CENTRE for ECONOMIC PERFORMANCE

A series of background briefings on the policy issues arising from the Covid-19 pandemic

Covid-19 and social mobility

Lee Elliot Major
Stephen Machin

A CEP Covid-19 analysis

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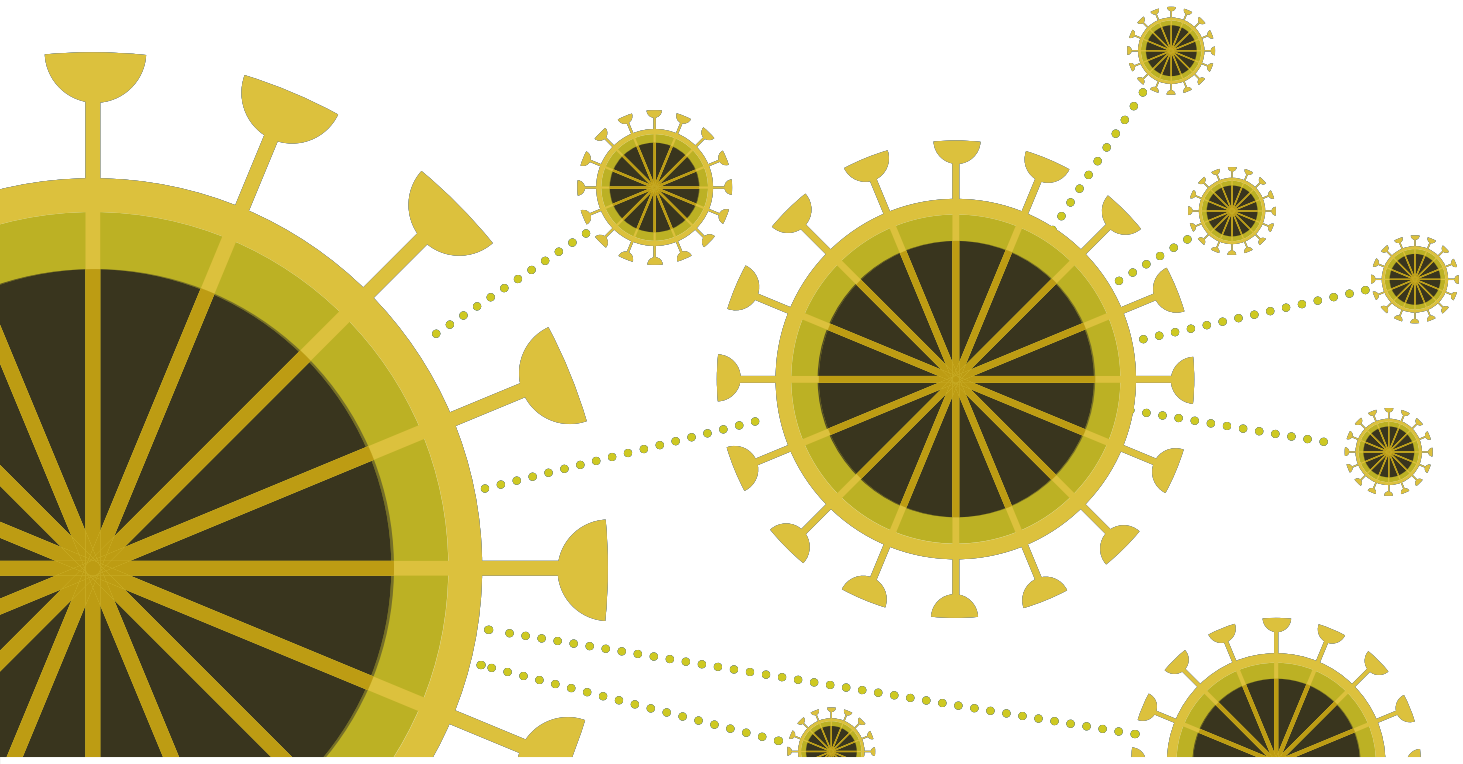

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Covid-19 and social mobility

CEP COVID-19 ANALYSIS

Lee Elliot Major and Stephen Machin

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Summary

- There are serious concerns that the pandemic will push Britain's young people under the age of 25 – the 'Covid generation' – into a dark age of declining social mobility because of rising economic and educational inequalities.

