

A Broken Social Elevator?

How to Promote Social Mobility

How does CANADA 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.

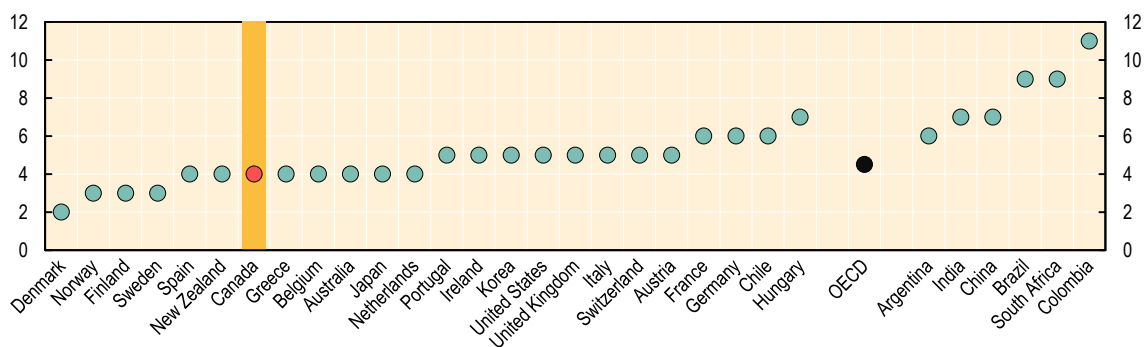
How social mobility matters in Canada

In the majority of OECD countries, there is a growing perception that parents’ fortunes and advantages play a major role in people’s lives. And indeed, people’s economic status in Canada is significantly correlated to that of their parents: taking into account earnings mobility from one generation to the next as well as the level of income inequality, it could take 4 generations for descendants of families in the bottom

of the income distribution to reach the mean income, close to the OECD average (Figure 1).

Meanwhile, in the OECD’s “Risks that Matter” survey carried out in 2018, nearly half of Canadian parents rated “status and comfort of children” as one of the top-three greatest long-term risks to themselves or their immediate family, though the share is even higher in the OECD on average.

Figure 1. In Canada, 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,

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

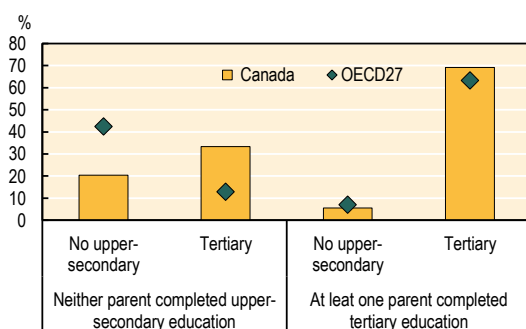
- **Educational attainment** is much less persistent in Canada than in other OECD countries, and children with low-educated parents tend to do particularly well in comparison: unlike in many OECD countries, the share of children with low-educated parents who complete tertiary education is higher than that who leave school without upper-secondary degree (33% vs. 20%, Figure 2). By contrast, in the OECD on average, only 13% of children with low-educated parents

achieve a tertiary degree, while 42% leave school without upper-secondary education.

- Also mobility in terms of the **type of occupation** is high: among the children of manual workers, equal shares become manual workers themselves or rise to become managers. By contrast, in the OECD on average, the children of manual workers are 50% more likely to remain manual workers than to become managers.

Figure 2. In Canada, persistence in education across generations is weaker than elsewhere

Percentage of sons not reaching upper-secondary / reaching tertiary education by parents' education level



Source: *A Broken Social Elevator?* Chapter 4

Overall, intergenerational mobility in Canada is high compared to other countries, particularly in terms of earnings and educational attainment (Figure 3). In particular, Canada has higher mobility than the United States, notably for earnings, and also than the Western European countries such as France, Germany and the United Kingdom. Only the Nordic countries score higher along all mobility dimensions.

The high quality of Canada's educational system is one important factor in explaining these high mobility levels: 91% of 25-64 year-olds have completed upper-secondary education, well above the OECD average (74%); close to 61% of 25-34 year-olds have completed tertiary education (43% in the OECD). Canada's students are moreover among the best performers in the OECD's Programme for International Student Assessment (PISA). By contrast, too many young people have troubles making the transition from school to work: 13% of were not in employment, education or training (NEET) in 2016, slightly less than the OECD average (14%) but substantially more than in the best-performing countries in Western and Northern Europe.

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 Canada, some of the key policy priorities should include:

Objective #1

Strengthen employment support for jobseekers by extending eligibility to those who do not qualify for unemployment benefits and by devoting more resources to job search support and training

Objective #2

Expand vocational education and training at upper-secondary level to facilitate the school-to-work transition of youth without interest in tertiary education and meet employers' skill needs

Objective #3

Relieve middle-class households, by expanding the supply of affordable housing, making post-secondary education more affordable and redistributing income towards low- and middle-income families

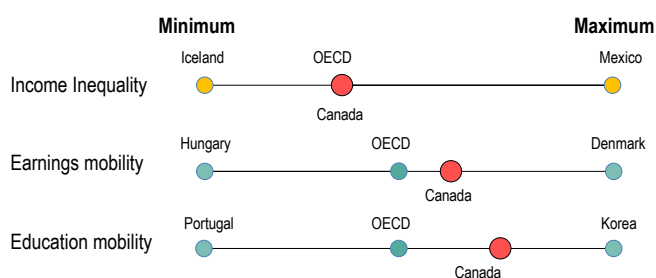
Income mobility over the life course: high persistence at the bottom and at the top

Income mobility over the life course is more limited in Canada, by contrast, particularly at the bottom and at the top.

- Those in the bottom income quintile (the 20% of individuals with the lowest incomes) have little chances of moving up the income ladder over a four-year period, with 62% remaining stuck at the bottom. This "sticky floor" has become even stickier since the 1990s.
- At the top, the persistence is even stronger – 69% of persons in the top 20% of incomes remain there over a four-year period.

Relatively low spending on active labour market programmes in Canada may contribute to the lack of mobility for people with low incomes. In particular, Canada devotes comparatively few resources to job search and training, and support is more limited for jobseekers who do not qualify for unemployment insurance benefits. Meanwhile, rising house prices reduce disposable incomes for middle-class families, especially in Vancouver and Toronto.

Figure 3. Inequality and mobility along different dimensions



Source: *A Broken Social Elevator?* Chapter 1