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the **Dismantling**
Barriers
to Social Mobility



by Declan Gaffney & Ben Baumberg

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Acknowledgements

Many thanks to Kate Bell for her comments on an early draft of this paper.

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Introduction

This year's *State of the Nation* report from the Social Mobility and Child Poverty Commission was grimly realistic about the prospects for next few years:

Britain remains a deeply divided country. Disadvantage still strongly shapes life chances. A balanced economic recovery, between different parts of Britain, is not currently within reach. If, as seems likely, the recovery sees the trend of the last decade continuing, where the top part of society prospers and the bottom part stagnates, inequalities will grow and the rungs of the social ladder will grow further apart.¹

In this paper, we ask if social mobility is going into reverse. What are the connections between social mobility and inequality? And what policies might help a recovery of social mobility?

These answers are important, because stalled social mobility is at the heart of the modern battle of ideas.

Cuts in benefits and services are likely to lead to a growth in inequality dwarfing that of the 1980s. If social mobility was growing, this might justify (or at least ameliorate) high levels of inequality.

This is clearly one of the government's objectives: the Child Poverty Commission was transformed into a Social Mobility and Child Poverty Commission and the Deputy Prime Minister has belittled the evidence from around the world that you cannot have social mobility with rising inequality.

This pamphlet shows that Nick Clegg is wrong. His favourite examples – Canada and Australia – are much less unequal than he likes to claim. Social mobility is not particularly strong in 'Anglo Saxon' societies with weak welfare states and low tax. It is strong in the 'Nordic' countries, with well-funded, universal welfare states and high rates of women's employment.

One of the more surprising findings of this pamphlet is that it is the level of inequality before taxes and benefits that seems to be most important. The other big issues for a social mobility agenda are the importance of child poverty and women's full-time jobs.

In the past, the TUC has pointed to the 'Iron Triangle' connecting women's poverty, child poverty and in-work poverty.² This pamphlet suggests three predistribution steps that could address these issues and increase social mobility: childcare, education investments and reforms and using the National Insurance system to enhance paid time off work for family responsibilities.

¹ *State of the Nation 2013: social mobility and child poverty in Great Britain*, Social Mobility and Child Poverty Commission, October 2013, p. 4, downloaded from www.gov.uk/government/uploads/system/uploads/attachment_data/file/251213/State_of_the_Nation_2013.pdf on 1/29/2014

² *The Iron Triangle*, TUC, 2008, available at www.tuc.org.uk/sites/default/files/extras/irontriangle.pdf

Executive summary

This paper begins by distinguishing between absolute social mobility – the extent to which people can do better than their parents – and relative social mobility: the extent to which an individual's chances depend on their parents' class or income. The government's social mobility strategy emphasises this second definition.

Studies of social mobility have looked at class and income. The second section shows that the chance members of a given generation will move into a different social class from their parents has changed very little since the middle of the last century. When we look at income, however, there was a sharp decline in inter-generational mobility between the generations born in 1958 and 1970, though this decline may have stopped more recently.

A key issue for public policy concerns the links between social mobility and inequality. Growing inequality means that the consequences of social mobility are much more significant than they were in the past – the rewards and penalties of social mobility or immobility are that much greater.

One possible effect of today's inequality is that it becomes easier for those already well-off (and harder for the poor) to make those investments that increase life chances. The third section notes evidence that links between parents' income and children's education was 'the major driver' of declining social mobility. Poorer parents' children do worse at school and those who do worse at school have worse outcomes for the rest of their lives. Education is not the only important mechanism: if women enjoy a high rate of full-time employment, social mobility is likely to be increased.

The paper also looks at the growing international evidence linking high levels of inequality to low levels of social mobility. Canada and Australia have been quoted as counter-examples, with high levels of both inequality and social mobility. It is easy to understate the social mobility in these countries and to over-state their inequality. If Britain were to match the Canadian example, in particular, pre-tax inequality would have to reduce substantially. It turns out that inequality does matter.

The pamphlet then looks at which types of economy tend to have more social mobility. 'Liberal' economies, with low levels of tax, regulation and social protection tend to have less social mobility, and those with relatively higher levels also have less pre-tax and benefit inequality. Social mobility tends to be highest in the Nordic countries, with universal welfare states, high rates of women's employment and low levels of inequality.

The final section asks whether there are concrete reforms that might increase social mobility in the United Kingdom. Priorities would include:

- reductions in overall inequality, especially child poverty, by promoting parents' employment and increasing financial support for children
- increasing full-time employment rates for women, for instance by extending National Insurance to pay for paid time off work for family responsibilities.

Tackling educational inequality, with investment in pre-school education and educational reforms that increase the performance of all children and at the same time as close the gap between the richest and poorest children.

1 What is social mobility and why should we care about it?

The importance of social mobility is accepted across the political spectrum. The social mobility strategy published by the coalition government in 2011 states that “improving social mobility is the principal goal of the coalition government’s social policy”³ and the new social mobility and child poverty coalition is chaired by former Labour Minister Alan Milburn.

A paper for the Cabinet Office in 2004⁴ defined social mobility as “...the movement or opportunities for movement between different social classes or occupational groups and the advantages and disadvantages that go with this, e.g. income”. However, beyond this relatively simple description lies a wealth of debate about how best to define and measure social mobility – and which aspects of it we should care about.

Perhaps the simplest concept associated with social mobility is that of *absolute social mobility*, defined by the coalition government’s current strategy as “the extent to which people are able to do better than their parents” and seen as a test of increasing opportunities across the whole of a society.

It is easy to see why we might care about this type of mobility; Ed Miliband has referred to “the British promise” that children will be better off than their parents,⁵ and we tend to hope that within our own lifetimes our prospects will improve. Absolute social mobility is by no means automatic but it remains a widely shared political and public aspiration.

If absolute social mobility is about increasing opportunities for everybody, *relative social mobility* is about how those opportunities are distributed. The coalition strategy defines this as “the comparative chances of people with different backgrounds ending up in certain social or income groups.” Relative social mobility is most commonly measured between generations, with researchers examining the extent to which, for example, the prospects of children from lower-income backgrounds are poorer than those of children from better-off backgrounds as a result of differences in their parents’ incomes.

3 HM Government (2011). *Opening Doors, Breaking Down Barriers: A strategy for social mobility*. Cabinet Office.

4 Aldridge S (2004). *Life chances and Social Mobility: An overview of the evidence*. Prime Minister’s Strategy Unit, accessed online at www.swslim.org.uk/documents/themes/lt10_lifechances_socialmobility.pdf

5 www.labour.org.uk/ed-miliband-warns-british-promise-being-broken

The government's social mobility strategy concentrates mainly on this type of relative intergenerational mobility, seeking to reduce the extent to which people's future prospects are determined by the families they are born into.

The most common argument in favour of improving relative social mobility is that it is a measure of fairness in society – of whether there are equal opportunities for individuals to gain rewards based on effort and talent. This is the basis on which the coalition sees social mobility as important. Its social mobility strategy states that:

In a fair society what counts is not the school you went to or the jobs your parents did, but your ability and your ambition. In other words, fairness is about social mobility – the degree to which the patterns of advantage and disadvantage in one generation are passed onto the next. An unfair society is one in which the circumstances of a person's birth determine the life they go on to lead.⁶

This idea seems to fit well with popular perceptions of fairness: over 95 per cent of respondents believe that a characteristic of a fair society is that "every person should have an equal opportunity to get ahead".⁷ This is felt sufficiently strongly that in 2009 more people felt that the priority of government should be equal opportunities (41 per cent) than any of the alternatives such as promoting growth or reducing inequality.⁸

But there is a key political debate around the extent to which achieving improved social mobility depends on tackling wider social inequalities. If access to important resources like healthcare and education are unequal, can an 'equal opportunity to get ahead' really be secured? The rest of this pamphlet will discuss this question in greater detail.

