

Inequality and social contract
Outreach report)

The roots of inequality: intergenerational social mobility and territory

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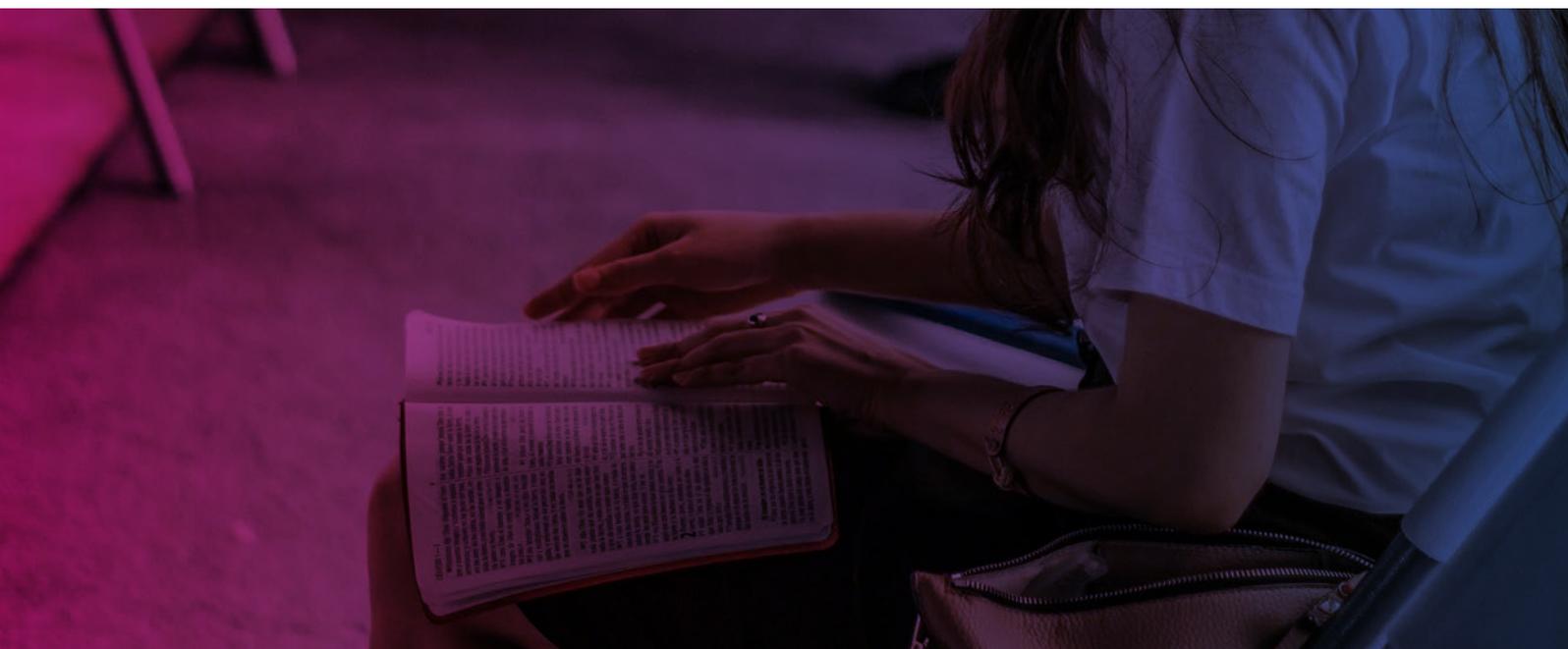
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Abstract

The opportunities of people depend on at least three types of social factors: the conditions of their family of origin, the state of the labour market in their active life and the features of the territory where they grew up. Although the “education boom” of the latter half of the 20th century has created new opportunities, intergenerational mobility in Spain still implies a high heritability of education. Spain is among the countries in our vicinity in which the income of parents has a greater influence on the income of their offspring. Moreover, the spread of education occurred faster than the transformation of the production structure, thereby leading to increasingly more university graduates employed in low-skilled jobs. This trend has been accentuated by the 2008-2014 and covid-19 crises, as they reinforced the importance of family background. On a more novel note, this study provides evidence on how the context of childhood determines later earning prospects. Growing up in rural municipalities or municipalities with higher incomes and better income distribution favours subsequent opportunities for young people.



