

The Failure of the Social Elevator

Pierre Pestieau

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Surprising observation: the number of social divides in welfare states that devote 30% to social protection.

Conjecture: too much focus on redistribution and poverty alleviation and not on social mobility.

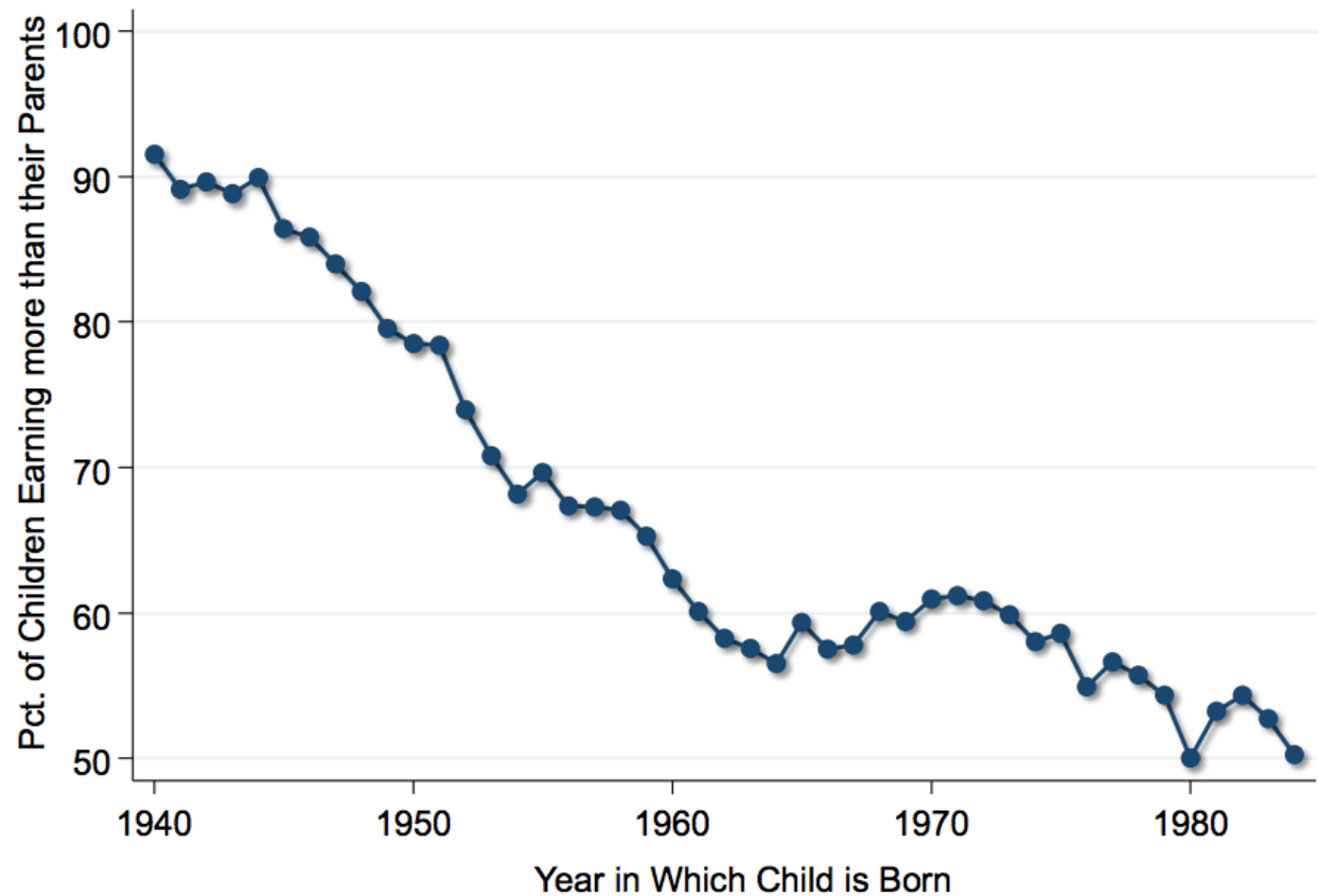
This oversight can be caused by just short-termism or a naïve reliance on the Great Gatsby Curve.