⁶ HM Government (2011). *Opening Doors, Breaking Down Barriers: A strategy for social mobility*. Cabinet Office.

⁷ The question asked: "Please say how much you agree or disagree with the following statement. In a fair society, every person should have an equal opportunity to get ahead". Ninety-six per cent either agreed or strongly agreed. BSAS 2009 (with similar results in BSAS 1991). Curiously, when asked in the reverse direction ("In a fair society, some people should have more opportunity than others to get ahead") the disagreement is less than total (56 per cent disagreeing, 25 per cent neither agreeing nor disagreeing, and 19 per cent agreeing). Interpreting this is difficult; it may be because people do not in fact perceive this as the reverse of the previous question, or because of a bias towards agreeing with any statement that is presented, or because people misread the question as the same as the first version.

⁸ These alternatives are: promoting growth (10 per cent), guaranteeing a minimum standard of living (34 per cent) or reducing income inequality (15 per cent). The question was: "Here are some different things the government might focus on. Which of the four options on this card do you think should be the priority?"; the alternatives in full were: (1) Promote economic growth regardless of whether some people benefit more than others; (2) Guarantee a minimum standard of living for everyone; (3) Reduce the gap in incomes between rich and poor; (4) Try to ensure that everyone has equal opportunities to get ahead. BSAS 2009.

2 What has happened to relative social mobility in Britain?

What has been happening to relative social mobility in Britain over recent decades? To answer this question we need to know what to measure. Studies of how social mobility in Britain has changed have looked separately at income and class, yielding very different results:

1. Using a measure based on social class, Goldthorpe finds that relative social mobility remained remarkably stable over the post-war period.⁹
2. Using a measure based on income, Blanden *et al* find that relative social mobility saw a sharp sudden decline between the generations born in 1958 and 1970.¹⁰ Based on the links between parental income and children's educational outcomes (see next chapter), they suggested that this decline had flattened out more recently, but not reversed or started to improve.¹¹

These results measure different things, and are not necessarily inconsistent. For example, if working-class children have seen no reduction in their chances of accessing middle-class jobs (as per Goldthorpe's findings), it could still be the case that working-class children born later may tend to get lower-paying middle-class jobs than their predecessors (as per Blanden *et al.*'s findings). This could be, for instance, because qualifications or social networks have become more important in determining career progression or because job opportunities have changed.

The public's perception of mobility trends is mixed, perhaps because long-run trends in intergenerational links are impossible to perceive directly. Overall, slightly more people think that mobility is higher now than 'in the past' (where 'the past' is not defined), though this has declined since the economic downturn has bitten.¹²

9 Goldthorpe J H (2012). *Understanding – and Misunderstanding – Social Mobility in Britain: The entry of the economists, the confusion of politicians and the limits of educational policy*. Oxford: Oxford Institute of Social Policy and Nuffield College, University of Oxford. www.spi.ox.ac.uk/fileadmin/documents/pdf/Goldthorpe_Social_Mob_paper.pdf

10 Blanden J, Goodman A, Gregg P, Machin S (2005). "Changes in Intergenerational Income Mobility in Britain" in M Corak (ed.), *Generational Income Mobility in North America and Europe*. Cambridge, MA: Cambridge University Press.

11 Additionally, Lambert *et al*, using a measure based on the scale of interaction between different social groups (in part based on marriage records), find that intergenerational social mobility has been gradually rising since the mid-nineteenth century, including for the most recent generations (Lambert P, Prandy K, Bottero W (2007). "By Slow Degrees: Two centuries of reproduction and mobility in Britain". Social Research Online. www.socresonline.org.uk/12/1/prandy.html

12 Ipsos Mori polls for the Sutton Trust in 2008 and 2009; see www.ipsos-mori.com/researchpublications/researcharchive/2503/Opportunities-for-upward-social-mobility-limited-by-the-recession.aspx and www.ipsos-mori.com/researchpublications/researcharchive/2286/Ipsos-MORI-and-Sutton-Trust-research-on-Social-Mobility.aspx

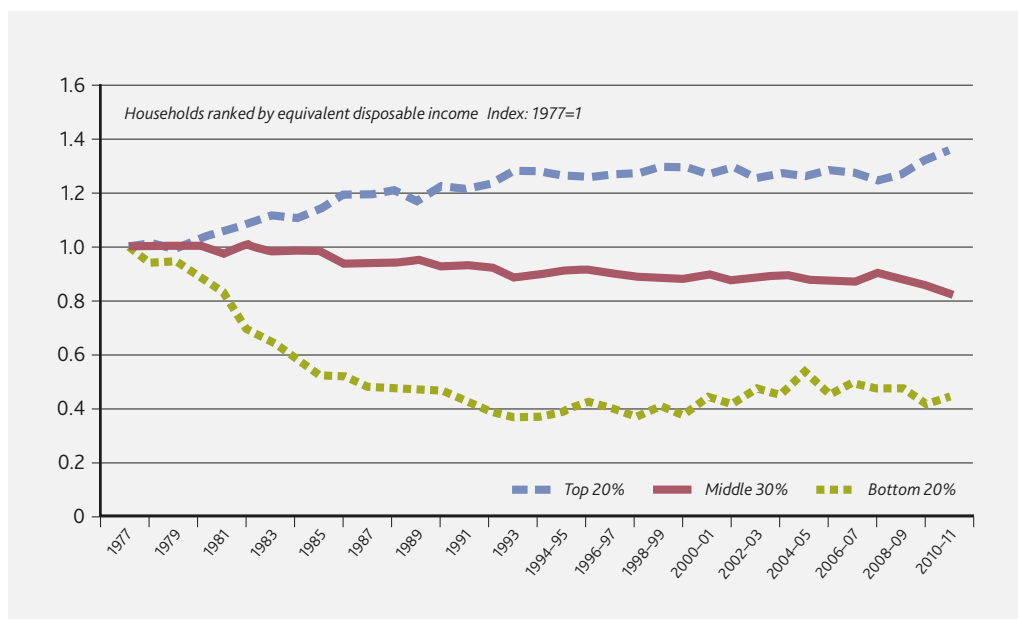
To understand the implications for individuals of changes in social mobility over time we also need to look at evidence on what is happening to the rewards attached to different positions in the income distribution. What matters is not just the relative chances of people ending up in good jobs, but also the relative rewards attached to those jobs – what is at stake in the social mobility race.

Moreover, the rewards attached to different jobs also influence future prospects for individuals and their families. This point becomes clear when we look at earnings inequality internationally. The ratio of earnings between those in the bottom 10 per cent and those in the top 10 per cent in the UK is 3.6. In the United States, it is five and in Belgium, it is 2.5.¹³ A similar chance of moving from the top to the bottom has very different implications in these three countries in terms of the scale of advantage conferred.

Figure 1 below shows the way in which working-age household incomes before taxes and benefits at different points in the distribution changed in the UK from 1977 to 2010–11.¹⁴ The share of income going to the fifth of the households with the lowest income reduced by 60 per cent¹⁵ while the share of the top fifth increased by 40 per cent – and most of this change occurred between 1977 and 1990. The share of those in the middle fell by 20 per cent over the entire period.

