

A series of background briefings on the policy  
issues in the December 2019 UK General Election

## Social mobility

**Lee Elliot Major**  
**Stephen Machin**

[#GE2019Economists](#)



## Social Mobility

### CEP ELECTION ANALYSIS

Lee Elliot Major and Stephen Machin

November 2019

#### Summary

- Britain, alongside the United States, has lower intergenerational income mobility than other developed countries.
- 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.
- Britain's low relative social mobility arises in particular from 'stickiness' among the richest and poorest in society.
- Real wage stagnation has resulted in falling absolute social mobility with many people's living standards being no better than their parents were in the previous generation. Younger people have been hit even harder in terms of drops in intergenerational home ownership mobility.
- There are substantial differences in social mobility at the local level: where you grow up makes a difference to how much your family background affects your life chances.
- Low social mobility is driven by education inequalities and work inequalities. The former reflect an ever-escalating educational 'arms race'; the latter that individuals from wealthy backgrounds now accrue a higher earnings return in the labour market from their higher qualifications. Similarly, the pay premium from attending private school has risen. At the same time, the kind of jobs available in the labour market is rapidly changing.
- These intergenerational patterns have been one factor behind economic, social and political fractures affecting individuals and communities. The clearest example is the very strong spatial correlation between low social mobility and voting to leave the European Union.
- Small tinkering and minor tweaks of existing policies will simply not be enough to tackle Britain's social mobility problem. More radical reforms are needed underpinned by four underlying principles: collectivism; fairness; community; and decency. It is entirely possible to create a collective community-based culture, a fairer education system, a stronger economy and a more equal society that would boost social mobility.

## **Introduction**

Debates over how to improve life prospects for people irrespective of their family background promise to be a key theme in the run-up to the 2019 General Election. This briefing summarises evidence on social mobility from the Centre for Economic Performance (CEP) at LSE, drawing in particular on the Elliot Major and Machin (2018) Penguin book *Social Mobility and Its Enemies* and, where relevant, using updated data.

Social mobility tells us how likely we are to climb up (or fall down) the economic or social ladder of life. Much of the research by economists focuses on earnings, income or education mobility – measuring the cross-generation link between these outcomes for parents and their offspring. A huge body of work by sociologists has studied social class connections across generations, and social science researchers have considered many other outcomes, including health, wellbeing, criminality and more.

This evidence base highlights the different challenges of social mobility: enabling talent irrespective of background to get to the top of society (however defined) but also encouraging people to live fulfilling lives in their local communities. Improving social mobility is about enabling children and young people to fulfil their potential and to make their own informed choices as to what they want to achieve irrespective of their background. It is then down to their individual talents and hard work to progress in the direction they have chosen. Social justice and social mobility are two sides of the same coin.

Existing and emerging evidence suggest that this is an increasingly urgent issue: social mobility in Britain is low, and many people growing up today are facing declining absolute mobility and lower living standards.

