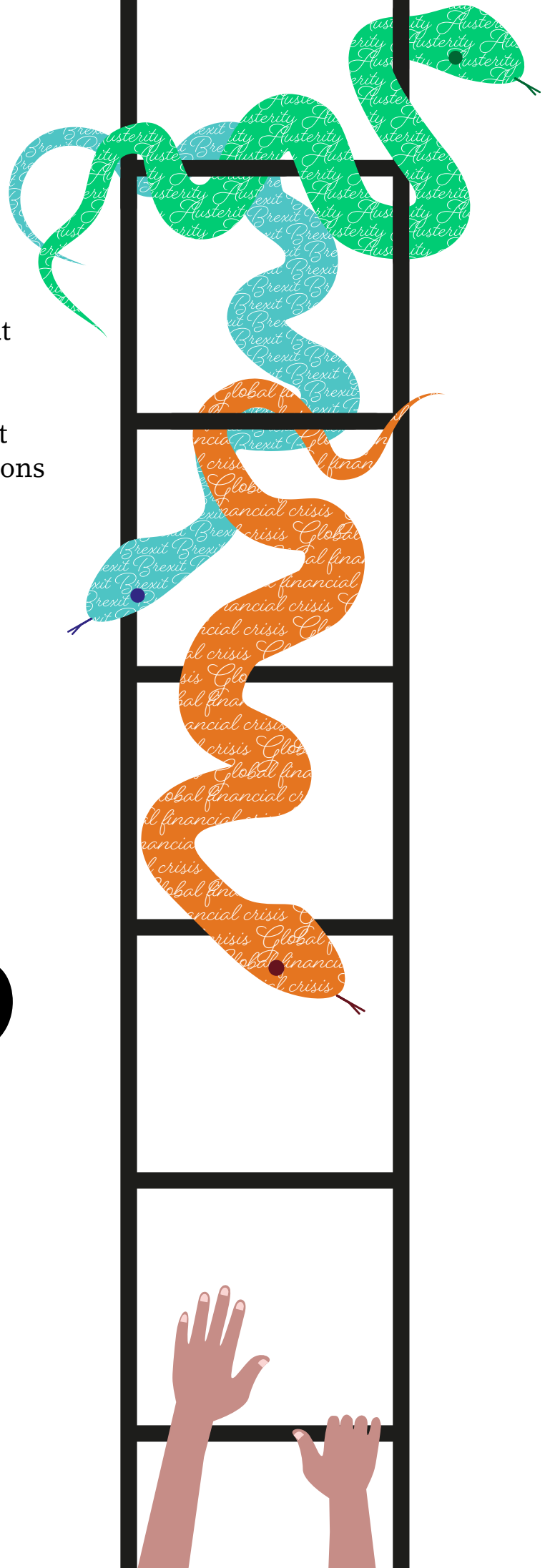


In the third and final anniversary lecture marking 30 years since CEP began, director **Stephen Machin** focused on social mobility – the extent to which young people’s opportunities in life can transcend their family background. He sets out what can be done to address the multitude of economic and social problems that make it more difficult for disadvantaged younger generations to ‘move on up’.