The increased inequality that Figure 1 shows means that the financial consequences of being in the lower part of the distribution are more severe than in the past. Not only are those who have borne the consequences of a decline in relative social mobility less likely to escape low incomes, but also their relative position has become worse.

Figure 1: Trends in income distribution before taxes and benefits for working-age households¹⁶



13 Gross earnings of full-time employees, from OECD employment database http://stats.oecd.org/Index.aspx?DatasetCode=DEC_I

14 Note that this is not the same as earnings inequality

15 Though much of this was offset by redistribution through the tax and benefit system

16 Source: authors' calculations from "The Effects of Taxes and Benefits on Household Income: Historical data" www.ons.gov.uk/ons/rel/household-income/the-effects-of-taxes-and-benefits-on-household-income/historical-data/index.html

As Blanden *et al's* research shows, relative income mobility in the UK has become worse in recent decades, with individuals' adult incomes increasingly likely to be related to those of their parents. At the same time, inequality has also increased, as the gaps between those on higher and lower incomes have grown. The fact that these trends are running in parallel is a real concern, because as inequality grows the impacts of low social mobility on life changes are exacerbated. It also seems that growing inequality could be reducing relative income mobility, by making it harder for those who are on lower incomes to accrue the advantages that would enable them to secure better jobs and opportunities in the future. The crucial questions are why is it like this, and what can we do to change it?

3 To what extent does education affect social mobility?

Rates of social mobility have varied over time and between countries. If we want to do something to increase social mobility, we need to understand why these variations occur and identify the policy instruments we might use to influence rates of change. In this section, we look the evidence on the relationship between education and social mobility, and consider the extent to which policy change in other areas may also affect social mobility.

The role of education

Research into declining social mobility over time in the UK has found that education has a key role. Jo Blanden and her colleagues found that educational attainment from age 16 was “the major driver”. The decline in relative social mobility – as measured by an increase in the link between fathers’ and sons’ earnings – was seen to be driven by an increased relationship between parents’ income and children’s education: children with parents on lower incomes appear to be less likely to do well at school, whereas children from parents with higher incomes achieve higher outcomes.¹⁷ What this means is that children whose parents have lower incomes tend to do worse at school and doing worse at school tends to lead to lower incomes in adult life.

This means that if we could weaken the link between parental incomes and children’s educational attainment, or reduce the inequality of parental incomes, social mobility would increase. Either way, reducing the link between parents’ incomes and children’s educational outcomes might be a key route to increasing social mobility in Britain.

Jo Blanden has also expanded her analysis of income mobility within the UK to look at international measures of both income and educational mobility.¹⁸ She finds that countries that spend more on education also have higher absolute social mobility (reducing the extent to which children’s outcomes are determined by their parents’ backgrounds).

¹⁷ Blanden J, Macmillan L (2011) “Recent Developments in Intergenerational Mobility” in P Gregg and J Wadsworth (ed.s), *The Labour Market in Winter*. Oxford: Oxford University Press

¹⁸ Blanden J (2011) “Cross-Country Rankings in Intergenerational Mobility: A comparison of approaches from economics and sociology”, *Journal of Economic Surveys*, volume 27, issue 1, pp.38–73, February 2011

Other factors

Yet there is more to understanding the UK's poor social mobility than just education. Education is the engine of social mobility; it is the most important route through which individual low-income children can become high-earning adults. But that does not mean it is the only explanation for why some countries are more socially mobile than others. Explaining country differences is tricky – there are many possible explanations and relatively few countries to compare with – but the availability of comparable social mobility estimates allows us to start looking at likely explanations for Britain's relatively poor performance. In the next chapter, we focus on the role of inequality, and in Chapter 5 we look at whether different types of welfare state matter for social mobility.

But before focusing on the roles of inequality and different welfare regimes, there are other factors that may be significant. In particular, high rates of women's full-time employment are associated with greater social mobility, while high part-time employment rates have the opposite effect (see Annex Table A2).¹⁹ Where women's participation in employment and career progression is limited (measured by the share of women's work that is part-time), there tends to be a stronger relationship between social origins and destinations. In fact, depending on the measure of mobility used, women's part-time and full-time employment can explain more of the variation between countries than spending on education. We return to the issue of women's employment in the concluding section.

¹⁹ These findings are based on a more complex measure of 'equality of opportunity' in Checchi *et al* (2010). *Fair and Unfair Inequality of Opportunity in Europe*, ECINEQ Working Paper 2010-174 www.ecineq.org/milano/WP/ECINEQ2010-174.pdf. This measure is not exactly the same as the intergenerational earnings persistence measure used elsewhere in this report, but the international pattern is relatively similar between the two measures.

4 The role of inequality in explaining social mobility

There has been much recent discussion on the link between inequality and mobility, following a 2012 speech by Alan Krueger, Chairman of the US Council of Economic Advisers, where he referred to a graph created by the social mobility scholar Miles Corak as 'the Great Gatsby curve'. This shows a relatively strong relationship between income inequality and relative social mobility, with the countries that are more unequal tending to be those where children's outcomes are more strongly related to those of their parents.²⁰

However, this finding has been disputed by the Deputy Prime Minister, who used Canada and Australia as counter-examples of the association between greater equality and social mobility.²¹

Myth (number) one is that social mobility is simply a sub-set of income inequality. According to this myth, mobility will follow automatically in the wake of greater equality ... the uncomfortable truth is that nations with similar levels of income inequality have dissimilar levels of social mobility. Why do Australia and Canada have UK levels of inequality, but almost Scandinavian levels of mobility?

Mr Clegg's statement seems to be based on the following passage in the government's social mobility strategy:

Academic studies comparing levels of social mobility in different countries have found a correlation between high levels of income inequality and low levels of social mobility, although some have criticised the validity of this finding... There are also a number of countries, such as Australia and Canada, that have relatively high levels of income inequality but also high levels of social mobility. Equally, there are some countries that have relatively low levels of income inequality but low levels of social mobility, such as France.

This could be read as suggesting that the academic evidence is more evenly split than is the case. In fact, the government cited only two works criticising the finding that equality was correlated with greater mobility. One was a think tank pamphlet by the sociologist Peter Saunders, the other a paper by Gary Solon, who reacted angrily to the suggestion that he had 'criticised' the research:

My 2002 paper did not criticise the hypothesis that inequality and intergenerational immobility are related, but rather supported it.

