Strengthening the Social Ladder for the Middle Class

A vision to expand the middle class and strengthen the social ladder for upward mobility is necessary.

In 2013, Hyundai Research Institute conducted a telephone survey in Korea to analyze reasons for the waning confidence in class awareness and the social ladder for upward mobility. The poll had a maximum sampling error of plus-minus 3.08 percent from a 95 percent confidence level.

Survey Results – Koreans’ Awareness of Social Mobility

Class Awareness: Compared with people in other Organisation for Economic Co-operation and Development (OECD) nations, Koreans are more likely to feel they are on a lower socio-economic level. There was a significant gap between Koreans who fit the OECD’s definition of middle class and those who think they are in the middle class. 51.8 percent of the respondents said they think they belong to the middle-income class, 47.4 percent to the low-income class, and 0.8 percent to the high-income class. Based on OECD standards, however, 61.9 percent of the respondents belonged to the middle-income class, 7.3 percent to the low-income class, and 30.8 percent to the high-income class.

Changes in Class: The ratio of respondents who said their social status dropped in the past year was 9.2 times higher than those who said their status rose. 20.8 percent said they thought their social status moved downward, only 2.3 percent said they moved up and 76.9 percent reported no change.

Reasons for Lowered Status: The rising cost of living topped the list of reasons for a perceived lower status (39.8 percent), followed by unemployment and income declines (29.4 percent), falling asset prices (17.5 percent), bigger debt payments (9.5 percent) and unequal opportunities (3.8 percent).

Chances of Upward Movement: Three-fourths of the respondents said they feel the chances of moving up the social ladder are low, even with great effort. This reflects a spreading perception in Korean society that ascending the social ladder is nearly impossible. The remaining participants said the chances are high.

Reasons for Low Possibility of Moving Up: Respondents cited the rising cost of living (35.7 percent) and unequal opportunities (28.2 percent). Other explanations were a decline in income (17.8 percent), excessive debt (10.7 percent) and asset price reductions (7.6 percent).

Characteristics of Koreans’ Awareness of Social Mobility

Differences by Gender, Position in Household: Class perception was influenced by gender and whether respondents were the head of their household. Female household heads were especially negative about the chances of upward mobility.

Differences by Age: There was a higher percentage of self-perceived low-income earners and downward movement in social class among older people. But they still thought the possibility of moving up the income ladder was high with enough effort. But those in their 30s saw little chance of social elevation although they experienced a relatively lower rate of dropping down the social ladder.

Job Quality: Attitudes toward social class had a linear relationship with job quality. Those with regular jobs expressed positive sentiments, self-employed people experienced the biggest falls in social class and those who engaged in non-regular work were negative about the possibility of climbing the social ladder.

Household Income and Expenditure: Positive sentiment rose in proportion to surplus income (disposable income minus expenditure). Respondents with extra cash expressed relatively high confidence in the possibility of moving up the social ladder.

Preparation for Old Age: Those better prepared for old age were more positive about the possibility of moving up the social ladder than those who were poorly prepared.

Policy Implications

Solidifying the social ladder for upward mobility is most crucial to rebuilding the nation’s middle class. First, considering that low job quality leads to negative perceptions, the government must increase the possibility of moving up the social ladder by reshaping the dual-structured labor market and improving overall job quality.

Second, as debt-ridden households tend to have weak sentiment, we need to support their efforts to improve balance sheets by helping ease cost of living-related pressure. For those in their 30s, the government needs to help reduce housing costs by expanding the supply of rental homes, providing financial support for first-time home buyers and enhancing society’s responsibility for childrearing. For those in their 60s, we must help ease housing cost-related burdens through the increased supply of rental homes and enhance society’s responsibility for health services.

Third, as people who are poorly prepared for old age tend to have negative class awareness, the government must help them prepare for their later years and build sufficient assets. Fourth, it must improve the class awareness of vulnerable households, including those led by female breadwinners, by strengthening support for them. For households unable to work, the government should enhance the social protection system. Especially important is enhancing public education and welfare to prevent poverty from stripping children in vulnerable families of opportunities to move up the social ladder.

By Lee Jun-hyup
Research Fellow
Hyundai Research Institute
sodokj1@hri.co.kr