



Social Mobility  
Commission

# Time For Change: An Assessment of Government Policies on Social Mobility 1997-2017

June 2017

## About the Commission

The Social Mobility Commission is an advisory non-departmental public body established under the Life Chances Act 2010 as modified by the Welfare Reform and Work Act 2016. It has a duty to assess progress in improving social mobility in the UK and to promote social mobility in England. It consists of up to ten commissioners, supported by a small secretariat.

The Commission board comprises:

- The Rt. Hon. Alan Milburn (Chair)
- The Rt. Hon. Baroness Gillian Shephard (Deputy Chair)
- Paul Gregg, Professor of Economic and Social Policy, University of Bath
- David Johnston, Chief Executive of the Social Mobility Foundation

The functions of the Commission include:

- publishing an annual report assessing improvement in social mobility in the UK
- providing published advice to ministers on matters relating to social mobility
- undertaking social mobility advocacy

The Commission is supported by a secretariat comprising: Paul Johnston, Mohammed Bentaleb, Anna Bird, Erika Boak, Rachael Millar, Kirsty Walker, and Gene Ward.

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## Foreword

In Britain today we face profound questions about our country's future. About the sort of relationship we want with our European neighbours and with the wider world. About the need to protect national security and build inclusive communities. About turning economic strength into prosperity that everyone can feel. About becoming a less divided society.

As the recent general election seems to demonstrate there is no consensus in the nation about how best to answer these questions. The public mood is sour, sometimes angry. Whole tracts of Britain feel left behind. Whole communities feel the benefits of globalisation have passed them by. Whole sections of society feel they are not getting a fair chance to succeed. The growing sense that we have become an us-and-them society is deeply corrosive of our cohesion as a nation. There is a mood for change in Britain.

These are volatile and uncertain times. When more and more people feel like they are losing out, social mobility matters more than ever before. Higher social mobility can be a rallying point to prove that modern capitalist economies like our own are capable of creating better, fairer and more inclusive societies. It is the best antidote to the growth of political populism, both of Right and of Left, that we have witnessed across the world.

### Two decades of effort

For two decades, successive governments have made the pursuit of higher levels of social mobility one of the holy grails of public policy. Tony Blair declared in 1997 that government had a new cause and a new ambition: to rebuild Britain as "one nation in which each citizen is valued and has a stake; in which no one is excluded from opportunity and the chance to develop their potential".<sup>1</sup> Gordon Brown echoed that sentiment when he said in 2007, "I want the best of chances for everyone. That is my mission - if we can fulfil the potential and realise the talents of all our people, then I am absolutely sure that Britain can be the great global success story of this century".<sup>2</sup> On being elected Prime Minister in 2010, David Cameron said, "we will govern as a party of one nation, one United Kingdom. That means ... giving everyone in our country a chance so that no matter where you're from you have the opportunity to make the most of your life."<sup>3</sup> His successor, Theresa May, said she wanted to make Britain a country that works for everyone, adding "when it comes to opportunity, we won't entrench the advantages of the fortunate few. We will do everything we can to help anybody, whatever your background, to go as far as your talents will take you."<sup>4</sup>

After two decades of shared endeavour, it is worth asking how far those worthy political sentiments have been translated into positive social outcomes. That is what this report seeks to do. It examines the various policies pursued by different governments and assesses the impact they have had - for good or ill - on social

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<sup>1</sup> Tony Blair, London, 9 Dec 1997.

<sup>2</sup> Gordon Brown, Downing Street, 27 June 2007

<sup>3</sup> David Cameron, Downing Street, 8 May 2015.

<sup>4</sup> Theresa May, Downing Street, 12 July 2016.

mobility in Britain. By definition, changes in social mobility, precisely because they happen across generations, take time. Twenty years is long enough to make some judgements about what has worked well and less well - and to learn from both mistakes and successes.

The analysis also poses a key question - whether the approaches of the past remain relevant for the future. The world of 2017 is very different from that of 1997. Two decades ago, less than ten percent of the population were internet users. Today nearly 90 per cent are. Two decades ago there were more manual than professional jobs. Now the reverse is true. In 1997, most people's idea of a job was long-term employment on a secure contract. Today nearly 5 million people are in self-employment, over 1.5 million people are on short-term contracts and approaching a million people are on zero-hours contracts. Public spending rose from 38 per cent when Labour came to office in 1997 to a peak of 45 per cent of GDP when it left in 2010 but fell to 40 per cent in 2016 and is projected to be back at 38 per cent by 2022.

New challenges require new solutions. As the pace of change accelerates, what worked previously may not work in future. So the report examines what the public policy agenda should be in the years ahead and makes a series of high-level recommendations to government.

### Our analysis

It is the first time such an analysis has been performed. So far as is possible it is grounded in an examination of data but inevitably we have also had to make some judgement calls. The analysis that follows looks at where progress has been made across the various life stages - from the early years, through schools, into training or further/higher education for young people and then into the world of work. Different governments, of course, have prioritised different policies over the twenty-year period but the report gives each arena of public policy a rating - red, amber or green - based on our assessment of how successful it has been across the two decades as a whole.

No life stage gets a green rating. Two are amber – Early Years and Schools. Two are red – Young People and Working Lives. Within each life stage there are individual policies we believe have been successful. The focus on widening participation at university and on creating jobs for example. But overall, only seven policies score a green while 14 score amber and 16 red.

Overall, it is undoubtedly the case that efforts to put social mobility higher on the public policy agenda have paid some dividends. In 1997, the unemployment rate was 7.2 per cent. Today, it is 4.5 per cent. Employment today is at a record level. In 1997, 39 per cent of young people had the chance to go to university. Today, almost 50 per cent go and there are more working class youngsters in higher education than ever before. Today, relative rates of child poverty are three percentage points lower than in 1997 and there are fewer children in workless households than at any time in two decades. In 1997, very few young families received state help to give their children a good start in life. Today, early years services have become a new arm of the welfare state. In 1997, London schools were amongst the worst in the country. Today, they are the best and disadvantaged children in our capital city have

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benefitted most. Across the country, schools have improved and standards have risen. In 1997, many of our country's professions were deeply elitist. Today, most have begun to recognise the benefits of being open to a far wider pool of talent.

These are all welcome signs of progress. But the overall picture is far from positive. That is true of each life stage.

## Early years

Child poverty, which was declared a national priority shortly after 1997, has been deprioritised in recent years. Targeted efforts and extra resources succeeded in reducing child poverty levels and rates of parental worklessness in the first decade. But the recession and the resulting budget cuts reversed some of this progress and child poverty has risen since 2011. There is currently no prospect of child poverty being ended in England. What is more welcome is the fact that over the last 20 years, early years services have become a new part of the education system in Britain. Early years spending has increased as a proportion of national income over the period but, given the billions invested in services, it is disappointing there has not been a greater impact on narrowing the attainment gap between poorer children and their better-off peers. The gap between advantaged and disadvantaged children only began to shrink recently and disadvantaged children are still 17.3 percentage points more likely to fail to reach school readiness at age 5 than their better-off peers. If progress continues at the current rate, it will take 15 years before all children are school ready by the age of five and more than 40 years before the attainment gap between poor 5 years-olds and their better-off peers is closed.

## Schools

Spending on education is 50 per cent higher than it was in 1997 but while it increased for the first decade, it is now falling in the second. Despite reforms to our schools and success in improving results and raising standards, two thirds of disadvantaged children still do not get five good GCSEs at age 16. There has been significant progress in reducing the attainment gap between poorer pupils and their better-off classmates at primary school but the gap between children who are eligible for Free School Meals (FSM) and their better-off classmates increases substantially at secondary school. The attainment gap between poorer children and their wealthier counterparts at 16 is as large as it was twenty years ago. Worryingly, geographical inequality amongst the poorest children in England has increased as attainment in London schools has improved far faster than in the rest of the country. Schools are not yet the engines of social mobility they should be. At current rates of progress, it will take another twelve years to eliminate the attainment gap at Key Stage 2 in English. There is currently no prospect of the gap between poor and wealthier children being eliminated at GCSE level or at A level. This is totally unacceptable.

## Young people

For young people, the last two decades have seen major changes to post-16 education with the school age rising to 18, access to higher education being widened and apprenticeships being recreated. These reforms have consumed a significant amount of public money and government effort but progress has been too slow and results have been too piecemeal. In particular, labour market outcomes for young people have been consistently poor. Youth unemployment fell from 14.6 to 12.5 per

cent over the period – after peaking at over 22 per cent following the financial crisis. The gap between youth and overall levels of unemployment is higher at the end of the period than at the start and the number of young people who are NEET – not in employment, education or training – has barely changed. Since 2008, young people's wages have fallen 16 per cent, taking their pay to below 1997 levels. The number of young people receiving careers advice or work experience has also fallen and more new apprenticeships have gone to older workers than younger ones. Despite universities' success in opening their doors to more working class youngsters than ever before, retention rates and graduate outcomes for disadvantaged students have barely improved over the period. If progress continues at the current rate, it will take 120 years before disadvantaged young people become as likely as their better-off peers to achieve A levels or equivalent qualifications. In higher education, it will take more than 80 years before the participation gap between students from disadvantaged and more advantaged areas closes.

## Work

Over the last twenty years, governments have focused on getting people off welfare and into work. There has been a major reduction in worklessness. Long term unemployment has fallen and lone parent employment has risen. These efforts have delivered employment rates that are the highest on record. But the quality of jobs has not matched the quantity and governments have found themselves having to support large numbers of households that are in work but still struggling to make ends meet. Skill levels have improved overall but there remain large skill gaps and shortages. Over the two decades, the labour market has become more bifurcated between high quality, well-paying jobs and lower skilled low paid ones. The geographical divide has widened with regional differences in the labour market greater today than at the start of the period. Those holding top jobs have become slightly more socially diverse, although progress has been painfully slow. Since the global recession, wages have stagnated in real terms with living standards falling particularly for young people. Extreme low pay has been largely eliminated but one in five people in the UK are stuck on low pay – a consistently higher proportion than other comparable nations. There is currently no prospect of the Government achieving its ambition of Britain becoming a high skilled high paying economy.

## A divided nation

What is so striking about this analysis of the last twenty years is how divided we have become as a nation. A new geographical divide has opened up. A new income divide has opened up. And a new generational divide has opened up.

The spatial divide is obvious - London and some of our country's other great cities are moving ahead while other parts of England are falling behind. Output per person in London is £43,629 compared to less than £19,000 per person in the North East of England. In London, almost two thirds of the population are graduates, compared to about one third in the North East. The UK now has greater regional disparities in economic performance than any other European country. Limited education and employment opportunities in many urban and rural communities - not just those in the North - are forcing aspirational youngsters to move out in order to get on. These 'left behind' parts of Britain are becoming socially hollowed out.



The income and wealth divide has also become more acute. Between 1997 and 2017 the bottom fifth of households saw their incomes increase by just over £10 per week compared to just over £300 for the top fifth. Furthermore, by 2014 the wealthiest 10 per cent of households owned 45 per cent of all household wealth. In the wake of the global financial crisis of 2008, employment held up well but earnings took the brunt of the impact. They remain below their 2008 peak. Average real earnings which increased from £460 per week in 1997 to a peak of £570 in 2008 have subsequently fallen to levels last seen in 2003 (£539). During the period, the gap between the highest and the lowest paid increased dramatically. In 1998, on average the highest earners were paid 47 times that of the lowest. By 2015 the equivalent gap was 128 times more.

A new generational divide has also emerged. Poverty among pensioners halved over the period and their income today on average exceeds the income of adults who are in work. Meanwhile young people's earnings have fallen. More fundamentally, the twentieth century expectation that each generation would do better than the last is no longer being met. Those born in the 1980s are the first post-war cohort not to start their working years with higher incomes than their immediate predecessors. Home ownership, the aspiration of successive generations of ordinary people, is in sharp decline, among the young especially. In the last ten years, the number of under-25-year-old homeowners has more than halved. As wages have fallen, house prices have risen. Today's young generation is more reliant than ever on their parents for help to buy their first home: three times as many buyers used inherited funds to do so now compared to a decade ago. Britain's deep social mobility problem, for this generation of young people in particular, is getting worse not better.

### Five key lessons

The question to ask after twenty years of public policy effort to address these divisions is why more has not been achieved. There is no simple single answer. Public policy is only one of a range of levers that affect Britain's social landscape. There are profound global economic forces at work that are helping to reshape it too. Yet our analysis suggests that public policy has not been as impactful as it should have been. It has punched below its weight for five principal reasons.

First, successive governments have failed to make social mobility the cornerstone of domestic policy. Over two decades efforts have waxed and waned. They been piecemeal rather than holistic. All too often they have relied on the tenacity and commitment of individual Ministers rather than being a core objective and shared mission for all Ministers, including Prime Ministers. The social mobility agenda has tended to be skewed towards children and the education system with too little emphasis on young adults and the labour market. There has been no overall long-term plan for change. We **recommend** that in future Prime Ministers should ensure the whole of government owns the social mobility agenda by putting in place a single cross-departmental plan to deliver it.

Secondly, long-term progress has too often been sacrificed to short-term change. There has been a bewildering array of almost continual structural reforms to all parts of the education system. Few have been given the opportunity to bed down. Early years services, which were largely started from scratch, suffered from inflated expectations about their ability to effect immediate changes to parental behaviour

and child development. The first school academies helped to address low standards in disadvantaged areas but were superseded by attempts to universalise the model that did not have the same positive impact. None of this has been helped by the absence of explicit long-term targets which could have anchored policies rather than letting them drift with each passing political tide. We **recommend** that in future across each policy area there are ten-year targets introduced to chart progress and to ensure that public money is being spent effectively.

Third, the way policies have been designed has often been misaligned from the objective of securing higher levels of social mobility. Early years services have been caught in a no-man's land between providing extended childcare to enable more parents to work and providing early education to aid children's development. Closing the attainment gap in schools has played second fiddle to raising the standards bar. Exam results have been prioritised over character development, careers advice and employment outcomes - and have been the yardstick against which all parts of the education system have been judged and inspected. Apprenticeships have become the preserve of adult workers not young people who need them most. We **recommend** that in future there should be a social mobility test applied to all relevant new public policy to focus it on bringing about sustained improvements in outcomes.

Fourth, public resources have not been properly lined up behind social mobility policies. Spending on older people - including wealthy pensioners - has been protected while spending on young people and on poorer working adults has been cut. With honourable exceptions such as the Pupil Premium in schools, often there has been a hesitation to focus resources on tackling disadvantage. In the early years, quality of service in poorer areas has taken a backseat to ensuring quantity across the country. In schools, there are fewer qualified teachers in poorer areas but governments have made structural reform the vehicle to deliver school improvement and have made too little effort to redistribute resources and teachers to address educational inequality. In the regions, the scale of government investment in efforts to create jobs and prosperity has simply been outweighed by the economic drift of wealth and employment to London and the South East. We **recommend** that in future each annual Budget identifies how public spending is being redistributed to address geographical, wealth and generational divisions in our country.

Fifth, governments have overly limited their scope of action. They have focussed on improving the education system but shied away from improving parenting. They have assumed that if more people could be moved from welfare to work, the labour market would then do the heavy lifting to move people from low pay to living pay. Governments have largely absented themselves from addressing progression in employment and elitism in the professions. They have assumed that Britain could get by with imbalanced economic growth and have been too tentative in addressing market failures in local and regional economies. We **recommend** that in future governments pursue a more activist agenda and build a coalition with councils and communities and with employers and professions behind a shared national effort to improve social mobility.

None of this is to suggest that in the last twenty years different governments have not tried. To varying degrees they have. They have made some progress. But they have not been as successful as they might have been. The good news is that we

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now have better evidence about works and what does not. In the more detailed recommendations we make below, we have attempted to distil these five big learnings from previous efforts to improve social mobility - in the hope that this and future governments are able to make more progress.

## Conclusion

Our country has reached an inflection point. If we go on as we have been, the divisions that have opened up in British society are likely to widen not narrow. There is a growing sense in the nation that these divisions are not sustainable, socially, economically or politically. There is a hunger for change. The policies of the past have brought some progress, but many are no longer fit for purpose in our changing world. The old agenda has not delivered enough social progress. New approaches are needed if Britain is to become a fairer and more equal country. It is time for a change.

A handwritten signature in black ink, appearing to read 'Alan Milburn'. The signature is fluid and cursive, with a large initial 'A'.

**The Rt. Hon. Alan Milburn**  
**Chair**  
**Social Mobility Commission**

## Recommendations

### Early Years

#### The Government should:

- Establish a new national ambition to ensure that within a decade every child, regardless of background, is school ready by the age of 5 and that the attainment gap between poorer 5-year-olds and their peers has been halved.
- Focus childcare policy on improving teaching for the poorest children by doubling the Early Years Pupil Premium to enable childcare providers to offer extra support for disadvantaged children.
- Support early years' teachers by shifting regulatory emphasis and funding from teacher qualifications to continuing professional development.
- Restore funding for parenting programmes and experiment with online classes to achieve scale without undermining quality – using funding from both health and education budgets and shared objectives across both departments.

### Schools

#### The Government should:

- Introduce a new ambition that, within a decade, the attainment gap between poorer children and their better off classmates should be closed at GCSE level.
- Align inspection regimes and redistribute resources behind the new drive to close the attainment gap.
- Abandon plans to extend grammar schools and instead focus on developing new collaborative approaches to turning around failing schools.
- Introduce effective incentives to attract and retain good quality teachers in the schools that need them most, including a new emphasis on continuing professional development.
- Develop a more balanced curriculum incorporating social and emotional learning, alongside careers advice, within the formal school timetable.

## Young People

### The Government should:

- Set a new aim to halve the attainment gap in Level 3 qualifications within the next decade through new policies including T levels, apprenticeships, and extra support and accountability reforms for further education colleges.
- Refocus apprenticeship policy on young people and on higher-quality apprenticeships.
- Ensure careers advice and support is available in all schools via greater emphasis on destinations measures plus increased training and time in the curriculum.
- Ensure that higher education is available via further education colleges in social mobility cold spots.
- Encourage universities to focus on helping students succeed in the labour market by measuring graduate outcomes and offering better careers advice and work experience opportunities.

## Working Lives

### The Government should:

- Introduce a new ambition to make the UK the country with the lowest level of low pay in the OECD by 2030.
- Increase the number of high-skilled jobs in the regions and particularly in social mobility cold spots, by encouraging and incentivising public sector bodies and private companies to base themselves in those areas.
- Devolve accountability and resources to enable the development of local skills strategies that bring employers to those areas.
- Forge a new concordant with employers behind a national drive to improve career progression underpinned by increased investment in skills policies - including high quality apprenticeships.
- Make socio-economic diversity in professional employment a priority by encouraging all large employers to make access and progression fairer, with the Civil Service leading the way as an exemplar employer.

## Introduction: The Changing Economic Context

### Overview

The UK economy has gone through major challenge and change in the last two decades. Social mobility matters, regardless of the state of the economy, but lack of opportunity has the biggest impact when times are difficult. The global financial crisis of 2008 triggered a deep recession in the UK. In the wake of the crisis, employment held up well - indeed it has grown to record levels - but earnings took the brunt of the impact. They remain below their 2008 peak.

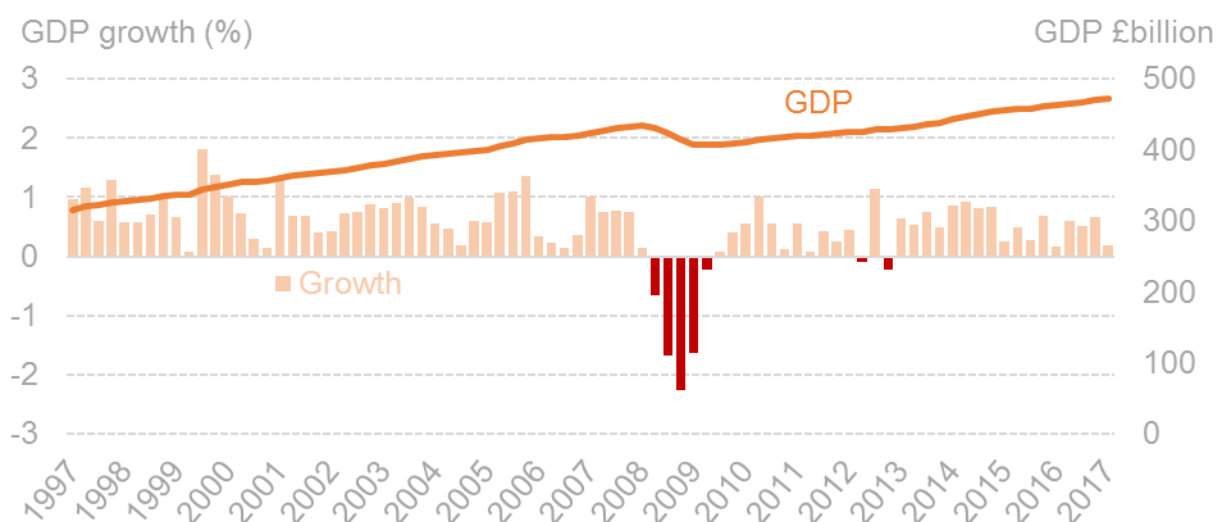
Similarly, public spending, which increased prior to the 2008 recession, has been reduced as governments sought to keep public sector debt under control. The age of austerity has now lasted for the best part of a decade.

### The economy

The UK economy grew strongly in the first decade from 1997 to 2007, but after the 2008 financial crisis it took until mid-2013 for it to recover to pre-recession levels. The recession had profound consequences for wage growth and public spending.

As Figure O1 shows, Gross Domestic Product – a key measure of economic activity – grew consecutively until the second quarter of 2008. It then contracted for five quarters before recovering back to pre-recession levels in the third quarter of 2013. Since GDP levels recovered, the average quarterly growth rate has been 0.56 per cent, compared to 0.73 per cent pre-crisis<sup>5</sup>.

**Figure O1 – Quarterly growth and levels of GDP, United Kingdom, Q1 1997 to Q1 2017**



Source: Office for National Statistics ([ONS](#))

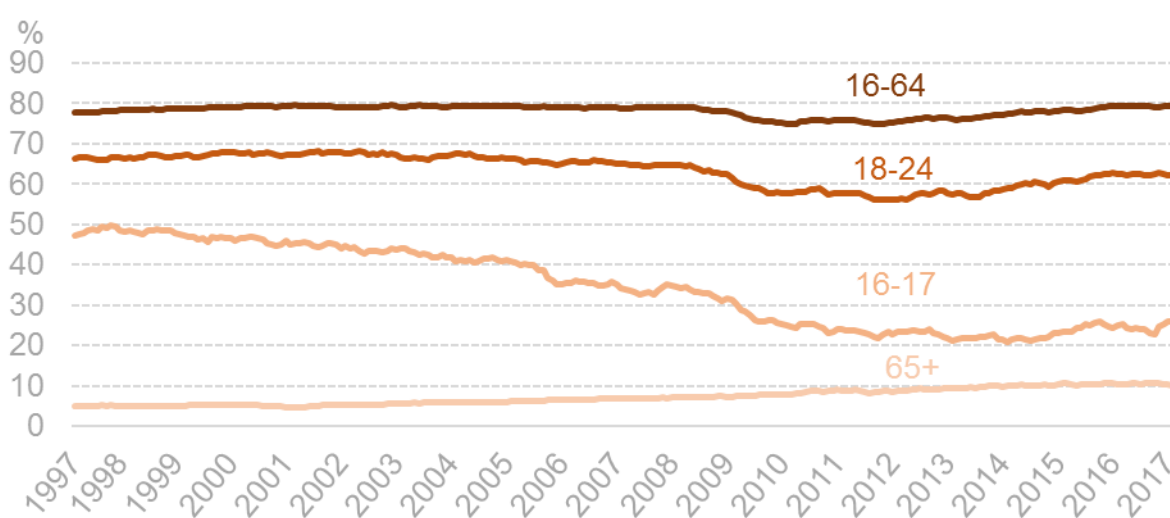
<sup>5</sup> Mean average used. Pre-crisis growth period: 1997 Q1 to 2008 Q1; Post-crisis growth period: 2013 Q3 to 2017 Q1

## Employment and earnings

The employment rate increased from 1997 to 2007 and remained comparatively resilient during the recession. It is currently at its highest ever level but the employment rate for 18-24 year olds dropped as the younger generation were hit hardest by the recession.

Figure O2 shows that the overall employment rate for the 16-64 age group increased from 77.6 per cent in 1997 to a high point of 79.1 per cent at the end of 2007. It fell back to a low point of 74.9 per cent in early 2010, but increased steadily from that point and is currently at 79.5 per cent.

**Figure O2 – Employment rate by age group, 1997 Q1 to 2017 Q1, seasonally adjusted, United Kingdom**

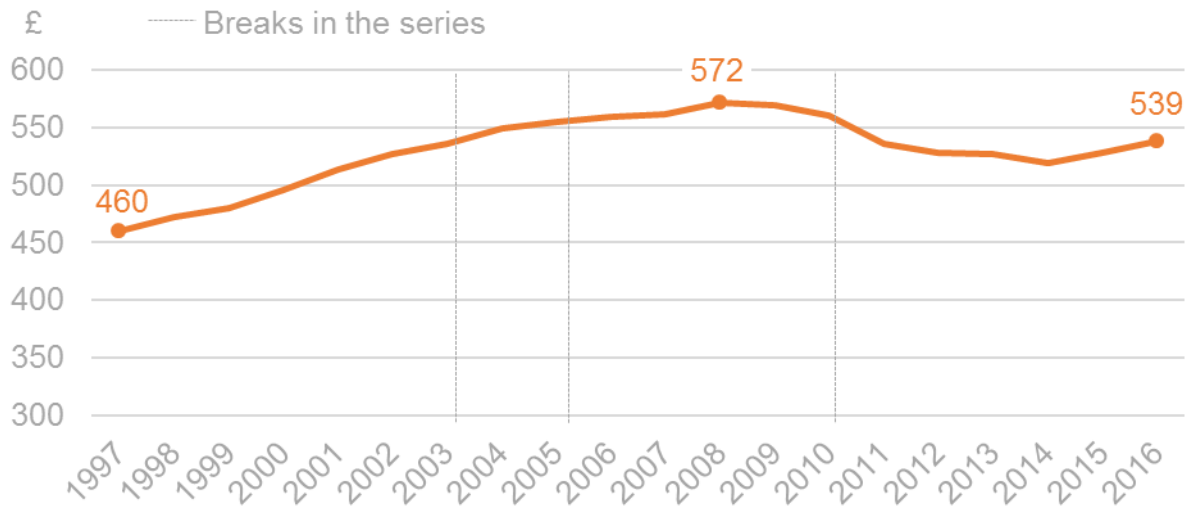


Source: Office for National Statistics ([ONS](#)), Labour Force Survey

While employment rates have been relatively resilient, real earnings have performed badly since the recession and are now at their lowest levels since 2003. Earnings stagnation has deep consequences for social mobility in the UK, making it harder for people on average or below average earnings to build a successful life for themselves.

During the period, average real earnings increased from £460 per week in 1997 to a peak of £572 in 2008, but have subsequently fallen to levels last seen in 2003 (£539)

**Figure O3 - Real median full time gross weekly earnings, April 1997 to 2016, constant (2016) prices, United Kingdom**



Source: Office for National Statistics, Annual Survey of Hourly Earnings (ASHE) – Figure 1

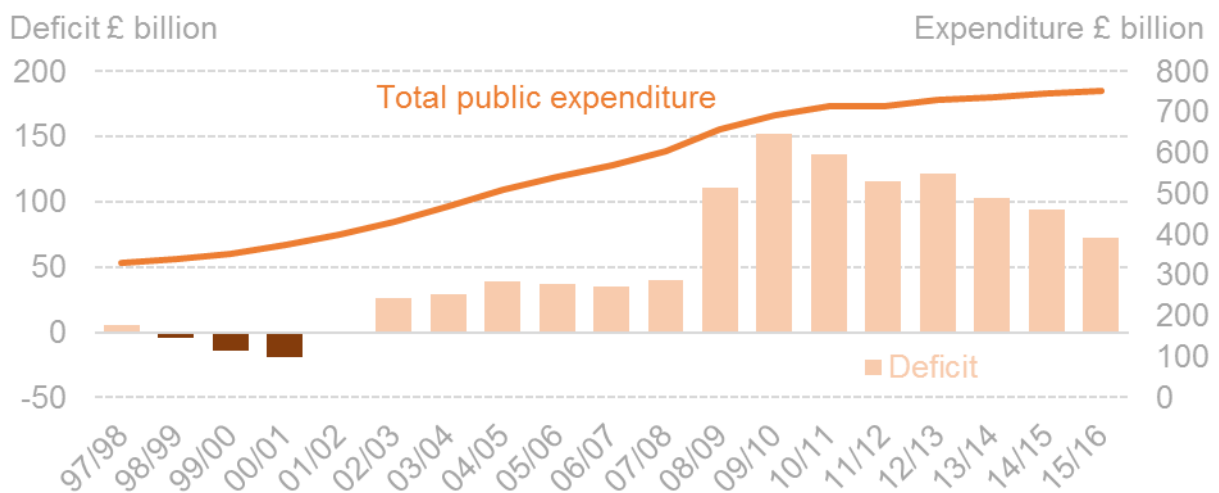
### Public spending

Public spending increased in the years leading up to the 2008 recession, but has flattened out over the past few years.

Figure O4 shows that total public spending increased from £330.1 billion in 1997/98 to £714.1 billion in 2010/11. It has taken a flatter trajectory over the past few years, reaching £753 billion in 2015/16.

Meanwhile, the public sector spending deficit traced the opposite path, increasing steadily in the years leading up to the recession to hit a high point of £151.7 billion in 2010/11 and then falling back to £72.1 billion in 2015/16.

**Figure O4 – Total public expenditure (nominal) and the deficit, financial years 1997/98 to 2015/16**



Source: Office for National Statistics (ONS), Public sector finances- Figure 3; Total public expenditure (HM Treasury- PESA, 2016) - Table 4.1

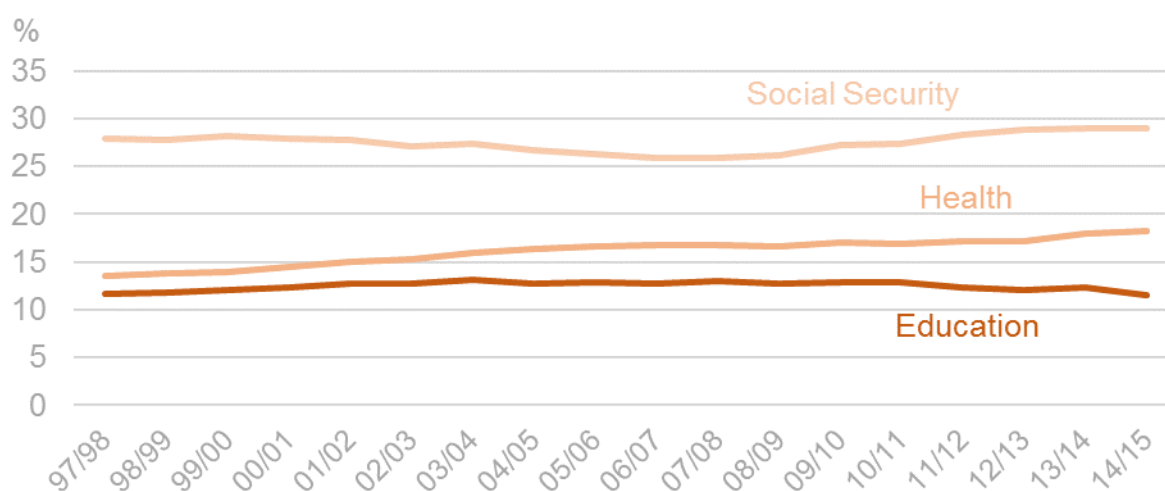


**Notes:** Total public expenditure is the nominal total managed expenditure (TME) series; the deficit is the nominal public sector net borrowing excl. public sector banks series.

During this period there were changes in how public money was spent. In the years leading up to the recession, the proportion of total spending on social security fell from 27.9 to 25.9 per cent, whereas health expenditure increased from 13.5 to 16.8 per cent. Currently both social security and health - at 29 and 18.3 per cent respectively - have their largest shares of total spending since 1997/98 (Figure O5).

Education spending as a proportion of total expenditure increased from 11.7 per cent in 1997/98 to 13 per cent in 2007/08. By 2014/15 it had fallen to 11.5 per cent. Overall, real spending on education increased from £53.6bn in 1997/98 to a peak of £97.9bn in 2010/11 and then fell back to £84bn in 2015/16<sup>6</sup>.

