



Social Mobility &
Child Poverty
Commission

State of the Nation 2014: Social Mobility and Child Poverty in Great Britain

October 2014

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Presented to Parliament pursuant to section 8B(6) of the
Child Poverty Act 2010

October 2014

About the Commission

The Social Mobility and Child Poverty Commission is an advisory non-departmental public body established under the Child Poverty Act 2010 (as amended by the Welfare Reform Act 2012) with a remit to monitor the progress of the Government and others on child poverty and social mobility. It is made up of ten commissioners and is supported by a small secretariat. Its members comprise:

- The Rt. Hon. Alan Milburn (Chair).
- The Rt. Hon. Baroness Gillian Shephard (Deputy Chair).
- Tom Attwood, Chairman of HG Capital Group and Chairman of Attwood Academies Trust.
- Anne Marie Carrie, Chief Executive of Kensington and Chelsea Education Ltd.
- Paul Cleal, Africa Business Group Leader at Pricewaterhouse Coopers.
- Paul Gregg, Professor of Economic and Social Policy, University of Bath.
- Christian Guy, Director of the Centre for Social Justice.
- Douglas Hamilton, Director of the RS Macdonald Charitable Trust.
- David Johnston, Chief Executive of the Social Mobility Foundation.
- Catriona Williams OBE, Chief Executive of Children in Wales.

The functions of the Commission include:

- Monitoring progress on tackling child poverty and improving social mobility, including implementation of the UK's child poverty strategy and the 2020 child poverty targets, and describing implementation of the Scottish and Welsh strategies.
- Providing published advice to Ministers on matters relating to social mobility and child poverty.
- Undertaking social mobility advocacy.

This is the second annual report of the Commission. Each year it will set out its views on the progress made towards improving social mobility and tackling child poverty.

See <https://www.gov.uk/smcpc> for more details.



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Print ISBN 9781474111195
Web ISBN 9781474111201

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

P002596716 10/14 42863 19585

Printed on paper containing 75% recycled fibre content minimum

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Foreword

This is the Commission's second annual State of the Nation report to be presented to Parliament. The Commission was created by the UK Government in 2012 as an independent and statutory body to monitor and report on what is happening to child poverty and social mobility in our country. In this report we assess what the UK Government, the Scottish Government and the Welsh Government are doing (our remit does not cover the Northern Ireland Government), what progress is being made, and what is likely to happen in future. We also examine the role of employers and professions, councils and colleges, schools and universities, parents and charities. We make a number of recommendations for action.

This is our last State of the Nation report prior to the 2015 UK General Election. As such it presents a verdict on the past and provides a window into the future. Our central conclusion is that the next Government will have to adopt radical new approaches if poverty is to be beaten, mobility improved and if Britain is to avoid becoming a permanently divided society. We define that as the 2020 challenge.

We base this conclusion on our analysis of what has been achieved in tackling these issues over the last year and during the current Parliament. There has been progress on a number of fronts despite the difficult circumstances for doing so. Since our 2013 report, the British economy has bounced back sharply. Recovery is now strong, employment rates are close to record levels and unemployment has fallen rapidly. There have been big falls in the proportion of young adults who are not in full-time education or employment. The employment rate among lone parents with dependent children is at its highest ever level and the number of children in workless households has continued to fall to an all-time low. In addition, cost of living pressures have eased and the UK Government has taken some valuable steps to raise living standards, for example by freezing council tax and fuel duty. The really good news is that child poverty against the headline targets in the 2010 Child Poverty Act is at historically low levels: in 2012-13 relative child poverty was at its lowest level for almost 30 years. The UK Government is to be commended for sticking to what, even in good times, is the extremely challenging objective of ending child poverty. These are very welcome trends that contrast sharply with recoveries from previous recessions.

The Commission welcomes many of the transformative intentions of welfare reform, particularly the introduction of Universal Credit. There has also been progress in improving the attainment of the poorest children and we are hopeful that recent improvements in teaching quality and historic improvements at primary school, when allied with recent reforms, will feed through into further progress still. We strongly endorse policies such as the Pupil Premium and welcome its extension into the vital early years services where, overall, there is more provision and good progress in extending coverage to two-year-olds from disadvantaged

backgrounds as well as three- and four-year-olds. At the other end of the age spectrum, the widely predicted harmful impact of increased tuition fees has, by-and-large, not come to pass – student numbers are at a record high and, encouragingly, there has been an increase in the numbers of young people being admitted from disadvantaged backgrounds. Many universities – including our country's elite institutions – have been making more strenuous efforts to recruit students from a more diverse range of backgrounds. More top employers – from accountancy to medicine – have also begun to take seriously the need to open up a career in the professions to a far wider pool of talent.

That such progress has taken place at a time of economic dislocation and fiscal consolidation is particularly pleasing. Equally it would be wrong to overstate what has been achieved. There are clear signs that the economic recovery is not being matched by a social recovery. There are 600,000 more children in working households who are living in absolute poverty after housing costs than there were in 2009-10. Too many of the jobs that are being created in the economic recovery are low-income and high-insecurity. They are a dead-end not a road to social progress. There are five million low-paid workers in the UK and, despite the success of the National Minimum Wage in eradicating extreme low pay, the proportion has barely changed in two decades. Worse still, only one in five workers who were low-paid in 2002 had managed to escape low pay by 2012. Too many poor workless parents have simply gone on to become poor working parents.

Average earnings have fallen significantly since the recession and it will be at least 2018 before they are back to pre-recession levels. Young people have been the principal losers. Their wages are falling and, relative to a decade ago, their job prospects are diminishing. Youth unemployment is still higher than before the recession and by the time of the next election around half a million young people will still be without work - enough to fill Wembley Stadium five times over. Overall, long term youth unemployment has nearly doubled since before the recession. None of this has been helped by the fact that the means by which school leavers make the transition into further education and work remains fiendishly complex.

Young people are on the wrong side of the divide that is opening up in British society. We are particularly concerned about recent developments in the housing market, which have serious long-term implications for social mobility. While nearly two-thirds of households own their house, home ownership – the principal means by which asset-based wealth for the majority of citizens can pass between generations - is in decline. The home ownership rate among 25-year-olds has halved over 20 years. Many of these younger people will never catch up with the home ownership rates of their parents' generation.

Nor should the progress we have seen in Britain's education system be exaggerated. Poor children are four times as likely to become poor adults as other children and in recent years there has been disappointingly slow progress in closing the educational attainment gap between the poorest children and their better-off peers. Gender, ethnicity and geographical gaps have also remained intractable. The childcare system is complex for parents to navigate and is fraught with problems of accessibility, quality and affordability. Today, two-thirds of children who are eligible for free school meals in England are not ready for school at the age of five. Once they get into school, children from disadvantaged backgrounds are less likely to experience an excellent education than their peers. We are especially concerned that poor pupils in Wales lag behind those elsewhere in the UK with only 26 per cent of Welsh children who are eligible for free school meals achieving five good GCSEs (including English and maths) compared with 38 per cent of children eligible for free school meals in England. Across Britain as a whole, at the current rate of progress, it will be decades before the attainment gap between the poorest pupils and their peers will be closed.

When it comes to university education, both part-time and postgraduate student numbers are in decline. Worryingly, the proportion of entrants to Russell Group universities from state schools and from working-class backgrounds, despite increasing in 2012-13, is still at the level of a decade ago. There are around 3,000 fewer state-school students and 1,400 fewer working class students entering Russell Group universities in England every year than would be expected based on A-level grades and, on current trends, by 2020 the most advantaged will still be twice as likely to enter university as disadvantaged students.

Nor has there been any meaningful impact on breaking the glass ceiling at the top of British society. The Commission's recent study of 4,000 people in Britain's leading professions showed that Britain is still deeply elitist. We have seen too little evidence of educators, employers and politicians putting their combined shoulders to the wheel to change things. There have been good initiatives but all too often they have simply lacked the scale to move the dial. There has been much rhetoric about putting social mobility at the top of the public policy agenda and, indeed, we have seen some in government trying hard to turn this rhetoric into reality. But all too often the Government as a whole has given the impression that it lacks a shared purpose and an agreed plan for making progress.

So far, then so bad. Unfortunately, we see little prospect of the immediate future promising more progress than the recent past. The impact of welfare cuts and entrenched low pay will bite between now and 2020. Poverty is set to rise, not fall. We share the view of those experts who predict that 2020 will mark not the eradication of child poverty but the end of the first decade in recent history in which absolute child poverty increased. A decade of rising absolute poverty is unprecedented since records began in the 1960s. The clear risk is that the year 2020 will mark not just a failure to meet the Government's legal obligation to have ended child poverty but could mark a permanent decoupling of earnings growth and economic growth at the bottom end of the labour market. 2020 could mark a watershed between an era in which for decades there have been rising living standards shared by all and a future era where rising living standards bypass the poorest in society. If that comes to pass the economic recovery will not have produced a social recovery. Social mobility, having flatlined in the latter part of the last century, would go into reverse in the first part of this century. The United Kingdom would become a permanently divided nation. That bleak outlook is reinforced by analysis for the Commission which shows that even world-beating performance on employment levels, hours and wages would not enable the child poverty targets to be hit given current public spending plans and the current design of the tax and benefit system.

We have come to the reluctant conclusion that, without radical changes to the tax and benefit system to boost the incomes of poor families, there is no realistic hope of the statutory child poverty targets being met in 2020. None of the main political parties have been willing to embrace such a change nor to speak this uncomfortable truth. They are all guilty in our view of being less than frank with the public. They all seem content to will the ends without identifying the means. It is vital that the next Government comes clean. We look to it to supplement the existing targets with new measures to give a more rounded picture of poverty and to publish a new timescale for achieving them. That the current Government has been unable to do so because of internal disagreement is, in our view, lamentable.

So, while the 2010-15 period has produced some progress – economic recovery, employment growth and promising school and welfare reforms particularly – the next period will need to be characterised more by change than by continuity if the 2020 challenge is to be met. Ensuring that there is a social recovery to accompany the economic recovery will require the next Government to face up to both the short-term and long-term challenges it will inherit:

- an economy that is recovering but where the gap in prosperity between London and the rest of the UK and the young and the old are widening;

- a labour market that has performed very well in terms of creating jobs but has not succeeded in recoupling earnings growth with economic growth;
- a cost-of-living crisis that is easing but where endemic levels of low pay mean that millions of families are worse off today than they were before the recession;
- a housing market where supply is slowly growing but where house prices strain the link between effort and reward that is core to social mobility - where more young adults cannot afford to buy a home and more poor children live in an expensive and insecure private rented sector;
- a schools system where standards are rising and reforms are progressing but where the gulf in attainment between advantaged and disadvantaged students – from the early years to A-levels - remains intractable;
- a vocational education system where apprenticeships have increased in number but where further education is too often low priority, low-status and low-quality;
- a higher education system that is expanding but where thousands of young people with high potential from low income families are still denied access to university;
- a professional jobs market that is growing but where an elite at the top is dominated by those from a private-school background;
- a fiscal position that is improving but which is deeply challenging with planned public spending reductions only halfway complete.

2015 marks a crossroads. We see three roads open to the next Government.

One is to continue with the current confusion where noble ambitions – lower poverty, higher mobility – are not complemented by consistent or clear enough policies. Muddling through, in our view, will not do when the mismatch between the challenge the country faces and the ability of current approaches to tackle it is already wide and set to widen.

The second option is to accept that progress will not be made, that poverty will rise and that mobility will fall. We would hope that no incoming government would go down that road. Such a choice would be a signal of failure – economically as well as socially – for a country that remains the sixth wealthiest in the world.

The third road is the one we favour. To reset our ambitions as a nation in the light of the circumstances in which we find ourselves. To define clear objectives and timecales for reducing – and then ending - child poverty and improving social mobility. To align resources and policies behind those objectives. To mobilise the whole of society to action. To adopt radical new approaches to solving the 2020 challenge.

If the next Government is to make social progress in the face of the challenges it will inherit, it will need to be more focused than at any time in the last 100 years. The fiscal constraints facing any incoming government will require a relentless focus of resources and efforts on the policies that make the biggest difference to improving social mobility and reducing child poverty. Even then, the next Government will not be able to deliver a social recovery on its own. A new national effort will be required on the part of employers, schools, colleges, universities, parents and charities if child poverty is to become a thing of the past and social mobility is to become Britain's motif for the future. They will need to put their collective efforts behind new approaches if the 2020 challenge is to be met. The circumstances are so different and the challenges are so great that the old ways of thinking and acting that have dominated public policy-making for decades will simply not pass muster. What worked in the past will not serve as an adequate guide for the future. A new agenda is needed.

Of course, there is no single silver bullet that can deliver less poverty or more social mobility. Action will be needed across the waterfront. Our report makes a number of far-reaching proposals for action to enable Britain to meet the 2020 challenge.

First, the new objective for macroeconomic policy should be to recouple economic growth with earnings growth. The economy and employment are both growing but earnings, at the bottom of the labour market especially, are lagging behind. The UK's labour market is truly a tale of a divided nation. It has changed profoundly in the last few decades and public policy has been too slow to catch up.

Work, of course, must remain the foundation for a life free from poverty. It provides the platform for family prosperity. But work alone is not a cure for poverty. The UK has a chronic problem of low pay endured by five million Britons – one in five workers – who earn below £7.50 an hour. More than one in four women in work are low-paid as well as one in six men. These figures help to explain why twice as many poor children are now in working families than in workless families, and why wages have become a stronger predictor of child poverty than the number of hours worked. Pay is not rewarding parents' efforts and neither is the way the tax and benefits system operates.

The economic recovery brings the risk that low-income families will be left further behind as deep long-term structural labour market changes erode opportunities for pay progression and align with the short-term impact of planned benefit cuts. Without action, the chasm between low-income families and the rest of the population will become ever wider, with profound implications in the short term for child poverty rates and in the longer term for the prospects of Britain becoming a more socially mobile society.

It is welcome that the Government, as well as opposition parties, has recognised the need to lift minimum rates of pay but none of them has countenanced minimum wage policies that would allow the working poor to stand on their own two feet and thereby reduce the overall benefits bill. The Commission is acutely aware that simply increasing pay is not an easy ask for many businesses without improvements in skills and productivity. But the decades-long effort to move people from welfare to work – while it has increased employment – has failed to increase earnings and failed to provide low-income families with opportunities for pay progression. We believe it is time to turn over a new leaf.

The next Government should forge a new settlement to make Britain a Living Wage country by 2025 at the latest. It should seek to create a virtuous circle where increased earnings lead to increased taxes some of which, in turn, can be ploughed back into supporting families to escape poverty through better-paid work. The next Government can lead this effort but it will not on its own be able to deliver it. The ability of the State to do all of the heavy lifting in bridging the gap between earnings and prices through tax credits will be more limited in the next Parliament than it has been in previous decades as the impact of fiscal consolidation takes effect. The resources available from the taxpayer to subsidise low wages have diminished and can no longer, on their own, sustain an improvement in living standards for low income families. A new settlement is needed between employers and taxpayers to share that burden more evenly.

The next Government should draw a line under the old political consensus that the benefits system could be the main source of income growth for a large number of families in low paid work. That era is over. In an age of austerity employers now have a bigger responsibility to pay living wages, parents have a bigger responsibility to work more hours and utility companies, finance firms, retailers and regulators have a bigger responsibility to end the perversity of the poverty premium which forces the poorest families to pay the highest prices for many of life's essentials.

Meeting the 2020 challenge will require a shared endeavour to make the ending of working poverty in Britain a national priority.

Second, the new objective for fiscal policy should be to ensure that fiscal consolidation is done in a way that minimises the impact on child poverty or social mobility. The next Government will have to make many tough decisions. We know that and accept it. The job of getting the UK's public finances out of the red, having started, will need to be completed. But there are choices about how fiscal consolidation is done and what social policies are pursued.

We are still only halfway through austerity. By March 2015 only 57 per cent of necessary savings will have been delivered, with half of cuts to current spending still to be implemented in the next Parliament. It is hard to see how savings on this scale can be made without seriously affecting the public services that aim to level the social playing field and the income transfers that have propped up families in work and out of work. Yet there seems to be an emerging consensus between the main political parties that fiscal consolidation on this sort of scale will be necessary between 2015 and 2020. That is a matter for each of the political parties. What appears hard to square, however, is their shared desire to reduce poverty and speed up mobility with their eye-wateringly tight fiscal plans. None of the main political parties has made much effort to reconcile the social ends they say they want to achieve with the fiscal means to which each of them is committed. There is a need for more honesty about the implications of planned public spending cuts from all the political parties. It is vital that all political parties are open about their plans and their implications for poverty and social mobility going into the next general election if they are going to claim a mandate for a further wave of welfare reform. We look to each of them to set out clear and specific plans about what they will cut and what they will protect to avoid negative impacts on social mobility and child poverty. And we look to the next Government to empower the Office for Budget Responsibility to assess each Budget for its impact on social mobility and child poverty.

We are particularly concerned about how each of the main political parties is targeting further reductions in welfare spending to make the country's books balance after 2015. The current Chancellor has pencilled in a further £12 billion a year of welfare cuts over the first two years of the next Parliament. Of course, in part this is to protect other budgets, some of which will provide services essential for reducing child poverty and raising social mobility. But many of the proposals being made for making savings in the welfare budget are not conducive to either. In particular, plans to cut in-work support in real terms in the next Parliament will make the working poor worse off, not better off. Similarly, further increases in the personal income tax allowance are not the best use of resources if the aim is to tackle poverty and promote mobility. Finally our analysis suggests that if pensioner benefits continue to be protected, that will require a 13 per cent reduction in tax credits and benefits for children and working-age adults over and above the big cuts in working-age benefits during this Parliament. It is difficult to see how this is deliverable without child poverty rising further over and above existing projections. We understand the political expediency of continuing to exempt pensioners from austerity but we do not believe that reducing support for the poorest children in society while protecting benefits for the wealthiest pensioners is credible.

Meeting the 2020 challenge will require the focus to switch to protecting the working poor from the impact of austerity.

Third, the new objective for social policy should be to ensure that young people are not left behind as the adult labour market moves ahead. The current generation of young people are educated better and for longer than any previous one. But young people are losing out on jobs, earnings and housing. Urgent action is needed to prevent this generation of young people faring worse than their parents' generation. Social mobility relies on young

people having better opportunities to progress. Investment in the skills and employment of young people today is money saved in social security and the costs of poverty tomorrow.

We welcome political commitments to end long-term youth unemployment. We believe that this should be an objective for 2020. We also welcome efforts to increase the standard and number of apprenticeships. We advocate that by 2020 half of all workplaces with more than ten staff should be providing quality apprenticeship opportunities for young people. We expect that by then all young people will also be getting high quality careers advice and that a UCAS-style system to streamline access to vocational education for those who do not go on to university.

We also look to the Further Education Commissioner to intervene to secure the closure of further education and apprenticeship providers who cannot improve their standards. By 2020, we believe the Government, educational institutions and Ofsted should have halved the number of under-performing colleges and Apprenticeship training providers. Finally, we propose that early in the next Parliament responsibility for growing youth employment is devolved to local areas, each of which should put in place a Day One intervention system to get young people who drop out of education or work immediately back on track.

Meeting the 2020 challenge will require new approaches to save future generations of young people from the pain the current generation has felt in the years since the recession.

Fourth, the new objective for housing policy should be to ensure it contributes to more social mobility and less child poverty in our country. What is currently happening in the housing market epitomises our concerns about Britain becoming a permanently divided nation. Changes in the housing market are already damaging living standards and are threatening to become a major impediment to young peoples' prospects for social mobility.

High housing costs are pricing more and more young people out of owner occupation. In 2012 there were 1.4 million fewer households owning their own home than would have been the case if the owner-occupation rate had remained at its level of a decade before. In London the average age for a first time buyer is now over 40. It is welcome that all the main political parties recognise the need to better match housing supply with demand. But greater priority will need to be given to developing innovative forms of funding and ownership – such as shared ownership – if owner occupation is going to be within reach of this and future generations of the young.

Even then, it seems highly unlikely that the levels of home ownership seen in the early 2000s will be coming back any time soon. A sizeable proportion of the population – including young families – will in all likelihood be living in the private rented sector for longer than previous generations have done. The next Government should take action to make the private rented sector fit for this new purpose. The current private rented sector offer was developed in 1988, an entirely different era when renting privately was primarily a short-term option for young people without families. Radical reforms are now overdue, in particular to make longer-term tenancies the norm for families with children.

Meeting the 2020 challenge will require a social mobility prism to be applied to how housing policy is conducted.

Fifth, the new objective for education policy, including the vital early years, should be to close the attainment gap between disadvantaged children and their better-off peers. In the last decade progress has been made but we estimate that on the current trend it will be at least 30 years before the attainment gap at GCSE between pupils who are entitled to free school meals and the rest is even halved. We do not believe that the next Government should settle for that. More needs to be done more quickly.

The starting point should be parenting. Effective parenting has a bigger influence on a child's life than wealth, class or education. Most parents do a great job. But some do not and there has been a reluctance on the part of politicians and educators to call out bad parenting or to help more parents develop their parenting skills. Existing public policy interventions in parenting tend to be either too timid or too targeted. We believe that the time has come to end this equivocation. We look to schools to identify where they believe poor parenting is adversely affecting children's outcomes and we look to the next Government to work with charities and educators to develop a national parenting programme to help more parents to parent well.

Next we believe that early years policy and practice should be guided by a new ambition: to ensure poorer children are doing as well as better-off children by the time they start school. Today, a clear majority of the poorest five-year-olds simply have not reached the right level of development to be ready to start school. That is entirely unacceptable. By 2020 we expect three-quarters of the poorest children – and 85 per cent of all children – to be school-ready by age five as a staging post towards all children being school-ready by 2025. That will require a doubling in the proportion of the poorest children who are school-ready in the next Parliament. This ambition will not be easily realised without the next Government, the childcare sector, councils and parent groups working together to build a shared understanding of what good early years development looks like. We would like to see that shared aim expressed in a new ten year plan to make childcare provision in the early years affordable, high quality and accessible.

For school-age children, it will be impossible to make progress in improving social mobility and tackling child poverty until the educational attainment gap between worse-off and better-off children is closed. This has to be a top priority for any incoming government. As we said in last year's report, deprivation should not be destiny. While there has been significant progress over the last decade – the proportion of children eligible for free school meals achieving five good GCSEs including English and maths more than doubled between 2004/05 and 2012/13 – far too many young people from disadvantaged backgrounds leave school without good qualifications and the gap between poorer children and others remains unacceptably wide. Sadly, the correlation between living in poverty and doing badly at school remains intact. It must become a national priority for the attainment of disadvantaged children to rise and the attainment gap between them and their better-off peers to close. We look to the next Government to refocus attention on primary schools with the aim of eradicating illiteracy and innumeracy by 2025 in primary school age children.

Raising standards and closing attainment gaps should be the twin objectives for all teachers and all schools through the standards that are set, the inspection regimes that are sanctioned, the league tables that are published and the reward mechanisms that are deployed. Such a focus on closing the attainment gap leads us to expect that, at a minimum, the gap between children entitled to free school meals and their peers should be halved by 2025, with more than half of children entitled to free school meals achieving five good GCSEs including English and maths by 2020, rising to two thirds by 2025. We believe this to be a stretching but realistic goal that the next Government should adopt.

Schools throughout Britain should also give more focus to preparing children for the world of work. The next UK Government – and the Scottish and Welsh Governments – should develop a new way of assessing school performance based on the outcomes children achieve once they have left school to encourage schools to focus more strongly on the quality of extra-curricular activity, character development and careers guidance. Ofsted should not give an outstanding rating to any schools in which such provision is less than excellent.

Finally, since the global evidence suggests that the quality of teaching is the key factor in helping to close attainment gaps, the next Government should ensure that the best teachers have better incentives, including higher pay, to teach in the most challenging schools. We propose that the next Government should beef up current programmes and pay reforms, which are not big enough to get the best teachers into the most challenging schools. On assuming office it should immediately commission the School Teachers' Review Body to tackle this issue, with a view to creating new pay grades for the best teachers to work in challenging schools in the hardest-to-recruit areas. It should also pilot a Teachers Pay Premium, costing £20 million per annum and funded from university widening participation budgets, to offer 2,000 of the best teachers a 25 per cent pay uplift if they agree to teach in a challenging school where few disadvantaged children achieve good GCSEs or progress to higher education.

Meeting the 2020 challenge requires the next Government to make the closing of the attainment gap the core business of parents, early years services and schools.

Sixth, the new objective for the institutions that open the way to the top in British society – our universities and professions – is to recruit from a far broader range of talent. The more open the top of our society can become the less divided we will be as a nation. Today the top universities and the top jobs are dominated by a social elite. But there are good reasons to be optimistic about future prospects for progress.

In the next five years both universities and the professions will expand rapidly. By 2020 there could be 100,000 more university places and two million more professional jobs. We believe this expansion provides the potential for a big social mobility dividend if efforts to make access to the top more open can be scaled up.

In the last year, the UK Government has removed the cap on student numbers. From 2015 there will be no restrictions on how many students universities can recruit. Removing the cap presents a unique opportunity to diversify the student population across all universities and recruit students from under represented backgrounds. If, collectively, universities put their shoulders to the wheel we believe that by 2020 they could close half the gap in entry between those eligible for free school meals and others, allowing over 5,000 more young people from the poorest backgrounds the chance to enter university each year, an increase of 39 per cent. And if a similar effort was made by Russell Group universities in England they could, by 2020, be within touching distance of becoming truly representative of those who have the grades to enter by admitting 3,000 more students from state schools each year (an increase of 7 per cent) and 1,400 more students from working-class backgrounds (an increase of 12 per cent). The removal of the student numbers cap makes these challenging but achievable objectives.

How universities achieve those ambitions is – and should be – a matter for them. But we hope that they will divert a growing proportion of Widening Participation funding – set to rise to £735 million in 2015 – to develop more long-term relationships with state schools since the evidence suggests that this is the best means of encouraging poorer students into higher education. We also look to universities to make much more assertive, rapid and transparent adoption of contextual admission procedures including making lower entry offers for students who have done well at A-level from poorly performing schools.

The professions have a similar opportunity to make progress. Over recent years an increasing number of professional employers have begun to take social mobility more seriously. Progress has, however, been slow – and not just in cracking open the glass ceiling at the top of the professional tree. There has been too little movement at the bottom. Today 33 per cent of trainee doctors and 35 per cent of trainee lawyers come from a private school background and almost three quarters of entrants to journalism come from a middle class background.

But in the next few years the number of jobs in the professions is set to grow by two million. This provides space for professional employers to up their efforts to diversify their workforces.

Doing so will require professions to change where they recruit. Today only 10 per cent of the top graduate employers target more than 30 universities out of a total of nearer 120. We will look for evidence that this is changing in the next few years so that more young people from more diverse backgrounds have doors opened to their talents. Professions will also need to change who they recruit. Over recent decades qualification inflation has made professional employment the exclusive preserve of those with a university degree. Some employers have recognised that such a trend artificially restricts the type of people they recruit. We will look for evidence that more employers and professions are developing non-graduate entry routes. Finally, professions will need to change how they recruit. The biggest change in the professional labour market over recent years has been the growth in internships. They are a new rung on the professional career ladder – yet all too often they are recruited on the basis of who, not what, you know and many are unpaid. We believe the time has come to end those practices, not least because it is clear to us that the majority of interns are legally due the National Minimum Wage. Internships should be openly advertised and fairly paid. If evidence is not forthcoming that progress is being made towards this goal, the next Government should legislate to end internships that are unpaid once and for all.

Meeting the 2020 challenge requires fair access to our country's universities and professions to become a national imperative.

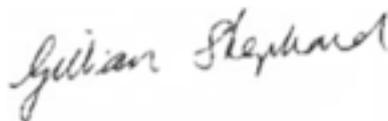
In summary, we believe that 2015 is an inflection point. The solutions of the past will not be good enough answers for the future. We are in a very different world. The labour market has changed. So too has the housing market. The state of poverty has also changed. And the state of the public finances has changed beyond recognition. The risk is that these changes coalesce to make Britain a permanently divided nation.

The 2020 challenge is to prevent that from happening. The road has run out for the approaches that have dominated public-policy making for the last few decades. If the next Government is to make progress on tackling poverty and improving mobility it will have to adopt a radical new agenda for change. It will have to forge a new settlement with employers, parents and educators to put in place a social recovery to match the economic recovery.

Making progress in the immediate future will be harder than it has been in the recent past. But we believe that progress can – and must – be made.



**The Rt Hon. Alan Milburn
Chair**



**The Rt Hon. Baroness Gillian Shephard
Deputy Chair**

Meeting the 2020 challenge – our key recommendations

- Supplement the existing **child poverty targets** with new measures to give a more rounded picture of poverty and publish a new timescale for achieving them;
- Ensure that welfare reforms and fiscal policies **protect the working poor from the impact of austerity**, including by empowering the Office for Budget Responsibility to report on each Budget's impact on poverty and mobility;
- The UK to become a **Living Wage country** by 2025 at the latest, underpinned by a new national pay progression strategy and an expanded role for the Low Pay Commission;
- More shared ownership options for young people to get on the **housing** ladder and longer-term tenancies to become the norm for families with children in the private rented sector;
- New focus in the early years on ensuring that children are **school-ready at age five**, with 85 per cent of children – including three quarters of the poorest children – school-ready by 2020 and all by 2025;
- A **national parenting campaign** to be launched to help more parents become excellent parents, funded by removing childcare tax breaks from families where at least one parent earns more than £100,000 per year;
- **Higher pay to get the best teachers into the worst schools** in deprived areas of the county through a new Teachers' Pay Premium and new pay grades commissioned from the Teachers Pay Review Body;
- **Ending illiteracy and innumeracy** among primary school leavers by 2025 and a new focus on quality careers advice, character development and extra curricular activity in secondary schools;
- **Closing the attainment gap between poorer and better-off children** to be a priority for all schools so that by 2020 more than half of children entitled to free school meals are achieving five good GCSEs rising to two-thirds by 2025;
- **Long-term youth unemployment to be ended by 2020** through a package of measures including half of all larger workplaces providing apprenticeships and a new Day One support service to help unemployed young people get straight back into work or education;
- Universities to use the removal of the student numbers cap to significantly **close the access gap** so that by 2020 they are aiming to admit 5,000 more students from a free schools meals background, with Russell Group universities aiming to admit 3,000 more state-school students and 1,400 more working-class students who have the grades but currently do not get the places;
- **Unpaid internships to be ended** – through legislation if necessary – by 2020.

Executive Summary

Chapter 1 – The 2020 challenge

- The 2020 challenge is to prevent Britain becoming a permanently divided society;
- The good news is that child poverty against the headline targets in the 2010 Child Poverty Act was at historically low levels in 2012-13: relative child poverty was at its lowest level for almost 30 years and absolute child poverty was close to record low levels;
- There is more good news in the pace of the economic recovery: growth in the last year has been much faster than expected, GDP is above its pre-recession peak and the employment rate is at record highs;
- The bad news is that real wages are still falling while jobs are becoming less secure; housing costs are straining the link between effort and reward that should be at the heart of a fair and socially mobile country; and different parts of society are having different experiences of recovery with big variations by age, income, family type and region;
- The next UK Government will have to address these challenges if there is to be a social recovery to accompany the economic recovery: without a new approach child poverty is likely to increase significantly and social mobility could fall;
- Fiscal constraints facing any incoming Government mean that progress will require a relentless focus of resources and efforts on the policies that make the biggest difference to improving social mobility and reducing child poverty;
- The next Government will not be able to deliver a social recovery on its own: it will need to mobilise a new national effort involving employers, schools, colleges, universities, parents and charities.

What worked and what did not work 2010-2015?

What worked?

- The economy is now bigger than it was before the recession and economic growth has been strong over the last 12 months;
- The working-age employment rate is close to record highs, with more people in work than ever before;
- Pressures on the cost of living have eased significantly, with inflation at historically low levels in 2014;
- Educational attainment and higher education participation of children from disadvantaged backgrounds have continued to improve;
- Relative child poverty was at its lowest level for 30 years in 2012-13.

What did not work?

- GDP per capita – a key determinant of living standards - is still lower than it was before the recession;
- Earnings and household incomes are far lower in real terms than they were in 2010 and are still falling, though are expected to return to growth later this year;
- A higher proportion of jobs are insecure and low paid and five million people earn less than the Living Wage;
- There has been limited success in rebalancing the economy, with the recovery faster in London and the southern regions than in the rest of Britain;
- The pace of fiscal consolidation has been slower than anticipated, meaning over 40 per cent of it has been deferred to the next Parliament;
- Owner occupation amongst the young has fallen significantly and one in five children are living in insecure and expensive private rented accommodation with potentially detrimental impacts on living standards;
- Absolute child poverty increased by 300,000 between 2010-11 and 2012-13, working poverty after housing costs is rising and independent experts expect child poverty to increase significantly over the next few years.

By 2020 the Commission expects to see progress on five key recommendations

- All political parties to have come forward with **credible plans for meeting the challenge of fiscal consolidation** in the next Parliament: being more honest about the implications of spending cuts; ending the exemption of wealthy pensioners from austerity; and giving the Office for Budget Responsibility a new role in reporting on social mobility and child poverty impacts of the decisions made at each Budget;
- The Government to have made the **recoupling of earnings and economic growth** a key priority of macroeconomic policy;
- The Government to have **taken further steps to devolve powers and funding to City Regions** to give local areas the powers to boost economic growth in their areas;
- The Government to have **taken action on housing** by increasing housing supply, helping more young families to achieve their aspirations to buy their own home and making longer-term tenancies the norm for families with children in the private rented sector;
- The Government to **set a ten year ambition for the UK to become a Living Wage country by 2025** and develop and implement a cross-society strategy which can achieve this goal (see Chapter 5).

Chapter 2 – Progress on laying the foundations: the early years

- The early years of life are influential in shaping future prospects and there has been a welcome focus on making the early years a public policy priority;
- Overall, there has been good progress in extending early education to disadvantaged two year olds but cuts are happening more generally in early years provision;
- Children’s Centre numbers have decreased by 17 per cent, which the UK Government attributes to mergers, and services are being stretched. There are also issues around the quality, availability and affordability of childcare;
- Two-thirds of five year olds eligible for free school meals in England do not achieve a good level of development and so are not school ready; and half of three-year-olds in deprived areas of Wales are below the expected level of development;
- Progress is being hampered by a lack of measurement of outcomes, especially in Scotland and Wales: neither parents nor childcare providers are clear on whether children are well-prepared to start primary school or not;
- A step change in the contribution of early years to social mobility needs a shared aim and a clearer roadmap: the priority for providers, councils and governments should be to close the gap in school readiness between poorer and better-off children;
- It also needs higher expectations across society on what it means to parent well and to work with young children: Government should commit to establishing a national parenting programme and to having qualified teachers as the bedrock of early years provision;
- The Early Years Pupil Premium – now helpfully extended into these services – should be used to leverage improved quality of provision.

What worked and what did not work 2010-2015?

What worked?

- **Free childcare** for three-and-four-year olds and the most deprived two-year-olds has been successfully implemented, with substantial numbers of families having access their entitlement to free childcare;
- There have been improvements in the **absolute development level** of poorer children and the **Early Years Pupil Premium** should help further progress to be made;
- The **quality of early years providers** has been improved significantly;
- The number of qualified **health visitors** has increased by 28 per cent since May 2010;
- The Scottish **Early Years Collaborative** has led to improved working relationship with experts in the field;
- The Welsh **Flying Start Programme** continues to make an impact on families in the most deprived areas of Wales.

What did not work?

- There is a **lack of clarity in Government** objectives as different departments are promoting potentially conflicting goals, with the Department for Work and Pensions focusing on increasing maternal employment and the Department for Education focused on improving the quality of early education;
- Big **disadvantage gaps** remain, with children eligible for free school meals being far less likely to be school ready than their peers with much local variation in performance;
- The current proposal **for tax free childcare is complicated** with most new resources focused on those with the highest incomes – the wrong priority in a time of austerity;
- A **shortage of places** in some local authorities, with insufficient provision for eligible two-year-olds and many providers of poor quality;
- A tentative and timid approach to addressing **parenting**, with Government pilots of universal parenting classes for parents of under-fives suffering from low take-up;
- No **measures of child development** are currently collected or reported on until children are five years old, with a big gap in understanding effectiveness of policies aimed at closing early child development gaps;
- Issues around **affordability and availability** of childcare mean that many parents have difficulties in returning to work and meeting the expectations their employers have of them.

By 2020 the Commission expects to see progress on five key recommendations

- The UK Government should have refocused policy to ensure that 85 per cent of children are **school ready by age five**, with robust indicators in place to measure progress against a ten year plan to improve accessibility, quality and affordability of childcare;
- The Scottish and Welsh Governments should have introduced a **measure to assess the ‘school readiness’** of their children and the Welsh Government should have increased the **focus on numeracy and literacy** within childcare provision;
- Childcare providers should routinely be using **qualified staff** to teach their most deprived children;
- Local authorities should be meeting parents’ demand for childcare by having **sufficient high quality and affordable childcare**;
- Parenting groups, providers and governments should have launched a **national parenting programme** and ensured more even access amongst parents to information services.

Chapter 3 – Progress on educating the next generation

- There has been progress in improving the attainment of the poorest children in schools over the last year, though wide disadvantage gaps remain;
- However, there has been little progress in closing gender and geographical gaps in the attainment of children from disadvantaged backgrounds;
- Recent improvements in school quality and historic improvements at primary school should feed through into future progress;
- Recent school reforms have the potential to further narrow the attainment gap but there are a number of risks which need to be addressed in order to maximise their impact;
- The risk of rising child poverty and falling school budgets in the next Parliament could make it a challenging environment in which to make the dramatic improvements that are required to close the attainment gap;
- Progress will depend on a coordinated effort from parents, schools and central and local government;
- We recommend raising standards and closing attainment gaps should be the twin objectives for all teachers and all schools;
- Critically, the best teachers should have better incentives, including higher pay, to teach in the worst schools;
- A new outcomes-based means of assessing school performance should be introduced so that schools focus on the quality of extra-curricular activity, character development and careers guidance;
- The education sector should lead a national effort to end illiteracy and innumeracy in primary schools. In secondary schools the gap between children entitled to free school meals and their peers should be halved by 2025.

What worked and what did not work 2010-2015?

What worked?

- **Overall attainment** of disadvantaged pupils has been steadily rising since 2010;
- Funding through the **Pupil Premium** for poor children has been steadily increasing and schools have access to more effective support in deciding how this money should best be spent;
- **London and the big cities** have made outstanding gains in closing the attainment gap and raising attainment for children from disadvantaged backgrounds;
- The **quality of schools and the quality of teaching for disadvantaged children continues to rise**;
- Giving schools **increased freedoms** through reforms to schools structures and the how to spend the Pupil Premium, alongside accountability changes, is welcomed;
- We know more about successful interventions through '**what worked**' centres such as the Education Endowment Foundation.

What did not work?

- The **attainment gap remains broadly static and it is still unacceptably wide** – almost two thirds of poor children fail to achieve the basics of five GCSEs including English and maths;
- Areas like London have seen great improvements but the **variation between schools and different areas are still too large**: poor children are more likely to go to the worst schools;
- Poor children are **less likely to be taught by the best teachers**;
- It is unclear how the Government will be able to **track the relative performance of disadvantaged children** given the wide number of reforms in every area of education - assessment, curriculum, accountability and funding;
- **Careers advice** is acknowledged to be ‘patchy’ and new destination measures seem unlikely to drive improvements;
- The evidence base for interventions to build **character and resilience are still being understood, developed and implemented**;
- The education system is currently going through widespread reform and the **full effects will not be seen for some time**.

By 2020 the Commission expects to see progress on the following five recommendations

- The UK Government should have **upped the pace of progress in closing the attainment gap** and increasing overall attainment levels – including having made considerable progress towards a goal of ending illiteracy and innumeracy by 2025;
- Primary schools should be receiving as much policy focus as secondary schools. The UK Government should also continue the strong focus on improving the attainment of poorer children in secondary school and closing the attainment gap, **setting a goal for the attainment gap to be halved by 2025**, with half of all children eligible for free school meals getting 5 good GCSEs including English and maths by 2020 and two thirds by 2025;
- The UK Government should have made considerable progress in increasing the number of children from disadvantaged backgrounds in outstanding schools with outstanding teaching, with **stronger incentives, through better pay, in place for the best teachers to teach in the weakest schools in hard-to-recruit areas**;
- Schools should have **embedded raising standards and closing the attainment gap** as their twin core objectives and schools should be collaborating with one another to realise them;
- Schools, as a matter of course, should be **preparing children for the world beyond school** by providing character development, high quality careers advice, extra-curricular activity, work experience and employer engagement with Ofsted assessing schools for how well they do so.

Chapter 4 – Progress on moving from school to work

- The last year has seen significant growth in the number of young people in work but long-term youth unemployment is still double what it was before the recession;
- There are more apprenticeships but fewer school leavers are accessing them (other than Scotland) and there are concerns over quality;
- Fewer young people are not in education, employment or training but young workers risk being left behind in terms of jobs and wages as the recovery gathers pace;
- Stagnating wages, increasing house prices and fewer youth jobs means that the number of young workers in their mid-20s still living with their parents is up by one quarter since the mid-1990s;
- The current system for helping young people transition from school to work is overly complex and not sustainable. As the crisis eases it is the right time to develop a coherent solution;
- Government should devolve more responsibility to improve youth outcomes with a bigger role for local authorities and City Deals;
- There should be a Day One offer of immediate support for young people out of education and employment to speed reintegration into study or work;
- Half of all workplaces with ten employees or more should be offering apprenticeships by 2020;
- Further education providers that do not improve between inspections should be recommended for closure by the Further Education Commissioner.

What worked and what did not work 2010- 2015?

What worked?

- **Youth unemployment** has declined from a recession-driven peak of over one million to around three quarters of a million today;
- **Ever increasing engagement in education** – with more young people in study and fewer 16- and 17-year olds not in education, employment or training than ever before;
- **Attainment among 16-19-year olds** is improving but the attainment gap between those who received free school meals at secondary level and those who did not is virtually unchanged since 2009;
- **Vocational reforms are underway with increasing numbers of apprenticeships** but it is too early to tell whether they will have the necessary impact.

What did not work?

- **Long term youth unemployment of over 12 months** is still nearly double pre-recession levels at around 200,000;
- **A growing gap between young people and older workers in the labour market** with 17 per cent of 16- 24-year-olds unemployed compared to 5 per cent of 25- to 49-year olds;
- **Pay of young people took a severe hit** over the recession and is yet to recover, with hourly wages at the same level as 15 years ago in real terms;
- **Big concerns remain about the quality and funding of apprenticeships and further education colleges;**
- **There is a well a well-intentioned list of policies but no coherent strategy** to improve moves from school to work. The next Government must develop one.

By 2020, the Commission expects to see progress on the following five recommendations

- The UK Government should have **devolved responsibility for increasing youth employment** to local areas;
- The UK Government should have **fully implemented a new 'UCAS' system** to make access to vocational education and training easier and clearer for young people;
- All local authorities **should be tracking 100 per cent of young people** in their area to ensure they make a smooth transition from school and should be delivering a **'Day One' intervention and re-engagement service** to get unemployed young people straight back into jobs, education or training. Long term unemployment should be ended;
- More employers should be working closely with schools, employing young workers and **half of employers with more than ten employees should be offering high quality apprenticeships to young people;**
- The number of **poorly performing Further Education colleges and apprentice providers should have been halved** and funding should have been stopped for college departments that have not improved between inspections, following the views of the Further Education Commissioner.

Chapter 5 – Moving up the income ladder

- Progress has been made on increasing getting more parents into work but too many poor, workless parents have gone on to become poor working parents;
- Those on low incomes risk falling further behind as average earnings recover but social security cuts start to bite and the National Minimum Wage slowly recovers lost ground;
- Even world-beating levels of parental employment coupled with significant wage increases will not enable the UK to eradicate poverty;
- Experts predict that 2020 will mark not the eradication of child poverty but the end of the first decade since records began in which absolute poverty increased;
- No political party is being honest about their ability to hit the 2020 child poverty targets: the next Government should rework the targets and agree new measures and set a new timescale for achieving them;
- Short-term action should focus on ending the poverty premium faced by the poorest families;
- For the longer-term a new settlement is needed between Government and employers to share the burden of lifting parents earnings enough for them to escape poverty;
- By 2025 Britain should become a Living Wage country.

What worked and what did not work 2010-2015?

What worked?

- **Relative poverty** fell by one percentage point between 2010-11 and 2012-13 and is at its lowest level since 1984 but 2.3 million children are still in poverty and progress now appears to have stalled;
- **Stable social security benefits** (including in-work support) in the first half of the Parliament and the National Minimum Wage ensured that low income households did not fall further behind average incomes, which were more strongly affected by the recession;
- **Strong employment** continues to outperform expectations. Far more parents are working, including record numbers of lone parents, and the number of children in workless households is at an all-time low;

What did not work?

- **Absolute poverty** increased by 300,000 between 2010-11 and 2012-13 and 2.6 million children remain in absolute poverty;
- **The price for jobs has been reduced pay and security.** Although many parents welcome flexibility, too many are still unable to access reliable, full-time work;
- **The UK has an endemic low pay problem.** Not only are millions paid low hourly wages but too many are stuck in low pay with little prospect to progress;
- **Skills and productivity**, the levers for increasing pay, remain blunted;
- **High housing costs** are dragging more children into poverty. 1.4 million more children are in relative poverty after the effect of rents and mortgages are taken into account;
- **Social security cuts are starting to bite** and – with further fiscal consolidation expected after 2015 – will directly reduce the incomes of poor workless and working households.

By 2020, the Commission expects to see progress against five key recommendations

- Government, parents and employers to have shared responsibility to enable families to **move up the income ladder** – Government must ensure incentives are right and ensure that those who “do the right thing” are not in poverty, more parents must move into work and employers must pay better;
- The Government to have championed Britain becoming a **Living Wage nation** by 2025 at the latest – and employers have made progress towards achieving it - with the top social policy priority being to end working poverty;
- The Government using some of the increased revenue from higher employment and wages to maximise child poverty reduction via the **tax and benefits system**;
- The Government working with local authorities and business to have made progress on **tackling the poverty premium** by reducing cost pressures on low income families, including energy costs and housing;
- The Government to have **reworked the 2020 child poverty targets** and agreed new measures to which it is 100 per cent committed and a new timescale for achieving them.

Chapter 6 – Progress on moving into the top: universities and the professions

- Access to the top is elitist: 71 per cent of senior judges, 62 per cent of senior military officers, 55 per cent of Whitehall Permanent Secretaries and 43 per cent of newspaper columnists attended independent schools compared to seven per cent of the public as a whole;
- The proportion of university students from disadvantaged backgrounds has risen but the number of entrants from state schools to Russell Group universities has fallen, and part-time and postgraduate numbers are in decline;
- Entry rates to higher education in Wales were 35.3 per cent, which is 5 per cent lower than England and 10 per cent lower than Scotland;
- On current trends, by 2020 the most advantaged will still be twice as likely to enter university compared to disadvantaged students;
- But universities and professions will both expand in the next five years: by 2020 there could be 100,000 more university places and 2 million more professional jobs;
- There is the potential for a big social mobility dividend if efforts to make access to the top more open can be scaled up;
- Universities should use the opportunity of the removal of the student numbers cap to significantly close the access gap so that by 2020 they are aiming to admit 5,000 more students from a free schools meals background and by Russell Group universities aiming to admit 3,000 more state school students who have the grades but currently do not get the places;
- The UK Government and universities should increase the proportion of widening participation funding being used to support access activity and strategic partnerships with schools to 25 per cent by 2020;
- The UK Government should put in place a new postgraduate loans system that is social-mobility friendly;
- More professional employers should put in place non-graduate entry routes into high-skilled roles by 2020 at least ten per cent of apprentices should be Higher Apprentices;
- Professional employers should end the practice of unpaid internships and the UK Government should legislate to abolish them if required to achieve this goal.

What worked and what did not work 2010-2015?

What worked?

- There has been **improved access of the most disadvantaged young people to university in England**, but from a very low base;
- The **new fee regime is not having the negative impact** on participation of disadvantaged young people that was initially predicted;
- Universities have done more to **use widen participation funding to build partnerships with schools**;
- More professions **have shown an appetite for change** and some employers are introducing more social mobility friendly policies;
- Universities and the professions are both expanding so providing the potential for a social mobility dividend.

What did not work?

- The numbers of students from **state schools and working-class backgrounds at Russell Group universities** has flat-lined for a decade;
- **Opportunities for second chance learners have fallen** as part-time student numbers have declined;
- **Adoption of contextual admissions practices is inconsistent** across the higher education sector.
- **Postgraduate education is a social mobility time-bomb** with no government support for postgraduate students;
- **Infrastructure for school and university interactions has weakened**;
- **Unpaid internships are still far too common** and lock out talent from entering a chosen career.

By 2020 the Commission expects to see progress on five key recommendations

- The UK Government and universities should use the opportunity afforded by an expansion in student numbers cap to **significantly close the access gap** so that by 2020 they are aiming to admit 5,000 more students from a free school meals background and by Russell Group universities aiming to admit 3,000 more state school students who have the grades but currently do not get the places;
- The UK Government and universities should have **increased the proportion of Widening Participation funding being used to support strategic partnerships with schools**. By 2020 a quarter of access funding should support outreach activity including strategic engagement with schools. A social-mobility friendly postgraduate loans system should be put in place;
- Universities should be focussed on **improving the employability skills of students** and the UK Government should develop a more robust way of measuring universities' success in this;
- All leading employers in the professions should be fully **implementing the Champion tier principles from the Social Mobility Compact** by 2020;
- Professional employers should have **ended the practice of unpaid internships** with the Government legislating to achieve this if necessary.

Chapter 1: The 2020 challenge

- The 2020 challenge is to prevent Britain becoming a permanently divided society;
- The good news is that child poverty against the headline targets in the 2010 Child Poverty Act was at historically low levels in 2012-13: relative child poverty was at its lowest level for almost 30 years and absolute child poverty was close to record low levels;
- There is more good news in the pace of the economic recovery: growth in the last year has been much faster than expected, GDP is above its pre-recession peak and the employment rate is at record highs;
- The bad news is that real wages are still falling while jobs are becoming less secure; housing costs are straining the link between effort and reward that should be at the heart of a fair and socially mobile country; and different parts of society are having different experiences of recovery with big variations by age, income, family type and region;
- The next UK Government will have to address these challenges if there is to be a social recovery to accompany the economic recovery: without a new approach child poverty is likely to increase significantly and social mobility could fall;
- Fiscal constraints facing any incoming Government mean that progress will require a relentless focus of resources and efforts on the policies that make the biggest difference to improving social mobility and reducing child poverty;
- The next Government will not be able to deliver a social recovery on its own: it will need to mobilise a new national effort involving employers, schools, colleges, universities, parents and charities.

1.1 What is the 2020 challenge?

1. Child poverty against the headline targets in the Child Poverty Act 2010 is at historically low levels and the economic context has improved significantly since our report last year. This is excellent news.
2. However, the biggest recession in a century has had permanent effects and exposed long-standing weaknesses in the UK's economic and social model:
 - Child poverty in 2012/13 was at the lowest level for 30 years against the relative target and close to the lowest level on record against the absolute target¹ but most independent

¹ Institute for Fiscal Studies, *Incomes in the UK*, 2014

experts expect poverty to rise significantly over the next few years as benefit cuts begin to affect the incomes of families in the bottom half of the income distribution;²

- National income is higher than it has ever been but income per person – the key driver of living standards – is still lower than before the recession. The UK has already clocked up six years of stagnating living standards and it will not be until the end of next year that we are back to where we were in 2008;³
- Real wages are expected by the Office for Budget Responsibility to begin rising in the third quarter of 2014⁴ but have continued to fall in recent months and are much lower than before the recession.⁵ The link between economic growth and average earnings, weakened and perhaps broken since 2003, is not set to be restored anytime soon;
- Economic growth over the last year has been impressive but the effects of the downturn will continue to depress growth over the next few years and question-marks remain about the sustainability of progress that is partly built on a declining savings rate, rising household debt and an unstable housing market;⁶
- Progress has been made in reducing the deficit but it remains high, with the national debt in March 2014 standing at £1.3 trillion – 76 per cent of GDP – and rising.⁷ The Government’s austerity programme is only halfway through;
- The proportion of adults who are in work is at a record high⁸ but there has been a shift towards less secure forms of employment and parents fear that their children will be the first generation in living memory to be worse off than they are;
- While income inequality has narrowed slightly since the recession it is still at historically high levels, with households in the top 10 per cent having more than five times the income after housing costs as those in the bottom 10 per cent (compared to three times in 1978) and is expected to increase back to pre-recession levels over the next few years;⁹
- While nearly two-thirds of households own their house, home ownership is in decline. In 2012 there were 1.4 million fewer households owning their own home than would have been the case if the owner occupation rate had remained at its level of a decade before. At the same time, the proportion of households in the private rented sector has nearly doubled in ten years and the sector is now home to nearly one in five households – 18 per cent – the highest proportion for more than 40 years;¹⁰
- Twice as many children eligible for free school meals are achieving the basics at GCSE than in 2005/06 (38 per cent in 2012/13 versus 20 per cent in 2005/06) but the attainment gap is closing very slowly and widened slightly in the most recent year;¹¹

² See for example Institute for Fiscal Studies, *Child and working age poverty in Northern Ireland over the next decade: an update*, 2014; Social Mobility and Child Poverty Commission, *Understanding the parental employment scenarios necessary to meet the 2020 child poverty targets*, 2014

³ Office for National Statistics, *Quarterly National Accounts Q2 2014*, 2014 (forthcoming)

⁴ Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2014

⁵ Average weekly earnings excluding bonuses were 8.3 per cent lower in real terms (deflated by RPIJ) in July 2014 than at their April 2009 peak. Office for National Statistics, *Labour Market Statistics*, July 2014

⁶ Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2014

⁷ Office for Budget Responsibility, *Public Finances Databank*, 2014

⁸ Office for National Statistics, *Labour Market Statistics*, July 2014

⁹ Institute for Fiscal Studies, *Living Standards: Poverty and inequality in the UK*, 2014

¹⁰ Department for Communities and Local Government, *Dwelling Stock Estimates, Table 102*, 2014

¹¹ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics*, 2014. This statistic looks at the proportion of children eligible for free school meals who achieve five good GCSEs including English and maths

- Pensioner poverty after housing costs has halved in a decade and is now far lower than for other groups¹² and – with almost three-quarters of pensioners owning their own home outright¹³ – house price increases have made this generation of pensioners the wealthiest ever. Despite this, wealthy pensioners have been largely exempted from austerity;
 - Long-standing regional gaps in economic performance remain and there are few signs of them being closed.
3. As the recovery gathers pace it is exposing deep divides in British society and perhaps widening them. The risk is that Britain becomes a permanently divided society. Success in improving social mobility and reducing child poverty relies on taking action to create an economic environment that allows social progress to be made across all parts of our society.

1.2 What is happening to poverty and social mobility?

4. Last year, we identified four interlocking challenges that threatened progress on social mobility and child poverty:
- The **economic challenge** of dealing with the long-term impact of the recession and slow recovery on national income and growth rates;
 - The **fiscal challenge** of tackling the very high rate of public borrowing in the face of long-term pressures such as an ageing population;
 - The **earnings challenge** of tackling poverty in the face of big falls in real wages, continuing under-employment and rising job insecurity;
 - The **cost of living challenge** of helping families deal with the significant increases in the cost of the basics since the beginning of the recession.
5. We made four main recommendations to central, national and local government about approaches they should adopt to help address these challenges:
- **Continue to focus on returning the economy to growth** with the accent on securing a balanced recovery between different parts of the United Kingdom, including through devolving responsibility and funding to enable local areas to take the necessary actions to boost economic growth, following the direction of travel set out in the Heseltine Review;¹⁴
 - **Prioritise social mobility and child poverty in future fiscal consolidations and secure a fairer balance** of consolidation between the generations and between better-off and worse-off families, with each of the main political parties spelling out in clear and detailed terms how they intend to achieve this. This included: rebalancing public resources from the old to the young over time; carrying out cumulative impact assessments of future welfare cuts to allow impacts on individual families to be better understood and mitigated; and giving the Office for Budget Responsibility a new role reporting on social mobility and child poverty impacts of Budgets;
 - **Actively engage employers in improving earnings, tackle youth unemployment and address imbalances in the labour market** so that, over time, the burden of tackling in-work poverty starts to shift from taxpayer-funded benefits compensating for low pay towards higher minimum levels of pay and better career prospects;
 - **Give further consideration of how to help reduce the costs of living faced by low-income families**, improving living standards and helping to reduce pressures on the

¹² Department for Work and Pensions, *Households Below Average Incomes*, 2014

¹³ Department for Communities and Local Government, *English Housing Survey 2012*, Table FT1201, 2014

¹⁴ The Rt. Hon. The Lord Heseltine of Thenford CH, *No Stone Unturned in Pursuit of Growth*, October 2012

public finances by taking action to address the “poverty premium” (the additional cost of basic goods and services often faced by low-income families).

6. The Government’s approach to the challenges we identified is broadly the same as it was last year: for example, while greater engagement of employers in tackling in-work poverty and action on the cost of living are bigger strategic themes in the Government’s new child poverty strategy than they were in the previous one, this has not led to any significant changes in policy. The challenges we identified last year – and the recommendations we made – continue to be highly relevant.

Child poverty

7. In 2012/13:¹⁵

- 17.4 per cent of children were in relative poverty,¹⁶ the lowest it has been for almost 30 years. The last time it was lower was in 1984;
- 19.5 per cent of children were in absolute poverty, lower than at any time on record before 2009/10 but higher than the record low of 17.6 per cent in 2010/11;
- 13 per cent of children were in low income and material deprivation, with little change since the current definition was introduced in 2010/11.

8. Child poverty was broadly flat against all three of the available measures in the 2012/13 financial year (the persistent poverty target has not yet been defined and no data is currently reported against it. The Government will introduce legislation to set the target by December 2014.)¹⁷ This is the most recent data that can be reported and does not yet reflect many of the changes to the benefits and tax credit entitlements of low-income working and workless households, many of which were introduced in April 2013 or afterwards.¹⁸ As a result the latest data is likely to understate current levels of child poverty, with statistics for the current financial year not available until summer 2016. (See Table 1.1 and Figure 1.1).

¹⁵ Department for Work and Pensions, *Households below average income statistics 2012/13*, 2014. All poverty statistics in this section are taken from this source unless otherwise stated

¹⁶ Unless stated, all references to poverty rates refer to the before housing costs figures used in the statutory targets

¹⁷ Department for Work and Pensions, *Consultation on setting the 2020 persistent child poverty target*, 2014

¹⁸ For example, most benefits and child tax credit were increased by 5.2 per cent in April 2012 in line with September 2011 CPI inflation. This was higher than both RPI inflation (which determines the level of the absolute poverty line) and growth in average weekly earnings (which is a key determinant of the relative poverty line)

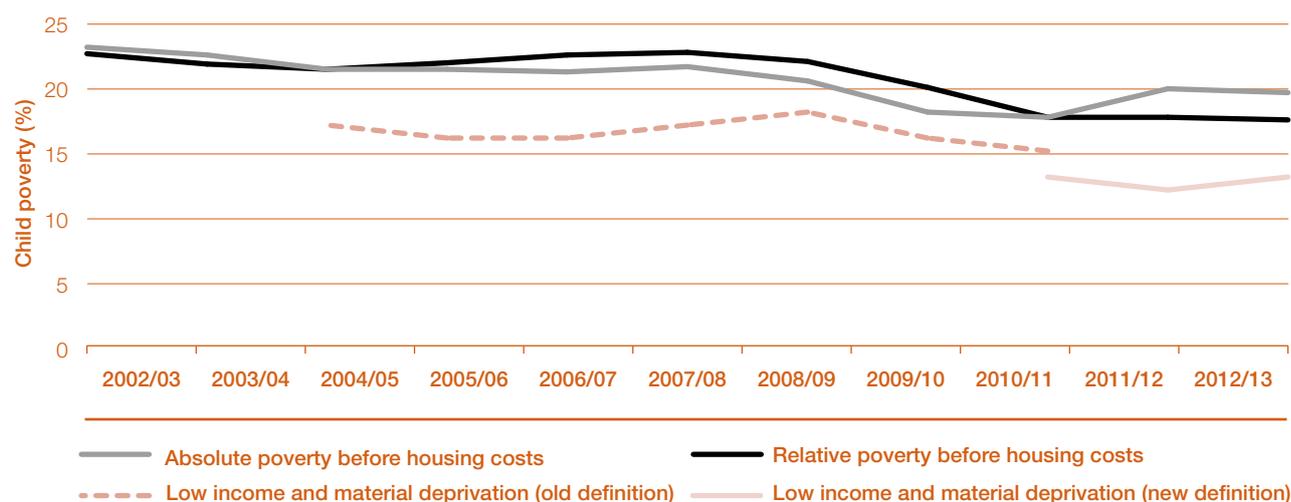
Table 1.1: Recent trends in child poverty

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Annual change	Five-year change
Relative poverty before housing costs	22.6%	21.9%	19.9%	17.6%	17.6%	17.4%	-0.2pp	-5.2pp
Relative poverty after housing costs	31.5%	30.3%	29.7%	27.4%	27.1%	27.4%	+0.3pp	-4.2pp
Absolute poverty before housing costs	21.5%	20.4%	18.0%	17.6%	19.8%	19.5%	-0.3pp	-2.0pp
Absolute poverty after housing costs	29.2%	28.0%	27.3%	27.4%	29.5%	30.6%	+1.1pp	+1.3pp
Low income and material deprivation	N/A	N/A	N/A	13%	12%	13%	+1pp	N/A
Severe low income and material deprivation	N/A	N/A	N/A	4%	3%	4%	+1pp	N/A

Sources: Institute for Fiscal Studies, *Incomes in the UK*, 2014 and Department for Work and Pensions, *Households Below Average Income 2012/13*, 2014. Measures in bold text are the statutory targets under the Child Poverty Act 2010.

"N/A" means "not available" and "pp" means "percentage point".

Figure 1.1: Progress against the Child Poverty Act measures over the last ten years



Sources: Institute for Fiscal Studies, *Incomes in the UK*, 2014 and Department for Work and Pensions, *Households Below Average Income 2012/13*, 2014.

Working poverty

9. A key focus of our last report was the increasing importance of working poverty: around two-thirds of poor children¹⁹ live in a working household, with three-quarters of these living with at least one adult who works full-time. While there was a slight drop in working poverty in 2012/13 (with the proportion of poor children in working households falling from 65 per cent to 63 per cent), this remains a big concern for the Commission.

10. Contrary to popular belief, working poverty has grown in importance not because there has been an increase in the *proportion* of all children who are in working poor families. That figure has been broadly static since 1996/97 against the headline relative poverty measure,

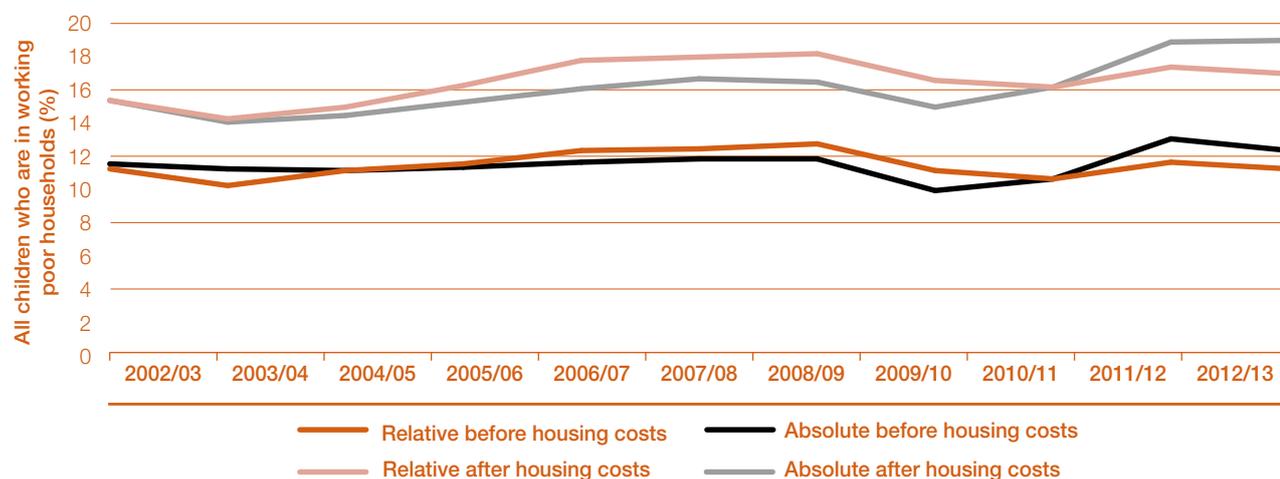
¹⁹ Defined against the headline relative poverty before housing costs measure

at 10-13 per cent of children (see Figure 1.2).²⁰ Rather its relative importance has increased significantly due to a fall in the proportion of children in workless poverty from 15.2 per cent in 1996/97 to 6.4 per cent in 2012/13 driven by substantial falls in both the proportion of children in workless households and the risk of poverty for these children.²¹

11. So a public policy success – reducing worklessness and protecting children’s living standards when parents are out of work – has exposed a policy failure – not ensuring newly working families have sufficient income to escape poverty.

12. Work clearly protects against poverty: children in working households are only a third as likely to be in poverty as those in workless households (13 per cent versus 38 per cent). Work is also, for many, the beginning of a journey out of poverty and those in work are less likely to be “stuck” in poverty for long periods of time²² (though almost two-thirds of children in persistent poverty 2005–08 were in working households²³). Tackling worklessness is clearly a crucial step in tackling child poverty but it is not enough – those who “do the right thing” should have sufficient incomes to protect their family from poverty. That is far from being the case today.

Figure 1.2: Proportion of all children who are in working poor households



Source: Commission analysis using Institute for Fiscal Studies, *Incomes in the UK*, 2014 and Department for Work and Pensions, *Households Below Average Income 2012/13*, 2014

Local variations in child poverty

13. Child poverty varies significantly across different parts of the United Kingdom (see Figure 1.3 and Figure 1.4):

- **Wales** has the second highest relative child poverty rate of any region of the UK, with 22 per cent of children in poverty against the headline regional poverty measure²⁴ compared to 18 per cent in the UK as a whole;

²⁰ Though the proportion of all families in absolute working poverty after housing costs has increased from 13.8 per cent in 2003/04 to 19.0 per cent in 2012/13 – see Gregg, P. *Working Poverty – What’s Going On?*, Social Mobility and Child Poverty Commission blog, 18 March 2014 <https://smcpcommission.blog.gov.uk/2014/03/18/working-poverty-whats-going-on/>

²¹ The proportion of children in workless households (as measured by official poverty statistics) fell from 23 per cent in 1996/97 to 17 per cent in 2012/13 with the risk of poverty on the headline relative before housing costs measure falling from 67 per cent to 38 per cent. Department for Work and Pensions, *Households Below Average Income*, 2014

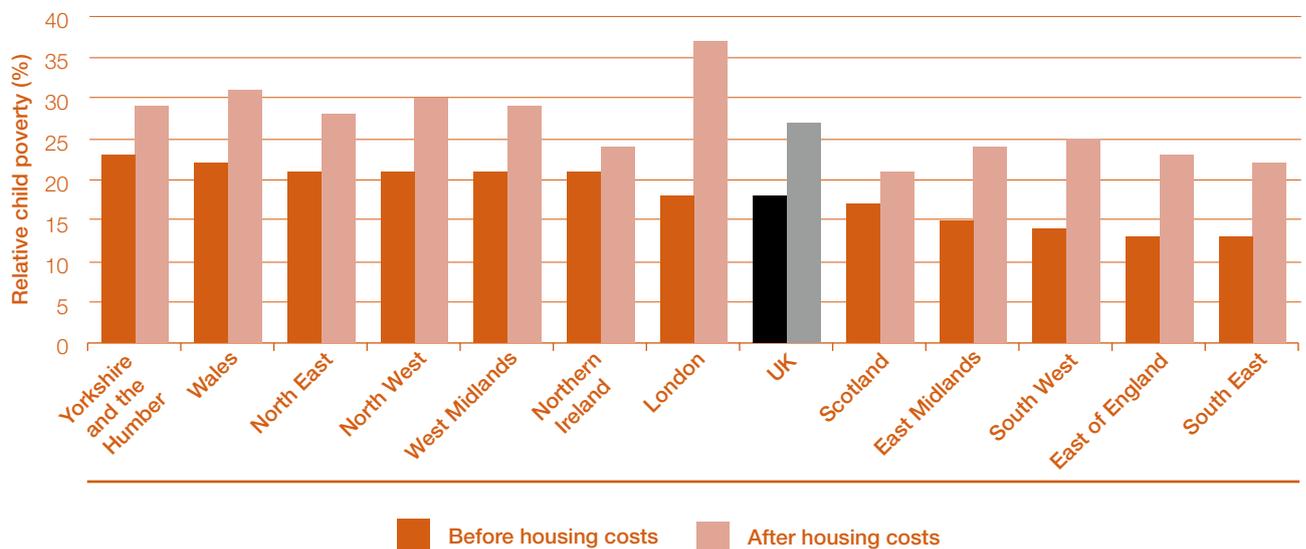
²² Jenkins, S. *Changing Fortunes*, 2011

²³ Department for Work and Pensions, *Low Income Dynamics 1991–2008*, 2010

²⁴ The Households Below Average Income survey reports regional poverty data aggregated over three years to overcome issues of small sample sizes

- **Scotland** has a similar level of poverty to the rest of the UK, with 17 per cent of children in poverty against the regional measure, but annual data for Scotland suggests that poverty is rising more rapidly than in the UK as a whole (this is discussed in more detail in the Annex to Chapter 5);
- Within **England**, poverty is higher in northern regions and the West Midlands (with Yorkshire and the Humber having the highest poverty rate in the UK – 23 per cent) and lower in the south of the country (with only 13 per cent of children in the East and South East in poverty);
- Looking at **individual local authorities**, against the HMRC Children in Low Income Families measure:²⁵ in England child poverty varies from 6.1 per cent in Hart in Hampshire to 46.1 per cent in Tower Hamlets; in Wales from 12.5 per cent in Monmouthshire to 29.4 per cent in Blaneau Gwent; and in Scotland from 6.9 per cent in the Shetland Islands to 32.2 per cent in Glasgow.

Figure 1.3: Relative child poverty by region, 2009/10 to 2012/13



Source: Department for Work and Pensions, *Households Below Average Income 2012/13*, 2014.

Variations by ethnicity in child poverty

14. There are large differences in poverty rates by ethnicity (see Figure 1.5). For example:
- Looking at relative poverty **before housing costs**, children in households headed by Pakistanis (45 per cent) and Bangladeshis (44 per cent) are three times as likely to be in poverty as those in households headed by those from White ethnic backgrounds (15 per cent);
 - Looking at relative poverty **after housing costs**, over half of children in households headed by Bangladeshis (60 per cent), Pakistanis (50 per cent) and Chinese (50 per cent) are in poverty compared to less than a quarter of those in households headed by those from White ethnic backgrounds (24 per cent);
 - Key drivers of these differences include family size and composition, female labour market participation, hours of work, unemployment, parental qualifications, earnings, housing tenure and the local area in which people live, among other things.²⁶

²⁵ HMRC, *Children in Low Income Families Local Measure 2011*, 2014

²⁶ See for example New Policy Institute, *Poverty amongst ethnic groups: how and why does it differ?*, 2007

Figure 1.4: Map of local child poverty rate by local area

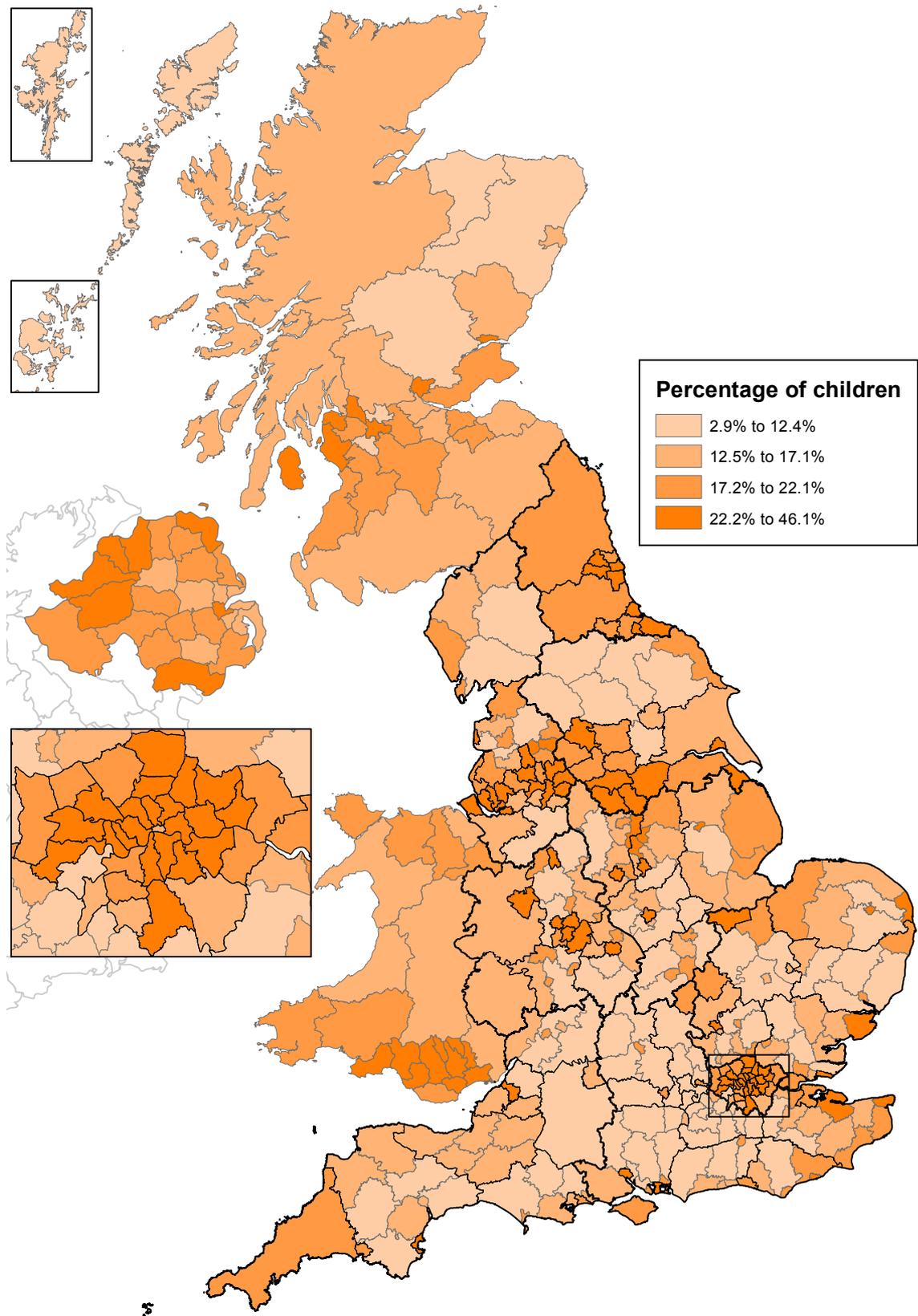
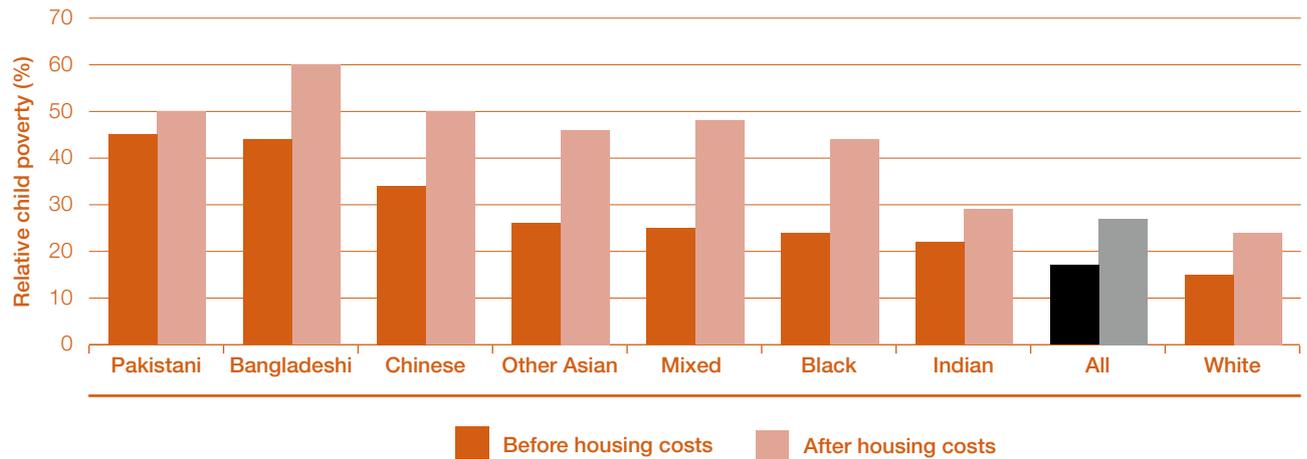


Figure 1.5: Relative child poverty by ethnicity



Source: Department for Work and Pensions, *Households Below Average Income 2012/13, 2014*.

Social mobility

15. Our last report highlighted the disappointing long-term trends in social mobility in the UK. As we noted then, social mobility is a long-term process with long time lags between policies being introduced and having an impact on social mobility outcomes.

16. Our assessment of the Government's strategic approach to social mobility broadly welcomed its overall approach and strong commitment but highlighted a number of issues, including:

- Lack of clarity around accountability and about what success looks like;
- Gaps around making social mobility count for adults, with a lack of focus on wages, careers progression and second chances;
- A lack of focus on high-attaining children from poor backgrounds;
- Issues around the Government's main measure of disadvantage, eligibility for free school meals, not capturing the working poor or low attainers from low- and middle-income backgrounds.

17. Looking at the progress that has been made against the Government's social mobility indicators since 2010/11, the story is broadly one of outcomes for children from poorer backgrounds continuing to improve, with slowly decreasing "disadvantage gaps":

- In the **early years**, there has been little change in the proportion of children from disadvantaged backgrounds with low birth weight but evidence of improving school readiness of four-year-olds from less well-off backgrounds,²⁷ though the disadvantage gap has been static;
- In the **school years**, the attainment of poor children at both primary²⁸ and – especially – secondary school has been improving, with some limited narrowing of the gap. There has been continued progress in increasing the attainment of children from less advantaged backgrounds at age 19, though largely through non-academic qualifications rather than A-levels. Progress has also been made on the high attainment at age 17 measure, with 24 per cent more state school students achieving AAB in three facilitating subjects in

²⁷ While data in 2012/13 is not comparable to earlier years (with a large decrease in measured attainment reflecting the increased expectations of what a "good level of development" looks like), the overall trend since 2010/11 has been one of improvement

²⁸ While there have been changes in the accountability framework, meaning data after 2011/12 is not comparable to earlier years, the trend has been one of improvement

2012/13 than in 2010/11, though fewer than one in eleven A-level students achieve at this level and the gap with independent school students remains large;

- In the **transition years**, participation of young adults in education has increased slightly and – more positively – there have been big decreases in the proportion of young adults who are not in full-time education or employment, which is close to pre-recession levels. The indicators for higher education are dated, but show continued progress in overall participation for the 2010/11 A-level cohort but little progress on access to the most selective institutions or on graduate destinations;
- In **adulthood**, the access to the professions and labour market progression indicators have been broadly flat and there appears to have been a fall in the number of adults accessing “second chances” driven by a fall in the number of adults achieving qualifications at Level 3.

18. Our assessment is somewhat hampered by definitional changes. This is a particular issue for many of the early years and school-age measures given changes to the accountability system. It means that there are breaks in the data for indicators on low birth weight, school readiness, attainment at age 11 and second chances. It is crucial – especially with the significant number of changes to the school accountability system still to happen – that there is some way of tracking trends in “disadvantage gaps” over time to allow the effectiveness of government policies to be assessed by policy-makers and others.

19. Our assessment is also constrained by the issues with the social mobility indicators we identified in last year’s report, which in many cases have not yet been addressed. We urge the Government to take action on these issues:

- **Lack of data**, with no indicator yet in place to look at outcomes in the very early years of life or outcomes by social class for the youth participation or access to the professions indicators (though we understand that a new question on social background is being included in the Labour Force Survey which will allow this to be reported on from the end of this year);
- **Long time lags in some indicators**, a particular issue with the higher education indicators, which refer to students completing A-levels in 2010/11 and so do not yet reflect the impact of the 2012 reforms;
- **Specific issues with some indicators**, with the graduate destinations indicator excluding graduates who are not in full-time employment (who are more likely to be from less well-off backgrounds), the labour market progression indicator being extremely complicated and difficult to interpret and the second chances measure not taking labour market outcomes into account;
- **Lack of indicators looking at high attainment**, with all of the measures before age 19 looking only at disadvantage gaps in attainment of “the basics” (e.g. five good GCSEs including English and maths) rather than at the higher levels of attainment required to be on track to progress to higher education (especially at the most selective institutions) and the professions.

20. The following chapters of this report discuss social mobility outcomes and our assessment of likely future trends in the early years, at school, in moves from school to further education and work, in higher education and in the labour market in more detail. For now, however, we focus on one issue – housing – that has become an increasing area of concern to the Commission due to its impact on the prospects for reducing poverty and increasing social mobility. What is happening in the housing market epitomises our concerns about Britain becoming a permanently divided nation.

Housing, poverty and mobility

21. Housing plays a crucial role in determining the extent to which Britain is a fair society. Changes in the housing market are already increasing poverty and are threatening to become a major impediment to social mobility. Although more attention is being given to housing policy there is too little focus specifically on the issues facing low- to middle-income families given their impact on poverty and social mobility. The next Government needs to act urgently to change that, given the analysis we present below.

22. Increases in housing costs are having an increasing impact on the living standards of low-income families. Taking the cost of rents and mortgages into account, an additional 1.4 million children are in relative poverty (with 27 per cent of all children in relative poverty against this measure compared to 17 per cent on the headline before housing costs measure).²⁹

23. Absolute child poverty after housing costs has increased by around 12 per cent since 2009/10, from 27.3 per cent to 30.6 per cent. This means that the number of children in poverty against this measure has increased by around 450,000 since 2009/10. It also means that there are more children below the poverty line on this measure than at any time since 2001/02.³⁰

24. Even more concerning is that this rise in absolute poverty after housing costs has been almost entirely driven by an increase in working poverty. The proportion of all children who are in working poor households after taking housing costs into account has increased by a third since 2009/10, from 14.7 per cent to 18.9 per cent. This means that there are 600,000 more children in working households who are in absolute poverty after housing costs than in 2009/10.³¹

25. What seems to have driven this big jump in poverty after housing costs is the shift of families with dependent children from owner occupation to the – more expensive – private rented sector. The proportion of families in the private rented sector increased from 8.0 per cent in 2001/02 to 16.8 per cent in 2009/10 and 20.8 per cent in 2012/13.³² The risk of poverty after housing costs for children in private rented accommodation is 44 per cent, compared to 13 per cent for children with parents who own their own home. The other key factor is the rapid increase in housing costs over time, something that affects younger adults and families with dependent children – who will have bought relatively recently if they own and are more likely to rent privately – more than older people.

26. Housing costs have a particularly big impact in London. London has average rates of child poverty on a before housing costs basis but after taking account of housing costs it has the highest poverty rate of any region (37 per cent compared to the UK average of 27 per cent). While London has seen big decreases in absolute child poverty before housing costs over the last decade, absolute poverty after housing costs has been flat.

27. Recent changes in the housing market pose a particular challenge impeding social recovery. There has been a significant shift away from home ownership towards private renting, especially among young adults and families. For example:

- The proportion of families with dependent children who own their own home has decreased from 70.5 per cent in 2003/04 to 60.8 per cent in 2012/13, while the proportion who rent privately has more than doubled over the same time period to more than one in five;

²⁹ Department for Work and Pensions, *Households Below Average Income Survey*, 2014

³⁰ Department for Work and Pensions, *Households Below Average Income Survey*, 2014

³¹ Commission analysis of Department for Work and Pensions, *Households Below Average Income Survey*, 2014

³² Department for Communities and Local Government, *English Housing Survey: Trends in Tenure and Cross Tenure Analysis*, Table FT1241, 2014

- 49.5 per cent of households headed by someone aged 34 and under were renting privately in 2012/13 compared to 37 per cent in 2008/09;
- The proportion of all households who are buying with a mortgage is, at 33 per cent, the lowest it has been for 30 years and has been exceeded by the number of households who are renting since 2011/12.³³

28. The first implication of these startling changes in the housing market is lower relative living standards for some families. Private renters on average face housing costs of £163 per week (40 per cent of their average income) compared to the £149 per week faced by mortgage holders (20 per cent of their average income) and £89 per week faced by social renters (30 per cent of average income).³⁴

29. The second implication is that a growing proportion of the population are not enjoying the benefit of historically low interest rates, which are cushioning home owners with a mortgage from the impacts of the recession on living standards. Owning has got cheaper since the recession for those already on the housing ladder: mortgage interest payments have, on average, halved in real terms between July 2008 and July 2014 (with average mortgage costs falling by almost 40 per cent in cash terms) while average costs to renters have increased slightly in real terms (increasing by 15 per cent in cash terms over the same period).³⁵ As a consequence real disposable incomes for renters – more likely to be young adults and young families – have fallen considerably more than the headline income data would suggest, especially if they are in London and the greater South East where housing costs make up a bigger share of total expenditure and rents have been rising more rapidly.³⁶

30. The third implication is reduced stability for families. Home ownership has never been accessible to all and, even when owner occupation was at its peak in 2003, almost a third of families with dependent children were renting. What has changed over time is a dramatic reduction in the options for those who are priced out of owner occupation. For example, while three-quarters of families with dependent children in rented accommodation were in the social rented sector in 1999/2000, by 2012/13 fewer than half were.³⁷ This has had a significant effect, reducing housing stability, increasing housing costs and reducing prospects for acquiring assets for those families unable to access home ownership.

31. The fourth implication is a delayed transition to adulthood, and increased inequality between the generations. This is apparent in data on home ownership, showing that where families are able to buy a house, they are doing so later in life than they used to. Analysis by the Institute for Fiscal Studies shows that the home ownership rate among 25-year-olds has halved over the last two decades, from 45 per cent for those born in the mid-1960s to 21 per cent for those born in the mid-1980s (see Figure 1.6).³⁸ While this partly reflects changes in the life course (for example, rising participation in higher education), it is concerning that it seems that many of these younger households will never catch up with the home ownership rates of their parents' generation.

³³ All data from Department for Communities and Local Government, *English Housing Survey 2012/13*, 2014

³⁴ Department for Communities and Local Government, *English Housing Survey 2012/13*, 2014

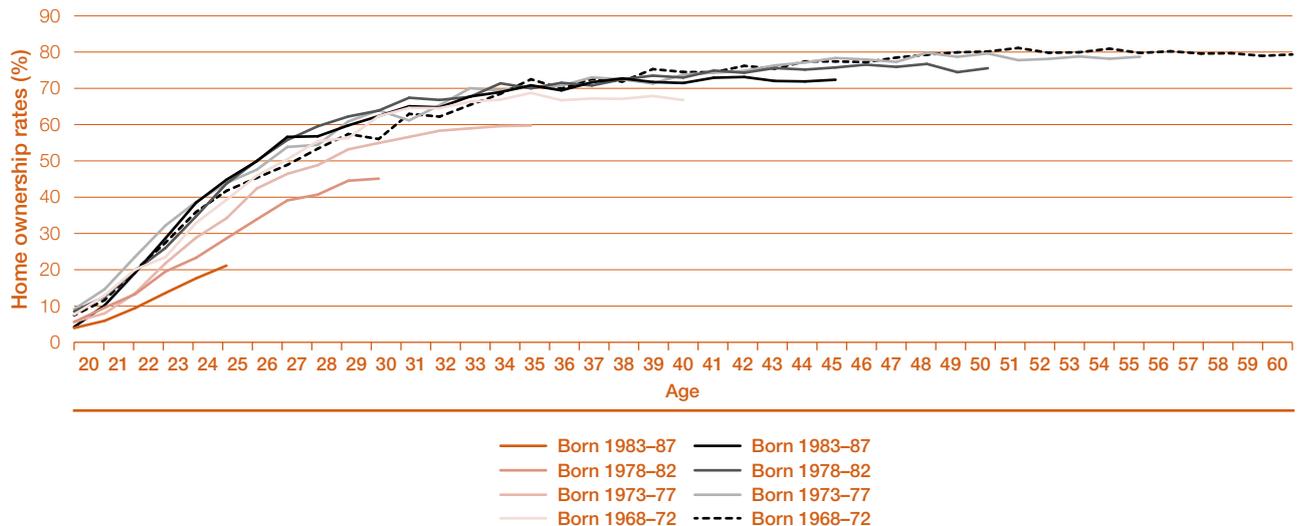
³⁵ Office for National Statistics, *Consumer Price Indices*, August 2014. Average mortgage payments decreased by 38 per cent in cash terms between July 2008 and July 2014 while average rents increased by 15 per cent. Average economy-wide inflation over the period (measured by RPIJ) was 14 per cent

³⁶ Institute for Fiscal Studies, *Living Standards, Poverty and Inequality in the UK: 2014*, 2014

³⁷ Department for Communities and Local Government, *English Housing Survey 2012/13*, 2014

³⁸ Institute for Fiscal Studies, *Living Standards, Poverty and Inequality in the UK: 2014*, 2014

Figure 1.6: Home ownership rates by age cohort



Source: Institute for Fiscal Studies, *Living Standards, Poverty and Inequality in the UK*, 2014.

