

# CURRENT CHALLENGES TO SOCIAL MOBILITY AND EQUALITY OF OPPORTUNITY

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# Abstract

The current economic environment, the COVID-19 pandemic and ongoing megatrends, such as digitalisation and the green transformation, threaten equality of opportunity and social mobility for current and future generations. High-quality cross-country evidence is necessary to implement policies to mitigate these threats, but critical data gaps remain.

This paper provides updated indicators on equality of opportunity and social mobility across OECD countries and discusses ongoing challenges and opportunities to break down barriers to social mobility and promote equal opportunities for all. It also reviews four areas where more evidence is needed to inform effective policies: the extent of opportunity gaps across population groups; how unequal upbringings affect chances later in life; how growing economic insecurity and large wealth inequalities limit social mobility; and unequal distribution of opportunities across cities and regions. Work in these areas will inform the agenda of the *OECD Observatory on Social Mobility and Equal Opportunity*.

# Résumé

L'environnement économique actuel, la pandémie de COVID-19 et les mégatendances en cours, telles que la numérisation et la transformation verte, menacent l'égalité des chances et la mobilité sociale des générations actuelles et futures. Des preuves transnationales de haute qualité sont nécessaires pour mettre en œuvre des politiques visant à atténuer ces menaces, mais des lacunes critiques en matière de données subsistent.

Ce document fournit des indicateurs actualisés sur l'égalité des chances et la mobilité sociale dans les pays de l'OCDE et examine les défis actuels et les possibilités d'éliminer les obstacles à la mobilité sociale et de promouvoir l'égalité des chances pour tous. Il passe également en revue quatre domaines dans lesquels il est nécessaire de disposer de davantage de données pour élaborer des politiques efficaces : l'ampleur des écarts d'opportunités entre les groupes de population ; la manière dont une éducation inégale affecte les chances plus tard dans la vie ; la manière dont l'insécurité économique croissante et les grandes inégalités de richesse limitent la mobilité sociale ; et la répartition inégale des opportunités entre les villes et les régions. Les travaux dans ces domaines alimenteront le programme de *l'Observatoire de l'OCDE sur la mobilité sociale et l'égalité des chances*.

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# Introduction

Promoting social mobility and equality of opportunity is an important challenge for OECD countries. The COVID-19 pandemic has highlighted and exacerbated existing barriers to social mobility, as it affected the economic well-being of vulnerable groups, such as youth and children from disadvantaged households, much more than other groups (OECD, 2021<sup>[1]</sup>). Low-skilled workers and low-income families are also more likely to be hit in the current environment, which is characterised by high inflation, economic slowdown and Russia's war against Ukraine, and could possibly further impair social mobility. Furthermore, megatrends such as digitalisation and the green transformation of the economy are affecting prospects of social mobility for current and future generations. Well-designed policies might ensure that individuals from lower socio-economic backgrounds are able to overcome the difficulties created by these repeated shocks and reap the benefits of structural change. High-quality comparative evidence on the dynamics of social mobility and its determinants is crucial in designing and prioritising such policies.

During the past two decades, the OECD has actively contributed to producing new evidence on social mobility and equality of opportunity. To capitalise on the lessons of this work and help develop new evidence on their dynamics in the wake of COVID-19, the current shocks and megatrends, the OECD is launching a new initiative – the *Observatory on Social Mobility and Equal Opportunity* – which aims to push forward the Organisation's work on these key topics. The Observatory will collect new data, discuss new policy options and analyse the role played by civil society and the private sector in ensuring a more equal distribution of opportunities (Box 1).

This document provides updated key indicators on equality of opportunity and social mobility across OECD countries, discusses ongoing challenges and opportunities to break down barriers to social mobility and equality of opportunity, highlights evidence gaps that need to be addressed, and introduces the research agenda of the new OECD Observatory. Section 1 discusses how fostering equal opportunities for all can improve growth outlooks; while Section 2 presents evidence of limited equality of opportunity across OECD countries. Section 3 illustrates how megatrends and the repeated shocks hitting most countries have exposed large opportunity divides across the population and risk widening them. It highlights how, amid these challenges, there is a chance to invest in equal opportunities. Section 4 discusses in detail four aspects of equality of opportunity and social mobility for which evidence is missing or limited, and which will be the focus of the *OECD Observatory on Social Mobility and Equal Opportunity*. Section 5 concludes with key takeaways and a call for further work to improve the analysis of social mobility and equality of opportunity going forward.

## Box 1. The OECD Observatory on Social Mobility and Equal Opportunity

Thanks to the work of researchers in academia and institutions across the world, there is a substantial body of knowledge on the extent, drivers and policy responses to inequalities, social mobility and equal opportunity. The OECD has contributed to this effort through its various strands of work on inequalities as exemplified by the report *A Broken Social Elevator?* (OECD, 2018<sup>[2]</sup>).

Yet, there are still key evidence gaps in our understanding of equality of opportunity and social mobility across OECD countries. The COVID-19 pandemic and megatrends such as digitalisation and the green transformation are posing new threats to equality of opportunity and social mobility for current and future generations.

The *OECD Observatory on Social Mobility and Equal Opportunity* aims at capitalising on the accumulated knowledge, addressing existing information gaps and helping develop new evidence to inform the design of effective policies. It will focus on:

- advancing the **data** collection effort on social mobility and equality of opportunity;
- discussing how **policies** can counteract the determinants of inequality of opportunity;
- analysing the role of **civil society and private sector** in shaping equal opportunities.



# 1 Equality of opportunity and social mobility are key to a thriving society

Equality of opportunity refers to the idea that everyone is treated fairly and is given an equal chance to do well in life irrespective of circumstances beyond their control (Box 2). While the importance of this principle vis-à-vis other relevant social norms varies across countries and societies, there is broad agreement that differences in outcomes are unfair when they are due to circumstances that individuals cannot be held accountable for, and that opportunities should be more equally distributed. For example, across the OECD, 60% of people believe it is unjust that those with higher incomes can buy better education for their children than those with lower incomes.<sup>1</sup> Experimental evidence also shows that individuals are less tolerant of differences in rewards arising from sheer luck or inherited advantage (Durante, Putterman and van der Weele, 2014<sup>[3]</sup>), particularly among OECD countries (Almås et al., 2022<sup>[4]</sup>). Perceptions of equality of opportunity are key for social stability and cohesion. People who believe that opportunities are unequally distributed are more likely to find that current income disparities are unacceptable (OECD, 2021<sup>[5]</sup>), to feel that they are not represented in politics, and to demand more redistribution (Bonnet et al., forthcoming<sup>[6]</sup>).

Inequality of opportunity endangers people's well-being and the economy alike. On an individual level, it limits people's ability to fulfil their expectations, therefore negatively affecting a broad range of well-being outcomes, including physical and mental health (Kovacic and Orso, 2022<sup>[7]</sup>; Berthung et al., 2022<sup>[8]</sup>), life satisfaction (Clark and D'Angelo, 2013<sup>[9]</sup>; Dolan and Lordan, 2020<sup>[10]</sup>) and job quality (Shakesprere, Katz and Loprest, 2021<sup>[11]</sup>). On a collective level, inequality of opportunity holds back human capital development, causes talent misallocation and is a barrier to achieving sustainable, inclusive growth (OECD, 2018<sup>[12]</sup>). Adding to a well-established literature (Hsieh et al., 2019<sup>[13]</sup>), recent OECD evidence suggests that reducing labour market gaps for disadvantaged groups and promoting an inclusive workplace can boost firm productivity (Criscuolo et al., 2021<sup>[14]</sup>).