**Figure O5 – Proportion of public spending (nominal) accounted for by social security, health and education, financial years 1997/98 to 2014/15**



**Notes and Source:** Institute for Fiscal Studies (IFS) – 2014/15 PESA statistics and IFS calculations of Social Security; see footnote 1 for Education spending series.

## Income distribution and poverty

Overall income inequality has remained broadly the same since 1997<sup>7</sup>, but there were big differences in income growth between the very richest and poorest in society. Relative poverty among pensioners halved over the period and there was also a small reduction in relative child poverty. However, an intergenerational divide emerged with inequality growing between the old and the young.

Figure O6 shows that the bottom 5<sup>th</sup> saw their incomes increase by just over £10 per week compared to just over £300 for the top 5<sup>th</sup>. The period following the 2008

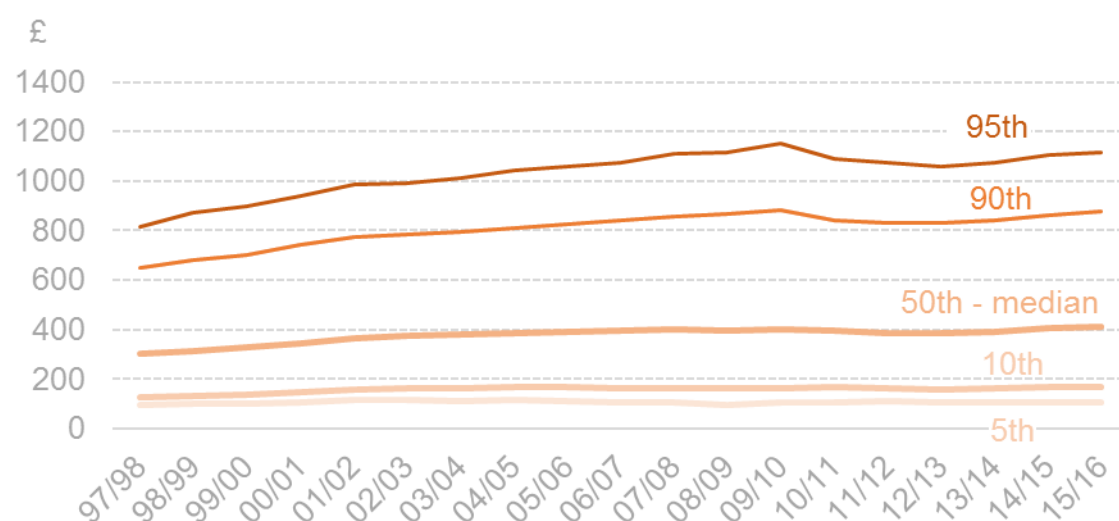
<sup>6</sup> From 2011-12 onwards the 'grant-equivalent element of student loans' was no longer part of the Total Expenditure on Services (TES) framework and has therefore been removed from Education function. Comparing 2011/12 to 2014/15 the proportion of total spending on education fell from 12.3 to 11.5 per cent (IFS). Real spending on education fell from £91.2bn in 2011/12 to £84bn in 2015/16 (PESA 2016)

<sup>7</sup> The Gini coefficient – a measure of income inequality – increased from 0.38 in 1997/98 to 0.4 in 2015/16 (IFS) based on equalised household income after housing costs.

recession has been the only time when incomes for the top 10<sup>th</sup> of the income distribution have fallen relative to the bottom 10<sup>th</sup>.<sup>8</sup>

The proportion of pensioners in relative poverty - defined as having an income that is less than 60 per cent of median household income - has fallen significantly since 1997 (Figure O7). The percentage of children in relative poverty fell slightly from 33 per cent in 1997/98 to 30 per cent in 2015/16, but has been increasing in recent years. The percentage of the working age population in relative poverty has remained broadly unchanged.

**Figure O6 – Real weekly household income, after housing costs, 1961 to 2015-16, Great Britain**

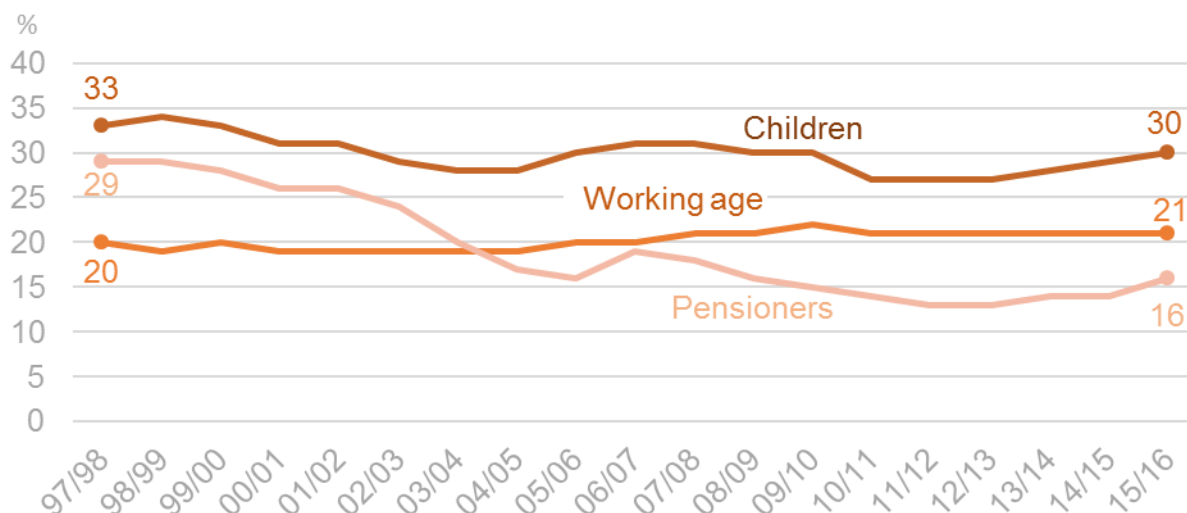


Notes and Source: Institute for Fiscal Studies (IFS) – Income (AHC); Household income is net equivalised

Looking between generations, Figure O8 shows the expectation that each generation would be better off than the previous one is no longer being met. Individuals born after 1911 had higher incomes than the previous generation until the 1980s. Those born between 1981 to 2000 are the first cohort to show signs of falling behind their predecessor generation by the age of 30.

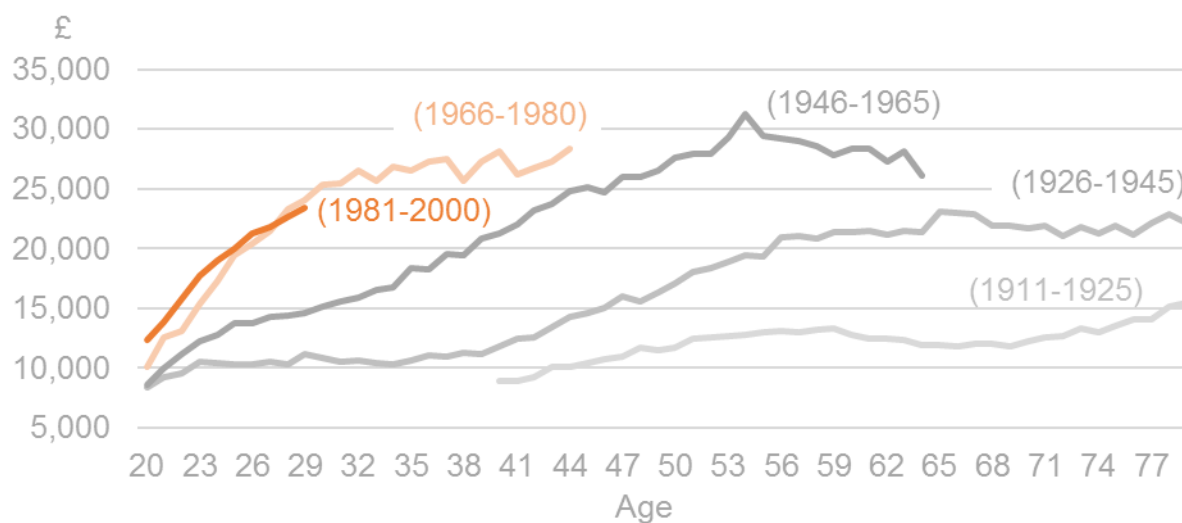
<sup>8</sup> This is driven by the composition of income received across the distribution, and the stability of income from state benefits compared to the large fall in real wages after the recession. (HBAI report – sources of income)

**Figure O7 – Percentage of individuals in households below 60 per cent of contemporary median income, After Housing Costs, 1997/98 to 2001/02 Great Britain, 2002/03 to 2015/16 United Kingdom**



Source: Households below average income (DWP) – Tables 4.1tr, 5.1tr and 6.1tr

**Figure O8 – Average (median) household income for each generation by age, after housing costs, generations from 1911 to 2000, Great Britain**



Source: Resolution Foundation - Shifting incomes and inequality between & within generations (2017)- Figure 2

Notes: Real equivalised household income is used in 2014-15 prices using a CPI variant that excludes all housing costs. Figures for each generation are derived from a weighted average of estimates by single year of age for each single-year birth cohort within that generation; generations are included if at least five birth years are present in the data.

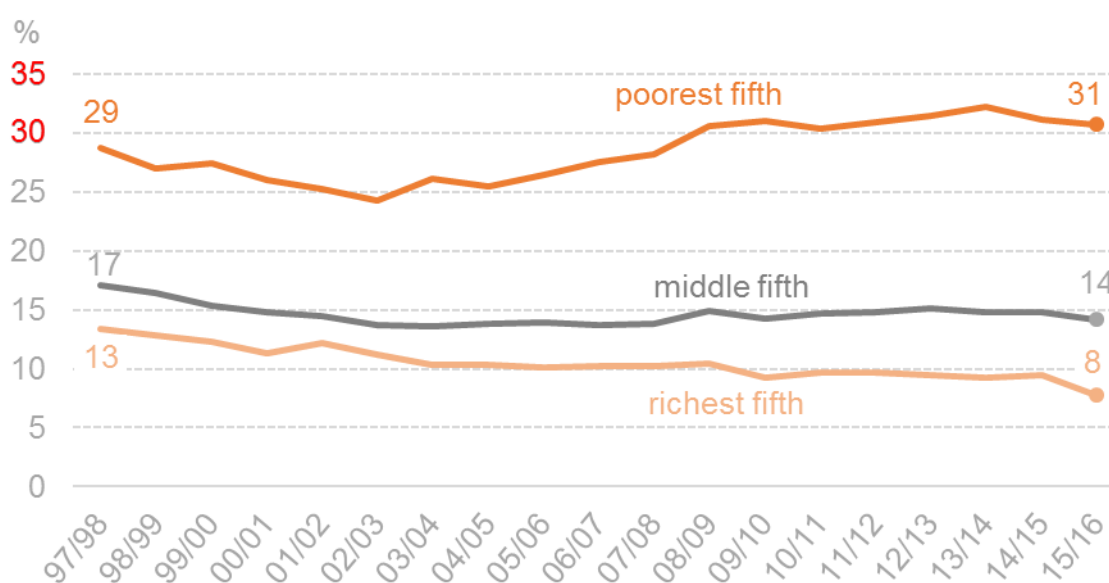
## Housing

Good housing is a crucial part of anyone's wellbeing, but housing became significantly less affordable during the course of the period and home ownership has been in sharp decline – particularly among the young.

As a proportion of household income, housing costs have risen fastest for the poorest. The poorest fifth now spend more than 31 per cent of their household incomes on housing costs. In contrast, the richest fifth spend 8 per cent, a fall from 13 per cent in 1997/98 (Figure O9).

In 2007, 70 per cent of people were owner-occupiers, but by 2016, this had dropped to 63 per cent (Figure O10). The key driver was the relationship between house prices and earnings. The affordability ratio – house prices to earnings - for the average home was just over 3.5 times the average annual earnings in England in 1997. Two decades later the ratio has increased to just under 8 times average annual earnings in 2016.

**Figure O9 - percentage of household income spent on housing costs by income quintile, financial years 1997/98 to 2015/16, Great Britain**



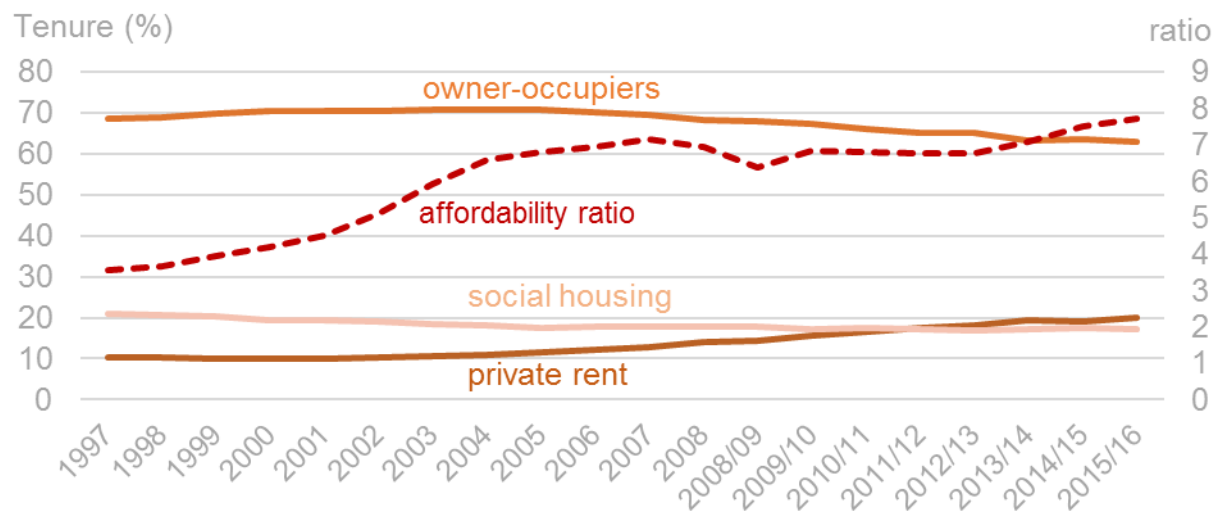
Source: Households below average income ([DWP](#))

Notes: Housing costs are calculated by taking the difference between median incomes before housing costs and after housing costs.

Younger groups have been particularly affected. In 2003/04, 24 per cent of the under 25 year olds were owner-occupiers compared to 10 per cent in 2015/16. Over the same period, owner-occupier rates for the 25-34 year old group declined from 59 per cent to 38 per cent<sup>9</sup>.

<sup>9</sup> English Housing Survey ([DCLG](#)) 2015/16 - Table AT1.4 – uses age of household reference person.

**Figure O10 – Tenure rates and ratio of median house price to median annual earnings (affordability ratio), England, 1997 to 2015/16**



Source: English Housing Survey ([DCLG](#)) 2015/16 - Table AT1.1; Housing affordability in England and Wales ([ONS](#)) – Figure 1.

Notes: Home ownership data is from the Labour Force Survey for 1997 to 2008 and from the English Housing Survey (financial years) for 2008/09 to 2015/16. The affordability ratio is based on calendar years from 1997 to 2016.

## Chapter One: Early Years

### Overview

It is only in the last 20 years that government has fully recognised the importance of the early years. This is a welcome development. The first years of a child's life have a lasting impact on their life chances, but by the age of five, large gaps in development have opened up between children from low-income families and their better-off peers.

Since 1997, governments have sought both to improve poorer children's education – at home and pre-school – and to reduce barriers to early development, namely poverty and health inequalities. Public spending on early education increased from under £1 billion in 1997-8 to around £5.4 billion in 2015-16 with a proportion of this spend explicitly aimed at reducing the gap between the poorest children and their peers. New policies since 1997 included: the creation of Sure Start centres to combine childcare and family services (1999), the first free entitlement to education for four-year-olds (2000), and the first free education for disadvantaged two-year-olds (2006).

Government's focus on the early years has had a clear impact and helped double the number of disadvantaged children reaching a good level of development by the age of five.<sup>10</sup> Yet the gap between advantaged and disadvantaged only began to shrink recently and disadvantaged children are still 17 percentage points more likely to fail to reach school readiness at age five than their better-off peers. Slow progress has been due to the complexity of the problem as well as the need to build new early years services and to sometimes over-ambitious implementation plans.

In the last 20 years, governments increased funded provision of early education from 12 to 15 hours per week, and provision will soon rise to 30 hours per week. But rapid expansion undermined teaching quality. Governments recognised the problem and tried to boost standards through inspection and teacher training but the fragmented nature of the sector made it hard to improve quality through inspection. Meanwhile low levels of pay made it hard to deliver ambitions for a better qualified workforce.

Learning at home is as important as learning at pre-school.<sup>11</sup> Both Labour and Conservative governments recognised this and invested in a variety of parenting programmes to improve home learning as well as family relationships. Implementation difficulties undermined uptake and impact. Today, understanding of how to reach and influence parents has improved dramatically, but funding has been cut. As a result, parenting support today is little better now than it was in 1997.

Poverty, health, and housing conditions influence child development as much as – if not more than – education. Policies to reduce early inequalities have been inconsistent and results have been mixed. For example, although poverty and health inequalities have improved, housing problems have worsened considerably.

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<sup>10</sup> Data across the period is not technically comparable, but this is the closest estimate available.

<sup>11</sup> Goodman, A. and Gregg, P., *Poorer Children's Educational Attainment, How Important are Attitudes and Behavior?*, 2010

## Key Developments

### Investment in the under-fives

Since 1997, investment in early education, parenting support, and family services has increased exponentially with a clear and welcome focus on disadvantaged families. In the first decade, spend on early education grew from almost £0.9 billion in 1997 to £2.37 billion by 2008/9 (in 2016/17 prices).<sup>12</sup> Additionally, investment in Sure Start grew from just £5 million in 1997 to £1.4 billion in 2006 (in 2006/07 prices), while child-related benefits also increased by 60 per cent between 1997 and 2005.<sup>13</sup> Since 2008/9 spend on early education fell about 2.5 per cent in real terms to £2.31 billion – though it is set to increase to record levels by 2018/19.<sup>14</sup> In total, early years spend grew from 0.5 per cent of GDP in 1998 to 0.8 per cent of GDP by 2013.<sup>15</sup>

### Child development outcomes

Rapid investment in the early years has had a clear impact on child attainment, although it took a full decade after new services were launched for clear evidence to emerge. Despite the extra investment, however, the 21-percentage-point attainment gap between advantaged and disadvantaged children has only recently begun to narrow.

Data from the early 2000s suggests there was no real improvement in five-year-olds' reading or maths scores before 2006 (Figure 1.1). It is possible that social or emotional development improved, but there is no evidence of meaningful changes in cognitive development from this period. This is not entirely surprising given that improving child outcomes is a long-term goal, but it should also be noted that evidence is limited as there were relatively few measurement tools at that time.

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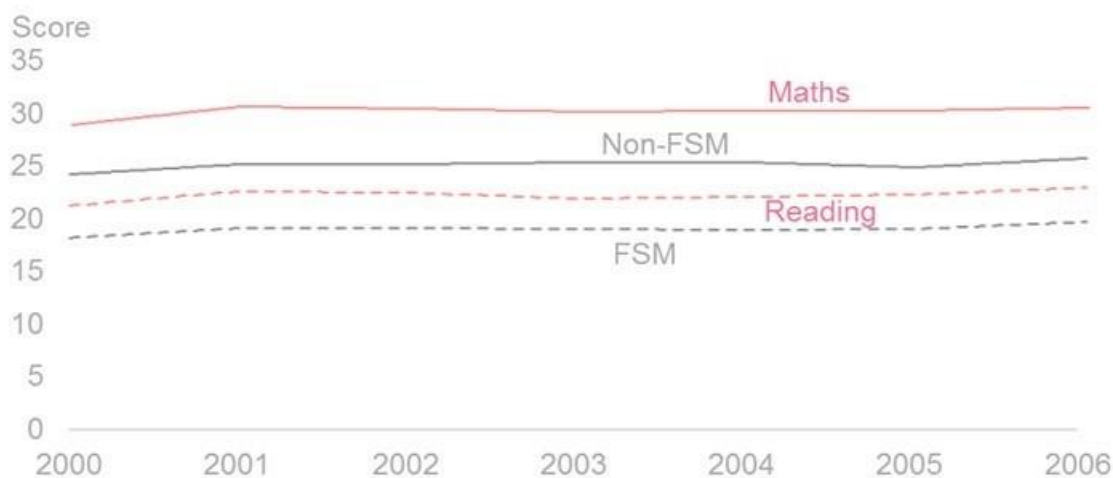
<sup>12</sup> Only includes spend on the three- and four-year-olds' early education. Belfield, C., Crawford, C. and Sibieta, L., *Long-run comparisons of spending per pupil across different stages of education*, IFS, 2017

<sup>13</sup> Hills, J., Sefton, T. and Stewart, K., *Towards a More Equal Society? Poverty, inequality and policy since 1997*, 2009

<sup>14</sup> Belfield, C., Crawford, C. and Sibieta, L., *Long-run comparisons of spending per pupil across different stages of education*, IFS, 2017

<sup>15</sup> OECD, *PF3.1: Public spending on childcare and early education*, 2014

**Figure 1.1: Attainment gap at five in reading and maths – pips baseline assessment mean scores, 2000 to 2006, England**



**Source:** Merrell, C. and Tymms, P., *Changes in Children’s Cognitive Development at the Start of School in England 2001 – 2008*, 2011; Merrell, C., Little, J. and Coe, R. *Is the Attainment Gap among Primary Aged Children Decreasing? In Harnessing what works in eliminating educational disadvantage: A tale of two classrooms.*, 2014

**Note:** Data from a sample of 472 schools.

The introduction of the Early Years Foundational Stage Profile in 2002/3 – with data for the poorest children versus others from 2006/7 – provided a yardstick for assessing progress and subsequent data does show a significant improvement, albeit from a very low starting point. In 2007 – a decade after the introduction of many early years services – a shocking 72 per cent of disadvantaged children failed to reach a good level of development at five. Since then, attainment scores for both advantaged and disadvantaged children have risen by roughly 25 percentage points, and the number of disadvantaged children reaching school readiness levels has doubled (Figure 1.2).

**Figure 1.2: Percentage of five-year-olds reaching a good level of development by free school meal (FSM) eligibility, 2007 to 2016 academic years, England**



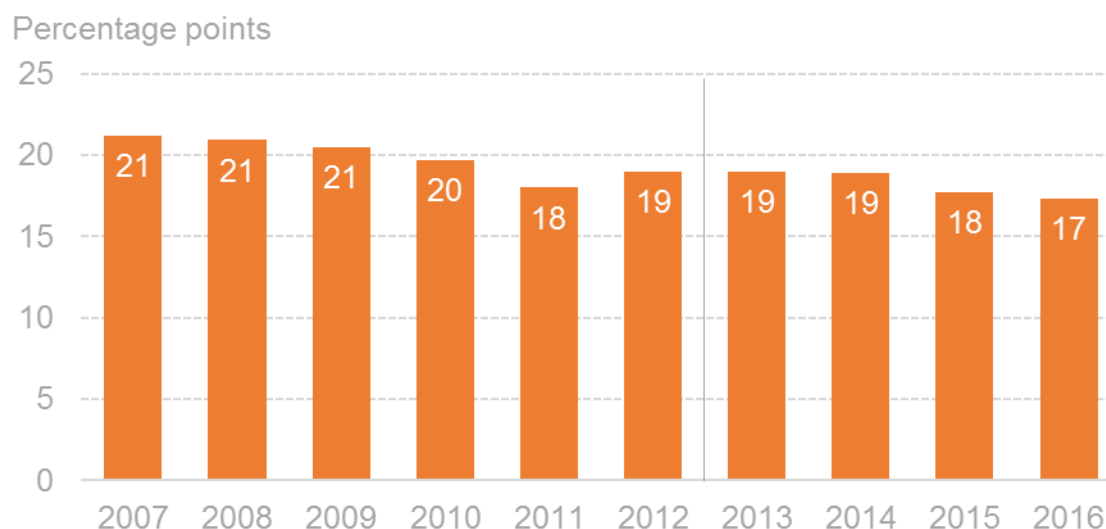
**Source:** Department for Education, *Early Years Foundation Stage Profile Results*, 2016



**Note:** A new framework from 2013 onwards means that direct comparisons between pre- and post-2013 should be treated with some caution.

The gap in attainment between the poorest children and their peers has been harder to shift. There is no evidence of any gap reduction before 2006 and in the period since then the 21-percentage-point gap has only fallen by four points (Figure 1.3).<sup>16</sup>

**Figure 1.3: Attainment gap at five: percentage point gap in reaching a good level of development at age five by free school meal (FSM) eligibility, 2007 to 2016 academic years, England**



**Source:** Department for Education, *Early Years Foundation Stage Profile Results*, various years

**Note:** A new framework from 2013 onwards means that direct comparisons between pre- and post-2013 should be treated with some caution.

Since 2010, the data shows greater progress at reducing the gap at the age of seven, potentially thanks to small improvements at age five (Figure 1.4). Even so, there remains an 8 to 10 percentage point difference in reading and maths scores at age seven between the poorest children and their peers – specifically for achievement of level 2, which was the expected level, in key stage 1 tests.

<sup>16</sup> Merrell, C. and Tymms, P., *Changes in Children's Cognitive Development at the Start of School in England 2001 – 2008*, 2011; Merrell, C., Little, J. and Coe, R. *Is the Attainment Gap among Primary Aged Children Decreasing? In Harnessing what works in eliminating educational disadvantage: A tale of two classrooms.*, 2014

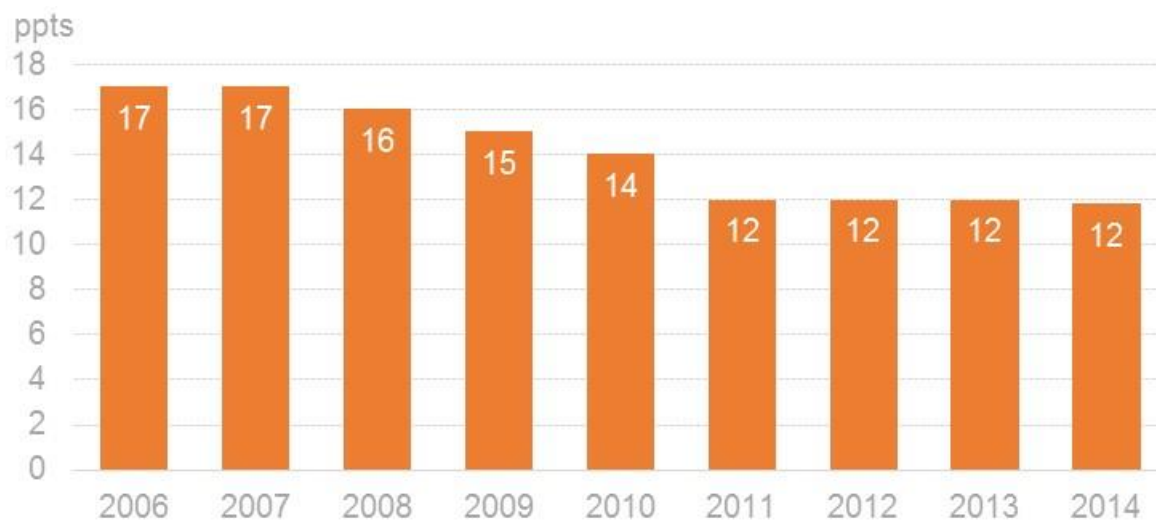
**Figure 1.4: Attainment gap at seven: percentage point gap in achieving level 2 in reading and maths at KS1 by free school meal (FSM) eligibility, 2006 to 2015 academic years, England<sup>17</sup>**



Source: Department for Education, *Phonics screening and key stage 1 assessments: England 2017*

The attainment gap between deprived areas of the country and other areas shrank by 5 percentage points between 2006 and 2014, though it still remains too wide at 12 per cent.<sup>18</sup>

**Figure 1.5: Percentage point gap in children reaching a good level of development at age five between deprived and non-deprived areas, 2007 to 2016 academic years, England**



Source: LSE, *The Coalition's Record on the Under Fives: Policy, Spending and Outcomes 2010-2015*; 2015

Note: The 2013 figure has been imputed using linear interpolation, as the data was not published in a consistent format.

<sup>17</sup> It should be noted that there is likely to be a larger attainment gap at level 3, which is predictive of future high achievement.

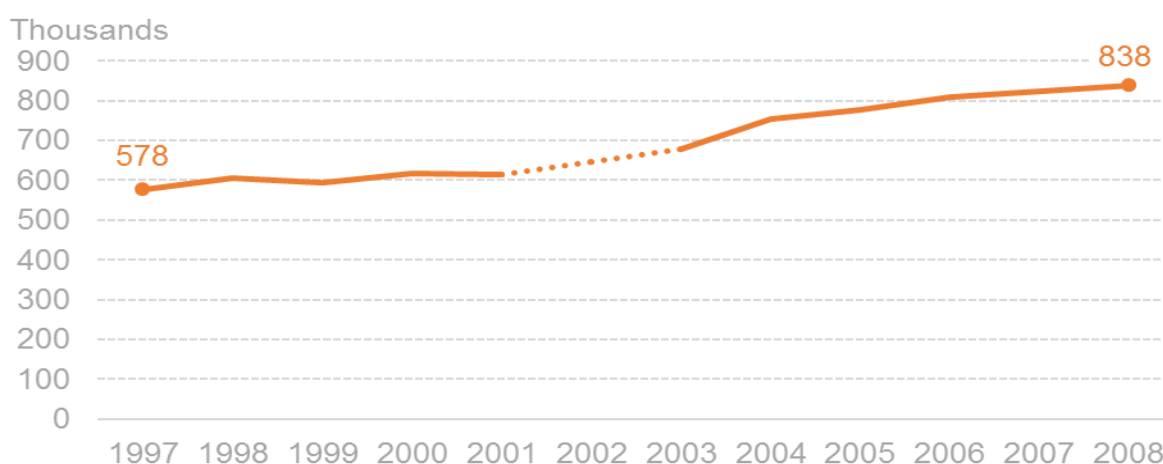
<sup>18</sup> Stewart, K., *The Coalition's Record on the Under Fives: Policy, Spending and Outcomes 2010-2015*; LSE, 2015

## Increasing access to childcare and early education

In 1998, government committed to delivering ‘good quality, affordable childcare’ – a new area of responsibility for government.<sup>19</sup> Since then, this has been the primary focus for early years policy makers. Successive governments hoped that childcare could provide high-quality education for all children, while also helping parents back into work to reduce poverty. These twin aims created a tension between focusing on teaching quality and providing work-friendly hours of care. As a consequence, access to childcare increased dramatically, but the quality of early education did not improve enough. Moreover, increases in the supply of childcare places were not matched by an equal increase in use of childcare by disadvantaged families.

Since 1997, a host of targeted policies improved childcare options for low-income parents and in a decade childcare places increased by 260,000 (Figure 1.6). A new subsidy covered 70 per cent of childcare costs for poorer families, while paid maternity leave doubled from 18 to 39 weeks.<sup>20</sup> The universal entitlement to preschool education also provided 15 hours of free care at age three and four – and later at age two for disadvantaged families.

**Figure 1.6: Childcare places (full-day and sessional), 1997 to 2007, England**



**Source:** 1997-2001 from the Department for Education and Employment, Education: Children’s Day Care Facilities (England) Survey, Stationery Office. 2003-2008 from the Ofsted series Registered Providers and Childcare Places in England. Based on (LSE, 2013) - Table 5.

**Notes:** Data for 2002 is not available. Due to changes in data collection and reporting, figures from 2003 to 2008 are not directly comparable to those for 1997 – 2001.