32. High house prices also pose a more fundamental challenge for social mobility – a weakening of the link between effort and reward. The number of first-time buyers has dropped considerably since the recession due to a collapse in the number of people buying without financial support from their families. This has been partly driven by an increase in the average deposit required by mortgage lenders from ten per cent in late 2007 to 20 per cent in June 2014.³⁹

33. The number of unassisted first-time buyers in the third quarter of 2011 was only around a third of what it was before the recession, with almost two-thirds of first-time buyers doing so with financial support from their families (compared to only a third before the recession).⁴⁰

34. Meanwhile young people from low- and middle-income backgrounds are increasingly finding they are unable to access home ownership and facing a lifetime in the expensive and insecure private rented sector while those from more advantaged backgrounds are able to enjoy significantly higher living standards through being able to buy thanks to family assistance with a deposit.

35. The profound changes there have been in the housing market over recent years pose a significant risk to social mobility. For decades home ownership has been one of the principal means by which people were able to move up and get on in life. Owning a home not only confers a benefit for this generation of families – it is a valuable asset which can be passed on to the next generation. Unfortunately, more and more young people now find themselves priced out of an opportunity available to their parents' and grandparents' generations. That is a major cause for concern. It demands urgent attention.

³⁹ Council of Mortgage Lenders, Press Notice – First-time buyers in Greater London in total borrow 27 per cent more in the second quarter than a year ago, 27 August 2014

⁴⁰ Council of Mortgage Lenders, *First Time Buyers and Affordability: A New Perspective*, 11 December 2011. This is the most recent publicly available data the Commission could find

Figure 1.7: Number of first-time buyers by family assistance

Source: Council of Mortgage Lenders, *First Time Buyers and Affordability: A New Perspective*, 11 December 2011.

1.3 What is happening to the economy?

36. Recent revisions to GDP have changed the story on economic growth from our report last year. The recession was shallower (with GDP falling by 6.0 per cent over the recession rather than 7.2 per cent) and the recovery stronger (with growth of 2.0 per cent over the first two years of this Parliament rather than 0.9 per cent) than previously thought. As a result, the economy passed its pre-recession peak in the third quarter of 2013 – one year earlier than initial data had suggested (see Figure 1.8).

37. Economic growth over the last 12 months has also been stronger than expected, with GDP in the second three months of 2014 3.2 per cent higher than it was a year earlier⁴¹ compared to the 1.7 per cent growth forecast by the Office for Budget Responsibility at Budget 2013.⁴²

38. After accounting for population growth, national income per head is growing, with GDP per capita 2.5 per cent higher than a year earlier in the second three months of 2014.⁴³ It is, however, still 1.8 per cent lower than its pre-recession peak in the third quarter of 2007 and is not expected to return to that level until the third quarter of 2015 (see Figure 1.8).⁴⁴ In other words, the recession and subsequent slow recovery⁴⁵ have led to over seven years of lost growth against this key driver of living standards, meaning GDP per capita is 14 per cent lower than it would have been without the recession.⁴⁶

39. Positive developments on growth over the past year are very welcome but recent improvements are believed to be cyclical rather than structural. While a lot of uncertainty remains, the Office for Budget Responsibility's estimate of the level of potential output (currently 12 per cent below the level forecast at Budget 2008) and forecast of medium-term

⁴¹ Office for National Statistics, *Quarterly National Accounts Q2 2014 Series ABMI*, 2014

⁴² Office for Budget Responsibility, *Economic and Fiscal Outlook March 2013: Economy Supplementary Tables – Table 1.1*, 2013

⁴³ Office for National Statistics, *United Kingdom Economic Accounts Q2 2014: Series IHXW*, 2014

⁴⁴ Office for Budget Responsibility, *Economic and Fiscal Outlook March 2014*, 2014

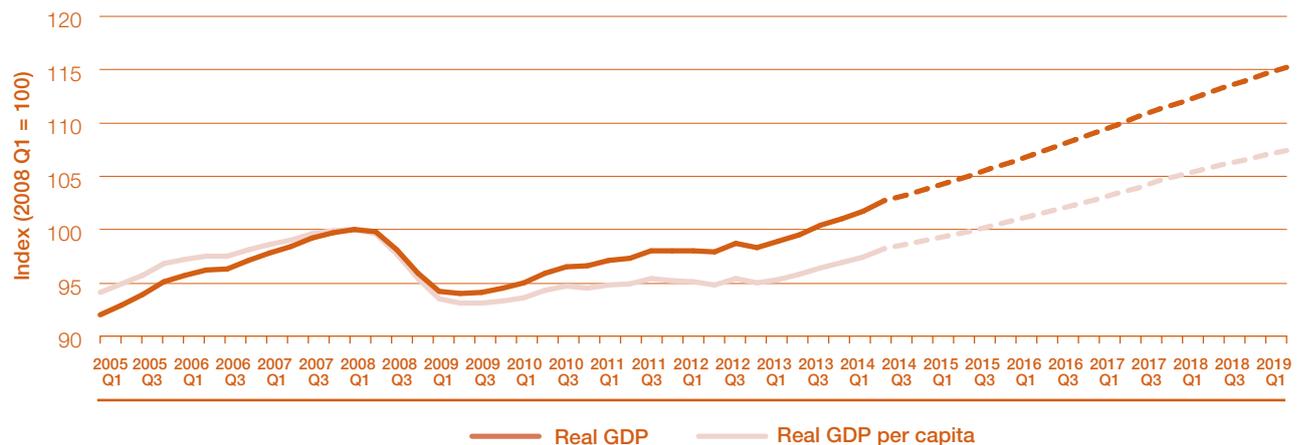
⁴⁵ For example, the economy was only 3.2 per cent bigger in 2013 than in 2010 compared to the 8.4 per cent forecast in the June 2010 pre-budget report

⁴⁶ Commission analysis comparing GDP and GDP per capita if trend growth 1979–2007 had continued 2007–2014 to actual 2014 Q2 data

trend growth (2.2 per cent per year compared to the 2.7 per cent forecast at Budget 2008) are unchanged from a year earlier.⁴⁷ The economy has taken a large permanent hit.

40. While progress over the last year has been impressive, question-marks remain about the sustainability of economic recovery as growth in the next few years is expected to be accompanied by big increases in household debt and reductions in the savings rate, leaving them close to pre-recession levels. The gross household debt to income ratio is set to increase from 142 per cent in early 2013 to 166 per cent in the first three months of 2019. The household savings rate is expected to fall from 5.1 per cent in 2013 to 3.2 per cent in 2018.⁴⁸ This is the flip-side of subdued wages growth and stagnating household incomes.

Figure 1.8: GDP and GDP per capita, 2006–2016



Source: Office for National Statistics, *Quarterly National Accounts Q2 2014*, 2014 and Office for Budget Responsibility, *Economic and Fiscal Outlook March 2014*, 2014.

Jobs and income

41. The remarkably strong performance of the United Kingdom economy in terms of employment growth has continued, with employment rates now at close to record levels, unemployment falling rapidly and big decreases in economic inactivity. These are very welcome trends that contrast sharply with recoveries from previous recessions:⁴⁹

- There are now 30.6 million people in work, with 73.0 per cent of adults aged 16 to 64 in employment;
- Unemployment has been falling rapidly and currently stands at 6.2 per cent, although it is still 19 per cent higher than the pre-recession low of 5.2 per cent;
- The economic inactivity rate of adults aged 16 to 64 has fallen by 4 per cent since the start of the recession, from 23.1 per cent to 22.1 per cent.

42. While overall jobs growth has been strong, the labour market is recovering more slowly for young people, a challenge explored in more detail in Chapter 4. While the situation has improved rapidly over the last 12 months there is still some way to go: for example, only 60.2 per cent of 18–24-year-olds are in employment (compared to 64.8 per cent before the recession) and the 18-24 unemployment rate is 14.5 per cent (compared to 11.8 per cent before the recession). There is a real danger that young people will be left behind as labour market outcomes for older people improve.

⁴⁷ Office for Budget Responsibility, *Economic and Fiscal Outlook March 2014*, 2014

⁴⁸ Office for Budget Responsibility, *Economic and Fiscal Outlook March 2014*, 2014

⁴⁹ Office for National Statistics, *Labour Market Statistics*, September 2014

43. Meanwhile, pay has been stagnating. Average earnings have fallen significantly since the recession and will not recover for several years:

- Average weekly earnings excluding bonuses have fallen 8.2 per cent in real terms since their peak of April 2009 (see Figure 1.9);⁵⁰
- Average weekly earnings continue to fall in real terms: they fell by 1.2 per cent in the year to July 2014;⁵¹
- These trends in earnings are a key driver of the 6.5 per cent fall in real average household incomes between 2009/10 and 2012/13;⁵²
- The Office for Budget Responsibility expects real average weekly earnings to begin to increase later in 2014 though does not expect them to reach their pre-recession level until 2018.⁵³ Again, we are looking at a lost decade on a key driver of living standards.

44. There has also been a shift towards less secure forms of employment, with growing self-employment and increasing use of “zero hour contracts”:

- 14.8 per cent of those in work are self-employed, up from 13.0 per cent in the second quarter of 2008. The number of people in self-employment has increased by a striking 18.4 per cent over the period while the number of people employed by someone else has increased by only 1.3 per cent.⁵⁴ The overall effect of greater self-employment is hard to interpret: on one hand, it may be a sign of greater entrepreneurialism and there is evidence that most of the newly self-employed like being their own bosses.⁵⁵ On the other hand, compared to employees the self-employed have lower incomes, which have fallen further since the start of recession, and report higher insecurity.⁵⁶ For example, average earnings of the self-employed are only £10,900 per year and they have fallen by almost a third (31 per cent) in real terms since 2006/07,⁵⁷ though part of the fall will be the compositional effect of the number of people in self-employed increasing with, for example, a growing proportion of the self-employment working part-time;⁵⁸
- An estimated five per cent of employee jobs use “zero hour contracts” (or, more precisely, they do not guarantee a minimum number of hours)⁵⁹ and there is evidence that the usage of such contracts has increased since the start of the recession. Zero hour contracts are more prevalent in lower-skilled jobs with, for example, a third of those on such contracts in elementary occupations.⁶⁰ While the majority of people on these contracts appear to

⁵⁰ Office for National Statistics, *Labour Market Statistics*, September 2014. Inflation has been measured using the RPIJ index. Including bonuses, real wages are 10.2 per cent lower than their February 2008 peak

⁵¹ Office for National Statistics, *Labour Market Statistics*, September 2014

⁵² This statistic looks at mean equivalised household income, measuring inflation using the RPIJ index. Department for Work and Pensions, *Households Below Average Income*, 2014

⁵³ Office for Budget Responsibility, *Economic and Fiscal Outlook March 2014*, 2014. The OBR forecast uses CPI to measure inflation.

⁵⁴ Office for National Statistics, *Labour Market Statistics*, September 2014

⁵⁵ Royal Society of Arts, *Salvation in a Start-Up? The Origins and Nature of the Self-Employment Boom*, May 2014

⁵⁶ Resolution Foundation, *Just the Job – or a Working Compromise? The Changing Nature of Self-Employment in the UK*, May 2014

⁵⁷ Office for National Statistics, *Self-Employed Workers in the UK*, 2014

⁵⁸ Office for National Statistics, *Labour Market Statistics*, 2014, which shows 28.9 per cent of self-employed were part-time in April-June 2014 compared to 23.1 per cent in April-June 2006

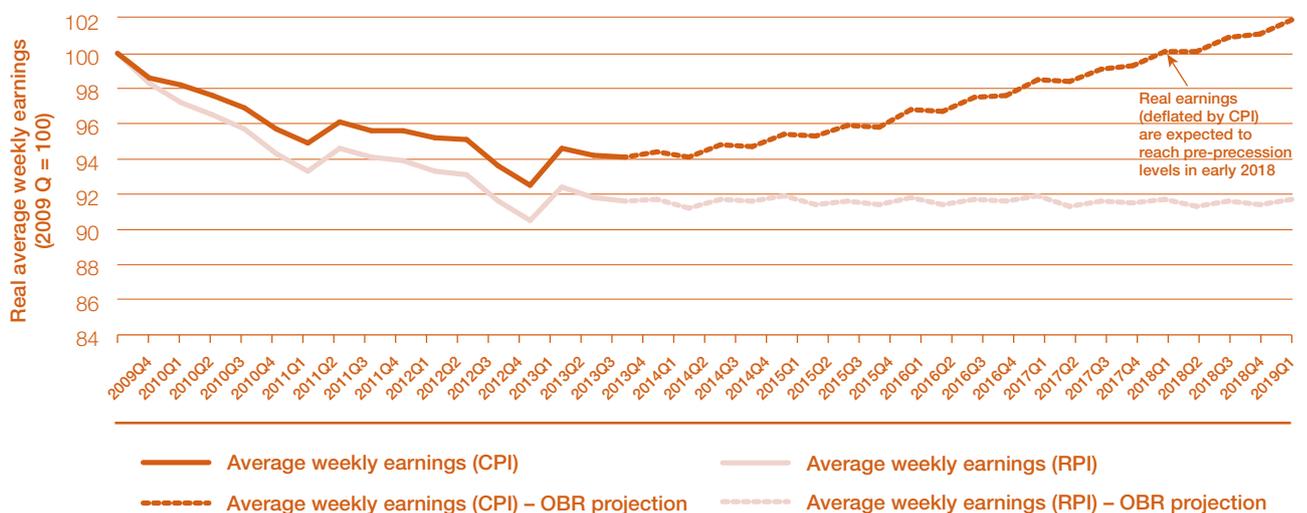
⁵⁹ Office for National Statistics, *Analysis of Employee Contracts that do not Guarantee a Minimum Number of Hours*, April 2014 central estimate was that there were 1.4 million such contracts that provided work in the survey fortnight in January 2014. This compares to an estimated 28.0 million employee jobs at the time based on Office for National Statistics, *Labour Market Statistics August 2014*, 2014

⁶⁰ Resolution Foundation, *Zero Hour Contracts: The Latest Figures and Analysis*, April 2014

be happy with this way of working, there is a significant minority – perhaps as many as a third – for whom this is not the case due to the uncertainty of not knowing what their weekly earnings will be, a lack of control over their hours, being pressured to work when they do not want to or not having access to their statutory employment rights.⁶¹

45. The implications of these changes in jobs and incomes for social mobility and child poverty are complex. Lack of jobs is the first critical obstacle to people fulfilling their potential or improving their living standards – so higher employment is extremely welcome. Unemployment has a long-term scarring effect, apparent in the labour market outcomes of young workers into their forties. So falling unemployment is also welcome. Conversely, too many of the jobs that are being created are low income and high insecurity and risk becoming a dead-end not a road to social progress. Creating more jobs is a necessary but not sufficient condition for ensuring social recovery: quality as well as quantity is important. So too is equity. A differential recovery – where some parts of the country steam ahead and others lag behind – is not the hallmark of a genuinely mobile society.

Figure 1.9: Average weekly earnings, 2009–2019



Source: Office for Budget Responsibility, *Economic and Fiscal Outlook March 2014 – Supplementary Tables 1.6 and 1.7*, 2014.

Regional differences

46. Economic recovery is being experienced differentially across the UK, with implications for the living standards of families in different regions:

- There are considerable differences in economic prosperity between different parts of the United Kingdom and these widened significantly in the decade before the recession.⁶² For example, in 2012 gross value added per head of residents of London was £33,104 – two-thirds higher than the £19,963 in the rest of the UK and more than double the £15,799 in Wales, the poorest region (Figure 1.10);⁶³

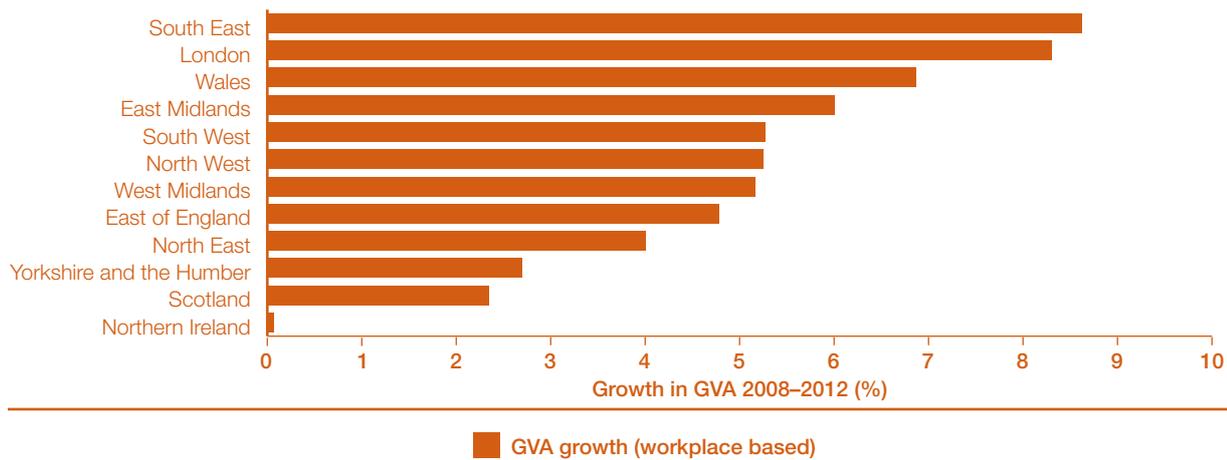
⁶¹ Chartered Institute for Professional Development, *Zero Hour Contracts: Myth and Reality*, 2013. For example, a third of people on zero hour contracts said they wanted additional hours, a quarter said they were dissatisfied with not having guaranteed hours, a quarter said they had little choice about work hours and were expected to accept work if they were offered it, half said they were given very little notice of work being available or being cancelled and less than half said they were entitled to paid holiday

⁶² Commission analysis of Office for National Statistics, *Regional Gross Value Added (Income Approach)*, 2013

⁶³ Gross Value Added is closely related to Gross Domestic Product. It is equal to GDP minus taxes on products (e.g. VAT) plus subsidies on products

- The economic performance of different regions has varied widely since the start of recession in 2008.⁶⁴ For example, gross value added of businesses located in London and the South East increased by 8.4 per cent in nominal terms between 2008 and 2012,⁶⁵ compared to 3.7 per cent in the rest of the United Kingdom and only 0.1 per cent in Northern Ireland, the worst performing region;
- Wide differences in employment performance remain, with the working-age employment rate varying from 69.1 per cent in Wales to 76.7 per cent in the South East and the unemployment rate varying from 4.4 per cent in the South East to 9.4 per cent in the North East (Figure 1.11);⁶⁶
- Recent employment growth has been almost twice as fast in the Greater South East as elsewhere in Great Britain: since May 2010, London, the South East and the East have seen employment growth of 8.0 per cent compared to 4.1 per cent elsewhere in Great Britain;⁶⁷
- Median hourly wages vary widely across the country: they are 26 per cent higher in London and ten per cent higher in the South East than the UK average.⁶⁸ Recent falls in real median hourly wages since the recession, however, have been bigger in London than elsewhere – they have fallen by 10.7 per cent since their 2009 peak compared to the United Kingdom average of 7.8 per cent.⁶⁹

Figure 1.10: Regional gross value added, 2008–2012



Source: Office for National Statistics, *Regional Gross Value Added (Income Approach)*, 2013.

⁶⁴ Commission analysis of Office for National Statistics, *Regional Gross Value Added (Income Approach)*, 2013

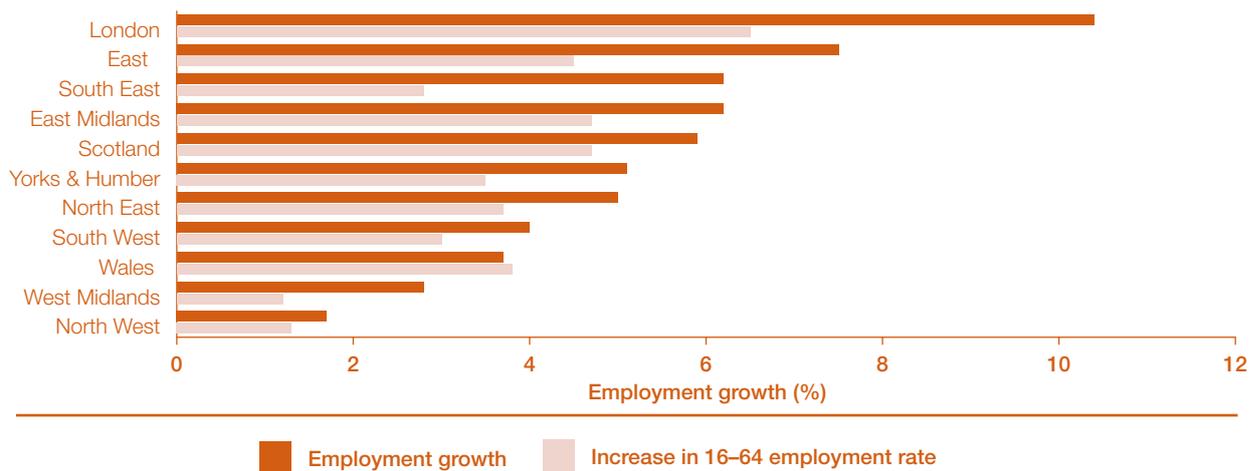
⁶⁵ The Office for National Statistics report regional gross value added data in nominal terms i.e. it does not take inflation into account. This is because it is not possible to account for inflation at the regional level

⁶⁶ Office for National Statistics, *Regional Labour Market Statistics*, August 2014

⁶⁷ Office for National Statistics, *Regional Labour Market Statistics*, August 2014

⁶⁸ Office for National Statistics, *Annual Survey of Hours and Earnings*, 2013

⁶⁹ Office for National Statistics, *Annual Survey of Hours and Earnings*, 2013, using RPIJ to adjust for inflation

Figure 1.11: Employment growth by region, May 2010–May 2014

Source: Office for National Statistics, *Labour Market Statistics August 2014*, 2014.

The cost of living

47. Cost of living pressures have continued to ease over the last 12 months, with the headline measure of inflation, CPI, falling to 1.6 per cent and the RPIJ measure of inflation (which, unlike CPI, includes owner occupiers' housing costs, so may present a fuller picture) falling to 1.8 per cent in the year to July 2014.⁷⁰ Nonetheless, as we noted last year, the cumulative effect of inflation since the recession has increased costs substantially at a time when household incomes have been subdued, meaning families have seen their standards of living go down. This is a lot of ground to recover. Prices have increased by 17.2 per cent against CPI and 14.2 per cent against RPIJ since July 2008.⁷¹

48. The headline figure masks significant variation across different goods and services. For example, in the year to July 2014:⁷²

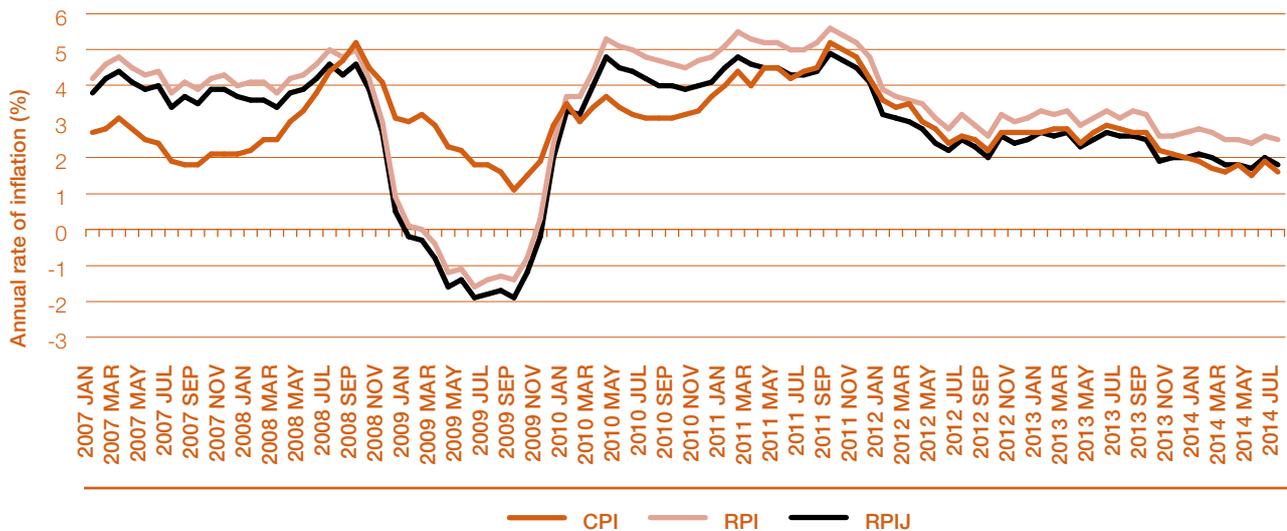
- Food price inflation was minus 0.6 per cent – meaning the cost of the average food bill is lower than it was a year ago but up 19.8 per cent on July 2008;
- Utility price inflation has continued to be high – with the average electricity bill increasing by 5.6 per cent, the average gas bill increasing by 5.1 per cent and the average water bill increasing by 2.4 per cent. Since July 2008, the cost of electricity is up by 36.3 per cent, the cost of gas by 61.8 per cent and the cost of water by 23.7 per cent;
- The cost of petrol and diesel decreased by 3.0 per cent, while the cost of rail fares increased by 2.8 per cent and the cost of bus fares increased by 1.2 per cent. Since June 2008, petrol and diesel are up by 8.9 per cent, rail fares by 38.0 per cent and bus fares by 22.9 per cent.

⁷⁰ Office for National Statistics, *Consumer Price Indices*, August 2014

⁷¹ Prices have increased by 18.2 per cent over the period against RPI, though this is no longer a National Statistic

⁷² Office for National Statistics, *Consumer Price Indices*, August 2014

Figure 1.12: Inflation rates, 2007–2014



Source: Office for National Statistics, *Consumer Price Inflation*, July 2014.

49. The recent fall in inflation is good news. However, the actual rate of inflation experienced by different families varies widely according to their spending patterns. In particular, there is evidence that lower-income families have seen higher rates of inflation than others over the last few years, especially if they do not own their own homes:

- Our report last year⁷³ highlighted research by the Institute for Fiscal Studies which found that the cost of living for low-income families increased 7 per cent faster than for the top 10 per cent of families between 2000 and 2010. We also drew attention to the fact that families on lower incomes tend to pay significantly more for identical goods and services than better-off families (the “poverty premium”). There is little evidence that the scale of this issue has changed over the past year;
- The Joseph Rowntree Foundation Minimum Income Standard – an estimate of the income required to achieve what members of the public consider to be a minimum standard of living – increased by 2.9 per cent in the year to 2014 for a couple with two children, 3.0 per cent for a lone parent with one child and decreased by 1.8 per cent for a single adult.⁷⁴

50. Overall, progress on economic recovery is good news for social mobility and child poverty as – other things being equal – it will make it easier for people to find work and increase their hours and earnings, and it will improve the public finances. There are, however, substantial differences across Britain in how the impact of economic recovery is playing out. The risk is that gaps in society will widen not narrow.

1.4 What is happening to public spending?

51. The impact of jobs and pay on living standards and life chances is mediated by the actions of the state. It is worth remembering that, overall, public expenditure has a progressive social impact – the value of public services, benefits and tax credits is worth around 80 per cent of net income to the poorest 20 per cent and only around 15 per cent to the richest 20 per cent.⁷⁵ The challenge here is that, while the UK is now four years into austerity and will

⁷³ Social Mobility and Child Poverty Commission, *State of the Nation 2013*, 2013

⁷⁴ Joseph Rowntree Foundation, *A Minimum Income Standard for the UK*, various years

⁷⁵ HM Treasury, *Budget 2014: Impact on Households*, 2014

have implemented fiscal tightening equal to 5.7 per cent of GDP by March 2015,⁷⁶ there is still a long way to go, with public sector net debt currently £1.3 trillion – 76 per cent of GDP – and rising.⁷⁷

52. The Government has announced its detailed plans for fiscal consolidation to 2015/16. We do not yet know the full effects of fiscal consolidation to date on child poverty and social mobility outcomes, but it is likely to be negative:

- **On child poverty outcomes**, the latest data only takes account of tax and benefit changes up to April 2012 when only a third of total planned benefit cuts had been implemented⁷⁸ and welfare reforms aimed at getting more parents into work were at a very early stage;
- **On social mobility outcomes**, consolidation appears to have had little effect to date, though changes in public policy and spending will only impact on social mobility with long time lags. The Government has, to date, protected spending on early years and schools (public services key to social mobility) relative to many other areas. Critically, however, only a quarter of total planned cuts to current public spending had been implemented by 2012/13, the year to which many social mobility indicators refer;
- **On the “fairness” of fiscal consolidation**, there has been little change in the Government’s assessment of the distributional impact of fiscal consolidation measures announced to date for 2015/16 from last year. The poorest 20 per cent are still expected to lose more in cash terms and as a proportion of their 2010/11 net incomes than any quintile group except the top 20 per cent.⁷⁹ These estimates exclude the impacts of consolidation pencilled in for the next Parliament.

53. Looking ahead, we are still only halfway through austerity. By March 2015 only 57 per cent of necessary savings will have been delivered, with half of cuts to current spending still to be implemented in the next Parliament. The Institute for Fiscal Studies estimates that £33 billion of additional policy action is required in the next Parliament to achieve the Government’s fiscal plans:⁸⁰

- The main political parties are all targeting the welfare budget for further reductions. There have been proposals to cap Child Benefit increases at one per cent per year in 2016/17 and 2017/18 – implying a cut of two per cent in real terms – which would cost a low-income family with two children around £40 per year.⁸¹ There have also been proposals to go further by freezing most working-age benefits in cash terms in 2016/17 and 2017/18 – implying a cut of 4 per cent in real terms.⁸² The consequences of this would be much more serious – it would be likely to increase absolute and relative child poverty and make many parts of London and the South East unaffordable to families in private rented accommodation. Since half of those affected are in work this proposal would also be likely to increase working poverty;

⁷⁶ Institute for Fiscal Studies, *Green Budget 2014*, 2014

⁷⁷ Office for Budget Responsibility, *Public Finances Databank*, July 2014

⁷⁸ Institute for Fiscal Studies, *Green Budget 2014*, 2014

⁷⁹ Though estimates of the cash amounts and percentage figures lost for all the bottom four quintiles have been reduced, this is mainly due to methodological changes. HM Treasury, *Budget 2014*, 2014.

⁸⁰ Institute for Fiscal Studies, *Green Budget 2014*, 2014

⁸¹ This compares the value of Child Benefit if it was uprated with expected CPI inflation in 2016/17 and 2017/18 to its projected value in 2017/18 under the proposed cap. The estimate of the real-terms cut has been estimated using OBR projections of CPI inflation

⁸² The estimate of the real-terms cut has been estimated using OBR projections of CPI inflation

- The Chancellor has announced his intention to achieve £12 billion savings through benefit cuts.⁸³ This implies a 13 per cent cut in tax credits and benefits for children and working-age adults if spending on pensioners is protected⁸⁴ and total cuts of up to a third between 2010/11 and 2018/19;
- Even with savings on welfare, cuts to departmental spending will need to continue at the current pace for a further three years. Assuming that the NHS, schools and aid budgets continue to be protected in real terms, this implies continued annual real-terms cuts of 4.6 per cent elsewhere – or almost a third between 2010/11 and 2018/19.⁸⁵ There are also a number of other spending pressures which are expected to add at least £6 billion to public spending without policy action – for example, ending contracting out into defined benefit pension schemes will increase National Insurance contributions of public sector employers by £3.3 billion and the Dilnot reforms to social care funding will cost £1.0 billion – aside from pressures from a growing and ageing population;⁸⁶
- On these plans, by 2017 public spending in the UK will be the lowest in the G7.⁸⁷ The Office for Budget Responsibility observes that current spending plans will “*take government consumption of goods and services – a rough proxy for day-to-day spending on public services and administration – to its smallest share of national income since 1948*”.⁸⁸

54. It remains difficult to see how such big reductions in public expenditure can be made without seriously affecting public services that aim to level the social playing field and income transfers that, trying to compensate for stagnating wages, have propped up the incomes of families in and out of work. Yet there seems to be an emerging consensus between the main political parties that fiscal consolidation on this sort of scale will be necessary between 2015 and 2020. That is a matter for each of the political parties. What appears hard to square, however, is their shared expressed desire to reduce poverty and improve social mobility with their eye-wateringly tight fiscal plans. None of the main political parties have made much effort to reconcile the social ends they say they want to achieve with the fiscal means to which each of them is committed.

55. The Commission’s view is that the political debate about how to achieve savings of this scale lacks seriousness. There is little discussion of measures that can deliver anything like the savings required. Dealing with fiscal pressures will require the drivers of higher welfare spending to be tackled as well as their symptoms. For example, a key pressure on working-age benefits is the increasing in-work benefit bill driven by slow real wage growth, increases in housing costs and shifts in the housing market towards the private rented sector:

- A total of £20.7 billion was spent on tax credits for 3.1 million working families in 2012/13. Real-terms expenditure decreased by £565 million – 2.7 per cent – between 2009/10 and 2012/13 driven by tighter eligibility restrictions, reducing the number of working families entitled to tax credits by 34 per cent by removing entitlement from 1.7 million middle-income families previously eligible for the family element of tax credits of £545 per year or

⁸³ Osborne, G, New Year Economy Speech by the Chancellor of the Exchequer, HM Treasury, 6 January 2014

⁸⁴ This is based on projected spending in Great Britain in 2014/15 of £206 billion for all benefits and tax credits, including £113 billion spending on pensioners. Department for Work and Pensions, *Benefit expenditure and caseload tables 2013*, May 2014

⁸⁵ Social security cuts in the next Parliament will be in addition to the 20 per cent discretionary cuts in working-age and non-exempted pensioner benefits that have already been announced for the current Parliament. See Social Mobility and Child Poverty Commission, *State of the Nation 2013*, 2013

⁸⁶ Institute for Fiscal Studies, *Green Budget 2014*, 2014

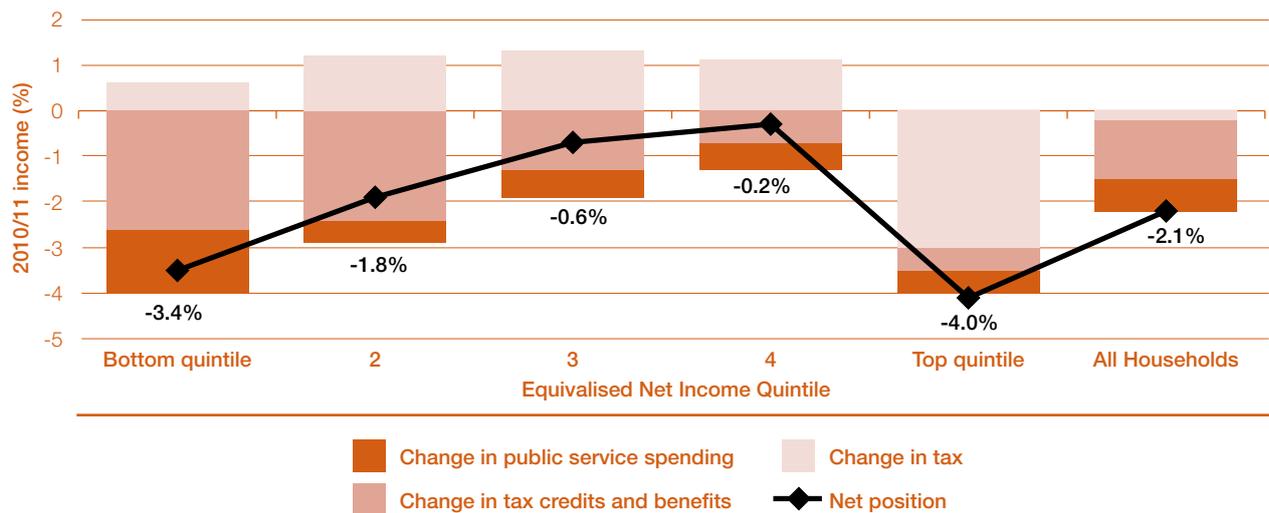
⁸⁷ International Monetary Fund, *World Economic Outlook Database*, 2012

⁸⁸ Office for Budget Responsibility, *Economic and Fiscal Outlook*, December 2013

less. Once this group is excluded, however, we estimate that real spending on tax credits increased by 2.2 per cent over the period despite cuts in entitlements, symptomatic of underlying pressures;⁸⁹

- An estimated £4.8 billion was spent on Housing Benefit for working families in 2013/14. Real-terms expenditure is estimated to have almost doubled since 2009/10, driven by the number of working claimants more than doubling from 475,000 in April 2009 to 1.1 million in May 2014.⁹⁰

Figure 1.13: Distributional impact of fiscal consolidation measures to 2015/16



Source: HM Treasury, *Impact on households: distributional analysis to accompany Budget 2014*, 2014.

1.5 What is needed to make progress?

56. Overall, the implications of these trends for social mobility and child poverty are mixed. The good news is that continued improvement in the economic situation will, in theory, allow more people to get work and increase their hours, improving living standards. It will also help indirectly: higher than expected employment should bring a “recovery dividend” in terms of lower expenditure on welfare benefits and higher taxes, though it should be noted that a lot of this has already been banked in the Government’s fiscal projections, which are based on the Office for Budget Responsibility’s growth forecasts. The less good news is that continued sluggish wage growth combined with the additional benefit cuts expected in the next Parliament present clear risks that both absolute and relative child poverty will increase rapidly. Social mobility may also be at risk if education and other public service reforms are unable to offset the potential impact of rising child poverty on making children’s home lives more challenging and the potential impact of cuts to public services aimed at levelling the playing field.

57. Beyond the immediate effects on child poverty and social mobility, some of the trends we have analysed above present a profound challenge to the very terms of the debate. In

⁸⁹ HM Revenue and Customs, *Personal Tax Credit Statistics 2012/13*, 2014. GDP deflators have been used to adjust nominal expenditure figures for inflation.

⁹⁰ Department for Work and Pensions, *Housing Benefit Caseload Statistics*, 2014. Expenditure on Housing Benefit for those in work has been estimated by multiplying the number of claimants in work by their average claim for each month. Estimated real in-work Housing Benefit expenditure increased from £2.4 billion in 2009/10 to £4.8 billion in 2013/14 (2013/14 prices). The GDP deflator has been used to adjust nominal expenditure figures for inflation. These figures are under-estimates as some claimants in receipt of passported benefits (and so not recorded as being employed in the statistics) will be in work.

particular, changes in the housing system complicate what social mobility means, with risks that, even if children from less advantaged backgrounds do well at school and find a good job, they will find themselves trapped for the long-term in shared, expensive and insecure private rented accommodation, unable to start a family and worse-off than both their parents and their peers from more advantaged backgrounds.

58. Ensuring that there is a social recovery to accompany the economic recovery will require the next Government to face up to both the short-term and long-term challenges it will inherit:

- An economy that is recovering but where prosperity continues to vary widely in different parts of the country;
- A labour market that has performed very well in terms of creating jobs but less well in terms of improving wages and job security;
- A fiscal position that is improving but still extremely challenging, with austerity only halfway through;
- A cost of living crisis that is easing but where families have seen their standards of living fall significantly since the recession;
- A housing market where supply is increasing but where more children live in an expensive and insecure private rented sector and more young adults are priced out of owner occupation.

59. Tackling these issues and minimising any negative impacts on social mobility and child poverty will require the whole of society to play its part. A new national effort will be needed if social progress is to be made:

- The **UK Government** will play the key role: its decisions on economic, fiscal, regulatory, employment and welfare policy will be critical. Continued public service reform will be required to allow the state to deliver the same, let alone better, outcomes with less money. There will need to be a step change in leadership from the next Government if it is to successfully mobilise the actions of others to tackle these challenges;
- **The Scottish and Welsh governments and local government** will need to play a bigger part by supporting local economic growth in partnership with local businesses, by reforming the public services they deliver to cope with the continuing demands of austerity and by making tackling child poverty and improving social mobility a core aspect of what they do;
- **Employers** will need to step up to the plate: the long-term performance of the economy – and so living standards – depends on businesses creating new, high-quality jobs, increasing productivity of workers at all skill levels and so being able to increase the pay and job security of their workers;
- **Individuals, families, community organisations** and the **third sector** will need to take more responsibility in working together to improve quality of life and stepping up to perform some of the functions previously fulfilled by a shrinking state.

60. In order to make progress in tackling the challenges we have identified in this chapter to create an environment conducive to progress on social mobility and child poverty, we believe action is required in three key areas.

Meeting the challenge of fiscal consolidation in the next Parliament

61. As we highlighted above, delivering a further £33 billion of cuts to public spending over the next Parliament without damaging social mobility and worsening child poverty will be extremely difficult. The current plans outlined by each of the political parties, on welfare spending especially, seem to ignore the impact that their plans will have on poverty and social mobility.

62. We believe there is a need for more honesty about the implications of planned public spending cuts from all the political parties. We look to each of them to set out clear and specific plans about what they will cut and what they will protect and so how they will avoid negative impacts on social mobility and child poverty. By 2017, public spending is expected to be at lower levels in the United Kingdom than even the United States, with current spending on public services and administration lower than at any time since the Second World War. Benefit cuts pencilled in by the current Chancellor imply total cuts to benefit and tax credit spending on children and working-age adults between 2010/11 and 2018/19 of up to one third if pensioner benefits continue to be protected. It is inconceivable, in a context where low-income workers' wages are stagnating, that this will not increase already high in-work poverty rates, even if proposals to increase the personal income tax allowance are implemented. It is hard to avoid the conclusion that the working poor of Britain will pay a very heavy price for such an approach. It will not help to make Britain a unified society. It will hasten the development of a divided Britain. The short-term consequence will be more child poverty. The long-term consequence will be less social mobility.

63. We believe, as we highlighted in our last report, that to avoid that scenario the next Government will need to stop exempting pensioners from austerity. It is not fair that the burden of adjustment falls disproportionately on the shoulders of children and working-age adults. We understand the political expediency of not doing so but we believe that all the political parties need to remember two key facts – first, overall this is the wealthiest generation of pensioners the country has ever had; second, pensioners are only half as likely to be in poverty after housing costs as children are. Claiming there is no choice but to reduce support for the poorest children in society while protecting benefits for wealthy pensioners is not credible. For example, the Institute for Fiscal Studies estimates that means-testing the Winter Fuel Allowance and free TV Licences⁹¹ could save up to £2 billion per year.

64. To ensure child poverty and social mobility goals are at the heart of decision-making processes there is a need to develop stronger institutional arrangements within Government. As we recommended last year, the Office for Budget Responsibility should be given a new role in independently reporting on Budget Day on the social mobility and child poverty impacts of Budgets and Spending Reviews, including publishing analysis about the distributional effects of policy changes on different household types, producing forecasts of child poverty rates and undertaking cumulative impact assessments. Transparency of this sort is desperately needed to expose the political consensus which, because it currently casually separates ends and means, is an emperor with no clothes.

Ensuring everyone shares in the economic recovery

65. We believe that the top objective of the next Government should be the need to ensure that everyone shares in the economic recovery. Doing so will, in our view, require new focus in three areas.

66. Firstly, the impact of housing policy on poverty and social mobility should be given far greater priority. The next Government should take action to make the private rented sector fit for its new purpose of housing many families with children, boost housing supply and help more young people into home ownership. It is highly likely that the levels of home ownership seen in the early 2000s are not coming back any time soon, meaning that a sizeable proportion of the population – including young families – will be living in the private rented sector for longer. The current private rented sector offer – developed in 1988 – is not fit for this new purpose. Longer-term tenancies have to become the norm for families with children and it is not yet clear if the current approach of relying on voluntary action by landlords will

⁹¹ Institute for Fiscal Studies, *Green Budget 2013*, 2013. The estimate looks at the savings from restricting these benefits to those pensioners who are claiming Pension Credit

be enough to achieve this significant shift. Affordability issues ultimately stem from a housing shortage and continued focus is needed here to address continuing shortfalls in supply. Shared ownership needs to be developed as a tenure to meet the needs of those who aspire to buy and can afford a mortgage but are unable to access full ownership due to a lack of financial assistance from their families.

67. Secondly, more action needs to be taken to boost growth in the regions. As we have previously said, devolving more responsibility and funding to local areas and City Regions will enable them to take the necessary actions to boost economic growth in their areas. The Heseltine Review⁹² mapped out a direction of travel.

68. Thirdly, there needs to be a new focus on tackling the “poverty premium” that those from less-well-off backgrounds face by making markets work more effectively. This is one of the best and cheapest ways of improving the living standards of the poorest families. Chapter 5 sets out our recommendations for actions we think the Government should take in this area.

Adapting to structural changes in the labour market

69. The labour market has changed a lot since the early 2000s and public policy lags behind. There is a two-tier labour market and a broken link between earnings and growth. The impact of this is felt most acutely by the five million workers, mainly women, earning less than the Living Wage.

70. Addressing this will require a new active labour market policy. At its heart should be a ten-year ambition to make Britain a Living Wage country by 2025. Chapter 5 sets out our detailed recommendations about what this means in practice and the actions that the next Government should take to allow this ambition to be delivered.

1.6 Conclusions and recommendations

71. The British economy has bounced back sharply. The recovery is strong and employment is growing fast. That is very good news. It provides the basis for a potential dividend of lower child poverty and higher social mobility.

72. But there are clear signs that the economic recovery is not being matched by a social recovery. Some parts of our society and our country are steaming ahead while others are falling behind. Already the gaps between the young and the old, tenants and homeowners, earnings growth and economic growth, the rich and the poor and London and the South East and other areas of the country are growing. If these gaps continue to widen Britain will become a permanently divided country.

73. Avoiding a divided Britain will require urgent action by the next Government. It will require a new focus on making housing policy work more effectively to reduce poverty and improve mobility. Currently the housing market is working against those social objectives, not for them. It will also require more honesty from the political parties on how they are approaching fiscal consolidation. Blithely ignoring the impact of planned cuts to welfare spending on low-income working families may work in the short term but it will have potentially devastating consequences for the long term.

74. The next Government will have to make many tough decisions. We know that and accept it. The job of getting Britain’s public finances out of the red, having been started, will need to be completed. But there are choices about how fiscal consolidation is done and what social policies are pursued. The biggest choice the next Government will face is whether to let Britain drift towards becoming a permanently divided society or to lead Britain towards

⁹² The Rt. Hon. The Lord Heseltine of Thenford CH, *No Stone Unturned in Pursuit of Growth*, October 2012

becoming a low-poverty, high-mobility society. We believe Britain's interests – economically as well as socially – lie with the latter option. The implication for the next Government, in a world of austerity, is that it will have to adopt radical new approaches to allow this goal to be achieved. The old ways will no longer work in a world where the labour market has changed, the nature of poverty has changed and the state of the public finances has changed. Making progress in the immediate future will be harder than it has been in the recent past. But we believe that progress can – and must – be made. In the chapters that follow we spell out some of the ways we believe it can be achieved.

By 2020 the Commission expects to see progress on five key recommendations

- All political parties to have come forward with **credible plans for meeting the challenge of fiscal consolidation** in the next Parliament: being more honest about the implications of spending cuts; ending the exemption of wealthy pensioners from austerity; and giving the Office for Budget Responsibility a new role in reporting on social mobility and child poverty impacts of the decisions made at each Budget;
- The Government to have made the **recoupling of earnings and economic growth** a key priority of macroeconomic policy;
- The Government to have taken **further steps to devolve powers and funding to City Regions** to give local areas the powers to boost economic growth in their areas;
- The Government to have **taken action on housing** by increasing housing supply, helping more young families to achieve their aspirations to buy their own home and making longer-term tenancies the norm for families with children in the private rented sector;
- The Government to **set a ten year ambition for the UK to become a Living Wage country by 2025** and develop and implement a cross-society strategy which can achieve this goal (see Chapter 5).

What worked and what did not work 2010-2015?

What worked?

- The economy is now bigger than it was before the recession and economic growth has been strong over the last 12 months;
- The working-age employment rate is close to record highs, with more people in work than ever before;
- Pressures on the cost of living have eased significantly, with inflation at historically low levels in 2014;
- Educational attainment and higher education participation of children from disadvantaged backgrounds have continued to improve;
- Relative child poverty was at its lowest level for 30 years in 2012-13.

What did not work?

- GDP per capita – a key determinant of living standards – is still lower than it was before the recession;
- Earnings and household incomes are far lower in real terms than they were in 2010 and are still falling, though are expected to return to growth later this year;
- A higher proportion of jobs are insecure and low paid and five million people earn less than the Living Wage;
- There has been limited success in rebalancing the economy, with the recovery faster in London and the southern regions than in the rest of Britain;
- The pace of fiscal consolidation has been slower than anticipated, meaning over 40 per cent of it has been deferred to the next Parliament;
- Owner occupation amongst the young has fallen significantly and one in five children are living in insecure and expensive private rented accommodation with potentially detrimental impacts on living standards;
- Absolute child poverty increased by 300,000 between 2010-11 and 2012-13, working poverty after housing costs is rising and independent experts expect child poverty to increase significantly over the next few years.

Focus on...the North East



Summary

- The North East has the (joint) third highest child poverty and the highest unemployment rate in the UK;
- Despite performing relatively well at the end of primary school and at the England excluding London average at GCSE, poor children in the North East are more likely to drop out of education and employment at 16-years-old than anywhere else in England;
- There are fewer professional jobs in the North East than any other region except Northern Ireland.

Child poverty

- 21 per cent of children are in poverty before housing costs and 27 per cent after housing costs;
- The proportion of children in low-income families varies from 17.4 per cent in Northumberland to 33.6 per cent in Middlesbrough.

Laying the foundations

- 71 per cent of poor children do not achieve a good level of development at age 4: this varies from 64 per cent in Darlington to 80 per cent in Gateshead;
- 24 per cent of early years providers in the most deprived areas require improvement.

Educating the next generation

- 38 per cent of poor children fail to achieve the expected level in reading, writing and maths at age 11: this varies from 33 per cent in Gateshead to 42 per cent in Northumberland;
- 65.4 per cent of poor children fail to achieve five good GCSEs including English and maths: varies from 56.4 per cent in North Tyneside to 74.8 per cent in Northumberland;
- 16 per cent of the primary schools and 74 per cent of the secondary schools in the most deprived areas require improvement.

Moving from school to work

- 7.6 per cent of 16-18 year olds are not in education, employment or training: this varies from 5.3 per cent in Northumberland to 9.8 per cent in Newcastle;
- 23 per cent of poor 16 year olds do not go on to a positive destination: this varies from 15 per cent in Darlington to 27 per cent in Newcastle-Upon-Tyne.

Employment, pay and progression

- 14.6 per cent of children live in workless households;
- 68.8 per cent of working-age adults are in employment and the unemployment rate is 9.9 per cent;
- Median hourly pay is £10.70 per hour, eight per cent lower than the UK average;
- 11.8 per cent of the working-age population have no qualifications.

Higher education and the professions

- 15 per cent of poor children progress to higher education: this varies from 11 per cent in Northumberland to 20 per cent in Middlesbrough;
- Only 55 poor children progressed to Russell Group universities in 2011/12 – 1.2 per cent of children eligible for free school meals taking GCSEs in 2008/09;
- 36.5 per cent of people in employment are in managerial, professional or associate professional occupations: this varies from 30.6 per cent in Hartlepool to 43.6 per cent in North Tyneside.

Focus on...the North West



Summary

- The North West has the (joint) third highest child poverty and the most children in workless households in the UK;
- Educational outcomes for poor children are relatively good, with the joint second-best performance at age 11, the third-best performance at age 16, the third-highest higher education participation rate and the second-highest progression rate to the Russell Group;
- Labour market outcomes are worse than average, with the second-lowest employment rate in England.

Child poverty

- 21 per cent of children are in poverty before housing costs and 30 per cent after housing costs;
- The proportion of children in low-income families varies from 6.5 per cent in Ribble Valley in Lancashire to 36.7 per cent in Manchester.

Laying the foundations

- 66 per cent of poor children do not achieve a good level of development at age 4: this varies from 56 per cent in Knowsley to 82 per cent in Warrington;
- 36 per cent of early years providers in the most deprived areas require improvement.

Educating the next generation

- 38 per cent of poor children fail to achieve the expected level in reading, writing and maths at age 11: this varies from 32 per cent in Halton to 48 per cent in Stockport;
- 64.5 per cent of poor children fail to achieve five good GCSEs including English and maths: this varies from 55.9 per cent in Halton to 74.2 per cent in Blackpool;
- 22 per cent of the primary schools and 51 per cent of the secondary schools in the most deprived areas require improvement.

Moving from school to work

- 5.6 per cent of 16–18-year-olds are not in education, employment or training: this varies from 3.6 per cent in Cheshire East to 8.4 per cent in Halton;
- 20 per cent of poor 16-year-olds do not go on to a positive destination: this varies from 15 per cent in Blackburn to 27 per cent in Cheshire West and Chester and in Stockport.

Employment, pay and progression

- 19.4 per cent of children live in workless households;
- 70.0 per cent of working-age adults are in employment and the unemployment rate is 6.9 per cent;
- Median hourly pay is £10.91 per hour, six per cent lower than the UK average;
- 11.1 per cent of the working-age population have no qualifications.

Higher education and the professions

- 18 per cent of poor children progress to higher education: this varies from 12 per cent in Knowsley to 22 per cent in Trafford;
- 234 poor children progressed to Russell Group universities in 2011/12 – 1.7 per cent of children eligible for FSM taking GCSEs in 2008/09;
- 40.8 per cent of people in employment are in managerial, professional or associate professional occupations: this varies from 27.8 per cent in Hyndburn to 61.2 per cent in Ribble Valley.

Chapter 2: Progress on laying the foundations: the early years

- The early years of life are influential in shaping future prospects and there has been a welcome focus on making the early years a public policy priority;
- Overall, there has been good progress in extending early education to disadvantaged two year olds but cuts are happening more generally in early years provision;
- Children's Centre numbers have decreased by 17 per cent, which the UK Government attributes to mergers, and services are being stretched. There are also issues around the quality, availability and affordability of childcare;
- Two-thirds of five year olds eligible for free school meals in England do not achieve a good level of development and so are not school ready; and half of three-year-olds in deprived areas of Wales are below the expected level of development;
- Progress is being hampered by a lack of measurement of outcomes, especially in Scotland and Wales: neither parents nor childcare providers are clear on whether children are well-prepared to start primary school or not;
- A step change in the contribution of early years to social mobility needs a shared aim and a clearer roadmap: the priority for providers, councils and governments should be to close the gap in school readiness between poorer and better-off children;
- It also needs higher expectations across society on what it means to parent well and to work with young children: Government should commit to establishing a national parenting programme and to having qualified teachers as the bedrock of early years provision;
- The Early Years Pupil Premium – now helpfully extended into these services – should be used to leverage improved quality of provision.

2.1 Why are the early years important?

1. The early years matter profoundly to child poverty and social mobility. It is here that children learn basic skills such as language and communication, which are the foundations of their future learning. It is also here that the gaps in development between children from rich and poor backgrounds, (that are the key drivers of future life chances) begin to emerge. The level of development at age two is a good predictor of whether children will go on to achieve good educational outcomes at school and enjoy success in the labour market as

adults.¹ Poor children are nine months behind those from more advantaged backgrounds at age three, have smaller vocabularies and are slower to learn new words.² By the age of four, a development gap of more than a year and a half has opened up between the most disadvantaged children and the most advantaged children.³ In the most deprived areas, 50 per cent of children are thought to be starting school with delayed communication skills.⁴

2. Intervening during the early years can pack a double punch, as the experiences of the Nordic countries and Canada have shown. First, high-quality early education has a direct impact on closing child developmental gaps. Second, affordable childcare allows mothers to return to work, increasing family income and reducing the ‘pay penalty’ faced by mothers by reducing the length of time they need to spend out of the labour market.⁵

3. Providing affordable childcare during the early years is not enough. Quality is critical to ensuring good child development outcomes – indeed, poor-quality care has been shown to have a detrimental effect.⁶ A good early education is not enough to create lasting impact – unless early developmental gains are reinforced with high-quality education later on they can fade. And, of course, families’ financial resources can have a significant effect on children’s outcomes.

4. Currently, despite the energy and focus given to early years services across the United Kingdom (UK), there is a lack of consensus on the scope of early childhood. In England, the *early or foundation years* is used by policy-makers to describe the period from birth to the beginning of the academic year following a child’s fifth birthday. In Wales, the *Foundation Phase* covers age three to seven, though there are programmes like Flying Start for nought to threes. Wales has a distinctive ‘developmental, experiential, play-based approach to teaching and learning’, which contrasts with England’s more education-orientated approach. In Scotland, the *early years* are defined in its Early Years Framework as pre-birth to eight, accompanied by an ambition to make Scotland the ‘best place in the world for a child to grow up’.

5. These differences are symptomatic of a broader challenge in social mobility and the early years: while there is a cross-party consensus on the critical importance of the early years, there is a lack of agreement on what are the key outcomes being sought and the role of education in achieving them. The Commission’s view is that **closing gaps in readiness for learning at school** should be the central goal of everyone working in the early years.

2.2 What is happening to the problem?

6. Last year we highlighted how the early years had risen up the agenda over nearly two decades, with a series of incremental changes and expansions of entitlements leaving England and the rest of the UK with a complex childcare system mixing public, private and voluntary provision. This system is facing serious challenges around affordability and quality. We drew attention to:

¹ Field, F, *The Foundation Years: Preventing Poor Children Becoming Poor Adults*, December 2010; Allen, G., *Early Intervention: the Next Steps*, January 2011

² The Sutton Trust, *Sound Foundations: A Review of the research evidence on Quality of Early Childhood Education Care for Children Under three*, 2014

³ The Sutton Trust, *Poorer Toddlers need well Educated Nursery Teachers*, 2012

⁴ Communication Trust, *Communication Difficulties – Facts and Stats*, 2014

⁵ Institute for Public Policy Research, *Childmind the Gap*, 2014

⁶ Sylva, K., Melhuish, E., Sammons, P., Saraj-Blatchford, I. and Taggart, B., *The Effective Provision of Pre-School Education (EPPE) Project: Findings from Pre-School to the end of Key Stage 1*, 2004; Institute for Public Policy Research, *Early Developments: Bridging the gap between Evidence and Policy in Early-Years Education*, 2013

- Large gaps in child development between those from advantaged and disadvantaged backgrounds driven by inequalities in the home environment, differences in parenting, the quality of childcare available and family incomes;
- Low maternal employment – and relatively high rates of part-time employment for mothers in work – compared to other developed countries, leading to relatively higher poverty rates than other age groups, driven by the high cost and low availability of childcare;
- The potential impact of rising child poverty and increased pressure on early education services and child development outcomes as fiscal consolidation continues.

7. We called for:

- The UK Government to set out a **long-term plan for closing gaps** in child development in the early years. We said that there needed to be more clarity on the direction of policy and the outcomes ultimately being sought by when, particularly if England's ambition is to move towards a Nordic-style system;
- Local authorities and central government in England to act quickly to **improve the low take-up of the funded early education entitlement** by low-income parents;
- The UK Government to consider '**stretching**' **Pupil Premium** funding into pre-school provision to increase the focus on narrowing of development gaps earlier on;
- New local accountability mechanisms to be developed in England, including on local **delivery of children's centres** and the **availability of funded high-quality early learning** places for two-, three- and four-year-olds;
- The UK Government to **increase its focus on the role of parents** in improving children's early outcomes to develop better parenting styles, increase parental involvement in education and to improve the quality of the home learning environment. We said that helping parents to parent remained the last taboo of government policy and called on the Government to do a lot more to address it;
- The UK Government to adapt its Universal Credit plans and examine its wider welfare programme. As a first step we called for families receiving Universal Credit to have **85 per cent of their childcare costs covered**;
- We called on the Welsh Government to **consider how poor children in better-off areas could be reached** given that its core programme Flying Start only helps poor children if they live in deprived areas;
- Both Scotland and Wales to **improve the data they collect** on the early years.

Recent developments

8. Since the publication of our last report there have been a number of – largely positive – developments. The most important include:

- The announcement of an **Early Years Pupil Premium**. As recommended by the Commission and others, the UK Government is extending the Pupil Premium to disadvantaged three- and four-year-olds. Though the overall sums are relatively modest, it is a welcome development;
- **Tax-free childcare**. The UK Government confirmed the introduction of tax-free childcare worth up to £1,200 per child per year, replacing the existing employer voucher system;
- Importantly, the UK Government revised proposals for treatment of childcare costs under **Universal Credit** so that eligible families will be able to receive up to 85 per cent support

on childcare costs. That too is welcome, though it remains unclear how this will be funded;⁷

- Roll-out of the **‘Two-Year Old entitlement’**, with funded places now available for the 40 per cent poorest two-year-olds in England, and the introduction of an accredited qualification called the Early Years Educator Qualification;
- **In Scotland**, the Children and Young People (Scotland) Act extended childcare from 475 to 600 hours a year for all three- and four-year-olds as well as to looked-after two-year-olds;
- **In Wales**, an expansion of children benefiting from Flying Start by 33 per cent, from 23,600 in 2012/13 to 31,300 in 2013/14.

Current outcomes

9. There are wide attainment gaps in child development and school readiness.⁸ In England, the main data on this comes from teacher assessments of child development at age five, at the end of the Early Years Foundation Stage.⁹ It shows that, in 2012/13, children eligible for free school meals were only two-thirds as likely to achieve a ‘good level of development’ as other children, with just over a third (36 per cent) of poor children achieving this level of development compared to more than half (52 per cent) of other children. This means two-thirds of five-year-olds from low-income backgrounds are not considered by the Government to be ‘school ready’: they are unable to follow instructions, communicate, manage basic hygiene, play well with other children, read simple words and add single numbers at a good level for their age.¹⁰

10. Reform to the Early Years Foundation Stage in 2012/13 significantly raised the bar on the level of development expected of children by age five. While it is not possible to directly compare earlier results to 2012/13, there was a 75 per cent increase in the proportion of poorer children achieving a ‘good level of development’ against the previous definition between 2006/07 to 2011/12 (from 27.9 per cent to 48.8 per cent) and some narrowing of the attainment gap between children eligible for free school meals and other children. (See Figure 2.1).

11. There are big variations in the development of children from disadvantaged backgrounds by gender, ethnicity and local area. For example:

- Girls eligible for free school meals are 50 per cent more likely to be school ready than boys (44 per cent of girls from low-income families compared to only 29 per cent of boys);
- Children from low-income black backgrounds are 29 per cent more likely to be school ready compared to those from low-income white backgrounds (44 per cent compared to 34 per cent). (See Figure 2.2);
- While only 17 per cent of poor children in Warrington, Wigan and Leicester are school ready, more than 50 per cent in Lewisham, Greenwich, Hackney and Brent are. Nine

⁷ HM Treasury, *Budget 2014*, notes that the £400 million cost of this will be met by unspecified ‘offsetting savings’ from within the Universal Credit programme to be set out in this year’s Autumn Statement

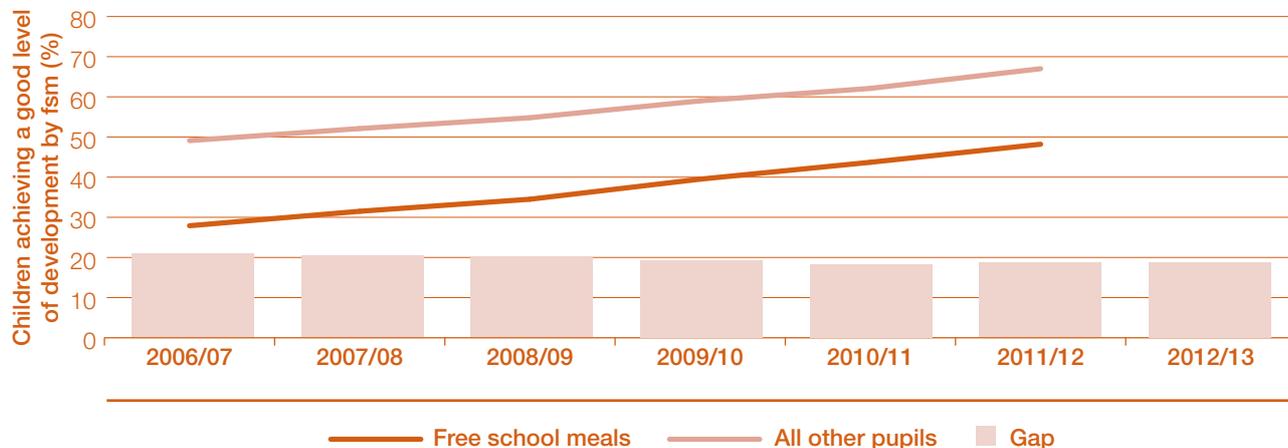
⁸ UCL Institute of Health Equity, *Marmot Indicators 2014* and Fair Society, *Healthy Lives: The Marmot Review*

⁹ The Early Years Foundation Stage (EYFS) sets standards for the learning, development and care of children from birth to five-years-old. All schools and Ofsted-registered early years providers must follow the EYFS, including childminders, pre-schools, nurseries and school reception classes. The assessment is the Early Years Foundation Stage Profile and is a measure of school readiness. The practitioner records each child’s development by watching the child playing in the classroom. We have used ‘school ready’ in this chapter to mean achieving a ‘good level of development’

¹⁰ Ofsted, *Unsure start – HMCI speech*, April 2014

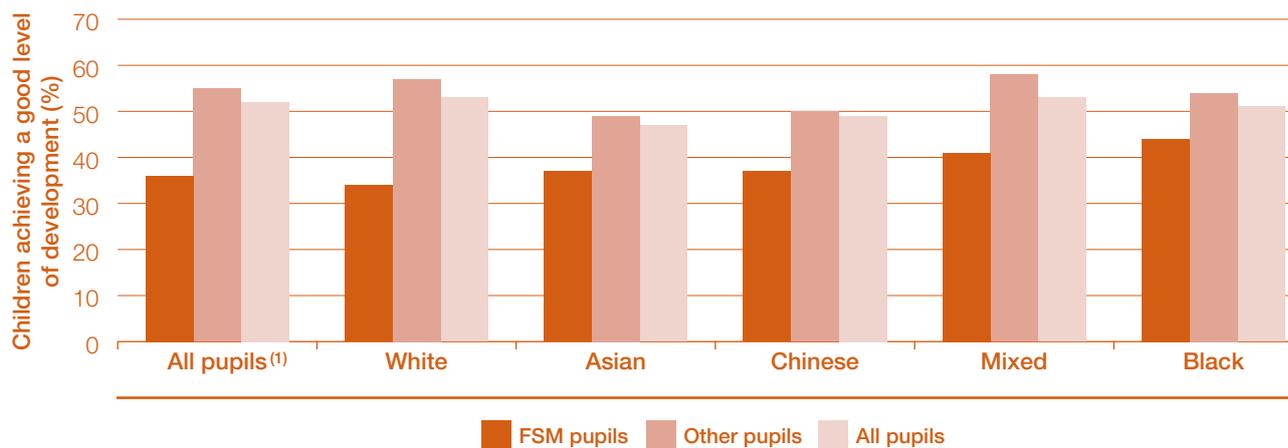
of the ten best-performing local authorities are in London and most of the ten worst performers are in the East Midlands and the North West. (See Figure 2.3).

Figure 2.1: Trends in the proportion of children achieving a ‘good level of development’ by free school meal eligibility



Source: Department for Education (DfE), *Early Years Foundation Stage Profile by Pupil Characteristics in England*.

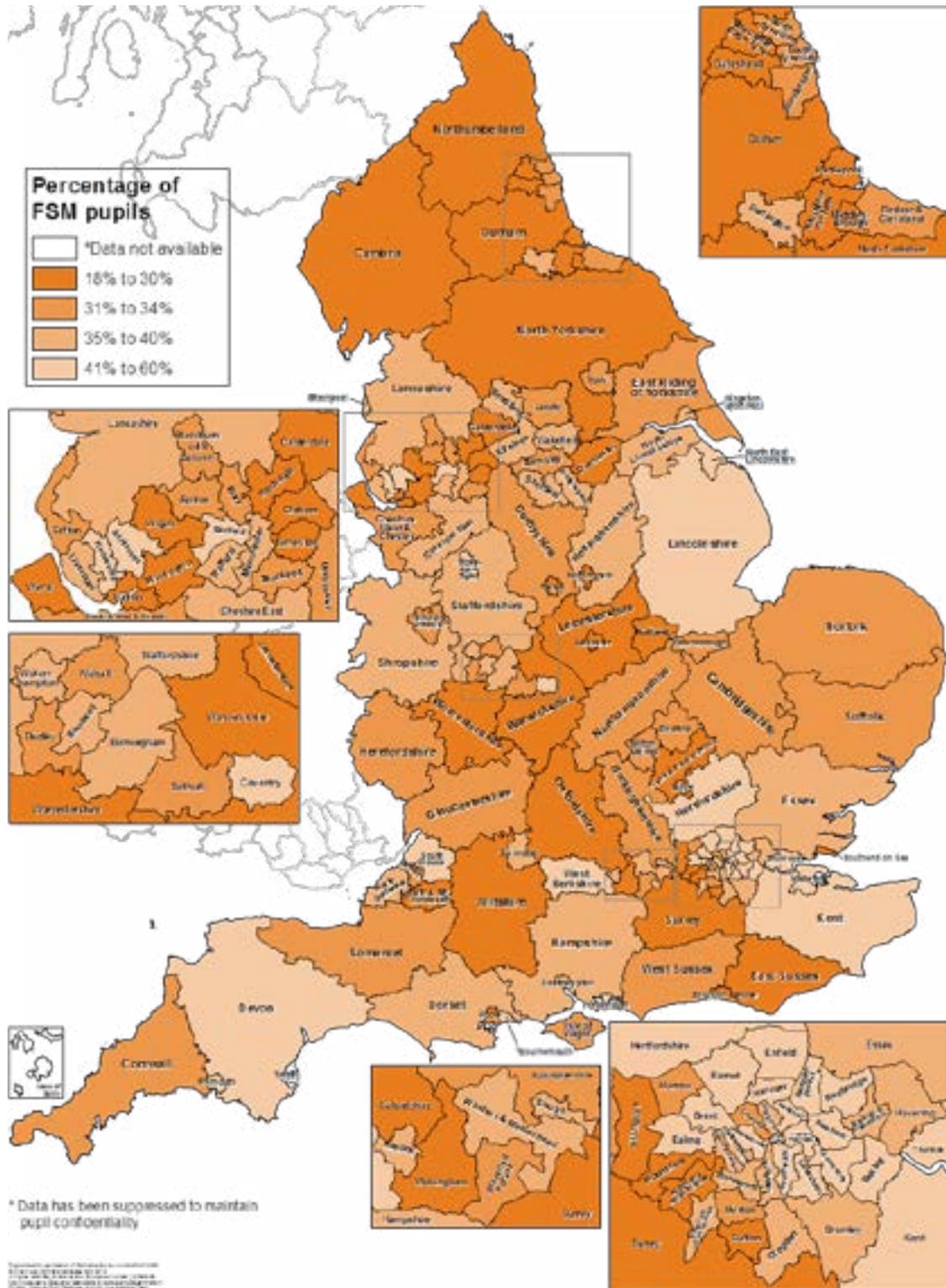
Figure 2.2: Proportion of children achieving a ‘good level of development’, by ethnicity – 2013



(1) Includes pupils for whom ethnicity was not obtained, was refused or could not be determined.

Source: Department for Education (DfE), *Early Years Foundation Stage Profile by Pupil Characteristics in England*.

Figure 2.3: Proportion of pupils eligible for free school meals achieving a good level of development by local authority, 2013



Source: Department for Education, *Early Years Foundation Stage Profile by Pupil Characteristics in England*

12. The Government plans to make the Early Years Foundation Stage Profile (EYFSP) non-statutory in 2016 to reduce the burden on schools after the non-statutory reception baseline is introduced.¹¹ This risks leaving no assessment or published data at all of how children have progressed in the early years. The Commission believes that it is crucial that there continues to be a robust way of measuring how well children are doing at the end of the 'Foundation Years' to ensure that parents, teachers, policy-makers and others know how well children have progressed. Without this published data it is hard to see how disadvantage gaps can be monitored and policy evaluated. We urge the Government to reconsider its plans.

13. There is a mixed picture against other measures relating to child development:

- *Young parenthood* is a risk factor for delays in child development. The good news is that, in March 2013, teenage¹² conception rates were at a 13-year low of 25.5 per 1,000 females aged 15 to 17 in England and Wales even though there are still wide differences between different local areas: for example, the teenage conception rate is 5 times higher in Walsall than in Westminster;¹³
- The story on *low birth weight* is less positive: the social class gap for low birth weight has remained static over the past six years at around one percentage point, with women from less well-off backgrounds around 17 per cent more likely to give birth to a baby with low birth weight as other mothers.¹⁴

14. The Government first committed to introducing a new early child development indicator looking at gaps in school readiness between two-year-olds from disadvantaged backgrounds and others in the 2011 Social Mobility Strategy. Following the Tickell Review¹⁵ in 2011, the Government announced plans to develop an outcome measure of child development at age 2–2½ linked to the Healthy Child Programme, and to be included in the Public Health Outcomes Framework in 2015. In 2013, the Department of Health announced that this would be based on a parent-completed questionnaire¹⁶ which some parents already complete, in different local authorities. This questionnaire is currently being developed and assessed meaning that there is still no measurement or published data looking at a child's development before the age of five, more than three years after the Government committed to creating such a measure. The Commission is also not clear that parent-reported data will be sufficient to robustly measure child development at age two.

15. The situation in the rest of the UK is harder to assess due to lack of data. In **Scotland** there is no national standardised method for measuring child development, but there is evidence of wide gaps by social background.¹⁷ The only data on child development outcomes for children under the age of nine is based on a sample of 1,240 children – around 8 per cent

¹¹ The baseline assessment will score each pupil against the knowledge and understanding typical for children at the start of reception year. Also, EYFSP is an assessment at the end of the academic year when a child turns five; the practitioner records each child's development by watching the child playing in the classroom. This is used to help the year 1 plan lessons for the children

¹² Aged 15 to 17 years of age

¹³ In Westminster the rate is 8.4 conceptions per 1,000 women aged 15 to 17 years compared to 41.4 in Walsall

¹⁴ ONS, *Childhood, infant and perinatal mortality in England and Wales (annual data for 2002–2012)*

¹⁵ Department for Education, *The Early Years Foundation Stage: Review Report on the Evidence*

¹⁶ Ages & Stages Questionnaires: 3rd edition (ASQ-3™)

¹⁷ Save the Children Scotland, *Thrive at Five: comparative child development at school-entry age*, 2012. It highlights a variety of indicators built into Single Outcome Agreements for each local authority and NHS targets, but no measure allowing year-on-year tracking. Using the Early Development Instrument, East Lothian found that 38 per cent of bottom two postcode quintiles had overall developmental vulnerability compared to 16.7 per cent of top quintile. http://www.educationscotland.gov.uk/earlyyearsmatters/m/genericcontent_tcm4720580.asp

of nine-year-olds – collected through the Scottish Survey of Literacy and Numeracy.¹⁸ Data is not yet available to allow us to measure progress against achieving the Scottish Government's objective of ensuring that 85 per cent of children reach developmental milestones in a new 27–30-month review by the end of 2016, and ensuring that 90 per cent of children reach expected developmental milestones by the start of primary in 2017.

16. In **Wales**, there has been modest progress against the Welsh Government's target of narrowing the development gap at age seven between children eligible for free school meals and other children by ten per cent by 2017 (from 18.3 points to 16.5 points). In 2012/13, 69.2 per cent of children eligible for free school meals were meeting the expected level¹⁹ compared with 86.9 per cent of other children.²⁰

17. Wales is developing a single assessment framework to chart children's progress over the whole of the early years but implementation has been delayed until September 2015.²¹ In the interim, we also have information on the outcomes for some younger children – those in Flying Start areas.^{22, 23} The latest figures show a small increase in immunisation rates and a slight improvement in the percentage of children in deprived areas meeting or exceeding developmental norms (as assessed by health visitors) at age two. There has, however, been little progress in improving outcomes for three-year-olds in deprived areas, with only 55 per cent meeting development norms at this age, unchanged from the previous year and short of the target to increase the proportion to 60 per cent by 2016.²⁴ In other words nearly half of three-year-olds in Wales in the poorest areas are failing to achieve the expected level of development for their age.

18. Overall, in every part of the UK, a lack of reliable outcome measures, especially for the very early years of life, represents a fundamental challenge to progress. This lack of measures and standardised assessment reflects a wider lack of consensus on what *good development* looks like and impedes attempts to understand the progress that is being made. Frank Field's review highlighted a sensible list of core skills that all children should have before entering reception (see orange box below).²⁵ But in England we do not have a very good idea of how children are doing and in Wales and Scotland we do not really know at all the degree to which children are able to do these things. As Sir Michael Wilshaw has argued in the English context 'neither parents, nor providers, nor anyone in government is clear enough about

¹⁸ For example, 1,240 children in primary 4 (eight-year-olds) took part in the numeracy survey in 2013 compared to a total of 53,448 children in primary schools. Scottish Government, *Scottish Survey of Literacy and Numeracy 2013: Survey Design Document*, 2014 and Scottish Government, *Pupils in Scotland 2013*, 2014

¹⁹ Note that the 'expected level' in Wales differs from the 'expected level' in England

²⁰ Welsh Government, *Achievement and Entitlement of Free School Meals in Wales, 2013, 2014*

²¹ <http://wales.gov.uk/about/cabinet/cabinetstatements/2014/earlyyears/?skip=1&lang=en>

²² Flying Start is the Welsh Government's early years programme targeted at under fours living in deprived areas

²³ Welsh Government, *Flying Start, Summary Statistics 2013/14, 2014*

²⁴ By 2016, the Welsh Government aims to increase the proportion of three-year-olds receiving Flying Start services who have achieved or exceeded their developmental milestones by five percentage points. – However, between 2012/13 and 2013/14 no improvement was seen (55 per cent of children in the Flying Start programme reached or exceeded their developmental milestone at age three). The figures also vary a lot by local authority: from as high as 71 per cent in Carmarthenshire to as a low as 33 per cent in Denbighshire

²⁵ Field, F, *The Foundation Years: Preventing Poor Children Becoming Poor Adults*, December 2010 <http://webarchive.nationalarchives.gov.uk/20110120090128/http://povertyreview.independent.gov.uk/media/20254/poverty-report.pdf>

which children are going to be ready for school, and which children are not.²⁶ We believe this situation is untenable and must change.

Skills required before entering reception

In his report *The Foundation Years: Preventing Poor Children becoming Poor Adults*, Frank Field highlighted the essential skills that some children lack by the time they join the reception year:

- To sit still and listen;
- To be aware of other children;
- To understand the word no and the borders it sets for behaviour;
- To understand the word stop and that such a phrase might be used to prevent danger;
- To be potty trained and able to go to the toilet;
- To recognise their own name;
- To speak to an adult to ask for needs;
- To be able to take off their coat and put on shoes;
- To talk in sentences;
- To open and enjoy a book.

2.3 What is likely to happen in the future?

19. According to studies, there are four key factors in the foundation years that influence children's future prospects: antenatal care; their parenting; the healthcare they receive; and, their access to early education and childcare that provides quality, availability and affordability. We look now at what is happening with regard to each of these factors in order to examine likely future outcomes.

Antenatal

20. The health and wellbeing of mothers during pregnancy is critical to maximising early child development. Antenatal education has the overall aim of providing expecting parents with strategies for dealing with pregnancy, childbirth and parenthood. More specific aims relevant to child development include influencing health behaviour and promoting breastfeeding.

21. Despite the importance of antenatal care, new evidence shows that women from lower socioeconomic groups in the UK generally report a poorer experience of care during pregnancy, while having higher rates of hospital admission, and unplanned caesarean section.²⁷ Women from the most disadvantaged socioeconomic groups were shown to be less likely to have received antenatal care and also less likely to have sought a postnatal check-up than women in the most advantaged socioeconomic groups.²⁸ This concerns the Commission, and highlights the need for more targeted care for poorer families.

²⁶ Ofsted, *Press Release: First Early Years Report*, April 2014 2014 <http://www.ofsted.gov.uk/news/first-early-years-report-highlights-importance-of-teaching-and-learning-pre-school-settings>

²⁷ Royal College of Obstetricians and Gynaecologists, *Experiences, Utilisation and Outcomes of Maternity Care in England among Women from Different Socio-Economic Group: findings from the 2010 National Maternity Survey*

²⁸ *ibid*

Parenting

22. Effective parenting has a bigger influence on a child's life than wealth, class, or education. What parents do is more important than who they are.²⁹ Most children acquire such a foundation at home, but for those who do not, external interventions can help all children to develop and achieve.

23. According to the Sutton Trust, four in ten children are missing out on good parenting.³⁰ Secure attachment (a strong, positive emotional bond) develops through sensitive and responsive parenting in the first years of life. Children who have experienced care responsive to their emotional needs since birth are better able to manage their own feelings and behaviour. Children who are secure in their parents' care are more confident in themselves. Studies show that between a third and a half of children are insecurely attached.³¹ There are a number of factors that are associated with parents' ability to form a secure attachment with their child including: poverty, mental health, disabilities, and young parenting.³²

24. Children's language development at the age of two is very strongly associated with performance across all subject areas at primary school.³³ A rich, good-quality home learning environment is the foundation for children's success in school. Steps parents can take to create a good home learning environment include reading to their children: making sure there is a diverse range of books available and taking their children to the library; talking to their children without other distractions; giving positive reinforcement of good behaviour; providing a nutritious balanced diet; encouraging imaginative play; and restricting television viewing.³⁴

25. Public policy can promote parenting in two main ways: it can reduce risk factors associated with poor parenting and insecure attachment, and it can intervene early on to address parenting and attachment issues. The UK Government has implemented a range of parenting programmes with varying success:

- Government pilots of **universal parenting classes** for parents of children aged five and under in Camden, Middlesbrough and High Peak suffered from low take-up with only six per cent of eligible parents taking up support against an original planning assumption of 40 per cent. However, those who did take up support were generally positive about the experience and reported improvements in their sense of effectiveness as parents, satisfaction with being a parent, and mental well-being. Parenting stress was reduced among parents with low or no qualifications;³⁵
- The Government also introduced parenting support focused on tackling crime and antisocial behaviour through the **Troubled Families Programme** which had reached 110,000 families³⁶ at the end of June 2014 and 'turned around' nearly 53,000 by the end of May 2014, though in 91 per cent of cases, this reflected (sometimes small) reductions in crime, truancy, or anti social behaviour, while only nine per cent involved getting a

²⁹ Department for Education, *The Impact of Parental Involvement on Children's Education and EPPE, Findings from Pre-School to End of Key Stage 1*

³⁰ Sutton Trust, *Baby Bonds*, 2014

³¹ *ibid*

³² *ibid*

³³ Department for Education, *Investigating the Role of Language in Children's Early Education Outcomes*

³⁴ Centre Forum, *Parenting Matters: Early Years and Social Mobility*

³⁵ Department for Education, *CANparent Trial Evaluation: Final Report*, June 2014

³⁶ This is a Communities and Local Government led programme, which has a target of tackling 120,000 families by March 2015

job.³⁷ The Government has announced that the programme will be expanded to reach an additional 40,000 families across six themes including health, from April 2015;

- Vulnerable, young first-time mothers and their families are offered structured home visiting from early pregnancy until the child is two through the **Family Nurse Partnership (FNP)**. Numerous evaluations suggest that the FNP programme is effective (especially at stopping smoking during pregnancy, achieving high levels of breastfeeding; improving self-esteem; and promoting parents to return to education or employment when the child is old enough) and provides substantial savings to society.^{38 39} The programme is to be rolled out to 16,000 (from 11,000 in 2013) of the most disadvantaged new parents by 2015 however, to ensure the impact of this expansion is successful the Government needs to ensure that it reaches all those who are eligible to receive the support;^{40 41}
- There has been more progress on providing support for parents through the expansion of the **health visitor workforce** – there were 2,258 more full-time equivalent qualified health visitors in June 2014 compared to May 2010, an increase of 28 per cent – though 1,942 more full-time equivalent health visitors are needed to hit a commitment of 4,200 by April 2015.^{42 43} If the current projection of recruitment continues, the Government will fall short of its target by over 1,000 health visitors.⁴⁴ The Government envisages that some 2,723 students who entered health visitor training from September 2013 to March 2014 who are due to complete training before April 2015 will contribute towards meeting their target.⁴⁵

26. Parenting is more in the spotlight than it has been in the past. There is good evidence of what makes for good parenting and, although evidence on parenting methods is patchy, what data there is suggests that too much parenting falls below that standard. Despite this, existing public policy interventions tend to be timid or targeted. Scale is lacking and there seems to be little appetite to address bad parenting even though it is perhaps the most important determinant of poor future life chances.

Health care

27. The period from conception to age two is a crucial stage in the development of children. More focused interventions at this early stage can reap great dividends not only for the child but for society.⁴⁶ The main UK Government policy here is the Healthy Child Programme⁴⁷ which aims to deliver a range of outcomes including:

- Strong parenting;
- Healthy and safe children;

³⁷ Commission calculations from www.gov.uk/government/publications/troubled-families-programme-progress-by-june-2014

³⁸ <http://www.fnp.nhs.uk/research-and-development/published-research>

³⁹ HM Government, *Early Intervention: Smart Investment, Massive Savings (Allen Review)*

⁴⁰ <https://www.gov.uk/government/news/family-nurse-partnership-programme-to-be-extended>

⁴¹ HM Government, *Early Intervention: Smart Investment, Massive Savings (Allen Review)*

⁴² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/213110/Health-visitor-implementation-plan.pdf

⁴³ Health and Social Care Information Centre, Provisional NHS Hospital & Community Health Service (HCHS) monthly workforce statistics

⁴⁴ Number created by SMCP using the NHS Hospital & Community Health Service (HCHS) monthly workforce statistics

⁴⁵ Figures provided by Department of Health

⁴⁶ Department for Education, *Conception to age two – the age of opportunity*, March 2013

⁴⁷ Department for Health, *Healthy Child Programme: Pregnancy and the First five Years of Life*, 2009

- Nutrition and exercise, leading to reduced obesity;
- Prevention of disease;
- Increased rates of breastfeeding;
- Readiness for school and improved learning;
- Early recognition of growth disorders and risk factors for obesity;
- Early detection of and action to address developmental delay, abnormalities, ill health, and concerns about safety;
- Identification of factors that could influence health and wellbeing in families.

28. The Government has introduced the Healthy Start programme to help mothers and young children in low-income families stay healthy through the provision of vouchers to spend on milk, fruit, vegetable and formula milk. Research published in 2011 showed that around 2.4 million families were in receipt of these vouchers.⁴⁸ There is, however, no recent data to show a breakdown by characteristics and area to understand where these vouchers are being spent and by whom.

29. In some local authorities parents are encouraged to participate in their child's health and development review at age 2–2½ through the use of the Ages and Stages Questionnaire. Information gathered through this tool is used to inform discussions between parents and health practitioners about the child's health and progress, to identify any problems or delay in development; and at a population level, will be used to measure child development and wellbeing as part of the Public Health Outcomes Framework.