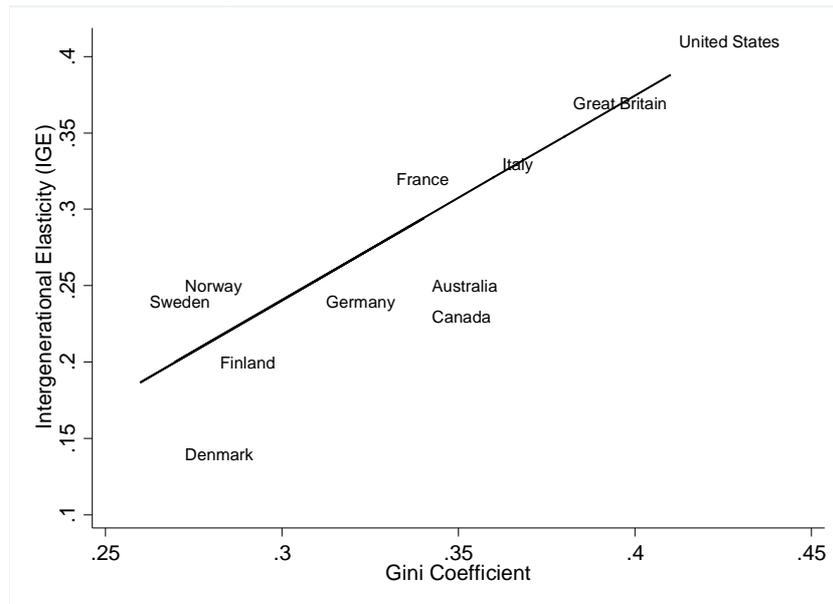
## **Low mobility**

The Great Gatsby curve in Figure 1 documents intergenerational earnings elasticities for a range of countries. These measure levels of income immobility. The higher up the graph, the less mobile is a country. The figure shows that Britain, alongside the United States, has lower income mobility than other developed countries.

The curve is named after the novel *The Great Gatsby*, drawing parallels with the levels of inequality witnessed a century ago in the roaring twenties in America. It is so named as it displays a strong link between countries' levels of income inequality, measured by the Gini coefficient, and their levels of income immobility. More unequal societies are more rigid. When the rungs of the income ladder are wider apart, the chances of climbing the ladder are lower.

Political debates over whether to aim for equality of outcome rather than equality of opportunity are a false dichotomy. We need to address both high inequality and low social mobility, and associated social justice issues. Moreover, it is also not just earnings but total wealth – including financial investments and housing – that sets the elite apart from the rest of us.

**Figure 1: The Great Gatsby curve**



Source: Elliot Major and Machin (2018)

### **Sticky ends**

Britain's low intergenerational income mobility is driven by 'stickiness' among the richest and poorest in society, namely those at the top and bottom ends of the income distribution. In the seminal CEP study of Blanden et al (2004), analysis of cohort data on all individuals born in a week of March 1958 compared with those born in April 1970 showed a striking decline in economic mobility.

A quarter of sons born in 1958 from the poorest 20% of families remained in the poorest 20% themselves as adults, while 32% of those born into the richest 20% stayed among the richest when they grew up. However, over a third (35%) of sons born in 1970 from the poorest fifth remained within the poorest income group as adults and 41% of those born into the richest fifth stayed among the richest as adults. In just over a decade, one in which inequality rose very sharply as the two cohorts entered the labour market, Britain had become less mobile in relative terms.

### **Falling absolute mobility**

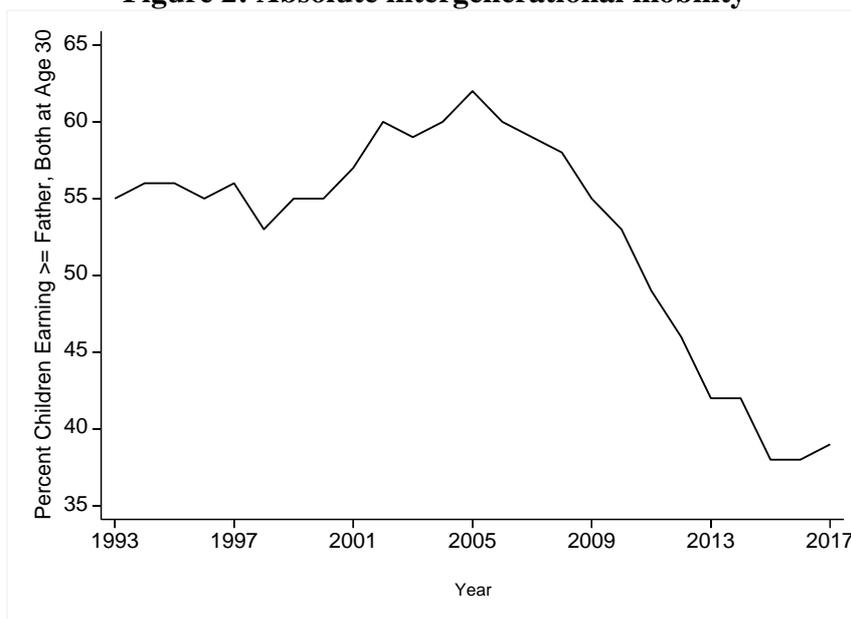
Real wage stagnation resulted in falling absolute social mobility as workers did not experience the real wage gains that their parents did. Recently, most workers' wages have declined in real terms: for example, in the decade from 2008, the median worker's wages decreased by 3% in real terms (Costa and Machin, 2019), with male workers and the young doing worse.