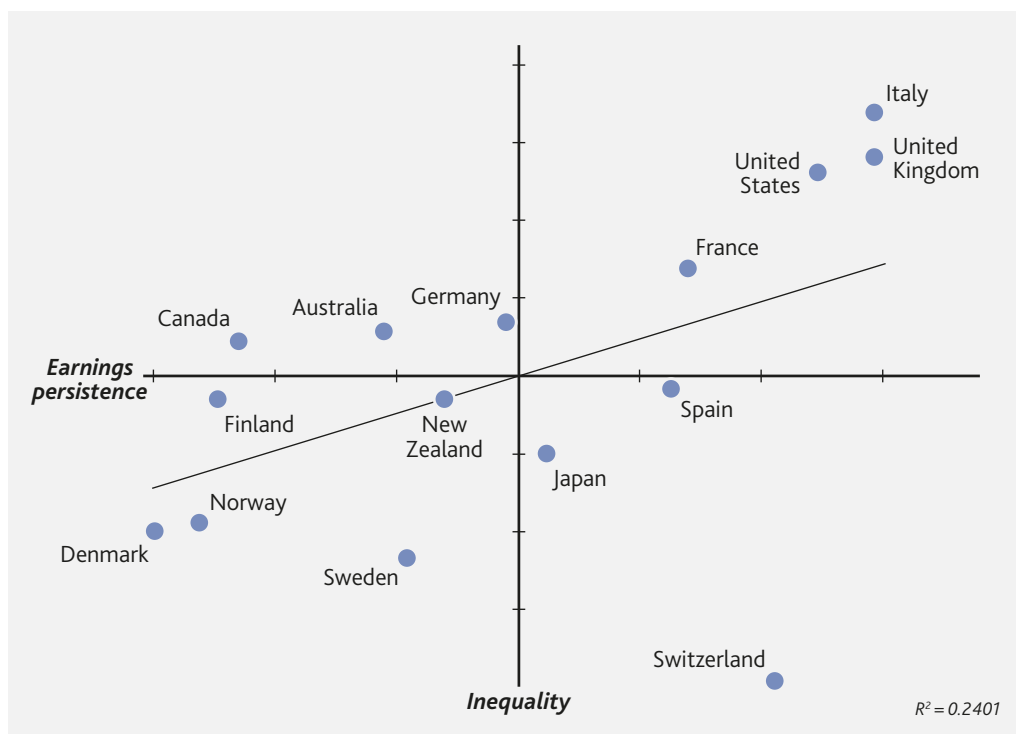
20 Corak M (2012). "Inequality from Generation to Generation: The United States in comparison" in Robert Rycroft (ed.), *The Economics of Inequality, Poverty, and Discrimination in the 21st Century*. ABC-CLIO, forthcoming. See <http://mileskorak.com/2012/01/12/here-is-the-source-for-the-great-gatsby-curve-in-the-alan-krueger-speech-at-the-center-for-american-progress>

21 www.guardian.co.uk/society/2012/may/24/nick-clegg-social-mobility-speech

He added, “the government has misquoted me”.²²

What about the examples of Canada and Australia cited by Nick Clegg? To look at this more closely, in Figure 2 below we combine Corak’s data on earnings persistence between generations (the extent to which children’s incomes are associated with those of their parents) with the OECD’s measure of pre-tax inequality for people of working age.²³ Note that this is a measure of inequality before taking into account taxes and benefits – it is a measure of how equal people’s original incomes are, rather than how redistributory the welfare state is (the impacts of which are discussed in more detail in the next chapter).²⁴ Inequality is shown on the vertical axis and earnings persistence on the horizontal axis. All values are shown relative to the average, so for example a country in the top left area of the figure will have higher than average inequality and lower than average earnings persistence.

Figure 2: Income inequality before taxes and benefits and intergenerational earnings persistence



²² *Ibid*

²³ This gives a different perspective to post-tax and benefit inequality for people of all age as used by Corak because it relates mainly to labour income prior to the direct effects of redistribution and because it concerns the relevant age groups; note, however, that we are using contemporary measures of inequality, when it might be preferable to use measures of inequality for the periods when the younger generation was growing up, as does Corak (2012). We show the results for countries where data from the 1980s is available in the Annex, Figure A2.

²⁴ We have restricted the sample of countries to OECD member states at a broadly comparable stage of development and standardised both sets of figures so that the average is zero and a positive value means that a country has a higher than average score on the measure.

There is one extreme outlier in the data, which shows very low inequality and relatively high earnings persistence – Switzerland.²⁵ Otherwise, inequality and earnings persistence are strongly associated. It is true that Canada and Australia show higher earnings mobility than some countries with a similar level of inequality such as Germany. However, it would be wrong to see Canada and Australia as strong counter-examples: income inequality, while above the cross-national average, is far lower in these countries than in the UK or US. Achieving Canadian levels of pre-tax inequality would be a formidable challenge for the UK.²⁶

On a range of measures, Canada scores very highly in terms of the equity of educational outcomes while Switzerland scores poorly. Canada has similar scores to the Nordic countries on the social class gradient in educational outcomes and on the percentage of disadvantaged children who reach the top quarter of educational achievement.²⁷ It may therefore be that the quality of education provision in Canada helps explain why it achieves Nordic levels of social mobility with slightly more inequality. But it also seems likely that, if inequality in Canada were to increase to levels anywhere like those we have in the UK, social mobility would reduce.

Higher levels of income inequality are clearly associated with lower social mobility, but nobody as far as we are aware has ever suggested that that inequality is the only relevant factor; the Deputy Prime Minister is arguing against a straw man. In general, while countries with higher inequality may be able to offset some of the effect on mobility through more equitable educational systems, they face a stronger challenge. In addition there are no developed countries with UK levels of inequality that could be said to have high social mobility in international comparison.

25 In fact, Switzerland is so unusual that it reduces the R2 value, a measure of the fit between the two variables, from 0.63 to 0.24: see Figure A1 in the Annex, which presents the same data but excludes Switzerland. In Figure A2, which uses income data from the 1980s, R2 is also high: in this case, there was no available data for Switzerland. In Figure 2, visual inspection gives a better sense of the relationship between inequality and earnings persistence than the R2 statistic.

26 As Miles Corak, whose evidence was being cited by Clegg, notes, "Australia and Canada do not have UK levels of inequality. They are more equal societies. But they are not as socially mobile as Finland and Norway. They don't have Scandinavian levels of mobility." Solon's and Corak's comments in *The Guardian*, 24 May 2012. www.guardian.co.uk/society/2012/may/24/nick-clegg-social-mobility-speech

27 "Does Student Background Affect Student Performance?" www.oecd.org/edu/skills-beyond-school/48630738.pdf

5 Which types of economies are more socially mobile?

One of the arguments for policies of deregulation, privatisation, low taxation and reduced public spending is that these structures will 'unleash aspiration' leading to greater social mobility. Boris Johnson summarised Margaret Thatcher's legacy in these terms:

*She gave people the confidence to buy shares, to start their own businesses, to move on and up in society – and there was more social mobility under Margaret Thatcher than there has been since.*²⁸

Mr Johnson is in fact echoing a longstanding theory, as Thomas Piketty sets out:

*At least since the time of Tocqueville, the 'liberal' theory would seem to predict that a more open and market-oriented society such as the United States should lead to significantly higher mobility rates.*²⁹

It is certainly possible to argue that the security provided by advanced welfare states may restrain individual initiative and entrepreneurship or weaken work incentives, or that excessive labour market regulation could lead to an insider/outsider labour market where those from poorer or less 'connected' backgrounds have difficulty advancing.

But it is also possible that low levels of social security restrict mobility by reducing people's willingness to invest in skills or to take the risk of changing job, while low levels of labour market regulation could leave some people trapped in precarious jobs with no prospects of advancement and lead to employers reducing investment in their employees.

This argument is best settled through analysis of the evidence. As the data in Chapter 4 have shown, as inequality increases social mobility declines. In addition, more 'liberal' countries do tend to have higher levels of inequality but some (notably Canada) have relatively high mobility given their inequality levels.

To explore this trend further we have compared the degree of social mobility in four groups of countries – 'welfare regimes' – which are categorised by the institutional and policy characteristics of their welfare states:³⁰

28 www.telegraph.co.uk/news/politics/margaret-thatcher/5268850/Blond-on-blonde-Mrs-Ts-unassailable-legacy.html

29 Piketty T (2000), "Theories of Persistent Inequality and Intergenerational Mobility" in T Atkinson (ed.), *Handbook of Income Distribution*. http://darplse.ac.uk/papersdb/Piketty_%28Handbook-Income-Distribution98%29.pdf

30 This classification is based on based on Castles (2004)

Nordic (Denmark, Finland, Norway, Sweden): Universalist welfare state provision, mid-level labour market regulation, high rates of employment for women, very low income inequality.