30. The Commission would welcome the introduction of a tool that can potentially measure a child's development throughout the foundation years. However, this tool (which is largely based on parent assessment which can be subjective), along with the Early Years Foundation Stage and the newly proposed baseline test at the beginning of reception all use a different suite of questions and have different purposes.⁴⁹ Therefore clarity is needed about what the key outcomes government policy is trying to achieve to ensure that all involved in delivery have a clear understanding of what they are working towards. Furthermore, there is currently little published data on health in the early years, without which it is impossible to assess the impact of what are undoubtedly well-intentioned health programmes both on overall outcomes and gaps in development between children from lower-income families and others. It is essential that more data is collected and made available to allow the impact and cost effectiveness of government policies to be assessed by policy-makers and others.

Childcare and early education

31. Attendance at pre-school has been shown to be associated with improved GCSE attainment and improved literacy and numeracy. The longer children spend in pre-school, the greater the impact it has and the higher the likelihood of following an academic pathway beyond the age of 16.⁵⁰

⁴⁸ Department for Health, *Healthy Start retailer research summary*, 2012

⁴⁹ From 2016, the reception baseline assessment will be the only measure used to assess the progress of children who enter reception year. The baseline assessment will score each pupil against the knowledge and understanding typical for children at the start of reception year. It will be linked to the learning and development requirements of the Early Years Foundation Stage (EYFS) and to the Key Stage 1 national curriculum in English and mathematics.

⁵⁰ *Effective Pre-School, Primary and Secondary Education, Increasing Opportunities for Young People and Helping them to achieve their Potential*; Department for Education, *Improving the quality and range of education and childcare from birth to age five: September 2014*

32. The most high-profile programme of pre-school care is the **roll-out of the two-year-old offer**. While it is welcome that substantial numbers of eligible children had accessed their entitlement, discussions with stakeholders suggest that a large number of children are not receiving the free entitlement and many of those who do are not in high-quality provision. Research by the Institute for Public Policy Research (IPPR)⁵¹ and the Commission's own inquiries have highlighted that:

- There is a shortage of places, with some local authorities not having enough places for all two-year-olds who are eligible for the entitlement. IPPR found that fewer than half (41 per cent) had enough places for eligible two year olds in all areas and an average of 74 per cent of eligible two-year-olds were receiving early education.⁵² This masked wide variation between local authorities, with 37 local areas where fewer than 60 per cent of eligible two-year-olds were receiving free early education;⁵³
- While most places funded by the two-year-old entitlement have been at providers rated good or outstanding, the proportion is lower in deprived areas. According to Ofsted there are only half as many outstanding places available in private, voluntary and independent sector providers in deprived areas compared to non-deprived.⁵⁴ Few have qualified-staff and providers complain that they struggle to find high-quality staff.

33. Overall, the Commission is concerned that the roll-out of the two-year-old entitlement from 20 to 40 per cent of two-year-olds is happening faster than there is capacity in the system to deliver it to the right scale and at the right quality. The risk is that it may not confer the intended child development benefits.

34. The quality of early years provision has been increasing over time, though there have been some dips in measured quality since the introduction of a tougher inspection framework in September 2012, and provision remains of lower quality in deprived areas:

- Over three-quarters (78 per cent) of early years providers on the Early Years Register (all providers except maintained nursery schools) are rated as good or outstanding, with only two per cent rated as inadequate, though since the new inspection framework was introduced fewer are being judged good or outstanding than in previous years (71 per cent) and four times as many (8 per cent) are being judged inadequate.⁵⁵
- The quality of early years provision is lower in deprived areas with the proportion of qualified staff lower than elsewhere – this is concerning for the prospects of closing the gap in early years development. A critical exception in terms of the quality gradient is maintained nursery schools, which are as strong in deprived areas as in better-off areas and have high proportions of qualified staff.

35. Figure 2.5 shows the postcode lottery in availability of good early years care that is contributing to big development gaps and low social mobility. In Oxfordshire 43 per cent of providers with the highest levels of deprivation were rated good or outstanding, this is compared to 61 per cent of providers with the highest levels of deprivation in Haringey.⁵⁶

⁵¹ Institute for Public Policy Research, *No More Baby Steps: A Strategy for Revolutionising Childcare*, 2014

⁵² Family and Childcare Trust, *Annual Childcare Costs Survey 2014*, 2014

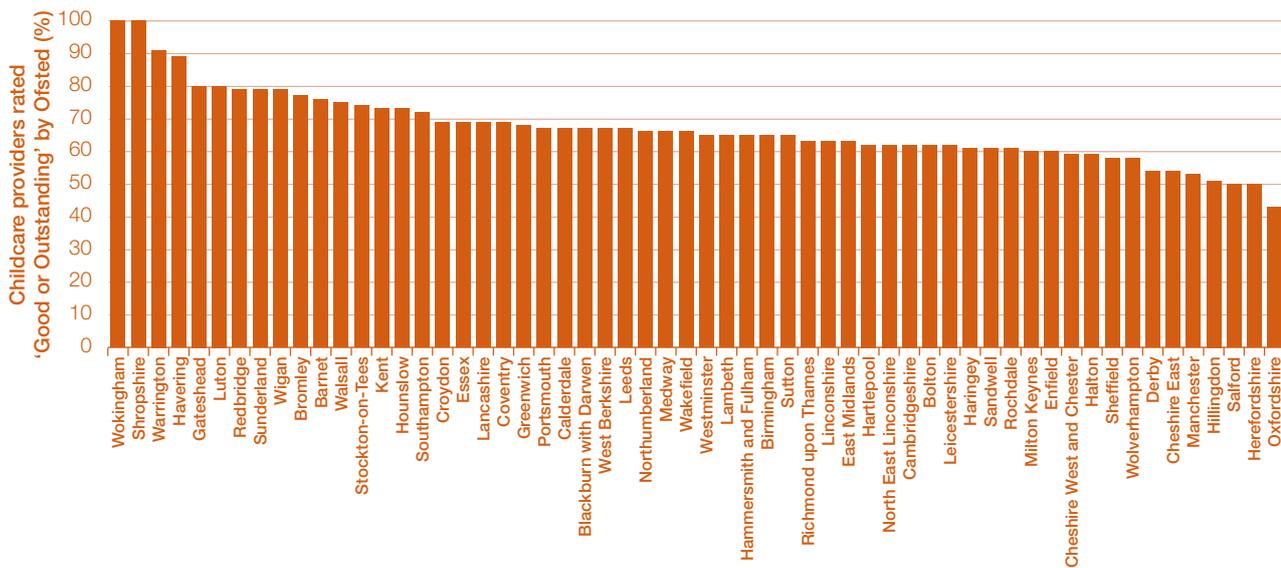
⁵³ Family and Childcare Trust, *Annual Childcare Costs Survey 2014*, 2014

⁵⁴ Ofsted, *Early Years Annual Report, 2012/13*, p24

⁵⁵ Ofsted data view March 2014

⁵⁶ High deprivation here means that there is a high proportion of children in low income households within the area. Deprivation is measured using the Income Deprivation Affecting Children Index, and measures the proportion of children under the age of 16 in an area living in low-income households

Figure 2.5: Percentage of childcare providers rated 'Good or Outstanding' in the most deprived areas by Ofsted



Source: Ofsted, *Data view March 2014*

36. The Commission has heard evidence that obtaining childcare remains problematic for many parents, especially those on low incomes, many of whom work inconvenient hours which regularly change from week to week.⁵⁷ Just under half of local authorities in Great Britain (GB) could meet the demand for childcare from working parents⁵⁸ and three-quarters of local authorities do not have enough childcare for disabled children.⁵⁹ Table 2.1 highlights limitations in childcare provision available in Britain: six per cent of local authorities in Wales reported that they had sufficient childcare for parents working atypical hours; Scotland fared slightly better at nine per cent and England 14 per cent. In rural areas very few local authorities in Wales felt they had sufficient childcare provision; Scotland 14 per cent and England 20 per cent.

37. Furthermore, where childcare does exist it remains expensive. For example, estimates from a scheme based in Bradford suggested that the cost of providing out-of-hours care may be as high as £18 per hour.⁶⁰ Over the last five years childcare costs have risen 27 per cent – meaning parents pay £1,214 more a year in 2014 than they did in 2009.⁶¹ Table 2.2 highlights the regional and national variation in childcare costs over the last five years. The East Midlands saw the smallest increase in childcare costs. The picture is very different in the North East which saw large increases by the different providers. The average cost of 25 hours per week of nursery care in 2014 varied from £5,100 per year in the East Midlands to £7,100 a year in London.⁶²

⁵⁷ Was raised during roundtable launch of Centre Forum report on Early Years, valuable ends and effective means

⁵⁸ Family and Childcare Trust, *Childcare Costs Survey 2014*

⁵⁹ *ibid*

⁶⁰ Institute for Public Policy Research, *Early Developments: Bridging the Gap between Evidence and Policy in Early-Years Education*, 2013

⁶¹ Family and Childcare Trust, *Childcare Costs Survey 2014*

⁶² Family and Childcare Trust, *Annual Childcare Survey, 2014*. Data is for the cost of 25 hours per week nursery care for children aged two and above

Table 2.1: Percentage of local authorities reporting sufficient childcare for particular groups of children, 2014

	England	Scotland	Wales	Britain average of regions and nations
Children aged two or under	54%	32%	22%	49%
Three-and four-year-olds	69%	55%	17%	63%
5–11s	35%	32%	11%	33%
12–14s	17%	23%	6%	17%
Disabled children	28%	18%	6%	25%
Children who live in rural areas	20%	14%	0%	17%
Children of parents who work full-time	54%	23%	28%	49%
Children of parents with atypical work patters, for example, shift workers	14%	9%	6%	13%

Source: Family and Childcare Trust, *Childcare Costs Survey 2014*.

Table 2.2: Changes in childcare cost over a five-year period, 2010–2014

Region/Nation	Nursery 25 hours (under 2)	Nursery 25 hours (2 and over)	Childminder 25 hours (under 2)	Child-minder (2 and over)	After-school club 15 hours
East of England	24%	19%	44%	43%	9%
East Midlands	10%	16%	11%	13%	–9%
London	29%	41%	31%	35%	9%
North East	44%	47%	11%	10%	43%
North West	29%	46%	23%	29%	48%
South East	23%	25%	16%	22%	0%
South West	26%	31%	17%	14%	18%
West Midlands	46%	40%	20%	20%	20%
Yorks and Humberside	12%	11%	13%	13%	–7%
England	26%	30%	21%	22%	8%
Scotland	26%	31%	19%	23%	3%
Wales	32%	29%	19%	18%	18%
Britain average of all regions and nations	27%	31%	21%	22%	9%

Source: Family and Childcare Trust, *Childcare Costs Survey 2014*.

38. As costs of childcare rise, its availability is becoming more limited in some parts of the country. Recent evidence suggests that the current funding mechanism (how the funding is calculated using the single funding formula; funding levels; and expectation to meet the obligations of schools without access to the funding available to schools) and the pressure to cut local authority budgets are putting maintained nursery schools at risk.⁶³ Only 700 maintained nursery schools are still open across the UK and, over the last decade, just under 100 nursery schools have been lost in England (from 520 to 428), more than half

⁶³ Early Education, *Maintained Nursery Schools: Hubs for Quality in the Early Years*

of those in Wales (from 42 to 19) have closed and at least 11 have closed in Scotland (142 currently exist).⁶⁴

39. Although there is a shortage of consistent data on children's centres the evidence suggests their numbers in England decreased by 17 per cent between April 2010 and February 2014, from 3,631 to 3,019, though the Government says most of this decline is due to mergers rather than closures.⁶⁵ The Education Select Committee recently concluded "there is no accurate picture of closures across England, although it can be expected that ongoing budget reductions are likely to have a further impact on the number of centres."⁶⁶ Meanwhile Ofsted has reported on "12 months... characterised by turbulence and volatility", and high local variability.⁶⁷

40. Though overall numbers of users remain high – the most recent 4 Children, Children Centre Census found as many as one million families across the country using children's centres – the Commission is concerned that children's centre provision is being stretched, and is likely to be hit further as public spending reductions bite in the years to come.^{68, 69} The Children Centre Census found that two-thirds (66 per cent) of respondents reported that their centres would be operating with a decreased budget in 2014.

41. Many of the same challenges for childcare and early education are also apparent in **Scotland**, despite a different system with less emphasis on national programmes and, for example, no network of children's centres. The Scottish Government has maintained its focus on early intervention and prevention, driven by the cross-public sector coordinating body the Early Years Taskforce, supported by the Early Years Collaborative – a programme aimed at improving the quality of early years provision. It has also continued to implement its National Parenting Strategy, which stands out from England in its breadth.⁷⁰ The most important recent development has been an extension of the free childcare offer, with the offer of 600 hours per year free early education for three- and four-year-olds in Scotland the most generous in the UK, though fewer two-year-olds are entitled to support than in England (15 per cent of children will be entitled to support in 2014/15, rising to around 27 per cent in 2015/16).

42. **Wales** has a distinctive early years offer focused on Flying Start, a programme for children aged three and under who live in deprived areas and the Foundation Phase for three- to seven-year-olds. All three- and four-year-olds in Wales are entitled to ten hours per week of free early education and two-year-olds who live in Flying Start areas are also entitled to 12.5 hours per week free early education. The Families First programme promotes joint working by agencies in local authorities to prevent and intervene early with at-risk families, especially those in poverty. The past year has seen:

- **Expansion of Flying Start**, with numbers up by one-third to 31,000, keeping the Government roughly on course for its plans to reach a quarter of all four-year-olds by 2016;

⁶⁴ *ibid*

⁶⁵ Ofsted, *Early Years Annual Report, 2012/13*, p27 and www.gov.uk/government/news/more-families-in-need-supported-by-childrens-centres

⁶⁶ Education Select Committee, *Foundation Years: Sure Start Children's Centres*, 2013

⁶⁷ Ofsted, *Early Years Annual Report, 2012/13*

⁶⁸ Commission's own analysis based upon HM Treasury, *Public Expenditure Statistical Analyses*, 2014

⁶⁹ Figures do not include the £755m two-year-old programme, which did not start until the financial year 2013/14 and pre-school data includes under five-year-olds in reception classes

⁷⁰ Positive parenting for all: Clear supported pathways and intensive support where needed; support non statutory organisations working with children. Additional challenges: representing fathers in policies and services; targeted support for teen parents, lone parents and parents of disabled children; improving quality and care for children looked after

- **A positive evaluation of Flying Start** with families receiving more visits from health visitors and higher take-up and awareness of parenting programmes than in similar areas. 90 per cent take-up of the free early education offer, which exceeded the Welsh Government's interim milestone of 85 per cent. The qualitative evaluation said that 'experiencing the Flying Start programme has been life-changing for some high need families'.⁷¹

43. Overall, the picture is one of incremental change in the early years. The outlook is for continued increases in spending, but mixed performance on childcare quality, on support for parenting and on measuring progress. Nowhere in the UK is there significant progress on closing childhood development gaps. We remain a long way from an early years system as good as exists in the Nordic countries and the aspiration of a system where high-quality early education improves children's learning, narrows rather than widens social differences, and affordable childcare enables parents to work.

2.4 Towards 2020 – what is needed to make progress?

44. The responsibility for closing the gaps in affordability, accessibility and quality in the early years does not lie in one place. Some of the prerequisites include:

- Improved **parental health**, including improving mental wellbeing and diet and reducing smoking and the use of drugs and alcohol;
- Informative, parent-targeted **advice and guidance** for before and after birth;
- A stable, safe and language-rich **home environment** for the child to develop;
- Authoritative, warm **parenting**;
- High-quality, affordable but flexible **childcare** which will develop children further and enable parents to work.

The role of different parts of society

UK, Scottish and Welsh Governments set the overall strategic framework for the early years, ensuring that there is clarity on the overall goals and ensuring that funding, incentives, regulation and accountability allow the system to deliver these goals;

Local authorities should ensure that childcare provision in their local areas is of high quality and sufficient to meet the needs of parents, and that parents are well-informed about their options and entitlements;

Providers should ensure that the childcare and early education that they provide is of high quality and accessible;

Charities should provide advice, guidance and support, fulfilling the role of intermediary to the families that need provision and social enterprises should specifically be using their position within society to help tackle social problems, improve communities and peoples life chances;

Parents can parent well by reading to children, being involved in their education and providing the right home learning environment.

45. The rest of this chapter considers what is needed to ensure that these responsibilities are being met.

⁷¹ Welsh Government, *Call for Evidence submission*, July 2014

The UK Government

Childcare provision

46. The UK Government's record on the early years is mixed. It is welcome that the Government has committed to closing the disadvantage gap, a priority most recently reflected in the announcement of the Early Years Pupil Premium (EYPP). Government is now estimated to be spending £4.3 billion, with just over half funding direct provision of childcare and the rest as financial support to parents.⁷² However, official data suggests that spending on pre-school education in England by central and local government fell by nine per cent in real terms between 2010/11 and 2012/13.^{73, 74} England has a more generous entitlement for two-year olds than the UK's other nations. It is also improving measurement and accountability by introducing baseline tests and developing an integrated health and early years review at age two – although its implementation has been slow, but questions remain about how these will be implemented in a way that is proportionate but effective.

47. Equally however, there is further to go in simplifying the childcare landscape, and genuinely making the top priority ensuring that disadvantaged children get the best possible start and that all children are 'school ready' at age five. The Government continues to preside over a system which has developed incrementally, with increasing complexity for parents and providers and little clarity on objectives. At its heart the childcare system seems marooned between different objectives – helping parents to work, helping all children develop and helping close the developmental gap between children from different backgrounds. In particular, there is little sense that the latter objective is given nearly high enough priority in the development and execution of public policy.

48. By 2020 the Commission would expect to see 85 per cent of all children to be school ready by the age of five. This is a challenging target and would require the proportion of children eligible for free school meals doubling over the next six years – with almost three quarters of children eligible for free school meals school ready by 2020. But, if the Government is seriously committed to closing disadvantage gaps throughout the life cycle and tackling the drivers of child poverty, it is unacceptable that a majority of poorer children – and almost half of other children – are not considered to be school ready against the Government's own measurement of this.

49. The complexity of the current system will be exacerbated by the introduction of the new tax-free childcare offer in April 2015. 80 per cent of families that will benefit from the new support for childcare from 2015 under this policy are in the top half of the working-age household income distribution – the wrong priority in a period of austerity where money would best be spent on closing development gaps between disadvantaged and advantaged children.⁷⁵ Moreover, the interaction of the new tax-free childcare scheme with the way childcare costs are subsidised under Universal Credit will effectively mean there will be a three-tier system with different regimes subsidising working families' spending on childcare from 2015, each with different rules. This is expensive to administer, confusing for parents who have to redo their calculations when one or other parent goes back to work or increases hours, and has some perverse consequences for incentives, as pointed out by the Institute for

⁷² Crawford, C. *Childcare in England: a brief introduction*, Institute for Fiscal Studies, 2013

⁷³ Commission's own analysis based upon HM Treasury, *Public Expenditure Statistical Analyses*, 2014

⁷⁴ (a) 'pre-school' data includes <5s in reception classes; and
(b) Figures do not include the £755 million two-year-old programme, which did not start until the financial year 2013/14

⁷⁵ Resolution Foundation, *Resolution Foundation analysis of the 2013 Budget*, 2013

Fiscal Studies among others.⁷⁶ There remains a risk that increased demand-side funding may also simply raise costs if supply does not respond.

50. High-quality childcare is key to closing child development gaps but there is still insufficient priority given to driving up quality. To adapt Andreas Schleicher's remark about schools, no early years system can exceed the quality of its staff.⁷⁷ The research is clear that qualified teacher-led provision for children aged three and four is critically important⁷⁸ and that it makes the most difference for disadvantaged children.⁷⁹ School nurseries and reception classes have dedicated, qualified teachers. But this is true in just 44 per cent of private, voluntary and independent settings.⁸⁰ Schools account for 58 per cent of children taking up the three-and four-year-old entitlement just three per cent of children taking up the two-year-old entitlement and there are regulatory barriers to expansion.⁸¹

51. The UK Government has taken important steps on some aspects of quality including publishing teaching standards, introducing a new Level 3 Early Years Educator qualification from September 2014, and requiring Level 2 English and maths for entry to education and childcare courses, giving bursaries for apprentices, expanding Teach First into the early years, and introducing Schools Direct.

52. But early years teachers do not have Qualified Teacher Status, and there is no funding to support childcare settings to improve pay. This weakens the appeal to many potentially able students who have better incentives to enter other parts of the teaching profession because of higher wages and greater potential for career progression. The UK Government's decision not to take forward the Nutbrown Review recommendation for mandatory Level 3 qualifications for all staff counted in staff-to-child ratios is very disappointing particularly when it is clear that high-quality pre-school is linked to better GCSE scores⁸² and when quality of pre-school has also been shown to be especially important for children from disadvantaged backgrounds.⁸³

53. Limited progress on reducing the complexity of the system is apparent in the very complicated regulatory system under which there are two registers for delivering the Early Years Foundation Stage (the Childcare Register and the Early Years Register) and six inspection frameworks covering maintained schools, independent schools, the Early Years Register, the Childcare Register, children's centres and child-minding agencies. Although the current Government largely inherited this regulatory system and has made some improvements, it is still confused and misaligned with the system's key objectives.

54. It is apparent in clear evidence, as outlined above, that the childcare market does not work well for parents, especially disadvantaged families. Parents wanting to find childcare face a postcode lottery in access to information, which is likely to amplify existing social

⁷⁶ Institute for Fiscal Studies, *Universal Credit: A Preliminary Analysis*, 2011

⁷⁷ Centre Forum, *To teach, to learn: more effective continuous professional development for teachers*, 2013. Quote "The quality of an education system cannot exceed the quality of its teachers."

⁷⁸ Mathers, S., Eisenstadt, N., Sylva, K., Soukakou and Ereky-Stevens, K, *Sound Foundations: a Review of the Research Evidence on Quality of Early Childhood Education and Care for Children Under Three*, 2014

⁷⁹ The Nuffield Foundation, *Quality and Inequality: Do Three-and Four-Year-olds in Deprived Areas Experience Lower Quality Early Years Provision?* 2014

⁸⁰ Department for Education, *SFR: 20/2014: Provision of Children Under Five years of age in England: January 2014*

⁸¹ Department for Education, *SFR: 20/2014: Provision of Children Under Five years of age in England: January 2014*

⁸² Nutbrown Review, *Foundations for Quality – The Independent Review of Early Education and Childcare Qualifications*, June 2012; *Effective Pre-School, Primary and Secondary Education, Increasing Opportunities for Young People and Helping them to achieve their Potential*

⁸³ Department for Education, *Improving the quality and range of education and childcare from birth to five years*, September 2014

differences. The main official source of information for parents is the Family Information Service in each local authority. But these have been found to be “of variable quality and parents with little or no knowledge of the sector may find it difficult to navigate.”⁸⁴ 70 per cent of parents were not even aware of the Family Information Service.⁸⁵ Parents on a lower income and lone parents were less likely to feel they had enough information. Shockingly, over one in three (35 per cent) of couples where neither parent worked were not aware of the free entitlement for three- and four-year-olds.⁸⁶

55. As we have argued previously resolving this issue needs to be about both increasing the supply of information and supporting parents (especially those from disadvantaged backgrounds) to use information effectively, including understanding what high-quality care looks like. The Commission has previously supported baseline tests for children in reception so parents can understand their child’s level of development. We note Ofsted’s concern that, on current plans, this will not be reliable, enable comparison between different providers or be detailed enough to enable parental insight into childcare providers.

Support for parenting

56. The biggest strategic omission in the UK Government’s approach to childcare is in relation to parenting, especially in the early years of a child’s life. There is an emerging consensus among parenting experts – based on good global evidence – about what is needed to be a ‘good’ parent. Research highlights the long-term developmental impacts that good parenting and an effective home learning environment can have on education attainment and therefore children’s futures.⁸⁷ Giving parents advice about developmental activities which can easily be applied at home with little expense is essential as it can have the greatest benefits.⁸⁸ Such advice is currently sporadic and often accessible only by better-off parents.

57. There is little provision beyond Family Nurse Partnerships and, arguably, the Troubled Families Programmes. Parenting remains the Cinderella of early years and public service provision, and in the last year, disappointingly, little has been done to address these fundamental shortcomings. Worse still we have heard evidence of pressure on antenatal classes, which remain one of the most effective opportunities to support parents, even though they are often too focused on the birth and not on improving child development outcomes more broadly.⁸⁹ We are no nearer to the Social Mobility Strategy’s objective of creating “a culture where the key aspects of good parenting are widely understood and where all parents can benefit from advice and support... [which] is considered the norm”.⁹⁰ It is time for the Government to put in place the means to realise this end.

58. The need to do so is given added urgency by the likelihood that child poverty will increase in the years to come. Evidence suggests that income in early childhood is particularly

⁸⁴ Office for Standards in Education, Children’s Services and Skills (Ofsted), *Early Years, 2012/13*

⁸⁵ Department for Education, *Childcare and Early Years Survey of Parents 2012/13, SFR06/2014, 2014*

⁸⁶ Department for Education, *Exploring the Flexibility of the Free Entitlement to Early Education: Research Among Parents*

⁸⁷ Department for Education, *Improving the Quality and Range of Education and Childcare from Birth to Five Years*, (EPSE research and analysis) September 2014

⁸⁸ Institute for Public Policy and Research, *Early Developments: Bridging the gap between evidence and policy in early-years education*, Parker, I. 2013

⁸⁹ <http://www.bbc.co.uk/news/uk-england-york-north-yorkshire-24265728>; http://www.theargus.co.uk/news/11370236.Criticism_over_antenatal_cuts/; and <http://www.bexhillobserver.net/news/local/local-antenatal-classes-are-cut-1-6212640>

⁹⁰ HM Government, *Opening doors, breaking barriers: a strategy for social mobility*, 2011

important⁹¹ – the expected increases in child poverty over the next few years have the potential to damage children’s life chances but as far as we are aware no assessment has been made of its educational consequences. That should now be addressed. Furthermore, parents need more help in understanding what services and funding is available to them.

Recommendations to the UK Government

- **Revisit the basic question of what objectives its childcare policy is seeking to achieve and produce a single overarching statement of government policy and a ten-year road map** for addressing gaps in childcare accessibility, quality and affordability;
- Make the objective for the early years ensuring that all children, including those who do not attend pre-school, are **school ready**. By 2020 we expect to see 85 per cent of all children to be school-ready by age five as a staging post towards all children being school-ready by 2025;
- **Put closing development gaps** between the least well-off children and others at the heart of early years policy;
- Having made the welcome decision to stretch the Pupil Premium to children aged three-and four-years-old as we recommended last year, should set **conditions on how the Early Years Pupil Premium can be tied to improved quality**;
- Review the pay and conditions of the **Early Years Teacher Qualification** with a view to making it as attractive as Qualified Teacher Status;
- **Expand school nursery provision of childcare and review the regulatory system** to reduce bureaucracy and increase the attractiveness to schools of offering childcare;
- Collaborate with third sector organisations to produce an innovative national good-parenting programme that makes seeking **parenting advice the ‘norm’** and breaks the taboo on public policy attempts to improve parenting, from conception to the child reaching adolescence. (See box below for what a national parenting campaign could look like, and why such a programme is important).

⁹¹ Centre Forum, *Early Years: Valuable Ends and Effective Means* 2014

National Parenting Programme

What parents do is more important than who they are:⁹² parent's involvement during a child's earliest years is the single biggest influence on their development. A good quality home learning environment contributes more to children's intellectual and social development than parental occupation, education or income.

Providing an enriched home learning environment enables children to build up important relationships with their parents, builds confidence and gives them the necessary building blocks for doing well in life. This is especially important when preparing children to start school ready to learn.

Some parents are not fulfilling this role for various reasons, with devastating consequences for their children and wider society. We do not believe that poor parenting – or bad parents – should be ignored and childcare providers and local authorities – amongst others – should do more to identify poor parenting and take more active steps to address it.

But there is a gap in terms of the support given to help every parent become an excellent parent. Current Government policies have tried to promote positive parenting with various degrees of success such as the CANparent campaign. Those parents who may benefit the most from parenting advice may not be receiving support due to local authority budget constraints, which may also impact the quality and quantity of the services provided.⁹³

The Commission believes that the time has come for the Government to refocus its policies to support parents. Good parenting should become as big a priority for the Government as good schools. We want to ensure support is reaching all parents to help them in providing a home learning environment that will give their children the best possible start in life. Parenting is difficult and the UK needs to develop a culture where seeking support to develop parenting skills is acceptable and not an admission of failure.

The Commission believes that much of the infrastructure for a national parenting campaign exists but more needs to be done to help local services work together to make sure they meet the needs of all families.

There is an array of different small-scale programmes which are having different levels of success. The most notable in England includes the 'Five to Thrive' programme, which is a training programme aimed at improving the early years workforce so they understand the key factors in children's healthy brain development. It provides a common, evidence-based, way of delivering support to parents. The programme is designed and delivered by a private company⁹⁴ and is bought by local authorities, children centres, charities and others to train their early years workforce.

⁹² Department of Education, Sylva, K, The Effective Provision of pre-school (EPPE) project: findings from pre-school to end of KS1, 2004

⁹³ This is discussed in more depth within this chapter

⁹⁴ Kate Cairns Associates

The Commission recommends that the UK Government uses the evidence base being developed by programmes such as the 'Five to Thrive' programme to roll out a national parenting campaign. It would be expected that they use the information collated to expand the programme to parents with older children. Although, improving parenting styles acquired during the child's early years would be expected to translate into improved parenting for later educational stages too. If successful, it could be expanded to meet the needs of parenting school age children and introduce further programmes such more face-to-face contact with parents.

A National Parenting Campaign that could be rolled out based upon 'Five to Thrive' would include;

- Produce a **clear set of principles** that will be the foundation for improving the home environment, parenting styles and skills. This will be based on **five key, clear, simple to understand messages** – talking, reading, playing, cuddling, and communicating. A full suite of materials to be shared with parents that will be based on these principles, with a small media campaign;
- **Training practitioners** who work closely with the parents of under threes, including health and education professionals. This will help them encourage parents to provide a home environment to develop healthy brain development and support them in doing so;
- Adding new elements covering **parenting style and parenting skills** to existing post-natal parent programmes to help new parents understand the importance of parenting and things they can do to become an excellent parent;
- A complimentary **website that contains all the resources** – like the successful national parenting campaign in New Zealand national parenting campaign - SKIP (Strategies with Kids, Information for Parents).⁹⁵

Hertfordshire implemented the 'Five to Thrive' programme and published an evaluation in 2012 that found:

- The Five to Thrive message was received positively;
- Simple messages conveyed through a five-a-day structure was received well by parents and practitioners;
- Practitioners' knowledge and confidence in baby brain development and parental self-efficacy, confidence with the 'Five to Thrive area' and the perceived importance that parents bestowed on these five areas showed a statistically significant change;
- Qualitative evidence collected by the practitioners suggested that the Five to Thrive programme had an impact on the confidence of parents suffering from depression and post natal depression.

We estimate that the cost of a national roll out for this programme will be around £50 million per year. We propose that this cost could be met by restricting Tax Free Childcare to families where one parent earns over £100,000.⁹⁶

⁹⁵ Ministry of Social Development, New Zealand, *SKIP: what it is and why it works*, 2009

⁹⁶ Policy Exchange, *No Childcare Vouchers for Wealthy*, 2013

The Scottish and Welsh Governments

59. Lack of data makes it difficult to assess how the different nations of the UK compare to each other. A 2013 study using the Millennium Cohort Study⁹⁷ found that:

- Scottish children had the highest vocabulary scores of any nation in the UK at age three; by age five, children in England had closed the gap with Scotland, with children in Wales falling behind; and by age seven ‘children in England continue to make greater progress in their literacy skills than comparable children in Wales and Scotland’, although these patterns were not replicated in other cognitive measures;
- Children in England ‘tend to make the greatest improvement in literacy... such that by the age of seven the word reading ability of children in Wales is behind that of England and Scotland, irrespective of whether they are from families with relatively low or high incomes’. While at age five, the poorest children were not too far behind in vocabulary skills compared to the poorest children in England, by age seven a significant gap emerges. Similarly in Scotland the poorest children perform less well than their low-income counterparts in England; but high-income children in Scotland out-perform high-income children in England throughout the first seven years;
- The study concludes that ‘the more ‘comprehensive’ and perhaps less target-driven systems of Wales and Scotland appear to be associated with greater inequalities in child development’ although it also noted that ‘poor’ children in Wales and Scotland report greater levels of subjective wellbeing.

59. Looking at **Scotland** specifically, there are clear positives like the Early Years Collaborative – a coalition of Community Planning Partners that includes social services, health, education, police and third sector professionals who are committed to improving quality. This performs well in bringing staff together and building a shared understanding, and appears effective in increasing collaboration with health staff. Scotland also has a dedicated parenting strategy – a critical gap elsewhere.⁹⁸ But it is very difficult to tell what all this is achieving in terms of really transforming children’s prospects, and there remains too little emphasis on education in early years provision. It is striking that the new Child Poverty Strategy outcomes framework has an indicator on the cost of 25 hours of childcare but nothing about school readiness. These are major deficiencies.

60. The Commission’s views of progress in **Wales** build on those we expressed last year. The main initiative is the Flying Start programme, which is an interesting model with potential lessons for other nations – especially its integrated focus on high-quality childcare, parenting and language development. It has expanded impressively but its salience is impeded by the lack of a proper baseline to enable really compelling evaluation.⁹⁹ We also remain concerned about disadvantaged children who do not live in Flying Start areas, though we note too that local authorities receive some outreach funding to deliver elements of the programme, and are eligible for support under the universal support programme Families First.

61. More broadly, we identify two broader challenges in the Welsh Government’s strategic approach to the early years. The first is that some early years targets could be more

⁹⁷ Taylor, C.M., Rees, G.M., Davies, O.R., *Devolution and Geographies of Education: The Use of the MCS for ‘Home International’ Comparisons Across the UK, Comparative Education*, 2013

⁹⁸ Although Wales have just published *Parenting in Wales: Guidance on Engagement and Support* which sets out core principles and expectations regarding parenting support

⁹⁹ The National Evaluation of Flying Start highlighted that assessing the extent of improvement in child outcomes across the local authority areas is problematic. This was because few areas had been systematically collecting, collating, analysing and reporting data on developmental milestones from the outset. This made it difficult to assess, objectively, the difference Flying Start has made to outcomes in terms of language, cognitive, social and emotional development and health

stretching, notably aspirations for closing development gaps in the Foundation Phase and the numbers of children reaching developmental milestones in Flying Start. The second is whether the Welsh Government has fully aligned the Foundation Phase – conceived of as experiential and play-based – and the stronger focus on accountability and attainment seen in recent schools reforms.

62. Evaluation findings highlighted to us by the Welsh Government found that most practitioners and stakeholders interviewed felt that the Foundation Phase could improve children’s involvement and wellbeing in the classroom. However, we also note the quantitative evaluation of the Foundation Phase found that inequalities which existed before its creation persisted following its introduction. This was true even among disadvantaged groups, where the potential for narrowing inequalities is greatest.^{100, 101}

63. There is a clear need to align the Welsh Government’s welcome broader intentions to address social justice issues with the approach it takes to early years. At present there is a misalignment which risks undermining the Government’s wider social policy agenda.

Recommendations for Scottish and Welsh governments

- The Scottish and Welsh governments should **introduce a measure to assess the ‘school readiness’ of their children** at age five;
- The Welsh Government should improve the quality of evidence on the impact of policies by designing and implementing programmes in a way that enables more rigorous impact **evaluation** to be built in from the outset.
- The Welsh Government should increase the **focus of numeracy and literacy** within childcare provision as it provides fundamental skills for children’s future learning;
- The Scottish and Welsh governments should **improve the data available and its quality** to allow the performance in the life chances of children in the foundation years to be assessed.

Local government

64. Local authorities are bound by a wide range of statutory duties in relation to the early years. They have a general duty to improve the wellbeing of under-fives and reduce inequalities, to ensure sufficiency of childcare, and to ensure free provision.¹⁰² But there appear to be large variations in how well they discharge these obligations, suggesting the need to do far more.

65. There is also wide variation in the quality and extent of services. For example:

- In relation to information for parents under Family Information Services and wider ambitions on parenting, there is variation between the levels of the service provided to parents and its quality. Up to 70 per cent of parents were not aware the Family Information Service, and at a national level there is no comprehensive online tool for parents to access

¹⁰⁰ Disadvantaged groups include those who are eligible for free school meals and who have special educational needs

¹⁰¹ <http://wales.gov.uk/docs/caecd/research/130717-evaluating-foundation-phase-outcomes-pupils-report-1-en.pdf>

¹⁰² Department for Education, *Early Education and Childcare: Statutory Guidance for Local Authorities*, 2013 and HMG, *Raising Standards – Improving Outcomes: Statutory Guidance on the Early Years Outcomes Duty*

information about early education and childcare.¹⁰³ However, areas such as Hertfordshire has introduced an interesting new way of providing guidance to new parents as set out in the box below and Manchester is pioneering collection of better data on families with children under five;

- In relation to the introduction of the two year old entitlement, some local authorities which appear in a weak position have legitimate reasons for limited progress: for example, large cohorts, lack of capital funding to expand provision and difficulty in finding providers at the available price. But we also heard anecdotal evidence of more unjustifiable differences such as unnecessarily complicated process for accessing free places for parents, slow application times, poor advertising to manage down demand, poor partnering with other agencies and lack of focus at senior levels. These are unacceptable practices;
- More generally on sufficiency of childcare, a recent study by the Citizens Advice Bureau of 16 council areas of England found that 75 per cent did not offer evening or weekend care and four in ten had no childcare spaces available.¹⁰⁴

66. The Commission has also heard evidence that local authorities could do more to support and refocus children's centres through Health and Wellbeing Boards and co-locating other services such as birth registration.¹⁰⁵

Recommendations to local government

- Ensure that **all children are school ready** through the coverage and quality of services it provides and oversees: healthcare, childcare, parenting classes, centres etc;
- Ensure that children eligible for **free childcare** are identified, notified and provided with a high-quality place so that parents have access to high-quality, affordable and flexible childcare that meets their needs;
- Support **children centres** by helping them diversify to meet the changing needs of parents and children.

¹⁰³ Ofsted, *Early Years Annual Report 2012 to 2013*, 2014

¹⁰⁴ Citizens Advice Bureau, *The Practicalities of Childcare: The Practicalities of Childcare: an Overlooked part of the Puzzle*, July 2014

¹⁰⁵ 4Children, *Children's Centres Census 2013*, 2013

Case Study – My Baby’s Brain: Hertfordshire County Council, Childhood Support Services

In response to the report by Graham Allen MP on Early Intervention and Centre Forum’s report on Parenting Matters, Hertfordshire County Council created the ‘My Baby’s Brain’ initiative.

It was ‘conceived in order to convey in simple, accessible language, to parents of very young children, the principles of attachment and the direct impact they have on a baby’s brain development’.

The Council commissioned the Knowledge that Change Lives (KCA) group to design, promote and deliver training for the programme. The Family Matters Institute was then commissioned to evaluate the development, roll-out and impact of the ‘My Baby’s Brain’ project – with the impact evaluation focusing on worker and parental knowledge, confidence and self-efficacy.

- KCA developed and produced the first Five to Thrive resources. These have been **rolled out nationally and are now being used in early intervention and early help initiatives around the country**;
- Hertfordshire County Council worked with a group of health visitors to develop a **post natal group session based on the material**, and this was delivered across settings in Hertfordshire;
- The training offer was further extended to include nursery and pre-school providers in recognition of their acting as a place of parenting. **‘Relationships build brains’ was developed as a sister course to ‘Building baby brains’ and focused on the direct contribution of childcare workers to brain-building activity as alternative attachment figures.**

Childcare providers

67. There is more that can and should be done by childcare providers. The quality of provision in this sector has been rising in recent years but one-fifth of providers are not rated good or outstanding.¹⁰⁶

68. Pre-school children from more deprived backgrounds benefit the most from attending good-quality childcare and receiving the support of professionally trained teaching staff to enable them to be school ready and stop them falling behind their better-off peers – however almost two-thirds of children from poor backgrounds do not reach a ‘good level of development’ by the end of the Foundation Years and so are not school ready.

69. There are providers in areas of high deprivation that buck the trend of poor performance.¹⁰⁷ Providers are addressing three common areas of development delay that are considered widespread in disadvantaged areas through: identifying children’s starting points; forming close partnerships with schools to identify a common meaning for school readiness and using adult-led teaching.¹⁰⁸ (See first case study in the box below).

70. Too many children stall in their progress when entering primary school due to early years providers passing on unreliable assessments. This is partly because there is no nationally set baseline which defines school readiness and allows national comparison. There are however examples (see the second case study in the box below) of early years settings working

¹⁰⁶ Ofsted, *Early Years, Annual Report 2012/13*

¹⁰⁷ Ofsted, *Are you Ready? Good practice in School Readiness, 2014*

¹⁰⁸ Social and emotional development, physical development and communication delay.

together to share information, completing joint training and improving the consistency of assessment for the most vulnerable children.¹⁰⁹

71. Providers appear to be most effective when they engage with parents to understand the needs of the child and to embed learning and development in the home environment. Examples of good practice have been identified by Ofsted which break the inter-generational cycle of low achievement through engagement with parents (see the third case study in the box below).^{110, 111}

Case studies taken from the Ofsted 'Are you ready?' survey

Case study 1

To enable a playgroup to support the needs of their children more effectively they worked closely with children centres to allow them to break down barriers that occurred with parents. The partnership helped parents to develop confidence, literacy and communication, and also address any issues they had with their experience of education. The increase in parents' confidence and skills also appeared to have an impact on children's progress including personal social and emotional development.

Case study 2

A children's centre nursery identified gaps in children's skills through rigorous assessment and put in place a plan for how to address any gaps. This resulted in children making rapid progress, being confident and independent. Furthermore, joint working between the health visitor, the child's key worker, the child and parent for the integrated review for health and early years at 27 months to review the child's health, development and learning appeared to have a positive impact in providing early intervention and support. Any concerns were also quickly addressed through referrals to the relevant agencies.

Case study 3

A children's centre rated outstanding by Ofsted provided play and language workshops to help parents understand and support their child's communication development. Over three sessions families were taught the importance of communication, talking and playing with their children every day and sharing books, rhymes and songs. These development areas were reinforced through regular play and communication sessions and their 'Little Rhyme Maker' sessions. Data collected by the centre showed that of the children who matched the criteria of eligibility for free school meals and who attended 12 or more play and communication sessions: 12 percentage points more achieved a good level of development than children who met the FSM criteria but had attended fewer than 12 sessions. Of the children who attended 12 or more 'Little Rhyme Makers': 25 percentage points more achieved a good level of development than those who didn't attend a children's centre.

¹⁰⁹ Ofsted, *Are you Ready? Good practice in School Readiness*, 2014

¹¹⁰ Ofsted, *Unseen children: access and achievement 20 years on*, 2013

¹¹¹ Ofsted, *Are you Ready? Good practice in School Readiness*, 2014

Recommendations to early years providers

- **Form closer partnerships** with schools to agree what school readiness means for their children;
- **Engage with parents** to build up a relationship and understanding of each family's needs;
- **Qualified teachers** to lead classes containing the most disadvantaged pupils.

2.5 Conclusions and recommendations

72. The Commission strongly endorses the UK, Welsh and Scottish Government's focus on the early years as vital to children's future life chances. There is much to welcome in both what it and previous governments have done. But there are significant risks and gaps in the current approach. Now is the time to take stock and prepare for a shift in the long-term trajectory of both policy and practice. In our view all the players on the early years pitch – government, local authorities, providers and regulators – should be guided by a new shared aim: to ensure poorer children are doing as well as better-off children by the time they start school. That will require Government and the childcare sector to work together to build a shared understanding of what good early years development looks like. That shared aim should be expressed in a new ten year plan which Government should produce in consultation with providers, local authorities and parenting experts to make early years provision affordable, high quality and accessible. That plan should give new prominence to the role of parenting and how parents can be better supported.

What worked and what did not work 2010-2015?

What worked?

- Free childcare for three-and-four-year olds and the most deprived two-year-olds has been successfully implemented, with substantial numbers of families having access their entitlement to free childcare;
- There have been improvements in the **absolute development level** of poorer children and the **Early Years Pupil Premium** should help further progress to be made;
- The quality of **early years providers** has been improved significantly;
- The number of qualified **health visitors** has increased by 28 per cent since May 2010;
- The Scottish **Early Years Collaborative** has led to improved working relationship with experts in the field;
- The Welsh **Flying Start Programme** continues to make an impact on families in the most deprived areas of Wales.

What did not work?

- There is a **lack of clarity in Government** objectives as different departments are promoting potentially conflicting goals, with the Department for Work and Pensions focusing on increasing maternal employment and the Department for Education focused on improving the quality of early education;
- Big **disadvantage gaps** remain, with children eligible for free school meals being far less likely to be school ready than their peers with much local variation in performance;
- The current proposal **for tax free childcare is complicated** with most new resources focused on those with the highest incomes – the wrong priority in a time of austerity;
- A **shortage of places** in some local authorities, with insufficient provision for eligible two-year-olds and many providers of poor quality;
- A tentative and timid approach to addressing **parenting**, with Government pilots of universal parenting classes for parents of under-fives suffering from low take-up;
- No **measures of child development** are currently collected or reported on until children are five years old, with a big gap in understanding effectiveness of policies aimed at closing early child development gaps;
- Issues around **affordability and availability** of childcare mean that many parents have difficulties in returning to work and meeting the expectations their employers have of them.

By 2020 the Commission expects to see progress on five key recommendations

- The UK Government should have refocused policy to ensure that 85 per cent of children are **school ready by age five**, with robust indicators in place to measure progress against a ten year plan to improve accessibility, quality and affordability of childcare;
- The Scottish and Welsh Governments should have introduced a **measure to assess the 'school readiness'** of their children and the Welsh Government should have increased the **focus on numeracy and literacy** within childcare provision;
- Childcare providers should routinely be using **qualified staff** to teach their most deprived children;
- Local authorities should be meeting parents' demand for childcare by having **sufficient high quality and affordable childcare**;
- Parenting groups, providers and governments should have launched a **national parenting programme** and ensured more even access amongst parents to information services.

Focus on...Yorkshire and the Humber



Summary

- Yorkshire has the highest child poverty in the UK, with high unemployment and relatively low median earnings;
- Educational outcomes for less-advantaged children are worse than average and in some areas almost one in three children eligible for free school meals do not progress to a positive destination post-16;
- Labour market outcomes are worse than average, with the second highest unemployment rate in the UK.

Child poverty

- 23 per cent of children are in poverty before housing costs and 29 per cent after housing costs;
- The proportion of children in low-income families varies from 8.3 per cent in Harrogate to 31.7 per cent in Kingston Upon Hull.

Laying the foundations

- 66 per cent of poor children do not achieve a good level of development at age four: this varies from 59 per cent in North East Lincolnshire to 76 per cent in North Yorkshire;
- 30 per cent of early years providers in the most deprived areas require improvement.

Educating the next generation

- 45 per cent of poor children fail to achieve the expected level in reading, writing and maths at age 11: this varies from 37 per cent in Calderdale to 53 per cent in Wakefield;
- 66.4 per cent of poor children fail to achieve five good GCSEs including English and maths: this varies from 56.7 per cent in Kirklees to 78.2 per cent in Barnsley;
- 31 per cent of the primary schools and 59 per cent of the secondary schools in the most deprived areas require improvement.

Moving from school to work

- 5.7 per cent of 16–18 year olds are NEET: this varies from 3.3 per cent in East Riding to 8.1 per cent in North East Lincolnshire;
- 22 per cent of poor 16-year-olds do not go on to a positive destination: this varies from 15 per cent in York to 30 per cent in Wakefield.

Employment, pay and progression

- 13.6 per cent of children live in workless households;
- 71.6 per cent of working-age adults are in employment and the unemployment rate is 7.3 per cent;
- Median hourly pay is £10.59 per hour, nine per cent lower than the UK average;
- 11.5 per cent of the working-age population have no qualifications.

Higher education and the professions

- 15 per cent of poor children progress to higher education: this varies from eight per cent in North East Lincolnshire to 24 per cent in Bradford;
- 106 poor children progressed to Russell Group universities in 2011/12 – 1.3 per cent of children eligible for FSM taking GCSEs in 2008/09;
- 40.5 per cent of people in employment are in managerial, professional or associate professional occupations: this varies from 26.2 per cent in North East Lincolnshire to 51.5 per cent in Ryedale.

Focus on...the East Midlands



Summary

- The East Midlands has relatively low rates of child poverty but relatively low average earnings;
- Educational outcomes for less advantaged children are below average, especially at age 16, with relatively high drop-out rates post-16 and the lowest FSM progression rate to the Russell Group in England;
- Labour market outcomes are about average, though the proportion of workers in professional occupations is somewhat lower than the UK average.

Child poverty

- 15 per cent of children are in poverty before housing costs and 24 per cent after housing costs;
- The proportion of children in low-income families varies from 6.6 per cent in South Northamptonshire to 34.4 per cent in Nottingham.

Laying the foundations

- 68 per cent of poor children do not achieve a good level of development at age four: this varies from 53 per cent in Lincolnshire to 79 per cent in Leicester;
- 37 per cent of early years providers in the most deprived areas require improvement.

Educating the next generation

- 43 per cent of poor children fail to achieve the expected level in reading, writing and maths at age 11: this varies from 37 per cent in Leicester to 72 per cent in Rutland;
- 66.9 per cent of poor children fail to achieve five good GCSEs including English and maths: this varies from 60.6 per cent in Leicester to 71.4 per cent in Derby;
- 37 per cent of the primary schools and 48 per cent of the secondary schools in the most deprived areas require improvement.

Moving from school to work

- 4.8 per cent of 16–18 year olds are NEET: this varies from 1.8 per cent in Rutland to 7.5 per cent in Derby;
- 22 per cent of poor 16 year olds do not go on to a positive destination: this varies from 17 per cent in Leicester to 25 per cent in Nottingham.

Employment, pay and progression

- 10.9 per cent of children live in workless households;
- 73.8 per cent of working-age adults are in employment and the unemployment rate is 5.6 per cent;
- Median hourly pay is £10.78 per hour, seven per cent lower than the UK average;
- 9.3 per cent of the working-age population have no qualifications.

Higher education and the professions

- 15 per cent of poor children progress to higher education: this varies from nine per cent in Nottinghamshire to 31 per cent in Rutland;
- Only 45 poor children progressed to Russell Group universities in 2011/12 – 0.9 per cent of children eligible for FSM taking GCSEs in 2008/09;
- 40.8 per cent of people in employment are in managerial, professional or associate professional occupations: this varies from 27.1 per cent in Ashfield to 61.4 per cent in Rushcliffe.

Chapter 3: Progress on educating the next generation

- There has been progress in improving the attainment of the poorest children in schools over the last year, though wide disadvantage gaps remain;
- However, there has been little progress in closing gender and geographical gaps in the attainment of children from disadvantaged backgrounds;
- Recent improvements in school quality and historic improvements at primary school should feed through into future progress;
- Recent school reforms have the potential to further narrow the attainment gap but there are a number of risks which need to be addressed in order to maximise their impact;
- The risk of rising child poverty and falling school budgets in the next Parliament could make it a challenging environment in which to make the dramatic improvements that are required to close the attainment gap;
- Progress will depend on a coordinated effort from parents, schools and central and local government;
- We recommend raising standards and closing attainment gaps should be the twin objectives for all teachers and all schools;
- Critically, the best teachers should have better incentives, including higher pay, to teach in the worst schools;
- A new outcomes-based means of assessing school performance should be introduced so that schools focus on the quality of extra-curricular activity, character development and careers guidance;
- The education sector should lead a national effort to end illiteracy and innumeracy in primary schools. In secondary schools the gap between children entitled to free school meals and their peers should be halved by 2025.

3.1 Why are the school years important?

1. Education is the key that unlocks potential. The knowledge, skills and aspirations that young people develop while at school lay the foundations for future success in the labour market.

2. Poor children are four times as likely to become poor adults as other children.¹ Those with a low level of educational attainment are almost five times as likely to be in poverty and 11 times as likely to be severely materially deprived as adults as those with a high level of education.² Education can break this cycle. A great education can ensure children can fulfil their potential regardless of the type of family they come from or where they live. Children who leave school with few or no qualifications are far more likely to be unemployed in adulthood and, if they are able to find work, are far more likely to be in low-skilled, low-paid and insecure employment.³

3. The key challenge to social mobility and child poverty is that children from disadvantaged backgrounds are less likely to experience an excellent education than their peers, with the result that they are far less likely to leave school with the skills they need to succeed in the labour market. For example, compared to other children, those eligible for free school meals (FSM)⁴ are:

- Less than two-thirds as likely to leave school with five good GCSEs including English and mathematics (38 per cent compared to 65 per cent);
- Only a third as likely to achieve the English Baccalaureate (nine per cent compared to 25 per cent);⁵
- Twice as likely to be not in education, employment or training (NEET) at age 16 (19 per cent versus ten per cent);⁶
- Likely to earn less as adults (for example, those with two or more A-levels on average earn 14 per cent more than those without).⁷

4. It will be difficult to make substantial progress in improving social mobility and tackling child poverty unless the educational attainment gap between disadvantaged children and others is closed. This has to be a top priority for the next Government. There has been significant progress over the last decade – the proportion of children eligible for FSM achieving five good GCSEs including English and mathematics more than doubled between 2004/05 and 2012/13.⁸ But far too many young people from disadvantaged backgrounds still leave school without good qualifications and the gap between poorer children and others remains unacceptably high.

¹ Research indicates that children who were poor aged 16 in the 1980s were nearly four times as likely to be poor in their early thirties. Joseph Rowntree Foundation. *The Persistence of Poverty across generations, a view from two British cohorts*, 2006

² ONS, *Intergenerational transmission of disadvantage in the UK & EU*, 2014

³ For example, in 2011, adults with no qualifications aged 25-34 were only half as likely to be in work as those with A-level (or equivalent) qualifications or above, almost six times as likely to be unemployed and, if they were in work, over eight times as likely to work in elementary occupations. Office for National Statistics, *2011 Census, Qualifications and Labour Market Participation in England and Wales*, 2014

⁴ The entitlement to FSM is used as a proxy for poverty. Eligibility for FSM is mainly based on receipt of out-of-work benefits. It is used by Government to identify children in families from low incomes. Entitlement for the Pupil Premium is based on having received FSM at any point in the last 6 years. The Department for Education often refers to pupils entitled to the Pupil Premium as 'disadvantaged'.

⁵ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics*, 2014. Achieving the English Baccalaureate means attaining A*-C in six core academic subjects, including English, mathematics, history or geography, two sciences and a foreign language

⁶ Department for Education, *Destinations of Key Stage 4 and Key Stage 5 Pupils: 2011 to 2012*, 2014

⁷ HM Government, *2014-17 Child Poverty Strategy*, 2014

⁸ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics*, various years

Children eligible for FSM suffer a ‘triple whammy’ of educational disadvantage:

- They **arrive at primary school less ready** to learn than their peers: only a third achieve a ‘good level of development’ at age five compared to over half of their peers (36 per cent versus 55 per cent);
- They then **leave primary school with a less secure grasp of the basics of literacy and numeracy** than their peers: less than two-thirds achieve the expected level in reading, writing and mathematics compared to more than three-quarters of their peers (60 per cent versus 79 per cent);
- They **make less progress during secondary school** so gaps increase: only just over half make ‘expected progress’ in mathematics compared to almost three-quarters of other children (51 per cent versus 74 per cent).

The overall effect is that almost two-thirds of children eligible for FSM do not achieve five good GCSEs including English and mathematics compared to around a third of other children. Their risk of ending up in poverty as adults is much greater as a result.

3.2 What is happening to the problem?

5. Our report last year concluded that the UK Government was broadly on the right track on schools policy with much to welcome in its approach. We highlighted a number of features of successful school systems across the world, including school autonomy and accountability, collaboration, high teacher quality, ambitious standards, high expectations, low segregation by ability and a focus on low-income students. We concluded that the UK Government’s agenda for schools broadly aligns with this international evidence.

6. We also highlighted a number of long-standing areas of weakness in our school system where there were risks to continued progress in closing the attainment gap. Weaknesses we identified included:

- Significant variations in school and teacher quality;
- Limited scope for poorer parents to exercise meaningful school choice or access the best schools;
- Insufficient focus on disadvantaged children in some schools, including neglect of high attainers from low-income backgrounds;
- Limited incentives for schools to focus on children from working poor households;
- Too little focus on preparing pupils for life beyond school through careers advice, developing wider ‘character’ skills and helping children get high-quality work experience.

7. We made four main recommendations for how the Government and others could address these risks:

- The UK Government should ensure that raising standards and closing the attainment gap are the twin objectives for all teachers and all schools embedded throughout the schools system;
- Local authorities, schools and the UK Government should have a stronger focus on eliminating the geographical lottery in school performance by introducing new area-based collaborative approaches to drive up standards, building on the lessons from the London Challenge, further adopting reforms such as academies, strengthening incentives

for teachers to teach in challenging schools and broadening the school failure regime by putting in place a more nuanced suite of interventions;

- Schools, local authorities and the UK Government should prioritise low attainment as a threat to children's life chances, including enabling the Pupil Premium to be focused on children who are not poor but who are at risk of failing on core benchmarks at school;
- The UK Government should provide additional resources to schools to provide high-quality careers services, while schools should ensure they build long-term relationships with businesses and improve work experience opportunities, and Ofsted should assess and report on their performance.

8. Scotland and Wales face similar challenges in closing the attainment gap. Poor children in Scotland perform about the same as those in England and the 'disadvantage gap' is similar despite some systemic advantages such as lower segregation by household income between schools.⁹ Poor students in Wales lag behind those elsewhere in the United Kingdom: only 26 per cent of children eligible for FSM achieve five good GCSEs including English and mathematics¹⁰ compared to 38 per cent of poor children in England. This performance is lower than in all but six of the 152 local authority areas in England.¹¹

9. We found that there was a lack of emphasis on closing attainment gaps between rich and poor students in Scotland compared to the rest of the United Kingdom. We called for greater focus on this by targeting funding, programmes and better, more transparent data. While there was greater awareness of the issue and focus by policy-makers in Wales, we called for more ambitious targets to close the gap, given the relatively low attainment of poor children in Wales, and to increase focus on disadvantage gaps 'beyond the basics'.

Recent developments

10. There have been a number of welcome developments in England since our report last year, including:

- **Increased focus on poorer pupils in the accountability system**, by ensuring no schools would normally be judged 'outstanding' by Ofsted unless children eligible for the Pupil Premium make good progress, by directing schools not making good use of the Pupil Premium to commission external Pupil Premium Reviews, and by increasing the value and status of the Pupil Premium awards;¹²
- **A new primary and secondary accountability regime for 2016** raising the bar on the 'expected level' of attainment at the end of primary school. At secondary, the Government are reducing incentives to only focus on children on the C/D borderline at the expense of other children by supplementing the current five A*–C (including English and mathematics) measure;
- **Toughening up on careers advice.** Ofsted inspections are now taking more account of the quality of careers advice and student destinations in judging the effectiveness of a school's leadership and management. The Department for Education has published helpful new guidance which provides good practice information and links to resources to help schools and colleges meet their duty to secure independent careers guidance for young people;¹³

⁹ Centre for Economic Performance, *Education in a Devolved Scotland: A Quantitative Analysis*, Special Paper No 30, May 2013,

¹⁰ In 2012/13 – Statistics for Wales, *Achievement and Entitlement to Free School Meals in Wales*, 2014

¹¹ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics*, 2014

¹² <http://www.pupilpremiumawards.co.uk/>

¹³ Department for Education, *Careers guidance: advice for schools*, April 2014

- **Continued implementation of reforms**, including increases in the number of academies at both primary and secondary levels, changes to the curriculum and accountability framework, reforms to teacher training, the ending of modular GCSE courses and implementing universal FSM for five- to seven-year-olds;
- Publication of a report on the underachievement of white working class children by the Education Select Committee, which made a number of recommendations to Government.¹⁴

11. The Commission has also published a number of relevant research and reports in the last year:

- **Research on the London Challenge**, which found that much of the ‘London effect’ – the rapid increase in GCSE attainment of poor¹⁵ children in London observed since 2004 – can be traced back to earlier improvements in attainment in primary schools;¹⁶
- **Research on progression of high-achieving students from disadvantaged backgrounds** which found that poorer students who achieve excellent results in primary schools tend to fall behind more advantaged students with similar results during secondary school. As a consequence, 2,200 fewer poor¹⁷ children who achieved Level 5 in English and mathematics at age 11 enter elite universities than would be the case if these progression gaps did not exist;¹⁸
- **Cracking the Code** which found that 14,000 disadvantaged children¹⁹ would achieve five good GCSEs including English and mathematics if every school closed half the gap with the top 20 per cent of schools. The report recommends a number of steps that schools could take to close the disadvantage gap.²⁰

Current outcomes

12. Overall the story of the last year is one of modest changes in outcomes. In particular, there were small increases in the attainment of children eligible for FSM in England during 2012/13 across the age range, while ‘attainment gaps’ between poorer pupils and the rest were broadly constant. Over a longer period, there has been significant progress in the absolute attainment of poorer children, with twice as many achieving five good GCSEs including English and mathematics than in 2004/05. However, even after years of government focus a large attainment gap remains.²¹

¹⁴ House of Commons, Education Select Committee, *Underachievement in Education by White Working Class Children*, 2014

¹⁵ The research refers to those pupils who were eligible for FSM.

¹⁶ Social Mobility and Child Poverty Commission, *Lessons from London Schools for Attainment Gaps and Social Mobility*, 2014

¹⁷ The research measured the socioeconomic background of children based on the child’s FSM status during secondary school and an index of socio economic status (SES) that combines FSM eligibility with a variety of measures of the deprivation of their neighbourhood.

¹⁸ Social Mobility and Child Poverty Commission, *Progress Made by High Achieving Children from Disadvantaged Backgrounds*, 2014

¹⁹ The research used entitlement to the Pupil Premium as a proxy for disadvantage.

²⁰ Social Mobility and Child Poverty Commission, *Cracking the code: how schools can improve social mobility*, October 2014

²¹ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics*, 2014

Figure 3.1: Attainment at age 16 (5 good GCSEs including English and mathematics) from 2009/10 to 2012/13 between FSM and non-FSM pupils.

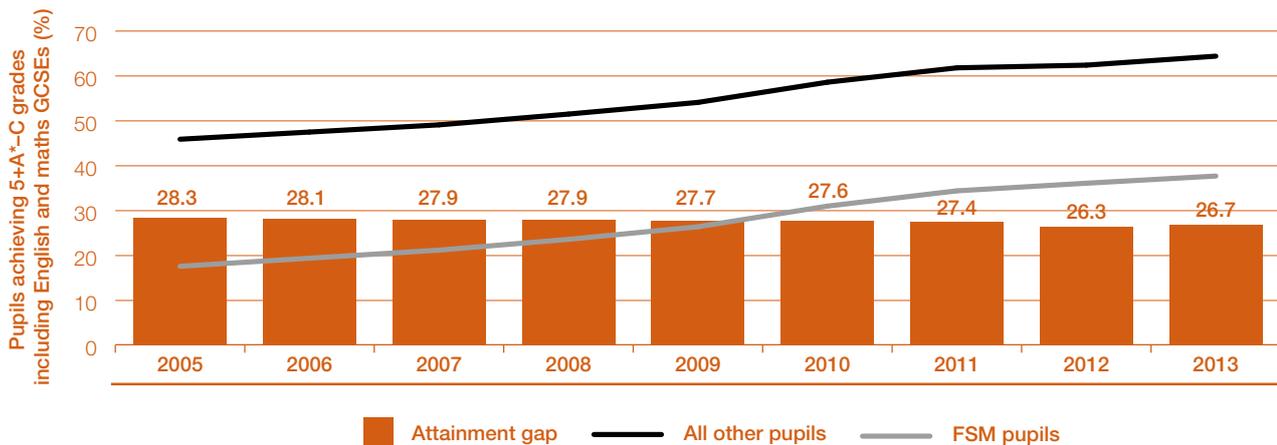


Figure 3.2: Attainment at age 7 (Key Stage 1), 11 (Key Stage 2) and 16 (Key Stage 4) in 2012/13



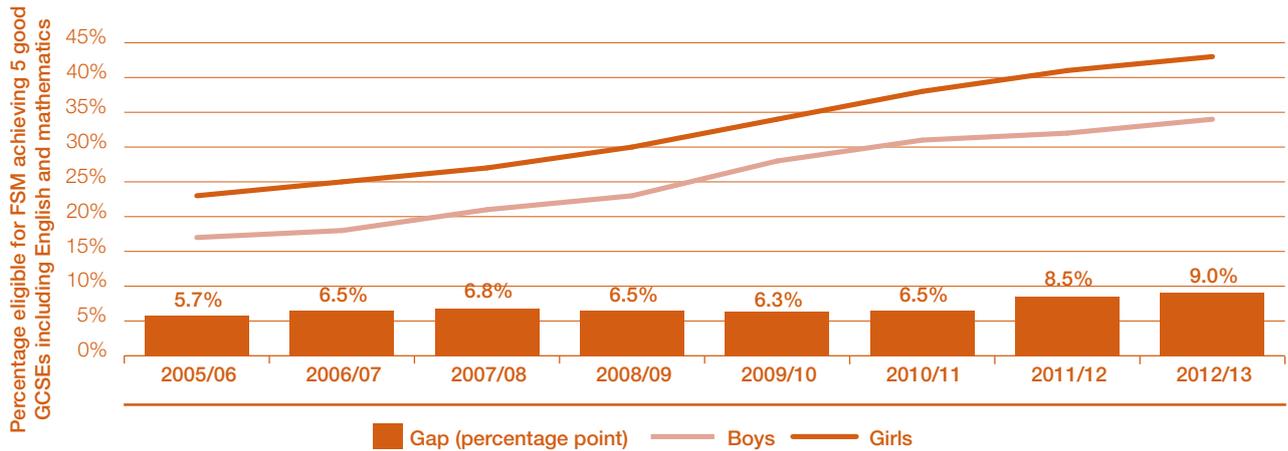
Source: Department for Education, various statistical releases. (KS1 data represents the percentage of children achieving Level 2 in reading. KS2 represents the percentage of children achieving Level 4 in reading, writing and mathematics. KS4 represents the percentage of pupils achieving five good GCSEs including English and mathematics.)

Variation by gender

13. There is a big difference between the attainment of boys and girls eligible for FSM which has been widening in recent years. Girls eligible for FSM are 26 per cent than boys more likely to get five good GCSEs including English and mathematics (43 per cent of girls versus 34 per cent of boys). Since 2009/10, the attainment of girls eligible for FSM has increased more rapidly than that of boys, meaning the gender gap has widened.²² (See Figure 3.3.)

²² Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics*, 2014

Figure 3.3: Trends in gender gap among children eligible for FSM at GCSE

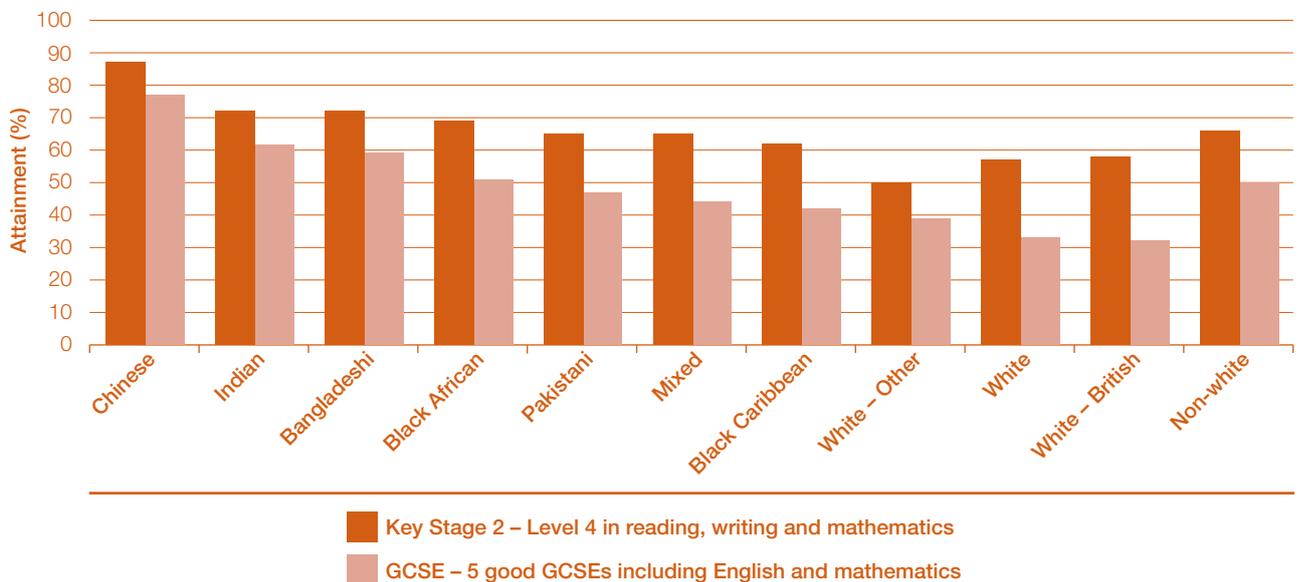


Source: Department for Education, various statistical releases.

Variation by ethnicity

14. There remain large variations in attainment remain between children eligible for free school meals from different ethnic backgrounds (see Figure 3.4). These have been broadly static in recent years. As the recent report from the Education Select Committee showed, white children are the lowest performing ethnic group across the age range.²³ One in three white children eligible for FSM attained five good GCSEs (including English and mathematics) in 2012/13 compared to half of non-white children. Similarly, only 6 per cent of white children eligible for FSM achieved the English Baccalaureate in 2012/13, compared to 15 per cent of non-white children.²⁴

Figure 3.4: FSM attainment by ethnicity



Source: Department for Education, *National Curriculum Assessments at Key Stage 2, 2013* and Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics, 2014*

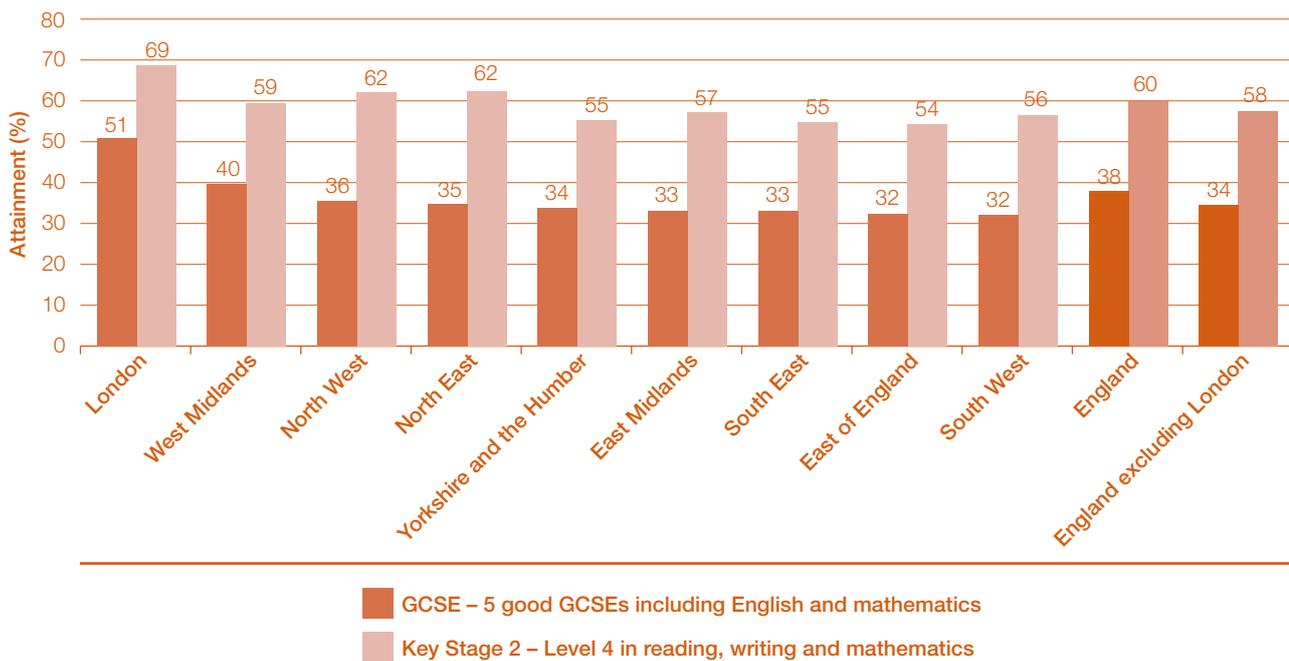
²³ House of Commons, Education Select Committee, *Underachievement in Education by White Working Class Children, 2014*

²⁴ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics, 2014*

Geographical variations

15. There are large variations between different parts of the country in how well poorer children do at school. By region, the proportion of children eligible for FSM achieving five good GCSEs including English and mathematics varies from 32 per cent for those living in the South West and in the East of England to 51 per cent for those living in London (see Figure 3.5). By local authority district, this varies from 15 per cent for those living in Copeland in Cumbria to 62 per cent for those living in Westminster (see Figure 3.6).²⁵ These local patterns show there are real attainment issues facing poor children living in rural and coastal areas.

Figure 3.5: FSM attainment by region of residence



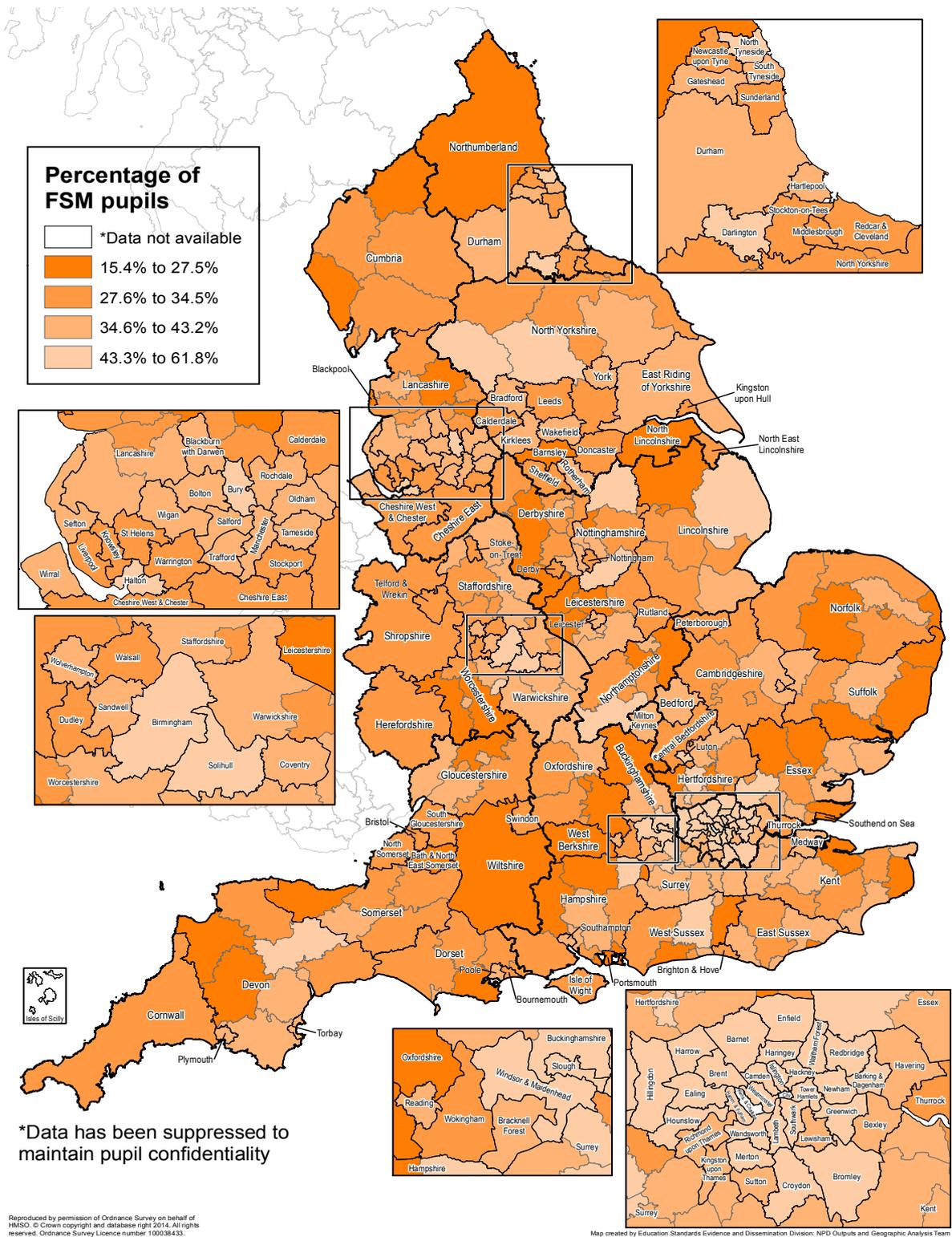
Source: Department for Education, *Neighbourhood Statistics in England 2012 to 2013, 2014*

16. One reason for the geographical variation in the attainment of poorer children is differences in the ethnic mix in different local areas. More than two-thirds of children who sat GCSEs in Inner London in 2012/13 were from non-white ethnic backgrounds compared to less than 1 in 20 of those in the North East. But significant variation exists even controlling for this. For example, looking at attainment of children eligible for FSM from white backgrounds alone, London still performs significantly better than other regions (see Figure 3.7). Recent research by the Institute for Fiscal Studies for the Commission concluded that demographic factors, including ethnicity, explained only about a fifth of London's relative advantage over other areas on the five A*-C measure at GCSE.²⁶

²⁵ Department for Education, *Neighbourhood Statistics in England 2012 to 2013, 2014*

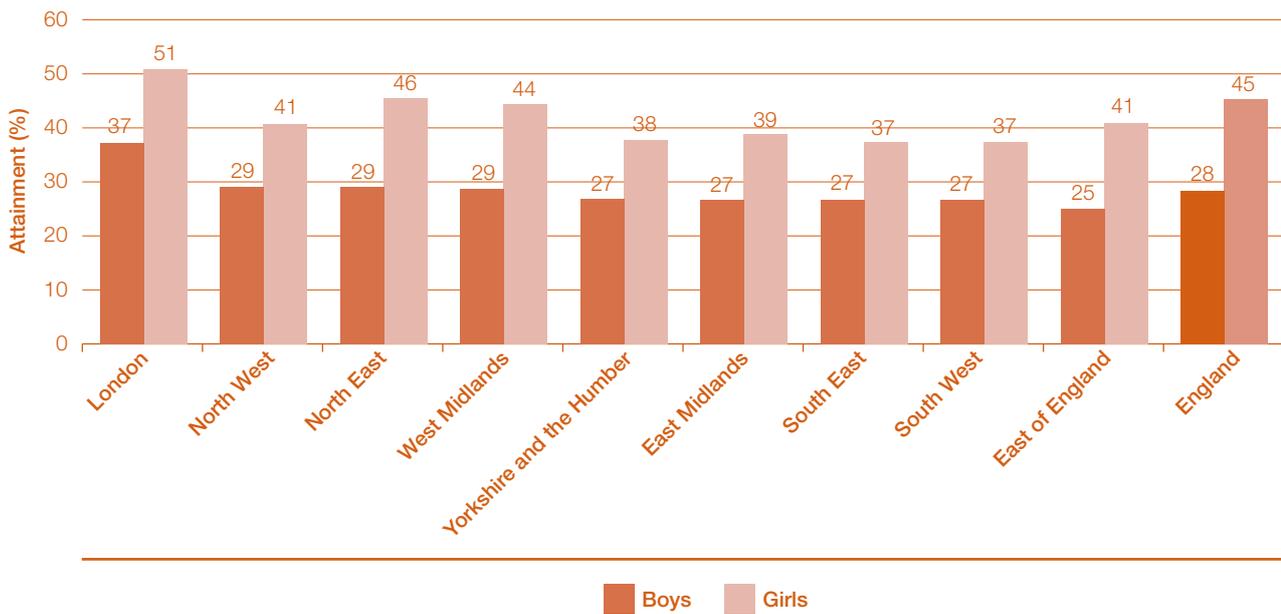
²⁶ Social Mobility and Child Poverty Commission, *Lessons from London Schools for Attainment Gaps and Social Mobility, 2014*

Figure 3.6: Attainment of five good GCSEs including English and mathematics by local authority district of residence



Source: Department for Education, *Neighbourhood Statistics in England 2012 to 2013*, 2014

Figure 3.7: Attainment of five good GCSEs including English and mathematics by white students eligible for FSM by gender



Source: Internal analysis by the Department for Education.

The London effect²⁷ – lessons from London schools

London used to have the worst state schools in the country. Today they are among the best. That did not happen by chance. Our research explored the drivers of this dramatic increase in attainment.

Disadvantaged pupils perform better in Inner London than in other regions and have pulled even further ahead over the past decade, something that has often been referred to as the 'London effect'.

What explains these effects?

Is it the different mix of pupils in Inner London?

Inner London has higher levels of deprivation and a greater number of pupils from ethnic minority backgrounds. It explains some of the results, but demographics alone do not explain all of the London effect.

*Over three-quarters of the London effect is **not** explained by pupil characteristics.²⁸*

²⁷ Social Mobility and Child Poverty Commission, *Lessons from London Schools for Attainment Gaps and Social Mobility*, 2014

²⁸ Part of the improvement in results for Inner London can be explained by changes in pupil and school characteristics over time. The rest of England rises from 7 percentage points in 2002 to 21 percentage points by 2012, and the differential after controlling for pupil and school characteristics rises from 10 percentage points to 17 percentage points. Social Mobility and Child Poverty Commission, *Lessons from London Schools for Attainment Gaps and Social Mobility*, 2014

Is it prior attainment?

Our research shows that the higher level of achievement at the end of secondary school in London can mostly be explained by differences in prior attainment at the end of primary school.

This suggests that much of the improvement over the last decade in the attainment of children eligible for FSM is unlikely to have been driven by secondary schools as was previously thought. Instead, the roots are likely to lie in primary schools or even earlier.

There was a substantial improvement in Key Stage 2 English scores for children from disadvantaged backgrounds in London between 1999 and 2003, which is a key driver of the improvement in GCSE results in London seen between 2004 and 2008.

The London effect translates into higher levels of participation in Key Stage 5. But the higher GCSE results in Manchester and Birmingham (who also perform better than the national average) do not translate into higher levels of Key Stage 5 participation. This suggests that while a focus on primary schools is important, secondary schools have a vital role in keeping those students on track to ensure they achieve the higher levels necessary to access Key Stage 5 and further study.

Policy implications

- **First**, closing the disadvantage gap will require an increased focus on primary schools;
- **Second**, partly because of the power of early achievements, improvements in school quality take a long time to be seen in national results. Improvements in primary schools in London from 1999 through to 2003 were seen in GCSE results between 2004 and 2008 and have only recently become part of accepted wisdom;
- **Third**, given that achievements take a long time to be seen, we need to attribute recent improvements to policies much further back in time. Improvements in London seem more likely to have primarily resulted from changes occurring in the late 1990s and early 2000s.

Variations between different schools

17. Variations in the attainment of poor children are even bigger between different schools than between different geographical areas. For example, 5 per cent of schools help more than 68 per cent of their disadvantaged children²⁹ to achieve five good GCSEs including English and mathematics – higher than the national average for non-disadvantaged children. At the other extreme, there are 5 per cent of schools where less than 20 per cent of disadvantaged children achieve five good GCSEs – below half the national average for disadvantaged children. In 15 per cent of schools, not a single child eligible for the Pupil Premium achieved the English Baccalaureate in 2012/13.³⁰ This again shows that schools with similar cohorts are achieving vastly different outcomes for disadvantaged children.

²⁹ The term disadvantage children refers to those children eligible for the Pupil Premium

³⁰ Commission analysis using the underlying data published by the Department for Education in the annual performance tables. The analysis includes 2,830 maintained mainstream secondary schools – all schools for which performance data is available, excluding grammar schools and schools with fewer than six 'ever FSM' pupils who sat GCSEs in 2012/13 (data is suppressed in published performance tables for these schools)

High attainers

18. Low-ability children from wealthy families overtake high-ability children from poor families during primary school.³¹ Research for the Commission found that poorer students who achieve excellent results in primary school tend to fall behind more advantaged students with similar results during secondary school.³² We also know poor children are less likely to be high attainers:

- At **Key Stage 2**, only 10 per cent of children eligible for the Pupil Premium achieve a Level 5 in reading, writing and mathematics, compared to 26 per cent of other pupils;³³
- At **GCSE**, only 10 per cent of children eligible for the Pupil Premium achieved the English Baccalaureate, compared to 28 per cent of other children;³⁴
- At **A-level**, only 15.9 per cent of children eligible for FSM in Year 11 go on to achieve two or more A-levels by the age of 19, compared to 37.9 per cent of other children.³⁵

³¹ See research by the Social Mobility and Child Poverty Commission, *Progress Made by High Achieving Children from Disadvantaged Backgrounds*, 2014 and earlier work by Feinstein, L., *Inequality in the early cognitive development of British children in the 1970 cohort*, *Economica* 70 (277), 2003

³² Social Mobility and Child Poverty Commission, *Progress Made by High Achieving Children from Disadvantaged Backgrounds*, 2014

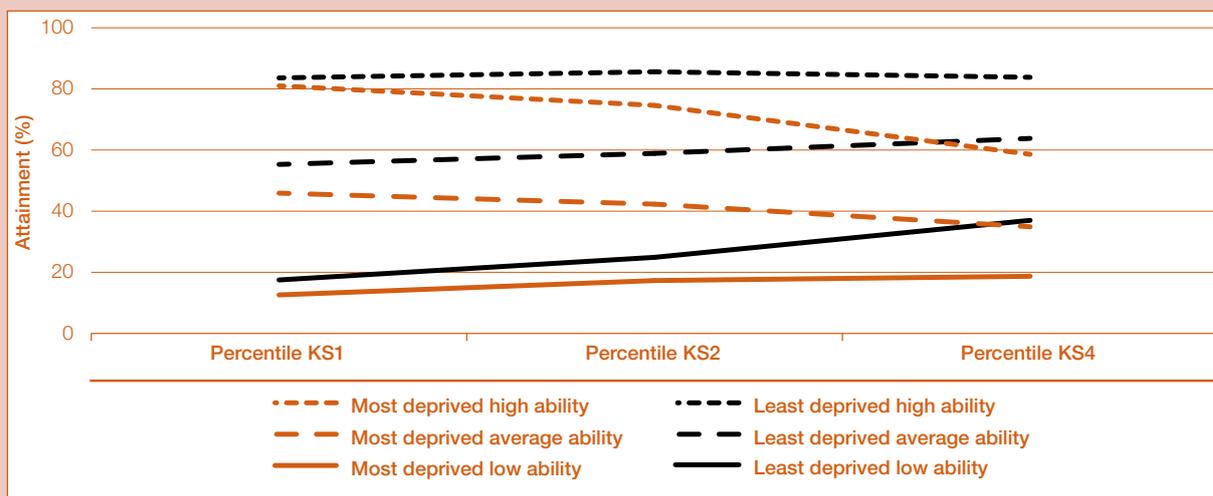
³³ Data published by the Department for Education within data underlying Key Stage 2 performance tables

³⁴ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics*, 2014

³⁵ Department for Education, *Level 2 and Level 3 Attainment by Young People Aged 19 in 2013*, 2014

Progress made by high-achieving children from disadvantaged backgrounds³⁶

- Research for the Commission found that children from poorer backgrounds who are high attaining at age 7 are more likely to fall off a high-attainment trajectory than other children;
- The research found that children from the most deprived families with high attainment at age 11 on average fall behind lower-achieving students from the least deprived families by the time they sit their GCSEs, and vice versa;



- If children from the most deprived homes³⁷ getting Level 5 in English and mathematics at age 11 followed the trajectory of children from better-off families with similar results, 2,160 more would go to an elite university³⁸ each year;
- The key policy implication is that the period between Key Stage 2 and 4 appears to be a crucial time to ensure that higher-achieving pupils from poor backgrounds remain on a high trajectory. Early years and primary school are of course important, but they are not all that matters.

