



Social Mobility &
Child Poverty
Commission

State of the Nation 2015: Social Mobility and Child Poverty in Great Britain

Foreword/Summary

2015

December 2015

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) to assess progress towards improving social mobility and reducing child poverty in the United Kingdom. Its members are:

- The Rt. Hon. Alan Milburn (Chair).
- The Rt. Hon. Baroness Gillian Shephard (Deputy Chair).
- Paul Cleal, Partner at PwC.
- Paul Gregg, Professor of Economic and Social Policy, University of Bath.
- 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 Commission is supported by a Secretariat comprising: Paul Johnston, Kathryn Laing, Peter Brant, Jack Feintuck, Jodie Smith, Frank Soodeen, Claire Battersby, Gene Ward and Catherine Olsen-Saaler.

The functions of the Commission include:

- Publishing an annual report assessing improvement in social mobility in the United Kingdom, progress towards the 2020 child poverty targets and the implementation of the UK's child poverty strategy, and describing the Scottish and Welsh strategies;
- Providing advice to ministers on matters relating to social mobility and child poverty (which must be published);
- Undertaking social mobility advocacy.

Foreword

The Social Mobility and Child Poverty Commission is an independent statutory body which examines what is happening to child poverty and social mobility in the United Kingdom. This is the third State of the Nation report that the Commission presents to Parliament. In this report we assess: what the UK, Scottish and Welsh Governments are doing (our remit does not cover Northern Ireland); what progress is being made; and what we think will happen in the future. We also examine the contribution many others could make including employers and professions, schools and universities, parents and charities. We make a number of recommendations for action.

This is our first annual report since the 2015 UK General Election. On the morning after the election the Prime Minister set a One Nation agenda for this Parliament. Britain, he said, should be “a place where a good life is in reach for everyone who is willing to work and do the right thing”. His would be a government for working people – it would ensure that those who made an effort were fairly rewarded. It would be a government that offered opportunity to all – no matter where they came from.

The Commission warmly welcomes this One Nation commitment and the Prime Minister’s recognition that lower poverty and higher mobility are essential if Britain is to fulfil its potential, be at ease with itself and be confident about the future. In this report we take the Prime Minister’s aspiration as our benchmark. A One Nation society is one where opportunities are shared equally and are not dependent on the family you were born into, the place where you live or the school you attend. It is a society where being born poor does not condemn someone to a lifetime of poverty. Instead it is a society where your progress in life – the job you do, the income you earn, the lifestyle you enjoy – depends on your aptitude and ability, not your background or your birth.

These are the hallmarks of a truly open, fair and meritocratic society. They are a long way from the Britain in which we live. In this report we explore in detail the gulf between where Britain is today and where the Prime Minister would like it to be. We do so not as a counsel of despair, but in order to set out the scale of the One Nation challenge facing the country and to provide the yardstick against which future progress can be judged.

Over many decades, successive governments have sought to boost social mobility and reduce child poverty. Contrary to today’s prevailing climate of cynicism about politics, those efforts have produced real results. Child poverty has fallen by a third since 1997.¹ There are fewer children in workless households than at any time in two decades.² Employment

1 Institute for Fiscal Studies, *Incomes in the UK*, 2015

2 Office for National Statistics, *Working and Workless Households 2015*, 2015

is at record levels³ and educational inequalities, though wide, have slowly narrowed.⁴ More working class youngsters are benefiting from higher education than at any point in history.⁵ Britain today has the fastest growing economy in the G7.⁶

It is also welcome that social mobility has become a new holy grail of public policy. It is a priority for government and in turn it has become a priority for many schools, colleges, universities and employers. Increasingly, many early years services, local authorities and voluntary organisations have also stepped up to the plate and made the social mobility agenda their own. These are solid foundations on which a One Nation agenda can be built.