They are therefore worse off than their counterparts in the labour market were earlier, and we are now in a situation where more people's living standards are no better than their parents were in their own generation. Current generations are also more likely to face the experience of downward mobility, and so face the double whammy of low relative mobility and falling absolute mobility.

Falling absolute mobility at age 30 is shown in Figure 2. It charts the proportion of children who go onto earn more than (or as much as) their fathers did for successive generations. Well over half of children born in 1975 exceeded or equalled their fathers' earnings in real terms at the age

of 30. But only a third of children born in 1985 did so. The dream of just doing better, let alone climbing the social ladder, is disappearing.

**Figure 2: Absolute intergenerational mobility**



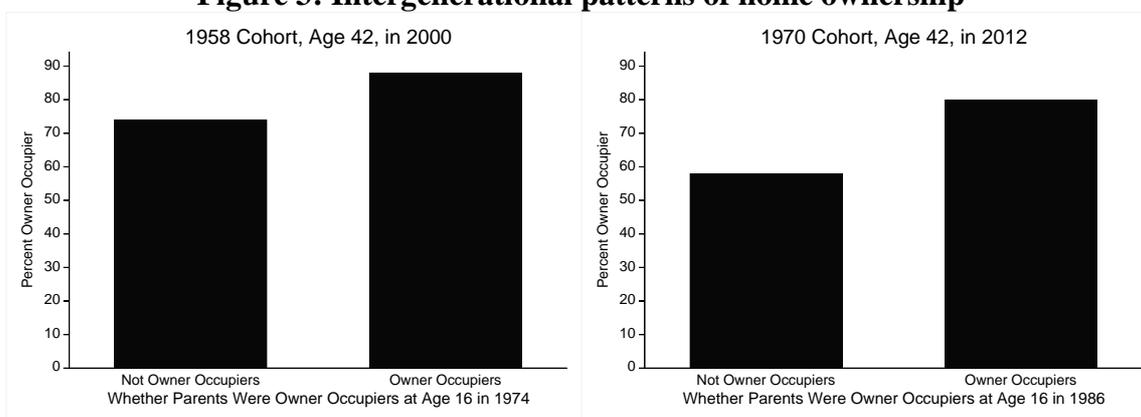
Source: Blanden et al (2019)

This pattern of low relative mobility and falling absolute mobility among younger people in Britain is reflected even more extremely in the case of housing. Figure 3 shows evidence on intergenerational patterns of home ownership, again from the 1958 and 1970 birth cohort data, this time at age 42 in 2000 and 2012 respectively.

The figure clearly shows that those who grew up in owner occupancy are more likely to become owner-occupiers themselves. But this connection grows strongly over time and is much stronger for the 1970 cohort in 2012. In fact, while there is a 8 percentage point fall from 88% to 80% of 42 year olds who own their home if their parents did, there is a disproportionate, more than twice as big at 15 percentage points, fall in home ownership among 42 year olds whose parents did not own their own home when they were growing up.

Thus the generational divide in the housing market has worsened significantly as intergenerational home ownership mobility fell.