However, rapid expansion in government-funded childcare places outstripped both demand for childcare and availability of places at high-quality childcare providers. Uptake was slowest amongst the very children who needed early education the most. At first, less than 23 per cent of disadvantaged families used their childcare subsidy, and this only grew to 30 per cent by 2008 – partly because childcare costs remained unaffordable even with the discount.<sup>21</sup> Use of free early education was also slow off the ground, but proved far more effective – starting at 77 per cent uptake in

<sup>19</sup> Department for Education, *The National Childcare Strategy*, 1998

<sup>20</sup> Hills, J., Sefton, T. and Stewart, K., *Towards a More Equal Society? Poverty, inequality and policy since 1997*, 2009

<sup>21</sup> Hills, J., Sefton, T. and Stewart, K., *Towards a More Equal Society? Poverty, inequality and policy since 1997*, 2009

1997 but reaching 94 per cent in 2007. Here too, disadvantaged children were the least likely to use their education place.<sup>22</sup> A similar problem occurred in the second decade when free education was rolled out to the poorest two-year-olds. Just 58 per cent of eligible two-year-olds took their place in 2015 and, despite having risen, this number still hovers below 70 per cent.<sup>23</sup>

More problematically still, each expansion of government-funded childcare occurred mostly in settings that did not stimulate children well<sup>24</sup>. The recurring issue was that government targets exceeded the number of places that were actually available in high-quality settings. Lower-quality settings had to provide the remaining places, but this undermined the impact. In addition, increased provision stretched hourly funding rates too thin, damaging teaching quality at all settings. This problem risks re-emerging in September when weekly childcare doubles from 15 to 30 government-funded hours per week.

Ultimately, the impact of early education was blunted by attempts at combining the conflicting objectives of teaching and childcare. Successive governments struggled to break the trade-off between quantity and quality of care, and also to discriminate sufficiently in favour of disadvantaged children who require extra pre-school support to catch up with peers.<sup>25</sup> As a consequence, although huge investment in early education has already had a positive impact on development, it has not yet given disadvantaged children the boost required to catch up with their peers.

### Improving quality of early education

Governments were not blind to the early education quality problem, and took a series of actions to drive up quality. In particular, government attempted to regulate quality through Ofsted inspections, to professionalise the workforce by requiring certain qualifications, and – latterly – to improve teaching for the poorest via extra funding. However, Ofsted struggled to find time for thorough inspections of huge numbers of childcare providers, while low pay made it hard to increase teacher qualifications.

Assessing childcare quality is difficult without ongoing observation of child-teacher interactions, and although progress was made over the last two decades, a number of challenges remain. Early Ofsted inspections correlated only weakly with other measures of childcare quality or outcomes.<sup>26</sup> However, Ofsted's focus on minimum standards helped turn around a large number of inadequate settings. The proportion of settings rated good or outstanding grew from a low starting point at around 50 per cent in 2003 to 93 per cent in 2016 (Figure 1.7), leaving fewer disadvantaged children in poor settings.<sup>27</sup> The introduction of the Early Years Foundation Stage helped align Ofsted measures more closely with factors known to drive positive

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<sup>22</sup> Ibid.

<sup>23</sup> Department for Education, *Provision for children under five years of age in England*, 2016

<sup>24</sup> Hills, J., Sefton, T. and Stewart, K., *Towards a More Equal Society? Poverty, inequality and policy since 1997*, 2009

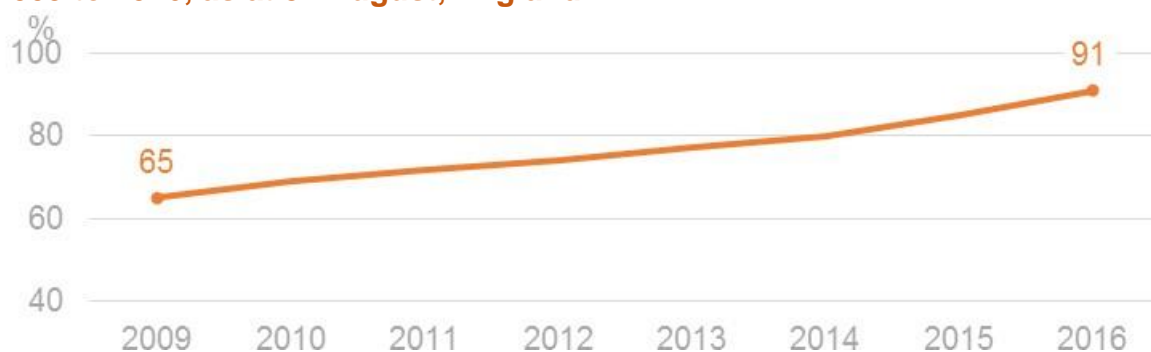
<sup>25</sup> Department for Education, *Study of early education and development (SEED)*, 2015

<sup>26</sup> National Institute of Economic and Social Research, *Quality, outcomes and costs in Early Years education: Report to the Office for National Statistics*, 2010

<sup>27</sup> Ofsted, *Standards and Quality 2002/3, 2003*; Ofsted, *Childcare providers and inspections as at 31 December 2016*

outcomes for three- and four-year-olds.<sup>28</sup> However, ratings are still disconnected from quality factors for under-threes and the ‘good’ category remains very broad.<sup>29</sup> This likely reflects the difficulty of assessing childcare quality without lengthy observation, which remains a challenge given the number of childminders to inspect.

**Figure 1.7: Percentage of early education settings rated good or outstanding, 2009 to 2016, as at 31 August, England**



Source: Ofsted, *Childcare Providers and Inspections as of December 2016*, 2016

Policy makers also struggled to improve teacher quality. In the 2000s, new research alerted government to the critical role of early years teachers for child development, especially for disadvantaged children. Government began to professionalise the workforce by creating several degree-level qualifications for early years professionals. These higher level qualifications created new prospects for career progression in the sector but Level 2 or 3 vocational qualifications remained the norm, and only 7 per cent of childcare staff had post-secondary qualifications (at level 5 or 6) compared to 60-80 per cent in nursery and primary schools.<sup>30</sup>

In 2007, government offered incentives for childcare centres to have graduate staff. To support this effort, it also launched a Transformation Fund for training and introduced the Early Years Professional Status (EYPS), marketed as equivalent to Qualified Teacher Status (QTS). However, as pay and career prospects did not match Qualified Teacher Status, EYPS enrolments remained low and the profession’s status improved only marginally. At the end of this decade, qualifications had improved, but consistency was lacking. A 2012 review revealed there were over 400 early years qualifications available.<sup>31</sup>

Following the Tickell review of the Early Years Foundation Stage, government raised standards across the board – requiring GCSE in English and maths for all staff and introducing the Early Years Teacher Status. However, higher entry requirements combined with continued low pay created a recruiting crisis. By 2014, the childcare

<sup>28</sup> Ofsted ratings align well with the Early Childhood Environmental Rating Scales. Daycare Trust, *Improving quality in the early years: a comparison of perspectives and measures*, 2012

<sup>29</sup> Ofsted ratings do not align well with the Infant Toddler Environmental Scale. *Ibid.*

<sup>30</sup> Hills, J., Sefton, T. and Stewart, K., *Towards a More Equal Society? Poverty, inequality and policy since 1997*, 2009

<sup>31</sup> Faulkner, D. and Coates, E., *Early childhood policy and practice in England: twenty years of change*, 2013; Department for Education, *Foundations for quality: the independent review of early education and childcare qualifications – Nutbrown review*, 2012

workforce had shrunk 5 per cent in relation to 2005 levels and nurseries also reported high staff turnover rates (18 per cent per year).<sup>32</sup>

In addition to system-wide changes, government also targeted quality improvement efforts at disadvantaged children in particular, recognizing that they require extra support to catch up with peers. Maintained nurseries, which tend to offer the highest-quality teaching, have been concentrated in disadvantaged areas.<sup>33</sup> These nurseries make up a tiny percentage of all registered places, but the Government has committed to boosting their numbers through a new set of incentives. Additionally, from 2015, government offered extra funding for teachers of disadvantaged pupils via the Early Years Pupil Premium. While helpful, impact was limited by low levels of funding. The Early Years Pupil Premium is about £300 per year, which is a quarter of the amount for primary school pupils.

Ultimately, teaching quality over the last two decades has been hampered by low pay and a narrow emphasis on staff qualifications rather than a focus on continuing professional development and staff retention.

### Improving parenting and home learning support

Successive governments invested in parenting programmes known to boost early development, particularly for the disadvantaged. Almost every government in the last 20 years invested in these programmes, but both quality and uptake have been ongoing challenges.

The 2000s began with significant investment in parenting programmes along with the development of 250 Sure Start centres designed to improve access to family services. However, funding for parenting classes far exceeded the capacity of evidence-based providers, creating an explosion of new providers – some good, many poor. The first evaluations found no evidence of impact, probably due to quality issues.<sup>34</sup> Following quality improvements, later evaluations found that participants improved their parenting style and created a more stimulating home environment, but evidence of improved child development was limited to behaviour, not cognition.<sup>35</sup>

To improve the quality of parenting programmes, government set up the Parenting Early Intervention Programme (PEIP), which gave local authorities money to spend on five approved evidence-based parenting providers between 2008 and 2011. The programme suffered from a range of issues. First, many local authorities struggled to recruit parents and some reached just 30 parents or fewer.<sup>36</sup> Second, the approved programmes had too few practitioners to manage the expansion.<sup>37</sup> Government

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<sup>32</sup> Simon, A, Owen, C. and Hollingworth, K., *Is the 'quality' of preschool childcare, measured by the qualifications and pay of the childcare workforce, improving in Britain?*, [2016](#); National Day Nurseries Association, *Early Years Workforce Survey*, 2016

<sup>33</sup>The British Association for Early Childhood Education, *Maintained nursery schools: the state of play report*, 2015

<sup>34</sup> Department for Education, *The impact of Sure Start Local Programmes on five year olds and their families*, [2010](#)

<sup>35</sup> *Ibid.*

<sup>36</sup> Department for Education, *Parenting Early Intervention Programme Evaluation*, 2010.

<sup>37</sup> Department for Education, *Evaluation of the National Academy of Parenting Practitioners' Training Offer in evidence based parenting programmes*, [2010](#)

invested in training, but did not train existing children's center workers, which made the programmes more expensive to run and limited their use.<sup>38</sup> Finally, many local authorities were reluctant to shift funding away from their existing parenting programmes, even if they lacked evidence.<sup>39</sup> Despite challenges, the programme improved parenting services, but impact was lower than hoped.<sup>40</sup>

In 2010, the new government continued to invest in parenting programmes, but adopted a new approach. From 2012, the CANparent programme offered parents vouchers that they could spend on one of 14 parenting programmes. This programme aimed to stimulate innovation by creating more competition between parenting programmes. However, parents found the choice of programmes confusing, which undermined uptake. Parents who used the vouchers experienced benefits, but less than 4 per cent of eligible parents used a voucher.<sup>41</sup> Rushed timelines did not allow demand to build naturally and the programme was abandoned before it had significant impact.

Since 2015, the Department for Education has not funded any nationwide parenting programmes. The only nationwide parenting fund – the Department for Communities and Local Government's Troubled Families Programme – will now include support in relation to parental conflict from the Department for Work and Pensions, but only covers a small minority of the most disadvantaged families.

For the majority of disadvantaged families, support is now at the discretion of local authorities. Given limited funds, many authorities opt for cheaper programmes with little or no measurable impact.<sup>42</sup> A 2013 evaluation of children's centre services found that un-evidenced programmes were offered far more frequently than expensive, evidence-based programmes.<sup>43</sup> In many areas, just a dozen or so parents per year were benefiting from programmes known to be effective – and matters are not likely to be any better today.<sup>44</sup>

Overall, in the last two decades, parenting behaviors improved dramatically – due largely to broad cultural trends. However, the gap between low- and high-educated parents' behaviors widened in some ways (Figure 1.9). All parents spend far more time on educational activities than they did in 2001, but high-educated parents now invest 40 minutes more per day on such activities than low-educated parents. Parenting classes could make an important contribution here.

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<sup>38</sup> Department for Education, *Evaluation of Children's Centres in England (ECCE) Strand 3: Delivery of Family Services by Children's Centres Research Report*, 2013

<sup>39</sup> Ibid.

<sup>40</sup> Department for Education, *Parenting Early Intervention Programme Evaluation*, 2010

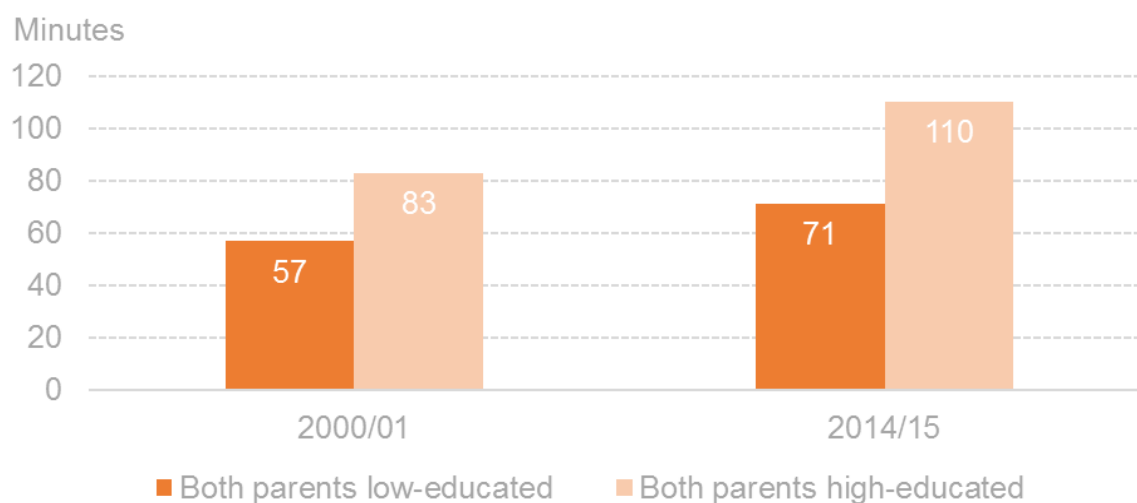
<sup>41</sup> Department for Education, *CANparent Trial Evaluation: Final Report Research*, 2014.

<sup>42</sup> Department for Education, *Evaluation of Children's Centres in England (ECCE) Strand 3: Delivery of Family Services by Children's Centres Research Report*, 2013.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

**Figure 1.9: Time spent by parents on their child’s development, minutes per day, 2001 and 2015, United Kingdom**



**Source:** Social Mobility Commission, *The Childhood Origins of Social Mobility: Socio-economic Inequalities and Changing Opportunities*, 2016

**Notes:** British Time Use Studies, Britain, based on the early release version of the 2015 data by the Centre for Time Use Research, University of Oxford. (See Altinas, E., *Are British Parents Investing Less Time in Their children?*, 2016, Centre for Social Investigation, for the revised version with final release data)

### Tackling barriers to child development: poverty, housing, and health

Since 1997, governments have put significant effort into tackling the sources of disadvantage for young children in recognition of the fact that poverty, housing and health during the first years of a child’s life affect development just as much as education<sup>45</sup>. Success at tackling these issues was mixed and the impact of the recession impeded progress.

Reducing child poverty was declared a national priority in 1999. Child-related benefits rose 60 per cent by 2005, with the steepest increase for parents of children under five.<sup>46</sup> In addition to financial support, government also targeted job finding support at lone parents – and employment rates increased from 45 per cent to 57 per cent by 2009.<sup>47</sup> As a result, child poverty fell for most of the first decade, as did parental worklessness. The recession and resulting budget cuts reversed some of this progress and child poverty has risen since 2010. Nonetheless over the twenty-year period, as a whole, child poverty (after housing costs) still fell 3 percentage points (Figure 1.10).<sup>48</sup>

<sup>45</sup> Joseph Rowntree Foundation, *Experiences of poverty and educational disadvantage*, 2017

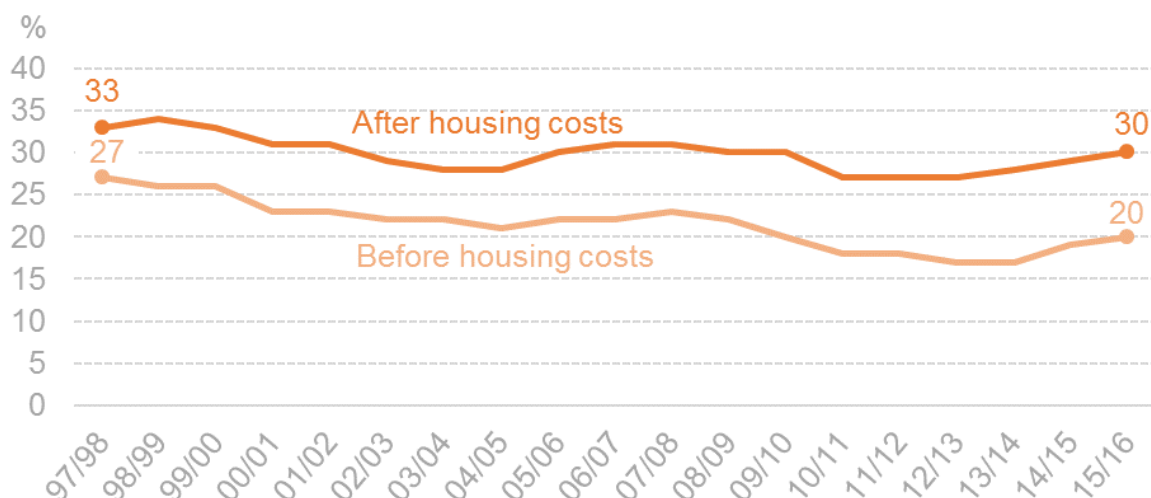
<sup>46</sup> Hills, J., Sefton, T. and Stewart, K., *Towards a More Equal Society? Poverty, inequality and policy since 1997*, 2009

<sup>47</sup> Office for National Statistics, *Disadvantaged groups in the labour market*, 2010

<sup>48</sup> Ibid.



**Figure 1.10: Percentage of children living in relative poverty, before and after housing costs, financial years 1997/98 to 2001/02 Great Britain; 2002/03 to 2015/16, United Kingdom**



Source: Department for Work and Pensions, *Households Below Average Income (DWP)*, 2017

Unfortunately, the benefits of reduced poverty were counteracted by increasing housing problems for children, creating extra anxiety for many more families. By 2006, an estimated 1.6 million children were living in overcrowded, run-down or temporary housing – and rates of temporary accommodation have increased since then.<sup>49</sup> Overall rates of temporary accommodation increased from around 40,000 in 1997 to almost 76,000 in 2016 – after peaking at over 100,000 in 2004.<sup>50</sup> In December 2016, 60,240 of those households included dependent children and/or a pregnant woman.<sup>51</sup>

In terms of health inequalities, Sure Start services were the main solution in the first decade, while the Family Nurse Partnership and the universal Health Visiting Programme provided extra support in the second.

Sure Start services, including both healthcare and broader parenting classes, improved child health outcomes in the first decade, even though impact was limited by low use of the service. One major survey found that only 50 per cent of parents knew health services existed and just 13 per cent of parents in deprived areas had used a service in the past three months.<sup>52</sup>

In 2007, the Family Nurse Partnership had its first UK trial – aiming to provide extra support to disadvantaged teenaged mothers. Controversy ensued over its impact due partly to a lack of joined-up thinking between the health and education departments. Although the programme failed to meet its primary health objectives (such as, reducing smoking during pregnancy or subsequent pregnancies within a year), it successfully improved child development – though this was dismissed as a secondary objective.<sup>53</sup> In 2015, the Family Nurse Partnership transferred to local

<sup>49</sup> Shelter, [england.shelter.org.uk/campaigns/why\\_we\\_campaign/supporting\\_families\\_and\\_children](http://england.shelter.org.uk/campaigns/why_we_campaign/supporting_families_and_children)

<sup>50</sup> Wilson, W. and Barto, C., *Households in temporary accommodation (England)*, 2017

<sup>51</sup> Ibid.

<sup>52</sup> Stewart, K., *Labour's Record on Under Fives: Policy, Spending and Outcomes 1997-2010*, LSE, 2013

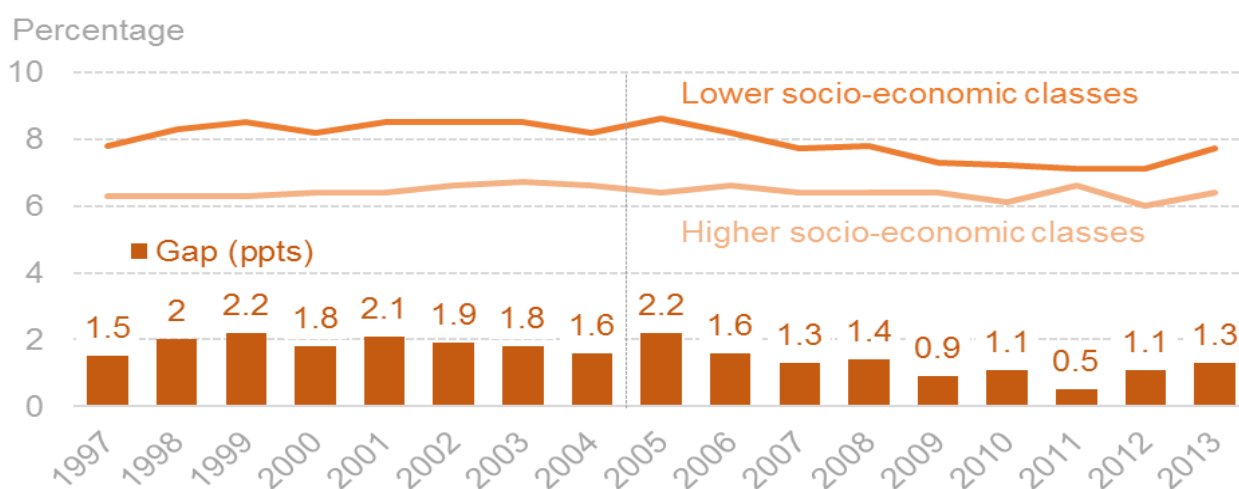
<sup>53</sup> Robling, M. et. al. 'Effectiveness of a nurse-led intensive home-visitation programme for first-time teenage mothers (Building Blocks): a pragmatic randomised controlled trial,' *The Lancet*, 2016

authorities, leading to budget cuts in some areas. However, many authorities are now working on trials to either increase the programme’s efficiency (via targeting) or increase the programme’s impact on a broader range of outcomes, such as parental employment or training.

From 2010, research on the criticality of the first 1001 days of a child’s life (from conception onwards) led to an ambitious new Health Visiting Programme. This included five health visits in the first 2.5 years of a child’s life for all families – with a “universal plus” service that offered extra visits to families in need. As part of this programme, government committed to increase health visitor numbers by 4,200, a target it missed by 271 workers.<sup>54</sup> Clear research on the impact of this programme is lacking and impact is hard to disentangle from other factors, but anecdotal evidence is promising.<sup>55</sup>

Together, these initiatives had a positive impact on a range of health outcomes, including fewer mothers smoking during pregnancy, increased rates of breastfeeding, improved birth weights, and reduced infant mortality. However, there is little evidence to suggest mental health inequalities have improved – and mental health support is still too limited for both parents and young children.<sup>56</sup>

**Figure 1.11: Percentage of live births with low birth weight (less than 2500g) by occupational class, England and Wales**



Source: Office for National Statistics, *Sustainable development indicators: Table 11*; LSE, *Labour’s Record on Under Fives: Policy, Spending and Outcomes 1997-2010: Table 11*, 2013

Notes: Years 1997 to 2004 use the LSE source and classification is based on father occupation; years 2005 to 2013 use the ONS source and NS-SEC classification is based on the most advantaged of either parent’s

<sup>54</sup> Bhardwa, S., ‘Health visitor target just missed,’ *Independent Nurse*, 2015

<sup>55</sup> National Nursing Research Unit, *Why Health Visiting? A review of the literature about key health visitor interventions, processes and outcomes for children and families*, 2013

<sup>56</sup> NHS, *Improving Access to Perinatal Mental Health Services in England - A Review*, 2015

## Assessment

Over the last 20 years, early years services have become a new part of the education system in Britain. This is a welcome development. Given the billions invested in evidence-based early years policies, however, it is disappointing that over the last two decades there has not been a greater impact on the attainment gap between poorer children and their better-off peers.

Slow progress can be attributed partly to the system's infancy. After 1997 a new system was created to tackle what is, by definition, a long-term challenge. Governments often implemented the right policies, but the pace of change created a host of delivery issues – specifically low uptake and low quality.

Today, though, early years workers, services, and organisations are better structured and better trained. If the Government shifts focus from quantity of services to both quality and take-up of services for those who need support most, there is the potential for greater returns in closing the gap.

## Ratings

### Overall Assessment



### Specific Areas

Child development by age 5



Attainment gap at age 5



Parent time spent on developmental childcare



Socioeconomic gap in parent time spent on developmental childcare



Parenting support



Early child health



Child poverty



Children in unsatisfactory housing conditions



## Moving Forward

If progress continues at the current rate, it will take about 15 years before all children are school ready by five and more than 40 years before the attainment gap between poorer five-year-olds and their better-off peers is closed.<sup>57</sup> This is not acceptable. More worryingly still, improvement rates have actually been slowing down in recent years and impending changes – such as the 30-hours of government-funded childcare, which many providers will struggle to deliver – risk sending progress into reverse.

To improve social mobility, government should take advantage of key learnings from the last two decades of policymaking and implementation. It should focus on ratcheting up quality and targeting services at those who need them most but often use them least. It should also scale up effective parenting programmes to improve home learning for the families that could most benefit from this.

## Recommendations

The Government should take a more targeted approach to early education by focusing on raising the quality of learning for the poorest children specifically. This requires government to increase spending on teaching for the poorest and also to reverse funding cuts for parenting programmes that support home learning. To ensure both these efforts pay off, the Government must increase demand for services by more effectively communicating the importance of early learning at home and preschool, especially for hard-to-reach groups.

The Government should:

- **Establish a new national ambition to ensure that within a decade every child, regardless of background, is school ready by the age of 5 and that the attainment gap between poorer 5-year-olds and their peers has been halved.**
- **Focus childcare policy on improving teaching for the poorest children by doubling the Early Years Pupil Premium to enable childcare providers to offer extra support for disadvantaged children.**
- **Support early years teachers by shifting regulatory emphasis and funding from teacher qualifications to continuing professional development.**
- **Restore funding for parenting programmes and experiment with online classes to achieve scale without undermining quality – using funding from both health and education budgets and shared objectives across both departments.**

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<sup>57</sup> Assuming an increase of 3 percentage points per year in the number of children reaching school readiness – as per last year (Figure 1.2), and assuming the attainment gap continues to close at a rate of 4 percentage points per decade – as per the last decade (Figure 1.3).

## Chapter Two: Schools

### Overview

Schools should provide children with the skills and confidence to succeed educationally and in the labour market. But after twenty years of almost constant public policy focus and many reforms, children today with different backgrounds and from different parts of the country still have very different chances of success.

Nonetheless education standards have risen significantly during the period and significant progress has been made in reducing the attainment gap between poorer pupils and their better-off classmates at primary school. But the gap between children who are eligible for Free School Meals (FSM) and their wealthier classmates increases substantially at secondary school. At GCSE level, there has been minimal progress in reducing the attainment gap.

Furthermore, there remain substantial regional inequalities. The gap in GCSE attainment between children on FSM in the best and worst regions has increased by 10 percentage points between 2002 and 2014 with London breaking away from the rest of England.

Education became a national priority after 1997 and spending rose substantially but since 2010, it has fallen in real terms. Linked to this investment, governments have launched numerous initiatives to drive up standards and narrow inequalities. They have promoted diversity, competition and parental choice. Schools have been given greater autonomy and the role of local authorities has been radically reduced. Yet there have been mixed results from structural reforms.

Tougher inspection and accountability regimes have helped in raising standards. The increased availability of information regarding school performance has raised the stakes for schools and supported more parental choice. Ofsted has increasingly measured pupils' progress rather than simply attainment. Between 2010 and 2016, the number of schools rated inadequate and requiring improvement reduced by almost 70 per cent.

Governments have recognised the crucial importance of teachers, but efforts at boosting the standing of the profession and recruitment and retention have stalled. Teachers are increasingly leaving the profession and the continuing professional development of teachers has not received the policy focus it deserves. The importance of headteachers was recognised early on, but systematic attempts to strengthen the pipeline of school leaders only became a priority later in the period.

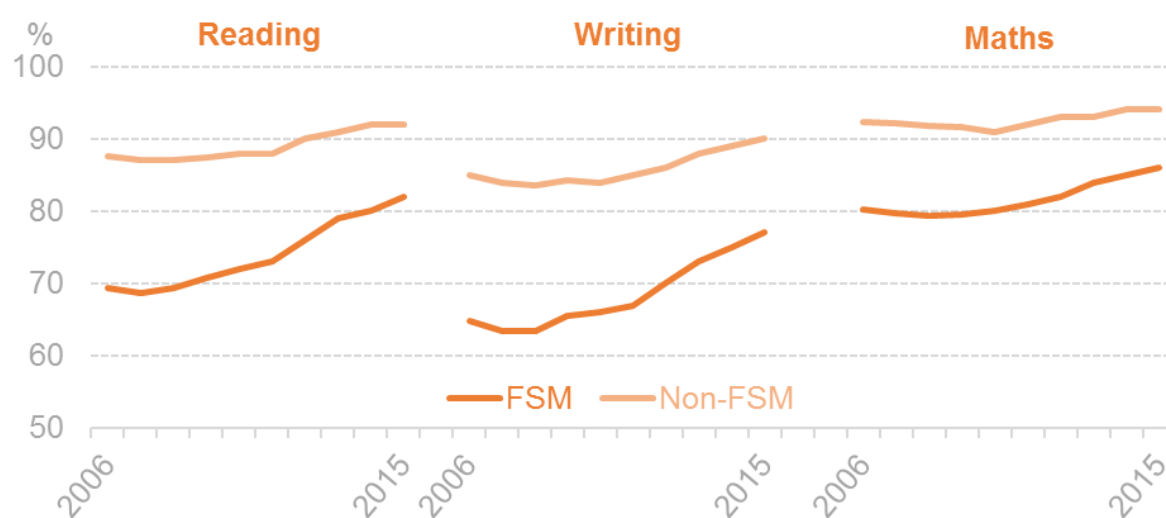
Over the 20 years, the focus on improving academic results has squeezed other activities out of the timetable. This has led to a reduction in social and emotional learning during school time with particularly adverse consequences for the poorest kids. There has been some recognition by government of the need to develop soft skills and ensure education prepares pupils for life after school, but the accountability framework for schools remains oriented towards academic results rather than labour market outcomes.

## Key Developments

### Attainment and Inequality

Learning outcomes have improved significantly in primary schools and the attainment gap has reduced at key stages 1 and 2. Attainment at key stage 1 (5 to 7-year-olds) has increased overall and for children on FSM, attainment has risen by almost one fifth in reading and writing since 2006 (see Figure 2.1). For reading, the attainment gap reduced by almost half between 2006 and 2015, while for writing and maths it reduced by one third.

**Figure 2.1: Percentage of pupils achieving level 2 and above in reading, writing and maths at key stage 1 by free school meal (FSM) eligibility, academic years 2006 to 2015, England**



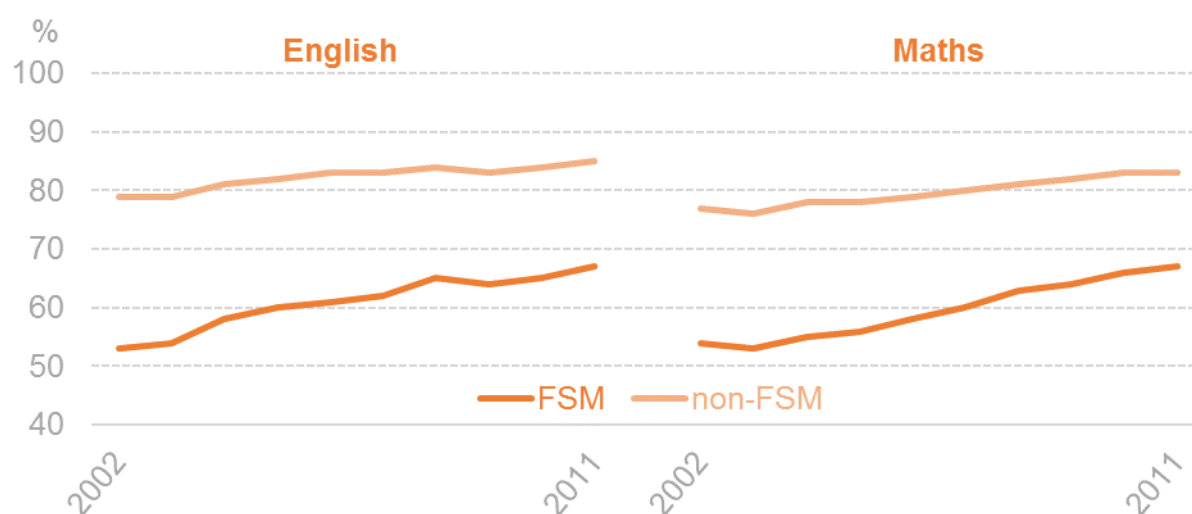
Source: Department for Education, Key stage 1 assessment ([various years](#))

The narrowing of the gap reflects a sharper focus on mastering literacy and numeracy at an early stage and the increasing proportion of five-year-olds on FSM who start school having achieved a good level of development (see chapter 1).