Main ideas

1

The education boom that began in the 1960s has meant that university education has become predominant among young people.

3

Some 28% of 25-44 year olds with a university degree are from families with lower levels of education, a similar figure to that of France, England, the Netherlands or Denmark.

5

The ratio between the income of offspring and parents is higher in Spain than that of other neighbouring countries, although lower than in several countries with the greatest intergenerational immobility, such as the United Kingdom, Italy and the United States.

7

Growing up in urban municipalities with higher average income, better income distribution, younger population or lower education levels favours subsequent opportunities for young people.

2

Family background continues to influence educational opportunities for young people. Children of university-educated parents have an almost 80% probability of obtaining a university degree, while this probability is less than 35% if both parents only have a primary education.

4

The Great Recession and pandemic appeared against an employment backdrop for the younger generation in which almost half of the low-skilled white-collar jobs were already taken by people with a university degree.

6

The place where we spend our childhood determines our subsequent opportunities. For example, growing up in rural municipalities favours economic outcomes for young people.

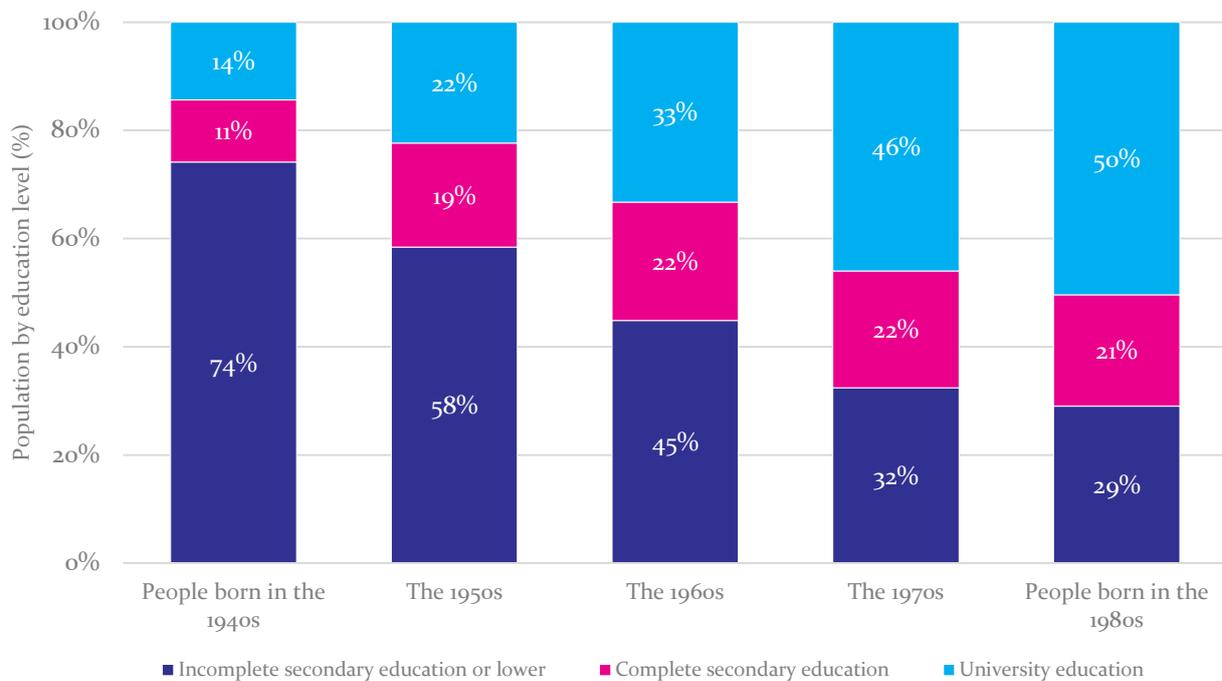
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Family background conditions acquire more importance in the most vulnerable sectors of society during crises such as that of 2008-2014 and the pandemic of 2020-2021.

1 University education became predominant among young people after the education boom of the last century

While only 14% of people born in the 1940s had a university education, this figure rises to more than 50% for those born in the 1980s. Women continue their studies to a greater extent than men (INE, 2004) once they have completed compulsory education, which means that in their case the proportion rises to 58%. In short, university education, once a matter of distinction, has now become a very extensive or majority option. Education is therefore no longer the great social leveller it once was (Bukodi and Goldthorpe, 2018).

