

Social mobility from a regional perspective

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Social mobility and growth

- Two main channels through which social mobility impacts growth
 1. **Efficiency:** Misallocation of Talent
 - Talent is the essential ingredient for innovation
 - Providing equal access to education is critical for talented young people to rise in society
 - Innovation requires technical knowledge
 - Discrimination, except on the basis of talent, is detrimental to innovation
 - Low social mobility > “wasted” talent > lower productivity
 2. **Expectations:** Support for reforms
 - Structural reforms to generate a competitive environment may generate losses to incumbents
 - If gains from reforms are expected to be shared, they may have broad support
 - If gains are expected to be concentrated among few people, support may be lower
 - Expectations about mobility may translate into expectations about who will gain from reforms
 - Low social mobility > low support for structural reforms > lower productivity

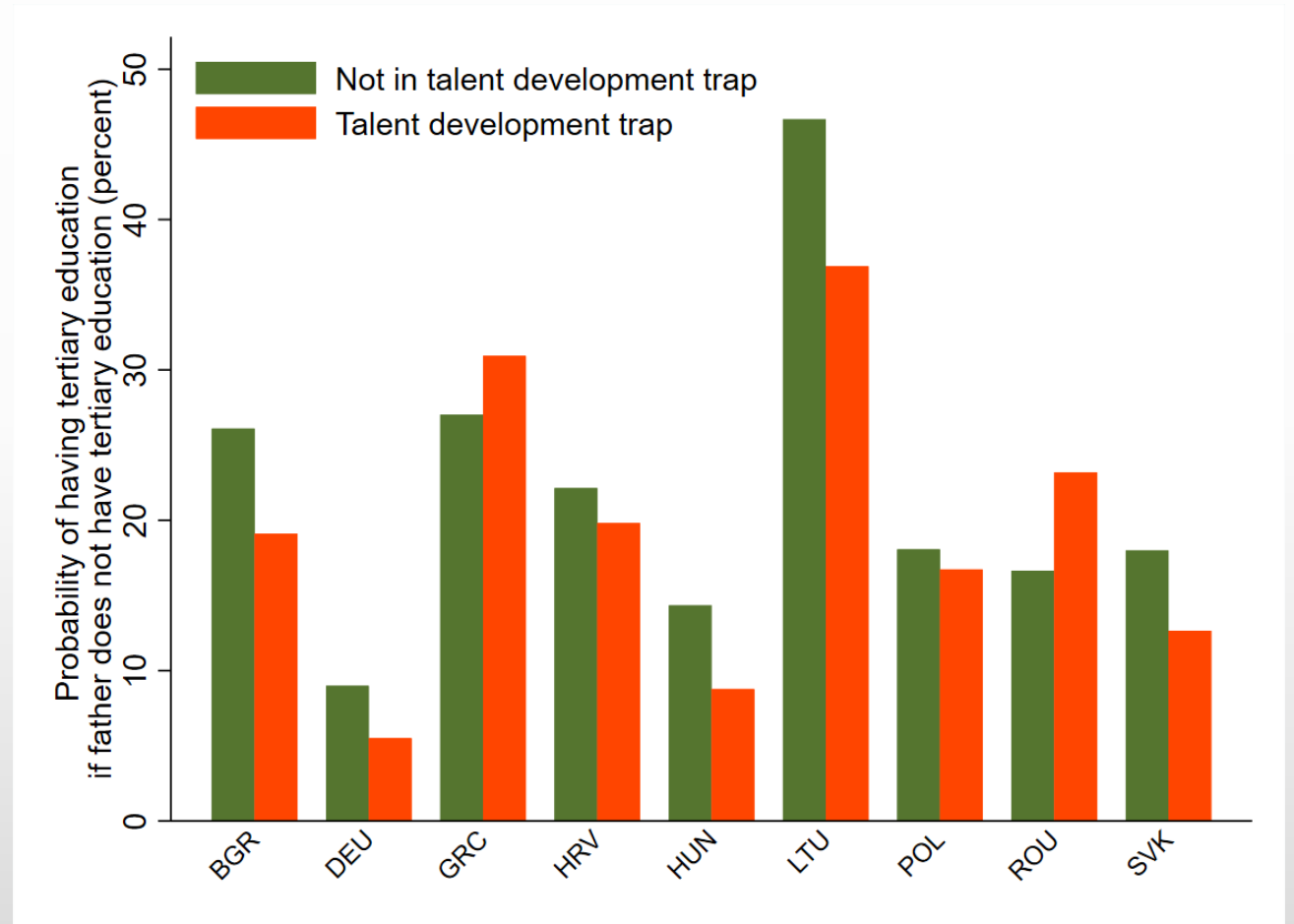
Social mobility and **regional** growth

1. **Efficiency**: Misallocation of Talent

- Talent may be misallocated across regions or within regions
- Misallocation across regions would imply that talent flows into regions where it is inefficient for it to flow into.
- ...but if there are increasing returns to the use of talent, then agglomeration of talent is good.
- An “equalized” distribution of talent across regions may be overall inefficient. Talent, to be productive, may need to be concentrated in clusters rather than spread out.
- Misallocation of talent within regions, however, would imply that talent within a same region does not find its way to a productive use.