- Without policy action to counter the threat, unprecedented economic and education shocks could inflict long-term 'scarring' effects, damaging future life prospects for young people.

- Potential scarring effects for the under-25s could result from spells of long-term unemployment and failure to achieve the exam grades needed to pursue the next steps in education or employment.

- Some economic and educational inequalities are interdependent, reinforcing each other to determine future social mobility levels.

- We need to develop bold policies both for now and the longer term – to stimulate an economic recovery and with the aim of creating a more socially mobile society.

These include:

- The introduction of job guarantees for people who are facing long term unemployment.

- A one-off progressive wealth tax on the net worth of the top 1% of richest individuals.

- A national tutoring service, with undergraduates and graduates helping children to catch up during the next school year.

- A dual approach to upper secondary schools, with a credible vocational stream alongside current academic routes.

Centre for Economic Performance
London School of Economics and Political Science
Houghton Street, London WC2A 2AE, UK
Tel: +44 (0)20 7955 7673
Email: cep.info@lse.ac.uk Web: http://cep.lse.ac.uk

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Introduction

Governments are having to balance short- and long-term interests, and the trade-offs they generate, as they try to recover from the Covid-19 pandemic. Social distancing measures may limit the number of immediate deaths from the coronavirus, but an extended lockdown could cause lasting damage to livelihoods for years to come. The effects vary across age groups: while the coronavirus health shock has particularly affected the over-60s, the longer-term economic and social damage is likely to hit young people disproportionately, especially the under-25s.

In terms of longer-run consequences, the Covid-19 crisis is generating significant worries about future social mobility. This is because it has drastically worsened both economic and educational inequality, the two key drivers of low social mobility. These inequalities are increasingly interdependent reinforcing each other to determine future social mobility levels (Elliot Major and Machin, 2018). To avoid a decline in social mobility, we will need to address both economic and educational divides, and develop coherent policies for both the classroom and the workplace.

Low social mobility is problematic for many reasons. Unfulfilled talent is not just unfair for individuals, but damaging to the nation's overall economic prosperity (Elliot Major and Machin, 2018). Lower social mobility is associated with less equality of opportunity. It creates a fragmented and fractured society, defined by social, economic, geographical and political divides.

Improving social mobility is associated with three overlapping aims:

- In absolute terms, it is about creating decent jobs and improving prospects for people so that they fare better compared with past generations.
- In relative terms, it is about ensuring that a person's background does not determine their chances of climbing (or falling down) the income or social ladder.
- Finally, in debates about education, social mobility is used as a more generic term for improving the results of pupils from poorer backgrounds. The guiding principle is that children should fulfil their potential irrespective of their background.

In this briefing, we consider these three aspects of social mobility.

Before the pandemic, younger generations were already facing declining absolute mobility: falling real wages, fewer opportunities, stagnant and even declining living standards, and the growing spectre of downward mobility (Elliot Major and Machin, 2018; Blanden et al, 2020). The serious fear now is that Covid-19 could plunge young people into a dark age of declining social mobility.

At the same time, the crisis offers an opportunity for renewed thinking, which gives serious consideration to radical policies to create a more mobile society and a better functioning economy. As the social movements that followed the Great Depression in the 1930s and the aftermath of the Second World War demonstrate, fairer and more collective societies can emerge from hard times. This briefing assesses the evidence for future social mobility trends and suggests several policies that could improve prospects for the Covid generation.

Economic shocks

Rising inequalities

It is well known that Britain has experienced a significant increase in wage inequality over the last 40 years. It was substantively higher in 2019 than it was in 1980. There is a strong link between a country's level of income inequality and intergenerational immobility. When the rungs of the income ladder are wider apart, the chances of climbing the ladder are lower. Real wage stagnation has particularly hit younger Britons, who are now earning less than their parents did at a similar age. The real wage squeeze for the young has restricted their ability to get on the housing ladder compared with previous generations.

Data from the Office of National Statistics confirm that the Covid-19 pandemic has exacerbated existing inequalities defined by income, place, health and ethnicity (ONS, May 2020). The mortality rate for the most deprived areas in England during March and early April was nearly twice that for the least deprived areas. The virus has disproportionately affected the young, the low-paid and ethnic minorities.