There are many reasons to be optimistic about the future. Nonetheless, it is obvious that the progress to date has been too limited and too slow. In our report last year we warned that without a dramatic change in approach to how governments, employers and educators tackled child poverty and social mobility, Britain would become a permanently divided nation. Nothing we have seen in the last 12 months has made us change our view. In this year's report we expose some of the deep divides that characterise modern Britain.

There is a growing social divide by income and by class. Looking at earnings, the income share of the top 10 per cent has increased from 28 per cent to 39 per cent since 1979 and the income share of the top 1 per cent has more than doubled from 6 per cent to 13 per cent over the same time period. Looking at wealth, the wealth share of the top 10 per cent has increased from 59 per cent to 66 per cent since 1991 and the wealth share of the top 1 per cent has increased from 19 per cent to 23 per cent over the same time period.⁷ At the very bottom of society there are more than one million children living a life of persistent poverty.⁸ They are excluded from sharing in the many opportunities that life in modern Britain affords.

This form of social exclusion at the very bottom of British society finds an echo in the exclusive social make-up of those at the very top. Those who rise to the top in Britain today look remarkably similar to those who rose to the top half a century ago. In the professions, 71 per cent of senior judges, 62 per cent of senior armed forces and 55 per cent of Civil Service departmental heads attended independent schools – compared to just 7 per cent of the population who had a private education.⁹ Of course, the best people need to be in the top jobs – and there are many good people who come from private schools and who go to top universities. But there can be few people who believe that the sum total of talent resides in just 7 per cent of pupils in the country's schools. The warning from the former Conservative Prime Minister Sir John Major applies to all parts of these islands – in every single sphere of British influence the upper echelons of power are held overwhelmingly by a small elite.

But, as we document in this report, social differences do not always follow common assumptions. Scotland, for example, has the smallest number of children living in poverty among the constituent nations of the UK¹⁰, the lowest prevalence of low pay¹¹ and far more

3 Office for National Statistics, *Labour Market Statistics November 2015*, 2015. 73.7 per cent of 16 to 64-year-olds were in work in Q3 2015

4 For example, children eligible for free school meals were 55 per cent as likely as their peers to get five good GCSEs including English and maths in 2013–14 compared to only 39 per cent as likely in 2004–05. Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics 2014*, 2015; Department for Education and Skills, *National Curriculum Assessment, GCSE and Equivalent Attainment and Post-16 Attainment by Pupil Characteristics in England, 2005*, 2006

5 Higher Education Statistics Agency, *Widening Participation of Under-represented Groups*, 2015. An estimated 103,000 young people from working-class backgrounds (defined as NS-SEC 4-7) from the UK began a higher education course at university in 2013–14 compared to, for example, 77,000 a decade earlier in 2003–04

6 International Monetary Fund, *World Economic Outlook Database: October 2015*, 2015. The UK grew faster in 2014 than the USA, France, Germany, Italy, Japan and Canada

7 Data taken from Reed, H., 'Piketty, Chris Giles and Wealth Inequality: it's All About the Discontinuities', *The Guardian*, 29 May 2014, which is based on Piketty, T., *Capital in the 21st Century*, 2014

8 ONS, *Persistent Poverty in the UK and the EU, 2008-2013*, 2015

9 Social Mobility and Child Poverty Commission, *Elitist Britain*, 2015

10 Department for Work and Pensions, *Households Below Average Income*, 2015

11 Office for National Statistics, *Estimates of Employee Jobs Paid Less Than the Living Wage in London and Other Parts of the UK*, 2015

young people from deprived areas going on to higher education.¹² Wales has relatively high poverty rates and few poorer children leaving school with good qualifications, despite having more mothers with dependent children in work than most other parts of the UK.^{13 14} England has a higher proportion of poorer children leaving school with good qualifications than the other nations of the UK.¹⁵