Our overall assessment

19. Since 2009/10, there have been continued improvements in the number of poor children achieving the expected attainment levels across the entire age range. This is good news.
20. Unfortunately, there has been less progress in narrowing attainment gaps between poor children and their peers. In particular, there is still considerable variation in attainment based on gender, ethnicity, and geography, and between high-attaining poor pupils and their peers.
21. It is important to be clear that this assessment is **not** a judgement on the impact of recent reforms. As our recent research on the lessons from London highlighted, changes in school quality take a long time to feed through into national results.³⁹ This means it is likely that recent reforms – many still in the process of being implemented – will have played a

³⁶ Social Mobility and Child Poverty Commission, *Progress Made by High-Attaining Children from Disadvantaged Backgrounds*, 2014 (chart page 25)

³⁷ Defined as children in the least deprived quintiles of the socioeconomic status index

³⁸ The research defines elite universities as Russell Group institutions or other institutions with similarly high Research Assessment Exercise scores

³⁹ See Social Mobility and Child Poverty Commission, *Lessons from London Schools for Attainment Gaps and Social Mobility*, 2014

relatively minor role in recent trends and it is still too early to judge their success or otherwise in closing attainment gaps.

22. Nonetheless, at the current rate of progress it will be decades before the attainment gap between the poorest pupils and their peers will be closed. Indeed, we estimate that it would be at least 30 years before the current gap was halved.⁴⁰ That is not acceptable. A much faster trajectory is needed.

3.3 What is likely to happen in the future?

23. We can get some sense of likely progress in closing attainment gaps and improving social mobility over the next few years by looking at the key drivers of the attainment gap. These include:

- **Changes in school quality** which will affect the amount of progress children from different social backgrounds make during each phase of their education. This is the key channel through which school reforms, teacher quality, changes to school funding (including the Pupil Premium) and changes to the accountability regime will operate;
- **Prior attainment** of children and young people who will be assessed at the end of primary school (in the early years and Key Stage 1) and GCSEs (at Key Stage 2) over the next few years;
- The **home learning environment**, including parenting, has a critical effect on attainment.⁴¹ This is the key channel through which changes in child poverty and inequality – indirectly, and mediated by what parents do – will affect the attainment gap;
- Tackling other barriers to children reaching their potential. This covers what schools are doing to support the development of **'character and resilience'** and improving the information, advice and guidance disadvantaged children receive through better **careers advice**.

School quality

24. Improving the chances of poor children attending a good school – either through improving school quality or making admissions fairer – will reduce the attainment gap.⁴² But we know that the quality of schools that poorer children attend is, on average, far lower than those of other children.⁴³ Children eligible for the Pupil Premium are:

- More likely to attend a primary school that is inadequate or requires improvement (25 per cent versus 20 per cent);
- More likely to attend a secondary school that is inadequate or requires improvement (33 per cent versus 26 per cent);
- Less likely than others to attend an outstanding primary school (13 per cent versus 19 per cent);

⁴⁰ If the absolute annual growth in results of children eligible for FSM and children not eligible for FSM over the last three years remains constant.

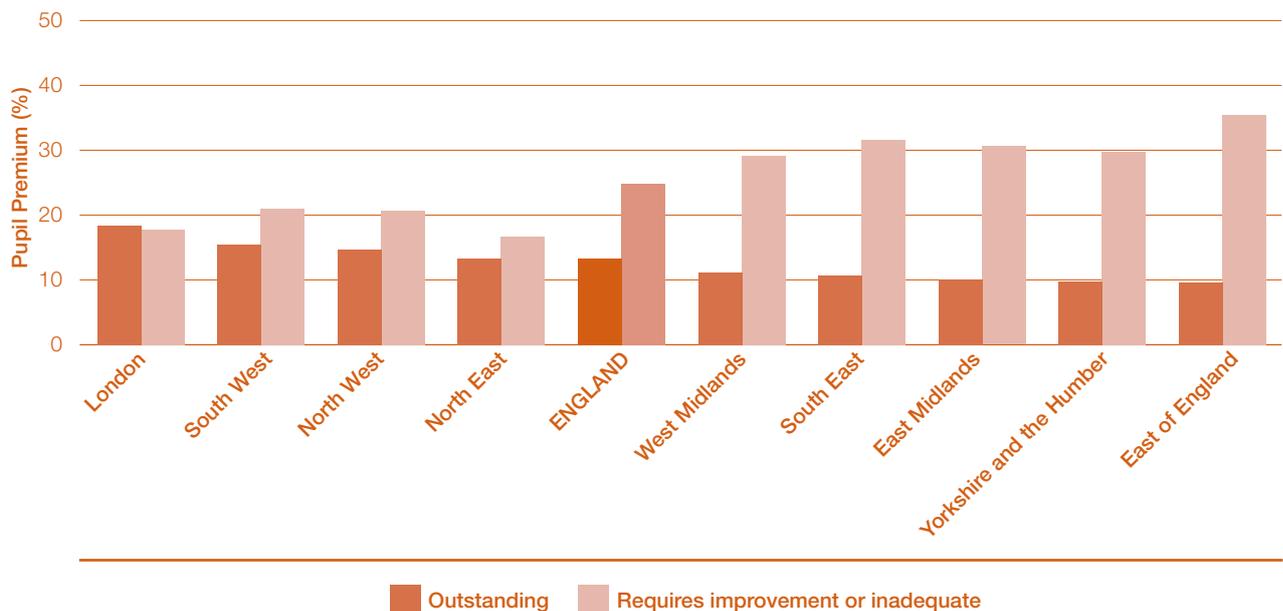
⁴¹ Joseph Rowntree Foundation, *Poorer Children's Educational Attainment: How Important are Attitudes and Behaviour?*, 2010

⁴² Ofsted, *Unseen Children: Access and Achievement 20 Years On*, 2013

⁴³ Commission analysis using the Ofsted database of inspection judgements as at 31 December 2013 matched to data on the number of disadvantaged pupils in each school taken from published data from the school census underlying Department for Education performance tables.

- Less likely than others to attend an outstanding secondary school (19 per cent versus 25 per cent).
25. This is an important reason why children entitled to free school meals on average make less progress than other children, even controlling for prior attainment:
- Just over half of children eligible for free school meals completing their GCSEs made 'expected progress' during secondary school in English and mathematics, compared to almost three-quarters of their peers;⁴⁴
 - In 2007/08 (the most recent data that has been published), of the pupils achieving Level 4 at the end of primary school less than a third of children eligible for FSM went on to achieve five good GCSEs including English and mathematics compared to almost half of other children (31 per cent compared to 48 per cent).⁴⁵
26. There is wide geographical variation in the quality of schools attended by poor children, especially during secondary school. As Sir Michael Wilshaw has said, removing the postcode lottery between the 'lucky and unlucky child' has to be a priority for school reformers.⁴⁶ Children eligible for the Pupil Premium who live in London are almost twice as likely to attend an outstanding primary school, as poor children in the East of England, and more than three times as likely to attend an outstanding secondary school as children in Yorkshire and the Humber.⁴⁷ There are similar differences in the chances of attending a school which requires improvement (see Figure 3.8 and Figure 3.9).

Figure 3.8: Children eligible for the Pupil Premium by Ofsted rating of primary school

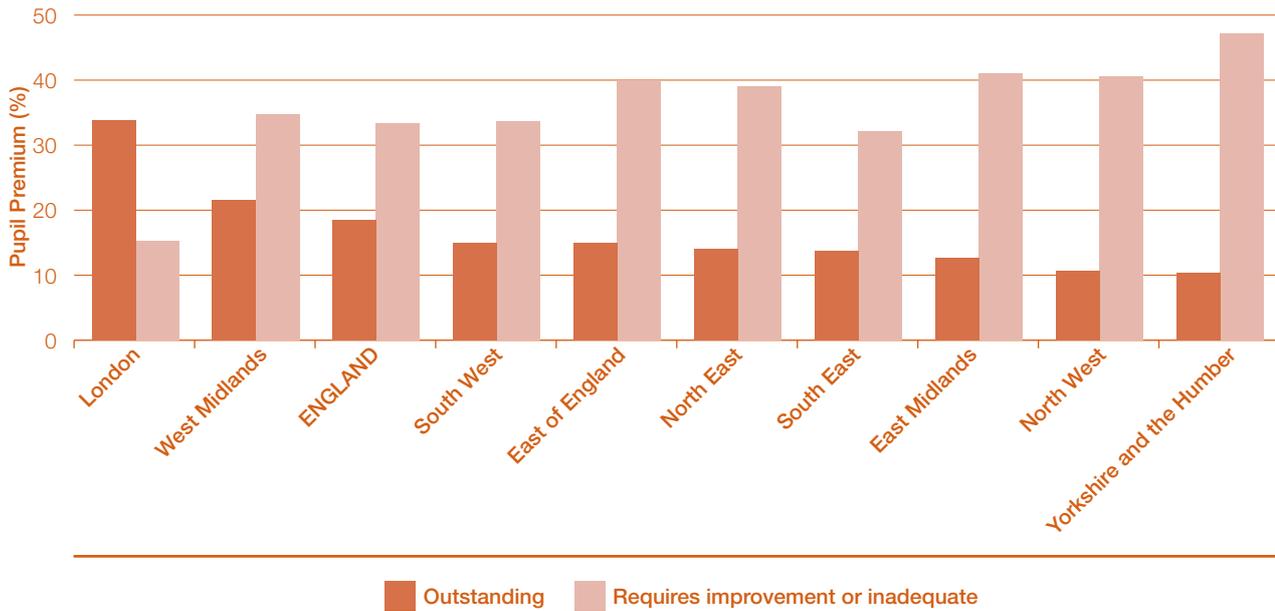


⁴⁴ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics*, 2014

⁴⁵ Department for Children, Schools and Families, *Measuring Progress at Pupil, School and National Level*, 2009

⁴⁶ Sir Michael Wilshaw, *Ofsted annual report*, November 2012

⁴⁷ Commission analysis using Ofsted data on school inspections matched to data from Department for Education performance tables on the numbers of children eligible for the Pupil Premium in each school

Figure 3.9: Children eligible for the Pupil Premium by Ofsted rating of secondary school

27. For decades policy-makers have focussed on raising school standards to address these issues. Thankfully, school quality – as measured by Ofsted judgements – has been improving over time for children in deprived areas. But there has been little change in access to ‘outstanding’ provision – gaps with more advantaged areas have actually widened. Between August 2009 and March 2014:

- At **primary**, the proportion of children in the most deprived areas taught in outstanding schools increased from 12 per cent to 14 per cent and the proportion taught in schools which require improvement or are inadequate decreased substantially from 45 per cent to 25 per cent;
- At **secondary**, the proportion of children in the most deprived areas taught in outstanding schools increased from 17 per cent to 20 per cent and the proportion taught in schools which require improvement or are inadequate decreased from 46 per cent to 33 per cent.⁴⁸

28. Improving schools is an important part of breaking the intergenerational gap and improving social mobility. But on its own it is not enough to break the link between poverty and attainment as even in outstanding schools attainment remains linked to a child’s family background.⁴⁹

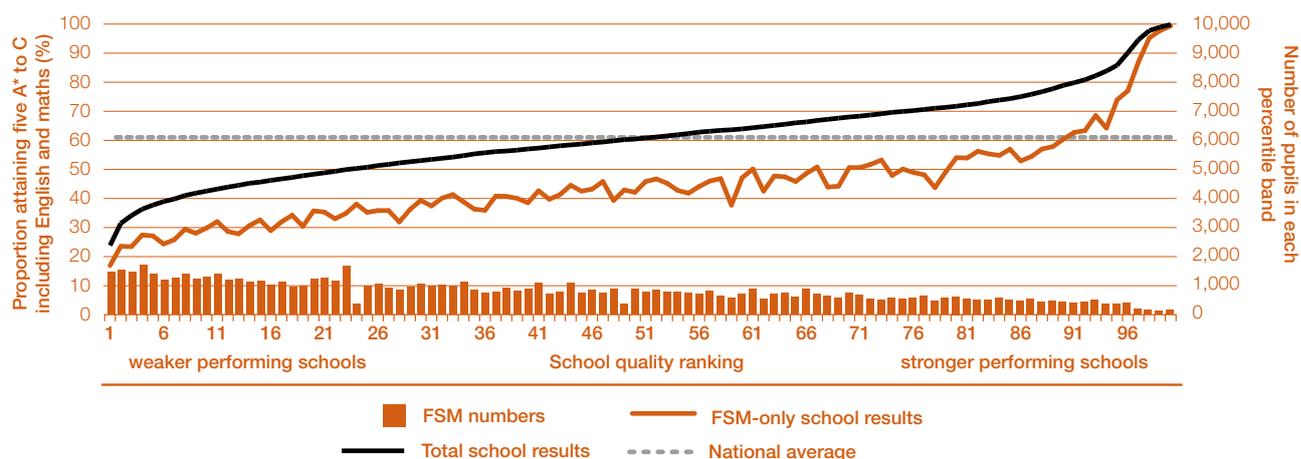
29. The next graph⁵⁰ illustrates the problem. It compares the attainment of poor children against the national average in different performing schools. It shows that poor children do relatively badly even in good schools.

⁴⁸ Ofsted, *Data View*, March 2014

⁴⁹ IPPR, *Closing the attainment gap in England’s secondary schools*, 2012

⁵⁰ With thanks to Chris Cook for updating the chart that first appeared in his blog in the Financial Times, *The social mobility challenge for school reformers*, 22 February 2012; <http://blogs.ft.com/ftdata/2012/02/22/social-mobility-and-schools/>

Figure 3.10: School-level performance of children from poorer backgrounds compared to the average performance of children



30. As the author of the analysis says, ‘This graph ought to haunt the dreams of every school reformer. The social mobility problem is not that there is a small number of weak schools serving a lot of poor kids. It is that poor children do badly in the majority of England’s schools.’⁵¹ The conclusion we reach as a Commission is that there has to be a big shift in public policy so that efforts to narrow the attainment gap **within** schools are given equal priority to the focus there has been in recent decades on the attainment gap **between** schools.

Teacher quality

“The quality of an education system cannot exceed the quality of its teachers and their work”⁵²

31. There has been considerable success in raising the quality of teaching over the last two decades.⁵³ High-quality teaching is the most important school-level factor affecting attainment and the closing of attainment gaps.⁵⁴ We know the effects of high-quality teaching are especially significant for pupils from disadvantaged backgrounds: for poor pupils the difference between a good teacher and a bad teacher is a whole year’s learning.⁵⁵

32. There has been some good news since 2009 – fewer children in deprived areas are in schools where the teaching requires improvement or is inadequate, though there has only been a modest change in access to outstanding teaching. Between August 2009 and March 2014:

- In **primary schools**, the proportion of children in the most deprived areas taught in schools where teaching is outstanding increased from ten per cent to 12 per cent. And the proportion taught in schools where teaching requires improvement or is inadequate decreased from 44 per cent to 25 per cent;
- In **secondary schools**, the proportion of children in the most deprived areas taught in schools where teaching is outstanding increased from nine per cent to 14 per cent. And

⁵¹ Chris Cook blog in the Financial Times, *The social mobility challenge for school reformers*, 22 February 2012; <http://blogs.ft.com/ftdata/2012/02/22/social-mobility-and-schools/>

⁵² McKinsey, *How the best-performing school system comes out on top*, 2007

⁵³ Department for Education, The 2010 Schools White Paper, *The Importance of Teaching*, 2010

⁵⁴ Department for Education, The 2010 Schools White Paper, *The Importance of Teaching*, 2010

⁵⁵ Sutton Trust, *Improving the impact of teachers on pupil attainment in the UK*, 2011 p2

the proportion taught in schools where teaching requires improvement or is inadequate decreased from 46 per cent to 31 per cent.⁵⁶

33. The UK Government has taken some positive steps to improve the quality of teachers to whom children from disadvantaged backgrounds have access through a number of initiatives. These include supporting Teach First, which places graduates from the most selective universities in challenging schools; School Direct and Teaching Schools, which are leading the move towards more school-based teacher training; and the Future Leaders Trust which plans to send 100 ‘talented leaders’ into England’s most challenging schools over the next two years. Alongside these reforms the Government has introduced pay reforms which are taking effect from September 2014. One of the aims is to give schools the freedom to attract teachers to work in the most challenging schools and reward them for doing so.

34. But we think these programmes, while promising, are piecemeal and are not yet of sufficient scale to tackle the problem. For example, Teach First numbers are unlikely to exceed 1 per cent of the teaching workforce in the short term.⁵⁷ It should continue to be expanded, but even then the Commission believes these programmes will not go far enough given the scale of the issue. We are concerned about the absence of a nationally coordinated approach to address the issue of improving the teaching in challenging schools in areas of the country where it is hard to recruit good teachers outside the local area. For example, there are around 4,000 primary and secondary schools where Ofsted judge teaching to be inadequate or requiring improvement.⁵⁸

35. Giving schools more freedom to set their own pay has the potential to help address this by allowing schools more scope to attract the best teachers, but there is evidence to indicate that the majority of academies – who are already able to set their own pay – do not make use of this freedom.⁵⁹ This suggests that pay freedom on its own may be unlikely to lead to significant change.

36. We believe more action is needed here. In its last report the School Teachers’ Review Body commented that it would welcome a remit to undertake a fuller review of the national pay framework for the profession.⁶⁰ The Commission supports this but suggests the review’s remit extended to explore financial incentives – including setting a higher pay band – for challenging schools in hard-to-recruit to areas. Given the timings of setting the School Teachers’ Review Body a new remit – this should be an immediate priority for the incoming government.

37. We know from our survey of teachers in our *Cracking the code* report that higher pay is the incentive that is most likely to attract good teachers to move to lower performing schools.⁶¹ We want the Government to be a national catalyst for driving change in this area. We therefore suggest two further policy changes.

38. First, the Government should actively urge all academies in areas where teaching is relatively weak to encourage them to use their pay and other freedoms, including use of the

⁵⁶ Ofsted, *Data View*, March 2014

⁵⁷ Institute for Public Policy Research, *Excellence and Equity: Tackling Educational Disadvantage in England’s secondary schools*, 2013

⁵⁸ Ofsted, *Data View*, March 2014 (There are 728 secondaries and 2,849 primaries where the teaching is judged to require improvements or is satisfactory. There are 160 secondaries and 345 primaries that require improvement or is satisfactory. Together they make 4,082.)

⁵⁹ Research carried out by Reform in conjunction with the Schools Network in 2012 suggested that two thirds of academies had not changed their terms and conditions and had no plans to do so. The Schools Network and Reform, *A+ Unleashing the potential of Academies*, 2012

⁶⁰ School Teachers’ Review Body, *24th report*, June 2014

⁶¹ The Social Mobility and Child Poverty Commission and National Foundation for Educational Research’s (NFER), *Teacher Voice Survey*, October 2014

Pupil Premium, to ensure they can attract the best teachers. Support should be given through the new Regional Schools Commissioners to help academies make these changes.

39. Second, the Government should rapidly institute a pilot to assess the effectiveness of improving pay as a means to attract good teachers to teach disadvantaged children in challenging schools. We suggest a ‘Teachers Pay Premium’ whereby 2,000 high-performing primary and secondary school teachers would be given a 25 per cent pay premium, if they move to teach in the most challenging schools in hard-to-recruit areas.⁶² This would initially cost around £20 million a year. As school attainment is the key to university participation we suggest that the pilot could be funded through a reallocation of Department for Business, Innovation and Skills Widening Participation funding (funding the pilot would require a reallocation of 3 per cent of overall Widening Participation investment).

40. To improve social mobility the best teachers also need to be deployed effectively within schools, as well as between them. The Government’s new accountability reforms may help to encourage schools to place the best teachers with the most disadvantaged children. The Commission would like to see evidence-based deployment of the best teachers to classes with low attaining and disadvantaged students, with schools using their financial and other freedoms to do so.

41. Overall, the importance of high quality teaching to closing the attainment gap cannot be underplayed. And while there has been some impressive progress, we should not stand still. The Commission do not believe the existing national programmes or recent pay reforms will be enough to get the best teachers where they are needed most. A wholesale review of teacher allocation with a focus on paying more for the hardest to recruit areas is a necessity – as is encouraging an evidence based deployment of the best teachers within, and between, schools to support social mobility.

School funding

“We absolutely have to look at which interventions are actually working. We found out very quickly what was effective through regular monitoring against the objectives of the intervention. Our key learning has been ‘It’s not just what you do, it’s the way that you do it’ – we absolutely have to measure impact – and if it’s not working, we have to try to understand why and refine it – or stop it altogether. Even down to things like which members of staff are most effective at delivering which approach, it’s taught us a lot.”

Head teacher, primary school⁶³

42. A key plank of the Government’s strategy for narrowing the attainment gap is the introduction of the Pupil Premium and its associated accountability arrangements. These are welcome social mobility investments.

43. Poor children attract a lot more funding than other children. Total expenditure on the Pupil Premium in the 2014/15 financial year is £2.5 billion. It is worth £1,300 per child in primary and £935 in secondary school. Secondary schools with an average number of eligible pupils will receive around £200,000 additional funding per year, equivalent to the cost of five

⁶² Commission analysis suggests the average secondary school teacher earns £36,700 in a maintained mainstream school (and £35,900 in an academy). A 25 per cent pay increase would cost £10,200 in secondary schools (after allowing for employer National Insurance contributions). This would initially cost £10.2 million and cover 0.8 per cent of secondary classroom teachers

⁶³ Social Mobility and Child Poverty Commission, *Cracking the code: how schools can improve social mobility*, October 2014

full-time teachers.⁶⁴ This is in addition to the implicit ‘free school meals premium’ built into local authority funding formulae: secondary schools received almost twice as much (96 per cent more) and primary schools 83 per cent more funding for every child eligible for FSM than for others in 2010/11.⁶⁵ Schools are now also able to access £500 per pupil through the Catch Up Premium for all children that do not reach the expected level at the end of primary school. These are welcome social mobility investments even in the context of overall school budgets being under pressure. Official data published by HM Treasury indicates total spending on primary education by central and local government in England fell by 2.9 per cent in real terms between 2010/11 and 2012/13 (a fall of £600 million in 2012/13 prices) and total spending on secondary education in England fell by 4.6 per cent in real terms between 2010/11 and 2012/13 (a fall of £1.5 billion).⁶⁶ This indicates that primary and secondary education has not been immune from financial pressures, even though it has been relatively protected compared to many other areas of spending.⁶⁷

⁶⁴ Ofsted, *The Pupil Premium: An Update*, 2014

⁶⁵ Institute for Fiscal studies, *Trends in education and schools spending*, 2011

⁶⁶ This data captures local authority expenditure on education (not within the direct control of the Government) and expenditure that the Department for Education defines as non-schools expenditure, such as funding for careers advice and capital spending. It also defines ‘secondary education’ as covering ages 11 to 18.

⁶⁷ Commission’s own analysis based upon HM Treasury, *Public Expenditure Statistical Analyses*, 2014

Park Junior School – primary school Pupil Premium 2014 award winner⁶⁷

Park Junior School is an average-sized junior school in Shirebrook, Nottinghamshire, in an area of high social deprivation. In 2012/13, 47 per cent of pupils attracted the Pupil Premium and the school received £94,000 in Pupil Premium funding. All pupils at the school, including those who are disadvantaged, achieved Level 4 or above in reading, writing and mathematics at the end of Key Stage 2 in 2013.

What did they do?

The school already had in place a successful project called the ‘Super Student Project’. Super Students were rewarded with points that they could spend in their school shop. In addition Super Students have privileges such as running their own clubs and assemblies without any adults present. Behaviour was classed by Ofsted March 2014 as ‘exceptional’. Pupils are told that ‘the more you learn, the more you earn’, to emphasise that by working hard in class they can acquire more of the school’s currency – and real financial benefits in later life.

The school saw that further action was needed to ensure that these gains could be translated more fully into improved attainment. The school used evidence from the Sutton Trust/Education Endowment Foundation Teaching and Learning Toolkit and put in place a ‘4 Steps strategy’. This gives pupils a clear method to use when they encounter something in a lesson that they do not understand or cannot do:

- **Step 1:** look up at the whiteboard;
- **Step 2:** look down at your book (and review what you have learned previously);
- **Step 3:** ask a friend to teach you;
- **Step 4:** put your hand up and ask the teacher to teach again and if you are still stuck ask the teacher to teach again.

Through a combination of high quality teaching and effective assessment, combined with pupils’ advanced learning behaviours, the children make accelerated progress. The pupil premium funding was used to support all of these developments – contributing to the costs of the reward system, engaging with the Sutton Trust/Education Endowment Foundation, producing the pupil training videos and recruiting additional ‘apprentice assistants’ who support pupil premium-eligible pupils individually or in small groups. In addition monies were used to provide a strong teacher coaching model in the school.

As all pupils at Park Junior now achieve the expected standard in reading, writing and mathematics at the end of Key Stage 2, the focus is on increasing the proportion of disadvantaged pupils who achieve a higher level in this assessment.

44. Alongside the introduction of additional funding for poorer students, the Government has introduced a number of additional accountability mechanisms. These include requirements for schools to report on how they spend the Pupil Premium; new performance data in league tables focusing on the relative performance of children eligible for the Pupil Premium; a new focus by Ofsted on the performance of poor pupils and how schools spend the Pupil Premium.

45. It is still too early to draw conclusions on what the impact of the Pupil Premium and these mechanisms has been on the relative quality of education received by poorer pupils

⁶⁸ <http://www.pupilpremiumawards.co.uk/ppawards2015/2014-case-study>

and so its ultimate impact on attainment. The most recent evaluation found evidence that the introduction of the Pupil Premium led to schools increasing expenditure targeted on disadvantaged pupils compared to what it otherwise would have been. Unfortunately, the evaluation also suggested that, in general, schools with falling budgets tended to use the Pupil Premium to maintain existing provision for poorer pupils rather than do anything new.⁶⁹

46. Key risks for the future include:

- **The potential impact of fiscal consolidation measures** in the next parliament. This could reduce the total expenditure in schools, which the existing evidence suggests will divert 'social mobility' funding into filling budgetary gaps rather than programmes aimed at improving the relative attainment of poorer pupils;
- **Ensuring that the Pupil Premium is used cost-effectively** based on evidence about what the key barriers to raising attainment of disadvantaged pupils are in the school and about what interventions are effective in tackling these issues – although we note the UK Government has introduced a number of initiatives⁷⁰ aimed at helping schools do this;
- **Targeting the Pupil Premium effectively** to ensure poor children do not miss out on entitlement. The introduction of Universal Credit means the entitlement criteria for allocating FSM will need to change. The Government needs to ensure children from low income working families are captured effectively in any new measure. Under the current eligibility criteria around a third of children in poverty (as measured by the statutory relative poverty measure) do not receive FSM.⁷¹ Any new criteria following the eventual roll out of Universal Credit must look to improve this ratio.

47. Overall, the Commission believes there is evidence that the introduction of the Pupil Premium, combined with associated accountability reforms, is a positive step. It is increasing spending on poorer students and increasing the focus of schools on closing the attainment gap. Although it is still too early to assess the impact, we expect it to translate into improvements in attainment and closing of the gap.

Accountability changes

Quote from a young person

"Schools focus on academic achievement, GCSE 'C' Club, lots of support to get a C, but no support for D's and E's."⁷¹

48. An important part of the Government's strategy for narrowing the attainment gap is a substantial change in the accountability regime facing schools. Here, the Government has introduced a number of changes including:

- **Changing how attainment at the end of primary school is measured.** More challenging tests will be introduced that will report a precise scaled score at the end of the key stages rather than a level. This includes raising the bar on 'expected attainment' to the equivalent of a Level 4B in the current system and reporting school results as a more finely grained score rather than as the proportion achieving a given threshold;⁷³

⁶⁹ Department for Education, *Evaluation of Pupil Premium: Research Report*, 2013

⁷⁰ The Government is supporting this through initiatives like the Education Endowment Foundation and increasing the value and status of the Pupil Premium awards

⁷¹ Department for Work and Pensions, *Free School Meals and Poverty*, December 2013

⁷² British Youth Council, *Findings from the British Youth Council's focus group for the Department for Education*, 2014

⁷³ Department for Education, *Reforming the Accountability System for Primary Schools*, 2014

- **Introduction of new Attainment 8 and Progress 8 measures at GCSE.** The progress measure will compare grades across eight subjects at the end of Key Stage 4 with those of pupils who had the same score in their tests at the end of key stage. The attainment measure will show the school's average grade across the same suite of eight subjects as the new progress measure;⁷⁴
- **The English Baccalaureate** performance measure – which has already been introduced – which captures GCSE attainment across a set of core academic subjects.

49. One potential risk of these reforms is that it will be more difficult to judge performance over time as there will be fewer fixed benchmarks to judge progress against. It will be difficult to distinguish between changes in the measured attainment gap and underlying changes in the *actual* attainment gap. The Commission believes it is vital that the Government develops new measures that are able to track the attainment gap over time when there are significant reforms. We understand that the Government will be announcing its plans for these new measures imminently.

50. The Commission welcomes many of these changes to the accountability framework. We believe they have the potential to give schools better incentives to narrow the attainment gap and to pay greater attention to the needs of high-attaining children from poorer backgrounds than the current measures do.⁷⁵ Changes to the level of attainment expected of children at primary school are particularly welcome. The current expectation of a Level 4 or above at age 11 does not necessarily put children on track to achieve a C at GCSE (the minimum level of attainment that the Government believes 15-year-olds should be achieving). For example, only a quarter of those who achieve just above the Level 4 threshold get 5 good GCSEs including English and mathematics.⁷⁶

Academies and free schools

51. Another plank of the Government's reform programme includes significant changes to school structures through the academies programme and, to a much lesser extent, through free schools. Academies have grown considerably in this Parliament. Over half of all children in secondary schools are now taught in academies – 59 per cent in January 2014 compared to 6 per cent in January 2010.⁷⁷ They serve around the same number of disadvantaged children as maintained schools.⁷⁸

52. It is still too early to make firm conclusions about the impact that the academies programme is having on school quality and the attainment gap – three-quarters of primary academies and over a third⁷⁹ of secondary academies have only been operational since 2012/13 and changes in school quality take a long time to show up in examination results. It is also difficult to make direct comparisons between the performance of academies and other schools given that many converter academies were already far more likely to be high-

⁷⁴ Department for Education, *Reforming the Accountability System for Primary Schools*, 2014

⁷⁵ Social Mobility and Child Poverty Commission, *Cracking the code: how schools can improve social mobility*, October 2014

⁷⁶ Department for Education/Ofsted, *RAISEonline Transition Matrices*, 2014

⁷⁷ Department for Education, *Schools, Pupils and their Characteristics*, January 2010 and January 2014

⁷⁸ The level of disadvantage of pupils attending Academies is similar to the national average: 20 per cent of children attending primary academies are eligible for FSM (compared to 18 per cent in England as a whole) and 15 per cent attending secondary academies (compared to 16 per cent in England as a whole)

⁷⁹ 39 per cent of secondary academies have only been operational since the 2012/13 academic year

performing schools with high attainment.⁸⁰ They also have a smaller percentage of poor children.⁸¹

53. There are wide variations in the performance of academies for pupils. Recent research by the Sutton Trust analysing the performance of academy chains found little difference between how disadvantaged children perform in academy chains and in local authority schools.⁸² Some chains did relatively well while others did relatively poorly. The research acknowledged it takes time to turn around failing schools, but pushed the Government to increase transparency and scrutiny of chains. It can be as much as five years between Ofsted inspections for academy chains, which is too long given the speed at which schools can decline. It was suggested Ofsted should routinely inspect academy chains and take stronger action where chains are consistently underperforming. The Commission strongly believes that further safeguards are needed; and that Ofsted should routinely inspect academy chains and take much stronger action where they are underperforming.

54. It is not yet clear if the newly created role of the Regional Schools Commissioners – set up to support the creation of new academies and to tackle underperformance of existing ones – will be an effective part of the school improvement regime. There is certainly a potential conflict of interest in being tasked with encouraging new academies while also holding them to account. A large number of schools – all non-academies – will not come under their remit, with questions about whether a serious school improvement regime should include all schools – both academies and non-academies. One study last year found that not all converter academies are fulfilling their responsibilities to share success and collaborate with weaker schools in their area.⁸³ A recent report by the Centre for Social Justice suggests the role of Regional Schools Commissioners should be expanded to improve the collaboration between stronger and weaker schools regardless of how they are structured. While it is too early to say if this would be successful, the Commission believe the Government need to be clear about who will deliver this vital function while there remain a number of different types of school.

Regional Schools Commissioners are responsible for making important decisions about the academies and free schools in their area on behalf of the Secretary of State for Education.

Their main responsibilities are to:

- Monitor the performance of the academies in their area;
- Take action when an academy is underperforming;
- Take decisions about the creation of new academies;
- Encourage organisations to become academy sponsors.

The Commission is concerned that there may be a potential conflict in the role of Regional School Commissioners in driving the academies programme forward and their role in providing effective challenge to academy underperformance.

⁸⁰ For example, at secondary school level, 35 per cent of converter academies are rated as ‘outstanding’ (compared to 13 per cent of non-academies) and only 15 per cent are rated as ‘require improvement’ or ‘inadequate’ (compared to 37 per cent of non-academies and 46 per cent of sponsored academies)

⁸¹ Only 11 per cent of children are eligible for FSM compared to 17 per cent in mainstream non-academies

⁸² Sutton Trust, *Chain Effects, The impact of academy chain on low income students*, July 2014

⁸³ RSA/Pearson, *Unleashing Greatness: Getting the Best from an Academised System*, 2013

55. Overall, the Commission believes that academies have the potential to be a force for improved quality and narrower attainment gaps provided the right supporting policies are in place on accountability. Changing structures alone, however, will not raise school quality. Academies are not a panacea. It is how schools use their new freedoms that will be crucial.

56. Alongside the introduction of academies, the Government has been pushing through the free school programme. There are around 330 free schools that are now open or approved to open. Critics have expressed concerns about whether free schools would service disadvantaged pupils in disadvantaged areas – particularly as funding for new schools places is under increasing pressure. Recent research shows that free schools are opening in disadvantaged neighbourhoods,⁸⁴ but they are taking fewer poor children (those receiving FSM) than the other local schools.⁸⁵ Even though free schools only teach a very small proportion of children, the commission is concerned the programme may not be focussing as much as they should on the most disadvantaged children. In our Report next year the Commission will scrutinise data on free schools' admissions practices and whether they are doing sufficient to close the attainment gap.

Independent schools

57. Our recent research on *Elitist Britain*⁸⁶ showed that top jobs are disproportionately held by the 7 per cent of the population who went to independent schools. We believe the state sector has much to learn from the best in the independent sector. There are several good examples across the country where independent schools have partnered with state schools to help raise standards, including the York Education Partnership⁸⁷ and the Southwark Schools Learning Partnerships.⁸⁸ However, there are concerns about whether there are the right incentives in place to encourage these successful independent/state school partnerships – particularly given the removal of seed funding.⁸⁹

58. As Anthony Seldon, the Master of Wellington College has said “For too long an attitude of ‘Splendid Isolation’ has reigned in the independent sector. Social mobility in Britain has stagnated, as we have seen leaving British society uniquely polarised.”⁹⁰ The more private and state schools can work together to break down the ‘Berlin Wall’ that exists between them, the better it will be for social mobility in our country. Most private schools have charitable status and the Commission believes an important way they can demonstrate that they are fulfilling their charitable mission is by more actively working with the state sector to help raise the attainment of children from disadvantaged backgrounds. We will be looking for evidence in our future reports that many more private schools are doing so.

⁸⁴ There is a slightly higher proportion of children entitled to FSM when compared to the rest of England: 22 per cent compared with 17 per cent at secondary level, and 18 per cent compared with 16 per cent at primary level. Institute of Education and Centre for Learning and Life Chances in Knowledge Economies and Societies, *Research Briefing Summary: The Social Composition of Free Schools after Three Years*, August 2014

⁸⁵ Around 14 per cent of pupils attending primary free schools were eligible for FSM, compared with 18 per cent within the neighbourhoods of free schools. Across the rest of England 16 per cent of primary-age children were entitled to FSM. The findings also show that 18 per cent of pupils attending secondary free schools were entitled to FSM, compared to 22 per cent of pupils in the surrounding area. Institute of Education and Centre for Learning and Life Chances in Knowledge Economies and Societies, *Research Briefing Summary: The Social Composition of Free Schools after Three Years*, August 2014

⁸⁶ Social Mobility and Child Poverty Commission, *Elitist Britain*, 2014

⁸⁷ http://www.york.gov.uk/info/200669/york_education_partnership/1059/york_education_partnership

⁸⁸ <http://www.sslp.education/>

⁸⁹ Education Select Committee, *School Partnerships and Cooperation – Fourth Report*, 2013

⁹⁰ Social Market Foundation, *Schools United, Ending the divide between independent and state*, 2014

Prior attainment

59. Educational attainment at earlier stages in a child's school career is a key predictor of their later attainment. For example, prior attainment can explain 63 per cent of the attainment gap at age 11 and 59 per cent of the gap at age 16.⁹¹ If a child fails at one educational phase, as we know poor children are more likely to, then they are very likely to struggle to catch up.

60. This can be seen in the strong relationship between attainment at the end of primary school and the prospects of doing well at GCSE:⁹²

- Only just over a quarter (28 per cent) of those who achieve a low Level 4 at age 11 go on to achieve five good GCSEs compared to over half (52 per cent) who achieve a solid Level 4 and virtually everyone (95 per cent) who achieves a Level 5;
- Over three-quarters (78 per cent) of those achieving a Level 4 in Mathematics at age 11 go on to achieve a C in GCSE but only around 1 in 20 (6 per cent) go on to achieve an A or an A* (compared to half of children who achieve a Level 5).

61. The attainment of primary-age children eligible for FSM has been increasing and the attainment gap has also narrowed over the past decade. These improvements would – all other things being equal – be expected to lead to overall attainment increasing and attainment gaps narrowing over the next few years as these cohorts of children sit their GCSEs.⁹³

Factors outside of school

62. Learning does not only take place in school. What happens in the home is crucial to children's future life chances. The home learning environment has a larger impact on attainment when children start school than the independent effects of parental occupation, education or income – indicating that 'what parents do is more important than who they are'.⁹⁴ If children do not eat a nutritious diet at home, are unable to access the internet or books, have parents who are stressed due to money worries or live in unstable and poor-quality housing, that will inevitably make it more difficult for them to achieve well at school.

63. Parents are the bedrock of a child's education. Research clearly shows that parental involvement in their children's learning is a key factor in improving children's academic attainment⁹⁵ and achievements, as well as their overall behaviour and attendance. We know parents' involvement during a child's earliest years is the single biggest influence on their development – as outline in Chapter 2. A good-quality home learning environment contributes more to children's intellectual and social development than parental occupation, education or income.⁹⁶ But we know that the quality of the home learning environment tends to be better

⁹¹ Joseph Rowntree Foundation, *Poorer Children's Educational Attainment: How Important are Attitudes and Behaviour?*, March 2010

⁹² Department for Education and Ofsted, *RAISEonline Transition Matrices 2010-2013*, various years

⁹³ This assumes that progression rates from a given level of prior attainment are constant over time

⁹⁴ Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I. and Taggart, B., *The Effective Provision of Pre-School Education (EPPE) Project (2004)*

⁹⁵ Differences in attitudes and behaviours during primary school account for around 12 per cent of the total age 11 attainment gap between the poorest and richest children (and 40 per cent when prior ability is not controlled for). This amounts to around one-third of the differential progress that is made between rich and poor children between the ages of 7 and 11. Joseph Rowntree Foundation, *Poorer children's educational attainment: How important are attitudes and behaviour?*, 2010

⁹⁶ Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I. and Taggart, B., *The Effective Provision of Pre-School Education (EPPE) Project (2004)*

for children whose parents have more education or higher socioeconomic status, although there is considerable variation between families within each socioeconomic group.⁹⁷

“The true measure of child affluence and poverty is the quality of parenting. A lone mother living in financial poverty can create a stimulating environment for her child.”

James Heckman, Nobel Prize winning economist⁹⁸

64. The Commission sees it as a key role of schools and local authorities – among others – to identify poor parenting and take more active steps to address it. The Government has a poor record in intervening in this area and there is often hesitancy amongst politicians about stepping into it at all.

65. Although national policies like CAN parenting trials,⁹⁹ which aim to raise the quality and cost of provision, have thus far had limited impact, the Commission believes there should be better advice and support for parents to encourage good parenting. This could include ensuring all schools make proactive engagement with parents a priority. Lessons can be learned from New Zealand’s national parenting campaign – SKIP, ‘Strategies with Kids, Information for Parents’ which has some evidence of successfully engaging with parents.¹⁰⁰ Scotland has recently introduced a new ‘what works’ web-based resource¹⁰¹ which details how teachers can engage with families to raise attainment and close the disadvantage gap. Unfortunately there does not appear to be a robust, data-driven evaluation in place to understand if it has been successful and replicated more widely. The Commission believes more support can be given to teachers to understand how to do this better. As outlined in Chapter 2, the Commission would like to roll out a national parenting campaign to support all parents with the difficult job of parenting.

66. Of course, one key factor that affects the home learning environment is the social and economic context. While there is a lot of evidence that shows how good parenting can mitigate the negative impacts that deprivation can have on child outcomes, it is undeniable that poverty makes things more difficult for parents and income inequalities can exacerbate inequalities in the home learning environment. As we discussed in Chapter 1, child poverty and income inequality are likely to increase over the next few years.¹⁰² Many children who grow up in poverty are able to succeed despite their challenging circumstances and the evidence shows that excellent parenting and schools can mitigate the impact of poverty. But our overall judgement here is that, unless prospects for child poverty and income inequality improve or the impact of these trends on the home learning environment can be successfully mitigated, the social and economic context will be one in which it is more difficult for schools to make progress in closing the attainment gap. The quality of education that poorer children have access to will need to improve just to stand still in terms of the disadvantage gap.

⁹⁷ Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I. and Taggart, B., *The Effective Provision of Pre-School Education (EPPE) Project (2004)*

⁹⁸ Heckman, J. *The American family in black and white: a post-racial strategy for improving skills to promote equality*, NBER Working Paper No. 16841 2011

⁹⁹ Department for Education, *CAN parent trial evaluation: Final report*, 2014

¹⁰⁰ Ministry of Social Development, New Zealand, *SKIP: what it is and why it works*, 2009

¹⁰¹ <http://www.engagingwithfamilies.co.uk>

¹⁰² See for example Institute for Fiscal Studies, *Child and working-age poverty in Northern Ireland over the next decade: an update*, 2014; Social Mobility and Child Poverty Commission, *Understanding the parental employment scenarios necessary to meet the 2020 child poverty targets*, 2014

Developing character skills

67. There is a strong link between non-cognitive skills and positive outcomes in later life.¹⁰³ These skills are often referred to as ‘character and resilience’ and include social and emotional skills, empathy, mental toughness, delayed gratification and self-control. Character strengths beyond academic success influences young people’s lives. These character traits can be developed in young people, especially poorer children, at school and beyond to improve future outcomes. Some of the best school systems are now looking to focus on more holistic models, broadening focus beyond the academic curriculum.¹⁰⁴

68. We believe more should be done to support schools to deliver this. The All-Party Parliamentary Group on Social Mobility launched their Character and Resilience Manifesto in January 2014.¹⁰⁵ We welcome these recommendations. In particular, we would encourage Government to improve the evidence base on how to deliver these skills. The Commission plans to work more closely with the Early Intervention Foundation and the Cabinet Office to improve the evidence base for successful interventions. The Commission expects the Government to take note of the findings and push for further, evidence-based, interventions in schools.

69. The Government has given a great deal of focus to raising attainment and closing the attainment gap, which the Commission fully supports. But schooling is more than just attainment. As outlined above, schools have a vital role in preparing children for the world beyond school. The British Chambers of Commerce has recently found that over half of employers surveyed (57 per cent) said that young people are lacking basic ‘soft’ skills, such as communication and team working, to succeed in the working world.¹⁰⁶ The Commission believes the Government should focus (alongside raising attainment and closing gaps) on the quality of schools’ extra-curricular activity and character development. The Commission believes no school should be rated as ‘outstanding’ without being able to demonstrate the quality of their extra-curricular activities or how they build character and resilience.

Careers advice

70. Young people need to be well-informed when making subject and career decisions. Good careers advice is key for disadvantaged young people as they are less likely to have a network of family and friends who can give advice. Providing improved careers advice and guidance will ensure that young people can select educational routes that are suitable for them and allow them to achieve their aspirations and potential.

71. The quality of careers advice offered in secondary schools is of real concern. Ofsted expressed worries in relation to this in 2013.¹⁰⁷ As recently voiced by a report by the National Careers Council, there is plenty more to do and ‘one year on, we cannot pretend that the picture now is as we hoped it would be’.¹⁰⁸ This is demonstrated by the fact that only 21 per cent of schools take young people on two or more university open days and only 39 per cent of schools ensured young people had a meaningful engagement with an employer by age 16. Recently the Gatsby Foundation developed eight benchmarks (see box below) which represent high-quality careers advice and guidance. They found that only 2 per cent

¹⁰³ Education Endowment Fund, *Non-cognitive skills literature review*, 2013

¹⁰⁴ For example in the USA KIPP charter schools place seven character strengths at the centre of the system ‘Grit, Zest, Self-control, Optimism, Gratitude, Social Intelligence and Curiosity’, www.kipp.org

¹⁰⁵ The All Party Parliamentary Group on Social Mobility, *Character and Resilience Manifesto*, 2013

¹⁰⁶ The British Chambers of Commerce, *Workforce Survey, Developing the Talents of the Next Generation*, 2014

¹⁰⁷ Ofsted, *Going in the right direction? Career guidance in schools from September 2012*, 2014

¹⁰⁸ National Careers Council, *Tacking Action: achieving a culture change in careers provision*, 2014

of schools are delivering this type of high-quality provision.¹⁰⁹ On work experience alone the United Kingdom falls behind international comparators. Less than half of British young people have access to a high-quality work experience placement, palling in comparison to France where 85 per cent of students have completed a placement; the European average is 61 per cent.¹¹⁰

Costs of providing excellent careers advice

Good-quality careers and advice does not come cheap, but is an investment worth making. Estimates by the charity Gatsby show that:

- Giving good careers advice and guidance which prevents **one** young person becoming NEET pays for careers guidance for 280 young people;
- Providing good careers advice in an average secondary school would cost £53,637 in the first year and £44,676 per year thereafter. This is less than 1 per cent of a school budget, or £54 per pupil.¹¹⁰

72. This year, the Government published statutory guidance setting out expected standards on careers advice. But it is yet to be seen how this will be implemented in practice. The introduction of destination data is meant to drive behaviour change in how schools see their role in preparing pupils for the world beyond school. But it is unclear whether this is a powerful enough driver. The risk is that a number of schools may not put in place adequate provision, or fail to support those who need most guidance. Too often careers advice is seen as an afterthought for schools.

73. Improving social mobility and escaping child poverty is reliant on young people making choices that lead to good qualifications and jobs. But as the changes to vocational options and the apprenticeship system bed in there is a chance that some careers advice will fail to keep pace. The Commission believes there needs to be clarity on how advice and guidance will be monitored, what will trigger intervention, what form this intervention will take and how schools will be held to account.¹¹² Indeed, we believe that from 2015, Ofsted should consider not scoring a secondary school higher than 'requires improvement' in relation to leadership and management if careers advice is not up to the standard of the statutory guidance. Similarly, schools should not be able to score 'outstanding' unless work experience and employer engagement is deemed to be of high quality.

¹⁰⁹ Gatsby, *Good Career Guidance*, 2014

¹¹⁰ McKinsey Center for Government, *Education to Employment: Getting Europe's Youth into Work*, 2014

¹¹¹ Gatsby, *Good Careers Guidance*, 2014

¹¹² CBI, *Future Possible: the business vision for giving young people the chance they deserve*, 2014

Eight benchmarks to provide high-quality careers and advice guidance

1. **A stable careers programme.** Every school and college should have an embedded programme of career education and guidance that is known and understood by young people, parents, teachers, governors and employers.
2. **Learning from career and labour market information.** Every young person and their parents, should have access to good-quality information about future study options and labour market opportunities. They will need the support of an informed adviser to make best use of available information.
3. **Addressing the needs of each pupil.** Young people have different career guidance needs at different stages. Opportunities for advice and support need to be tailored to the needs of each person. A school's careers programme should embed equality and diversity considerations throughout.
4. **Linking curriculum learning to careers.** All teachers should link curriculum learning with careers. Science, technology, engineering and mathematics (STEM) subject teachers should highlight the relevance of STEM subjects for a wide range of future career paths.
5. **Encounters with employers and employees.** Every young person should have multiple opportunities to learn from employers about work, employment and the skills that are valued in the workplace. This can be through a range of enrichment activities including visiting speakers, mentoring and enterprise schemes.
6. **Experiences of workplaces.** Every young person should have first-hand experiences of the workplace through work visits, work shadowing and/or work experience to help their exploration of career opportunities, and expand their networks.
7. **Encounters with further and higher education.** All young people should understand the full range of learning opportunities that are available to them. This includes both academic and vocational routes and learning in schools, colleges, universities and in the workplace.
8. **Personal guidance.** Every young person should have opportunities for guidance interviews with a career adviser, who could be internal (a member of school staff) or external, provided they are trained to an appropriate level. These should be available whenever significant study or career choices are being made. They should be expected for all pupils but should be timed to meet their individual needs.

Source: Gatsby, 2014

Our overall assessment

74. There are several reasons to be optimistic about the potential for the underlying attainment gap to continue to close: trends in early attainment and pupil progress during secondary school are positive and there appears to have been significant improvements in school quality over the past few years. As we concluded last year, the Government's education policy is broadly on the right track.

75. Our overall assessment for teaching and school quality is that there are a range of measures and policies in place designed to bring about improvement. That is welcome. We believe that recent improvements in the quality of schools which disadvantaged children attend and the teaching they have access to are likely to be drivers of increasing attainment

for poorer children over the next few years. However, given that gaps by social background in access to outstanding schools and teachers appears to be widening, we are concerned that this may be a driver of widening attainment gaps over the next few years. Urgent focus is needed if that is to be prevented.

76. There are several other risks. Increasing poverty and inequality will reduce the impact that an improving school system will have on the attainment gap. We take some comfort from the experience since the recession where educational outcomes have improved despite rising absolute poverty, falling living standards and significant cuts to welfare and public spending. On the balance of probability we think that narrowing the educational attainment gap now has some momentum and should be able to withstand the external headwinds. We are less optimistic about the likely pace of progress. We see little evidence to suggest – with the current approach – that the narrowing of the educational attainment gap is anything other than a long, slow, hard battle that will take decades. Indeed, we estimate that it would be at least 30 years before the attainment gap between children eligible for FSM and the rest is halved.¹¹³ We do not believe that the next Government should settle for that. More needs to be done more quickly.

3.4 Towards 2020 – what is needed to make progress?

77. The Commission believes that narrowing the attainment gap in schools will require action across the whole of society. Last year we identified six areas which needed attention to maximise the chances of success in closing the attainment gap:

- Tackling variation in school and teacher quality;
- Dealing with failing schools and low standards;
- Ensuring school choice works for disadvantaged students;
- Making closing the disadvantage gap a core objective for schools;
- More focus on low attainers, not just low incomes;
- Preparing pupils for work.

78. Our recommendations last year were primarily focused on what *the school system* should do to help close the disadvantage gap, principally via government action. We stand by those recommendations. This year we have identified two further areas that need attention if the next Government is to make progress in closing attainment gaps:

- **Make closing the disadvantage gap the core objective for the whole of society:** a society-wide effort will be needed to boost the chances of schools succeeding in the face of what is likely to be a challenging fiscal and social environment;
- **Improving parenting is crucial to social mobility:** it is difficult for schools to succeed unless parents aim high for their children, are supportive of what schools are trying to do and are able to provide a home environment conducive to success in school.

79. Below we outline where different actors in society can play a role in closing the attainment gap. In the sections that follow we look in detail at what each of them can do.

¹¹³ If the absolute annual growth in results of children eligible for FSM and children not eligible for FSM over the last three years remains constant.

The role of different parts of society

Government – must create a school system where every child fulfils their potential, no matter what their background or family circumstances, and where the overall attainment of disadvantaged children rises and the attainment gap narrows.

Schools and teachers – must create outstanding learning environments where teaching is excellent, expectations for all pupils are high and every child reaches their potential with an emphasis on the most disadvantaged. Success could be measured by the number of schools, and schools where teaching, is judged to be outstanding.

Local government – must continue to drive school improvement, be responsive in stepping in when schools are failing and provide enough high-quality school places for every child. This success could be measured through the number of schools judged to be outstanding in their area and available school places against demand.

Employers, universities and others – must help children from disadvantaged backgrounds convert potential into a good career as adults. Business must partner with schools to support careers advice, provide mentoring opportunities and encourage senior staff to be on local school governing bodies.

80. The actions of the **UK Government, the Scottish Government and the Welsh Government** are critical to prospects for making progress. It is their decisions on school funding; the legal framework within which schools operate; institutional frameworks; school structures; curriculum; qualifications; pay; recruitment arrangements; information for parents; schools choice; and the accountability regime that set the ‘rules of the game’ for all other actors in the system. This in turn determines whether schools and teachers have the right incentives, freedom and support to improve attainment and narrow the attainment gap.

The UK Government

81. As we concluded last year, there is much to welcome in the UK Government’s approach to schools and the Government’s agenda broadly aligns with the international evidence. Progress has been made in addressing some of the risks we identified last year and in giving greater priority to narrowing the attainment gap between poorer children and their peers. This has been driven by the introduction of the Pupil Premium and the associated accountability system. Further planned changes to the accountability system, improving the quality of schools and teachers and increases in the value of the Pupil Premium are likely to drive continued progress.

82. But important gaps remain:

- **Insufficient progress in ensuring the best teachers are allocated to the most challenging schools** to help poor pupil achievement. The Commission believes that to truly tackle the attainment gap urgent action must be taken to support and encourage the best teachers to teach in the most challenging schools;
- Driving **school improvement** when individual schools are increasingly autonomous. The assumption underpinning public policy is that schools themselves should drive their own improvement and that of schools around them. Although local authorities still have statutory responsibility to provide school improvement, many have pared back this

function, and there is evidence that some local authorities were consistently unsuccessful in driving improvement;¹¹⁴

- **School collaboration** – schools can learn from one another and support each other to improve. That is true for state school partnerships as well as those between private and state schools. The best school-to-school support is only really effective when the relationship is brokered and held to account.¹¹⁵ Here local authorities have a role as ‘a convenor of partnerships and as a maker and shaper in commissioning’.¹¹⁶ Similarly, the introduction of **Regional Schools Commissioners** is supposed to fill that ‘middle tier’¹¹⁷ of support for academies. The Commission will be keeping track of the effect of Regional Schools Commissioners in improving collaboration and tackling underperformance;
- **Not enough focus on primaries.** There is strong evidence that what happens in primary schools (and before) is the key determinant of how well children do at GCSE. Yet much of the public policy focus during this Parliament has been about secondary schools. There has been too little attention paid to ensuring that all children – especially the poorest – have a solid grasp of the basics on leaving primary schools. We welcome the sector-led campaign to end illiteracy by the end of primary school.¹¹⁸ We would like to expand this to include numeracy and set an ambitious target for secondary schools. We urge the whole of society to get behind this important, sector lead, campaign.

¹¹⁴ For example, Blackpool, the Isle of Wight and Portsmouth had poor performance year on year as outlined in Centre for Social Justice, *Closing the divide – tackling educational inequality in England*, 2014

¹¹⁵ Department for Education, *Action research into the evolving role of the local authority in education*, 2014

¹¹⁶ Department for Education, *Action research into the evolving role of the local authority in education*, 2014

¹¹⁷ Royal Society for the encouragement of Arts, Manufactures and Commerce, *The missing middle: the case for schools commissioners*, 2012

¹¹⁸ Save the Children, *Read on. Get on.* 2014.

Campaign to end illiteracy and innumeracy

Ensuring every child leaves primary school a good reader is crucial to creating a fair and socially mobile country and in breaking the inter-generational cycle of poverty. But 130,000 children every year still leave primary school without being able to read well. This includes two in every five poor children, who are twice as likely to leave school not reading well. As a society we are failing in our duty to allow all children to achieve their potential.

We welcome the ‘*Read on. Get on.*’ campaign to ensure all children are reading well at the end of primary school by 2025.¹¹⁹ We urge the whole of society to get behind it. As Russell Hobby, general secretary of the National Association of Head Teachers (NAHT) states, ‘we can only tackle a challenge like this if everybody works together. This must be beyond politics, a commitment from professionals, parents and the public to achieve the best for our children.’ So it is welcome that this campaign is being led by the sector.

The ‘*Read on. Get on.*’ campaign strongly makes the case that ending illiteracy is eminently possible. The table below sets out how this could be done.

Current situation	75% of pupils reading well ¹²⁰
If all pupils made expected progress during primary school	+16% = 91%
Using proven catch-up programmes such as one-to-one tuition	+3% = 94%
If Early Years Foundation Stage Profile scores improve by 15%	+2% = 96%

Source: CentreForum analysis of National Pupil Database. For further details of the analysis see *Read on. Get on.*

The combined effect of these three factors suggests that reading levels of over 95 per cent are realistic by 2025.¹²¹

“Good numeracy is the best protection against unemployment, low wages and poor health” – Andreas Schleicher, OECD, 2 December 2013

We would also like to see a similar campaign launched to achieve similar goals for improving numeracy. We know that high numeracy skills are correlated with health, attachment with the labour market and high wages. There are still around a third of children do not achieve a good GCSE in mathematics at age 16.¹²² The case is made convincingly in a campaign by National Numeracy.¹²³ Health, employment and higher wages are some of the positive outcomes associated with high numeracy.¹²⁴

¹¹⁹ The Campaign is pushing for all children to be reading at level 4b – the equivalent of the new definition of ‘reading well’ by the age of 11. Save the Children, *Read on. Get on.* 2014.

¹²⁰ *ibid*

¹²¹ Save the Children, *Read on. Get on.* 2014.

¹²² Department for Education, GCSE and equivalent results in England, 2012 to 2013 (revised)

¹²³ National Numeracy, *Manifesto for Numeracy* 2014

¹²⁴ OECD, *PIAAC*, 2013

But the Commission want to go even further. We want the next Government to seriously focus on raising the attainment of children from disadvantaged backgrounds. We believe it should set a goal to halve the attainment gap between children entitled to free school meals and their peers by 2025, with more than half of children entitled to free school meals achieving five good GCSEs including English and mathematics in 2020, rising to two thirds by 2025. We believe this to be a stretching but realistic goal that the next Government should adopt.

- The jury is still out on how well schools are doing in **preparing young people for the world beyond schools**. Getting good exam results is important but not enough to succeed in the modern world of work. Employers are looking for good character skills as well as academic ones. It is unclear whether destination data is a powerful enough driver to further change behaviour in schools so that they do more to focus on preparing students for life after school – for example by providing high quality extra-curricular activity or focussing on developing pupils’ character skills. School should not be rated as ‘outstanding’ without being able to demonstrate the quality of their extra-curricular activities, or how they build character or resilience and have excellent careers advice;
- Being able to **measure and track the performance of schools is becoming harder**. This Parliament has seen some of the biggest reforms in the education system for generations. Everything from the curriculum, assessment accountability, funding and school structures has been radically altered. Importantly, there is a risk that these changes break data continuity, making it hard to judge whether progress is genuinely being made.

Recommendations for the UK Government

We believe a number of changes need to be adopted by the next UK Government if it is to successfully accelerate closing of the educational attainment gap. In addition to the recommendations we made in our last Report we see five priorities for action:

- Ensure that **all schools see it as their core business to give equal priority to raising standards and closing attainment gaps**;
- The UK Government should beef up current programmes, and pay reforms, which are not big enough to tackle the issue of **getting the best teachers into the most challenging schools to close the attainment gap**. Government should pilot a ‘Teachers’ Pay Premium’ and commission the School Teachers’ Review Body with a view to paying the best teachers more if they move to challenging schools in the hardest-to-recruit areas;
- Do more **to share success between schools and tackle variation in their quality**. The current system for doing so is confused and needs to be urgently clarified. Government should also encourage high performing independent schools to work with state schools as a means of fulfilling their tax-advantaged charitable status;
- Give more focus to preparing children for the **world beyond schools**. It should develop a new outcomes-based means of assessing school performance so that schools focus on the quality of extra-curricular activity, character development and careers guidance. School should not be rated as ‘outstanding’ without being able to demonstrate the quality of their extra-curricular activities, or how they build character or resilience and have excellent careers advice;
- **Refocus attention on primary schools**. In particular it should work with schools and the third sector to eradicate illiteracy and innumeracy by 2025 in primary school-age children. We are pleased to see the current Government supports the ambitious and important campaign to end illiteracy. In the next Parliament, the campaign should be extended to include innumeracy. But focus should not be lost on secondary schools, an ambitious target should also be set that halves the GCSE attainment gap¹²⁵ between children entitled to free school meals and their peers by 2025.

The Scottish and Welsh Governments

83. Schools in Wales and Scotland suffer from the same issues as schools in England – namely too many poor children are still leaving school without the basic qualifications they need to succeed. Although there are differences between each of the curricular, assessments and school structures, there are common themes coming out of international comparisons:

- Scotland and England tend to perform similarly, with Wales lagging behind;¹²⁶
- There are smaller variations in school quality in Scotland and Wales compared to England.¹²⁷

¹²⁵ Five good GCSEs including English and maths

¹²⁶ Centre for Economic Performance: London, *Education in a Devolved Scotland: A Quantitative Analysis*, Special paper No. 30, May 2013

¹²⁷ Centre for Economic Performance: London, *Education in a Devolved Scotland: A Quantitative Analysis*, Special paper No. 30, May 2013

84. Although Scottish schools do relatively well, there still exists a large gap in attainment between poor children and their peers. Children in deprived areas finish compulsory schooling with much lower levels of attainment than their peers. There is an average gap of 300 points in the tariff score which corresponds to roughly four 'A' grades in Higher or three 'B' grades at Advanced Higher.¹²⁸ Analysis by the Sutton Trust suggests high-achieving boys from the most advantaged family backgrounds in Scotland are almost three years ahead of their counterparts in the least advantaged households by the age of 15.¹²⁹
85. It's a similar story in Wales. Better-off pupils are more than twice as likely as those eligible for FSM to achieve five good GCSEs (including English or Welsh and mathematics). The attainment of Welsh children eligible for FSM is lower than in all but six of the 152 local authority areas in England.¹³⁰ This is unacceptable and means that too many poor children in Wales are being let down by the existing schools system. Change is urgently needed.

Reforms

86. In Scotland a number of reforms have recently been introduced to increase the focus on closing the attainment gap. Our last report raised concerns about the use of data and evidence in Scotland to guide school improvement. Since then, the Scottish Government have introduced a new online data tool, **Insight**, which aims to be used by secondary schools and local authorities to identify areas of success and where improvements can be made. To encourage the better use of evidence between schools and local authorities a **School Improvement Partnership Programme** has been introduced. The interim report¹³¹ on the evaluation of the programme was published in May 2014. This will sit alongside a programme intended to support attainment in all pupils and better collaboration between schools called **Raising Attainment for All**, which was introduced in June 2014. The Commission understands this intervention is not targeted – local authorities self-select into the programme.
87. However, these programmes do not focus specifically on pupils from disadvantaged households in their project conception, design and evaluation. It is particularly worrying that these programmes do not use any data to target (or consider evaluation) effectively. The Commission believes that Scotland must focus these programmes (and any new ones) on raising educational outcomes for disadvantaged pupils.
88. In Wales there has been a substantial focus on the attainment gap. Two focussed interventions include additional funding for poor children and targeting support to challenging schools. Additional resources are being invested through the **Pupil Deprivation Grant** which has almost doubled in size in 2014/15 from £450 to £918 per pupil (and a further increase to £1,100 per pupil was recently announced). Wider accountability reforms mean that *all* schools will have to demonstrate more specifically how children eligible for FSM are being supported. As in England, they will also be required to publish the details of how they used the additional funding. The Welsh Government has also put in place an evaluation of the Grant. This is being supported through the availability of data through **All Wales Core Data Sets**.¹³² This has been designed to allow schools to analyse their own performance against the performance of similar schools.

¹²⁸ Joseph Rowntree Foundation, *Education Attainment in Scotland*, 2014

¹²⁹ The Sutton Trust, *The Reading Gap: The socio-economic gap in children's reading skills: A cross-national comparison using PISA*, 2009

¹³⁰ The Commission compared the Welsh figure for achieving five good GCSEs (including English, Welsh and mathematics) and the English local authority data – Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics*, 2014

¹³¹ The Robert Owen Centre for Educational Change, *Research on the impact of the School Improvement Partnership Programme*, May 2014

¹³² Welsh Government, *Child Poverty Strategy for Wales Progress Report*, 2013

89. In addition, support is being targeted to some of the most challenging schools through **Schools Challenge Cymru**. An additional £20 million of funding will provide support for 40 challenging secondary schools and their cluster primaries. Schools have been selected using a range of deprivation-related factors and performance data. Schools Challenge Cymru will roll out in schools from September 2014. The Welsh Government has also recognised the importance of what parents can do to support progress on educating the next generation educational attainment by launching guidance – **Rewriting the future: raising ambition and attainment in Welsh schools**.

In summary

90. In Scotland, there are still considerable concerns that the Commission raised last year that remain unanswered. The most significant issue remains the lack of transparent data around disadvantaged pupils, which frustrates efforts to close the attainment gap and improve social mobility. While this is not the only way to drive accountability, there are benefits in collecting and publishing this data, not least in enabling much more robust analysis of the interventions currently in place. Currently Scotland's improvement schemes in education are not targeted to the most disadvantaged. For example, selection in the School Improvement Partnership Programme is voluntary – there is no basis for driving performance in the lowest performing areas for less advantaged students. There also appears to be a lack of evidence on the success this programme is likely to have.

91. The lack of data limits the ability of heads, teachers and policy-makers to design, monitor and evaluate any interventions. Most interventions do not have robust evaluations in place to fully understand their impact on attainment – we have no way of knowing which are worth continuing or scaling up. The Commission would like the Scottish Government to look at the success of the Education Endowment Foundation and suggests that there may be value in looking at how evaluation data and evidence can be combined across the UK. The Commission believes the limitations of Scotland's collection and use of data and analysis on children from disadvantaged backgrounds urgently need to be addressed if Scotland is serious about closing the attainment gap.

92. Many of the interventions in Wales are relatively new and have not had enough time for us to form a judgement on their impact. But the programmes broadly align with successful interventions found in other countries. The Commission particularly welcomes the Welsh reforms which are using deprivation data to better focus education on closing the considerable attainment gap. However, Wales urgently needs these interventions in place as the attainment gap is unacceptably high. We are concerned about the lack of ambition in the new international targets set for 2020,¹³³ which we do not think are aspirational enough given the scale of the issue.

¹³³ Welsh Government, *Qualified for Life, An education improvement plan for 3 to 19 year olds*, 2014

Recommendations for the Scottish and Welsh Governments

The Scottish Government needs to adjust its approach to closing the attainment gap by:

- ensuring that all schools see it as their **core business to give equal priority to raising standards and closing attainment gaps**;
- Making **better use of data and analysis** to target and evaluate programmes and schools;
- Becoming a lot more **transparent** in terms of its publication of data on the attainment of children from deprived backgrounds compared to others;
- Ensuring current interventions such as the Improvement Partnership Programme and Raising Attainment are **better targeted on poor children** with better evaluations in place, so any success can be replicated more widely.

The Welsh Government should:

- **increase its focus on narrowing the unacceptably large attainment gap** that exists between poor and better-off children;
- Set **much more challenging targets** both internally (through the Tackling Poverty Action Plan) and internationally (through PISA goals);
- Put in place **effective, robust evaluation** of the Schools Challenge Cymru – so lessons can be learnt if the attainment gap closes significantly.

Schools and teachers

93. If the standard of the weakest schools could be brought up to the standards of the very best it would have a significant impact on improving social mobility. Schools and teachers can lead this improvement. Our recent report, *Cracking the Code*,¹³⁴ showed that the best performing schools are helping three times as many disadvantaged children to achieve five good GCSEs (including English and mathematics) as the lowest-performing schools with similar levels of disadvantage. If all schools closed half the gap in performance to the top 20 per cent of schools with similar concentrations of disadvantage, over 14,000 more disadvantaged students would get five good GCSEs each year. To put that in perspective, in 2012/13, around 61,000 disadvantaged children got five good GCSEs, so this would mean that almost 25 per cent more disadvantaged children would be achieving at this level if the gap was closed.

94. There is a strong relationship between the quality of teaching and the attainment levels achieved by students. Expectations also matter. A survey of teachers we commissioned¹³⁵ found that teachers generally have high expectations of students from disadvantaged backgrounds. However, it also found evidence that the attitudes of some teachers towards disadvantaged students could act as a barrier to success. Around one in five of respondents (21 per cent) agreed that colleagues at their school have lower expectations of students from disadvantaged backgrounds compared with their expectations of other students from non-disadvantaged backgrounds. In secondary schools the number rose to one in four (25 per cent).¹³⁶ A majority of respondents who said their colleagues had lower expectations

¹³⁴ Social Mobility and Child Poverty Commission, *Cracking the code: how schools can improve social mobility*, October 2014

¹³⁵ The Social Mobility and Child Poverty Commission and National Foundation for Educational Research's (NFER) *Teacher Voice Survey*, October 2014

¹³⁶ *ibid*

of students from disadvantaged backgrounds (61 per cent) said this adversely affects these students' outcomes.¹³⁷

95. The very best schools breed a culture of teachers expecting the best from every child, regardless of their background. Expectations of success help to breed success. Our polling suggests some schools and some teachers are some way from adopting such a culture. It sends a very clear message to heads and governing bodies: making progress on social mobility means ensuring that every teacher has high expectations of every child.

Recommendations for schools and teachers

In *Cracking the Code*,¹³⁷ we set out five key recommendations for actions schools and teachers could take to close the attainment gap and improve social mobility.

- **Using the Pupil Premium strategically to improve social mobility** – this means schools using evidence on the Pupil Premium more systematically to narrow attainment gaps between disadvantaged children and their peers. The best schools use data-driven analysis of why, how and where poor children are falling behind. They then seek to deploy that funding to address those barriers, using the school's freedom to innovate and informed by the evidence on what works.
- **Building a high-expectations, inclusive culture** – this means being ambitious and 'sharp-elbowed' for all children, with the school leadership team and governors sending a clear message from the top that they have high expectations of all staff and all students and not tolerating lower standards because of a mind-set that disadvantaged children cannot do any better.
- **Incessant focus on the quality of teaching** – this is the single most important way schools can influence social mobility, at the centre of the school's approach. It includes prioritising recruitment and development of staff, partnering with other schools to help teachers develop, and ensuring disadvantaged students have at least their fair share of the best teachers' time.
- **Tailored strategies to engage parents** – this means having high expectations of parents and building engagement. This could be by meeting parents on neutral ground outside the school, engaging and helping parents to be effective in supporting their children's learning – not passively accepting lack of involvement.
- **Preparing students for all aspects of life, not just for exams** – this means supporting children's social and emotional development and the character skills that underpin learning. It also means working with students to identify career goals early and providing excellent careers advice. Schools should also enable local businesses and universities to get involved in providing career advice, mentoring opportunities and inspirational work experience.
- We also highlighted the importance of '**walking the walk on fair admissions**' – not, as in some schools, covertly enabling disadvantaged students to be selected out. This means governors and heads recognising that securing a socially diverse student body can enhance the education experience of all students.

¹³⁷ *ibid*

¹³⁸ Social Mobility and Child Poverty Commission, *Cracking the code: how schools can improve social mobility*, October 2014

Local government

96. The local authority role in education has changed significantly in recent years as the structure of the school system has been reformed. Over half of children in secondary schools and more than one in eight children in primary schools now attend academies. This has substantially reduced the direct levers that local authorities have over schools. Further shifts can be expected over the next few years as more schools convert to academy status.

97. However, the role of the local authority remains critical both in terms of supporting remaining community schools and in its role as guardian of local school standards. Every local education authority in England and Wales has a legal duty to exercise their functions to promote high standards, ensure fair access, and promote the fulfilment of potential.¹³⁹ They do this through their other statutory duties¹⁴⁰ – ensuring a sufficient supply of places in good schools; fair access to schools; supporting vulnerable children; tackling underperformance – and through their school improvement function.

98. In the context of the increased number of autonomous schools and budgetary pressures, local authorities are prioritising resources much more tightly than ever before. Local schools and local authorities are adjusting to the potential for transformation.¹⁴¹ Some have found ways to adjust to these new challenges. Part of this is to work more collaboratively with academies and others to achieve the shared objectives of driving school improvement. Ofsted inspected eleven local authorities' school improvement arrangements since June 2013¹⁴² – it is yet to be seen if this increased accountability will drive improvements. Our recommendations focus on taking active responsibility for their own improvement but also playing a role in supporting the improvement of other schools in the system.

¹³⁹ Given by Section 1 of the Education and Inspections Act 2006

¹⁴⁰ There are 198 different statutory responsibilities that LEAs have relating to education and children and young people's services. These are identified in Department for Education, *Statutory Responsibilities of Local Authorities*, 2013

¹⁴¹ Department for Education, *Action research into the evolving role of the local authority in education*, 2014

¹⁴² <http://www.ofsted.gov.uk/resources/reports-following-inspection-of-local-authority-school-improvement-arrangements>

How regions are making a concerted effort to close the attainment gap – The North East Schools Challenge

The North East Schools Challenge – based on the London Challenge – aims to boost attainment in underperforming schools and support young people in the transition from school to work.

The Challenge hopes to ‘address underperformance and raise standards, create many more good and great schools and close attainment gaps by building capacity and accelerating the development of a sustainable, self-improving schools-led system’.¹⁴³

The North East Local Enterprise Partnership will fund £4.7 million a year for six years into developing good leadership and improving careers advice.

The North East Schools Challenge has yet to start, but a targeted approach with additional funding is likely to have a positive effect in closing the attainment gap. The Commission is pleased to see regional challenges, such as the Somerset Challenge and Schools Challenge Cymru, are starting around the country. Given how difficult it continues to be to unpick the performance of City Challenges, it is really important that better evaluations are in place from the start. So we can have a better understanding of any big improvements we hopefully see.

Recommendations for local government

- Local authorities found by Ofsted to be consistently underperforming in supporting improvements in schools should be tackled more effectively. **It is unacceptable that local authorities are allowed to consistently underperform.** More support should be shared between weaker local authorities and those that have had greater success;
- Where local authorities continue to struggle, **more area-based approaches** should be introduced to improve the quality of local schools and promote collaboration between schools, local authorities, central government, schools and other agencies to raise standards and close attainment gaps.
- Local education authorities should **embrace their change in responsibilities around school improvement** and end hostility to structural reforms.
- Local areas that are starting programmes that are focused on closing attainment gaps such as Schools Challenge Cymru, the Somerset Challenge, and North East, should **initiate robust evaluations** so any gains can be understood, shared and replicated elsewhere.

Employers and universities

99. Employers, universities and others have a crucial role in helping children from disadvantaged backgrounds convert their potential and success in the education system into good career as adults. They can do this by engaging with schools to help children understand what is required to convert their aspirations into a career (e.g. what subjects they should take, what courses at university, what kind of extra-curricular activities). Businesses also need to ensure that requirements for work experience or internships do not close doors on poorer children. Many businesses and universities play a very active role with schools. Our

¹⁴³ <http://www.schoolsnortheast.com/news-and-events/article/focus-on-a-north-east-schools-challenge-and-more-and-better-jobs/>

Commissioners often hear from businesses and universities that want to help, but struggle to have positive engagement with schools. We know that the countries with good careers advice have regular engagement with businesses.¹⁴⁴ There are a plethora of ways for businesses to do this including through mentoring, providing work experience and supporting employees to join schools' governing boards.

100. As well as improving attainment to help more young people get into university, schools need to ensure they work with universities to widen young people's horizons about the opportunities available to them. Engagement with universities should be across all phases of schooling, beginning in primary school. Schools should proactively engage with universities.

Recommendations for employers and universities

- **Employers should increase their links to local schools.** This means employers ensuring staff can actively support the delivery of inspirational work experience, mentoring opportunities and careers guidance and offering talks in schools.
- Schools should have an **employer representative on every school governing body** tasked with providing young people with greater exposure to the world of work and careers pathways, thereby ensuring that the many employers who want to get involved in helping young people can do so.
- **Universities** need to increase links to local schools and provide more detailed guidance for pupils, schools and colleges on courses and career choices.

3.5 Conclusions and recommendations

101. There is much to welcome about developments in schools over the last two decades. In more recent times, the introduction of the Pupil Premium has given renewed momentum to closing the attainment gaps that scar our school system. The commitment of teachers and governors, alongside that of ministers, is most welcome. But there is a long way to go. Too many children still leave school without achieving five good GCSEs including English and mathematics. Sadly, the correlation between living in poverty and doing badly at school remains intact. It must become a national priority for the attainment of disadvantaged children to rise and the attainment gap between them and their better-off peers to close. All of this suggests that raising standards and closing attainment gaps should be the twin objectives for all teachers and all schools through the standards Government sets, the inspection regimes it sanctions, the league tables it publishes and the reward mechanisms it deploys. Critically, since the global evidence suggests that the quality of teaching is the key factor in helping close attainment gaps, the best teachers should have better incentives, including higher pay, to teach in the worst schools. With the right teaching, resources and support, the link between deprivation and destiny can be broken.

¹⁴⁴ Less than half of British young people have access to a high-quality work experience placement, palling in comparison to France, where 85 per cent of students have completed a placement; the European average is 61 per cent. McKinsey Center for Government, *Education to Employment: Getting Europe's Youth into Work*, 2014

What worked and what did not work 2010-2015?

What worked?

- **Overall attainment** of disadvantaged pupils has been steadily rising since 2010;
- Funding through the **Pupil Premium** for poor children has been steadily increasing and schools have access to more effective support in deciding how this money should best be spent;
- **London and the big cities** have made outstanding gains in closing the attainment gap and raising attainment for children from disadvantaged backgrounds;
- The **quality of schools and the quality of teaching for disadvantaged children continues to rise**;
- Giving schools **increased freedoms** through reforms to schools structures and the how to spend the Pupil Premium, alongside accountability changes, is welcomed;
- We know more about successful interventions through **'what worked'** centres such as the Education Endowment Foundation.

What did not work?

- The **attainment gap remains broadly static and it is still unacceptably wide** – almost two thirds of poor children fail to achieve the basics of five GCSEs including English and maths;
- Areas like London have seen great improvements but the **variation between schools and different areas are still too large**: poor children are more likely to go to the worst schools;
- Poor children are **less likely to be taught by the best teachers**;
- It is unclear how the Government will be able to **track the relative performance of disadvantaged children** given the wide number of reforms in every area of education - assessment, curriculum, accountability and funding;
- **Careers advice** is acknowledged to be 'patchy' and new destination measures seem unlikely to drive improvements;
- The evidence base for interventions to build **character and resilience are still being understood, developed and implemented**;
- The education system is currently going through widespread reform and the **full effects will not be seen for some time**.

By 2020 the Commission expects to see progress on the following five recommendations

- The UK Government should have **upped the pace of progress in closing the attainment gap** and increasing overall attainment levels – including having made considerable progress towards a goal of ending illiteracy and innumeracy by 2025;
- Primary schools should be receiving as much policy focus as secondary schools. The UK Government should also continue the strong focus on improving the attainment of poorer children in secondary school and closing the attainment gap, **setting a goal for the attainment gap to be halved by 2025**, with half of all children eligible for free school meals getting 5 good GCSEs including English and maths by 2020 and two thirds by 2025;
- The UK Government should have made considerable progress in increasing the number of children from disadvantaged backgrounds in outstanding schools with outstanding teaching, with **stronger incentives, through better pay, in place for the best teachers to teach in the weakest schools in hard-to-recruit areas**;
- Schools should have **embedded raising standards and closing the attainment gap** as their twin core objectives and schools should be collaborating with one another to realise them;
- Schools, as a matter of course, should be **preparing children for the world beyond school** by providing character development, high quality careers advice, extra-curricular activity, work experience and employer engagement with Ofsted assessing schools for how well they do so.

¹⁴⁵ For ending illiteracy we support Save the Children's campaign to get every child reading at Level 4b, the equivalent of the new, more demanding measure of 'reading well'. We would also push for the equivalent of a Level 4b in mathematics

Focus on...the West Midlands



Summary

- The West Midlands has the (joint) third highest rate of child poverty and the highest proportion of working-age adults with no qualifications of anywhere in England;
- Educational outcomes for poorer children are relatively good, with more getting good GCSEs and progressing to higher education than anywhere except London;
- Labour market outcomes are below average, with the third lowest employment rate and third highest unemployment rate in England.

Child poverty

- 21 per cent of children are in poverty before housing costs and 29 per cent after housing costs;
- The proportion of children in low-income varies from 9.5 per cent in Bromsgrove to 32.4 per cent in Birmingham.

Laying the foundations

- 64 per cent of poor children do not achieve a good level of development at age 4: this varies from 58 per cent in Coventry to 74 per cent in Warwickshire;
- 31 per cent of early years providers in the most deprived areas require improvement.

Educating the next generation

- 41 per cent of poor children fail to achieve the expected level in reading, writing and mathematics at age 11: this varies from 33 per cent in Solihull to 51 per cent in Worcestershire;
- 60.4 per cent of poor children fail to achieve five good GCSEs including English and mathematics: varies from 52.7 per cent in Birmingham to 70.4 per cent in Stoke-on-Trent;
- 32 per cent of the primary schools and 39 per cent of the secondary schools in the most deprived areas require improvement.

Moving from school to work

- 6.0 per cent of 16–18-year-olds are NEET: this varies from 5.1 per cent in Staffordshire to 8.8 per cent in Telford and Wrekin;
- 18 per cent of poor 16-year-olds do not go on to a positive destination: this varies from 13 per cent in Wolverhampton to 27 per cent in Walsall.

Employment, pay and progression

- 15.3 per cent of children live in workless households;
- 70.3 per cent of working-age adults are in employment and the unemployment rate is 7.1 per cent;
- Median hourly pay is £10.88, six per cent lower than the UK average;
- 13.6 per cent of the working-age population have no qualifications.

Higher education and the professions

- 19 per cent of poor children progress to higher education: this varies from ten per cent in Herefordshire to 26 per cent in Birmingham;
- 157 poor children progressed to Russell Group universities in 2011/12 – 1.6 per cent of children eligible for FSM taking GCSEs in 2008/09;
- 40.5 per cent of people in employment are in managerial, professional or associate professional occupations this varies from 27.6 per cent in Sandwell to 56.6 per cent in Bromsgrove.

Focus on...the East of England



Summary

- The East of England has the joint lowest rate of child poverty in the UK;
- However, educational outcomes for poorer children are relatively bad, with the worst performance in primary school and the second worst at GCSE, though overall post-16 and higher education progression is average;
- Labour market outcomes are very good, with the highest employment rate in the UK, one of the lowest unemployment rates and above average earnings.

Child poverty

- 13 per cent of children are in poverty before housing costs and 23 per cent after housing costs;
- The proportion of children in low income varies from 12.6 per cent in Central Bedfordshire to 27.9 per cent in Norwich.

Laying the foundations

- 65 per cent of poor children do not achieve a good level of development at age 4: this varies from 58 per cent in Thurrock to 74 per cent in Southend-on-Sea;
- 27 per cent of early years providers in the most deprived areas require improvement.

Educating the next generation

- 46 per cent of poor children fail to achieve the expected level in reading, writing and mathematics at age 11: this varies from 39 per cent in Hertfordshire to 56 per cent in Central Bedfordshire;
- 67.8 per cent of poor children fail to achieve five good GCSEs including English and mathematics: varies from 55.0 per cent in Luton to 73.8 per cent in Central Bedfordshire;
- 42 per cent of the primary schools and 52 per cent of the secondary schools in the most deprived areas require improvement.

Moving from school to work

- 5.1 per cent of 16–18-year-olds are NEET: this varies from 4.1 per cent in Hertfordshire to 6.7 per cent in Peterborough;
- 21 per cent of poor 16-year-olds do not go on to a positive destination: this varies from 14 per cent in Luton to 27 per cent in Bedford and Southend-on-Sea.

Employment, pay and progression

- 8.7 per cent of children live in workless households;
- 76.7 per cent of working-age adults are in employment and the unemployment rate is 4.9 per cent;
- Median hourly pay is £12.15, five per cent higher than the UK average;
- 8.5 per cent of the working-age population have no qualifications.

Higher education and the professions

- 16 per cent of poor children progress to higher education: this varies from ten per cent in Suffolk to 31 per cent in Luton;
- Only 62 poor children progressed to Russell Group universities in 2011/12 – 1.2 per cent of children eligible for FSM taking GCSEs in 2008/09;
- 45.4 per cent of people in employment are in managerial, professional or associate professional occupations: this varies from 27.6 per cent in Great Yarmouth to 68.2 per cent in Cambridge.

Chapter 4: Progress on moving from school to work

- The last year has seen significant growth in the number of young people in work but long-term youth unemployment is still double what it was before the recession;
- There are more apprenticeships but fewer school leavers are accessing them (other than Scotland) and there are concerns over quality;
- Fewer young people are not in education, employment or training but young workers risk being left behind in terms of jobs and wages as the recovery gathers pace;
- Stagnating wages, increasing house prices and fewer youth jobs means that the number of young workers in their mid-20s still living with their parents is up by one quarter since the mid-1990s;
- The current system for helping young people transition from school to work is overly complex and not sustainable. As the crisis eases it is the right time to develop a coherent solution;
- Government should devolve more responsibility to improve youth outcomes with a bigger role for local authorities and City Deals;
- There should be a Day One offer of immediate support for young people out of education and employment to speed reintegration into study or work;
- Half of all workplaces with ten employees or more should be offering apprenticeships by 2020;
- Further education providers that do not improve between inspections should be recommended for closure by the Further Education Commissioner.

4.1 Why is making a successful move from school to work important?

1. The 16–24 period is a make-or-break time for children as they transition from school to work. Successful moves lead to jobs with training and post-16 qualifications that employers value, protecting against worklessness and low earnings in adulthood. Good 'moves from school' support young people as the next generation of parents. When this transition goes well early disadvantage can be overcome but if the move from school to work goes wrong disadvantage can become more deeply entrenched. When it goes badly the cost is wasted talent, unfulfilled aspirations and increased poverty.

2. While most young people make this transition without problems, many do not.¹ It is important that all young people move on successfully, but a particular focus is required on those from poorer backgrounds. They are more likely to drop out of education and work after the age of 16 and are less likely to enrol on the courses with the best employment outcomes.² The disruption of unemployment during early adulthood leaves long-term scars in wage and employment levels.³

3. Some progress has been made during the last year but there is still a lot more to do. Critically, absolute improvements in attainment at age 19 have not reduced the gap in outcomes between those from less well-off backgrounds and others. Action in this area is vital.

4.2 What is happening to the problem?

4. In our 2013 report we argued that long-term youth unemployment was a major risk to social mobility and one that the UK Government had failed to grip adequately.

5. For Scotland we noted the Youth Employment Scotland initiative, which aims to help young people get into employment. For Wales we noted the cross-cutting approach taken through the creation of the Youth Engagement and Employment unit. We concluded that these approaches had the potential to tackle some of the problems we identified.

6. Last year we recommended that the UK Government:

- **Set a target to eliminate long-term youth unemployment** and reduce the proportion of young people who are not in education, employment or training (NEET) to below the European average;
- Work with business to set a joint goal of **half of firms offering high-quality apprenticeships** or work experience;
- **Consider introducing youth participation payments** conditional on taking part in high-quality, work-related support and educational programmes;
- **Cap the amount of time 18–24-year-olds can spend jobless on benefits**, through introducing guaranteed job placements under the Work Programme;
- **Create local Youth Transition Partnerships** to identify, track and re-engage young people NEET, creating an integrated youth work and education system;
- **Introduce a UCAS-like system for the ‘other 50 per cent’** to make access to vocational education simpler, a payment-by-results funding system for further education, based on labour market outcomes, and a long-term goal to narrow the gap in funding between academic and vocational education.