Talent misallocation within regions

- Regions in a “talent development trap” appear to have lower educational mobility.
- The probability of a non-tertiary educated father to have tertiary educated children is lower in regions in a talent development trap than elsewhere in the same country



Source: own calculations using LiTS round IV (2022-23)

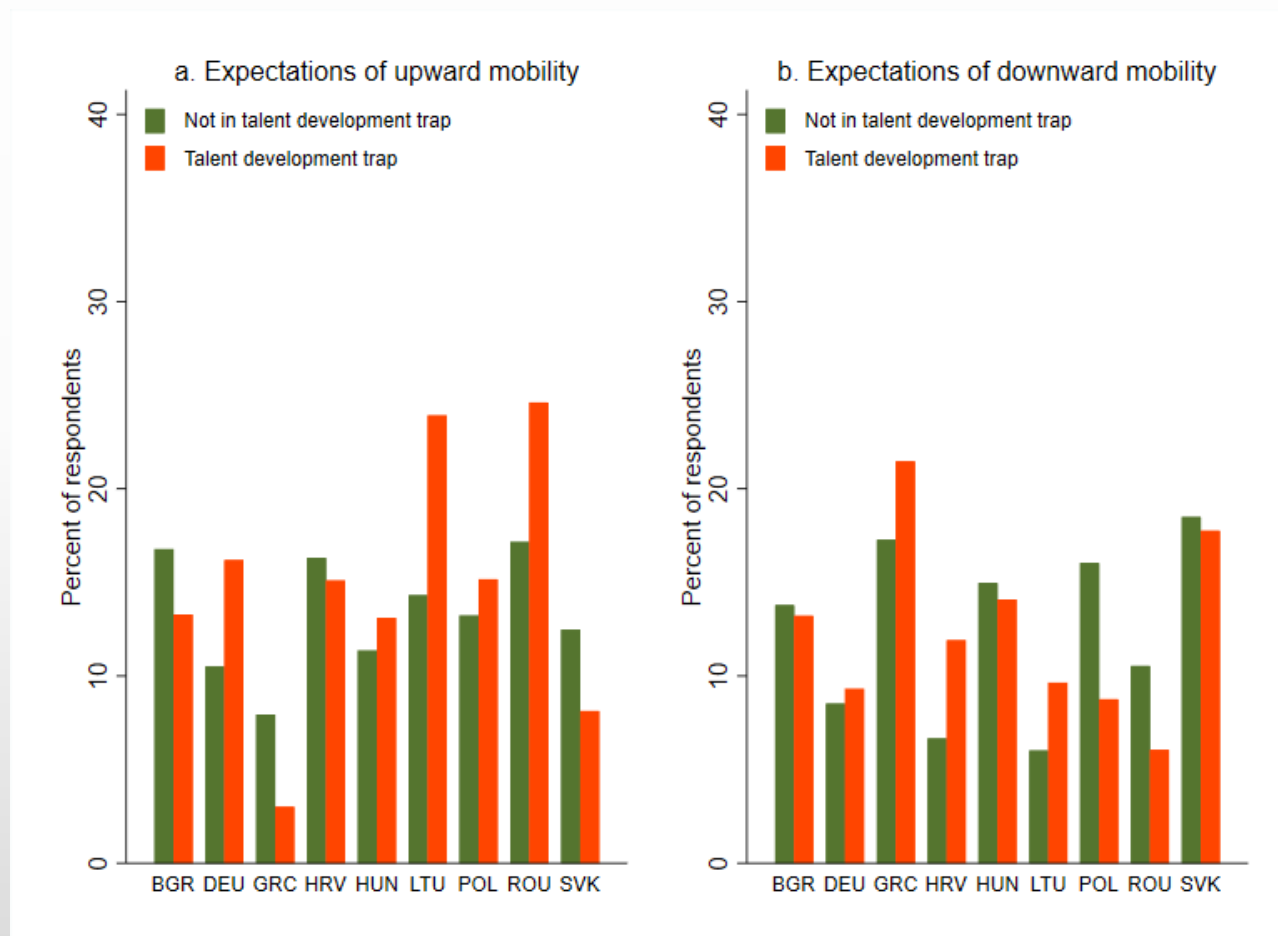
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2. **Expectations:** Support for reforms

- Regions in a talent development trap may be on the “losing side” of structural reforms implemented at the country level
- This in turn may trigger discontent, and public backlash against reforms
- Rise of Eurosceptic parties could in part be related to this
- Expectations about mobility may translate into expectations about who will gain from reforms
- Negative expectations about mobility > low support for structural reforms/increased support of Euroscepticism > lower productivity

Expectations of mobility

- Being in a talent development trap does not appear to correlate with positive or negative expectations of mobility
- In Hungary, Poland and Romania, people in talent development trap regions appear to be more optimistic about their relative mobility than in the rest of the country.
- In Germany, and Lithuania, expectations in these regions are more polarized than in the rest of the country.
- Expectations could also be linked to the party in power.



Source: own calculations using LiTS round IV (2022-23)

Social mobility and regional growth

1. Talent misallocation

- There appears to be suggestive evidence of lower educational mobility in regions in a talent development trap

2. Expectations and support for reforms

- Prospects of upward and downward mobility do not correlate with being in a talent development trap. Could be explained by Eurosceptic parties being in power.