Figure 1: The proportion of university-educated people has risen over successive generations
Percentage distribution of education levels of people born in Spain by decade of birth



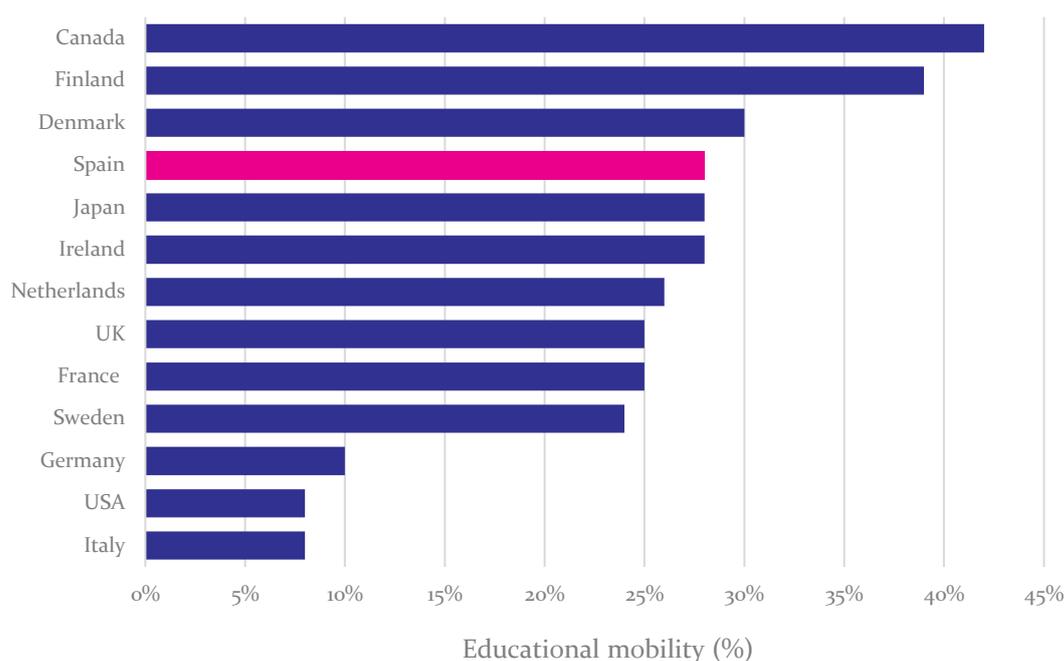
Source: compiled by the authors based on data from the “Living Conditions Survey” (ECV), 2020, INE.

2 Education level heritability in Spain is now similar to that of other neighbouring countries

Some 28% of the Spanish population aged between 25 and 44 with university studies come from families with lower education levels. This upward intergenerational mobility indicator places Spain within a similar range (25-30%) to countries such as France, UK, the Netherlands or Denmark. In fact, this figure of 28% in Spain is almost identical to the percentage in two other countries that also experienced dramatic social change during the final decades of the last century: Ireland and Japan. In other words, the education boom in Spain has led to high upward mobility, the figures of which have tended to converge with those of other developed countries as both parents and offspring have gained access to higher levels of education.

Figure 2: Spain has intermediate rates of educational mobility

Percentage of 25-44 year-olds with a university education who are offspring of fathers or mothers with at most an incomplete secondary education by OECD countries