Why such a concern for social mobility? It would be the cause of populist votes and movements such as the “Gilets jaunes.

Outline

1. Less mobility and rather stable income inequality
2. The Great Gatsby Curve
3. Populism and mobility
4. Policy recommendations

1. Less mobility and rather stable income inequality



Variation of income inequality and social mobility. 1990-2010

Country	Variation of Gini coefficient	Variation of social mobility	Social spending in % of GDP 2022
Netherlands	0.94	0.57	17.6
Spain	1.10	0.58	28.1
Finland	0.98	0.74	29
Austria	1.03	0.74	29.4
Belgium	0.95	0.78	29
Denmark	1.11	0.82	26.2
Portugal	0.93	0.84	24.6
Italy	1.01	0.86	30.1
Luxemburg	1.07	0.89	21.9
Ireland	0.98	0.92	12.8
France	1.06	0.93	31.6
Germany	1.03	0.97	26.7

Source: OECD (2018)

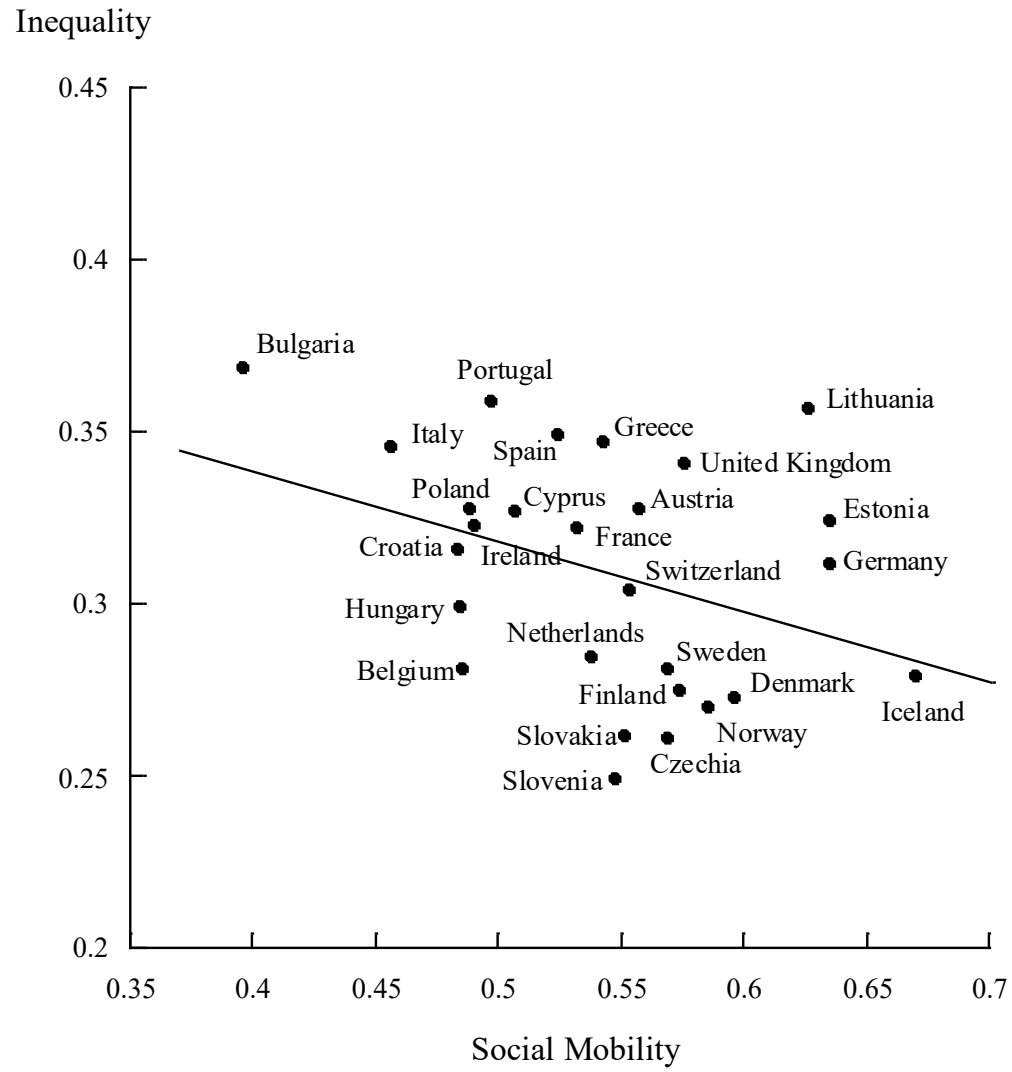
2. The Great Gatsby Curve

The Great Gatsby Curve illustrates the relationship between income inequality in a country and the potential for its citizens to achieve upward mobility.

This relation is not empirically robust. Further, theoretically, we show:

- Moving from an optimal policy taking into account long-term social welfare to a policy focusing on the short-term results in a decrease of mobility and to an increase in income equality.
- Moving from a redistributive (equal opportunity) system to an elitist one results in a decrease of mobility and to an increase in income equality.

Figure 1. Social mobility and income inequality



3. Social mobility and populism

Data: ESS survey. 28 countries. Variables:

- Populist attitudes (more reliable than populist votes though related).
 - Authoritarianism
 - Lack of trust in the institutions
- Educational variables (education more reliable than income, wealth or occupation)
 - Education levels of the parents (5)
 - Education level of the children
 - Upward mobility (difference between those two levels).

