

# Research Brief

upReach

## Private Pay Progression

### Introduction

A number of studies have suggested that, despite performing as well - if not better - at university, graduates from less privileged backgrounds are less likely to enter the professions.<sup>1</sup> This growing body of literature shows that social background matters and has a significant effect on graduates' professional success.

Whilst the issue of access to the professions is relatively well understood, there is limited understanding of the impact of entrants' backgrounds on success once in graduate employment.

This briefing is based on research conducted by Jake Anders, from the National Institute for Economic and Social Research (NIESR), exploring graduate pay progression. The research looks at the way social background continues to influence graduate pay and career progression once in professional employment.

### Former private school pupils have faster pay progression

Former private school graduates have faster pay progression once in high-status employment. The average salary difference is in excess of £1,300 per annum six months after graduation. The

### Key findings

- Three and a half years after graduation, private school graduates in top jobs earn £4,500 more than their state school counterparts
- Their salaries also increase more quickly than for state school graduates - growing by £3,000 more over the same three-year period
- Half of this pay difference can be explained by the variables such as type of higher education institution attended or prior academic achievement
- Half cannot be explained by factors accounted for in this research. This implies that non-academic skills such as articulacy or assertiveness could play an important role in accessing high-status jobs, and wider societal factors may also play a role
- Graduates from less privileged backgrounds are marginally more likely to remain in high-status jobs, with 71% still in such employment three and half years after graduation (compared to 65% for their more privileged peers)

study discovered that, over a period of three years, private school alumni's pay grew by 11% more than their state-educated peers (see Table 1). However, the state and independent school sectors are not homogenous and direct comparisons may mask significant variation which could affect employment outcomes. The difference in outcomes is likely to be greater in the least privileged section of this group.

These findings align with the conclusions of recent research which shows that social background impacts pay progression and lifetime earnings. A study by the Social Market Foundation for the Sutton Trust has shown that, by the age of 42, a privately educated person will earn £193,700 more than a state educated person.<sup>2</sup>

Even allowing for family

background and prior educational attainment, the cumulative premium is still nearly £58,000. This is supported by Laurison and Friedman's report on the 'Class Ceiling', which explains that "the upwardly mobile have, on average, considerably lower annual incomes (£8-14k) than higher-origin colleagues" even when they control for a range of different variables.<sup>3</sup>

### Other factors at play

Differences in education are a noticeable driver behind pay progression. Over half the pay difference can be explained by the variables controlled for in our research, such as type of higher education institution attended. However other factors also play an important role in graduate pay progression.

Our research found that a small

1 Macmillan, Tyler & Vignoles (2013) Who gets the Top Jobs? The role of family background and networks in recent graduates' access to high status professions, IOE, Department for Quantitative Social Sciences.

2 Boughton, Ezeyi, Hapkau, Keohane & Shorthouse (2014) Open Access: An Independent Evaluation, Social Market Foundation, p9.

3 Laurison and Friedman (2015) Introducing the Class Ceiling: Social Mobility and Britain's Elite Occupations, Department of Sociology, London School of Economics, p7

**Table 1: Growth in mean gross annual earnings 6 months and 3 years after graduation by school type.**

	Average salary (£)	
	6 months after graduation	3 years after graduation
State school	22,735	31,586
Private school	24,066	36,036
Difference	1,331	4,450

proportion of the total pay difference between graduates in high-status jobs six months after graduation could be explained by factors such as a graduate’s academic attainment prior to university (UCAS points on entry, or the ‘higher education tariff’), the subject studied, degree classification and the type of higher education institution attended (Oxbridge, Russell Group and 1994 Group).

A model was created to compare the differences in pay growth amongst graduates from the same universities enabling us to more clearly identify the impact of social background on graduate pay progression. When we analysed the data using the model and controlled for the other variables mentioned above, it provided an explanation for approximately half of the graduate pay difference.

The remaining half of the initial pay difference could not be explained by any of the factors modelled in this analysis. A plausible explanation is that non-academic skills such as articulacy or assertiveness could play an important role in accessing high-status jobs and career progression once in employment.<sup>4</sup> Therefore non-academic skills can be “associated with positive

outcomes [for young people]”.<sup>5</sup> The evidence from the Boston Consulting Group’s report for the Sutton Trust, *Pathways to Banking*, also supports this conclusion noting that, “while candidates from non-privileged backgrounds score highly in most non-academic skills, they disproportionately lack self-confidence and awareness”.<sup>6</sup> Wider societal factors may also play a role. Research by Laurison and Friedman has also found “that differences in social capital [networks etc.] explained part of the pay disadvantage of the upwardly mobile”.<sup>7</sup>

