high earnings themselves. This compares to 31% and 42%, respectively, on OECD average.
- **Educational attainment:** Almost two-thirds (65%) of children with highly educated parents complete a tertiary degree in Chile. Only 13% of children with low-educated parents do so. These values are similar to the OECD average (Figure 2).

Figure 2. Sticky floors and sticky ceilings in education

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



Source: *A Broken Social Elevator?* Chapter 1

While the extent of such sticky floors and sticky ceilings is similar to that of the OECD average, Chile does comparatively poorly in terms of average overall social mobility compared to other countries. This refers particularly to overall average earnings mobility, but Chile fares closer to the average in terms of education mobility (Figure 3). Regarding earnings, the pattern in Chile is relatively similar to other Latin American countries, where low overall earnings mobility combines with very high inequality levels.

The educational system in Chile certainly plays a role. Despite the ongoing improvements in the education sector, regarding coverage and performance, important challenges remain related to quality and equity. In addition, in Chile, young people's chances of having a successful career depend heavily on the neighbourhood in which they grow up or the level of human and social capital of their parents.

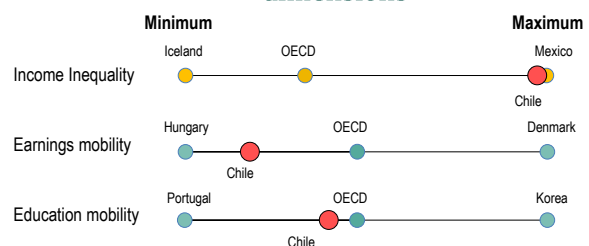
Income mobility over the life course: high mobility but also high uncertainty at the bottom

As regards income mobility over shorter timespans, Chile stands out with a very specific pattern of high mobility in the bottom quintile.

- Those in the bottom income quintile (the 20% of individuals with the lowest incomes) have high chances of moving up over a four-year period, with only 34% remaining stuck there. This is the lowest persistence level at the OECD (56% on average).
- However, in Chile, the high mobility of the low-income group combines with a high level of recurrence of low-income spells. Increases in income may not last over time, for example due to unstable employment, and people might fall back into poverty. 17% of those with low-incomes in 2006 moved up but were back into poverty over a four-year period – compared to 13% on average in the OECD.
- Moreover, 37% of middle-income households (the 60% in the middle) slide down to the bottom of the earnings distribution over a four-year period. This is the highest value across OECD countries (28% on average).

In order to tackle uncertainty at the lower and middle part of the income distribution and to ensure upward job mobility opportunities, Chile has recently implemented programmes to provide workers with lifelong learning opportunities, such as *Impulsa Personas*, in 2016, a tax credit allocated to firms for workers' on-the-job training. Efforts were also made to compel corporations to reveal the gender balance on their boards and support women's participation in the labour market. Last, reforms to centralize access to universities should contribute to achieve higher levels of social mobility.

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 Chile, some of the key policy priorities should include:

Objective #1

Improve regulations to address labour market segmentation by considering the regulatory gap between temporary and permanent workers; increase coverage of unemployment benefits by reducing the minimum contribution periods.

Objective #2

Improve equality of educational opportunity by monitoring and encouraging school level practices promoting educational opportunity; pursue efforts to develop stronger professional pathways for educators; improving the Vocational Education and Training (VET) system; maintain and strengthen the Preferential School Subsidy.

Objective #3

Reduce the gender gap by, strengthening skills; further increasing affordable, good-quality child care for the poorest children in rural areas, and expanding the opening hours of childcare institutions.



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