These national differences are amplified at a more local level. A North:South divide has long been recognised. But that is only the tip of the iceberg when it comes to the fissures that have opened up in our country. It is only 100 miles from Norwich to St Albans, but they are like two different countries. On average, men live three years longer in St Albans than in Norwich, while women live nearly two years longer. The average salary in St Albans is £32,595 compared to £19,382 in Norwich. There are nearly twice as many professional jobs in the former compared to the latter. Unemployment in Norwich is almost double that of St Albans. While 75.9 per cent of children leave school with five A–C grade GCSEs in St Albans, only 43.8 per cent do so in Norwich. Not surprisingly, children in Norwich are over three times as likely to be in low-income families as children in St Albans.¹⁶

There are also big divides by gender and ethnicity. At school boys perform significantly worse than girls. In 2014, boys' GCSE results were 10 percentage points worse than girls' with 52 per cent of boys achieving five good GCSEs compared with 62 per cent of girls. The best results were achieved by Chinese girls (79 per cent) and the worst by black Caribbean boys (39 per cent). In the world of work, the educational attainment gap between boys and girls is reversed, with men getting paid more than women, especially after the age of 30.

So, social mobility is not just an issue about those at the very bottom of society or those at the very top. It affects the whole of our society and every part of our country. Middle England as much as Wales or Scotland. Rural communities as well as urban ones. At every level ours is a small country characterised by a large divide. We are a long way from being a One Nation Britain.

That is not to say that social mobility never happens. It does. There are countless stories of people succeeding against the odds. But that is the point – they have to swim against the tide in order to get on. Today's Britain does not provide a level playing field on which people can aspire to succeed. While educational attainment by children from disadvantaged families has improved over the last two decades, the gap between them and their more fortunate peers has improved only marginally.¹⁷ The number of disadvantaged children going to university has increased but they have much less chance of going to the most sought-after universities than their privately educated peers.¹⁸ Employment has grown considerably since 2010, yet despite recent improvements in real earnings, the number of workers who are low paid has also increased.¹⁹ In recent times, more people are once again getting on to the housing ladder but home ownership rates among the under-25s have halved in just 20 years.²⁰

The divisions in our nation run deep and, arguably, they are deepening. Unsurprisingly, the proportion of people believing that poverty and inequality are one of the most important

12 Higher Education Funding Council for England, *POLAR – Participation of Local Areas*, 2015

13 Office for National Statistics, *Families in the Labour Market 2013*, 2014

14 Welsh Government, *Achievement and Entitlement to Free School Meals*, 2014

15 Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics: 2014*, SFR 06/2015, Welsh Government, *Academic Achievement and Entitlement to Free School Meals*, 2014 and data for Scotland provided by the Scottish Government 2014; Adults Qualifications – Office for National Statistics, *Annual Population Survey*, 2014

16 HM Revenue and Customs, *Personal Tax Credits: Children in Low Income Families Measure: 2013*, 2015

17 Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics 2014*, 2015; Department for Education and Skills, *National Curriculum Assessment, GCSE and Equivalent Attainment and Post-16 Attainment by Pupil Characteristics in England*, 2005, 2006

18 Higher Education Statistics Agency, *UK Performance Indicators in Higher Education*, various years

19 Resolution Foundation, *Low Pay Britain 2015*, 2015

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

issues facing the UK has increased threefold since 2007.²¹ Those public concerns find echoes across the political spectrum. It is welcome that all the main political parties now advocate a Britain that is less elitist and more equal.

It seems that Britain may have reached an inflection point. If the trends of recent decades continue we will become a society that is ever more divided. If, on the other hand, the One Nation aspiration can be translated into real action, Britain could become the most open, fair and mobile society in the modern world. In this report we assess whether the desire for a different sort of society is being matched by policies capable of delivering it. Our conclusion is that, despite many welcome initiatives, the current policy response – by educators and employers as much as governments – falls well short of the political ambition. The gap between rhetoric and reality has to be closed if the Prime Minister's One Nation objective is to be realised.