**Figure 3: Intergenerational patterns of home ownership**



Source: Blanden and Machin (2017)

## Education and work inequalities

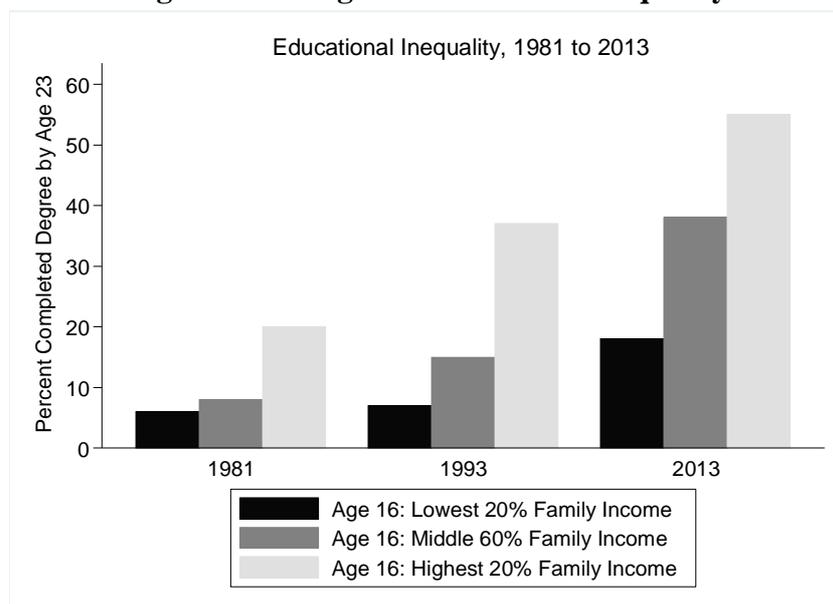
Low social mobility is driven by education inequalities and work inequalities. The former reflect an ever-escalating educational ‘arms race’; the latter the fact that individuals from wealthy backgrounds accrue a higher earnings return in the labour market from their higher qualifications, and that the kind of jobs available in the labour market is changing. Existing inequalities are therefore transmitted and magnified across the generations.

Around 50% of “leading” people across a range of professions attended private schools, despite comprising only 7% of the school population. These proportions have stayed constant for several decades. Moreover, there is an increasing pay premium from studying at private school. In 1991, privately educated 33-34-year-olds were earning 25% more than their state-educated counterparts. In 2004, the pay premium had increased to 41%.

The biggest losers in this race are the thousands of school leavers without basic literacy and numeracy. A quarter of adults in England do not have basic functional skills. This extrapolates to around 10 million unskilled adults across Britain. The trend for Britain contrasts with increasingly skilled populations in other countries.

As Figure 4 shows, the graduation gap between rich and poor nearly trebled between 1981 and 2013. Despite substantial growth in the number of people doing degrees, the graduation rate for those from the poorest families in 2013 (18%) had still to exceed the rate for those from the richest families in 1981 (20%).

**Figure 4: Changes in educational inequality**



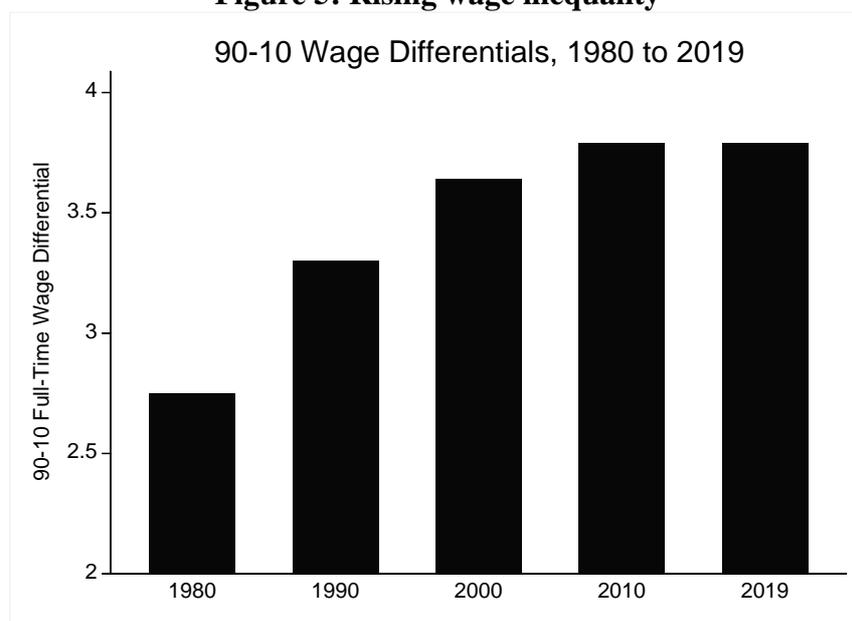
Source: Elliot Major and Machin (2018)

