



A Broken Social Elevator? How to Promote Social Mobility

How does the United Kingdom compare?

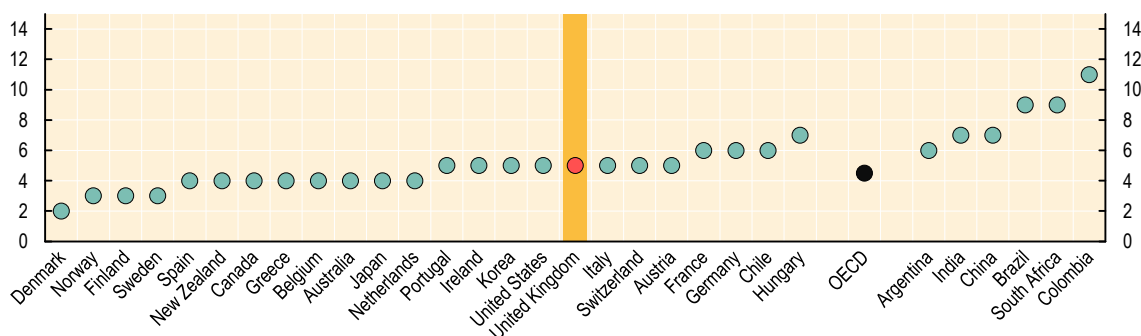
In many countries, people at the bottom of the income ladder have little chances of moving upward, and those at the top remain at the top – the social elevator is broken. This has harmful economic, social and political consequences. Lack of upward mobility implies that many talents are missed out, which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

In the United Kingdom, many people have the perception that parents’ fortunes and advantages play a major factor in people’s lives: 32% feel that parents’ education is important to get ahead in life, a little less than in the OECD on average (where 37% of people agreed with the same statement). A slightly greater share than elsewhere is optimistic about their chances of improving their own financial situation: nearly one-in-three people (30%) expected their financial situation to improve in 2015, compared to an average of 23% across 24 European OECD countries.

People’s economic status in the United Kingdom is strongly related to that of their parents: taking into account the mobility from one generation to the next, as well as the level of inequality in the United Kingdom, it could take 5 generations for children born in a family at the bottom of the income distribution to reach the mean income, a little longer than in the OECD on average (Figure 1).

Figure 1. In the United Kingdom, 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 compares people’s status with that of their parents in terms of earnings, occupation, health or

education. Its *lifecycle* dimension assesses individuals’ chances to change their income positions over the life course.

Social mobility across generations is not evenly distributed

- **Earnings:** In the United Kingdom, 27% of sons with low-earning fathers end up having low earnings themselves – somewhat less than in the OECD on average (31%); only 18% of them make it

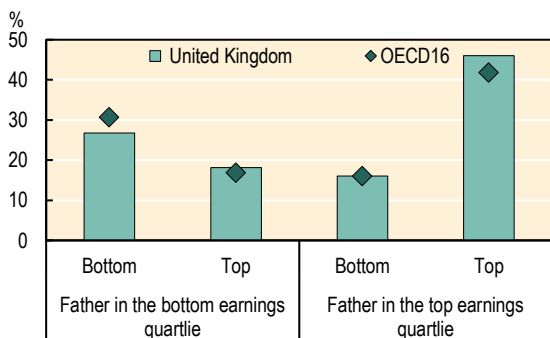
to the top earnings group (Figure 2). At the opposite end, 46% of the children whose fathers have high earnings grow up to have high earnings themselves.

- **Educational attainment** Nearly three-out-of-four children (71%) whose parents have a tertiary degree complete tertiary education themselves in

the UK. Only about one-in-five (21%) children with low-educated parents do so. Both figures are higher than the 63% and 13%, respectively, observed in the OECD on average.

- **Type of occupation:** Nearly every second child of a manager also becomes a manager, compared to only one-in-four children born to a manual worker. Both figures are close to the OECD average.

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



Source: A Broken Social Elevator? How to Promote Social Mobility, Chapter 1

Overall, intergenerational mobility is comparatively low in the United Kingdom, particularly in terms of earnings and education (Figure 3). Both France and Germany have even slightly lower earnings mobility, but France does better in terms of education mobility. Overall intergenerational mobility is much higher in most Nordic countries.

Difficult school-to-work transitions for young people from disadvantaged backgrounds are one factor contributing to lower inter-generational mobility in the UK. About 13% of young people in the UK are not in employment, education or training (NEET); this rate is around the OECD average, but much higher than in the Nordics, Germany or the Netherlands. Low skill levels tend to be the main cause of joblessness for young people: 40% of NEETs in the UK have not completed an upper-secondary education.

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 Kingdom, some of the key policy priorities should include:

Objective #1

Invest more into upskilling the workforce, in particular by expanding lifelong learning for low-skilled workers, to improve job quality and productivity

Objective #2

Strengthen worker bargaining power and improve job quality through tax and regulatory reforms of non-standard forms of employment, e.g. by increasing job security for zero-hour contracts and fighting fake self-employment.

Objective #3

Reduce housing costs by relaxing strict land use regulations to boost disposable incomes and facilitate geographical mobility of workers to higher-productivity regions

Income mobility over the life course: high persistence, particularly at the top

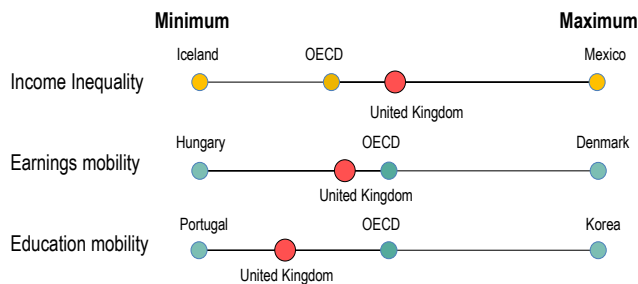
Income mobility over the lifetime is low particularly among top earners in United Kingdom:

- Those in the bottom income quintile (the 20% of individuals with the lowest incomes) have relatively decent chances of moving up: only around 40% remain “stuck” in the bottom quintile over a four-year period, one of the lowest rates across OECD countries.
- At the top, the persistence is much stronger – 70% of people in the top 20% of incomes remain there over a four-year period.

Positive trends in employment and hours worked, both of which are at record highs, are a likely reason for the relatively low income persistence at the bottom, though GDP growth has recently slowed. Earnings growth has been very weak however for the low-skilled, who represent over one-quarter of the workers in the UK.

High housing costs in the UK favour home owners, and may be one explanation for high income persistence at the top. However, they make wealth accumulation for young people and low-income households difficult. They can also be an important barrier for low-income people to relocate to areas with more promising employment prospects.

Figure 3. Inequality and mobility along different dimensions



Source: A Broken Social Elevator? Chapter 1