



Intergenerational Mobility, the Case Study of Chile

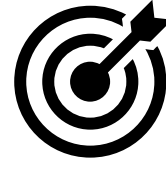
Alejandra Paz Rivera Vicencio

Introduction



Poverty and inequality are important issues in economics which are profoundly related with intergenerational mobility. Intergenerational mobility helps understanding why the transmission of economic advantage does not work identically across countries.

Objectives



- Understand intergenerational mobility, focusing in the different patterns and trends and the predictors that cause differences across countries.
- Describe and give comprehension of intergenerational mobility in Chile.

Social Mobility



Contemplates the possibility of movement among or along social classes. I can be approached between or within generations:

- Intragenerational mobility: comparison within the same generation.
- Intergenerational mobility: comparison across generations.

Measures



Relative mobility measures which is the outcome of children relative to their different backgrounds. Commonly measured in the literature by

Intergenerational Income Elasticity

1. $\log(y_i^c) = \beta_0 + \beta_1 \log(y_i^p) + \varepsilon$
2. $IGE = \rho_{\log(y^p) \log(y^c)} * \frac{\sigma_{\log(y^c)}}{\sigma_{\log(y^p)}}$

or by a rank-rank regression

3. $R_i = \beta_0 + \beta_1 P_i + \varepsilon$
4. $\beta_1 = \rho_{RP}$

Understanding Intergenerational Mobility



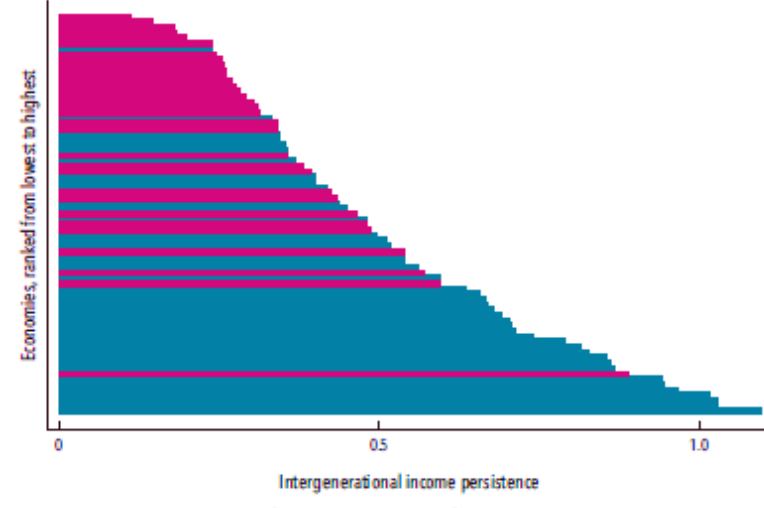
Patterns and Trends:

- Developing vs. Developed countries.
- Variation at a regional level within a country.

Predictors:

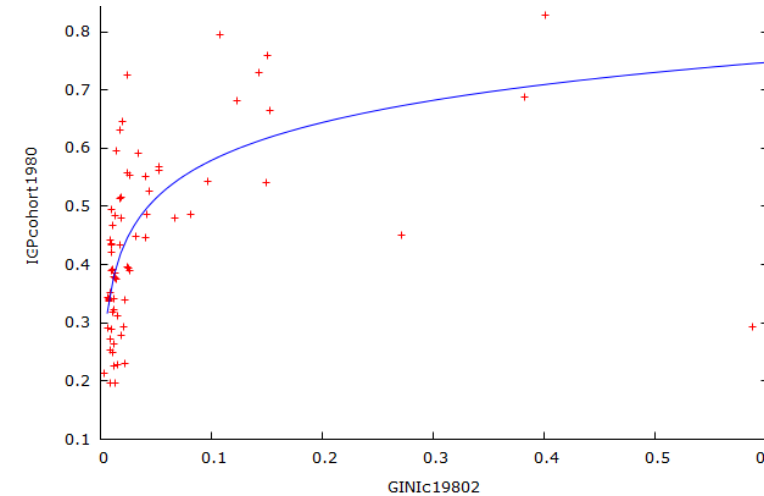
- Inequality, segregation, urban vs. rural.
- Education, family structure, non-monetary investments and school quality.