## Box 2. Equality of opportunity and social mobility

Equality of opportunity, horizontal inequalities and social mobility are distinct but related concepts that can be measured in terms of economic standing, e.g. with respect to earnings, income or wealth, but also within a broader well-being framework that includes health, education, and other aspects essential to people's lives (OECD, 2020<sup>[15]</sup>).

**Equality of opportunity** is the extent to which people are given equal chances to do well in life irrespective of circumstances beyond their control (Bourguignon, 2018<sup>[16]</sup>; Peragine and Biagi, 2019<sup>[17]</sup>). Such circumstances include traits such as family's background and income, gender, age, disability, sexual orientation, race, ethnicity or place of birth, as well as differential treatment they may

<sup>1</sup> Evidence from the 2009 wave of the International Social Survey Programme.

face because of unfair procedures (e.g. discrimination). They also include endowments, such as inherited wealth and investments in human capital made by their parents.

**Horizontal inequalities** across socio-demographic groups, such as earnings or health gaps by gender, are usually measured by snapshots of differences in well-being *outcomes* at a specific point in time with no distinction between the underlying causes of inequality (e.g. whether these are due to choices or circumstances).

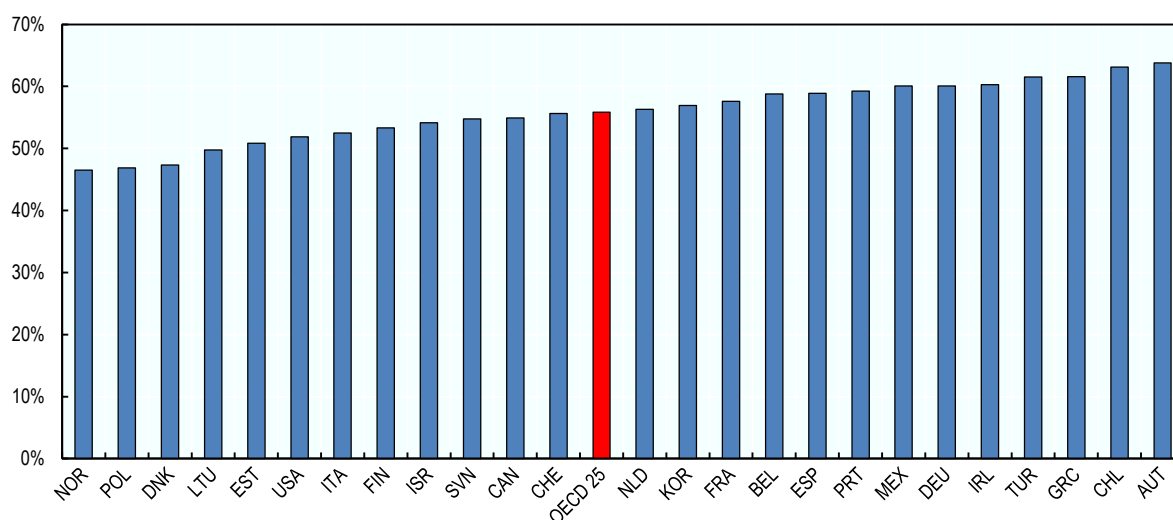
**Social mobility** refers to the extent to which individuals change their socio-economic situation with respect to their parents – so called *inter-generational* mobility – or during their lifetime – *intra-generational* mobility. As such, it captures the dynamic component of equality of opportunity (OECD, 2018<sup>[2]</sup>). Social mobility refers not only to improvements in one's social status, i.e. upward mobility, but also to downward shifts, i.e. downward mobility. Changes can be absolute – when an individual is better or worse off than their parents were – or relative – when an individual is ranked higher or lower on the social ladder, compared to their parents' rank. Inequality of opportunity translates into low social mobility, as people from disadvantaged backgrounds have limited chances to get ahead in life, while those at the top tend to maintain their position.

## 2 Social mobility and equal opportunity: Some stylised facts

People across OECD countries perceive that equality of opportunity is limited (OECD, 2021<sup>[5]</sup>). About one-in-two individuals think that gender, race or parental socio-economic background are very important to get ahead in life.<sup>2</sup> People also perceive a slim chance to climb the social ladder. Thinking about themselves, nearly 65% of working-age individuals in OECD countries are concerned about being less financially secure than their parents and an almost equal share fear their children will have comparatively lower living standards (OECD, 2021<sup>[18]</sup>). Thinking about society as a whole, on average, people believe that a large share of poor children will grow up as poor adults (Figure 1).

**Figure 1. Most people believe that the poor have little chance of climbing the social ladder**

Out of 100 poor children, how many do you think will still be poor once adult? Average response per country, 2020



Note: Average answers to the question “In your country, out of 100 children coming from the poorest 10% of households in terms of income, how many do you think will still be living in a poor household (the poorest 10%) once they become adults? Please note that we refer to the poorest in terms of post-tax and benefit income.”

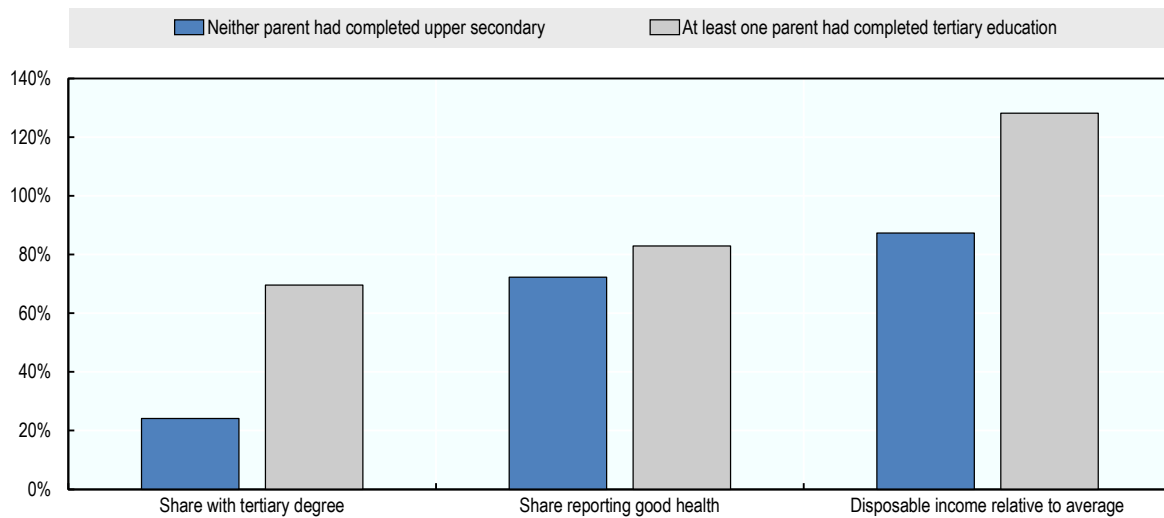
Source: OECD (2021<sup>[5]</sup>), *Does Inequality Matter? How People Perceive Economic Disparities and Social Mobility*; OECD Publishing, Paris; data from the 2020 Risks that Matter survey: <https://www.oecd.org/social/risks-that-matter.htm>.