A major challenge for social mobility is inequality in work, both from earnings and employment. There is a growing wage premium for graduates compared with people without degrees. Numbers reported in Elliot Major and Machin (2018) show that in 1980, male graduates earned, on average, 46% more than their non-graduate counterparts. In 2017, this earnings uplift was 66%.

This reflects a more general trend in rising wage inequality. Figure 5 shows the 90-10 wage differential – the ratio of wages for someone 10% from the top of the wage distribution at a given

point in time to someone 10% from the bottom – between 1980 and 2017. Back in 1980, this ratio was 2.7; by 2019 it had risen to nearly 3.8.

**Figure 5: Rising wage inequality**



Source: Elliot Major and Machin (2018)

Recent changes in the composition of jobs have also produced new issues. Britain’s booming gig economy has created millions of jobs often done by the solo self-employed, sometimes with zero hours contracts, and lacking security, progression or rights (Datta et al, 2019). Work practices in some of the Ubers, Sports Directs and Deliveroos of the world are not unreminiscent of the work conditions in Victorian times, as a new informality has come to the labour market in Britain.

### **Place-based differences in social mobility**

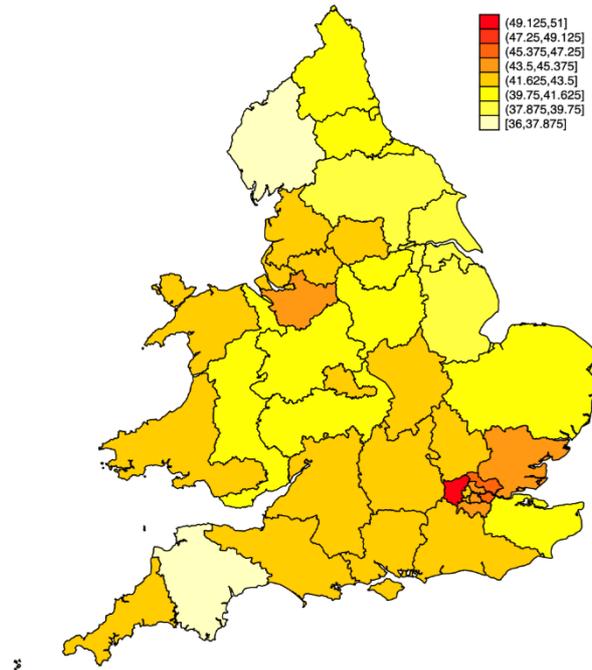
Where you are born in Britain matters as much as who you are born to. Education cold spots litter the country from the Midlands to the North of England, including coastal towns, former industrial centres and rural constituencies, brutalised by ineffective education, deprivation and unemployment over successive generations.

Politicians so far have failed to deliver convincing responses to the loss of working communities disrupted and destroyed as economic activity has globalised and negative economic shocks have had a cumulative impact that has fractured local communities.

Research in the United States by Chetty et al (2014) finds several factors correlate with low social mobility: high income inequality, high social segregation in housing, less social connectivity in communities, fewer two-parent families, and poorly performing schools.

The same is true in England and Wales. Figure 6 is a heat map (red showing more social mobility, white showing less) depicting substantial spatial differences in social mobility (from Bell et al, 2019) across 35 NUTS2 areas of England and Wales in 2011.