In the chapters that follow we examine how, across the lifecycle of individuals, the policy and practice of governments, educators and employers has to move up a gear if we are to make progress towards Britain becoming a One Nation society.

Early years

A One Nation early years system would be one where every child whatever their background was school-ready by the age of five. But less than half of the poorest children in England are ready for school by then compared to almost two-thirds of other children, while a deep gender divide means girls from the poorest families do almost as well at age five as boys from better-off families. The North East and rural areas in the west of England do particularly badly in under-fives development. It is welcome that policies introduced by successive governments to create comprehensive early years services are continuing and, arguably, accelerating under this Government, but efforts to improve the school-readiness of the poorest children are uncoordinated, confused and patchy. Meanwhile, the complexity of the childcare funding system is hampering efforts to increase maternal employment.

It is welcome that the Government is increasing the childcare support it offers parents but a genuinely One Nation early years system needs a new scale of ambition. So we recommend that Government should end the strategic vacuum in the early years by introducing two clear, stretching, long-term objectives: to halve the development gap between the poorest children and the rest at age five; and to halve the gap in maternal employment between England and the best-performing nations, both by 2025. To help more parents to parent well the Government should establish an innovation fund designed to test new ways of improving parenting skills; to increase the take-up of free childcare it should radically simplify the multiple streams which finance it; and to improve pre-school development a national definition of school readiness should be established and the Government should unite all those involved in the early years behind delivering it.

Schools

A One Nation schools system would ensure that every child had the chances and choices to fulfil their potential, regardless of birth, background or geographical location. Schools are the cornerstone of efforts to improve social mobility and in some parts of the country – London especially – they are breaking the link between demography and destiny. But schools where poor children do well are the exception rather than the rule and there are some areas – Portsmouth and Bracknell Forest – where no pupils eligible for free school meals went on to a top university. Overall, children who receive free school meals are nearly half as likely to get five good GCSEs as their better-off peers and fewer than one in six get two or more A levels. Poorer children remain more likely to attend weaker schools, especially at secondary level.

²¹ Ipsos-Mori, *Issues Index*, 2015. This records the proportion of respondents who named poverty and/or inequality as one of the most important issues facing Britain today.

The Government is doing a lot to make schools engines of social mobility and there are welcome efforts to drive up standards by toughening exams and by focussing on a core curriculum. But we recommend that the Government should set its sights higher and aim for poor children elsewhere to do as well as they currently do in Inner London by 2030, which would reduce the educational attainment gap between the most disadvantaged children and everyone else by two-thirds. That would mean adopting a new zero tolerance approach to schools whose results remain below the floor standards for a five-year period by making wholesale changes in the leadership of such schools and requiring them to become part of an academy chain. A prestigious new fellowship of Change Leaders – Heads who have previous experience of successfully turning around schools – should be created to lead efforts to put failing schools on the path to success. Finally, we recommend that pay for new teachers should be improved and fees for Initial Teacher Training should be scrapped while the National Teaching Service should be turbo-charged with local trials of better incentives – including a new help-to-buy scheme exclusively for teachers – to get more of the best into the worst schools in disadvantaged areas.

Non-graduates

A One Nation vocational education system would be one which abolished the ‘16+’ divide between youngsters who go on to university and those who do not. Today non-graduates tend to come from low income backgrounds and often end up in low pay, low-progression careers. There is a jungle of qualifications, courses and institutions which students find hard to penetrate. Quality is variable and there is little or no visibility about outcomes. Nor is the system working as well as it should for the economy with skills shortages in precisely those areas – construction, technical and scientific skills – that vocational education is supposed to supply. Unlike higher education, where the cap on student numbers has been lifted, there is more demand for apprenticeships than there are places and a dramatic under-supply of higher-level apprenticeships. Meanwhile, while it is welcome that youth unemployment is falling, there remains no solution to the phenomenon of young people not in education employment or training (NEET).