Focus on narrowing the attainment gap was strengthened with the introduction of the Pupil Premium in 2011. Funding is allocated according to the number of disadvantaged children in a school. The Pupil Premium now stands at £1,320 per primary and £935 per secondary pupil.<sup>58</sup> While the funding constitutes a small proportion of schools' total budget, it has played a significant role in encouraging schools to concentrate on improving the outcomes of disadvantaged pupils.

<sup>58</sup> The criteria for the Pupil Premium was initially only FSM beneficiaries, covering 18 per cent of the population. From 2012, it was allocated for each pupil who had received FSM in the past six years or who had been in care, covering approximately 27 per cent of the school population.

**Figure 2.2: Percentage of pupils achieving level 4 and above at key stage 2 by free school meal (FSM) eligibility, academic years 2002 to 2011, England**



Source: Department for Education, Key stage 2 assessment ([various years](#))

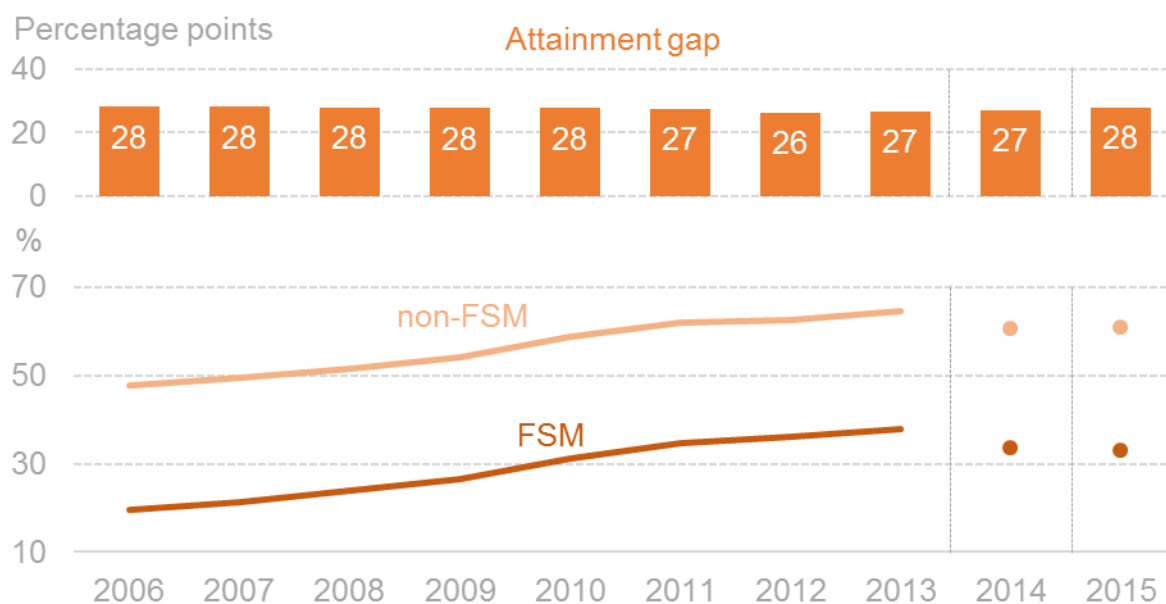
Attainment has also increased at key stage 2 (7 to 11-year-olds) and the attainment gap has reduced by over a quarter in English and maths. However, while there is progress in terms of children achieving Level Four and above, the data is less positive in relation to Level Five which is a better indicator of future success at secondary level.<sup>59</sup> Only one in five FSM children achieved Level Five in maths in 2015 compared to over one in three amongst other children.

The story is much less positive at secondary level, which is the platform that sets the stage for children's future life directions. Indeed, with broader changes in the UK's economy and the growing demand for high skills, the premium on excellent quality secondary education has increased. Success in secondary school is now more important than ever before.

While there has been an increase in attainment amongst FSM and non-FSM children at GCSE level, the attainment gap remains stubbornly large at 28 percentage points. There has been no real narrowing of the gap over the last two decades. While it is commendable that the total proportion of children achieving five good GCSEs including maths and English has increased to 57 per cent, it is unacceptable that only one in three pupils on FSM aged 16 achieve five good GCSEs including maths and English. The fact that the attainment gap increases during a child's time in education shows that schools are not the engines of social mobility they should be.

<sup>59</sup> Ofsted, *Unseen Children: Access and Achievement 20 years on Evidence Report*, 2012

**Figure 2.3: Percentage of pupils achieving 5 GCSEs A\*-C or equivalent (including English and maths) and percentage point attainment gap by free school meal (FSM) eligibility, academic years 2002 to 2011, England**



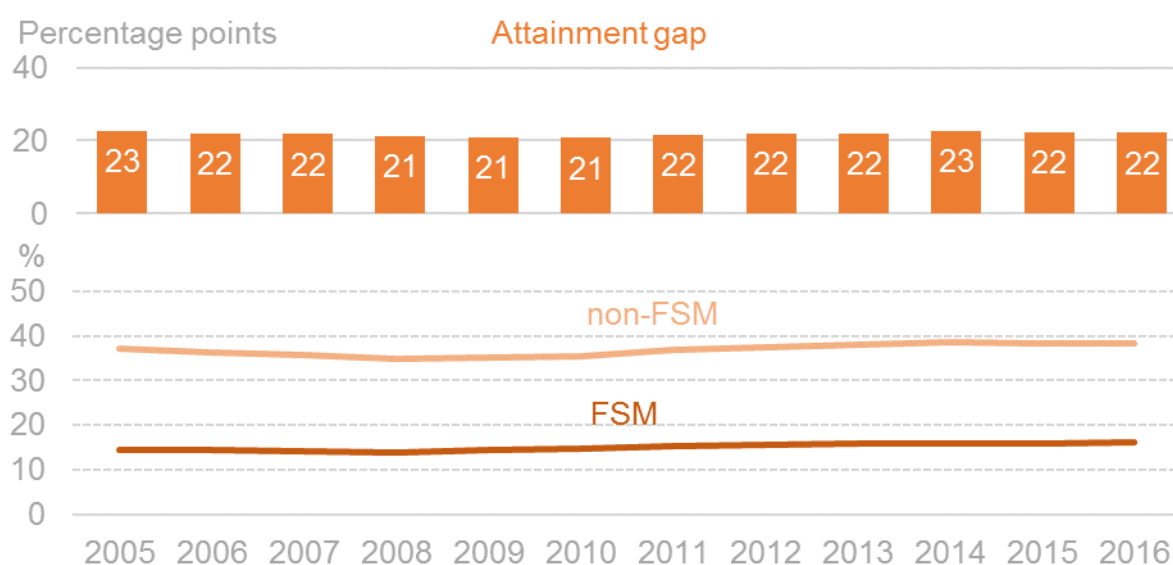
Source: Department for Education, GCSE and equivalent results ([various years](#))

Notes: Due to methodology changes, data from 2013/14 (2014) and 2014/15 (2015) are not comparable to previous years. In 2013/14, the qualifications that were included changed and in 2014/15, only the first attempt at a qualification was included in the performance measures. For more details see source.

Overall attainment at A-level has not improved over time and FSM attainment has increased only marginally. The attainment gap – at 22 percentage points – is only a minimal improvement on 11 years earlier.



**Figure 2.4: Percentage of 19-year-olds attaining 2+ A-levels/ International Baccalaureate and percentage point attainment gap by free school meal (FSM) eligibility, academic years 2005 to 2016, England**



Source: Department for Education, Level 2 and 3 attainment by young people aged 19 ([various years](#))

Notes: FSM status is determined by eligibility in year 11.

### Regional Inequality

While overall GCSE attainment in England’s regions has increased over time and become less disparate, poorer children’s chances of success are strongly linked to their geographic location.<sup>60</sup>

The gap between the attainment of FSM children in the best and worst regions has increased by 10 percentage points with London strides ahead and the East Midlands taking the bottom place from Yorkshire and the Humber. As a result, geographical inequality amongst the poorest children in England has increased.

Attainment in London is substantially higher than national averages. This is despite the fact that London has the highest levels of disadvantage in England.<sup>61</sup> This shows that where there is sufficient political will plus targeted programmes and resources, the link between poverty and low educational performance can be broken.

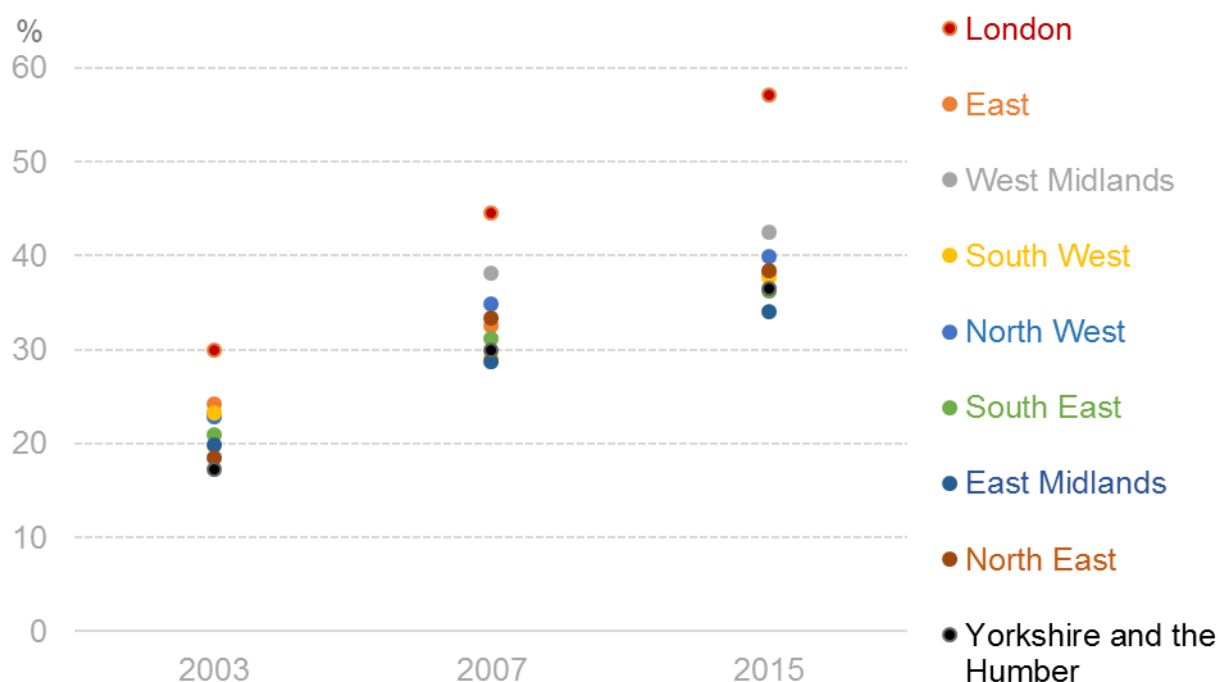
There has also been systematically better performance in other large cities including Birmingham and Manchester – home to a high proportion of FSM children.<sup>62</sup> This is likely to account for the stronger progress by the West Midlands and North West since 2002 seen in Figure 2.5.

<sup>60</sup> Greaves, E., Macmillan, L., Sibieta, L. *Lessons from London Schools for Attainment Gaps and Social Mobility*, Research Report, June 2014

<sup>61</sup> Ofsted, *The Annual Report of Her Majesty’s Chief Inspector of Education, Children’s Services and Skills 2014/15*, 2015

<sup>62</sup> Greaves, E., Macmillan, L., Sibieta, L. *Lessons from London Schools for Attainment Gaps and Social Mobility*, Research Report, June 2014

**Figure 2.5: Percentage of pupils eligible for free school meals (FSM) achieving 5 A\* to C GCSEs or equivalent by region, academic years 2003 to 2015**



Source: Department for Education, GCSE and equivalent results ([various years](#))

Notes: Due to methodology changes, 2014/15 (2015) data are not comparable to previous years as only the first attempt at a qualification was included in the performance measures. For more details see source

Schools located in areas which are physically, economically and socially isolated have a major impact on the quality of children’s education.<sup>63</sup> These areas struggle to recruit and retain quality teachers<sup>64</sup> and engage meaningfully with families. Children’s education is also hampered by overall low aspiration and morale due to a lack of economic opportunity.

### Resources and Reforms

The political focus on education saw overall spending increase by 50 per cent in real terms between 1997 and 2014 but since 2010-2011 it has fallen back from a high of £99 billion to £85.2 billion in 2014-2015.<sup>65</sup> Spending per child between 1997 and 2008 increased in real terms by around three quarters on average for primary and secondary children, but since 2014, the trend has been downward.<sup>66</sup>

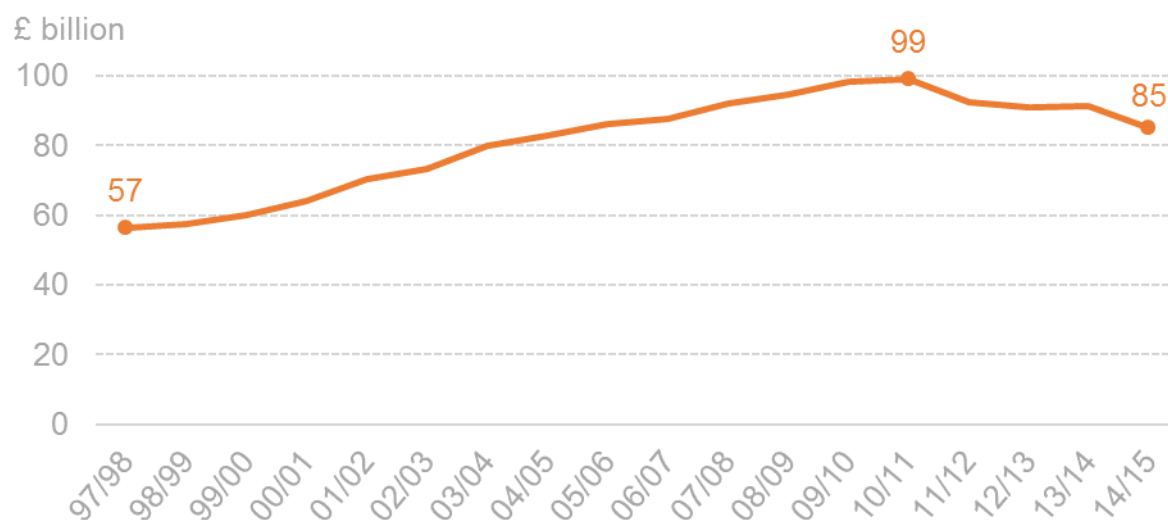
<sup>63</sup> The Future Leaders Trust, *Combatting Isolation: Why Coastal Schools are Failing and How Headteachers are Turning them Around*, 2015

<sup>64</sup> Ofsted, *The Annual Report of Her Majesty’s Chief Inspector of Education, Children’s Services and Skills 2014/15*, 2015

<sup>65</sup> IFS, *Education Spending*, [2015](#)

<sup>66</sup> Belfield, C., Crawford, C., Sibieta, L., *Long-Run Comparisons of Spending Per Pupil Across Different Stages of Education*, IFS, 2017

**Figure 2.6: Education spending in real terms, £ billion in 2015-16 prices, financial years 1997/98 to 2014/15**



Source: IFS, Education Spending, [2015](#)

The past 20 years have seen unprecedented structural change in English education. Schools have been given much greater autonomy and the role of local authorities has been radically reduced. Central government created new types of school in order to boost standards, encourage competition, and offer parents more choice.

Education was the top priority of the 1997 Government and initiatives such as the National Literacy Strategy and the National Numeracy Strategy were launched to drive up educational standards, with some good results. Local authority control of school budgets was reduced and secondary schools were encouraged to specialise. In 1997, there were 196 specialist schools, in August 2002, there were 1,000 and by 2008, there were nearly 3,000 – equivalent to 88 per cent of state-funded secondaries.

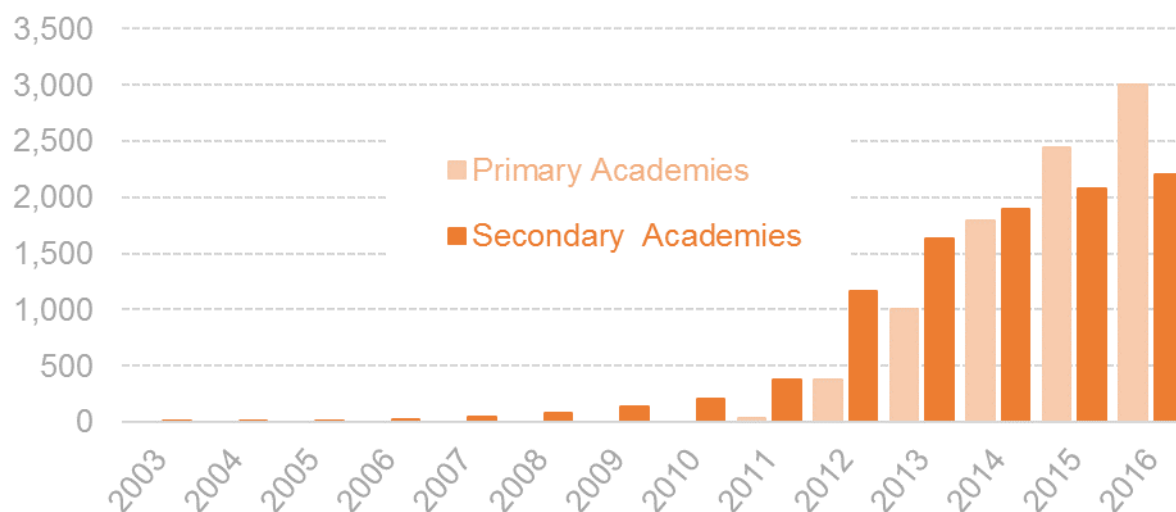
Sponsored academies were introduced in 2002 to address failing schools in London and other urban areas. They benefited from greater autonomy than maintained schools and did not depend on local authorities. These academies were sponsored by businesses, faith-based organisations and charities. Sponsored academies were the most dramatic expression of the idea that freeing schools from local authorities was a good idea. But before 2012, they were relatively small in number.

Converter academies were established in 2010, targeting high performing schools with the aim that they would support weaker schools. The same year, free schools, which are run by not-for-profit groups, were introduced to promote parental power and grassroots provision. By 2016, approximately two thirds of secondary schools and a fifth of primary schools were academies;<sup>67</sup> of these academies, approximately 350 were free schools.<sup>68</sup>

<sup>67</sup> DfE, *Academies Annual Report*. Academic year: 2014 to 2015. 2016

<sup>68</sup> DfE, *List of All Free Schools: Open or in Pre-Opening Stage* (Up to April [2017](#))

**Figure 2.7: Number of primary and secondary academies (sponsored and converter), 2003 to 2016, England**



Source: Department for Education, Schools, pupils and their characteristics ([various years](#))

The earlier policy of transforming underperforming schools into sponsored academies has resulted in higher attainment for FSM children (compared to equivalent maintained schools).<sup>69</sup> Conversely, the later policy of changing high performing schools into converter academies does not appear to have translated into particular gains for children on FSM.

Meanwhile, the number of pupils in selective schools increased slightly over the 20-year period.<sup>70</sup> In 1997, there were 158 grammar schools accounting for 4.2 per cent of the public secondary school population. By 2016, this increased to 163 schools accounting for 5.2 per cent of the population.<sup>71</sup> Attainment for all pupils, including those on FSM, is higher in grammar schools. But grammars do not reflect their local communities and include far fewer poor children<sup>72</sup> – only 2.5 per cent of children eligible for FSM.<sup>73</sup> Moreover, there is strong evidence that grammar schools have a negative effect on surrounding schools.<sup>74</sup> The National Audit Office has suggested that free schools have a similar negative spillover effect on surrounding schools and provide poor value for money.<sup>75</sup>

Throughout the period, governments have emphasised parental choice. Nevertheless, the ability of better-off parents to move to areas with outstanding schools and the way some schools have used their admissions systems have led to a degree of social selection. Approximately one in six primary schools across

<sup>69</sup> Hutchings, M.; Francis, B.; Kirby, P., *Chain Effects: The Impact of Academy Chains on Low-Income Students*. The Sutton Trust. July 2016

<sup>70</sup> In 1998, the Government established the School Standards and Framework Act stating that no new maintained grammar school could be started. In 2016, DfE launched a consultation on reforms including the expansion of selective education. The response is pending.

<sup>71</sup> Bolton, P., *Grammar School Statistics*, House of Commons Library Briefing Paper Number 1398, 2017

<sup>72</sup> Cribb, J., Jesson, D., Sibieta, L., Skipp, A., Vignoles, A., *Poor Grammar: Entry into Grammar Schools for Disadvantaged Pupils in England*. The Sutton Trust, 2013

<sup>73</sup> Andrews, J., Hutchinson, J., *Grammar Schools and Social Mobility: Further Analysis of Policy Options*, Education Policy Institute, 2016

<sup>74</sup> McNally, S. *The Grammar School Debate: Introductory Overview*, 2017

<sup>75</sup> National Audit Office, *Capital Funding for Schools*, 2017

England have between five and 10 percentage points fewer FSM children than their surrounding neighbourhoods.<sup>76</sup> At secondary level, the 500 best comprehensives take nine per cent of FSM pupils as opposed to 17 per cent – the national average.<sup>77</sup>

### Inspection and Accountability

The inspection system has had a major impact on education in England by holding schools to increasingly high standards over the 20-year period. Its role in making schools accountable has, along with multiple other school improvement measures, contributed to the fact there are 5,000 fewer poorly performing schools since 2010 – a reduction of 70 per cent (figure 2.8).

Since 1997, Ofsted and school accountability frameworks have generated increasingly sophisticated information about school performance, fostering greater competition as well as transparency. From 2001, Ofsted increased monitoring visits to weak schools. In 2006, more intelligent indicators<sup>78</sup> were included measuring the impact of schools on pupils' primary results and considering their socio-economic characteristics. From 2010, there was a renewed commitment to raising standards across the board including in coasting schools. Schools' floor standards were raised in 2011 and 2014. The 'satisfactory' rating was also changed to 'requires improvement' incentivising schools to aim higher.<sup>79</sup>

The inclusion of data in 2006 on pupils' progress (rather than purely attainment) was a very positive development in clarifying schools' impact on pupil performance. The introduction of Progress 8 in 2016 (building further on these indicators) as the core measure for school floor standards is also welcome.<sup>80</sup> School performance has increasingly been judged on the comparative merit of schools in moving children to higher levels of attainment recognising their different starting points. England is a trailblazer in this regard. However, some research has suggested that schools with higher proportions of FSM children are less likely to be judged 'good' or 'outstanding' and conversely for schools with low proportions of FSM children.<sup>81</sup> If correct, this would be a major concern.

While school data has enabled clear and timely identification of underperformance, it has become increasingly complex thereby reducing its transparency and user-friendliness.<sup>82</sup> The Government sought to address this with simplification of school performance tables in 2016, however there are concerns among many schools that accountability data has become more burdensome than useful.

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<sup>76</sup> Allen, R., Parameshwaran, M., *Caught Out*. Research Brief, Edition 12: April 2016. Sutton Trust

<sup>77</sup> Cullinane, C., Hillary, J., Andrade, J., McNamara, S., *Selective Comprehensives 2017: Admissions to High Attaining Non-Selective Schools for Disadvantaged Pupils*. Sutton Trust, March 2017

<sup>78</sup> National Audit Office, *Making a Difference: Performance of Maintained Secondary Schools in England*, Report by the Comptroller and Auditor General, London, 2003

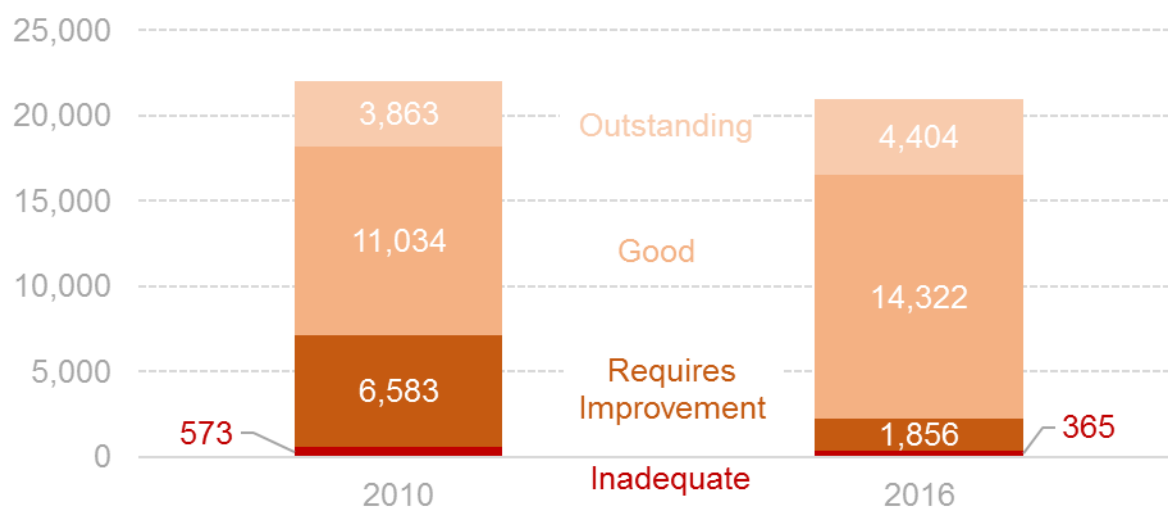
<sup>79</sup> National Audit Office, *Academies and Maintained Schools: Oversight and Intervention*, 2014

<sup>80</sup> Leckie, G., Goldstein, H., *The Evolution of School League Tables in England 1992 – 2016: 'Contextual Value-Added', 'Expected Progress' and 'Progress 8'*. Working Paper #02/2016, University of Bristol, 2016

<sup>81</sup> Hutchinson, J. *School Inspection in England: Is There Room to Improve?* 2016

<sup>82</sup> House of Commons Education Committee, *The Role of Regional Schools Commissioners*, First Report of Session 2015–16, [2016](#)

**Figure 2.8: Primary and secondary school Ofsted ratings, 2010 (as at 31 August) and 2016 (as at 31 December), England**



Source: Ofsted ([various years](#))

Notes: It is not possible to analyse data prior to 2010 due to a change in inspection methodologies.

### Teacher Numbers and Quality

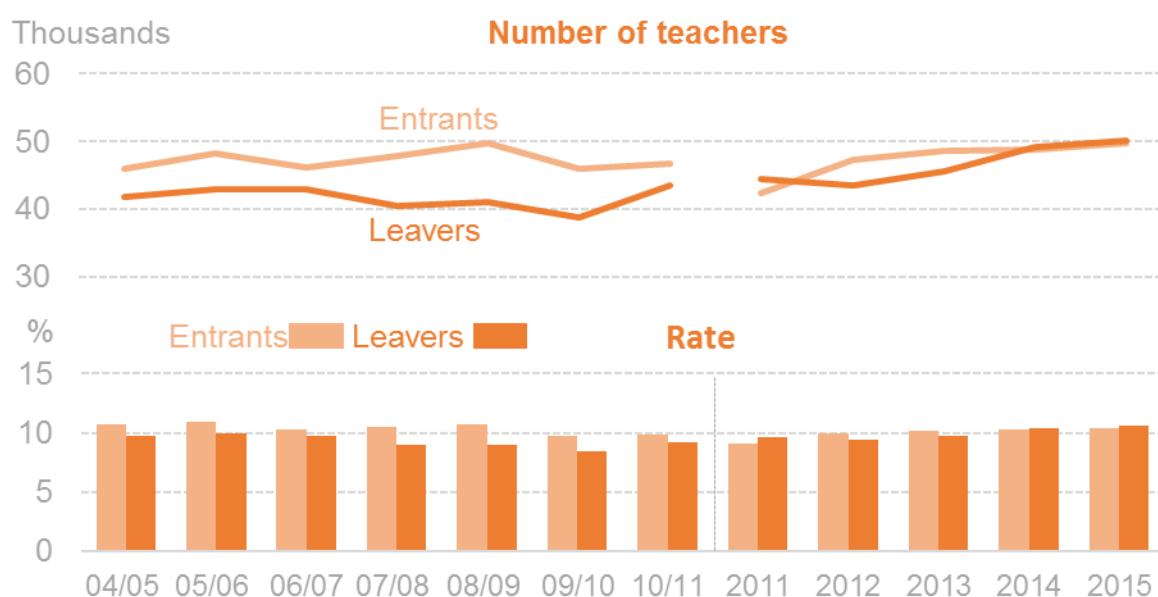
Teacher quality is the single biggest educational factor affecting children's attainment and is therefore a critical issue for educational equality.

Over the period, the Government has boosted the numbers of teachers with an increase of 13 per cent since 2000 (mainly to match the increase in primary pupils). It also sought to improve teaching quality by introducing higher standards for entry to the profession in 2010. It has promoted Teach First, which was launched in 2002 to encourage graduates to work in disadvantaged schools.

However, keeping teachers has proved a challenge with more teachers leaving the profession since 2004 resulting in an increase of teacher vacancies.<sup>83</sup> The Government has sought to address the issue by diversifying pathways into teaching.

<sup>83</sup> DiE, *Schools Workforce in England 2010 to 2015: Trends and Geographical Comparisons*, September 2016

**Figure 2.9: Numbers and rates of entrants and leavers to the qualified teaching force in state-funded primary and secondary schools, 2004/05 to 2010/11 (as at end of March), 2011 to 2015 (as at November), England**



Source: Department for Education, School workforce in England ([various years](#))

In 2010, systems for school-led teacher training were expanded<sup>84</sup> and continuing professional development was deregulated.

Following complaints about increased bureaucracy affecting teachers, large numbers of teaching assistants were recruited in the 2000s. It is not clear that maximum benefit was secured from this change, although there has been an increasing effort to improve the use of teaching assistants with a greater focus on closing the attainment gap.<sup>85</sup>

Significant issues continue to affect teacher quality and these impact educational equality. Indeed, successive governments have struggled with the problem of ensuring that all secondary teachers have qualifications in the subjects they teach. Schools with the highest proportion of FSM children have twice as many unqualified teachers, higher rates of teachers leaving, higher proportions of newly qualified teachers amongst the entrants, and – at secondary level – fewer hours taught by specialists.<sup>86</sup>

Research shows that between 30 and 40 per cent of primary teachers who begin their initial training are not working in state-funded schools five years later.<sup>87</sup> This is

<sup>84</sup> Brown, T., Rowley, H., Smith, K. *The Beginnings of School Led Teacher Training: New Challenges for University Teacher Education*, Manchester Metropolitan University, undated

<sup>85</sup> Sharples, J.; Webster, R.; Blatchford, P, *Making Best Use of Teaching Assistants: Guidance Report*, 2015

<sup>86</sup> DfE, *School Workforce in England 2010 to 2015: Trends and Geographical Comparisons – Tables*, 2016

<sup>87</sup> Allen, R., Belfield, C., Greaves, E., Sharp, C., Walker, M., *The Longer-Term Costs and Benefits of Different Initial Teacher Training Routes*, IFS Report 118, 2016

related to low teacher morale resulting from a loss of professional autonomy<sup>88</sup> and increased workload.<sup>89</sup> It seems unlikely that the Government's focus on recruitment rather than retention is good value for money since initial teacher training costs on average £23,000 per primary teacher trainee.<sup>90</sup>

In view of the retention challenge, it is surprising that governments have not placed more focus on continuing professional development.<sup>91</sup> Existing training has tended to focus on compliance with policy-driven changes rather than a long-term development programme focused on teaching methods, subject knowledge and teacher effectiveness.<sup>92</sup> While teachers in England report good access to professional development, the number of days spent on professional development activities is around half those reported on average in other OECD countries.<sup>93</sup>

Efforts were made to improve the quality of school leaders. In 1997, the National Standards for Headship were created and in 2000, the National College for School Leadership was established. In 2013, the National College for Teaching and Leadership was established. It expanded the successful National Leaders of Education programme, which extended the support of exceptional headteachers to schools in deprived areas.<sup>94</sup> Nevertheless, significant disparities in the quality of school leadership particularly in the most deprived areas outside London and the South have persisted (see Figure 2.10).