**Figure 6: Local differences in social mobility, England and Wales  
(Upward occupational mobility for the 1974-83 birth cohort at ages 28-37 in 2011)**

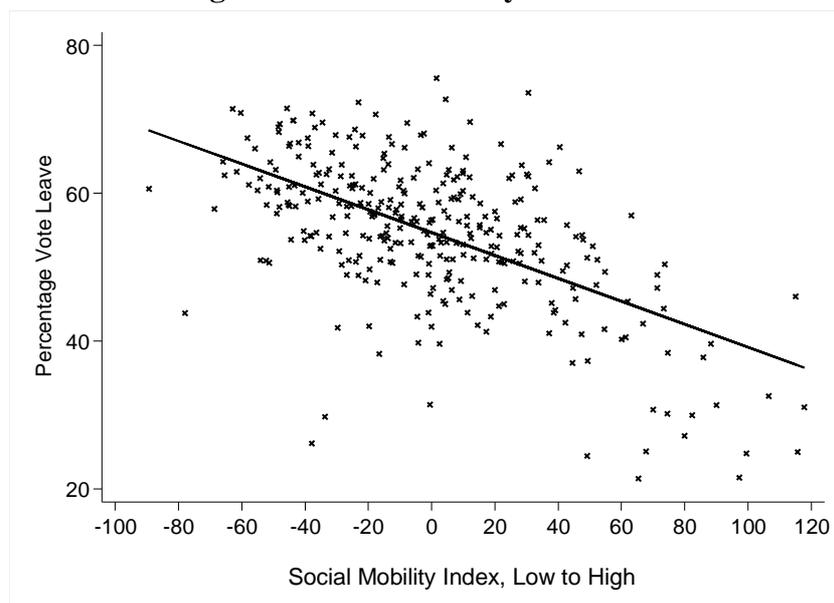


Source: Bell et al (2019) based on analysis of ONS LS. This work contains statistical data from ONS which is Crown Copyright. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates.

### **Economic, social and political fractures**

Intergenerational patterns (in levels and changes) have been one factor behind economic, social and political fractures that have had a cumulative effect on individuals and communities. The clearest example is the very strong correlation between low social mobility and voting to leave the European Union. This is shown in Figure 7 at local authority level in England. Those with little chance of moving up the ladder were much more likely to vote leave.

**Figure 7: Social mobility and Brexit**



Source: Elliot Major and Machin (2018)

## **Realistic aims for social mobility**

A realistic, if ambitious, aim for Britain would be to increase social mobility to levels like those in countries with cultural, historical and economic similarities. For example, by lowering the intergenerational elasticity shown in Figure 1 to be more like Australia or Canada.

Greater social mobility would mean less talent unfulfilled, more representative elites and a boost to the national economy. For example, if levels in Britain were improved to those in Canada, it has been estimated that this would lead to an annual increase in the country's GDP of around 4.4% (Elliot Major and Machin, 2018). To put this figure into context, a 4% loss in GDP would be suffered in a major recession.

## **Four principles to improve social mobility**

Small tinkering and minor tweaks of existing policies will not be enough to tackle Britain's social mobility problem. The evidence suggests more radical reforms are needed underpinned by four underlying principles. We will discuss four principles in detail in the new book we are currently writing (Elliot Major and Machin, 2020). A brief overview is given here:

### ***Collectivism – from me culture to we culture***

Social mobility is lower in countries like Britain and the United States that have embraced the American dream – an individualistic notion of success. Social mobility is higher in the Scandinavian countries that promote a more collective mindset. Policies enabling better conditions for social mobility would level the playing field for all while enabling individual talents to flourish.

This might mean private schools working in genuine partnerships with state schools to earn tax relief, a national service for university students to tutor disadvantaged children, and improved pay for those who do valuable public service jobs – nurses, teachers, social workers, carers. It also means progressive taxation: closing the tax loopholes that allow the wealthy to entrench their privilege, and increasing inheritance tax.