# Move on up

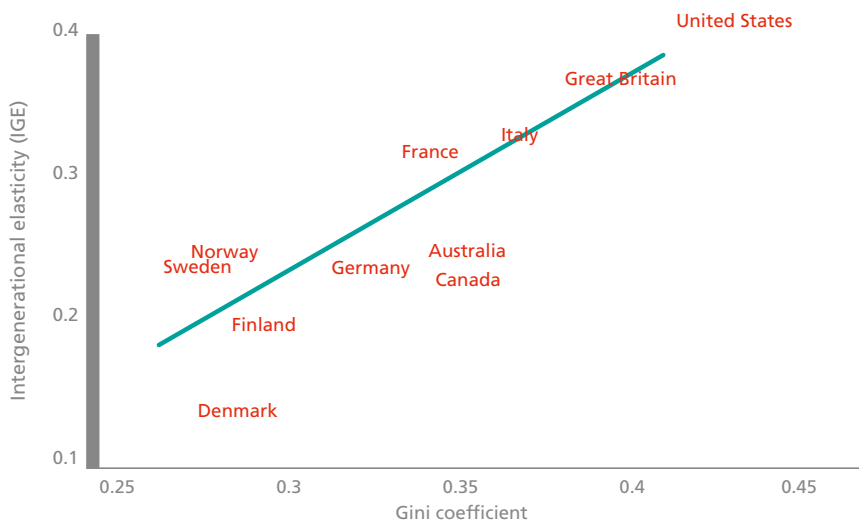


In international terms, social mobility is relatively low in Britain. People's earnings are more closely tied to their parents' earnings in Britain than they are in Scandinavia or countries like Australia, Canada and France. The same is true of an array of other economic and social outcomes, including education, social class, home ownership and wealth.

Higher income inequality corresponds to lower social mobility. So, in more unequal countries, there is reduced social mobility. The Great Gatsby curve, which displays a strongly negative association between inequality and intergenerational mobility, makes this very clear.

People's earnings are more closely tied to their parents' earnings in Britain than in many other countries

Figure 1:  
The Great Gatsby curve



In Britain, relative social mobility has worsened over time. Using two well-known birth cohort studies, of individuals born in 1958 and 1970, it is possible to track people and their parents at various ages over time.

Evidence on how likely it is that people move between the different quintiles of the income distribution for cohort members and their parents shows that individuals from the 1970 cohort are less likely than those from the 1958 cohort to get to the top if they were born in the bottom fifth, and more likely to stay at the top if they were born in the top fifth.

In mainstream economics, the drivers of lower social mobility are higher earnings inequality, higher educational

inequality or both. The fall in mobility in Britain is a consequence of both.

The former arises due to rising inequality of earnings over the last 40 years. The latter arises because very rapid educational expansion – with increasing numbers of people staying on after the compulsory school leaving age, and many more going to university – was unequally distributed according to parents' incomes. People from richer backgrounds benefitted more in what we have referred to as an 'education arms race' (Elliot Major and Machin, 2018, 2020).

The last 15 years or so have seen these patterns compounded by very weak real wage growth in the labour market, so that

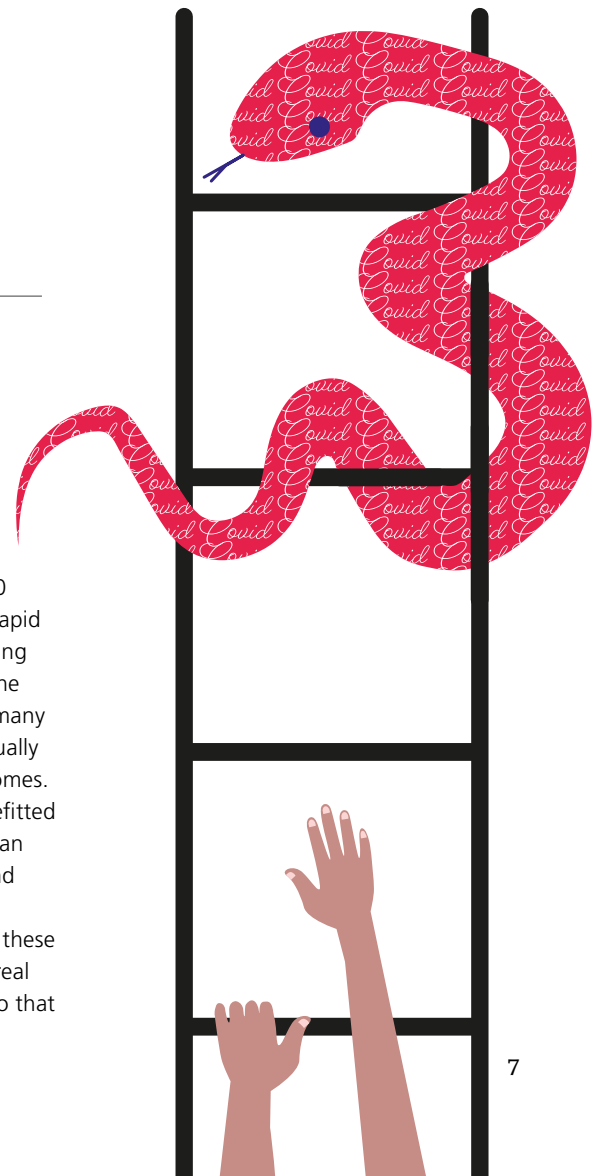
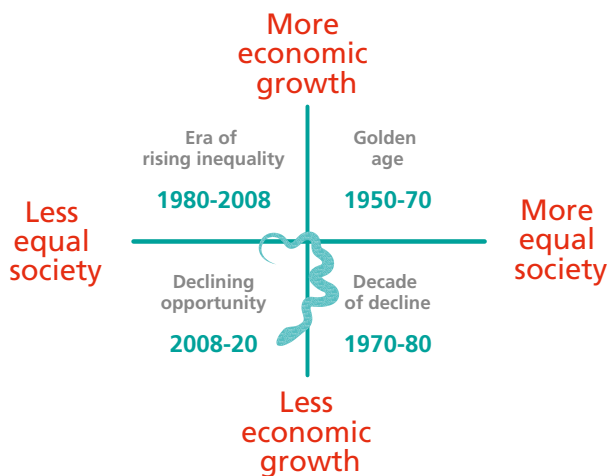