Recent developments

7. The main response of the UK Government to the youth unemployment crisis, a package of measures described as the Youth Contract, has had mixed results, with some elements helping far fewer young people than planned.⁴ This year the UK Government has added to the programmes already in place by:

¹ Department for Education, *Destinations of key stage 4 and key stage 5 students 2011/12*, 2014. For the academic year 2011/12, 89 per cent of pupils were recorded in sustained education, employment and/or training after the point when pupils usually finish their GCSEs, 74 per cent after the point when pupils usually finish A-Levels or other Level 3 qualifications

² Joseph Rowntree Foundation, *Poverty, ethnicity and education*, 2011

³ ACEVO, *The ACEVO Commission on Youth Unemployment*, 2012

⁴ For an overview, see House of Commons Library, *Youth Contract*, 2014

- Removing **National Insurance contributions** from under-21s from April 2015;
 - Committing to introduce a **UCAS-style** system to support post-16 choices, as suggested by the Commission last year;
 - Introducing new official **guidance on careers advice**, a new responsibility on schools to develop closer links with employers and more Ofsted scrutiny;
 - Trialling **new support for 16- and 17-year-olds** through Jobcentres;
 - Piloting a version of the Commission's proposal for youth participation payments, or what the Prime Minister calls '**earn or learn**': a requirement for 18–21s without a good GCSE in maths and English to work towards achieving these qualifications or lose entitlements to out-of-work benefits;
 - Piloting **mandatory work experience** for young people on Jobseeker's Allowance (JSA) after 6 months.
8. Many of these proposals are welcome and align with previous Commission recommendations, but most are small-scale pilot schemes with uncertain timing and coverage. The headline policy, removal of National Insurance contributions, will not start until next year.⁵ This package also remains short of a 2020 strategy to address underlying problems in young people's moves from school to work in all parts of Britain, especially young people from disadvantaged backgrounds. Though welcome, these moves are far too tentative set against the scale of the problem the country faces.

Current outcomes

9. The recession hit young adults harder and for longer than others in the labour market and the recovery has benefited them least. There are three key issues:
- Despite large reductions in unemployment **many young people remain out of work**. Numbers unemployed for over a year are almost double what they were before the recession, as are the numbers unemployed for over two years. Worryingly, fewer young people now combine study and work;
 - The recovery in jobs has **varied between regions** and some groups of young people, notably those from non-white backgrounds, are still much worse off than others;
 - **Moves to adulthood are delayed** with more young people having to live with their parents and waiting longer to start a family. Fewer young people are getting on to the housing ladder in their 20s and early 30s. This longer-term trend is reinforced by the decline in young people's hourly pay. Since the start of the recession it has dropped in real terms to levels last seen 15 years ago.

Jobs and young people not in education, employment or training

10. The good news is that over the last year youth unemployment has decreased significantly. The unemployment rate for 16–24-year-olds is now below 17 per cent, down from 20 per cent in late 2013. Numbers unemployed have declined by more than 200,000 over the year to September to around three quarters of a million.⁶ The number of young people who are unemployed and not in full-time education is less than 500,000 – 14.2 per cent – a rate only one percentage point above pre-recession levels. This solid recovery in job prospects appears established and is very welcome.

11. The bad news is that while unemployment has been going down, employment rates are still below the pre-recession level. As a proportion of all not in full-time education, for

⁵ See <https://www.gov.uk/government/news/autumn-statement-5-december-2013>

⁶ Office for National Statistics, *Labour Market Statistics*, September 2014

18–24-year-olds the rate is one percentage point below the 2008 level. For 16–17-year-olds the rate is 13 percentage points down from 2008.

12. The number of young people who are NEET has, however, decreased. For those aged 16–17, numbers NEET are at record lows, connected to the raising of the participation age. In the first half of 2014 less than eight per cent of 16–17-year olds were NEET, down one percentage point over the last 12 months. For 18–24-year-olds the rate was 16 per cent, a decrease of more than two percentage points over the same period. This is a real success for the younger group and good progress for the older group.⁷

13. In Scotland and Wales, the NEET figures appear to show levels higher than the UK average, though different statistical methods mean they are not directly comparable.⁸ In Scotland, for 16–19-year-olds, 11.9 per cent were recorded NEET in 2013 (compared to nine per cent for this age range in England), down 1.4 percentage points over the year.^{9, 10} In Wales, 10.5 per cent of 16–18-year-olds were recorded NEET at the end of 2013 (compared to eight per cent for this age range in England), down less than half a percentage point from the previous year. For 19–24-year-olds in Wales, over a fifth were recorded NEET (compared to 16 per cent for this age range in England), down around one and a half percentage points from the previous year.^{11, 12} The downward trend of these figures is modest and the disengagement rate of over one in ten in both Scotland and Wales requires much more attention.

Young people's perspectives on being out of work or education

In response to a question asking where young people not in employment, education or training would like to be in the future, a guarded optimism is revealed:

“Want to have a job and a nice family...”

“In a flat. In my own house with my own job. Paying my own bills, living a life by myself.”

Young people who have become disengaged from work and education face multiple barriers, including poor educational attainment, poverty, and low self-confidence. These voices reflect the desire for a better future and potential for re-engagement.¹³

14. For 16–17-year-olds, raising the participation age has increased numbers in full-time study, up ten percentage points from before the recession to nearly 85 per cent.¹⁴ And it is

⁷ Department for Education, *NEET Quarterly Brief, April to June 2014*, Supplementary tables, NEET estimates by labour market status SFR 29/2014. Around half of the NEET population is inactive, neither working nor seeking to work. Of those inactive around 50 per cent of young people stated they were looking after family or home, 25 per cent sick and the remaining 25 per cent ‘other’, which could include students who recently left education or young people waiting for the results of a job application

⁸ The approaches are described in the Scottish and Welsh statistical releases

⁹ The Scottish Government, *Local Area Labour Markets in Scotland*, 2014

¹⁰ Calculation of 16–19 England NEET rate from Department for Education, *NEET Quarterly Brief, April to June 2014*, Underlying data, 2014

¹¹ Statistics for Wales, *Young people not in education, employment or training (NEET) (Year to 31 March 2014)*, 2014

¹² Department for Education, *NEET Quarterly Brief, April to June 2014*, NEET time series for England SFR 29/2014, 2014

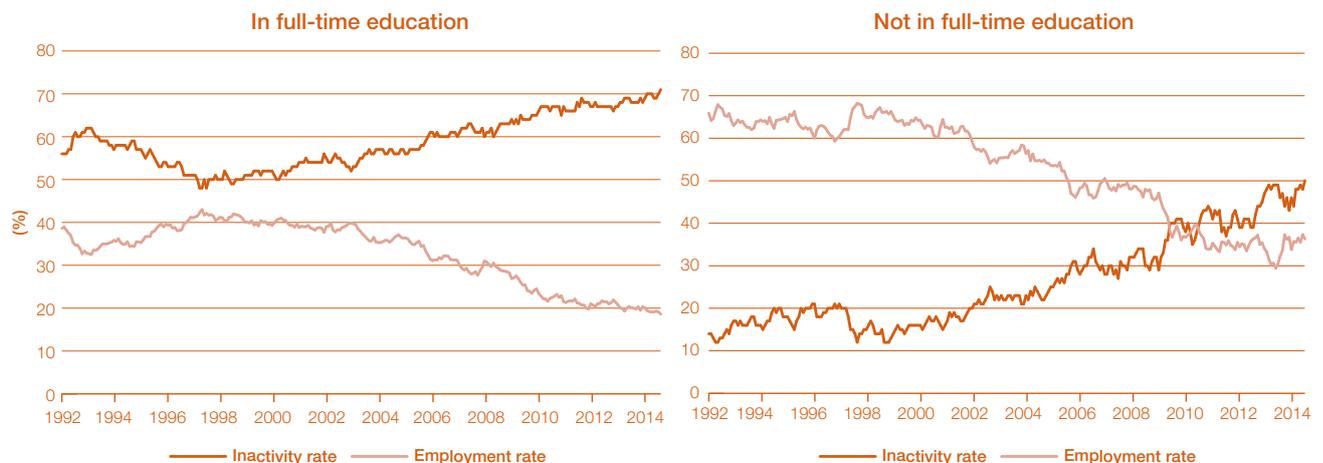
¹³ Rathbone, *Rathbone/Nuffield Review Engaging Youth Enquiry*, 2008

¹⁴ Young people leaving secondary school at 16 in 2014 will be the first cohort for which the participation age will be 18

good news that the proportion of 16–17-year-olds not in work or study is now less than ten per cent, down from a high of 14 per cent in 2005. Yet employment outcomes have been getting worse for 16–17-year-olds who continue in full-time education. In 1997 the employment rate of this group was at a high of 43 per cent. Today, the employment rate has more than halved to around 20 per cent. The unemployment rate of this group doubled to around 35 per cent over the same period and the inactivity rate has increased by ten percentage points to over 70 per cent. Young people no longer appear to be getting the real work experience from ‘Saturday jobs’ that build employability skills.¹⁵ This has been identified as a real gap by employers.

15. The 15 per cent of 16–17-year-olds who are not in full-time education are also more likely to be inactive than ever before. This is likely to be in large part a selection effect since the proportion of inactive 16–17-year-olds not in full-time education as a proportion of all 16–17-year-olds has remained broadly constant at between 6 and 8 per cent since 2002. If growing numbers of young people who did well at school and may otherwise have sought work choose full-time study, a smaller proportion of the 16–17 cohort who remain out of education will be economically active and fewer of those who are will have the employability skills employers look for. We welcome the decline in absolute numbers of inactive 16–17-year-olds not in full-time education (down 15,000 since before the recession, leaving around 110,000 today) but we see the need for additional focus from the Government to determine the extent to which the inactive numbers can be reduced further and faster.

Figure 4.1: Comparison of inactivity and employment rates for 16–17-year-olds in full-time education and those not in full-time education



Source: Office for National Statistics, *Labour Market Statistics*, 2014.

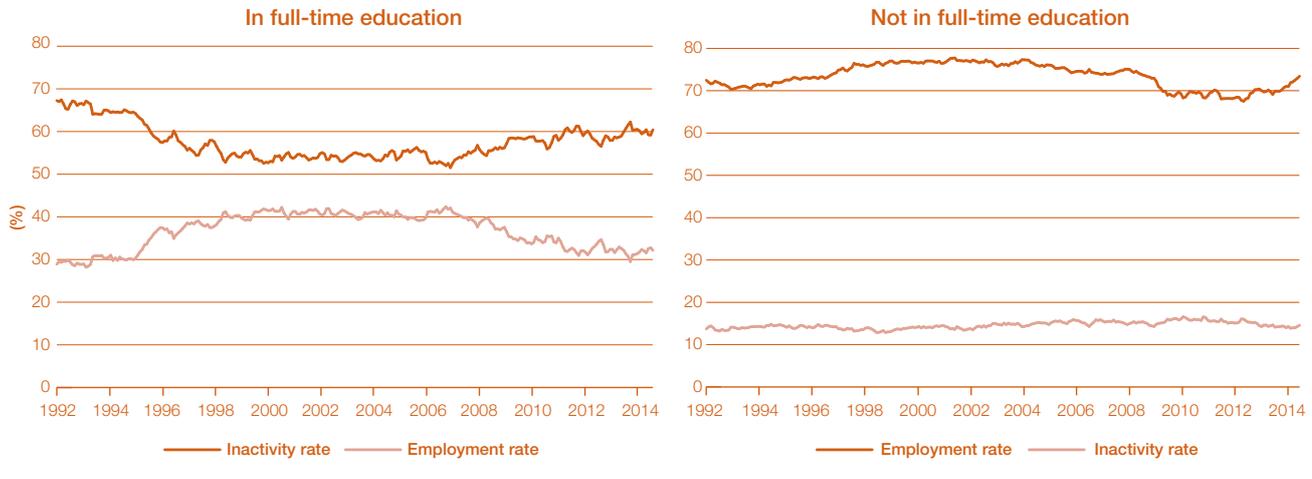
16. For 18–24-year-olds, increases in the proportion who are in full-time study and inactive have echoed the trends for 16–17-year-olds. Since 2007, there has been a steady rise in the proportion of 18–24-year-olds in full-time education, up 14 percentage points to 32 per cent. The proportion of full-time students who are inactive has also increased, up around five percentage points since before the recession to over 60 per cent. Overall, the evidence suggests that 18–24-year-olds in full-time education have not seen as stark a move away from combined study and work as the younger group – the employment rate is around 15 percentage points higher and the inactivity rate 10 percentage points less – but it is still significant.

17. For 18–24-year-olds not in full-time education, recovery is better established. Unemployment for the cohort, at 13.6 per cent, is still around two percentage points above pre-recession levels but at the current rate of progress should reach this level within a year.

¹⁵ UKCES, *Scaling the youth employment challenge*, 2013

Nonetheless, over 450,000 18–24-year-olds not in full-time education are looking for work but cannot find it. The unemployment challenge for the young adult group is far from over.

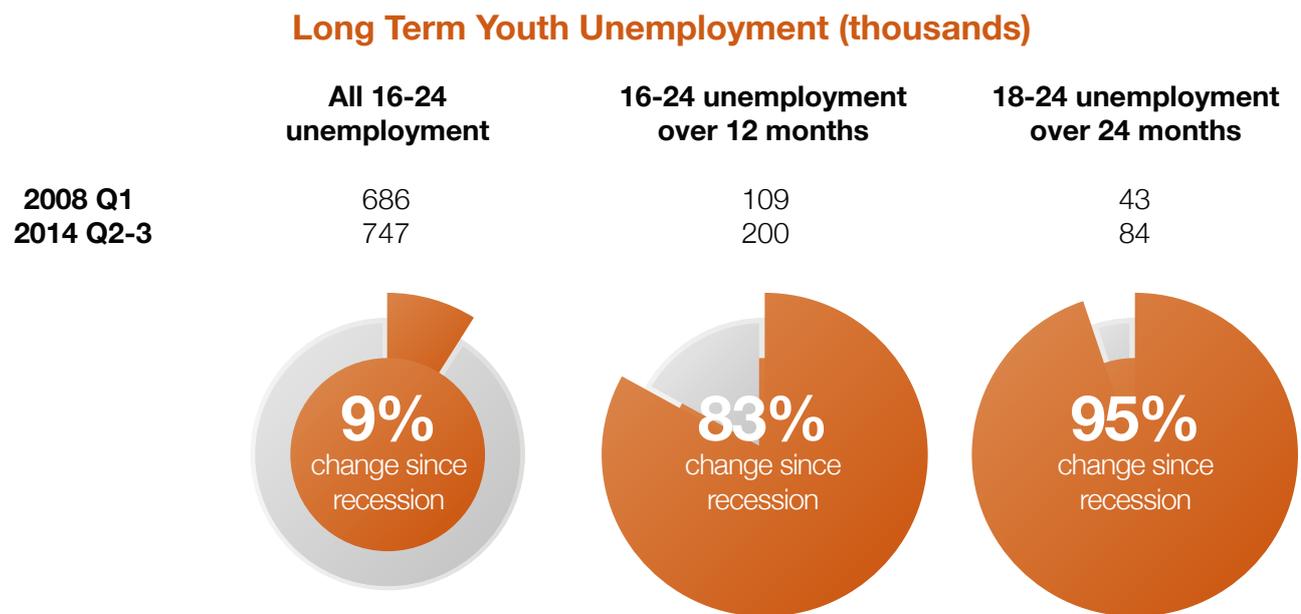
Figure 4.2: Comparison of inactivity and employment rates for 18–24-year-olds in full-time education and those not in full-time education



Source: Office for National Statistics, *Labour Market Statistics*, 2014.

18. The longer young people spend out of work the worse it is for their futures.¹⁶ It is therefore of concern that 200,000 16–24-year-olds have been unemployed for more than 12 months and around 85,000 have been unable to find work for more than two years. Unemployment of both 12- and 24-month duration has nearly doubled since before the recession. These changes are illustrated in Figure 4.3. Concerted action is required to prevent today’s unemployed young people becoming tomorrow’s unemployed, under-employed or low-paid adults.

Figure 4.3: Percentage change in youth unemployment numbers since the beginning of the recession, by duration



Source: Office for National Statistics, *Labour Market Statistics*, 2014.

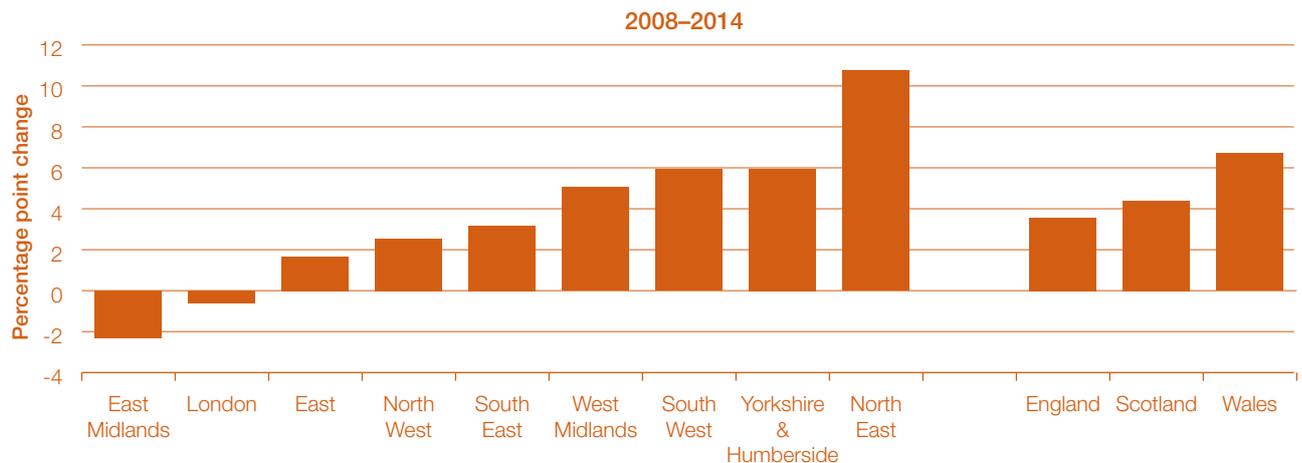
¹⁶ Public Health England/UCL Institute of Health Equity, *Local action on health inequalities: Reducing the number of young people not in employment, education or training (NEET)*, 2014

19. It is also worth remembering that, despite overall decreases in joblessness, overall youth unemployment is still higher than before the recession, and today's youth have fared worse than the generation who went through the 1990 recession. Total youth unemployment today is around 65,000 higher than the low in early 2008 before the impact of the downturn was felt. At the corresponding point in the post-1990 recovery total youth unemployment was around 80,000, or 2 percentage points, less than today and declining year on year. The jobs recovery for those in full-time education has been worse, with the post-2008 unemployment rate being more than 8 percentage points higher than the for post-1990 cohort.¹⁷ This recession has been particularly hard on young people. The ratio of youth to adult unemployment rates was just over two to one in 1996, compared to just under three to one today. On any definition we are nowhere near the Chancellor's objective of 'full employment' for young people.¹⁸ Young people are the losers in the recovery to date. They are on the wrong side of the two Britains divide that is opening up.

Regional variations

20. Divided Britain is starkly exposed in the jobs market for young people. Differences in the job opportunities open to young people in different local areas means youth unemployment in some places has recovered to pre-recession levels but is proving more persistent in others.¹⁹ All regions and nations of the country have higher levels of youth unemployment compared to before the recession apart from the East Midlands and London.

Figure 4.4: Change in regional youth unemployment rates since the recession, 2008–2014



Source: Office for National Statistics, *Unemployment by age and region*, 2014.

21. Over the last year reductions in youth unemployment were twice as big in London, Yorkshire and Humberside and the West Midlands as in the North East, North West and the South West. There are some success stories in English regions: youth unemployment is as low as 10 per cent in the East Midlands and less than 15 per cent in the South East and the East. But over the last year the decrease in youth unemployment in Wales was only half that in England – under three per cent compared to five per cent. The North East has a youth unemployment rate of 25 per cent, more than eight percentage points above average.^{20, 21}

¹⁷ Youth unemployment in the middle of 1997 was around 650,000. Office for National Statistics, *Labour Market Statistics*

¹⁸ <https://www.gov.uk/government/speeches/chancellor-speaks-on-tax-and-benefits>

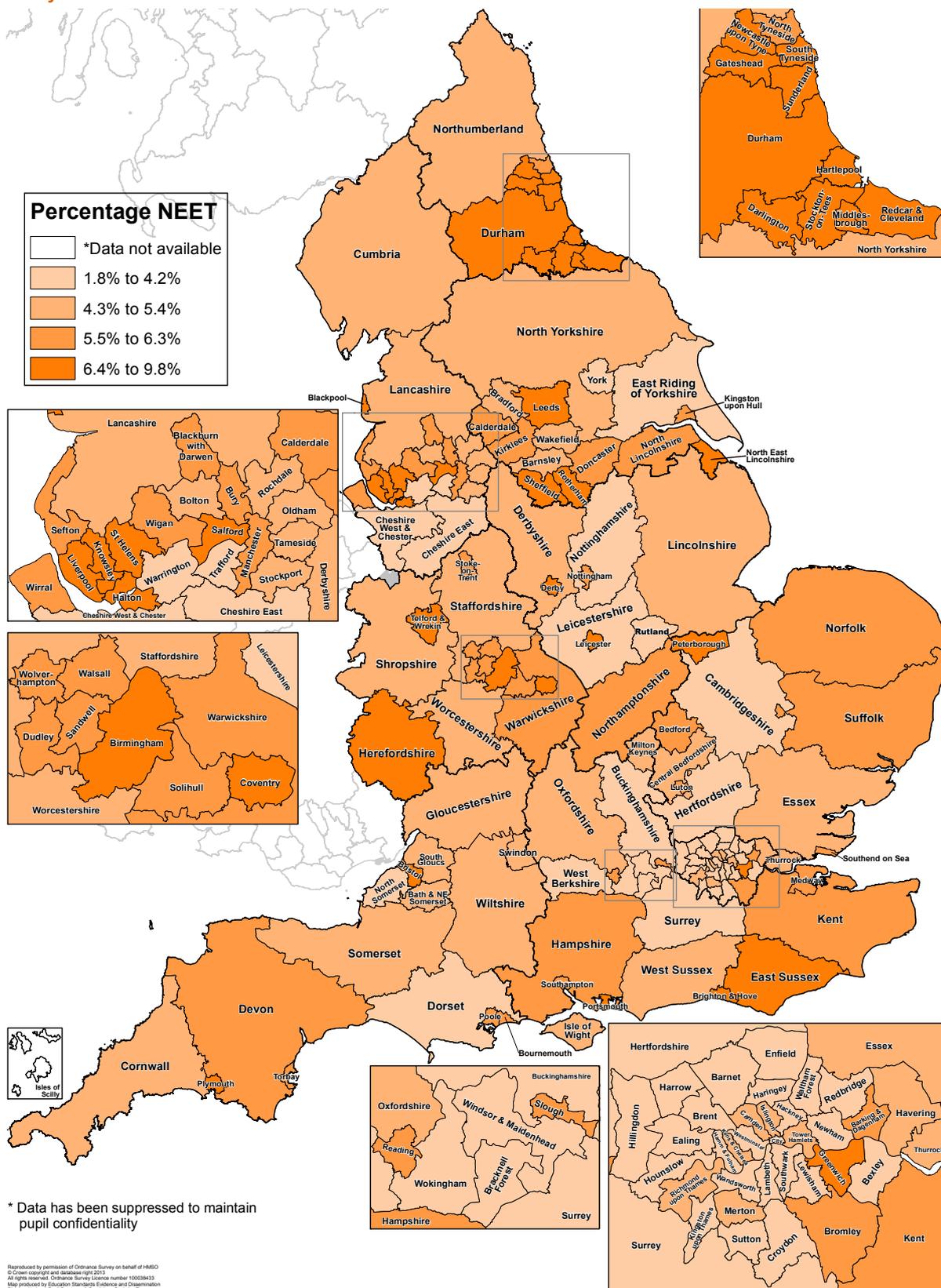
¹⁹ The Work Foundation, *The geography of youth unemployment: a route map for change*, 2014

²⁰ Office for National Statistics, *Unemployment by age and region experimental statistics: September 2014 update*, 2014

²¹ The Work Foundation, *The geography of youth unemployment: a route map for change*, 2014

22. Nationally, the number of 16–17-year-olds NEET has reduced. But across England there are local authorities where the challenge is more pronounced. Clusters of councils with high levels of young people NEET can be seen in the North East, North West and West Midlands, with notably low levels in London and the Home Counties (see Figure 4.5).

Figure 4.5: Percentage of 16–17-year-olds not in employment, education or training by English local authority



Variations between different ethnic groups

23. Young people from Pakistani and Bangladeshi (combined) and Black ethnic backgrounds had worse employment rates over the recession compared to other ethnic groups. In 2013, 45 per cent of those from Pakistani and Bangladeshi backgrounds not in full-time education, and 40 per cent from Black backgrounds, were unemployed. This is more than double the white youth unemployment rate of around 17 per cent. For those from Pakistani and Bangladeshi backgrounds this figure is on the rise, up a worrying 12 percentage points from the previous year. For young people from Black ethnic backgrounds it has been unchanged for two years.²² Yet these troubling unemployment figures cannot be explained by differences in educational attainment. The proportion of young people attaining five good GCSEs including English and Maths are 64 per cent for Bangladeshi children, 55.5 per cent for Pakistani children and 58.1 per cent for Black, compared to 60.5 per cent for white British children. These young people are clearly facing a far greater challenge getting into work than some of their peers, perhaps exaggerated by the challenges of the labour markets local to where they live.

Different Britains? The challenge of being a young woman out of work or education.²³

Recent research has suggested young women are facing a particularly tough time in the labour market:

- More young women are NEET than men, and those who are spend relatively longer outside education and employment and are at greater risk of low pay or insecure employment;²⁴
- A survey of 850 young women found half did not find careers advice at school or jobcentres useful. Three-fifths reported not applying for a job due to a lack of confidence and a third because of fear of judgement over their appearance;
- Young women NEET are three times more likely to be told to think about becoming hairdressers than men. 8.5 per cent of female apprenticeships start in hairdressing. Yet there are five qualified practitioners for each job in hair and beauty.

Pay

24. The last year has shown little, if any, improvement in young peoples' wages. The Low Pay Commission has calculated that the median hourly wage for 16–17-year-olds in 2013 was lower than at any point since the minimum wage was introduced in 1999 when adjusted for inflation.²⁵ The Institute for Fiscal Studies has highlighted that, for those aged 22–30, median earnings are 15 per cent less than before the recession, driven by a combination of lower hourly pay and fewer hours of work. This decrease is roughly twice the size as earnings decreases for the 30–59 group.²⁶ As described in Chapter 1, young people are less likely to benefit from record low interest rates as few own their own home. Decreasing real pay

²² Department for Work and Pensions, *Labour Market Status by Ethnic Group, Supplementary Tables*, 2014

²³ Young Women's Trust, *Totally Wasted? The crisis of young women's worklessness*, 2014

²⁴ Numbers of young women NEET are high because of the numbers inactive – over 300,000 are neither looking for or ready to start work. The split between inactivity and unemployment for young women NEET is roughly two to one. The proportion is the opposite for men. Of those inactive the Labour Force Survey suggests the majority will be looking after family or the home. Department for Education, *NEET statistics: quarterly brief – April to June 2014, underlying data: SFR29/2014*, 2014

²⁵ Low Pay Commission, *The National Minimum Wage Report 2014*, 2014

²⁶ Institute for Fiscal Studies, *Living Standards, Poverty and Inequality in the UK: 2014*, 2014

increases the strain on young people's wallets. Figure 4.6 shows that the earnings of those in their teens and early 20s took a hit when the downturn started and that recovery is yet to start. Based on these findings, an 18–21-year-old born in in the early 1990s is earning the same in real terms as if they were born a decade before, despite the economy having expanded substantially over this period.

Figure 4.6: Real terms pay for 18–21-year-olds and 22–29-year-olds (2013 prices, RPIJ)



Source: Annual Survey of Hours and Earnings, 2014 Commission analysis.

25. Unsurprisingly this is delaying young people from gaining independence by leaving the family home. In 2013 3.3 million 20–34-year-olds were living with their parents, a quarter of this age group. This is up 25 per cent since the mid-1990s, with the largest increases for 25–29-year-olds.²⁷ More young people are also choosing to wait longer before starting a family and fewer are buying a first home. In 2010, for the first time more children were born to mothers aged 30–34 than aged 25–29 and, on current trends, the majority of children will soon be born to mothers over 30.²⁸ The proportion of people aged under 35 taking out mortgages has declined over the recession from 21 per cent in 2008/09 to 18 per cent in 2012/13. For comparison, the percentage of private renters aged 25–34 increased by nearly 50 per cent over the recession, with 45 per cent now renting.²⁹ Less spending power makes starting a family a stretch, and it makes it harder to save for a mortgage deposit. Ensuring the moves from school lead to good jobs are vital if this trend is to be reversed.

26. The headline news is that the last year has seen significant and welcome decreases in overall youth unemployment, with rates likely to return to pre-recession levels within the coming year. A large proportion of the 200,000 decrease is down to young people entering work or training rather than becoming inactive. Those who get jobs are gaining real-world work experience that will enhance their future prospects for earning and social mobility.

²⁷ Office for National Statistics, *Young adults living with parents*, 2014

²⁸ Office for National Statistics, *Births: Characteristics of mother 2, England and Wales*, 2013

²⁹ Department for Communities and Local Government, *English Household Survey, Households 2012/13*, 2014

For many this will protect them against poverty. But this positive news is clouded by steep increases in the proportion of 16–17-year-olds who are out of education and economically inactive and only slowly declining long-term unemployment among 18–24-year-olds. Meanwhile regional and ethnic inequalities among young people seem to be widening and pay rates are stagnating.

27. Overall the recovery is opening up a gap between young and old. Young people are losing out on jobs, earnings and housing. That is not a sustainable trend. The current generation of children are educated better and for longer than any previous one. The fact that job opportunities have dried up at the same time as more young people remain in study is more a reflection on the labour market than the young people affected. For those who continue in study after 16, fewer are working and learning at the same time. This means less work experience and less chance to gain practical skills that are attractive to employers. It is hard to escape the conclusion that today's young people are faring worse than previous generations of school leavers. Urgent action is needed to put that right.

4.3 What is likely to happen in the future?

28. The economic recovery alone will not guarantee better transitions from school. Critical to successful transitions are:

- Access to work for the young;
- Re-engagement of those who have dropped out of education or work;
- Good quality vocational options.

29. We now assess what is being done on each of these fronts and what their likely impact will be in future.

Access to work for the young unemployed

30. Those who end up jobless are more likely to come from disadvantaged backgrounds.³⁰ So there is a social mobility premium if more unemployed young people find and keep jobs. There are a range of Government schemes in this area.

31. The work experience parts of the Youth Contract help get young people into jobs. There were over 80,000 work experience starts in the year to May 2014, or nearly 7,000 a month. This compares favourably to the previous period. Sector-based work academies combine work experience, training and an interview. There were 35,000 starts to May 2014, also up on the preceding period.³¹ Qualitative evaluation suggests a significant proportion of both sector-based work academies and work experience placements are leading to jobs.^{32, 33} These schemes are only available to those on benefits but illustrate the value in exposing young people to the world of work.

³⁰ Department for Business Innovation and Skills, BIS performance indicators. *Participation in employment – percentage of 18–24-year-olds not in full-time education who are inactive or unemployed, by social background using father's occupational group*, 2014

³¹ Department for Work and Pensions, *Youth Contract official statistics: August 2014*, 2014

³² Half of work experience providers and nearly four-fifths of sector-based work academy employers said they took at least one person on at the end of the placement. Department for Work and Pensions, *Employer perceptions of work experience and sector-based work academies*, 2013

³³ From a sample of participants 16 per cent were offered a job and most offers were taken up. However only half linked moving into work to the work experience and connections were noted between pre-existing qualifications whether people were offered a job. Department for Work and Pensions, *Customers' experiences of the Youth Contract*, 2014

32. The Traineeship programme has the potential to help young people out of work that lack skills to start a job or apprenticeship. Traineeships combine a work placement, work preparation training, and English and maths support if required.³⁴ However, as the scheme has only been in operation for around a year it is too soon to tell whether it will have lasting positive effects. The Commission will assess the impact of Traineeships in future reports.

33. The Work Programme has been fairly effective for young people. Nearly a fifth achieve a job outcome within 12 months of referral, a higher proportion than the group aged over 25, but still a small percentage. Just over 2,500 young people aged 18–24 were referred to the Work Programme in March 2014, down on previous months.³⁵ This is good news, reflecting overall reductions in long-term young benefit claimants. Yet the Labour Force Survey reports 200,000 young people unemployed for over 12 months in the same period, the majority not claiming benefits and not therefore eligible for the Work Programme.³⁶ Less dependency on benefits is a good thing for young people's social mobility prospects. But the wide gulf between numbers of unemployed young people and the numbers who are getting intensive work-finding support from jobcentres illustrates a significant unmet need.

34. Employer wage incentives have proved ineffective. Wage incentives were introduced by the Government to encourage firms to take on unemployed young people who had been on benefits for over 6 months. The scheme aimed to make 160,000 payments. But of the 24,000 payments made, less than half were for people sticking at a job for over 26 weeks.³⁷ On the basis of retention figures, the incentives may not have encouraged employers to help young people stay in work, though other factors could be at play here as well. The closure of this scheme and the move to ending employer National Insurance contributions for young people is welcome. But the National Insurance holiday should be brought forward in the 2014 autumn statement rather than holding it back until after the election as planned.

35. The Apprenticeship Grant for Employers scheme (AGE) has led to more jobs for the young. The AGE scheme resulted in around 30,000 16–24-year-old apprenticeship starts in 2012/13, with 85 per cent of grants going to firms that have never had an apprentice before.³⁸ This figure represents around a tenth of the 275,000 apprentice starts by young people in 2012/13, a significant achievement. The success of the AGE initiative illustrates that more employers can be encouraged to take on young people. It also shows the potential for government to encourage more employers to offer apprenticeships.

Re-engagement of young people who have dropped out of education or work

36. Programmes to re-engage those at risk of dropping out after secondary school – or those who have already fallen between the cracks – show mixed results.

37. The Department for Work and Pensions Innovation Fund has demonstrated the value of early intervention. The programme, intervening early with young people at secondary school at risk of becoming NEET, led to improvements in attainment of lower-level qualifications as well as in student behaviour and attendance. Individuals and schools taking part were supportive of the scheme once barriers to joint working were overcome.³⁹ While positive, it is unclear how well the reported outcomes will translate into longer-term results once participants move on to college or work.⁴⁰ It is welcome that the recently announced

³⁴ <http://www.apprenticeships.org.uk/traineeships/traineeships-youngpeople.aspx> accessed October 2014

³⁵ Department for Work and Pensions, *Work Programme statistical summary June 2014: tables*, 2014

³⁶ Office for National Statistics, *Labour Market Statistics*, 2014

³⁷ Department for Work and Pensions, *Work Programme statistical summary June 2014: tables*, 2014

³⁸ Department for Business Innovation & Skills, *Evaluation of the Apprenticeship Grant for Employers (AGE 16 to 24) programme*, 2013

³⁹ Department for Work and Pensions, *Innovation Fund pilots qualitative evaluation. Early implementation findings*, 2014

⁴⁰ Department for Work and Pensions, *Youth Unemployment Innovation Fund pilot: starts and outcomes*, 2014

£16 million Youth Engagement Fund builds on the Innovation Fund but there remains a need to assess the enduring effects of the first round of funding.⁴¹

38. Meanwhile, the element of the Youth Contract for 16-and 17-year-olds has underlined the challenge of re-engaging young people and the need for further action in this area. It is likely to reach less than half the 70,000 young people planned. By March 2014 18,500 young people had been recruited to the programme. Of these, just over 6,500 re-engaged with study or work and only 3,445 were recorded as having sustained re-engagement for five out of six months.⁴² Evaluation found that ‘hard to reach’ young people were helped into education and training but much of the re-engagement was in low-level and part-time study.⁴³ Despite this, it was found to have succeeded in reducing numbers NEET by only 1.8 per cent.

39. Part of the NEET element of the Youth Contract was devolved to City Deal areas, and had similar results to the national scheme. Most of the young people helped moved into low-level educational provision. One local area used the fund for apprenticeship provision, a different purpose to that intended, leading to results that are not comparable with other parts of the scheme.^{44, 45} It is yet to be seen what longer term impact this scheme will have.

40. While the number of young people NEET has been decreasing, further progress remains critical to reducing child poverty. Catching up is hard, especially if young people start a family, and some will never catch up. Further focus is needed to limit the lifetime damage post-16 disengagement causes.

41. One of the major challenges of the NEET element of the Youth Contract was finding eligible young people. It is therefore concerning that, despite overall improvements, too many local authorities are failing in their duty to track young people aged 16–17. Over the last year there was an increase in the number of 16–17-year-olds whose status was unknown in around 15 per cent of local authorities. In five local authorities (Croydon, Birmingham, South Gloucestershire, Poole and Southend), the activity of more than one in ten of their young people is not known.⁴⁶ In evaluating the 16–17 age NEET element of the Youth Contract almost a fifth of local authorities questioned did not know the extent to which the programme achieved sustainable outcomes. This underscores how persistent the problem is – even in situations where tracking was a core part of a project.⁴⁷ A Local Authority or a commissioned provider’s ability to re-engage young people depends on whether they know what young people are doing. Local Authorities that are not performing well need to rapidly improve their performance.⁴⁸

⁴¹ HM Government, *Youth Engagement Fund Prospectus*, 2014

⁴² National Audit Office, *16- to 18-year-old participation in education and training*, 2014

⁴³ Department for Education, *Evaluation of the Youth Contract for 16–17-year-olds not in education, employment or training*, 2014

⁴⁴ It was devolved to Leeds, Liverpool and Newcastle. In Liverpool the scheme was used to create apprenticeships rather than target young people NEET

⁴⁵ Department for Education, *Evaluation of the Youth Contract for 16–17-year-olds not in education, employment or training*, 2014

⁴⁶ Department for Education, *Participation of 16- and 17-year-olds in education and training: March 2014*, 2014

⁴⁷ Department for Education, *Evaluation of the Youth Contract for 16–17-year-olds not in education, employment or training*, 2014

⁴⁸ See for example: Local Government Association, *Tracking Young People: a ‘how to’ guide for councils*, 2013

Table 4.1: Local authorities with the highest proportion of 16–17-year-olds whose activity is unknown

Local Authority	Percentage unknown
Croydon	15.3%
Birmingham	13.3%
South Gloucestershire	11.9%
Poole	10.9%
Southend	10.2%
Worcestershire	8.6%
Oxfordshire	7.8%
Luton	7.8%
Haringey	7.6%
Windsor & Maidenhead	7.4%

Source: Department for Education, Proportion of 16-17 year olds recorded in education and training, March 2014.

42. Finally, the Government has announced a scheme providing unemployed 16–17-year-olds with coaching support through Jobcentre Plus. Though the right idea, the Youth Contract has shown that intense interventions with this group have had limited results in moving disengaged young people into sustained work or education. The Commission is concerned that the Jobcentre Plus offer has no clear incentive for young people to engage. If this new approach is to be effective it needs to build on lessons learned to make sure it has an impact. Advice and guidance can help, but for those at the greatest distance from earning and work light-touch approaches may not be effective.

Quality vocational options

43. At a high-level, the UK Government’s plans for reform of vocational education are right in their design but there is a way to go before students and apprentices across the country are feeling their full effect. Currently, there is a gulf between vision and reality. More must be done to bridge it on three fronts.

44. First, a **lack of good careers advice** makes it harder for those from disadvantaged backgrounds to choose the right options after school. It remains to be seen whether the recent government guidance on careers advice to schools – for all its right intentions – will bridge the gap between where schools are and where they need to get to.⁴⁹ Chapter 3 covers delivery of careers advice in schools in detail. We have previously called for a ‘UCAS’ system for non-university routes and the Government has announced it will put this in place.⁵⁰ At least one region is establishing its own version of this as part of a City Deal, but the national announcement lacks funding or a delivery plan. The CBI has recently highlighted the need for progress in this area.⁵¹ Taking the needs of local labour markets into account, the UK Government should set out how it will make good its commitment; otherwise it will be guilty of having willed the ends without providing the means.

45. Second, the **quality of further education colleges**. Over half of young people who received free school meals and continue to post-16 education go to general further education

⁴⁹ Department for Education. Careers guidance and inspiration in schools. Statutory guidance for governing bodies, school leaders and school staff, 2014

⁵⁰ Speech made by the Deputy Prime Minister on 27 February 2014: <https://www.gov.uk/government/speeches/better-choices-better-prospects-helping-young-people-succeed>

⁵¹ CBI, *Future possible: the business vision for giving young people the chance they deserve*, 2014

colleges compared to a third of young people not eligible for free school meals.⁵² High quality provision is therefore essential for promoting social mobility. Further education inspection outcomes record some improvement over the last year: a seven percentage point increase in providers judged good or outstanding. But there remains a high level of provision that is not good enough. The numbers of providers judged inadequate increased from 34 to 41, up by a fifth, and more than one million young people in vocational education were let down by the quarter of further education colleges in England whose inspections concluded the institution required improvement or was inadequate. Similarly, apprenticeship training inspections found just under half required improvement or were inadequate.⁵³ Four inadequate further education colleges alone are failing more than 40,000 pupils.⁵⁴ For vocational reforms to positively impact social mobility a step change in quality is needed. The Commission agrees with Ofsted that this should be a matter of priority for the Further Education Commissioner.

46. Third, the Government's drive to **improve the number and quality of apprenticeships** in England is to be welcomed, especially reforms aimed at putting employers at the heart of the system, a key recommendation of the Richard review.^{55, 56} But today a large number of apprenticeship starts are not by younger people, and there is a falling success rate. It is of concern that there has been only a minor increase in the number of people under 24 starting advanced and higher level apprenticeships that lead to better outcomes.^{57, 58} More progress is required in this regard to achieve the Government's aim of increasing the numbers of young people in apprenticeships at Level 3 and above.

47. Most apprenticeship starters are not recent school leavers, there has been a drop in overall apprenticeship starts and recently there has been a small decline in success rates. Of the 315,000 apprenticeship starts in England in the 2013/14 academic year to April only 30 per cent were people under the age of 19, with more than 30 per cent aged over 25. Against the background of a UK Government commitment to increase apprenticeship numbers, starts were down by 10,000 in 2012/13 in comparison to the previous year. In addition, the overall number of age 16–18 apprenticeship starts has been declining, down 12 per cent or more than 15,000 between 2011/12 and 2012/13 (the last two full years for which there is data). Starting an apprenticeship is one thing, but translating it into a qualification is another. Current average success rates have declined since 2010/11 to just over 70 per cent. For those under 19 there was a decrease of 2.5 percentage points, for 19–24-year-olds a decrease of over five percentage points and for those over 25 a decrease of more than six percentage points. It is unclear what is causing this effect but the introduction of minimum apprenticeship durations in 2012 may have contributed by increasing the level of commitment required from individuals and firms.⁵⁹ This compares poorly to degree completion rates, with a drop-out rate of only seven per cent in 2011/12. More attention is needed on how to reverse this disturbing trend.

⁵² Department for Education, Destinations of key stage 4 and key stage 5 pupils: 2011 to 2012, 2014

⁵³ Ofsted, *The report of Her Majesty's Chief Inspector of Education, Children's Services and Skills: Further education and skills*

⁵⁴ Ofsted Dataview <http://www.dataview.ofsted.gov.uk>

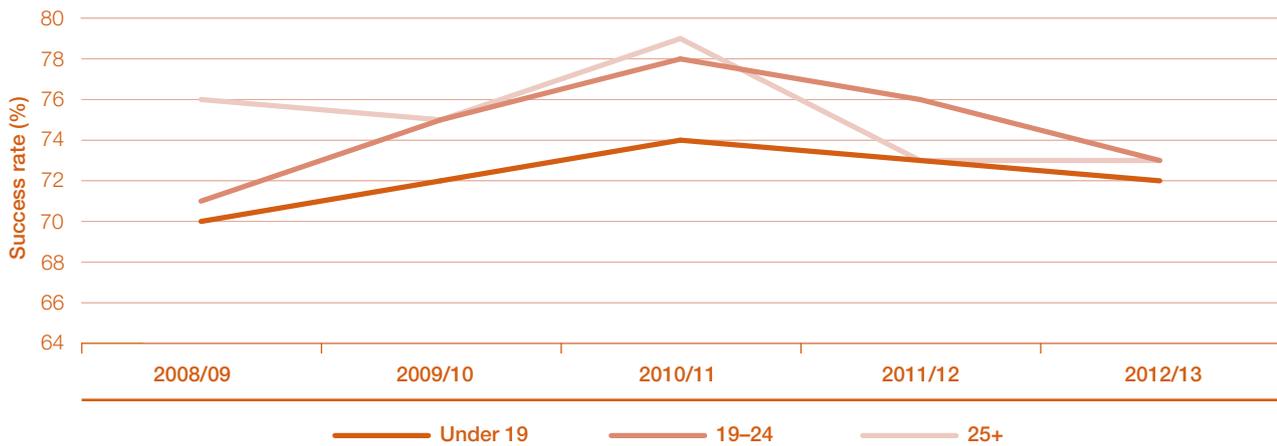
⁵⁵ Richard, D. *The Richard Review of Apprenticeships*, 2012

⁵⁶ HM Government, *The Future of Apprenticeships in England: Implementation Plan*, 2013

⁵⁷ National Audit Office. *Estimating economic benefits from apprenticeships – Technical paper*. 2012

⁵⁸ Skills Funding Agency/ Department for Business Innovation & Skills. *Statistical First Release: Further Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held (June 2014)*. 2014

⁵⁹ Department for Business Innovation and Skills, Announcement: *Better standards for Apprenticeships*, 2012

Figure 4.7: Apprenticeship success rates 2008/9–2012/13⁶⁰

Source: Skills Funding Agency/ Department for Business Innovation and Skills, *Apprenticeship Success Rates: 2004/05 to 2011/12* and *Apprenticeship Success Rates: all apprenticeships and government-funded apprenticeships - 2012/13, 2014*.

48. There is better news in Scotland, where almost four-fifths of apprenticeship starters in 2013/14 were young people (16–24), almost three-quarters of those in training were at Level 3 or above and the achievement rate is just short of 80 per cent. Over the last year growth in apprenticeships has been in skilled occupations, the greatest increases in construction, financial services and the automotive trade. Declines have been recorded in sectors associated with lower pay and less progression: hospitality, retail and social care. The focus on youth combined with the popularity of higher-skilled frameworks suggests the Scottish system appears to have greater potential to unlock social mobility in comparison to English apprenticeships.⁶¹

Our assessment

49. How young people may fare in the future also depends on the wider and longer-term context. The employment rate of young people not in full-time education has been declining since the early 2000s and following recovery from the recession has returned to around the level if the downward trend had continued without interruption.

50. There are a range of challenges that are raising the bar for young people's entry to the labour market and their progression once they are in. Variable quality of careers advice, employer demand for higher qualification levels, a skills mismatch between what young people have and what employers want, a rising retirement age and the perceived attitudes of young people – all must be contended with by school leavers.^{62–65} In the coming years there is much to suggest young people will continue to have a hard ride getting work.

⁶⁰ Apprenticeship success rates are based on the number of learners who meet all of the requirements of their apprenticeship framework, divided by the number of learners who have left training or successfully completed their training in the academic year

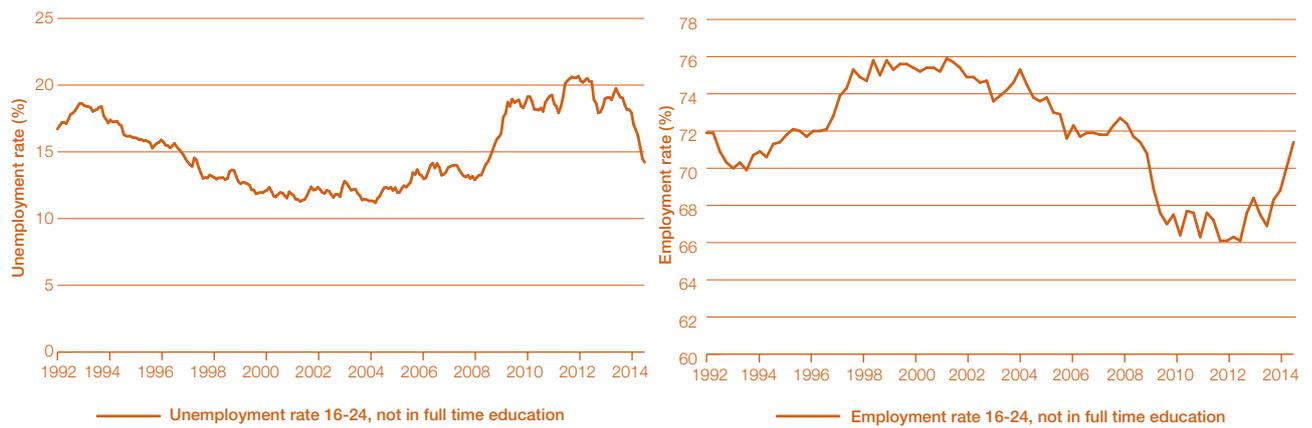
⁶¹ Skills Development Scotland, *Modern Apprenticeship Statistics, Quarterly report*, Quarter 4 2013/14, 2014

⁶² The Work Foundation, *Short-term crisis – long-term problem? Addressing the youth unemployment challenge*, 2012

⁶³ Centre for Economic and Social Inclusion, *Realising Talent: employment and skills for the future*, 2014

⁶⁴ UKCES. *The youth employment challenge*, 2012

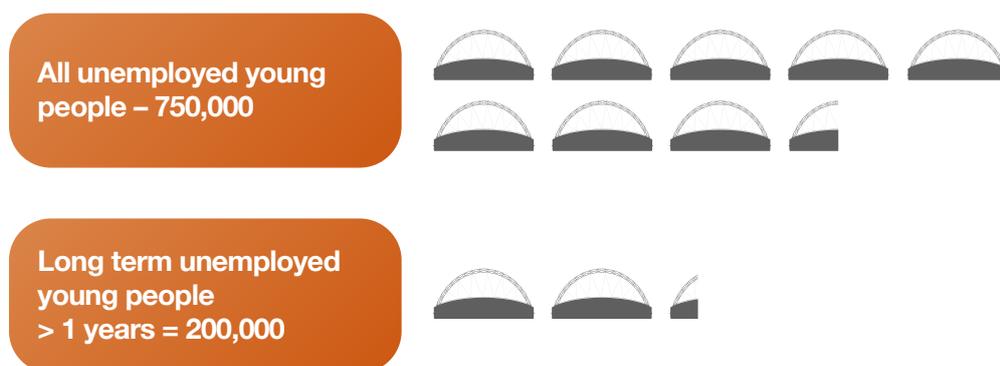
⁶⁵ UKCES, *UK Commission's Employer Skills Survey 2013: UK Results*, 2014

Figure 4.8: Changes in unemployment and employment rate of young people not in full-time education

Source: Office of National Statistics, *Labour Market Statistics*, 2014

51. Pre-recession levels of youth unemployment will be reached later in 2014 or early 2015 if current rates of decline continue.⁶⁶ Yet around half a million young people could still be unemployed at the time of the next election, enough to fill Wembley Stadium five times over. Persistently high levels of youth unemployment is bad news, especially as what a young person is doing today is a strong indicator of what they will be doing in a year's time, and long-term unemployment has scarring effects that last a lifetime.⁶⁷ In the short term unemployment engenders hopelessness, a sense of lack of control over one's life and mental health problems.⁶⁸ The long term impact of this is a higher likelihood of repeated spells of unemployment and lower wages over the course of adult life. This makes for a weak platform to support young people in the event of future economic shocks.

Current number of unemployed young people in terms of Wembley stadiums (Capacity = 90,000)



Source: Office of National Statistics, *Labour Market Statistics*, 2014

52. A return to pre-2008 unemployment levels alone will neither solve the social mobility and child poverty challenge nor 'mean moves from school' improve for all young people. Youth unemployment was rising in the years prior to 2008 and pay was flat lining throughout the 2000s, as in Figure 4.6. So getting back to the pre-recession trend will not solve underlying

⁶⁶ 16–24 Youth unemployment was around 680,000 in early 2008. The quarter-on-quarter decline in youth unemployment recorded in September 2014 was just over 100,000

⁶⁷ Department for Education, *Young people's education and labour market choices aged 16/17 to 18/19*, 2011

⁶⁸ University and College Union/ComRes, *NEETs Survey*, 2013

issues. Neither will it prepare young people for the challenges of the future labour market or narrow the socio economic advantage gap that persists.

53. In the rest of this chapter we look at how central and local government, employers, and others can improve moves from school to work.

Young people say they are worried about the future...⁷⁰

“Due to cut backs, job seeking is more competitive – connections and work experience are still key. Cuts in work experience (only seems academies do it now) means job opportunities decrease.”

“Due to society at the moment, grade boundaries, tuition fees, level of employment – it doesn’t look that bright for the future.”

“Depends on your dream profession – people without a definite plan can find it quite daunting.”

“It’s a Catch 22; on the one hand they want to train you, but on the other hand some say you need more experience. It can be a bit tricky.”⁷¹

... But some are optimistic

“Seeing social mobility upwards – provides me with hope.”

“Very optimistic, as I’m doing well at school and think I can get into university.”

4.4 Towards 2020 – what is needed to make progress?

54. Last year the Commission made a series of recommendations in the context of high levels of youth unemployment. Since then, youth unemployment has declined. It remains high in absolute numbers so the focus on reducing youth unemployment must not be lost. But there is also a need to deal with the long-term structural issues to unlock greater social mobility and prevent child poverty. There is an opportunity for a sharpened focus on this issue in the 2015–2020 Parliament.

55. The Commission believes that improving moves from school to work needs action in five key regards:

- **Clear options for school leavers:** Young people need to understand what options exist locally and further afield and where these might lead, in order to make informed decisions that meet their ambitions. Careers advice in schools is covered in Chapter 3;
- **Vocational education that leads to jobs:** apprenticeships and further education colleges must lead to jobs or to qualifications that employers want;
- **Employers that take on young people:** employers can help share the dividend of economic recovery by creating apprenticeships and youth jobs with Government making it easier for them to do so;

⁶⁹ British Youth Council, *Child Poverty and Social Mobility, findings from the British Youth Council’s focus group for the department for education*, 2014

⁷⁰ Young Women’s Trust, *Totally Wasted? The crisis of young women’s worklessness*, 2014

- **A better deal for the young unemployed:** getting young unemployed people into jobs and addressing work-readiness is key. The cost to the Treasury, otherwise, looking a decade ahead, will be £28 billion on one estimate;⁷¹
 - **Relentless re-engagement of those who drop out:** there is an urgent need to have the right early intervention systems in place to identify risk factors and intervene to help young people back into the mainstream.
56. Concrete action will be needed by governments, employers, colleges and others if young people are not to be the losers in the recovery.

The role of different parts of society

- **Government** must create a system for moves from education to employment that ensures chances for all young people, regardless of their background.
- **Employers** must provide opportunities through apprenticeships and jobs. Firms must ensure that young people are aware of opportunities to progress once they are appointed.
- **Local and regional authorities** must deliver their on their duties to track young people and ensure under-18s are in quality education or work with training. It is incumbent on local governmental bodies, local enterprise partnerships and others to work together to unify and streamline services.
- **Schools** must provide careers advice for children up to 16 to help them decide what options will lead to good jobs and careers, working with employers to make this relevant to local jobs markets.
- **Further education providers** must focus on quality of provision in general FE and in the training of apprenticeships, ensuring young people have access to good work experience and job-finding advice.
- **Civic society** has a role to play in communicating lessons learned from front line charities and voluntary organisations to government.

The UK Government

57. Progress has been made in relation to some of the main drivers of moves from school to work. The UK Government has established a range of interventions in response to the recession. Some have worked well, others have fallen short of ambitions. There is now a need to build on the programmes with the best outcomes and learn from where initiatives struggled. The next frontier in improving moves from school is making the structural changes to bolster this transition for the long term. Effort and spending should be prioritised on improving and streamlining all moves from school, improving the safety net and reforming vocational education.

58. First, the Commission believes that all City Deals and other formal regional devolution arrangements should in future include a plan – along with funding and clear delegation of responsibilities – to **improve moves from school and increase youth employment**. This should be fully implemented by 2020 and make real the Commission's previous recommendation to create Youth Transition Partnerships. This requires local authorities to place youth skills and employability at the heart of their plans for development and growth. Improved collaborative working between schools, local enterprise partnerships, local government and other agencies is needed to realise this ambition. The Government needs to

⁷¹ ACEVO, *The ACEVO Commission on Youth Unemployment*, 2012

establish a gold standard for what these arrangements should look like, and provide support for local organisations as they implement new arrangements.

59. For young people who leave school with few qualifications and do not enter work, or those who drop out later, no national approach has emerged. The NEET element of the Youth Contract and local use of European Social Fund investment have both targeted this group. But there is no clear vision or plan for how young people can be prevented from disengaging in the future. Nor is there clarity from government on what the benchmark of quality is for re-engagement programmes. This is a clear gap that requires attention. The re-engagement schemes reported here fall short of a coherent package for getting those that have dropped out back into study or work. Early intervention is required to limit the problem in the long term and to build a more sound position in anticipation of future economic turbulence.

60. Second, for **the young unemployed** the Commission recommends the Government develop an intervention and re-engagement offer for young people that they can access on day one – as soon as they find themselves unemployed. This means taking the learning from a range of recession-driven initiatives in England, Scotland and Wales, combining it with the best caseworker-driven schemes and turning it into a long-term strategy. Other countries have shown intensive re-engagement can work. In Denmark those who become unemployed under the age of 19 are referred immediately to programmes that include skills upgrading, on the job training or subsidised employment to increase skills.⁷² This has translated into relatively low levels of long-term youth unemployment. In 2011, ten per cent of unemployed young people in Denmark were out of work long-term compared to 25 per cent in the UK. Success in a UK context would be ending long-term youth unemployment by 2020.

61. Delivery should be by local authorities via commissioned providers, which should include Jobcentre Plus. This means all local authorities working with schools to identify and intervene with those at risk from age 14 or 15 to prevent drop out. It requires getting tracking right for 16–17-year-olds and putting tracking systems in place for those who remain ‘at risk’ up to the age of 24, be it via a council or a commissioned provider. Schemes to offer support and career planning for young unemployed people should be developed, and paid by results over the long term; national government should retain a role in assuring quality. £16 million is currently earmarked for the 2015 future Youth Engagement Fund – which is good but not nearly sufficient. Several hundred million pounds will be available over the 2014–2020 European Social Fund funding period.⁷³ These resources should be used to support the development of a reliable system to prevent disengagement in the future. This use is compatible with the stated purpose of the fund.⁷⁴

62. Third, **vocational education** does not yet command the confidence of employers, learners and parents. Progress in changing qualifications is right, as is the intent behind employer-sponsored vocational institutions such as university technical colleges. But more is required in terms of reforming the system as a whole. Nations that excel in vocational education in Europe and elsewhere can cite well bedded-in institutions as core to their success. This means young people having clear options to join higher status vocational tracks earlier. The Commission believes that from 2015 the FE Commissioner should consider advising the Education Funding Agency to stop funding college departments that are assessed in the lower Ofsted categories if they do not improve between inspections.

⁷² The Work Foundation, *International Lessons: Youth employment in the global context*, 2013

⁷³ Described by the UK Government as the ‘Youth Employment Initiative’ <https://www.gov.uk/government/publications/european-social-fund-2014-to-2020-plans/european-social-fund-2014-to-2020-plans#youth-employment-initiative>, accessed October 2014

⁷⁴ The following sets out the examples of activities that ESF funding can support: European Union, EU measures to tackle youth unemployment, 2014 (http://europa.eu/rapid/press-release_MEMO-14-466_en.htm, accessed October 2014)

63. Fourth, within the vocational system there is a specific need to ensure a continued rise in **high-quality apprenticeships** which involve substantial training and skills gain. And with funding for apprenticeships about to change – the Government is planning for employers to bear part of the cost in the future following a trial phase – firms and government must come together to set out the benefits of apprenticeships. Government should commit to review the new approach if it does not meet the objective of raising apprenticeship numbers.⁷⁵ The Government should also set out how it intends to establish an extended incentive programme to increase numbers, as advocated by the Sutton Trust.⁷⁶ This should build on the good results of the Apprenticeship Grant for Employers pilot which has been widely cited as a success.⁷⁷ The aim should be for half of all workplaces with ten or more employees to be offering high-quality apprenticeships by 2020.

64. Fifth, in relation to **careers advice**, the government is yet to make good its commitment to put in place a UCAS system for the half of young people that do not go on to university. Clarity in post-16 vocational options is necessary to help young people plan their careers, as is an understanding of what opportunities are available locally. Building in likely employment outcome of courses will help job prospects. In addition to this specific point, general recommendations in regard to careers advice in schools are in Chapter 3.

What might getting moves from school right mean in practice for young people?

The Commission visited the ThinkForward programme in East London which provides integrated coaching and support for young people at risk of becoming NEET.⁷⁸ The scheme also arranges work experience with high-profile employers in the City of London. It is run by Tomorrow's People with finance from the Impetus Private Equity Foundation.

The young people on the scheme responded positively when the Commission asked how they felt about the programme. One student said the scheme “just kept opening doors (for me)”; another said that through the scheme “now we have our own future”. Their respect for their mentor was clear. One of the young people explained their point of view succinctly: “if you want a life, stay with Coach B” [the students’ nickname for their mentor]. The scheme gives the students real hope.

There is a need for operators of schemes such as these and government to effectively share information. Best practice must inform policy design and service delivery.

65. There have been some recent suggestions made to increase apprenticeship numbers, funded through new cuts to benefits. In addition it has been proposed that receipt of JSA by young people should be conditional after 6 months on participation in a traineeship, apprenticeship or community work with the aim of ending long-term youth unemployment. The Commission has called previously for increases in apprenticeship numbers, and any government investment must seek to reverse the decline in 16–18-year-old apprenticeship starts over recent years. In addition the Commission has called for long-term youth unemployment to be ended and we welcome that others are giving this the priority it requires. There is an opportunity through imposing conditions on benefits to move unemployed young people into provision that leads to improved skills and jobs. But the Commission would require assurance that the apprenticeships and traineeships jobseekers were directed

⁷⁵ Department for Business Innovation & Skills, *Employer Routed Funding. Employer Responses to Funding Reform*, 2014

⁷⁶ The Sutton Trust, *Real Apprenticeships*, 2013

⁷⁷ Social Market Foundation, *The Meritocrat's Manifesto*, 2014

⁷⁸ <http://think-forward.org.uk/our-impact/> (accessed October 2014)

to improved employability. Community work can also be beneficial, but evaluations have underlined the importance of involving private sector employers in government jobs schemes to ensure young people get experience that helps them secure work afterwards.⁷⁹ Shifting unemployment down the line via low-quality or poorly targeted provision is a risk that would need to be managed with care.

66. In addition there have been similar proposals for guaranteeing jobs for young people after 6 months of unemployment, with social security conditional on participation in training to improve skills, in line with some of the Government's own proposals.⁸⁰ It is welcome that in this vein the Government is about to trial a scheme for improving the English and maths skills of young people attending Jobcentre Plus, but the focus must be on high quality training that leads to enduring outcomes.⁸¹ In regard to increasing youth employment others have highlighted the need for good careers advice, work experience and a gateway for young people making moves from school.⁸² Getting young people real work experience is essential to them finding work and sticking at it for the long term.

67. Other policy ideas from outside of Government for improving vocational education build on current reforms. This includes the suggestion that apprenticeships should be at a minimum of Level 3 and last two years. In regard to the delivery and structure of further education it has been suggested that vocational teachers should spend time in industry to keep skills up to date, that a sharper focus on accrediting the best colleges for delivery of the TechBacc is required, as well as the potential for a national baccalaureate framework building on existing study programmes. This would, as with the current study programmes, focus on giving young people the skills and experience to equip them for work. Expansion of 'technical degrees' has also been mooted. Any incoming government would need to show how changes will be embedded and employers bought in to ensure qualifications lead to jobs. Confusion caused by further re-branding would be counter-productive and should be avoided where possible.

⁷⁹ Centre for Economic and Social Inclusion, *Future Jobs Fund. An independent national evaluation*, 2011

⁸⁰ Institute for Public Policy Research, *The Condition of Britain: strategies for social renewal*, 2014

⁸¹ Skills Funding Agency & Education Funding Agency. *Specification: 18–24 Work Skills Pilot: testing online and blended English and maths for benefits claimants*. 2014

⁸² The Centre for Social Justice, *The Journey to Work: Welfare reform for the next Parliament*, 2014

Recommendations for the UK Government

- **Devolve responsibility for increasing youth employment** to local authorities and City Deals who should embed high-quality job creation in their local economic strategies and activities;
- Work with local agencies to **develop a new “day one” intervention and re-engagement service** to get unemployed young people straight back into jobs, education or training and end long term youth unemployment by the end of the decade;
- **Fully implement the “UCAS” system for vocational routes by 2017**, ensuring that local areas are able to contribute to tailor the solution to regional labour markets;
- Work with Ofsted and the FE Commissioner to **drive up the status and quality of FE colleges, in specific for apprenticeship training** with an aim to half the proportion of apprenticeship providers rated “requires improvement” or “inadequate” by 2020 – to the same level as general FE providers today – 25 per cent;
- Aim for **half of all workplaces with more than ten employees to be offering high quality apprenticeships by 2020** with a commitment to reviewing apprenticeship funding within 12 months of the 2015 general election if changes are not leading to increases.

The Scottish and Welsh Governments

68. The Scottish and Welsh Governments have in place strategies for improving youth employment and transition to work.^{83, 84} The role of the other national governments covered here is similar to the UK. They are responsible for developing and implementing their strategies through directing funding and ensuring this is used in line with their key objectives.

69. The Scottish Government has a number of schemes to improve transition from school. The **Youth Employment Initiative** will use a combination of European Social Fund, Government, and partner finance to help young people aged 16 to 29 find employment. The initiative will support two key outcomes: sustained employment or progress through an accredited qualification. The Scottish Government is engaging with a range of partners to develop interventions which may include an employer recruitment incentive alongside other measures. Given the limited successes of the UK wage incentive programme, the employer recruitment incentive will need close monitoring to ensure it meets objectives.

70. The **Youth Employment Scotland Fund** will provide support for up to 10,000 unemployed young people as soon as they become jobless. This is also ESF and Scottish Government funded with in-kind support from employers and local councils. This scheme has been in place since mid-2013 and subsidises employment at National Minimum Wage level for a maximum of 6 months. Our view is that schemes of this sort have real potential to help young people, providing private sector employers are sufficiently engaged and there is a focus on progression into sustained work.⁸⁵ The Scottish Government should ensure these questions are assessed in evaluation.

71. The independent **Wood Commission** on vocational education reported in summer 2014 and recommended improvement in careers advice, expansion of apprenticeships, and greater

⁸³ The Scottish Government, *Action for Jobs – Supporting Young Scots into Work. Scotland’s Youth Employment Strategy*, 2012

⁸⁴ The Welsh Government, *Youth Engagement and Employment Action Plan 2011–2015*, 2011

⁸⁵ Centre for Economic and Social Inclusion, *Future Jobs Fund. An independent national evaluation*, 2011

employer engagement in vocational education.⁸⁶ The Scottish Government is in the process of incorporating these recommendations into policy. We urge it to respond favourably.

72. The Scottish **Curriculum for Excellence** is focused on reducing the gap between higher and lower attainers and uses a tracking tool called Insight which will include details on outcomes. This is backed up by the £1.5 million Access to Education Fund to provide financial support in relation to school essentials as well as coaching and mentoring and parental engagement.

73. In addition, £30 million of funding has been provided over the period 2012–2015 to the **Opportunities for All** programme to ensure 16–19s NEET are offered an appropriate learning or training opportunity. This is welcome, and the Scottish Government should ensure their programme responds to the issues raised in the evaluation of the 16–17 NEET element of the UK Government’s Youth Contract. Specifically, there is a need to put good partnership arrangements in place between providers and authorities and a need for provision to be stretching and high quality.

74. The Welsh Government has also taken action in this area, not least through its **Youth Engagement and Progression Framework**.⁸⁷ There are two new offers to young people as part of the framework. First is the allocation of a single point of contact (a lead worker) to the most at-risk young people to join up, who will coordinate and personalise support. Second is the development of a proactive ‘Youth Guarantee’ to ensure that every young person has access to a suitable place of learning when they leave compulsory education at age 16. The effectiveness of the framework’s implementation will be evaluated across winter 2014/15.

75. **Jobs Growth Wales** is a scheme in place to provide young people who are work ready, not eligible for the Work Programme and not in full-time education with a 6-month job opportunity subsidised by the Welsh Government at the minimum wage. Vacancies are clearly advertised on the Careers Wales website and cover a range of occupations. Early evaluation findings suggest the scheme has been positive for young people in terms of employment outcomes, with evidence of sustained employment (at least in the short term) after young people left the scheme.⁸⁸

76. The Welsh Government aims to reduce the number of young people NEET to nine per cent by 2017 from the ten per cent level in 2012. For 19–24-year-olds the target is to reduce the proportion relative to the UK as a whole by 2017. More broadly, these targets are a key priority in the Welsh Government’s Tackling Poverty Action Plan.

77. In summary, both Scotland and Wales have put in place schemes to address the challenges of moves to work. The pathways to work element of the Scottish Youth Employment Initiative and the core offer of the Welsh Progression Framework recognise the need for better solutions to problems that exist beyond the recession-driven unemployment challenge. Both nations also offer a youth jobs guarantee through subsidised wages, and similar schemes have been found to have positive outcomes, though the long-term impact is less clear.⁸⁹ The Commission will return in future reports to assess the extent to which these schemes have improved moves from school for young people.

78. However, Scotland in particular lacks clear plans for evaluation of policies and evidence of how learning is being fed back into the development of future strategy.

⁸⁶ Scottish Government, *Education working for all! Commission for developing Scotland’s young workforce, final report*, 2014

⁸⁷ Welsh Government, *Youth engagement and progression framework, implementation plan*, 2013

⁸⁸ Welsh Government, *Jobs Growth Wales: Interim evaluation report*, 2014

⁸⁹ Centre for Economic and Social Inclusion, *Future Jobs Fund. An independent national evaluation*, 2011

Recommendations for the Scottish and Welsh Governments

- The Scottish Government should **commit to publish evaluations of all elements of their policy** to allow assessment of how well programmes have performed;
- The Welsh Government should ensure that future evaluation outcomes of **Jobs Growth Wales** are closely monitored, and review the scheme if employment outcomes are not sustained in the long term;
- Scotland should commit to **establish a clearer progression framework** as in Wales. The Edinburgh Government should set out how and by when all young people in Scotland will benefit from the scheme that is currently targeted at the South West.

Employers

79. Recent falls in youth unemployment have been mostly driven by young people entering work. Between the first and second quarters of 2014 the 100,000 decline in age 16–24 unemployment was matched by a 60,000 increase in employment. A third of businesses that employ young people recognise the benefits of shaping an individual’s attitude into a firm’s way of doing things; a further third recognise the enthusiasm a young person can bring. It would be welcome if more businesses saw the benefits of employing young people and helped make the case to others.⁹⁰

80. Too few employers currently have young people on their books: only a quarter recruited 16–18-year-olds in 2012, with around 60 per cent recruiting any young person under 25 years old. There is a risk to social mobility if too many firms employ too few young people. It is understandable that some firms will be sceptical about hiring people with less experience in tough economic times. But it is of real concern that one in ten firms who have recruited young people have said they see no benefits in this. Nearly a fifth of companies operating for less than a year have expressed this negative attitude which is reflected in the small number of businesses that offer apprenticeships: 15 per cent.⁹¹ Employer organisations – including those representing small and medium-sized enterprises (SMEs) – need to do much more to create a labour market with opportunities for people of all ages. Firms who recognise the skill and job-readiness gaps that exist are well placed to take their share of responsibility for solving the problem through playing a part in careers advice and offering work experience.

81. The proportion of workplaces that offer apprenticeships, 15 per cent, is too low. It does not meet the demand from young people. And it trails behind the Swiss or German approach where employing apprentices is the norm rather than the exception. Nor does it meet the government’s vision of apprenticeships as an alternative to university for the many. Proposals to expand apprenticeship in the future are welcome but there is a need to move further and faster. The Commission recommends therefore that half of workplaces with ten or more staff should employ apprentices by 2020. We would also like to see workplaces of over ten employees that currently offer apprenticeships expanding their numbers. This would lead to around 100,000 more workplaces offering apprenticeships and more than 3.5 million apprentice starts between 2015 and 2020, based on current trends. We hope that at least ten percent of new starts could be at the higher apprenticeship level, providing more routes to top jobs. Companies have said they want to increase numbers.⁹² Now is the time to make good this enthusiasm. Costs will partly be borne by employers, in line with current pilots. Costs to government for 16–18-year-old apprentices should be met through funds that

⁹⁰ UKCES, *Employer Perspectives Survey 2012, 2013*

⁹¹ *Ibid*

⁹² *Ibid*

otherwise would have been spent on further education. The adult apprenticeship budget, around £700 million should be focused on rigorous and high quality apprenticeships for those under 24, as many older people would receive training even if the government did not fund apprenticeships.⁹³ The need to expand good apprenticeships must remain at the forefront of reforms of vocational education in the next parliament. Employers are key in making this a reality.

Recommendations for employers

- Employers already engaged in designing new apprenticeship frameworks should **advocate apprenticeships** to other businesses;
- Consider what arrangements to put in place to **improve the skill and pay progression of young workers**. This could include mentoring, careers advice, or targeted training;
- Become **more involved with provision of careers advice** in secondary school. Brokerage schemes as advocated by the CBI should be considered where relationships between firms and education providers do not exist;
- Employers and government should work together to set a joint goal of **half of workplaces with ten or more employees offering high quality apprenticeships** or work experience by 2020.

Local government

82. There have been huge efforts in local communities to address the numbers of 16–18-year-olds NEET. Today, they are at the lowest level since records began, driven by a range of factors including the raising of the participation age.

83. It is welcome that a number of the first- and second-wave **City Deals** include elements that target the moves of young people from school to work, including schemes to increase apprenticeships, increase employment, and in one case a scheme to improve wage progression of those aged 18–24.⁹⁴ Putting the improvement of moves from school at the heart of these agreements will lift the priority given to transition issues.

⁹³ Department for Business Innovation and Skills, *Assessing the Deadweight Loss Associated with Public Investment in Further Education and Skills*, 2012

⁹⁴ HM Government, *Unlocking growth in cities: City Deals – wave 1*, 2012, information on wave 2 deals is at <https://www.gov.uk/government/policies/giving-more-power-back-to-cities-through-city-deals/supporting-pages/city-deals>, accessed July 2014; pay progression trials are taking place in the Plymouth and South West and Glasgow and Clyde City Deal areas

Developing Suffolk talent: a local authority transforming moves from school

Suffolk County Council is transforming moves from school and the deal for young unemployed people in the county. Through close working with their Local Economic Partnership and central government via a City Deal, rapid progress is underway. Key projects include:

Improving moves from school

- Improving **careers advice and employer engagement** through a brokerage scheme: a relationship manager brings firms and education providers together. Current focus is on 30 schools with a vision to roll out the principles across all schools by 2017;
- Adding to the **current careers advice system** through an improved IT service where young people can learn about local employers in growth sectors and register their interest. This allows employers to target young people who are considering their sector with information about work experience or internships, for example;
- Developing the **local apprenticeship offer** through current and former apprentices acting as ambassadors. In addition the brokerage scheme for employer-school engagement will help explain the benefits of apprenticeships to SMEs on the basis of business growth and will help them navigate bureaucracy in taking on apprentices.

Reducing drop out and supporting young unemployed people

- **Early intervention programmes** have been established in around a third of secondary schools to work with those at risk of becoming NEET from age 15. The Suffolk scheme provides continued support for young people after they leave school. The council believes the enduring effect of the scheme can be seen in high levels of engagement up to a year and a half after young people leave school;
- A **youth employment guarantee** has launched in the greater Ipswich area. From day one of unemployment young people will be able to access the service. Under a payment by results contract providers will determine need and put in place caseworker support where required. In a new city-centre office, charities will be able to co-locate free of charge so young people have immediate access to a range of services. The objective of the council is for unemployed young people to receive careers planning advice to ensure they go into good jobs they stick with. The objective is to halve youth unemployment by 2017.

84. There are a number of areas where further progress is required at a local level and where local government working with other local partners can make a profound difference.

85. **More collaborative working is necessary** to ensure that Local Enterprise Partnerships, local authorities and agencies operating under the framework of City Deals have complementary objectives and aligned strategies that focus on improving the position of young people. The low level of youth unemployment in some European countries is testament to their success in getting the fundamentals of moves from school right. German or Swiss-type systems are rightly recognised as benchmarks of quality because of the integration between education providers and employers, underpinned by strong sector and employer institutions.⁹⁵ Local government should take responsibility for bringing together educational institutions, employers and service providers to focus on streamlining moves from school as part of their broader plans for job creation and growth. National government, as set out

⁹⁵ IPPR, *Remember the young ones. Improving career opportunities for Britain's young people*. 2014

above, should retain responsibility for co-ordinating action, monitoring quality and progress and ensuring a strong network is in place so experience can be shared. Areas that fall behind in implementing these changes should receive support to improve performance.

86. Tracking of young people, a responsibility of local authorities, has improved in many areas but the numbers of young people whose status is unknown is too high under too many councils. Lack of a consistent system, failures of education providers to report that individuals have dropped out and gaps in information sharing between providers have all been found to reduce reliability of tracking data.⁹⁶ Tracking enables re-engagement of those who have dropped out and lessons need to be taken from the element of the Youth Contract that targeted young people NEET. Those who are not studying or working at 16, 17 or 18 are likely individuals from difficult backgrounds who have achieved few qualifications, are hard to reach and hard to re-engage. The Youth Contract is coming to an end. So the next schemes put in place to support these individuals need to consider how engagement can be as early as possible and provide the level of support required to build confidence.

87. Other policy proposals in relation to local delivery have suggested accelerating devolution to city and county regions, building on the Local Enterprise Partnership model currently in place. There have also been suggestions that at a local level links between schools and employers should be strengthened to help build quality of careers advice and work experience, with a focus on driving up the number of pupils entering apprenticeship in Science, Technology, Engineering and Maths areas and in high-skill, high-growth industries.⁹⁷ The Commission believes that devolution of responsibilities to drive growth in specific areas is right, but this should incorporate improvements in easing the transition of young people from school to work.

Recommendations for local government

- Take the lead in **implementing improved transitions from school to work**. This means close working with local enterprise partnerships to enable a strong focus on skills, growth and pointing young people towards jobs with prospects;
- Local authorities are also best placed to **commission early intervention and re-engagement services**. This should draw on the European Social Fund investment available to build on the lessons learned from programmes that ran between 2010 and 2015, not least the NEET element of the Youth Contract, the Innovation Fund, and coaching and mentoring schemes such as Think Forward;
- All local authorities **should be tracking 100 per cent of young people** that remain in their area by 2020. Some authorities are close to achieving this already so it is a stretching but achievable objective;
- Collaborate with the UK Government to **develop a new ‘Day One’ intervention and re-engagement service** to get unemployed young people straight back into jobs, education or training.

Further education providers

88. Improving the status and quality of vocational education is a clear strategic priority if efforts to improve young people’s transition to work are to be realised. It is welcome that there is more focus on further education – as an alternative to higher education and, overall,

⁹⁶ Ofsted, *Securing a better future for all at 16 and beyond – annual lecture for further education and skills 2014*, 2014

⁹⁷ Policy Network, *Mending the Fractured Economy*, 2014

FE providers have made progress in lifting standards, seen in improving Ofsted inspection outcomes. The reducing proportion of providers rated inadequate or 'requires improvement' represents steady progress but there is still some distance to go. It is not acceptable that a third of providers inspected scored in the lower Ofsted categories. Specific progress is required in a number of areas.

89. Ofsted have found that too few providers have put in place the elements of **study programmes** effectively.⁹⁸ Lessons need to be rapidly learned from those who have effectively implemented this element of vocational education reforms and providers must be held closely to account in line with high standards if they fall behind. In particular, the integration of work experience into tertiary study is necessary to give young people exposure to workplaces and increase their employability. But different approaches in terms of how educational institutions administrate **work experience**, collaborate with employers and assess the outcomes for students make for too much variation between providers.

90. Whilst the apprenticeship reform programme is welcome there is a need to address the **quality of apprenticeship training**. The Ofsted headline figure that just less than half of apprenticeship teaching and learning either requires improvement or is inadequate is a major risk to reforms. To shine a light on both good and poor practice there is a need for clarity from government on whether Ofsted reports refer to whole providers (for example, a further education college) or apprenticeship provision within them.

91. If the key elements of the reforms of vocational education are to gain the necessary purchase, colleges that are struggling will need to step up their game. The FE commissioner should continue to shine a light where quality is found to be lacking and ensure action is taken so failing providers improve. This potentially means recommending funding is removed from poor-performing departments or providers that fail to raise standards between inspections.

Recommendations for further education providers

- Providers need to focus on quality of provision, especially for apprenticeship training, so that **by 2020 the number of apprenticeship providers and FE providers rated inadequate or requires improvement is halved** – to 25 per cent and 12.5 per cent respectively;
- From 2015 the FE Commissioner should make active use of his remit and where necessary consider advising that **funding is stopped for college departments that do not improve between inspections** and are assessed in the lower Ofsted categories and. This is especially necessary for apprenticeship training where too much provision has been found to be of low quality;
- FE providers must **implement reforms of study programmes** as a matter of urgency. Should Ofsted find progress has been limited over the year the government should consider additional action to speed up change;
- For all providers, especially those who need to get better, governors and principals need to be confident that the **right management skills exist in both the senior leadership and in the governing body**.

Charities

92. Private and donation-funded organisations are major players in improving moves from school and re-engaging young people who have dropped out – the 50,000 young people on

⁹⁸ Ofsted, *Transforming 16 to 19 education and training: the early implementation of 16 to 19 study programmes*, 2014

the Prince's Trust's books in 2012/13 is five times as many individuals for whom a payment was made under the wage incentive element of the Youth Contract. The recent £30 million grant from HSBC to the Princes Trust, Catch22, the St Giles Trust and Tomorrow's people is being used to target 25,000 16–25-year-olds to support moves into work. We welcome that and would like to see the third sector coming together nationally to agree what it can do on a national scale to improve transition from school to work.

4.5 Conclusions and recommendations

93. Since our Report last year there has been some progress in improving young people's transition from school to the world of work. The economic recovery has done the heavy lifting, in particular by positively impacting youth unemployment rates. But recovery alone will not be able to address the fact that, overall, young people are losing out compared to older workers when it comes to jobs, pay and housing. Young people are in danger of being left behind as the economy strengthens. That requires urgent action and much more focus.

94. Social mobility relies on young people having better opportunities to progress. Investment in the skills and employment of young people today is money saved in social security and the costs of poverty tomorrow. That means taking action to improve the quality of careers advice, college education and apprenticeships. It means intervening early – from day one – if a young person drops out of education or work. And it means putting in place robust local arrangements to improve the prospects of young people in local communities. Such a strategy will pay dividends in protecting future generations of young people from the pain a generation has felt in the six years since 2008.

What worked and what did not work 2010- 2015?

What worked?

- **Youth unemployment** has declined from a recession-driven peak of over one million to around three quarters of a million today;
- **Ever increasing engagement in education** – with more young people in study and fewer 16- and 17-year olds not in education, employment or training than ever before;
- **Attainment among 16-19-year olds** is improving but the attainment gap between those who received free school meals at secondary level and those who did not is virtually unchanged since 2009;
- **Vocational reforms are underway with increasing numbers of apprenticeships** but it is too early to tell whether they will have the necessary impact.

What did not work?

- **Long term youth unemployment of over 12 months** is still nearly double pre-recession levels at around 200,000;
- **A growing gap between young people and older workers in the labour market** with 17 per cent of 16- 24-year-olds unemployed compared to 5 per cent of 25- to 49-year olds;
- **Pay of young people took a severe hit** over the recession and is yet to recover, with hourly wages at the same level as 15 years ago in real terms;
- **Big concerns remain about the quality and funding of apprenticeships and further education colleges;**
- **There is a well a well-intentioned list of policies but no coherent strategy** to improve moves from school to work. The next Government must develop one.

By 2020, the Commission expects to see progress on the following five recommendations

- The UK Government should have **devolved responsibility for increasing youth employment** to local areas;
- The UK Government should have **fully implemented a new 'UCAS' system** to make access to vocational education and training easier and clearer for young people;
- All local authorities **should be tracking 100 per cent of young people** in their area to ensure they make a smooth transition from school and should be delivering a **'Day One intervention and re-engagement service'** to get unemployed young people straight back into jobs, education or training. Long term unemployment should be ended;
- More employers should be working closely with schools, employing young workers and **half of employers with more than ten employees should be offering high quality apprenticeships to young people;**
- The number of **poorly performing Further Education colleges and apprentice providers should have been halved** and funding should have been stopped for college departments that have not improved between inspections, following the views of the Further Education Commissioner.

Focus on...London



Summary

- London has the highest rate of child poverty after housing costs of any region in the United Kingdom;
- Educational outcomes for poorer children are excellent: twice as many poor children in London progress to higher education than anywhere else in the country;
- Labour market outcomes are mixed: average earnings are very high but the employment and unemployment rates and the proportion of children in workless households are all worse than the UK average.

Child Poverty

- 18 per cent of children are in poverty before housing costs and 37 per cent after housing costs.
- The proportion of children in low-income households varies from 10.1 per cent in Richmond-upon-Thames to 46.1 per cent in Tower Hamlets.

Laying the Foundations

- 57 per cent of poor children do not achieve a good level of development at age 4: this varies from 40 per cent in Greenwich and Lewisham to 79 per cent in Richmond-upon-Thames;
- 32 per cent of early years providers in the most deprived areas require improvement.

Educating the Next Generation

- 31 per cent of poor children fail to achieve the expected level in reading, writing and maths at age 11: this varies from 23 per cent in Camden to 41 per cent in Havering;
- 49.2 per cent of poor children fail to achieve five good GCSEs including English and maths: varies from 23.3 per cent in Kensington and Chelsea to 63.7 per cent in Havering;
- 18 per cent of the primary schools and 17 per cent of the secondary schools in the most deprived areas require improvement.

Moving from School to Work

- 3.8 per cent of 16–18-year-olds are NEET: this varies from 1.8 per cent in Harrow to 6.5 per cent in Greenwich;
- 14 per cent of poor 16-year-olds do not go on to a positive destination: this varies from 9 per cent in Westminster to 22 per cent in Richmond-upon-Thames.

Employment, Pay and Progression

- 15.8 per cent of children live in workless households;
- 72.6 per cent of working-age adults are in employment and the unemployment rate is 6.9 per cent;
- Median hourly pay is £14.61 per hour, 26 per cent higher than the UK average;
- 8.4 per cent of the working-age population have no qualifications.

Higher Education and the Professions

- 37 per cent of poor children progress to Higher Education: this varies from 16 per cent in Havering to 52 per cent in Westminster;
- 478 poor children progressed to Russell Group universities in 2011/12 – 3 per cent of children eligible for free school meals and taking GCSEs in 2008/09;
- 54.2 per cent of people in employment are in managerial, professional or associate professional occupations: varies from 29.6 per cent in Newham to 72.1 per cent in Westminster.

Chapter 5: Progress on moving up the income ladder

- Progress has been made on increasing getting more parents into work but too many poor, workless parents have gone on to become poor working parents;
- Those on low incomes risk falling further behind as average earnings recover but social security cuts start to bite and the National Minimum Wage slowly recovers lost ground;
- Even world-beating levels of parental employment coupled with significant wage increases will not enable the UK to eradicate poverty;
- Experts predict that 2020 will mark not the eradication of child poverty but the end of the first decade since records began in which absolute poverty increased;
- No political party is being honest about their ability to hit the 2020 child poverty targets: the next Government should rework the targets and agree new measures and set a new timescale for achieving them;
- Short-term action should focus on ending the poverty premium faced by the poorest families;
- For the longer-term a new settlement is needed between Government and employers to share the burden of lifting parents earnings enough for them to escape poverty;
- By 2025 Britain should become a Living Wage country.

5.1 Why is moving up the income ladder important to social mobility and child poverty?

1. Helping families increase their incomes matters because low income damages children's lives both in the present and in the future. The immediate impact is on child wellbeing – many families in low income struggle to provide their children with warm homes, good diets, enough space to do homework or the sense of security that simply having enough brings. The long-term impact is on life chances – children in low-income families tend to have lower attainment, worse health and fewer opportunities than others.

2. Society needs to address both the symptoms of income poverty (the impacts of low income on wellbeing and life chances) and its underlying causes (such as worklessness, low pay, low skills and poor health) to reduce the probability that the current generation of children in poverty become the parents of the next generation of children in poverty. The most sustainable way for parents to increase their income is to move into employment and

up the employment ladder. This will ensure that families can continue to increase their living standards even in the face of future fiscal consolidation and reduced capacity of the state to support incomes through benefits and tax credits.