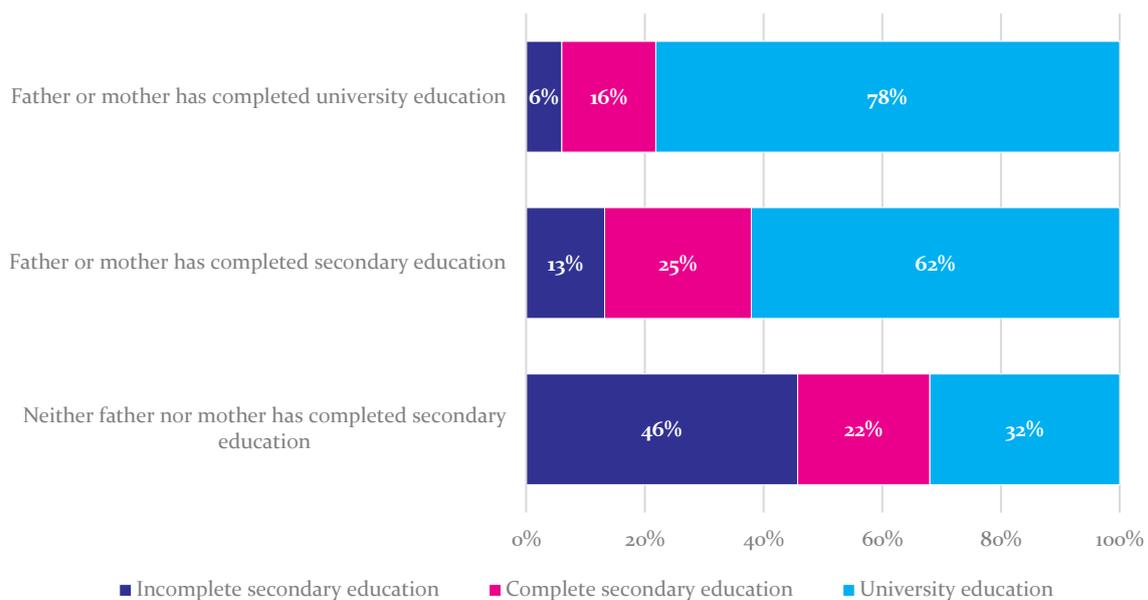
Source: compiled by the authors based on data from the OECD, 2021.

3 Family background continues to influence educational opportunities for young people

The transmission of educational attainment from parents to children is a measure of intergenerational mobility. The offspring of fathers and mothers in Spain without a secondary education are over 50% more likely to progress to higher levels of education. This figure implies that almost half of the offspring of such fathers and mothers inherit their low educational attainment, indicating a high educational persistence in their lower secondary education. Specifically, only one in three offspring of such families obtains a university degree, while this is true of three out of four offspring of fathers and mothers with a university degree.

Figure 3: The educational level of each person still depends very much on his or her family of origin

Probability of a person born in Spain completing each education level by father's or mother's highest level of education



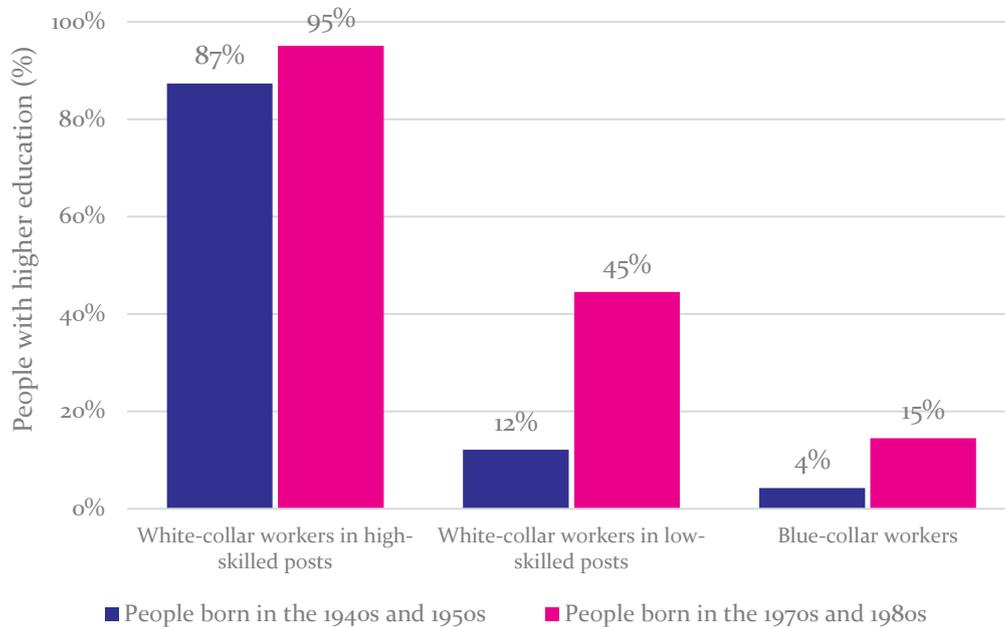
Source: compiled by the authors based on data from the “Living Conditions Survey” (ECV), 2020, INE.