The importance of dedicated career pathways was recognised with the introduction of the National Professional Qualification for Senior and for Middle Leaders in 2013. This supports aspiring middle and senior leaders to reach executive leadership level. Nevertheless, the profession is becoming less attractive due to perceptions of accountability,<sup>95</sup> insufficient support<sup>96</sup> and increased red tape<sup>97</sup>. Leadership posts in schools in deprived areas are the most challenging to fill and it is in these areas that negative perceptions of headship are most acute.<sup>98</sup>

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<sup>88</sup> Micklewright, J., Jerrim, J., Vignoles, A., Jenkins, A., Allen, R., Ilie, S., Bellarbre, E., Barrera, F., Hein, C., *Teachers in England's Secondary Schools: Evidence from TALIS 2013*, Institute of Education, University of London, 2014

<sup>89</sup> Foster, D., *Teacher Recruitment and Retention in England*. House of Commons Library. Briefing Paper. Number 7222, 21 March 2017

<sup>90</sup> Allen, R., Belfield, C., Greaves, E., Sharp, C., Walker, M., *The Longer-Term Costs and Benefits of Different Initial Teacher Training Routes*, IFS Report 118, 2016

<sup>91</sup> DfE established standards for teacher professional development in 2016.

<sup>92</sup> House of Commons, Education Committee, *Oral Evidence: Supply of Teachers*, HC 199, 8 June 2016

<sup>93</sup> OECD, *Results from Teaching and Learning International Survey*, Country Note, England, undated

<sup>94</sup> Ofsted, *Unseen Children: Access and Achievement 20 years on Evidence Report*, [2012](#)

<sup>95</sup> Earley, P. *Exploring the School Leadership Landscape: Changing Demands, Changing Realities*. London, 2013

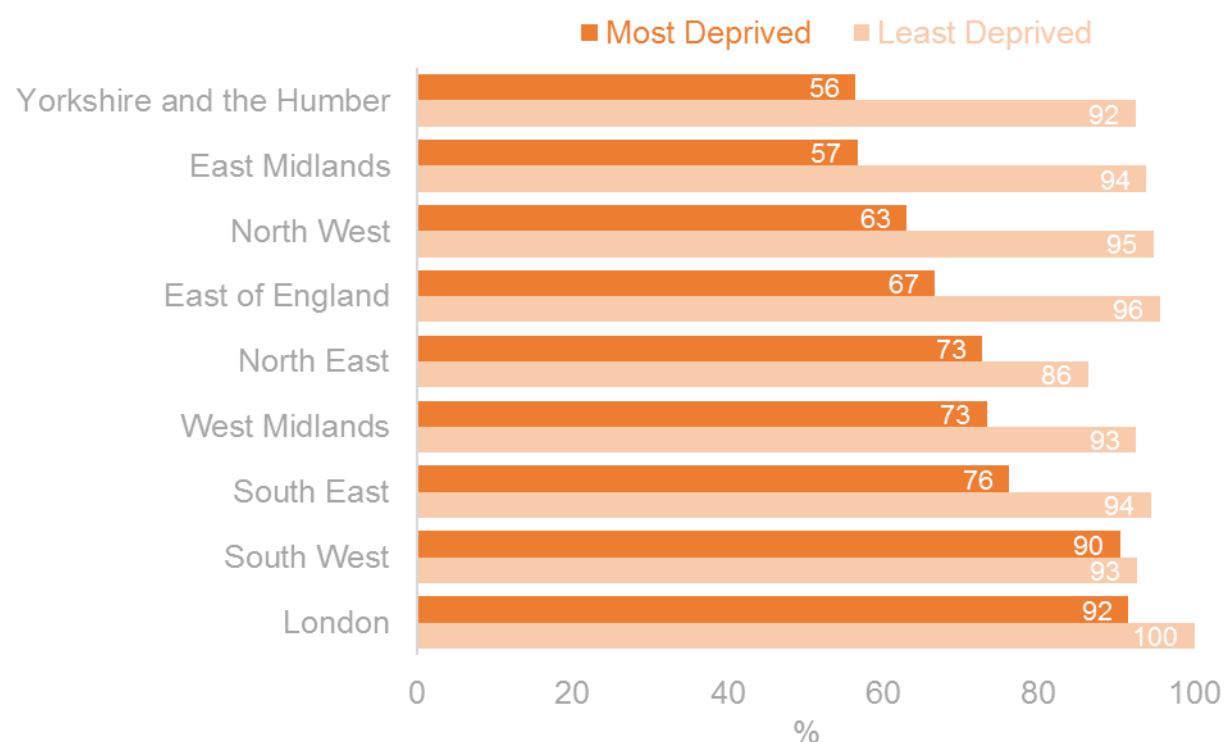
<sup>96</sup> The Future Leaders Trust, *Heads Up: Meeting the Challenges of Headteacher Recruitment*, 2016

<sup>97</sup> The Telegraph, *Ofsted 'Stifles Maverick Headteachers'*, 2 May [2015](#)

<sup>98</sup> The Future Leaders Trust, *Heads Up: Meeting the Challenges of Headteacher Recruitment*, 2016



**Figure 2.10: Percentage of secondary schools with good and outstanding leadership by area deprivation and region, 2016**



Source: Ofsted (2016), author's calculations

Notes: The most deprived areas are classified as the bottom quintile and the least deprived areas the top quintile in Ofsted's deprivation index

### Social and Emotional Development

The important role of non-cognitive skills (also known as social and emotional learning)<sup>99</sup> in improving life outcomes is well established. Evidence shows that these outcomes include better mental and physical health, secure relationships, contentment,<sup>100</sup> educational attainment, access to higher education and better careers.<sup>101</sup> As a result, it is vital that schools foster these skills effectively.

In 1997, the Government put a strong premium on mastering numeracy and literacy through the National Strategies. This was broadened in 2003, when the Government introduced Every Child Matters, a framework to keep children safe in schools and beyond and to strengthen their health and development. Social and emotional aspects of learning were rolled out in primary and secondary schools in 2005 and 2007. A curriculum review was conducted in 2009 highlighting concerns regarding the unnecessary trade off between a balanced primary curriculum and the standards agenda.<sup>102</sup> In 2010, the Government increased the focus on a rigorous curriculum and academic assessment. Due to the weight accorded to high stakes exams,

<sup>99</sup> The following skills encompass social and emotional learning: self-perceptions and self-awareness, motivation, self-control and self-regulation, social skills and resilience.

<sup>100</sup> Goodman, A., Joshi, H., Nasim, B., Tyler, C. *Social and Emotional Skills in Childhood and their Long-Term Effects on Adult Life: A Review for the Early Intervention Foundation*, Institute of Education/UCL, 2015

<sup>101</sup> The Sutton Trust, *Extra-Curricular Inequality*, Research Brief, September 2014

<sup>102</sup> Cambridge Primary Review, *Towards a New Primary Curriculum*, 2011

teachers were incentivised to teach to the test and deprioritised other areas.<sup>103</sup> The focus on evaluating pupils' learning of core content through examinations has also led to increased stress and anxiety amongst students.<sup>104</sup>

Due to the absence of strong accountabilities related to teaching social and emotional development from 2010 onwards, the provision and quality was highly variable.<sup>105</sup> Provision instead shifted to extra-curricular activities including sport and art. Since these activities are not compulsory, not all children benefit from them.<sup>106</sup> Many schools have spent additional funds – such as the Pupil Premium – on teaching an enriched curriculum but this is optional and not nationwide.

Where social and emotional learning is not fully embedded within schools, parents need to purchase these skills through activities such as sports lessons, scouts/guiding and music – putting FSM children at further disadvantage.<sup>107</sup> There is no evidence on how much this costs, however research in other high-income countries shows stark disparities in poor and rich parents' ability to pay for these activities. For example in the US, the richest 10 per cent of parents spend 13 times as much on social and cultural activities as those in the bottom 10 per cent.<sup>108</sup>

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<sup>103</sup> Hyman, P., *Success in the 21st Century: The Education of Head, Heart and Hand*. IPPR, 2016

<sup>104</sup> Leckie, G., Goldstein, H., *The Evolution of School League Tables in England 1992 – 2016: 'Contextual Value-Added', 'Expected Progress' and 'Progress 8'*. Working Paper #02/2016, University of Bristol, 2016

<sup>105</sup> Yeo, A., Graham, J. *A Deep Dive into Social and Emotional Learning. What Do the Views of those Involved Tell us About the Challenges for Policy-Makers?* Social and Emotional Learning: Skills for Life and Work report 3, Research Ability, 2015

<sup>106</sup> Yeo, A., Graham, J. *A Deep Dive into Social and Emotional Learning. What Do the Views of those Involved Tell us About the Challenges for Policy-Makers?* Social and Emotional Learning: Skills for Life and Work report 3, Research Ability, 2015

<sup>107</sup> The Sutton Trust, *Extra-Curricular Inequality*, Research Brief, September 2014

<sup>108</sup> Yeung, W., J., Hao, L. *Parental Spending on Children and Children's Social-Emotional Development*, [National University of Singapore and Johns Hopkins University](#)

## Assessment

The educational landscape in England has changed irrevocably over the last two decades. There is now far greater diversity of schools and parental choice than 20 years ago. Government policies have led to a rise in overall education standards and progress has been made in reducing the attainment gap at primary school. This is partly due to concerted efforts to improve the education of disadvantaged children since 1997 and should be celebrated.

However, at secondary school level – a key juncture for students – the gap between children who are eligible for Free School Meals and their better-off classmates remains unacceptably large and significantly bigger than the gap at primary school. At GCSE level, there has been minimal progress in reducing the attainment gap.

Moreover, educational inequality amongst the poorest has increased across England. Poor children growing up outside London have much lower chances of success due to fewer quality secondary schools and high quality teaching.

Over the two decades, governments have succeeded in increasing the number of qualified teachers in the system but the pressure they now face is making it ever harder to keep them. In particular, the difficulty in attracting outstanding leaders to deprived areas has harmed poor children’s chances of educational success.

Resources have increased overall, but the real terms reduction in education spending since the recession risks mortgaging the country’s future.

### Overall Assessment



#### Specific Areas

Attainment gap at Key Stage 1	
Attainment gap at Key Stage 2	
Attainment gap at GCSE	
Attainment gap at A level	
Regional equality in FSM attainment	
Investment in education	
Impact of inspection and accountability on school standards	
Impact of structural reforms to schools	
Number of qualified teachers	
Fostering social and emotional development	

## Moving Forward

The last 20 years have seen a welcome focus on raising school standards and strong political will to narrow attainment gaps. Nevertheless, at current rates of progress it will take until 2029 to eliminate the attainment gap at key stage 2 in English.<sup>109</sup> There is currently no prospect of the gap between poor and wealthier children being eliminated at GCSE level or at A level. This is unacceptable.

Education funding is now reducing, pupil numbers are rising and more teachers are leaving the profession. Constant policy and organisational changes make it more challenging for schools to work towards long-term school improvement goals. With the exception of sponsored academies, changes to school structures have not yet delivered significant improvement in performance. Similarly, there is no evidence that expanding selective education will help.

## Recommendations

Reducing the attainment gap should be at the heart of education policy. This will require dedicated strategies, proper funding and specific measures to improve the situation in secondary schools where little progress has been achieved to date and where the gap increases significantly from primary school. The Government also needs to take more responsibility for ensuring that there is a good supply of teachers throughout the country and that good teachers are encouraged and supported to work in the most challenging schools. A better balance between academic excellence and overall student development is also needed.

The Government should:

- **Introduce a new ambition that, within a decade, the attainment gap between poorer children and their better off classmates should be closed at GCSE level.**
- **Align inspection regimes and redistribute resources behind the new drive to close the attainment gap.**
- **Abandon plans to extend grammar schools and instead focus on developing new collaborative approaches to turning around failing schools.**
- **Introduce effective incentives to attract and retain good quality teachers in the schools that need them most, including a new emphasis on continuing professional development.**
- **Develop a more balanced curriculum incorporating social and emotional learning, alongside careers advice, within the formal school timetable.**

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<sup>109</sup> This projection is based on a linear trend of the attainment gap between 2002 and 2010.

## Chapter Three: Young People

### Overview

A smooth transition from school to work is one of the biggest determinants of future life chances and is therefore critical for social mobility. The last two decades have seen some major changes to post-16 education. The school age rose to 18, access to higher education widened, university tuition fees were introduced and apprenticeships were recreated.

These reforms have consumed a significant amount of public money and government effort. And while this has improved some aspects of social mobility, progress has been too slow and results have been piecemeal. In particular, labour market outcomes for young people have been consistently poor.

Youth unemployment fell from 14.6 to 12.5 per cent over the period – after peaking at about 22 per cent following the financial crisis. But this was due to a significant increase in the number of young people in full-time education, not because more young people were in work.

The number of young people who are NEET – not in employment, education or training – has barely fallen. This particularly impacts disadvantaged young people who remain twice as likely as their better-off peers to be inactive after 18.

Outcomes for young people in work also deteriorated during the period. Since 2008, young people's wages fell 16 per cent, which is a far steeper fall than the average decline of 10 per cent and took young people's pay to below 1997 levels. Disadvantaged young people with lower qualifications suffered most. Careers education and work experience deteriorated during the period. The number of young people receiving advice or work experience halved in the decade from 1997, and fell further in the last decade. This was in part because responsibility for careers advice shifted twice, creating confusion.

Vocational education, an important route to improve social mobility and the post-school destination for the majority of lower-income children, remains the poor relation of academic education both in terms of resources and esteem. And this is despite a bewildering array of reforms over the last two decades. One of the few positives has been a renewed focus on apprenticeships over the past two decades but even here the emphasis has been on quantity not quality and more new apprenticeships have gone to older workers than younger ones.

Conversely, opening up access to higher education has been a success story. There are more working-class youngsters at university than ever before – due partly to widening participation efforts and partly to the removal of the cap on student numbers. But the most selective universities have been slower to change. Additionally, both retention rates and graduate outcomes for disadvantaged students remain low – and barely improved over the period.

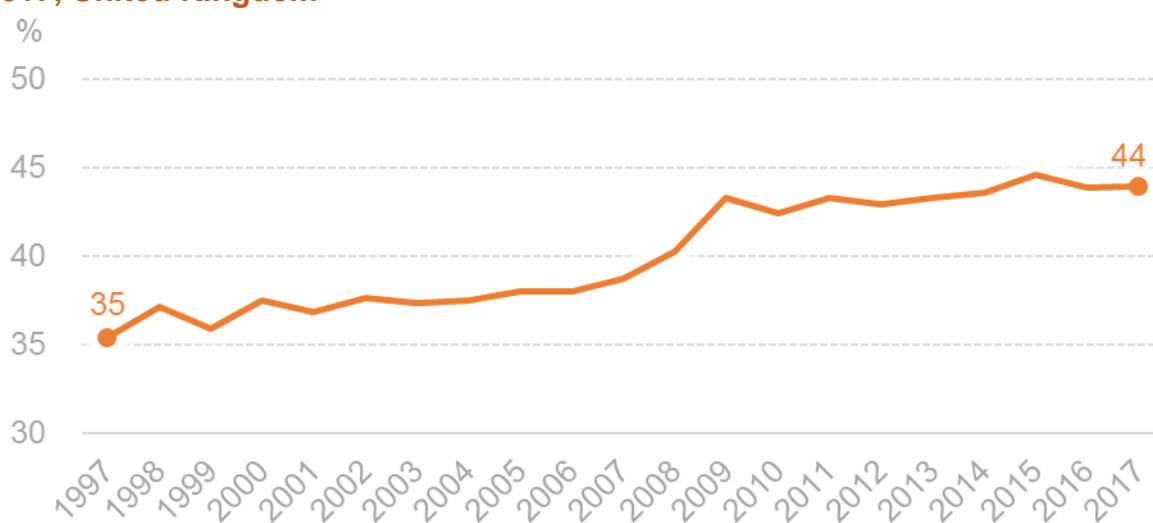
## Key Developments

### Increased education

Over the last 20 years, both advantaged and disadvantaged young people stayed in education longer and gained higher qualifications, as both government interventions and labour market changes took effect.

In two decades, the number of 16 to 24 year olds in full-time education rose from 35 to 44 per cent (Figure 3.1 for under-18s, participation rose from 77 to about 90 per cent.<sup>110</sup> However, disadvantaged students remain 9 percentage points less likely to stay in education for at least two terms after completing compulsory schooling.<sup>111</sup>

**Figure 3.1: Percentage of 16 to 24-year-olds in full-time education, 1997 to 2017, United Kingdom**



Source: Office for National Statistics, *A06 SA: Educational status and labour market status for people aged from 16 to 24 (seasonally adjusted)*, 2017

In the first decade, government offered a guaranteed education place for all 16 and 17-year-olds and financial support for poor students who stayed in education. Poorer young people who received support were seven per cent more likely to stay in education until 18.<sup>112</sup> In 2015 the official participation age rose to 18. This provided a small boost to participation, but did not impact the minority of young people not in education or employment as it came with no enforcement and no workforce for re-engaging those young people.<sup>113</sup>

As a result of increased participation in education, qualification levels increased sharply. The poorest students – those eligible for free school meals (FSM) – were almost twice as likely to achieve either A levels or equivalents at the end of the period compared to the start. However, the overall increase in qualification levels

<sup>110</sup> Department for Education, *Participation in Education, Training and Employment, 2015*; Department for Education, *Destinations of key stage 4 and key stage 5 students, 2017*

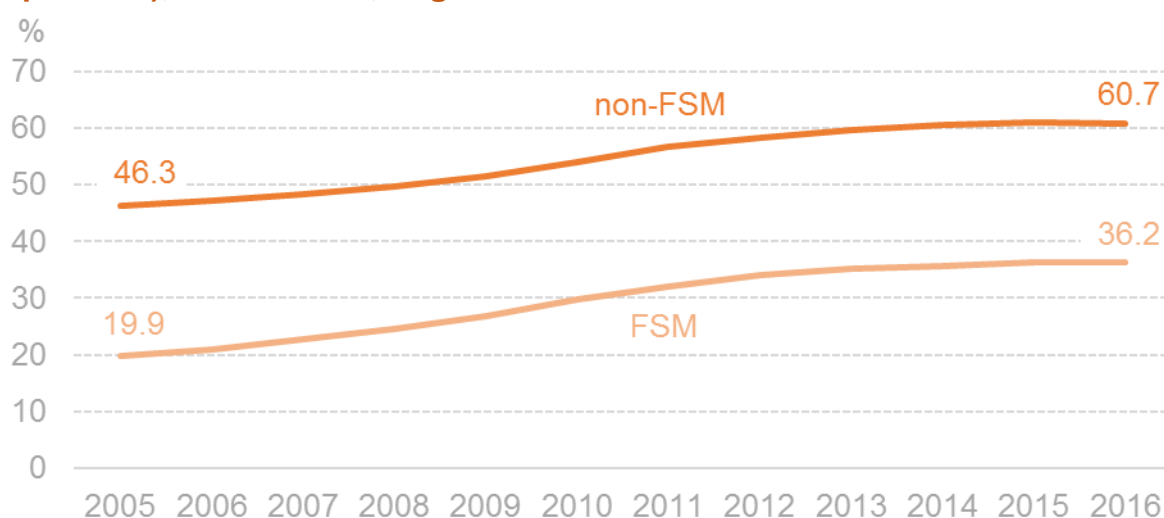
<sup>111</sup> Department for Education, *Destinations of key stage 4 and key stage 5 students, 2017*

<sup>112</sup> Dearden, L., Emmerson, C., Frayne, C. and Meghir, C., *Education Subsidies and School Drop-Out Rate*, IFS, 2011

<sup>113</sup> Wolf, A., *Review of Vocational Education – The Wolf Report*, 2011

across the board meant that the attainment gap between disadvantaged pupils and their more affluent counterparts shrank by just two percentage points (Figure 3.2).

**Figure 3.2: Percentage of 19-year-olds qualified to level 3 (A levels or equivalent), 2005 to 2016, England**



Source: Department for Education, *Level 2 and 3 Attainment in England, various years*

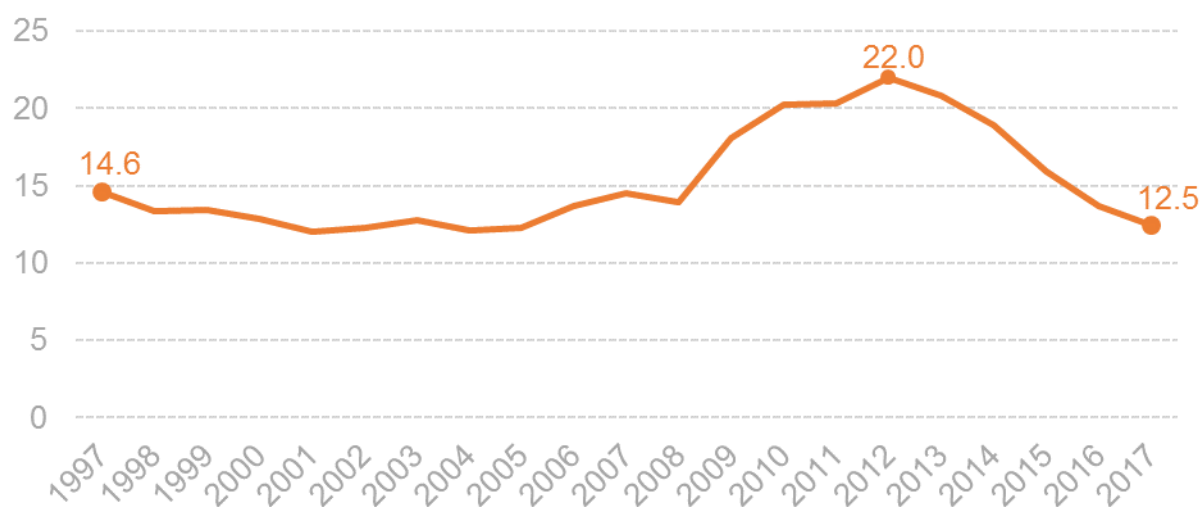
### Youth employment

Despite reforms and extra investments to boost qualification levels for young people – especially the disadvantaged – their labour market outcomes have been mixed. In the last 20 years, youth unemployment fell by about two percentage points (Figure 3.3) but mainly due to more young people being in full-time education after 18, rather than more young people in work. In fact, many young people chose to continue studying partly because of difficulty finding work.<sup>114</sup> Youth unemployment remains almost three times higher than overall unemployment (at 12.5 per cent versus about 4.6 per cent), which is a larger gap than at the start of the period.<sup>115</sup>

<sup>114</sup> Wolf, A., *Review of Vocational Education – The Wolf Report*, 2011

<sup>115</sup> Office for National Statistics, *UNEM01 NSA: Unemployment by age and duration (not seasonally adjusted)*, 2017

**Figure 3.3: Unemployment rate for 16 to 24-year-olds, 1997 to 2017 (January to March each year), United Kingdom**



**Source:** Office for National Statistics, *Educational status and labour market status for people aged from 16 to 24, 2017*

The number of inactive 16- and 17-year-olds who are NEET (not in employment, education or training) fell due to increased participation in education, but the number of 18-24 year-old NEETs proved largely resistant to change and remains at about 13 per cent of the youth population.<sup>116</sup> This is deeply concerning since a spell of inactivity when young is known to cause lifelong scarring in the form of higher chances of future unemployment, lower pay, and mental health issues later in life.<sup>117</sup>

The types of jobs available for young people also worsened over the last 20 years. Since 2008, young people’s wages fell 16 per cent to below 1997 levels.<sup>118</sup> The proportion of young people on low pay increased from about 30 to 39 per cent.<sup>119</sup> Young people also became more likely to be in involuntary part-time or temporary work – and by 2010 were twice as likely to experience this problem as older workers.<sup>120</sup> Even graduates suffered – becoming 10 percentage points more likely to end up in a non-graduate role for which they were overqualified compared to 2001.<sup>121</sup> Overall, youth poverty rates rose faster than for over 24s, and under 24s are now more likely to be poor than any other group of adults, including pensioners.<sup>122</sup>

For disadvantaged young people, outcomes do not seem to have improved relative to better-off peers. Limited data from the last decade shows no clear narrowing of the gap in sustained employment or study rates for the poorest 18-year-olds versus better-off peers after completing A levels or other level 3 qualifications, though this data should be treated with caution (Figure 3.4). In 2015, 9 per cent of

<sup>116</sup> Office for National Statistics, *A06 SA: Educational status and labour market status for people aged from 16 to 24 (seasonally adjusted)*, 2017

<sup>117</sup> McQuaid, R., *Youth unemployment produces multiple scarring effects*, 2014

<sup>118</sup> Machin, S., *Real wages and living standards: the latest UK evidence*, LSE, 2015; Steve Machin, LSE, *Real wages and living standards: the latest UK evidence*, 2015; Gregg, P., Machin, S. and Fernández-Salgado, M., *The Squeeze on Real Wages – and what it Might take to End it*, 2014

<sup>119</sup> The Resolution Foundation, *Low Pay Britain*, 2014

<sup>120</sup> IPPR, *Trends in part-time and temporary work*, 2010

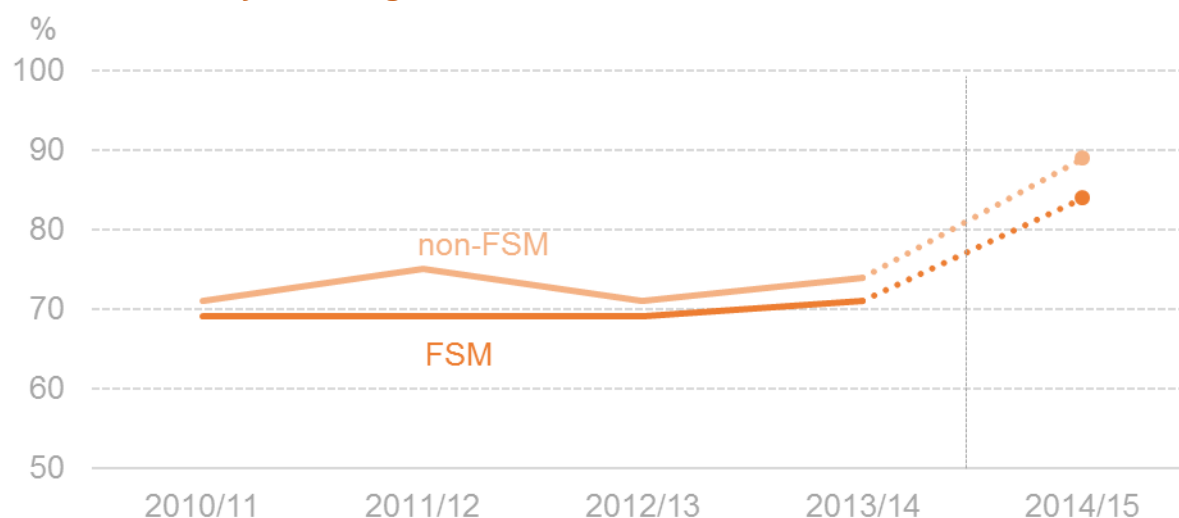
<sup>121</sup> Office for National Statistics, *Graduates in the UK Labour Market: 2013*, 2013

<sup>122</sup> Joseph Rowntree Foundation, *Monitoring poverty and social exclusion: Poverty and age*, 2015



disadvantaged young people became NEET after completing A levels or equivalents (key stage 5) versus 4 per cent of other students.<sup>123</sup>

**Figure 3.4: Sustained education/employment rates after key stage 5, 2011 to 2015 academic years, England**



Source: Department for Education, *Destinations of key stage 4 and key stage 5 pupils*, [various years](#)

Notes: Data prior to 2014/15 has limited coverage and should be treated with caution. Longitudinal education outcomes (LEO) data has been used in 2014/15 to improve accuracy, and hence is not comparable to previous years. For more information see data source.

To improve employment outcomes for young people, governments invested in a series of initiatives, but most have been short-lived. In 1997, government introduced the New Deal for Young People, which offered incentives and assistance for young people searching for jobs, as well as stricter monitoring. Evaluations suggest the programme boosted job finding rates by 20 per cent compared to those not on the programme.<sup>124</sup> However, support for young people shrank after 2004 due to a shift in focus from young people to lone parents.<sup>125</sup>

After the recession, government introduced the Youth Contract to boost employment. This package included funding for work experience, a wage subsidy scheme, an apprenticeship incentive, and funds to re-engage NEET young people. The intervention reduced the NEET rate marginally and helped 160,000 young people gain work, but impact was far smaller than hoped.<sup>126</sup> Additionally, many young people employed as a result of the scheme soon found themselves unemployed, as many employers signed up for the incentive without a long-term plan. The Contract was cut after a year, and no new support system replaced it.

Ultimately, government sought to compensate for the lack of job opportunities for young people by giving them more educational opportunities. This helped both by keeping young people out of unemployment and by boosting skill levels. However, government did little to encourage schools or colleges to support the transition to

<sup>123</sup> Department for Education, *Destinations of key stage 4 and key stage 5 students*, 2017

<sup>124</sup> Petrongolo, B. and Van Reenen, J., 'Youth Unemployment,' *CentrePiece*, [2011](#)

<sup>125</sup> Ibid.

<sup>126</sup> McKnight, A. *The Coalition's Record on Youth Employment*, LSE, 2015

work. School accountability measures for most of the period focused entirely on academic attainment, not on students' success after leaving school.

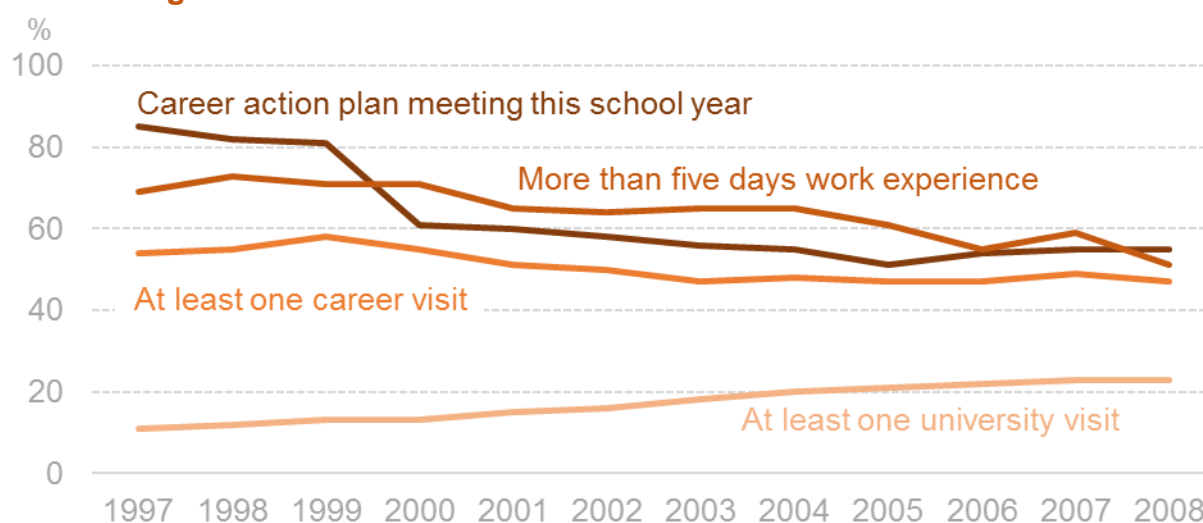
Recently, school and college accountability evolved to include a more well-rounded set of outcomes for young people. In particular, Ofsted now rates schools and colleges on pupil destinations, i.e. sustained employment or study, entry into a top-third university, or periods of inactivity. Even so, this new measure still has relatively little weight compared to progress and attainment.

### Declining careers advice and work experience

Both careers advice and work experience have been reduced over the last 20 years with a particularly negative impact on disadvantaged students who may not have friends or family with the required knowledge and contacts to fill the gap.

From 1997–2008, the number of students saying they learned 'some' or 'a lot' from careers advisors or teachers fell from 49 per cent to 25 per cent.<sup>127</sup> Schools became 30 percentage points less likely to offer careers meetings and 18 percentage points less likely to organise work experience of more than 5 days (Figure 3.5).<sup>128</sup> University visits were the only element of advice to become more common, but remained rare in spite of dedicated funds and organisations for managing outreach (Figure 3.5).