Intergenerational Income Mobility



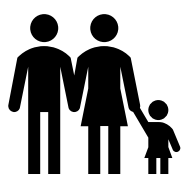
Source: Narayan et al. (2018), pp. 139

Relationship between IGP and GINIc



Source: Own elaboration with data from GDIM (2018), World Bank (2019)

Measuring Chile's Intergenerational Mobility: An Exercise



Chile is an interesting case, as it is a late-industrialised country that suffered a market-oriented reform under the dictatorial regime of Augusto Pinochet.

Chile is a highly unequal country, highlighting the concentration of the earnings in the top of the distribution. The Latin American country has a low intergenerational mobility.

The “2001 Chilean Mobility Survey” (CMS) was conducted by Florencia Torche and Guillermo Wormald (2005). The data used for the measures is from CMS, which contains information of education level and household income of the respondents.

Conversion of levels of education into years of education and conversion of Monthly Household Income

CMS level of Education	Estimated Years of Formal Education	CMS level of Monthly Household Income	Estimated Monthly Household Income
0	NA	0	NA
1	No formal education	1	Without work income
2	Primary new system	2	Less than 90.000
3	Primary old system	3	91.000-120.000
4	Secondary academic new system	4	121.000-160.000
5	Secondary technical new system	5	161.000-210.000
6	Secondary academic old system	6	211.000-240.000
7	Secondary technical old system	7	241.000-290.000
8	College technical (not finished)	8	291.000-390.000
9	College technical graduate	9	391.000-600.000
10	Professional college (not finished)	10	601.000-1.000.000
11	Professional college graduate	11	1.000.001-1.500.000
12	College (not finished)	12	1.500.001-2.000.000
13	College graduate	13	2.000.001-3.000.000
14	Graduate	14	3.000.001-5.000.000
15		15	more than 5.000.000

Source: Own elaboration with data from CMS (2015) and the Ministry of Education of Chile (2019)

Model 1 and 2:

$$Educ_i^c = \beta_0 + \beta_1 Educ_i^p + \varepsilon$$

Model 3 and 4:

$$\log(y_i^c) = \beta_0 + \beta_1 Educ_i^p + \varepsilon$$

Linear Regressions of Intergenerational Mobility

Dependent Variable: Estimated Years Education Child		
	Model 1	Model 2
Estimated Years Education Father	0,252787***	x
Estimated Years Education Mother	0,200977***	x
Sum Estimated Years Education Parents	x	0,228034***
Constant	7,84453***	7,84015***
R^2	0,238346	0,237609

Dependent Variable: log Estimated Monthly Household Income		
	Model 3	Model 4
Estimated Years Education Father	0,0657847***	x
Estimated Years Education Mother	0,0386336***	x
Sum Estimated Years Education Parents	x	0,0527785***
Constant	11,4864***	11,4844***
R^2	0,167515	0,164835

Source: Own estimates and elaboration with data from CMS (2015).

Conclusions



- The role of predictors needs to be further examined, since data available was limited. Nonetheless, inequality and education are important transmitters of socioeconomic advantage or disadvantage.
- The estimates constructed with “2001 Chilean Mobility Survey” did not give similar estimations to other research due to the bias of the regressions, since the lack of data.
- Intergenerational mobility is of key importance in an era of increasing inequality and poverty.

Selected References



- Chetty, R. et al. (2014), “Where is the land of opportunity? The geography of intergenerational mobility in the United States”, The Quarterly Journal of Economics, Vol. 129 (4), pp. 1553-1623.
- Narayan, A. et al. (2018) Fair Progress? Economic Mobility across Generations around the World. Washington, DC: World Bank. License: Creative Commons Attribution CC BY 3.0 IGO.
- Torche, F. (2005), “Unequal But Fluid: Social Mobility in Chile in Comparative Perspective”, American Sociological Review, Vol. 70, pp. 422-450.