The Covid-19 class divide is due to several factors: those facing greater disadvantage are more likely to live in cramped housing conditions and suffer from health problems that make them vulnerable to the virus. They are also more likely to work as essential workers, placing them at higher risk of exposure to Covid-19. Meanwhile, older, higher earners have been able to work from home and actually accumulate wealth via "forced saving" of unspent earnings.

There is a genuine concern that these inequalities could become entrenched for some time. Research has documented rising levels of income inequality across a range of countries in the wake of previous epidemics during this century (Furceri et al, 2020). Five years after a pandemic, the share of income going to the top two deciles compared to the bottom two deciles had increased. Employment rates of people with low educational attainment declined, in contrast with those of people with advanced degrees.

Workplace divides

Real wage stagnation has resulted in falling absolute social mobility with many people's living standards being no better than those of their parents in the previous generation. Britain's booming gig economy has created millions of jobs often done by the solo self-employed, sometimes employees on zero hours contracts. For many these are jobs with low incomes and lacking security, progression or rights.

The pandemic has exacerbated workplace divides.

Most firms have experienced negative demand shocks, with layoffs and furloughing of work. Just under a quarter of employees in Britain have been furloughed, with 6.3 million jobs temporarily laid off by 800,000 companies. Other workers have been laid off completely, signalled by rising numbers claiming unemployment benefits through Universal Credit.

The worst hit employees in terms of job or earnings losses are the young and the low-paid (Adams-Prassl et al, 2020). The self-employed have been hit hard and are getting much less work and facing big income losses (Blundell and Machin, 2020). Those who are able to work from home (on average, richer individuals) are significantly less likely to be furloughed or lose their jobs.

Research in the United States has demonstrated that workers in low-income deciles are less able to work from home than those in higher deciles, and are disproportionately affected by extensive lockdowns (Avdiu and Nair 2020).

The Covid-19 economic downturn is unlike other downturns in that it has brought entire parts of the economy to a standstill. This has decimated employment in the services and hospitality sectors for example, which disproportionately employ younger and lower-paid workers. When, or if, these services return, the adherence to social distancing rules may mean fewer jobs.

One in four workers are currently furloughed and their prospects of being kept on are critical to the recovery and the phasing down of the Job Retention Scheme. As employers start to bear more of the costs, there would seem to be two groups to consider carefully. The first will return to work, possibly first on a part-time or short time work basis. The second will not, either being laid off because there is no demand for their jobs, or because their employer closes down.

For the latter group, policy is vital to ensure that they are not placed on a trajectory heading towards long-term unemployment – the economic, psychological and social costs of which are substantial, as we know from a large body of research from earlier downturns with high levels of long-term unemployment (Machin and Manning, 1999). We must not return to the kind of long-term unemployment that did such damage in the early 1980s.

Educational shocks

Learning loss

The Covid generation also faces significant learning losses. Given that school closures are likely to extend for 10-14 weeks, disadvantaged pupils could experience learning losses of between four and six months (Elliot Major and Machin, 2020). This would obliterate any marginal gains in narrowing the achievement gap during the previous decade (Department for Education, 2019).

Learning loss during the summer holidays has been widely documented, with poorer children lagging further behind when they return to school (Cooper et al, 1996). Low-income pupils are as much as three months behind their better-off peers in reading achievement after the long summer vacation in the United States. Learning losses are also observed for all pupils in mathematics. Reviewing research on the impact of teacher strikes in Canada and Belgium, Eyles et al (2020) report significant losses in educational achievement from school closures, particularly for disadvantaged pupils.

Eyles et al highlight stark differences in home learning. Analysis of the 2018 PISA survey revealed a significant digital divide: just over 40% of disadvantaged children had access to 'online learning platforms' compared with 70% of their more advantaged peers (OECD, 2020).

Research has shown that higher-educated parents are spending more time with their children on educational activities. One survey reports that during the Covid-19 lockdown, children from better-off families are spending 30% more time on home learning than are those from poorer families (IFS, May 2020). Children in better-off homes benefit from more access to study

space, computers and internet connectivity. Children living in low-income, often overcrowded, homes are more likely to experience stress that interferes with emotional health and learning. Tutoring firms have reported a surge in business during the Covid-19 lockdown. Children from better-off households are more than twice as likely to have had more than £100 spent on their education (Sutton Trust, 2020).