<sup>2</sup> Based on data from the 2009 wave of International Social Survey Programme.

Perceptions of inequality of opportunity are consistent with evidence pointing to stark differences across groups defined by ascribed traits. Gender gaps have been shrinking over the past few decades, but true gender equality is still elusive (OECD, 2017<sup>[19]</sup>; OECD, 2020<sup>[15]</sup>). Data also show large divides in well-being outcomes for vulnerable population groups, including people with disabilities, migrants and their children, LGBTI+ people and those belonging to racial and ethnic minorities. These gaps are often fuelled by discrimination, with large costs for society (OECD, 2020<sup>[20]</sup>).

## Figure 2. Children whose parents have a higher socio-economic status have better outcomes later in life

Education, health and income of adults aged 35-49 by parental education, average across 38 OECD countries (36 for health and 32 for income), year 2019 or latest available



Note: Data for Iceland and the United Kingdom refer to year 2011/2010; Data for Canada are for 2011-12; Israel and New Zealand for 2014-15; Mexico for 2017; Türkiye for 2011 (2010 for income). Canada and Costa Rica are not included for health and income; Canada, Colombia, Costa Rica, Israel, Korea, Mexico, New Zealand are not included for income. For the United States, income differences refer to market, not disposable income.

Source: OECD estimates on the European Union Statistics on Income and Living Conditions (EU-SILC), <https://ec.europa.eu/eurostat/web/income-and-living-conditions>, 2011 and 2019 waves; Programme for the International Assessment of Adult Competencies (PIAAC), <https://www.oecd.org/skills/piaac/>, Round 1 (Canada, Israel, Korea, Mexico, New Zealand); Japan Household Panel Survey (JHPS/KHPS), <https://www.pdrc.keio.ac.jp/en/paneldata/datasets/jhpskhps/>, 2019 (Japan); Encuesta de Caracterización Socioeconómica Nacional (CASEN) 2019 (Chile); Household, Income and Labour Dynamics in Australia (HILDA), <https://melbourneinstitute.unimelb.edu.au/hilda>, 2019 (Australia); Encuesta nacional de calidad de vida (ECV), <https://www.dane.gov.co/index.php/estadisticas-por-tema/pobreza-y-condiciones-de-vida/calidad-de-vida-ecv>, 2019 (Colombia); Latinobarómetro, <https://www.latinobarometro.org/lat.jsp> (Costa Rica); Panel Study of Income Dynamics (PSID), <https://psidonline.isr.umich.edu/>, 2019 (United States).

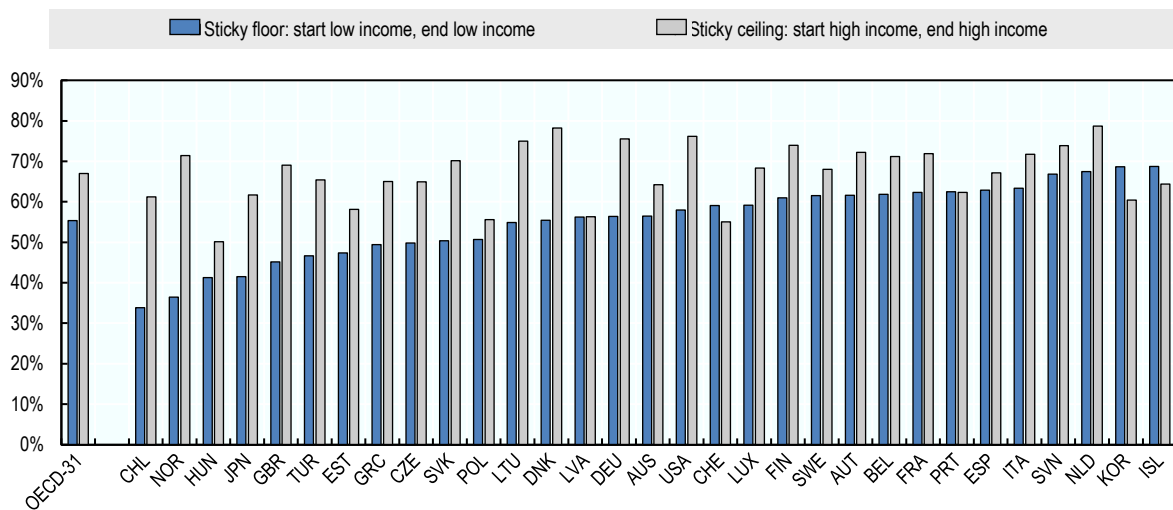
At any point in time, equality of opportunity is both a result and a driver of social mobility, i.e. the ability of individuals to change their socio-economic situation during their lifetime and across generations (Box 2). The intergenerational transmission of advantage and disadvantage perpetuates inequality of opportunity because unequal starts have an enduring impact on a wide range of well-being outcomes later in life (Bowles and Gintis, 2002<sup>[21]</sup>; D'Addio, 2007<sup>[22]</sup>; Causa and Johansson, 2009<sup>[23]</sup>; Corak, 2013<sup>[24]</sup>; OECD, 2018<sup>[2]</sup>). Across the OECD, children whose parents have a tertiary degree are 45 percentage points more likely to graduate from university themselves compared to those whose parents had less than a secondary degree (Figure 2). Despite the massive educational expansion experienced by younger cohorts, this gap has remained quite persistent across the decades (OECD, 2018<sup>[25]</sup>). In addition, 35-49-year-olds whose

parents had a tertiary degree are 11 percentage points more likely to report being in good health and have 47% higher disposable income compared to their peers with less educated parents. The quality of local areas during childhood also plays a key role, as households with lower socio-economic status often live in neighbourhoods that are more affected by exposure to pollution and noise or with higher violent crime rates (Clarke and Thévenon, 2022<sup>[26]</sup>).

Besides differences in family background and other endowments at birth, other life circumstances may exert persistent barriers to social mobility. Evidence shows that people in poverty struggle to escape, while those with high incomes tend to remain at the top of the income ladder. In the run-up to the COVID-19 pandemic, people in the bottom quintile of household disposable income had a 55% probability of remaining in the same income group after 4 years (Figure 3). At the other extreme, those in the top quintile had an even higher chance (67%) to remain at the top. Furthermore, recent decades have seen an increasing risk of downward mobility for larger segments of the population, including the lower middle-class (OECD, 2019<sup>[27]</sup>; OECD, 2021<sup>[28]</sup>). Apart from income, other well-being dimensions – e.g. physical and mental health and social capital – are rather sticky over a person’s lifetime, tend to influence each other, and thus compound advantage or disadvantage. For instance, long spells of unemployment can have scarring effects on workers’ health, thus reducing, in turn, their chances to secure a new or high-paid job.

**Figure 3. People at the bottom and top of the income distribution tend to remain in the same position over the years**

Share of working-age population remaining with low (bottom quintile) or high (top quintile) income over 4 years, 2016-19



Note: The figures represent the share of working age (18-65) individuals in the lowest and highest equivalised disposable income quintile staying in the same income group after four years. Data refer to 2016-19 for all countries except Iceland, the United Kingdom (2014-2017), Greece, Italy, Korea, the United States (2015-2018), Germany and the Netherlands (2012-2015), Japan (2010-2013) and Chile (2006-09). For the United States, as data is collected on a biannual basis, the result is based on the average between results for a 3 year- and a 5 year-panel. Source: OECD estimates on EU-SILC, CASEN and Cross-National Equivalent File (CNEF), <https://www.cnefdata.org/>, data.