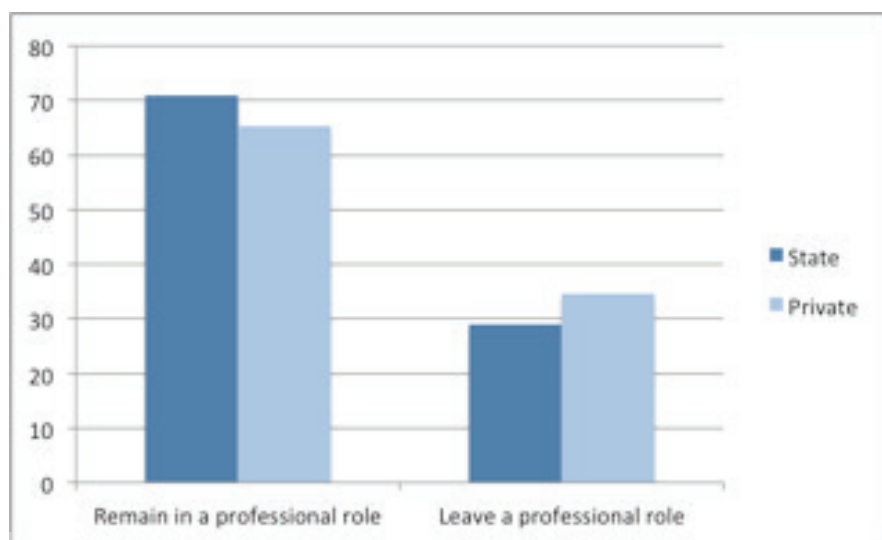
### Staying in high-status jobs

Despite slower pay progression, graduates from less privileged backgrounds are marginally more likely to remain in high-status jobs, with 71% still in such employment three and half years later (compared to 65% for their more privileged peers) (Figure 1), although this difference is only marginally statistically significant.

Nevertheless, this suggests that once undergraduates from less privileged backgrounds access professional employment, they are more likely to stay and build a career within the professions.

There are a number of factors to consider when interpreting graduate performance in professional employment.<sup>8</sup> Firstly pay growth is not always a pure reflection of actual performance and may also be influenced by non-academic skills. Secondly the type of profession may have an impact on job tenure and even pay progression as some professions, such in law or accountancy, involve a “locked-in” training contract of up to three years. Whilst our research has used pay progression and job tenure as proxies for graduate performance, they should not be viewed in isolation and a range of factors should be considered when evaluating performance.

**Figure 1: Proportion of graduates from different types of school in professional occupations three years after graduation.**



4 Blanden, Gregg & Macmillan (2006) Accounting for Intergenerational Income Persistence: Non-Cognitive Skills, ability and Education, Centre for the Economics of Education, London School of Economics, p14

5 Gutman & Schoon (2013) The Impact of non-cognitive skills on outcomes for young people. Literature Review, Educational Endowment Foundation/Cabinet Office

6 Sutton Trust (2010) Pathways to Banking: Improving access for students from non-privileged backgrounds, Boston Consulting Group, p12.

7 Laurison and Friedman (2015) Introducing the Class Ceiling: Social Mobility and Britain’s Elite Occupations, Department of Sociology, London School of Economics, p26

8 Erikson & Goldthorpe (2010) Has social mobility decreased? Reconciling divergent findings on income and class mobility, British Journal of Sociology, 61(2): 211-30.

## Conclusion

After controlling for a range of factors, it seems that school background and less tangible qualities such as social skills may have a significant impact on pay progression. If non-academic skills play a part in the career progression of graduates, it is crucial that both employers and policymakers understand their impact on the recruitment process and on progression once in employment.

## Methodology

For this research, we commissioned research that:

- Compared Higher Education Statistics Agency (HESA) data from the Destination of Leavers of Higher Education (DLHE) conducted six months

after graduation and the Longitudinal Destination of Leavers of Higher Education (Long-DLHE), conducted three and a half years after graduation. This was done for a sample of UK-domiciled graduates who entered the 'high status' jobs in the professional labour market after their first degree;

- Divided the sample between those who attended private and state secondary schools (school type) and by the occupational status of graduates' parents (parental occupational status);
- Defined "high-status" jobs as those in the top National Statistics Socio-Economic Classification (NS-SEC). It was not possible to observe individuals' NS-SEC category three and

a half years after graduation from the data set we used. As a result when analysing how long an individual stayed in a professional job, the research used the top two Standard Occupation Classification (SOC) codes. Medicine was excluded due to the highly structured nature of doctors' early career paths; and

- Performed regression analysis to estimate the relationship between measures of socio-economic status (parental occupational status and school type) and controlled for variables that could affect graduate pay progression such as Higher Education entry tariff, degree classification, subject studied and Higher Education Institution attended.

## Recommendations

1. Our research suggests that the type of school attended, as well as the non-academic skills developed there, may have an impact on graduates' professional futures. This can be seen both in terms of access to professional employment and subsequent pay progression. It is crucial that employers have the tools and expertise to understand the social makeup of their applicants and recruits so that they can make fair judgements about their potential and provide tailored support to enable those from less privileged backgrounds to thrive once in employment.
2. This study builds on research<sup>9</sup> suggesting that unobserved factors such as non-academic skills play a crucial role in access to, and progression within, professional employment. Graduates from less privileged backgrounds have the same academic potential,<sup>10</sup> yet their talent may not be fully expressed in graduate application processes or in career progression once in a professional job. Employers should be encouraged to support less privileged undergraduates to develop these skills. This could deliver real benefits to employers through facilitating greater access to a wider pool of diverse talent. Graduates from less privileged backgrounds applying for high status jobs should be identified early on in the application process and during employment to allow graduate employers to support the best talent to progress regardless of social background. This support might include mentoring opportunities, career coaching and application guidance to help improve key non-academic skills.
3. Previous studies have shown that people from particular backgrounds are disproportionately represented in certain professions. Further research should be undertaken to understand the distribution of less privileged graduates in the labour market and the impact of non-academic skills on graduate career progression. Additionally, more research is needed to fully understand the challenges less privileged graduates face within specific professions and identify the areas where interventions can have the greatest impact.

<sup>9</sup> Macmillan, Tyler & Vignoles (2013) Who gets the Top Jobs? The role of family background and networks in recent graduates' access to high status professions, IOE, Department for Quantitative Social Sciences, p21-22

<sup>10</sup> Higher Education Council for England (2014):03, Differences in degree outcomes: Key findings, Higher Education Council for England.