

# ELECTION ANALYSIS

## **Life Opportunities: The Evidence on the UK's Declining Social Mobility**

- Social mobility measures how someone's adult outcomes are related to their circumstances as a child. In the UK, social mobility appears to have declined when comparing children brought up in the 1970s with those brought up in the 1960s.
- For example, a boy born in 1958 in the lowest income group had a 31% chance of staying in the lowest income group as an adult. A similar boy born in 1970 had a 38% chance of being stuck in the lowest income group as an adult.
- One of the reasons that social mobility has fallen is because the expansion of higher education from the late 1970s has disproportionately favoured those from higher income backgrounds. So while the proportion of people from the poorest fifth of families obtaining a degree has increased from 6% to 9%, the graduation rates for the richest fifth have risen from 20% to 46%.
- Policies to promote social mobility need to start young and continue across age groups. The government's Sure Start programme should help to address the difficulties faced by very young children, but there is not much evidence yet on its effectiveness.
- Primary school age policies have focused strongly on improving performance in the most underprivileged schools and there is evidence that some of these are effective.
- The Education Maintenance Allowance provides cash allowance for young people from low family incomes who stay on in education after their GCSEs. The policy has significantly improved the staying on rate for the less well off.
- By contrast, the Child Trust Fund as a measure to increase social mobility is more poorly targeted.



## Introduction

The government has emphasised improving social mobility if it is re-elected: 'In a third New Labour term we want to create a Britain that is economically successful because it is socially mobile'.<sup>1</sup> Similar commitments to 'opportunity'<sup>2</sup> and 'making the most of potential'<sup>3</sup> are made by the other main political parties. This analysis discusses what is meant by social mobility, how it has changed and which policies are likely to improve it.

## The decline in social mobility in the UK

Social mobility is the degree to which someone's social status changes over their lifetime. This is usually measured as changes between the economic status of the household in which a child grew up and their economic status in later life.

The rapid increase in income inequality that began in 1979 is sometimes justified by the argument that society is now more meritocratic, so that it is now easier for the poor to become richer if they are willing and able to work hard. In fact, the opposite has occurred – there has actually been a *fall* in the degree of social mobility over recent decades.

The fall in social mobility can be illustrated by comparing two sons born in 1958 where the parents of one earned twice as much as the parents of the other. The richer son would earn on average 17.5% more in his early thirties than his poorer friend. For two comparable boys from the 1970 cohort, this advantage increased to 25%.

## The impact of education on social mobility

Differences in education between children from different families are a major reason for limited social mobility. For the UK, over a third of the link between incomes across generations is due to differing educational attainment. Policies that weaken the link between parents' wealth and the educational achievement of children should be a desirable way of increasing social mobility.

The educational outcomes of poor children are much worse than those of rich children at just about every level.<sup>4</sup> Differences in performance in cognitive tests show up among children as young as 22 months, and these differences widen through early childhood. Bright children (those who score in the top 20% in tests at age 5) from families in the lowest socio-economic groups tend to fall behind as they age; three quarters of these children will have dropped out of the top 20% by their eleventh birthday. Even for those who successfully achieve at least two A-levels, those from poorer backgrounds are significantly less likely to go on to higher education.<sup>5</sup>

The connection between parental income and educational attainment has strengthened in recent years. There has been a major increase in university participation since the late 1980s, but this has disproportionately benefited children in wealthy households.

Figure 1 shows how many young people graduate from different income groups. The proportion of people from the poorest fifth of families obtaining a degree or equivalent has increased from 6% to 9%. The graduation rates for the richest fifth have risen from 20% to 46%.

The causes of this change are not well understood, but it is likely that the connection between parental income and school outcomes has strengthened due to increasing disparities between the best and worst schools.