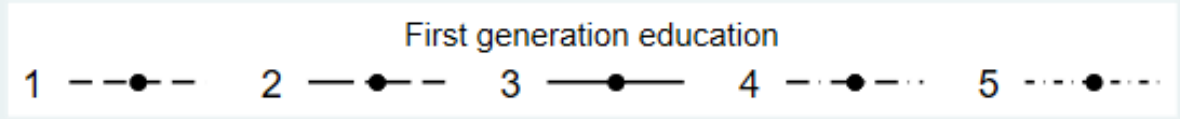
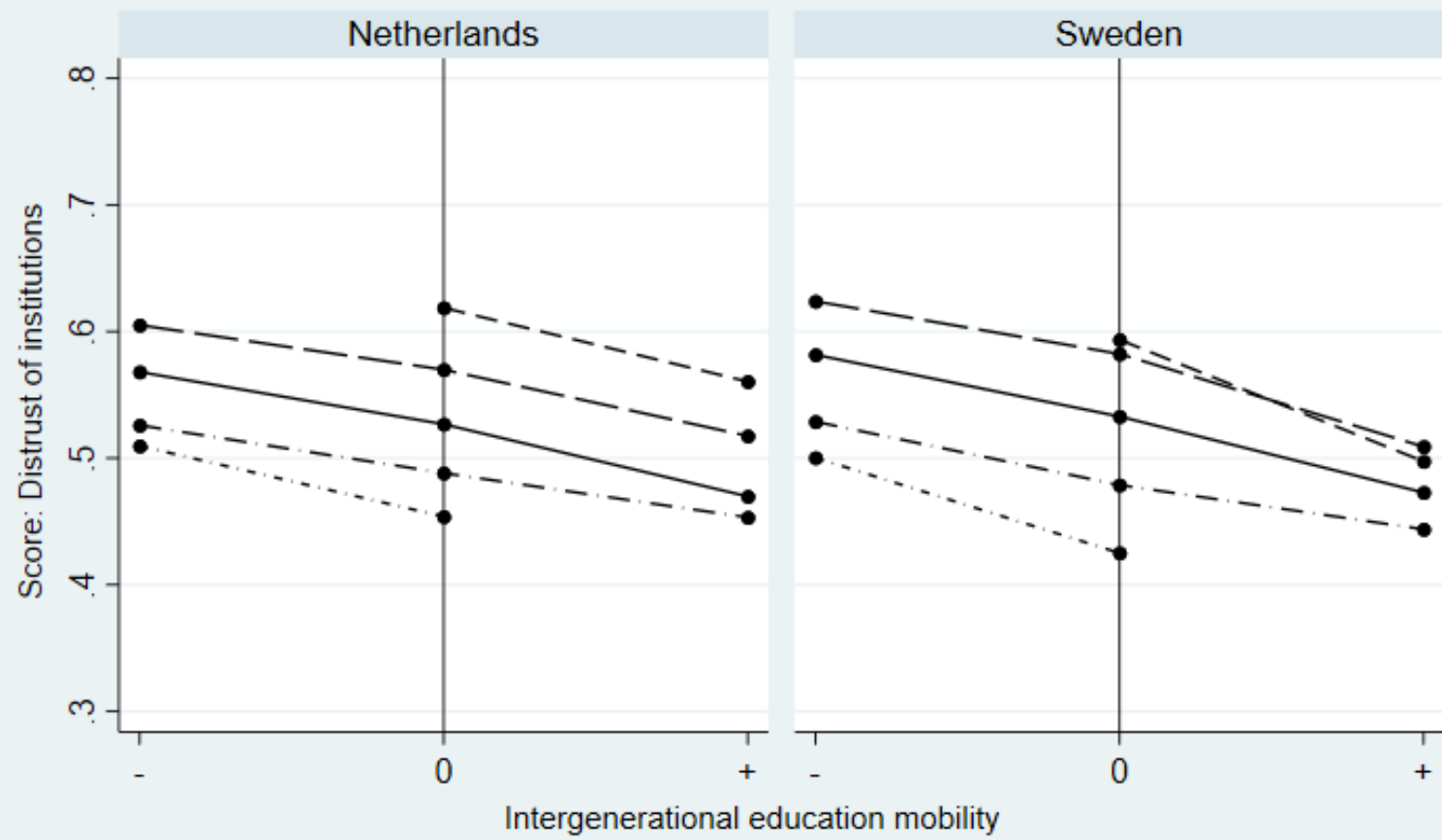
3. Social mobility and populism

Regression of populist indicator using as explanatory variables:

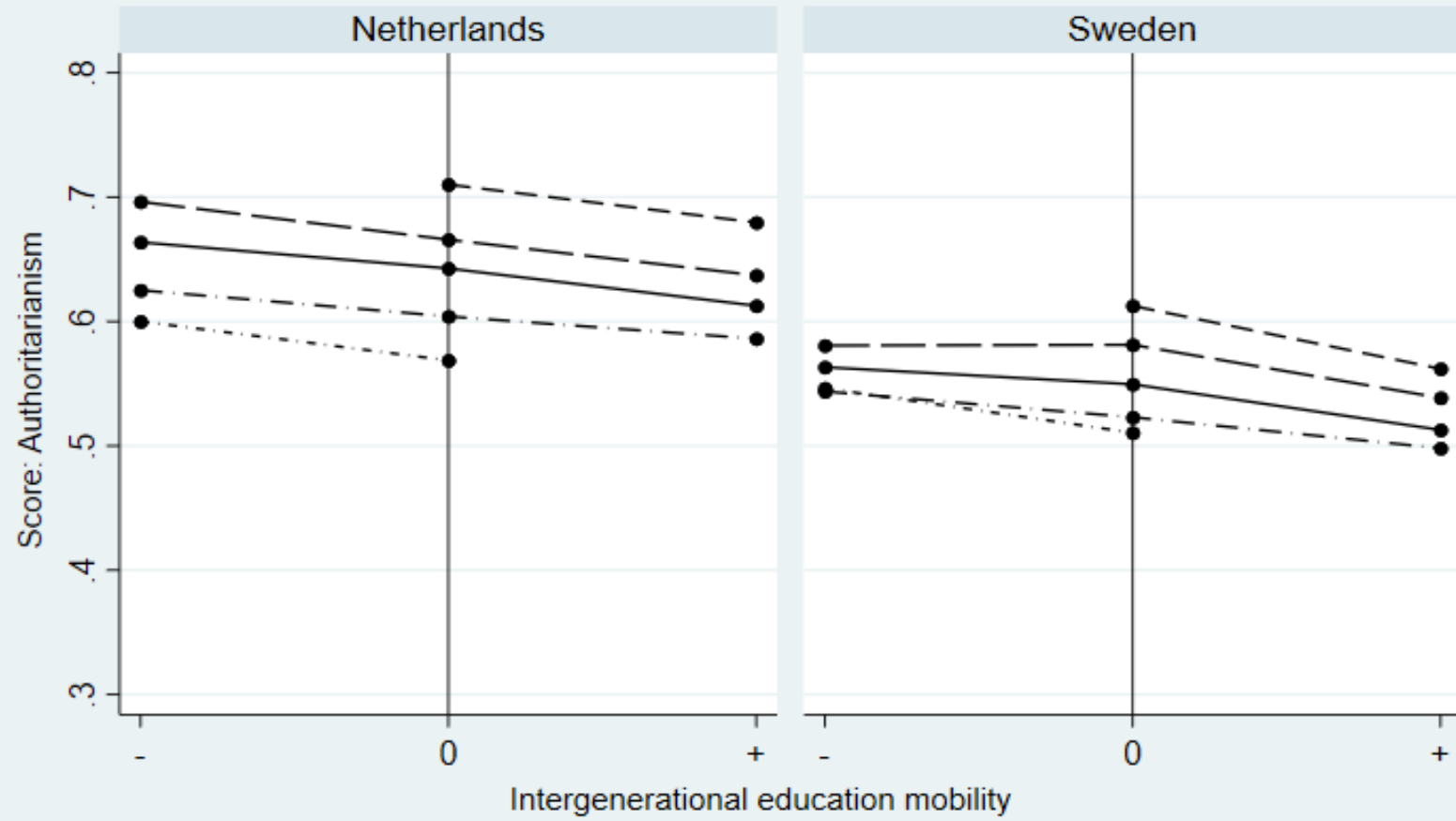
- Education of the parent
- Upward mobility
- Covariates including the country

Good fit. Social mobility and parents' education have a significant negative effect on populist attitudes.

Illustration for a couple of countries.