There is a welcome government focus on improving the life chances of non-graduates with major commitments to expand apprenticeships, embed a system for those who did not get good English and maths GCSEs to re-take them and develop new vocational routes from school to work. But the non-graduate track into employment remains too low a priority. We recommend that new apprenticeships should be targeted at higher-level courses and by 2020 there should be 30,000 young people a year starting a higher apprenticeship. A new UCAS-style website should be created for vocational education within two years so that young people can see what progression, employment and earnings opportunities they are likely to get. Failing further education colleges should become further education academies along the lines of the initial city academies with an external business sponsor. Finally, by 2020 the Government should reduce the NEET rates of 16–18-year-olds to around 55,000 young people (3 per cent or less) in line with the best performing Organisation for Economic Co-operation and Development (OECD) countries, underpinned by a new social investment fund worth around £50 million.

Higher education/professions

A One Nation higher education and professional employment system would be one where access to the top jobs and the best universities is fair and based on aptitude and ability, not background or birth. Substantial effort has been made by some universities and firms to increase the socio-economic diversity of their intakes but young people from poor families are still far less likely to go to university, attend a top institution or access certain elite professions. Law and professional service firms are doing most to improve social mobility; engineering and construction firms least. Privileged youngsters are disproportionately likely to attend selective

universities and seven of 10 recruits in some elite accountancy firms still come from an independent or selective school.

It is welcome that the Government has set a challenging target of doubling the number of students from areas where participation is low. This will involve increasing by around 12,000 the number of students from such areas. There is little chance of success unless universities work together to focus more outreach activity on the schools and the places where HE access lags behind. A £40 million fund taken from universities' widening participation budgets should fund this vital effort. Professional employers similarly need to up their game. We propose that top professional firms should follow the lead of those making the greatest progress in opening up opportunities by changing recruitment processes and we urge the Government to make public sector internships transparent with a new interns.gov.uk website.

In-work poverty

A One Nation country would be one where work offered a guaranteed path out of poverty and where hard-working parents who worked the number of hours society expects would be able to deliver reasonable living standards for their families. But today 1.5 million children are in poverty because their working parents do not earn enough to secure a basic standard of living and the risk of absolute poverty for working families after housing costs has increased over the last decade. The percentage of UK full-time employees in low pay is 20.5 per cent and rising, compared to an OECD average of 17.1 per cent. We are also not as good as other countries in getting households to work as many hours as they reasonably might. Four out of 10 children in working poor households live in families where parents might be expected to enter work or work more hours.

The Government is aiming to tackle this issue by creating a higher pay, lower tax, lower welfare society, where the balance of responsibility for supporting living standards shifts away from the state towards employers and individuals themselves. There are some positive aspects to this approach, but also many risks. Many families will find it very difficult to increase their earnings enough to make good the cuts in state support even if they benefit from the welcome introduction of the National Living Wage. While its focus on tackling low pay and increasing parental employment is encouraging, recent changes to Universal Credit will make many working families significantly worse off.

So we recommend that the Government should, as the public finances improve, revitalise employment incentives in Universal Credit. Employers should take more responsibility for their employees' living standards with change led by a vanguard group of 'One Nation Employers' who act as a beacon for others. The Government should set a clear objective for the UK to become a Living Wage country by 2025 at the latest, and work with business to develop a comprehensive pay, progression and productivity plan that aligns Government programmes behind that goal. This will mean putting the UK on a par with the best performing countries in Europe by halving the proportion of people who earn less than two-thirds of median hourly pay to 10 per cent of employees.

Persistent poverty

In a One Nation country child poverty would be a transient experience and would not inflict lasting damage into adulthood. But today as many as one in six children spend large parts of their lives living in households which are persistently poor. The one million children in this situation are often those from families characterised by ill health and low skills rather than simply by parental addiction or broken relationships.