Figure 2:  
The four ages of social mobility



it is not just relative social mobility that has fallen. Absolute social mobility has fallen too.

This is shown by benchmarking how people’s labour market earnings have evolved compared to their parents at the same age. In 1995, around 60% of individuals were earning more than their parents at the same age (in real terms); by 2019, this had dropped to 45%. Absolute intergenerational mobility has therefore fallen as well as relative mobility because real wage growth has stagnated and fallen.

What can be done? More social mobility is possible – it exists in other places now, and it has been the case in Britain in the past. Countries that have got more egalitarian economic systems and more social mobility than Britain include Canada and Australia. Maybe we can learn some lessons from what goes on there?

Higher income inequality corresponds to lower social mobility

The Scandinavian countries, even more so. They have much lower levels of inequality and consequently much higher levels of social mobility.

In Britain, since the Second World War, there have been four ages of social mobility. Back in the 1950s and 1960s, in the so-called golden age, social mobility did not fall and absolute mobility rose for everybody because real wage growth was rapid. Relative social mobility did not fall, if anything it probably improved from the limited evidence base we have. But since 1980, we have had both declining relative mobility and absolute mobility. This is shown in the four quadrants in Figure 2.

One of the things that the study of intergenerational persistence has taught us is that the failure to make change at relevant times stores up greater problems for the future. There are a multitude of relevant dimensions of this.

To begin with, social mobility is not only about education. It extends much further into aspects of economy and society. There are many ways a start can be made in trying to improve social mobility, if people are willing.

In our two books, Lee Elliot Major and I outline ABCD principles illustrating some aspects of what could be done:

- Access: Reforming education admissions and entry to work.
- Behaviour: Shifting away from a highly individualised ‘winner-takes-all’ culture and moving to more collective responsibility.
- Community: Not allowing places to be ‘left behind’ by restoring local prospects and pride.
- Decent work: With good jobs, career progression and an emphasis on key skills and vocational education.

Practical examples of the type of policies that could improve access include: lotteries for admission to oversubscribed schools and universities; rethinking the charitable status of private schools; and improving diversity and entry to elite professions.

To shift behaviour, we talk about things like the Law of Jante, which applies in Scandinavian countries, and that is about putting society before individualism. Wealth taxes, social responsibility, including issues to do with zero carbon and workers’ rights in the workplace, are a few of the many relevant aspects here.