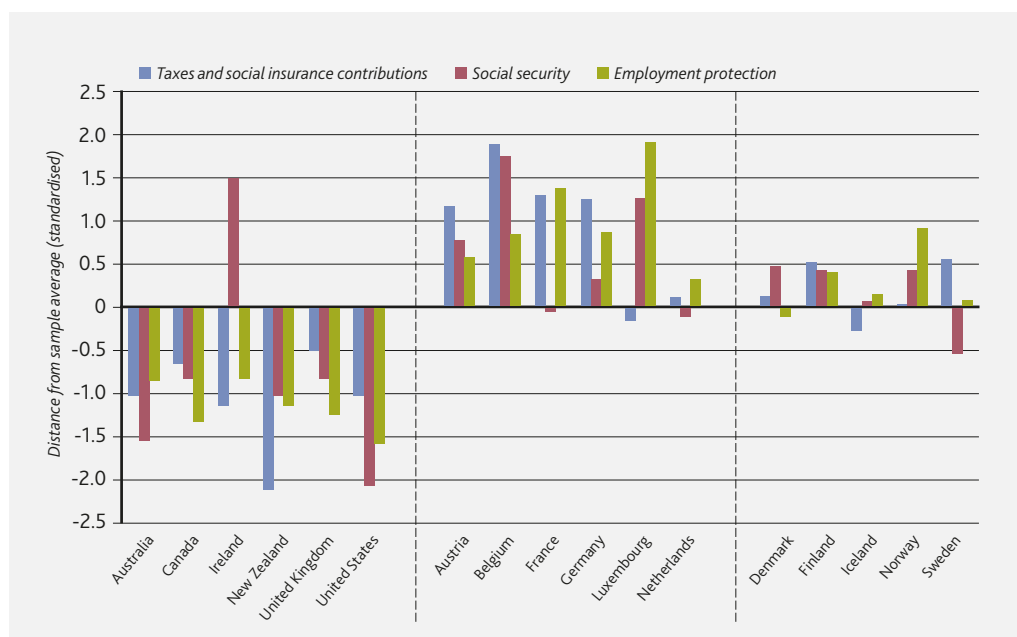
Continental (Austria, Belgium, France Germany, The Netherlands): Social insurance-based welfare state provisions, high-level labour market regulation, low to medium inequality and (over recent decades) rising rates of women’s employment.

Anglo-liberal (Australia, Canada, New Zealand, UK, USA): Poverty-alleviating welfare provision, low-level labour market regulation, high inequality and (over recent decades) stagnating women’s employment.

Southern European (Italy, Spain): Welfare spending dominated by pensions, high labour market regulation, high inequality and low (but rising) women’s employment.

Figure 3 below groups countries from the Nordic, continental and Anglo-liberal groups together and shows three indicators that are relevant to the ‘liberal’ theory that Boris Johnson has advocated: the average taxes and social security contributions paid by workers on average wages; the share of social security spending (excluding old-age benefits) in national income and the OECD’s index of labour market regulation. The columns show how far countries are from the average for the sample.

Figure 3: Comparing Anglo-liberal, continental and Nordic welfare regimes³¹



³¹ Sources and definitions: ‘taxes and social insurance contributions’: income tax and employer and employee social contributions from OECD Taxing Labour database; ‘social security’: cash benefits excluding old-age benefits from OECD social expenditure database; ‘employment protection’: index from OECD employment database. Values standardised to mean= 0, standard deviation =1.

The liberal welfare regimes are well below the average on all three of these measures, with the exception of Ireland for social security spending (reflecting the very severe impact of recession in 2009 rather than particularly generous entitlements). The continental regimes in contrast are all above the average for employment protection and tend to be above average on the other two measures as well. The Nordic regimes are closer to the average on all three measures, although Norway has a more continental-style level of employment protection and Sweden is a relatively low spender on social security. Despite some variation within the groups, the 'welfare regime' typology clearly sorts countries in a way that is relevant to the liberal theory of social mobility.

In order to see how these institutional differences relate to social mobility, we have drawn on three international studies to produce a grouping of countries into four mobility categories: high, high-mid, low-mid and low. These different studies give broadly similar results for the different types of welfare state.

Table 1: Type of welfare state and social mobility

(See Annex Table A1 on page 28 for details of ranking)

Country	Level of social mobility	Welfare regime
Canada	High	Anglo-liberal
Denmark	High	Nordic
Finland	High	Nordic
Norway	High	Nordic
Sweden	High	Nordic
<hr/>		
Australia	High-mid	Anglo-liberal
Germany	High-mid	Continental
New Zealand	High-mid	Anglo-liberal
<hr/>		
Belgium	Low-mid	Continental
France	Low-mid	Continental
Japan	Low-mid	Not classified
Netherlands	Low-mid	Continental
Spain	Low-mid	Southern European
<hr/>		
Italy	Low	Southern European
Switzerland	Low	Not classified
United Kingdom	Low	Anglo-liberal
United States	Low	Anglo-liberal

The 'liberal' argument would suggest that mobility should be higher in countries with the lowest levels of labour market regulation, taxation and social security generosity. But this is not supported by the international comparisons. Instead two patterns emerge from the mobility grouping: the Nordic regimes are all clustered in the high mobility group, and the Continental regimes in the middle. For the Anglo-liberal regimes, however, there is no clear pattern, with the UK and US clearly at the bottom and Canada, New Zealand and Australia in the high or high-mid groups.

If we combine these results with those in the previous section, the pattern is somewhat clearer. The Anglo-liberal countries with higher mobility are those with lower pre-tax and benefit income inequality, while those with low mobility have very high levels of inequality – the UK and the US. Having low taxes, social security spending and labour regulation does not improve mobility taken on its own: at best, it is only when these are combined with greater equality in pre-tax incomes that mobility increases.

The past two chapters have shown that both inequality and the type of welfare state are associated with social mobility. Social mobility is highest in countries with more equal incomes and in Nordic welfare regimes. Among countries with Anglo-liberal welfare regimes, those with more equal incomes and more equal educational outcomes have much higher levels of mobility. At the bottom of the social mobility league are countries like the UK that combine high inequality with liberal welfare regimes and strong links between parents' and children's' educational outcomes.

Teasing apart the exact contribution of each part of the jigsaw is difficult, but the pattern is sufficiently strong that no explanation of social mobility can afford to ignore them. The final question, then, is what this tells us about improving social mobility in the UK.

6 Improving the UK's poor performance

As the evidence in previous chapters has shown, the UK performs badly on comparisons of relative social mobility. To explain this, we have argued that we need to go beyond looking at education – much as education is important – to look at the broader features of countries that are associated with high social mobility.

From comparing countries, it seems that key measures that influence mobility are:

- income inequality (with income inequality during childhood particularly important)
- education expenditure
- returns to education.

There is also evidence that the following factors make a difference:

- the type of welfare state and economy that countries have
- rates of women's full-time employment.

