SESSION I
TAKING STOCK: SOCIAL CHALLENGES AND SOCIAL POLICY RESPONSES

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1. Income inequality and social mobility
2. Middle class strains
3. Ageing Unequally
4. Youth and NEETs
5. Looking forward: some key labour market challenges
1. INCOME INEQUALITIES AND SOCIAL MOBILITY
Large country differences in levels of income inequality

Gini coefficient of income inequality

Income gap between richest and poorest 10%

Data refer to 2013 or latest year available. Source: OECD Income Distribution Database (www.oecd.org/social/inequality.htm).

Note: the Gini coefficient ranges from 0 (perfect equality) to 1 (perfect inequality). Gaps between poorest and richest are the ratio of average income of the bottom 10% to average income of the top 10%. Income refers to cash disposable income adjusted for household size.
Income inequality increased in good times, and it continued increasing in bad times.

**Long-term trends in inequality of disposable income (Gini coefficient)**


Note: Income refers to disposable income adjusted for household size.
Lower and lowest incomes are increasingly left behind

Trends in real household incomes at the bottom, the middle and the top, OECD average, 1985 = 1

Note: Income refers to disposable household income, corrected for household size. OECD is the unweighted average of 17 countries (Canada, Germany, Denmark, Finland, France, United Kingdom, Greece, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, New Zealand, Sweden and United States).
1. Across the board, children’s income does depend on parents’ income.
2. Mobility is negatively correlated with inequality: intergenerational earnings mobility is lower in high-inequality countries: the “Gatsby curve”
3. This is also true for other dimensions, such as education, health (ongoing OECD project).


Note: Data refer to mid-2000s. Intergenerational earnings mobility is proxied by the degree to which sons’ earnings are correlated with that of their fathers.
Absolute educational mobility is high from one generation to the next.

Percentage of 25-64 year-old non-students whose educational attainment is higher or lower than that of their parents.

Source: OECD PIAAC, 2012
Higher inequality hinders skills investment by the lower middle class and lowers social mobility

Source: OECD (2015), “In It Together”

Increasing inequality by ~5-6 Gini pts. (the current differential between Belgium and Italy) means less average schooling of low PEB individuals by ~half a year

Note: Low PEB: neither parent has attained upper secondary education; Medium PEB: at least one parent has attained secondary and post-secondary, non-tertiary education; High PEB: at least one parent has attained tertiary education. The bars indicate 95% confidence intervals.
2. MIDDLE CLASS STRAINS
Middle class decline: perception or fact?

Fewer people think they belong to the middle class. Income data suggests a more moderate trend.

Share of population in the middle class (75-200% median)

Subjective: share of population who report belonging to the middle class
Income: share of population living in households with income between 75% and 200% median household disposable income.

Source: EKOS and LIS
Absolute or relative stagnation?

Real income growth of middle class and top/bottom 10% (mid 60%)

3. AGEING UNEQUALLY
Inequality has increased across cohorts, but this is somewhat less clear in Canada.
The risk of income poverty has shifted from the elderly to the young, but not in Canada.

Relative poverty rate of the entire population in each year = 100, mid-1980s to 2013 or latest available year.

Note: OECD un-weighted average for 18 OECD countries for which data are available from the mid-1980s: Canada, Denmark, Finland, France, Germany, Greece, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Sweden, Turkey, the United Kingdom, the United States.

Source: OECD Income Distribution Database (via [www.oecd.org/social/income-distribution-database.htm](http://www.oecd.org/social/income-distribution-database.htm)).

* Information on data for Israel: [http://dx.doi.org/10.1787/888932315602](http://dx.doi.org/10.1787/888932315602).
4. YOUTH AND NEETS
Youth Not in Employment, Education or Training (NEET)

- The share of NEET youth in Canada is below the OECD average (13% vs. 15%). Over half of all Canadian NEETs are not looking for a job.
- NEET rates in Canada are back at their pre-crisis level.

Note: OECD is the unweighted average of the 34 OECD countries shown. 
Source: OECD calculations based on national labour force surveys excepted OECD Education Database for Australia, Israel, Korea and New Zealand.
NEET status is associated with a number of risk factors

- **Low educational attainment**
  - Youth without upper secondary education are 3.5 times as likely as other youth to be NEET (OECD: 3.1 times as likely), but nearly half of all Canadian NEETs have tertiary education.

- **Intergenerational disadvantage**
  - Canadian youth whose parents have low education are almost 3x as likely to be NEET than all youth (OECD: 2x as likely).

- **Migrant status**
  - Youth born abroad are 20% more likely to be NEETs than all youth (OECD: 50% more likely).

- **Family obligations**
  - On the OECD average, women are 40% more likely to be NEET than men, but there is no gender / NEET gap in Canada.
Benefit adequacy tends to be lower for youth

- **Youth are not as well covered by benefits** as adults over 30 – in Canada, only 21% of unemployed NEETs receive unemployment benefits (OECD: 30%), compared to 44% of adults aged 30-64 (OECD: 33%).

- **Income support is less effective in keeping youth out of poverty**: 31% (OECD: 41%) of all youth who would be poor were it not for benefits, compared to 38% (OECD: 48%) of adults aged 30-64.

- **Young people now face a greater risk of poverty than older age groups**: 18% of all Canadian youth live in poverty, compared to 13% of all seniors (65 and over).

Note: the poverty threshold is 50% of the median equivalised household income). Data for Canada relates to 2011. Source: OECD calculations based on national household surveys.
5. LOOKING FORWARD: SOME KEY LABOUR MARKET CHALLENGES
Effective skill development and use is key to improving Canada’s productivity performance.
About a third of Canadian jobs are likely to undergo significant changes.

Jobs with high and medium potential for automation
Percentage of jobs with 70% and between 50% et 70% of substitutable tasks

Source: Survey of Adult Skills (PIAAC); Arntz et al (2016)
Training is low among those that would benefit the most from it – the low-skilled

Participation rate in adult education, by literacy proficiency levels, Canada, USA and OECD, 2012
Three main policy avenues to tackle too-high inequality:

- **Reforming tax and benefit systems:**
  - Government transfers (cash *and* in-kind) have an important role to play to safeguard low-income households;
  - There is also scope for reviewing some tax provisions in light of increased “tax capacity” among top-income households;

- **Boosting employment and career prospects (“more *and better* jobs”):** Facilitate and encourage access to employment for under-represented groups and address labour market segmentation;

- **Investing in human capital:** Promote up-skilling of the workforce, better training and education for the low-skilled.
Thank you

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