3. As well as the moral duty for action, the UK Government is subject to a statutory requirement under the Child Poverty Act 2010 to end child poverty by 2020.

5.2 What is happening to the problem?

4. In last year's report the Commission welcomed the Government's commitment to tackle the drivers of poverty, including addressing entrenched worklessness among parents, and low attainment among poor children.

5. We agreed that reliance on continued increases in income transfers alone to tackle poverty is neither an affordable nor a sustainable approach.

6. And we raised concerns that there is not enough focus being given to tackling working poverty given that two-thirds of children in poverty live in working households.

7. But we observed that progress in reducing child poverty had stalled, with real risks of going into reverse. To remedy this, last year's report recommended that:

- The **UK Government** should set out a new approach for tackling child poverty, with more focus on in-work poverty and a step-by-step plan for meeting the 2020 targets;
- **Parents and employers** should act alongside government in a renewed collective effort;
- **A new settlement should be agreed for child poverty**, based on: personal responsibility; higher employment across every region; action to tackle low pay; action to tackle living costs;
- **The remit of the Low Pay Commission** should be changed with a view to delivering a higher minimum wage;
- **Support for childcare costs** under Universal Credit should be increased to 85 per cent.

8. Last year's report also recommended that:

- The **Scottish Government** should improve the measurement framework for its strategy, with a clearer focus on how well children from poor backgrounds do at school and on improving access to the most selective universities in Scotland. We also recommended that the Scottish Government should consider whether giving local authorities a duty to publish local child poverty strategies would help it in achieving its objectives;
- The **Welsh Government** should do more on in-work poverty, set more ambitious targets on closing disadvantage gaps in education (including tackling disadvantage gaps at high attainment level and reducing the number of young adults not in education or employment) and reflect on whether area-based approaches like Flying Start miss out some poor families who do not live in disadvantaged areas.

Recent developments

9. Over the last year the UK Government has taken some welcome steps, both to increase the incomes of working families (for example, by further increasing the personal income tax threshold) and to reduce the costs faced by families to make incomes go further (for example, by extending free school meals to all under sevens in England, increasing childcare support for low and middle income families and taking some action to reduce energy bills). These are

welcome steps in the right direction but the overall approach is too timid to offset an expected rise in child poverty.

10. The new Child Poverty Strategy commits to some positive action but does not rise to the challenge of the 2020 targets.¹ It does not engage with projections of rising poverty or the impact of future welfare cuts, underplays the difficult issue of in-work poverty and fails to mobilise society-wide efforts to tackle child poverty.

Commission response to the UK Government Child Poverty Strategy 2014-2017

Overall the Child Poverty Strategy falls short of what is needed to reach the 2020 targets, although it does represent some improvement on the previous strategy.

We welcome the stronger focus in the strategy on getting parents into *sustainable* employment with *decent earnings*. Increased employment among parents – especially lone parents – since 2010 is a real achievement for which the Government deserves much credit. But in too many households moving into work does not tackle low income, with parents getting stuck in low-paid working poverty, and the strategy still does little to tackle this issue.

We also welcome other positives in the strategy, such as the increased strategic focus on cutting the cost of living, the announcement to extend childcare support in Universal Credit and the statement that employers should “consider paying the Living Wage”.

But problems with the strategy include:

- **The lack of any clear measures.** A strategy without any agreed goals or ways of measuring progress is meaningless. It is very disappointing that senior ministers have distanced themselves from the statutory measures without putting any alternatives in place;
- **Absence of a step-by-step plan for meeting the statutory targets.** The strategy is instead a list of policies, often already under way with no sense of the impact they will need to have if the targets are to be met;
- **A failure to engage with projections of rising poverty.** This creates a credibility gap at the heart of the strategy;
- **Lack of new action on in-work poverty.** A critical test for a strategy that relies on tackling poverty through employment while cutting income transfers is whether it includes effective plans for increasing pay and helping parents progress into higher-paying jobs. This test has not been met;
- **Limited actions to mobilise society-wide efforts to tackle poverty.** The strategy needs to do more to guide the efforts of employers and others and to provide more clarity about their responsibilities;
- **Ignoring the impact of additional welfare cuts.** The additional £12 billion of welfare cuts pencilled in for the next Parliament – not factored into already highly pessimistic forecasts of child poverty – will make achieving the targets even more challenging.

¹ HM Government, *Child Poverty Strategy 2014/17*, 2014

The Commission recommended that the UK Government:

- Set out **clear measures of poverty** which ministers clearly buy into and accept accountability against;
- Set out a **step-by-step plan** to meet the 2020 targets;
- Engage with **projections of rising poverty**;
- Take action against the **structural as well as the individual-level causes of poverty**;
- Provide a clear plan for **mobilisation and leadership of other actors**;
- Engage seriously with the **challenges posed by continued fiscal consolidation**.

11. Action has been impeded over the past year by disagreement within the UK Government over the definition of child poverty. Its original proposal for a new ‘multidimensional’ measure, which would capture a broader range of factors such as worklessness, debt, addiction, housing quality and family environment, has not been taken forward.

12. In our response to the consultation on measures last year, the Commission supported a broad approach in which measures of the drivers of poverty and life chances supplemented the existing income measures. However, the Government has been unable to reach a unified position, and with no new definition forthcoming it finds itself stuck in a self-made no man’s land.

13. The inability to provide a means of assessing progress in tackling child poverty suggests a lack of seriousness on the part of the Government. Senior ministers have declared the existing measures to be “discredited” while failing to commit to an alternative.² We take a dim view of this wholly avoidable state of affairs.

Current outcomes

14. As Chapter 1 highlighted, the proportion of children living in families in relative or absolute poverty was at historically low levels in 2012/13. 17.4 per cent – 2.3 million children – were living in households with less than 60 per cent of the median income; and 19.5 per cent – 2.6 million children – were living in households with less than 60 per cent of median income for 2010/11.³

15. Over the same period, median household incomes in real terms were static between 2011/12 and 2012/13 at £440 per week following two years in which they fell. More recent data highlighted in Chapter 1 suggests that there has been no recovery since. Income inequality (as measured by the Gini coefficient) remained largely unchanged between 2011/12 and 2012/13.⁴

16. A growing gulf between homeowners and those priced out of the housing market is more relevant than ever to our understanding of child poverty. Low-income families are seeing their living standards hit by high housing costs – especially if they are renting – and this is not captured in the headline poverty figures. Low-income households are significantly more likely to rent their home and so have seen greater pressures on living costs (as they have not benefitted from record low interest rates) or rapid increases in house prices as those who own have.

² Osborne, G. and Duncan Smith, I. *The Conservatives’ Child Poverty Plan Tackles Poverty At Source*, Guardian, 27 February 2014

³ Department for Work and Pensions, *Households Below Average Income 2012/13*, 2014

⁴ *ibid*

The impact on living standards

17. Low income matters first and foremost because it reduces living standards, tarnishing childhood for too many. While the incomes of poorer families have held up well compared to average incomes, this has not translated into improving living standards. A range of sources suggest living standards for low-income families are under a lot of pressure. For example:

- Nearly a quarter of the poorest parents cannot afford to adequately heat their home (compared to 8 per cent of median income households) and 44 per cent cannot replace broken electrical goods (compares to 22 per cent among the median);
- 55 per cent of parents in the bottom income quintile cannot afford to replace worn-out furniture (compared to 35 per cent of median income households);
- A quarter of the poorest fifth cannot afford a sufficiently sized home to ensure that children aged ten do not have to share a bedroom with a sibling of the opposite sex (compared to 11 per cent of median income households).⁵

18. The Poverty and Social Exclusion study also highlights the challenges of growing up on a low income. Around 2.5 million children live in damp homes and around 1.5 million live in households that cannot afford to heat their home. Lack of money means children are frequently going without; nearly four million children are lacking at least two basic items that they need. A large number (4 million) of both adults and children are poorly fed.⁶

19. Other evidence also suggests that families are under pressure. For example, food bank use has increased significantly over the past few years. Interpretation of this remains contested (for example it could indicate better awareness of food banks and more efficient systems for referral) but more than 900,000 people received a three-day food package from the Trussell Trust in 2013/14, over two and a half times the number in 2012/13 and 22 times the number in 2009/10.⁷ The most common self-reported reason for using food banks, cited by almost a third of food bank users (31 per cent), was “benefit delays”, while one in five beneficiaries cited “low income”. 17 per cent said that they sought help because of the “impact of benefit changes”.

20. Evidence on debt and savings is also suggestive of growing financial pressures on low-income families:

- Nearly three in ten poor families had at least one bill in arrears in 2012/13,⁸ an increase from one in four (24 per cent) the year before;⁹
- The debt charity StepChange has reported an 82 per cent increase in clients seeking help with pay day loans, the most expensive form of short-term credit,¹⁰ and research for the charity found that nearly six in ten children in families with problem debt said they were worried about their family’s financial situation and nine out of ten families have cut back on essentials for children like food, clothing or heating to allow them to meet the cost of debt repayments;¹¹

⁵ *ibid*

⁶ Gordon D et al., *The Impoverishment of the UK – PSE UK first results: Living Standards*, 2013

⁷ The Trussell Trust, *The Trussell Trust’s UK Foodbank Network*, 2014

⁸ Department for Work and Pensions, *Households Below Average Income statistics 2012/13*, 2014

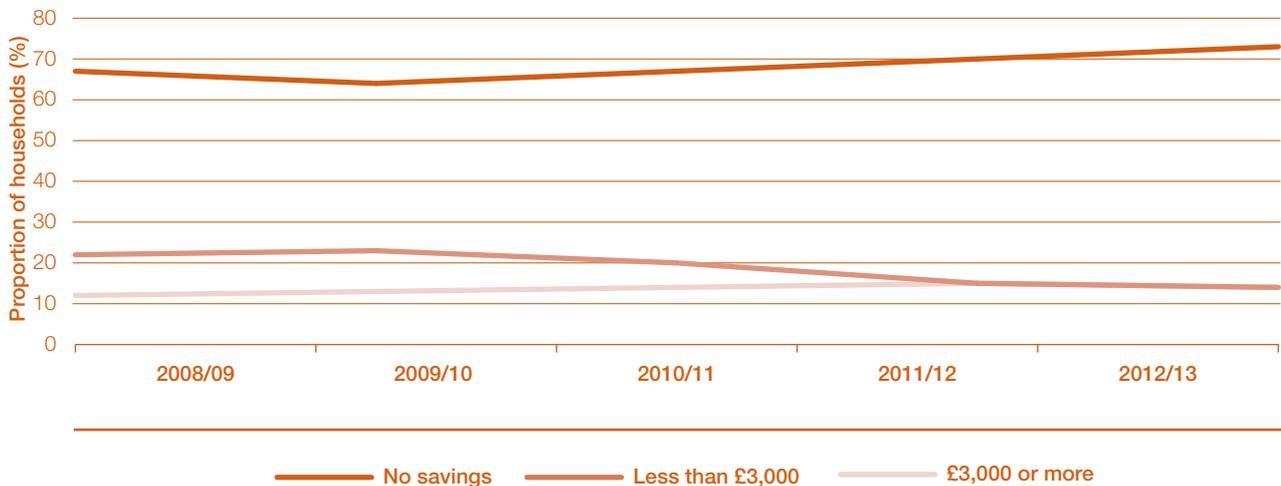
⁹ Department for Work and Pensions, *Households Below Average Income 2011/12*, 2013

¹⁰ StepChange press release, *Payday Loan Problems Up 82 Percent*, 27 February 2014

¹¹ StepChange, *The Debt Trap*, 2014

- In 2012/13 nearly three quarters (73 per cent) of poor families had no savings. One in ten had less than £1,000 in reserve. This compares with less than two-thirds (64 per cent) in 2009/10¹² suggesting that the slow recovery has eroded family savings (see Figure 5.1).

Figure 5.1: Access to savings among families in relative poverty



Source: Department for Work and Pensions, *Households Below Average Income 2012/13, 2014*.

Drivers of income

21. Lower incomes, worse living standards and a negative trajectory in the short term may be more tolerable if long-term progress is being made on the underlying causes of poverty and its consequences are being ameliorated. We look here at the key drivers of poverty:

- Employment;
- Hours;
- Pay and progression;
- Skills;
- Childcare costs.

Employment

22. Very strong employment remains the jewel in the crown of the UK Government's record on poverty. This has confounded all expectations and employment has held up well compared to elsewhere. As we said in Chapter 1, this should mean more households have taken the first step on a path to higher living standards.

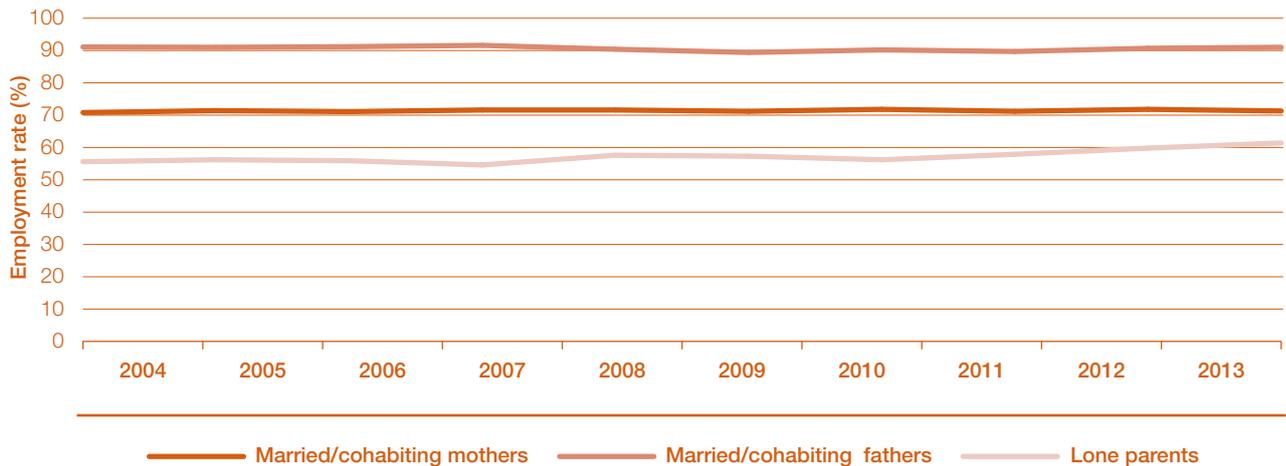
23. Even more encouraging for child poverty is that employment among parents has proved particularly robust. This is especially true for lone parents, who have traditionally been at greatest risk of poverty. The employment rate among lone parents with dependent children is at its highest ever level at 61 per cent, and this group showed by far and away the strongest employment growth over the year to December 2013.¹³

¹² Department for Work and Pensions, *Households Below Average Income 2009/10, 2011*

¹³ Office for National Statistics, *Working and Workless Households 4th Quarter 2004 to 2013, 2014*

24. Viewed over a longer ten-year period, lone parents have experienced extremely impressive employment growth, compared to both other parents and all workers. This goes beyond resilience in the aftermath of the recovery and speaks to more fundamental shifts in the employment expectations and opportunities for such families. The lone-parent employment rate increased by 5.8 percentage points between 2004 and 2013.¹⁴ As a result the gap between the employment rate of lone female parents employment rates has narrowed considerably over time.

Figure 5.2: Employment rates among parents



Source: Office For National Statistics, *Employment Rates of People by Parental Status*, March 2014.

25. For men, fatherhood seems to be marked by an increased likelihood of being in work, with nine in ten in employment. This has changed little over the past decade and only dipped very marginally during the recession. Married or cohabiting mothers' employment held up well during the recovery but, having started from a higher baseline, has not mirrored the strong growth exhibited by lone parents. This will in many cases reflect personal choice and childcare commitments within the family, and most families where mothers are not employed are not in poverty. But it is a reminder to consider the barriers to employment. We know that children are much less likely to be in poverty if a second parent enters work and, for many in low-paid work, one wage is no longer enough to escape poverty – something that will become the case for more and more families over the next few years as austerity erodes the value of in-work tax credits and other benefits.

26. The result of strong parental employment is that the number of children in workless households has continued falling and is at the lowest level for at least thirty years. Only just over one in ten children now lives in a family where neither parent is in work, although given the impact this is a group that demands continued concern.¹⁵ And, despite the excellent increase in lone-parent employment, nearly two in five children in lone-parent families live in a workless household.

27. Worklessness does not necessarily reflect long-term disengagement from the labour market, and the number of children in households where a parent has never worked remains much lower, at two per cent.¹⁶ However, life for workless families will be marked by struggles to make ends meet and living in a workless household – even controlling for income – has been linked to lower educational attainment, undermining children's life chances. Holding all

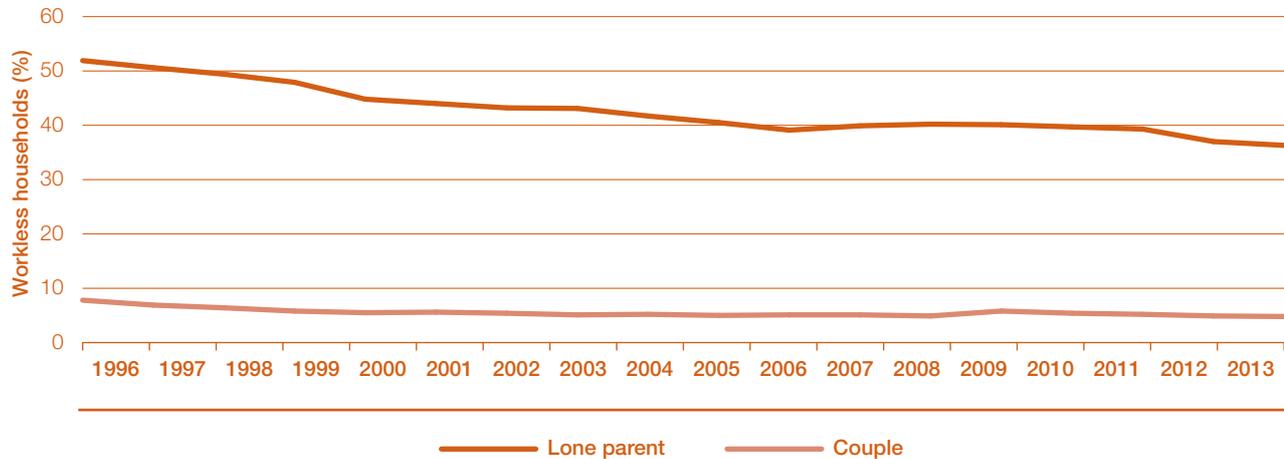
¹⁴ *ibid*

¹⁵ Office for National Statistics, *Working and workless Households 4th Quarter 2013*, 2014; Gregg, P., Hansen, K., and Wadsworth, J., *The Rise of the Workless Household*, 1999

¹⁶ Office for National Statistics, *Working and Workless Households 4th Quarter 2004 to 2013*, 2014

else equal, children who live in a workless household at age 14 are around one-and-a-half times as likely to be in poverty compared with those where one adult was working.¹⁷ Work remains the foundation for a life without poverty, both for this generation and the next.

Figure 5.3: Worklessness among families with dependent children



Source: Office for National Statistics, *Working and Workless Households 4th Quarter to 2013*, 2014.

28. As outlined in Chapter 1, the rise in employment over the past six years has been predominantly driven by self-employment, which is at a 40-year high. Self-employment trends are of interest to the Commission due to the high poverty rate among children with self-employed parents (25 per cent). This may suggest that some self-employed households are struggling to reach a viable income, although it could also reflect temporary cash flow issues. Encouragingly the poverty rate among self-employed households did not increase in the aftermath of the recession and it is lower than its peaks in 1997/98 and 2005/06. This may provide some reassurance that the recent rise in self-employment has not (or at least has not yet) created challenges for child poverty.

29. Some have suggested that policy has played a role in building strong employment. The Deputy Governor of the Bank of England has commented that welfare reform may have encouraged people to take jobs at the bottom of the labour market.¹⁸ Others have disagreed, pointing to data which shows strong employment rates have been driven by people staying in jobs rather than leaving unemployment.¹⁹

30. The rapid employment growth among lone parents can be more robustly linked to changes in policy. Since November 2008, parents have been expected to seek work when their youngest children reached seven years of age. This was reduced further to age five from May 2012.

31. As yet unknown is how well newly employed mothers will do in the labour market. Ideally those who have moved into employment at the bottom end of the labour market will gain stable employment and eventually increase their hours to escape low pay. However, this may be difficult given the challenging employment context; and there is evidence that many struggled to progress even during the 2000s when the economy was growing rapidly.

32. Some ethnic groups have far lower employment rates than others, with all ethnic minority groups apart from Indian having lower employment rates than those from white ethnic backgrounds. People with Pakistani or Bangladeshi origin are particularly at risk

¹⁷ Office for National Statistics, *How do childhood circumstances affect poverty and deprivation as an adult?*, 2014

¹⁸ See Bloomberg, 'Benefit Cuts Have Forced More People Into Work,' says Ben Broadbent, 31 July 2014.

¹⁹ Office for National Statistics, *Economic Review*, August 2014

of worklessness, with only just over half of those of Pakistani or Bangladeshi origin in work compared to an average of 72.9 per cent. A large part of this gap is due to very low employment rates for women, with women of Pakistani and Bangladeshi origin being less than half as likely to be in work than average: only 30 per cent of Pakistani women and 28 per cent of Bangladeshi women are in work compared to the average female employment rate of 68 per cent.²⁰

33. Finally, as last year, the Commission remains concerned that improvements in reducing worklessness have not been shared across the country (as set out in Chapter 1). Without efforts to increase the supply of jobs and reduce economic inactivity across all regions, poverty risks becoming entrenched in some areas.

Job security and hours

34. For higher employment levels to translate into higher living standards for children, parents need to be in sustainable jobs, work enough hours and earn enough per hour. Here progress has been much more mixed, reflecting the trade-offs demanded by the economic recovery. Having fallen during the recession, hours of work are recovering but the jury is still out on job security.

35. As Chapter 1 noted, a key reason why strong employment growth has been possible despite the slow economic recovery has been the flexibility of the UK labour market: growth in part-time working, willingness of employees to work less predictable hours including a growth in zero hour contracts and a dramatic increase in self-employment have all been important. Continued growth of in-work benefits may have enabled more people to accept poorly paid or insecure work. For example, the number of in-work housing benefit claimants more than doubled between 2009 and 2014.²¹ This has helped protect living standards but – at least in part – represents a shift in responsibility from employers to taxpayers for ensuring workers have enough income to meet basic living costs.

36. Some kinds of work flexibility may reduce the benefits of parental employment for children in terms of mental health, parenting and the ability to fit in with social conventions. For example, working antisocial and irregular hours that change at short notice can make it difficult to parent well and the Commission has heard concerns that childcare is particularly difficult to arrange for parents who work unpredictable or irregular hours.

37. The good news is that full-time jobs have driven recent employment growth and working hours have begun to increase more strongly. Over the past year the UK Government has also taken tentative action on abuses of flexible working (for example banning clauses in zero hour contracts preventing employees from taking on work elsewhere).

Pay

38. In last year's report we found that hourly pay levels had become a bigger predictor of whether a child is poor than the number of hours their parents worked. Unfortunately, as Chapter 1 demonstrates, average pay has continued to fall in real terms with average weekly earnings excluding bonuses 8.3 per cent lower in June 2014 than in April 2009.²²

39. The problem of stagnating earnings for middle earners is well documented. But the barriers for low-income parents go beyond this and reflect a chronic problem of low pay. As we noted last year, five million people in Britain – around one in five of all workers – earn below £7.50 an hour, two-thirds of the UK median wage. Over a quarter of women are low paid and

²⁰ Office for National Statistics, *Labour Market Status by Ethnic Group*, August 2014

²¹ Department for Work and Pensions, *Housing Benefit Caseload Statistics*, 2014

²² Office for National Statistics, *Labour Market Statistics*, August 2014. Inflation has been measured using the RPIJ index. Including bonuses, real wages are 10.5 per cent lower than their February 2008 peak

one in six men. Adults in working poor families tend to work in low-wage sectors. In retail a third of workers (33.8 per cent) earn less than £7 an hour; in hospitality it is nearly half (48 per cent); in cleaning it is three-fifths (58 per cent). Together these three occupational sectors made up about 54 per cent of minimum wage jobs in the UK.²³ As a result the UK is one of the worst performers in the OECD, measured on its share of full-time employees in low-paid work. Indeed, there is some evidence that roles such as hospitality, retail and social care are at a higher risk of low pay in the UK than similar roles in the rest of Western Europe.²⁴

40. Although many people in low-paid jobs will not be in low-income households, this high prevalence of low pay helps to explain why twice as many poor children are in working as opposed to workless families, and why wages have become a stronger predictor of child poverty than hours. Pay is not rewarding parents' efforts and the way the tax and benefits system operates is eroding the financial return from work.

41. The decline in real wages seen since the recession is widely interpreted to be a trade-off for the UK's resilient employment. Progression for those on low pay has taken a back seat since 2008 as employers struggled in tough conditions and policy-makers concentrated on reducing unemployment.

42. But problems with low pay pre-date the downturn. The proportion of workers who are paid less than two-thirds of the median wage has barely changed since 1996, although the introduction of the National Minimum Wage in 1999 did eradicate extreme low pay.²⁵ Analysis by the CBI finds that, even prior to the recession, the majority of low-paid workers were not moving up to the next income quintile in any given year. Those who did progress tended to move only to the next quintile.²⁶ Britain's labour market is truly a tale of a divided nation.

43. Underlying factors behind this trend include a shift in industrial structures in Britain, a rising share of GDP going to profits, decline in trade unions, the growth of non-wage costs and declining demand for low-to-mid skilled work in the UK driven by technological advances and globalisation.²⁷ This has narrowed progression opportunities for those in low pay and constricted social mobility.

44. The fundamental changes that have been taking place in the labour market have outpaced the public policy response. While the National Minimum Wage has exceeded expectations in its ability to end severe low pay without costing jobs, there is little oversight or strategy for those workers paid above the National Minimum Wage rate but still in low pay. Too often policy-makers have been silent on the hollowing-out of middle-skill jobs and the development of a two-tier labour market. We see welcome signs that this may be starting to change.

45. The Government, as well as the Opposition, has recognised the need to lift pay, although their plans fall short of the comprehensive strategy needed on low pay. The Chancellor called for the National Minimum Wage to rise to £7 per hour, an intervention very much welcomed by the Commission. The Low Pay Commission settled on a more cautious increase to £6.50 from October 2014 – although this is the first real-terms rise in six years. The Low Pay Commission has also committed to try and restore the value that has been lost over the recession in successive below-inflation increases, subject to this not having a significant impact on employment. This too is welcome. While the National Minimum Wage has held its value relative to falling average wages, preventing the sharp falls in relative income for the low

²³ Low Pay Commission, *National Minimum Wage Report 2014*, March 2014,

²⁴ Resolution Foundation, *Low Pay Britain 2013*, 2013

²⁵ Resolution Foundation, *Low Pay Britain 2013*, 2013

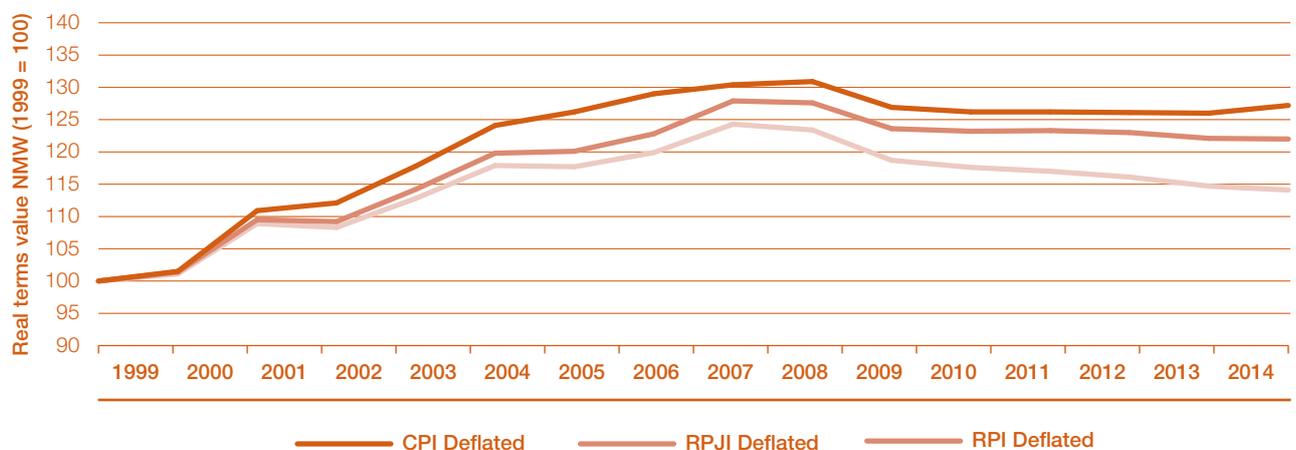
²⁶ Confederation of British Industry, *Making Britain Work For Everyone*, 2014

²⁷ Resolution Foundation, *Low Pay Britain 2013*, 2013

paid seen in previous recessions and narrowing the gap between low and average earnings,²⁸ our report last year found that its real value has fallen for people in full-time work by £1,000 since 2008.

46. More recently a suggestion has been made for the National Minimum Wage to rise to £8 per hour by 2020, broadly in line with expected growth in average earnings over the period. Although welcome in terms of intent, this is not particularly ambitious. An £8 per hour National Minimum Wage implies a slower rate of increase between 2014 and 2020 than there was between 1999 and 2014. Indeed, the 2020 rate would be at least £8.23 per hour if the 1999/2014 trend line continued into the future. None of the political parties seem to have come up with minimum-wage policies that are capable of increasing pay rates for those at the lower end of the income scale such that they can stand on their own two feet and thereby reduce the overall benefits bill.

Figure 5.4: Trends in the real-terms value of the minimum wage



47. Although commitments to increase the National Minimum Wage are welcome, the broader problem of low pay extends well beyond the floor set by the Low Pay Commission. Indeed, analysis of pay distribution suggests the National Minimum Wage has failed to have the desired ripple effect to improve wages beyond the statutory floor.²⁹ In response, a bottom-up approach to tackling low pay has developed amongst employers and campaigners.

48. The Living Wage has gained some traction as a policy lever to raise pay beyond the minimum floor level of the National Minimum Wage. 900 organisations have become Living Wage employers, across the private, public and third sectors. All the main political parties – and of course the UK Government – have endorsed the Living Wage. The Commission welcomes this development but is concerned that take-up of the Living Wage is still low and it has struggled to progress from a campaigning tool to an expected standard across all sectors.

²⁸ The Low Pay Commission, *National Minimum Wage Report*, 2014

²⁹ Resolution Foundation, *More Than A Minimum: The Review of the Minimum Wage – final report*, 2014

Living wages versus the National Minimum Wage

The Living Wage is £7.65 per hour (rising to £8.80 per hour in London). This compares with the National Minimum Wage of £6.50 UK wide.

The Living Wage is set each year, based on the amount of income it is estimated different households require to maintain a basic standard of living (which is defined somewhat more generously in the UK-wide Living Wage than in the London Living Wage).

The UK-wide Living Wage is capped to allow employers to adjust to it over time. The “reference rate” of the Living Wage rate based on the Minimum Income Standard in the UK is, at £9.08 per hour, significantly above the current level.

It is important to note that the calculation of the Living Wage includes in-work benefits and assumes that families with children have access to social housing at subsidised rents. Without this it would have to be set much higher (£11.30 an hour in London). If in-work benefits are cut, then the Living Wage has to rise.

Payment of the Living Wage is voluntary. Employers can sign up to be accredited by the Living Wage Foundation as a Living Wage employer.

In comparison the National Minimum Wage is the statutory benchmark below which wages must not fall. It is set by the Low Pay Commission based on evidence from a range of stakeholders including government, employers and trade unions. It is not intended to provide a basic standard of living and must be set so as not to adversely impact on employment. As such it reflects the needs of the most vulnerable employment sectors rather than the needs of low-income households.

Supporting progression

49. It is vital that parents who enter work on low pay do not get stuck there. Being in poverty for a few months has a far less negative impact than being stuck in poverty for several years. So a critical goal for policy should be to ensure that an entry into a low-paying job is the first stage in a journey to higher-paying work. But this doesn't appear to be how much of the economy is working. According to research by the Resolution Foundation, only one in five (18 per cent) of low-paid workers in 2002 escaped low pay over the decade to 2012. Nearly half (46 per cent) cycled in and out of low pay, while a quarter (27 per cent) were low paid during every single year of the decade.³⁰

50. Some sectors of the economy could afford to absorb increases in pay. One in four minimum-wage workers are in non-low-paying sectors that would not experience a very large effect on their wage bill from a pay rise for the minority. But in others, sustaining pay rises relies upon substantially increasing the productivity of low-paid staff. Productivity is currently around 17 per cent below its long-term trend, as strong employment performance has not been matched by increased efficiency.³¹ Improving productivity depends in turn on job design, capital investment and improved employee skills.

³⁰ Hurrell, A. and Whittaker, M., *Low Pay Britain 2013*, Resolution Foundation, 2013

³¹ Confederation of British Industry, *Making Britain Work For Everyone*, 2014

Who earns less than the Living Wage?

- 61 per cent of those earning below the Living Wage are women;
- 25 per cent of women earn below the Living Wage compared to 15 per cent of men (i.e. women are two-thirds more likely to earn below the Living Wage);
- More than half (52 per cent) are aged 30 or over;
- But there is a far higher risk of low pay for young people: 20 per cent of 16–20 year olds, 18 per cent of 21–25-year-olds, 10 per cent of 26–30 year olds, 7 per cent of 31–40 year olds and 9 per cent of 41–50 year olds;
- Three out of five (59 per cent) people earning below the Living Wage work part-time;
- 40 per cent of those in part-time work versus 12 per cent of those in full-time work (i.e. those in part time work are over three times more likely to earn below the Living Wage);
- Three-quarters (74 per cent) are in elementary occupations, sales and customer services or personal services;

51. Improved skills will also be vital to improving earnings progression. Compared to other nations, the UK has a large proportion of low-skilled workers. Successive reports have found limited wage gains from adult skills investments. The most effective training in terms of subsequent wage increases seems to be employer-led, and linked to firms reorganising how they use skills.

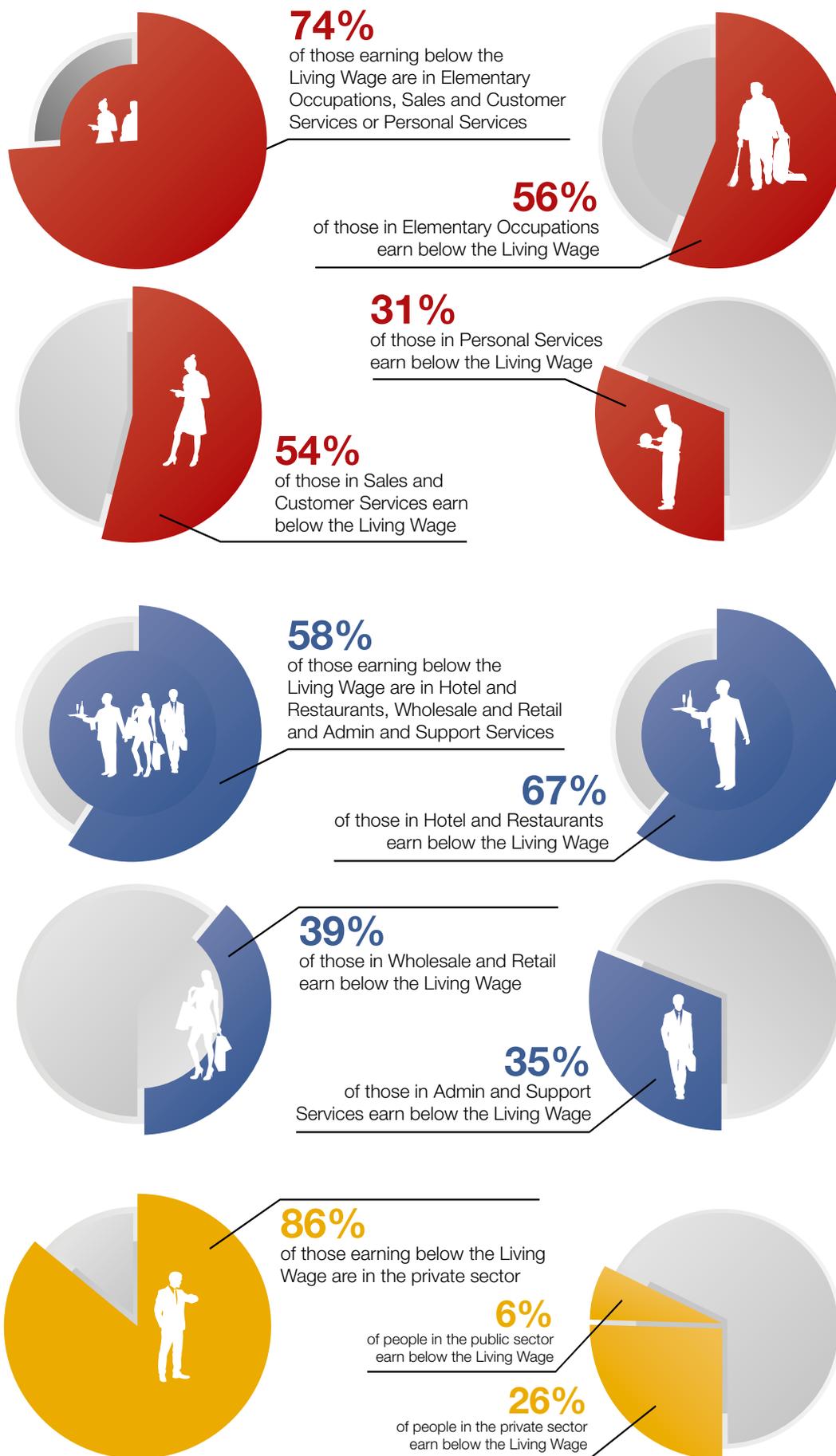
52. The UK Government has initiated some action to increase progression opportunities, including the Employer Ownership of Skills Pilots, but these are still on a relatively small scale and much more needs to be done to allow the UK to break out of the negative equilibrium of low skills, low employee responsibility, low productivity and low reward that exists in many low-paying industries.

53. The experience of the security industry suggests that a wider approach of joining up skills and training can raise pay. After compulsory licensing of security guards was introduced in 2003, wages increased sharply such that in 2012 the Low Pay Commission ceased to classify security as a low-paying sector – this was without any decrease in employment, which actually rose by 50 per cent between 1998 and 2012. This has been attributed to up-skilling and training prompted by compulsory licensing and increased use of technology. As a result the proportion of workers in the industry paid at or near the NMW has shrunk.³²

54. As Chapter 6 sets out, there are tentative signs of some professions tackling barriers to entry to graduate-level employment for those from less well-off backgrounds (though there is much further to go). But opportunity at the bottom end of the jobs market is not yet part of the national conversation. This needs to change. It should become as socially unacceptable for employers to offer pay and hours structures that consign parents to poverty as it is for them to disregard environmental concerns. It is good news that the UK Government is supporting pilots to improve pay progression as part of the City Deals in Glasgow and Plymouth. This is welcome but falls far short of the pay and pay progression strategy that the Commission has previously called for.

³² Buckle A, *Low Pay: the Nation's challenge*, 2014

Figure 5.5: Who earns less than the Living Wage?



55. A big part of the solution to skills is tackling low educational attainment, particularly for disadvantaged children. There is a clear pay premium attached to higher qualifications but this is a very long-term approach to reducing poverty as, for example, the vast majority of the parents of the children of 2020 have already left school.

56. Nonetheless there are grounds for optimism. The long-term trends on skills are positive, with far fewer people having no qualifications than in the past. The proportion of households where there were no adults with any qualifications fell from about a third in 1995/97 (31 per cent) to a quarter in 2006/08.³³

Social security and support for the costs of children

57. The final driver of improved living standards is the level of benefits and tax credits, which help support more than half of families with dependent children, including 1.5 million workless families and 2.6 million working families – and also help insure every family against the risk of losing their job through redundancy, sickness or disability or seeing their incomes fall.³⁴

58. Cash transfers of this sort to low-income families prevented living standards from collapsing in the first part of the recession as average earnings fell. While average disposable incomes for the middle fifth of households fell by £1,100 (4.3 per cent) in real terms between 2007/08 and 2012/13, the average income of the poorest fifth rose by £400 (3.5%) over the same period.³⁵ This is because lower-income households receive a much greater proportion of their income through cash benefits, which were held relatively stable until April 2013. This is a big part of the explanation for why relative poverty decreased in the aftermath of the recession.

59. But that has now changed as we move into a period when welfare benefit entitlements are being reduced. The majority of cuts announced in 2010/15 have been phased to take effect after April 2013 and so are not yet reflected in the official poverty statistics. This includes the below-inflation 1 per cent cap on benefit and tax credit up-rating and localisation of council tax benefit, which affects very large numbers of low-income households, as well as the removal of the spare room subsidy and the overall benefit cap, which will reduce the incomes of a comparatively small number of families but by a significant amount. Furthermore, the impact will become more pronounced over time of detaching Local Housing Allowance from market rents, thereby making increasing areas of the country unaffordable to families renting privately who are in low-income work and those out of work.

60. This means the full impact of fiscal consolidation to date on child poverty will not really begin to be seen in poverty statistics until 2013/14 data is published next in June 2015. The debate on the Government's success going into next year's General Election would be more informed if publication were to be brought forward.

5.3 What is likely to happen in the future?

61. In the years to come, all the trends suggest that poverty is set to rise. The evidence presented above suggests that the good short-term progress that is being made on worklessness and the longer-term prospect of improvements in educational attainment are unlikely to be enough to improve either the absolute or the relative incomes of low-income families. Family living standards are set to worsen because increases in earnings from parents moving into work will not be enough to offset social security cuts or the deeper structural labour market issues that inhibit improvements in both pay and progression.

³³ National Equality Panel, *An Anatomy of Economic Inequality in the UK*, 2010

³⁴ Based on statistics on receipt of Child Tax Credit in HMRC, *Child and Working Tax Credit Statistics: Finalised Annual Awards 2012 to 2013, 2014* and estimates by ONS that there are 7.8 million families with dependent children from Office for National Statistics, *Families and Households*, 2013

³⁵ ONS, *The Effects of Taxes and Benefits on Household Income 2012/13*, 2014

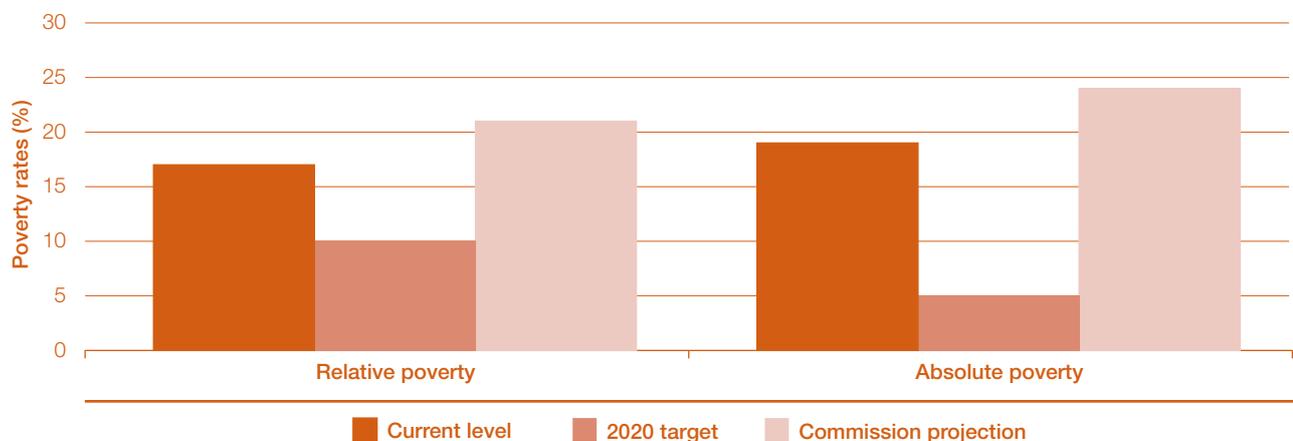
62. Meanwhile, the recovery is driving a wedge between those at the bottom of the labour market and those at the top and middle where incomes are set to improve. Without action, it is hard to see how Britain does not become ever more divided.

63. Modelling for the Commission illustrates the scale of the challenge. It projects that – based on current OBR forecasts for employment and wage growth – relative poverty (before housing costs) will rise to 21 per cent by 2020, 11 percentage points above target, and absolute poverty will rise to 24 per cent, even further behind the target of five per cent.³⁶ This is likely to be an optimistic view as it ignores the impact of the further cuts to welfare benefit entitlements that are pencilled into current plans for deficit reduction in the next Parliament.

64. The Institute for Fiscal Studies has concluded in stark terms that it is “*inconceivable*” that the UK Government will hit, “*or even get close to*”, the 2020 targets³⁷ – and this is before any effect of additional social security cuts or tax rises after 2015. It is becoming clear that new approaches will be needed if poverty is to be beaten.

65. The forecast on absolute poverty is particularly striking. A decade of rising absolute poverty is unprecedented. The clear risk is that the year 2020 will mark not just a failure to meet the legal obligation to have ended child poverty but will mark a permanent decoupling of earnings growth and economic growth at the bottom end of the labour market. 2020 could mark a watershed between an era in which for decades there have been rising living standards shared by all and a future era when rising living standards bypass the poorest in society. If that comes to pass, the economic recovery will not have produced a social recovery. Instead, society will have transitioned to mark a divided Britain.

Figure 5.6: Poverty projections versus the 2020 targets



66. The UK Government has previously responded to projections of rising child poverty by pointing to the anticipated positive impacts of welfare reform, Universal Credit and its employment programmes on labour market participation which are not incorporated into OBR employment forecasts or captured by the IFS projections. Our research takes as read that welfare reform and the improving economy will increase parental employment and that wage growth will recover. However, even taking a very optimistic view of employment and earnings growth, it concludes that they will not be enough to hit the child poverty targets or to come even close, at least not by 2020.

³⁶ Reed H and Portes J, *Understanding the Parental Employment Scenarios Necessary to Meet the 2020 Child Poverty Targets*, 2014

³⁷ Institute for Fiscal Studies, *Inequality, Poverty and Living Standards in the UK: 2014*, 2014

Commission research report: Understanding the parental employment scenarios necessary to meet the 2020 Child Poverty Targets

Research for the Commission assessed whether changes in parental employment alone could enable the UK Government to meet the 2020 child poverty targets.

It forecast child poverty levels under a range of different scenarios for employment growth and earnings growth between now and 2020.

In the central scenario, based on OBR forecasts for earnings and employment growth:

- Relative child poverty is forecast to be 21 per cent by 2020 – 3.5 percentage points above 2011/12 levels and more than twice the 2020 statutory target of 10 per cent;
- Absolute child poverty is forecast to be 24 percentage points – almost five times the 2020 statutory target of 5 per cent.

Analysis of other scenarios shows that faster employment growth would reduce relative poverty below these projections. Faster wages growth reduces absolute poverty but not relative poverty.

Even under the most optimistic scenarios for parental employment and earnings growth, where employment and wages improve faster than OBR forecasts and parents make up most or all of additional employees, the targets would not be achieved.

To achieve the 2020 relative poverty targets requires:

- An extreme – and implausible – increase in employment rates for parents to levels far above what has ever been achieved anywhere in the world;
- Substantial increases in working hours for low-paid working adults far beyond the requirements of Universal Credit.

The report concluded that hitting the child poverty targets through improved parental employment outcomes alone looks impossible in any realistic scenario for parental employment and earnings in 2020.

Employment and wage growth above OBR predictions would, however, result in substantial gains of around £14 billion per year to the Treasury. If such employment outcomes could be achieved, these gains could be recycled into measures targeted to reduce child poverty further.

The research concludes that the most plausible approach is one which supplements increases in parental employment and wage increases with recycled savings through financial support for families.

Source: Reed H and Portes J, Understanding the Parental Employment Scenarios Necessary to Meet the 2020 Child Poverty Targets, 2014.

67. For the absolute poverty target, the main issue is the amount of work that higher wages and employment would have to do to raise living standards of children, given planned reductions in welfare entitlements.³⁸ Cash benefits currently represent more than half the income of the poorest fifth of households, meaning that low-income households are much more exposed to the impact of changes to social security benefits.³⁹

³⁸ Part of the effect is also down to the way that the fixed line is updated by RPI inflation, but there is no progress even using the lower measure of CPI

³⁹ ONS, *The Effects of Taxes and Benefits on Household Income 2012/13*, 2014

68. For the relative target, there is an additional issue in that the economic recovery is likely to benefit those in the middle more than those at the bottom. Median incomes rising faster than those of families at the bottom increases measured poverty as it raises the poverty line. This is projected to happen to 2020 for two main reasons. First, because of the composition of households – there tend to be more earners in middle income households – and secondly because poor families keep less extra income for every extra pound earned than those in the middle as benefits are tapered away.

69. We have come to the reluctant conclusion that there is no realistic hope of the child poverty targets being met in 2020, given the likely tax and benefit system in place at that date. None of the political parties have been willing to speak this uncomfortable truth. They are all guilty in our view of being less than honest with the public. It is vital that the next Government comes clean. We look to it to supplement the existing targets with new measures to give a more rounded picture of poverty and to publish a new timescale for achieving them.

70. The better news is that the positive scenarios for employment and wage growth explored in the research would pave the way for more revenue recycling. The Treasury could stand to gain around £14 billion a year if the UK achieved parental employment outcomes as good as the best in the world and wage increases above OBR projections, which is money that theoretically could be redirected – in part at least – towards households in working poverty. That is something the next Government could consider.

5.4 Towards 2020 – what is needed to make progress?

71. The key challenge is how to ensure families at the bottom of the labour market have decent living standards and stay in touch with those in the middle in the face of profound changes in the labour market (like job insecurity and low pay). The challenge is compounded by ongoing austerity, which means the State has less capacity to achieve this goal through redistribution.

72. We are witnessing three fundamental changes which the next Government will have to confront if it is to make progress on tackling poverty and improving mobility:

- Changes in the **labour market** with an entrenched body of 5 million low-paid workers;
- Changes in **poverty** with two in three poor children now living in working households; and,
- Changes in the **public finances** with the recession leaving a large structural deficit, half of overall public spending cuts still to come and the Treasury having pencilled in £12 billion of additional welfare cuts in the next Parliament.

73. These changes mean that the road has run out for the decades-old public policy response of using taxpayers' funding alone to bridge the gulf between earnings and prices in order to improve living standards. In the circumstances that it will inherit in 2015 the next UK Government will have to adopt radical new approaches if it wishes to make progress on poverty and mobility.

74. The evidence above, including the Commission's own research, suggests what some of the components of a new effective multidimensional approach could look like:

- **Removing the barriers to parent-focused employment growth and supporting parents to increase their hours of work:** ensuring that faster employment growth than the OBR currently predicts will reduce pressure on the public finances and reduce child poverty if targeted at parents;
- **Strongly encouraging and supporting two-earner households:** one income is increasingly inadequate to meet the costs of bringing up a child free from poverty;

- **Supporting higher wages and greater pay progression:** the case for more active labour market policy to increase the pay rates of low-income earners is overwhelming;
- **Recycling savings from higher employment levels and wages into supporting families:** the labour market cannot reduce poverty alone as even increased wages will find it hard to reflect the costs of living (especially when low-income workers face very high effective marginal tax rates), and some families are unable to work: there remains a role for benefits and tax credits;
- **Reducing the cost of living:** there need to be sustained efforts to reduce the ‘poverty premium’ for those on low incomes and, in particular, the effect of high housing costs on living standards must be addressed;
- **Raising skills and improving education:** to tackle the long-term drivers of poverty;
- **Creating a high skills and progression culture:** through improving education and ensuring all firms play their part in tackling poverty to eradicate low pay and reduce public expenditure on in-work benefits.

75. It is clear that the UK Government cannot do all of this alone – indeed, a short-sighted aspect of the child poverty strategy of the previous administration during the last decade was that it was a largely a top-down effort driven by the State, not one that mobilised the whole of society, particularly employers. Eradicating child poverty sustainably is a huge task and needs every actor in society to play its part.

The role of different parts of society

- **Parents** have a responsibility to move into employment where they can reasonably be expected to and increase earnings to protect living standards during the recovery;
- **Government** can directly influence labour market participation through welfare reform and active labour market policies. It has a direct influence on incomes via its tax and benefits policies and an indirect influence through its work with employers to ensure all parents can access work and increase their pay;
- **Employers** can make sure they have progression policies in place, including training to enable employees to increase their skills and productivity to facilitate higher pay and a living wage;
- **Local authorities** increasingly have a role to play in supporting family living standards and mitigating a fall in incomes, including providing an emergency safety net, as well as promoting local employment growth;
- **Charities** can play a helpful role getting people into work as well as shaping the broader debate on child poverty and social mobility;
- **Schools, further education providers and universities** help break the intergenerational cycle of poverty by increasing the skills of young people from disadvantaged backgrounds and older people taking up a “second chance” to improve their skills to help exit low pay.

76. The remainder of this chapter discusses what the key actors could be doing to raise family income and living standards.

UK Government

77. The UK Government's Child Poverty Strategy makes some progress to tackle the root causes of poverty, but – as set out above – contains some serious weaknesses likely to render it ineffective.

Barriers to making work pay

78. Enabling work is a critical part of raising living standards and reducing poverty, and the UK Government has made some progress in removing barriers, while parents have also been able to take advantage of strong employment growth. The introduction of Universal Credit in particular could be a very important step forward in improving work incentives. The simplification it will bring if successfully implemented – integrating in-work and out-of-work benefit systems, making the system more responsive to fluctuations in income and improving predictability about financial gains from working – is a potentially transformative change from the current system. It also improves work incentives by increasing the amount which the first earner in a household can earn before their benefits are reduced and smoothing the high marginal deduction rates for claimants who are currently subject to multiple tapers. Recent policy developments, such as the expansion of childcare support in Universal Credit and introducing free school meals for all under-seven-year-olds, will also help to further improve work incentives, as well as easing pressure on living standards.

79. These positives, however, are weakened by other aspects of Universal Credit, including successive cuts in its planned value, as well as the damaging impacts on work incentives and simplicity caused by benefits that are not incorporated into the system. In particular, work allowances (the amount a claimant can earn before their benefit is reduced) have been frozen in cash terms. This reduces the positive impact on incomes, an effect which will be compounded over time by inflation. There are also long-standing issues with:

- **Work incentives of second earners.** Reducing poverty will need second earners to return to work, but they have limited financial incentive to do so. Work allowances only apply to the first earner (although at a household level the family will not be worse off than under the planned benefit system when Universal Credit is introduced, as the generosity of Universal Credit is loaded on the primary earner). The impact of a second parent in a couple moving into employment will be to immediately reduce Universal Credit entitlements. A specific allowance for second earners would add a psychological incentive and underscore the importance of additional hours. This is a missed opportunity when nearly one in five children in one-earner couple households are in poverty, the risk of which could be substantially reduced if the second parent moved into work;
- **Lack of integration with other benefits.** Once local Council Tax Support is factored in, many parents will keep as little as 17p out of each additional pound they earn;
- **Other long-standing issues around passported benefits** such as free school meals (estimated to be worth £370 per child per year⁴⁰). Under the current system, families lose all support if they work more than 16 hours a week (or their partner works more than 24 hours). Progress is still needed on the treatment of free school meals within Universal Credit to ensure “cliff edges” are not reintroduced. The Government has repeatedly ducked making a firm policy commitment, a delay which is no longer acceptable.

80. Unless these negatives are tackled, the potential of Universal Credit will be blunted. Childcare costs are also crucial in determining work incentives of lone parents and second earners. Many parents, particularly lone parents, will not be able to take a job or increase their hours unless they can access high-quality and affordable childcare that is flexible enough to

⁴⁰ Calculation by Children's Society *Fair and Square* campaign

fit with the hours of work that available jobs would demand of them. The challenges around provision of high-quality childcare are discussed in more detail in Chapter 2, and the UK Government has made some welcome progress here. Universal Credit increases support for childcare costs for low-income households (low-income parents will be able to claim up to 85 per cent of the cost of childcare back under Universal Credit, subject to caps on monthly amounts, up from previous proposals for 70 per cent). However, the gains are weakened by:

- **Complexity:** the mix of free hours at various age bands and subsidised costs is confusing for parents and inhibits clarity on whether or not they are better off in work. The UK Government has recognised the attraction of simplicity in designing Universal Credit but this is weakened by an interaction with complex childcare arrangements blending supply side and income subsidies and distinguishing support for low- and middle- from higher income households;
- **Structure of payments:** payment in arrears is likely to be a barrier for poor parents moving into work, who will have to fund 100 per cent of their childcare costs for the first month before being reimbursed 85 pence for every £1 of outlay. The Government should explore whether funding can be advanced to some parents to avoid unnecessary barriers.
- **Support for large families:** Childcare costs are paid based on one or “two or more” children. This means additional support is not available for families who have childcare costs for more than two children. The Commission is concerned that this may dampen the returns from work for larger families. This is particularly concerning given higher rates of poverty among large families.
- **Generosity:** Caps of £532 a month for one child or £912 for two or more have not been updated in nearly a decade (although they will rise to reflect the move from 70 per cent to 85 per cent support). This is despite childcare costs outside London increasing by 60 per cent over this period.⁴¹ As a result, caps risk shifting from their original intention of barring exceptionally high costs to capturing average childcare bills. Families in London or with disabled children are particularly at risk of breaching the cap. This creates a work disincentive, particularly for lone parents, as every hour of childcare above the level of the cap must be paid for in full. This may explain why a higher than average proportion of workless households in London report they are not working because they are looking after children.⁴² If left unchanged over time, freezes on caps will erode the positive impact of increasing support to 85 per cent of costs.

Improving pay

81. Barriers to entry to work are compounded by a key limitation once parents are in work: the lack of a coherent strategy on pay and progression. The Government cannot take responsibility for this alone but needs to do more to ensure the building blocks are in place.

82. We welcome the cross-party consensus on the need to raise the National Minimum Wage. But there needs to be a renewed effort to raise pay for the four in five low-paid workers earning above the National Minimum Wage. This must be central to any strategy to reduce child poverty and improve the prospects for social mobility among working families.

83. It has been suggested that one way of achieving this would be for the Low Pay Commission to be given a wider remit to tackle low pay more broadly – for example giving the Low Pay Commission a new remit to advise on how low pay could be reduced in the British economy so that the Low Pay Commission’s expertise moves beyond describing the labour market as it is today and is also used to make recommendations about the changes

⁴¹ Hirsch, D, *The Cost Of A Child In 2014*, 2014

⁴² ONS, *Workless households for regions across the UK*, 2013

that will be needed to reduce low pay in the future and facilitate a higher minimum wage. Other suggestions have been for the Low Pay Commission to be asked to focus on larger, profitable sectors that have more headroom to increase wages. It is notable that a number of big firms in financial services are not Living Wage employers, including banks such as Lloyds and RBS in which the taxpayer has a stake. The Low Pay Commission could calculate non-binding sectoral and regional floors on pay so that employers, workers and trade unions have a credible reference point from which to make progress towards higher pay.

84. We are supportive of these approaches but – given the context the next Government will face – we do not believe they go far enough. The National Minimum Wage is not a living wage. We believe the next Government should work with employers, trades unions and others to achieve a new ambition for the UK to become a Living Wage country by 2025 at the latest.

85. We know that it will be a long process to bring the wages of the lowest paid in the UK towards a Living Wage in an affordable and sustainable way and we are not proposing that the Living Wage becomes statutory. But we do think that within ten years it should become the expectation for all employees at the bottom end of the labour market. Too often the National Minimum Wage has become both the default start and end point, even though it was intended to be a wage floor set at a low level which the most vulnerable employers could bear. We recognise too the risk of increases in the minimum wage beyond what the labour market can bear, leading to decreased employment. Modelling suggests that extending the Living Wage to all private sector employees on a statutory basis would cause a reduction in overall labour demand of 160,000 employees, equivalent to 4 per cent of the four million private sector employees who would gain a pay rise (although such modelling takes no account of the offsetting impact of improvements in productivity and skills).⁴³ Such employment effects are something to be avoided at all costs. So a national effort will be needed by employers, trades unions and Government to manage the transition to the Living Wage. We are clear that a national compact will have to be struck in which increases in pay are matched by increases in productivity and improvements in skills.

86. There is a need to build consensus behind the methodology for calculating the Living Wage to ensure it is robust. While the National Minimum Wage is entirely focused on what employers can afford, the Living Wage pays no regard to this issue. We are concerned that this is a barrier to wider adoption. In addition the Commission has heard concerns that it underplays the significance of benefits-in-kind and tips to employees. We propose that the Low Pay Commission should in the first instance commission an independent review of the Living Wage methodology. This should not be bound by the Low Pay Commission's current remit but should seek to move the Living Wage out of the campaigning sphere and propose a methodology which strikes a better balance between employer and employee interests. Once a methodology has been agreed for assessing what the Living Wage should be, we would like to see the Low Pay Commission being charged with responsibility for annually setting its level.

87. We recognise that for employers in low-paying sectors like retail, hospitality or care the Living Wage ambition will be particularly challenging. That is why we believe it has to be a ten-year ambition in which different sectors of the economy make the transition towards it at different speeds as their business and employment models evolve.

88. Conversely, we see opportunities for more rapid progress towards the Living Wage in other sectors. As a first step the Commission would like to see the Government now urging the Low Pay Commission to investigate the one in four minimum wage workers who are not in the core low-paid industries to assess the potential for early adoption of the Living Wage.⁴⁴

⁴³ Lawton K and Pennycock M, *Beyond the Bottom Line: The Challenges and Opportunities of a Living Wage*, 2013

⁴⁴ Resolution Foundation, *Low Pay Britain 2013*, 2013

89. Of course, the Treasury would be a key beneficiary of a wholesale shift in favour of the Living Wage. More than half of the financial gains from the Living Wage would be collected by the Treasury in the form of larger income tax receipts, increased National Insurance contributions and reduced spending on in-work benefits. Extending the Living Wage to all workers would increase wages by £6.5 billion, with knock-on effects for the Treasury of approximately £3.6 billion.⁴⁵ This makes it more affordable than it first appears to extend the Living Wage across the public sector. It also gives the Treasury much more headroom to develop a broader tax and benefit strategy to help those households not currently lifted out of poverty by the National Minimum Wage.⁴⁶ But that is dependent on the Government agreeing to recycle some of the Exchequer benefits that flow from widespread adoption of the Living Wage into other forms of support for low-income families. Such an approach would help to address the concerns that the Commission's own research has highlighted about the inability of the labour market, on its own, even with improved wages, to do all the heavy lifting in getting more families out of working poverty. Recycling some of the Treasury proceeds from the Living Wage back into in-work support from the taxpayer would help overcome that problem. We look to the next Government to do just that as part of a new cross-government strategy on low pay and work progression. We describe the elements of such a strategy next.

Improving progression

90. Even a higher floor on low wages will not, by itself, solve the problem of poverty in Britain. Indeed, improving social mobility requires low-paid workers to be able to progress once they are in work, not just get a job and then stand still. The main UK Government policy with the potential to enable progression remains in-work conditionality, a new element under Universal Credit whereby parents claiming it will be expected to look for more work or better-paid work until they are earning at set thresholds (likely to be 35 hours at the minimum wage for parents of older children).

91. Engineering a shift in culture away from moving jobseekers off benefits and into any job and towards supporting and challenging parents to maximise their earning potential is critical. Increasing the number of hours worked would go some way to reducing child poverty. Initial analysis found that four in ten families in working poverty have the potential to work more hours (if we share the UK Government's assumptions of how much parents of young children are expected to work and can overcome additional barriers arising from disability).⁴⁷ This is in itself not a silver bullet, as research for the Commission makes clear, since parents would have to work beyond current Universal Credit conditionality thresholds to meet the child poverty targets, but it would help.

92. Yet in-work conditionality is not yet well developed and is likely to be very challenging for Job Centre Plus to deliver. It is not ideal that two years after the Welfare Reform Act was passed there is still neither the evidence base nor the full policy detail about how the policy will be implemented. It represents a fundamental shift in the way in which the benefits system engages with working low-income households and it must be based on robust evidence of what works to support parents to progress if it is to be effective.

93. There are also potential tensions between in-work conditionality and the incentives built into Universal Credit to encourage entry to 'minijobs' of 16 hours or less a week. The abolition of the 16-hour rule allows households to experiment with work without risking the stability of benefit income – which is to be welcomed, particularly for those returning to the labour

⁴⁵ Lawton K and Pennycock M, *Beyond the Bottom Line: The Challenges and Opportunities of a Living Wage*, 2013

⁴⁶ *ibid*

⁴⁷ Bradshaw P, *Social Policy Research Unit blog post: How Many Working Families May Be Able to Work More?*, March 2014

market. But, as we heard on our visit to see Universal Credit in operation in Hammersmith, it also risks institutionalising zero hour contracts. Parents will be able to accept such contracts and Universal Credit will automatically adjust to reflect their actual earnings. This will enable parents to take jobs that increase skills and potentially lead on to more stable employment, and rightly means the benefit system responds to the realities of the modern labour market. The risk would be if it led to parents getting stuck in the low-hours economy instead of progressing to permanent work, while employers were using a more responsive benefit system to reduce labour costs.

94. Skills are also vital to progression. Adult skills programmes are not currently as well integrated with active labour market programmes as they could be and have a mixed track record in improving the hourly pay of those who engage in them. A proper pay strategy would have integration of adult skills funding and employment brokerage at its heart. The former should be repurposed to ensure it supports pay progression. It would also address incentives for Jobcentre Plus and for the Work Programme. These are heavily focused on rewarding providers on a binary in/out of work basis rather than on helping clients progress into more highly paid work.

The key elements of a cross-government strategy on low pay and progression⁴⁸

- **A shared pay progression strategy** being agreed between the Department for Business, Innovation and Skills (including the UK Commission of Employment and Skills) and the Department for Work and Pensions, the key players in this space;
- **Incentivising Job Centre Plus and back-to-work support providers on the basis of the earnings the claimants they help manage to achieve** instead of being rewarded against the numbers they help into work;
- **Enhanced in-work support for those on Universal Credit beyond the in-work conditionality regime** – encouraging those with stagnating wages to improve their skills and to take up entitlement to an annual interview with National Careers Service;
- **Ensuring the adult skills budget is more effectively deployed to achieve the strategic goal of encouraging pay progression;**
- **Introducing more muscular transparency** – such as making the publication of pay ratios and the proportion of workers paid below the Living Wage a requirement for listed companies and for public sector employers;
- **The public sector leading by example**, through its role as employer and through its influence on the wider labour market through procurement;
- **Ensuring the childcare system supports the goal of pay progression**, to ensure that it is easier for parents to alter working hours to progress in their careers;

⁴⁸ Social Mobility and Child Poverty Commission, *Social Mobility: The Next Steps*, 2013

- **Working with employers** to encourage them to ensure that their decisions on shift patterns, wages, job design, training, hours of work, shift patterns, notice of work, contractual arrangements, recruitment, promotions and so on are geared towards enabling their staff to flourish and achieve the Living Wage;
- **Developing stronger partnerships with business on improving productivity and skills at the bottom of the labour market**, to rebuild career ladders and upgrade skills – programmes such as Boston Skillworks in the United States could provide a model;
- **Create a virtuous circle** by recycling savings from higher tax receipts and lower welfare spending arising from greater take up of the Living Wage into anti-poverty policies, for example targeted benefit uplifts.

Tax and benefits policy

95. Work will not provide a route out of poverty unless the Government is successful in its reforms aimed at “making work pay”. Nor will more parents working necessarily offset the effects of fiscal consolidation on living standards. It is notable that the reductions in benefit rates have affected working benefits as well as out-of-work payments. Analysis has shown that although reductions in rates may sharpen work incentives, they typically make households worse off in terms of disposable income until the point they would have “floated off” benefits under the previous system.⁴⁹

96. The Commission remains concerned that “doing the right thing” under Universal Credit is not yet a guarantee that a family will move out of poverty, although we recognise that ministers have not claimed this as an ambition. Universal Credit is instead intended to create the conditions where parents are better incentivised to progress to better-paid work. The Claimant Commitment effectively codifies society’s expectations of work, including tough assumptions that both parents in a couple should work the equivalent of 35 hours a week on the minimum wage once their youngest child is 13. It might be expected that those meeting these requirements would be lifted out of poverty. Initial modelling for the Commission shows this not to be the case, as set out above.⁵⁰ Our research suggested that if everyone met their Claimant Commitment, relative poverty would fall just 0.8 percentage points below projections and absolute poverty by one percentage point.⁵¹ To move out of poverty, many parents would have to increase their working hours far beyond the requirements set out in Universal Credit.

⁴⁹ New Policy Institute, *Can LHA Reforms Achieve Their Aims in London?*, 2014

⁵⁰ See blog post by Bradshaw J and Main G, *How Many Working Poor Parents Might Be Able To Work More?*, 2014, at <http://spruyork.blogspot.co.uk/2014/03/how-many-working-poor-parents-might-be.html>

⁵¹ Reed H and Portes J, *Understanding the Parental Employment Scenarios Necessary to Meet the 2020 Child Poverty Targets*, 2014

Universal Credit and work expectations

All households in receipt of Universal Credit will have to sign a Claimant Commitment. This sets out the actions the claimant agrees to take as a condition for receiving the benefit. Claimants will be divided into four categories based on their availability for work. Households which do not meet their Claimant Commitment may be sanctioned.

Because Universal Credit integrates in-work and out-of-work benefits, conditionality will continue to apply when a household moves into work. Instead claimants will have to reach an earnings threshold before conditionality is lifted. The threshold is the minimum amount the Department for Work and Pensions expects them to earn based on their household circumstances. Broadly speaking:

- Claimants without caring responsibilities or with a child aged 13 or over will be expected to earn the equivalent of a 35-hour week on the minimum wage;
- In a couple, one claimant with a child under 13 will be expected to work part-time. Parents with a child under five will not be expected to work;
- Couples will have to nominate one member as the main carer and the other partner will be expected to earn the equivalent of 35 hours at the minimum wage.

The earnings threshold is based on hours worked at the National Minimum Wage. People with jobs that pay above the rate of the NMW will be allowed to work fewer hours. This is despite the limitations of the NMW as a poverty-reduction tool.

Job Centre Plus will challenge and support claimants to find more or better-paid work until they reach the earnings threshold. Advisers will have the power to sanction people who are not taking steps to increase their earnings.

Only a small minority of claimants will not be expected to engage with the labour market at all. They include someone who is responsible for a child under one, who cares for a severely disabled person for at least 35 hours a week, or has a health condition or disability that prevents them from working.

97. This suggests that, while the UK Government is right to focus on getting parents into work, and even though that more should be done by the Government and employers to maximise their earnings, the tax and benefit system will continue to be called upon to support family incomes. The good news is that this should become more affordable as employment and earnings rise and as falling benefit payments and rising tax revenues can be recycled to target families in working poverty.

98. That is the optimistic scenario for the medium term. In the short term, there are more grounds for pessimism than optimism. The impact of fiscal consolidation on benefits is the major cause of projections of rising poverty to 2020. The Commission has previously highlighted areas of welfare reform which look particularly damaging, notably where families are subject to multiple or very deep reductions. Because low-income households receive such a large proportion of their income in cash benefits, they are vulnerable to this policy. We have also expressed concern about lack of intergenerational fairness in fiscal consolidation, and policy-making where impacts on poor children do not have enough visibility to ensure real bite on decisions.

99. We are particularly concerned about plans for future fiscal consolidation. All the main political parties are targeting further reductions in welfare spending to make the country's books balance after 2015. As set out in Chapter 1, The Chancellor has already pencilled in

an additional £12 billion a year in welfare cuts in the first two years of the next Parliament.⁵² Particularly if protection for pensioner benefits is retained, it is difficult to see how this is deliverable without child poverty rising further over and above existing projections.

100. Specifically, proposals that in-work support should be cut in real terms in the next Parliament to reflect falls in average earnings in the current are not conducive to reducing child poverty or improving social mobility.

101. More ambiguous is the impact of the overall welfare cap announced in Budget 2014. This restricts the total amount of benefit spending over a five-year period (based on OBR projections). A breach will require a vote in Parliament or spending cuts (with an assumption towards the later). All major political parties are signed up to the cap. Such limits could be helpful as a scrutiny tool, particularly if they incentivise action to reduce the underlying drivers of rising expenditure, including raising earnings or reducing cost pressures on low-income families – for example if housing benefit expenditure was to be projected to rise as a result of in-work claims, prompting action to raise wages and reduce housing costs via increased supply of affordable housing. The risk, however, is that the cap will restrict action to immediate cuts to welfare entitlements to avoid breaching it rather than on tackling the drivers of increasing welfare spending. If Parliament does not agree to breaching the cap, the Department for Work and Pensions will be expected to find savings from within its own budget. For example, the £400 million cost of more generous childcare support under Universal Credit from April 2016 is to be offset by as yet unannounced savings from elsewhere.

102. Given fiscal realities, it is important that low-paid workers, particularly those with children, are the primary beneficiaries of further changes to tax and benefit policy. In this regard the Commission believes that further increases in the income tax personal allowance or increases in the higher-rate tax threshold are not the best use of resource to tackle poverty and promote social mobility. As a number of analysts have shown, further increases in the income tax personal allowance are set to be very expensive with diminishing returns in terms of helping the lowest paid. For example, nearly one in five workers will pay no income tax in 2014/15 and will not benefit at all from the uplift to £10,500 next April. Due to the interaction with Universal Credit, which is set to be based on net income, this is an inefficient way of increasing the take-home pay of low-income families. Gains through tax are lost through benefits being tapered away. Moreover there are better-targeted alternatives. Analysis by the Institute for Fiscal Studies shows that:

- Increasing the work allowance within Universal Credit by 20 per cent does more to boost the incomes of working families in the bottom three income deciles than raising the income tax threshold above current plans and costs £10 billion less per year than plans to raise the personal income tax threshold as it targets support only at low and middle-income working households;⁵³
- Aligning the National Insurance contribution threshold with the income tax personal allowance would cut taxes for 1.2 million people who currently do not earn enough to benefit from the rise in the personal allowance.⁵⁴ Employees earning the minimum wage working more than 24 hours a week are currently liable for National Insurance, even though they will not pay income tax until working more than 30 hours a week. The current National Insurance thresholds also disincentivise employers from employing full-time staff on the National Minimum Wage, as employers are only liable for contributions for staff working more than 20 hours per week. This risks putting employer and employee incentives at odds when in-work conditionality under Universal Credit applies.

⁵² Osborne. G, New Year Economy Speech by the Chancellor of the Exchequer, HM Treasury, 6 January 2014

⁵³ Institute for Fiscal Studies, *The Green Budget*, 2014

⁵⁴ Institute for Fiscal Studies, *The Green Budget*, 2014

Welfare reform

The UK Government's welfare reform programme is widely acknowledged to present both opportunities and risks for future reductions in child poverty. A consistent emphasis on reducing worklessness and increasing work incentives has the potential to tackle one of the key drivers of poverty. But the real-term reductions in support for families with children will reduce income and compromise living standards in the short term.

Some of the key changes to benefit and tax entitlement and structure include:

- **The introduction of Universal Credit.** This combines means-tested out-of-work benefits with housing benefit and tax credits and provides a simplified benefit for low-income households in or out of work;
- **Changes to benefit and tax credit up-rating policy.** Benefit uprating was capped at 1 per cent in 2013/14 and 2014/15. This reduces the amount of support available for low-income families. Combined, up-rating caps are estimated to save £7.7 billion by 2014/15
- **Changes to Housing Benefit.** The way in which Housing Benefit is calculated for both private and social tenants has changed, saving an estimated £1.8 billion by 2014/15. This includes breaking the link between support for private tenants and rents, and ending the convention that social tenants are eligible to have their full rent covered;
- **Changes to tax credits.** These changes include increasing the taper rate, changing income disregards, increasing the hours a couple must work to be eligible and reducing support for childcare costs. Combined, these save an estimated £3.9 billion by 2014/15;
- **Greater localisation and discretion.** Council tax benefit was localised to local authorities in April 2013, with councils given greater discretion on how to design schemes. Discretionary elements of the Social Fund have also been localised. Local authorities are responsible for administering discretionary housing payments and have been given increased budgets to top up housing benefit shortfalls.

Changes can be loosely divided between changes in benefit design, which aim to influence the choices the benefit system incentivises, and changes in entitlement, which affect the level of support paid to families.

The Commission warmly welcomes many of the transformative intentions of welfare reform, particularly the introduction of Universal Credit which will:

- Reduce overlapping tapers to remove the highest effective marginal tax rates and simplify the system by having a single taper rate;
- End the distinction between in-work and out-of-work benefits to ease the administrative and other risks of moving into work;
- Engage with claimants in employment to encourage continued increases in hours or pay;
- Abolish the hours rules to enable parents to gain work experience or accept variable work.

Universal Credit is rolling out more slowly than the timescales originally set by the Department for Work and Pensions. Families with children will not be able to claim Universal Credit until autumn 2014. The Commission will not criticise the Government for a delayed roll-out if this is necessary to ensure the programme's efficiency, even though it is disappointing that families have not yet been able to benefit from the simplification it will bring if successful. The Government has put a lot of eggs into the Universal Credit basket. Getting implementation right is crucial. If it does not work as planned, the Government's reforms will have contributed little in the way of positive incentives to move from welfare to work. The Commission heard many positive changes and case studies when we visited the pilot site at Hammersmith Job Centre but we are unable at this stage to predict how parents' behaviour will change in response to the benefit.

More worrying is the impact of reductions in entitlement. These are intended to further sharpen work incentives, this time in a negative way by making the work alternative more attractive than staying on diminishing benefits. In fact, benefit reductions have a bigger impact on the participation tax rate and replacement rate than Universal Credit.⁵⁴

Arguably this has been justifiable in the face of falling earnings, which would otherwise reduce the incentive to enter work. Social security cuts have also been a response to fiscal constraints, as set out in Chapter 1.

However, cuts to social security benefits will decrease the income of many low-income families, including those in work. Despite sharpened work incentives, cuts to in-work support mean households are always worse off until the point they would have "floated off" the benefit under the previous entitlement rules.⁵⁵

Last year the Commission raised concerns at the impact of this on low-income families and noted the unease of stakeholders that some families would struggle to cope. In particular we noted risks arising from the cumulative impact of cuts and recommended that the Government act to better understand the effects of cuts and changes in the round.

Eighteen months after the bulk of the cuts were introduced, there is still a paucity of credible information on their impacts but early assessments show the following:

- The DWP commissioned an independent evaluation into the first stage of reductions in Local Housing Allowance. This found tenants were choosing to reduce spending on essential items or borrow from friends and family to offset reductions in entitlement. Moving home was a last resort. There has been an increase in employment among private tenants and one in four told researchers they had looked for a job to offset reforms;⁵⁶

⁵⁴ IFS, *Do the UK Government's Welfare Reforms Make Work Pay?*, 2013

⁵⁵ New Policy Institute, *Can LHA Reforms Achieve Their Aims in London?*, 2014

⁵⁶ Department for Work and Pensions, *The Impact of Recent Reforms to Local Housing Allowances: Summary of key findings*, 2014

- The interim report into the social housing sector size criteria found that less than one in twenty tenants had downsized in response to the policy. Last year the Commission voiced optimism that more efficient use of housing stock would ease overcrowding but this is yet to come to fruition. More positively, nearly one in five tenants reported they had looked to increase their earnings in response to the cut. Only two in five households had paid the full shortfall arising from the reform, funded by cutting back on household essentials. A quarter had borrowed money to fund the shortfall;⁵⁷
- The Work and Pensions Select Committee published a report critical of the Work Capability Assessment and the transfer of people from Incapacity Benefit to Employment and Support Allowance. It found the process failed to provide an accurate assessment of claimants' fitness for work or work-related activity. It also identified problems in the response to people who are not fit to work but expected to undertake activity related to employment. It also highlighted the high percentage of decisions overturned at appeal. The Department for Work and Pensions has acknowledged many of the problems with the Work Capability Assessment and negotiated an early exit from Atos Healthcare, the private sector provider responsible for the assessments. The Select Committee recommended that this should pave the way for a complete redesign of the ESA process;
- The Work and Pensions Select Committee's investigation into Universal Credit criticised the Government for a lack of clarity on support for vulnerable claimants to navigate Universal Credit.⁵⁸

Looking to the future, it is likely that any future Government will look to implement further welfare cuts. The Commission is concerned that there is a lack of transparency about the implications of further cuts. For example, the Chancellor's plan for £12 billion additional welfare cuts implies cuts of 13 per cent to working-age benefits if pensioners continue to be exempted in addition to the significant cuts in the current Parliament. Given that much of the low-lying fruit in the social security budget has been pruned, this would entail far more fundamental reductions in welfare spending. No party has led this out to the public or identified the necessary savings to be made. It is vital that all political parties are honest and open about their plans and the implications of them going into the next general election if they are going to claim a mandate for a further wave of welfare reform.

The 'poverty premium' and living standards

103. The UK Government has taken some important steps to raise living standards by reducing costs faced by families – most notably in freezing council tax and fuel duty – but these are not well targeted at poor families. There is a need for a more concerted plan of action – involving Government, utility companies, retailers and others – to attack the poverty premium that forces the poorest families to pay the highest prices for many of life's essentials. Areas requiring special focus include access to credit and premiums for utilities and other services.

104. The UK Government should work with suppliers to standardise access to discounts and look to extend the Warm Homes Discount. Both it (which provides a discount on energy bills for some low-income families with young children) and the Green Deal (which provides loans for households to improve insulation to reduce energy bills) are welcome. So too are limits on metered water bills for families with three or more children. But energy suppliers can

⁵⁷ Department for Work and Pensions, *Evaluation of Removal of the Spare Room Subsidy: Interim report*, 2014

⁵⁸ Work and Pensions Select Committee, *Second Special Report: Monitoring Universal Credit implementation: monitoring DWP's performance in 2012/13*, 2014

currently set their own rules for which low-income families benefit from the Warm Homes Discount and many families who were previously on social tariffs are missing out. According to Children's Society estimates, 1.9 million poor children do not live in homes eligible for the £135 rebate. Meanwhile, the impact of the Green Deal on poor families is likely to be blunted by weak incentives for landlords or short-term tenants to approve improvements (landlords do not benefit from reduced energy bills; tenants on short-term tenancies may be unwilling to finance improvements for a temporary home).

105. The Commission continues to believe that further action is also needed on the private rented sector, where poor families are increasingly exposed to higher housing costs as well as instability. Recent moves to legislate against retaliatory eviction are welcome and will help tackle very poor standards. But the larger issue of affordability remains. Private renters spend 40 per cent of their income on rent compared to 20 per cent for owner-occupiers and 30 per cent for social tenants.⁵⁹ Local Housing Allowance for low income private tenants will be cut in real terms in 2014/15 and 2015/16 after across-the-board reductions in 2011/12 and it is no longer up-rated in-line with actual rents. This means the support available to low-income households may become misaligned from actual housing costs, eroding affordability and access. The children of private renters miss out on two opportunities afforded to homeowners: security of tenure and asset accumulation. The current private rented sector offer – developed in 1988 – is not fit for its new purpose of housing families with children over the long term. Longer-term tenancies need to become the norm for families with children and the UK Government need to take action to ensure this happens as it is unclear whether the current voluntarist approach is having much impact.

A mismatch between stated ambitions and actions

106. The Government continues to state its commitment to end child poverty by 2020 and recognises that this will require incomes at the bottom to rise. But there is a mismatch between this ambition and the Government's actions. If current trends continue and independent projections are borne out, we are heading for a society in which large numbers of children are poor in 2020 and low-income families are left behind by the economic recovery. But the Child Poverty Strategy looks insufficient to stop this happening and, for example, lacks a step-by-step plan for reaching the 2020 targets. Instead it comprises a list of policies and an assertion they will meet the goals of the Act. Frankly, this is lamentable.

107. Honest discussion of what the UK Government really expects to achieve appears to have been inhibited – in part by the legal obligations of the Child Poverty Act 2010 itself. Our assessment is that, on the current trajectory, the best-case scenario is that the Government will fail to reduce child poverty – and will certainly fail to hit the 2020 targets – but it may make progress in its plans to tackle some of poverty's underlying drivers. If this is the case, more children will be in poverty than today by 2020 but the impact of being in poverty may have been mitigated in three main ways: first, by more parents in (insecure) work; secondly, by school reform ensuring poor children get better results; and thirdly (though there is no evidence for progress here yet) by helping parents move out of poverty more quickly and therefore reduced poverty persistence.

108. The Commission's view is that progress in each of these areas would be welcome but collectively – if mitigation along these lines is the underlying ambition of the current strategy – it would not be a sufficient response to the harms done by low income to children's wellbeing and life chances. The reason is that millions of children will still have their lives damaged by the other effects of too little income and low living standards. And without action on social mobility, too few children will be able to reap the rewards of their academic success.

⁵⁹ English Housing Survey, *English Housing Survey 2012/13: Household Report*, 2014

109. Reducing the persistence of poverty is a critical goal but reducing recurrence also matters: the no pay, low pay cycle. This is a key missing piece from a conceptual framework that seems based on a distinction between entrenchment (children in long-term workless families who are in persistent poverty) and mobility (children in families on low incomes but in work, who are not a main concern of the current Government's policy because they are considered to be only temporarily poor and on a journey out of poverty). The stated commitment in the Child Poverty Strategy to well paid, sustainable employment recognises that simply getting someone into paid work is not enough. To escape poverty permanently and to make a reality of mobility, three other ingredients have to be added to the mix: a secure job, a living wage and a chance to progress. These are the means to tackle working poverty. Here the public policy cupboard looks pretty bare. The next Government needs to fill it.

Lack of measurement framework

110. This topic relates to a final concern for the Commission in assessing Government's contribution to helping poor children "off the bottom": the lack of a measurement framework in which the UK Government has confidence. The UK Government has made progress towards a set of supplementary measures to those in the Child Poverty Act 2010 but was unable to reach agreement on them. It is beyond Whitehall farce that the Government first rubbished the existing measures whilst stating its ongoing commitment to them and then failed to find alternatives. An incoming Government should move swiftly to resolve this issue – either by introducing new supplementary measures or reaffirming its commitment to the existing measures set out in the Act.

111. Analysis has also been hampered by the lack of a persistent poverty measure or statutory target, caused by an unavoidable change in the data set. We can see that, overall, little progress has been made in reducing child poverty among working families. What we do not know is whether the same working families are poor year in year out. The hope would be that falls in poverty among workless families reflect more parents moving into work – perhaps being poor while they gain skills and experience, but then moving on to a better standard of living for their children. The concern as set out above is that too few are realising this aspiration.

Recommendations for the UK Government

- Champion the Living Wage with the ambition that the UK should become a Living Wage country by 2025 at the latest;
- Develop and implement a new strategy on pay and progression that integrates adult skill-funding and employment programmes (see above for details);
- Recycle some of the savings from increased employment into tax and benefit policies that help working parents escape poverty;
- Ensure Universal Credit incentivises second earners to enter employment and allows families to benefit from additional income from them doing so;
- Work with energy suppliers to ensure the Warm Homes Discount reaches families in need as part of a broader poverty premium action programme;
- Supplement the existing child poverty targets with new measures to give a more rounded picture of poverty and publish a new timescale for achieving them.

Employers

112. Recent progress to reduce child poverty has been driven by top-down intervention by the State, either in directing parents into work or supplementing their incomes. This has produced welcome short-term success but little fundamental change in the labour market. It is now time for employers to play a bigger part in raising incomes, improving mobility and securing long-term falls in poverty. The ability of the State to do all of the heavy lifting in bridging the gap between earnings and prices will be more limited in the next Parliament than it has been in previous decades as the impact of fiscal consolidation takes effect. The resources available from the taxpayer to subsidise low wages have diminished and can no longer, on their own, sustain an improvement in living standards for low-income families. A new settlement is needed between employers and taxpayers to more evenly share that burden. While the UK Government carries the statutory responsibility to end child poverty, employers will need to do their bit if it is to be achieved.