## 3

## Factors shaping social mobility: The current outlook and broader megatrends

The recent series of shocks has highlighted and often magnified profound divides in opportunities across segments of the population. During the COVID-19 crisis, women, minorities and children from low-income households saw a larger drop in well-being than other groups (OECD, 2021<sup>[1]</sup>; Case and Deaton, 2022<sup>[29]</sup>). Mental distress and adverse employment effects were particularly severe among young people, even more so for those belonging to vulnerable groups (OECD, 2022<sup>[30]</sup>). School closures and the switch to online learning had a stronger negative impact on disadvantaged students who had fewer resources and capabilities for learning at home. Low-skilled workers had much lower chances to telework, were more exposed to health and job risks, and saw larger reductions in training (OECD, 2021<sup>[31]</sup>). People living in rural regions faced more challenges during lockdowns, due to limited access to health care, schools and high-speed internet (OECD, 2021<sup>[32]</sup>).

Rising inflation and Russia's war against Ukraine are now threatening the recovery from the COVID-19 crisis. In several countries, real household income is decreasing, more so among low-income households who face stronger inflationary pressure (OECD, 2022<sup>[33]</sup>). This contraction may limit low-income households' ability to invest in children's education and adult learning and training. Furthermore, the post COVID-19 employment recovery of young people, low-educated workers, migrants, and racial or ethnic minorities has been lagging behind in several countries (OECD, 2022<sup>[33]</sup>), and might be further undermined by the current slowdown.

The cumulative impacts of these repeated shocks are likely to endanger future opportunities for current, and future, generations. If unaddressed, such effects can amplify existing inequalities and undermine the capability of vast segments of the population to do well in life. The unprecedented temporary government interventions during the pandemic supported low-income households and avoided a hike in inequality (Chetty et al., 2020<sup>[34]</sup>; European Commission, 2020<sup>[35]</sup>; Levy, forthcoming<sup>[36]</sup>). Similarly, targeted temporary interventions are being set in place to support households who are struggling to make ends meet because of the inflation and economic slowdown (OECD, 2022<sup>[33]</sup>). However, forward-looking interventions that break down barriers to equal opportunity are necessary to guarantee that the impacts of these repeated shocks do not lead to a further entrenchment of inequality.

The need for forward-looking interventions is strengthened by the long-run threats to equality of opportunity stemming from megatrends. Automation, digitalisation, the green transition and demographic change have been and will be influencing the distribution of opportunities across people, groups and places (OECD, 2021<sup>[37]</sup>). Without intervention, it is likely that at least some of the negative consequences that megatrends bring will be borne by people, groups and places that are already faring the worst. For example, automation will lead to artificial intelligence and robots replacing a non-negligible fraction of jobs across the board, but the impact will be stronger for low-skill jobs (Nedelkoska and Quintini, 2018<sup>[38]</sup>; OECD, 2019<sup>[39]</sup>). Another

example is climate change, which will likely hit more vulnerable areas, such as rural communities (OECD, 2021<sup>[37]</sup>). Demographic change will also likely weaken the growth prospects of rural regions that are experiencing faster aging. This may limit further their ability to invest in the provision of key services, such as health care and education (OECD, 2019<sup>[40]</sup>).

Amid these challenges, there is a chance to invest in increasing social mobility and fostering opportunities. First, some of the structural changes provide new opportunities for entrepreneurs and workers. The COVID-19 crisis has accelerated some processes, such as teleworking, that can expand the range of employment opportunities available to workers (OECD, 2021<sup>[32]</sup>; Criscuolo et al., 2021<sup>[41]</sup>). Similarly, the green transitions and the digitalisation of the economy have improved the productivity of certain sectors and raised the demand for new digital skills (OECD, 2022<sup>[42]</sup>). However, not all workers and households are able to adapt and reap the economic rewards of these structural changes. Policies fostering skill acquisition and removing obstacles to reallocation can help turn these challenges into opportunities for upward mobility (OECD, 2021<sup>[43]</sup>).

Second, ambitious policies can generate the double dividend of sustained growth and progress towards equal opportunities. Research suggests that high-quality early childhood programmes can yield benefits at both individual and collective levels, through increased education, improved health and lower engagement in risky behaviour (Duncan et al., 2022<sup>[44]</sup>). More equity at higher levels of education and in access to training can also generate high economic returns. Tackling the inequalities that hold disadvantaged children and youth back and ensuring a more equitable distribution of resources can therefore pay off in terms of future equality and economic growth (Holder, 2021<sup>[45]</sup>). Several key interventions to promote social mobility can also display relevant effects in the short term. Well-designed social protection policies combining income-maintenance and incentives to return to work can shield vulnerable workers during transitions and help them relocate to better jobs, therefore promoting upward mobility for the current generation (OECD, 2021<sup>[43]</sup>). Interventions to tackle large wealth inequality and the widespread economic insecurity among low- and middle-class households can also help redistribute opportunities and avoid poverty traps.

Third, in the aftermath of the COVID-19 crisis, countries have committed to largescale investments and reforms, often explicitly targeted to improve equal opportunity. For example, the European Union Recovery and Resilience Facility includes smart, sustainable and inclusive growth as one of its pillars and requires Member Countries to detail how the measures will contribute to gender equality and equal opportunities for all (Regulation (EU) 2021/241, art. 18). To produce the desired effects on social mobility and equal opportunity, these initial investments will need to be sustained in the long run. Going forward, it will also be important to monitor the effectiveness and the impacts of those initiatives on the worst-off, in order to adjust and improve them.

For these reasons, policies for economic stimulus should not only focus on short-term solutions, but address the long-term challenges in achieving equality of opportunity. Even in the current context of weakening economic prospects and greater uncertainty due to inflationary pressures and Russia's war against Ukraine, policies to foster social mobility and equal opportunity can help achieve more sustainable and prolonged economic growth.

Yet, OECD countries differ substantially not only in the extent of social mobility and equality of opportunity, but also with respect to their drivers. The right mix of policies depends on how multiple barriers to equal opportunities operate in different contexts (family, school, workplace and the wider community) and across the lifecycle. Further cross-country evidence and policy analysis is needed to map these barriers and their links, in order to tailor recommendations to each country's priorities and highlight the synergies between different interventions, as argued in the next section.