Catch-up challenges

When schools return, they face a huge catch-up challenge ,which is likely to last for several years. A review of literacy catch-up projects for 11-year-olds in primary and secondary schools concludes that any single approach was insufficient to close reading gaps, and that the challenge was greater than most schools realised (Higgins et al, 2014).

School closures for many pupils are likely to last for 10-14 weeks (a third of the school year). Based on calculations by Lavy (2015) on the impact of additional instruction, Eyles et al estimate that more than two additional hours of teaching per week might be needed over a year to compensate for each school week lost to Covid-19. This suggests that several years of extra tutoring will be required to bring children back up to speed. Much will depend on the quality of teaching that pupils receive. The longer we leave the school return for our most vulnerable children, the bigger will be the challenge in getting them back up to speed.

Educational scarring

The danger for many disadvantaged pupils is that they suffer permanent 'educational scarring' – long-lasting negative impacts on life prospects. This can occur at key education transition points, where selection into different pathways creates a step-change in outcomes.

For example, failing to get standard passes in GCSEs at age 16 incurs a big earnings penalty – even by a single mark below the pass threshold (Machin et al, 2020). With high rates of unemployment, employers are likely to place even more emphasis on the minimum grades required in English and mathematics in GCSEs. Other evidence shows that young people become increasingly deskilled if they leave school without qualifications.

A major danger zone is sixth-form selection. One dropped grade at GCSE for pupils could curtail further study at A-level. Admissions at age 16 lack the consistency and scrutiny that applies to admissions at ages 11 and 18. Selection criteria at one sixth form or college can be different to a neighbouring sixth form.

Meanwhile, sixth-formers from poorer backgrounds may be less likely to secure a place at highly selective universities. With exams cancelled in 2020, pupils will be graded according to teacher assessments. At the very highest A-level grades, they can suffer from being under-predicted in their A-levels (Murphy and Wyness, 2020). Research in the United States shows that even with high standardised test scores, black and disadvantaged children are systematically under-referred to gifted and talented programmes for high achievers (Card and Giuliano, 2015).

Caps on student numbers introduced for universities may not help. They can limit efforts to widen access (Elliot Major and Banerjee, 2019). Meanwhile, those applying for universities in 2021 will not have benefitted from face-to-face outreach programmes at universities.

Finally, disadvantaged students may fall further behind during university. Almost a third of students (30%) report that they are less able to afford study because of the pandemic (Sutton Trust, 2020). A survey of staff working on widening participation at universities reveals greater concerns over the safety and wellbeing of students than their attainment (Mountford-Zimdars and Moore, 2020). Performing less well at university risks long-term damage to their career prospects.

Intergenerational policies

Government actions so far have rightly focused on immediate needs to minimise deaths from the coronavirus while making a series of major interventions to safeguard the economy. But we must now develop policies to mitigate the potential longer-term scarring effects on the Covid generation.

Tackling workplace inequality

Job guarantees

In phasing down and restructuring the furlough measures, the government needs to ensure that long-term unemployment, and the huge economic, psychological and social costs it incurs, does not return.

We have already discussed that some individuals who have lost their job, or who will do so when the furlough scheme is phased down, may be vulnerable. Job guarantees should be introduced for people who are, or in danger of becoming, long term unemployed (see also Layard, 2020). These jobs could be productive for the country in other ways, creating a more sustainable environment, for example. Parental unemployment is not only hugely damaging to

individual life prospects, but also has negative impacts on the future educational outcomes for children.

Training and reskilling

For those who are likely to be re-employed in other firms or sectors in the post-furlough world, skills need to be considered. We need better information on skills supply and demand at the local level to inform individual choices, and education/training provision and employer choices. Retraining will become even more important as people seek new jobs in the post Covid-19 world.

A major weakness in Britain for a long time has been the education-work interface, especially on the vocational side of education, and opportunities for retraining throughout people's careers (Elliot Major and Machin, 2020). The poorest adults with the lowest qualifications are the least likely to access training, despite being the group who would benefit most from them. Britain has one of the lowest levels of on-the-job training for workers among developed nations (Social Mobility Commission, 2019). Surveys suggest half of adults from the lowest socioeconomic groups have received no training since leaving school.

Serious thought needs to be given to policy options in this area. For example, there could be incentives for reskilling and training in the tax system, in the form of human capital tax credits (LSE Growth Commission, 2017). Skills and knowledge of workers are just as important as physical assets in the production process. Investing in human capital would help boost the economy, addressing a chronic shortage of intermediate skills, stagnating productivity and falling real wages.