The Government's focus on getting these families into work is right, but to succeed it will need to focus harder on tackling the multi-causal nature of the persistent poverty problem. The way the welfare-to-work system currently operates is incapable of meeting the needs

of these families. So we recommend that Government should set a goal of making the UK one of the top five OECD countries for having the fewest children in workless households – so that by 2020, 500,000 fewer children live in households where no one works. This new national effort should be led by a refocused and rebranded Troubled Families programme with a remit to offer personalised help to get persistently poor families into secure employment. A new drive to improve the skills of the persistently poor should give personal learning accounts to long-term unemployed adults so they have more responsibility for raising their skill levels.

If we are serious about healing the social divisions that scar our nation then a new scale of ambition and action is required at every level. A wind of change needs to sweep through our country. As a nation, we should refuse to accept that child poverty – particularly when it is persistent – is inevitable. We should not be prepared to see people in work earning below the poverty line. We should not tolerate early years services that do not prepare children for school. We should take action when schools and colleges fail to raise attainment and training levels for the poorest. And we should be prepared to shine a spotlight on those universities and professions that refuse to throw open their doors to a far wider pool of talent.

In our view, poverty and mobility are two sides of the same coin. Without less of the former it is hard to imagine a society with more of the latter. Social justice cannot just be about establishing a new floor below which no one should be allowed to fall. It also has to be about unleashing people's aspiration to succeed. To have a good life, not just a better one. Not just to leave school with good results but to get into a good university. Not just to get a job but to progress in a career. Not just to have affordable housing but to own a home. Social justice means people having more of an equal opportunity to move up and get on.

This may be our last report on the current legal basis. Legislation before Parliament will change our terms of reference so that we lose our child poverty remit. This is part of the Government's wider intention to move its focus from the targets enshrined in the 2010 Child Poverty Act towards improving life chances. It has long been obvious that the existing child poverty targets are not going to be met. In fact they will be missed by a country mile. That is a matter of deep regret. A country that is the fifth richest in the world should not have 2.3 million children officially classified as poor. The Commission has long argued that a more rounded way of measuring poverty – taking greater account of causal risk factors – is sensible. The life chances of children, the poorest especially, depend on many things including good parenting, childcare, education and employment. For that reason we think the Government is right to want to measure worklessness and educational attainment as part of its new focus on improving life chances. But it is not credible to try to improve the life chances of the poor without acknowledging the most obvious symptom of poverty, lack of money. Without the specific inclusion of an assessment of income, these new measures are inadequate. And unless the Government sets a clear target for improving the life chances of the poorest families its agenda for healing social division in our country will lack both ambition and credibility. It will end up measuring life chances but not working towards a clear goal of improving them.

Abolishing the legal targets does not make the issue of child poverty go away. It remains a deep scar in the fabric of our nation. The issue is less how child poverty is measured and more how it is tackled. Far more needs to be done to make sure that the poorest families share in the proceeds of economic growth. That is why we look to decision-makers at every level to make Britain's welcome economic recovery the basis for a sustainable social recovery. Economically, there is a growing sense of confidence about our ability to grow and prosper as a nation. That confidence is borne not just of the UK's recovery from recession but from a belief that we possess the essential attributes needed for success in the future – an open economy, a flexible workforce, a spirit of innovation and enterprise.

It is hard to find the same level of confidence about our social prospects as a nation. Instead there is growing unease – even tension – about the lack of fairness in our society, a sense that our best days lie behind us not ahead. It feels like Britain faces an existential crisis about what sort of society we want to be. There is much talk of less elitism and more equality, of less poverty and more mobility. But willing the ends without the means is a recipe for more division, not less. It is the job of employers, educators and policymakers to reconcile the ends they aspire to see with the means they are willing to deploy. It is the Commission's job to assess whether they are doing so. Our conclusion in this report is that there are some signs of progress but they do not nearly go far enough or fast enough to address the gulf between the divided Britain of the present and the One Nation Britain we aspire to become.