# 4 Advancing the knowledge frontier on social mobility and equal opportunity: The research priorities of the OECD Observatory

Thanks to the effort of scholars and international institutions, the knowledge base on social mobility, equality of opportunity and their determinants has considerably expanded in recent years (Brunori, Ferreira and Peragine, 2013<sup>[46]</sup>; Corak, 2013<sup>[24]</sup>; Chetty et al., 2014<sup>[47]</sup>; OECD, 2017<sup>[19]</sup>; Ambar et al., 2018<sup>[48]</sup>; Stuhler, 2018<sup>[49]</sup>; OECD, 2018<sup>[2]</sup>; OECD, 2018<sup>[25]</sup>; Colagrossi et al., 2020<sup>[50]</sup>). Yet, evidence is still missing or limited in a number of ways. Where available, evidence on social mobility often covers only a subset of OECD countries, limiting the extent and relevance of cross-country comparisons. Relatively little is known about the evolution of social mobility in the medium to long run, which would be key to analysing past determinants and anticipating future trends. More work is needed to understand what shapes people's opinions about equality of opportunity and how this translates into support for opportunity-enhancing policies (Alesina, Stantcheva and Teso, 2018<sup>[51]</sup>; OECD, 2021<sup>[5]</sup>). Lastly, there is still limited research on the role of the private sector and the civil society in fostering equal chances in OECD countries, for instance by building healthier communities and strengthening social ties, which recent work has suggested being important determinants of social mobility (Rajan, 2021<sup>[52]</sup>; Chetty et al., 2022<sup>[53]</sup>). The next subsections discuss in more detail four aspects of equality of opportunity and social mobility where evidence is missing or limited, and on which the *OECD Observatory on Social Mobility and Equal Opportunity* will focus.

## Group-wide inequalities that transcend people's control

Inequalities between socio-demographic groups, i.e. horizontal inequalities, are a key component of inequality of opportunity, insofar as they reflect inequalities driven by circumstances beyond people's control, such as gender, sexual orientation, race, ethnicity, age and disability.

Despite progress in gender equality, women still fare worse than men in a number of economic and social areas (OECD, 2017<sup>[19]</sup>). One of the key obstacles to the economic mobility of women is the large wage and employment loss associated with childbearing. Recent evidence shows that in most OECD countries women's careers suffer a large loss when they give birth to a child, while men's career penalties are mild, if present at all (OECD, 2018<sup>[2]</sup>; Kleven et al., 2019<sup>[54]</sup>). Gender gaps in wages and employment reflect the unequal division of unpaid care work, with women often being the main providers of childcare and long-term care (OECD, 2017<sup>[19]</sup>; OECD, 2021<sup>[55]</sup>). Women are also much less likely to be entrepreneurs, as they face stronger obstacles to developing their own firms. Women represent 75% of the "missing entrepreneurs", i.e. those who would have been entrepreneurs if entrepreneurship activity was similar across all socio-demographic groups (OECD/European Commission, 2021<sup>[56]</sup>).



Wide gaps in well-being are observed also by disability status. Recent studies show that disability gaps exist in all aspects of life including education, income, employment and life satisfaction. Young people with disabilities are more likely to be early school leavers than people without disabilities, and households with disabled family members live with 84% of the disposable income of households without disabled family members (OECD, 2022<sup>[57]</sup>). Moreover, people with disabilities are 40% less likely to be in employment (OECD, 2022<sup>[57]</sup>) and are more likely to show lower life satisfaction compared to people without disabilities.<sup>3</sup>

Evidence also points to pervasive inequalities by race, ethnicity or migrant status (Grubanov Boskovic, Tintori and Biagi, 2020<sup>[58]</sup>; Holder, 2021<sup>[59]</sup>; Derenoncourt et al., 2022<sup>[60]</sup>). For instance, across European OECD countries, ethnic and racial minorities report having a harder time paying bills at the end of the month and show lower life satisfaction compared to majority groups.<sup>4</sup> Furthermore, segregation in cities is often commonplace. Migrants are overrepresented in neighbourhoods with a higher level of poverty: a 1% higher share of migrants is associated with a 0.3% higher share of poverty in the neighbourhood (OECD, 2018<sup>[61]</sup>).

Discrimination often fuels horizontal inequalities. Discriminatory practices take different forms and can affect virtually all areas of people's lives, including their health, employment prospects or access to key services. For example, experimental studies find that migrant, ethnic minorities and LGBTI+ people are less likely to be invited for an interview after they submit a job application (OECD, 2008<sup>[62]</sup>; OECD/European Union, 2015<sup>[63]</sup>; OECD, 2019<sup>[64]</sup>; Kline, Rose and Walters, 2022<sup>[65]</sup>). Discrimination also represents a cost for society and the economy (Hsieh et al., 2019<sup>[13]</sup>; Bon-Maury et al., 2016<sup>[66]</sup>; OECD, 2020<sup>[20]</sup>).

OECD countries have been increasingly put in place policies to promote diversity, such as introducing anti-discrimination legislation, affirmative actions and incentives for firms to hire from a more diverse pool of candidates (OECD, 2020<sup>[67]</sup>; OECD, 2020<sup>[20]</sup>). Yet, pro-diversity policies alone might not work if the profound socio-economic inequalities that are behind opportunity gaps are not properly addressed, and might even exacerbate inequality of opportunity if they do not reach the most disadvantaged within each group (OECD, 2020<sup>[67]</sup>). Implementing systemic approaches that tackle the roots of horizontal inequalities requires a better understanding of the scope of pro-diversity policies and of how they function within the broader suite of policies targeting inequality.

The design and implementation of successful policies can be hindered by limited evidence on the realities of different population groups. For instance, little is known about the mobility of daughters compared to that of sons. The lack of evidence reflects a problem of selection, because earnings are observed only for those employed and are affected by the lower participation of women. As argued earlier, women are more likely to experience career breaks related to child-bearing and child-rearing during the early stages of their working life, and they are generally not as strongly attached to the labour market as men. Employed women are hence a self-selected sample, and estimates will therefore be biased if the interpretation is to be extended to the entire sample of daughters. Available evidence shows that daughters-father earnings elasticities are often similar to father-sons ones, but there are important differences in some countries (OECD, 2018<sup>[2]</sup>). In addition, while there is extensive evidence of equality gaps experienced by women in the economic and public spheres, less is known about how economic resources are allocated within the household. Moreover, the characteristics of the entire household are generally identified as those of the "head", and often the head has been assumed to be the most elderly member or the person with the highest income, usually a man. This approach could lead to an underestimation of inequality and poverty rates experienced by women.

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<sup>4</sup> Evidence from the Special Eurobarometer 493: Discrimination in the European Union, [https://data.europa.eu/data/datasets/s2251\\_91\\_4\\_493\\_eng?locale=en](https://data.europa.eu/data/datasets/s2251_91_4_493_eng?locale=en), conducted in 2019.

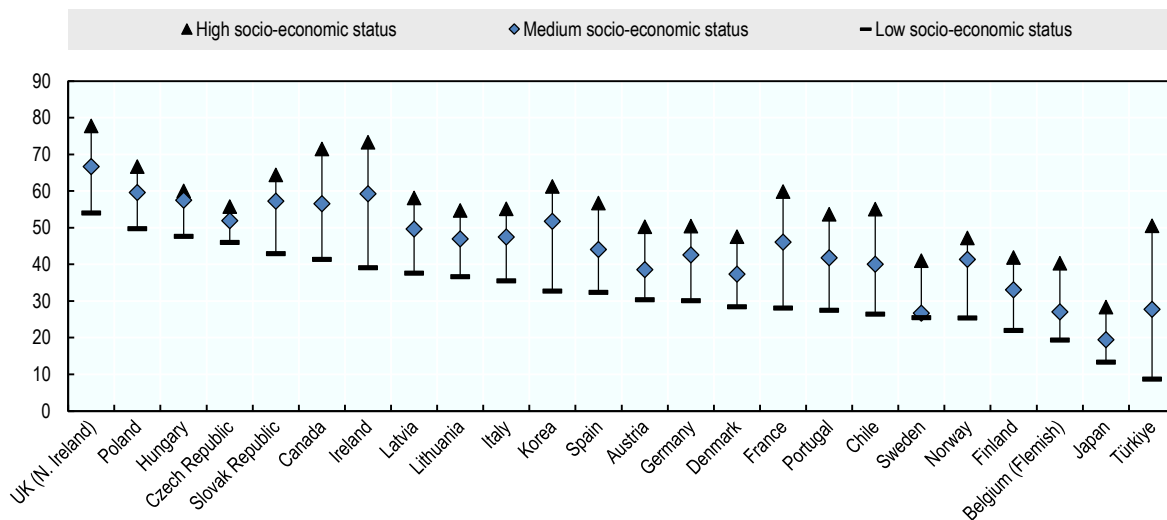
In addition, further efforts are needed to make the statistical infrastructure more inclusive to reflect the realities of minority communities and fill critical data gaps: for certain groups and characteristics (e.g. ethnicity and sexual orientation) even basic information is often missing; while in other instances the data available are insufficient or of insufficient quality or granularity to allow value and usability (Balestra and Fleischer, 2018<sup>[68]</sup>).