4 The Great Recession and pandemic appeared against an employment backdrop in which almost half of the youngest people with a university degree were in low-skilled jobs

Income-earning options are determined, among other factors, by labour market demand and supply conditions, i.e. by the type of jobs available and the skills of those seeking such contracts. In the case of Spain, once price level changes have been taken into account, people's wages in 2019 were 25-50% lower than in 1980 (Bentolila et al., 2021). This is partly explained by the fact that the overall improvement in education levels has been faster than the increase in demand for skilled labour. Spain's transformation into a service society extended non-manual, so-called "white-collar" jobs, a phrase that is in contrast to the "blue collar" of certain manual labour garments. But this increase in white-collar jobs was predominantly in occupations requiring a low level of professional skills. Coupled with the education boom, the percentage of people with university degrees working in lower-skilled white-collar jobs has risen from 12% among those born in the 1940s and 1950s to 45% among those born in the 1970s and 1980s. In other words, half of the low-skilled white-collar jobs for this age group are taken by highly educated people. A university degree is required for low-paying service-related jobs, and even so there is a lot of competition among candidates for these positions. Overeducation in Spain is higher than in most European countries (McGuinness, Bergin and Whelan, 2018), and this is tied to the intergenerational mobility of young people: in addition to requiring a degree, the market rewards those who have other social skills (cultural capital) or personal relationships (social capital), factors that are linked to family background (Marqués Perales and Gil-Hernández, 2015).

These circumstances constitute a pattern of frustrated expectations for successive generations of young people. The generation born in the late 1980s or early 1990s entered the labour market during the biggest economic crisis since the Spanish Civil War (2008-2014), followed by the recession caused by the covid-19 pandemic. Family background conditions have become more important for this particularly vulnerable generation.

Figure 4: Increasingly more people with a university degree are working in low-skilled jobs
Percentage distribution of people with tertiary education in different job categories by period of birth



Source: compiled by the authors based on the “Living Conditions Survey” (ECV), 2020, INE.

5 The ratio between the income of offspring and parents is higher in Spain than that of other neighbouring countries

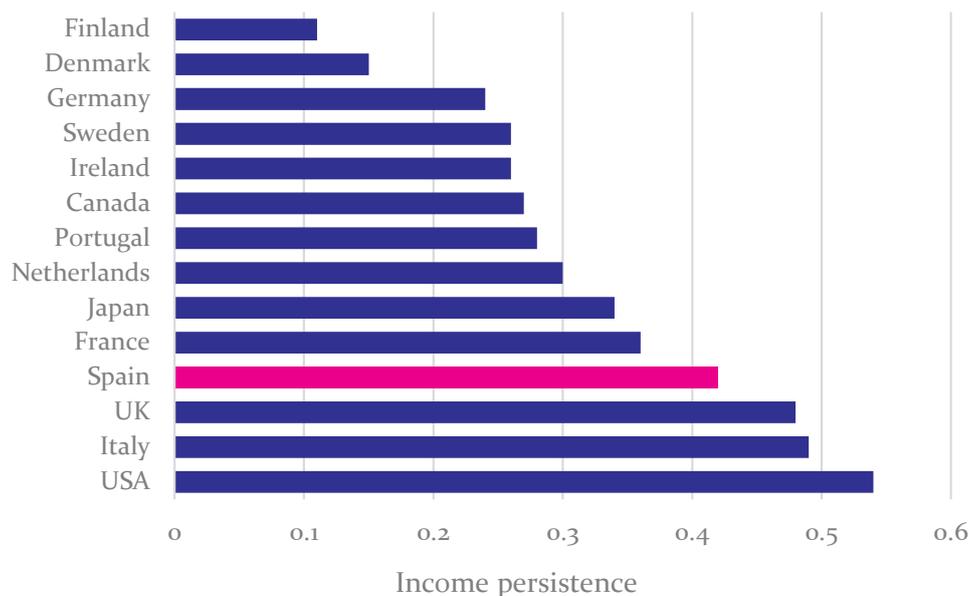
Both in Spain and in developed countries as a whole, there has been a trend towards greater persistence of income positions at the bottom and top of the spread since the 1990s. This translates into fewer opportunities for upward mobility for those at the bottom and also lower downward risks for those at the top (Marqués Perales, 2015; OECD, 2018). The economic crises of the last decade further hindered the prospects for “absolute mobility” or “social climbing”, in the sense of the likelihood that offspring would improve their socio-economic situation compared to that of their parents, which is related to the evolution of the country as a whole.