Graphs by country_name



First generation education

1 - - - ● - - 2 - - ● - - 3 - - ● - - 4 - - ● - - 5 - - ● - -

Graphs by country_name

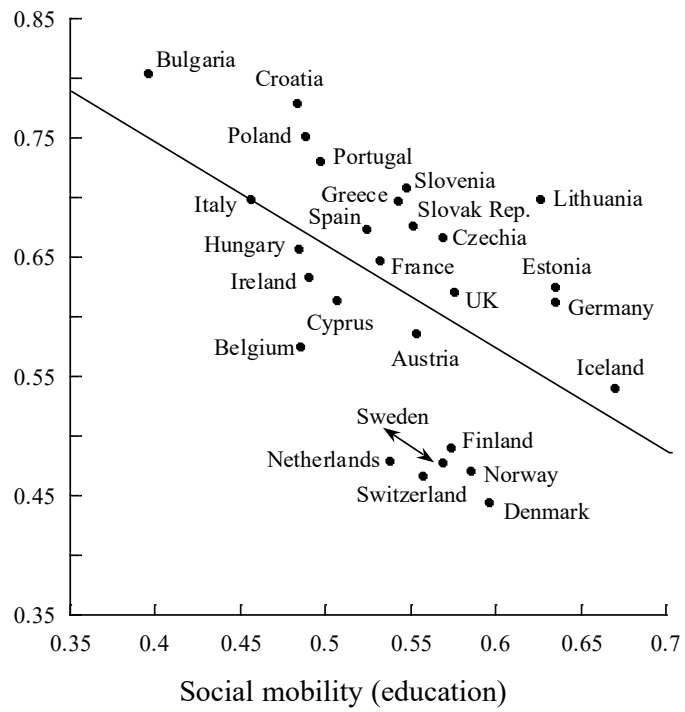
3. Social mobility and populism

Aggregate level.