### ***Fairness – levelling up an uneven playing field***

Admissions to schools and universities are tilted in countless ways to the already advantaged. Significant numbers of parents admit to cheating to get their children into the most desirable schools – renting houses nearby, for example. The fairest way to allocate places to equally deserving candidates would be to pick them randomly. In schools, that means giving equal chances to children living in a catchment area. In universities, it means picking oversubscribed students at random as long as they have achieved a basic threshold of academic grades.

If lotteries are a step too far, we need more systematic use of contextual offers at universities – providing lower grade offers for full-time and part-time students who have excelled despite their circumstances. We also need to increase school funding for our poorest pupils to recognise the role played by teachers in improving lives despite growing inequalities outside the school gates.

### ***Community – restoring local opportunities***

There are many programmes catapulting a lucky few into elite universities and prestigious professions. But there is scant evidence of effective regional rejuvenation for those 'left behind'.

We need a new model of social mobility – one that seeks to improve both absolute and relative levels. The evidence suggests a mix of factors is required: affordable housing; proximity to jobs; connected and integrated communities; and good local schools with good teachers.

People want decent jobs, and rewarding lives, in their own communities. It is no longer a case of the North versus the South, but London versus the rest. The escalating costs of the global metropolis are making it increasingly inaccessible to all but the privileged few. We should redouble efforts to relocate major employers outside London to create opportunities elsewhere.

### ***Decency – creating the skills to pay the bills***

We need to reassess Britain’s emerging industrial model in which lower-level work is contracted out to temping agencies and other contractors. It has created a two-tier system between those pursuing seamless career progression and those stuck in dead-end jobs lacking security, progression or rights. Economic growth needs to be inclusive growth. We need to establish minimum rights to create decent jobs, with career progression built in.

We also need urgently to consider reforms to address the failure to provide the most basic functional skills for hundreds of thousands of school leavers. For them, the academic approach is not working. Children should be assessed against a basic threshold of key skills required to get on in life, taught as part of a practical, meaningful jobs-focused curriculum.

### **Final words**

Failure to do something will store up greater social and economic problems for future generations – our social mobility problem mirrors our environmental challenge in this respect. But it is entirely possible to create a collective community-based culture, a fairer education system, a stronger economy and a more equal society that working together would boost social mobility and social justice once again.

### **Further reading**

- Bell, B, J Blundell and S Machin (2019) ‘Where is the Land of Hope and Glory? The Geography of Intergenerational Mobility in England and Wales’, CEP mimeo.
- Blanden, J, A Goodman, P Gregg and S Machin (2004) ‘Changes in Intergenerational Mobility in Britain’, in M Corak (ed.) *Generational Income Mobility in North America and Europe*, Cambridge University Press.
- Blanden, J, and S Machin (2017) ‘Home Ownership and Social Mobility’, CEP Discussion Paper No. 1466.
- Blanden, J, S Machin and S Rahman (2019) ‘Falling Absolute Intergenerational Mobility’, CEP mimeo.
- Chetty, R, N Hendren, P Kline and E Saez (2014) ‘Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States’, *Quarterly Journal of Economics* 129: 1553-1623.
- Datta, N, G Giupponi and S Machin (2019) ‘Zero Hours Contracts and Labour Market Policy’, *Economic Policy*, forthcoming.
- Elliot Major, L, and S Machin (2018) *Social Mobility and Its Enemies*, Pelican Books.
- Elliot Major, L, and S Machin (2020) *What Do We Know and What Should We Do About Social Mobility?*, draft manuscript.

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

For further information, contact:

Lee Elliot Major: [l.elliott-major@exeter.ac.uk](mailto:l.elliott-major@exeter.ac.uk)

Stephen Machin: [s.j.machin@lse.ac.uk](mailto:s.j.machin@lse.ac.uk)

or Helen Ward: 07970 254872, [h.ward1@lse.ac.uk](mailto:h.ward1@lse.ac.uk)

or Romesh Vaitilingam: [romesh@vaitilingam.com](mailto:romesh@vaitilingam.com)