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<sup>1</sup> Alan Milburn in a speech to the Fabian Society, 17 January 2005

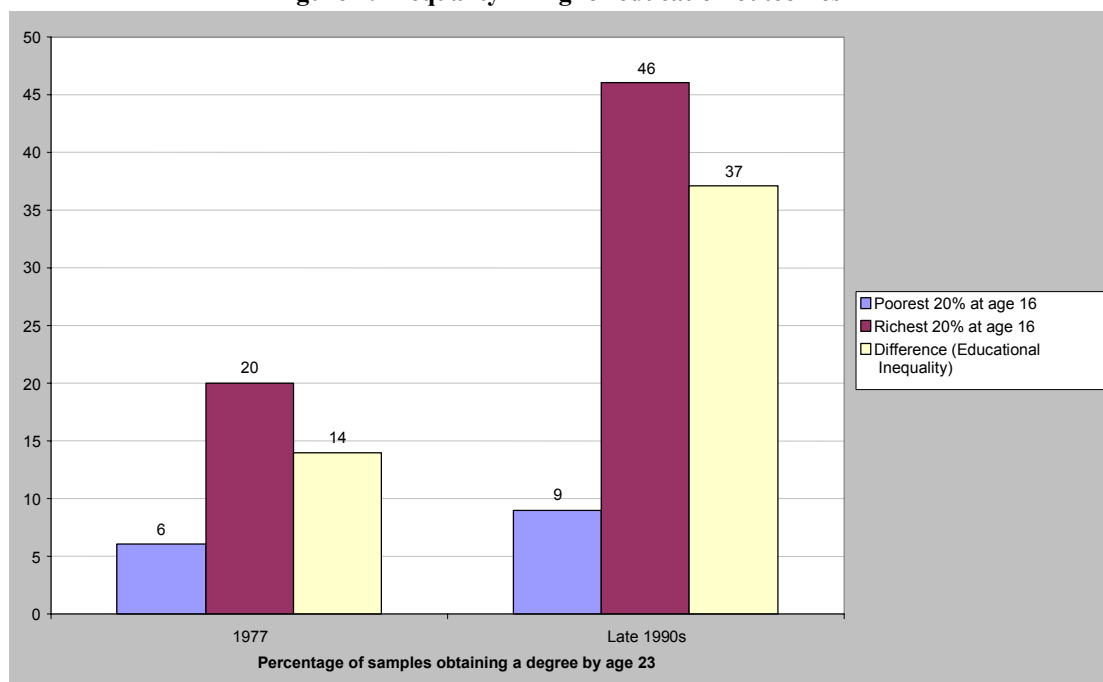
<sup>2</sup> Michael Howard in a speech on education to the Welsh Conservative Party, 6 March 2005

<sup>3</sup> Liberal Democrat pre-manifesto

<sup>4</sup> Feinstein (2003)

<sup>5</sup> Blanden and Machin (2004)

**Figure 1: Inequality in higher education outcomes**



Source: Blanden, Gregg and Machin (2005)

### **School and pre-school policies to reverse the decline in social mobility**

The government's Sure Start programme is a direct attempt to deal with the effects of disadvantage for young children through early education, childcare, health and family support. At present, 524 Sure Start local programmes are operating in areas of particular deprivation. But as yet, there is not enough evidence to evaluate the success of this policy.

At the school level, a number of policies appear to have been successful in raising the attainment of disadvantaged students. The Excellence in Cities programme has targeted additional resources at schools in deprived areas, and appears to have had benefits for children's attainment, especially at the worst-off schools.<sup>6</sup>

Both Labour and the Conservatives are putting parental choice at the centre of their schools policy. Evidence suggests that promoting choice tends to benefit middle class families most, and potentially restricts social mobility. In particular, the ability of richer parents to buy houses in the catchment areas of good schools improves their effective ability to choose schools.<sup>7</sup> In addition, Conservative policy would allow funding to follow students from state schools to the independent sector, further promoting parental choice. This is in line with a political debate on social mobility that tends to focus on promoting the advancement of those who are currently disadvantaged, rather than restricting the advantages taken up by the better off (for example, through removing the charitable status of private schools).

