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Economic mobility across generations in the developing East Asia and Pacific region

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The pace and success of economic growth in the developing East Asia and Pacific region (EAP) has been described as nothing short of a miracle. Education and its complementarities are often linked and credited significantly for the region's positive story on economic growth. During the early stages of the region's development, education kept pace and complemented labor needs; widespread basic literacy and numeracy met demands in manufacturing and assembling. This led to rapid improvements in educational mobility across generations in absolute terms, where mobility is understood as the rise in education levels from one generation to the next. On the other hand, progress has been slower and uneven in relative mobility, which is more closely linked to inequality in education and income and refers to the extent to which an individual's position in society is influenced by that of his or her parents.

Economic mobility across generations, or intergenerational mobility, can be interpreted in two ways: **absolute upward mobility** or the extent to which living standards are better among individuals now than among their parents; and **relative mobility**, which is the extent to which the relative position of individuals on a socioeconomic scale is independent of the relative position of their parents. Absolute mobility centers on a universal human aspiration among parents for a better life for their children. Relative mobility reflects the aspiration of every generation to live in a society where all individuals, regardless of their parental connections or social status, have the opportunity to climb to a rung on the economic ladder that is higher than the rung on which they happened to be born. Higher relative mobility across generations is associated with lower inequality of opportunity, which is the extent to which people's life achievements are affected by circumstances they are born into, such as parental education and income, race, gender, or birthplace. Thus, both absolute and relative mobility across

generations are important for sustaining a social contract that addresses the aspirations of society.

Progress in absolute mobility in education in EAP has been rapid

Rising absolute mobility in education is an important ingredient in EAP's success story. The EAP region is a strong performer in absolute education mobility, measured by the share of adults in a generation who exceed the education level of their parents. After decades of rapid improvements, average absolute mobility among the latest generation of adults (those born in the 1980s) in EAP is on par with the average for high-income economies and significantly higher than the average for developing economies.

For the 1980s generation, average absolute mobility in EAP is higher than the averages for the low income and lower middle-income economies and on par with

¹ For full citations and to read more about Economic mobility across generations in the developing East Asia and Pacific region, please refer to Part 2A in the October 2018's edition of the [East Asia and Pacific Economic Update](#). The analysis is based on the World Bank report entitled "[Fair Progress? Economic Mobility across Generations around the World.](#)"

the averages for the upper-middle income and high-income groups. The rate of improvement in the EAP average from the 1940s generation to the 1980s generation has outpaced that of the averages for all income groups. In each of the four EAP countries where mobility estimates are available for all cohorts from the 1940 to the 1980s (China, Mongolia, Timor-Leste and Indonesia), absolute mobility has increased noticeably. The average share of individuals in EAP countries surpassing their parents in educational attainment has increased from 47 percent among those born in the 1950s to 56 percent among those born in the 1980s.

Following the pattern seen globally, countries in EAP with higher levels of poverty (Lao PDR and Papua New Guinea) and remote Pacific Island countries have the lowest rates of absolute mobility, and wealthy countries such as Thailand and Malaysia have the highest. In these countries, more than 80 percent of those born in the 1980s have more education than their parents, which are some of the highest rates of absolute mobility in education in the world. There is considerable variation in absolute mobility among EAP countries within income-groups. Among lower-middle income countries, absolute mobility varies from 41 percent in the Philippines to nearly 70 percent in Indonesia and Vietnam, with Cambodia and Mongolia showing rates in the low 60s. Among upper-middle income countries, absolute mobility rate in China (56 percent) is well below that of Malaysia and Thailand.

As one would expect, absolute mobility in education closely tracks the trends in educational attainment. Average years of education in EAP have risen more rapidly than the average for any income group, and is currently on par with the average for the upper middle-income group. Years of education also correlate predictably with a country's level of development. Average years of schooling among 15-64 years olds are the highest in Malaysia and lowest in Cambodia and Myanmar.

EAP lags high-income countries in relative mobility, and upward mobility from the bottom is declining

Intergenerational persistence is a measure of how strong an individual's outcomes is related to that of their parents. A high persistence is synonymous with low relative mobility. The EAP average for relative mobility in education has improved over time and is higher than the average for the developing world and all other developing regions for the 1980s generation. However, it is still significantly lower than the high-income average. The share of children who have moved out of the bottom half (in terms of parental education) to the top quartile, which measures "upward mobility from the bottom to the top", also tends to be lower in the average EAP country than in the average high-income economy. In EAP, average relative mobility has improved between the 1950s and the 1980s generations, with some periods of reversal in the middle. But progress in the EAP average has not outpaced improvements in the high-income average. Thus, while relative mobility in EAP for the 1980s generation is higher than the averages for the low-income and middle-income groups, it remains well behind the high-income average. The EAP experience is consistent with a global pattern: average relative mobility is the highest for the high-income group of countries and progressively weaker for lower income groups; and the gaps between income groups have widened over time.

When relative mobility is measured by persistence, no distinction can be made between upward and downward mobility. An intuitive measure that does make such a distinction is the share of individuals who make it to the top quartile of education in their generation, among those born into the bottom half by their parent's education (with respect to the parental generation). Measured thus, upward mobility from the bottom to the top is lower than ideal (which would be 25 percent if child mobility was unrelated to parent's education) almost everywhere. But the lowest rates are found mostly in the

developing world – forty-six of the bottom 50 economies by this measure developing economies. Over time, bottom-to-top mobility has been dropping or stagnating on average for all income groups, primarily driven by declining rates among sons. In EAP, mobility from the bottom to the top has fallen over time, with almost all the decline occurring between the 1940s and 1960s.