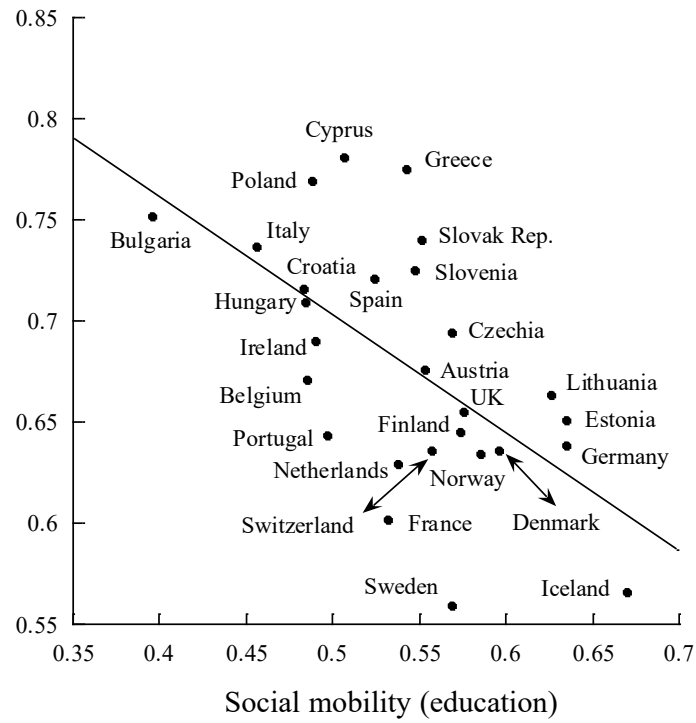
Correlation between upward mobility and populist values.

Distrust towards institutions	Authoritarianism
-0.51625	-0.59787
0.0058	0.0010

Distrust towards institutions



Authoritarianism



3. Social mobility and populism

Causality issue.

Lack of social mobility seems to originate from two structural factors:

- Regressive educational system
- High paid jobs closed to outsiders.

Those factors are not related to populism

4. Policy recommendations

- How to increase social mobility?
- The roots of the current lack of mobility seem to be twofold:
 - The segmentation of the job market
 - The segmentation of the education system.

4. Policy recommendations

Among others, Sandel (*Tyranny of Merit*) and Markowitz (*The Meritocracy Trap*) have shown that top schools have never had such attraction and that acceding to them is more and more expensive.

They also show that even with a degree from one of these schools, top jobs are closed to those who do not have the right connections.

Making the educational system truly more democratic is not easy.

4. Policy recommendations

Two types of solution for primary and high schools: invest more in the quality of education in underprivileged areas or moving disadvantaged families to a better neighborhood.

For higher education: scholarships and accessible student loans.

Making the job market more open to outsiders is also a difficult task. Two types of solution: some affirmative action and less closed shop occupations.

5. Conclusion

Welfare states should be more concerned by social mobility even though the political return is not immediate.

6. References

- Markovits, Daniel (2019), *The Meritocracy Trap: How America's Foundational Myth Feeds Inequality, Dismantles the Middle Class, and Devours the Elite*, Penguins, 2019.
- Perelman et Pierre Pestieau (2023), Social mobility and populism, ronéo.
- Pestieau, P. et M. Racionero (2023), Mobility, education and redistribution, ronéo.
- Sandel, Michael (2019) *The Tyranny of Merit, Can we find the common good?* MacMillan.