Meanwhile, the apprenticeship levy could be broadened. Recasting it as a lifelong learning levy to train and retrain people at all ages and stages of their career is one option. This would provide equal support for the half of the population pursuing a different path to university. This could offer a way of repurposing current support for workers through furloughing. We need to make sure long-term unemployment, and the huge costs it brings, does not return.

Wealth tax

In the aftermath of the immediate crisis, the government should consider introducing a one-off progressive wealth tax assessed on the net worth of the top 1% of richest individuals (Landais et al, 2020). As we look to recover from the Covid-19 recession, economic history suggests that we follow Germany's example of progressive wealth taxes, which helped to fuel the

country's inclusive growth after the Second World War. Given the extreme concentration of wealth, a wealth tax is the most progressive fiscal tool available to put the country on a path of economic rejuvenation.

This would be enough to repay all the extra debt due the pandemic after 10 years. From an intergenerational perspective, taxing wealth is an effective way of redistribution as it does not discourage people working hard or investing in wealth-creating businesses.

Living wages for key workers

All key workers should be paid at least the voluntary living wage, currently set at £10.75 per hour in London and £9.30 per hour in the rest of the UK. Employers, with appropriate government assistance, should be required to adopt pay and benefit parity policies. These commit to providing the same wages and benefits to contractors as in-house workers – unless there is a strong and genuine business rationale to do otherwise.

Tackling educational inequality

We will need to consider temporary measures for schools to help with catch-up for disadvantaged pupils, perhaps shortening the summer holidays (and extending holidays at Easter or Christmas), so pupils return to school earlier in the autumn, or providing extra tutoring support during the summer. The Covid-19 crisis also allows us to reform the current curriculum and testing regime so that it supports pupils from all backgrounds.

National tutoring service

A national tutoring service would help to 'level-up' the playing field. Undergraduates and graduates could be signed up to tutor school pupils. This is one way of helping already over-worked teachers to bring pupils up to speed during the next school year. Undergraduates would benefit from the experience and be rewarded for it.

One-to-one tuition is one of the most reliable ways we know of helping learners to catch up. Delivered well, it can lead to an extra five months learning gain for pupils during one academic year (Elliot Major and Higgins, 2019). Randomised trials in England have demonstrated the effectiveness of undergraduate tutoring: pupils made an extra three months' progress during the school year. Any efforts would need to ensure minimum standards of safeguarding and tuition. Pupil premium funding could help to pay for extra tutoring, with extra grants allocated to areas of the country that need it the most.

Vocational stream

In the longer term, we need a credible vocational stream in schools. For too many children, the academic approach in education is not working. We need to establish with employers a dual approach to upper secondary schools, with a credible vocational stream alongside current academic routes. Children should be assessed against a basic threshold of key skills required to get on in life in a school leaving certificate. As the pandemic has showed, some of the most essential jobs in society do not require years of academic study. We need to reframe the goal of education not solely as a quest to identify the best academic minds, but as the enabler of all talents.

Admissions

To promote a more equitable education system, in cases where educational institutions (or employers) are over-subscribed there should be random allocation for admissions, where candidates have met a threshold of selection criteria. The most equitable way to allocate places to equally deserving candidates at oversubscribed institutions is to pick them randomly.

Final words

These reforms could create a fairer society for all, particularly younger generations. A post-Covid-19 world could see a more local, sustainable, inclusive and productive economy. There is scope and, we believe, demand and appetite to do it. That could be a good thing for social mobility.

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About the authors

Lee Elliot Major is Professor of Social Mobility at the University of Exeter and an Associate of the Centre for Economic Performance at the London School of Economics.

Stephen Machin is Professor of Economics and Director of the Centre for Economic Performance at the London School of Economics.

Their book What Do We Know and What Should We Do About Social Mobility? published by Sage, is due out later this year.

For further information, contact:

Lee Elliot Major: l.elliot-major@exeter.ac.uk

Stephen Machin: s.j.machin@lse.ac.uk

Helen Ward, communications manager, CEP: 07970 254872, h.ward1@lse.ac.uk

Romesh Vaitilingam, press and public relations, CEP: romesh@vaitilingam.com

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cepinfo@lse.ac.uk | cep.lse.ac.uk/ | @CEP_LSE

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