Table 2: Factors influencing social mobility

<i>Factor influencing social mobility</i>	<i>UK performance</i>
Income inequality	Ranked 29th out of the 34 OECD countries – well below the OECD average ^A
Child poverty (as imperfect measure of childhood inequality)	Ranked 14th out of 29 countries by Unicef in a graph comparing the proportion of children falling below 50 per cent of median income ^B
Educational expenditure	Ranked 9th in terms of per capita spending in OECD countries – well above the OECD average ^C
Returns to third-level education	Ranked 5th out of 21 OECD nations for gross earnings premia for third-level qualifications ^D
Women's full-time employment	Ranked 21st out of 26 wealthy OECD nations ^E
Post-tax earnings inequality	Ranked 9th out of 26 wealthy nations ^F
Educational inequality	Exactly at the average when looking at the proportion of variance in student performance explained by students' socio-economic background. However, the slope of the socio-economic gradient is much steeper – 44 compared to 38 ^G

A Society at a glance 2011: OECD Social Indicators. Available here: www.oecd.org/els/soc/societyatagance2011-oecd-social-indicators.htm

B UNICEF Report Card 11: Child wellbeing in rich countries: a comparative overview (2013). Available here: www.unicef.org/uk/Latest/Publications/Report-Card-11-Child-well-being-in-rich-countries/

C Society at a glance 2011: OECD Social Indicators

D R Boarini and H Strauss (2007), *The Private Internal Rates of Return to Tertiary Education: New estimates for 21 OECD countries*, OECD Economics Department Working Papers, No 591, OECD Publishing

E OECD employment database. Available here: www.oecd.org/employment/emp/onlineoecdemploymentdatabase.htm

F Checchi (2010) plus US data from World Bank Development Group 2013

G PISA 2009 Results: Overcoming Social Background: Equity in Learning Opportunities and Outcomes (Volume II)

In Table 2 on the previous page, we give some information about where the UK ranks internationally on each of the measures identified as potentially important for social mobility, as a means to help identify some areas for potential policy action.

Looking at the table, we can see that the areas where the UK performs particularly badly are:

- overall income inequality
- childhood poverty (linked to childhood income inequality)
- the rate at which educational performance changes in relation to family background.
- full-time women's employment.

We look at each of these potential areas for policy action, in the context of current debates.

Resolving overall inequality

A more equal society is much more likely to have higher social mobility. We know that pre-tax inequality in the UK rose sharply in the last decades of the twentieth century, fell slightly in the first decade of the twenty-first and rose again with the onset of recession. We also know that countries with higher inequality tend to have lower social mobility. Moreover, there is no doubt that income inequality raises the stakes of reduced social mobility; it punishes those who fail to get ahead – including those who are unfairly disadvantaged – by opening up wide differentials between them and those who do gain advantaged social positions. Reversing the rise in inequality seems an important part of any strategy to increase equality of opportunity.

The government has disputed the links between social mobility and inequality, though on rather weak evidence as we have seen. However, it remains committed to the targets set out in the Child Poverty Act to eliminate relative child poverty by 2020. Inequality and childhood poverty are not the same thing, but the evidence does suggest that income inequality in childhood may have greater effects on mobility than income inequality in adulthood. Measures to reduce childhood poverty will need to include:

- a focus on tackling in-work poverty – as a first step, the government could introduce a second-earner disregard within Universal Credit, enabling low-waged parents to keep more of what they earn
- enabling more parents to work through investments in childcare, although we know that additional investment in childcare supply is more effective than subsidising demand³²
- ensuring that financial support for children is adequate – government should reverse the freeze in child benefit, and ensure that it is inflated by at least inflation.

We also know that high maternal employment rates can be a critical tool in addressing child poverty, an area we address below.

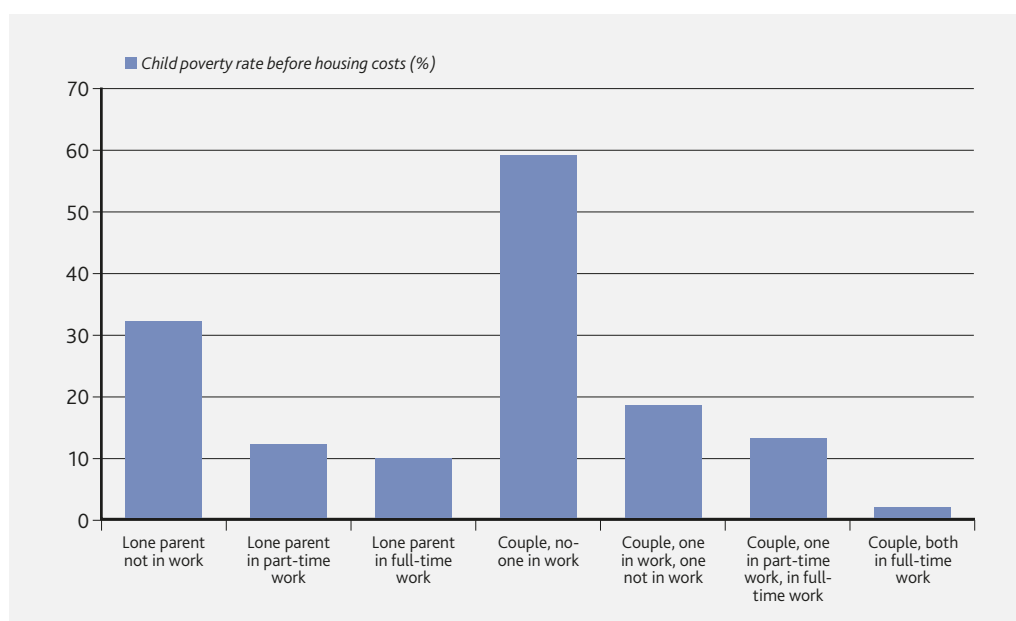
32 Graeme Cooke and Kathleen Henehan (2012) *Double Dutch: The case against deregulation and demand led funding in childcare*. IPPR. www.ippr.org/images/media/files/publication/2012/10/double-dutch-childcare_Oct2012_9763.pdf

Increasing rates of employment for women

There is an association between low rates of women's full-time employment and low social mobility on an international basis, with full-time employment probably acting as a marker of women's ability to access good-quality jobs (in the UK and elsewhere there is a strong pay penalty attached to working part time).³³

There is also a clear link between women's employment rates and child poverty at a national level, as shown in Figure 4.

Figure 4: Child poverty rates by parental work status



Source: Households Below Average Income, DWP, June 2013, www.gov.uk/government/publications/first-release-households-below-average-income-hbai-statistics-june-2013

As we set out above, the high cost of childcare forms a barrier to women's employment in the UK,³⁴ and investment in childcare is a key mechanism for both increasing maternal employment and therefore tackling social mobility.

But we also need to create a more family-friendly workplace. In a previous report for the TUC,³⁵ we suggested that one way to enable parents to better combine paid work and care work would be to allow parents and other carers to build up contributions towards an entitlement to periods of paid time out of work, in order to care, for example, during periods when children or elderly relatives are sick, with the right to return to the same job.

33 See, for example, Alakeson V (2012) *The Price of Motherhood: Women and part time work*. Resolution Foundation

34 Kayte Lawton and Spencer Thompson (2013) *Tackling Poverty by Supporting Dual-Earner Families*. JRF. www.jrf.org.uk/publications/tackling-poverty-supporting-earning-families

35 Bell K, Gaffney D (2012). *Making a Contribution: Social security for the future*. TUC

Tacking educational inequality

One of the key arguments of this paper is that improving social mobility requires us to look beyond education – but educational policy must still be part of any social mobility strategy. From our comparisons above it seems that countries that spend more on education have higher social mobility, but other evidence also highlights that the way in which it is spent is crucial.