This absolute mobility can affect entire generations that collectively find themselves in relatively favourable circumstances compared to that of their parents and according to the change in society. But relative mobility can also be examined regardless of this social change by comparing the position of parents in their generation with that of their offspring in theirs.

World Bank data for people born in the 1960s and 1970s indicate that Spain is a country with low relative mobility: only slightly more mobile than countries with very low relative mobility, such as the United States, Italy or the United Kingdom. This means that social position by income is rather persistent between parents and their offspring. The accompanying figure shows that if a mother (or father) earns 1% more income than that of another mother, the offspring of the relatively richer mother will tend to have 0.4% more income than the offspring of the poorer mother. The position of sons and daughters on the income scale is much more independent of the income level of the family of origin in countries such as Finland or Denmark.

Figure 5: The relative position on the income scale is rather heritable in Spain

Indicator of income persistence between fathers/mothers and sons/daughters by OECD country: more persistence (longer bar) implies higher heritability of earning capacity



Note: the persistence indicator is calculated on the basis of what is known as “intergenerational income elasticity”: percentage change in the income of sons/daughters when the income of fathers/mothers differs by 1%.

Source: compiled by the authors based on data from the World Bank’s Global Database for Intergenerational Mobility (Narayan et al., 2018).

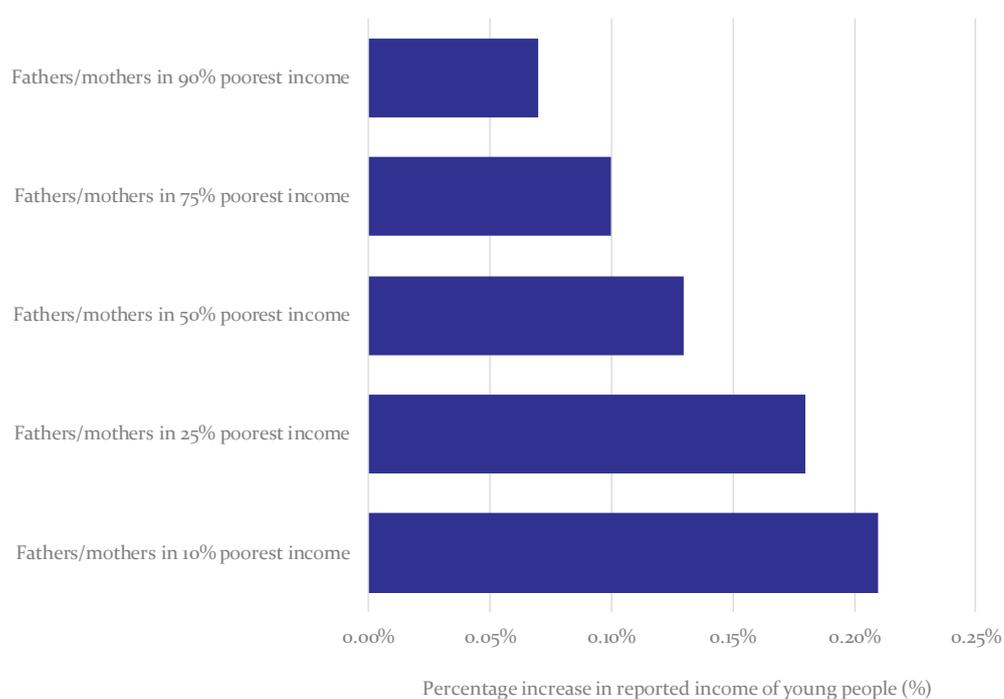
6 The place where we spend our childhood determines our subsequent opportunities

Family of origin and general labour market conditions in each era shape the life chances of individuals. But there is a third factor that has only recently come to the fore: the characteristics of each territory. Harvard University's "Opportunity Atlas" shows that there is a causal relationship between the characteristics of the territory in which people grow up (understood at a neighbourhood level) and their subsequent economic opportunities as adults. The Spanish "Opportunity Atlas" in Spain analyses the income declared in 2016 by young people aged 26-32 and compares it with the income declared by their parents in 1998.