Under community comes place-based policies and not being left behind as, for example, the coastal towns have been in Britain. We talk about opportunity areas that have been successful in some countries.

And then there is decent work, an important pillar of a progressive society. Issues here include higher minimum wages, vocational education and pathways, career progression, diversity in the workplace, tackling workplace discrimination, and the idea that having properly diverse workforces can actually raise productivity. We talk about lifelong learning, human capital tax credits, where government policy has been very skewed towards offering tax credits to physical capital and not to human capital, as it does in other countries.

Some of these very clear policy dimensions exist and already function well in other countries that have higher levels of social mobility. They either do not exist or do not function very well in Britain.

In the Covid-19 crisis, these issues have returned to the fore and become even more pressing. The twin drivers of low social mobility – labour market and educational inequalities – have increased during the crisis and, unless they can be mediated, they will reduce future social mobility for the affected generations of young people.

The crisis has featured labour market losses – through job loss, reduced hours or both – which have been unequally distributed. Labour market losses are bigger for young people, the self-employed who have taken a massive hit in terms of incomes under Covid-19, women, workers who were already on low wages and people from poorer families.

Unequal labour market losses that have reinforced already existing inequalities do not augur well for social mobility in future. Neither does the big inequality of learning losses for those in education that have occurred in the crisis.

The combination of not attending school, colleges and universities coupled with the provision of online education that is not as productive as education in 'usual' times has significantly affected learning. There have been very sizeable losses in learning time. These are unequally distributed by family background, being more pronounced for children from poorer families.

The combination of increased inequality from both labour market losses and

learning losses during the crisis has strong implications for social mobility. Scarring effects can arise from both of these. People losing their jobs will have a negative effect on their future income. Children's completed education when they leave the education system will be damaged by learning losses and may be compounded further by parental unemployment.

A commonly used metric of social mobility – the intergenerational elasticity – measures the correlation between parents' earnings and their children's earnings. In Britain, intergenerational elasticity was 0.377 from an estimate using the 1970 birth cohort in 2012. Lee Elliot Major, Andrew Eyles and I estimate that intergenerational elasticity will rise by around 11% to 0.420 because of labour market and education scarring effects of the pandemic. While some of the underlying assumptions can be debated in terms of the magnitude, this is an important result that generates real concerns about the social mobility prospects of the Covid generation.

More optimistically, it is worth remarking that the facts about social mobility need to be much better known and much more widely known than they currently are. Perhaps, if that could be facilitated, there would be an appetite to face up to and address the multitude of economic and social problems that have cumulatively built up, which make the social mobility prospects of future generations look bleak.

The incumbent economic and social model is simply not working to do this, and that has been true for a long time. Hence the reasons why inequality has gone up so massively in the last 40 years, hence the reasons why we have very dislocated situations in certain parts of the country, and government policy designs that have actually promoted and increased inequality and reduced mobility.

Economic shocks that persist from the recession that was induced by the global financial crisis, and from the austerity cuts that took place in 2010s, plus the effects of choosing to leave the European Union under the Brexit referendum, and Covid-19, have all magnified this. It has become all the more pressing that society acts, so that future generations have a better chance to 'move on up'.

**Stephen Machin** is professor of economics at LSE and director of CEP. This article is a version of his CEP 30th anniversary lecture, 'Move On Up'.

## Further reading

Lee Elliot Major, Andrew Eyles and Stephen Machin (2021) 'Unequal Learning and Labour Market Losses in the Crisis: Consequences for Social Mobility', CEP Discussion Paper No. 1748 (<https://cep.lse.ac.uk/pubs/download/dp1748.pdf>).

Lee Elliot Major and Stephen Machin (2020) *What Do We Know and What Should We Do About Social Mobility?*, Sage Publications.

Lee Elliot Major and Stephen Machin (2018) *Social Mobility and its Enemies*, Penguin Books.

Labour market and educational inequalities have increased during the Covid-19 crisis – and these look likely to reduce future social mobility