Pre-school

The focus of much social mobility policy in the UK has been on investing in early years' education in order to narrow gaps between the educational achievement of poor and rich children. The current government, for example, is extending the offer of free childcare places to 40 per cent of the most disadvantaged two year olds. We know that high-quality pre-school education has important benefits for children's educational development. For example, the Effective Primary and Pre-school Education Project found that high-quality pre-schools were "especially beneficial for boys, pupils with special educational needs and those from disadvantaged backgrounds".³⁶ These findings have been reinforced internationally.³⁷ Investing in childcare is therefore often seen as having a double benefit in terms of mothers' employment prospects and children's education.

However, there are two reasons for caution here. First, the type of childcare that promotes child development (part-time, high-quality early childhood education and care at ages two to five), may not be the same as that which promotes maternal employment (for example, wrap-around afterschool care). Second, although there are clear benefits from investments in childcare in terms of children's educational attainment, these may fade if not followed up by later action. For example, a recent National Audit Office report into the implementation of early years' education in the UK found that, while there were clear benefits being seen from the introduction of the free entitlement to nursery education for three- and four-year-old children when these children reached five, as yet these could not be seen at age seven.³⁸

There is therefore a need to marry investments in childcare with investments in education throughout the life course. A literature review on policies that could promote social mobility for the Department of Business, Innovation and Skills also recently highlighted the importance of investments in education continuing over time. They show evidence highlighting the fact that, while socio-economic gaps in cognitive skills already exist by age three, these increase over time, particularly during the primary school years.³⁹ Early investments in pre-school childcare are likely to make later investments in education more cost-effective.

36 Sylva K, Melhuish E, Sammons P, Siraj-Blatchford I, Taggart B with Hunt S, Jelcic H, Barreau S, Grabbe Y, Smees R, Welcomme W (2008). *Effective Pre-school and Primary Education 3-11 Project (EPPE 3-11). Final report from the primary phase: pre-school school and family influences during Key Stage 2 (age 7-11)*. Institute of Education and Department for Children, Schools and Families.

37 See, for example, Melhuish E (2012), "The Impact of Poverty on Child Development and Adult Outcomes: the importance of early years education" in L Judge (ed.), *Ending Child Poverty by 2020: Progress made and lessons learned*. CPAG, and PISA 2009 Results: Overcoming Social Background: Equity in Learning Opportunities and Outcomes (Volume II).

38 National Audit Office (2012). *Delivering the Free Entitlement to Three and Four Year Olds*. National Audit Office.

39 Crawford C, Johnson P, Machin S, Vignoles A (2011). *Social Mobility: A literature review*. Department for Business, Innovation and Skills.

Educational reforms

We know that policy interventions can make a difference to the extent to which parents' income and children's education are linked. The remarkable performance of the London school system over the last decade, which has increased the performance of children at every level of both the income and the ability distribution at the same time as closing the gap between the richest and poorest children,⁴⁰ is cause for considerable optimism about the possibility of change.

The main international comparison of children's academic performance – the PISA study⁴¹ – points to several further factors associated with education systems that achieve both 'excellence and equity'. Countries in which schools compete for students do not systematically produce better results. In addition, successful systems:

- provide similar opportunities for all students to learn, regardless of their socio-economic backgrounds – the report offers no support for selective education and the younger the age at which selection first occurs, the greater the differences in student performance by socio-economic background without improved overall performance
- spend large amounts of money on education but prioritise teachers' pay over smaller classes
- have better disciplinary climates, more positive behaviours among teachers and better teacher-student relations
- facilitate children's attendance at pre-school, which means they do better at school (as discussed above).

The PISA researchers also focus on the importance of targeting resources on those pupils who are falling behind (whether or not these are socio-economically disadvantaged children). The government's Pupil Premium attempts to do this but ensuring that it is effectively targeted remains an ongoing challenge.⁴²

⁴⁰ See, for example, the collection of data by FT journalist Chris Cook at <http://blogs.ft.com/ftdata/2013/04/18/the-london-schools-mystery/> or The Mayor's Education Inquiry (2012). *Going for Gold – Turning achievement into excellence in London's schools*. Mayor of London published online at www.london.gov.uk/sites/default/files/The%20Mayor%27s%20Education%20Inquiry%20Final%20Report.pdf

⁴¹ PISA 2009 Results: Overcoming Social Background: Equity in Learning Opportunities and Outcomes (Volume II)

⁴² See, for example, the press release by the Sutton Trust, "NFER Poll Results on Teachers Spending Pupil Premium" released May 2013, which found that: "only four per cent would spend the money first on improving feedback between teachers and pupils, a relatively inexpensive measure that could add eight months to pupils' learning. Improving feedback is an important way to improve teacher development. And only one per cent would use peer-to-peer tutoring schemes, where older pupils typically help younger pupils to learn, an equally cost-effective measure that has proven six month learning gains." www.suttontrust.com/news/news/nfer-poll-results-on-teachers-spending-pupil-premium

Conclusion

Much of the talk about social mobility focuses on the role of education, and misses out the wider factors that explain why social mobility in the UK is relatively low compared to other countries and our own past. Given that social mobility reflects both the structure of society and its institutions, it is clear that this review cannot offer quick-fix solutions – but it can suggest directions of travel. Based on a thorough assessment of the evidence, we suggest that a country with lower pre-tax/benefits inequality and reduced child poverty, a higher rate of employment for women and a more equitable school system would be one that was more mobile.

Annex

Table A1: Welfare regimes and intergenerational social mobility in three studies

	<i>Corak</i> (values standardised to mean zero)	<i>Blanden</i> (values standardised to mean zero)	<i>LPT</i> (grouped by combination of stochastic dominance and scale of inequality)	<i>Welfare regime</i>
High				
Denmark	-1.48	-1.75	–	Nordic
Norway	-1.31	-0.28	1	Nordic
Finland	-1.23	-0.95	–	Nordic
Canada	-1.15	-0.55	–	Anglo-liberal
Sweden	-0.48	-0.41	1	Nordic
High-mid				
Australia	-0.56	-0.28	–	Anglo-liberal
New Zealand	-0.31	–	–	Anglo-liberal
Germany	-0.06	-0.41	2	Continental
Low-mid				
Japan	0.11	–	–	Not classified
France	0.70	0.66	3	Continental
Belgium	–	–	2	Continental
Netherlands	–	–	2	Continental
Spain	0.61	–	–	Southern European
Low				
Switzerland	1.03	–	–	Not classified
United States	1.20	1.86	3	Anglo-liberal
Italy	1.45	0.79	3	Southern European
United Kingdom	1.45	1.32	2	Anglo-liberal

Sources

Corak M, "Great Gatsby Curve" <http://mileskorak.com/2012/01/12/here-is-the-source-for-the-great-gatsby-curve-in-the-alan-krueger-speech-at-the-center-for-american-progress>

Blanden J (2009), *How Much Can We Learn from International Comparisons of Intergenerational Mobility?* LSE Centre for Economics of Education <http://cee.lse.ac.uk/ceedps/ceedp111.pdf> www.cepr.org.uk/meets/wkcn/4/4542/papers/blanden.pdf

Lefranc A, Pistoletti N, Trannoy A (2006). *Inequality of Opportunity versus Inequality of Outcome: Are Western countries all alike?* ECINEQ Working Paper 2006-54. <http://www.ecineq.org/milano/WP/ECINEQ2006-54.pdf>. While the Blanden and Corak results give continuous measures of income persistence, the Lefranc *et al* (LPT) results yield a ranking into three groups, which we have numbered in descending order of intergenerational mobility (p17 of their paper). For the latter, we have mainly followed LPT's ranking, with the exception of the Netherlands, which falls into LPT's third group (lowest mobility) but where the scale of inequality between the different parental education groups is of a far lower scale than for other countries in this category. We have therefore placed the Netherlands in the middle group. We have placed Sweden in the highest mobility group despite the fact that its Blanden/Corak results would suggest it belongs in the high-mid group in the light of the striking results in LPT, which show that no parental education group dominates another in terms of children's income.