The analysis by municipality indicates that growing up in rural municipalities in Spain enhances the subsequent economic outcomes of young people compared to urban municipalities, something that has also been found for the United States (Chetty et al., 2014). This effect is stronger the higher the income of the municipality, which means that the positive impact of rurality should not be confused with the effect that the higher the municipal income, the more opportunities for youth. If a comparison is therefore made of two young people raised in rural municipalities by parents with a declared income in the poorest 25%, the one raised in a municipality with a 1% higher average income improves their subsequent income as a young person by 0.18%.

Figure 6: The higher the average income of the municipality in which children are raised in rural towns, the higher the average income they obtain when they turn 30

Percentage improvement in the relative income position reported in 2016 by 26–32 year olds raised in 1,164 rural municipalities according to the income bracket of their fathers and mothers in 1998 for each 1% increase in the average income of the municipality



Note: although the estimate in the first two rows of the graph is not statistically significant, it can be seen that the average income of the municipality is more important for the offspring of lower income families. The results have been subjected to various robustness tests.

Source: compiled by the authors based on the Spanish Opportunity Atlas (*Atlas de Oportunidades*, Llaneras, Medina and Costas, 2020) and Household Income Distribution Atlas (INE, 2019).

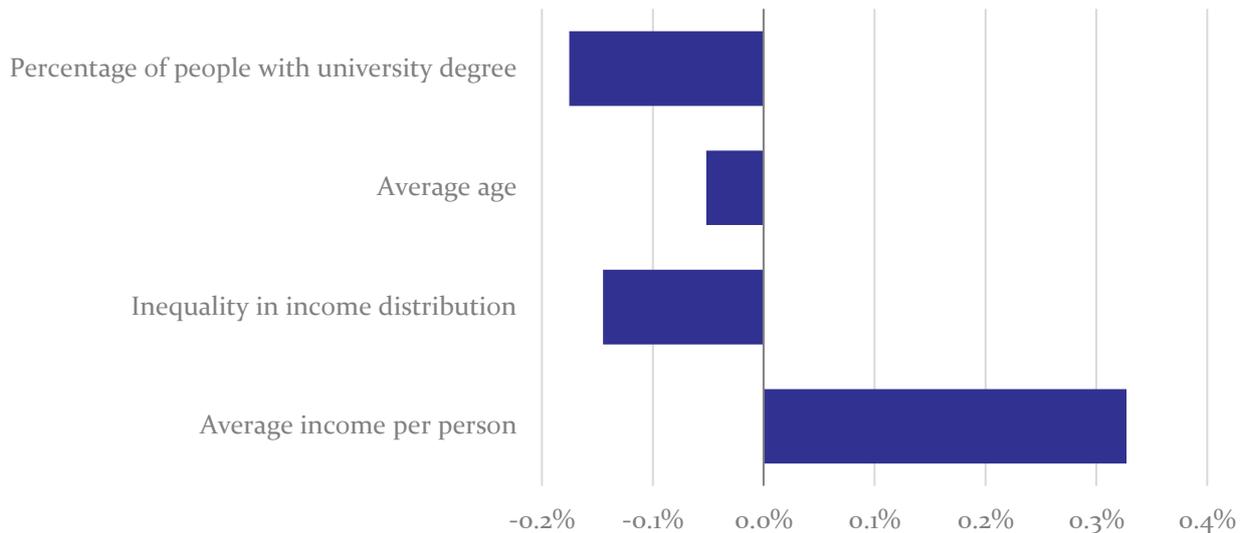
7 Growing up in urban municipalities with higher average income and better income distribution favours subsequent opportunities for young people

The average income of the municipality of upbringing in urban settings affects the opportunities of young people even more than in rural settings. This is true for offspring of fathers and mothers in all income brackets, although the effect is less so for families at the top of the spread. There is also a greater complexity of mechanisms in urban settings that can have effects from childhood and are not relevant when analysing rural municipalities. For example, growing up in urban municipalities with a higher average age seems to make subsequent income-earning options more difficult. This may be because municipal demographics also indicate characteristics related to the dynamism and economic structure of the territory. Similarly, the more unequal the distribution of income in the municipality where childhood is spent, the less chance there is to move up the social ladder later in life. Evidence also shows that young people have fewer opportunities for social mobility if they were raised in municipalities with a greater presence of people with university degrees, perhaps because the higher educational attainment in these municipalities promotes the inheritability of social positions.

