Intergenerational Economic Mobility in Korea

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Asian Approaches to Social Mobility: Experience, Lessons and Opportunities for Cooperation

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The Death of Social Mobility?

"Koh became a welder, worked his way through vocational school and, at the age of 21, landed a plum job at Hyundai Heavy Industries, the world's largest shipbuilder today. Three decades later Koh has attained the status of a "steel maestro"—Hyundai's highest ranking for shipbuilders—and earns $70,000 a year. He sent his two sons to university, lives with his wife in a cozy apartment they own and even enjoyed a vacation to Europe at the company's expense in 2004. Koh, who faces mandatory retirement in eight years, isn't one bit worried. "I have enough money to support me and my family," he says. "I thank my company and my country for allowing me a wonderful life."

(Newsweek, November 12 2007)
The Death of Social Mobility?

“Yet the income gap in all four tigers continues to widen—a trend with implications not lost on Koh, the well-to-do shipbuilder.

"I feel sorry for today's youth, who have so much trouble finding jobs." he says. "Things were tougher in the past, but there were always opportunities, too."

The contrast with today couldn't be starker: the tigers have put the days of abject want behind them. Yet they're in danger of losing the dynamism that so recently permitted society's rare talents to flourish regardless of their station.

(Newsweek, November 12 2007)
Social mobility and intergenerational mobility

- Social mobility is defined as movement of individuals, families, households, or other categories of people within or between layers or tiers.

- Intergenerational economic mobility a crucial determinant to the level of social dynamism and social cohesion.
Public sentiment about social mobility
Broad based social and economic transformation in Korea

<Gini coefficient and GDP per capita growth rate: 1965-1990>
Intergenerational economic mobility in Korea

- Elasticity in intergenerational economic status of Korea is relatively low when compared

![Graph showing elasticity in intergenerational economic status for various countries, with Korea having the lowest elasticity.](image-url)
Intergenerational income elasticity is relatively low in Korea

- For sons
  - 0.114 (monthly earnings)
  - 0.104 (monthly income)
  - 0.122 (annual income)
  - 0.274 (net asset)

- For girls
  - 0.158 (monthly earnings)
  - 0.158 (monthly income)
  - 0.172 (annual income)
  - 0.212 (net asset)
Low intergenerational mobility matters in that…

- It may affect subjective well-being of people.
- It may affect the possibility of social upheaval.
- It may affect people’s preferences for redistributive politics.
- It may discourage prevent people from investing in their future, resulting low growth of a society.

“Although societies A and B have the same measured inequality within a generation, the two societies are tremendously different in the character of their inequality. (Solon, 1999)”
Factors in shaping intergenerational mobility

Factors that shape social mobility
- Genetic legacy
- Direct transfer of asset (inheritance)
- Inheritance of parental social capital
- Assortative mating
- Progressivity in government taxation and spending
- Investment in human capital, in education in particular
Korean students seem to do well

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15-year old Korean kids in PISA 2009
Too many leave school *without* basic knowledge and skills needed to succeed in life and work.

Grade 8 students with some knowledge of whole numbers, decimals, operations, basic graphs as a % of 14 year-olds.

Grade 8 students as a % of all 14 year-olds.
Differences in reading literacy scores between the top 25% and the bottom 25% in parents’ socioeconomic status
The poorest students lag the most in learning

TIMSS 2007, Grade 8 Mathematics test scores

Source: Filmer, based on analysis of TIMSS 2007 database
Primary Education Teachers: Salary After 15 years of Experience / Minimum Training (2007, Public Institutions)
Math literacy in PISA and teacher pay

![Graph showing the relationship between math score and teacher pay over per capita income. The graph displays a positive correlation with data points scattered across a coordinate system ranging from 400 to 560 for math scores and 0.5 to 2.1 for teacher pay over per capita income.]
College entrance rate by gender in Korea from 1965 to 2013

Source: Ministry of Education, Science and Technology(Korea), *Education Statistical Year Book*
Implications

- Contributing factors identified in Korea
  - Enhanced educational equity matters when Korea achieved relatively high intergenerational economic mobility.
  - Labor market expansion from a rapid economic growth significantly contributed to high intergenerational mobility. (Better job opportunities in younger generation due to rapid economic development and industrialization helped a lot.)
  - High educational attainment of students from poor family background played a major role for high intergenerational mobility. (Enhanced opportunities in education and high investment in children’s education played as a social ladder to move up.)

- If the government were to increase economic mobility, it should promote equal educational opportunity for children instead of smoothing out income level of grownups.
  - It should also focus its resources on educating lower class children, decreasing discrepancies in quality of primary education and ensuring equal educational opportunities.
Prospects

- In theory, if were to avoid upward mobility incurring downward mobility, two factors should be ensured.
  - There should be more jobs available.
  - There should be equal opportunities to enter the jobs regardless of one’s economic background.

- Yet, the future does not look promising for a rapid economic growth has ended and Korea is suffering from a jobless growth.
  - Parent’s income level is playing a greater role in education for private education is becoming increasingly costly.
  - Asset is growing faster than earnings; in other words, inheritance would play a greater role in forming dependent’s economic status in the future.
public education expenditure and outside-school learning

- Hours of outside-school learning per week
- Per capita spending on public education

Countries included:
- Greece
- Turkey
- Mexico
- Korea
- Spain
- Poland
- Hungary
- Slovak Republic
- Portugal
- Italy
- Ireland
- Australia
- Germany
- Japan
- Korea
- Mexico
- Norway
- United States
- Switzerland
- Denmark

Values:
- Hours of outside-school learning per week: 0, 2, 4, 6, 8
- Per capita spending on public education: 0, 500, 1000, 1500, 2000, 2500
Thanks for your attention!
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