**Figure 3.5: Percentage of schools offering careers support, 1997 to 2008, United Kingdom**



Source: Centre for Evaluation and Monitoring, Durham University, *Careers Guidance and Participation in Education: Findings from the YELLIS Dataset*, 2009 – Figure 1

This decline in careers support and work experience offered by schools followed the creation of the Connexions programme, which aimed to integrate all youth services – such as careers advice, housing, and health support – and replaced the previous partnership between schools and the Careers Service.<sup>129</sup> Connexions suffered from

<sup>127</sup> Wiggins, A. and Coe, R., *Careers Guidance and Participation in Education: Findings from the YELLIS Dataset*, Centre for Evaluation and Monitoring, Durham University, 2009

<sup>128</sup> Ibid.

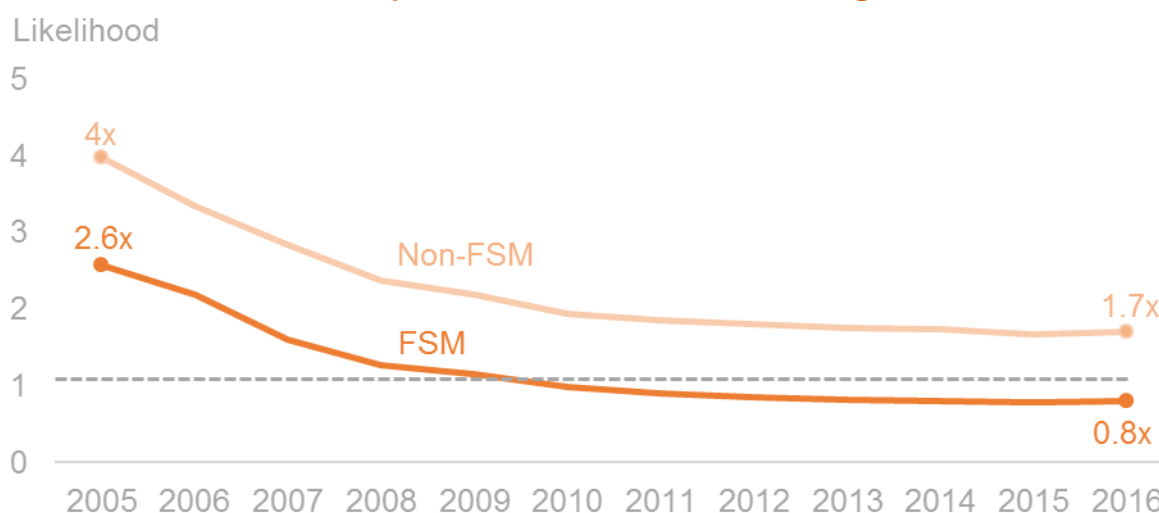
<sup>129</sup> Sutton Trust, *Advancing Ambitions*, 2014

funding constraints, frequent mission changes, and a shift in attention from careers advice to other services.<sup>130</sup> Additionally, the new service focused on young people not in education or employment to the detriment of others in need of advice. As a result of these changes, the number of skilled advisors fell – with damaging consequences.

In 2012, the duty to provide careers advice shifted again – this time from local authorities to schools, but the shift came with no funding, no teacher training and limited accountability in relation to other performance measures. Overstretched teachers struggled to find time to organise careers events and a further decline in careers advice occurred.<sup>131</sup> By 2013, an Ofsted survey of 60 schools found three quarters were not fulfilling their careers advice duty and most schools met just one or two of eight fundamental benchmarks for good advice.<sup>132</sup>

Poor careers advice throughout the two decades had significant consequences, especially given the confusing mix of low- and high-value qualifications on offer and school/college incentives that focused on pass rates in any qualification. Over the period, all students became more likely to study vocational courses and less likely to study A levels, but this was especially true of disadvantaged students – due probably in part to limited advice as well as prior attainment and other factors (Figure 3.6).<sup>133</sup> Even high-attaining disadvantaged students became more likely than other high-attainers to choose vocational routes, which suggests a gap in advice with poorer young people less aware of lower returns to these qualifications.<sup>134</sup> The result has been a two-tier system in which most disadvantaged students end up on the vocational route, while most advantaged students end up on the academic route.

**Figure 3.6: Likelihood of completing 2+ A levels or International Baccalaureate rather than other Level 3 qualifications, 2005 to 2016, England**



Source: Department for Education, *Level 2 and 3 Attainment in England: Attainment by aged 19 in 2016, 2017*

<sup>130</sup> Milburn, A., *Unleashing Aspiration*, 2009

<sup>131</sup> Sutton Trust, *Advancing Ambitions*, 2014

<sup>132</sup> Ofsted, *Going in the Right Direction?*, 2014; Gatsby, *Good Careers Guidance*, 2014

<sup>133</sup> Department for Education, *Level 2 and 3 attainment by young people aged 19 in 2016*, 2016

<sup>134</sup> Linked NPD-ILR data tracking the 2010 school leaver cohort, analysed by Education Datalab for the Social Mobility Commission, 2015

In 2015, The Careers & Enterprise Company was set up to connect employers with schools in order to improve advice – with some early evidence of impact.<sup>135</sup> The number of organisations connecting schools with employers, universities, and training providers had become hard for teachers to manage, especially as curriculums still have little space for any of these activities. The CEC’s Enterprise Adviser Network helps schools and college to navigate this landscape and is now growing its coverage.

Additionally, the Government has acknowledged the careers advice problem and plans to publish a careers strategy alongside the introduction of a simple application portal for technical education.

### Improving vocational education

Improving vocational teaching has been a priority for policy makers throughout the last 20 years, due to concerns about its inconsistent quality. Successive governments attempted to create parity of esteem between vocational and academic education, but little progress occurred in spite of – or perhaps because of – constant change.

At the start of the period, the system included a mix of high-value options (e.g. GCSEs) and low-value options (e.g. level 2 NVQs), but too many offered poor returns.<sup>136</sup> Indeed, some courses even had negative returns compared to entering work instead of studying. Specifically, men who obtained a level 2 NVQ at school actually earned less than peers who started work instead (Figure 3.7). Employer-led courses and work-based learning tended to have the highest value, but were too rare. Even by 2010, one in five 16-19 year olds were still studying for low-level qualifications that offered little economic benefit.<sup>137</sup> Since then, several of the lowest-value qualifications have been abolished, but the value of courses is still very variable.

**Figure 3.7: Wage returns from sample level 2 vocational qualifications, 1997 to 2006, England**

Level 2 Qualification	Increased or Decreased Likelihood of Earning Higher Wages
RSA (at diploma or below)	+12.19
BTEC (at 1 <sup>st</sup> /gen diploma or below)	+7.68
NVQ or SVQ (at level 2 or below)	-2.96

Source: Centre for the Economics of Education, *The Returns to Qualifications in England: Updating the Evidence Base on Level 2 and Level 3 Vocational Qualifications*, 2007, p60

Efforts to improve the value of qualifications resulted in significant disruption to vocational education. In the decade from 1997, major changes included a complete

<sup>135</sup> The Careers & Enterprise Company, *Joining the Dots*, 2016 First Annual Roundup, 2016

<sup>136</sup> Wolf, A., *Review of Vocational Education – The Wolf Report*, [2011](#)

<sup>137</sup> Wolf, A., *Review of Vocational Education – The Wolf Report*, [2011](#)

redesign of qualifications and dramatic funding reforms. In just five years from 2006 to 2011, ten new regulatory bodies were created and six abolished. It was the same story in the second decade.<sup>138</sup> Government implemented 20 out of 27 Wolf review recommendations, including: mandatory GCSE resits, apprenticeship reform, new qualifications, new technical colleges, new funding, and new performance measures. Each reform was based on sound principles, but the speed and scale of change created confusion and implementation failures.

Frequent changes caused a particularly acute problem with progression routes from one qualification to another. Many GCSE-level qualifications did not allow entry onto higher level academic courses, while transferability between paths was largely lacking.

Today, two major reforms (T levels and apprenticeship reform) aim to create a simpler and more employer-led system, but the pace and scale of change remains a challenge.

### Improving access to apprenticeships

Apprenticeships offer a valuable pathway into employment, especially for students who do not have the grades required for higher education, but the percentage of young people doing apprenticeships has barely increased over the 20-year period. The core challenge for government has been that employers are often reluctant to invest in training the very people who stand to benefit most from an apprenticeship: less experienced or lower-skilled workers who did badly at school. Quality has also been a continual issue – despite increased investment.

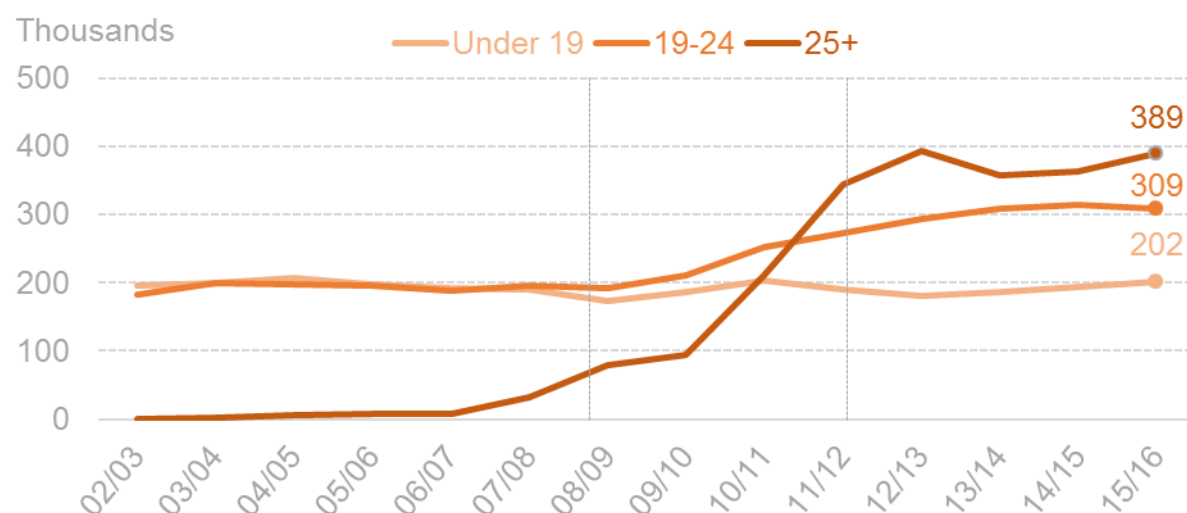
The rebirth of apprenticeships began in 2006, following the Leitch Review's push for an urgent increase in skill levels. From 2010, apprenticeships received a second injection of funds as part of the Coalition's Skills Plan. Both these increases in funding led to a rapid spike in apprenticeships for over-25s, but a smaller increase in apprenticeships for younger workers. The number of apprenticeships for over 25s increased exponentially (there are now 50 times as many as in 2006), while apprenticeships for 19 to 24-year-olds doubled and apprenticeships for under 19s actually fell (Figure 3.8). Today, just 7 per cent of young people go into an apprenticeship after taking level 3 qualifications and finishing 16 to 18 study – and only 6 per cent of disadvantaged young people, although numbers are on the rise.<sup>139</sup>

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<sup>138</sup> Ibid.

<sup>139</sup> Department for Education, *Statistics destinations of key stage 4 and key stage 5 pupils, 2017*; Department for Business, Innovation and Skills, *Apprenticeship Participation, 2016*

**Figure 3.8: Apprenticeship participation by age, academic years 2002/03 to 2014/15, England**



Source: Department for Education, *Apprenticeship Participation by Level and Age*, 2016

To support young people qualified below level three with little work experience, in 2013 the government introduced traineeships – an education and training programme with work experience, aimed at those 16-24. The key purpose of traineeships is to progress young people to an apprenticeship or job within six months. They proved successful, with 67% continuing onto an apprenticeships, a job or further learning.<sup>140</sup> However, the programme is small compared to apprenticeships, with 24,100 starts in 2015/6.<sup>141</sup> There is, therefore, greater potential to grow traineeships as a route, and support more young people to be able to access jobs and apprenticeships.

An additional challenge is that most apprenticeships for young people involve low-level courses in low-paid industries. Level 2 apprenticeships are particularly common, but lead to lower pay and have lower chances of converting into a full-time position.<sup>142</sup> In 2014/5, there were 314,000 young people participating in level 2 apprenticeships, 204,700 at level 3, and just 9,400 at level 4 or above<sup>143</sup>. In that year, apprenticeships at level 4 or above made up less than 1 per cent of all apprenticeships (Figure 3.9). Worryingly, almost all young people (97 per cent) start apprenticeships at the same level as their existing qualifications.<sup>144</sup>

<sup>140</sup> Department for Business, Innovation and Skills, *Traineeships: first year process evaluation*, 2015

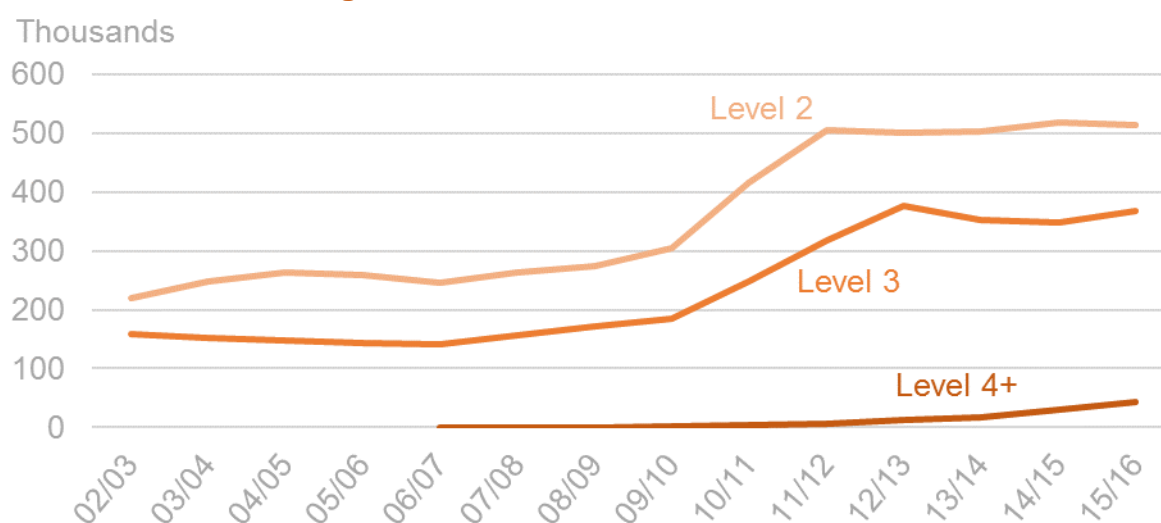
<sup>141</sup> Department for Education, *Further education and skills in England 2016*, 2016

<sup>142</sup> Department for Education, *Apprenticeship Evaluation 2015: Learner and Employer Surveys*, 2015

<sup>143</sup> Department for Business Innovation and Skills, *Apprenticeship Participation by Level and Age*, 2016

<sup>144</sup> Social Mobility Commission, *State of the Nation 2016: Social Mobility in Great Britain*, 2016

**Figure 3.9: Apprenticeship participation by level (all ages), academic years 2002/03 to 2014/15, England**



Source: Department for Education, Further Education [data library](#)

At first, rapid investment focused on quantity more than quality. Many of the apprenticeships that emerged after 2010 were very short (sometimes just six weeks long) and lacked off-the-job education in English and maths. However, after the Richard Review in 2012, government introduced a number of core quality principles and protected the term in law, which boosted quality by ensuring all apprenticeships included a minimum of 20% off-the-job learning and lasted at least 12 months. The Government also established an independent body, the Institute for Apprenticeships, with a mandate to assure quality. That said, quality remains highly dependent on the delivery body and it is unclear if emerging standards will be consistent. There are already 172 approved standards and a further 218 are in development.

Since April 2017, there has been a new apprenticeship levy, which requires all large employers to pay 0.5 per cent of their pay bill into a training pot that all employers can use to pay for apprentices. The Government hopes this will enable them to hit a target of 3 million apprentices by 2020. Since the scheme is employer-led, there is no target regarding the level or sector of these apprenticeships, but the ambitious target number also risks focusing energy on quantity more than quality.

### Improving further education

Up to 80 per cent of disadvantaged students attend a further education college before the age of 24, making further education a critical lever for social mobility, but 20 years of underfunding, perverse incentives, and constant reform have not brought about substantial improvements.<sup>145</sup> Today, college students who complete level 3 qualifications remain almost 20 percentage points less likely to enter higher education than school students.<sup>146</sup>

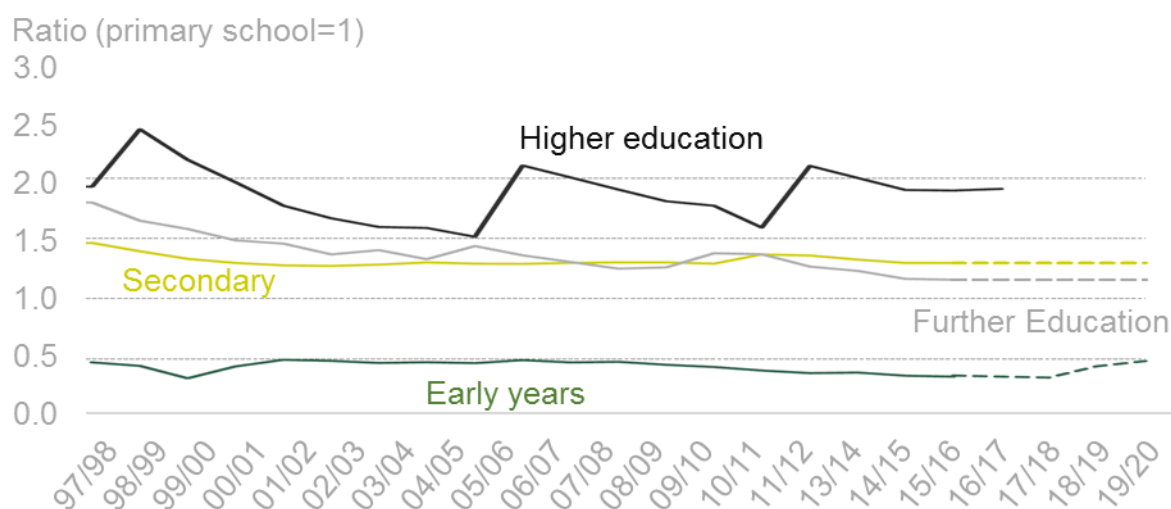
<sup>145</sup> Thomson, D., *Why aren't we talking about further education and social mobility?*, Datalab, 2015

<sup>146</sup> Department for Education, *Destinations of key stage 4 and key stage 5 students*, 2017

Two decades ago, further education colleges had just become independent – generating innovation and growth, but also inconsistent outcomes.<sup>147</sup> Cost pressures and demand-led funding (rewards for higher-than-expected student numbers) led to an overemphasis on recruiting rather than teaching. So while learner numbers jumped 19 per cent between 1996 and 2003, success rates were very poor. In 2001, only 56 per cent of young students completed their qualification, while a quarter dropped out of long courses altogether.<sup>148</sup> Success rates also varied wildly between colleges from as low as 33 per cent to as high as 98 per cent.<sup>149</sup>

To improve student outcomes, funding switched to a per-qualification model. This caused success rates to shoot up by 20 percentage points, but created other issues. It incentivised colleges to push students onto easier, low-value courses and it underfunded the less able students who actually needed more help. For example, it increased the extent to which college students were less likely to study A levels than school students. In 2013/4, per-learner funding ended this problem. Extra funds for disadvantaged students also helped towards social mobility, though limited accountability reduced impact. Overall, however, per-pupil funding still fell relative to secondary schools and higher education (Figure 3.10).

**Figure 3.10: Relative yearly spending per pupil at different stages of education compared to primary school; further education, higher education, secondary schools and early years (primary school=1), financial years 1997/98 to 2019/20**



**Source:** Institute for Fiscal Studies, Long-run comparisons of spending per pupil across different stages of education (2017) – Figure 6.1b

**Notes:** Higher Education refers to resources per student, all others are spending per pupil.

In spite of funding issues, improvement efforts did boost teaching quality. The early 2000s brought in a host of reforms to inspection, including greater focus on supporting learning and development.<sup>150</sup> As a result, the number of colleges rated

<sup>147</sup> Hammond, M., *The possible policy effects on FE colleges in England under the Learning and Skills Councils*, 2003

<sup>148</sup> National Audit Office, *Improving Student Performance – How English Further Education Colleges Can Improve Student Retention and Achievement*, 2001; Simm, C., Page, R. and Miller, L., *Reasons for Early Leaving from FE and Work-Based Learning*, Institute for Employment Studies, 2007

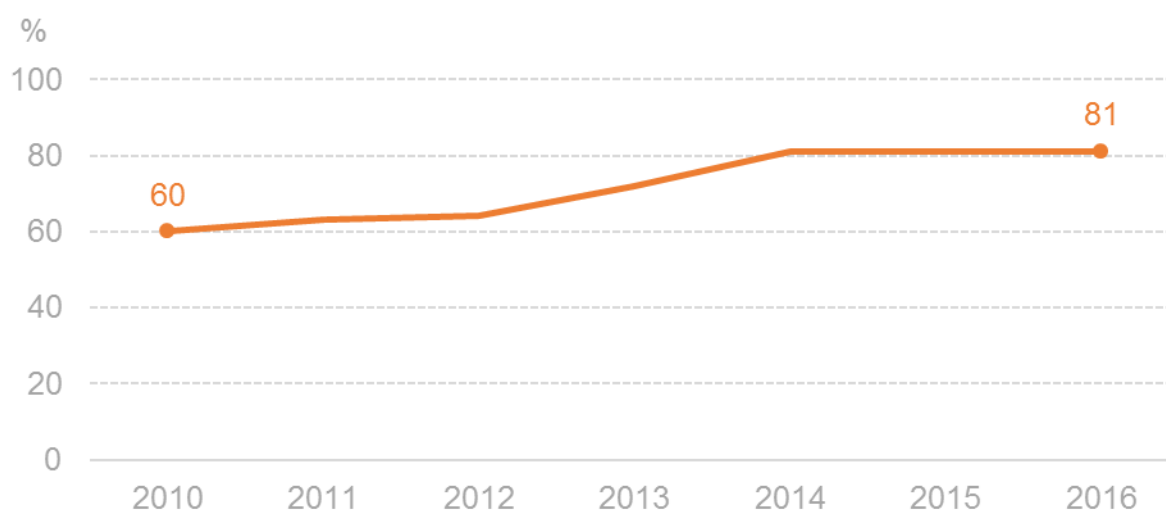
<sup>149</sup> National Audit Office, *Improving Student Performance – How English Further Education Colleges Can Improve Student Retention and Achievement*, 2001

<sup>150</sup> Association of Colleges, *Inspection and FE Colleges*, 2015



good or outstanding rose every year, from around 50 per cent in 2003 to 81 per cent today (Figure 3.11) – though this still lags behind schools.<sup>151</sup>

**Figure 3.11: Percent of further education colleges rated good or outstanding, 2010 to 2016 (as at 31 August), England**



Source: Ofsted, *Annual Reports*, 2010 to 2016

The trend of improving Ofsted assessments was interrupted in 2016 – at least for general further education colleges – when there was an overall decline in ratings. Teaching difficulties may have resulted partly from the introduction of the GCSE resit policy. This policy was introduced to increase maths and English pass rates, but the lack of funding and the difficulty of recruiting qualified teachers of a high standard made it hard to deliver. The proportion of young people who failed to achieve a Level 2 qualification in maths and English at age 16, but who had achieved both by age 19, rose from 22.4% to 24.1% between 2015 and 2016.<sup>152</sup> However, the failure rate for those who resit English and maths is still over 75%, which leaves too many young people likely to leave compulsory education with reduced confidence that will have a negative impact on their future achievement.<sup>153</sup>

### Widening access to higher education

Higher education can act as an engine for social mobility, especially if disadvantaged young people receive the teaching support and advice necessary to transition from university into a career. Over the last 20 years, the number of disadvantaged young people going to university increased dramatically – albeit less so for the most selective universities – but retention and employment outcomes for disadvantaged graduates improved less.

In 20 years, the total number of students attending university grew by 10 percentage points.<sup>154</sup> Since 2006 alone, the percentage of students from disadvantaged areas (POLAR3 Q1) entering university almost doubled from 11 per cent to nearly 20 per

<sup>151</sup> Ofsted, *Standards and Quality 2002/3*; Ofsted, *Further education and skills inspections*, [2016](#)

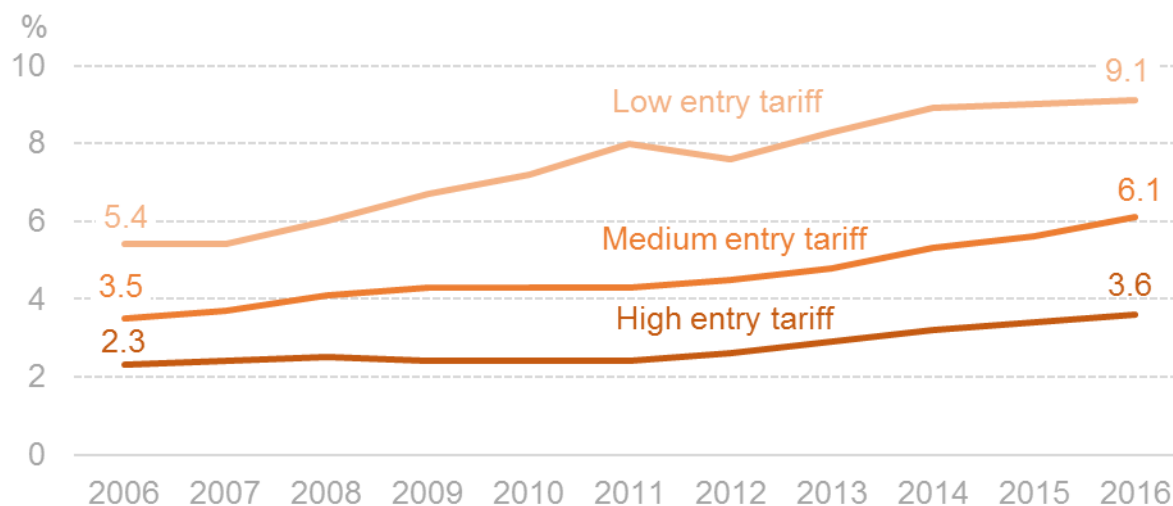
<sup>152</sup> Department for Education, *Level 2 and 3 attainment by young people aged 19 in 2016, 2017*

<sup>153</sup> Department for Education, *Level 2 and 3 attainment by young people aged 19 in 2016, 2017*; Impetus-PEF, *Life after school, Confronting the Crisis*, 2016

<sup>154</sup> Department for Business, Innovation, and Skills, *Participation Rates in HE 2008-09*, 2009; Department for Business, Innovation, and Skills, *HEIPR PUBLICATION 2014-15*, 2015

cent.<sup>155</sup> Entry rates for disadvantaged students increased by almost 4 percentage points at less selective universities but by just over 1 percentage point at the most selective (Figure 3.12).

**Figure 3.12: Percentage of disadvantaged (POLAR3 Q1) 18-year-olds entering higher education by selectivity of institution, 2006 to 2016, United Kingdom**



Source: UCAS, Equality and Entry Rates Explorer, Trends through time (2016)

Note: The POLAR classification looks at how likely young people are to participate in higher education across the UK and shows how this varies by area. POLAR3 Q1 refers to students from areas with the lowest participation.

Wider access resulted from higher attainment at school, intensive efforts to widen participation, and two important structural changes: the removal of the student cap and the increase of locally-taught degrees at further education colleges. There were fears that tuition fees would deter students from poorer backgrounds, but there is little evidence of this to date, although the cumulative impact of increases could change this moving forward.<sup>156</sup>

Government's initial goal was for half of all young people to enter university. This was later replaced with a goal to double the entry rate for students from disadvantaged areas. Spend on improving access increased steadily over the two decades – doubling from under £400 million to over £800 million. The Office for Fair Access (OFFA) was set up in 2004 to ensure universities set out clear plans for recruiting students from under-represented or disadvantaged students in return for the ability to charge higher fees. OFFA's power to veto each university's access plan has helped focus attention on outreach and led to experimentation with a variety of tactics. However, there is still too little clarity on which approaches are most effective, despite years of experimentation.<sup>157</sup>

To accelerate progress, government launched the National Collaborative Outreach Programme in 2017 with the aim of increasing applications from disadvantaged students with good GCSEs in low-participation areas. Government also encouraged

<sup>155</sup> UCAS, *Equality and entry rates data explorer*. <https://www.ucas.com/corporate/data-and-analysis/ucas-undergraduate-releases/equality-and-entry-rates-data-explorer#linechart>

<sup>156</sup> Callender, C. and Mason, G. (forthcoming). 'Does student loan debt deter higher education participation? New evidence from England,' *Annals of American Political and Social Science*, 2017

<sup>157</sup> Bowes, L., Jones, S., Thomas, L., Moreton, R., Birkin, G. and Nathwani, T., *The Uses and Impact of HEFCE Funding for Widening Participation: Report to HEFCE by CFE and Edge Hill University*, 2013

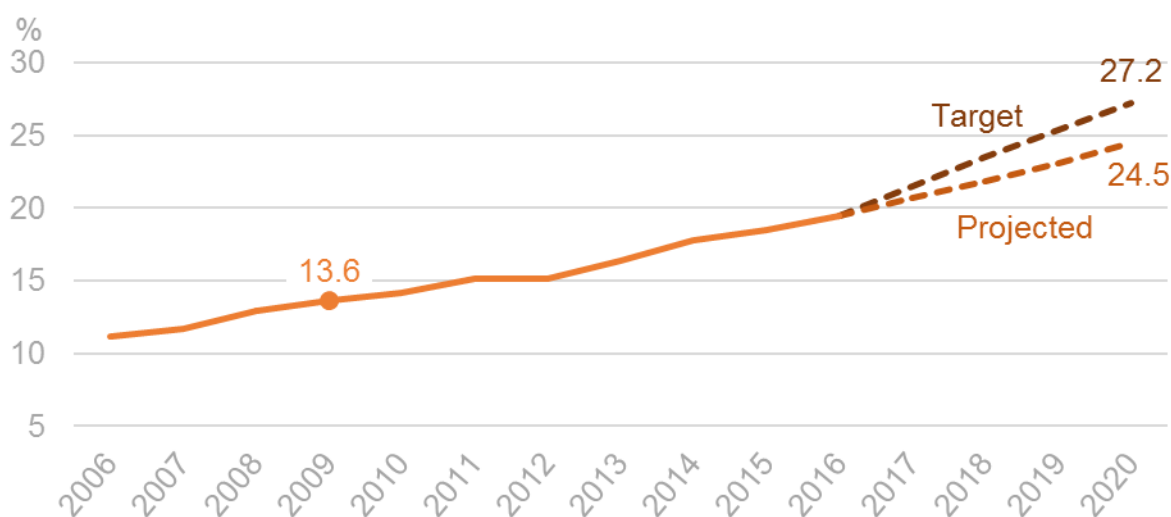
universities to sponsor schools, with the aim of boosting aspiration and attainment for younger pupils. It is too soon to know the impact of either move, but wider efforts to boost the attainment of disadvantaged kids will be necessary if the persistent gaps in participation are to be eliminated.

In addition to widening participation efforts, a few structural changes improved access. The most impactful changes were the growth of locally-taught degrees and the removal of the student cap. The number of further education colleges offering degrees rose from 20 to 90 per cent, representing 10 per cent of the undergraduate population.<sup>158</sup> This local provision made university possible for poorer young people who were unable or reluctant to leave home. Similarly, the abolition of the limit on student numbers enabled universities to take in a broader set of students, including disadvantaged students. A number of universities also took advantage of this to experiment with contextual recruiting and make lower offers to high-potential disadvantaged students.<sup>159</sup>

However, efforts to boost participation have been hampered by disadvantaged students' low attainment combined with many universities' continued inflexibility on grades. This is exacerbated by the way university league tables use selectivity to denote quality, which means that they emphasise entry grades rather than teaching quality or students' outcomes. Additional barriers include long courses, a disconnect with labour market needs and lack of local courses in about 90 areas, which all deter lower-income students.<sup>160</sup>

Ultimately, investment has boosted access dramatically, though progress is still behind ambitious target levels (Figure 3.13).