## Unequal upbringings

Unequal opportunities depend strongly on a person's family history. Unequal chances start at birth and are reinforced throughout life, leaving those from disadvantaged backgrounds with fewer chances to climb the social ladder (Corak, 2006<sup>[69]</sup>; Cattan et al., 2022<sup>[70]</sup>). Across European OECD countries, children from the most disadvantage backgrounds earn around 20% less as adults than those with more average childhoods. This earnings gap costs the equivalent of close to 2% of GDP on average, and is likely higher when the additional social costs associated to worse health and weaker social cohesion are taken into account (Bonnet et al., 2022<sup>[71]</sup>).

### Figure 4. Children of low socio-economic standing are less likely to be exposed to regular educational activities at home

"Fourth grade" students whose parents report they (or someone else in the household) "often" engaged in early literacy and numeracy activities with the child before they started primary/elementary school, by socio-economic status, 2019



Note: Data refer to the percent of "fourth grade" students classified as having "often" engaged in early learning activities at home before entering primary/elementary school, based on the TIMSS Early Literacy and Numeracy Activities scale. Socio-economic status is measured using the TIMSS/PIRLS Home Resources for Learning (HRL) scale. "Low socio-economic status" refers to students with scores on the HRL scale that are among the bottom 25% within their country or region. "High socio-economic status" refers to students with scores on the HRL scale that are among the top 25% within their country or region

Source: OECD Child Well-being Data Portal, indicator FAM\_ELAPA, based on the Trends in International Mathematics and Science Study 2019, <https://oe.cd/cwb-data>; see Clarke and Thévenon (2022<sup>[26]</sup>).

These early gaps are rooted in the family environment (Clarke and Thévenon, 2022<sup>[26]</sup>). Children of low socio-economic standing are less likely to be exposed to regular educational activities at home (Figure 4). Even before the current cost-of-living crisis, the cost of educational services was increasing more than

overall inflation, putting pressure on the ability of the lower and middle-income classes to invest in their children's future (OECD, 2019<sub>[27]</sub>). The current high-inflation scenario might entail cuts in extra-curricular activities, particularly for low-income households.

Inequalities at home interact with inequalities in the education system. There are large socio-economic gaps in 10-year old students' performance on reading, mathematics and science tests (OECD, 2018<sub>[25]</sub>). Instead of weakening with age, these gaps often widen in the following school years and translate into skills gaps between young adults. At age 15, children with low socio-economic standing have worse performance in all the subjects covered by the OECD Programme for International Student Assessment (OECD, 2018<sub>[25]</sub>).<sup>5</sup>

Social and physical characteristics of the neighbourhood, municipality or region of residence also profoundly influence developmental outcomes and affect children's long-term outcomes. Children from disadvantaged socio-economic backgrounds are more likely to live in neighbourhoods affected by crime and violence (Clarke and Thévenon, 2022<sub>[26]</sub>). They are also more exposed to pollution, which has enduring consequences on their development (Currie, 2011<sub>[72]</sub>).

The COVID-19 crisis has exposed, and in some instances, exacerbated gaps in child well-being outcomes and opportunities (OECD, 2021<sub>[11]</sub>). Disadvantaged students had less resources to cope with school closures and the sudden switch to online learning, both in terms of availability of digital tools and support from parents (OECD, 2021<sub>[73]</sub>). Whether these learning losses will have a permanent scarring effect on poorer children remains to be proven. However, even though robust international comparative evidence is still lacking, research from the United States suggests that for some children the adverse consequences of school closures might be deep and long-lasting (Agostinelli et al., 2022<sub>[74]</sub>). Making disadvantaged children a priority will likely deliver large returns in the future, through human capital accumulation and better job prospects.

Ongoing megatrends, and in particular digitalisation, automation and the transition to the green economy, require that new skills are developed and sustained over time (OECD, 2021<sub>[31]</sub>).<sup>6</sup> However, not all children face the same opportunities to prepare for a transformed labour market and a more digitised society. Socio-economically disadvantaged students have less access to a computer for school work at home (OECD, 2020<sub>[75]</sub>), display lower digital skills and rely less on technology for information-gathering activities such as reading the news (Burns and Gottschalk, 2020<sub>[76]</sub>).<sup>7</sup> Disadvantaged students also tend to perceive lower realisable benefits from lifelong learning and attribute less relevance of school for their future professional careers (OECD, 2021<sub>[77]</sub>). Quality educational interventions, as well as training opportunities for young adults, are needed to avoid a decline in social mobility and widening inequality of opportunity going forward (OECD, 2018<sub>[25]</sub>; OECD, 2021<sub>[31]</sub>).

Family and child policies, including education policies, should account for the multi-faceted interplay between family background, local factors and schooling in shaping children's skill development (von Stumm, 2022<sub>[78]</sub>); and promote a holistic approach to child well-being (OECD, 2019<sub>[79]</sub>). There are several policy-relevant examples of this interplay. Intervening only in the school learning environment might have limited effects if the home learning environment is lacking in educational materials or parental involvement. At the same time, interventions aimed at raising aspirations for children from low socio-economic backgrounds might not succeed without removing household financial constraints (Rizzica, 2020<sub>[80]</sub>). A deprived local environment – at the city or regional level – might also exert a strong negative effect on young people educational progress, limiting the ability of either parents or teachers to support them through higher education. The interplay also involves interactions between different dimensions of well-being.

<sup>5</sup> See also the [OECD Child Well-Being Data Portal](#), tables [CDE\\_PRTA](#) and [CDE\\_TMTO](#).

<sup>6</sup> See also the [OECD Future of Education and Skills 2030](#) project.

<sup>7</sup> See also the [OECD Child Well-Being Data Portal](#), tables [MAT\\_COMP](#) and [MAT\\_INTP](#).

Local-area interventions to improve health – for instance by reducing exposure to hazardous substances (Aizer et al., 2018<sup>[81]</sup>) – can have strong positive effects on school performance.

Despite the increased availability of data on child well-being from a growing number of OECD countries, there is still limited evidence on how the interplay between family background, local factors and schooling varies across OECD countries (OECD, 2021<sup>[82]</sup>). It is also necessary to further develop policy analysis to document how more systemic strategies can account for this interplay. Addressing such an evidence gap is key to targeting policy interventions, by identifying at which level – individuals, families, neighbourhoods – and at which stage of life governments should intervene.