The Education Maintenance Allowance was explicitly designed to promote post-16 educational participation of those from lower income backgrounds. It provides a weekly allowance for young people with low family incomes who stay on in education after their GCSEs. Research shows that it improves the probability of young people staying on at school with a stronger effect for students from lower social classes.<sup>8</sup>

<sup>6</sup> Machin et al (2004)

<sup>7</sup> Gibbons and Machin (2004)

<sup>8</sup> CRSP et al (2003)

## Higher education policies

Inequality of access to higher education has increased as the numbers of students has expanded and support for students from lower income background has been reduced (see Figure 1). If Labour wins the election, from 2006, students will begin to pay a maximum of £3,000 a year top-up fees (up from £1,175 at present). This change will be accompanied by a further increase in loans, which will only be paid back as a proportion of later earnings, and additional grants for poorer students.

The government remains committed to a 50% target for university participation by 2010. The Conservatives are in favour of abolishing the 50% target and reducing the direct cost of study, while at the same time reducing the public subsidy on student loans. The Liberal Democrats are the most generous, pledging to fund increased subsidies for higher education from increased higher rate taxes.

In principle, Labour policy should increase the incentives to go to college for cash-strapped potential students as it makes university free at the point of access and there is no risk of paying anything back until the student starts to work at a reasonable wage. A concern, however, is that poorer young people will be reluctant to take on increasing levels of debt. The Conservative system could also put off poorer students as there will be lower interest subsidies on loans and this will hit low-income young people harder.<sup>9</sup>

## The Child Trust Fund

Formal education and early years policy tend to dominate the discussion of how governments can intervene to promote social mobility. But while educational outcomes are important, this is only one dimension of the way in which parental background affects life chances.

The Child Trust Fund is another attempt to improve social mobility. Cheques for at least £250 are currently arriving for all parents of babies born after 1 September 2002, with an additional £250 going to those with low incomes. These are to be placed in special child trust funds to which parents and others (possibly the Government) can make additional contributions; the total fund can then be withdrawn by the child at age 18 and used for any purpose.

It is unclear if the social mobility objective of this policy will be met. Ministers discuss the policies in terms of paying for a home deposit, a business start-up or higher education. But there are no restrictions on how young people can spend the money, and substantial additional contributions would be required before the fund increased to this kind of sum. In terms of increasing social mobility, the money spent could be better targeted on particular outcomes, and more weight could be put on investing in the most disadvantaged children.

## Redistribution

If higher income acts directly to improve the life chances of those from better off backgrounds, then redistribution is an important mechanism to promote social mobility.<sup>10</sup> The Labour government has acted to redistribute to poorer families with children through the Working Families' Tax Credit and the Child Tax Credit. The cumulative effect of each of Gordon Brown's budgets since 1997 has been to increase the disposable income of the poorest decile (10%) of families by 11% while reducing the income of the richest decile of families by 5%.<sup>11</sup>

But these policies have only been sufficient to lead to inequality remaining constant since 1997 and have not reversed the large rises in inequality that occurred through the 1980s.<sup>12</sup> In addition, the evidence suggests that the government will miss its first child poverty target of reducing the number of children living in poverty by a quarter from 1998/99 to 2004/05.

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<sup>9</sup> Dearden et al (2005)

<sup>10</sup> The evidence suggests that family income does have a small but significant impact on child outcomes – see Blanden et al (2004).

<sup>11</sup> Chote et al (2005)

<sup>12</sup> Brewer et al (2005)

Redistribution across generations is also relevant to social mobility. Inheritance tax is potentially a powerful way to modify persistence in wealth across generations. In the election, both parties pledge to increase the limits by which inheritance tax is applied. But from a social mobility perspective, the rate and progressivity of inheritance tax may be more important than the lower limit.

## **Conclusions**

All of the major political parties are in favour of increased social mobility, particularly in terms of improving opportunities for children born into disadvantaged backgrounds. The evidence suggests that social mobility has declined in the UK over recent years, and that increased university places have disproportionately benefited the children of the better off.

The policies discussed in the election campaign touch on social mobility in a number of ways. But while it is clear that the parties are keen to help disadvantaged people improve their position, the policy environment is less open to measures that would act explicitly to limit the advantages enjoyed by those with better off parents.

## **For further information**

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