The various possible mechanisms that could explain these results are the subject of ongoing research. For example, greater urban inequality increases the differences between neighbourhoods (segregation) and thus the influences received by the offspring of various types of families. Another possible mechanism operates through political influence. Municipalities with lower income and more inequality have more electoral abstention, and the social class of the father and mother is known to influence the chance that offspring do not vote in elections. The social exclusion of entire neighbourhoods therefore encourages their exclusion from political priorities.

Figure 7: Growing up in urban municipalities with higher average income increases opportunities for young people, while growing up in municipalities with higher education, higher average age or greater economic inequality reduces these

Change in income scale position as the result of a comparable increase in various municipal characteristics for people raised in urban municipalities in families in the bottom 25% of reported income



Note: relative position of income reported in 2016 by 26-32 year olds if they were raised in urban municipalities and were offspring of fathers and mothers who in 1998 reported an income in the bottom 25% of the spread. The length and tendency of each bar represent the degree and direction of each effect. The more negative the effect of that characteristic in the municipality in which they grew up, the more the increase in that variable reduces the subsequent income position of young people.

Source: compiled by the authors based on the Spanish Opportunity Atlas (*Atlas de Oportunidades*, Llaneras, Medina and Costas, 2020), Household Income Distribution Atlas (INE, 2019) and population and housing register of 2011 (INE, 2013).

Conclusions

Economic development in Spain during the latter half of the 20th century created opportunities for several generations. Following the education boom, education today is still highly heritable in both Spain and other countries. Furthermore, generational expectations of improving on the situation of parents began to reverse from the 1990s onwards, in line with trends that are common to other developed countries. The change in the structure of the labour market was less rapid than the change in worker education, so that increasingly more university graduates are in low-skilled jobs. This has led to a pattern of frustrated expectations for successive generations. And this was already the context in which the crisis of 2008-2014 and the pandemic of 2020-2021 appeared, as they increased the importance of the conditioning factors of families in the most vulnerable sectors of society.

This paper has also linked together this global perspective with a micro-territorial view. The analyses confirm that the socio-economic characteristics of the territories in which children spend their childhood determine their chances in adult life. This has implications for a wide range of public policies.



Proposed actions

1

Spanish society must open up the debate on the model of curricular profiles and life pathways it wishes to adopt.

3

The design of local and overall policies must take into account the inheritability of socio-economic opportunities and the phenomena of urban segregation. Policies that promote equal opportunities must be thematically and territorially focused and multi-sectoral: formal training, social skills, relational capital, role models, empowerment, social services, housing, diagnoses by municipality and neighbourhood, care economy, etc.

2

Spain needs improved statistics in order to help analyse data for each school, each neighbourhood, each city, each university and each autonomous community, thereby improving knowledge of the conditioning factors of inequalities of opportunity, especially from an intergenerational perspective.

Study characteristics

Analysing the opportunities available to individuals according to their family background presents many difficulties related to data availability. Examining the social circumstances of individuals would mean having to wait until they developed their professional careers, but in this case the examination would be more about the country's past, not about the existing conditions of young people. As the focus shifts to more defined profiles (people within a certain age group, with parents of specific characteristics, etc.), the sample size is reduced using survey data and with it the ability to generalise the results. It is impossible to have surveys to carry out mass analyses for small territories, so one has to resort to techniques such as those used in the "Opportunity Atlas", with data from tax returns, even though it has its own limitations. For example, the latter data consider the tax returns of young people in 2016, which is a year of emerging from the Great Recession, and also exclude from the analysis people in the underground economy or those who did not reach the minimum income tax exemption. It should also be noted that there is no information available on whether these young people remained in the municipality in which they grew up or subsequently moved. However, this type of data is novel, and results at a municipal level demonstrate a strong correlation between the characteristics of the municipality of upbringing and the subsequent income of young people. It is important that various administrations and research centres devote greater efforts to improving the available statistics at increasingly smaller territorial scales precisely because of these limitations.



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