## Growing economic insecurity and large wealth concentration

The pandemic has highlighted that large fractions of households are economically insecure, i.e. they do not have the financial resources to face an economic shock (OECD, 2020<sup>[83]</sup>; Clark, Lusardi and Mitchell, 2021<sup>[84]</sup>; OECD, forthcoming<sup>[85]</sup>). Economic insecurity can limit one's chance to climb the social ladder and dampen their ability to respond to not only temporary income losses, but also structural changes. For instance, economic insecurity can limit people's investment in further education or training and hinder their ability to move to high opportunity areas. The current cost-of-living crisis, combined with wide-ranging economic impacts of the war against Ukraine, is placing further pressure on those experiencing, and at risk of, economic insecurity.

During the COVID-19 pandemic, government action to stabilise people's incomes and maintain their ties to their jobs mitigated the negative consequences of the economic downturn. While many of the COVID-19 economic measures were temporary, having policies to deal with economic insecurity will remain pertinent as the multiple crises countries are currently facing increase people's financial (and other) risks. Policies should address people's exposure to negative shocks, and help them to better manage risk.

Well-designed social protection policies can deliver the right combination of protection and incentives to reduce the risk that workers end up in low-opportunity traps and help them find new job or entrepreneurial prospects (OECD, 2019<sup>[86]</sup>; OECD, 2021<sup>[43]</sup>). But targeted policies may also be needed to build household's financial resilience by incentivising savings, avoiding over-indebtedness and improving their financial literacy (OECD, forthcoming<sup>[85]</sup>). More evidence and policy analysis are necessary to identify the right mix of policies in specific national contexts.

Economic insecurity is tightly linked with wealth inequality. While many households have limited financial resources to cope with shocks, others own considerable wealth. Wealth is very unequally distributed: on average across OECD countries, over half of all private wealth belongs to the wealthiest 10% of households (OECD, 2021<sup>[87]</sup>). A high level of wealth concentration harms equality of opportunity, by leading to unequal access to education and a misallocation of capital, and by limiting the opportunities of people from some groups to become entrepreneurs.

Wealth inequality is quite persistent over time, partly due to assets being passed on from one generation to the next. Across OECD countries, there is evidence that inheritances are unequally distributed, as richer and high-income people tend to pass down and receive larger bequests (Balestra and Tonkin, 2018<sup>[88]</sup>). Inheritance may limit social mobility, especially when combined with the other advantages that wealthy parents provide their children (e.g. better schooling or useful connections). However, the extent to which inheritance shapes social mobility is still a matter of discussion (Black et al., 2022<sup>[89]</sup>). Well-designed inheritance and gift taxes can play a role in reducing wealth inequality and its persistence across generations (OECD, 2021<sup>[90]</sup>), but they are not the only available policy options. Alternatives include, for instance, schemes of minimum capital endowments for young adults to fund education or start a business, or equitable homeownership support programmes for younger and lower-income households (OECD,

2021<sup>[87]</sup>). Identifying the most effective policy mix requires filling the extant evidence gaps and developing more policy analysis.

There is also limited evidence on wealth inequality across genders, reflecting the fact that most household finance surveys collect information on assets and liabilities only at the household level. In the few countries where data allow reconstructing asset accumulation within couple-headed households, results point to a sizable gender wealth gap. For instance, men own 12% more wealth in France (Bonnet, Keogh and Rapoport, 2013<sup>[91]</sup>) and 25% more in Italy (D'Alessio, 2018<sup>[92]</sup>). Collecting evidence on the intra-household allocation of wealth is key to better understanding inequality of opportunity for two main reasons. First, large gender wealth gaps can reflect gender norms (e.g. when high-yield assets are more likely to be inherited by male than female offspring) as well as the lower chances that women have to accumulate wealth during their lifetime (e.g. due to gender wage and pension gaps). Second, a wide gender wealth gap can limit opportunities available to women and their resilience to shocks (e.g. in case of family disruption).

## Equal opportunities across places

Despite the increasing use of communication technologies, space and distance keep shaping people's opportunities. Local contextual factors – across regions, but also within cities – play an important role during childhood and continue to affect people's opportunities during their lifetime through their access to public services and job, training and digital opportunities (OECD, 2018<sup>[61]</sup>; OECD, 2021<sup>[93]</sup>; OECD, 2021<sup>[94]</sup>). Within-country comparisons are hence important for understanding social mobility dynamics and implications for policy.

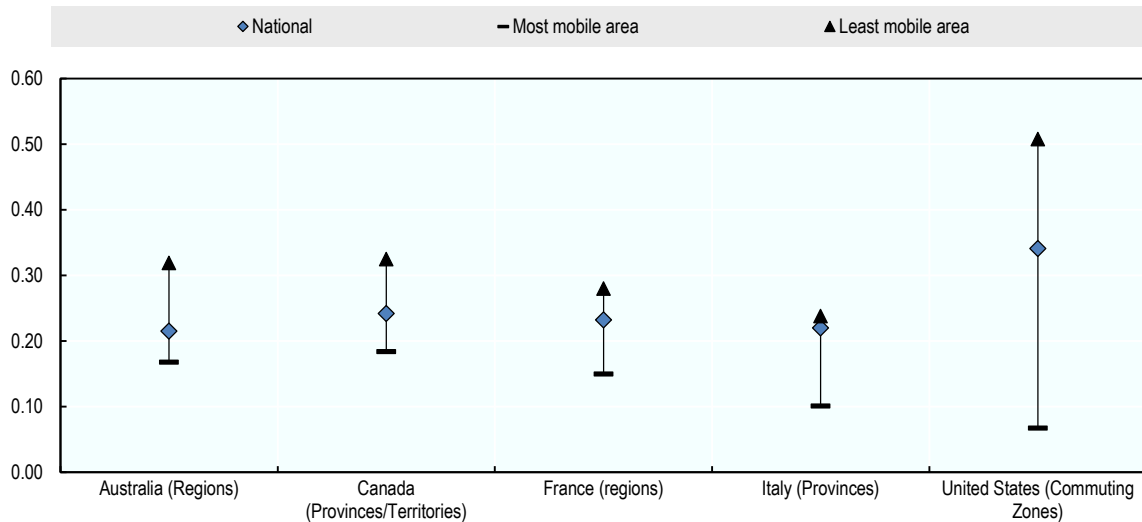
Sub-national portraits of social mobility point to large variation. National studies suggest that differences in intergenerational mobility between regions in the same country are wide, and can be larger than cross-national comparisons (Figure 5). Evidence from Canada and the United States shows that intra-generational income mobility (e.g. the extent to which people's future earnings are dissociated from their parents' income) tends to be higher for people who grew up in metropolitan areas compared to those growing up elsewhere (OECD, 2016<sup>[95]</sup>). Yet, such evidence is limited to few OECD countries and based on different territorial grids, thus limiting the cross-country comparability of the geographical distribution of opportunities – e.g. across cities or regions.