113. As Chapters 1 and 4 both set out, a big part of the poverty challenge for the UK labour market is that it is increasingly polarised into higher-quality and lower-quality work. The impact of technology and globalisation has reduced middle-skilled, well-paid jobs, whilst the demand for low-paid jobs has increased and is set to rise as current workers retire.⁶⁰ The recession amplified these trends, with wages falling sharply and an expansion in part-time, temporary and zero hour contracts, as well as self-employment. For many the price for staying in work was accepting low wages which are insufficient to live on. The only reason child poverty did not increase during this period was because Government picked up the slack through financial transfers to low- and middle-income households.

114. Now, as Government and wider society define the post-recession settlement, there is a need for firms to show that the UK labour market can still deliver for all. But the challenge in assessing the employer contribution is twofold. First, there is not a strong evidence base on what employers are doing and the barriers to doing more. Second, there are no agreed benchmarks on what is reasonable for businesses to do: firms are not charities and many firms with low-quality jobs are in highly competitive industries operating with tight margins. Equally, responsibility in areas like progression is shared with employees.

115. There is no one-size-fits-all approach for firms to do their bit but, aside from the long-term ambition that we set out in this report for the United Kingdom to become a Living Wage country, there are some short-term steps that firms could consider to help mobility-proof their practices. Some basic measures include considering, subject to affordability and practicality:

- Paying the Living Wage;
- Introducing appraisal and job rotation opportunities to identify and support development needs to underpin progression;
- Reviewing shift patterns to align them with Universal Credit, under which claimants with older children will be expected to work the equivalent of 35 hours at the minimum wage;
- Taking on an apprentice;
- For bigger firms, opening up training and career opportunities to the supply chain.

116. Furthermore, there are many actions employers can take to influence living standards beyond gross pay and progression. Benefits such as childcare and transport, other benefits such as legal or financial advice, and corporate discounts on goods and services are hugely valued by employees. Employers also influence child poverty via engagement with schools and work experience.

⁶⁰ UKCES, *Climbing the ladder: skills for sustainable recovery*, 2014

Recommendations for employers

- Pay the Living Wage where practical and affordable;
- Support progression opportunities;
- Ensure that shift patterns reflect new benefit rules and allow parents to maximise earnings;
- Open up training and career opportunities to employees of contractors within their supply chain;
- The Living Wage Foundation should work to acknowledge employers' broader benefits packages;
- The Living Wage Foundation and employers should further promote the Living Wage as a public-facing brand that employers are motivated to display to potential employees and consumers.

Local authorities

117. Local authorities can both mitigate the effects of low income through services and help increase incomes through work with employers and skills.

118. Local authorities are increasingly responsible for administering aspects of the safety net that supports families on low income – including Local Welfare Assistance schemes, which have replaced the discretionary elements of the Social Fund, and council tax support. Local authorities have increasingly become the custodians of the emergency safety net, supporting families through income shocks or when mainstream benefits prove insufficient. The Commission is concerned about how well they are adapting to this role.

119. Crisis Loans and Community Care Grants (designed to cover unexpected costs or support vulnerable households to stay in the community) were devolved to local authorities in 2013, but with no funding ring-fence or new duties. Without them families can be forced to resort to expensive forms of credit, such as payday loans or rent-to-buy furniture schemes, or simply go without. Evidence about the first year of operation of these new duties has revealed wide variations between different local areas, ranging from 100 per cent of budgets spent in Islington to 2.3 per cent in Hereford.⁶¹ In the absence of monitoring it is impossible to state with certainty whether this is because need was overstated in some areas or because lack of awareness or other barriers have impeded take-up of the schemes.

120. What makes it concerning is the unclear nature of the funding after April 2015. The UK Government had indicated that funding would be abolished from April 2015, meaning local authorities would have to fund any provision themselves. Following a judicial review, Ministers have agreed to reconsider and will announce the future of the funding in the provisional local government funding settlement, expected in December 2014.

121. Low-income working-age households, including those in poverty or workless, now routinely have to contribute to their council tax bills. Local authorities are in their second year of administering local support for these bills. Again, provision varies between councils, with differences in size of minimum payment required and income classification. Localisation was accompanied by a ten per cent cut in funding and provision has been reduced further in 2014/15. Analysis suggests 2.3 million families will pay an average of £150 more per year than under the previous scheme. Some families are struggling to do so; collection rates have fallen into arrears. Collection rates have fallen fastest in local authorities that introduced a minimum

⁶¹ Child Poverty Action Group, *Local Welfare Assistance Schemes Policy Note*, 2014

payment.⁶² Ministers required local authorities to exempt pensioners when designing the new schemes. This once again raises concerns that any cuts in provision will disproportionately fall on children (with children in areas with many poor pensioners particularly vulnerable to large cuts in support), and suggests councils may be disincentivised from prioritising strategic action to reduce child poverty.

122. Local authorities have received significantly increased budgets to support families struggling to meet housing costs. This has been funded by central government to offset some of the reductions in Housing Benefit. The allocation of funding to local authorities was intended to reflect variations in the “bite” of cuts, and as such has been skewed towards some areas, particularly London. But there have been variations in how local authorities have themselves allocated the funding to affected tenants. From April to September 2013, 13 per cent of local authorities had allocated 25–30 per cent of available funding for the year whereas 10 per cent had allocated 50–55 per cent of funding.⁶³ As a result, at the end of the financial year 18 per cent of the funding remained unspent and was returned to the Treasury.⁶⁴ Given the pressures arising from housing costs seen elsewhere in this report, we doubt allocations were overly generous and urge local authorities to promote the available support for low-income households.

123. The Commission is concerned that the role of local authorities in improving pay and progression is currently underdeveloped. The Local Government Association has identified that local authorities could do far more to rationalise the responsibilities currently split across the Department for Work and Pensions, the Skills Funding Agency, the Education Agency and councils. Transferring further education funding to councils could also better enable local authorities to identify local skills gaps and respond accordingly.⁶⁵

Recommendations for local authorities

- Maintain local welfare assistance schemes to ensure that low-income families can access emergency funds and maximise use of available Discretionary Housing Budgets to prevent homelessness and provide assistance with housing costs;
- Develop proposals to align how central government budgets could be better delivered locally to aid improved earnings and employment for local people.

The third sector

124. Last year the Commission called on charities to do more to mobilise public support to end child poverty. We also raised concerns that the previous Government’s over-reliance on tax credits to combat poverty ignored the action required to engage public support for this goal. There is a risk that a third-sector approach to public engagement that is framed around protecting benefits falls into the same trap.

125. The public are concerned about poverty and inequality, a fact it is easy to lose sight of. Concern about poverty and inequality is at the highest level ever recorded and it now counts as a “top five issue” among voters. Nearly one in five cite it as a priority when the public are asked what they see as the most important issues facing Britain. This makes it

⁶² New Policy Institute, *How Have Low Income Families Been Affected by Changes to Council Tax Support?*, 2014

⁶³ Department for Work and Pensions, *Use of Discretionary Housing Payments: analysis of mid-year returns from local authorities*, 2013

⁶⁴ Inside Housing article, Councils return more than £1m unspent DHPs, 28 April 2014

⁶⁵ Local Government Association, *Investing In Our Nation’s Future: The first 100 days for a new government*, 2014

a more pressing public concern than crime, housing and education. Unemployment is also cited as a concern by a quarter of people.⁶⁶ In short, this is not a niche issue. Poverty and the underlying drivers of it are mainstream concerns even though public attitudes towards benefit claimants remain very negative.⁶⁷ Framing poverty and inequality as a benefits issue does not speak to the substance of public concerns and risks alienating people otherwise sympathetic to the aim of reducing poverty. Charities need to do more to break out of this trap to build a consensus that child poverty and social mobility really do matter for all.

126. Charities can also work directly with families in poverty to mitigate the immediate impact of low income and help families lift themselves out of poverty in the long run. Both small and large charities can provide employment programmes to help parents build skills and confidence to enable them to re-engage with the workplace. These may be most suited for those parents further from the labour market who require a highly personalised approach. We see many good initiatives under way across the country from a wide variety of third-sector organisations. For example Crisis, a charity which works with single homeless people, has dedicated employment teams to support people at risk of homelessness into employment, including providing specialist training for clients and working with employers. Tomorrow's People works with young people and adults from disadvantaged backgrounds to support them to find employment. It runs independent employment programmes, including working intensively with families in some of the most deprived local areas, and delivers the UK Government's Work Programme.

Recommendation for the third sector

- Work together to reframe the case for reducing child poverty and improving social mobility and do so in a way that chimes with public attitudes.

5.5 Conclusions and recommendations

127. In recent times excellent progress has been made on increasing employment but too many poor, workless parents have gone on to become poor working parents. Now the recovery brings the risk that low-income families will be left behind as long-term structural labour market changes erode opportunities for pay progression and benefit cuts begin to bite. The chasm between low-income families and the rest is set to become ever wider, with profound implications in the short term for child poverty rates and in the longer term for prospects of Britain becoming a more mobile society. The United Kingdom is heading for a historically unprecedented rise in absolute poverty by the end of the decade.

128. A new approach is needed to prevent that from happening, involving all parts of society – employers, charities, councils and government. Instead of the old “welfare to work” approach, a new agenda is needed in which getting a job is the start of a journey out of poverty, not the end. Our own research shows that even unprecedented levels of parental employment will not meet the 2020 targets. The priority has to be to end in-work poverty. That will include a continued focus on creating jobs and reforming the welfare system to incentivise parents to work. It will also include a continued role for the tax and benefit system to lift families over the poverty line when wages fall short. But it will also require a new partnership with employers to help raise wages and improve progression opportunities.

⁶⁶ Ipsos Mori, *Issues Index*, July 2014

⁶⁷ Shelter, *Winning Support for the Safety Net*, 2014

129. The next Government should draw a line under the old political consensus that the tax and benefits system should on its own subsidise low pay. That era is over. In an age of austerity, employers now have a bigger responsibility to pay living wages and parents have a bigger responsibility to work a reasonable number of hours. The next Government should forge a new settlement to make Britain a Living Wage country by 2025. It should seek to create a virtuous circle where increased earnings lead to increased taxes some of which, in turn, can be ploughed back into supporting families to escape poverty through better-paid work. The next UK Government should take a lead and make the abolition of working poverty its core social policy priority.

What worked and what did not work 2010-2015?

What worked?

- **Relative poverty** fell by one percentage point between 2010-11 and 2012-13 and is at its lowest level since 1984 but 2.3 million children are still in poverty and progress now appears to have stalled;
- **Stable social security benefits** (including in-work support) in the first half of the Parliament and the National Minimum Wage ensured that low income households did not fall further behind average incomes, which were more strongly affected by the recession;
- **Strong employment** continues to outperform expectations. Far more parents are working, including record numbers of lone parents, and the number of children in workless households is at an all-time low;

What did not work?

- **Absolute poverty** increased by 300,000 between 2010-11 and 2012-13 and 2.6 million children remain in absolute poverty;
- **The price for jobs has been reduced pay and security.** Although many parents welcome flexibility, too many are still unable to access reliable, full-time work;
- **The UK has an endemic low pay problem.** Not only are millions paid low hourly wages but too many are stuck in low pay with little prospect to progress;
- **Skills and productivity,** the levers for increasing pay, remain blunted;
- **High housing costs** are dragging more children into poverty. 1.4 million more children are in relative poverty after the effect of rents and mortgages are taken into account;
- **Social security cuts are starting to bite** and – with further fiscal consolidation expected after 2015 – will directly reduce the incomes of poor workless and working households.

By 2020, the Commission expects to see progress against five key recommendations

- Government, parents and employers to have shared responsibility to enable families to **move up the income ladder** – Government must ensure incentives are right and ensure that those who “do the right thing” are not in poverty, more parents must move into work and employers must pay better;
- The Government to have championed Britain becoming a **Living Wage nation** by 2025 at the latest – and employers have made progress towards achieving it – with the top social policy priority being to end working poverty;
- The Government using some of the increased revenue from higher employment and wages to maximise child poverty reduction via the **tax and benefits system**;
- The Government working with local authorities and business to have made progress on **tackling the poverty premium** by reducing cost pressures on low income families, including energy costs and housing;
- The Government to have **reworked the 2020 child poverty targets** and agreed new measures to which it is 100 per cent committed and a new timescale for achieving them.

Appendix to Chapter 5: Scotland and Wales

The Child Poverty Strategy for Scotland

130. This year Scotland lost its place as the country with the lowest child poverty levels in the UK. The proportion of children in relative poverty jumped from 15 per cent (150,000 children) to 19 per cent (180,000) (compared with 17 per cent in England). Children in absolute poverty jumped from 17 per cent (170,000) to 20 per cent (200,000) (compared with 19 per cent in England).⁶⁸ Poverty also increased on the combined material deprivation and low-income measure. The increases come against the backdrop of three years of decreases.

131. Like the rest of the UK, the outlook for future poverty is not encouraging, with the IFS projecting significant increases of an additional 50,000 children in relative poverty by 2020.⁶⁹

132. The Scottish Government have highlighted the challenge arising from welfare reforms, claiming that the cumulative impact in the six years to 2015/6 will reduce financial support by £6 billion, more than £1 billion of which relates to children. The Smith Commission, established after the Scottish Independence Referendum, will consider options for devolution of further welfare and taxation powers to Scotland.

133. The key policy development for the year has been the publication of a new child poverty strategy replacing that which ran from 2011 to 2013. The 2014/7 strategy, discussed in more detail below, builds on its predecessor and has a threefold framework of 'Pockets' (household resources), 'Prospects' (life chances) and 'Place' (the local environment).

134. Importantly the strategy is also accompanied by an outcomes framework to enable progress to be tracked. Previously there was only the Child Poverty Act targets and the much broader National Performance Framework. The Commission identified the lack of a clear outcomes framework in last year's report and welcomes this development.

135. Members of the Commission Secretariat visited Scotland in May 2014. We met a range of stakeholders, who gave updates on the new Scottish child poverty strategy. Stakeholders highlighted that welfare reform is creating challenges and that the Scottish Government is taking steps to mitigate these where possible. As part of the new strategy they seek to improve education and youth unemployment in Scotland.

⁶⁸ Scottish Government, *Poverty and Inequality in Scotland 2012/13*, 2014

⁶⁹ Institute for Fiscal Studies, *Child and working-age poverty in Northern Ireland over the next decade: an update*, 2014

Key policies

136. *Child Poverty Strategy for Scotland – Our Approach – 2014-2017* sets out the Scottish Government’s plan to tackle child poverty. It focuses on maximising material resources (Pockets), improving children’s life chances and wellbeing (Prospects), and creating well-designed, sustainable local environments (Places).

137. The main change in the new strategy in comparison with the previous approach is a more explicit emphasis on place-based policy, an enhanced outcomes approach and the welcome introduction of a more rigorous approach to monitoring and measurement.

138. Three principles underpin the strategy:

- Early intervention and prevention;
- Building on the assets of individuals and communities;
- Ensuring that children’s and families’ needs and abilities are at the centre of service design and delivery.

139. The strategy correctly identifies that employment is the key pathway out of poverty. As with the rest of the UK, relative poverty rates for households where an adult is in work are considerably lower than average, whereas worklessness significantly raises the risk of poverty.

140. But the Scottish Government helpfully acknowledges that work alone is no longer a protection against poverty. Actions to tackle in-work poverty include ensuring all staff covered by the public sector pay policy are paid a Scottish Living Wage (currently £7.65 per hour). The Government is encouraging employers across all sectors to pay the Living Wage and has funded an accreditation scheme run by the Poverty Alliance. The government wishes to establish a commission to review the level of a Scottish Minimum Wage. It is also working through Scottish Business in the Community to raise awareness of in-work poverty among employers. These are very welcome developments.

141. The Scottish Government has set out a number of policies designed to reduce costs. This is framed as a “social wage” – a contract between itself and the people of Scotland. It focuses on cost reduction. Some measures will relieve pressures on families, such as freezing council tax and increasing the provision of free early learning and childcare. Others such as free personal care for the elderly are less directly targeted at children (although this may enable parents with dual-generation caring responsibilities to work). Also welcome is the extension of free school meals to all children in primary 1–3.

142. Criticisms of Westminster-led welfare reform have been vocal and the Scottish Government has made £260 million available over the course of 2010/11 to 2015/16 to offset an estimated £6 billion reduction in spending. The Scottish Government has created the Scottish Welfare Fund to replace elements of the Social Fund. Council tax benefit successor arrangements also mitigate the ten per cent loss in funding for support of council tax bills for low-income households. This will ease family incomes, including protecting the emergency safety net for families in crisis. High-profile funding to effectively cancel out the social sector size criteria is less well targeted at families with children. Ministers are also required to report to Parliament annually on the impact of welfare reform up until 2017. This will enable more scrutiny than in England and inform the debate about the merits and consequences of welfare reform.

143. Funding has also been made available to maintain the Education Maintenance Allowance. More than 35,000 students received an EMA payment in 2012/13, including 9,085 from deprived areas.

144. The Scottish Government has responded with high-profile interventions to the rise in food bank use. A review of emergency food aid provision was conducted in 2013 and an

Emergency Food Aid Action Plan was launched in April 2014. This includes initiatives to make surplus food waste available to charities.

145. This year saw the passing of the Children and Young People (Scotland) Act 2014. This increases the flexibility and amount of funding for early years learning and childcare. All three- and four-year-olds are entitled to a minimum of 600 hours a year, now extended to all two year olds with a parent on out-of-work benefits.

146. The Commission has previously criticised the lack of focus on disadvantaged children's attainment. The Raising Attainment initiative launched in June 2014 aims to create a learning community to raise standards across 100 schools. We will watch its progress with interest.

147. Also welcome is the Access to Education Fund, launched in June 2014. This provides £1.5 million to support children from disadvantaged backgrounds. It can be used for school trips, materials and other ad hoc activities which will promote learning that low-income households may otherwise struggle to access. The Commission will look to review take up and effectiveness of the scheme in next year's report.

148. A number of initiatives are in place to tackle youth employment. More than 25,000 Modern Apprenticeship starts were achieved in 2012/13 and the Scottish Government has set a target for 30,000 starts by 2020. All 16–19-year-olds are offered a place in learning or training.

149. To support the “Places” strand of the strategy, the Scottish Government has published a Community Empowerment (Scotland) Bill. This is intended to give communities greater control over local services. The Commission will watch with interest whether this improves services for disadvantaged children, who may not represent the loudest community voice.

150. Public service reform has placed greater emphasis on community planning and coordination. Community Planning Partnerships function in Scotland to draw together relevant public sector agencies alongside the third and private sectors to develop shared needs-based plans for local service. This facilitates greater local coordination to tackle child poverty.

151. The Regeneration Strategy takes a more targeted approach to disadvantaged areas. It includes a £25 million Regeneration Capital Grant Fund to deliver large-scale improvement projects.

152. Unlike England, robust independent monitoring is in place for the Scottish Welfare Fund, to monitor demand and the effectiveness of the replacement scheme.

153. The Scottish Government has also commissioned a cumulative impact assessment of welfare reform. This found widespread financial struggles among benefit recipients and highlighted difficult in navigating the welfare system.⁷⁰

Recent progress

154. In common with the rest of the UK, progress in reducing child poverty has stalled. And there is evidence that Scotland is experiencing the projected increase in child poverty earlier than other nations and regions. The single-year data sourced from the HBAI data and presented by the Poverty and Income Inequality in Scotland dataset shows a rise in poverty not yet captured by the main HBAI release, which uses a three-year average. PIIS shows relative poverty increased from 15 per cent to 19 per cent in 2012/13, equivalent to 30,000 additional children.⁷¹ This four-percentage-point annual increase is vastly out of step with annual trends in the rest of the UK.

⁷⁰ The Scottish Government, *The Impact of Welfare Reform – Tracking Study*, 2014

⁷¹ The Scottish Government, *Poverty and Income Inequality in Scotland 2012/13*, 2014

155. The proportion of children in absolute poverty has also increased over the past year, rising from 17 per cent to 20 per cent in 2012/13, also equivalent to 30,000 more children. Again, Scotland appears to have experienced a rise in poverty earlier than the rest of the United Kingdom.

156. The 30,000 increase in a single year is particularly concerning given that the IFS predicted 50,000 additional children in Scotland would live in relative poverty by 2020. This could suggest that the majority of the poverty impact of welfare reform has been front-loaded although this is surprising given that 70 per cent of the cuts had not taken effect in 2012/13. The Scottish Government points to a sharp fall (26 per cent) in the number of families receiving Working Tax Credits in April 2013 compared to April 2012.⁷² This is a result of raising the qualifying hours threshold from 16 hours a week to 24 hours a week for couples. It suggests that many families failed to work additional hours to remain in receipt of the benefit and incomes have fallen as a result.

157. Alternatively, other factors could have had a greater upward impact on child poverty in Scotland than elsewhere. Worryingly, this may indicate that the IFS figures underestimate the likely rise in child poverty.

158. There has been a big annual increase in the proportion of poor children in working households, rising from 52 per cent to 59 per cent. This reflects the long-term trend behind falling poverty over the last decade, which has seen more lone parents move into employment.

159. Owing to recent rises indicated by the single-year data, Scotland is no longer the nation with the lowest poverty rates. However, Scotland still performs considerably better than the rest of the UK after housing costs are taken into account.

Reflections

160. The early rise in child poverty in Scotland in contrast to the rest of the UK is concerning. The Scottish Government highlights welfare reform as the likely driver, but the same welfare policies have not caused a corresponding rise in poverty across the rest of the UK. More investigation is needed to establish whether additional factors mean Scotland's relative success in reducing child poverty is more vulnerable than progress elsewhere.

161. In general the Scottish Government is extremely concerned with the impact of welfare reform and it is crucial that this does not detract from action on the other drivers of poverty. The Scottish Government's *Annual Report for the Child Poverty Strategy for Scotland* acknowledges that much of the fall in child poverty up to 2008/09 was driven by the tax credits, as well as increased employment rates among lone parents. The Scottish Government has not set out how it would continue to fund such an approach. In common with the rest of the UK, it will be essential that efforts to reduce poverty focus on increasing pay, hours and skills. Additionally the Scottish Government has not acknowledged the potential benefits of welfare reform, specifically the simplification and improved work incentives created by Universal Credit.

162. We saw above that housing costs are having a particularly strong impact on poverty across the UK as a whole and increasing the number of children living in low-income households. This trend is far less pronounced in Scotland. Around a fifth fewer households are moved into poverty as a result of rents or mortgages. This can be attributed in part to a greater supply of affordable housing. As a result Scotland has fewer low-income households living in the private rented sector.

⁷² The Scottish Government, *Annual Report for The Child Poverty Strategy for Scotland*, 2014

163. Policy decisions play a part in this. Unlike in England, social rents have not been deliberately inflated. As a result poverty among social tenants and the share of their income spent on rent is lower than in England.⁷³ The Scottish Government plans to legislate to protect its supply of social housing by abolishing the Right to Buy policy.

164. However, recent housing trends suggest Scotland cannot be complacent about its housing situation. The private rented sector grew rapidly in the decade to 2011, almost doubling from 8 per cent of all households to 14 per cent. At the same time, Scotland's traditionally very large social rented sector has shrunk. Two decades ago four in ten households were housed in social housing; this had fallen to a quarter by 2011. As a consequence, poor households have shifted from the low-cost social rented sector to the higher-cost private rented sector such that a quarter of poor households now live in the private sector, compared to one in ten a decade ago. This is concerning as the poverty rate has not fallen among private renters, despite impressive progress elsewhere.⁷⁴

165. Scotland has developed an outcomes framework to monitor progress under the strategy. Overall, this is impressive and addresses some of the Commission's previous concerns. It contains clear intermediate outcomes covering important areas like housing, social inclusion, place, and managing finances. It is intended to shift the focus of policy from processes and inputs to impact and this will be beneficial to children.

166. But in the Commission's view the indicators are too weak on the educational aspects of life chances and focus more on current wellbeing. Only one of the 33 indicators tells us anything about student results. Under the framework we will know about the proportion of children with low wellbeing scores, not eating fruit and vegetables, playing sport, who find it easy to talk to their mother, and who agree pupils accept them as they are – but not early childhood development, school readiness, university access or any measure of how poor children do on educational attainment. The measure on satisfaction with the local school is poorly related to schools effectiveness in driving better results for disadvantaged children. This failure to focus on educational attainment as the key to unlocking long-term social mobility needs to be corrected.

167. Last year's report raised concerns at the lack of focus on the educational attainment gap. We welcome the attention paid in the new strategy to educational inequalities.

168. We also reported concerns last year about the lack of a duty on local authorities to develop their own child poverty strategies. A significant gap remains in the mechanism to link national and local strategy and action. In the absence of any such duty, it is important that the Scottish Government commits to a review of Single Outcome Agreements to assess the extent to which they are addressing child poverty.

⁷³ Joseph Roundtree Foundation, *Referendum Briefing: Housing and Low Income in Scotland*, 2014

⁷⁴ *ibid*

The Child Poverty Strategy for Wales

169. Wales continues to experience higher levels of child poverty than other nations in the UK. On a regional basis, only Yorkshire and the Humber has higher levels of relative and absolute poverty. 22 per cent of children (100,000) are in relative poverty and 24 per cent (100,000) in absolute poverty (both before housing costs).

170. The Wales Child Poverty Strategy for 2011-2014 set out three key strategic objectives for the Welsh Government: to reduce the number of families in workless households; to improve the skills of parents and young people in low-income households so they can secure well-paid employment; and to reduce inequalities that exist in health, education and economic outcomes of children by improving the outcomes of the poorest.

171. The Welsh Government is due to consult on a revised child poverty strategy. This will not be available until November 2014. It is regrettable that the Commission is unable to comment on it for this year's report.

172. The objectives of the Child Poverty Strategy are being taken forward through the Tackling Poverty Action Plan. The Action Plan was refreshed in 2013 to include the addition of new milestones to monitor progress. The first Annual Report on progress towards these milestones and targets was published in July 2014.

173. The Commission visited Wales in July 2014. We heard positive comments from a range of stakeholders about the benefit of dedicated poverty ministers. Stakeholders also spoke enthusiastically about the benefits of Wales' child rights-based approach and the emphasis on the importance of play and wellbeing. The child poverty sector voiced considerable concern about the impact of welfare cuts on children in Wales.

Key policies

174. The Child Poverty Strategy which runs until the end of 2014 contains three key strategic objectives: to reduce the number of families living in workless households; to increase the skills of parents to enable them to secure well paid employment; and to reduce the inequalities that exist in the education, health and economic outcomes of children and families.

175. The key priorities identified in the Tackling Poverty Action Plan are all relevant to efforts to reduce child poverty and are as follows:

- Early years – experiences in early life are profoundly influential on a person's future. Early development of language and cognitive skills are vital, as is access to high quality childcare which allows parents to work.
- Educational attainment – children who receive free school meals do less well at school than other children. This is unacceptable and we are seeking to reduce the gap in attainment.
- Young people not earning or learning (NEETs) – young people are more likely to do well and fulfil their potential if they remain in education, training or employment. We want to ensure that all young people have access to opportunities and are willing and able to take them up.
- Reducing the number of workless households – work is the best means out of poverty. We want to support people to find sustainable employment and have committed to providing 5,000 opportunities for people from workless households.
- Ensuring equal access to high quality healthcare – people in poverty are less likely to have access to high quality healthcare, despite the fact that they are more likely to have health issues. We want to reduce the inequality of healthcare provision.

- Housing and regeneration – good quality housing and the environment in which you live are hugely important to the lived experience of poverty and bring many benefits. We want to improve the quality of housing in poorer communities and make places more pleasant for people to live.

176. Specific policies and programmes in our Tackling Poverty Action Plan and 2014 Annual Report that will contribute to reducing child poverty (and delivering the three strategic objectives of our 2011 Child Poverty Strategy) include:

- Fairer Health Outcomes for All
- Building a Brighter Future: Early Years and Childcare Plan
- Flying Start
- Families First
- Communities First
- Rewriting the Future
- Pupil Deprivation Grant
- School Challenge Cymru
- Youth Progression and Engagement Framework
- Policy Statement on Skills and the Skills Implementation Plan

177. The Action Plan introduces a new set of targets and milestones to track progress. This approach is to be welcomed. Key performance indicators cover the priority areas of ‘prosperous communities’, ‘learning communities’, ‘healthier communities’, ‘preventing poverty’, ‘helping people into work’, and ‘mitigating the impact of poverty’.

178. In July 2014, the Welsh Government launched a strategy to tackle the effects of poverty on education Rewriting the Future; raising ambition and attainment in Welsh schools. This sets out Welsh Government commitments and expectations around four main themes:

- Family and Community Engagement
- The Early Years
- High Quality Learning and Teaching
- High Expectations and Aspirations

179. A key theme running throughout the programme, and one that underpins Schools Challenge Cymru, is that poverty is not an excuse for underachievement. It sets out that high expectations should be set for all pupils, irrespective of background, an approach the Commission welcomes.

180. Wales is distinct from England in its rights based approach and its statutory commitment to the UN Rights of the Child. There is also a strong emphasis on the importance of well-being, exemplified by a right to play. This has led to higher levels of well-being than the UK average. All of these measures are intended to make poverty less damaging for children.

181. Wales has a Minister for Communities and Tackling Poverty who can challenge other ministers on their departments’ progress. However, the Commission has heard that truly aligning priorities, for example by pooling budgets, has been harder to achieve.

182. Policies of note include the Flying Start initiative. This is a flag-ship policy for the Welsh Government as a whole and cited as a top-five priority by Ministers. The government reports evidence that Flying Start is beginning to have positive impacts on children. Ministers are committed to doubling the number of places to 36,000 by the end of the assembly term. Last

year the Commission raised concerns that the geographical targeting of Flying Start could exclude some disadvantaged children, particularly those in more rural areas. As such we welcome plans to extend the scheme, as well as the provision of funding for outreach in each Local Authority.

183. Continuing the area-based approach seen in Flying Start, Communities First is a community-based anti-poverty programme. All of the ten per cent most deprived areas in Wales are now covered by a Communities First Cluster, tasked with making communities wealthier, healthy and higher skilled. A Delivery Plan is in place for each cluster setting out a clear measurement framework. A core part of Communities First is to support employment skills, employability, provide welfare advice and promote financial inclusion.

184. Wales has introduced the £33 million Pupil Deprivation Grant (worth £450 a year for every child on free school meals), functioning akin to the Pupil Premium. The grant provides financial support intended to reduce the impact of poverty on educational attainment. It is distributed to schools based on the number of children eligible for Free School Meals (and from 2013 Looked After Children).

185. The Welsh Government is seeking a socio-economic duty on specific public authorities to consider how decisions and policies could reduce the inequalities associated with socio-economic disadvantage. This would create an additional equalities duty for Wales alone.

186. The Commission has heard concerns about the quality and supply of childcare in Wales. In general the sector is not as well developed as in England, in part due to the reliance on informal childcare. As such we welcome the Government's commitment to complete a detailed workforce study of the sector by end of 2014.

187. Following the abolition of the Social Fund in England, Wales has implemented the Discretionary Assistance Fund. This provides a mixture of payment or 'in kind' support to vulnerable households. The Commission recommends this is robustly monitored to track need and effectiveness of support.

Recent progress

188. In common with the rest of the UK, falls in child poverty in Wales have come to an end. In 2011/12-2012/13, 22 per cent of children were in relative poverty (before housing costs). This is similar to the previous two years and is in-line with trends since 2008/09-2010/11.

189. Absolute poverty was unchanged compared to 2011/12 at 24 per cent (before housing costs). The rise in absolute poverty seen in the three years to 2009/10-2011/12 has not been repeated, although the projections for Wales as with the rest of the UK are for a rise in poverty. Unlike in Scotland, single year data is not available for Wales so a more recent rise in poverty cannot be ruled out.

190. The number of children in relative and absolute poverty increases after housing costs to 31 per cent and 33 per cent respectively. Recent progress to reduce child poverty falls away when rents and mortgages are taken into account. Measured after housing costs, the number of children in absolute poverty has increased slightly in recent years and the proportion of children in relative poverty after housing has plateaued over the past decade.

191. The Commission heard concerns that child poverty has become more entrenched in some geographical areas, despite overall progress over the past decade. Stakeholders reported a feeling that poverty had become normalised in some areas, with high levels of worklessness, severe poor health and dire educational attainment.

192. Worklessness also remains high in many areas of Wales compared to the UK, in line with long-term trends. Such households will be exposed to the risk of deeper poverty as social security benefits are reduced and average incomes begin to rise. Action on the drivers

of poverty includes 5,000 training and employment opportunities for people in households where there is no adult in work. This recognises the increased risk of child poverty that worklessness entails.

Reflections

193. The breadth of the Welsh approach to the child poverty (involving all public bodies and with leadership by Ministers) is to be praised. The desire for socio-economic public duty will underscore the emphasis placed throughout government on reducing poverty and raising social mobility.

194. The Commission is concerned that reservations about the availability and suitability of childcare are hampering efforts to reduce poverty by increasing parental employment. The Commission was told by several stakeholders of their concerns that increased parental employment could be detrimental for children. Arguably the reverse is the case - increased parental employment, supported by affordable and high-quality childcare, will be essential if the UK is to meet its targets on child poverty. In our view the Welsh government needs to rebalance its strategy to give increased focus to tackling in-work poverty and improving prospects for social mobility.

195. On a related note, we have concerns that the childcare sector is less well established in Wales, with particular gaps in provision in rural areas or for parents working atypical hours. This is set out in more detail in chapter 2. Insufficient childcare can be a barrier to parental employment and is a missed opportunity for improving children's life chances.

196. Although working poverty has increased, the proportion of poor children in workless homes remains higher in Wales than in other parts of the UK. This reflects the need to find better solutions to entrenched poverty.

197. Jobs Growth Wales is intended to increase employment among young adults, many of whom will already be parents or go on to become parents. As chapter four set out, early evaluation suggests the scheme has been positive, with some evidence of sustained impact after young people left the scheme. We welcome the scheme and urge the Welsh government to engage a broad selection of private sector employers to ensure participants can progress into sustained, skilled work.

198. When visiting Wales, the Commission heard concerns that there were serious barriers in attracting employers to more remote areas and the Taking Forward the Tackling Poverty Action Plan notes that the Government has few levers to pull. In our view this risks an overly fatalistic approach and further action is needed on employment growth and labour mobility. Wales remains proportionately more reliant on the public sector for employment and as such is vulnerable to further reductions in public spending.

199. In common with Scotland, the Welsh Government has voiced considerable concern at the impact of Welfare Reform. The focus of criticisms has been on reductions in entitlements to cash benefits (as well as other potential negative impacts). While there has been some recognition of the simplification enabled by Universal Credit, there is also concern at the scale and pace of change, design of the new system and lack of additional support for those who need it. Welsh Ministers have also raised concerns over the length of time being taken to consider individuals' claims for Personal Independence Payment (PIP) and the adverse impact delays are having on individuals' financial position. This reflects a fatalistic tendency, with a lack of adaptation to forthcoming challenges, although the Commission accepts that Wales has fewer levers to respond to reform. Equally the UK government does need to acknowledge that Wales is more dependent on both public spending and social security. More focus should be paid to the impact of welfare reform and spending decisions on Wales. The Ministerial Task and Finish Group has been set up to monitor the impact of reforms and this should provide useful evidence.

200. Last year the Commission raised concerns that the area-based approach taken by such schemes as Flying Start risked excluding poor children who do not live in the most deprived areas. We welcome plans to expand Flying Start as this will reduce the risk of families who would benefit from support falling outside of a catchment area.

201. More generally, Wales is more focussed on the current impacts of child poverty than the longer-term issue of social mobility. More action is needed to improve the educational attainment of children from disadvantaged backgrounds to reduce the risk that they will remain poor as adults.

202. Accountability has also improved through the use of milestones, even if these are not always especially stretching. Targets often seem to have been set quite low and in education in particular the focus is more on getting the basics right than pushing for higher attainment. In particular the Commission is sceptical that the targets for narrowing the attainment gap at the Foundation Phase and Key Stage 4 are sufficiently stretching. For example the target aims for 37 per cent of students eligible for free school meals to achieve Level 2 inclusive at Key Stage 4. Instead Wales should be benchmarking itself against the progress made in England and setting more stretching targets that will bring in Wales in line with the rest of the UK. The Commission also raised this as a concern last year and we hope it will be addressed in the forthcoming Child Poverty Strategy.

Focus on ... Scotland



Summary

- Scotland has the lowest child poverty rate after housing costs in the UK and a relatively low proportion of children in workless households.
- There are significant gaps in educational outcomes between those from rich and poor areas, with those in the poorest areas four times more likely to not be in a positive destination after leaving school.
- Employment outcomes in Scotland are better than the average for the UK as a whole.

Child poverty

- 17 per cent of children are in poverty before housing costs and 21 per cent after housing costs.
- The proportion of children in low-income varies from 6.7 per cent in the Shetland Islands to 32.2 per cent in Glasgow.

Laying the Foundations

- By age five, there is a 13 month gap in vocabulary and a 10 month gap in problem solving ability between children from low- and high-income backgrounds.

Educating the Next Generation

- Those in the most deprived areas are only about half as likely to be performing 'very well' in the last year of primary school and twice as likely to not attain the expected level in the second year of secondary school.
- The average tariff score of 16 year olds in the least deprived areas is 61 per cent higher than the tariff score of those in the most deprived areas.

Moving from School to Work

- 11.9 per cent of 16–19 year olds are not in education, employment or training.
- 17.4 per cent of school leavers 16 year olds in the most deprived areas do not go on to a positive destination: this compares to 4.3 per cent in the least deprived areas.

Employment, Pay and Progression

- 10.9 per cent of children live in workless households.
- 73.9 per cent of working-age adults are in employment and the unemployment rate is 6.0 per cent.
- Median hourly pay is £11.60 per hour, the same as the UK average.
- 10.7 per cent of the working-age population have no qualifications.

Higher Education and the Professions

- Only 9.7 per cent of those in higher education in Scotland come from the 20 per cent most deprived areas compared to 32.5 per cent of those from the most advantaged areas
- Entrants to higher education in Scotland from the least most deprived areas are only half as likely to enter one of the 'ancient' universities as others
- 41.6 per cent of people in employment are in managerial, professional or associate professional occupations: varies from 29.3 per cent in the Orkney Islands per cent to 57.8 per cent in East Dunbartonshire.

Focus on ... Wales



Summary

- Wales has the second highest child poverty rate and the second lowest working age employment rate.
- Almost three quarters of children eligible for free school meals do not achieve five good GCSEs, higher than any English region and all but six English local authorities
- There are fewer professional jobs in Wales than anywhere but the North East and Northern Ireland with median earnings lower than anywhere but Yorkshire and the Humber and Northern Ireland.

Child poverty

- 22 per cent of children are in poverty before housing costs and 31 per cent after housing costs.
- The proportion of children in low-income varies from 12.5 per cent in Monmouthshire to 29.5 per cent in Blaenau Gwent.

Laying the Foundations

- 30.8 per cent of poor children fail to achieve the 'expected outcome' at the end of the Foundation Phase at age seven (note: this differs to the expected outcome in England).
- 11 per cent of early years settings inspected between 2009/10 and 2012/13 were deemed to be no better than 'adequate'.

Educating the Next Generation

- 30.2 per cent of poor children fail to achieve the expected level in teacher assessments of English/Welsh, maths and science at age 11 (note: this is not directly comparable to England).
- 74.2 per cent of poor children fail to achieve five good GCSEs including English/Welsh and maths.
- 26 per cent of primary schools and 49 per cent of secondary schools inspected between 2009/10 and 2012/13 were deemed to be no better than 'adequate'.

Moving from School to Work

- 10.5 per cent of 16–18 year olds and 22.7 per cent of 19–24 year olds were not in education, employment or training.

Employment, Pay and Progression

- 16.1 per cent of children live in workless households.
- 68.8 per cent of working-age adults are in employment and the unemployment rate is 6.7 per cent.
- Median hourly pay is £10.65 per hour, eight per cent lower than the UK average.
- 11.4 per cent of the working-age population have no qualifications.

Higher Education and the Professions

- 14.1 per cent of young people living in the most disadvantaged areas in Wales enter higher education compared to 44.1 per cent of those living in the least disadvantaged areas
- 39 per cent of people in employment are in managerial, professional or associate professional occupations: varies from 25.8 per cent in Blaenau Gwent to 48.5 per cent in the Vale of Glamorgan.

Chapter 6: Progress on moving into the top: universities and the professions

- Access to the top is elitist: 71 per cent of senior judges, 62 per cent of senior military officers, 55 per cent of Whitehall Permanent Secretaries and 43 per cent of newspaper columnists attended independent schools compared to seven per cent of the public as a whole;
- The proportion of university students from disadvantaged backgrounds has risen but the number of entrants from state schools to Russell Group universities has fallen, and part-time and postgraduate numbers are in decline;
- Entry rates to higher education in Wales were 35.3 per cent, which is 5 per cent lower than England and 10 per cent lower than Scotland;
- On current trends, by 2020 the most advantaged will still be twice as likely to enter university compared to disadvantaged students;
- But universities and professions will both expand in the next five years: by 2020 there could be 100,000 more university places and 2 million more professional jobs;
- There is the potential for a big social mobility dividend if efforts to make access to the top more open can be scaled up;
- Universities should use the opportunity of the removal of the student numbers cap to significantly close the access gap so that by 2020 they are aiming to admit 5,000 more students from a free schools meals background and by Russell Group universities aiming to admit 3,000 more state school students who have the grades but currently do not get the places;
- The UK Government and universities should increase the proportion of widening participation funding being used to support access activity and strategic partnerships with schools to 25 per cent by 2020;
- The UK Government should put in place a new postgraduate loans system that is social-mobility friendly;
- More professional employers should put in place non-graduate entry routes into high-skilled roles by 2020 at least ten per cent of apprentices should be Higher Apprentices;
- Professional employers should end the practice of unpaid internships and the UK Government should legislate to abolish them if required to achieve this goal.

6.1 Why is progress on moving to the top important?

1. A key test of whether a society is genuinely mobile is the relative chances that someone from a less advantaged social background has of entering a top job compared to someone from a highly advantaged background. This matters because movement into the top is a measure of whether the United Kingdom (UK) is open to talent, regardless of background and because some occupations – especially the judiciary, politics and the media – derive their legitimacy in part from the extent to which they are representative of the people they serve. If institutions rely on too narrow a range of people from too narrow a range of backgrounds with too narrow a range of experiences, they risk behaving in ways and focusing on issues that are of salience only to a minority but not the majority in society. It matters to the economy because a country that effectively uses all its talent will have higher growth, greater prosperity and fewer social problems.
2. The flipside is that the more a few dominate our country's leading institutions the less likely it is that the many believe they can make a valuable contribution. A closed shop at the top can all too easily give rise to a "not for the likes of me" syndrome in the rest of society. Overcoming declining levels of public engagement and trust in our country's institutions relies on them opening their doors to a broader range of talent.
3. The top jobs in Britain are in professional occupations. The good news is that professional employment is growing, with 54 per cent of all new job opportunities between 2012 and 2022 – 2 million jobs – in the professions.¹ This should provide the basis for a social mobility dividend. The bad news is that the professions, especially at the very top, are socially exclusive and often dominated by people from a private school background.
4. The gateway to a job in the professions is a university degree and, increasingly, a postgraduate qualification. The UK Commission for Employment and Skills estimates that, by 2022, over half of jobs will require higher education (51.3 per cent), with one in seven jobs (14.1 per cent) requiring postgraduate qualifications.² Graduates are more employable, less likely to be unemployed and earn more than non-graduates.³
5. However, the opportunity to attend university – the elite institutions especially – and progress into a professional job is itself still too exclusive. The number of young people from the most advantaged areas who enter the most selective universities is over seven times higher than the number entering from the most disadvantaged areas.⁴ And graduates from less advantaged backgrounds are less likely to enter graduate jobs as adults than their peers.⁵
6. Whether access to the top – to our country's universities and professions – is becoming more or less open to the widest possible pool of talent is a key barometer of whether Britain is becoming more mobile or more divided as a nation.

¹ UKCES, *Working Futures 2012–2022, Evidence Report 83*, 2014. This adds expected employment growth in managerial, professional and associate professional occupations to the "replacement demand" in these occupations (to replace people in these occupations who will be retiring over the next decade)

² UKCES, *Working Futures 2012–2022, Evidence Report 83*, 2014. UKCES estimate that by 2022, 51.3 per cent of all jobs will require higher education (defined as qualifications at Level 4 in the National Qualifications Framework and above – meaning all more advanced qualifications than A-levels) and 14.1 per cent will require postgraduate qualifications (defined as qualifications at Level 7 in the National Qualifications Framework and above)

³ Office for National Statistics, *Graduates in the UK Labour Market 2013*, 2013

⁴ Sutton Trust, *Analysis of trends in higher education applications, admissions, and enrolments*, 2014

⁵ University Alliance, *Closing the Gap – Unlocking opportunity through higher education*, 2014. For example, Graduates with parents in partly skilled occupations are 30 per cent more likely than others to have a non-graduate job 18 months after graduation; and for graduates with parents who are unemployed this increases to 80 per cent

6.2 What is happening to the problem?

7. Last year, the Commission highlighted limited progress in increasing the proportion of children from disadvantaged and working-class backgrounds who progress to higher education in the most selective institutions.⁶ For example, children who are not eligible for free school meals at age 15 are over four times as likely to progress to Russell Group universities than those who are. While only 1,240 children in receipt of free school meals at age 15 progressed to Russell Group institutions in 2011/12⁷ (1.7 per cent of the cohort⁸), almost 34,000 state-school educated children not in receipt of free school meals did so (6.8 per cent of the cohort).

8. Comparing the social backgrounds of entrants to Russell Group universities in England to the social backgrounds of all those with good enough A-level grades to enter these universities (based on official benchmarks set by the Higher Education Statistics Agency), we identified an under representation of state school and working class students.⁹

9. On **universities**, we called for:

- The Russell Group to adopt stretching five-year numerical targets on fair access;
- Universities to agree a shared policy on contextual admissions;
- Funding for widening participation to shift from fee waivers and financial support towards (more effective) outreach activities;
- Government to act on postgraduate funding to ensure financial barriers do not prevent young people from disadvantaged backgrounds from pursuing postgraduate study, and to address the worrying decline in part-time and mature students.

10. On **access to the professions**, we called for firms to:

- Engage more strategically with schools;
- Provide work experience across the UK and end unpaid internships;
- Reform recruitment practices that exclude individuals from disadvantaged backgrounds, for example crude UCAS point screening;
- Monitor and publish data on social profile;
- Build non-graduate routes at scale.

Recent developments

11. Since the publication of our first annual report there have been a number of policy and other developments. For higher education, key policy changes have included:

- The removal of the cap on student numbers – meaning that from 2015 universities can take on unlimited numbers of qualified students – and the ending of the National Scholarship Programme;

⁶ Social Mobility and Child Poverty Commission, *Higher Education: the Fair Access Challenge*, 2013

⁷ Department for Education, *Destinations of key stage 4 and key stage 5 students*, 2014

⁸ The cohort size has been estimated by using data on those sitting GCSEs in maintained schools by free school meal eligibility in 2008/09, based on Department for Education, *GCSE and equivalent data by pupil characteristics*, 2014

⁹ Our research compared the number of state school students who would attend Russell Group universities to how many there would be if HESA benchmarks were achieved i.e. if the universities admitted a representative sample by social background of the “qualified” population entering university in that year

- The Higher Education Funding Council for England (HEFCE) and Office for Fair Access (OFFA) have developed a joint widening participation strategy giving more weight to ensuring students from less advantaged backgrounds finish their courses and get a good job after university, as well as increasing entry rates of less advantaged students to university.¹⁰
12. Despite a range of efforts to improve social mobility in the professions there remains a huge amount of work to be done. The main developments in the professions are:
- The Government has relaunched the Social Mobility Business Compact aimed at encouraging businesses to become social-mobility friendly employers. It has created a more demanding “Champion” tier, calling on employers to take steps to work strategically with schools, reform recruitment and selection practices and improve monitoring of new and existing entrants;
 - Meanwhile, specific professions have taken some steps forward. The accounting profession has launched Access Accountancy, a national work experience programme, and Health Education England is rolling out its new work experience strategy. In banking, some firms are beginning to develop school leaver programmes. Meanwhile the civil service continues to grow its diversity internship programme. In law, a small number of firms are adopting new selection and recruitment practices. For media, the BBC has created an apprenticeship scheme which will have 174 apprentices by the end of the licence fee period. These are welcome, if small, steps.

Current outcomes

Universities

13. On access to university in England there is encouraging news. Alongside an increase in the overall number of young people entering university, the proportion of those who come from the most disadvantaged backgrounds has reached record levels. UCAS reported that for the end of cycle in 2013:
- There was a 1 percentage point increase in young people (aged 18 and 19) entering university to 40.0 per cent;¹¹
 - A 9 per cent increase in the entry rate¹² of students from low-participation areas from 15.5 per cent to 16.9 per cent;¹³
 - An 8 per cent increase in the entry rate of students eligible for free school meals from 11.6 per cent to 12.5 per cent (see Figure 6.1).
14. Progress has also been made at the most selective institutions after almost a decade of flatlining.¹⁴ The most recent data¹⁵ suggests that entrants to Russell Group universities became somewhat more representative, with the proportion of young entrants who are from

¹⁰ HEFCE and OFFA, *National strategy for access and student success in higher education*, 2014

¹¹ UCAS, *2013 Application Cycle End of Year Report*; UCAS Analysis and Research, 2013

¹² The UCAS entry rate looks at the proportion of 18-year-olds with a given characteristic who UCAS place in higher education in that year

¹³ UCAS uses POLAR2 which classifies small areas across the UK into five groups according to their level of young participation in HE. Each of these groups represents around 20 per cent of young people and is ranked from quintile 1 (areas with the lowest young participation rates, considered as the most disadvantaged) to quintile 5 (highest young participation rates, considered most advantaged). Although area-based participation is useful it is not a perfect measure for socioeconomic disadvantage.

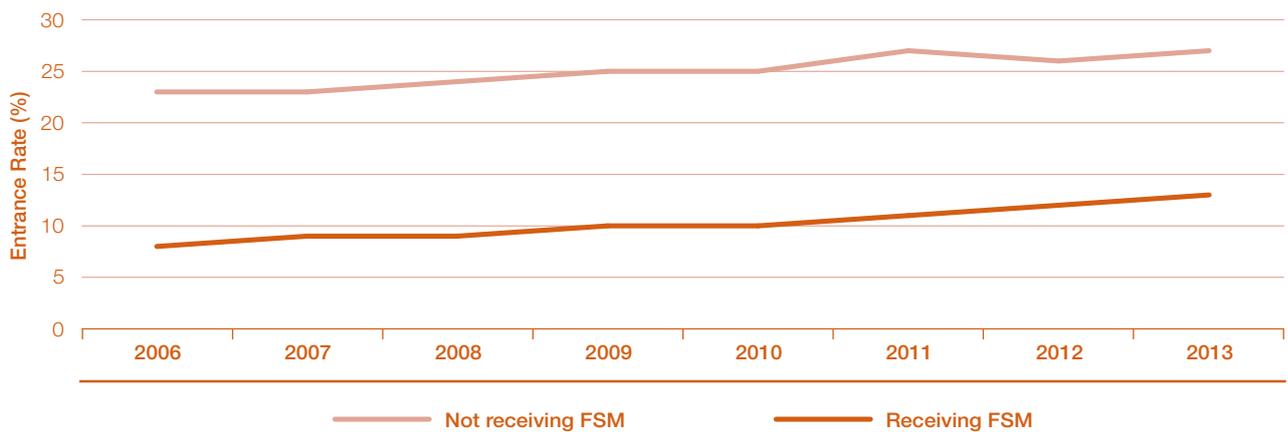
¹⁴ Social Mobility and Child Poverty Commission, *Higher Education: the Fair Access Challenge*, 2013

¹⁵ Higher Education Statistics Agency, *UK Performance Indicators: Widening Participation of Under-Represented Groups*, 2014

state schools, working-class backgrounds and low-participation areas all at record highs (see Figure 6.2). Between 2011/12 and 2012/13, the proportion of entrants from:

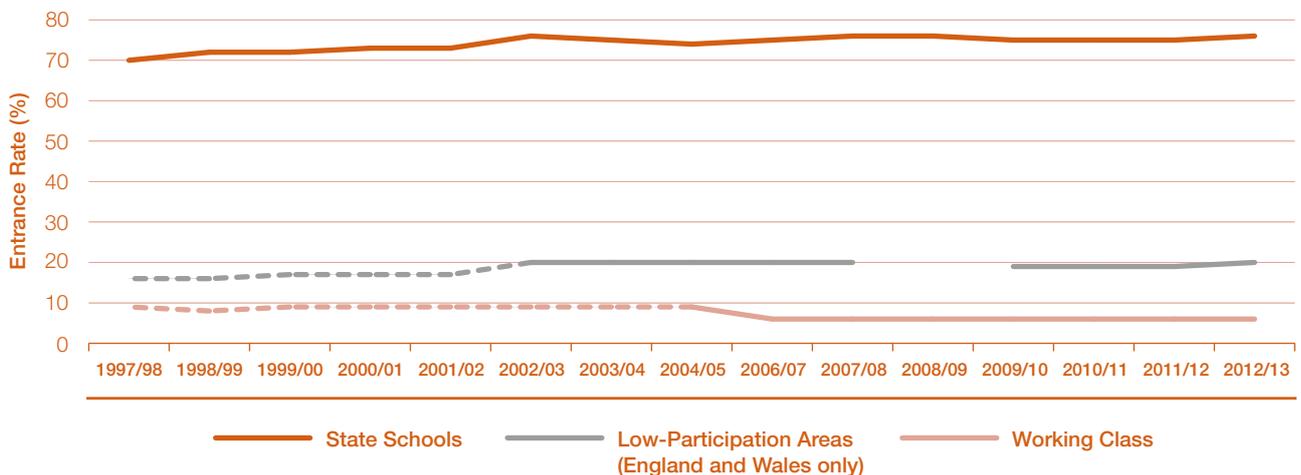
- **State schools** increased from 74.6 per cent in 2011/12 to 75.9 per cent of entrants (the previous high was 75.6 per cent in 2002/03);
- **Working-class backgrounds** increased from 19.0 per cent to 20.4 per cent (the previous high was 19.9 per cent in 2002/03);
- **Low-participation areas** increased from 5.8 per cent to 6.1 per cent of entrants in 2012/13 (compared to 5.7 per cent in 2006/07).

Figure 6.1: Entry rate of 18-year-olds by free school meal (FSM) status at age 15



Source: UCAS, 2013 Application Cycle: End of Cycle Report, UCAS Analysis and Research, 2013

Figure 6.2: Russell Group performance 1997 to 2012¹⁶



Source: HESA, 2014.

¹⁶ Dotted lines represent changes in definitions used. For social class: structural break in 2002/03 due to a shift in how social class was measured (from social class IIIIM, IV and V to NS-SEC 4, 5, 6 and 7). Low-participation areas: structural break in 2006/07 due to the shift to the POLAR2 methodology. We have removed data 2005/06 due to the lack of data for the University of Cambridge

15. These are welcome developments but there is a very important caveat to what, on the face of it, is good progress towards access to university becoming more representative of society as a whole. Progress in 2012/13 has been almost entirely driven by falling entry from more advantaged students rather than increasing entry of others. It is possible that the improvements seen in 2012/13 are the result of temporary factors associated with the funding reforms introduced in 2012¹⁷ rather than any underlying change in performance on “fair” access. Worryingly:

- The **number** of entrants from **state schools** to Russell Group universities fell by 4.5 per cent in 2012/13, roughly back to 2002/03 levels;
- The **number** of entrants from **working-class backgrounds** to Russell Group universities increased by only 0.6 per cent in 2012/13, and is still below 2002/03 levels.

16. While there is significant variation between different institutions, the overall performance of the Russell Group on fair access – as measured by Higher Education Statistics Agency (HESA) benchmarks – remains weak: only just over half achieve any of the benchmarks and not one university achieves all of them.

Comparison of the social background of students at Russell Group institutions to “those with the grades”

The HESA produces benchmarks which state the numbers of students that Russell Group institutions would recruit if the students they admitted were representative of those with the grades to get in.

Performance appears weak against all three of the benchmarks, with fewer entrants from state schools, working-class backgrounds and low-participation areas than would be expected based on A-level results.

- Only six out of the 24 Russell Group universities met their HESA benchmarks for numbers of entrants from **state schools**: Glasgow, Liverpool, Queen Mary, Queen’s Belfast, Sheffield and Southampton;
- Only seven institutions met their benchmarks for numbers of entrants from **working-class backgrounds**: Imperial, King’s, LSE, Manchester, Queen Mary, Queen’s Belfast and UCL;
- Only six institutions met their benchmarks for entrants from **low-participation areas**: Leeds, Liverpool, Manchester, Newcastle, Sheffield and Southampton.

Overall, we estimate that there are around 3,700 state school students missing from these institutions compared to their intakes if they were representative of those with the grades. This is a similar figure to last year.

17. There is also significant variation within individual institutions. This is illustrated, for example, by the differences in the proportion of entrants from state schools at individual colleges (who control their own admissions) at Cambridge and Oxford universities. In 2013, four Cambridge colleges (out of 30) admitted more than 70 per cent of state school entrants against the institution average of 61 per cent, while one college had more private school entrants than state school. For the same year, 56 per cent of entrants to Oxford were from state schools. However, more than two-thirds of entrants were from state schools in four (out

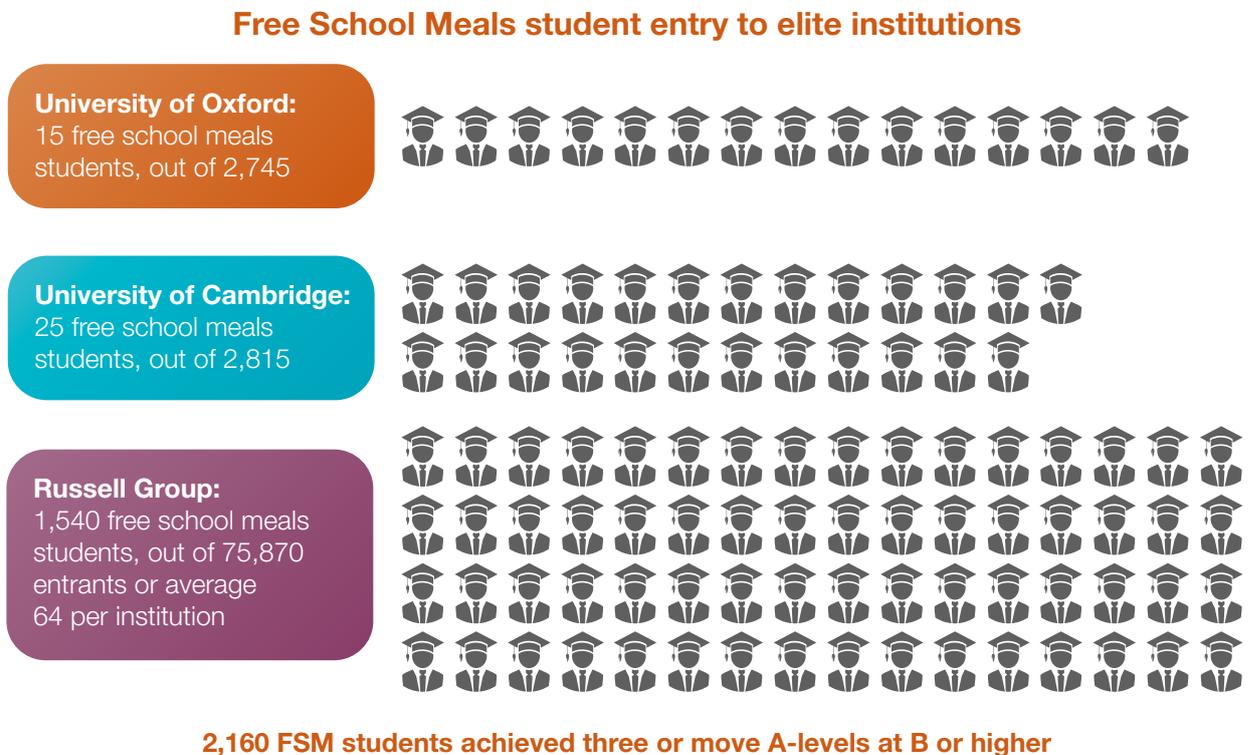
¹⁷ For example, more advantaged students deciding to forgo a gap year in 2011/12 to avoid higher fees in 2012/13, leaving entry in 2011/12 artificially high and entry in 2012/13 artificially low

of 31) colleges, while six colleges had more entrants from independent schools than from state schools.¹⁸

18. As highlighted above, very few children eligible for free school meals progress to Russell Group universities (Figure 6.3). This trend is replicated in the **most selective third of institutions**.¹⁹ Although entry for applicants eligible for free school meals rose 22 per cent in the last year this was from a very low base (just 1.5 per cent of students in 2012 rising to 1.8 per cent in 2013).²⁰ Any progress is welcome but it needs to dramatically accelerate in the years to come if it is to make a significant difference to social mobility.

19. Overall the most **advantaged students are still six times more likely to enter an elite institution (higher tariff) than the most disadvantaged**,²¹ and analysis by OFFA shows that admission rates for the most disadvantaged groups to the most selective institutions have remained broadly flat for over a decade (Figure 6.4).

Figure 6.3: Number of students eligible for free school meals in Year 11 progressing to elite universities 2010/11



Source: Parliament, Higher Education: Admissions, 2014²² and National Pupil Database.

¹⁸ Social Mobility and Child Poverty Commission analysis of Oxford and Cambridge university entrance data by college

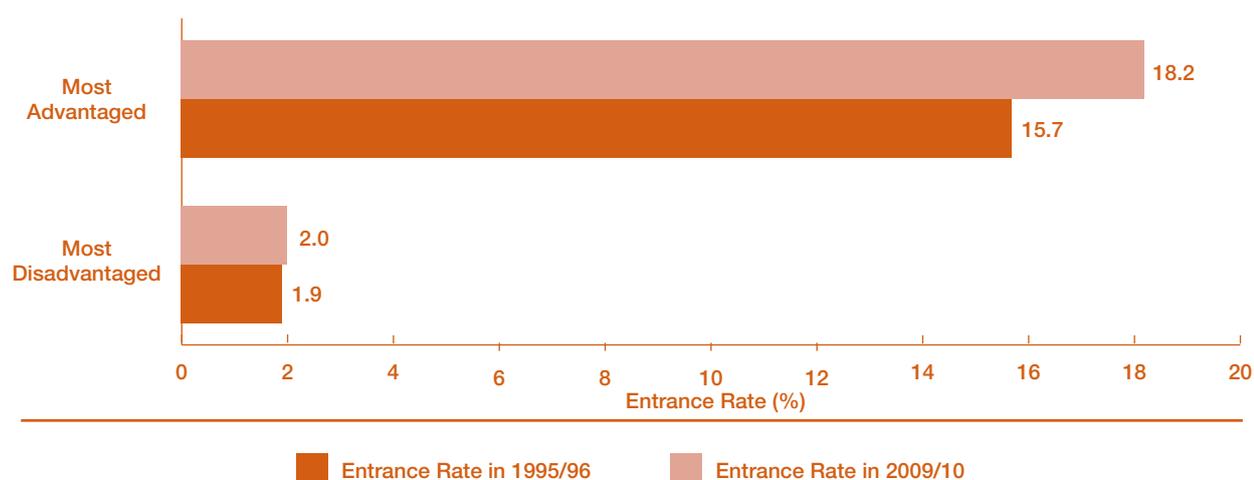
¹⁹ Higher tariff institutions are the most selective third of institutions based on UCAS Tariff points of entrants. This is a far broader group of institutions than the Russell Group

²⁰ UCAS, *2013 Application Cycle: End of Cycle Report*, – UCAS Analysis and Research, 2013

²¹ OFFA, *Trends in young participation by student background and selectivity of institution*, 2014

²² http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140107/text/140107w0001.htm#140107w0001.htm_wqn22.htm (accessed August 2014)

Figure 6.4: Access to most elite institutions comparing 1995 to 2009



Source: OFFA, *Trends in young participation by student background and selectivity of institution*, 2014.

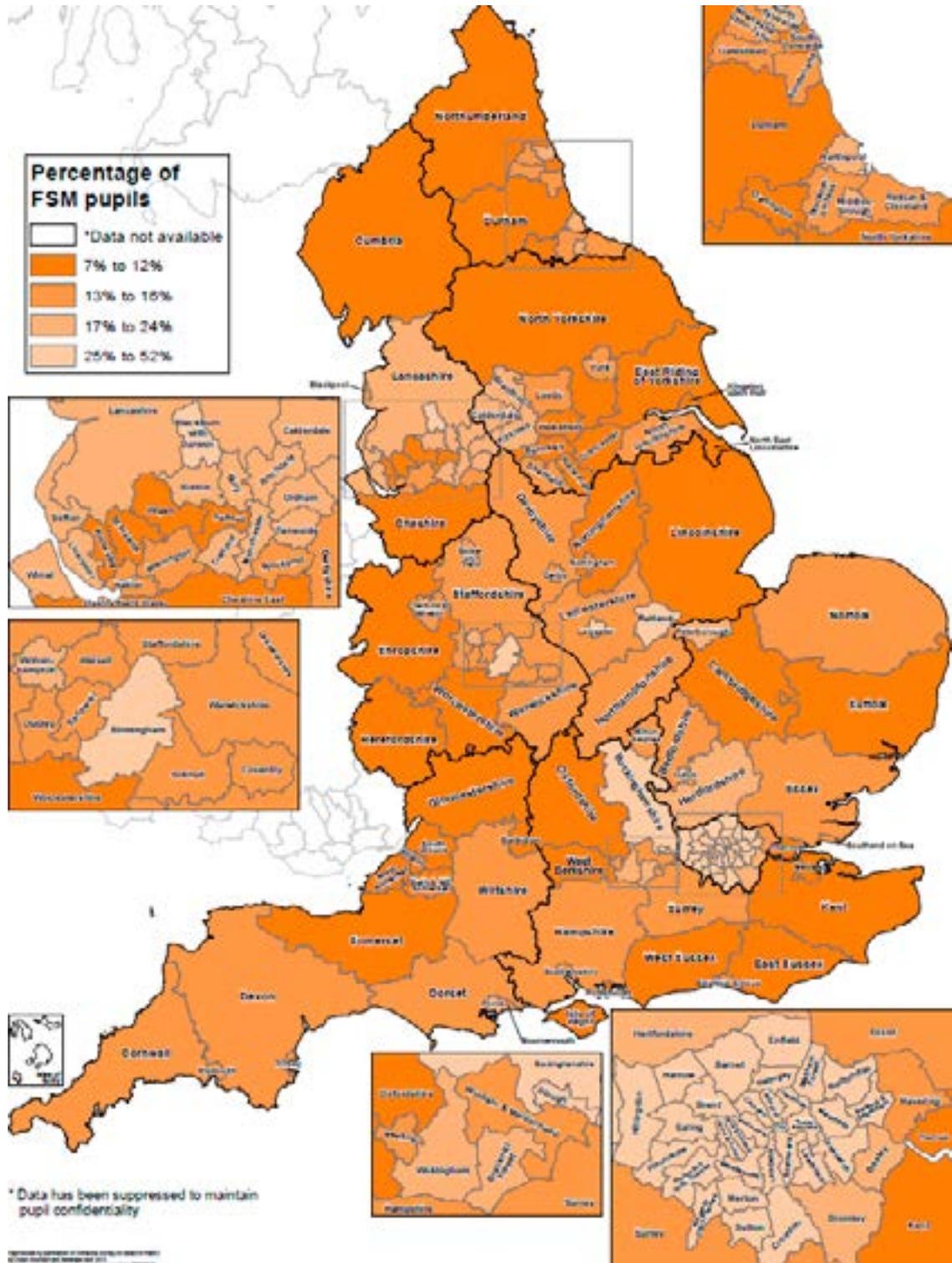
Regional variations

20. There are also large regional variations in entry to higher education for the poorest young people. London stands out as the most successful region when it comes to getting children eligible for free school meals into higher education – all 12 areas where more than 40 per cent of poor children go on to higher education are in London whereas entry rates to higher education of poor children are less than 10 per cent in West Berkshire, North East Lincolnshire, Barnsley, Kingston Upon Hull, Nottinghamshire, Southampton and North Somerset (see Figure 6.5).²³ This regional pattern is replicated in the entry rates of children eligible for free school meals to Russell Group institutions – the entry rate of poor children in London is almost twice the England average (3.0 per cent versus 1.6 per cent), with over 40 per cent of entrants eligible for free school meals to these institutions coming from London. Even in London, however, poor children are only a third as likely to enter the Russell Group as others (the London non free school meals (FSM) entry rate is 8.2 per cent).²⁴

²³ Department for Business Innovation and Skills, *Widening Participation in Higher Education*, 2014

²⁴ Commission analysis using Department for Education, *Destinations of key stage 4 and key stage 5 students*, 2014 and Department for Education, *GCSE and equivalent data by pupil characteristics*, 2014

Figure 6.5: Progression of children eligible for free school meals to higher education by area in England²⁵



Part-time study

21. The last year has also seen a tentative recovery in mature student numbers²⁶ but the number of part-time students has continued to fall, albeit more slowly than previously:

- In 2013/14 there were 139,000 part-time undergraduates compared to 154,000 in 2012/13;
- Numbers of part-time students have almost halved since 2010/11 from 259,000 to 139,000 students.²⁷

22. The impact of increases in tuition fees seems to have been most severe here. Funding changes appear to be contributing to the decline along with eligibility for loans. Fees for part-time undergraduate study have risen by 27 per cent and employer funding has decreased. Almost half of part-time students no longer receive funding from their employers, falling from 40,000 to 23,000 in 2012/2013. HEFCE confirm this trend reporting that: “this changing trend indicates that there are fewer entrants on part-time courses who are paying their own way, or who are able to find indirect sources of funding for their studies”.²⁸ One issue may be the structure of part-time student loans (of up to £6,750). We have heard complaints that to be eligible for a loan students have to undertake more intensive study than they wish. As 92 per cent of part-time students are older students, undertaking more intensive study might not fit in with existing commitments such as caring responsibilities or employment.

23. This is of deep concern and we see little evidence that the Government is addressing it.

Postgraduate study

24. Postgraduate qualifications are becoming more important in the professional labour market (for example, by 2022, 14 per cent of jobs are expected to require postgraduate qualifications).²⁹ We expressed concern last year that the lack of funding available for postgraduate study is a social mobility time-bomb. In the absence of access to student loans there is a high risk that postgraduate study will become the exclusive preserve of those able to afford to pay. In the last year there has been a 6 per cent fall in the numbers of UK postgraduate-taught students from 2011/12 to 2012/13.³⁰ There has been a 19 per cent fall in overall postgraduate part-time study since 2010/11 (Figure 6.6)³¹ and we agree with HEFCE that what evidence there is suggests that it is “increasingly the better off who engage in study for a taught masters or doctorate”.³²

²⁶ HEFCE, *Higher Education in England 2014 – Analysis of latest shifts and trends*, 2014

²⁷ HEFCE, *Pressure from all sides: Economic and policy influences on part-time higher education*, 2014

²⁸ *ibid*

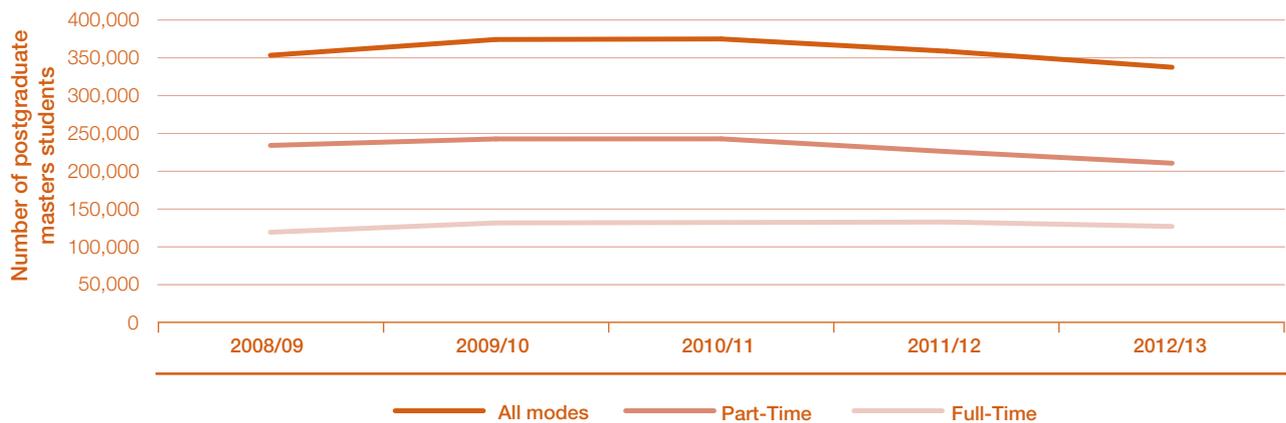
²⁹ UK Commission for Employment and Skills, *Working Futures 2012–2022*, 2014

³⁰ Universities UK, *The Funding Environment for Universities – An Assessment*, 2013

³¹ HESA, *Statistical First Release 197 – Table 2 – First year student enrolments on HE courses by level of study, mode of study and domicile 2008/09 to 2012/13*, 2014

³² HEFCE, *Higher education in England 2014 Analysis of latest shifts and trends*, 2014

Figure 6.6: UK postgraduate student numbers

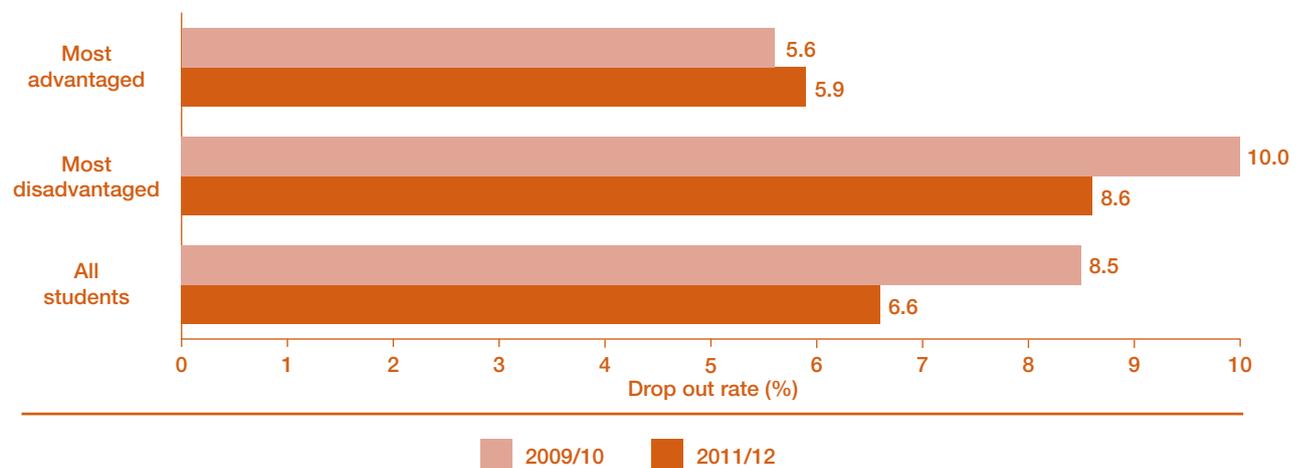


Source: HESA, Table 2, *Statistical First Release 197*, 2014.

Retention

25. Admissions are only part of the story – improving access will make no difference to social mobility unless those who enter also complete their courses. The evidence here is that retention rates have improved, but the most disadvantaged students are still more likely to drop out with 8.6 per cent (almost 4,000 students from the bottom low-participation area) doing so (Figure 6.7). The highest regional drop out is in London (9.0 per cent) and the North West (7.7 per cent), while the South West (5.3 per cent) had the lowest.³³

Figure 6.7: Percentage of students who drop out of higher education



Source: HEFCE, *Non-continuation rates: Trends and profiles*, 2014.

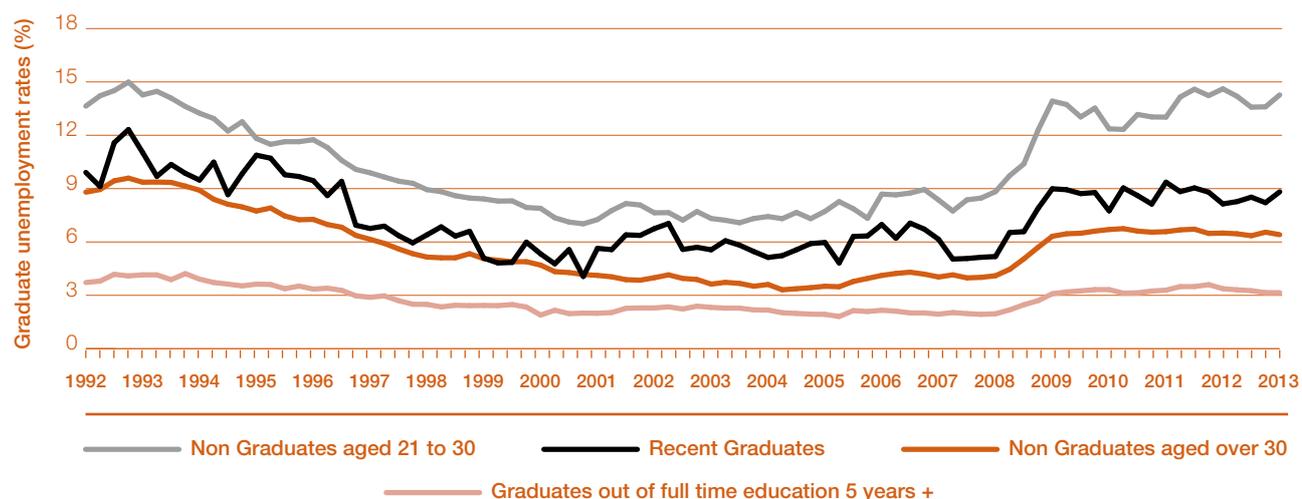
Employability

26. Ultimately, widening participation in higher education will only be good for social mobility if graduates are able to progress to good jobs afterwards. The good news is that a degree continues to significantly improve employment prospects. Graduates are still more likely to be employed compared to those with lower qualifications (Figure 6.8). The most recent official statistics show that 70 per cent of recent graduates are in employment, 18 per cent of graduates were in further study and 7 per cent were unemployed.³⁴

³³ HEFCE, *Non-continuation rates: Trends and profiles*, 2014

³⁴ HECSU, *What do graduates do?*, 2014

Figure 6.8: Unemployment rates by education 1992 to 2013



Source: Office for National Statistics, *Full Report – Graduates in the UK Labour Market 2013*, 2014.

27. Other emerging evidence (see box below) suggests that graduates from disadvantaged backgrounds are less likely to enter graduate jobs compared to their advantaged peers and are paid less on average. A greater focus by universities on employability and work experience would help enhance the outcomes for all students.

Employment outcomes for graduates from disadvantaged backgrounds are mixed

There are only a small number of studies which analyse the labour market outcomes for graduates from disadvantaged backgrounds. What evidence is available suggests mixed outcomes:

- One study reports graduates from lower socioeconomic backgrounds are less likely to enter into private sector employment and unlikely to relocate away from where they studied;³⁵
- Other research suggests graduate earnings for those from lower socioeconomic backgrounds from elite universities are comparable to advantaged peers; however, outcomes for earnings for graduates from “middle ranking” universities appear worse. Regional inequality is evident too for these graduates, where they end up in the “least competitive regions of the graduate labour market, typically in non-graduate employment and in occupations that did not require a degree-level education”;³⁶
- Recent findings reported that ethnic minority Russell Group graduates are “still more likely than their white peers to experience unemployment early on in their labour market career rather than be found in employment.” This is due largely as a result of lower levels of non-professional employment.³⁷

³⁵ The University of Edinburgh Careers Service, *First destinations of graduates from under-represented groups: An analysis of University of Edinburgh graduates 2004–2007*, 2007

³⁶ Gordon, D.A., *Employability and social class in the graduate labour market*, 2013

³⁷ Lessard-Phillips, L., Swain, D., Pampaka, M., and Nwabuzo, O., *When education isn't enough Labour market outcomes of ethnic minority graduates at elite universities*, 2014

The Scottish and Welsh Governments

28. In **Scotland**, 36.3 per cent of school leavers entered higher education in 2012/13.³⁸ The Young Person Participation rate in higher education³⁹ (aged 16 to 19 years) in 2011 was 43.8 per cent, up from 42.3 per cent the previous year.⁴⁰ Young people⁴¹ from the most advantaged areas are three times more likely to enter higher education than those from the most disadvantaged areas. The proportion entering higher education from the most advantaged areas was 32.5 per cent and 9.7 per cent in the most disadvantaged areas.⁴²
29. Entrants to higher education from deprived areas are less than half as likely to enter one of the highly selective “ancient universities” as those from non-deprived areas (7.6 per cent versus 16.9 per cent) and are 60 per cent more likely to do a sub-degree course at a further education college (over half of entrants from deprived areas versus less than a third of entrants from non-deprived areas).⁴³
30. For 2012, UCAS reports entry rates to higher education in **Wales** for young people (aged 18 and 19 years) was 35.3 per cent. This is an increase from 33.5 per cent in 2011.⁴⁴ This compares to a 40.0 per cent entry in England. In 2013, the entry rate for the most disadvantaged students, 14.1 per cent in Wales, unchanged from the previous year. This compares to 44.1 per cent of the most advantaged students.⁴⁵ In England, the most advantaged entry rate was 46.7 per cent and the most disadvantaged 16.9 per cent (and for 2012 was 45.5 and 15.5 per cent respectively).
31. The national gap in access rates between England and Wales is of particular concern and should prompt urgent action by the Welsh Government to address it.
32. Much more needs to be done by universities in all parts of the UK to ensure that their doors are genuinely open to all those with the talent and potential to benefit from higher education.

Professions

33. In our recent report, *Elitist Britain*,⁴⁶ the Commission examined the background of the 4,000 people with the most wealth, power and influence in our country. We found that 71 per cent of senior judges, 62 per cent of senior military officers, 55 per cent of Whitehall Permanent Secretaries, 53 per cent of senior diplomats, 50 per cent of members of the House of Lords, 45 per cent of public body chairs, 44 per cent of the *Sunday Times* Rich List, 43 per cent of newspaper columnists, 36 per cent of the Cabinet, and 22 per cent of the Shadow Cabinet attended independent schools.

³⁸ Scottish Government, *Summary statistics for attainment, leaver destinations and healthy living – No. 4: 2014 Edition*, 2014

³⁹ Note that: “young participation rates in Scotland have been consistently higher than those in the other countries. This is due in part to the high proportion of young people studying for HE level qualifications in Scottish Further Education Colleges”: in HEFCE, *Trends in young participation in higher education*, 2013

⁴⁰ Scottish Funding Council, *Participation Rates for Entrants to Scottish Higher Education*, 2013

⁴¹ Those aged under 21

⁴² Scottish Funding Council, *Participation indicators for Scottish HEIs*, 2013

⁴³ Scottish Funding Council, *Higher Education Students and Qualifiers at Scottish Institutions 2011/12*, 2013

⁴⁴ UCAS, *End of Cycle Report*, 2013

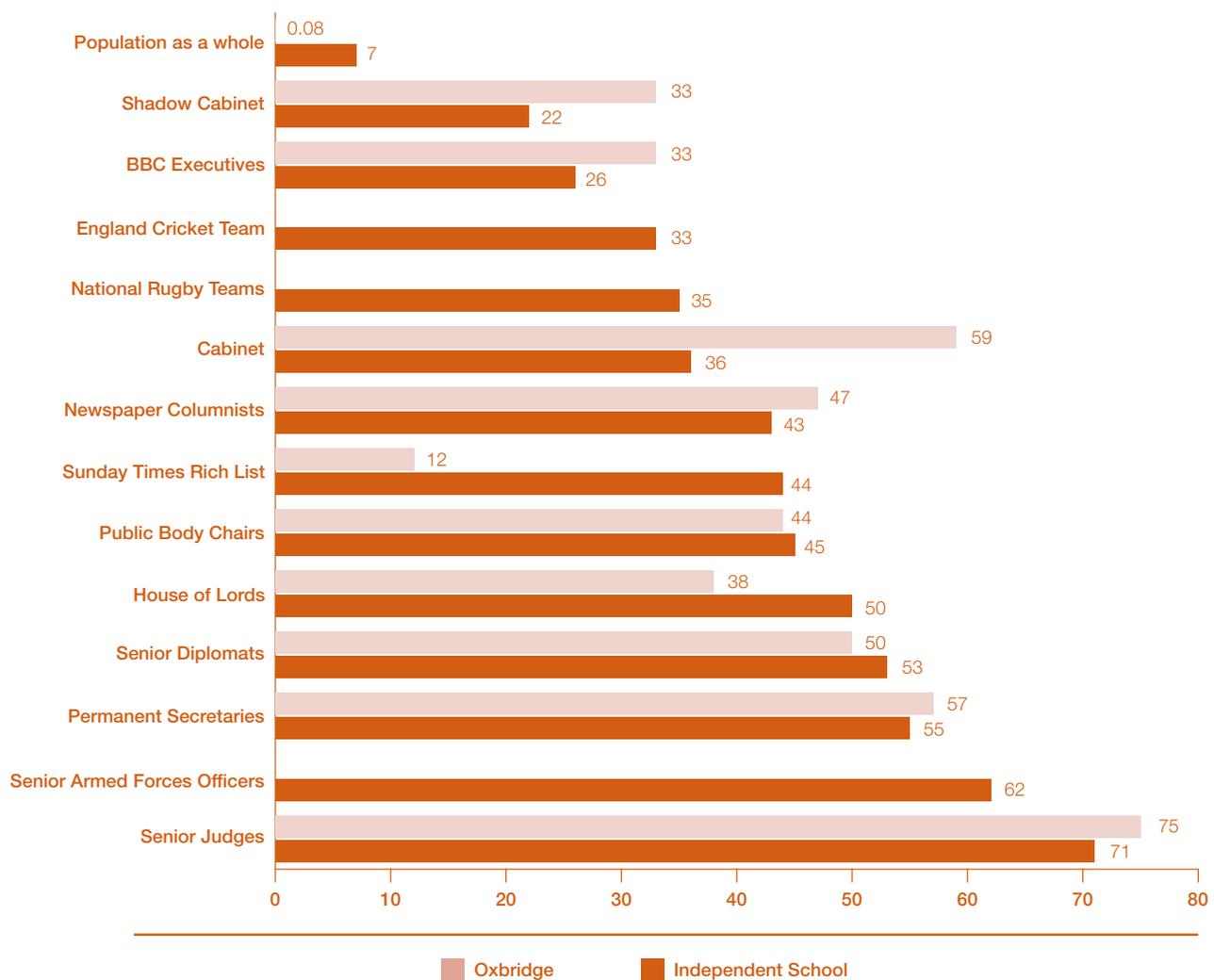
⁴⁵ UCAS, *UK application rates by country, region, sex, age and background*, 2014

⁴⁶ Social Mobility and Child Poverty Commission, *Elitist Britain*, 2014

34. Of course, the best people need to be in the top jobs – and there are many good people who come from private schools. It is the degree of domination that is the concern. Few people believe that the sum total of talent in Britain resides in just 7 per cent of pupils in our country’s schools – or for that matter less than 1 per cent of students in our universities. As Figure 6.9 shows, only 7 per cent and 0.8 per cent respectively of the general population attended independent school or Oxbridge, yet the leading professions are dominated by those from these two backgrounds.

35. The institutions that matter – the judiciary, politics, the civil service and the media – appear to be a cosy club. The data is so stark, the story so consistent, that it is hard to avoid the conclusion that Britain is deeply elitist. Sir John Major was right to warn last year that in every single sphere of British influence, the upper echelons of power are held overwhelmingly by a small elite and that this has negative implications for our society.⁴⁷ From the limited data available it seems that the professions, although increasingly seized by the need for change, have been tardy in making progress and remain largely dominated by narrow social groups. Progress for each profession is detailed in the box below.

Figure 6.9: Percentage of those in the top jobs who attended independent school and Oxbridge



Source: Social Mobility and Child Poverty Commission, *Elitist Britain*, 2014.

⁴⁷ Hope, C. “Truly shocking” that the private-school educated and affluent middle class still run Britain, says John Major, Daily Telegraph, 10 November 2013

Professions progress in improving social mobility in 2014

For the **civil service** in 2013 only 30 recruits (out of 864) in the most recent graduate recruitment round were from working-class backgrounds – 3.5 per cent of the total number and a lower proportion of entrants in the previous year. The success rate of working-class applicants is also less than half that of middle-class applicants (2.4 per cent compared to 5.3 per cent). There appear to be particular issues in the generalist Fast Stream scheme, where only 3 out of 357 entrants – 0.8 per cent of entrants – were from working-class backgrounds. Looking at entrants to the senior civil service, almost a quarter (23 per cent) of entrants were privately educated and three-quarters were from middle-class backgrounds (where background known).