Across countries, one sees a mixed story of progress in relative mobility in education in EAP. Among the six large countries with estimates for multiple cohorts, three countries – Lao PDR, Timor-Leste, and Indonesia – experienced a decline in persistence (increase in relative mobility) between the 1950s and the 1980s cohorts. But in China, Mongolia and Vietnam, persistence is higher, or relative mobility is lower for the 1980s cohort than for the 1950s cohort. Persistence at the bottom is also becoming more pronounced as measured by large declines in mobility from the bottom half to the top quartile in five out of the 6 countries. The share does not exceed 20 percent in any country in EAP for the 1980s generation.

Gender gaps in mobility – absolute as well as relative – have almost disappeared in EAP

Gender gaps in EAP have been closing steadily, following the global trend of narrowing gender gaps in absolute mobility and upward mobility from the bottom to the top. The gender gaps in these two measures were substantial in favor of the boys for the 1940s generation in EAP, but have all but disappeared for the 1980s generation, mirroring the rapid increases in girls' education during the intervening time. The gender gap in persistence has disappeared as well in EAP, like what is seen for the upper-middle income group. This has not happened for the developing world as a whole, since persistence among girls has increased relative to boys in the low and lower-middle income groups.

Some gender gaps in education remain in individual countries and a new form of disparity might be

emerging. Absolute mobility among girls is much lower than among boys in Lao PDR; and Cambodia has the largest gap in EAP in average years of schooling between women and men aged 15-64. Moreover, reverse gender gaps among subsequent generations can also become a cause for concern in EAP, if the trends seen for the high-income and upper-middle income groups are any guide. Early indications of such a reversal have already appeared in some countries. In Thailand, Mongolia and some of the island nations, absolute mobility among girls of the 1980s generation is significantly higher than among boys.

Intergenerational persistence has been increasing in China

The declining trend in relative mobility in education from the 1950s generation to the 1980s generation in China runs counter to the trends for EAP, lower-middle income, and upper-middle income countries. As a result, relative mobility in China among the 1980s generation is below the averages for EAP and upper middle-income countries. In contrast, China's trajectory of absolute educational mobility is consistent with a rapid expansion in education and follows the trajectory of the averages for EAP and upper-middle income countries: a rapid increase, followed by a leveling off from the 1960s generation. The trends in relative educational mobility in China are consistent with those reported in other research. Fan and others (2015) find that relative mobility in income and education was lower for individuals born after 1970 than for those born between 1949 and 1970. Magnani and Zhu (2015) find that parent-children educational correlations increased from the cohort born in 1966-1970 to the cohort born in 1976-1980. Both Chen and others (2015) and Golley and Kong (2013) find that intergenerational persistence has increased since around 1950.

Several hypotheses have been suggested to explain why persistence has worsened even as educational attainment has increased to go with rapid economic expansion. One possible explanation is an increasing

rural-urban divide. Huang and others (2016) argue that the expansion of compulsory education suffered from poor targeting and insufficient enforcement, which may have hit rural households harder than urban households. Certain policies that restricted geographical labor mobility in Mao's era may also have created direct barriers for the rural population (Gong and others, 2012). Knight et al (2013) show that in the 1980s, progression to higher levels of education slowed, especially in rural areas. Fiscal decentralization in the 1980s also meant that rural areas struggled more to generate financing for education. They also postulate that higher persistence for the combined national sample, compared to separate rural and urban estimates, reflect differences and barriers between urban and rural sectors.

Some also speculate that the benefits of the expansion of higher education have primarily gone to the elite (see, for example, Huang and others 2016). Rising returns to higher education and rising costs of higher education may have played a role as well. Both Magnani and Zhu (2015) and Fan and others (2015) find returns to education to have increased in the past decades, which can increase the incentives of better-off parents to invest even more in children's education. Fan and others (2015) also find evidence for a sharp rise in the costs of tertiary education, which makes it harder for children from low-income backgrounds to access higher education. Declining relative mobility could also reflect widening inequality between China's rural and urban registered households. In 2012, the National Bureau of Statistics reported inconsistencies between the location of residency and registration (or hukou) existed for 279 million individuals, which is largely because of people with a rural agricultural registration living in urban areas. Rural-registered children in urban areas and born in the 1990s are less likely to be enrolled in school than urban-registered children, suggesting that registration affects access

to services that can in turn limit educational mobility of rural-registered households in urban areas. Individuals who receive an urban registered status late in life, still have lower education than other urban residents (Liu, 2005).

Using the CFPS, comparing residents by hukou type, average persistence of those with urban hukous is found to be much lower than that of those with rural hukous and all urban residents. Persistence increased more among the all-urban group than among the all-rural and the urban hukou groups between the 1960s and the 1970s generations, which could reflect large rural to urban migration during this period.

Policies for fairer progress – global evidence

Evidence from research and patterns in the global data provide a few insights on the broad directions for policies to improve mobility in education. First, the state can play a proactive role in closing opportunity gaps between children born with different individual circumstances, in maternal health, early childhood development, and access to education of high quality. Second, the state can be pro-active about equalizing opportunities across space, since spatial inequalities appear to be a barrier to economic mobility in most countries. Third, fiscal policy is a key tool for realizing these equity objectives and for managing risks faced by households, while minimizing the tradeoffs with efficiency.

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