Table A2: Results of simple regression of inequality of opportunity against explanatory variables

	Standardised coefficient	Standard error	2-tail p-value	1-tail p-value	R ²	Adjusted R ²	N
<i>Dependent variable: Absolute ex ante inequality of opportunity</i>							
Female full-time employment rate	-1.67	0.52	0.0042	0.0021	0.34	0.31	22
Part-time as % female employment	0.61	0.18	0.0027	0.0014	0.37	0.34	22
Post-tax earnings inequality (mean log deviation)	0.52	0.17	0.0064	0.0032	0.27	0.24	26
<i>Dependent variable: Absolute ex post inequality of opportunity</i>							
Female full-time employment rate	-0.39	0.21	0.0737	0.0369	0.15	0.11	22
Part-time as % female employment	0.41	0.20	0.0562	0.0281	0.17	0.13	22
Post-tax earnings inequality (mean log deviation)	0.50	0.18	0.0104	0.0052	0.25	0.22	26
<i>Dependent variable: Relative ex ante inequality of opportunity</i>							
Female full-time employment rate	-0.66	0.17	0.0009	0.0005	0.43	0.40	22
Part-time as % female employment	0.66	0.17	0.0008	0.0004	0.44	0.41	22
Education spending % GDP	-0.46	0.19	0.0233	0.0116	0.21	0.18	24

Sources

Inequality of opportunity: Checchi D. Peragine V. Serlenga L. 'Fair and Unfair Inequality of Opportunity in Europe' ECUINEQ Working Paper 2010-174 www.ecineq.org/milano/WP/ECINEQ2010-174.pdf

Female employment: OECD employment database

Post-tax earnings inequality: OECD income inequality and poverty database

Education expenditure: OECD government expenditure by function (COFOG)

Figure A1: Income inequality before taxes and benefits and intergenerational earnings persistence (excluding Switzerland)

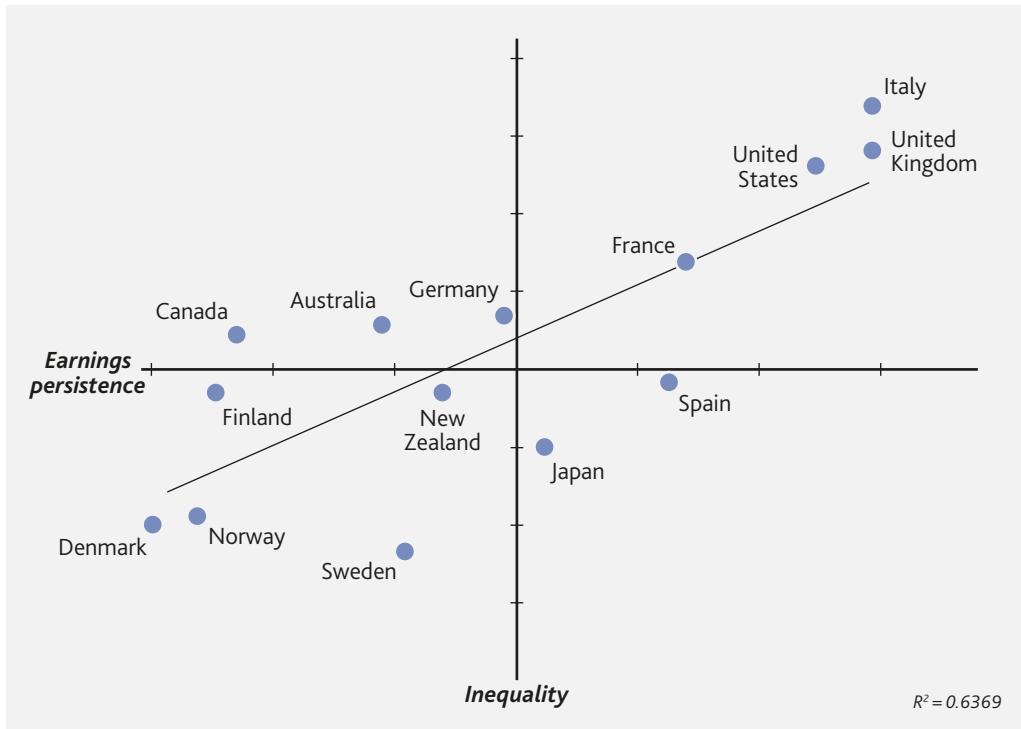
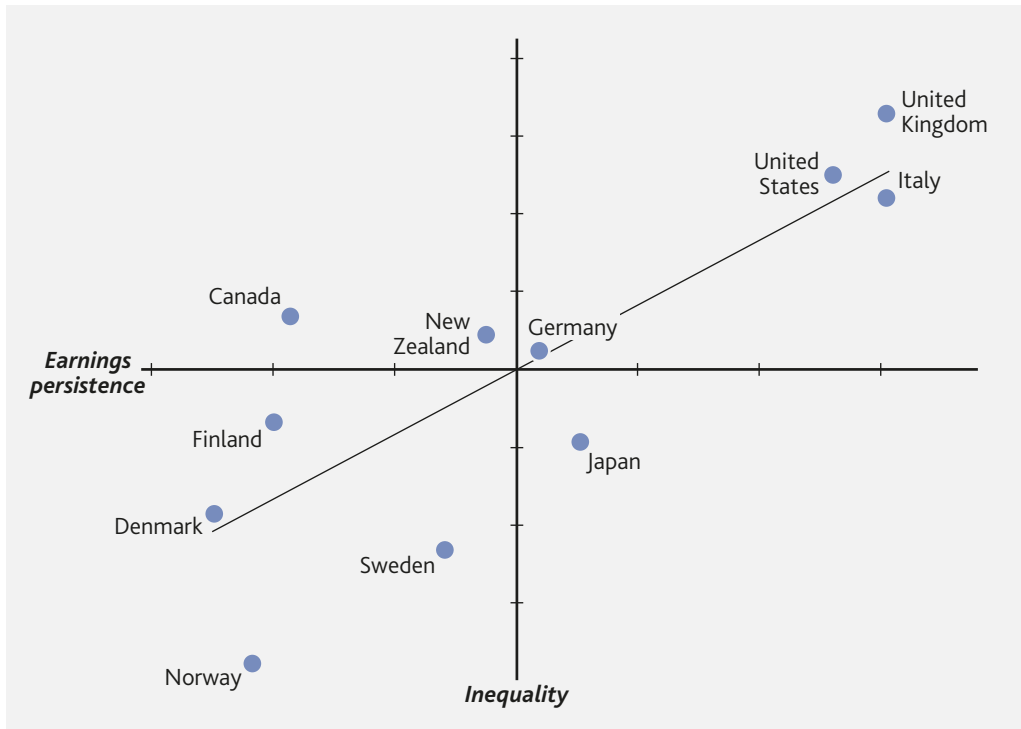


Figure A2: Working age income inequality before taxes and benefits in the mid-1980s and intergenerational earnings persistence



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