In **law**, over half (53.1 per cent) of practicing solicitors were from the first generation to attend university but there is a significant over-representation of independent schools, with 31 per cent of people educated in the UK having attended private schools.⁴⁸ Trainee barristers are dominated by Russell Group entrants with over two thirds (64.2 per cent) and a quarter (28.4 per cent) were Oxbridge graduates. Over half (55 per cent) of trainees attended state school in 2011/12, while 35 per cent attended private school in 2011/12, down from 39 per cent the previous year (although there was an increase from 4 to 9 per cent in no responses). More recent data here would be welcome.⁴⁹

In **medicine**, a third (32.8 per cent) of new medics attended private school and two-thirds (64.8 per cent) were from the most advantaged areas in the UK. Entry from disadvantaged backgrounds remains low. Six per cent were from the most disadvantaged areas, 12 per cent were from families with a parent receiving income support and 8 per cent from free school meals backgrounds.⁵⁰

Science and engineering – current mid-year career scientists are five times more likely to be from advantaged backgrounds than those from the lowest income households.⁵¹ We have heard reports of difficulties for young people accessing work placements in science and engineering with few opportunities being openly advertised. It is essential that high-quality Science, Technology, Engineering and Maths (STEM) work placements are open to everyone, but we have heard that placements are extremely limited and difficult to come by. This needs to change and major science and engineering firms should be forthcoming in promoting work placement opportunities.

Accountancy, from one recent survey, new recruits appear to be somewhat more socially representative than other professions. In 2012, 84 per cent of new accountants came from a state school and in 2014 this increased to 85 per cent (900 respondents). Two-thirds (64 per cent) of accountants' parents did not have a degree.^{52, 53} Fifteen per cent of accountants' families were in receipt of income support and 10 per cent received free school meals growing up. Most parents (66 per cent) did not have a degree.

⁴⁸ The Law Society, *Diversity profile of the profession*, 2014

⁴⁹ The General Council for the Bar, *Bar Barometer – Trends in the Profile of the Bar*, 2014

⁵⁰ Medical Schools Council, Evidence submitted to Commission, 2014

⁵¹ Royal Society, *A picture of the UK scientific workforce Diversity data analysis for the Royal Society*, 2014

⁵² Association of Certified Chartered Accountants, Call for Evidence Submission, 2014

⁵³ *ibid*

Data from all accountancy bodies would allow a richer assessment on progress and next year we would like all bodies to publish socioeconomic characteristics data.

Banking and financial services is dominated – both among new recruits and leaders – by those from independent school backgrounds. Recent research found 34 per cent of recent recruits were educated in the UK and over half (51 per cent) of leaders were privately educated. Financial services as a whole (including banking, hedge funds, asset management and private equity firms) recruits 37 per cent of its new intake and 60 per cent of leaders from independent schools.⁵⁴ We have heard reports that entry to investment banking is particularly problematic and consists of a small elite drawn from a narrow pool of highly selective institutions. The investment banking sector as a whole is behind other professions and appears to limit approaches to gender and racial/ethnic diversity, meaning recruits remain disproportionately privately educated. Retail banks have made further progress in other areas but still lag behind in areas like data collection.

In the **media**, the most recent data shows that nearly two-thirds of new entrants to journalism still come from managerial and professional backgrounds – they are more than twice as likely to do so as the rest of the population.⁵⁵

6.3 What is likely to happen in the future?

36. It is of course hard to predict whether these trends will improve in the future. But below we examine a range of indicators that will be important in determining future outcomes.

Universities

Student numbers

37. The Government is removing the cap on the number of students going to university in England from September 2015, meaning that there will be no restrictions on student numbers that universities can recruit. This has the potential to be good news for prospects for social mobility as it presents an opportunity to diversify the student population across all universities and recruit more students from less advantaged backgrounds. The Government estimates that this will create an additional 60,000 university places per year.⁵⁶

38. There are questions about the long-term financial sustainability of the policy. It was originally going to be paid for in the first few years by selling off student loans debt but it appears this policy is not proceeding. There are also long-term risks to disadvantaged students if the books were to be balanced through (for example) cutting student support, subsidies to student loans or widening access funding. It may also have the effect of further concentrating high-attaining students in a small number of institutions, potentially destabilising lower tariff institutions that have in the past done much of the heavy lifting on social mobility.

⁵⁴ Sutton Trust, *Pathways to Banking*, 2014

⁵⁵ Social Mobility and Child Poverty Commission, *Elitist Britain*, 2014

⁵⁶ HM Treasury, *Autumn Statement*, 2013

University outreach

39. Universities invest heavily in widening participation initiatives, with total 2015/16 access funding totalling £735 million up from £444 million, in 2011/12.⁵⁷ Over the last year there has been uncertainty about future funding, particularly the Student Opportunity Fund, with cuts of around 7.2 per cent.⁵⁸

40. This investment is essential to ensure a sustained programme of activities which improve access to universities from the most disadvantaged. Equally, it is essential that funding is directed into interventions that are strategic, sustainable and effective. Previously we expressed profound reservations about where widening participation funding was being spent and what it achieved. We argued in particular that universities should direct resources away from ineffective fee waivers towards work with schools since that seemed to produce more social mobility bang for the buck.

41. The good news is that there has been a considerable rebalancing of financial support in overall access spending. Although the amount of financial support has increased (£386 million in 2011/12 to £494 million in 2014/15), the proportion of overall access spend on finance support has decreased from 87 per cent of total access spending in 2011/12 to 66 per cent in 2014/15, and by 2015/16 is predicted to decrease further to 56 per cent. It is especially welcome the fact that the proportion of financial support provided as fee waivers has reduced substantially to 6 per cent of financial support in 2015/16, down from 30 per cent in 2014/15. Only 57 institutions offer fee waivers in 2014/15, down from 131 institutions in 2014/15.⁵⁹

42. Although the overall direction of spending allocation is broadly welcome, we remain concerned that the huge pot of public money devoted to widening participation activity remains badly targeted and more should be invested in schools outreach and supporting disadvantaged students throughout their studies.

43. The best results appear to be where universities invest in coordinated partnerships with schools with high proportions of disadvantaged pupils and low progression rates to higher education. Some universities do this already but many do not. Currently 17 per cent (£111 million) of overall access funding supports outreach and access activities. By 2020, we recommend that at least one quarter of total funding should be invested in outreach activity and specifically supports strategic and coordinated engagement with schools, which have low progression and high levels of disadvantaged. In future we will look for evidence that universities are investing more of their access allocations in supporting meaningful partnership work with schools. Should universities fail to adequately invest in more strategic and effective school partnerships then Government should consider the merits of giving part of access funding directly to schools.

44. Supporting students from disadvantaged backgrounds throughout their studies and preparing them for life after graduation is critically important. Increasingly universities invest in activities which help these students through their studies – for example, providing entrepreneurship and business skills courses and training and assessment centre training. Over three-quarters of institutions reported using access funding in this way and it is expected to account for 6 per cent of spend in 2015/16.⁶⁰ By 2020, all universities should be investing in this type of activity. Funding for these activities should be additional to existing institutional spending and add value to existing activity and investments.

⁵⁷ OFFA, *Access agreements for 2015/16: key statistics and analysis*, 2014

⁵⁸ NUS, *NUS Responds to HEFCE Funding Allocation*, 2013

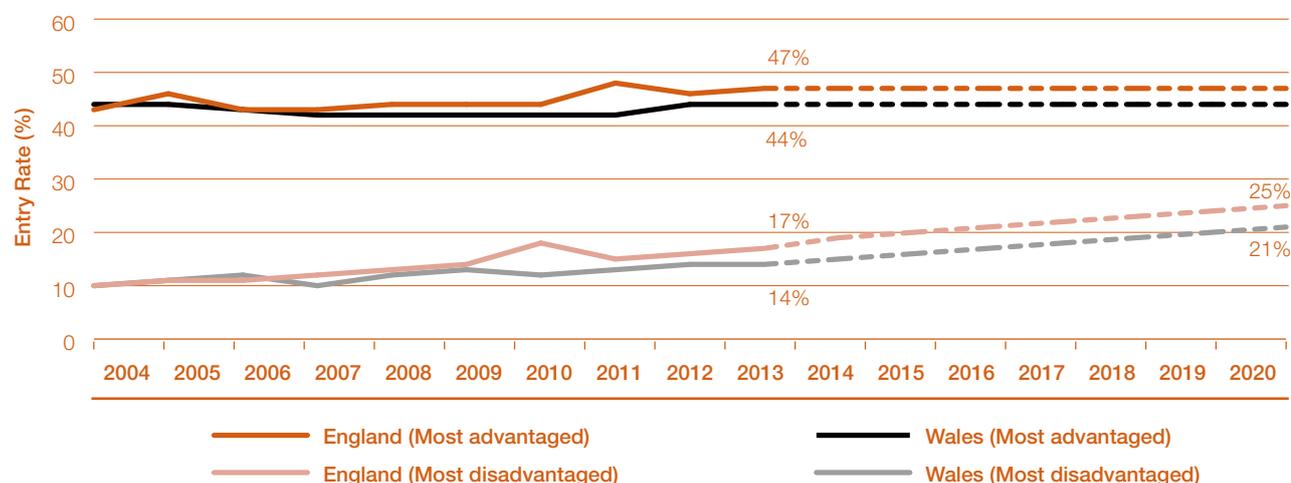
⁵⁹ OFFA, *Access agreements for 2015/16: key statistics and analysis*, 2014

⁶⁰ *ibid*

Fair admissions

45. If universities' current trends on access continue, by 2020 the most advantaged will still be twice as likely to enter university compared to disadvantaged students (Figure 6.10).

Figure 6.10: Entry rates* for 18-year-olds most advantaged and disadvantaged to 2013 and predicted trend to 2020⁶¹



46. Admissions are the responsibility of individual universities and the practices followed vary across different institutions and between different faculties of the same institution. Universities have always assessed the potential of students by looking at more than A-level attainment alone – for example, looking at personal statements (and, for example, giving credit for relevant work experience and demonstration of interest in the subject and the institution), getting references from teachers, inviting candidates for interview or administering their own tests. However, what universities have not done historically is systematically considered whether a student's social background, including the quality of school they have attended, is relevant context for judging a student's potential.

47. There are now several studies suggesting that such contextual data is relevant with, for example, young people from state schools, especially low-performing ones, doing better at university than their A-level attainment would have suggested. This stands to reason – one would expect that someone from a highly disadvantaged background who took their A-levels at a failing school would have higher potential than the child from a very wealthy background who attended an elite private school with the same A-level results. Yet too often this context is ignored and – indeed – some argue that factoring such contextual considerations into university admissions process is somehow “social engineering” when in fact the reverse is true.

48. Universities are increasingly alive to this and are beginning to make use of such information in their admissions processes, with over half (56 per cent) of universities reporting using, or developing, contextual admissions processes (i.e. putting an application in its social context to ensure the judgement of a student's potential is based on as full information as possible) in some form; for example, to inform outreach, ensure applicants with high potential are flagged in the application process or to make lower offers.⁶²

⁶¹ Using UCAS entry rates data (*and most recent SFC data, 2014) we have assumed that admissions rates for the most advantaged quintile in low-participation areas (POLAR) will remain flat until 2020. The projected trend increase from 2013 to 2020 for the most disadvantaged POLAR group represents ~1 per cent year-on-year increase in participation rates for this group. This does not control for changes in demographics.

⁶² OFFA, Call for Evidence Submission, 2014

49. The Commission's analysis of all English Russell Group OFFA Access Agreements shows contextual admissions practices being used in some form, which is welcome. Our own research⁶³ suggests that some elite universities may also be using forms of contextualised admissions and OFFA report 23 higher tariff institutions (out of 28) are using contextualised information.⁶⁴ Although the adoption of contextual admissions practices is reportedly widespread, approaches are inconsistent and vague across the higher education sector and within individual institutions, and they very seldom result in adjusted grade offers.⁶⁵

50. The approaches taken are often too cautious and in many cases limited to inviting candidates for interview rather than – for example – considering whether to offer an adjusted grade offer to reflect potential (with only two Russell Group institutions explicitly stating contextual admissions results in lower grade offers). The commitment to contextual admissions practices is welcome but needs much bolder adoption leading to impactful changes in the socioeconomic intake of the most elite institutions. Current low levels of disadvantaged students entering elite institutions suggest that contextual admission practices are not yet yielding improvement. A bolder and more ambitious approach to contextual admissions is required particularly from the most prestigious institutions. In our report next year we will look for evidence that the use of contextual data – including, where appropriate, lower grade offers – is being used across the sector to funding socially diversify the intake of students.

Postgraduate funding

51. As a postgraduate qualification increasingly becomes a prerequisite for getting into a top career, the Commission is concerned that access to funding is deeply unfair. Most postgraduates are self-financing (63 per cent) with 12 per cent supported by employer contributions (although this has fallen in recent years).⁶⁶ Families are important sources of financial help for postgraduate students, helping pay for fees and living costs. A quarter of these students received help from family to pay fees and the majority (70 per cent) had family help to meet basic living costs.⁶⁷

More jobs require a postgraduate qualification which give a £5,000 annual wage premium

Eleven per cent of the workforce now has a postgraduate degree compared to 4 per cent in 1996.⁶⁸ More postgraduate researchers (the main route to a career in academia) now require a taught postgraduate degree than ever before – 59 per cent, up from 33 per cent a decade ago.⁶⁹ Most taught degrees are self-funded rather than supported through grants.

There are clear financial benefits in studying for a postgraduate degree. A Masters graduate earns an extra £5,500 per year on average, or £200,000 over 40 years compared to a Bachelors graduate.⁷⁰ Disappointingly these benefits appear to be available to those who can pay rather than those with the ability to succeed.

⁶³ Crawford, C., Macmillan, L. and Vignoles, A., *Progress made by high-attaining children from disadvantaged backgrounds*, 2014

⁶⁴ OFFA, Call for Evidence Submission, 2014

⁶⁵ IPPR, *Critical Path – Securing the Path of Higher Education in England*, 2013

⁶⁶ 1994 Group, *Increasing Postgraduate Opportunities: proposals for funding*, 2013

⁶⁷ NUS, *Broke and Broken – Taught Postgraduate students on funding and finance*, 2010

⁶⁸ Sutton Trust, *The Postgraduate Premium. Revisiting Trends in Social Mobility and Educational Inequalities in Britain and America*, 2013

⁶⁹ HEFCE, *Significant increase in students entering postgraduate research with prior PG qualifications*, 2014

⁷⁰ Universities UK, *Postgraduate taught education: the funding challenge*, 2014

52. A Government-backed postgraduate loans system is essential to help those from disadvantaged backgrounds to undertake further study. To address the potential barriers to postgraduate studies, the Government is currently exploring options to support increasing participation which will report in Autumn Statement 2014.⁷¹ A Government-backed loans system for full and part-time taught postgraduate students should be rolled out quickly. The Government should also collect and publish socio-economic characteristic data on postgraduate students.

Professions

53. While opportunities for professional employment are set to grow by 2020 and beyond, access to the most elite professional jobs – consulting, IT, banking – is increasingly globally competitive. The highest-paying employers are extraordinarily selective in the universities from which they recruit.

Where employers recruit

54. Our analysis of top banks and consultancies shows they mainly recruit from highly selective UK universities which themselves recruit from a narrow pool of talent.⁷² We have heard evidence of some organisations recruiting through the “old boys’ network”, where recently recruited graduates are asked to “tap up talent” through their personal networks in their alma mater. In addition, in some sectors like law, the number of very high-end opportunities has been shrinking (for example, training contracts with City firms).

55. This excludes many able young people with potential from getting over the first recruitment hurdle, with their application being instantly dismissed simply because they have not attended the right university. This is bad for social mobility. It also means that employers risk losing out on talent – many of the best universities and teaching departments in the UK are outside of the Russell Group (for example, 4 of the top 10 universities and 8 of the top 20 universities in the *Guardian* rankings are not in the Russell Group)⁷³ and many students with excellent A-level results study in other institutions (for example, around half of students with ABB at A-level progress to universities outside of the Russell Group).⁷⁴

56. The Commission has previously called for professional firms to follow universities in considering applicants’ academic records in the context of the school they attended to broaden the search for talent beyond a small group of elite universities. There is evidence of some improvement in selection procedures among professional employers. For example, some employers now reduce UCAS points requirements for graduates who get a first-class degree.

57. The broader picture is one of limited change. Many graduates continue to be recruited using a formula that scores the number of A* and A grades at GCSE and A-level and whether the candidate went to a target Russell Group university. This practice is widely used by outsourced recruiters.⁷⁵ UCAS tariff points continue to be used crudely for screening out applicants despite the fact that two-thirds of qualifications are not included in the UCAS system.⁷⁶ This approach takes no account of the skills or knowledge gained throughout university. There is also little evidence that many of the top graduate recruiters are widening the set of universities that they recruit from, with only 10 per cent of the top graduate

⁷¹ HM Treasury, *2014 Budget*, 2014

⁷² Four international leading banks and consultancies graduate websites were analysed in August 2014

⁷³ The Guardian, *Undergraduate university guide 2015*, 2014

⁷⁴ Commission analysis using Higher Education Funding Council for England, *Recurrent Grants and Student Number Controls for 2012/13*, 2012, and *Recurrent Grants and Student Number Controls for 2013/14*, 2013. See: Social Mobility and Child Poverty Commission, *State of the Nation 2013*, 2013.

⁷⁵ Social Mobility and Child Poverty Commission, *Business and Social Mobility: a Manifesto for Change*, 2013

⁷⁶ UCAS, *Call for Evidence Submission*, 2014

employers targeting more than 30 universities while a fifth target 10 or fewer.⁷⁷ Unless these practices change there seems little likelihood of realising the potential social mobility dividend that should flow from future expansion in the number of professional employment opportunities.

58. Regional graduate employment shows that London is the most popular graduate destination with 20 per cent of graduates moving to the capital when they complete their degree. In comparison, only one in nine graduates were working in Wales and 4 per cent were from the North East of England.⁷⁸ Recent data shows lower geographic mobility for graduates from disadvantaged backgrounds. Of the new graduates working in London only 8.3 per cent were from the most disadvantaged backgrounds compared to over a quarter (27 per cent) of those from the most advantaged backgrounds.⁷⁹ Regional graduate employment rates for those from disadvantaged backgrounds (areas of low participation) were highest in North West (16 per cent), Yorkshire and the Humber and the South East (11 per cent). The prospects for social mobility will be lower if this regional concentration of professional employment opportunities continues.

Internships

59. Internships are now a vital part of getting a good job, with 37 per cent of graduates being recruited by top employers who they had previously worked for.⁸⁰ An internship, not to be confused with a work placement, is defined as “where an individual works so as to gain relevant professional experience before embarking on a career [...] the duration of high-quality internships can vary from at least six weeks to no longer than 12 months (one year), but will typically last around three months”.⁸¹

60. Internships are increasingly the first rung on the professional career ladder. There are an estimated 100,000 internship opportunities – most of which are based in London and many of which remain unpaid.⁸² Some professions remain dominated by unpaid internships. The Commission’s research found that 83 per cent of new entrants to journalism do an internship, lasting around 7 weeks and the majority (92 per cent) are unpaid.⁸³

61. If access into the professions is to become more open and fair, internships will have to be openly advertised and fairly paid.

Non-graduate entry routes

62. Many professions have looked at diversifying their social intakes by developing non-graduate entry routes. Accountancy, law and the civil service are the leaders in this field. Here there are some encouraging signs of progress with a number of firms and professions building stronger non-graduate entry routes – including Higher Apprenticeships. The overall scale is still improving in absolute numbers in 2011/2012 the number of starts was 3,700 which has risen to 9,700 in 2012/13. But this is still a minority of overall apprenticeships, roughly 2 per cent.⁸⁴ As these routes develop it is essential that they offer progression opportunities for the most talented and parity with graduate entry routes.

⁷⁷ High Fliers Research, *The Graduate Market in 2014*, 2014

⁷⁸ Higher Education Careers Services Unit, *What do graduates do?*, 2013

⁷⁹ Higher Education Careers Services Unit, Evidence submitted – Proportion of graduates employed in each region, 2014

⁸⁰ High Fliers Research, *The Graduate Market in 2014*, 2014

⁸¹ BIS, *Common Best Practice Code for High Quality Internships*, 2013

⁸² Intern Aware, Call for Evidence Submission, 2014

⁸³ Social Mobility and Child Poverty Commission, *Elitist Britain*, 2014

⁸⁴ BIS, FE data library: apprenticeships – Apprenticeship Programme Starts by Region, Level and Age (2005/06 to 2013/14 in-year estimates), 2014

Leadership

63. To address social mobility challenges in the professions, the Government has relaunched the Social Mobility Business Compact with a new Champion tier consisting of five actions which will improve social mobility. These include coordinated outreach activity; ensuring internships are paid and openly advertised; adopting fair recruitment and selection procedures; monitoring and evaluating progress; and, providing leadership and communicating best practice. We are pleased that major businesses have signed up to this challenge and Government should ensure that the businesses are adequately supported to achieve Champion status. Champion's successes should be used to embark on a serious drive to use the experiences to really change how things are done in business. Businesses from a wide range of sectors should be represented, however there is a notable absence of banking and engineering firms signed up to the Champion principles.

Our overall assessment

64. Universities and professions are no longer ignoring the challenge of fair access. That is welcome. There are a range of initiatives underway. But they are often badly focused – for example widening participation spending – and lacking in scale. As a consequence progress in opening up both universities and professions to a wider range of talent and potential has been pretty limited. But both universities and professions are set to expand their numbers in the future. By 2020 there could be 100,000 more university places⁸⁵ and 2 million more professional jobs.⁸⁶ That provides a unique opportunity to scale up current efforts to make access to the top more accessible to a broader social mix. With the right approach, higher education and professional employers can drive improved social mobility.

6.4 Towards 2020 – what is needed to make progress?

65. Universities and employers alone cannot solve all these problems. Schools, for example, have a lead role to play in enabling disadvantaged students to compete with more advantaged students by reducing gaps in attainment and by a bigger focus on developing extra-curricular activity, soft skills, work experience and advice. But Government, employers and universities have a critical role to play in ensuring that opportunities to progress to the top are more evenly available across society.

⁸⁵ Coleman, R., and Bekhradnia, B., *Higher Education Supply and Demand to 2020*, 2011

⁸⁶ UK Commission for Employment and Skills, *Working Futures 2012 to 2022: main report*, 2014

The role of different parts of society

The role of **Government** is to close attainment gaps in schools, improve careers advice and guidance, to remove financial obstacles to university attendance and to encourage fair access and to put in place sustainable regional infrastructure to support widening access.

The role of **universities** is to broaden the search for talent as far as possible, ensuring they recruit on the basis of potential rather than exam results alone including by using contextual admissions and supporting schools in raising attainment and aspirations. Universities also need to ensure students complete their courses and are able to progress to good jobs after graduation.

The role of **employers and the professions** is to ensure that their recruitment procedures are not inadvertently blocking entry of able young people from less well-off backgrounds. We have previously identified key steps, including strategic engagement with schools, paying internships, reforming selection procedures, building non-graduate routes at scale, and monitoring and publishing data on the social backgrounds of their staff.

The role of **schools** is to encourage aspiration and attainment and narrow the gap in results and opportunity for those from disadvantaged backgrounds, as we set out in Chapter 3.

The UK Government

Universities

66. The Commission's assessment is that, in relation to university access, the overall approach from the UK Government appears to be broadly headed in the right direction – but it is essential that access remains a strategic priority. Funding for widening participation remains at healthy levels and the uncapping of student numbers is an excellent opportunity to radically improve the admission of students from poor backgrounds. We are anxious, however, about the uncertain impact of A-level reforms on admissions, the future sustainability of higher education funding and lack of access to postgraduate loans. In addition, there is too little focus on graduate outcomes and reforms will be needed here.

67. University funding reforms are just beginning to fully bed in, yet debates about longer-term affordability and sustainability remain. Any future funding settlement must be social-mobility friendly and progressive. We would expect any future Government proposals to embed essential social mobility ingredients, which include: no upfront fees, income-contingent repayment, high-quality support (financial, academic and pastoral) for disadvantaged students and continued investment in widening participation. We recommend that the Commission is formally consulted on any proposals to substantially alter the higher education funding system, to test and comment on the social mobility impact. Proposals to improve postgraduate access are welcome but the Government needs to come forward with an approach that is conducive to higher social mobility.

68. The expansion in student numbers envisaged for the next few years provides a unique opportunity for universities to accelerate the closing of the gaps in access which they have been working to address. The biggest gaps are:

- Dramatic under-representation of the young people from the poorest backgrounds: with those who were eligible for free school meals while at school only around half as likely to progress to university as their peers;
- Large numbers of young people who went to state schools and are from working-class backgrounds who have the grades but do not get the places at Russell Group universities in England each year.

69. We believe that the removal of the cap on student places gives universities the chance to significantly close both gaps and we look to them to commit to doing so by 2020. How they go about doing so is – and should be – a matter for them. More direct work with schools and greater use of contextual admission procedures are likely to play a part.

70. If, collectively, universities put their shoulder to the wheel we believe that by 2020 they could close half the gap in entry between those eligible for free school meals and others, allowing over 5,000 more young people from the poorest backgrounds the chance to enter university each year, an increase of 39 per cent.

71. And if a similar effort was made by Russell Group universities in England they could by 2020 be within touching distance of becoming truly representative of those who have the grades to enter, by admitting 3,000 more students from state schools each year (an increase of 7 per cent) and 1,400 more students from working-class backgrounds (an increase of 12 per cent).

72. The removal of the student numbers cap makes these challenging but achievable objectives. We look to individual universities, their representative bodies and government to work together to make a reality of them by 2020.

73. Given the substantial financial investments in widening participation, we have three observations on how funding can be better focused to improve access outcomes and accountability

74. First, reforms to widening participation funding. Current funding for widening participation has remained healthy despite reductions. Currently £735 million is invested in access. Any efforts to reduce future levels of investment in widening access would do no favours to improving the numbers of disadvantaged students. Refinements should instead be made to how those resources are used. Specifically, as we suggested in Chapter 3, we recommend reallocating a small proportion of existing widening participation funding to incentivise high-quality teaching in disadvantaged schools to help more students from disadvantaged backgrounds get the grades they need to enter higher education. In addition, we look to both Government and universities to bring about a switch in the proportion of widening participation funding being used to support strategic partnerships between universities and school. At present 17 per cent supports access activity including schools engagement. By 2020 we expect it to be nearer 25 per cent.

75. In addition, there needs to be a greater focus on outcomes. For example, the Student Opportunity Allocation is an important funding mechanism to reward and support institutions which recruit high numbers of disadvantaged students. Currently this funding focuses on rewarding inputs (i.e. numbers of disadvantaged students recruited) rather than recognising outcomes (i.e. student achievement or long-term student employment). We recommend rebranding this funding as a Widening Access Student Premium and linking it more strongly to outcomes.

76. Second, reforms to get universities better focused on improving student outcomes. Increased fees and a more competitive graduate labour market mean it is even more important to focus on what universities are contributing to employment outcomes for their students, especially those from disadvantaged backgrounds. Recent research suggests employment outcomes for less advantaged graduates tend to be worse than for others.⁸⁷ One proposal to address this is the development of a Social Mobility Graduate Index which measures institutional success on outcomes for graduates from disadvantaged backgrounds.⁸⁸ This concept is well founded, but the methodology requires refinement and there is a lack of data linkage between the information that Government, and others, collect (e.g. National Pupil Database, HESA, UCAS, Student Loans and HMRC data) to allow detailed measures to be created. Linking this data and publicly reporting on it would give a more sophisticated understanding of graduate destinations. Government should seek to link these data sets and publicly report on labour market outcomes by institution and course. There are no insurmountable reasons why this cannot be done – indeed, it happens already in the USA.⁸⁹

77. We recommend the Government commits to creating a robust Social Mobility Graduate Index which measures institution's progress on graduate destinations for those from disadvantaged backgrounds. Such an index could be used to reward and incentivise institutions to achieve positive outcomes for this cohort. We would like to see improved data linkage to report on employment and salary outcome data for graduates, particularly those from disadvantaged backgrounds, by institution and course type.

78. Third, reforms to strengthen the role of the OFFA. OFFA is the statutory independent watchdog on fair access, holding universities to account primarily through its role in approving annual access agreements detailing the activities universities will undertake to widen participation, the investments they will make to do this and the outcomes they hope to achieve. This role and purpose remains highly relevant and we welcome the shift over the last few years towards a stronger focus on outcomes rather than inputs and activity. The Government should continue to ensure that OFFA has adequate resources and powers to perform this important accountability role.

79. We have previously called for Britain's universities to take a strategic and meaningful approach to widening access to have impact. To that end, we recommend that universities produce three-year strategic access agreements which have ambitious targets to improve access by 2020. OFFA should annually monitor and publicly report on institutions' progress. Where institutions are not performing well OFFA should be empowered to ensure that appropriate action is taken.

⁸⁷ Centre Forum, *Higher Education as a tool of social mobility: reforming the delivery of HE and measuring professional graduate output success*, 2014

⁸⁸ *ibid*

⁸⁹ College Measures (<http://www.collegemeasures.org/>) gives information on the income earnings of graduates two and four years after graduation

Summary of OFFA impact

OFFA ensures that universities are held accountable and remain focused on improving access. They do this by annually agreeing university access agreements for any institution charging more than £6,000 in fees. OFFA had the following impact on approving access agreements this year:

- Renegotiated 33 institutions' agreements, with 21 institutions on spending levels and 16 on targets. This secured an **additional £9 million spend on access agreements**;⁹⁰
- Rebalancing of widening access spending towards access activities away from financial support. Investments in access, student success and progression activities has gone up 32 per cent to £323 million (from £243 million) and financial support has reduced by 10 per cent to £412 million from £464 million.

In 2014, the Department for Business, Innovation & Skills (BIS) launched a new national strategy developed by HEFCE and OFFA on widening participation. This strategy looks promising and advocates an evidenced-based and whole student lifecycle approach.⁹¹

80. The expansion of postgraduate provision and existing financial barriers for students from disadvantaged backgrounds creates a strong argument that OFFA's remit should cover access to postgraduate study. This would be in keeping with the student lifecycle approach and would ensure that barriers to access are considered at all levels of study in an institution. Collecting and publishing socio-economic characteristic data for postgraduates would help here.

Professions

81. When it comes to the professions, the **Government's relaunch of the Social Mobility Business Compact with a Champion tier** is very welcome. Here Government should lead from the front and aim for all departments to sign up to the Champion tier of the Compact and demonstrate that being a social-mobility friendly employer is possible.

82. Government also has a role in relation to unpaid internships. They are still widespread and need to end. Currently there is little explicit guidance to prevent unpaid internships and what guidance exists is not enforced. Over a quarter of employers use unpaid interns and 82 per cent of these consider interns' contributions to the workplace as "essential".⁹²

83. Businesses have called for much clearer guidance on paying internships. Sixty five per cent of businesses said they would welcome a ban on unpaid internships of more than 4 weeks.⁹³ The law around internships is complicated and poorly understood by employers – internships are not defined in legislation and whether an intern is eligible for the National Minimum Wage hinges on whether they are a "worker" or a "volunteer" as defined in the legislation, something that can only be determined on a case-by-case basis. The Commission believes that most interns are likely to be "workers" under the National Minimum Wage Act 1999 meaning that they should be paid at least the National Minimum Wage.

⁹⁰ OFFA, *Access agreements for 2015/16: key statistics and analysis, 2014*

⁹¹ HEFCE and OFFA, *National strategy for access and student success in higher education, 2014*

⁹² Intern Aware, *Call for Evidence Submission, 2014*

⁹³ YouGov polling conducted in 2014 on behalf of Intern Aware, 2014

84. Evidence also suggests that enforcement could be strengthened. There were 3,750 complaints about minimum wage infringements in 2012,⁹⁴ but fewer than 60 cases were investigated.⁹⁵ Of course, where an intern's future career hinges on the success of an internship – or indeed where they gain from excluding people who cannot afford to work for free from the labour market – they are unlikely to challenge unscrupulous employers. We recommend rigorous enforcement of existing National Minimum Wage legislation and a robust clampdown on unpaid internships which should be paid. If positive progress is not made in the next 12 months then legislation clearly banning unpaid internships lasting longer than 4 weeks should be introduced.

85. Government could also do more in its role as an employer. The Government deserves a lot of credit for collecting and publishing data on the civil service graduate recruitment scheme (the Fast Stream). It is ahead of most other professions in this respect but it is still not fulfilling its commitment in the 2012 update to the Social Mobility Strategy to collect and publish data for **existing** senior civil servants. This is disappointing and something we hope will be resolved in short order.

86. As we highlighted earlier in this chapter, only 30 new recruits out of 864 entrants to the Fast Stream in 2013 – 3.5 per cent – were from working-class backgrounds. Applicants from working-class backgrounds are less than half as likely to be successful in their application as those from middle-class backgrounds. There are particular issues with the main scheme recruiting generalist civil servants, where only 3 out of 357 entrants 0.8 per cent – were from working-class background. These are disturbing findings and it is disappointing that tackling this issue was not highlighted as a bigger theme in the recent civil service Talent Action Plan.⁹⁶ The civil service must carry out serious analysis to understand why performance is so bad (including exploring whether there are aspects of the selection procedures that inadvertently prevent working-class applicants from succeeding) and urgently come forward with a strategy to improve things. Collecting data is a very welcome first step but can only help improve things if the issues it has revealed are resolved, to ensure all those with the potential to apply the Fast Stream get in and can succeed in progressing up through the civil service ranks.

⁹⁴ Department for Business Innovation and Skills, *Freedom of Information Request 10 February 2014*, 2014

⁹⁵ HM Revenue and Customs, *Freedom of Information Request 30 January 2014*, 2014

⁹⁶ Cabinet Office, *Talent Action Plan: Removing the Barriers to Success*, 2014

Recommendations for the UK Government

- Universities should be encouraged to use the opportunity of the removal of the student numbers cap to significantly close the access gap so that by 2020 they are aiming to admit 5,000 more students from a free schools meals background and by Russell Group universities aiming to admit 3,000 more state school students who have the grades but currently do not get the places;
- **Increase the proportion of widening participation funding being used to support strategic partnerships with schools.** By 2020 a quarter of access funding should support outreach activity including strategic engagement with schools;
- Ensure widening participation funding rewards and incentivises positive outcomes in social mobility by **developing a robust Social Mobility Graduate Index** to measure universities' success in improving social mobility and adding value;
- **Move quickly to put in place a new postgraduate loans system** that is social-mobility friendly;
- **Strengthen OFFA by moving to strategic three-year access agreements with ambitious access targets which are annually monitored and reported on. OFFA's remit should be widened** to cover postgraduate education;
- Ensure rigorous enforcement of existing National Minimum Wage guidelines to **clampdown on unpaid internships** and, if rapid progress is not made legislation banning unpaid internships should be introduced;
- Continue to fully support the Champion tier of the Social Mobility Business Compact and **lead the way on social mobility** not least by signing up all Government departments to it.

The Scottish and Welsh Governments

87. In **Scotland**, the Scottish Government has taken a number of steps to improve entry for the most disadvantaged young people. Recently legislation was passed (Post-16 Education (Scotland) Bill) which places a duty on universities to establish widening access agreements as a condition of a grant for funding. These agreements focus on improving the intake of students from lower socioeconomic groups. In 2014/15 a further 730 places in widening access (roughly 2 per cent of total student places) and 1,031 funded places in articulation (a strategy which supports progression from further education to higher education) were created.⁹⁷

88. In 2013 it was estimated that at least £30 million was invested in widening access and activities in Scotland.⁹⁸ There are a number of regional programmes which support progression to higher education in Scotland – for example, Lothians Equal Access Programme for Schools (LEAPS) and Focus on College and University Study in the West of Scotland (FOCUS West) which focus on improving the progression of secondary school pupils to higher education. REACH Scotland is a national project which aims to increase access to high demand professional areas, including Medicine, Veterinary Medicine, Law and Architecture. REACH aims to raise awareness of and to encourage, support and prepare secondary school pupils from senior secondary schools (years S4–S6) from disadvantaged backgrounds wishing to pursue a professional degree at one of five universities.⁹⁹ We have

⁹⁷ Scottish Government, Call for Evidence Submission, 2014

⁹⁸ *ibid*

⁹⁹ *ibid*

heard some reports that better regional coordination between universities would be helpful. For example, not all of the summer schools (which can help improve access to university) are recognised by every Scottish university.

89. In the context of a system where Scottish students are not charged any fees, it is striking that entry to university in Scotland appears as socially polarised as it is in England. In 2012/13 9.7 per cent of the most disadvantaged entered higher education compared to 32.5 per cent of the most advantaged.¹⁰⁰ Over half of deprived young people (51.1 per cent) undertake higher education in college not university. Only 16 per cent of the most deprived students study in ancient or newer universities.¹⁰¹

90. Emerging evidence suggests that the poorest graduates leave university with more debt than more advantaged graduates. From 2013/14 maintenance grants have been reduced and student loans increased, resulting in the highest student debt for those from the lowest income backgrounds.¹⁰² Grants for the poorest students (those from families earning less than £16,000 per year) have been reduced by about one-third from £2,650 in 2012/13 to £1,750 in 2014/15. Grants for mature students have historically been lower and these have reduced from £1,000 in 2012/2013 to £750 in 2014/15. Calculations show that the poorest young people will have to borrow £23,000. Scottish students do not necessarily graduate with less debt than all other parts of the UK. Recent research states that “even in the absence of tuition fees, levels of final debt for low-income Scottish students who study in Scotland are comparable with and, in certain cases, higher than debt levels for similar students from the other devolved administrations”.^{103, 104}

91. Finally, the Scottish Government should commit to developing a clear widening participation indicator framework to measure progress and for this to be comparable with the rest of the UK. It has been difficult to access clear and timely data which reports on young people’s entry to university, particularly for those from disadvantaged groups. For example, the Young People’s Participation rate is not reported by socioeconomic class and the latest available data at publication was from 2011.

92. In **Wales** the Government has committed that no full-time student will pay higher fees during the lifetime of the next Assembly than they would have done in 2010/11 irrespective of where they study. A non-means tested maintenance grant and loan for Wales-domiciled full-time undergraduate students is provided, while maximum fees charged by Welsh Higher Education (HE) institutions are capped at 2010 levels.

93. Wales has introduced statutory tuition fee plans, which advise universities to spend at least 30 per cent of their fee income on widening access. The Higher Education Funding Council for Wales (HEFCW) has responsibility for monitoring and assessing progress. The all-Wales Reaching Wider initiative, established in 2002, has helped to widen access to learning and to support social inclusion and economic upskilling. All universities and further education colleges in Wales are members of one of the three Reaching Wider partnerships, which bring together universities with regional partners, including local authorities, schools, the voluntary sector, the Open University in Wales and Careers Wales.

¹⁰⁰ Scottish Funding Council, *Participation indicators for Scottish HEIs – Table 2: Young Scottish-domiciled entrants to full-time undergraduate courses at Scottish HEIs from socio-economic classification (SEC) classes 4 to 7, 2011/12 to 2012/13, 2014*

¹⁰¹ Scottish Funding Council, *Higher Education Students and Qualifiers at Scottish Institutions, 2012/13: Table 25a. Scottish domiciled entrants to higher education by deprivation classification and institution type 2011/12, 2014*

¹⁰² Hunter Blackburn, L., *The Support For Scottish Students In Full-Time Higher Education In 2014/15, 2014*

¹⁰³ *ibid*

¹⁰⁴ Riddell, S., Raffe, D., Croxford, L., Weedon, E., and Minty, S., *Widening Access to Higher Education: Scotland in UK Comparative Context, 2013*

94. A widening access initiative to improve access for Welsh students to Oxbridge has been established. In 2013 Paul Murphy MP was appointed as Oxbridge Ambassador to improve access to these institutions for disadvantaged students and recommended creating special hubs to improve access. Currently the Welsh Government is developing a small number of pilot hubs with the intention of scaling them up in 2015.¹⁰⁵

Recommendations for Scotland and Wales

The **Scottish Government** should focus on closing the access gap between the most advantaged and disadvantaged with rigorous evaluation of its widening access strategy to ensure annual reporting of progress. By 2020 at least 10 per cent of the most deprived school pupils should progress to ancient universities. In particular, the Scottish Government needs to ensure timely data which reports on the entry rate into higher education and which clearly distinguishes entry by college and university and socioeconomic characteristics.

The Scottish Government should also review the total financial support package for the most disadvantaged undergraduate and postgraduate students, particularly in relation to recent reductions in maintenance grants.

The **Welsh Government** should develop a clear five-year strategy for improving access in Wales which focuses on closing the access gap. The Welsh Government should ensure that they set challenging targets in line with England for progression for those from disadvantaged groups to university. Funding should be targeted into programmes and strategies which are proven to work. By 2020 the Wales should ensure that progression to university rises to at least 40 per cent.

Universities

95. In the next few years, universities have the opportunity afforded by an expansion in student numbers to make major inroads into the fair access and widening participation problem. Thankfully they are increasingly recognising the need to widen their intake and are investing significantly to help achieve this goal. We welcome that. In 2015 they will be investing £735 million in 2015/16 access agreements.¹⁰⁶

96. But the pace of change remains too slow and there is still much to be done in making access to universities fairer and more representative of wider society. To improve and to seize the social mobility opportunity of an expansion in student numbers, universities need to work more collaboratively with schools, use initiatives that are proven to work (or commit to building an evidence base), and commit to using contextual information.

97. It is widely recognised that universities alone cannot solve the widening access problem. To widen opportunities for young people to access higher education, universities need to work strategically and collaboratively with schools. A new national network of local partnerships was recently launched and is funded for one year and costs £22 million. Each local partnership has a single point of contact for schools and colleges that are interested in outreach.¹⁰⁷ Efforts to coordinate activity are positive but need to be put on a sustainable footing to ensure maximum impact, and to achieve this local partnerships should also ensure:

- All schools in all areas are targets, not just those nearest to a higher education institution;

¹⁰⁵ Welsh Government, Call for Evidence Submission, 2014

¹⁰⁶ OFFA, *Access agreements for 2015/16: key statistics and analysis*, 2014

¹⁰⁷ HEFCE, *National networks for collaborative outreach*, 2014

- Engagement between schools and universities is coordinated to avoid a flood of multiple interventions which could dilute impact;
- There is an intelligence-led approach to targeting schools including focusing on schools with low progression and high proportions of disadvantaged young people;
- Engagement with schools in primary and secondary school, ensuring activity is focused at stages where most impact can be made (for example, well in advance of pupils choosing GCSE subjects).

98. Several stakeholders have raised concerns over the short-term nature of this investment. Other concerns relate to the lack of coordination between schools, universities, further education colleges and employers. The new single point of access provides an excellent opportunity to improve linkage between these three actors which could radically improve engagement with young people and schools. We strongly recommend that HEFCE ensures its investment **builds a sustainable regional network** to facilitate effective and strategic engagement and coordination between universities and schools. In the longer term such a network should establish links with other partners to help coordinate engagement with employers.

99. Significant sums are invested in widening participation which means it is critical to know what works and that investments are producing a social mobility payback. Previous research highlighted that the efficacy of bursaries and fee waivers have limited impact on attracting students into higher education. Rebalancing investment to allow greater support for widening participation activities is needed and expenditure is moving in that direction. Outreach funding increased from 10 per cent of agreements in 2009/10, to 13 per cent in 2011/12 and 2012/13, and thereafter will steadily increase to 20 per cent by 2018/19.¹⁰⁸ We would like to see that trajectory speed up so that by 2020 universities are spending 25 per cent of their widening participation funding on access activity which includes supporting strategic and targeted engagement with schools.

100. The increasing number of programmes concentrated on improving pupils' poor attainment is very welcome. Third sector schemes, such as IntoUniversity and the Brilliant Club, are all trying to improve the grades of disadvantaged students and increase the awareness of the higher education options. Universities and schools should continue to support these types of programmes and ensure robust evaluation.

¹⁰⁸ OFFA, Call to Evidence Submission, 2014

¹⁰⁹ Brilliant Club website, 2014: <http://www.thebrilliantclub.org/>

Promising programmes which boost attainment and entry to top universities

The Brilliant Club

The Brilliant Club offers a model which blends aspiration raising, mentoring and improvements in attainment by linking PhD students with challenging schools in low-participation neighbourhoods. PhD students are from elite institutions and work with students in Key Stage 2 through to Key Stage 5.

In 2012/13 the programme recruited over 150 PhD tutors to deliver programmes of university-style learning to 2,687 pupils (one-third were entitled to free school meals) in 100 non-selective state schools across London, the South East and the West Midlands.

Results are promising: three-quarters (75 per cent) of sixth-form pupils applied to a highly selective university, with 45 per cent now studying at a highly selective university.¹⁰⁹

IntoUniversity

IntoUniversity provides local learning centres where young people are inspired and helped to achieve. At each local centre IntoUniversity offers an innovative programme that supports young people from disadvantaged backgrounds to attain either a university place or another chosen aspiration.

The charity provides three strands of support comprising academic, FOCUS and mentoring:

- **Academic** work provides help with homework, coursework and exam revision and uses a target-based approach to improve literacy and numeracy;
- **FOCUS** involves subject-based aspiration and awareness-building workshops for young people aged 9 to 18. The Primary FOCUS programme includes experiential workshops and inspiring visits to cultural institutions, which most of our students have never accessed before;
- **Mentoring** includes several strands combining university and pupil mentoring which focus on improving reading, writing and maths skills and also enables students to develop their confidence and interpersonal skills by taking part in social activities. Corporate mentoring pairs young people in Year 13 with trained volunteer professionals who support their transition to university and first year of study. Through our two-day Buddy Programme pupils in Years 8 and 9 take part in subject-based activities led by an undergraduate.

Over three-quarters (77 per cent) of IntoUniversity students progress to university compared with the national average for maintained (state) schools of 34 per cent.¹¹⁰

101. One way to unlock access to universities for disadvantaged young people is a much more assertive, rapid **and transparent adoption of contextual admissions**. In 2012, there was a call for greater use of contextual admissions.¹¹¹ Since then there is an emerging picture of contextual admissions practices being used in some form, although they appear to seldom result in lower grade offers.¹¹²

¹¹⁰ IntoUniversity website, 2014: <http://www.intouniversity.org/>

¹¹¹ Milburn, A., *University Challenge: How Higher Education Can Advance Social Mobility*, 2012

¹¹² IPPR, *Critical Path – Securing the Path of Higher Education in England*, 2013

102. As the Commission has previously argued, grades alone are not enough to adequately identify those with the talent and potential to succeed in higher education. New research reaffirms that the use of contextual admissions is a proven means of identifying potential from under-represented groups (see box below).¹¹³

New research confirms importance of contextual admissions to help identify potential not privilege

Three new compelling research studies this year underline the importance of contextual admissions, confirming previous research suggesting that the most disadvantaged students generally outperform their better-educated peers from independent schools and more advantaged state schools if they get the opportunity of a university place.

- A new study found that controlling for qualifications, subjects and grades attained at Key Stage 4, young people from high-performing schools are more likely to drop out, significantly less likely to complete their degree and are significantly less likely to achieve a high degree class compared with similar students from more disadvantaged backgrounds;¹¹⁴
- New HEFCE analysis found that state school students tend to do better in their degree studies than students with the same prior educational attainment from independent schools. HEFCE found that 70 per cent of state school students with three B grades at A-level gained a top degree compared with 61 per cent of privately educated young people;¹¹⁵
- A Scottish study found that entrants with three As at Higher from lower than average performing schools were more likely to gain a First or upper Second class degree than those who attended above-average performing schools. They found that had these students attended a more advantaged school then their results would have been higher.¹¹⁶

These studies build on previous research including that from Bristol University, which tracked student achievement of different groups of students and found that students from state schools, low-performing schools and low-participation neighbourhoods tended to be admitted on slightly lower A-level results but went on to score above average in their degrees.¹¹⁷

103. In light of the new evidence, the Commission calls on all universities to redouble their efforts in developing transparent policies on contextual admissions which will have a real impact on improving the intake of disadvantaged young people. There needs to be much bolder, clearer and transparent adoption of contextual admissions by all institutions including making adjusted grade offers to disadvantaged students.

104. Removal of the student numbers cap gives a real opportunity for universities to expand their use of contextual admissions. The cap removal means institutions can no longer say they do not have enough places to recruit disadvantaged students or use contextual admissions.

¹¹³ Crawford, C., *The link between secondary school characteristics and university participation and outcomes*, 2014

¹¹⁴ HEFCE, *Differences in degree outcomes: Key findings*, 2014

¹¹⁵ Lasselle, L., McDougall-Bagnall, J., and Smith, I., *School grades, school context and university degree performance: evidence from an elite institution*, 2014

¹¹⁶ Hoare, A. and Johnston, R., *Widening participation through admissions policy – a British case study of school and university performance*, 2010

Universities should use this opportunity and develop innovative ways of increasing the numbers of disadvantaged entrants.¹¹⁷

105. We have heard evidence about a number of **barriers to the more widespread use of contextual data.**

- First, **clearer and more specific information on the UCAS application form** could help encourage greater use of contextual admissions practices. For example, institutions do not know if applicants are from free school meal backgrounds. This is essential information and is important to understand an applicant's background. We strongly recommend that UCAS acts quickly to ensure that institutions receive adequate information, such as free school meal status, to enable the adoption of contextual admission practices and aid the identification of widening participation students;
- Second **crude university league tables may act as a deterrent to universities adopting contextual admissions processes** and actually reward poor performance in widening participation. Using entry tariff points to rank universities in league tables is common; for example, the *Guardian* university league table¹¹⁸ includes entry tariff as one of its nine criteria to rank universities. Several stakeholders have reported a perception that giving lower offers could affect a university's placing in the league tables, which is a crucial driver for universities. One senior stakeholder told us "admissions officers are reluctant to make too many contextual offers because it might affect a university's place on a league table". Indeed, we are aware that many universities market themselves based on how academically selective they are and we have heard evidence that some universities set a high standard offer which they quietly drop to fill places.

106. In practice this may be one factor leading universities to shy away from contextual admissions and to institutions inflating grades to maintain an advantage. Conversely, there are no factors in league tables to reward or incentivise universities to prioritise widening participation. We believe that compilers of league tables themselves should remove the entry tariff as part of the criteria to rank universities. They should proactively create a new criterion that rewards and incentivises institutions to use contextual admissions.

Prestigious international institutions use contextual admissions

A greater use of contextualised admissions does not result in lower standards. Quite the reverse. Leading American universities, including Harvard, Yale and Princeton, have adopted these practices. There has been no demonstrable drop in academic quality and these institutions publically advocate these practices:

*"In deciding which students to admit, [universities] consider all aspects of their applicants both as individuals and also in relation to other potential members of the incoming class. That review is intended to produce a student body that is talented and diverse in many ways, including in intellectual interests, geography, socioeconomic status, background and experience (including race and ethnicity), perspective and areas of accomplishment."*¹¹⁹

107. Preparing students for employment should be a core part of what universities do. Yet too few universities are providing students with fulfilling work experience. Good quality work experience integrated into a degree is still the exception not the norm. One way to do this is sandwich courses – where a year or more of a course is spent outside of a university

¹¹⁷ Internal Department for Education analysis carried out on behalf of the Commission

¹¹⁸ The *Guardian*, *University League Table 2014*, 2014

¹¹⁹ IPPR, *Critical Path – Securing the Path of Higher Education in England*, 2013

working for an employer. Half of this type of provision is concentrated in University Alliance institutions.¹²⁰ Work experience improves graduate employability and gives an average £3,000 wage premium.¹²¹ Universities UK and the UK Commission for Employment and Skills (UKCES) have highlighted that collaborations between employers and universities are beginning to flourish and have showcased 12 case study examples. There are vast benefits for graduates and employers for joint working between universities and industry. Ultimately it leads to a higher skilled graduate which in turn supports better productivity. Joint working of this sort works best when there is strong, clear and identifiable business need, strategic commitment from both universities and employers, and partnerships that are tailored to business needs.¹²² We recommend that universities develop their work experience provision and continue to focus on graduate employability, particularly for students from disadvantaged backgrounds.

108. Improving social mobility requires universities to play their part in ensuring that their graduates are fully equipped for the world of work. Just as schools need to be more focused on developing the so-called soft skills that equip students for life beyond the classroom, universities need to turn their minds to what more they can do to improve their graduates' employability prospects. We believe that Universities UK and other sector representative bodies should come together to review this.

Recommendations for universities

- Universities should use the opportunity of the removal of the student numbers cap to significantly close the access gap so that by 2020 they are aiming to admit 5,000 more students from a free schools meals background and by Russell Group universities aiming to admit 3,000 more state school students who have the grades but currently do not get the places;
- **Increase the proportion of widening participation funding going to building partnerships with schools.** A quarter of access funding should be dedicated to outreach activity by 2020 to support strategic engagement with schools;
- **Improve the employability skills of their students including scaling up existing employer and university partnership working;**
- HEFCE should support universities to **establish sustainable regional access networks to enable strategic engagement between schools and universities.**

Employers and the professions

109. Over three-quarters of young people from disadvantaged backgrounds think a professional career is not for them.¹²³ Although there are employers across the UK taking action on social mobility in 2014, only one in five top graduate employers had targets on social mobility.¹²⁴ These statistics underline the fact that there is much work to be done on opening the professions to all those young people, irrespective of background, who have the potential,

¹²⁰ University Alliance, *Job Ready: universities, employers and students creating success*, 2014

¹²¹ Individuals who attended four or more engagement activities will earn on average £3600 more than their peers who did zero activities. Source: Percy, C. and Mann, A., *School-mediated employer engagement and labour market outcomes for young adults: Wage premium and NEET outcomes*, 2014 [presentation]

¹²² Universities UK and UKCES, *Forging Futures: Building higher level skills through university and employer collaboration*, 2014

¹²³ Association of Certified Chartered Accountants, Call for Evidence Submission, 2014: based on a survey of 1,500 disadvantaged young people who said they did not think it likely they would become a professional in the legal, business, learning and development, financial or construction sectors

¹²⁴ High Fliers Research, *The Graduate Market in 2014*, 2014

drive and skills to succeed. The Commission has previously made five asks of employers in the professions: engage strategically with schools; end unpaid internships; reform recruitment and selection practices; offer high-quality non-graduate routes; and, monitor data on the social backgrounds of applicants, recruits and employees.

110. Overall, five years on from the Panel on Fair Access, progress is mixed across all the professions with regard to our five asks. On a positive note, several major employers have signed up to a challenging set of asks to deliver real improvements in social mobility by joining the Champion tier of the Social Mobility Business Compact. For full success businesses from a wide range of sectors should be represented, however we note the current absence of banking and engineering firms signed up to the Champion principles.

Strategic engagement with schools

111. There has been some work done to engage strategically with schools. In **Accountancy** the sector has sought to improve advice and guidance to enter the profession. Information packs have been sent out to schools and an ambassador scheme has been established. This sends existing accountants to “tell their story” in schools and universities to inspire young people to enter the profession. In **Banking**, the creation of school leaver programmes at firms such as J.P. Morgan and Bank of America Merrill Lynch is welcome and this schemes like these should be rolled out across retail and investment banks.

112. We recognise the difficulties both employers and schools can experience in developing long-term relationships that are mutually beneficial. One problem we hear commonly reported is that in some areas schools are inundated with requests for ad hoc engagement between employers and schools and there are “cold spots” in some areas. By 2020 all leading employers in the professions should have clear strategies to engage strategically with schools which include a menu of activities including formalised and openly advertised work experiences.

Unpaid internships and work placements

113. Unpaid internships continue to proliferate particularly in the **media** sector where over three-quarters of recent entrants to journalism started work after having completed unpaid internships.¹²⁵ We want to see employers ending the practice of unpaid internships. We hope that this can be achieved without the need for new legislation.

114. Work placement opportunities can improve young people’s understanding of what is required to enter a profession. In the last year **accountancy** has launched a national work experience programme. In April 2014 the Access Accountancy scheme was launched with 17 employers and six professional bodies. It is expected that by 2019 there will be over 3,750 high-quality work experiences. The scheme’s eligibility requirements include attending a state school and being eligible for free school meals.

115. For **medicine**, Health Education England recently launched its widening participation strategy.¹²⁶ Work experience is a key plank of this and NHS employers are being encouraged to sign up to the new work experience programme PRACTISE which builds upon the legal profession’s successful PRIME initiative. The Commission urges **all** NHS employers to adopt this work experience programme and focus on providing students from lower socioeconomic groups with high-quality work experience. We plan to report on the uptake across all health boards next year.

¹²⁵ Social Mobility and Child Poverty Commission, *Elitist Britain*, 2014

¹²⁶ Health Education England, *Widening Participation Strategy*, 2014

Reforming recruitment and selection practices

116. Across all professions, the top employers still recruit from a narrow set of universities. We recognise the challenges for employers in visiting all universities. But too little is being done to widen the talent pool from which they recruit. One way of making progress would be for graduate recruiters to hold regional and/or city recruitment events and invite students from all institutions in those areas. We plan in our next report to assess and report on which of the top employers in the country are expanding the pool of universities from which they recruit and which are not.

117. In **Medicine**, since the 2012 report by Professor Jennifer Cleland *et al*,¹²⁷ there has been slow progress in advancing the use of contextual admissions practices across medical schools. Forthcoming research will report on the most effective ways to fairly recruit talent. Now is the time for **all medical schools** to quickly implement fairer recruitment practices and roll out the use of contextual admissions with vigour.

118. There is appetite within **law** to change practices to improve social mobility, but initiatives are not yet showing results needed to create real change. A small number of firms have adopted name and CV blind interview practices which have transformed recruitment outcomes, but these practices remain the exception not the norm. One senior legal representative told us firms avoid using these practices by reasoning that “we can’t compromise on standards”, when actually they mean “we don’t want to change”. Such excuses are disappointing and we would welcome evidence that the top law firms are stepping up and showing increased leadership to improve recruitment and selection.

Reforming recruitment practices can diversify the talent intake

Grant Thornton UK LLP, a leading graduate employer, took the bold move of removing academic criteria from all entry level programmes. Instead they developed an innovative process which assesses academic achievement, alongside non-academic achievements and explored values. The business views candidates’ academic achievements in the context they were achieved.

Changes in the recruitment practices have resulted in hiring talent who would have previously been discounted. In their most recent intake 12 per cent of the intake would not have previously been considered due to rigid academic entry requirements. Of this 12 per cent, a quarter achieved a 2:2 degree classification and over a half under 300 UCAS points. Reformed selection practices enabled these recruits to successfully demonstrate excellent potential in terms of both their ability and fit across broader areas of achievement.

The employer sees continued support as crucial to ensuring successful applicants progress in their career: “beyond the initial job offer, we recognise that we have a real responsibility to set up our new recruits for success in their career. We are currently reviewing our internal support networks to create a solid platform for personal development, coaching and growth”.

¹²⁷ Cleland, J., Dowell, J., McLachlan, J., Nicholson, S., and Patterson, F., *Identifying best practice in the selection of medical students (literature review and interview survey)*, 2012

High-quality non-graduate routes

119. The **media** has made some positive progress on creating other routes into the profession. The BBC's trainee scheme is positive and has 140 graduate trainees and 74 apprenticeships. By the end of this licence fee period there will be 170 apprenticeships. A stronger focus on improving the socioeconomic diversity of future intakes would be beneficial.

120. The **accountancy** sector's involvement in apprenticeships is positive, for example in the Trailblazers apprenticeship programme. Programmes like Deloitte's Bright Start programme¹²⁸ is one example of a successful non-graduate route into the profession. The five-year programme is aimed at A-level entrants who qualify as accountants.

121. Although the graduate entry route to the **civil service** remains highly selective, there are a number of other encouraging initiatives which are seeking to break the barriers of entry. The Civil Service Fast Track Apprenticeship Scheme is welcome progress. The Summer Diversity Internship Programme (SDIP) provides paid internship opportunities and is targeted at black and minority ethnic (BAME) and under-represented socioeconomic groups. Since 2012 there has been an improvement in the participation from lower socioeconomic groups, but still fewer than half (46 per cent, up from 30 per cent) were from these groups. In the last four years at least 100 SDIP interns have become Fast Streamers, but the proportion from lower socioeconomic groups is unknown. In 2015, a new spring internship for first year undergraduates is being launched which will be targeted towards lower socioeconomic groups and BAME applicants. We strongly recommend that the civil service ensures these programmes are targeted to applicants from lower socioeconomic backgrounds.

122. Non-graduate routes in **law** are still less advanced, in part because of regulatory barriers although the Solicitors Regulation Authority is currently undertaking work to have apprentices in place through the Trailblazer programme by 2017.¹²⁹

123. A growing number of programmes like this are emerging and we view this development as welcome. In our report next year we plan to assess each professional sector – and major employer – for evidence that they are developing non-graduate entry routes.

Data and monitoring

124. The refreshed Social Mobility Toolkit produced by *Professions for Good*¹³⁰ is a very helpful tool for employers, especially in its development of simple staff surveys that businesses can use to monitor the social background of staff and new recruits to assess how well they perform, identify issues and evaluate programmes aimed at supporting social mobility. An increasing number of employers are now collecting this data which is great news. But these employers are still the exception and this now needs to become the norm.

125. **Media** remains a very weak area where there is very little monitoring to speak of. By contrast, we welcome the **medical, accountancy and law** sectors' efforts to collect and publish data on social background of their staff at each level. Company level data and existing staff data would be a welcome evolution. The new Champions in the Social Mobility Business Compact should provide leadership here. Fuller and richer socioeconomic data from across the professions would be welcome.

¹²⁸ Deloitte Bright Start Programme: <http://mycareer.deloitte.com/uk/en/schools/brightstart>

¹²⁹ Law Society, Call for Evidence Submission, 2014

¹³⁰ Professions for Good: <http://www.professionsforgood.com/>

Recommendations for employers and the professions

- **By 2020 all leading employers in the professions** (including law, media, accounting, civil service, banking and science and engineering) should have implemented the Champion tier principles from the Social Mobility Compact.
- **Develop longer-term relationships with schools** which include formalised and openly advertised work placements;
- **End the practice of unpaid internships;**
- Report next year on what they have done to **expand the pool of universities from which they recruit;**
- More professional employers should put in place non-graduate entry routes into high-skilled roles – by 2020 at least 10 per cent of apprentices are Higher Apprentices;
- **All NHS employers should adopt the new work experience programme** and focus on providing students from lower socioeconomic groups with high quality work experience;
- **Collect and publish socioeconomic data** about their employees and about applicants and new entrants to their graduate recruitment schemes.

6.5 Conclusions and recommendations

126. The more open the top of our society can become the less divided we will be as a nation. Improving fair access to our country's universities and professions should be a national imperative. Today, however, access to the top remains too closed. Britain remains an elitist country. A wide pool of talent in society simply does not get a fair chance to either get into a top university or a top career.

127. There are, however, good reasons to be optimistic about future prospects for progress. Over recent years both universities and professions have increasingly come to grips with the necessity to do more to improve social mobility in Britain. In the next five years they have a unique opportunity to do so. Both our universities and our professions will expand in the numbers of people they recruit. That could produce a huge social mobility dividend for Britain. But it requires concrete action on the part of universities, employers and governments to ensure that opportunities to advance to the top are more fully opened up. If, together, they can seize the moment, social progress can be made.

What worked and what did not work 2010-2015?

What worked?

- There has been **improved access of the most disadvantaged young people to university in England**, but from a very low base;
- The **new fee regime is not having the negative impact** on participation of disadvantaged young people that was initially predicted;
- Universities have done more to **use widen participation funding to build partnerships with schools**;
- More professions **have shown an appetite for change** and some employers are introducing more social mobility friendly policies;
- Universities and the professions are both expanding so providing the potential for a social mobility dividend.

What did not work?

- The numbers of students from **state schools and working-class backgrounds at Russell Group universities** has flat-lined for a decade;
- **Opportunities for second chance learners have fallen** as part-time student numbers have declined;
- **Adoption of contextual admissions practices is inconsistent** across the higher education sector.
- **Postgraduate education is a social mobility time-bomb** with no government support for postgraduate students;
- **Infrastructure for school and university interactions has weakened**;
- **Unpaid internships are still far too common** and lock out talent from entering a chosen career.

By 2020 the Commission expects to see progress on five key recommendations

- The UK Government and universities should use the opportunity afforded by an expansion in student numbers cap to **significantly close the access gap** so that by 2020 they are aiming to admit 5,000 more students from a free school meals background and by Russell Group universities aiming to admit 3,000 more state school students who have the grades but currently do not get the places;
- The UK Government and universities should have **increased the proportion of Widening Participation funding being used to support strategic partnerships with schools**. By 2020 a quarter of access funding should support outreach activity including strategic engagement with schools. A social-mobility friendly postgraduate loans system should be put in place;
- Universities should be focussed on **improving the employability skills of students** and the UK Government should develop a more robust way of measuring universities' success in this;
- All leading employers in the professions should be fully **implementing the Champion tier principles from the Social Mobility Compact** by 2020;
- Professional employers should have **ended the practice of unpaid internships** with the Government legislating to achieve this if necessary.

Focus on...The South East



Summary

- The South East has the joint lowest child poverty rate of anywhere in the country, with the lowest proportion of children in workless households in the UK;
- However, educational outcomes for less advantaged children are poor, with relatively low progression rates of poor children to higher education and the Russell Group universities;
- Labour market outcomes are excellent: earnings and employment are the second highest in the UK and unemployment the lowest in the UK.

Child poverty

- 13 per cent of children are in poverty before housing costs and 22 per cent after housing costs;
- The proportion of children in low-income households varies from 6.1 per cent in Hart to 28.0 per cent in Hastings.

Laying the foundations

- 63 per cent of poor children do not achieve a good level of development at age 4: this varies from 52 per cent in Kent to 74 per cent in Wokingham;
- 29 per cent of early years providers in the most deprived areas require improvement.

Educating the next generation

- 45 per cent of poor children fail to achieve the expected level in reading, writing and maths at age 11: this varies from 32 per cent in Windsor and Maidenhead to 56 per cent in Wokingham;
- 67.0 per cent of poor children fail to achieve five good GCSEs including English and maths: this average value varies from 51.6 per cent in Windsor and Maidenhead to 77.4 per cent in Portsmouth;
- 38 per cent of the primary schools and 39 per cent of the secondary schools in the most deprived areas require improvement.

Moving from school to work

- 5.1 per cent of 16–18-year-olds are NEET: this varies from 1.8 per cent in Surrey to 7.9 per cent in East Sussex;
- 21 per cent of poor 16-year-olds do not go on to a positive destination: this varies from 9 per cent in Slough to 34 per cent in Reading.

Employment, pay and progression

- 8.5 per cent of children live in workless households;
- 76.7 per cent of working-age adults are in employment and the unemployment rate is 4.4 per cent;
- Median hourly pay is £12.78 per hour, ten per cent higher than the UK average;
- 6.9 per cent of the working-age population have no qualifications.

Higher education and the professions

- 14 per cent of poor children progress to higher education: this varies from 7 per cent in West Berkshire to 35 per cent in Slough;
- Only 75 poor children progressed to Russell Group universities in 2011/12, equivalent to 1.1 per cent of children eligible for free school meals taking GCSEs in 2008/09;
- 48.6 per cent of people in employment are in managerial, professional or associate professional occupations: this average value varies from 22.1 per cent in Thanet to 67.6 per cent in South Oxfordshire.

Focus on...The South West



Summary

- The South West has relatively low rates of child poverty and relatively few children are in workless households;
- However, educational outcomes for less advantaged children are poor, with fewer getting good GCSEs and progressing to higher education than anywhere else in England;
- Labour market outcomes are good, with one of the highest employment rates and lowest unemployment rates of anywhere in the UK.

Child poverty

- 14 per cent of children are in poverty before housing costs and 25 per cent after housing costs;
- The proportion of children in low-income households varies from 9.0 per cent in the Cotswolds to 24.9 per cent in Bristol.

Laying the foundations

- 63 per cent of poor children do not achieve a good level of development at age 4: this varies from 52 per cent in Devon to 71 per cent in Wiltshire;
- 28 per cent of early years providers in the most deprived areas require improvement.

Educating the next generation

- 44 per cent of poor children fail to achieve the expected level in reading, writing and maths at age 11: this varies from 41 per cent in South Gloucestershire and North Somerset to 54 per cent in Poole;
- 67.8 per cent of poor children fail to achieve five good GCSEs including English and maths: this average value varies from 61.1 per cent in Torbay to 75.6 per cent in South Gloucestershire;
- 27 per cent of the primary schools and 33 per cent of the secondary schools in the most deprived areas require improvement.

Moving from school to work

- 5.2 per cent of 16–18-year-olds are NEET: this varies from 3.2 per cent in North Somerset to 7.7 per cent in Plymouth;
- 20 per cent of poor 16-year-olds do not go on to a positive destination: this varies from 13 per cent in North Somerset to 29 per cent in Torbay.

Employment, pay and progression

- 10.8 per cent of children live in workless households;
- 76.2 per cent of working-age adults are in employment and the unemployment rate is 5.0 per cent;
- Median hourly pay is £10.94 per hour, 6 per cent lower than the UK average;
- 7.0 per cent of the working-age population have no qualifications.

Higher education and the professions

- 13 per cent of poor children progress to higher education: this varies from 9 per cent in North Somerset to 20 per cent in Poole;
- Only 42 poor children progressed to Russell Group universities in 2011/12, equivalent to 1.0 per cent of children eligible for free school meals taking GCSEs in 2008/09;
- 42.5 per cent of people in employment are in managerial, professional or associate professional occupations: this average value varies from 26.6 per cent in Torrington to 55.4 per cent in Stroud.

Annex 1 – References for regional focus facts

References for Regional Focus Facts – England

Child Poverty

- Department for Work and Pensions, *Households below average income (HBAI): 1994/95 to 2012/13*, 2014
- HM Revenue and Customs, *Children in low-income families local measure 2011*, 2014

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- Department for Education, *Destinations of Key Stage 4 and Key Stage 5 Pupils 2011 to 2012*, 2014; Department for Education, *GCSE and equivalent attainment by pupil characteristics*, 2014
- Office for National Statistics, *Annual Population Survey*, 2014 (accessed via <https://www.nomisweb.co.uk/>)

References for Regional Focus Facts – Scotland

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- Department for Work and Pensions, *Households below average income (HBAI): 1994/95 to 2012/13*, 2014
- HM Revenue and Customs, *Children in low-income families local measure 2011*, 2014
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- Joseph Rowntree Foundation, *Closing the attainment gap in Scottish education*, 2014

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- Office for National Statistics, *Region and Country Profiles: Key Statistics and Profiles*, 2013

Higher education and the professions

- Scottish Funding Council, *Participation indicators for Scottish HEIs*, 2014
- Scottish Funding Council, *Higher Education Students and Qualifiers at Scottish Institutions 2011-12*, 2013
- Office for National Statistics, *Annual Population Survey, 2014* (accessed via <https://www.nomisweb.co.uk/>)

References for Regional Focus Facts – Wales

Child Poverty

- Department for Work and Pensions, *Households below average income (HBAI): 1994/95 to 2012/13*, 2014
- HM Revenue and Customs, *Children in low-income families local measure 2011*, 2014

Laying the foundations

- Welsh Government, *Academic achievement and entitlement to free school meals*, 2014
- Estyn, *Annual Report 2012/13: Inspection Outcomes Data*, 2014

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- Welsh Government, *Academic achievement and entitlement to free school meals*, 2014
- Welsh Government, *Academic achievement and entitlement to free school meals*, 2014
- Estyn, *Annual Report 2012/13: Inspection Outcomes Data*, 2014

Moving from school to work

- Welsh Government, *Young people not in education, employment or training*, 2014

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- Office for National Statistics, *Working and workless households – 4th quarter 2004 to 2013*, 2014
- Office for National Statistics, *Labour market statistics* May to July 2014, 2014
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- Office for National Statistics, *Annual Population Survey*, 2014 (accessed via <https://www.nomisweb.co.uk/>)

Annex 2 – The UK, Scottish and Welsh Governments' Indicators of Progress

Summary

Indicator summary

The UK Government tracks its progress in improving social mobility and reducing child poverty using 41 different indicators across its child poverty, social mobility and social justice strategies. There is a lot of overlap, with several of the indicators shared across the three strategies.

The Scottish Government does not have any indicators aligned to objectives in its child poverty strategy, although progress is tracked by a wider set of indicators on the National Performance Framework. The Commission has selected nine of the National Performance Framework indicators that we think are most relevant to the objectives of the Scottish Government strategy. A further five measures have been included within this summary to give a wider understanding of how the Scottish Government is improving child poverty.

The Welsh Government tracks 25 indicators as part of its child poverty strategy. Here the Commission focuses on nine indicators of progress identifies by the Welsh Government in the strategy.

Child Poverty Indicators for UK/GB/England

Trend from date of previous data point available to current	Number of Indicators
Data moving in right direction	6
Broadly constant trend	9
Data moving in wrong direction	5
Cannot determine trend	2

Social Mobility Indicators for UK/GB/England

Trend from date of previous data point available to current	Number of indicators
Data moving in the right direction	3
Broadly constant trend	9
Data moving in the wrong direction	2
Cannot determine trend	6

Social Justice Indicators for UK/GB/England

Trend from date of previous data point available to current	Number of indicators
Data moving in the right direction	0
Broadly constant trend	2
Data moving in the wrong direction	0
Cannot determine trend	4

Child Poverty Indicators for Wales

Trend from date of previous data point available to current	Number of indicators
Data moving in the right direction	3
Broadly constant trend	5
Data moving in the wrong direction	0
Cannot determine trend	1

Child Poverty Indicators for Scotland

Trend from date of previous data point available to current	Number of indicators
Data moving in the right direction	3
Broadly constant trend	6
Data moving in the wrong direction	4
Cannot determine trend	1

Indicator summary table

The table below provides a summary of the direction of movement of the data underlying the Social Mobility and Child Poverty indicators. It assesses overall progress over the medium term by looking at the trend as close to the period 2005/06 as available data permits.

It shows the direction of movement of the most recent data by looking at trends as close to 2009/10 as possible depending on when data is available and also the movement between the last and most recent data points. It is important to note that, because many of the indicators draw on data from sample surveys, small changes in data could be attributed to sampling variability – this is particularly relevant when looking at the direction of the latest data.

There are significant time lags in reporting many of the indicators: while recent data is available for some indicators, for others no data is available since 2008.

Key

- Data moving in right direction
- Data show broadly constant trend or no significant movement
- ▲ Data moving in wrong direction

NA Insufficient data available to determine a trend or no trend assessment possible as data not comparable with previous years

Generally, if the data moves positively by one or more percentage point it is seen as moving in the right direction, between -1 and 1 no significant move and if it changes negatively by one or more it is seen as moving in the wrong direction. For some indicators this approach is not appropriate.

Child Poverty Indicators

Indicator	Area of Coverage	Trend since	Trend since	Trend from date of last data point available to current
Relative low income: proportion of children in households with less than 60 per cent of contemporary median equivalised income	UK	2005/06 to 2012/13 ●	2009/10 to 2012/13 ●	2011/12 to 2012/13 ■
Absolute low income: proportion of children in households with less than 60 per cent of median equivalised income (in 2010/11, adjusted for prices)	UK	2005/06 to 2012/13 ●	2009/10 to 2012/13 ▲	2011/12 to 2012/13 ■
Low income and material deprivation: proportion of children in material deprivation who live in households with less than 70 per cent of contemporary median equivalised income	UK	2005/06 to 2010/11 ■	2009/10 to 2010/11 ●	2011/12 to 2012/13 ▲
Persistent poverty: proportion of children in households where income was less than 60 per cent of contemporary median equivalised income in three of the last four years	UK	N/A	N/A	2004/07 to 2005/08 ▲

Indicator	Area of Coverage	Trend since	Trend since	Trend from date of last data point available to current
Severe poverty: proportion of children in material deprivation who live in households where income is less than 50 per cent of contemporary median income	UK	2005/06 to 2010/11 ●	2009/10 to 2010/11 ●	2011/12 to 2012/13 ▲
Children in workless households: proportion of children in workless households	UK	2006 to 2013 ●	2010 to 2013 ●	2012 to 2013 ●
In-work poverty: proportion of children growing up in families where at least one person works who are still in relative poverty	UK	2005/06 to 2011/12 ●	2009/10 to 2012/13 ■	2011/12 to 2012/13 ●
Proportion of 18–24 year olds: participating in part-time or full-time education or training	England	2006 to 2013 ●	2010 to 2013 ●	2012 to 2013 ■
Proportion of 18–24 year olds: not in full-time education or training who are not in employment	UK	2006 to 2013 ■	2010 to 2014 ▲	2013 to 2014 ▲
Low birth weight: gap between the most and least advantaged social classes	England and Wales	2006 to 2012 ■	2010 to 2012 ■	2011 to 2012 ■

Indicator	Area of Coverage	Trend since	Trend since	Trend from date of last data point available to current
Child Development: gap between children eligible for free school meals and others in school readiness up to five (new proposed indicator)	England	N/A	N/A	N/A
Attainment gap at age 11: gap in the proportion of children achieving Level 4 in both English and maths at Key Stage 2 (age 11)	England	2006 to 2011 ●	2010 to 2011 ●	N/A
Attainment gap at age 16: the gap in proportion of children achieving A*-C in English and maths GCSE	England	2006 to 2013 ●	2010 to 2013 ●	2012 to 2013 ■
Attainment gap at age 19: the gap in proportion achieving Level 3 qualifications through 2+ A-levels	England	2006 to 2013 ■	2010 to 2013 ▲	2012 to 2013 ■
Attainment at age 19: the proportion achieving Level 3 qualifications through qualifications other than A-levels	England	2006 to 2013 ●	2010 to 2013 ●	2012 to 2013 ■
Attainment at age 19: the proportion achieving any Level 3 qualification	England	2006 to 2013 ●	2010 to 2013 ■	2012 to 2013 ■

Indicator	Area of Coverage	Trend since	Trend since	Trend from date of last data point available to current
Progression of pupils to higher education: gap between children eligible for free school meals and others	England	2005/06 to 2011/12 ●	2009/10 to 2011/12 ■	2009/10 to 2011/12 ■
Teenage pregnancy: Conception rate per 1,000 for 15–17 year olds	England and Wales	2006 to 2013 ●	2010 to 2012 ●	2012 to 2013 ●
Number of 10–17 year olds receiving first reprimand, warning or conviction	England and Wales	2005/06 to 2012/13 ●	2009/10 to 2012/13 ●	2011/12 to 2012/13 ●
The proportion of children living in relative poverty in families by: couples who are married/in a civil partnership	UK	2005/06 to 2012/13 ●	2009/10 to 2012/13 ●	2011/12 to 2012/13 ●
The proportion of children living in relative poverty in families by: couples who are cohabiting	UK	2005/06 to 2012/13 ●	2009/10 to 2012/13 ▲	2011/12 to 2012/13 ▲
The proportion of children living in relative poverty in families by: lone parents	UK	2005/06 to 2012/13 ●	2009/10 to 2012/13 ●	2011/12 to 2012/13 ●

Social Mobility Indicators

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10	Trend from date of last data point available to current
Low birth weight: gap between most and least advantaged social classes	England and Wales	2006 to 2012 	2009 to 2012 	2011 to 2012 
Early Child Development: a new metric based on Healthy Child Programme developmental review at age 2–2.5	No data	N/A	N/A	N/A
School readiness: proportion of children achieving a 'good level of development', gap by free school meal eligibility (Early Years Foundation Stage Profile)	England	2006/07 to 2012/13 	2009/10 to 2012/13 	2011/12 to 2012/13 
School readiness: phonics check. Gap in the proportion of year one children, meeting the required standard in the phonics screening check, gap by free school meal eligibility	England	N/A	2011/12 to 2013/14 	2012/13 to 2013/14 
Attainment at 11: gap between children eligible for free school meals and others in the proportion of children achieving Level 4 in both English and maths ('basics') at end of Key Stage 2	England	2006 to 2011 	2010 to 2011 	N/A

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10	Trend from date of last data point available to current
Attainment at 16: gap between children eligible for free school meals and others in the proportion of children achieving A*-C in English and maths GCSEs	England	2006 to 2013 	2010 to 2013 	2012 to 2013 
Attainment at 16: Proportion of children achieving A*-C in English and maths at GCSE, gap between the 10% most and 10% least deprived schools	England	N/A	2009/10 to 2012/13 	2011/12 to 2012/13 
Attainment at age 19: the proportion achieving Level 3 qualifications through 2+ A-levels – gap by free school meal eligibility at age 15	England	2006 to 2013 	2010 to 2013 	2012 to 2013 
Attainment at age 19: the proportion achieving Level 3 qualifications through qualifications other than A-levels – gap by free school meal eligibility at age 15	England	2006 to 2013 	2010 to 2013 	2012 to 2013 
Attainment at age 19: the proportion achieving any Level 3 qualification – gap by free school meal eligibility at age 15	England	2006 to 2013 	2010 to 2013 	2012 to 2013 

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10	Trend from date of last data point available to current
High attainment by school type: gap by school type in the proportion of children studying A-levels who get AAB in three facilitating subjects	England	2008/09 to 2012/13 ●	2009/10 to 2012/13 ●	2011/12 to 2012/13 ■
Youth participation: Proportion of 18 to 24 year olds participating in part-time or full-time education or training – gap by social background	England	N/A	N/A	N/A
Youth participation: Proportion of 18 to 24 year olds not in full time education or training who are not in employment – gap by social background	England	N/A	N/A	N/A
Participation in higher education: gap in the proportion of children who enter higher education by FSM eligibility	England	2005/06 to 2010/11 ●	2009/10 to 2010/11 ■	2010/11 to 2011/12 ■
Participation in higher education: gap between state and selective schools in the proportion of A-level students going to the most selective universities	England	2007/08 to 2010/11 ■	2009/10 to 2010/11 ■	2010/11 to 2011/12 ●

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10	Trend from date of last data point available to current
Graduate destinations: gap in the proportion of graduates in full-time employment six months after graduating who are in graduate jobs, by social background	England	2005/06 to 2009/10 ▲	2010/11 to 2012/13 ■	2011/12 to 2012/13 ▲
Access to the professions: gap in the proportion of the working-age population in higher-level occupations by social background	England	N/A	N/A	N/A
Progression in the labour market: Proportion of the lowest earners (defined as those in the bottom 20% of earners at age 25–30) who experience wage progression over the course of a decade	England	N/A	N/A	N/A
Second chances: Achievement of Level 2 qualifications by adults aged 19 and over	England	N/A	2008/09 to 2010/11 ●	2011/12 to 2012/13 ●
Second chances: Achievement of Level 3 qualifications by adults aged 19 and over	England	N/A	2008/09 to 2010/11 ●	2011/12 to 2012/13 ▲

Social Justice

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10	Trend from date of last data point available to current
Proportion of children who have a stable family free from breakdown, and the proportion of such families reporting a good quality relationship	UK	N/A	N/A	N/A
Extent to which disadvantaged children achieve the same educational outcomes as more advantaged background peers	England	N/A	N/A	N/A
Proportion of youth offenders who go on to reoffend	England and Wales	2006 to 2012 ▲	2010 to 2012 ■	2011 to 2012 ■
Proportion of benefit claimants who have received working-age benefits for at least three out of four past years, with a focus on those capable of work	UK	2006 to 2013 ■	2010 to 2013 ■	2012 to 2013 ■
Improved outcomes for those in drug/ alcohol treatment	England and Wales	N/A	N/A	N/A
Improved outcomes for ex-offenders	No data	N/A	N/A	N/A

Social Mobility and Child Poverty Indicators specific to Wales

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10	Trend from date of last data point available to current
Relative Poverty: Proportion of children living in households with less than 60 per cent of contemporary median equivalised household income, by region and country, Wales	Wales	2005/06 to 2012/13 ●	2009/10 to 2012/13 ●	2011/12 to 2012/13 ●
Absolute Poverty: Proportion of children living in households with less than 60 per cent of 2010/11 median equivalised household income held constant in real terms, by region and country, Wales	Wales	2005/06 to 2012/13 ▲	2009/10 to 2012/13 ▲	2011/12 to 2012/13 ■
Proportion of children in workless households	Wales	2006 to 2013 ■	2010 to 2013 ●	2012 to 2013 ●
Proportion of working-age adults with no qualifications	Wales	2006 to 2013 ●	2010 to 2013 ●	2012 to 2013 ■
Percentage of live births weighing less than 2,500 grams	Wales	2006 to 2013 ■	2010 to 2013 ■	2012 to 2013 ■

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10	Trend from date of last data point available to current
Gap in the percentage of pupils eligible for free school meals and non-eligible for free school meals who achieve the Level 2 threshold including English/Welsh and maths at Key Stage 4	Wales	2007 to 2013 ▲	2010 to 2013 ■	2012 to 2013 ■
Rate of looked after children per 10,000 population aged under 18	Wales	2006 to 2014 ▲	2010 to 2014 ▲	2013 to 2014 ■
Young people Not in Education, Employment or Training (19–24 years of age)	Wales	2006 to 2013 (p)* ▲	2010 to 2013 (p)* ●	2011 to 2013 (p)* ●
Number of children living in low income households reaching health, social and cognitive development milestones when entering formal education	No data	N/A	N/A	N/A

* (p) provisional

Social Mobility and Child Poverty Indicators specific to Scotland

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10	Trend from date of last data point available to current
Proportion of children living in absolute poverty (below 60 per cent of inflation adjusted 2010/11 UK median income) in Scottish households	Scotland	2005/06 to 2012/13 ●	2009/10 to 2012/13 ●	2011/12 to 2011/12 ▲
Proportion of individuals living in private households with an equivalised income less than 60 per cent of the UK median before housing costs	Scotland	2005/06 to 2012/13 ●	2009/10 to 2012/13 ▲	2011/12 to 2012/13 ▲
Percentage of children in combined material deprivation (based on a suite of questions in the Family Resources Survey) and low income (below 70 per cent of UK median equivalised income)	Scotland	2005/06 to 2010/11 ■	2010/11 to 2012/13 ●	2011/12 to 2012/13 ▲
Proportion of total equivalised income going to the bottom three income deciles	Scotland	2005/06 to 2012/13 ■	2009/10 to 2012/13 ■	2011/12 to 2012/13 ■
Gap in average tariff score of S4 pupils, by pupil deprivation	Scotland	2005/06 to 2012/13 ●	2009/10 to 2012/13 ●	2011/12 to 2012/13 ●
Proportion of adults aged 16–64 with low or no qualifications (SCQF Level 4 or below)	Scotland	2006 to 2013 ●	2010 to 2013 ●	2012 to 2013 ■

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10	Trend from date of last data point available to current
Proportion of school leavers who are in a positive destination approximately nine months after leaving school	Scotland	2007/08 to 2012/14 ●	2010/11 to 2013/14 ●	2012/13 to 2013/14 ■
Proportion of 16–19 year olds not in education, employment or training	Scotland	2006 to 2013 ■	2009 to 2013 ■	2012 to 2013 ●
Proportion of graduates in positive destinations six months after graduating	Scotland	2005/06 to 2011/12 ▲	2009/10 to 2011/12 ■	2010/11 to 2011/12 ■
The proportion of new born babies with a weight appropriate for gestational age	Scotland	2006 to 2013 ■	2010 to 2013 ■	2012 to 2013 ■
Proportion of children aged 2–15 years whose Body Mass Index lies within a healthy range (between the 5th and 85th percentiles of the UK growth reference charts)	Scotland	2008 to 2012 ●	2010 to 2012 ■	2011 to 2012 ●
Proportion of adults who assess their health as very good or good	Scotland	2008 to 2012 ▲	2010 to 2012 ▲	2011 to 2012 ▲
Mental wellbeing derived from average score on the Warwick-Edinburgh Mental Well-being Scale (WEMWBS) of adults aged 16+ years	Scotland	2008 to 2012 ■	2010 to 2012 ■	2011 to 2012 ■

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10	Trend from date of last data point available to current
The estimated number of people (aged 15–64) in Scotland who use opiates (including illicit and prescribed methadone) and/or benzodiazepines illicitly	Scotland	2000 to 2009/10 ▲	2006 to 2009/10 ▲	N/A

ISBN 978-1-4741-1119-5



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