**Figure 3.13: Progress against government's 2020 participation goal to double university access for students from low-participation areas, 2006 to 2020**



Source: UCAS, *Equality and entry rates data explorer*, 2016

<sup>158</sup> Eve Rapley, Centre for Learning Excellence, University of Bedfordshire, *HE in FE – past, present and future*, 2012

<sup>159</sup> Supporting Professionalism in Admissions, *SPA's Use of Contextualised Admissions Survey Report 2015 (with HEDIIP)*, 2015

<sup>160</sup> Based on data from the Higher Education Funding council for England indicating campus locations for universities and further education colleges offering degree courses. Social Mobility Commission, *State of the Nation 2016: Social Mobility in Great Britain*, 2016 (p112)

**Notes:** The target was set in 2009 to double participation from 13.6 per cent to 27.2 per cent by 2020.

What is more, improved access has not been matched by improved retention rates or employment outcomes for disadvantaged students. Disadvantaged graduates are still less likely than other graduates to find professional work and also tend to earn less than other graduates (though they usually earn more than those without degrees).<sup>161</sup>

Over the past two decades, disadvantaged students experienced higher drop-out rates than other students, at 8 per cent versus 6 per cent overall.<sup>162</sup> Since 2009/10, drop-out rates barely improved overall and actually deteriorated at 50 universities.<sup>163</sup> Similarly disadvantaged students remain 7 percentage points less likely to find graduate-level employment than the most advantaged (60 versus 67 per cent).<sup>164</sup>

Universities have done too little to tackle these issues. For most of the last 20 years, investment in access was not followed by increased investment in teaching, guidance, pastoral care, or careers advice for disadvantaged students.<sup>165</sup> Today, disadvantaged students are still less likely to participate in internships or other extra-curricular activities known to boost employability while at university – partly due to limited information on the importance of these activities.<sup>166</sup> Additionally, too many degree courses remain disconnected from employers' and labour market needs.

The Government is seeking to change this through a series of recent reforms including the Teaching Excellence Framework, the transparency duty, and updated Access Agreements. The Teaching Excellence Framework now ranks universities on teaching quality, retention, and employment outcomes overall and for disadvantaged students and other groups specifically. The transparency duty requires all universities to publish data on disadvantaged students' access and success. The Office for Fair Access now encourages universities to focus more of the spending through their access agreements on disadvantaged students' success and progression, not just access (Figure 3.14).

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<sup>161</sup> Crawford, C. and Vignoles, A., *Heterogeneity in graduate earnings by socio-economic background*, IFS, 2014; Crawford, C., Gregg, P., Macmillan, L., Vignoles, A. and Wyness, G., *Higher education, career opportunities, and intergenerational inequality*, 2016

<sup>162</sup> Social Market foundation, *Staying the Course*, 2016

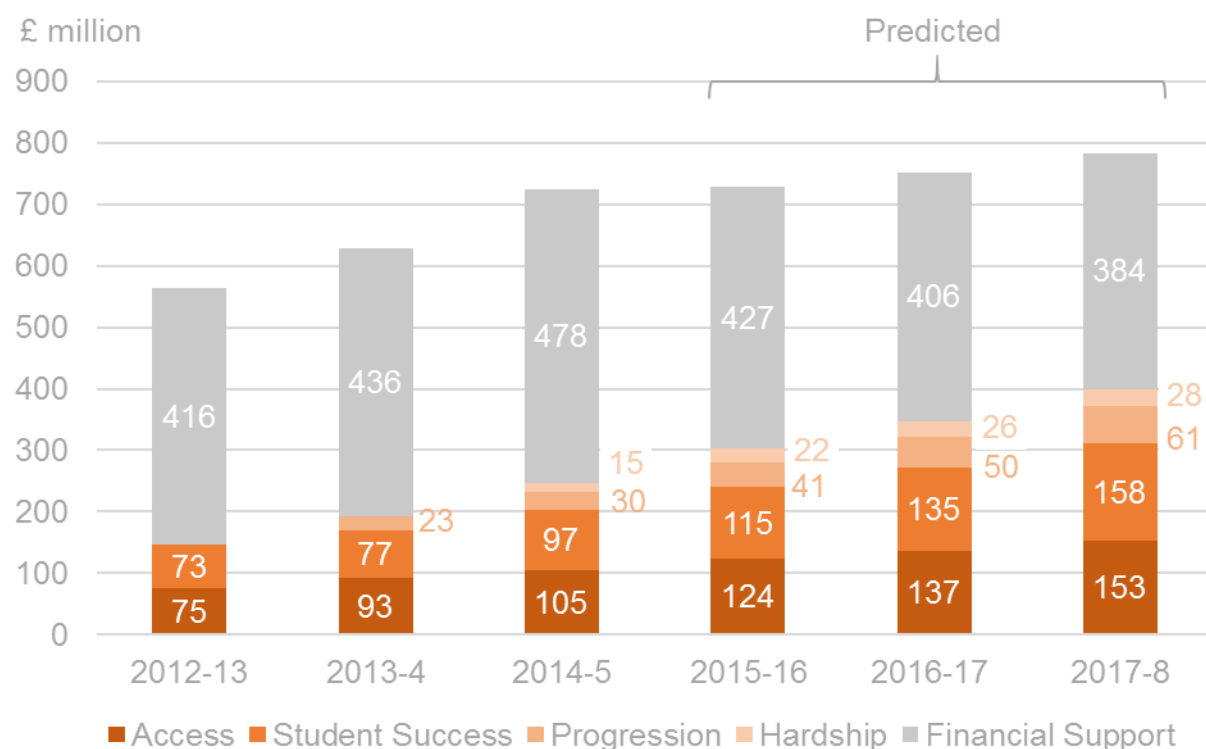
<sup>163</sup> Ibid.

<sup>164</sup> HEFCE, *Differences in Employment Outcomes: Equality and Diversity Characteristics*, 2015

<sup>165</sup> Social Market Foundation, *Staying the Course*, 2016

<sup>166</sup> The Bridge Group, *Graduate Outcomes and Social Mobility*, 2016

**Figure 3.14: University access agreement spend (£ millions), financial years 2012/13 to 2017/18**



Source: Office for Fair Access, *2017-18 access agreements: institutional expenditure and fee levels, 2017* – Figure 1

Notes: Spend on Access covers any activity to encourage under-represented groups to apply and enter higher education. Student Success covers activities to improve retention and study outcomes, Progression covers activities to improve the transition to work or further study.

## Assessment

In the last twenty years, there has been a huge focus on giving young people more and better education, but this has not translated into better labour market outcomes.

The education system prioritised qualifications more than work experience, employability, or the transition into work. Careers advice all but disappeared over the two decades. Reforms to the vocational route failed to create parity of esteem with the academic route due to lower funding and focus. The rebirth of apprenticeships promised new chances for disadvantaged young people, but quality was an issue and most new apprenticeships went to older workers. In the higher education space, wider access was a significant achievement, but retention and employment outcomes did not improve enough for disadvantaged students. A contradiction also endured between ambitious targets for university access and aims at parity of esteem between vocational and academic routes.

Overall, increased participation in education has been welcome, but education institutions have not played their part in ensuring students' success after finishing study, leaving far too many disadvantaged young people with poor outcomes including a significant number who become NEET (not in employment, education or training).

## Overall Assessment



### Specific Areas

Participation in education after 16	
Attainment gap at 19 in level 3 qualifications	
Youth employment	
Young people's wages	
Young people not in education, employment or training (NEET)	
Careers advice	
Value of vocational qualifications	
Further education quality	
Disadvantage students' access to university	
Disadvantaged students' access to selective universities	
Disadvantaged students' retention and success rates	

## Moving Forward

There has been very little progress at closing the attainment gap in level 3 qualifications (i.e. A-levels or equivalent) between poor young people and their peers. In fact, if progress continues at the current rate, it will take 120 years before disadvantaged young people become as likely as better-off peers to achieve level 3 qualifications.<sup>167</sup> In higher education, it will take about 80 years before the participation gap between students from disadvantaged and more advantaged areas closes.<sup>168</sup>

To improve social mobility, the Government should commit to reducing the attainment gap and ensure that educational qualifications translate into better labour market outcomes, especially for disadvantaged young people. In higher education, the Government should build on past successes and ensure progress does not stall by increasing labour market relevance, which would boost university's appeal and impact for poor young people.

## Recommendations

The Government should make a commitment that every young person, including every disadvantaged young person, has the opportunity to enter a genuine career path – via either an apprenticeship, a vocational course, or university. This requires education policy to shift focus from qualifications to employability and also for government to hold schools, colleges, and universities to account for their students' success after leaving.

The Government should:

- **Set a new aim to halve the attainment gap in level 3 qualifications within the next decade through new policies including T levels, apprenticeships, and extra support and accountability reforms for further education colleges.**
- **Refocus apprenticeship policy on young people and on higher-quality apprenticeships.**
- **Ensure careers advice and support is available in all schools via greater emphasis on destinations measures plus increased training and time in the curriculum.**
- **Ensure that higher education is available via further education colleges in social mobility coldspots.**
- **Encourage universities to focus on helping students succeed in the labour market by measuring graduate outcomes and offering better careers advice and work experience opportunities.**

<sup>167</sup> Assuming a 2 percentage point gap reduction each decade, as per the last 10 years (Figure 3.2).

<sup>168</sup> Comparing the trend in participation gap between the bottom and top quintiles.

## Chapter Four: Working Lives

### Overview

Social mobility is not just about creating an education system that gives everyone a good start in their lives. It is about making sure that everyone in the labour market has a chance to realise their potential and build a good life for themselves.

Over the last twenty years, governments have sought to meet this aspiration by maximising levels of employment and by helping people enter or return to the labour market. These efforts have delivered employment rates that are the highest on record. But the quality of jobs has not matched the quantity and governments have found themselves having to support large numbers of households that are in work but still struggling to make ends meet.

Governments have acted to reduce low pay by introducing minimum wage legislation. This has eliminated extreme low pay, but has also reduced wage differentials at the bottom of the labour market. Furthermore, since the global recession, wages have stagnated in real terms with living standards falling particularly for young people. One in five people in the UK have been on low pay throughout this period – a consistently higher proportion than other comparable nations.<sup>169</sup>

During this period, the gap between the highest and the lowest paid increased dramatically. In 1998, on average the highest earners were paid 47 times that of the lowest. By 2015 the equivalent gap was 128 times more.<sup>170</sup> Those holding top jobs have become slightly more socially diverse, although progress has been painfully slow.

The labour market has become polarised. The numbers of high skill jobs has increased but there has also been an increase in low paid jobs with few opportunities. Meanwhile, skills levels have fallen behind the demands of the labour market. Governments have sought to address the UK's skill shortage, but with limited success and technological changes threaten to make this situation worse.

Over the last two decades, the geographical divide has also widened with regional differences in the labour market greater today than at the start of the period. Governments have introduced initiatives to help the most deprived localities, including regional development programmes and devolution deals but, to date, these have had little effect. More needs to be done to spread opportunity and access to quality jobs more evenly across the UK.

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<sup>169</sup> This is the eighth worst rate of low pay in the Organisation for Economic Co-operation and Development (OECD) countries: OECD, OECD Employment Outlook 2015, Statistical Annex, Table O – Earnings Dispersion and Incidence of High and Low Pay

<sup>170</sup> Department for Business, Energy and Industrial Strategy, Corporate Governance Reform Green Paper, November 2016



## Key Developments

### Supporting People into and in Work

Twenty years ago, Britain had a deep unemployment problem. Levels of poverty were unprecedented in post-war history and worklessness was the major cause of poverty.<sup>171</sup> Lone parents and young people were disproportionately more likely to be unemployed. Many people experienced long-term unemployment which created high levels of welfare dependency.

The past two decades have seen a number of major reforms of the welfare systems in an attempt to tackle these issues. From 1997, the Government launched a welfare-to-work strategy, including New Deal Programmes for the Unemployed. These provided personalised help to get people job-ready and into work and were targeted at specific groups of people, such as lone parents. In 1999, Family Credit was replaced with Working Families' Tax Credit as part of a set of tax credits. The aim was to ensure that being in work paid more than being on benefits. To support these changes, in 2002 the Jobcentre Plus network replaced the Employment Service with a view to encouraging all working-age benefit recipients to focus on opportunities for work.

These reforms had some success. New Deal Programmes helped over 1.8 million people into work and Tax Credits boosted incomes of low-paid workers. The step increase in the generosity of tax credits between 1999-2001 coincided with the biggest ever year-on-year reduction in child poverty, with working age families benefitting the most from tax credits over the period of 1997-2009. Between 1999 and 2009, benefit support for children doubled, for pensioners it went up by half, and for working age adults it remained unchanged.<sup>172</sup>

However, like subsequent efforts these reforms ran into significant design and delivery issues. The government at the time recognised that 'the many different rules ... make for a confusing and incoherent picture'.<sup>173</sup> The way the system was constructed meant that moving into low-paid work could feel risky. Once someone was considered to have left the system, it could take weeks to get benefits back. This also provided a disincentive for work experience or short-term employment.

In the period 2010-2015, the welfare system went through another huge reform with the aim of becoming even more work-focused. Welfare-to-work programmes were replaced with changes to most welfare programmes and to benefit entitlements'.<sup>174</sup> The most significant change was the introduction of Universal Credit, which combined six previously separate benefits. Still in the process of being implemented, it is designed to make work pay with payments reducing gradually as an individual, or a couple, earn more. For every £1 earned, Universal Credit payment will be reduced by 63p.<sup>175</sup> Once fully rolled out, it is hoped it will simplify the welfare process and encourage people to increase their earnings.

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<sup>171</sup> Hills, J, Sefton, T. and Stewart, K. Towards a more equal society? Poverty, inequality and policy since 1997, Joseph Rowntree Foundation; the Policy Press, 2009

<sup>172</sup> *ibid*

<sup>173</sup> Department for Work and Pensions, New Deal for Welfare: Empowering people to work, HMSO, London, 2006

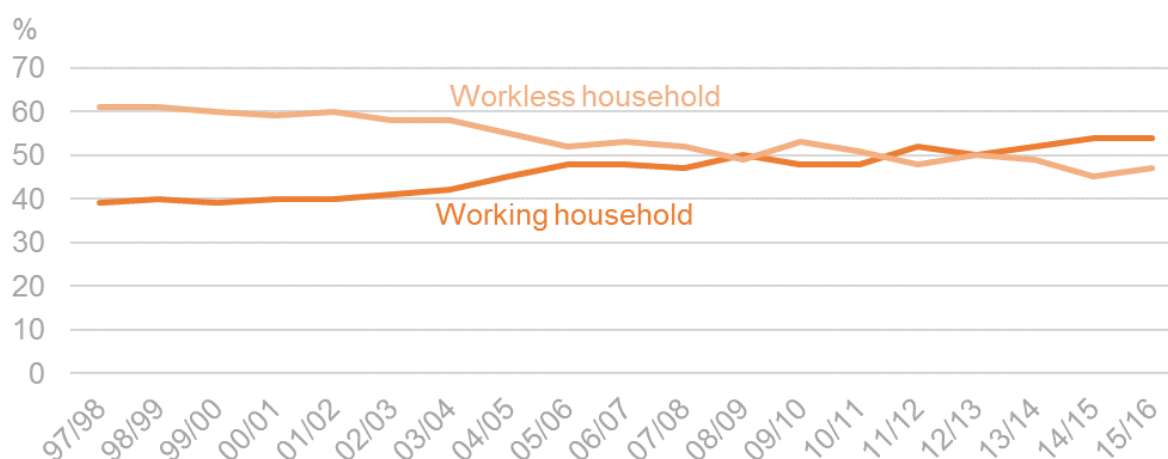
<sup>174</sup> National Audit Office, Welfare Reform - Lessons Learned, May 2015

<sup>175</sup> [www.gov.uk/universal-credit/what-youll-get](http://www.gov.uk/universal-credit/what-youll-get), accessed on 24 May 2017

Yet, Universal Credit has faced severe difficulties. Originally a seven-year programme, it had to be reset as a new project in 2013 - at significant cost - because it was failing in its delivery and timescales.<sup>176</sup> It is now due to be delivered in 2022, twelve years after it was announced. Since its announcement, there has been a 6 per cent real-terms cut in the value of Universal Credit for its recipients.<sup>177</sup>

Moves to reform welfare and incentivise work have contributed to more people being in work than ever before and have supported people's incomes while they seek opportunities for progression. Rates of unemployment have fallen for the groups who were most disadvantaged in 1997. This includes lone parents, young people and the long-term unemployed. Worklessness is no longer the major cause of poverty. Today less than 10 per cent of families are workless<sup>178</sup> compared to more than 16 per cent of families in 1997. However, rates of in-work poverty have risen since 1997 – today people are more likely to be in poverty if they are in work compared to people who are workless. Between 2004/5 and 2014/15, the risk of poverty for adults living in working households has risen by 26.5 per cent.<sup>179</sup>

**Figure 4.1: Percentage of individuals in poverty by household type, financial years, 1997/98 to 2001/02 Great Britain and 2002/03 to 2015/16 United Kingdom**



Source: Households Below Average Incomes ([DWP](#))

This situation reflects the fact that while the welfare system strongly incentivises work, many of the jobs that people are supported into offer limited progression opportunities. The low-pay trap has become more evident over the past seven years as wages have fallen by five per cent in real terms. At the same time, particularly in London and the South East, housing costs have risen sharply.

<sup>176</sup> National Audit Office, Universal Credit – Progress Update, November 2014

<sup>177</sup> Timmins, N., Institute for Government, Universal Credit: from disaster to delivery, 2016

<sup>178</sup> ONS, Statistical bulletin: Working and workless households in the UK: Jan to Mar 2017, May 2017

<sup>179</sup> Hick, R. and Lanau, A., In-Work Poverty in the UK: Problem, policy analysis and platform for action. Nuffield Foundation, 2017

## Tackling Low Pay

The introduction of the national minimum wage in the late 1990s saw extreme low pay eliminated. However, rates of low pay, when defined as hourly pay below two-thirds of the median, have remained broadly static. This means that over the past two decades around one in five people have been on low pay. Internationally, the UK is the country with the eighth highest level of low pay in the OECD - a similar position to 1997.

The main policy efforts to tackle low pay have focused on pay protection at the bottom end through legislation and on topping up earnings through welfare support. The National Minimum Wage Act in 1998 successfully lifted the wage floor and did not lead to the significant job losses some had feared. The Low Pay Commission managed annual increases in the minimum wage which rose from £3.60 in 1999 to £7.05 in 2017. For over 25s, a new National Living Wage was introduced in April 2016 with the aim of reaching a level equivalent to 60 per cent of median UK earnings by 2020<sup>180</sup>.

These policies have improved the lives of thousands of low paid workers. But the fact that low pay has not been eliminated indicates that the causes have not been tackled. Policies to encourage labour market flexibility and welfare reforms have promoted high rates of participation over quality, productivity and worker progression.

The persistence of low pay has been intensified by a lack of opportunities to progress in employment. In this twenty year period, the UK has seen more middle-skilled jobs replaced by low-skilled jobs than comparable countries.<sup>181</sup> In more recent years, there has also been a decrease in secure employment which comes with less opportunity for progression or upskilling. This includes forms of self-employment and zero-hours or temporary contracts; practices that carry a pay penalty and do not offer employment rights and protection. Today there are around 905,000 people on zero-hours contracts, offering no guaranteed income, compared to 167,000 in 1997.<sup>182</sup> The self-employed, who today make up just under 5 million people up from 3 million in 1997, now earn on average less than they did in 1997 in real terms.<sup>183</sup>

The ability of a worker to progress to earn a higher wage is essential for upward social mobility, yet research for the Commission suggests that over a ten year period only one in four workers will escape low pay.<sup>184</sup> Even when they do progress, pay increases are so small that it discourages them from furthering their careers.

This low pay trap has worsened since the global recession. Real wages have fallen and the number of workers who are not paid enough to achieve a basic minimum standard of living has increased significantly. The changes in low pay are captured in the chart below – the grey line shows the increased clustering around the national minimum wage; the orange line shows the increasing percentage of workers who

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<sup>180</sup> Low Pay Commission: [www.gov.uk/government/organisations/low-pay-commission](http://www.gov.uk/government/organisations/low-pay-commission). Accessed 1 June 2017.

<sup>181</sup> Holmes, C., Oxford University, Why is the Decline of Routine Jobs Across Europe so Uneven?, 2014

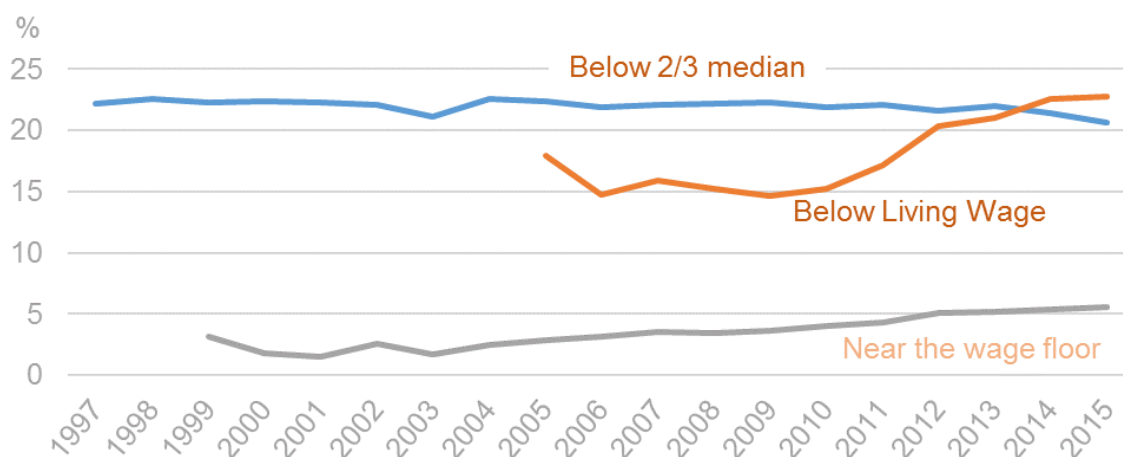
<sup>182</sup> ONS, Zero Hours Contracts, Ad-hoc data, April 2013

<sup>183</sup> Tomlinson, D. and Corlett, A., A tough gig? The nature of self-employment in 21st Century Britain and policy implications, 2017

<sup>184</sup> Resolution Foundation, Escape Plan, 2014

earn less than the Living Wage and the blue line shows the small reduction in the percentage of workers earning less than two thirds of median earnings.

**Figure 4.2: Proportion of all employees below selected low pay thresholds, 1997 to 2015**



Source: Resolution Foundation, Low Pay Britain [2016](#)

The economic growth experienced in the UK since 2013 has led to record employment levels. But for low paid workers the low-pay trap has tightened, with young people faring the worst. According to a House of Commons Library report, this economic recovery came as a result of ‘increases in the total number of hours worked in the country, instead of increases in productivity’.<sup>185</sup> This has led to stagnant wages, falling living standards and few opportunities to progress into higher paid or better qualified work.

### Improving skill levels

In absolute terms, some progress was made towards improving skill levels over the twenty-year period. In 1997, the proportion of people with no qualifications was 18 per cent,<sup>186</sup> reducing to 15 per cent in 2004 and then 9 per cent in 2014. At the same time, rates of higher-level skills, defined as level 4 and above, rose from 26 per cent in 2004 to 36 per cent in 2014 driven by a rapid expansion in degree level study.<sup>187</sup> This shift in the skills base reflects the rise in the school leaving age and the increase in graduates, as well as policies aimed at increasing adult skills.

Between 1997-2010, the adult skills strategy sought to raise qualification levels to improve individual’s employability, and to improve productivity. The 1997 pledge to encourage people to invest in and take more responsibility for their learning throughout their working lives led to a number of initiatives. This included Individual Learning Accounts which were launched in September 2000. These accounts gave people financial support to pay for learning of their choice<sup>188</sup> but it was closed after barely a year following evidence of wide scale fraud and abuse of the system.

<sup>185</sup> Harari, D., Productivity in the UK, House of Commons Library, Briefing Paper Number 06492, 2017

<sup>186</sup> Green, F, Ashton, D, Burchell, B, Davies, B and Felstead, A, Are British Workers Getting More Skilled?, in Atkinson, A and Hills, J (eds) Exclusion, employment and opportunity, CASE paper 4, Centre for Analysis of Social Exclusion: LSE, 1998

<sup>187</sup> Annual Population Survey (ONS) via [Nomis](#)

<sup>188</sup> NAO, Individual Learning Accounts, October 2002

The subsequent flagship policy, Train to Gain, focused on workplace training for Level 2 and 3 qualifications, equivalent to higher GCSEs and A levels. It was introduced in April 2006 and cost £1.47 billion in its first three years.<sup>189</sup> Through initiatives such as Skills Pledges, it aimed to secure employer commitment to upskilling the adult workforce to at least Level 2.<sup>190</sup> Employer-led Sector Skills Councils were set up in 2002 with a core focus on approving and designing vocational qualifications and accrediting training, including company training programmes.<sup>191</sup>

These schemes successfully raised qualification levels, particularly qualifications in maths and English at Level 2. Train to Gain impacted 1.8 million people in less than five years with around one quarter of learners reporting a pay increase, promotion or bonus as a direct result of their qualification.<sup>192</sup> Employers reported useful job-related skills and improved, long-term competitiveness, and around half reported an increase in productivity.<sup>193</sup> However, as the scheme expanded, there was insufficient targeting of people with lower levels of skills and its impact declined. In 2006/07, 65 per cent of Level 2 learners were gaining their first Level 2 qualification, by 2010/11 this fell to 37 per cent.<sup>194</sup> There was additional criticism that this scheme did not provide good value for public money and funded training that employers would have paid for anyway.

In 2010 a new Skill Strategy was launched which set an ambition of improving skills to extend social mobility. Train to Gain was withdrawn from 2010 and the focus shifted from qualification attainment to vocational education, with adult apprenticeships at its core.<sup>195</sup> Although there had been investment in apprenticeships since 2004 (which is when the upper age limit of 25 was removed), this marked a significant change of focus for the adult skills budget (figure 4.3). The Richards Review was commissioned in 2012 to make recommendations for the future of apprenticeships. Following this, a major reform took place. This put employers in the lead for designing apprenticeships with the intention of building apprenticeships into career paths, starting at Level 3.

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<sup>189</sup> NAO, Train to Gain: Developing the Skills of the Workforce, 2009

<sup>190</sup> Keep, E., A Comparison of the Welsh Workforce development Programme and England's Train to Gain, In: SKOPE Research Paper, Cardiff: Cardiff University, SKOPE, 2008

<sup>191</sup> Payne, J., Sector skills councils and employer engagement - delivering the 'employer-led' skills agenda in England, SKOPE Research Paper No 78, ESRC Centre for Skills, Knowledge and Organisational Performance, 2007

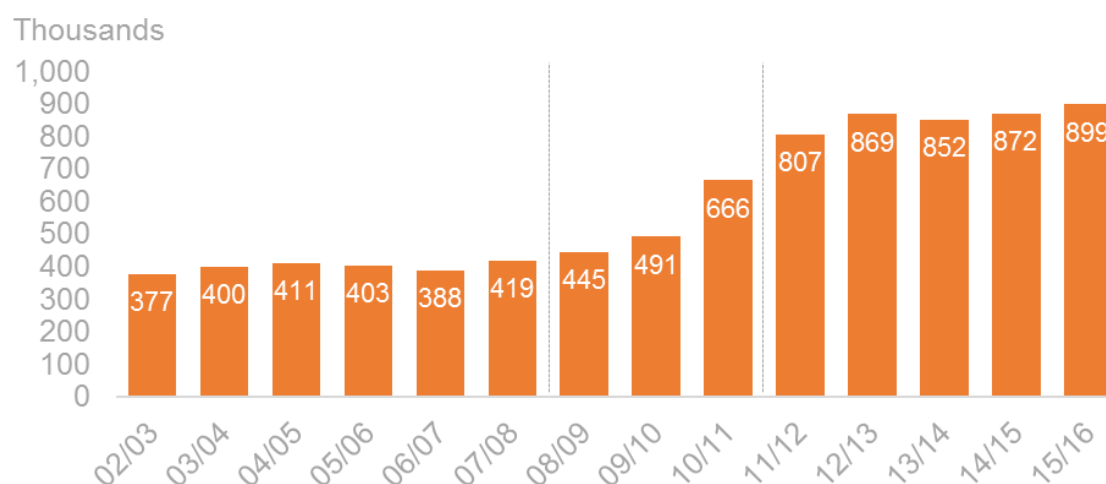
<sup>192</sup> NAO, op.cit

<sup>193</sup> ibid

<sup>194</sup> BIS, Prior Qualifications of Learners on Train to Gain Provision at Level 2 and Level 3 in 2010/2011, Research Paper 84, 2012

<sup>195</sup> Lupton, R, et al., The Coalition's record on Further and Higher Education and Skills: Policy, Spending and Outcomes 2010-2015, 2015

**Figure 4.3: Apprenticeship participation by 25+ age group, academic years 2002/03 to 2014/15, England**



Source: Department for Education, further education and skills [statistics](#) and [data library](#)

Notes: Figures for 2008/09 onwards are not directly comparable to earlier years as the introduction of demand led funding has changed how data is collected. Figures for 2011/12 onwards are not directly comparable to earlier years as a Single Individualised Learner Record (ILR) data collection system has been introduced. For more information see source.

In 2015, the Government introduced a target of 3 million more apprenticeship starts by 2020. To deliver this ambition, large employers are levied at 0.5 per cent of pay bills over £3 million. As the system is currently designed, they can then access this money to fund apprenticeship training. Large public sector bodies are also required to have 2.3 per cent of their workforces as apprentices. The Government estimated that it will produce a pot of £3 billion annually by 2021-22 through employer spend into the levy<sup>196</sup>. This is a significant shift of budgets and scale, given that funding for apprenticeships in 2016-17 was £1 billion.<sup>197</sup>

Between 2010-11 and 2015-16, government funding for adult skills fell by 34 per cent in real terms and expenditure fell by 29 per cent in cash terms.<sup>198</sup> This was driven by an aim of making government spend more sustainable. This meant more reliance on investment by employers and individuals and was delivered through initiatives which included the apprenticeship levy and a change of approach to non-apprenticeship adult learning. Grant funding, which was prevalent between 1997-2010, was reduced and advanced learner loans were introduced from 2013. These loans were initially for learners aged 24 and over studying at levels 3 and 4 (A level and National Vocational Qualification equivalent). It then expanded to 19-23 year olds studying at Levels 3 and 4, and to learners aged 19 and over studying at levels 5 and 6 (foundation degree and honours degree equivalent).

As a consequence of these changes, adult learner participation declined 26.5 per cent compared to 2010/11 levels, with the largest fall at Level 2.<sup>199</sup> With cost and debt aversion acting as a barrier to adult learning<sup>200</sup>, modest numbers have taken up

<sup>196</sup> HM Treasury, Spring Budget 2017, March 2017

<sup>197</sup> Skills Funding Agency grant letter 2016-17, 2015

<sup>198</sup> Foster, D., Adult further education funding in England since 2010, House of Commons briefing paper, April 2017

<sup>199</sup> Department for Education, Further Education and Skills in England SFR13/2017, table 1.1, March 2017

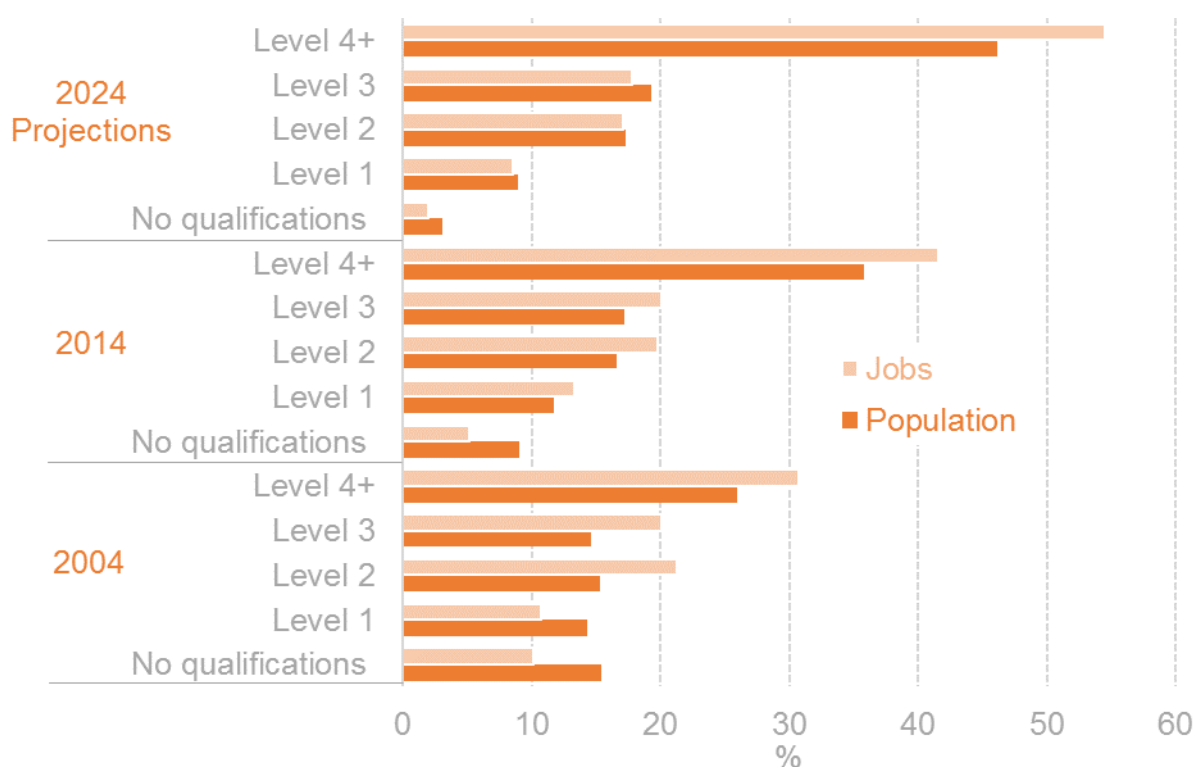
<sup>200</sup> BIS, National Adult Learner Survey 2010, Research Paper Number 63, October 2012

adult learner loans. Although apprenticeships are increasing year on year, the structured design of these do not suit the flexible and modular needs of many adult learners. The levy funds will also not restore employer investment to the levels of a decade ago.<sup>201</sup> Alongside these changes, there has been a fall in part time adult learners in Higher Education from 89,000 in 2006/07 to 39,000 in 2014/15.<sup>202</sup>

Governments have sought to create a skills agenda that is genuinely employer-led, but with limited success. For example, employers are positioned at the centre of apprenticeship design, but this input has been dominated by large employers who are rarely able to provide a coordinated and strategic industry voice. There has also been under-investment in employee training – with the UK faring badly against comparable countries.<sup>203</sup> This reflects the lack of long-term workforce and skills planning in the UK, coupled with the lack of incentives from governments.