The mechanisms behind these territorial differences remain largely under-explored. A number of studies and experiments have highlighted the role of different factors, such as pollution (Currie, 2011<sup>[72]</sup>; O'Brien et al., 2018<sup>[96]</sup>) and social networks (Chetty et al., 2022<sup>[53]</sup>). However, the evidence is still limited to specific countries and contexts. Extending the country coverage for which sub-national measures of social mobility are available would allow more robust policy analysis on the role played by different local factors and help adapt mobility-enhancing policies to local circumstances.

If people were able to freely move without frictions according to their preferences, geographical differences would be the result of residential self-selection: people would live where locally available facilities and resources suit their preferred lifestyle. However, several factors – including high house prices and family ties – often limit people's opportunity to move to areas with better opportunities (Cavalleri, Luu and Causa, 2021<sup>[97]</sup>; Causa and Pichelmann, 2020<sup>[98]</sup>), thus constraining the extent to which geographical mobility can help overcome geographical inequalities.

**Figure 5. Intergenerational mobility varies extensively within countries**

Intergenerational income persistence in different sub-national areas; higher intergenerational persistence implies lower social mobility



Note: The areas refer to the area of residence of the parents' generation at the time in which the child was approximately a teenager. Intergenerational persistence is measured as rank-rank slope; as an example, a rank-rank slope of 0.3 means that an increase of one percentile in the income rank of the parent is associated with 0.3 percentiles increase in the income rank of the child. The rank is always defined at the national level. Income refers to gross taxable income, although the exact definition varies across studies. Methodological differences between the studies may affect the cross-national rankings.

Source: Deutscher and Mazumder (2019<sub>[99]</sub>), *Intergenerational Mobility in Australia: National and Regional Estimates Using Administrative Data*; Corak (2019<sub>[100]</sub>), *The Canadian Geography of Intergenerational Income Mobility*; Abbas and Sicsic (2022<sub>[101]</sub>), "Une nouvelle mesure de la mobilité intergénérationnelle des revenus en France"; Acciari et al. (2022<sub>[102]</sub>), *And Yet It Moves: Intergenerational Mobility in Italy*; Chetty et al. (2014<sub>[47]</sub>), "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States".

Strategic investments are key to increase productivity in regions, cities and other areas that lag behind, and unleash their growth potential (OECD, 2016<sub>[103]</sub>). These investments should facilitate the sharing of innovation and good practices between firms and sectors, and help regions and cities improve the availability of local public services (OECD, 2016<sub>[103]</sub>; OECD, 2016<sub>[95]</sub>). At the same time, upward mobility can also be improved by policies supporting those who want to move to areas with better prospects, but cannot do so because of high mobility costs. For instance, the Moving to Opportunity experiment in the United States, which offered low socio-economic households housing vouchers to relocate in more affluent neighbourhoods, had sizeable upward mobility effects on second-generation movers. Children from low-income households that relocated and spent their childhood in richer neighbourhoods had better health, education and labour market prospects than those who remained in poorer areas (Chetty, Hendren and Katz, 2016<sub>[104]</sub>). However, most of the policy evidence on such interventions is limited to few countries and experiments.

Housing affordability could create more social mobility (OECD, 2021<sub>[105]</sub>), since the surge of housing prices in thriving urban areas is a major constraint for people to leave depressed areas (Hsieh and Moretti, 2019<sub>[106]</sub>; Cavalleri, Luu and Causa, 2021<sub>[97]</sub>). Housing affordability is also a pressing concern for young people, who now face much higher housing prices than their parents did at the same age. Differences in house prices not only limit geographical mobility across regions and cities, but also lead to segregation within metropolitan areas (OECD, 2018<sub>[61]</sub>). Segregation is often associated with lower quality of life and fewer job opportunities in more disadvantaged neighbourhood. Nevertheless, systemic evidence on which affordable housing policies are more likely to promote (or hamper) social mobility is scant.

Ongoing megatrends are also giving rise to geographical inequalities that might affect social mobility. Automation and digitalisation are affecting different places unevenly (OECD, 2018<sup>[107]</sup>; OECD, 2020<sup>[108]</sup>). Climate change will likely hit more vulnerable areas, such as rural communities, and policies to counteract it, such as a carbon tax, will have an uneven effect on production across regions (OECD, 2021<sup>[37]</sup>). The COVID-19 crisis might have accelerated some of these processes (OECD, 2020<sup>[109]</sup>), in particular through the rapid and widespread adoption of teleworking during lockdowns (OECD, 2020<sup>[108]</sup>).

Growing territorial divides hinder social mobility, for two reasons. First, disparities in local economic performance and job polarisation often compound, with urban and thriving areas providing a stronger high-skill premium. High-skilled workers are therefore more likely to move towards expanding areas (Machin, Salvanes and Pelkonen, 2011<sup>[110]</sup>; Amior, 2015<sup>[111]</sup>), while the low-skilled risk being trapped in declining locations, which further reduces their chances of upward mobility. Second, intergenerational persistence of inequality might become stronger in declining areas affected by automation, digitalisation and climate change, where education returns tend to be smaller and environmental conditions and services are likely to be of lower quality (OECD, 2018<sup>[61]</sup>). While the priority should be implementing tailored place-based interventions to unleash local productivity and ensure availability of essential services, policies favouring geographical mobility can also avoid people getting stuck in low-opportunity traps (OECD, 2016<sup>[103]</sup>; OECD, 2018<sup>[61]</sup>; OECD, 2019<sup>[40]</sup>; OECD, 2021<sup>[37]</sup>). The implementation of such policies requires a clear understanding of local circumstances, as a one-size-fits-all intervention is unlikely to be effective (OECD, 2019<sup>[40]</sup>; OECD, 2020<sup>[108]</sup>; OECD, 2021<sup>[37]</sup>).

# 5 The way ahead

There is a pressing need to invest in social mobility and equal opportunity. The available evidence points to stark differences in opportunities across children and young adults coming from different socio-economic backgrounds or segments of the population. The COVID-19 pandemic has highlighted, and possibly exacerbated, these differences and the current economic uncertainty due to inflationary pressures and Russia's war of aggression might further accentuate them. In the longer run, ongoing megatrends, such as digitalisation and the shift to a green economy, are bringing new opportunities, but not everybody has equal chances to seize the benefits of structural change.

Despite the economic slowdown and fiscal pressures on the horizon, interventions, and reforms to foster social mobility and equal opportunity remain a necessary, forward-looking investment, with enduring payoffs in terms of equality and growth. Governments have been rolling out large investment plans to strengthen the recovery, and resources have often been earmarked for promoting equal opportunity. Such investments can reduce the risk that the current slowdown will widen current opportunity gaps. Going forward, it will be important to monitor the actual effectiveness and the impact of those programmes on the worst-off.

New evidence is needed to break down barriers to social mobility and equal opportunities and design effective policies that adopt a life-course approach and are tailored to national and local contexts. More cross-country evidence is needed for two reasons. First, such evidence would allow analysing the drivers of social mobility and equality of opportunity and highlight best practices across the OECD. Second, social mobility and equality of opportunity are the result of the interplay of different factors at different stages in life. The relevance of different factors changes across countries, and therefore policy prescriptions should be tailored to specific national contexts. Targeting policies to the right stage of life and to the most-pressing needs can improve their effectiveness. Capitalising on the OECD's longstanding experience, the *OECD Observatory on Social Mobility and Equal Opportunity* will produce new data and analyses to inform the options and measures that policy makers can consider to improve equal opportunities for all and foster social mobility across and within generations.



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