Despite the increase in skills over the twenty-year period, this has not kept up with demand. In 2014 there was a 6 per cent gap between the number of people with higher skills and the number of jobs that require them. Our projections suggest that this gap will persist into the middle of the next decade (see Figure 4.4).

**Figure 4.4: Percentage of the population (16-64) by highest level of qualification compared to percentage of jobs by level of qualification needed, 2004 to 2016, United Kingdom**



Source: Annual Population Survey (ONS) via [Nomis](#) and UK CES, Working Futures 2014-2024 Evidence [Report 100](#), April 2016, Table 5

<sup>201</sup> Institute of Public Policy Research, Skills 2030, 2017

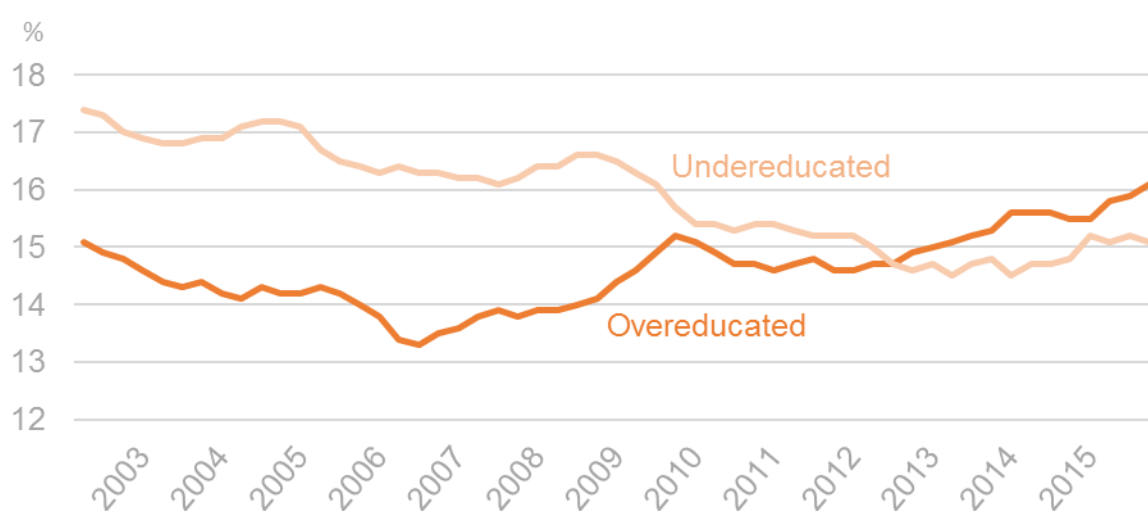
<sup>202</sup> Department for Education, Participation rates in higher education: 2006-2015, 2016

<sup>203</sup> Institute of Public Policy Research, op.cit

**Notes:** Individuals with 'other qualifications' and unassigned levels are omitted. Population projections have been calculated using a linear trend based on 2004 to 2016 and are intended for demonstrational purposes.

But it is not just a matter of skill levels. Ensuring that people have the right skills for their job has also been a challenge. Over time, this mismatch between skills and jobs has continued; and while there has been some progress in reducing the number of people who are under-educated for their jobs, the situation has got worse in terms of people doing jobs that are below their qualifications (see Figure 4.5).<sup>204</sup> Underutilisation of skills is even higher at 30 per cent when reported by employers,<sup>205</sup> with the UK scoring lower than the OECD average on skills match.<sup>206</sup> The decline of intermediate roles and the growth in low quality part-time jobs has exacerbated this issue.

**Figure 4.5: Percentage of those in employment defined as "Mismatched", 16 to 64, UK, April to June 2002 to October to December 2015<sup>207</sup>**



**Source:** Office for National Statistics, Analysis of the UK labour market (2016) - Figure 2

### Accessing top jobs

The latter half of the last century saw rapid occupational change with an increase in jobs at the top of the labour market. This trend continued between 1997-2017. Alongside a growth in the number of high-skilled, well-paid jobs, there has been significant growth in the earning potential of these jobs. In 1997, 34 per cent of jobs were professional and managerial, whilst 42 per cent were routine manual. By 2014 this had changed to 44 per cent professional and managerial and 32 per cent routine manual.<sup>208</sup> But there was little change in the social background of those who held

<sup>204</sup> This analysis merely provides an approximation of the trends. Classification of skills mismatch is a simplification of the complex nature of the labour market, as debated in publications such as; Green, F, and Henseke, G., The changing graduate labour market: analysis using a new indicator of graduate jobs, IZA Journal of Labor Policy, 2016

<sup>205</sup> UK Commission for Employment and Skills, Employers Skills Survey 2015: UK results, Evidence report 97, 2016

<sup>206</sup> OECD, Skills Matter: Further Results from the Survey of Adult Skills, OECD Skills Studies, OECD Publishing, Figure 5.12, 2016

<sup>207</sup> ONS, Analysis of the UK labour market - estimates of skills mismatch using measures of over and under education: 2015, March 2016

<sup>208</sup> Payne, G., The new social mobility: How the Politicians got it wrong, Policy Press, 2017



these jobs. The proportion of those in elite occupations coming from non-professional or managerial backgrounds was only 4 per cent greater in 2014 than it was in 2005.<sup>209</sup>

Only in the late 2000s did employers and government begin to publicly recognise and act upon this issue. In 2009, the Government commissioned the Report on Fair Access to the Professions. At the time, the country was coming out of recession and the Government recognised the need to harness the talents of everyone. This report underlined the social exclusivity of certain professions and jobs.<sup>210</sup> A number of charities and organisations also helped to raise the profile of social mobility by working with employers to deliver improvements.

In 2011 the Coalition Government published its major strategy – Opening Doors, Breaking Barriers. It also set up the Social Mobility and Child Poverty Commission in 2012, and from 2011 there was an active cross party All Party Parliamentary Group on Social Mobility. Alongside these governments have introduced actions to support these efforts including renewed support for apprenticeships and the launch of the Social Mobility Business Compact. The Compact invited businesses to sign up to take action on recruitment, outreach and work experience with a more challenging Champion Tier for those who aspired to be the best.

These initiatives led to some progress in employer practice. The focus began with schemes offering placements to disadvantaged young people, such as: PRIME, a commitment by law firms, the Speaker's Parliamentary Placements Scheme; and King's College London's Extended Medical Degree. The Social Mobility Business Compact had some success in encouraging employers to meet at least minimum standards while the Champion Tier showed what more could be done. In more recent years, government as an employer has also acted, for example, making changes to the selection criteria and entry requirements of some parts of the Civil Service.

Focus on this issue has increased significantly in the last four years. In 2013 only 16 per cent of graduate employers collected data on the socio-economic backgrounds of their applicants, by 2016 this had more than doubled to 39 per cent. Social mobility was seen as a higher priority than disability and sexual orientation, with 67 per cent of employers claiming it was a high or medium priority for their business.<sup>211</sup> The first Social Mobility Employers Index<sup>212</sup> was launched in 2017 to benchmark best practice across sectors. Some employers are also starting to measure and publish data on the socio-economic backgrounds of their applicants and workforces, helping to encourage transparency of this agenda and encourage other companies to measure and monitor.

However, the past 20 years has marked an increase in the reliance on formal qualifications in some professions, thereby excluding those with lower qualifications from even considering accessing these jobs.<sup>213</sup> The introduction of internships, which

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<sup>209</sup> Laurison, D., and Friedman, S., *Introducing the Class Ceiling: Social Mobility and Britain's Elite Occupations*, LSE, 2015

<sup>210</sup> Panel on Fair Access to the Professions, *Unleashing Aspiration: The Final Report of the Panel on Fair Access to the Profession*, 2009.

<sup>211</sup> Association of Graduate Recruiters, 2013 & 2016 Annual Surveys

<sup>212</sup> [www.socialmobility.org.uk/2017/01/social-mobility-employer-index/](http://www.socialmobility.org.uk/2017/01/social-mobility-employer-index/), accessed on 20 June 2017.

<sup>213</sup> Social Mobility and Child Poverty Commission, *State of the Nation 2014*, 2014

are regularly unpaid or unadvertised, has further locked people from less advantaged backgrounds out of jobs because of a lack of access to networks and financial support. The latest evidence is that in the last ten years – particularly the last five – internships have dramatically increased in number in the UK.<sup>214</sup> Work placements and internships at top graduate employers have increased by 49 per cent since 2010. At the same time, 31 per cent of these roles are not paid.<sup>215</sup> Governments have not used legislation to drive improvement in social mobility in the workplace. There was a proposal to include in the 2010 Equalities Act a duty on public bodies to assess their decisions in terms of the potential impact on social mobility but this was not enacted.

Progress in opening up access varies by profession, reflecting varying levels of commitment on the part of employers and employer bodies. The legal profession has demonstrated significant progress in relation to solicitors. In 2015, 32 per cent of leading solicitors had attended independent schools, compared with 55 per cent in 2004, and 68 per cent in 1988. However, other professions, such as journalism and medicine, show far less progress. Journalists are still dominated by 51 per cent who are privately educated (compared to 49 per cent in 1986 and 54 per cent in 2006) and medicine has become more unequal, with 61 per cent privately educated compared to 51 per cent in both 2007 and 1987<sup>216</sup>. The progress of Members of Parliament has been slow. Today, post the June 2017 General Election, 29 per cent of MPs were educated in independent schools, compared to 30 per cent in 1997. At the current rate, it would take almost sixty years before this matches that of today's general population.<sup>217</sup>

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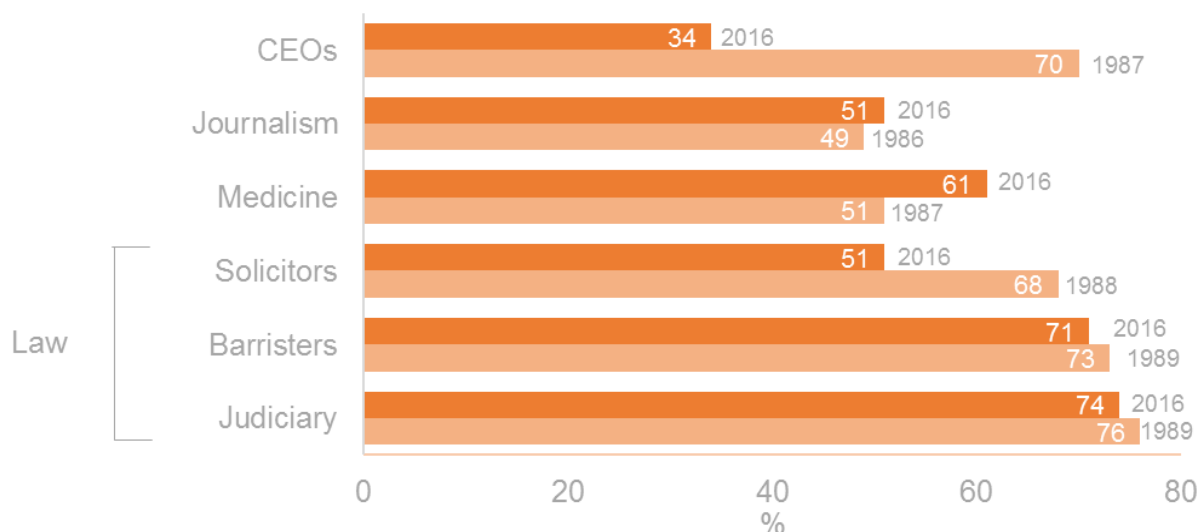
<sup>214</sup> Institute for Public Policy Research, *The Inbetweeners: The new role of internships in the graduate labour market*, 2017

<sup>215</sup> Sutton Trust, *Internship or Indenture*, Research Brief – Edition 2, 2014

<sup>216</sup> Sutton Trust, *Leading People 2016*, 2016 compared against Sutton Trust, *The Educational Backgrounds of Leading Lawyers, Journalists, Vice Chancellors, Politicians, Medics and Chief Executives*, 2009

<sup>217</sup> Sutton Trust, *Parliamentary Privilege - The MPs in 2017*, Research brief, 2017: Trend worked out on the basis of an election occurring every five years

**Figure 4.6: Percentage of people at the top of a sample of professions who attended independent schools, comparisons over different time periods**



**Source:** Sutton Trust, *Leading People 2016*, 2016 compared against Sutton Trust, *The Educational Backgrounds of Leading Lawyers, Journalists, Vice Chancellors, Politicians, Medics and Chief Executives*, 2009

**Notes:** Data is compiled from various ad-hoc research reports. Sample sizes and response rates vary across the periods, so caution should be taken when making comparisons. Findings are only representative of individuals at the top of the professions presented.

### Tackling Regional Differences

Regional inequality in the UK is a long-standing problem. By 1997, many regions had been left behind by previous major global changes and a lack of investment. The opportunity for people to be upwardly socially mobile through work hugely varied by locality. Those living in left behind areas had few prospects unless they relocated.

Between 1998 and 2008, government sought to use favourable economic conditions to create a more even playing field. A New Deal for Communities was introduced in 1998. Over ten years this invested more than £1.7 billion of government money, and a further £730m from other sources, into turning around 39 deprived neighbourhoods. Regional Development Agencies were set up from 1998 in nine regions to boost regional growth by acting as strategic partners and delivery arms to national government.<sup>218</sup> They invested £17.6 billion from 1999-2011. From 2001, the National Strategy for Neighbourhood Renewal and Neighbourhood Renewal Funding were introduced for the 88 local authority areas in England with the highest concentration of deprived neighbourhoods. Finally, from 2006 the Local Enterprise Growth Initiative funded enterprise initiatives in 20 deprived local authorities aiming to boost local incomes and employment opportunities.

The increased spend and numerous initiatives over this period did succeed in raising economic output across the country. The Regional Development Agencies were assessed to have generated regional economic benefits in the region of every £1 of

<sup>218</sup> Department for Business, Innovation and Skills, *Closing the RDAs: Lessons from the RDA transition and Closure Programme*, 2012

spent adding £4.50 to regional Gross Value Added.<sup>219</sup> Deprived neighbourhoods saw improved employment rates and skills levels in relation to national benchmarks.<sup>220</sup> Nonetheless regional wage inequality persisted. Areas left behind by industrial changes struggled to develop new regional identities and growth of quality jobs were not spread equally across the country. The programme and initiatives were often too inflexible to adapt to local circumstances which impacted on their ability to deliver sustainable regional growth.

In 2010, the Coalition Government adopted a new range of initiatives and programmes designed to support localism and decentralisation. Regional Development Agencies were shut down and Local Enterprise Partnerships were set up to bring together local employers and public sector bodies. Since 2010, there have also been a number of large scale initiatives to boost investment in infrastructure and stimulate economic growth. This has included the Northern Powerhouse, a vision to increase sustained productivity across the whole of the North, and High Speed Rail, a network connecting London and the West Midlands with Leeds and Manchester. From 2014-2017 a number of devolution deals were agreed, building on Regional Growth Funds and City Deals. In 2017 six Combined Authority metro mayors were elected with devolution deals based on 30-year investment funds, ranging from £450 million to £1.1 billion, and powers in relation to housing, transport and skills.<sup>221</sup>

Devolution deals enable local partnerships on skills and jobs through devolving budgets and responsibility. However, not all the recent negotiations have been successful and, as a result, many areas are not covered by deal. In fact, the City Regions with metro mayors cover only 17.5 per cent of the population of England.<sup>222</sup> Many of the most deprived areas, the social mobility cold-spots of the South West, East of England, and North West of Liverpool or Manchester, are not covered by these deals or opportunities they bring (see figure 4.7). Overall regional disparities have continued to grow since 2010.

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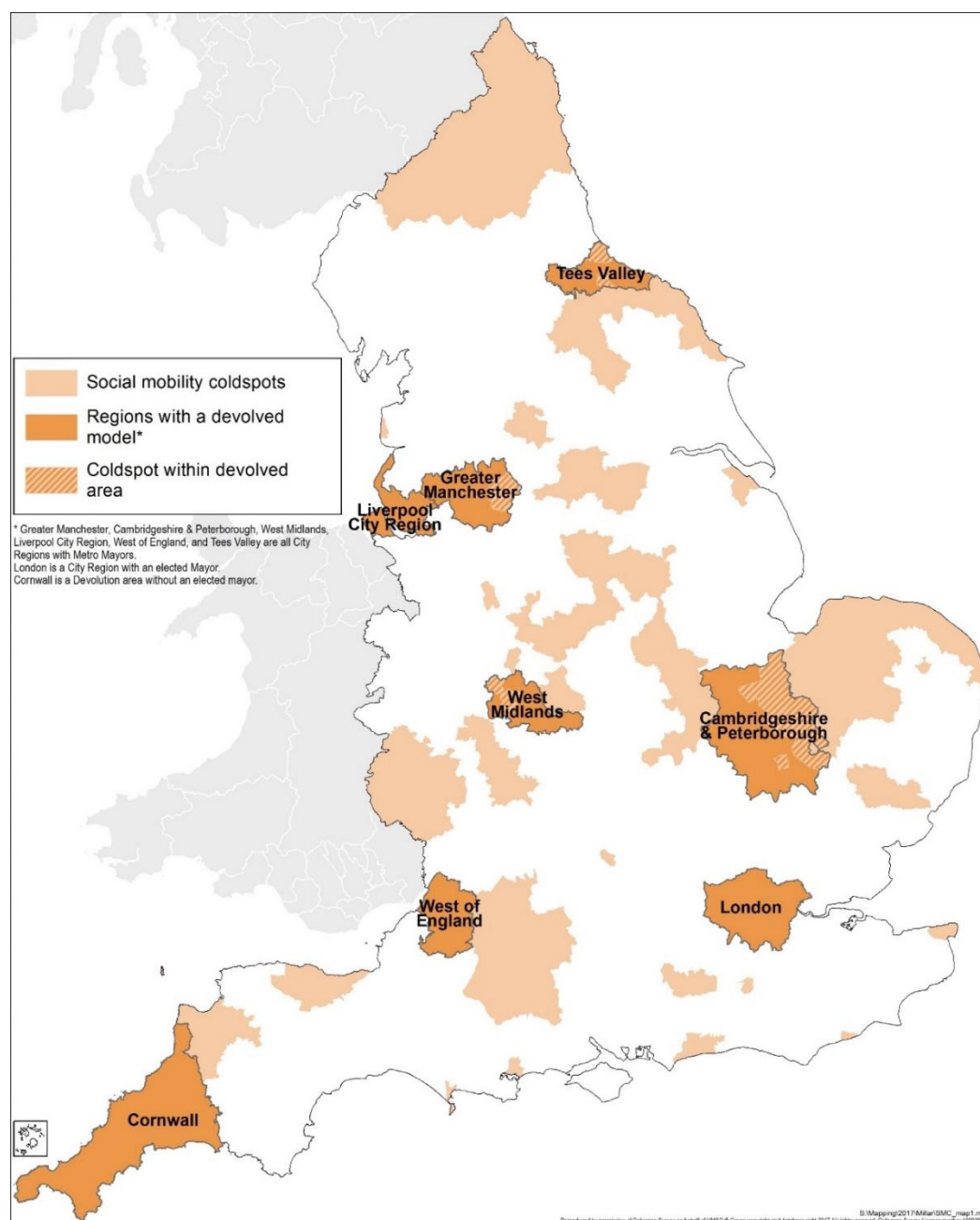
<sup>219</sup> Department for Business, Enterprise & Regulatory Reform, Impact of RDA spending – National report – Volume 1 – Main Report, 2009. Gross Value Added is a measure of economic output

<sup>220</sup> New Deal Communities saw a 7 per cent increase in five or more GCSEs A\* to C compared to the national benchmark and a 3 per cent increase in working-age people in employment, from 2002-2008: DCLG, The New Deal for Communities Experience: A final assessment The New Deal for Communities Evaluation: Final report – Volume 7, 2010

<sup>221</sup> Centre for Cities, [www.centreforcities.org/publication/everything-need-know-metro-mayors/](http://www.centreforcities.org/publication/everything-need-know-metro-mayors/), accessed on 17 May 2017

<sup>222</sup> Social Mobility Commission calculation based on ONS mid-2015 population estimates and Devo Connect devolution population figures: <http://devoconnect.co.uk/devolution-map/>, accessed on 13 June 2017

**Figure 4.7: Social Mobility Coldspots mapped against regions with a devolved model**



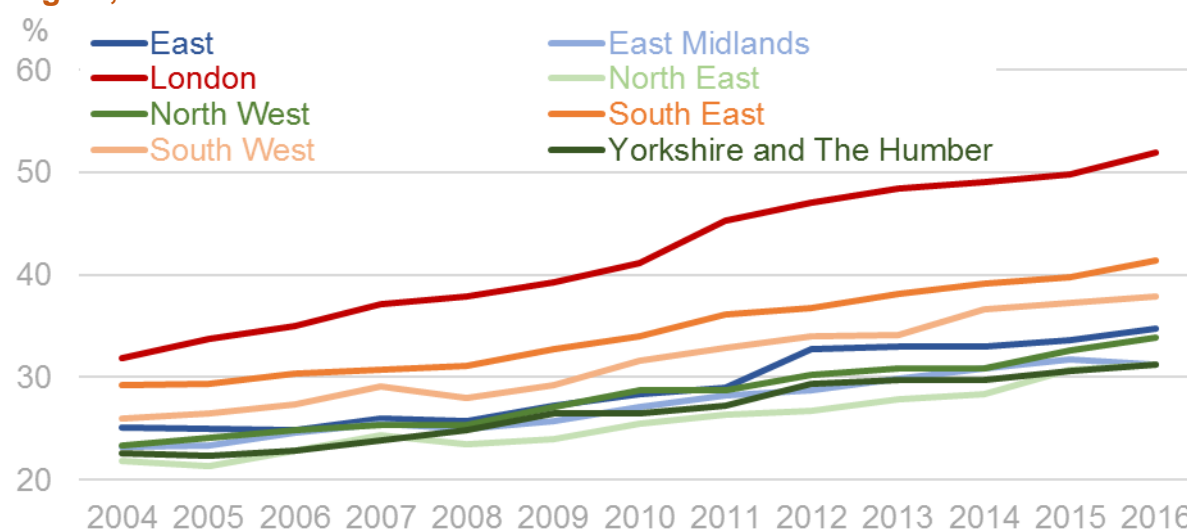
Source: Social Mobility and Child Poverty Commission, Social Mobility Index, 2016

DevoConnect; <http://devoconnect.co.uk/devolution-map/>, accessed on 15 June 2017

In many areas, regional differences have widened since two decades ago. Many of the issues for social mobility discussed through-out this document are even greater when we look at the impact regionally. A stark example of this is skills levels (figure 4.8). Every region has benefitted from an increase in qualification levels over the last twenty years. However, there is a clear and growing regional divide. Most strikingly, London has a working population with over fifty per cent who have qualifications that are Level 4 and above. This is an increase of just over 18 per cent over twelve years. In comparison, the East Midlands and Yorkshire and the Humber have seen an increase of 9 per cent. The correlates with jobs and pay in the regions. In London, 63

per cent of people were in high skilled jobs in 2016 compared to 50 per cent in the North East.

**Figure 4.8: Percentage of population (16-64) with Level 4+ qualifications by region, 2004 to 2016**



Source: Annual Population Survey (ONS) [via Nomis](#)

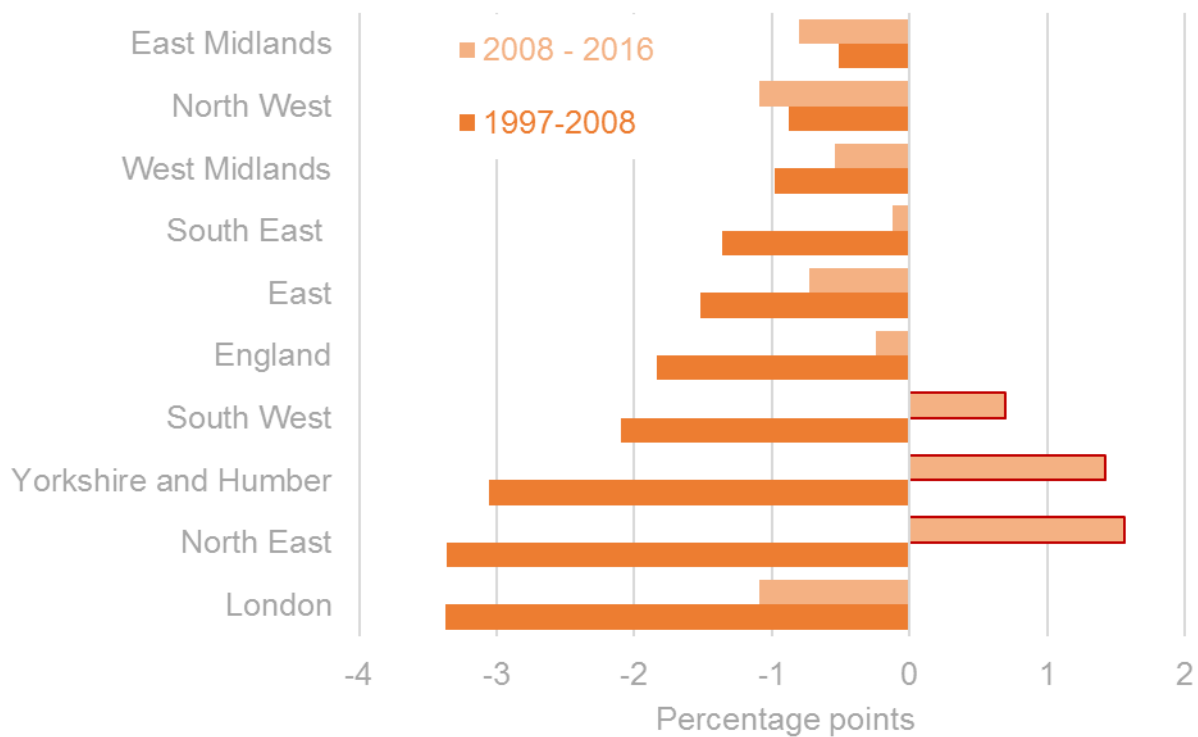
The polarisation between London and the rest of the country can also be seen through varying levels of unemployment. There has been a vast change in the strength of employment in London, as seen in figure 4.9. Unemployment rates have gone from being the highest in the country in 1997, at 10.4 per cent, to being the region with the fastest recovery since the recession, at 5.9 per cent in 2016. The North West has also had a relatively strong recovery since the recession. The North East, Yorkshire and the Humber and the South West are the only regions that have not recovered to rates of unemployment from pre-crisis levels.

Despite effort by governments to rebalance regional growth and prosperity over the last 20 years, a new geography<sup>223</sup> of social and economic disadvantage has opened up in the UK. London has recovered far more quickly from the recession with booming industries investing disproportionately in London and the South East. As a result, the UK now has greater regional disparities in economic performance than any other European country.<sup>224</sup>

<sup>223</sup> Social Mobility and Child Poverty Commission, The Social Mobility Index, 2016

<sup>224</sup> Martin, R. et al., Spatially Rebalancing the UK Economy: The Need for a New Policy Model, Regional Studies Association, 2015

**Figure 4.9: Percentage point change in the unemployment rate by region, 1997 to 2016**



Source: Office for National Statistics (ONS), Labour market [statistics](#)

## Assessment

Over the last twenty years, governments have sought to deliver the economic growth that would enable each generation to have a better life than the one that preceded it. There have been some successes. Employment rates are the highest on record, extreme low pay has been eliminated, skills levels have increased year on year, and Britain's professions have started to reform their workforce practices.

But governments have not managed to ensure that everyone has the opportunity to fulfil their potential in the workplace. The quality of lower paid jobs has not matched the quantity, whilst the highest paid and most influential jobs remain deeply elitist. Skills have not kept up with the pace of technological change with skills gaps likely to persist. A focus on getting more people off welfare and into work has produced more jobs but not enough careers or pay progression.

Regional inequalities have widened despite repeated efforts to address them. London and the South East have grown faster than the rest of the country. This disparity deepened after the recession, leaving behind many rural and coastal areas as well as many older industrial parts of the North and Midlands.

Overall, there has been too little progress in breaking the link between socio-economic background and success in the labour market, both in terms of access into work, and particularly in career and wage progression.

## Overall Assessment



### Specific Areas

Rates of employment	
Quality of jobs	
Improving skills and qualifications	
Reducing low pay	
Opening access to top jobs	
Adult learning investment and policies	
Effectiveness of welfare policies	
Regional Disparities in opportunity and access	



## Moving Forward

Current trends do not point towards sustained wage growth or an increase in productivity levels. The Government's welcome commitment to increasing the National Living Wage to 60 per cent of median earnings by 2020 will not be enough to transform the prospects of ordinary working families. It eliminates the lowest levels of pay, but compresses wage differentials and will still leave many workers needing State support to make ends meet. At current rates of progress, the Government's ambition to create a high skill, high wage economy will never be met.

The real challenge is to move away from a low pay low skill mindset towards a labour market where employers and government seek to create not just jobs but careers that offer people a real living wage. The Government's Industrial Strategy should recognise the role of social mobility in increasing the UK's competitiveness.

Global changes make facing up to this challenge even more imperative. The next few decades will see continuing automation which is likely to disproportionately impact low skilled work and regions with already high levels of unemployment.<sup>225</sup> The Government has committed to a national retraining scheme which is welcome. But this will only be successful if targeted on those people and places which are most disadvantaged in terms of skills and employment prospects.

## Recommendations

The Government needs to do more to ensure that good job and career opportunities are available to everyone regardless of their background and regardless of where they live. A new deal is needed with employers behind a shared national endeavour to better align employment, training and skills policies with the creation of a labour market capable of sustaining good quality jobs and careers in all parts of the country.

The Government should:

- **Introduce a new ambition to make the UK the country with the lowest level of low pay in the OECD by 2030.**
- **Increase the number of high-skilled jobs in the regions and particularly in social mobility cold spots, by encouraging and incentivising public sector bodies and private companies to base themselves in those areas.**
- **Devolve accountability and resources to enable the development of local skills strategies that bring employers to those areas.**
- **Forge a new concordant with employers behind a national drive to improve career progression underpinned by increased investment in skills policies - including high quality apprenticeships.**
- **Make socio-economic diversity in professional employment a priority by encouraging all large employers to make access and progression fairer, with the Civil Service leading the way as an exemplar employer.**

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<sup>225</sup> Institute of Public Policy Research, Skills 2030, 2017